

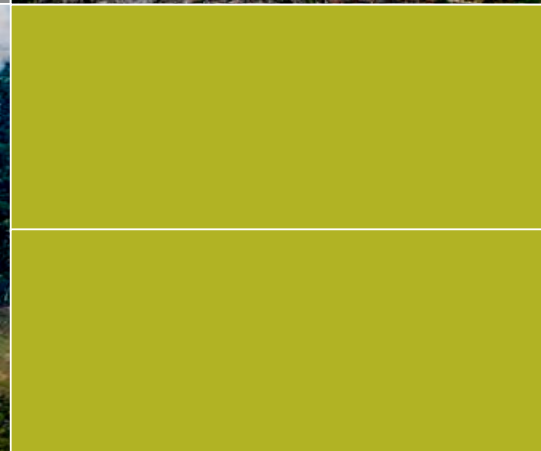


Real-Time Evaluation of Norway's International Climate and Forest Initiative

Contributions to National REDD+ Processes 2007-2010

Country Report: Indonesia

Evaluation Report 16/2010



Norad

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LTS International in collaboration with Indufor Oy,
Ecometrica and Christian Michelsen Institute

Preface

This evaluation is part of the first phase of a real-time evaluation of Norway's International Climate and Forest Initiative (NICFI). As such, it is a major undertaking and the first of its kind for the Evaluation Department. The evaluation is conducted by a team of independent evaluators from the British company LTS International in collaboration with Indufor Oy, Ecometrica and Christian Michelsen Institute.

The evaluation was initiated in accordance with the Evaluation Department's mandated responsibility to evaluate Norwegian development cooperation and motivated by the strong interest from NICFI to draw early lessons and allow corrections to be made in 'real time'.

The primary purpose of this evaluation has been to develop a baseline for subsequent ex-post evaluations and to provide early feedback to the stakeholders and the public about preliminary achievements. As with any evaluation, the purpose is to provide feedback of lessons learned and to provide basis for accountability, including the provision of information to the public.

The evaluators have been provided with a rather daunting task, but we believe that the complexity of the evaluation subject has been well captured by the evaluators. Yet it should be recognized that not all aspects of NICFI have been evaluated at this stage and that the evaluation is not intended to give the answer about NICFI. It should also be kept in mind that REDD (Reducing emissions from deforestation and forest degradation) is a complex and moving target.

We would like to acknowledge the efforts made and the cooperation rendered by the initiative's staff and their development partners. We also gratefully acknowledge the support of our external advisers who have commented on the draft reports.

Our hope is that the reports from the first phase of the real-time evaluation will not only add to the experience and lessons learnt through this initiative, but as well contribute to an informed public debate about an important topic.

Oslo, March 2011



Asbjørn Eidhammer
Director of Evaluation

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The Indonesia country team is composed of three experts:

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| Majella Clarke | Indufor | REDD policies, actions, processes, accounting (MRV) and financing, institutions + report writing |
| Asep Suntana | Indufor | Background, policy and legislation, Institutions, capacity assessment and building, report writing |

This report is one of five country evaluations undertaken under a contract held by the consortium led by LTS International and which includes Ecometrica, CMI and Indufor. Each country evaluation was the responsibility of the organization to which the Team Leader belongs.

Contents

| | |
|--|------------|
| Preface | iii |
| Acknowledgements | v |
| Acronyms | xi |
| Executive Summary | xv |
| | |
| 1. Introduction | 3 |
| 1.1 General Background | 3 |
| 1.2 Real-Time Evaluation Programme | 3 |
| 1.3 This Evaluation | 4 |
| 1.4 The Evaluation Object – Norway’s International Climate and Forest Initiative (NICFI) | 5 |
| 1.4.1 NICFI’s Objectives | 5 |
| 1.4.2 NICFI’s Internal Institutional Framework | 5 |
| 1.4.3 NICFI’s Portfolio of Inputs | 5 |
| 1.4.4 National REDD Strategies | 6 |
| 1.4.5 The Rationale Behind NICFI’s Support to National Level Activities | 6 |
| 1.4.6 History of NICFI in Indonesia | 8 |
| 1.5 Country Context | 12 |
| 1.5.1 Indonesia, Its Forests and Forest Sector | 12 |
| 1.5.2 The Political Economy of REDD+ in Indonesia | 16 |
| 1.5.3 Brief Overview of the REDD Process and Stakeholders in Indonesia | 18 |
| | |
| 2. Methodology | 23 |
| 2.1 Real-Time evaluation | 23 |
| 2.2 The Timeframe for the Evaluation | 23 |
| 2.3 Selection of Themes and Indicators | 23 |
| 2.4 OECD/DAC Criteria | 24 |
| 2.5 Collection of Evidence | 25 |
| 2.6 Methodological Limitations | 25 |
| 2.6.1 Themes and Indicators | 25 |
| 2.6.2 OECD/DAC Criteria | 25 |
| | |
| 3. Baseline situation for REDD in Indonesia in 2007 | 26 |
| 3.1 National Ownership and Institutional Arrangements | 26 |
| 3.2 REDD Relevant Policies, Strategies, Plans and Actions | 28 |
| 3.2.1 REDD Relevant Laws and Policies | 28 |
| 3.2.2 REDD Relevant Strategies | 29 |
| 3.2.3 REDD Relevant Plans | 30 |
| 3.2.4 REDD Relevant Actions | 30 |

| | | |
|-----------|---|-----------|
| 3.3 | MRV Capacity and Capability | 31 |
| 3.3.1 | Forest Cover Monitoring Capacity in Indonesia up to 2007 | 31 |
| 3.3.2 | Forest Cover Monitoring up to 2007 | 32 |
| 3.3.3 | Monitoring and Measuring Degradation and Specific Carbon Pools | 32 |
| 3.3.4 | Reporting and Verification | 33 |
| 3.3.5 | Reference Emissions Levels | 33 |
| 3.4 | Deforestation and Forest Degradation Rates | 33 |
| 3.4.1 | Forest Cover Loss | 33 |
| 3.4.2 | Emissions from Deforestation | 34 |
| 3.4.3 | Emissions from Peat Fires | 35 |
| 3.4.4 | Business as Usual Deforestation Estimates | 36 |
| 3.4.5 | Drivers of Deforestation and Forest Degradation | 37 |
| 3.5 | Social and Environmental Safeguards and Co-benefits | 38 |
| 3.5.1 | Introduction | 38 |
| 3.5.2 | Rights of Indigenous Peoples | 39 |
| 3.5.3 | Land Rights, Forest Rights, Carbon Rights | 41 |
| 3.5.4 | Free Prior and Informed Consent | 43 |
| 3.5.5 | Gender | 43 |
| 3.5.6 | Livelihoods and Benefit Sharing | 44 |
| 3.5.7 | Biodiversity and Ecosystem Services | 45 |
| 3.5.8 | Monitoring and Complaint and Redress mechanisms | 46 |
| 3.6 | Donor Support and Coordination | 46 |
| 3.6.1 | Overview of Main REDD Relevant Donors and Coordination | 46 |
| 4. | Status and Progress of the National REDD Process in 2010 | 48 |
| 4.1 | National Ownership and Institutional Arrangements | 48 |
| 4.1.1 | Ownership | 48 |
| 4.1.2 | Institutional Arrangements | 49 |
| 4.2 | REDD Relevant Policies, Strategies, Plans and Actions | 50 |
| 4.2.1 | REDD Relevant Policy and Regulation | 50 |
| 4.2.2 | REDD Relevant Strategies | 52 |
| 4.2.3 | REDD Relevant Plans | 54 |
| 4.2.4 | REDD Relevant Actions | 54 |
| 4.3 | MRV Capacity and Capability | 61 |
| 4.3.1 | Developments in Forest Cover Monitoring Capacity 2007-2010 | 61 |
| 4.3.2 | Progress in Carbon Accounting from Land Based Emissions | 62 |
| 4.3.3 | Progress on MRV and the Roles of Different Institutions | 63 |
| 4.3.4 | Discussion | 66 |
| 4.4 | Deforestation and Forest Degradation Rates | 67 |
| 4.4.1 | Progress on Definitions | 67 |
| 4.4.2 | Emissions from Deforestation and Peat | 68 |
| 4.4.3 | Business As Usual (BAU) Deforestation Estimates and Mitigation Scenarios | 68 |
| 4.4.4 | Drivers of Deforestation and Forest Degradation | 69 |
| 4.5 | Social and Environmental Safeguards and Co-benefits | 69 |
| 4.5.1 | Overview | 69 |
| 4.5.2 | Rights of Indigenous People | 70 |
| 4.5.3 | Land, Forest and Carbon Tenure | 72 |

| | | |
|-----------|--|-----------|
| 4.5.4 | Free, Prior and Informed Consent (FPIC) | 74 |
| 4.5.5 | Gender | 75 |
| 4.5.6 | Livelihoods and Benefit Sharing | 76 |
| 4.5.7 | Biodiversity | 79 |
| 4.5.8 | Monitoring and Complaints and Redress | 81 |
| 4.6 | Donor Support and Coordination | 81 |
| 4.6.1 | Current and Pledged Sources of REDD+ Financing in Indonesia | 81 |
| 4.6.2 | Donor Mapping and Coordination | 84 |
| 5. | Contribution of NICFI to Progress on the National REDD+ Process | 86 |
| 5.1 | National Ownership and Institutional Arrangements | 86 |
| 5.2 | REDD+ Relevant Policies, Strategies, Plans and Actions | 87 |
| 5.2.1 | National REDD Strategy | 87 |
| 5.2.2 | Other REDD Relevant Policies and Strategies | 88 |
| 5.2.3 | REDD Relevant Actions | 88 |
| 5.2.4 | REDD Relevant Research | 88 |
| 5.2.5 | Forest Governance and Corruption | 89 |
| 5.3 | MRV Capacity and Capability | 89 |
| 5.4 | Deforestation and Forest Degradation Rates, Addressing Leakages | 90 |
| 5.5 | Social and Environmental Safeguards | 90 |
| 5.5.1 | Rights of Indigenous People | 92 |
| 5.5.2 | Land, Forest and Carbon Tenure | 92 |
| 5.5.3 | Free Prior and Informed Consent (FPIC) | 92 |
| 5.5.4 | Gender | 92 |
| 5.5.5 | Livelihoods and Benefit Sharing | 93 |
| 5.5.6 | Biodiversity and Ecosystem Services | 93 |
| 5.5.7 | Monitoring and Complaints and Redress | 94 |
| 5.6 | Donor Support and Coordination | 94 |
| 6. | Evaluation of NICFI Contribution to Progress | 95 |
| 6.1 | Introduction | 95 |
| 6.2 | Relevance | 95 |
| 6.2.1 | General Comments | 95 |
| 6.2.2 | National Ownership and Institutional Arrangements | 95 |
| 6.2.3 | REDD Policies, Strategies, Plans and Actions | 96 |
| 6.2.4 | MRV Capacity and Capability | 96 |
| 6.2.5 | Deforestation and Forest Degradation | 96 |
| 6.2.6 | Social and Environmental Safeguards and Co-benefits | 97 |
| 6.2.7 | Donor Support and Coordination | 97 |
| 6.2.8 | Conclusions | 98 |
| 6.3 | Effectiveness | 98 |
| 6.3.1 | National Ownership and Institutional Arrangements | 98 |
| 6.3.2 | REDD Policies, Strategies, Plans and Actions | 99 |
| 6.3.3 | MRV Capacity and Capability | 99 |
| 6.3.4 | Deforestation and Forest Degradation | 100 |
| 6.3.5 | Social and Environmental Safeguards and Co-benefits | 100 |
| 6.3.6 | Donor Support and Coordination | 101 |
| 6.3.7 | Conclusions | 101 |
| 6.4 | Efficiency | 102 |

| | | |
|-----------|--|------------|
| 7. | Recommendations | 103 |
| 7.1 | Recommendations Regarding NICFI and REDD+ in Indonesia | 103 |
| 7.1.1 | National Ownership, Institutions and Participation | 103 |
| 7.1.2 | REDD Policies, Strategy, Plans and Actions | 103 |
| 7.1.3 | MRV Capacity and Capability | 104 |
| 7.1.4 | Deforestation, Degradation and their Drivers | 104 |
| 7.1.5 | Social and Environmental Safeguards | 105 |
| 7.1.6 | NICFI Strategy, Management and the Implementation of Lol | 106 |
| Annex 1 | List of Persons Consulted | 113 |
| Annex 2 | References | 119 |
| Annex 3 | Mapping of Demonstration / Pilot Projects / Activities Supported by NICFI Financing | 127 |
| Annex 4 | List of Sub-national REDD+ Projects in Indonesia | 129 |
| Annex 5 | Details of Donor Mapping Exercise (Sarito 2010) | 132 |
| Annex 6 | Terms of Reference | 134 |

Acronyms

| | |
|-----------------|---|
| AFOLU | Agriculture, Forestry and Other Land Uses |
| AMAN | Aliansi Masyarakat Adat Nusantara (Indonesian Alliance of Indigenous Communities) |
| BAPLAN | Badan Planologi (Division of Forest Planning) |
| BAPPENAS | Badan Perencanaan Pembangunan Nasional (National Development Planning Agency) |
| BAU | Business As Usual |
| CCBA | Climate, Community & Biodiversity Alliance |
| CI | Conservation International |
| CIFOR | Center for International Forestry Research |
| CO ₂ | Carbon dioxide |
| COP | Conference of the Parties to the United Nations Framework Convention on Climate Change |
| DG | Directorate General |
| DGPLAN | Direktorat Jendral Planologi Kehutanan (Directorate General for Forest Planning) |
| FCPF | Forest Carbon Partnership Facility |
| FFI | Fauna and Flora International |
| FLEGT | Forest Law Enforcement, Governance and Trade |
| FMU | Forest Management Unit |
| FOMAS | Indonesia's Forest Monitoring and Assessment System |
| FORDA | Forestry Research and Development Agency |
| FPIC | Free Prior and Informed Consent |
| FRA | Forest Resources Assessment |
| FRIS | Forest Resources Information System |
| GEF | Global Environment Facility |
| GER | Global Eco-Rescue |
| GIS | Geographical Information System |
| Gol | Government of Indonesia |
| GoN | Government of Norway |
| GTZ | German Technical Cooperation Agency |
| ha | hectares |
| HR | Hutan Rakyat |
| HTI | Hutan Tanaman Industri (Industrial Plantation Forest) |
| HTR | Hutan Tanaman Rakyat |
| HuMa | Perkumpulan untuk Pembaharuan Hukum berbasis Masyarakat dan Ekologi (Community and Ecology Based Legal Reform Organisation) |
| ICRAF | World Agroforestry Centre |

| | |
|---------|---|
| IFCA | Indonesian Forest Climate Alliance |
| IPCC | Inter-Governmental Panel on Climate Change |
| INCAS | Indonesia's National Carbon Accounting System |
| JICA | Japan International Cooperation Agency |
| KfW | German Development Bank |
| KpSHK | Kelompok Sistim Hutan Kerakyatan (Consortium for Supporting Community Based Forest System Management) |
| Lol | Letter of Intent |
| LULUCF | Land Use, Land Use Change and Forestry |
| MODIS | Moderate Resolution Imaging Spectroradiometer |
| MoE | Ministry of Environment |
| MoF | Ministry of Forestry |
| MOU | Memorandum of Understanding |
| MRV | Measurement (Monitoring) Reporting and Verification |
| NFI | National Forest Inventory |
| NICFI | Norway's International Climate and Forest Initiative |
| Norad | Norwegian Agency for Development Cooperation |
| ODA | Official Development Assistance |
| OECD | Organisation for Economic Cooperation and Development |
| PES | Payment for Ecosystem Services |
| PNG | Papua New Guinea |
| PP | Peraturan Pemerintah (Government Regulation) |
| PROFOR | The Program on Forests |
| PSP | Permanent Sample Plot |
| RECOFTC | Center for Peoples and Forests (Regional Community Forestry Training Center) |
| REDD | Reducing Emissions from Deforestation and Forest Degradation |
| REL | Reference Emissions Level |
| RMU | PT Rimba Makmur Utama |
| R-PIN | REDD Project Idea Note |
| R-PLAN | REDD Plan |
| RS | Remote Sensing |
| ToR | Term of Reference |
| TNC | The Nature Conservancy (US Conservation NGO) |
| UKP4 | Unit Kerja Presiden Bidang Pengawasan dan Pengendalian Pembangunan Presidential Delivery Unit for the Supervision and Monitoring of Development |
| UNDP | United Nations Development Programme |
| UNDRIP | United Nations Declaration on Rights of Indigenous Peoples |
| UNEP | United Nations Environment Programme |
| UNFCCC | United Nations Framework Convention on Climate Change |
| UN-REDD | United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries |
| WRI | World Resources Institute |
| WWF | Worldwide Fund for Nature and Natural Resources. |

Executive Summary



Executive Summary

This report presents the findings of an evaluation of the support provided by Norway's International Climate and Forest Initiative (NICFI) to the formulation and implementation of national REDD¹ strategies and other REDD readiness efforts in Indonesia up until the end of August 2010. The evaluation is one of five national-level evaluations of NICFI carried out as part of an ongoing four year "real-time" evaluation agreement² signed between Norad's Evaluation Department and a consortium of research consultancy companies led by LTS International.

The country field mission took place in Bangkok and Indonesia from 28 July – 14 August, and literature was consulted until the end of August 2010. The evaluation examines Indonesia's REDD programme in six progress areas identified with Norad: i) National Ownership; ii) REDD Strategies and Policies; iii) Monitoring, Reporting and Verification Systems; iv) Deforestation and Forest Degradation Rates; v) Social and Environmental Safeguards and Co-benefits, and vi) Donor Support and Coordination.

The report shares a common structure with the other four national-level assessments. The first two sections review the programme objectives and theory of NICFI globally and in Indonesia, and the evaluation methodology. In Section 3, a baseline situation of REDD in Indonesia, taken to be 2007, is described with reference to these six progress areas, and then in Section 4, an account of progress up to the time of the assessment in mid-August 2010 is provided. In Section 5, NICFI's contribution to this progress is described and in Section 6, an assessment is made of the *relevance*, and to a lesser extent the *effectiveness* and *efficiency* of these contributions. Section 7 presents conclusions and recommendations.

NICFI Objectives and Programme Theory

The rationale behind NICFI's support for REDD is to make a substantial contribution in the struggle against global warming. The climate-related goals will therefore determine which support is to be initiated, continued, terminated or changed. Sustainable development and poverty alleviation are overarching goals of Norwegian foreign and development policy. Thus, in addition to the climate-related goals, these are essential goals for NICFI. In pursuing the different goals, the climate policy and the development policy should be mutually supportive.

1 The terms REDD and REDD+ are used interchangeably in this report. In both instances the intended meaning is REDD-plus, as defined in the Bali action plan - "reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries".

2 In addition to the five national studies (the others being Democratic Republic of Congo, Tanzania, Guyana and Brazil), the real-time evaluation includes a global REDD policy evaluation.

The funding shall be used in accordance with the objectives of NICFI:

- To work towards the inclusion of emissions from deforestation and forest degradation in a new international climate regime;
- To take early action to achieve cost-effective and verifiable reductions in greenhouse gas emissions;
- To promote the conservation of natural forests to maintain their carbon storage capacity.

NICFI promotes national ownership of REDD+ programmes, and particularly respects partner country sovereignty in development and implementation of policies and measures, as long as basic requirements established in framework documents and/or use of development cooperation funding are met. In line with this, NICFI is applying a “light touch” approach in Indonesia, engaging very few of its own staff, but remains committed to provide political, technical or administrative support to the Gol on request.

NICFI's Support to REDD in Indonesia

NICFI's support in Indonesia is provided through four main funding channels:

- Bilateral partnership: the Letter of Intent (LoI) of May 2010, pledging up to US\$ 1 billion in performance-based payments, including US\$30 million start-up funds in 2010;
- Multilateral mechanisms: UN-REDD (started March 2010), World Bank's Forest Carbon Partnership Facility, and Forest Investment Program (both still in planning)
- Norad-managed Civil Society Support Scheme (since 2008);
- Embassy-managed development cooperation grants (since 2008)³.

The major components of NICFI, the Bilateral Partnership and UN-REDD, began implementation in May and March 2010 respectively, and it is thus too early to assess their impact. One of the main functions of this evaluation is therefore to provide a history of REDD in Indonesia and a situation analysis in August 2010, which will serve as a baseline for a comprehensive assessment of NICFI, and particularly the Bilateral Partnership, in the future. The main findings, conclusions, and recommendations of the present evaluation, summarised below, relate mainly to NICFI's relevance and likely effectiveness and efficiency.

Baseline Situation in 2007

In 2007, the state of *national ownership and stakeholder participation* on REDD was an outcome of the Indonesia Forest and Climate Alliance (IFCA) process through which Indonesia had prepared its technical contribution to the 13th Conference of Parties to the United Nations Framework Convention on Climate Change (UNFCCC COP13). Although the Ministry of Forestry (MoF) was initially a reluctant partner in IFCA, their “ownership” strengthened in the run up to COP13. Donors, international non-governmental organisations (NGOs) and technical consultants were important participants in IFCA, but the process excluded national NGOs.

³ Some of the Embassy managed grants are relevant to, but not actually part of NICFI (see below).

At COP13, Indonesia presented an analysis and case study of how a REDD mechanism could function as an international mitigation action that would yield carbon emissions reductions. This analysis (IFCA 2007) formed the basis of Indonesia's first **draft REDD strategy**.

The IFCA studies provided a sound preliminary analysis of drivers of planned and unplanned **deforestation and forest degradation**, and reported deforestation rates of 0.22 million to 1.18 million ha/yr (avg 0.7 million ha/yr) for the period 2000-2005. Of this 70% was in dry land forest and 30% in peat forest. However, accurate determination of these rates depends crucially on the definitions of forest and forest degradation, and these had not been agreed.

In 2007, most bilateral and multilateral donors and the Government of Indonesia (Gol) had policies relating to **social and environmental safeguards** (including indigenous rights, land and forest rights, free prior and informed consent, gender, livelihoods and benefit sharing, biodiversity and monitoring and redress mechanisms) deriving from their official development assistance (ODA) activities. The Community, Climate and Biodiversity Alliance had recently developed related standards for carbon projects. The debate relating these safeguards to REDD was just beginning.

IFCA was the main conduit for **donor support** during the run up to COP13, in Bali in 2007. DFID and the World Bank **coordinated** the inputs from national and international experts. PROFOR and the Australian and German Governments provided additional financial support.

Progress on REDD up to August 2010

Following COP13, the MoF took over **national ownership** of Indonesia's REDD programme, but is perceived to have neglected the participation of other stakeholders, and treated REDD as a job done, rather than a concept requiring further development and adaptation. Through 2008, the MoF led on planning for UN-REDD and FCPF, both which are perceived to have proceeded slowly and uncreatively.

Only after President Susilo Bambang Yudhyono's announcement at the Pittsburgh G20 meeting in late 2009 of Indonesia's own greenhouse gas emission reduction targets, were **national cross-sectoral interest** and participation in climate change and REDD renewed. This rapidly led to the National Planning Agency (BAPPENAS) coordinated *Indonesia Climate Change Sectoral Roadmap* and the Ministry of Finance produced *Green Paper on Economic and Fiscal Strategies for Climate Change Mitigation*, both with significant REDD components. It also renewed Norway's interest in the possibilities of a bilateral programme with Indonesia.

The **National REDD-Indonesia Strategy Readiness Phase 2009-2012** was published in March 2010. The strategy is based on best available data, but remains incomplete, as it does not yet fully address all the drivers of deforestation and forest degradation. Through the Norway-Indonesia Lol, a multi-stakeholder process will

build on these documents to produce a full National REDD+ strategy before the end of the 2010⁴.

Since 2007, the MoF promulgated several key pieces of **regulation** to control different aspects of the rapidly developing REDD sector, in particular the rapidly increasing number of voluntary carbon market and official REDD demonstration projects. The legislation on benefit-sharing has been contested by the Ministry of Finance, asserting it is not MoF's mandate to decide on national financial matters.

Advances in the accuracy of **monitoring and reporting** of forest data and carbon stocks since 2007 have included site specific estimates of changes in all five carbon pools by several demonstration projects, as well as national-level research on the estimation of carbon emissions from peat forests. By mid-2010, a national reference level had not been officially established. Arguably, the Business-As-Usual (BAU) estimate of 2.95 Gt CO₂e (of which 1.5 Gt from forest sector) in 2020, which formed part of the background for President Yudhoyonos G20 announcement, may be seen to serve as such in the interim. Many donors are supporting MRV work, but different methodologies are being developed. By mid-2010, the definitions of "forest" and "**forest degradation**" needed for accurate MRV still had not been agreed. Through development of the Indonesian National Carbon Accounting System (INCAS), some progress had been made on conceptualizing and measuring leakage, but it remained unclear how this would be integrated into the national reference level. Important progress had been made with preliminary BAU estimates and mitigation scenarios have been developed for both peat and forest land. The differences between the *drivers* and *causes* of deforestation in Indonesia were better understood, but no progress had been made on determining or differentiating the causes and drivers of forest degradation, separately from deforestation.

Since 2007, progress to ensure **social and environmental safeguards** and policies are upheld in Indonesia's REDD strategies, laws and activities has been slow, but highlights include the passing of a forestry regulation which ensured significant sharing of REDD benefits with communities, and UN-REDD's lead on free, prior and informed consent for its readiness phase activities in Central Sulawesi. New forestry regulations have also enabled the implementation of various village forestry schemes that could provide rights applicable for REDD, however application procedures make them difficult for communities to access so that uptake has been very limited. Promised agrarian reform and progress on indigenous rights has not materialised, and overall there appears to be considerable resistance to many safeguards in government and the business establishment. FCPF has been criticised for failing to uphold safeguards in the R-PLAN process.

Since COP13, there has been increased **donor support** to REDD+ in Indonesia. As of August 2010, US\$ 144 million in bilateral finance for REDD+ has been agreed or pledged, and a further US\$ 85 million has been mainly pledged through the World Bank's Forest Carbon Partnership Facility and Forest Investment Program (FIP). IFCA

⁴ By autumn 2010, this date had been put back and the Strategy was expected by the end of the preparatory phase, which itself was expected to run sometime into 2011. It should be noted that according to the LoI, the REDD+ Strategy is a living document which will be revisited, revised and developed further as implementation proceeds and lessons are learned.

was disbanded soon after COP13, and since then **donor coordination** on REDD+ has been rather *ad hoc* and inadequate, which is disappointing, given the large number of donors and interventions currently being planned or implemented.

NICFI's Contribution to REDD+ in Indonesia

Norway is by far the biggest donor for REDD+ in Indonesia and one of the few to be contributing new money. Norway is the major donor to the US\$ 5.6 million UN-REDD programme, but only one of many donors to FCPF and FIP, and these contributions are not explicitly earmarked for Indonesia. Through the bilateral Lol Norway has pledged performance-based payments of up to US\$ 1 billion. In August 2010, NICFI agreed to disburse US\$ 30 million of this upfront to support the preparation phase of the Lol. Local and international NGOs and research organisations have received some US\$ 15 million for REDD+ related activities.

Although UN-REDD is limited to readiness activities, it has an important comparative advantage in its community approaches, and the application of UN convention related social and environmental safeguards, especially Free Prior and Informed Consent (FPIC).

The Lol of May 2010, and the President's commitment to its delivery, notably through the appointment of the Unit Kerja Presiden Bidang Pengawasan dan Pengendalian Pembangunan (UKP4, the Presidential Delivery Unit for the Supervision and Monitoring of Development) as interim implementation managers, has been perhaps the most important development in REDD in Indonesia, and is proving a potential "game-changer", particularly in broadening **national ownership**. By mid-August 2010, the Lol had elevated the position of REDD+ on the national agenda, catalysed action to address critical bottlenecks in REDD+ readiness, broadened government and civil society participation and stimulated media interest and national debate on REDD+.

The first (preparation) phase of the Lol targets some actions of strategic importance: preparation of the **national REDD+ strategy**, establishment of a special agency reporting to the President on REDD+ development and implementation, establishment of an **independent MRV agency**, and the establishment of a **REDD+ funding instrument** and financial management institution. In mid-August 2010, work was well underway under the direction of the UKP4, but outputs are not expected until the end of the year. The subsequent phases of the Lol (2011-2016) will include some important **REDD relevant actions**: a two-year moratorium on new concessions for conversion of natural forest and peat (to be in place by 1 January 2011), the creation of a degraded lands database, and the start of performance based payments for emissions reductions. Early drafts, statements and opinions on the moratorium from various quarters, including the MoF, have been criticised for not addressing forest conversions permissible under existing licences.

NICFI is supporting **MRV development** and capacity building through UN-REDD and relevant **research**, especially by CIFOR. Through the FCPF, further technical work on MRV is planned. In addition to the independent MRV agency, mentioned above, the Lol will support Indonesia to establish a national degraded lands database,

which should be used to inform future land use planning, and enable commercial plantation development to be steered away from remaining natural forests and peatlands, thereby reducing **deforestation** and emissions and protecting biodiversity.

The Lol has been criticised for its weak approach to **social and environmental safeguards**, and it appears to the evaluators at least partly correct that in its drive to establish performance-based payments for emissions reductions in Indonesia, NICFI risks compromising its broader development cooperation objectives and social and environmental justice. However, it is appreciated that the Lol negotiations, particularly concerning issues relating to national sovereignty, have been delicate and some objectives may be better approached indirectly. NICFI is supporting work on social and environmental safeguards through its Civil Society Support Scheme, and scope remains to include targeted approaches in the National REDD+ Strategy and specific outputs and indicators in later agreements developed under the Lol.

Donor coordination is, strictly speaking, the responsibility of Gol and the Lol does not include any specific **donor coordination** outcomes. Nevertheless, it may provide donors with elements of a much needed shared focus. The Presidential Delivery Unit for the Supervision and Monitoring of Development, UKP4, is providing the coordination required to deliver the Lol and there are plans to include the establishment of a formal Joint Consultation Group which will engage in some donor coordination.

From 2009, NICFI's Norad-managed civil society grants have helped support a wide range of international and local NGOs in Indonesia to engage on REDD+ issues, and some are now contributing to national policy debates on, amongst other issues, social and environmental safeguards and to approaches to implementation of demonstration projects. Through the civil society grants channelled through the Embassy, Indonesian and international organisations are doing important research on governance related issues.

Conclusions and Lessons learned

The main components of NICFI (the Lol and UN-REDD) have only recently started implementation, so it is still too early to assess their impact. In terms of relevance, NICFI's support is very well matched to Indonesia's REDD+ strategic priorities and policies, to Indonesia's commitment to its own emissions reductions and to many of Norway's REDD+ objectives. Activities identified in the Lol, such as drafting of the national REDD+ strategy, strategies and initial frameworks for an independent REDD+ institution and an independent national MRV institution, the design of a financing instrument and piloting demonstration activities (UN-REDD), address key bottle-necks in Indonesia's REDD+ development, and support the required strategic, financing and transparency processes required under the UNFCCC. However, firmer agreement is required to social and environmental safeguards if emissions reductions are not to be achieved at the expense of Norway's broader development cooperation objectives and social justice.

The Lol and the President's commitment to it, through his UKP4, are emerging as a potential "game changer" for REDD+ in Indonesia. Although at the time of the field mission evaluation the details of the bilateral partnership were still being discussed, the Lol was already perceived by many observers to be catalysing greater stakeholder participation, public interest and debate, and increasing the commitment, speed and effectiveness of the Indonesian government's action on REDD+. It remains to be seen what concrete impacts this enhanced attention and action will have on the real issues in forest governance and the drivers of deforestation.

The overheads of NICFI appear very low, suggesting future efficiency may be high, but lack of staff on the ground may compromise eventual outcomes, and the evaluators consider the "light touch" approach to be risky. Any future assessment of NICFI's efficiency will require better disaggregated budget information.

Key Recommendations

These recommendations are intended for follow-up by NICFI and their partners in their ongoing dialogue and partnerships on REDD+. The evaluators recognise that details of the bilateral partnership are still being discussed, and that NICFI may be aware of and acting on many these issues.

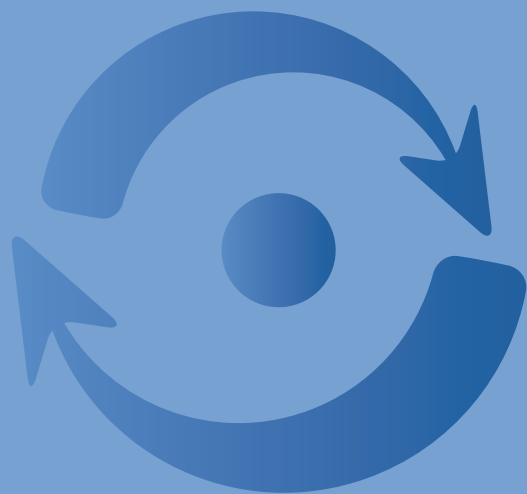
- Although NICFI considers the "light touch" approach as important for promoting national ownership of REDD+ in Indonesia, the reviewers think that, in a programme of such importance, more of a balance needs to be struck between promoting ownership and providing inputs and oversight. Several more staff persons should be employed in-country (at the Embassy and in the pilot provinces) to support the partnership. They are needed to track and respond to developments in Indonesia, liaise with NICFI staff in Oslo, other donors and NGOs, provide due diligence, provide focused and on-going advice and capacity building to the Gol and to inform negotiations. NICFI's own staff would best ensure that programme theory and objectives are upheld, especially that national ownership of the REDD+ process is not compromised.
- The Lol calls for an independent annual review of deliverables, based on which the Joint Consultative Group will provide advice on level of payments. However, since REDD+ in Indonesia is developing rapidly, it is recommended that some kind of interim review be conducted six-monthly to help keep the programme on track.
- The proposed two-year moratorium on the licensing of new concessions does nothing to address potentially extensive forest land clearance under existing concession contracts. Encourage the Gol to extend the moratorium to prohibit conversion of all natural forests of an agreed ecological status, and all peatlands. To complement this extended moratorium, NICFI should support Gol to carry out an independent third party review of the legality of all existing plantation, logging and mining concessions and encourage the Gol to cancel any found not to be fully legal.
- Move towards a more direct and explicit approach to ensuring social and environmental safeguards in national policy, strategy and legislation on REDD+, clarify mechanisms through which any partner organisations' safeguards are to be upheld and, particularly, ensure the application of safeguards in the demonstration provinces. Provide support for the development of a monitoring system

for safeguards. Ensure incorporation of social, legal and economic information about individual land units in the degraded lands database.

- Currently, the licences from MoF and local government are the only means communities have to gain access to forest lands for REDD+ and local development, but obtaining and using them is proving difficult. Support research to clarify the uptake and impact of the current licensing system, to inform policy change.
- Support Gol and UKP4 in efforts to coordinate donor activities related to all the different components of REDD+.
- Participatory land use planning will be fundamental to achieving a REDD+ strategy that accommodates Indonesia's sustainable development objectives, resolves conflicts and protects biodiversity. Provide technical assistance to support work in the pilot provinces to revise provincial spatial plans in accordance with the national REDD+ strategy, and link back to the degraded lands database. Ensure that the database incorporates data on the economic, social and legal status of land units. Analyse opportunities for providing forest tenure for indigenous peoples and local communities
- To promote biodiversity objectives of the Lol, encourage Gol not to shy away from the considerable challenges, and select Papua as a demonstration province, as this will help protect the largest remaining tracts of natural forest in Indonesia⁵.

5 In late December 2010, after the submission of this report, the decision was taken to select Central Kalimantan as the first pilot province (Phase 2, e), so this recommendation should now apply to the selection of the second pilot province.

Main Report



1. Introduction

1.1 General Background

The primary objective of the Norwegian Government's climate policy is to help establish a global, binding, long-term, post-2012 regime that will ensure cuts in global greenhouse gas emissions sufficient to limit global temperature rise to no more than two degrees Celsius above pre-industrial levels. Measures to Reduce Emissions from Deforestation and forest Degradation (REDD⁶) in developing countries are considered necessary if this target is to be achieved (Stern 2006; IPCC 2007). To this end, *The Government of Norway's International Climate and Forest Initiative (NICFI)* was launched in December 2007, pledging substantial development cooperation funding towards efforts to support REDD.

1.2 Real-Time Evaluation Programme

As NICFI will be managing a significant part of Norwegian development cooperation funds for several years, it is in the interest of policy-makers and the wider public to have access to impartial information about its progress and performance. It has therefore commissioned Norad to manage a four-year real-time evaluation process. The overall objectives of this real-time evaluation are to assess the impact and results of the Initiative's support:

1. For improving the prospects of the inclusion of a REDD mechanism in a post-2012 climate regime;
2. For the preparation of mechanisms and implementation of activities to attain verifiable reductions in greenhouse gas emissions;
3. For the conservation of natural forests to maintain their carbon storage capacity;
4. With regards to the general objectives of Norwegian development cooperation, such as those related to livelihoods, economic and social development and the environment.

The first three objectives refer to NICFI's main objectives, while the fourth objective derives from the use of development cooperation funds.

A real-time approach to this evaluation has been adopted in order to assess and feed back the results of NICFI, to facilitate rapid learning, give advice at an early enough stage for changes in implementation to still be feasible, and provide timely information to the international community engaged in REDD and climate change

⁶ The terms REDD and REDD+ are used interchangeably in this report. In both instances the intended meaning is REDD-plus, as defined in the Bali action plan - "reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries".

issues. This approach is particularly valid given the intensely dynamic nature of the international debate around REDD.

In 2010 two core evaluations have taken place:

1. Global level: The NICFI's contribution to an international REDD regime;
2. National level: The NICFI's support to the formulation and implementation of national REDD strategies.

The Norwegian Government Ministries of the Environment and Foreign Affairs, which are responsible for the Initiative, are intended to be the main users of the feedback and recommendations generated by the evaluation programme. However, the wider intended audience for the evaluation also includes:

- The Norwegian Parliament, institutions, organisations, and the general public in Norway;
- Multilateral organisations engaged in REDD activities, including the UN REDD programme, the World Bank and the regional development banks;
- The international community, contributing to overall knowledge concerning the achievement of both REDD and sustainable development in general;
- The national REDD initiatives in target countries.

1.3 This Evaluation

The purpose of this evaluation was to assess the International Climate and Forest Initiative's support to the formulation and implementation of national REDD strategies and other REDD readiness efforts. As NICFI promotes an international REDD architecture built on national policies and measures, this national level evaluation will constitute a main pillar of the whole real-time evaluation programme. The evaluation encompassed five case-study countries: Brazil, Democratic Republic of Congo, Guyana, Indonesia, and Tanzania. These countries receive significant support from NICFI through different channels and mechanisms, they represent a range of forest types and conditions, are at different stages in the forest transition, represent different national policy contexts, and together they cover each of the three tropical continents. Consequently, NICFI support in each of these countries has been used for different purposes, including stakeholder consultations, capacity-building, institutional strengthening, demonstration activities, and application of policies and measures.

Within each of the five countries this evaluation had two main objectives:

1. Develop a methodology for the real-time evaluation of NICFI support to the formulation and implementation of national REDD strategies;
2. Establish a baseline for 2007 and evaluate the status and progress of NICFI support to the formulation and implementation of national REDD strategies as of 2010. For Indonesia, where the LoI has just commenced implementation, the status of REDD in 2010, will provide a baseline for the assessment of its impact over the next five years.

This document presents results from the national level evaluation in Indonesia.

1.4 The Evaluation Object – Norway’s International Climate and Forest Initiative (NICFI)

1.4.1 NICFI’s Objectives

Norway’s International Climate and Forest Initiative was launched by Prime Minister Jens Stoltenberg during the climate change negotiations in Bali in December 2007 with a pledge of up to three billion Norwegian Kroner (US\$ 500 million) per year to reduce emissions from deforestation and forest degradation (REDD) in developing countries.

The rationale behind NICFI’s support for REDD is to make a substantial contribution in the struggle against global warming. The climate-related goals will therefore determine which support is to be initiated, continued, terminated or changed. Sustainable development and poverty alleviation are overarching goals of Norwegian foreign and development policy. Thus, in addition to the climate-related goals, these are essential goals for NICFI. In pursuing the different goals, the climate policy and the development policy should be mutually supportive.

The funding shall be used in accordance with the objectives of NICFI:

- To work towards the inclusion of emissions from deforestation and forest degradation in a new international climate regime;
- To take early action to achieve cost-effective and verifiable reductions in greenhouse gas emissions;
- To promote the conservation of natural forests to maintain their carbon storage capacity.

1.4.2 NICFI’s Internal Institutional Framework

There is a high level of political drive for NICFI in Norway, and three key government institutions, presided over by the Minister for the Environment and International Development, are involved in its implementation, resulting in a complex structure:

- The Ministry of Environment, in which the NICFI Secretariat is based has overall responsibility for the International Climate and Forest Initiative;
- The Ministry of Foreign Affairs, including Norwegian missions abroad, is responsible for foreign and development policy related to NICFI, as well as the management and disbursement of funds; and
- The Norwegian Agency for Development Cooperation, Norad, provides technical advice and manages support to civil society and scientific institutions.

1.4.3 NICFI’s Portfolio of Inputs

The International Climate and Forest Initiative provides bilateral support to Brazil (Amazon Fund) and Tanzania, and civil society and scientific institutions through a grant scheme administered by the Norwegian Agency for Development Cooperation (Norad). The majority of financial support is channelled through multilateral entities including: The UN Collaborative Programme on Reduced Emissions from Deforestation and Forest Degradation (UN-REDD Programme) a collaboration between UNDP, UNEP and FAO; The Forest Carbon Partnership Facility (FCPF); The Forest Investment Program (FIP); The Guyana REDD+ Investment Fund (GRIF) all three hosted by the World Bank; and The Congo Basin Forest Fund (CBFF) hosted by the African Development Bank. Norway has entered into an agreement with the Democratic

Republic of Congo for the set-up of a climate change secretariat to support DRC's role as technical coordinator of African countries' positions and participation in the UNFCCC processes. NICFI contributes half of the Norwegian support to the secretariat as this function partially relates to REDD. A Memorandum of Understanding has been signed with Mexico (mainly for support to improve, develop and explore methodologies for monitoring, reporting and verification of forest-related emissions and removals), and a Letter of Intent with Indonesia (for broad support to the national REDD agenda). Disbursal of funds related to these agreements will also be through multilateral routes.

NICFI's funding at the national level to the five evaluation case study countries is delivered through a diversity of channels and mechanisms. Indonesia receives support through three multilateral institutions (FCPF, FIP, UN-REDD). Support related to the Letter of Intent is also likely to be channelled through a multilateral organisation.

1.4.4 National REDD Strategies

Norway's International Climate and Forest Initiative regards the following as important elements of National REDD+ Strategy development⁷:

- Establishment of a system for monitoring forest cover and biomass, collecting forest carbon volume data, and for reporting on emission levels from deforestation and forest degradation;
- Incorporation of sustainable development concerns including opportunities for economic and social development for the local population, conservation of biodiversity and promotion of respect for local and indigenous peoples' rights;
- Establishment of systems and national plans to prevent carbon leakage and ensure lasting results;
- Thorough analyses of the drivers of deforestation and forest degradation, and the best ways of dealing with them;
- Institutional and capacity building for national and local authorities, including anti-corruption measures and measures to increase transparency in forest and land use management;
- Mechanisms for compensation for the ecosystem service of carbon storage;
- Establishment of the necessary legal, administrative and economic framework for sound, sustainable forest and land use management, and of the necessary capacity to ensure compliance;
- Cost effectiveness (maximum possible reduction in emissions per unit of expenditure).

1.4.5 The Rationale Behind NICFI's Support to National Level Activities

NICFI provides the majority of its country level support through multilateral funds / initiatives or via bilateral REDD+ partnerships. Through the multilateral funds and initiatives NICFI seeks to reach a large number of countries involved in REDD+, which they would be unable to do bilaterally, to contribute to the establishment of common donor platforms, and to prevent corruption by working under the auspices of entities like the UN and the World Bank that are able to handle large cash

⁷ <http://www.regjeringen.no/en/dep/md/Selected-topics/climate/the-government-of-norways-international-/why-a-climate-and-forest-initiative.html?id=547202#Strategy>

transfers safely. It is also considered important that all the relevant multilateral institutions are engaged and can contribute in a coordinated way in accordance with their comparative advantages.

The REDD+ partnerships, such as the one formalised through the Letter of Intent (LoI) with Indonesia, are intended to provide the first international examples and experiences with partnerships of this nature. As well as generating climate benefits against agreed reference levels, these partnerships are envisaged to produce a wide range of experiences and lessons learned that will provide input both to the UNFCCC negotiation process and to REDD+ endeavours by other countries' and partnerships. There are six key areas in which NICFI's activities are expected to generate lessons and demonstrations. These include:

1. Modalities of funds transfer;
2. Methodologies for reference level setting in both high deforestation and low deforestation countries;
3. National-level MRV-systems; methodological and institutional choices;
4. Involvement of stakeholders, incl. indigenous and local communities;
5. Design and implementation of social and environmental safeguards in REDD+;
6. Strengthening of institutions relevant for REDD+.

Within these partnerships NICFI is obliged to adhere to Norwegian policy, guidelines and funding regulations for international development cooperation. In addition, NICFI's general responsibilities within its REDD+ Partnerships include the development of the framework documents for the partnerships in accordance with international recognised standards and rules and through dialogue and negotiations with the partner country; fulfilling any responsibilities established in the framework documents; follow up the agreements through annual meetings, comments on annual reports, etc.. In accordance with the Paris Declaration on Aid Effectiveness, NICFI promotes national ownership of REDD+ programmes, and particularly respects partner country sovereignty in development and implementation of policies and measures, as long as basic requirements established in framework documents and/or use of development cooperation funding are met.

As Indonesia produces exceptionally high emissions from deforestation and forest and peat degradation, as well as a very unique biodiversity, NICFI saw REDD+ cooperation with Indonesia as an opportunity to achieve significant emissions reductions and biodiversity goals. NICFI engaged in intense dialogue with the Government of Indonesia, through which they were convinced of the Government's willingness to commit to an ambitious, holistic and credible approach to REDD. NICFI consider the development of a partnership platform that other donors can and will want to join as a vital component of the partnership. Another key component is that the LoI is results-based. Although US\$ 30 million of upfront funding was provided to initiate the Preparation Phase, the remainder of the funding will be performance based, first on delivery of enabling policies and institutions, and after 2014, when the necessary institutional capacity for Monitoring, Reporting and Verification (MRV) and other enabling policies and measures are expected to be in place, for verified emissions reductions. The extent of delivery and thus the payment will be based on the findings of the independent annual review and assessed

by the Joint Consultation Group. For the up-front payment, the United Nations Development Programme (UNDP) was selected as the multilateral entity for channelling initial funding through since its mechanism was ready and it was deemed fit for purpose. However, the Lol provides for the establishment of a specifically tailored permanent financing mechanism.

1.4.6 History of NICFI in Indonesia

In 2008, following the launch of NICFI at COP13, Indonesia expressed interest in developing a bilateral agreement with Norway⁸. The first NICFI mission to Indonesia was in 2008 when idea of a tripartite project with the Australian International Forest and Climate Initiative in Central Kalimantan was explored. It was not pursued, however, because Norway was not convinced that plans for rehabilitation of degraded areas were either holistic or comprehensive enough, in terms of drivers of deforestation and degradation, leakage to other provinces or permanence of any emissions reductions achieved, nor sufficiently anchored in national plans and strategies. The National Climate Change Council (NCCC) had just been established, and a possible bilateral agreement was considered, but no formal negotiations took place because the Norwegian delegation felt that Indonesia still lacked high level commitment to reducing emissions. Unlike Brazil, Indonesia in 2008 had no functioning national institution for REDD and no national consensus on an approach amongst government, non-governmental organisations (NGOs), indigenous groups, trade unions or between the states and the central government. There was little progress on MRVs, and no well-coordinated strategy or action to address illegal logging and other forest governance problems. Moreover, Indonesia's existing mitigation strategies focused almost exclusively on expansion of industrial tree plantations, rather than the protection and management of natural forest.

Instead, early in 2009, NICFI started supporting UN-REDD and FCPF in Indonesia, since these multilateral institutions were already planning work in Indonesia, linked strongly into development cooperation principles, better insured governance systems and social and environmental safeguard issues. However, the multilateral programmes promised only modest support relative to Indonesia's needs and as a result, negotiations on both UN-REDD and FCPF have taken a long time.

At COP15 in Copenhagen in late 2009, Indonesia and Norway began negotiations on a possible bilateral agreement on REDD+ under NICFI. Norway was very encouraged by President Yudhoyono's G20 announcement of Indonesia's own emissions reductions, and the country's progress in establishing REDD-related institutions, its engagement with UN-REDD and FCPF, and by improvements in forest governance since 2007. In May 2010 the Governments of Norway and Indonesia signed and published their "Letter of Intent" on "Cooperation on reducing greenhouse gas emissions from deforestation and forest degradation (2010) (henceforth, Lol). Phase I activities began almost immediately, while Indonesian and Norwegian negotiators continued work on the modalities for implementation of the Lol. Further details of activities up until August 2010 are provided in Section 5.

⁸ Indonesia and Norway had a history of cooperation on environmental issues, governance and conservation, including, since 1990, a bilateral agreement through the Indonesian MoE. However, levels of support and interest in Norway had been low because Indonesia was deemed a middle-income country. In the international development assistance community in Indonesia, Norway was recognised as part of the "like-minded group", but not a major player.

NICFI Support to Indonesia

Currently, NICFI supports REDD+ in Indonesia through four main avenues:

1. The Bilateral Partnership or “LoI” (Letter of Intent)
2. Multilateral initiatives (UN-REDD, FCPF)
3. Norad-managed Civil Society Support Scheme
4. Embassy-managed development cooperation grants⁹.

These target different stakeholders, on different topics, and together provide a broad-based portfolio of support.

NICFI support to Multilateral REDD+ initiatives

Table 1 Norway’s support to Multilateral Funds and Programmes, Globally and to Indonesia

| Mechanism | Total Amount (US\$) | Allocation to Indonesia |
|--|---|--|
| UN-REDD | 2008-2009: 52 million 2010: Approximately 30 million | 2009-2010 5.6 million for Demonstration Activities in Central Sulawesi |
| World Bank’s Forest Carbon Partnership Program | 2008-10: 40 million | 3.6 million as part of the R-PLAN |
| Forest Investment Program | 2010-12: Pledged up to 150 million (indicative) | 80 million anticipated for 2011 |
| Total | Up to 272 million | 89.2 million of which 83.6 is planned or pledged |

Source: Norad 2010

At a global level, NICFI has pledged up to US\$ 272 million over the next few years to multilateral financing mechanisms, specifically the UN-REDD programme and the World Bank’s FCPF and FIP. Of this, Indonesia is expected to receive some US\$ 89.2 million, as detailed in Table 1.

The details of UN-REDD and FCPF are provided in Section 4.2.4.

Norway–Indonesian bilateral partnership (LoI)

The Letter of Intent (LoI) presents the outline of a 6-7 year bilateral partnership, supported by \$1 billion in Norwegian funding, with the purpose of collaborating on international REDD+ policy, and in the development and implementation of Indonesia’s REDD+ strategy. Three phases are envisaged: Preparation, Transformation and Contributions for Verified Emissions Reductions.

⁹ Some of the Embassy managed grants are relevant to, but not actually part of NICFI (see below).

In the **Preparation Phase** (2010) Indonesia will:

- Draw up a National Strategy on REDD+;
- Establish key institutions for managing REDD+, including:
 - A national REDD agency reporting to the President;
 - An independent national MRV institution;
 - A funding instrument/financial management institution;
- Select a province level REDD+ pilot and prepare its own REDD+ strategy¹⁰.

In the **Transformation Phase** (2011-2013), support will focus on:

- Capacity building;
- Relevant policy and law enforcement instruments, including:
 - A two year suspension of all new concessions for conversion of peat and natural forest (from 1 January 2011);
 - Establishment of a degraded lands database, for locating future economic activity;
 - Forest law enforcement, including a new special unit;
 - Appropriate measures to address land tenure conflicts and compensation;
- Implementation of one or more full scale provincial level REDD+ pilots.

The **Contribution for Verified Emissions Reductions Phase** (2014 onwards) will involve annual performance-based contributions to Indonesia based on independently verified national level emission reductions. Implementation of the agreement will be overseen by a Joint Consultation Group, and an independent review group will conduct annual reviews on the delivery of the agreed outputs.

Through the Lol, Norway pledged US\$ 1 billion in performance-based payments, and in late August 2010, arranged to disburse US\$30 million in up-front payments through UNDP to support the preparation phase activities in 2010.

Norad-Managed Civil Society Support Scheme

Table 2 NICFI support to Civil Society Organisations in Indonesia, 2010

| Organisation | Amount US\$ millions | Activities |
|------------------------------------|-----------------------------|--|
| CIFOR | 3.2 | Learning from REDD: A global comparative analysis USD 3.2 million/yr over 4 years. |
| Clinton Foundation | 1.1 | Addressing the challenges of scaling up REDD activities in Indonesia |
| Conservation International | 0.45 | “Analysis, strategy and policy development for REDD” - to ensure well-informed decision-making by all relevant stakeholders. |
| Environmental Investigation Agency | 0.3 | Enabling REDD by transforming timber trade; integrating successful strategies from combating illegal logging |

¹⁰ Nine provinces were considered as candidates for initial pilot province: Aceh, Riau, Jambi, South Sumatra, West Kalimantan, Central Kalimantan, East Kalimantan, Papua and West Papua.

| Organisation | Amount US\$ millions | Activities |
|---|----------------------|--|
| Forest Peoples Program | 0.5 | Promoting the rights of forest peoples in national and international policy-making on REDD |
| International Institute for Sustainable Development | 0.8 | Building REDD capacity for developing country negotiators and land managers |
| Regional Community Forestry Training Centre (RECOFTC) | 0.4 | Grassroots Capacity Building Programme for REDD in the Asia-Pacific Region |
| Rainforest Foundation Norway (RFN) | 1.6 | REDD, Rights and Results; Reducing deforestation and forest degradation through involvement of civil society and indigenous peoples in global and national REDD planning and implementation. |
| Tebtebba Foundation | 1 | Ensuring the effective participation of indigenous peoples in global and national REDD processes |
| The Nature Conservancy (TNC) | 0.8 | Developing an effective international REDD mechanism: Addressing implementation, science, and policy changes |
| The Samdhana Institute | 0.5 | Increasing community preparedness for risks and opportunities related to climate change mitigation/ REDD in Indonesia |
| ICRAF | 1.1 | REALU Architecture: Reducing Emissions from All Land Uses |
| World Resources Institute | 0.7 | Making REDD work for People and Planet: A civil society assessment of the governance of forests |
| World Wide Fund for Nature – forest based carbon network initiative | 1.8 | Engaging civil society in REDD: Tools, methodologies and capacity building to reduce emissions from forest loss and forest degradation |
| Total (USD) | 14.5 | |

Source: Norwegian Ministry of Environment 2010

In 2008, NICFI established a Civil Society Support Scheme, managed by Norad. The purpose of the scheme is to support REDD+ pilot activities and the development of methodologies, to inform climate change negotiations and REDD activities in the field, and contribute to the establishment of more robust strategies for REDD.

The 14 grants have been awarded to civil society organisations working in Indonesia as shown in Table 2. A total of US \$ 14.5 million was granted, but many of the supported projects involve work in more than one country. With the exception of the Samdhana Institute (an Asian Centre with offices in Philippines and Indonesia) all of

the recipients are international or regional organisations. Local non-governmental organisations are supported through small grants programmes managed by some of these international organisations.

Embassy-Managed Allocations

The Ministry of Foreign Affairs has two funds to support civil society, managed through the Embassies: a “Climate and Forest Allocation (NICFI)” and a “Regional Allocation”. The latter encompasses all development cooperation activities supported from the Embassy, including bilateral environmental cooperation programmes from 1990 through 2006, and the forest governance programmes currently supported under this funding stream are highly relevant to REDD+. The five projects currently funded under these allocations in Indonesia are shown in Table 3. These allocations are providing Norway’s most strategic support for forest governance work in Indonesia.

Demonstration Activities

As detailed below (5.7), Norway currently provides indirect support to two Demonstration Activities: the UN-REDD pilot province of Central Sulawesi, where readiness activities will be conducted, and, through the Norad Civil Society Support Scheme, the Nature Conservancy district level REDD+ project in Berau, East Kalimantan. One or two pilot provinces for rolling out performance-based REDD+ at scale will be identified under the implementation of the Letter of Intent (LoI).

Table 3 Embassy-Managed Civil Society Grants in Indonesia

| Organisation | Project |
|---|---|
| Climate and Forest Allocation | |
| McKinsey& Co Asia (with NCCC) | Low carbon strategy development in Central and East Kalimantan |
| UNODC | Study on REDD and Forest Law Enforcement and Governance |
| Regional Allocation (Not limited to NICFI) | |
| (Kemitraan) Partnership for governance reform | Forest Governance Program |
| CIFOR | Integrated approach to combating forest crime |
| UNODC | Countering illegal logging and the linkage between forest crime and corruption in Indonesia |

Source: RNE Jakarta

1.5 Country Context

1.5.1 Indonesia, Its Forests and Forest Sector

Indonesia

Indonesia has a total area of 187 million ha, spread across some 17,000 islands, four of them Sumatra, Kalimantan, Sulawesi, and Papua, over 150,000 km2 in extent. In 2009, an estimated population of 225 million, lived in Indonesia’s 33 provinces and 440 districts and cities, belonging to some 500 different language

groups. Approximately 50 million people belong to Indonesia's indigenous groups, many of them being forest dependent (AMAN, pers comm.).

In 2009, Indonesia ranked 108 (of 136 countries) in the Human Development Index, placing it amongst the Medium HD countries. Its HDI value has risen from 0.39 in 1980 to 0.5 in 2000, and 0.6 in 2009, showing an acceleration in the rate of improvement over the last decade. This mostly reflects improvements in income, while education and health are progressing less quickly. Indonesia had a Gini coefficient of 34.3 in 2008, about the same as the UK (36). By comparison, Norway's Gini was 25.8 in 2008¹¹. Poverty has declined significantly over the last decade from 23% in 1999, to 17% in 2009¹² (UNDP 2010).

Indonesia's economy is the largest in Southeast Asia. The government plays a significant role by owning more than 164 state-owned enterprises and administers prices on several basic goods, including fuel, rice, and electricity. The main components of gross domestic product (GDP) in 2009 were agriculture 15.3%; industry, 47.6%; and services, 37.1% (CIA 2010). In 2009, the forestry sector contributed only 0.8% of total GDP, and estate crops (oil palm, rubber, coffee) accounted for 2.1%, while manufactured wood and wood products contributed 1.4%, and paper and printing products 1.1%. This compares to 7.1% for food crops and 10.5% for mining and quarrying (Badan Statistik Indonesia, 2008). Indonesia's main exports are oil and gas, electrical appliances, plywood, textiles and rubber (CIA 2010).

During the 32-year Soeharto regime Indonesia's economy grew from a per capita GDP of \$70 to more than \$1,000 (by 1996). However, this growth masked weak and corrupt institutions, severe public indebtedness through mismanagement of the financial sector, the rapid depletion of Indonesia's natural resources, and a culture of favours and corruption in the business elite. Indonesia weathered the global financial crisis relatively well, because its own domestic consumption is a big driver of economic growth. Indonesia's economy expanded at an annual rate of 4% in the first half of 2009, outperforming its regional neighbours and joining China and India as the only G20 members posting growth during the crisis.

Since the fall of the Soeharto regime, Indonesia has operated as a multi-party democracy. The current President, Susilo Bambang Yudhoyono was re-elected for a second (and final) five-year term in 2009. Since 2001, there has been a decentralised governance system, with a lot of power vested in the district level. However the legal division of authority between central and local government is not clear, and this creates difficulties in many areas, notably the forest sector.

Indonesia's forests

Indonesia, with an estimated forest area of 94 million ha (FAO 2010, see Table 4), is the third largest tropical forest country in the world. The major forest types range from evergreen lowland dipterocarp forests in Sumatra and Kalimantan to seasonal monsoon forests and savanna grasslands in Nusa Tenggara, and non-dipterocarp

11 A value of 0 represents absolute equality, and a value of 100 absolute inequality. http://en.wikipedia.org/wiki/List_of_countries_by_income_equality accessed 24/12/10.

12 Changes over the years in the methods of calculating poverty make comparisons over longer time periods difficult, but by one assessment in 1970 Indonesia's poverty rate was 60%.

lowland forests and alpine areas in Papua. Indonesia also contains the most extensive mangrove forests in the world¹³ (GFW 2010). Each forest type typically stores different amounts of carbon. Indonesia’s forests host high levels of biodiversity, including 10 % of the world’s plant species, 12 % of its mammals, 16 % of its reptiles and amphibians and 16 % of its bird species (Djajapertjunda 2002).

At the same time, Indonesia is also one of ten countries with the largest annual net loss in forest area in the year 2000 – 2005 (FAO 2006) and is among the world’s top three emitters of greenhouse gases from land use change and deforestation (PEACE 2007). Rates of deforestation vary across the whole country; there is a “forest transition”, from Papua in the east, with high forest cover and low historical deforestation and degradation, to Kalimantan and then Sumatra in the west, with high historical deforestation and degradation and low forest cover (from an initial high forest cover). In Java and Sulawesi, most forest cover has been lost, but is again increasing (Masripatin 2009).

State forests comprise over 70% of Indonesia’s total land area (Lynch and Harwell 2002). Although the forests are occupied by 40-65 million people (Lynch et al. 1995), they have no ownership rights and have to apply for use rights through the Ministry of Forestry. There are other tree-covered lands, outside the state forests, owned either privately or by communities, but these are categorized as “forested non-forest land”, or “other forest with tree cover” (see Table 4).

Figure 1 Provinces of Indonesia



13 Estimated at 4.25 million ha in the early 1990s (FW/GFW 2002).

Figure 2 Indonesia forest cover 1997



Table 4 Forest cover by land class and vegetation type, 1990-2010

| National Class | Area (in 1000 Ha) | | | |
|------------------------|-------------------|----------------|----------------|----------------|
| | 1990 | 2000 | 2005 | 2010 |
| Forest land | 127,807 | 127,716 | 127,720 | 127,740 |
| Forested | 103,058 | 90,224 | 89,449 | 87,491 |
| Shrub bush | na | 14,556 | 14,703 | 13,775 |
| Not Forested | 24,748 | 22,937 | 23,568 | 26,475 |
| Non-forest land | 53,350 | 53,441 | 53,437 | 53,417 |
| Forested | 15,487 | 9,185 | 8,408 | 6,942 |
| Shrub bush | na | 8,071 | 7,503 | 7,228 |
| Not Forested | 37,863 | 36,184 | 37,526 | 39,246 |
| Total land area | 181,157 | 181,157 | 181,157 | 181,157 |

Source: FAO (2010)

For management purposes, the state forests were classified into four main management categories, and Table 5 shows how the areas under the different categories have declined over the last 20 years. Overall, forest area has declined by 20% and the greatest changes have been in conversion forests (- 55%) and production forests (-20%).

Table 5 Forest Designation and Management

| Management categories | Area (in '000 ha) | | | |
|-----------------------|-------------------|---------------|---------------|---------------|
| | 1990 | 2000 | 2005 | 2010 |
| Production forest | 62,342 | 51,628 | 51,225 | 49,680 |
| Protection forest | 24,301 | 23,272 | 22,996 | 22,667 |
| Conservation forest | 16,415 | 15,324 | 15,228 | 15,144 |
| Conversion forest | 15,487 | 9,185 | 8,408 | 6,941 |
| Total forest | 118,545 | 99,409 | 97,857 | 94,432 |

Source: Edited from FAO (2010). Note that there seem to be some inconsistencies between the data presented in Tables 4 and 5 despite being derived from the same source.

Indonesia's Forest Sector

From 1965-2001, the forestry sector was under the almost exclusive authority of the Ministry of Forestry of the Central Government. Although there were provincial forest services, with staff posted down to the sub-district level, these were only responsible for implementation, and policy was set centrally and by the MoF's Regional Offices (*Kantor Wilayah*), at provincial level. After decentralisation in 2001, the provincial forest services were disbanded, and it became the responsibility of the districts to create their own. This frequently left a governance vacuum in the forests – to the great advantage of the commercial operators, corrupt government officials and illegal loggers.

1.5.2 The Political Economy of REDD+ in Indonesia

The political economy of the forests in Indonesia and thus of REDD is largely a question of land. Who controls the land, controls the forests and potentially controls the carbon and its associated REDD+ revenues.

Indonesia's post-independence land law¹⁴ was originally intended to right the wrongs of colonialism, and included a pro-poor land reform component. However, the latter was fiercely contested, contributing to the unrest which led to the overthrow of President Soekarno in 1967. Once in power, Soeharto made changes in land administration that favoured foreign, domestic and state-owned business interests, to the disadvantage of the rural poor. The "New Order" government did this not by repealing the land law, but by circumventing it with the Basic Forestry Act of 1967, which classified 73% of Indonesia's total land area of 192 million Ha as state forest land, not subject to the land law. The New Order state and its forestry institutions thus became by far the single largest landlord in the country (Afiff *et al.* 2005).

This national forest estate of 141 million ha, was classified into 80 % permanent forest (of which conservation and watershed protection, 35% and production 45%) and 20% convertible, which could be cleared for other non-forest uses (see Table 11). Millions of people in indigenous, forest dependent and rural communities were left living in uncertain status, and often criticised for their swidden cultivation

14 The Basic Agrarian Law of 1960

practices, while their forests were handed out to business interests first for logging and later for transmigration and plantation development.

An elite of business interests close to the Soeharto regime and senior government officials soon controlled the forest sector. The military, with its “dual function” in defence and business, also got into forestry, running their concessions largely through joint ventures with foreign or Chinese companies (Ross 2001). There were few controls on the logging industry, and forests were heavily over-harvested, commercially and ecologically degraded. Subsistence cultivators and illegal loggers often followed logging companies into the forest, so deforestation followed degradation.

By the 1980s the forestry sector had started changing. Twenty years of poorly controlled logging had degraded large areas of Indonesia’s forests. A log export ban was instituted to stimulate the growth of processing industries, particularly for plywood. At the same time, state-owned and private business interests began large-scale industrial plantation development, focusing mainly on trees, for pulp and timber, and on oil palm. Many plantations were established in association with the transmigration programme, which between 1970 and 1999 resettled some 5.5 million people from the over-populated islands of Java, Madura and Bali, to the under-populated “Outer Islands”¹⁵, in part to provide plantation companies with needed labour, and jobs for the migrants.

Plantations of fast growing tree species were granted generous government subsidies and developers were allowed to clear cut any standing timber in their plantation sites. By 2008, there were 227 plantation units, covering a total area of 4.3 million ha¹⁶ (2% total land area). Although against regulations, it was estimated that in 2000, nearly 25% of these plantations were on productive natural forests, and less than 25% had actually been planted after clearance. Nevertheless, by 2004, paper mill capacity vastly outstripped pulp tree plantation production and much additional deforestation was needed to feed the mills (FWI/GFW 2002).

Oil palm in Indonesia has a similar story. Plantation area has increased over 40 times since 1967 to an estimated 7.3 million ha in 2010¹⁷ (4% total land area). Much of this plantation area is also being established in natural production forest, and again, developers can get an extra benefit from timber clearance revenues (FWI/GFW 2002). About 25% of the area is owned by small-holders, often in out-grower schemes associated with private companies.

Regional autonomy, implemented in 2001, decentralised a lot of responsibilities and decision- making power from central to district governments¹⁸, with dramatic impacts on the forest sector. Rather than promoting sustainable management and reducing corruption, many district government officers are now exploiting the forests to generate revenue for themselves, thus perpetuating the culture of corruption

15 In 2000, the HTI trans scheme was terminated, because transmigrant incomes were too low, there were land disputes, particularly with local indigenous groups, and because the timber companies could make more money elsewhere.

16 <http://www.eco-business.com/news/2010/oct/24/century-old-palm-oil-industry-still-busy-facing-ne/>

17 Most development has occurred in six provinces: Riau, South Sumatra, North Sumatra, Jambi, West Kalimantan and Central Kalimantan.

18 The provinces were effectively bypassed. It was believed that at the district level, decisions would be best tailored to local needs, and government would be most accountable. Many districts were actually split up further to focus development.

(Barr 2010). Meanwhile, regional autonomy legislation also opened opportunities for the recognition of indigenous peoples' land claims, and many groups are attempting to gain redress for recent historical injustices that have marginalised and impoverished them in their own forests.

The prolific growth of logging and then the pulp and paper and oil palm sectors has conferred some economic benefits as sources of foreign exchange, revenue and employment. However, all estate crops, forestry, wood processing and paper industries combined contribute less than 5% of GDP (BSI 2009) and corruption and poor governance have meant there have also been enormous costs, to forest dependent people, to the rule of law, and to the forests themselves. The main beneficiaries have been a small but powerful group of government and business elites, and they want to see development continue, as unimpeded as possible. Although the Government of Indonesia has committed to its own ambitious emissions reduction targets (see below), and is engaging with Norway's International Climate and Forest Initiative (NICFI) on REDD, at the same time, according to Greenpeace assessments, the economic development plans of various ministries call for an additional 59 million ha of land to be brought under industrial plantations¹⁹ by 2030 (Greenpeace 2010). Such contradictions, if borne out, present enormous challenges to the establishment of a REDD+ regime, which promotes environmental and social justice, as well as emissions reductions.

1.5.3 Brief Overview of the REDD Process and Stakeholders in Indonesia

REDD Process

In Indonesia, the concept of REDD began to be developed in earnest after November 2006, when the Government of Indonesia volunteered to host COP13, in Bali, in December 2007. For this event, Indonesia also accepted the responsibility of bringing to the negotiations, substantial technical analyses of what would be required to implement the concept, in a post-Kyoto international protocol, and in July 2007, the Indonesian Forest Climate Alliance (IFCA) was formed to provide the required substantial technical analyses (see Section 3.1)²⁰ At COP13, President Yudhoyono launched Indonesia's preliminary national action plan, the three-phase REDDI Road Map (see Figure 1), to cut emissions based on the carbon stores of its forests. Following COP13, the IFCA outputs were published as the IFCA Consolidation Report (IFCA 2008), which has since been a reference work for REDD development.

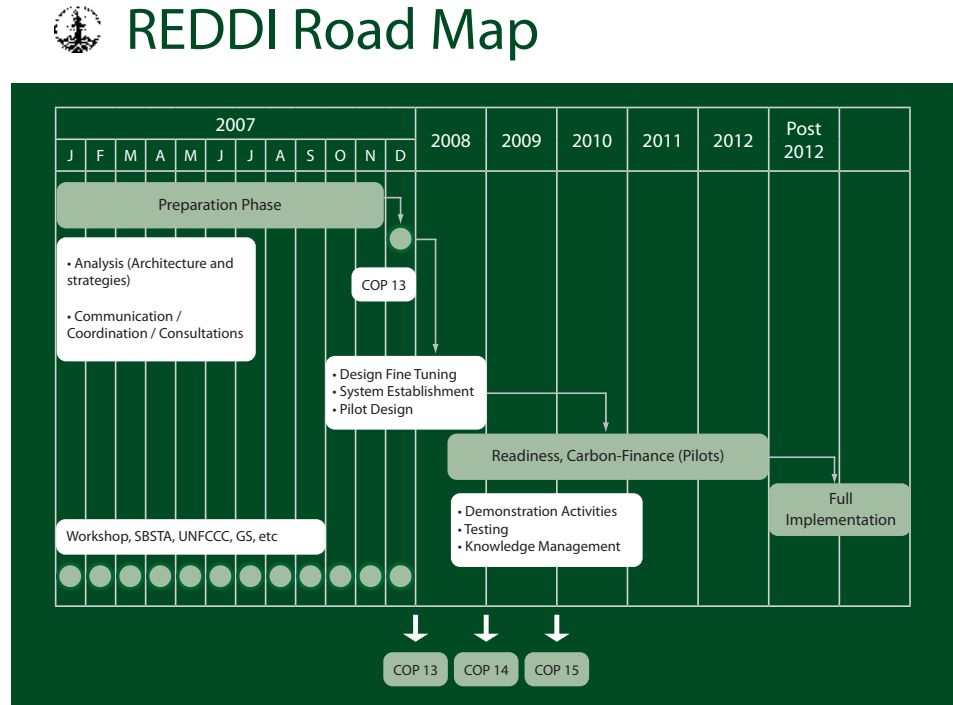
Following COP13, REDD took off internationally, and some aspects of REDD in Indonesia also began to develop quite quickly. Partly in response to the rapid proliferation of non-governmental organisation (NGO) promoted voluntary REDD projects, the Ministry of Forestry (MoF) moved to establish control over the REDD development process, and issued regulations on the implementation of REDD demonstration activities and a decree on establishing a Working Group on Climate

19 Of which 28 million timber plantations (primarily pulpwood), 9 million ha estate crops (primarily oil palm), an additional 9 million ha biofuels, and 13 million ha agriculture. An additional 4 million ha of forest estate land will be lost to mining. These figures are contested by government representatives.

20 IFCA focused on three key areas: i) technical methodologies, for carbon stock monitoring, etc, ii) emissions reductions strategies for five land use types: pulpwood, oil palm, timber concessions, protected areas and peat lands; and iii) stakeholder processes.

Change in the MoF. The MoF also adapted the IFCA recommendations into its REDDI Framework (Figure 2), to conceptualise REDD implementation.

Figure 3 Road Map of REDD Indonesia: Phased Approach

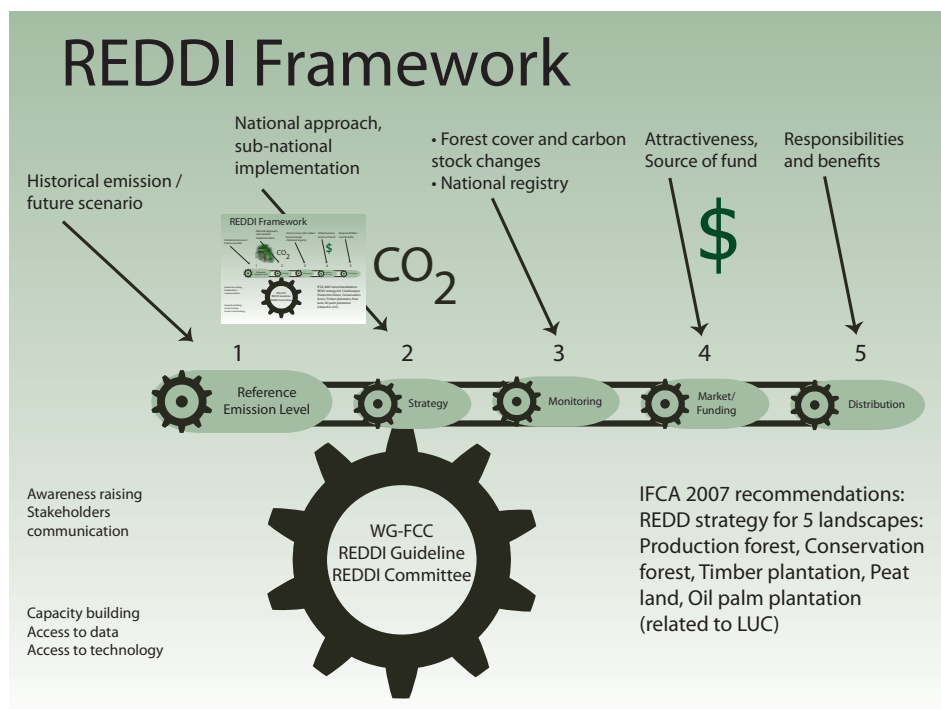


Source: MoF (2010)

Two important bilateral agreements were set up with Indonesia in 2007-08: Germany and Australia built around REDD demonstration projects. Civil society also began to gear up, with support from donors, including Norway. Indigenous Peoples' NGOs had been active at COP13 and their REDD-related advocacy continued. Conservation NGOs were quick to see the scope for REDD to serve their objectives, and many became involved in demonstration projects. Research organisations, especially ICRAF and the Indonesia-based CIFOR, intensified their programmes on REDD and climate change, and their advice was increasingly sought formally and informally by the Government of Indonesia.

In 2008, the inter-ministerial National Council for Climate Change (NCCC) was created, and it included amongst its working groups, one on Land Use Change and Forestry. Work also began on the multi-lateral programmes for support to REDD Readiness, the Forest Carbon Partnership Facility (FCPF) and UN-REDD, the latter funded entirely through NICFI. Each led by a different group in the MoF, there was little coordination between them, and so each produced its own Readiness Strategy. Progress was slow, in part, because the funding offered by each (< USD 5 million) was much lower than Indonesia required, and for FCPF, because of due diligence procedures with regard to safeguards. Both processes were criticised for their relative failure to consult other stakeholders. As of August 2010, only UN-REDD was underway nationally and at its demonstration province in Central Sulawesi.

Figure 4 REDDI Framework, 2008



In June 2010, a US\$ 200 million World Bank Climate Change Development Policy Loan was signed, to support cross-sectoral climate change mediation and adaptation, including work on peatland management, national REDD strategy and regulation development. In August 2010, there was an initial scoping mission for the Forest Investment Program (FIP) through which Indonesia is likely to receive US \$70-80 million in grants and concessional loans, to support three aspects of REDD development: i) Institutional capacity, forest governance and information; ii) Investments in forest mitigation measures; iii) Investments outside the forest sector necessary to reduce the pressure on forests.

One of the most influential factors in Indonesia's REDD process has been President Yudhoyono's September 2009 announcement that Indonesia would commit to its own emissions reduction target of 26% below Business As Usual projections for 2020, or 41% below Business As Usual with support from international partners. This represented the first commitment of a large developing country to its own emissions reduction targets, and established Indonesia as a global leader in climate change action. The announcement spurred activity across all government ministries, as they generated plans deliver on the target. These plans were consolidated in the BAPPENAS coordinated *Indonesia Climate Change Sectoral Road Map*.

The Lol has ushered in a new phase of action on REDD. The President promptly demonstrated his personal commitment to the Lol, by issuing his government with

nine priority actions²¹, and appointing his Presidential Working Unit for the Supervision and Monitoring of Development (UKP4)²² to manage its delivery. UKP4 established three specific working groups, each involving a small group of handpicked expert advisers from a range of government bodies, research institutes and NGOs:

- i) *Institutions Working Group*: responsible for designing the MRV agency, the financing instruments and the new national REDD+ institution, reporting to the President;
- ii) *National REDD+ Strategy Working Group*: under BAPPENAS, and supported by UN-REDD;
- iii) *Demonstration Areas Working Group*: under the MoF.

Although much of the Lol funding is intended to be performance-based, on 19 August 2010, Norway agreed to transfer an initial \$30 million to Indonesia, via UNDP, to fund Preparation Phase activities already underway. The Bilateral Partnership was initiated by the Lol, but is not exclusively dependent on this document. Rather it is being developed and refined through a series of agreements, concept notes and other documents. At the end of this evaluation mission, many of the details and modalities the partnership were still being negotiated.

Key Stakeholders

From the outset of REDD at COP13, the main players in Indonesia have been from the Ministry of Forestry, given its role as manager of the national forest estate, and the Ministry of Environment, in its capacity as focal point for the United Nations Framework Convention on Climate Change. The Ministry of Foreign Affairs also played strategic roles at COP13, both chairing sessions and behind the scenes²³, and continues to be important in high-level inter-governmental agreements.

The National Climate Change Council, incorporating all 18 Ministries, broadened national ownership of the climate change agenda, but its status as para-governmental organisation, trespassing on the mandates of other ministries, headed by people not in government, and lacking an independent budget, has limited its convening power and the cooperation it can command.

President Yudhoyono assumed a high degree of personal commitment to REDD+ and climate change action, reinforced by the appointment of his UKP4 to oversee the implementation of the Lol with Norway, and make REDD work. BAPPENAS, Ministry of Finance, National Land Agency, Ministry of Agriculture and Ministry of

21 i) establish an independent REDD institution; ii) establish an MRV institution; iii) prepare the National action plan 2010-2014 REDD strategy ; iv) send a delegation to Brazil – to study Brazil’s technical and institutional approaches to REDD+ ; v) implement a moratorium on peat forest clearance and new concessions; vi) disseminate Lol and implications with private sector; vii) hold consultations between national government and local government ; viii) hold consultations with NGO and Adat community; ix) establish a financial institution to take care of REDD

22 The UKP4 was formed in late 2009, soon after the President’s re-election, under the leadership of Dr Kuntoro Mangkusubroto, who had very successfully managed the BRR (Agency for post-tsunami rehabilitation and reconstruction). Despite having only 19 staff, UKP4 has already demonstrated its capacity to assist ministries to set targets and deliver development outcomes. This approach will be applied to the Lol. UKP4 focuses on management, takes a learning process approach, and gets the help of the best available brains using the most comprehensive data available. They consult widely with government, academia, and civil society, and visit the field to confront the realities.

23 Rachmat Witoelar, the then Minister of the Environment was widely credited with the success of COP 13, but has now retired and been replaced by Gusti Mohammed Hatta. Ibu Sulistyowati, his assistant deputy for climate change impact control, is also a key player. Within the MoF there have been three main groups, one based in FORDA in Bogor under Dr Nur Masripatin, working on FCPF, and the others in various MoF departments in Jakarta, under Yuyu Rahayu, working on UN-REDD and Wandojo Siswanto, in the MoF working group on climate change. Hadi Darianto and his Deputy, Ibu Listya of the Production Forestry are two other key MoF stakeholders. Apparently, there has not been a lot of cooperation between these groups, or between them and other government departments and civil society, and progress on both has been slow.

Energy and Natural Resources are also important government institutional stakeholders.

Multilateral stakeholders: UN-REDD and the FCPF, valued at 5.6 and 3.6 million each, have been eclipsed by recent funding pledges: Forest Investment Program for \$80 million, the DPL for \$200 million and the Lol at US\$ 1 billion, presenting a considerable challenge for donor coordination.

Bilateral stakeholders: The key bilateral programme is now the Lol with Norway, but other pre-established programmes are with Germany, Australia, UK, US, Korea, Japan and France. CIFOR, ICRAF and McKinsey & Co. are important organisations conducting REDD-relevant research in Indonesia.

The Indigenous Peoples' organisations AMAN has become very influential, and is invited to provide inputs and to represent Indonesia's indigenous people in international negotiations. HuMa, the Group for Renewal of Law based on Community and Ecology also campaigns on land rights. The international organisation the Forest Peoples' Programme is also influential in Indonesia.

Many other international and national NGOs are important REDD stakeholders in Indonesia, including Rainforest Foundation Norway, The Nature Conservancy, World Wide Fund for Nature, Fauna and Flora International and Zoological Society of London are supporting demonstration projects and advocacy. Birdlife International (Burung Indonesia) is pioneering the use of Ecosystem Restoration Concessions for conservation (see below Section 3.5.6). National NGOs range from the high-level Kemitraan, working on governance issues, national chapters of international organisations, such as Greenpeace, Forest Watch Indonesia and Friends of the Earth (Walhi), to local NGOs working at grassroots level on awareness, advocacy, community mobilisation and demonstration projects. Many of these are working in collaboration with bilateral donors, academic organisations and financial institutions.

For the private sector, the oil palm industry is represented by the Indonesian Palm Oil Association and pulp and paper by the Indonesian Pulp and Paper Association, but these groups do not often participate in stakeholder forums.

Early international finance and corporate interest has been demonstrated by Merrill Lynch and Macquarie. A few pioneering private companies, including PT Rimba Makmur Utama and Starling Resources are developing demonstration projects for their investment potential on global carbon markets (both compliance and voluntary).

2. Methodology

2.1 Real-Time Evaluation

The need for timely information and rapid learning calls for a real-time evaluation to progressively assess the results of NICFI with regard to its objectives and the general objectives of Norwegian development cooperation.

A real-time evaluation is distinct from a full-term or interim evaluation insofar as it is part of an ongoing process of reflection and improvement. The findings of a real-time evaluation should therefore be viewed in terms of how they can be used to adjust and improve the ongoing activities of the NICFI rather than providing definitive assessments. The real-time evaluation of NICFI aims to provide feedback to the stakeholders and a basis for subsequent *ex-post* evaluations.

This report represents one of five country reports from the first iteration of the real-time evaluation of NICFI's support to the formulation and implementation of national REDD strategies and other REDD readiness efforts. It is emphasised that the findings are not assessments of the final impacts of NICFI (which are unlikely to be known for several years) but are conclusions about progress and process towards the end goal.

It is expected that the real-time evaluation method will require some adjustment as NICFI evolves. This is firstly because real-time evaluation is a new element to the overall management of the Initiative, and secondly as the external policy context develops over time, so questions and indicators that are relevant at one stage of development may be less relevant at a later stage.

2.2 The Timeframe for the Evaluation

The starting (baseline) point for this evaluation was December 2007, corresponding to the launching of NICFI at COP13, while the end point is 30 August 2010.

The Indonesia country field mission took place from 28 July – 14 August, literature was consulted until the end of August 2010. Final revisions of this report were made in December 2010.

2.3 Selection of Themes and Indicators

A standardised real-time evaluation framework was developed that is designed to allow comparisons over time. This included the definition of a set of common indicators that (i) remain valid throughout the real-time evaluation period, (ii) can be used across countries, (iii) address the overall objectives of the real-time evaluation,

(iv) cover the issues raised in the Terms of Reference, and (iv) enable assessment of contribution of inputs from NICFI to observed progress.

The 2007 baseline for each indicator was reconstructed and compared to the situation as of 2010. In order to facilitate easy comparisons between (i) the baseline situation (2007), (ii) overall country-level progress from 2007 to 2010, and (iii) the specific NICFI contribution to the progress, the results of the country-level evaluation were summarised in a concise evaluation framework matrix. The evaluation framework is based on indicators grouped under the five following themes:

1. National ownership
2. REDD relevant policies, strategies, plans and actions
3. MRV capacity and capability
4. Deforestation and forest degradation
5. Livelihoods, economic and social development, environmental conservation

Themes 1 to 4 reflect the two NICFI climate objectives that have particular relevance at the national level: (a) to take early action to achieve cost-effective and verifiable emissions reductions, and (b) to promote conservation of natural forests to maintain their carbon storage capacity. Theme 5 reflects the recognition of REDD co-benefits and relates to Norway's development and foreign policy objectives, which apply to the Initiative and all activities that it supports.

These themes and their respective indicators are designed to encompass the whole REDD and development agenda. Although NICFI is only directly involved in, and able to influence, a subset of this (and that subset differs between partner countries), the broad scope ensures that NICFI's contribution is contextualised. Indicators that are not applicable now may also become applicable if NICFI broadens its scope in the future.

The level of achievement against each of the indicators in 2007 and 2010 was assessed as high, medium, low, and a similar system was used to assess the NICFI contribution. These assessments will provide a basis from which to monitor changes over time through subsequent evaluation visits.

2.4 OECD/DAC Criteria

NICFI's progress was assessed against the three Organisation for Economic Cooperation and Development / Development Assistance Committee (OECD/DAC) criteria relevance, effectiveness and efficiency. Their application within the real-time evaluation of NICFI's support to national REDD processes was as follows:

Relevance – The extent to which NICFI's contribution across the themes and indicators has been consistent and coherent with the individual partner country's policy and development goals and needs, with wider global priorities, with other donors' goals and policies and with NICFI's overall objectives.

Effectiveness – The extent to which NICFI's contribution across the themes and indicators whether direct or indirect, has achieved, or is likely to achieve, NICFI's objectives.

Efficiency – Preliminary reflections on whether NICFI has targeted inputs – finance, personnel time, level and clarity of engagement – in a way that has produced outputs that have been conducive towards progress by the partner country and to achievement of NICFI objectives.

2.5 Collection of Evidence

Evidence was collected through comprehensive programmes of stakeholder interviews, in-depth literature surveys, document reviews of research papers, reports, and policy documents, and triangulated across the data sources and through cross-validation of key pieces of evidence between interviews.

2.6 Methodological Limitations

2.6.1 Themes and Indicators

NICFI is a very complex evaluation object due to its size and scope. While performance indicators for NICFI's overall objectives were described in the Ministry of Environment's Proposal 1 to the Storting 2008-2009, and added to in the Ministry of the Environment's Budget Proposal 2009-2010, NICFI has not developed a comprehensive logical framework with detailed indicators for the whole range of activities. For such a large and innovative activity, the lack of a full set of indicators is understandable, but it creates room for interpretation as to which themes and indicators should be included in the real-time evaluation framework.

As REDD is a "moving target" and NICFI's activities will change over time, the themes and indicators assessed in this report may be revised in the next iterations of the real-time evaluation. For the present evaluation, a set of generic indicators was developed during the inception phase and during the field work the team attempted to revise, refine and adapt these to the national situations. The development of the evaluation indicators should therefore be considered a "work in progress".

2.6.2 OECD/DAC Criteria

The multiple components contributing to progress against indicators make assessment and scoring against DAC criteria problematic. NICFI's early stage of implementation also makes assessment of DAC criteria preliminary and subject to interpretation, especially with respect to effectiveness and efficiency. The country reports therefore place more emphasis on the descriptive accounts of the baseline situation, REDD+ developments up to October 2010, and to the NICFI activities and their relevance.

3. Baseline situation for REDD in Indonesia in 2007

3.1 National Ownership and Institutional Arrangements

In July 2007, the Indonesian Forest Climate Alliance (IFCA) was formed to provide the required substantial technical analyses for Indonesia's contributions to COP13 in Bali. Although the Ministry of the Environment is the lead agency for the United Nations Framework Convention on Climate Change, the IFCA process was directed by the Ministry of Forestry's Forest Research and Development Agency. Supported by the governments of Australia, Germany and the UK, under the coordination of the World Bank, IFCA was a multi-stakeholder initiative, involving 60 national and international experts from other government agencies, civil society, the private sector, scientific organisations and international partners, organised into a series of working groups to address key issues. Initially, the Ministry of Forestry was something of a reluctant partner in IFCA, but as the Bali COP13 approached it began to engage more actively. The stakeholder consultation process was strongly criticised by Indonesian civil society and indigenous peoples' organisations, who claim that it failed to be inclusive as hardly any NGOs were included.

COP13 itself was officially hosted by the Ministry of Foreign Affairs and the Ministry of the Environment, but following the successful launch of Indonesia's REDDI Road Map, and the overwhelming success of the conference, the MoF began to take ownership of REDD.

Despite their lack of participation in the IFCA process, numerous NGOs were already active and expressing their concerns about REDD issues in Indonesia.

The IFCA studies (IFCA 2008) examined in detail existing international REDD markets, compliance and voluntary, their possible operation in Indonesia and possible future payment and benefit-sharing systems. The studies also outlined potential institutional roles and responsibilities for REDD in Indonesia (Table 6).

Table 6 Potential institutional roles and responsibilities for REDD in Indonesia

| Entity and example institution in Indonesia | Role and responsibility |
|---|---|
| National/Regional/ Local fund managers (eg BLU) | <ul style="list-style-type: none"> • Provide upfront financing to invest in REDD activities • Receive money from the (future) sale of verified emission reductions • Redistribute payments to actors that reduce emissions from deforestation and degradation, and • Market 'Green Indonesia REDD credits' to international buyers. |
| National/ regional/ local registries (eg BPN, BAPLAN) | <ul style="list-style-type: none"> • Record how many REDD credits have been created and provide publicly verified information on spatially explicit REDD performance (to avoid double accounting, address permanence concerns) • Track movements of carbon between actors. |
| Monitoring entities linking local to national scale (eg BPS, civil society, contracted service providers) | <ul style="list-style-type: none"> • Quantify C stocks and emissions • Calculate emission reduction relative to a baseline or target • Ensure payments made by national fund manager go to the actors that have really reduced emissions • Ensure buyers that there have been no negative social or environmental impacts resulting from the REDD strategy or that these have been adequately compensated for through mutual agreement |
| National/ regional/ local legal institutions (Legislative, DepHut, BPN) | <ul style="list-style-type: none"> • Develop regulations to facilitate REDD mechanisms and transitions to sustainability (eg by securing forest carbon rights) • Adjust existing forestry laws and property laws if necessary (eg to recognise customary or informal rights governing current use, so that the poor do not become marginalised through REDD) • Help enforce laws relating to the REDD system • Help resolve disputes between actors and help in ensuring equitable access by actors to REDD funds |
| Emission reduction agents and providers of alternative livelihoods | <ul style="list-style-type: none"> • Community-scale agents and companies need to establish processes for redistributing financial benefits from REDD to local stakeholders and provide accountability for outcomes |
| Auditing (eg BPK, KPK and PPAK) and verification entities with international credibility | <ul style="list-style-type: none"> • Ensure the money is distributed and governed according to agreements and that cases of corruption – and weaknesses in the system allowing corruption – are duly reported • Provide independent oversight over the entire REDD system |

Source: IFCA 2008

3.2 REDD Relevant Policies, Strategies, Plans and Actions

3.2.1 REDD Relevant Laws and Policies

In 2007, the legal and policy framework through which Indonesia could obtain significant reduction in carbon emissions into the future was in existence, and relevant legislation that could potentially enable emission reductions within the forest sector had been identified and included:

- Presidential Decree (Keppres) No. 32/1990 prohibiting development on peat of more than 3 meters deep
- Law No. 6/1994 Ratification on UN Framework Convention on Climate Change
- Law No. 17/2004 Ratification on Kyoto Protocol to the UN Framework Convention on Climate Change
- Coordinating Ministry for Economics, Finance, and Industry Decree (Kepmen EKUIN) No.14/M. Ekon/12/2001 on Direction of National Policy on Water Resources;
- Regulation PP 4/2001 on Forbidding the use of fire;
- Ministerial Decree SK 159./Menhut – II/2004 related to the restoration of degraded ecosystems in production forest areas;
- Presidential Instruction (Inpres) 4/2005 on illegal logging;
- Regulation PP6/2006 on forest management and utilisation;
- Presidential Instruction Inpres 2/2007 on rehabilitation of the ex-Mega Rice Project in Central Kalimantan
- Ministerial Decree (Kepmenhut) 260/1995 on guidelines for fire control and prevention,
- New spatial Planning Legislation Act 26/2007

In addition, Law No. 41/1999 on Forestry and Law No. 5/1990 on Biodiversity Conservation, provide the legal basis and reference in conserving natural forest resources and managing forests in a sustainable manner. With respect to REDD, these Laws support:

- Improving natural forest and plantation management systems following international guidelines for Reduced Impact Logging (RIL) to which Indonesia is a signatory;
- Development of industrial forest plantations and estate crops on already cleared or highly degraded land in line with existing policy;
- Focus extractive timber operations and conversions for plantations and estate crops on mineral soils;
- Controls on peat land development, hydrological management and fire control (IFCA 2007, IFCA 2008).

Although it is widely believed that the persistence of deforestation in Indonesia reflects problems not with the legal framework itself, but rather with its implementation, a recent review (Arnold 2008) challenges this assumption and documents numerous key ways in which Indonesian law is responsible for deforestation. The Regional Autonomy Law in particular has created an unclear division of power between the Central Government and regional governments. Both the Regional Autonomy Law and the Forestry Laws are ambiguously drafted, inconsistent, and

often rely on regulation by subordinate legislation, opening many loopholes for bad practice²⁴.

Arnold (2008) pointed out that these legislative problems have serious implications for any avoided deforestation (or REDD+) programme. Together, they result in a situation in which both the Central Government and many regional governments are engaged in exploiting forests without taking responsibility or being accountable for their sustainable management. The report urged, amongst other things²⁵, increased attention to the deficiencies within law, as well as to the gulf between law and practice in combating deforestation in Indonesia.

3.2.2 REDD Relevant Strategies

Indonesia's REDD Readiness strategy presented at COP13 in 2007 was based on the IFCA studies, and focused on reducing carbon emissions from oil palm plantation developments, as well as some short preliminary strategic ideas for reducing emissions from pulp plantations, production forests, protected areas and peat lands. The main strategic measures identified through IFCA (2007) were:

Strategies for Reducing Emissions from Oil Palm Plantations:

1. Review the permit allocation for oil palm developments;
2. Reallocate forest and peat lands for carbon storage (this strategy is likely to have the greatest impact as REDD financing could be potentially deployed to cover the opportunity costs foregone from not converting forest and peat land into oil palm);
3. Review spatial plans to optimise degraded lands.

Other interventions that could be applied to mitigate climate change and ideas for COP13 follow-up were:

1. Provide support for zero burning - incentivise mechanical land clearing.
2. Improve water management on existing plantations lying on peat soils.
3. Reductions in use of chemical fertilisers and pesticides

Strategies for Reducing Emissions from Pulp Plantations:

1. Regulate the use of mixed tropical hardwood for pulp production.
2. Shift plantation development to areas where the carbon impact will be low.
3. Improve availability of suitable lands for plantation establishment.
4. Promote accountability of pulp and plantation companies for carbon reductions.

Strategies for Reducing Carbon Emissions from Production Forests:

1. Improving forest logging concession management.
2. Ecosystem restoration licenses.
3. Establishing improved governance in "open access" forests, strengthening community based forest management.
4. Reducing the demand for and supply of illegal logs as a driver of deforestation.

24 Additionally, the study concluded the law actively discourages joined-up approaches across government, promoting instead, rigid sectoral management of legislative processes. It lacks mechanisms to promote participation in policy-making, to support public interest litigation, provide checks against abuse of authority, and other aspects of good governance. Moreover, it perpetuates the marginalization of forest communities, begun in the New Order regime.

25 The report also cautions that deforestation in Indonesia is "so complex and multidimensional that 'a change in one factor without simultaneous changes in several others may not sufficiently alter the dynamics'", and efforts to improve relevant legislation will need to be complemented by efforts such as improving the capacity of law enforcers and building civil society networks, as well as international efforts against the trade in illegal timber.

Strategies for Reducing Carbon Emissions from Protected Areas:

No specific strategies were presented under this point

Strategies for Reducing Carbon Emissions from Peat lands:

1. Water Management
2. Fire Prevention

3.2.3 REDD Relevant Plans

The GoI started several initiatives to integrate mitigation and adaptation climate change principles into the national development planning agenda. As of 2007, these included:

1. Long Term National Development Plan (RPJP, *Rencana Pembangunan Jangka Panjang Nasional 2005-2025*) (Law No. 17 year 2005), which identified climate change as a critical challenge to Indonesia.
2. The Medium Term National Development Plan (RPJM, *Rencana Pembangunan Jangka Menengah Nasional 2004-2009*), set the stage for integrating climate change into national development planning. The main focus of the plan was to integrate climate change into cross-sectoral development priorities (BAPPENAS 2007).

These efforts led to the formulation of the “Yellow Book” in 2007, prepared especially for the COP13 in Bali, which served as a reference for donors to support prioritised climate change related activities that are consistent with national development plans.

The IFCA report abstracted a set of strategic recommendations from the Ministry of Forestry’s Long Term Development Plan 2006-2025 into a table, which been used in various later strategy documents (IFCA 2008, FCPF 2009). Table 16 in Section 4.2.4 presents this table and an update on progress towards meeting the strategic recommendations as of mid-2010.

3.2.4 REDD Relevant Actions

In 2007, the MoF created a new licence of relevance to REDD: the Environmental Services Utilization Permit (IUPJL, *Izin Usaha Pemanfaatan Jasa Lingkungan*). This permit is applied to production forest and the environmental services include carbon capture and storage (PP No. 6 / 2007, Articles 1 and 61; PP No. 3 / 2008, Article 33).

Bilateral Programmes

Germany

Even before the Bali COP 13, Germany had entered into a bilateral agreement with Indonesia on Forests and Climate. The Forest and Climate Change Programme (FORCLIME) began in mid-2007 and has three components: i) National level policy, strategy and instruments; ii) provincial level support for REDD demonstration activities; iii) Project level support for nature conservation and sustainable development in the “Heart of Borneo”.

The German Development Bank (KfW) will provide support for the FC-Module of FORCLIME (EUR 20 million grant). In addition, KfW finances two projects, the

Harapan Rainforest Project (EUR 7.575 million) and the EUR 0.878 million project “Securing natural carbon sinks and habitats in the Heart of Borneo”, implemented by WWF. The funds for these two projects are made available by the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) through its “International Climate Initiative” (ICI). In addition, the Merang REDD Pilot Project is also financed by the (BMU).

3.3 MRV Capacity and Capability

3.3.1 Forest Cover Monitoring Capacity in Indonesia up to 2007

A number of reports indicate a lack of clear forest monitoring information regarding the rates of deforestation and the current state of Indonesian forests (IFCA 2008, World Bank 2006).

As of 2007, there were 1197 Permanent Sample Plots (PSPs) for the whole of Indonesia, and it was recognized that additional PSPs were required to achieve higher accuracy (IFCA 2008). Different methodological approaches, use of differing satellite imagery and resolutions, and forest classification have rendered comparison of monitoring results difficult (World Bank 2006). Table 7 summarises the forest mapping and monitoring efforts up to 1997. In December 2006, the most recent maps of national forest cover dated from 1997.

Table 7 Forest Mapping and Monitoring Efforts in Indonesia

| Forest Mapping and Monitoring | | | | |
|-------------------------------|--------------------------------------|--------------|-----|--|
| Year | Study | Forest Cover | | Notes |
| | | Million Ha | % | |
| 1950 | Indonesian Forest Service (Hannibal) | 162.3 | 84% | Aggregated plantations as part of “forest” category. Includes secondary forests. |
| 1985 | RePProT | 119.7 | 63% | Used existing reports, aerial photography and satellite and radar imagery. |
| Early 1990s | NFI MoF FAO | 121.2 | 64% | Based on MSS satellite data and plot sampling. Included bush, scrub as forest. |
| 1997 | WB/GOI | 100 | 50% | Based on Landsat data, Course scale, little ground truthing. “No data” areas cover about 18% of measured forest area. About 6.6 million ha classified as natural forests might be under timber or estate crop plantations. |
| | MoF | 93.4 | 47% | Excluded Java, Bali and Nusa Tenggara |
| | EU | 110.8 | 55% | Based on low resolution NOAA-AHVR data |

Source: World Bank 2006

3.3.2 Forest Cover Monitoring up to 2007

In 2003, the Ministry of Forestry (MoF) conducted an assessment of both land classification and forest cover quality (Table 8) and initiated a systematic forest monitoring programme using MODIS/TM satellite imagery to assess deforestation from 2000 to 2006 (IFCA 2008).

Table 8 Ministry of Forestry's Assessment of Forest Cover Status 2003

| Forest Cover Status by Forest Classification Figures in millions of hectares | | | | | | |
|---|---------|-----------|------------|------------|---------|-------|
| Classification | Primary | Secondary | Plantation | Not Forest | No Data | Total |
| Production Forest Land | 17.0 | 19.9 | 2.2 | 14.9 | 7.0 | 61.0 |
| Conversion Forest Land | 6.1 | 4.7 | 0.2 | 9.5 | 2.2 | 22.7 |
| Protection Forest Land | 14.5 | 6.2 | 0.1 | 4.7 | 4.4 | 30.0 |
| Conservation Forest Land | 10.4 | 2.5 | 0.0 | 2.9 | 3.7 | 19.5 |
| TOTAL | 48.0 | 33.4 | 2.6 | 32.0 | 17.3 | 133.1 |

Source: World Bank (2006) from Recalculasi Sumber Daya Hutan 2003, MoF
http://www.dephut.go.id/INFORMASI/BUKU2/Rekalkulasi_03.htm

This assessment signified a change in approach, in which figures were made publically available on the MoF's website. However, on the satellite images, cloud cover obscured 17.3 million ha, making comparison of forest cover with past assessments impossible (World Bank 2006). To address this data gap, earlier remote sensing data from various sources were compiled, enabling a quantitative assessment of forest cover from 1990 to 2000. The results were generally consistent with the MoF's results from 2003, however, neither of these results provides an up-to-date assessment of recent status or trends (Muliastira and Buccucci 2005).

3.3.3 Monitoring and Measuring Degradation and Specific Carbon Pools

In 2007, capacity for monitoring and measuring forest degradation was inadequate. In addition to lacking experience and appropriate methodologies, Indonesia lacked data for examining the impacts of harvesting on carbon stocks. Capability for monitoring degradation was constrained by the need for cloud-free satellite data and aerial photos, for trained staff and tested methodologies (IFCA 2008).

As of 2007, there was very little data for site specific carbon pools for Indonesia and soil carbon data for estimating emissions from the conversion of forest to non-forest was particularly lacking. Data on the emissions from peat swamp forests were highly variable and highly dependent on methodology and assumptions (Levine 1999, Heil *et al.* 2007, Page *et al.* 2002) and further studies were identified as a key priority (IFCA 2008).

Available sources indicate that in 2007 Indonesia had the **monitoring** capacity to meet Tier 2 requirements of the 2006 Intergovernmental Panel on Climate Change (IPCC) Guidelines for National Greenhouse Gas Inventories for Agriculture, Forestry and Other Land Uses (AFOLU) (IFCA 2008, World Bank 2006, and ICRAF, BAPLAN, FORDA, MoF *pers. comm.*).

A proposed forest classification system for assessing and monitoring changes in Indonesian forest cover for the purposes of REDD was proposed and presented at COP13 and outlined in the IFCA report (IFCA 2008).

3.3.4 Reporting and Verification

Indonesia submitted its First National Communication to the United Nations Framework Convention on Climate Change (UNFCCC) in 1999, basing its greenhouse gas reporting on default values. Review of this report and the IFCA document (2008), and expert consultations (MoE, ICRAF) indicate that, in 2007, Indonesia had the **reporting** capacity to meet Tier 1 requirements of the IPCC Guidelines.

Verification of data is a recent term within the UNFCCC negotiations, and was not considered in 2007.

3.3.5 Reference Emissions Levels

As of 2007, the Indonesian Government held a scope preference for an incentive mechanism for REDD, thus requiring due process for the establishment of Reference Emission Levels (RELs). Three potential approaches were identified for Indonesia:

1. Average of Past Emissions – the particular reference period and projected crediting period selected would strongly affect incentives, and it was recognized that historic drivers of deforestation and degradation might not be relevant to future realities.
2. Modelling – identified and interprets future effects of drivers such as population growth and economic growth on deforestation.
3. Mixed modelling – emissions from planned and unplanned drivers are considered differently and separately.

Mixed modelling was the preferred approach, however the time periods selected for the Reference Emission Levels were yet to be decided. It was noted that the best available remote sensing data for Indonesia was from 2000 onwards (IFCA 2008).

3.4 Deforestation and Forest Degradation Rates

3.4.1 Forest Cover Loss

There were many different estimates of deforestation in Indonesia, depending on the parameters used to classify forests, and the technology used. In addition there were differences amongst studies in land classification, administrative boundaries and land cover status which need reconciliation. For example, the words “forest area” and “forest zone” are used interchangeably by the Ministry of Forestry (MoF), to refer to the land areas designated and under the control of the MoF – which account for over 70% of the total land area of Indonesia. “Forested” means the area has a level of tree cover matching a definition (unspecified) that is synonymous

with a “forest”. “Non-forested” areas may also include forests in Indonesia, but may have been classified as “non-forest” if they were outside the forest zone (ICRAF *pers. comm.*). The terms “forest estate” or “state forest” clearly imply state ownership, or a final desired condition that may be misleading or controversial (World Bank 2006). There was no national definition for “degraded forest”, and forest cover of less than the 30% canopy density threshold, often classified as “non-forest”, was also referred to as “degraded” in some cases (Forest Planning Agency, FORDA and MoF, *pers. comm.*).

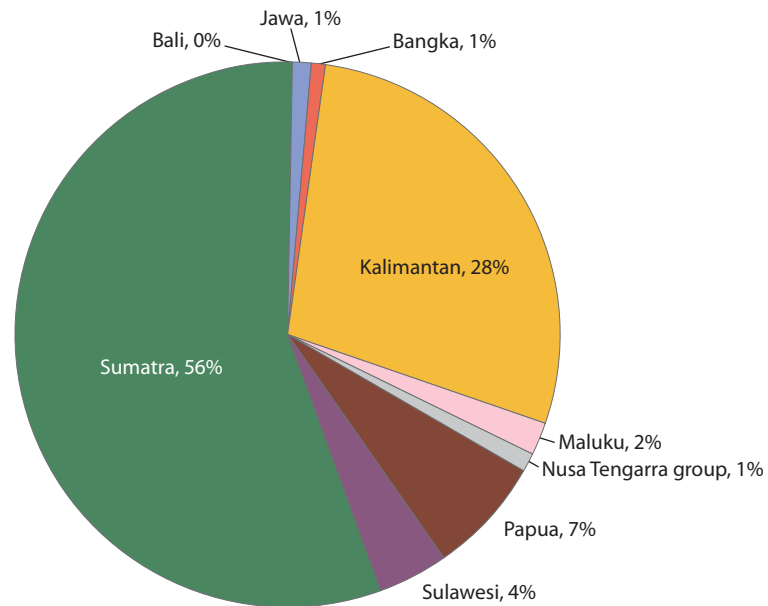
An estimated deforestation rate of 1.9 million ha per year between 2000-2005 was reported by Indonesia for the FAO 2005 Forest Resource Assessment. Dry land forests saw the largest rate of deforestation while peat swamps also recorded significant losses (FAO 2005). It was recognised that forest cover is dynamic. While an estimated 21 million ha of forest cover was lost between 1990 and 2000, an additional 12 million ha of forest cover was gained through regrowth and planting (Muliastra and Boccucci 2005). Between 2000-2005, the MoF, using SPOT vegetation image analysis, reported 1.09 million ha/yr of deforestation, however, some areas were excluded from the analysis (Wibowo 2010).

3.4.2 Emissions from Deforestation

In 2007, global estimates of national sources and sinks of carbon from land-use change varied widely, and were uncertain to the degree of $\pm 150\%$ for large fluxes. It was noted that Indonesia and Brazil together accounted for almost 50% of the global carbon flux from land use in the 1990s (Houghton 2003). At the national level, the estimates were also substantial. Gross emissions from deforestation on dry land and peat swamp forest between 2000-2005 were estimated to amount to 2.479 million t CO₂-e and with the inclusion of additional peat fires, this rose to about 502 million t CO₂-e (IFCA 2008, Houghton 2003).

Emissions from deforestation vary greatly across Indonesia’s main islands. As Figure 3 shows, 84% of Indonesia’s total emissions originate from the two large islands of Sumatra and Borneo (Kalimantan province), while Papua, with the largest remaining forest, emits only 7% of total CO₂-e.

Figure 5 Proportion of CO₂-emissions from deforestation per island, 2000-2005



Source: IFCA (2008)

3.4.3 Emissions from Peat Fires

As of 2007, several studies had observed the emissions from peat fires in Indonesia. Page et al. (2002) recorded significant degrees of uncertainty (see Table 10). The IFCA report (2008) cited that between 2000 and 2005 some 30 M t CO₂-e of emissions came from burning peat, in addition to emissions from deforestation.

It is important to note that past estimates of Indonesia's national greenhouse gas emissions from loss of forest cover are based on land cover change estimates from mapping exercises that were not designed to be used for the purpose of developing a Reference Emissions Level for REDD (IFCA 2008).

Table 9 Estimated CO₂ emissions from peat swamps fires in 1997 (El Nino year)

| Study Source | Area Included in Notes | Estimated emissions in millions of metric tonnes |
|------------------|---|--|
| Page et al. 2002 | Data from an area of central Kalimantan extrapolated to all 20 million ha of peat formations (includes with and without forest cover) - assumes 1.45 to 6.8 million ha burned | 1762 – 9432 |
| Levine 1999 | Kalimantan and Sumatera – assume 912 000ha of peat lands burned | 628 |
| BAPPENAS 1999 | Assumes 1.45 million ha of peat land burned | 1762-2055 |

3.4.4 Business as Usual Deforestation Estimates

In 2007, several Business As Usual (BAU) scenarios had been developed and applied to protection forests, conservation forests and natural production forests, with and without REDD (IFCA 2008). The results are presented in the Table 10, below.

Table 10 Comparison of projected losses from BAU and REDD for conservation and protection forests

| Conservation Forests (ha) | | | | | | |
|---------------------------|--------|--------|--------|--------|---------|---------|
| LOSS | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| BAU | 9,335 | 9,335 | 9,335 | 9,335 | 9,335 | 9,335 |
| REDD | 9,335 | 7,468 | 5,601 | 3,734 | 1,867 | - |
| Protection Forests | | | | | | |
| BAU low | 16,161 | 16,161 | 16,161 | 16,161 | 16,161 | 16,161 |
| REDD low | 16,161 | 12,929 | 9,697 | 6,464 | 3,232 | - |
| BAU med | 39,995 | 39,995 | 39,995 | 39,995 | 39,995 | 39,995 |
| REDD med | 39,995 | 31,996 | 23,997 | 15,998 | 7,999 | - |
| BAU high | 39,995 | 51,994 | 67,592 | 87,869 | 114,230 | 148,449 |
| REDD high | 39,995 | 31,996 | 23,997 | 15,998 | 7,999 | - |

Source: (IFCA 2008)

The three alternative baselines used the following assumptions:

1. The low case uses the 5-year average emissions;
2. The medium case assumes emissions from 2004/5 will continue for the next 5 years;
3. A high emissions scenario projects emissions to grow at 30% per year.

The rate of loss of natural production forest over the next 25 years based on BAU projections depends on whether the figures are based on MODIS or Landsat data (Table 11).

All three scenarios are very general, based on linear average trends.

Table 11 BAU production forest area projections 2005-2030 (millions ha/yr)

| Basis for calculation | 2005 | 2010 | 2015 | 2020 | 2025 | 2030 |
|-----------------------|-------|-------|-------|-------|-------|-------|
| MODIS: 2001/06 | 31.92 | 30.12 | 27.38 | 23.72 | 19.12 | 13.60 |
| Landsat: 1997/03 | 31.92 | 29.43 | 26.95 | 24.46 | 21.98 | 19.49 |

Source: IFCA 2008

3.4.5 Drivers of Deforestation and Forest Degradation

In 2007, the Government of Indonesia had identified different drivers of deforestation and forest degradation and separated them into planned and unplanned activities. The **planned** drivers are:

- The Pulp and Paper Industry, which operates with excess processing capacity over the sustainable timber supply;
- Forest plantations for the pulp and paper industry – 10 million ha of industrial plantation concessions (HTI);
- Community based timber plantations – 5.4 million ha up to 2016;
- The Oil Palm Industry has greatly increased and expanded production since the 1960s. In 2005, there were 5.6 million ha of oil palm plantations (IFCA 2008).

The **unplanned** drivers were:

- Protected areas;
- Illegal logging;
- Encroachment;
- Low institutional capacity on the ground;
- Natural Production Forests;
- Unsustainable levels of extraction from legally permitted forest concessions;
- Illegal logging at small and large scales;
- Planned conversion of native forest zoned as HPK (zoning issue);
- Encroachment (IFCA 2008).

The World Bank's *Strategic Options for Forest Assistance in Indonesia* (World Bank 2006) recognised some additional threats acting as past, present or future drivers of deforestation:

- **Past Threats: Transmigration** – some 5.5 million people from densely populated Java and Bali were to sparsely populated areas in Sumatra, Kalimantan, Sulawesi and Papua from the 1970s to 1990s. Settlement sites were cleared from forest; 2 ha of land were allocated per family.
- **Ongoing threats: Roads** – roads through forests areas open the way for secondary impacts such as encroachment, illegal logging, wildlife trade, and land conversion, through clearing or fire.
- **Ongoing threats: Mining** – Indonesia is a world leader in the production and export of copper, gold, nickel, silver and coal. Mining is particularly controversial in protected forests – A presidential decree issued in 2004 permitted 13 mining companies to continue activities in protection forests.
- **Cyclic threats: Forest Fires** – an estimated 10 million ha of forest and land area was burned in 1997/98, exacerbated by the ENSO climatic pattern.
- **Future threats: Energy** – Based on Presidential decree 5/2006 National Energy Management, there is an intention to increase the use of coal from 24% of the overall energy use to 33% of energy use over 20 years and quadruple the use of biofuels from 1.3% to 5% in the same period.
- **Non-threats: Fuel wood** – fuel wood use is rarely mentioned as a threat to Indonesia's forests.

3.5 Social and Environmental Safeguards and Co-benefits

3.5.1 Introduction

The key social and environmental safeguards and co-benefit issues in Indonesia, examined in this evaluation are: i) Rights of Indigenous Peoples; ii) Land, Forest and Carbon Rights; iii) Free Prior and Informed Consent; iv) Gender; v) Livelihoods and Benefit Sharing; vi) Biodiversity and Ecosystem Services; vii) Monitoring and Complaints and Redress Mechanisms.

Although REDD only became a high profile global issue after COP13, social and environmental issues related REDD were already being discussed both globally and in Indonesia well before the meeting. Most bilateral and multilateral development assistance donors working in Indonesia had long standing social and environmental safeguard policies and guidelines, relating to their poverty alleviation agendas, although not necessarily forcefully worded, or rigorously applied²⁶. In addition, discussion on “safeguards” in 2007 drew on diverse experiences with indigenous rights, environmental impact assessment, afforestation / reforestation under the Clean Development Mechanism, Forest Certification, Fair Trade and more broadly on Community-Based Forest Management and Integrated Conservation and Development.

A proposal for the World Bank’s FCPF programme had been circulated prior to COP13 and attracted serious criticism from the international NGO community (BIC *et al.* 2007). They identified eight “shortcomings”, including several relating to social and environmental safeguards:

- Narrow focus on carbon accounting to the neglect of the Bank’s poverty reduction mandate;
- Lack of adequate consultation with stakeholders, particularly indigenous people;
- Flawed governance, leaving decision-making to governments and commercial interests;
- Failure to guarantee the application of World Bank social and environmental safeguards to all FCPF activities;
- Over-reliance on market mechanisms, which have not demonstrated adequate capacity for human rights or sustainable practices.

The NGO statement identified “preconditions for sustainable REDD policies”, which neatly encapsulated a position on social and environmental safeguards:

“To ensure they do good, REDD policies at all levels must adhere to the principles of respect for human rights, including the rights of indigenous peoples, good governance, secure land and resource tenure, transparency, equitable benefit-sharing, biodiversity conservation, maintenance of ecosystem integrity and accountability to the public and affected forest peoples and forest-dependent communities. It is essential that global, national and local REDD policies are formulated with the free, prior and informed consent of indigenous and other forest peoples who live in and depend on the world’s

²⁶ For example, the World Bank’s environmental and social safeguards policies and procedures are: OP/BP 4.01, Environmental Assessment; OP/BP 4.04, Natural Habitats; OP 4.09, Pest Management; OP/BP 4.10, Indigenous Peoples; OP/BP 4.11, Physical Cultural Resources; OP/BP 4.12, Involuntary Resettlement; OP 4.36, Forests; and OP/BP 4.37, Safety of Dams, all of which pre-date COP13. However, they have been widely criticized for failure to actually apply many of these standards.

remaining forests. Failure to uphold these principles risks harming the environment and forest peoples and communities on the ground.²⁷

At the COP itself, Decision 2 on stimulating action on REDD, was weak on social and environmental safeguards, but did recognise that REDD in developing countries can promote co-benefits and may complement the aims and objectives of relevant international conventions and agreements and stated:

“that the needs of local and indigenous communities should be addressed when action is taken to reduce emissions from deforestation and forest degradation in developing countries”

Norway's position on social and environmental safeguards for REDD was also first stated at COP13, where NICFI was first announced. Although the overall goal of NICFI is to play a part in establishing a global, binding, long-term post-2012 regime that will ensure deep enough cuts in global greenhouse gas emissions to restrict global warming to less than 2°C, it is stressed that, as a component of Norway's ODA, NICFI's overarching objectives are poverty alleviation, social and economic development and environmental protection.

3.5.2 Rights of Indigenous Peoples

Indonesia's population of some 225 million people includes around 500 ethnic groups speaking more than 600 languages (ADB 2002). Although some politicians purport that all groups in Indonesia are “indigenous” and none should be privileged, around 50-70 million people continue to maintain traditional cultures and ways of life, and are recognised as special in the Indonesian constitution, many of these groups are key stakeholders for REDD+ in Indonesia, because they inhabit remote, forested areas and depend on the forests for their livelihoods. Indigenous people have been campaigning for years for greater recognition and promotion of their rights, particularly to land and forest, but have been marginalised as forests have been contracted out to powerful commercial interests or taken for conservation. There is now a widespread fear that REDD+ will produce a new “gold rush” for control of forest lands that will disenfranchise and ultimately impoverish indigenous groups.

The issue of Indigenous peoples' rights in Indonesia must be understood in the context of the struggles of various groups for autonomy and even independence, notably in East Timor, Irian Jaya (now Papua and West Papua) and Aceh. Given the high degree of ethnic diversity in Indonesia, the government has been reluctant to acknowledge claims, as this could set in motion processes leading to the break-up of the country.

Indigenous People in Indonesian Law

In Indonesia, in 2007, there was no generic law specifically and comprehensively dealing with indigenous people and their rights. Rather, provisions relating to the recognition of so-called “adat communities” and their rights were dispersed in

²⁷ http://www.forestpeoples.org/documents/forest_issues/unfccc_bali_ngo_statement_nov07_eng.pdf

various parts of the Constitution, sectoral Acts, and implementing regulations²⁸. Safitri and Bosko (2002) conducted a very useful analysis of all the legal provisions relating to indigenous people, and concluded that (i) they are general in nature and open to multiple interpretations; (ii) they are still directive-normative, and consequently not instrumental; (iii) they have the spirit of centralism and integration; (iv) they are still limited to the recognition of the existence of adat communities and certain rights, and do not guarantee the protection, much less the promotion, of these communities; and (v) they are only sectorally and partially regulated.

Government programmes for Indigenous Peoples

The Government of Indonesia does have various programmes for indigenous people such as “Supporting Social Welfare of Isolated Traditional Communities” and “Empowering Isolated Traditional Communities”²⁹, but they promote indigenous peoples’ well-being more by bringing them into national development, than by recognising their rights or promoting their self-determination.

Indigenous representation

During the Soeharto regime, the institution of the Dewan Adat (Traditional Assembly) was created, but at the time, many perceived it as an artificial institution, dominated by people closely affiliated to the governing party (GOLKAR), and just there to ensure political passage of controversial legislation or policy.

At Bali COP13, indigenous groups played a prominent role, and Indonesia’s indigenous people were represented by AMAN (Indonesian Alliance of Indigenous Communities), an umbrella organisation for indigenous groups. AMAN was formed in 1999³⁰ and now represents some 1163 indigenous groups, and an estimated 8-10 million people or 10-20% of all indigenous people in the country.

Decentralisation and Indigenous Rights

Under Soeharto, the structure of local government was standardised across the entire country, and traditional local authorities were marginalised by a hierarchy of village and district heads, and regents and governors, who ultimately reported to Jakarta. Then, in 1999, the Law on Regional Autonomy (No. 22 of 1999) reversed the situation again, making it possible to rehabilitate and reinstate traditional authorities, institutions and norms.

Indigenous People and Local communities

Although Indonesia retains a large proportion of its pre-colonial cultural and linguistic diversity, decades of politically and economically driven, planned and unplanned population movements have drastically altered the social landscape of the archipelago. Many villages sub-districts, districts and even provinces that once were

28 The Constitution of Indonesia 1945 (Article 18B) provides that the State recognizes and respects “traditional communities” and their traditional, customary rights, but only provided that they have not been assimilated and that the exercise of these rights is consistent with national development priorities. These determinations are made by the Government. The Agrarian Law of 1960 recognises the rights of indigenous communities, although does not provide for collective titling of land (Afiff et al 2005). Articles 5 and 6 of Human Rights Law 39/1999 state that the Government shall respect the rights of indigenous peoples to collective land and the Forestry Law of 1999 also recognises Indigenous Groups’ Forests (hutan adat). However, these latter three laws apply the same conditions as the Constitution and despite continuous lobbying, the regulations required to implement these laws have never been passed.

29 Kepres No. 111/1999 tentang Pembinaan Kesejahteraan Sosial Komunitas Adat Terpencil (KAT) dan Kepmensos No. 06/PEGHUK/2002 tentang Petunjuk Pelaksanaan Pemberdayaan KAT,

30 Indigenous groups began organising in 1993, and gradually grew in influence, particularly during the campaigns for indigenous rights which followed decentralisation in 1998.

populated by one or a small number of ethno-linguistic groups, are now, as a consequence of transmigration and economic development, ethnically diverse.

Since decentralisation, many groups have begun making claims to land, based on “adat”, and history. But there can be multiple and contested histories, and constructing history can become a competition over time and place. This can greatly complicate the process of identifying and legally protecting indigenous rights, especially to land. Even at a relatively local level, the granting of rights to one group may effectively disenfranchise other local groups that might have arrived in the area somewhat later and migratory groups risk having no rights at all. Political connections and sheer group numbers are increasingly important in having claims recognized (Moeliono and Dermawan 2006).

3.5.3 Land Rights, Forest Rights, Carbon Rights

Many observers contend that the root cause of continuing deforestation and degradation in many parts of Indonesia is the lack of legal clarity about peoples’ land and other rights. They further believe that the prospect of REDD+ revenues may lead to competition for financial benefits and the exacerbation of existing conflicts. Clarifying rights and resolving conflicts before REDD gets underway will, besides promoting equity and social justice, make land-use changes easier, and this process should be an important part of a national REDD+ strategy (ICRAF 2010).

Land Rights

Indonesia’s land law of 1960 was intended to promote universal land rights and land reform, but the latter was never implemented, and in 1967, a Forestry Law was passed classifying 73% of Indonesia’s land area as state forest land, where indigenous, forest dependent and rural communities had uncertain status. Meanwhile business interests were granted concessions first for logging and later for timber and estate crop development.

A new Forestry Law was issued in 1999 (UU 41/1999) that created scope for delegation of forest administration to other bodies, and gave some recognition of customary forests³¹. Further measures on ‘customary law communities’ were supposed to be defined in subsidiary legislation, including a regulation on customary forests, but these have were still not in place in 2007, so no rights had been claimed.

Land outside the national forest estate is under the authority of the National Land Agency. Since the 1980s, there has been a National Programme for land registration (PRONA) supported by the World Bank, which particularly assists poor and rural communities to obtain land certificates. However, only private titling is possible under national Land Law, so this does not help indigenous communities that want

31 The Law also differentiates between “state forest”, on lands which bear no ownership rights, “rights forests”, on lands which bear ownership rights, and “customary (adat) forests”, on lands under traditional jurisdictions. For the latter, indigenous groups still have to prove their status and have that the local authorities recognise that the adat community in question still in lives as a group, in their own customary area, following their customary regulations and institutions; The adat community forest area has to have clear boundaries, approved and acknowledged by their neighbours; there is an adat law framework related to forest that is still practised; and the adat community still relies on the forest for subsistence, religion and social activities based on adat rule. as long as the forest rights claimed does conflict with national interests, and must be supported by a management plan approved by the MoF. Even then, they do not own the land.

collective title for their lands, and land inside the forest estate cannot be titled. In 2001, the National Planning Agency (BAPPENAS) was instructed to produce a national land policy framework to address how these legal and regulatory changes would be made. However, by 2007, the framework was not finished and powerful interest groups within the government and business were reportedly frustrating their work (Rosser 2004).

Forest Rights

Indonesia's Medium Term Forestry Plan (2000-2005) includes amongst its priorities "Empowerment of people in/surrounding forests". There have been experiments with "social forestry" in Indonesia since the 1980s (Moeliono *pers. comm.*) with the goal of overcoming the root causes of unplanned forest loss. A series of new regulations since 2000³² created new avenues for improved access and rights of communities to manage their neighbouring forests³³, including:

- (1) *Hutan Kemasyarakatan* or Community Forestry
- (2) *Hutan Desa* or Village Forestry
- (3) *Kemitraan* or Partnership between community and concessionaires
- (4) *Hutan Tanaman Rakyat*³⁴ or Community-level Private Plantations (on degraded forest)
- (5) Collaborative Management of Protected Areas

These, and *Hutan Adat*, mentioned above, represented the only kind of rights that forest-dwelling communities (indigenous or otherwise) can obtain over the state forest lands they inhabit. All schemes had to be obtained ultimately from the Ministry of Forestry (MoF) and required lengthy and potentially expensive technical and bureaucratic procedures that then appeared beyond the capacity of most forest-dwelling communities. As of 2007, the regulations required to implement *Hutan Desa* had not been formulated.

In June 2004, the MoF decree No. SK 159/Menhut-II/2004 on 'Ecosystem Restoration in Production Forests (ERC)' created a new kind of conservation-related area through a 100-year license for the rehabilitation management of old logging concessions. There are approximately 20 million ha of these logged-over production forests, including many territories of indigenous and local communities. While the ERC appears a useful instrument for both conservation and REDD+, regulations prohibit cutting and restrict forest utilisation to a limited range of non-timber forest products, so potentially, indigenous peoples' livelihoods in production forests are threatened for a second time, and this time more enduringly.

Carbon Rights

Under Intergovernmental Panel on Climate Change (IPCC) guidance, five pools of carbon are identified for carbon accounting and so ultimately carbon credits: i) above ground biomass; ii) below ground biomass; iii) soil carbon; iv) leaf litter; and

32 Government Regulation No. 34/2002 on Forest Management; Government Regulation No. 6/2007 on Forest Management; Ministerial Regulation 37/2007 on *Hutan Kemasyarakatan*; Ministerial Decree No. 19/2004 on Collaborative Management in Protected Areas.

33 The different schemes have different organisational bases, different access rights, different planting, harvesting and sale rights, and different time periods.

34 To add to the complexity, there is also a category called "*Hutan Rakyat*", which is privately owned natural forests, most of which are actually outside the MoF controlled area (Moeliono, *pers. com.*).

v) dead wood. In addition, there is the potential to fix carbon. These, bundled together, or separate, potentially comprise carbon rights.

In Indonesia, in 2007, the debate on carbon rights was just getting underway. After years of effort to address the land and forest rights of indigenous people and local communities, many observers saw the danger that there would be attempt to separate carbon from trees, as a way of avoiding the rights issues in REDD+ implementation. Such separation of rights could lead to a situation in Indonesia, like the one in Papua New Guinea, where unscrupulous carbon traders strike deals with local community leaders, signing over the carbon rights to their forests. It appears that the best interests of communities would be to have an integral approach to property rights, where this cannot happen.

3.5.4 Free Prior and Informed Consent³⁵

The principle of Free Prior and Informed Consent (FPIC) has its basis in United Nations human rights conventions. Since at least the first session of the United Nations Permanent Forum on Indigenous Issues (UNPFII), in 2002, the issue of FPIC has been fundamental to debates on indigenous rights. However, it was the United Nations Declaration of the Rights of Indigenous People (UNDRIP), adopted just before COP13, that brought it to prominence and reinforced the principle that no development, administrative or other intervention should take place in an area without the FPIC of those indigenous peoples whose lands and livelihoods might be affected (Article 19).

The World Bank's Operational Policy 4.10 (2005) on Indigenous People, which applies to the FCPF in Indonesia, however stipulates that financing will only be provided where FPI Consultation (NOT Consent) results in broad community support by the affected Indigenous People.

In 2007, AMAN and other local and international non-governmental organisations began lobbying for the inclusion of FPIC in REDD issues at COP13, but beyond this lobbying, little was being done in Indonesia to operationalise it.

3.5.5 Gender

Gender has been an important component of sustainable development initiatives in Indonesia for decades, and many bilateral and multilateral agencies have developed special programmes, and designed and employed special tools for dealing with gender issues. There are also innumerable global mandates calling for the integration of a gender perspective into environmental and poverty reduction efforts that also apply to climate change³⁶. The United Nations Framework Convention on Climate Change, however, makes no mention of gender.

³⁵ See Additional Annex 2 for additional background on FPIC.

³⁶ For Environment and Development: Johannesburg Plan of Action (2002); Millennium Declaration (2000), World Summit for Social Development (1995), International Conference on Population and Development (1994), Convention to Combat Desertification (1994), Convention on Biodiversity (1992), Agenda 21 (UN Conference on Environment and Development 1992). For Human Rights: UN Declaration on the Rights of Indigenous Peoples (2007), World Conference on Human Rights (1993), International Covenant on Economic, Social and Cultural Rights (1966), International Covenant on Civil and Political Rights (1966), Universal Declaration of Human Rights (1948).

In December 2007 at COP13, the Global Gender and Climate Alliance³⁷ (GGCA) was launched as a collaborative initiative to address this oversight and ensure that climate change policies and initiatives at global, national and local levels, including REDD, are gender inclusive and responsive.

In Indonesia, despite Presidential Instruction No 9/2000 on Gender Mainstreaming in National Development and the enactment of the Law No. 12/2003 applying affirmative action to increase women's participation in parliament to 30 %, by 2007 attempts to apply gender best practice in the planning, formulation, implementation, monitoring and evaluation of all national development programmes were lagging, and the representation of women in parliament remained low.

3.5.6 Livelihoods and Benefit Sharing

Improved and sustainable livelihoods, in 2007, were considered “co-benefits” of REDD emissions reductions and carbon credits, rather than priorities, and the IFCA studies prepared by Indonesia, in the lead up to COP13 focused little on the livelihood dimensions of REDD. The consolidation report (2008) simply recognised that an effective REDD mechanism requires that “appropriate rewards to accrue to those agents who act to reduce deforestation, in order to create the incentives needed”.

The COP13 negotiating text was similarly vague and weak (Decision 2/CP.13), recognising that REDD:

‘can promote co-benefits and may complement the aims and objectives of other relevant international conventions and agreements’

and that

‘the needs of local and indigenous communities should be addressed when action is taken (to implement REDD).’

This lack of attention stands in contrast to the serious attention that has been given over the last couple of decades, globally and in Indonesia, to community-based resource management, and development projects, which have attempted to improve livelihoods through sustainable management of forest resources. However, relatively few of these initiatives have delivered significant livelihood improvements, largely because of resistance by governments to provide secure access and appropriate incentives for communities and governance failures. Some communities have already experienced such failures to deliver on promised benefits, and regard REDD with suspicion. The global carbon market and REDD+ offer the potential of supplementing the rewards from forest management, to make forest-based livelihoods really sustainable and also to make broader social justice goals attainable.

In 2007 REDD policy debates largely concentrated on the kind of global architecture it would require. They were not focused on livelihoods issues, and there seemed little

³⁷ See: <http://www.gender-climate.org/>

awareness of the potential influence of community livelihoods on the outcomes of REDD projects. Much of the practical thinking on achieving emissions reductions, especially in Indonesia, focused on the fewer industrial-scale agents of deforestation, rather than the many local actors whose engagement demands higher transaction costs. Many project proponents interviewed (private sector, government, and NGO actors alike) pointed out that regardless of legal tenure, local actors have de facto control over many forests, and, unless they are part of the intervention and see livelihood benefits, sustainable long-term emissions reductions will not be realised.

3.5.7 Biodiversity and Ecosystem Services

Maintaining natural carbon stocks can generate other benefits that are additional to climate change mitigation effects. Ecosystem “co-benefits” include biodiversity conservation and environmental services such as water regulation and soil conservation, which derive directly from maintaining natural ecosystems. The types, mixture and scale of co-benefits vary between locations and approaches.

Norway’s International Climate and Forest Initiative (NICFI) invokes Norway’s development policies as the overarching objectives for its climate change programme. Relevant to environmental safeguards in NICFI, Norway’s Action Plan for Environment in Development Cooperation (Ministry of Foreign Affairs, 2006) states several intentions and provides one baseline for the assessment of progress on environmental safeguards³⁸. In addition, NICFI includes as its third objective “conservation of natural forest”, so the protection of biodiversity should be prominent in all the Norwegian-funded REDD activities.

In 2007, Law No. 23 of 1997 required all development projects to undertake an environmental impact assessment and prepare environmental monitoring and mitigation plans to identify and ensure protection of critical biodiversity. The law and its regulations were inconsistently applied.

Peat lands and the forests they support have been attracting particular attention in REDD debates, as they harbour a tremendous amount of carbon and globally significant biodiversity. Although the development of peat areas deeper than 3 metres is prohibited³⁹, in 2007, the practice of draining shallow peat for conversion to plantation continued, almost inevitably resulting in the desiccation and damage of the adjacent peat dome.

The 100-year Ecosystem Restoration Concessions for logged-over production forests in relation to community rights, allow for the first time the possibility of full integration of biodiversity conservation objectives into the management of a production forest in Indonesia. The concessions have strict conditions and require that licence fees for the entire period are paid up-front, making them very expensive. By 2007, only one ERC had been awarded⁴⁰.

38 i) propose new environment-related political initiatives in multilateral organisations; ii) call for routines and procedures to ensure that environmental concerns are taken into account by multilateral organisations; iii) promote the integration of environment and sustainable development into recipient countries’ strategies, plans and budgets. National poverty reduction strategies will be of central importance; iv) actively follow up donor coordination on environmental issues; v) promote cooperation between public and civil society actors, including NGOs; vi) increase awareness in the private sector in Norway and globally of its responsibility for operating in accordance with the principles of sustainable development

39 Presidential Decree No. 32/1990

40 <http://www.goforwood.info/fr/news.php?id=30132>

3.5.8 Monitoring and Complaint and Redress mechanisms

In 2007, discussion of REDD monitoring systems (MRV) focused exclusively on carbon monitoring. However, it is very important that the social and environmental dimensions of REDD are also monitored. Monitoring mechanisms must ensure that due attention is paid to risks and opportunities without imposing excessive transaction costs that work to the detriment of achieving REDD objectives and co-benefits alike. In 2007, work had begun on developing social and environmental standards for REDD, but the need and methods for their incorporation in official monitoring was still little discussed, in Indonesia or elsewhere.

Safeguard systems need to include mechanisms for communities and public to complain about how REDD+ is being implemented, for impartial review of the complaints and redress where appropriate. There was also no significant discussion on this subject with regard to REDD in Indonesia in 2007.

3.6 Donor Support and Coordination

3.6.1 Overview of Main REDD relevant Donors and Coordination

IFCA was the main conduit for donor finance during the run up to COP13, in Bali 2007. DFID and the World Bank coordinated the input from national and international experts. The Program on Forests (PROFOR) and the Australian and German Governments provided additional financial support.

Table 12 summarises the other donor support for Indonesian efforts on forests and climate change as of 2007, and these are described briefly below.

Table 12 Donor support for Forestry and Climate Change as of 2007⁴¹

| Donor | Timeframe | Amount | National Partner |
|-------------|-------------|-----------------------------------|--|
| DFID | 2000-2006/7 | £25.15 million | MoF |
| AusAID | 2007 | AU\$ 40 million (mainly pledged) | Central, Provincial and local governments |
| GTZ | 1999-2009 | US\$ 12 million | MoF |
| World Bank | 2007-2012 | US\$ 2.13 million | Government of Indonesia |
| World Bank | 2006-2011 | US\$ 20.57million US\$ 3.36GOI | Aceh-Nias Reconstruction and Rehabilitation Agency |
| World Bank | 2004-2009 | US\$ 87.62 million | BAPPENAS, Ministry of Home Affairs |
| PROFOR | 2007 | US\$ 275,000 | MoF and IFCA |
| Netherlands | | | |
| Norway | 2007-2010 | US\$ 7 million | Kemitraan/Partnership for Governance Reform |

Source: interviews, August 2010

41 The Netherlands also supported forestry and climate change in Indonesia at this time, but figures could not be obtained.

The World Bank also has a long history of support to Indonesia's forest sector. In 2007, there were three main forestry related projects, worth over \$80 million in grants and loans (see Table 13).

Table 13 World Bank supported REDD-related projects in Indonesia in 2007

| Programme | Time | Amount US\$ million | Financing US\$ million | Government of Indonesia US\$ million |
|--|-------------|--------------------------------|--|---|
| Partnerships for Conservation Management of Aketajawe – Lolobata National Park | 2007-2012 | 2.13 | GEF grant 1 NGO 0.515 Foreign commercial resources 0.310 | 0.410 |
| Integrating Environment and Forest Protection into the Recovery and Future Development of Aceh | 2006-2011 | 23.93 | Special Financing: recovery loan lending instrument Grant: 20.57 | 3.36 |
| Land Management and Development Policy | 2004-2009 | 87.6 | 32.8 IBRD loan 32.8 IDA loan | 22 |

Source: World Bank Project Database

In May 2007, PROFOR, a forestry trust fund managed by the World Bank, contributed US\$ 275,000 for studies and meetings in the lead up to COP13.

4. Status and Progress of the National REDD Process in 2010

4.1 National Ownership and Institutional Arrangements

4.1.1 Ownership

Following COP13, REDD development was firmly in the hands of the Ministry of Forestry (MoF), but some observers felt this ownership was too strong: it excluded most other stakeholders, the preliminary plan became almost a gospel and it was difficult to get the MoF to adapt as the international REDD agenda moved on.

MoF's work focused on establishing some regulatory control of REDD (see below) and on developing the two multilateral programmes, UN-REDD and FCPF. Progress on the latter two was slow⁴² and collaboration between the two national teams working on these programmes (UN-REDD at MoF in Jakarta, FCPF at the Forestry Research and Development Agency in Bogor) was poor.

In 2008, the inter-ministerial National Climate Change Council (NCCC) was established, which included a working group, led by MoF, looking specifically at land use and forestry issues, but concrete outputs from this working group have been few.

The draft national REDD readiness strategy (MoF 2009), based on the IFCA reports, provided a framework for government communication and coordination of REDD efforts, identifying five key REDD components and responsible agencies (including MoE, BAPPENAS, and "ministries related to land use sector"), the required consultations and outreach activities and also identifying other key stakeholders. However, the extent to which it was used is unclear, and national ownership remained narrow.

The most significant development since 2007, in terms of national ownership, occurred when President Yudhoyono announced that Indonesia would commit to its own emissions reduction target of 26% below Business as Usual (BAU) projections for 2020, or 41% below BAU with support from international partners. The Presidential level of commitment and ownership was also very important. The different government ministries began to assess their emissions contributions and to plan how these could be reduced. Cross-sectoral issues in REDD received more concrete attention.

Various donors broadened government participation through specific policy work and supported Indonesian non-governmental organisations (NGOs) in their own projects and capacity building, particularly on safeguard issues. While this improved

⁴² The UN-REDD agreement was not signed until late 2009, and at the time of the assessment (mid-August 2010), FCPF still had not been agreed.

their advocacy work, very few besides the indigenous peoples' organisation AMAN were drawn into national level discussions.

With support from Norway (Embassy managed funds), the Kemitraan/Partnership (2009) has been working closely with the NCCC to develop a communication strategy and awareness on climate change and REDD schemes. Together with other NGOs, Kemitraan has been involved in Civil Society Forum on Climate Justice (CSF) providing both resources and facilitating discussion of the new proposed regulation for supporting REDD+ in Indonesia.

The position and role of the private sector, particularly estate crops, in the REDD+ debate remains unclear. They rarely participate directly in stakeholder forums.

4.1.2 Institutional Arrangements

National Council on Climate Change

In July 2008, the National Council on Climate Change (NCCC, *Dewan Nasional Perubahan Iklim*) was established by the President (PD 46/2008) to coordinate and monitor the implementation of action plans to fight climate change and help Indonesia reduce greenhouse gas emissions. The NCCC is under the Chairmanship of President Yudhoyono, and Mr Rachmat Witoelar (then Secretary of State for Environment) is the Executive Director. The members of the Council are all the 18 Cabinet Ministers, who should meet at least quarterly. The administration of the NCCC is by the Head of Secretariat, Mr Agus Purnomo, a well-respected environmentalist originally from civil society who currently is special adviser to the President on Climate Change. In January 2009, the NCCC became the focal point for the UNFCCC.

Under the Council are six working groups:

1. Adaptation Working Unit;
2. Mitigation Working Unit;
3. Transfer-of-Technology Working Unit;
4. Funding Working Unit;
5. Post-Kyoto 2012 Working Unit;
6. Forestry and Land Use Conversion (LULUCF) Working Unit.

The members of the working groups are from government and civil society, and meet at least monthly. REDD+ issues are handled mostly by the Land Use Land Use Change and Forestry working group, chaired by Doddy Sukadri of the Ministry of Forestry.

While the NCCC broadened official national ownership of the climate change agenda, its status as para-governmental organisation, trespassing on the mandates of other ministries, headed by people not in government, and lacking an independent budget, has limited its convening power and the cooperation it can command.

The Indonesia Climate Change Trust Fund (ICCTF) and Indonesia Green Investment Fund (IGIF)

The Indonesia Climate Change Trust Fund⁴³ (ICCTF) was requested by the Government of Indonesia (GoI) from donors, through the NCCC in 2009. The goal of the ICCTF is to support the GoI's efforts to reduce emissions, move towards a low-carbon economy and adapt to the impact of climate change. One of its three priorities embraces REDD+ through projects on sustainable peatland management and conservation, afforestation/ reforestation and sustainable forest management. The fund can be drawn upon by all, central provincial and district government, non-governmental organisations and universities. So far, few donors have contributed to ICCTF and general opinion is that it hasn't really taken off, and is unlikely to do so.

In addition to ICCTF, the GoI also planned the Indonesia Green Investment Fund (IGIF), in the Ministry of Finance under its Government Investment Unit (GIU), and it started operations in 2010, with a \$100 million investment from the GIU. The main purpose of IGIF is to leverage private and market based sources of funding for low emissions development programs/projects. It is hoped that with donor capital the fund will grow to \$5 billion in 5 years.

UKP4 (REDD+ Task Force)⁴⁴

Following the announcement of bilateral partnership (LoI) between Norway and Indonesia in 2010, President Yudhyono appointed his Presidential Delivery Unit for the Supervision and Monitoring of Development (UKP4) under the leadership of Dr Kuntoro Mangkusubroto to coordinate LoI implementation. It included three working groups, one tasked specifically with establishing three independent REDD-relevant institutions: a national REDD institution reporting to him, one to manage financial flows and one to handle MRV (see Section 5.1 below). However, this high level leadership and institutional participation is not matched by competence and commitment in the crucial middle levels of government and local government, where much of the practical day to day work required to getting a REDD+ agreement operational, will take place.

4.2 REDD Relevant Policies, Strategies, Plans and Actions

4.2.1 REDD Relevant Policy and Regulation

Following COP13, some aspects of REDD in Indonesia began to develop quite quickly. In early 2008, the world's first voluntary REDD project, in Indonesia, was announced - a partnership amongst the Government of Aceh, the conservation organisation Fauna and Flora International (FFI), Carbon Finance, and the US investment bank Merrill Lynch⁴⁵. The Governor of Papua, Indonesia's other semi-autonomous province, also began negotiating its own REDD projects.

Partly as a result, the Government of Indonesia (GoI) was motivated to establish control over the REDD development process, and started setting out the "rules of the game". During the first half of 2008, the Ministry of Forestry (MoF) began

⁴³ See: <http://www.icctf.org>

⁴⁴ In September 2010, after this evaluation, Presidential Decree No. 19/2010 officially established the REDD+ Task Force, also under the leadership of Dr Kuntoro Mangkusubroto.

⁴⁵ See: http://www.fauna-flora.org/redd_aceh.php

formulating two significant policies that would provide central government management over the REDD process in Indonesia: a regulation on the implementation of REDD demonstration activities (P. 68/Menhut-II/2008) and a decree on establishing a Working Group on Climate Change in the MoF (SK.455/Menhut-II/2008)⁴⁶. The MoF also adapted the IFCA recommendations into its REDDI Framework (Figure 2), to conceptualise REDD implementation. In 2009, the MoF passed two additional REDD regulations:

- No. P.30/Menhut-II/2009 provides regulations for implementing REDD including obligations of developers, verification and certification, and terms and conditions of REDD's implementing bodies. This represented the world's first national legal regime for the implementation of REDD projects, and the issuing and trading of carbon credits for the emissions reductions.
- No. P.36/Menhut-II/2009 on the permission procedures of projects on carbon sequestration and/or storage in production and protection forests, and importantly presents a scheme for sharing revenues amongst government, the developer and communities. This is discussed further in Section 4.5.6 below.

The Minister of Forestry also passed REDD relevant regulations relating to forest governance:

No. 38/2009 providing standards and guidelines on performance evaluation of sustainable forest management and timber legality.

The Ministry of Agriculture issued two regulations on guidelines relevant to the management of peat lands:

- No. 14/2009 which tightens the restrictions on the use of peat land for oil palm plantation, adding criteria on the composition of soil under the peat, the maturity of peat, and the fertility of peat land, and directing agricultural expansion away from peat lands and onto mineral soils
- No.26/2007 which stipulates that new permits for using degraded peat land forest for agriculture must meet requirements and criteria based on an environmental impact assessment.

Other Ministries also issued relevant regulations:

- Decree of the Coordinating Minister for Public Welfare on Parks Encroachment Mitigation (2008).
- Minister of Environment Law 32/2009 (article 63.i) Development of GHG inventories at national, provincial and district levels, (article 63.j) development and implementation of policies on climate change and protection of the ozone layer,
- In addition, a new Presidential Regulation regarding GHG inventories and MRV is currently being drafted (August 2010).
- In late 2009, the Ministry of Forestry, through its Medium-Term Plan, announced eight forest sector policies, newly formulated or prioritised, in part to address the future challenges of tackling deforestation and forest degradation: i) Strengthening forest boundaries to secure forest areas; ii) Rehabilitation of degraded forests and improve the capacity of watershed; iii) Forest protection

⁴⁶ This was replaced with SK No.64/Menhut-II/2010, FORDA (2010). Other regulation on REDD working groups includes No. SK.21/Menhut-II/2009; Head of FORDA Decree: SK.5/VIII-SET/.

and fire management; iv) Conservation of biological diversity; v) Revitalisation of forest utilisation and forest industries; vi) Empowerment of indigenous peoples and local communities; vii) Mitigation of, and adaptation to, climate change; viii) Strengthening forest institutions (FORDA 2010).

4.2.2 REDD Relevant Strategies

Ministry of Forestry

REDD-Readiness Strategy

In 2007, IFCA linked the REDD Readiness strategy with the main components of the Ministry of Forestry (MoF)'s Long Term Development Plan (2006-2025) and National Forestry Program (NFP). Since then, there have been several efforts by MoF to build a national REDD strategy.

As part of FCPF, a draft REDD readiness strategy was produced by Forestry Research and Development Agency in August 2009. This builds on the IFCA reports of 2007, but with increased awareness of the need for a credible Monitoring Reporting and Verification system and the challenge of potential political consequences in determining a national reference level. However, it fails to address drivers of deforestation from outside the forest sector, and so cannot be considered a real "national" strategy.

There were also serious concerns that a pillar of this strategy, and the main part of the proposed budget, was for the conversion of large areas degraded production forest to plantation, with a target of planting 1 billion trees. Research by CIFOR (Verchot et al 2010) has demonstrated that plantations are not an effective approach to reducing emissions compared to halting deforestation. There is simply not enough land in Indonesia to realise its emissions reduction targets this way, because fast growing species will not sequester enough carbon. This is particularly so where plantations replace carbon rich natural forest or peat forests. There is also the question of permanence if the trees are to be cut in the short cycles characteristic of industrial pulp or palm oil plantations. Many NGOs have further argued that new plantation development fails to address important drivers of deforestation such as oil palm expansion. The Rainforest Foundation Norway (*pers. comm.*) believes that the Norwegian public, although very supportive of natural forest conservation may not agree with REDD funding for plantations. The history of corruption in reforestation schemes (Barr 2009) also raises serious concerns with this proposal.

In February 2010, the final National Strategy REDD-Indonesia Readiness Phase, 2009-2012 was published. This was a joint effort between the FCPF and UN-REDD teams, but, as the title suggests, it only covered the immediate Readiness phase. It also largely recycled the analysis presented in previous strategies and glossed over the real drivers of deforestation.

The biggest change in the development of REDD+ strategies came after the LoI, which identified finalisation of a national REDD+ strategy as a priority for delivery before the end of 2010. Under the Presidential Delivery Unit for the Supervision and Monitoring of Development, UKP4, a specific working group of government and other experts coordinated by BAPPENAS was convened to prepare this, and serious cross-sectoral work has begun in earnest.

Forest Sector Climate Change Road Map

Under the Ministry of Forestry (MoF)'s Climate Change Road Map (BAPPENAS 2010), three specific strategies to reduce emissions from forestry are identified:

- Sustainable forest management, enhancement of forest carbon stocks and avoiding emissions linked to unwanted degradation and unplanned deforestation; the goal is to move to Sustainable Forest Management through consistent policies and law enforcement.
- Reducing emissions from deforestation: avoiding emissions linked to planned deforestation, through management of conversion forest and using REDD for financing incentives
- Plantations – reiterating MoF's preferred strategy of increasing carbon sink capacity by promoting plantations on non-forest cover lands (both industrial forest and rehabilitation plantations). Timber plantations also have an indirect mitigation effect as an alternative to natural forests for supplying industries, particularly pulp and paper industries.

These are presented as provisional strategies that will need further revision by the end of 2010.

It was also recognised that many issues are cross-cutting and require inter-sectoral planning and coordination to gain consensus and achieve results, these are summarised in Table 14.

Table 14 Cross-cutting issues identified in the forest sector's climate change roadmap

| Sectors other than forestry: | Relevance to Forestry Sector |
|-------------------------------------|---|
| Agriculture | Policy synchronization needed with a view to expansion of agricultural land and palm oil plantation as well as other sources of bio fuel for enhancement of sinks and reducing emissions from deforestation |
| Mining | Exploration and open pit mining in forest areas |
| Energy | Forest conversion to increase energy alternative supply, hydro and geothermal in forest area and exploration in forests |
| Public Works, Water Resources | Priority for river catchment area rehabilitation and irrigation infrastructure development in forest area |
| Ocean and Fisheries | Coordination of National park management and mangrove forest management |
| Transportation | Transportation infrastructure development in forest area |
| Industry | Wood supply industry (pulp & paper, timber) |
| Health | Disease spread indication as the impact of forest and mangrove forest conversion |

Source: BAPPENAS 2010

Ministry of Finance

The Ministry of Finance recognised that Indonesia's commitment to reduce greenhouse gas emissions poses important questions for fiscal and broader economic policies and in response to these questions, produced a Green Paper on the economic and fiscal strategies for climate change mitigation in Indonesia (Ministry of Finance 2009). The Green Paper presents strategies that can guide longer-term policy reform for climate change mitigation and sets out various concrete strategies, including three with implications for REDD:

1. Support and incentivise carbon abatement measures by regional governments.
2. Work with the appropriate ministries to bring existing fiscal policy settings into line with carbon reduction objectives, especially in relation to REDD.
3. A strategy for international carbon finance to Indonesia in reaching its emissions reduction targets, which includes REDD+ (Ministry of Finance 2009).

4.2.3 REDD Relevant Plans

Indonesia submitted its Readiness Plan (R-Plan), prepared by experts from the Forestry Research and Development Agency, to the World Bank's FCPF in May 2009. Some stakeholder consultations were held, but this process were severely criticised by participants, particularly the non-governmental organisations (Rainforest Foundation Norway *et al.* 2009). The R-Plan, and particularly its budget, was still being negotiated between the Government of Indonesia and the World Bank at the time of the assessment.

4.2.4 REDD Relevant Actions

Forest Carbon Partnership Facility (FCPF)⁴⁷

FCPF planning began in 2008 and a first draft of the R-Plan was produced in October 2008, then after some revisions, and national and provincial level consultations in early 2009, the second draft was finalised in May 2009. The Technical Advisory Panel (TAP) raised some critical issues, particularly, the poor consultative process and lack of participation by civil society, indigenous peoples and local communities. The R-Plan was revised again before being given preliminary approval in October 2009.

Although Indonesia has estimated that Readiness activities will require a total budget of some US\$18 million, FCPF provides a maximum grant of US\$ 3.6 million. Indonesia has requested a grant of US\$3.09 million to cover the following essential activities:

1. Background Studies: identification of drivers of deforestation (US\$138,000);
2. Management of REDD, consultation, communication and participation (US\$ 491,000);
3. Design REDD strategy, evaluate opportunity costs, evaluate and monitor demonstration programmes (US\$652,000);
4. Create and implement REDD implementation framework: Create a national registry, assist Ministry of Finance in creating a Benefit Sharing system for REDD, create a national REDD coordination unit, build capacity (US\$469,000);

⁴⁷ Forest Carbon Partnership Facility was announced at COP 13 in 2007, and established internationally in 2008, under the management of the World Bank. Its purpose is to build readiness for REDD and to pilot performance-based payments for emissions reductions. As of 2010, 37 countries are involved, and five, including Indonesia, have submitted their R-PPs.

5. Environmental and Social Assessment of REDD activities, capacity building (US\$342,000) Develop Reference Scenario for REDD, acquisition and data, background studies (US\$719,000);
6. Design a Monitoring Reporting and Verification system for REDD (US\$85,000).

An assessment of environmental and social safeguards in late 2009 recommended carrying out a Strategic Environmental and Social Assessment (SESA) for managing Demonstration Activities, including an examination of land tenure issues as related to REDD (FCPF 2009).

In August 2010, the FCPF was still identifying what Readiness activities to fund, a process complicated by the numerous other donors funding Readiness in Indonesia. Also, once the Ministry of Forestry has finished its proposal, it must be approved by BAPPENAS and by the Ministry of Finance. Since the process began in 2008, FCPF plans have been overtaken by events, particularly the advent of the Australian bilateral programme, UN-REDD, and more recently the Norway-Indonesia Letter of Intent (2010).

UN-REDD Programme⁴⁸

Indonesia is one of the nine participating countries⁴⁹ in UN-REDD's pilot phase, and work began in 2008. Norway has contributed over 97% of UN-REDD funds globally, and the programme in Indonesia is supported entirely by Norway.

In March 2009, the UN-REDD Policy Board provisionally approved Indonesia's proposal with a total budget of US\$ 5.6 million. However, concerns were raised regarding the consultation processes and the involvement of civil society and indigenous peoples requiring an extra phase of stakeholder validation. The project documents were signed in November 2009, just prior to COP15, and the programme was officially launched in March 2010.

The Readiness Phase programme is only 18 months long, and includes three Outcomes and ten Outputs, implemented at national, provincial and district level. Each output is supported by one of the participating UN agencies, and all operate under a National Implementation Modality:

Outcome 1: Strengthened multi-stakeholder participation and consensus at national level

Output 1.1 (UNDP): Consensus on key issues for national REDD policy development

Output 1.2 (UNDP): REDD lessons learned

Output 1.3 (UNEP): Communications Programme

⁴⁸ The global United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD Programme) was launched in September 2008 with the objective of assisting tropical forest countries to establish a fair, equitable and transparent REDD regime. It is managed jointly by UNDR, FAO and UNEP, and a Multi-Donor Trust Fund (MDTF), based in New York, was established for pooling of resources.

⁴⁹ Others: Viet Nam, Papua New Guinea, Bolivia, Panama, Paraguay, DRC, Tanzania, Zambia

Outcome 2: Successful Demonstration of Establishing a REL, MRV and Fair Payment Systems at Provincial Level, Based on the National REDD Architecture

Output 2.1 (FAO): Improved capacity and methodology design for forest carbon inventory within a Measurement, Reporting and Verification System (MRV), including sub-national pilot implementation

Output 2.2 (FAO): Reference Emissions Level (REL)

Output 2.3 (UNDP): Harmonized fair and equitable payment mechanism at provincial level

Output 2.4 (UNEP): Toolkit for priority setting towards maximizing potential Carbon-benefits and incorporating co-benefits, such as biodiversity conservation and poverty alleviation under the Millennium Development Goals

Outcome 3: Capacity Established to implement REDD at District Levels

Output 3.1 (UNDP): Capacity for spatial socio-economic planning incorporating REDD at the district level

Output 3.2 (UNDP): Empowered local stakeholders are able to benefit from REDD

Output 3.3 (UNDP): Multi-stakeholder-endorsed District plans for REDD implementation

The overall strategy is to build capacity of Government of Indonesia for accountability, transparency and evidence-based policy reflecting “the big picture”. The National Joint Programme has a National Programme Executive Board chaired by the Ministry of Forestry (MoF) and the United Nations Resident Coordinator, and meets at least twice a year. The Norwegian Ambassador is a board member and takes an active and personal interest in the programme. Although Norway is the major funder of UN-REDD, it does not attempt to be prescriptive.

In June 2010, Central Sulawesi was selected⁵⁰ as the pilot province for UN-REDD, with a secondary focus on the other provinces in Sulawesi, to provide an island wide approach. The first formal UN-REDD mission to Central Sulawesi was in August 2010, at which time a Memorandum of Understanding between the MoF and the Governor was in preparation.

MoF Progress on Key Tasks

The MoF has also been making progress on tasks included in its Long Term Development Plan that were identified by IFCA (2008) as key deforestation reduction strategy options. These tasks, and the progress made against them, are summarised in Table 15 below. It was not possible for the evaluation team to review any of these specific items.

⁵⁰ The selection of Central Sulawesi was controversial, as the province is not heavily forested and does not experience Indonesia's most important drivers of deforestation (large scale and illegal logging, conversion to industrial plantations). The province was suggested by the MoF, in part because most other candidate provinces were already covered in Demonstration Activities or pilot projects, and because they wanted “more diversity”. The drivers in Central Sulawesi are more people focused: mostly decentralised small scale logging and agriculture and transmigration. Since UNDP's “value added” is with local communities, they supported the proposal. Whereas Norway might have preferred a more forested province more characteristic of the drivers that apply at the national scale, such as Papua, UN-REDD felt that given the low capacity, political unrest and the “semi-autonomous” status of the province it would be difficult to achieve desired “local results in a national framework” within the 18-month readiness phase. Indicative of their non-prescriptive approach, Norway respected this decision.

Table 15 Progress in 2010, on initial REDD strategy recommendations of 2007

| Forest Function | Recommended Strategy Initiative | Progress up to 2010 |
|------------------------|--|---|
| Protected areas | <ol style="list-style-type: none"> 1. The development of a revised national conservation strategy. 2. The development of a professional and sufficient management structure 3. The confirmation of boundaries and the completion of the legal gazettal process | <p>Conservation strategy is still under discussion in parliament.</p> <p>Forest Management Units (FMUs) are in development, some ready.</p> <p>Protected areas are currently being delineated. Some are being expanded, some have been encroached, so new boundaries needed.</p> |
| Production forests | <ol style="list-style-type: none"> 1. Review the production forest function units to accommodate changes in the areas of forest vegetation in support of decentralized government responsibilities, including <ul style="list-style-type: none"> A review of the ecological conditions associated with each forest unit to determine its continuing conformity with the original function; A review of the condition of open access production forest land; Review opportunities to secure land access among local people and potential for collaborative land use involving HTR projects | <p>Concessions are given a review of ecological conditions, the problem is the implementation of the real work some concessions have been abandoned bad harvest practices.</p> <p>Review of the condition of open land access production forest area is in progress</p> <p>Currently discussing with AMAN to identify indigenous forest</p> |
| | <ol style="list-style-type: none"> 2. Reduce the flow of illegal logs into the market, by <ul style="list-style-type: none"> Enforcing laws against illegal logging Creating alternative log supply Re-structuring wood products sector | <p>Progress in tackling illegal logging. Decline in illegal logging rate. Progress on working with legality. Chain of Custody under implementation in pulp and paper industry. Dynamic restructuring of the pulp and paper industry in 1990s, but has stabilised.</p> |
| | <ol style="list-style-type: none"> 3. Review management practices in production forest units to optimize REDD opportunities, by <ul style="list-style-type: none"> The provision of incentives to achieve stipulated outcomes of management rather than compliance to prescribed actions The use of performance bonding The provision of incentives for practices reducing carbon emissions Supporting adoption of accountable sustainability targets Supporting collaborative management arrangements between forest concession companies | <p>Some small progress. Concession companies are given incentives to improve silviculture.</p> |
| | <ol style="list-style-type: none"> 4. Capitalise on the opportunity of the REDD Market instrument to realize planned strategic reform of the pulp and paper industry to achieve a sustainable forest plantation sector, by <ul style="list-style-type: none"> Strengthening the criteria for approval of new plantations in Production Forest | <p>In progress – minister will not want to give permits on the peatland. Concession pipeline is being denied.</p> |

| Forest Function | Recommended Strategy Initiative | Progress up to 2010 |
|------------------------|--|--|
| Oil Palm | <ol style="list-style-type: none"> 1. Consolidate policy and approval criteria for releasing HPK for oil palm developments 2. Review spatial plans to optimize degraded lands. 3. Intensify production per unit of land. 4. Require zero burning | <p>BAPPENAS is currently facilitating the discussion between the MoF and Ministry of Agriculture.</p> <p>In the process of completing the spatial planning</p> <p>Intensification has not been addressed by the MoF. (The ministry of agriculture has this mandate)</p> <p>Very little progress. No incentive system yet. Difficult to address, especially when it is related to traditions and food security. Burning is the cheapest mode of clearing land, so unless an incentive system is in place – very difficult to address.</p> |
| Peat land | <ol style="list-style-type: none"> 1. Regulate and Restore Water Tables 2. Prevent Fire 3. Build coordination and consistency across government jurisdictions and sectors to control cross boundary impacts of fire (control of sources and control of spread). 4. Regulate further conversion of peatlands and revise and enforce rules for management of existing peatland plantation sites. 5. Implement land swaps where possible to retain high carbon value forest and peats while allocating alternative land for new plantations. | <p>No regulation yet</p> <p>Progress: New fire guards have been established since COP 13</p> <p>Progress on the coordination of fire guards – can move fire guards between different provinces.</p> <p>Ministry of Agriculture regulation on peat soils deeper than 3 meters.</p> <p>Difficult to implement from and many issues relating to social-economic conflicts still need to be resolved.</p> |

Source: Consultation with MoF

New Bilateral Programmes

USAID

USAID also supports REDD pilot projects, through Tropical Forest Conservation Action Debt for Nature swaps. This redirects Government of Indonesia debt of US\$22 million to conservation projects in Kalimantan (Berau) and Sumatera, building on contributions from Conservation International and Kehati.

Australia

In June 2008, the Governments of Indonesia and Australia signed the US\$ 40 million Indonesia-Australia Forest Carbon Partnership (IAFCP). The partnership builds upon, and provides clearer guidance for existing cooperation between Indonesia and Australia in three key areas:

1. Policy development and capacity building to support participation in international negotiations and future carbon markets;
2. Technical support for Indonesia to develop its national forest carbon accounting and MRV system; and
3. Further development of demonstration activities, and the provision of related enabling assistance to trial approaches for REDD.

This incorporates \$30 million for the Kalimantan Forests and Climate Partnership demonstration activity focus on rehabilitation of a large peat forest degraded by a Soeharto-era agricultural development project. In 2010, Indonesia and Australia signed the complementary US \$ 27 million Sumatra Forest Carbon Partnership, for demonstration activities in Jambi.

UK – DFID

DFID is not working on REDD per se, but in 2008, signed a Letter of Agreement on Climate Change, providing \$10 m over 3 years. Much of the work is with Bappenas on the economics of climate change, and developing planning and fiscal frameworks and adaptation strategies. Analysis has indicated that current development practice is a bad business model for Indonesia and actually needs to change, regardless of funding from Annex 1. With regard to fiscal frameworks, DFID helped with the establishment of Indonesia Climate Change Trust Fund (ICCTF). DFID also works on the “off-track Millennium Development Goals and improving governance and decentralisation. DFID continues to support the Multi-stakeholder Forestry Programme (MFP), which has the objective of establishing (by 2011) the enabling conditions for legal and institutional reforms for sustainable forest management, that support poverty reduction, and climate change adaptation and mitigation in the forestry sector (including identifying governance reforms needed for REDD) (MFP 2009).

Forest and Other Governance Issues

Between 2007 and mid-2010 some progress has been made on forest governance, corruption and local governance issues, but the basic problems still remain. There has been progress with the establishment of a Voluntary Partnership Agreement (VPA) between Indonesia and the European Union over legality guarantees for timber imports into the European Union, and there remain only a few details to work out before the agreement can be signed.

Recent decrees of the Ministry of Forestry (MoF) have defined the national standards for timber legality verification (SLVK) and sustainable forest management, and brought them into effect⁵¹. In mid-2009, Indonesia's National Accreditation Committee (KAN) signed an agreement with the MoF on an accreditation scheme for third party certifiers of companies against these established standards.

Indonesia's R-Plan quoted the State Ministry for Administrative Reforms objective of applying a "nationwide system of good governance at the local government level by 2008." However, the R-Plan itself did not provide any evidence of progress in meeting this goal, and the REDD strategy described in the R-Plan does not include a strong component relating to reducing illegal activities. Although independent forest monitoring is already a part of the Forest Law Enforcement Governance and Trade process and arguably is one of the important components of Readiness, it is not even discussed in the R-Plan.

In relation to community-based forestry, in 2008, PP No 3 reinforced PP No 6/2007 on the need for forest management to be based on empowering the community, developing local capacity and giving access in order improve the livelihoods of people living in or near the forests. The regulations clarified village forest or *Hutan Desa* and community-based forest management, however licenses for these programmes remains hard to obtain.

Ecosystem Restoration Concessions introduced in 2004 have proven quite popular with conservation organisations and private investors. By mid-2010, 19 companies had applied for 24 concessions, totalling over 2.5 million ha, and many of these have REDD+ objectives (MoF pers comm.). The MoF has recently committed to authorising 300,000 ha/yr, but still only one additional concession has been granted since 2007. Apparently new regulations are being drafted which will make the process faster and the licences cheaper.

Corruption

In 2007, it seemed that some effective mechanisms were being set up to address corruption and forest crime. Yet in 2010, these tools remain under-utilised to address theft and corruption in the country's forestry sector. Progress against high level crime is under threat from officials who have come under scrutiny. For example, the MoF recently shelved the three-year data collection project, intended to be a major pillar of the its commitment to transparency, and there have been serious threats to the independence and authority of the Anti-Corruption Commission (KPK), the Anti-Corruption Court and to citizen monitors (HRW 2009).

Local governance presents enormous challenges for REDD initiatives. Corruption is widespread, including state capture by the local elites, a deeply entrenched patronage system, lack of accountability (upwards or downward) and widespread petty and bureaucratic corruption, and this culture needs to be overturned, if REDD is to succeed in Indonesia. REDD is based on planning and monitoring, there is no tradition or practice of this and lack of capacity is a huge concern. Spatial planning

51. P38/Menhut-II/2009 concerning standard for sustainable forest management and timber legality, and P6/VI-Set/2009 and P02/VI-BPPHH/2010 providing implementation guidelines.

has not been well linked to development planning and is not enforced or monitored (CIFOR, *pers. comm.*). These issues demand serious attention in the demonstration projects and will require detailed examination during the project level evaluation of NICFI.

More seriously for REDD, is a report questioning the reliability of data published on the MoF website, which indicated a dramatic advance against illegal logging and toward sustainable forest management. It reinforces reports from CIFOR, World Bank, ITTO and others on Indonesia's reporting failures and discrepancies. The Indonesian government is estimated to lose US\$2 billion every year, as a result of corruption, illegal logging and mismanagement. Indonesia stands to gain billions of REDD dollars, but as the report points out, "The solution to corruption and poor governance is not more money" (HRW 2009).

Local Governance

Despite the Ministry of Home Affairs new regulations giving Governors more authority over the Bupatis, governance problems continue. Bupatis continue to act independently and in contravention of national legislation, issuing licences for the conversion of production forest to palm oil plantations. There is often a link between these licences and political campaign finance, and this leads some Bupatis to oppose REDD initiatives.

President Yudhoyono's establishment of his Presidential Delivery Unit for the Supervision and Monitoring of Development (UKP4) following his re-election in late 2009 is providing a shake-up across all government departments. The President is also working much more closely with Provincial Governors and Bupatis, requesting audits of budgets and expenses and bringing cases to court where irregularities are found.

Some provinces are keen to have their own Climate Change Councils, but this is not prescribed in either of the national programmes. The potential for politics to interfere with the implementation of REDD has also become clear. Where opposition parties control the provincial and district governments, there may be a lack of support or interference with government party driven initiatives, as REDD is seen to be.

4.3 MRV Capacity and Capability

4.3.1 Developments in Forest Cover Monitoring Capacity 2007-2010 Increased Forest Cover Monitoring Accuracy and Capacity

Landsat satellite imagery has been continuously used in the previous National Forest Inventories (NFI) for forest cover assessment and monitoring, but is prone to the problem of cloud cover, which diminishes the accuracy of the assessment.

In response to the need for increased accuracy in forest monitoring and to address the problem of cloud cover, the Japanese International Cooperation Agency (JICA) initiated the project *Introducing PALSAR into Forest Resources Monitoring and Assessment System in Indonesia* in 2008. Recent advances in technologies like Synthetic Aperture Radars are proving effective in addressing cloud cover, and PALSAR (Phased Array type L-band Synthetic Aperture Radar) technology on the

ALOS (Advanced Land Observation Satellite) satellite from Japan, can capture images on a cloudy day or even at night. The project will use this technology to improve the capacity of the Ministry of Forestry (MoF) to conduct forest resources monitoring and assessment through integrating partial data from PALSAR into the National Forest Inventory (NFI).

Forest Data and Information Management Systems

In 2007, Indonesia's Forest Monitoring and Assessment System (FOMAS) was being implemented to enhance information flows between regional forestry offices, companies and the MoF, and to increase transparency in the forest sector by making relevant, reliable, accurate and up to date information continuously available to decision makers and the general public (Arunawati 2007). According to government stakeholders it is having some success.

The work on FOMAS led to the design of an operational Forest Resource Information System (FRIS) which includes advanced integrated systems for forest monitoring, improved data and information management, better communication and information flows, and improved technical capacity, which should lead to better decision making (Indrabuni 2007). FRIS was designed in 2007 by the MoF in cooperation with the Australian Government and more recently this partnership has produced the Indonesia National Carbon Accounting System (INCAS). INCAS is an integrated system applying all data from Land Use, Land Use Change and Forestry (LULUCF) and Agriculture, Forestry and Land Use (AFOLU) sectors, to obtain a full profile of greenhouse gas emissions using remote sensing data, data on land and forest management, land and climate data, and plant growth and biomass data. This work is increasing capacity and capability of the Government of Indonesia (GoI) to monitor and report forest cover change and emissions from the AFOLU sector.

The World Agroforestry Centre (ICRAF) has also been assisting the MoF with the organisation of NFI information into a database. Various problems have been encountered with the NFI information. FAO, under UN-REDD, will assist the Government of Indonesia in the near future on a stratified sampling approach which should help to overcome these. ICRAF recognises that they do not have the mandate for the cleaning/organisation of the national database; however the activity supports ICRAF's efforts in achieving Intergovernmental Panel on Climate Change (IPCC) Tier 3 level in accuracy of reporting emissions from the AFOLU sector.

4.3.2 Progress in Carbon Accounting from Land Based Emissions

Land Use Land Use Change and Forestry

To meet the United Nations Framework Convention on Climate Change (UNFCCC)'s reporting requirements and reporting format for national greenhouse gas inventories, Indonesia has harmonised MoF's 23 forest and other land categories, with the 6 land categories of the IPCC. This is a significant development since 2007 and will have strong repercussions on the future design of the national Monitoring Reporting and Verification (MRV) system and Reference Level design methodology.

ICRAF is currently implementing the Accountability and Local Level Initiative to Reduce Emissions from Deforestation and Degradation in Indonesia (ALLREDDI), financed by the EU. Three outputs contribute to carbon accounting:

1. An accounting and monitoring system that relates local level action to national emission data towards international agreements;
2. Credible estimates of the dynamics of carbon stocks at the national level over the past 20 years that complies with Tier 3 reporting guidelines of the IPCC;
3. REDD designs for 5 pilot areas; including baselines nested within national policy, providing efficient and fair payment distribution, and optional guidelines for REDD for approval by the designated national authority in Indonesia.

According to ICRAF, Indonesia has the capacity and capability to report using at least Tier 2 level (site specific emission factors) methodologies and data. In addition, allometric models are in development, and some areas could very quickly achieve a Tier 3 level of reporting.

Peat Land Monitoring and Emissions Reporting

There has been growing recognition of the importance of peat emissions, and a strong emphasis on local monitoring efforts (ICRAF, *pers. comm.*). In particular, three projects relating to emissions from peat-lands and peat forests will support MRV development.

Community Development for Fire Control in Peat Land Areas (2010-2015)

JICA and the Ministry of Forestry have just started a project for developing capacity of organisations and people concerned to prevent fire occurring on peat lands.

Policy Scenarios for Reducing Carbon Emissions from Indonesia's Peat land 2010

Carbon emissions using the IPCC Tier 2 approach with emissions factors and analysis of Land Use and Land Use Change (LULC) within Indonesia's 21 million ha of peat land were calculated for 2000-2003 and 2003-2006. The study provides a revised (and very recent) Business-As-Usual scenario for peat related emissions (BAPPENAS 2010).

Wild Fire and Carbon Management in Peat Forest in Indonesia (2009-2014)

JICA, in cooperation with a number of local institutions, is currently developing a peat forest management model in Central Kalimantan.

4.3.3 Progress on MRV and the Roles of Different Institutions

Ministry of Environment

The Ministry of Environment (MoE) currently hosts the national greenhouse gas inventory and has the responsibility to report to the UNFCCC. The major development in the past three years with this inventory has been the move from the Tier 1 level approach, where IPCC default values are assigned, to the inclusion of national emission factors for some sectors, to partially meet the Tier 2 level.

In 2009, a national policy on MRV was passed by the MoE through Law 32/2009 on Environmental Protection and Management. This requires the GoI, to develop greenhouse gas inventories at national, provincial and district levels (art. 63.i). Presidential regulations for MRV and greenhouse gas inventory are currently being

drafted and are expected to address time periods and the roles of central and local governments (A Wibowo, *pers. comm.*).

The National Greenhouse Gas Inventory Scheme to support reporting is illustrated in Figure 6. The scheme recognises the importance of sector specific emissions at district levels, and of a hierarchical system for inventory and compilation and calculation of emissions. LULUCF sector activity data is submitted to the MoE by the MoF. To date, only data from Tier 1 and Tier 2 approaches have been submitted to the national greenhouse gas inventory.

Ministry of Forestry

The National Greenhouse Gas Inventory Scheme, managed by the MoF, aims at national coverage for all sectors and both forest and other lands and is internally consistent, as shown in Figure 7, below.

Figure 6 National Greenhouse Gas Inventory Scheme

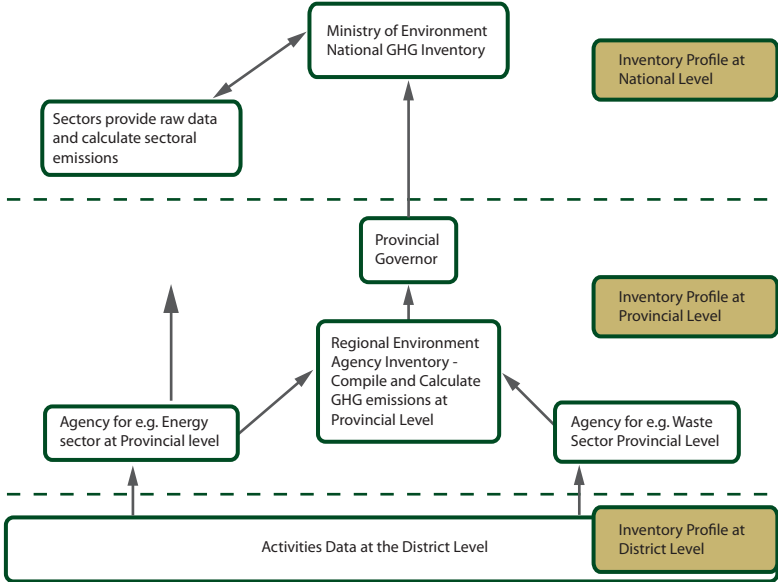
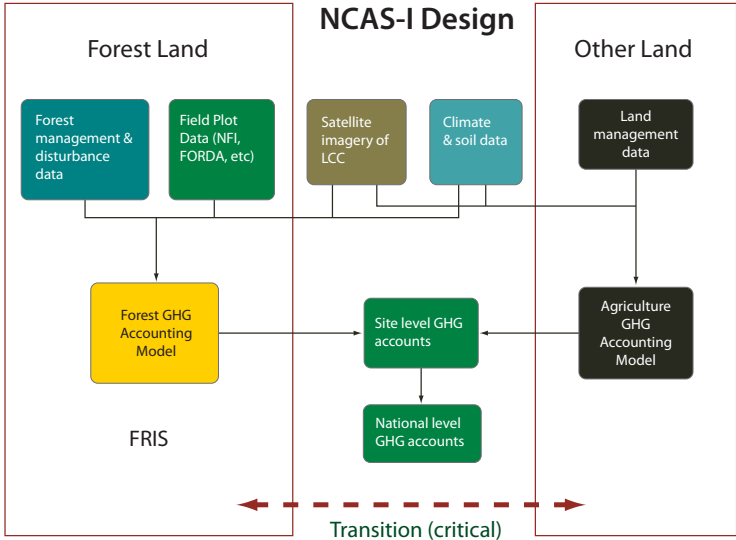


Figure 7 Design of the National Carbon Accounting System in Indonesia



Source: MoF 2010

In 2010, National Carbon Accounting System is still in its initial stages (AusAID, *pers. comm.*) and has so far focused on:

- Processing of remote sensing data to analyse forest cover changes;
- Research and analysis of changes in biomass and carbon stocks related to different changes in land use;
- Training and technical exchanges between Indonesian and Australian experts.

A lot of work remains to be done before a credible reference level can be established and an MRV system can become fully operational. Additional support for MRV is anticipated through FCPF.

National Council on Climate Change

The National Council on Climate Change (NCCC) has identified key MRV components to establish with various partners working towards a national MRV system, including:

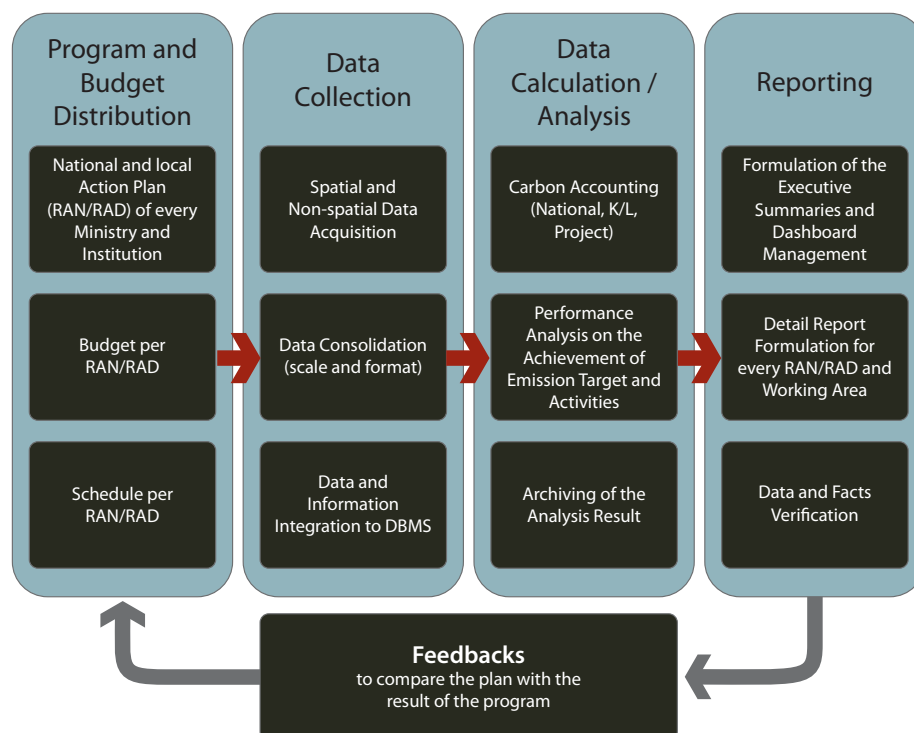
- Institutional Framework;
- Technology Provisions – including Information Technology infrastructure, Geographical Information Systems and remote sensing modelling tools with a compatible information management system;
- Baseline Data – creation of a comprehensive information baseline on existing conditions and trends, focusing on land use and land cover changes and also covering social, economic and environmental aspects at multiple scales;
- Proof of Concept Implementation at the Provincial Level – the MRV system will integrate field level observations with satellite imagery and other geographic data using methodologies consistent with the IPCC guidelines;
- Capacity Building – for a wide range of stakeholders, including the NCCC, the MoE and targeted provinces.

The NCCC expects MRV development to link REDD+ requirements with national greenhouse gas targets through four iterative stages, as shown in Figure 8. The first stage is the programme and budget distribution to each ministry. Stage 2 requires data collection using spatial and non-spatial data, stage 3 applies a performance analysis to the data, and finally, the cycle completes itself with stage 4, reporting and verification of the data.

Local Level - Carbon Registry Linked with Forest Management Units (FMUs)

Preliminary work under the GTZ Forest and Climate Change (FORCLIME) Programme has provided a conceptual framework for developing FMU-linked carbon registries, which will be useful in managing projects currently being proposed for the voluntary carbon market (Tuttle 2008).

Figure 8 MRV Development Process - Linking REDD+ Requirements with National Greenhouse Gas Targets



4.3.4 Discussion

The accuracy of monitoring and reporting of forest data and carbon stocks has improved since 2007. At the local level, a number of projects are yielding site specific estimates in relation to reporting changes in the five carbon pools. Research programmes have generally improved estimation of carbon emissions from peat forests. Other progress includes:

- Moving from Tier 1 to Tier 2 over the past few years for reporting LULUCF to the national greenhouse gas inventory;
- Architectural designs of potential MRV systems at various levels (national-district);
- The organisation and increased transparency of forest information;
- The harmonisation of national land categories with IPCC LULUCF land categories;
- Discussions on the future direction and requirements of an integrated national MRV system that is compliant with international standards.

No national reference level had been constructed at the time of the evaluation; however it was realised that this would have to be developed first, to provide a benchmark and guidance for the establishment of provincial and district reference levels (FCPF 2009). While in 2007, Indonesia was aligning itself with a national position on scope that would only cover REDD, by 2010 Indonesia had broadened the scope to include REDD+, and therefore changed its approach to determining the national reference level. It was also realised (Anon, *pers. comm.*) that the setting of the reference level is political, and will have consequences on the potential additionality of REDD+ in Indonesia.

Although much work still remains to be done to establish a credible national reference level, in 2009, at the G20 meeting in Pittsburgh, President Yudhoyono announced Indonesia's own GHG emissions reduction targets of 26%, (or 41% with international support). For this, a Business-As-Usual (BAU) estimate of 2.95 Gt CO₂e (of which 1.5 Gt from forest sector) in 2020, was cited, and this has been serving as an interim national reference level in various documents since then (NICFI pers comm.).

4.4 Deforestation and Forest Degradation Rates

4.4.1 Progress on Definitions

Since 2007, there has been little progress on defining deforestation and forest degradation in ways that are consistent with the UNFCCC and that take into account the different forest zones and how forest is defined in Indonesia. According to the R-PLAN (FCPF 2009) Indonesia defined deforestation and forest degradation through reference to UNFCCC Decision 11/CP.7;

“Deforestation is the direct, human-induced conversion of forested land to non-forested land. Effectively this definition means a reduction in crown cover from above the threshold for forest definition to below this threshold. Whereas degradation is defined as a direct, human-induced, long-term loss (persisting for X years or more) or at least Y% of forest carbon stocks [and forest values] since time T and not qualifying as deforestation. Degradation would represent a measurable, sustained, human-induced decrease in carbon stocks, with measured tree cover remaining above the minimum required to be considered forest.”

The issue is that while deforestation, or loss of forest cover below the 30% canopy density threshold, is quantifiable, regeneration in tropical countries can be rapid, and the forest cover landscape is dynamic. Furthermore, the different boundaries and parameters for forests that are used in Indonesia also cause confusion (ICRAF, FORDA, World Bank pers. comm.). The R-PLAN did not assign any specific quantitative values to the parameters for forest degradation; these remain to be determined.

Indonesia's R-PLAN states that the “latest published data” shows that the rate of net forest loss decreased between 2000-2005 to about 1.2 million ha/yr (FCPF 2009). Stakeholder consultations for the R-PLAN, drew the following comments:

- The definition of deforestation should be reformulated to avoid complaints when forest plantation companies conduct land clearing and land preparation on unproductive licensed forest areas;
- National definitions of forest and deforestation are not consistent with the UNFCCC terminology;
- Definition of forest degradation lacks the aspects of change of quality in forest composition.

The more recent publication *Indonesia Climate Change Sectoral Roadmap* (BAP-PENAS 2010) states that based on the “latest published data” the net forest loss decreased during 2000-2005, reaching about 1.09 million ha annually. Furthermore, 77 million ha of land has been classified as “critical land” (severely damaged

land with loss of environmental function) of which 59 million ha are located in forest areas and need to be rehabilitated.

4.4.2 Emissions from Deforestation and Peat

The draft Second National Communication reports average net annual emissions from Land Use Change and Forestry (LUCF) of 638 M t CO₂/yr between 2000-2004 (consultations with BAPPENAS, Ministry of Environment, NCCC), and an additional and recently updated figure of 220 M t CO₂/yr from peat oxidation and 470 M t CO₂/yr from peat fire (BAPPENAS 2010). The Second National Communication reports emissions from peat separately from LULUCF. According to the latest survey on peat lands (BAPPENAS 2009) related emissions are now disaggregated into 1) emissions from oxidation – 220 M t CO₂/yr, 2) emissions from above ground biomass removal from peat lands- 210 M t CO₂/yr, and 3) fire emissions – 470 M t CO₂/yr (van der Werf et al. 2008). Uncertainties surrounding peat emissions are still high, both spatially and temporally. (BAPPENAS 2010).

Leakage

Indonesia has made some progress with addressing the issue of leakage. While no demonstration activity has yielded specific results on the matter yet, there is general consensus within the government that use of a national reference level would address sub-national leakage concerns (NCCC, *pers. comm.*). It is still unclear how the issue of leakage will be accounted for in the development of the national reference level.

4.4.3 Business As Usual (BAU) Deforestation Estimates and Mitigation Scenarios

There has been preliminary progress on the development of mitigation scenarios and a BAU baseline. The BAU scenario is based on the Second National Communication estimates which set the BAU baseline at 1.33 G t CO₂/yr from peat and forest land use change in Indonesia for 2010-2029. Two preliminary mitigation scenarios have been developed in the national climate change sectoral roadmap:

Peat Scenarios based on the BAPPENAS (2009) peat survey, proposing a projected period 2010-2025 and, based on this, scenarios are integrated into the national scenario. Emission projections differ for 2010-2019, and 2020-2029.

Mitigation measures include:

- Law enforcement and best management peat practices in existing land under production (including forests and agricultural crops);
- Peat land rehabilitation and prevention of uncontrolled fires;
- Revision of land allocation, forest conversion and land swaps, possibly using REDD as an incentive to direct future development away from peat swamps.

Forest Scenarios which cover periods for 2010-2019 and 2010-2029. Mitigation includes:

- Sustainable Forest Management, including law enforcement to curb encroachment, illegal logging and forest fires;
- RED – avoiding emissions linked to planned deforestation, over the next 20 yrs. It is estimated that a third of deforestation occurring on forest land with high

carbon value would be avoided using land allocation, land swap agreements, REDD incentives;

- Plantations – increasing carbon sink capacity with plantations on non-forest cover lands (BAPPENAS 2010).

4.4.4 Drivers of Deforestation and Forest Degradation

At the national level, there has been progress in recognising the causes and drivers of deforestation and forest degradation, beyond those identified in the IFCA report (2008), but there has been little progress in differentiating between drivers of deforestation and drivers of forest degradation, in part due to a lack of national consensus on the relevant definitions. That aside, the following **causes** of deforestation and forest degradation are now generally recognised by the government: conversion of forests to annual cropland, energy (including geothermal exploration) and mining exploration in forests, conversion of forest to exploit mineral resources, conversion by slash-and-burn to shifting cultivation, and conversion of forests to urban lands or other human infrastructure. The **drivers** currently identified include price movements on world commodity markets, labour market, land tenure insecurity, population growth and development policies, but it is recognised that the drivers may change over time (BAPPENAS 2010).

4.5 Social and Environmental Safeguards and Co-benefits

4.5.1 Overview

Since 2007, the debate around these safeguards and co-benefits has intensified, and there have been developments in the international negotiations and with their integration and application to REDD in Indonesia, particularly through UN-REDD and FCPF (both began in 2009).

Voluntary Standards

Voluntary standards remain one of the main sources of guidance on social and environmental safeguards, and the Climate, Community and Biodiversity Alliance (CCBA) launched the second edition of its standards for voluntary REDD projects in late 2008 (CCBA 2008). This streamlined the previous assessment framework from 15 compulsory and optional criteria, to 12 compulsory criteria, and newly introduced optional “gold standard” criteria of exceptional climate change adaptation, community and biodiversity benefits. By August 2010, 51 voluntary projects globally had met or were meeting CCBA standards. However, only two of these projects were in Indonesia: Ulu Masen, Aceh; Rimba Raya, C Kalimantan (undergoing validation)⁵².

After COP15, CCBA and CARE International, embarked on a project to develop and test standards for use in a post-Kyoto REDD+ compliance regime under United Nations Framework Convention on Climate Change. These standards were published in June 2010 and included 8 principles (“intent” of the standard), 30 criteria (“content” of the standard) and 99 indicators (measurable parameters, to be adapted to country circumstances) (Climate Standards 2010). The eight principles are:

⁵² (<http://www.climate-standards.org/projects/index.html>).

1. Rights to land, territories and resources are recognised and respected;
2. The benefits of the REDD+ programme are shared equitably among all stakeholders and rights holders;
3. The REDD+ program contributes to sustainable livelihoods and poverty alleviation for forest-dependent peoples;
4. The REDD+ programme contributes to broader sustainable development and good governance objectives;
5. Biodiversity and ecosystem services are maintained and enhanced;
6. All relevant stakeholders and rights holders are able to participate fully and effectively in the REDD+ programme;
7. All stakeholders and rights holders have timely access to appropriate and accurate information to enable good governance of the REDD+ programme;
8. The REDD+ programme complies with applicable local and national laws and international treaties and agreements.

Piloting of these standards is now beginning in 6 countries: Ecuador, Nepal, Tanzania, Liberia, the Brazil (state of Acre), and Indonesia (Central Kalimantan).

UN-REDD Programme

The international UN-REDD programme, which officially started in Indonesia in 2010, is supporting work on safeguards. This includes development of a draft “do no harm” approach for minimal social standards related to governance, stakeholder livelihoods and policy coherence, as well as an accompanying risk assessment tool. UN-REDD is also developing maps that identify high biodiversity and high carbon overlaps, to help inform decisions on the biodiversity benefits of prioritising different areas for REDD+, and assessing the real costs of alternative uses of forests, including addressing who bears the cost of present or future changes in use⁵³.

The Forest Carbon Partnership Facility (FCPF)

In addition to applying the World Bank’s standard safeguards to protect against involuntary resettlement, protect indigenous peoples, forests and the environment, the FCPF has produced a set of operational guidance briefs⁵⁴, outlining procedures for conducting a full Strategic Environmental and Social Assessment (SESA) as a key component in the Bank’s “due diligence” for REDD, and guidance on consultation and participation.

In mid-2010 several observers reported that FCPF in Indonesia appeared to have stalled. It is not clear, therefore, whether this new guidance will ever be applied in an Indonesian FCPF programme, but it will remain a resource for other project developers.

4.5.2 Rights of Indigenous People

Since 2007, there have been various international initiatives with impact on the Indonesian situation⁵⁵. Notably, the United Nations Declaration on the Rights of

⁵³ See: <http://climate-l.org/news/un-redd-activities-support-safeguarding-multiple-forest-benefits/>

⁵⁴ See: <http://www.forestcarbonpartnership.org/fcp/node/255>

⁵⁵ Further information on these is provided in Additional Annex 1.

Indigenous Peoples (UNDRIP) has become an important underpinning to efforts to secure indigenous rights relating to REDD globally.

However, since 2007, the Government of Indonesia has made few concrete steps to address indigenous peoples' issues. Although the new Ministry of Forestry strategic plan for 2010-2014 includes "Empowerment of indigenous peoples and local communities" as one of its eight priorities, and the new State Ministry of the Environment Law 32/2009 on the Protection and Management of Environment, drawn up in response to climate change, states that all new projects must consider climate change and the rights of indigenous people, neither of these is being implemented.

Many issues remain neglected. The United Nations Committee on the Elimination of Racial Discrimination (UNCERD) has written to the GoI on a number of occasions since 2007, raising concerns about the rights of indigenous people in a number of contexts. None of these concerns appear to have been addressed.

The National Council for Climate Change formed in 2008, did not include any representatives of indigenous peoples (or any other civil society organisations), although there are plans to give a seat to an indigenous peoples' representative on any new REDD+ committee. In this regard, indigenous women's representation remains particularly in need of attention. In nearly all Indigenous Peoples' forums the representatives are men, potentially subjecting indigenous women to double discrimination (AMAN, *pers. comm.*).

In August 2009, AMAN held a national consultation of indigenous communities on Climate Change and REDD, and afterwards, issued the Sinar Resmi Declaration⁵⁶, making six recommendations to the international community, including the use of Free, Prior, Informed Consent in all initiatives, and guaranteeing indigenous rights. Ten recommendations to the Government of Indonesia were made, including the implementation of UNDRIP and various measures to protect indigenous land rights.

Following the President's announcement of the 26%/41% emissions reduction commitment, AMAN further asserted the role of indigenous people in REDD. AMAN worries that if REDD takes off and becomes a business, investors will rush to apply for concessions on indigenous peoples' lands, in order to get compensation or credits from Norway.

The Forest Carbon Partnership Facility

The Forest Carbon Partnership Facility in Indonesia is still being criticised for its treatment indigenous peoples' rights and safeguards. The draft R-Plan of mid-2009 prompted serious criticism from the Rainforest Foundation of Norway and the World Resources Institute, notably that the legal framework for securing the rights and the access of local communities and indigenous peoples to forest resources is not in place in Indonesia, and the R-Plan does not describe any strategy to address this fundamental problem.

⁵⁶ See: http://ccmin.aippnet.org/index.php?option=com_content&view=article&id=26:sinar-resmi-declaration&catid=17:national-statements&Itemid=29

The lack of adequate consultation and participation in FCPF has been criticised continuously since 2008, and finally in May 2010, the Ministry of Forestry (MoF) was obliged to conduct a further public consultation. However, no documents were made available before the meeting, and the meeting itself lasted less than four hours. The MoF and its World Bank sponsors failed to apply the Bank's own guidance on participation and few if any of the issues raised by participants were incorporated in the document. This prompted a formal written protest to the MoF by 23 Indonesian NGOs, and their eight international partners.

The UN-REDD Programme

The UN-REDD Programme has been more attentive to safeguard issues, as its activities are guided not only by the United Nations Framework Convention on Climate Change, but also other UN conventions and treaties, including the UNDRIP, as part of the UN Common Human Rights Based Approach to Development Cooperation.⁵⁷ The Central Sulawesi pilot project is paying greater attention to indigenous rights, particularly by explicit applying a Free, Prior, Informed Consent approach, developing and documenting methodologies and subjecting their approaches to independent evaluation by The Regional Forestry Training Centre. However, in mid 2010, there is growing sentiment in the indigenous movement that a position of "No rights, no REDD" should be adopted (AMAN, *pers. comm.*).

4.5.3 Land, Forest and Carbon Tenure

The legal provisions and government programmes and actions regarding land and forest tenure have changed only slightly since 2007.

Land Rights

In December 2008, a new programme of land titling, LARASITA, started. This is run by the National Land Agency and consequently excludes the national forest estate, and still only provides private title. In 2009, President Yudhoyono made election promises to revitalise agrarian reforms, but these have not yet been fulfilled. Meanwhile, the granting of large numbers of licenses by central and regional/local governments, for forest concessions, industrial plantations, mining and oil & gas licenses and the like, continues to generate conflicts between local people, companies and the government. In this context, planned developments for REDD continue to concern non-governmental and civil society organisations and researchers involved in land policy, civil rights, social justice and poverty alleviation.

Forest Rights

In 2008, a Ministerial regulation (PM 49/2008) was issued enabling the implementation of *Hutan Desa* (village forest) schemes. *Hutan Desa* areas are part of the national forest estate managed by a village community through a local village organisation that plans, manages and allocates benefits obtained through management. A *Hutan Desa* has to be administratively part of a village and can include watershed protection forest and production forest (as long as there are no existing concession rights). The permission period for *Hutan Desa* is 35 years and is renewable for another 35 years subject to approval of annual work plans. The procedure

⁵⁷ See <http://www.un-redd.org/PolicyBoard/3rdPolicyBoard/tabid/2151/Default.aspx>

for assigning rights is very bureaucratic, involving approvals at district, provincial and national levels, and so far, only a few licences have been issued.

Since the regulation was passed, various organisations have been exploring the possibility of using these to provide a platform for collective community access to forest carbon. Fauna and Flora International, in particular, is pioneering the use of *Hutan Desa* in REDD+, setting up “Community Carbon Pooling”, in Central Kalimantan. However, approval of this proposal at national level has been delayed.

While Indonesia now has five different Ministry of Forestry (MoF) programmes through which communities can obtain legal access to forest resources, most are proving difficult to obtain. Licenses for commercial concessions and plantation developments in the same forest areas, however, continue to be issued apace. The MoF does not actually report on these different community forestry programmes in its annual statistics, rather it lumps available data on schemes together, omits to report on new licensing or total areas under the schemes, and focuses instead on reporting new planting activity (MoF 2008)⁵⁸.

In 2008, in fulfilment of the MoF’s priority of empowering communities, a Working Group on Community Empowerment was created⁵⁹ formalising a group that had been meeting informally since 2006. One initiative being developed is the “one-stop-shop” for community forestry licensing applications but much work is needed on political will at district, provincial and national levels to make community forestry happen.

Customary Forests (Hutan Adat) and Land rights

The regulation on customary forests (*PP Hutan Adat*) remains in draft and was critiqued by AMAN in May 2009. The draft is based on the 1999 forestry law which places customary forests under state control. It also prohibits indigenous communities from trading forest products and forecloses on opportunities to have customary forests officially recognised (Down To Earth 2009).

Proposals by civil society organisations to reform relevant Indonesian laws in order to secure the rights of forest dependent communities, has so far been rejected by the Government of Indonesia. The lack of political will to consider necessary law reforms is a major problem.

Carbon Rights

In 2009, a study examined 12 REDD+ interventions being planned in Indonesia to assess the extent to they followed the model of pro-poor Payments for Environmental Services schemes, in which poor, small landholders provide an environmental service and end up better off (Myers Madeira 2009). The analysis revealed three main approaches to establishing long-term carbon rights in the forests involved:

1. **Concession Model:** acquire forest concession rights for the project (8 projects);

58 See: http://www.dephut.go.id/files/Statistik_Kehutanan_2008_Planologi.pdf and other pages

59 Through No: SK. 52/MENHUT-II/2008 and SK Menhut No 63/Menhut-II/2009, See: <http://wg-pemberdayaan.org/tentang-wgp>,

2. **Government Partnership:** enter into an agreement with a land owner who has existing rights to the carbon, to develop a carbon project and share the carbon credits produced – in most cases, the Government of Indonesia is the statutory landowner (2 projects);
3. **Land User Partnership:** enter into agreement with legal concession holder land users, with existing carbon rights to develop the project and share the carbon credits produced by the project (2 projects) (Madeira 2009).

4.5.4 Free, Prior and Informed Consent (FPIC)

Although FPIC was introduced through United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) in 2007 and the notion of applying it to REDD was discussed widely at COP13, there has been little concrete progress at the national level in Indonesia since then, in getting the principle officially recognised and used. While in principle, FPIC embeds well in Indonesia's national planning process, in practice, its implementation will require fundamental changes, bringing real participation and democracy, particularly at the local level. REDD is likely to be very decentralised, with the provinces and districts, rather than the central government, making most of the interventions.

FPIC initiatives in Indonesia

A few organisations in Indonesia are making particular efforts at developing FPIC. As a United Nations initiative, UN-REDD is committed to upholding UNDRIP and is working globally to devise practical approaches and guidelines for FPIC. A working document on FPIC in Indonesia has been prepared (Ogle and Uno 2010) and is being converted into practical guidelines for use in the pilot province of Central Sulawesi with the assistance of various local non-governmental organisations. Initial plans are to have District FPIC councils, involving local government and civil society organisations, to develop strategies for activities in villages. A Provincial level civil society commission, including AMAN (the Indigenous Peoples' Alliance), will monitor whether the consultative processes have been adequate (i.e. gender inclusive), and the Regional Community Forestry Training Centre (RECOFTC) has been contracted to provide an independent evaluation of all their FPIC activities.

UN-REDD staff stress that at the moment FPIC is only being used for engagement on readiness activities – and hope that other issues will be sorted out by the time REDD itself comes along. They recognise that FPIC should be bundled with issues of land tenure and benefit sharing, but are proceeding cautiously in order not to raise communities' expectations and undermine REDD results in the longer

The National Forest Council has a Community Chamber which functions as a national advisory body and members are interested in working on FPIC. Similarly, the National Council for Climate Change is considering making its own review of the FPIC concept, believing Indonesia already has something similar which might be applied more easily.

Concerns Regarding FPIC

For REDD in Indonesia, in 2010, FPIC is seen as the business of project proponents, and local governments. Staff of non-governmental organisations involved in

Demonstration Areas, interviewed during the mission, spoke of their commitment to FPIC principles and to rights-based approaches generally, but admitted that most of their efforts remain in planning stages, or at the level of local “awareness raising” about REDD. It is not clear that they are all aware of the time and resources required to do FPIC properly.

Clearly, some proponents of REDD worry about the FPIC principle, and its potential to delay and possibly even prevent REDD agreements. It is possible that indigenous groups will make the link between FPIC and other rights, such as land, and withhold their consent until these other demands are met.

As with other participatory approaches, some proponents are taking measures only as far as required to satisfy their own agenda, and calling it FPIC. In South Sulawesi, one Bupati decree recognised the rights of communities to have broad information on projects and consultation, but not their decision making role.

FPIC is really a political process, being applied to REDD, but not specifically related to it. The community rights organisation HuMa explores traditional decision-making processes, to try to identify synergies or problems with FPIC. They emphasise that special efforts and policies are required to involve women, pointing out that most FPIC documents overlook women’s rights and the tendency for them to be marginalised in political processes traditionally dominated by men.

One of the biggest concerns raised by field practitioners and researchers was the lack of capacity for FPIC. It is almost a reflex for REDD project proponents to contract local NGOs to handle their FPIC commitments, but this makes enormous and unfounded assumptions about local capacity. It takes real skill to lead to an FPIC process in an authentic way, but it has become clear that will take an army of skilled people to facilitate effective FPIC and REDD development processes at the local level (CIFOR *pers. comm.*).

4.5.5 Gender

In Indonesia, the current debate on the gendered dimensions of the social impacts of REDD remains weak, both in government and amongst civil society organisations (Rainforest Foundation Norway, *pers. comm.*).

The low level participation of women in important decision-making processes, especially amongst indigenous groups, increases the danger of gender-blind policies. In the development of the proposed REDD standards, it is very important to address women’s specific needs and contributions regarding forests so that the standards take full account of the differentiated rights, roles and responsibilities of men and women, and promote gender equality and equity in REDD policy and practice.

On the positive side, the guidelines developed by UN-REDD in Indonesia for FPIC fully integrate gender concerns in their approach, and there is a growing awareness of the importance of gender issues in indigenous communities and the need for explicit attention and action.

4.5.6 Livelihoods and Benefit Sharing

Emerging Alternative Visions for Livelihood Development

Amongst the non-governmental organisations and research community, there has been some conceptual elaboration of livelihoods issues since 2007. Livelihoods debates in REDD revolve around alternative visions for rural economic development. One vision contends that poverty and forests are linked and that schemes to improve livelihoods of forest-dependent people, while reducing pressures on the forest, have failed partly because they operate too close to the forest edge and serve more to attract and keep people close to the forest, than to pull them away towards less forest-dependent livelihood options. According to this vision, development will only happen if peoples' dependence on natural forests is reduced or broken, and therefore advocates incentives for people to move away from natural forest areas.

This is, in part, the vision of the private sector and industry, as it could liberate forest areas for them to develop commercially. Indeed, plantation developers invoke livelihoods concerns to support their argument to convert more forest and peat land to oil palm and pulp wood. They point out that simple conservation thwarts rural peoples' legitimate livelihood demands.

The other development vision contends that forests provide excellent resources for sustainable economic development, and poverty and forests are only linked where people do not have adequate rights and access to their forests. This vision calls for ensuring these rights, as a basis for strengthening forest-based livelihoods, and also to prevent outsiders from being attracted in. The indigenous peoples' movement particularly promotes this vision, as it supports the culture and self-determination of indigenous groups.

The second model includes two major options. The first, promoted as a minimum standard by UN-REDD is 'do no harm'. This acknowledges the priority of emissions reduction objectives, and merely aims to avoid increased threats to the poor and local communities. The second option is an explicitly 'pro-poor' REDD, which actively seeks to deliver benefits to the poor. They see REDD as ultimately a sustainable development enterprise, and worry that a "do no harm" approach could be inevitable for the simple reason that REDD-related activities and benefits might never reach the poor. The powerful political forces driving the development of REDD and the technical complexities of implementing REDD systems are likely to prevent poor countries and poor people from taking advantage of the opportunity, unless major efforts are devoted, from the outset, to making REDD work for the poor (Pesket *et al.* 2008).

Current Approaches to Livelihoods in Pilot Projects

All the pilot projects and demonstration activities are conducting some form of social survey for planning and monitoring purposes. The 2009 study which examined 17 of the 25 REDD pilot projects then being planned in Indonesia to assess the extent to which they followed the model of pro-poor Payments for Environmental Services (PES) schemes found that while most of the interventions met the definition of PES, many did not have the small-scale, pro-poor characteristics expected of PES projects. Further, while small-holders were recognised as essential to the success and permanence of the projects, plans to incorporate them more often

involve job creation rather than PES mechanisms (Myers Madeira 2009). The review mission learned that in some cases at least (e.g. The Nature Conservancy in Berau), projects were focusing on forest management approaches, and not yet discussing REDD with communities, in order not to raise expectations.

Concerns Relating to Livelihood Improvements Through REDD

Various concerns are emerging regarding REDD payments as incentives for poor forest-dependent communities:

- REDD payments are performance-based. Communities have to invest in livelihood changes before being rewarded through REDD, but short-term priorities imposed by poverty limits people's capacity to do this. Many households will need immediate, or preferably up-front, payments to support changes to livelihoods.
- Many REDD schemes propose community foundations and other collective means of rewarding people, but for livelihoods to be sustained, all individual households need to be compensated, and the compensation needs at least to reflect their opportunity costs. This approach, however, often implies a perverse incentive of rewarding the people whose behaviour has been most destructive and not rewarding those who have been responsible stewards. A gender dimension to this is emerging. Most of the people causing deforestation and forest degradation are young men. Women have high stake in forest livelihoods for family well-being, but are less damaging, and also much less likely to be involved in decision-making at the local level.
- If national accounting schemes are introduced, there is a possibility that well-performing local projects will not receive any benefits, if at a national level, emissions are not reduced.

Various research projects are now underway examining these issues, notably CIFOR's Global Comparative Study of REDD's socio-economic impacts.

New National Legislation Relevant to Livelihoods and REDD

Ecosystem Restoration Contracts

In 2007, the Ecosystem Restoration regulations appeared to foreclose on any livelihood benefits, by prohibiting harvesting of forest products within these old logging concessions. In 2009, the concept was made more livelihoods-friendly through a new Ministry of Forestry regulation (P.19/2009) permitting the development of developing Non Timber Forest Products as part of promoting community empowerment, one of Ministry's five priority policies. This may not prove an adequate substitute for communities' previous sources of livelihood.

Benefit-Sharing Legislation

Given the rush of interest in developing REDD projects for the voluntary market, in 2009 the Ministry of Forestry issued regulation 36/2009, on procedures for licensing commercial utilisation of carbon storage/sequestration. It included an attachment setting out the distribution of benefits amongst various project stakeholders as shown in Table 16 below.

Organisations that had campaigned for community rights were encouraged by the principle that communities would benefit, even where they were not the proponents

of the scheme. However inevitably, there was no consultation or participation of any other stakeholder in the preparation of the legislation and many disagreed with the rigid “one-size-fits-all” formulas.

The Ministry of Finance also reacted strongly, asserting that the MoF had no mandate to determine how revenues were distributed, particularly from international financial flows, and has insisted that this regulation be repealed. The two Ministries are now working together to develop alternative legislation.

According to AMAN (*pers. comm.*), indigenous people are somewhat divided about benefits from REDD. As a generalisation, older people are said not to want to be rewarded for protecting their forest – as this is their life; it is what they do anyway. However, the younger generation recognises that forest stewardship has its opportunity costs, and provides an important service to wealthy countries, and think that to be paid is fair and proper.

Benefit sharing for REDD+ remains a crucial and unresolved issue in Indonesia in mid-2010.

There is great concern amongst non-governmental organisations and researchers that Indonesia’s REDD regime will end up rewarding big companies which destroy forests (such as pulp and oil palm companies), rather than communities who know how to use them sustainably, because for emissions reductions, large and/or dispersed rural populations are much harder control than a few companies. REDD could well have the negative impact of replacing local resource management systems that protect forests, with unproven, market-driven REDD schemes where the major motivation becomes profit, rather than sustainability, secure livelihoods and forest protection (AMAN, FWI, CIFOR, *pers. comm.*).

Table 16 Proposed distribution of REDD benefits amongst main stakeholders

| Permit type or holder | Distribution | | |
|--|--------------|-----------|-----------|
| | Government | Community | Developer |
| 1. Timber Licence – natural forest | 20% | 20% | 60% |
| 2. Timber Licence - plantation | 20% | 20% | 60% |
| 3. Licence for Ecosystem Restoration | 20% | 20% | 60% |
| 4. Timber Licence – community plantation | 20% | 50% | 30% |
| 5. Community Forest (private ownership) | 10% | 70% | 20% |
| 6. Hutan Kemasyarakatan (collective) | 20% | 50% | 30% |
| 7. Adat Forest | 10% | 70% | 20% |
| 8. Village Forest | 20% | 50% | 30% |
| 9. Forest Management Unit | 30% | 20% | 50% |
| 10. Special Purpose Forest | 50% | 20% | 30% |
| 11. Protected Forest | 50% | 20% | 30% |

Source: MoF regulation 36/2009

4.5.7 Biodiversity

Since 2007, the potential biodiversity impacts of REDD+ have been receiving increased attention, globally and in Indonesia. Because REDD+ focuses on one ecosystem service (carbon storage) within ecosystems that are multifunctional, REDD+ carries various risks for biodiversity, and thus safeguards are essential.

For biodiversity safeguards that aim at avoiding incentives for the conversion of natural and semi-natural forests into commercial tree plantations, underlying definitions of crucial importance. In contrast to “forest” or “afforestation / reforestation (A/R)”, the terms “(semi-) natural forest” or “plantation” have not yet been defined by United Nations Framework Convention on Climate Change (UNFCCC) and the existing UNFCCC forest definitions (Decision 11/CP.7)³ run the risk of converting logged over natural forest into monoculture plantations (Benick and Pistorius 2010).

In Indonesia in this regard, the Ministry of Forestry caused particular alarm amongst biodiversity organisations in early 2010 with its proposal to include oil palm plantations in its definition of “forests”, and incorporate them in the national forest estate, in part, to attract REDD funding (Australian Orang Hutan Project *et al.* 2010). This could have serious negative impacts on biodiversity. Further risks for biodiversity are related to potential plantation developments on naturally low-carbon ecosystems such as savannahs or non-forest peat lands.

In 2008, the Convention on Biological Diversity launched its Ad Hoc Technical Expert Group on Biodiversity and Climate Change to analyze the links between biodiversity and climate change adaptation and mitigation. The outcomes of their studies have been highlighted in a report presented at a UNFCCC COP15 side event (Benick and Pistorius 2010). In its Annex IV, the report gives an overview of the activities within the scope of REDD+ and its possible positive and negative impacts on biodiversity (see Table 17).

Table 17 Links between biodiversity and REDD+ activities

| Mitigation activity | Potential benefits | Potential risks | Possible actions |
|--|---|--|--|
| Reducing emissions from deforestation and forest degradation | Reduced forest loss and reduced forest degradation Reduced fragmentation | Leakage into areas of high biodiversity | At national level, prioritised REDD actions in areas of high biodiversity Develop premiums within incentive measures for biodiversity co-benefits Improving forest governance Promote broad participation |
| Forest conservation | Conservation of intact forest habitat Reduced fragmentation Enhanced integrity of landscape | | Prioritise high biodiversity forests Maintain landscape connectivity Conserve a high diversity of forest types |
| Sustainable management of forests | Reduced degradation of forests (relative to conventional logging) | Potential encroachment in intact forest resulting in biodiversity loss | Prioritise sustainable management in areas with already intensive landuse Apply best practice guidelines |
| Afforestation and Reforestation (A/R) | Habitat restoration of degraded landscapes (use of native species and diverse plantings) Enhancement of landscape connectivity | Introduction of invasive and alien species Replacement of native grasslands etc | Apply best practices Prevent replacement of intact forest, grasslands Enhance landscape connectivity Develop premiums within incentive measures for biodiversity co-benefits |

Source: Benick and Pistorius (2010)

National Developments

Following COP13, President Yudhoyono imposed a moratorium on new licences for peat forest conversion, but this was lifted in February 2009, (Ministry of Agriculture Decree 14/2009) on the justification that new plantations were needed to boost the welfare of local populations. In 2009, the Government of Indonesia produced a tough new Environmental Law (Law 32/2009). The enactment which is seen as heralding a challenging age for environmental management in Indonesia, introducing many innovative concepts including strategic environmental assessments, environmental permits, carbon emission limits, environmental risk assessment and specific penalties for violators. However, the new law requires implementing regulations, and while some of these exist from the previous law, at least 13 new regula-

tions are needed to bring the law into effect, a process expected to take two to five years (Jakarta Post,1/22/2010)⁶⁰.

The Norway-Indonesia Letter of Intent of mid 2010 introduces “a two-year suspension on all new concessions for the conversion of peat and natural forest”, starting in 2011. Although this might produce some early emissions reductions and protect certain areas of biodiversity, forest conversion activities can still continue under existing licences⁶¹, and much natural forest remains under threat.

The official documents outlining strategies for REDD in Indonesia developed since 2007, such as the R-Plan submitted to the Forest Carbon Partnership Facility and the Second National Communication to the UNFCCC, hardly mention initiatives to protect natural forest, and focus almost exclusively on extensive expansion of industrial tree plantations. While Indonesia has issued three regulations on REDD since 2007, none of them deals with the underlying drivers of deforestation that particularly threaten biodiversity. Amongst other things, it is urgent to develop and implement concrete measures to counter all significant drivers of deforestation and degradation, including, such things as the overcapacity of pulp and paper mills, and policies that promote forest and peat land clearing, especially for pulp and paper and palm oil plantations, but also mining, infrastructure and transmigration.

4.5.8 Monitoring and Complaints and Redress

In 2010, the MRV of safeguards is more talked about, but still lacks concrete action. Similarly, although national REDD readiness strategy of 2010 has indicated the need and intention to establish systems of redress for REDD, no work appears to have been initiated as yet.

4.6 Donor Support and Coordination

4.6.1 Current and Pledged Sources of REDD+ Financing in Indonesia

Since COP13, donor support for REDD+ in Indonesia has increased considerably. Table 18 below, summarises the many on-going and planned activities that support REDD+ in Indonesia in some way. In addition, the Climate Change Development Policy Loan, recently negotiated with the World Bank (with support from other donors), has made \$200 million available, and is expected exceed \$1 billion over 4-5 years.

Table 18 Current and Pledged Sources of REDD+ related financing in Indonesia

| Financing Source | Time Period | Amount US\$ millions | Activities |
|------------------------------------|--------------------|-----------------------------|--|
| Forest Carbon Partnership Facility | 2010-12 | 3.6 | REDD readiness: support set-up of reference emissions levels (REL), monitoring, reporting and verification (MRV) systems, institutional strengthening, capacity building, supporting analytical work |

60 See: <http://www.thejakartapost.com/news/2010/01/22/a-challenging-age-ri%E2%80%99s-environmental-management.html>

61 Unless an additional annual licence is required.

| Financing Source | Time Period | Amount US\$ millions | Activities |
|--|--------------------|-----------------------------|--|
| Forest Investment Program | 2010-12 | 80 | Investment strategy, financing instrument |
| UN-REDD | 2010 | 5.6 | Demonstration activities, stakeholder consultations, MRV support |
| Australia | Up to 2010 | 6.5 | Includes support for Indonesia Forest Climate Alliance REDD policy development in 2007, policy support, and Indofire monitoring system. |
| | 2010-12 | 2.7 | |
| Indonesia Australia Kalimantan Forests and Climate Partnership | Up to 2010 | 12.2 | Kalimantan Forests and Climate Partnership. Practical REDD demonstration activity in Central Kalimantan, agreed with Government of Australia. Early implementation underway on a 120,000 hectare site. Aims to demonstrate a credible, equitable and effective approach to REDD, including the degradation of peatland. |
| | 2010-2012 | 15.4 | |
| Indonesia Australia Sumatra Forest Carbon Partnership | 2010-13 | 27.6 | Practical REDD demonstration activity to be located in Jambi province. Agreed and jointly announced by Governments of Australia and Indonesia in March 2010. Aims to demonstrate a credible, equitable and effective approach to REDD on mineral soils, and address different drivers of deforestation to the Kalimantan Forest Carbon Partnership. |
| Germany | 2010-12 | 15 | FORCLIME: Facilitation of preparation and implementation process of REDD strategy at the national level and the implementation of DA at the district/ unit management level, Establishment of REL and development of MRV system at the district level and maintaining the consistency with the implementation of REL and MRV system at the national level. Facilitation of in the development of REDD incentive distribution scheme. |
| | 2013-15 | 15 | |

| Financing Source | Time Period | Amount US\$ millions | Activities |
|---|-------------|----------------------|---|
| Japan | 2008-11 | 2.7 | Project for the support on forest Resources management through leveraging satellite image information |
| | 2010-15 | 4.5 | Project on Capacity Building for Restoration of Ecosystems in Conservation Areas |
| | 2009-14 | 2.5 | Wildfire and Carbon Management in Peat Forests |
| | 2010-15 | 6.17 | Community Development of Fire Control in Peat Land Areas |
| | 2009-12 | 1.75 | Project Facilitating the implementation of national forestry strategic plan |
| European Union | 2009-11 | 1.65 | Accountability and Local Level Initiative to Reduce Emissions from Deforestation and Degradation in Indonesia ALLREDDI implemented by ICRAF |
| Norway | 2007-10 | 7 | Kemitraan/Forest Governance Program |
| DFID | 2008-11 | 8.5 | Forest Governance and Multi stakeholder Forestry Programme phase II |
| Korea (KOICA) | 2009-14 | 5 | Korea-Indonesia Joint Project for Adaptation and Mitigation of Climate Change in Forestry through afforestation / reforestation under the Clean Development Mechanism and REDD (KIPCCF) |
| The Nature Conservancy Funding Support: AUSAID, Norad, USAID, GTZ , KfW | 2010-12 | 5 | Facilitate the development of District level forest carbon programme in Berau. Establishment of REL/RL and development of MRV system at the district Level, and the linkage to the MRV system at the provincial and national level. |
| ITTO | 2010-12 | 0.6 | A cooperation to conserve tropical forests to reduce emissions from deforestation and forest degradation, enhance carbon stock, and creating enabling conditions to allow effort to improve the prosperity of local people in/surrounding Meru Betiri National Park |
| | 2013 | 0.3 | |

| Financing Source | Time Period | Amount US\$ millions | Activities |
|--|-----------------|----------------------|---|
| Indonesia-USA Comprehensive Partnership Program to Support Climate Change Centre (2010-2011) | Details unknown | 17 | Establish climate change centre and support associated partnerships |
| Indonesia Norway partnership on REDD+ | 2010-2016+ | 1000 | Maximum available for performance-based payments including for verified emissions reductions |
| | | (30) | Up-front support as part of the US\$1 billion, for capacity building and institutional strengthening in preparation phase (2010) |
| Government of Indonesia | 2009 | 1500 | Production forest management, conservation forest management, protection forest management, rehabilitation of degraded land and forest, community development, strengthening forest boundaries, establishment of forest management units. |
| | 2010-12 | 1140 | |
| | 2013-14 | 820 | |

Sources: REDD+ Survey Indonesia 2010, consultations with donors, Sarito 2010, press releases.

The Government of Indonesia has responded to meet “common but differentiated responsibilities” under the United Nations Framework Convention on Climate Change, by allocating US\$ 3.46 billion over five years to support activities that lead to sustainable management of the country’s forest and carbon resources, and to meet the President’s emissions reduction target. It is not clear to what extent this sum is additional to conventional annual government budgets for forestry (of about \$800 million).

Another group of donors is more focused on REDD pilot project development. For a full list of these projects, their proponents and donors, please refer to Annex 3.

4.6.2 Donor Mapping and Coordination

The draft national REDD readiness strategy (MoF 2009) provided a framework for government communication and coordination of REDD efforts, identifying key REDD components and responsible agencies and other stakeholders, the required consultations and outreach activities. It is unclear to what extent this is being implemented.

Recently, forest department delegates to the Forest Carbon Partnership Facility (FCPF) and UN-REDD Programme have been working on a donor mapping exercise for REDD+ based on five thematic areas: i) Monitoring, Reporting and Verification; ii) Reference Emissions Levels/Reference Levels; iii) Social and Environmental

Safeguards; iv) Institutional Strengthening and Support; v) Payment Distribution (Sarito 2010). They demonstrate some degree of complementarity in donor and Government of Indonesia supported activities, and it is hoped that the mapping exercise will help improve coordination in the future. Tables presenting the details of this mapping are provided in Annex 5.

Annex 3 provides information on the Demonstration Activities and pilot projects.

Coordination

Apart from the donor mapping exercise just mentioned, the increased levels of donor support have not been accompanied by improved coordination of donor activities. The FCPF and UN-REDD have developed mechanisms for coordination at the international level, but this has not translated into coordination within Indonesia, in part due to the unconstructive relationship between the respective national lead agencies. However, the mapping exercise described above, and the role of Presidential Delivery Unit for the Supervision and Monitoring of Development (UKP4), hold promise of improvement.

Donors do hold environmental coordination meetings, including some on climate change, at irregular intervals – usually quarterly or bi-monthly. Recently they have become more thematic, and GTZ hosted a special REDD meeting in January 2010. However, these meetings function primarily for information exchange; there is little actual coordinated working amongst the donor group. Some bilateral agencies get together, where synergies are possible. Some bilateral agencies opportunistically seek the collaboration of other donors, where more leverage on an issue is required. Smaller donors would like stronger leadership from the World Bank, which considers that it is the job of the Government of Indonesia to call people together. The Government of Indonesia is doing this increasingly frequently.

Perceptions on the coordination of donor activities are particularly mixed regarding Monitoring, Reporting and Verification (MRV). Some donors worry about overlap and double funding, especially with respect to the setting of reference levels (REL) and developing MRV systems at different levels. There are also concerns about compatibility of the different REL and MRV designs at district levels, and how they can be integrated into a national system. Other donors see parallel efforts as important for learning and testing, and believe systems harmonization can wait until a later stage.

The Letter of Intent with Norway may be stimulating improved donor coordination. Since the UKP4 team took charge, there appears to be more systematic engagement amongst other REDD+ donors.

5. Contribution of NICFI to Progress on the National REDD+ Process

5.1 National Ownership and Institutional Arrangements

The Lol of May 2010 built on the momentum created by President Susilo Bambang Yudhyono's announcement of Indonesia's own greenhouse gas emission reduction targets. The Lol, and importantly, the President's immediate commitment to its delivery through the appointment of the Presidential Delivery Unit for the Supervision and Monitoring of Development (UKP4) as interim implementation managers, had by August 2010 elevated the position of REDD+ on the national agenda, catalysed action to address critical bottlenecks in REDD+ readiness, broadened government and civil society participation and stimulated media interest and national debate on REDD+.

Under the UKP4, three specific working groups have been formed for Lol implementation:

- i) *Institutions Working Group*: responsible for designing the Monitoring, Reporting and Verification agency, the financing instruments and the new national REDD+ institution, reporting to the President;
- ii) *National REDD+ Strategy Working Group*: Under BAPPENAS (the National Development Planning Agency), and supported by UN-REDD;
- iii) *Demonstration Areas Working Group*: Under the Ministry of Forestry.

Each working group involves a small number of handpicked expert advisers from a range of government bodies, research institutes and non-governmental organisations. Notably, the development of the National REDD+ Strategy is now being coordinated by BAPPENAS, reflecting the importance of national inter-sectoral approach. The Ministry of Forestry still plays an important role, including coordination of the Demonstration Areas Working Group, but it no longer plays the lead role. The Lol includes agreement to establish a new national REDD+ institution, reporting to the President, and the Institutions Working Group, headed by UKP4, is designing the MRV institution and the financing instrument and institution.

Details of the financial instrument and institution are yet to be revealed. The Lol has specified that the instrument should, amongst other things:

- i. Be based on contributions-for-deliverables, (from enabling policies to national level verified emission reductions);
- ii. Be managed according to established international standards – including fiduciary, governance, environmental and social safeguards;
- iii. Ensure transparency in all aspects of disbursements and operations;

- iv. Include representatives of central government, local government, civil society, and indigenous and local communities in the governance structure, subject to national legislation, and, where applicable, international instruments;
- v. Channel financial resources solely to the implementation of Indonesian REDD+ and low carbon development strategies that qualify as official development assistance (ODA);
- vi. Undergo independent annual audits.

The Lol represents the strongest and most public statement of intent regarding REDD+ by the Government of Indonesia, and has stimulated a lot of analysis and comment from national and international academics, research and non-governmental organisations and the national and international media, raising the national REDD+ debate to a new level⁶². Importantly, the Government of Indonesia appears increasingly open to discussing how to improve national regulations and laws for the benefit of Indonesia as a nation and to promote the REDD+ programme.

Funds channelled through the Norad-managed Civil Society Support Scheme over the last two years have enabled Indonesian organisations to prepare for and participate in the REDD+ debate. Since the Lol was signed, non-governmental organisations and indigenous peoples' representatives have been highly active in lobbying the Indonesian government, particularly on social safeguard issues and the legal and policy reforms needed if the Lol is to succeed.

The Lol has also proven an effective means of placing REDD+ issue on the agendas of provincial and district governments. It even appears that the Lol has triggered a sense of competition amongst some of the provinces short-listed to become the Demonstration Areas.

Norway is a firm believer in the principles of the Paris Declaration, particularly that regarding national ownership of development. It is national governments that implement and coordinate programmes. Norway appears still to be working out the modality of its engagement with Gol for the implementation of the Lol. Currently NICFI in Indonesia is overseen by a very small team of three people, working part-time out of the RNE in Jakarta, supported from Oslo by two NICFI staff and additional people from MFA and Norad. This is discussed further below (Section 6.4).

5.2 REDD+ Relevant Policies, Strategies, Plans and Actions

5.2.1 National REDD Strategy

The UN-REDD Programme and Forest Carbon Partnership Facility, both supported through NICFI, have been contributing to the preparation of Indonesia's REDD strategies and thus to the overall strategy, since 2007. However, participation has been confined to the Ministry of Forestry, progress has been slow, coordination poor and the strategy limited to the readiness phase.

62 Many stakeholders interviewed commented on the increase in REDD+ activity and debate since the Lol, but no concrete evidence was available to support these assertions, and it was beyond the scope of this evaluation to conduct event and media analyses to provide it. See Cronin and Santoso, (2010) for discussion of REDD in the media (2005-2009).

The Letter of Intent (LoI) has now identified the finalization of a national REDD+ strategy as a key outcome for its preparatory phase, and completion of it is expected by the end of 2010⁶³. Moreover, the LoI has specified that the strategy must address all key drivers of forest and peat land related emissions, the omission of which had been a shortcoming of previous attempts. One of the three UKP4 working groups has been tasked to prepare the strategy, and, stressing the need for a cross-sectoral approach to REDD, this has been put under the direction of the National Development Planning Agency (BAPPENAS), and involves a range of different stakeholders, including the Ministry of Forestry and non-governmental organisations. The UN-REDD team is supporting the process. The LoI thus provides a much needed focus on and acceleration of the strategy process, while improving participation.

Although the LoI was intended to be entirely performance-based, it was recently announced that NICFI would provide upfront support of US\$ 30 million over the next six months to support the readiness activities, including preparation of the strategy.

5.2.2 Other REDD Relevant Policies and Strategies

The UN-REDD Programme contributes to several other national development goals and processes, which underpin REDD in Indonesia (UN-REDD 2010). These include:

- Indonesia's Mid-Term Development strategy;
- National Action Plan on Climate Change;
- National Action Plan on Climate Change of Coordinating Minister of Social Welfare;
- BAPPENAS Yellow Book;
- Indonesian Climate Change Sectoral Roadmap;
- National Action Plan on Reducing Carbon Emissions;
- Second National Communication to UNFCCC.

5.2.3 REDD Relevant Actions

The two-year suspension on all new concessions for the conversion of peat and natural forest, agreed under the LoI and planned to start in January 2011, is one of NICFI's greatest potential contributions to REDD+ Action. However, the term "natural forest" is not defined and, if interpreted to mean "primary forest" may leave well-stocked secondary forests vulnerable to conversion. There also remains enormous scope for forest conversion under existing licences, which are not specifically referred to in the LoI, and worries were expressed by several NGOs that in the months leading up to the moratorium, there will be a rush of new concessions, lessening its effect.

5.2.4 REDD Relevant Research

NICFI supported research on REDD+ strategies and policy options has contributed greatly to the development of Indonesia's REDD+ policy framework. During the last 3 years, CIFOR has produced a number of publications that support National REDD+ strategies and policy options in Indonesia and elsewhere, notably:

63 A first draft of this strategy was launched on 3 September and subsequently a revised Draft 1 on 24 of September, but both were too late for this mission to consider.

- Realising REDD+: National Strategy and Policy Options, Angelsen *et al.* (2009)
- Moving ahead with REDD: Issues, options and implementations. Angelsen (ed) (2008)

In 2009, NICFI awarded CIFOR a grant of US\$ 3.2 million for a four year global comparative study on the effectiveness of first generation REDD+ activities.

Overall, the Norad managed Civil Society Support Scheme appears to be supporting interesting work on diverse fronts, and employing various mechanisms for ensuring lesson learning. However, it was only possible to explore a few of the projects in any detail. The Rainforest Foundation Norway, the second largest grantee internationally, is focusing on governance and social and environmental safeguard issues in national and provincial REDD strategies, in close collaboration with Indonesian non-governmental and indigenous peoples' organisations. The Clinton Climate Initiative operates a small grant scheme with Norad funds, helping private investors develop REDD projects. Funds are used for the expensive work of carbon assessment methodologies, verification, Free, Prior, Informed Consent and other community approaches. In collaborating with the Clinton Climate Initiative, a grantee must permit all tools developed to go into the public domain, for use by others, and must also engage actively with communities.

5.2.5 Forest Governance and Corruption

NICFI is supporting work on forest governance and corruption through its Civil Society Support Scheme (see above). The same applies to the Embassy managed regional allocation from the Ministry of Foreign Affairs, including the United Nations Office on Drugs and Crime, which is the focal UN agency on corruption issues. "Countering illegal logging and the linkage between forest crime and corruption in Indonesia" is a three year US\$ 2.3 million project which seeks to strengthen the Special Response Police Forest Task Force to detect and apprehend forest criminals, improve the capacity of prosecutors and judges to convict them, build the capacity of anti-corruption bodies and strengthen local communities in forest law enforcement and crime reporting. The project has only been running a few months, so will not yet be contributing to progress in this area. The second project examines the risks to REDD from illegal logging and corruption and also preparing an advisory strategy to counter corruption and fraud when payments under the REDD programmes start. Approaches to incentivising good and effective law enforcement through payments under REDD will also be explored in this study.

The UN-REDD Demonstration Activity in Central Sulawesi includes a strong practical component on participatory land use planning at the district level, which should provide a sound spatial framework for forest governance in the future.

The Letter of Intent, during its second (Transformation) phase (2011-2013), will include support for a special new forest law enforcement unit.

5.3 MRV Capacity and Capability

NICFI's contributions to Indonesia's considerable progress on Monitoring, Reporting and Verification (MRV) are just starting. Both UN-REDD and FCPF include MRV

related components and the Lol includes a component to design and establish an independent MRV institution for REDD.

In the Central Sulawesi demonstration province, UN-REDD will establish a Reference Emissions Level (REL), a MRV system and a fair payment system, based on the national REDD+ architecture.

Through its support to The Nature Conservancy, NICFI is facilitating a district level carbon programme in Berau, East Kalimantan, including determining the REL at the district level, and designing a district level MRV system with linkages to provincial and national MRV systems.

CIFOR's Global Comparative Study of REDD includes a specific component on monitoring and reference levels. Recently, CIFOR has developed a carbon stock database, which will support the national MRV process, with free, registered online access (CIFOR *pers. comm.*). Previous NICFI supported research by CIFOR has led to well-researched guidance on issues such how to monitor forest degradation (Angelsen 2008), and national capacities for MRV in non-Annex I countries (Angelsen *et al.* 2009).

5.4 Deforestation and Forest Degradation Rates, Addressing Leakages

Indrabudi *et al.* (2010) suggested that significant decline in deforestation rates in Indonesia will only happen by implementing a moratorium of forest conversion. The Letter of Intent (Lol) includes a two-year suspension on all new concessions for the conversion of peat and natural forest, but this does not refer explicitly to existing concessions. Siswanto (2010) claimed that, in the context of climate change, all Indonesian forestry activities basically could be covered by REDD+ category. However, domestic funding will not be sufficient to fund all the necessary developments, especially to cover the costs to address underlying causes of deforestation and forest degradation, NICFI's contribution to Indonesia has been and will be significant in reducing deforestation and forest degradation.

However, several stakeholders, including the National Climate Change Council, reflected that the US\$ 1 billion commitment under the Lol, is relatively little when one considers the enormities and complexities of the deforestation and forest degradation problems in Indonesia.

UN-REDD and the Lol involve demonstration activities, which will pilot practical approaches to reducing deforestation and degradation at provincial levels. Work at this level will be useful in addressing the majority of leakages.

5.5 Social and Environmental Safeguards

Various components of NICFI's work are contributing to progress on the different social and environmental safeguards, but overall, this area of work is probably the least focused and well-developed in NICFI's programme.

The UN-REDD programme in Indonesia currently provides the greatest focus on social safeguards, notably the application of Free, Prior, Informed Consent in the

pilot province. Given its status as part of a global multilateral initiative, its progress in this area should influence other actors and programmes in Indonesia.

The Bilateral Partnership is still in the planning phase. The Lol recognises overall poverty reduction and economic development objectives in the “Preamble”, and the “General Approach and Principles” includes the intention to give all stakeholders (including indigenous and local communities) the “opportunity for full and effective participation”, and the intention to “seek to ensure economic, social and environmental sustainability and integrity” in REDD+ efforts. Elsewhere in the document, however, safeguards are only mentioned in relation to the management of the funding instrument. Even here the responsibility for the implementation of safeguards is to be “outsourced” to the selected international financial institution. The governance structure for this instrument does specifically include indigenous peoples’ and local communities’ representation, which is a positive step, but this will not ensure that their rights are upheld. In Phase 2, there is an explicit objective to identify, develop and implement national policy instruments and enforcement capabilities to: “Take appropriate measures to address land tenure conflicts and compensation claims” (provision c. iv.), but this falls short of addressing the underlying legal problems in forest land tenure. Unless greater assurances emerge through the Lol implementation plan, safeguards will only be guaranteed within the agreement with Norway (assuming the selected funding instrument has satisfactory safeguards policies), and not be made an integrated part of Indonesia’s REDD architecture. There is no specific mention of any biodiversity safeguard in the Lol, although it is stated that provinces selected for the pilot activities must have large intact tracts of rainforest, facing planned deforestation.

The Civil Society Support Scheme, in its second round, prioritised initiatives working with indigenous and local communities, so many of the 14 non-governmental organisations supported by the scheme are working on social and environmental safeguard issues. Some are doing their own projects, and some (Samdhana, Tebtebba, Clinton Climate Initiative, Rainforest Foundation Norway) are managing small grants facilities to support local non-governmental organisations (NGOs). The networking of these local NGOs through the international NGOs enables them to have a stronger voice in advocating for social and environmental safeguards. Four of the 14 grantees are conservation organisations and their overall objectives will relate to biodiversity safeguards. However, as many of these are small, field-based initiatives, it is not yet clear how their findings and results will influence the national agenda and policy on this topic.

The Civil Society Support Scheme supports some very important research with impacts on livelihoods, notably CIFOR’s Global Comparative Study of REDD, which will assess the socio-economic impacts of REDD in five countries over four years, including Indonesia.

NICFI is to a varying degree making use of Norwegian NGOs and researchers with local contacts and expertise on Indonesia to discuss national developments in relation to the Lol, and to collect input on various issues, particularly social and environmental safeguards.

5.5.1 Rights of Indigenous People

NICFI's approach to issues of indigenous peoples' rights is currently indirect. NICFI supports NGOs at national and sub-national levels and some of these, notably AMAN, are now engaging on key policy issues at the national level.

UN-REDD (2009) has issued global operational guidance on the engagement with indigenous people and other forest dependent communities which will be applied in the Central Sulawesi pilot, and this demonstration will inform national policy.

The Lol was weakly worded on this issue, but details of outputs and key performance indicators under the Lol are still being discussed and the national REDD+ strategy is under development, so the situation is not closed.

5.5.2 Land, Forest and Carbon Tenure

The Lol addresses issues of land and forest tenure under Phase 2 (Transformation), which will be initiated in January 2011. Indonesia commits to "Take appropriate measures to address land tenure conflicts and compensation claims". The details of these measures should be included amongst the outputs and indicators to be agreed in later documents and should embrace mechanisms for ensuring indigenous peoples' and local community rights to forests, and thus REDD+ benefits.

UN-REDD's third objective relates to land use planning – and may open the door for discussion of tenure issues in the Central Sulawesi demonstration province, during the 18 months readiness phase.

Kemitraan, supported through the Embassy-managed allocation is facilitating the MoF Working Group on Community Empowerment. Although this support is not strictly part of NICFI, it is enabling Kemitraan to help MoF develop a streamlined approach to obtaining the various community forestry licences, which while not full tenure, would provide a breakthrough in peoples' access to forest resources and thus potentially REDD+ benefits.

5.5.3 Free Prior and Informed Consent (FPIC)

UN-REDD is piloting an FPIC methodology for its readiness activities and developing a manual that will be useful more broadly in Indonesian REDD.

The Lol is not specific about FPIC, but does mention the need for "full and effective participation of relevant stakeholders", and hopefully following the lead of UN-REDD, a stronger commitment to FPIC will be included in the National REDD+ Strategy and amongst outputs and indicators identified in later agreements.

A number of civil society organisations are being funded by NICFI to support communities and local governments in the full FPIC process, or in awareness-raising around REDD+ issues.

5.5.4 Gender

As mentioned above, the UN-REDD document makes no mention of gender or women. Multi-stakeholder participation is the first objective of the programme, but

only civil society organisations are specified. However, the draft FPIC guidelines developed by the programme for Indonesia have incorporated gender concerns.

No women's organisations or specific women's issues appear to have been funded or given attention directly through NICFI.

5.5.5 Livelihoods and Benefit Sharing

The UN-REDD programme promises to develop a harmonized fair and equitable payment mechanism for the provincial pilot, through the United Nations Development Programme, and through the United Nations Environment Programme, will develop a toolkit "for priority setting towards maximizing potential Carbon-benefits and incorporating co-benefits, such as biodiversity conservation and poverty alleviation under the Millennium Development Goals". United Nations Development Programme's involvement in UN-REDD helps bring a focus on community and development concerns in REDD and thus represents a high-profile contribution to livelihoods and benefit sharing with NICFI support.

The Lol makes no specific reference to livelihoods or benefit-sharing, but this may come out as details are finalised and when demonstration activities begin in 2011. Important issues will be the impact of REDD on local livelihoods, and whether benefit-sharing mechanisms will function well in practice. The best way to ensure this is to establish an independent institution for monitoring and reporting on safeguards (see Section 3.6.8).

Several organisations with Civil Society Support grants work on alternative and/or sustainable livelihoods for forest dependent communities involved in REDD+ projects. In time, these should provide lessons for national REDD+ implementation.

Through the Civil Society Support Scheme, NICFI is supporting the World Wide Fund for Nature to understand and support community conserved areas and work with them and the local government to explore the application of REDD+ to them, to improve livelihood incentives for local communities.

5.5.6 Biodiversity and Ecosystem Services

The Letter of Intent (Lol) has two strong measures in support of biodiversity. Phase II of the Lol, beginning in 2011, introduces a two year suspension on all new concessions for the conversion of peat and natural forest. However, the moratorium is on new licences on peat lands and natural forests and not a moratorium on new activities under existing licences. Since existing licences cover an enormous area⁶⁴, the impact on deforestation may actually be small. However, the 2 year time period potentially creates space for assessing the legality of existing concessions and examining land use planning and tenure issues, which will help address this problem in the longer term. The Lol also proposes that the province-wide REDD pilot must be a province with large intact tracts of rainforest and face planned deforestation and forest degradation.

⁶⁴ In Riau, it is estimated that existing concessions cover 98% of the province, including national parks.

Through the Civil Society Support Scheme, NICFI supports a number of conservation organisations working to develop REDD pilot activities, including a major grant to The Nature Conservancy in Berau. These should all yield positive biodiversity outcomes.

UN-REDD has no particular focus on biodiversity⁶⁵, although through the United Nations Environment Programme, a toolkit for priority setting towards maximizing potential carbon-benefits and incorporating co-benefits, such as biodiversity conservation and poverty alleviation will be developed.

5.5.7 Monitoring and Complaints and Redress

None of the NICFI components has measures to address these issues.

5.6 Donor Support and Coordination

The NICFI's contribution to REDD has been set out above. Norway is currently the only donor contributing significant new grant money to REDD; the others are mostly just relabeling, or, in the case of the Forest Investment Program, soft loan money. For instance, the Asian Development Bank is funding "Heart of Borneo" initiative to conserve last pristine rainforest for biodiversity, and is now relabeling this as REDD. The Global Environment Facility has a sustainable forest management programme which the United States is funding, and now counting as their contribution to REDD. Norway has set the principle of real contribution, but is also encouraging other bilateral donors to provide complementary new funding.

While Norway and other donors recognise the need for coordination regarding REDD+, the Paris Declaration on aid effectiveness states that this is the responsibility of the host country and, as of August 2010, the Gol was not providing it. Nevertheless, some coordination with other donors was taking place on a "need to do" and *ad hoc* basis.

The Lol states under General Approach and Principles (III e), the intention to:

"Ensure coordination with all other REDD+ initiatives, including the UN-REDD Programme, the Forest Carbon Partnership Facility, the Forest Investment Program and other bi- and multilateral REDD+ initiatives taking place in Indonesia."

The special agency reporting directly to the President, to be created during Phase I of the Lol, is envisaged to coordinate the efforts pertaining to the development and implementation of REDD+. Some of the donors, including the UK's DFID and USAID, expressed interest in aligning behind the lead and example of the Lol.

The exercise in donor mapping (see 4.6.2 above) and the management of the Lol by Presidential Delivery Unit for the Supervision and Monitoring of Development (UKP4) are considered constructive steps in this direction, and the agreement on the deliverables and indicators for the Lol are planned to include a more formal coordination mechanism.

⁶⁵ However the UN-REDD Programme's focus on ecosystem-based multiple benefits of forests is in fact a focus on biodiversity in the sense of the CBD, albeit more from a utilitarian perspective.

6. Evaluation of NICFI Contribution to Progress

6.1 Introduction

Following the Terms of Reference and OECD DAC guidelines, this evaluation should examine NICFI in terms of its relevance, effectiveness and efficiency. However, none of the NICFI components (UN-REDD Programme, the Forest Carbon Partnership Facility, Letter of Intent) is sufficiently mature to enable real assessment of their effectiveness and efficiency, and assessment of efficiency is further constrained by lack of clarity on budgets. The following sections therefore give more emphasis to the relevance of the contributions.

6.2 Relevance

6.2.1 General Comments

NICFI is providing a diverse portfolio of relevant support to the development of REDD+ in Indonesia, combining basic research, policy development, technical and field methodology development, with the powerful catalyst of the performance-based payments for specific progress on emissions reductions, pledged under the Letter of Intent (LoI). NICFI's relevance to the key progress areas is assessed in more detail below.

6.2.2 National Ownership and Institutional Arrangements

The multi-lateral initiatives supported by NICFI - UN-REDD and FCPF, being both based in the Ministry of Forestry, have done little to promote the broader national ownership and commitment for REDD+, amongst other government departments and broader society, needed for successful REDD+ implementation. However, the LoI, and the President's commitment to its implementation, have transformed this situation, and been highly relevant to the broadening national ownership and the prominence of REDD in the national agenda. Through the Copenhagen Accords and the Paris Oslo Process leading up to the LoI, the Indonesian government is currently addressing and discussing REDD at the highest levels of government. The LoI has raised public awareness through the regular reporting on REDD developments, on national and international processes, in the different national media.

NICFI is committed to upholding the Paris Declaration on aid effectiveness, particularly in the area of national ownership, and this is being demonstrated in its "hands-off" approach to the bilateral partnership. However, the evaluators feel that this should not preclude Norway's active engagement with GoI in the implementation of the REDD+ strategy, through, for example, provision of technical assistance, and the appointment of more staff at RNE to keep abreast of developments.

Although stakeholder participation in the development of the Lol was necessarily low, the Lol itself commits to full and effective stakeholder participation in REDD+ planning and implementation, and since its announcement, the RNE has been keeping other institutional stakeholders informed of developments.

NICFI's support to international and local non-governmental organisations through the Civil Society Support Scheme has been very relevant to building civil society capacity to engage and lobby on key REDD issues. It has also been relevant to developing many communities' awareness of REDD+, and to enabling them to prepare for future involvement in and ownership of local schemes.

NICFI support has also been relevant to enabling some small private sector stakeholders to explore opportunities to invest in REDD+ pilot projects.

Through the Lol, NICFI is providing impetus to establish three key institutions for REDD+, for MRV, finance and the national (cross-sectoral) REDD institution.

6.2.3 REDD Policies, Strategies, Plans and Actions

NICFI's support to REDD relevant policies, strategies, plans and actions has been highly relevant. The initial work on national REDD strategies through UN-REDD has gained enormous momentum through the Lol, and inter-sectoral linkages that were previously absent in REDD policy and strategy proposals are now included. The Lol's moratorium on new concessions may prove one of the first actions to result in verifiable emission reductions from deforestation and peat land in Indonesia. The Lol is especially relevant to the Indonesian Government's commitment to reduce greenhouse gas emissions by up to 41% by 2020 with additional international support.

The support for forest governance and law enforcement provided under the civil society support programmes has been very relevant, and will contribute to the targeted work proposed under the Lol to strengthen forest law enforcement with a new special unit.

6.2.4 MRV Capacity and Capability

NICFI's planned inputs to UN-REDD are highly relevant to developing an integrated national MRV system. Research support to CIFOR under the Global Comparative Study on REDD has provided some recent publications that provide useful information for policy makers with respect to MRV. The support planned under the Lol, to establish the national MRV institution is also very well targeted. While NICFI has not supported Indonesian submissions and reporting required to the United Nations Framework Convention on Climate Change yet, the MRV strategy and approach proposed in the Lol, are highly relevant to future MRV activities on REDD by Indonesia.

6.2.5 Deforestation and Forest Degradation

NICFI has supported CIFOR's research on the rates of deforestation and forest degradation in Indonesia, resulting in the production of a number of publications and briefs on drivers of deforestation and forest degradation. The establishment of the degraded lands database proposed in the Lol is highly relevant for collecting

and organising the needed data, as is the requirement for a national REDD+ strategy which addresses all the key drivers of deforestation.

If economic activity is to be directed away from natural forest and peat land to degraded lands, the definition of degraded land will be crucial. Firstly, logged over secondary forest may be regarded as degraded, even though it has the potential to fully recover as a high biodiversity area if left alone for years. Secondly, so-called degraded lands are often inhabited and used by local communities whose livelihoods dependent on these areas. It will be necessary to include an assessment of the legal, social, environmental status of the land in the database referred to above. Economic activity by commercial companies should only be initiated on degraded lands if it can be guaranteed that the activities will not violate established safeguards.

6.2.6 Social and Environmental Safeguards and Co-benefits

NICFI supports many relevant contributions to the development and application of social and environmental safeguards and the realisation of co-benefits. The UN-REDD programme is the most active and coherent in this regard, notably in its piloting of Free, Prior, Informed Consent and land use planning approaches in the demonstration province. However, the funding is relatively low, and the readiness phase will only last 18 months.

The Lol published in May 2010 is weak in relation to safeguards which if not addressed in the supporting documents on deliverables, in the legally binding agreement on the financial instrument, or elsewhere, will limit the relevance of this huge investment to these critical social and environmental issues.

A lot of very relevant work on safeguard issues is being supported through the civil society grants, but these are rather uncoordinated, and as field projects have a lower profile. More support at the national level might increase their influence on the national agenda.

An important omission from the programme is the development of capacity for monitoring the adherence of REDD+ actions to social and environmental safeguards. The implementation arrangements, currently under negotiation, should include measures to initiate the establishment of an independent institution to monitor safeguards. NICFI should collect information on various options and best practices from experts and other stakeholders with relevant experience, such as Global Witness, World Resource Institute, the UN-REDD and relevant Indonesian civil society organisations.

6.2.7 Donor Support and Coordination

Indonesia has committed to large emissions reductions over the next decade – more than any other developing country to date. The Lol and subsequent financing to support the preparation phase, are highly relevant to the level of support Indonesia needs.

The Lol is also relevant to future coordination of donor efforts. It states under General Approach and Principles (IIIe), the intention of the partners to “ensure coordination with all other REDD+ initiatives...”, and the special REDD+ agency reporting directly to the President, to be established under Phase I of the Lol, is envisaged to coordinate the efforts pertaining to the development and implementation of REDD+. As of August 2010, some donors had already indicated interest in aligning with the Lol.

6.2.8 Conclusions

NICFI's support is highly relevant to its own objectives and the priorities and policies of the Indonesian Government's commitments to climate change, and reducing emissions from forest and peat lands. The Letter of Intent has focused on attention on critical bottlenecks in REDD+ development, increasing stakeholder participation, and raising funding to realistic levels. The activities, such as the national REDD+ strategy, a strategy and initial framework for an independent institution and national MRV system, design of a financing instrument and piloting demonstration activities (UN-REDD), are vital to achieving the impact of reducing emissions from deforestation, and support the required strategic, financing and transparency processes in a way that is consistent with a potential agreement under the United Nations Framework Convention on Climate Change. NICFI's support is timely and will be valid over the next decade, given Indonesia's emission reduction targets for 2020. However, greater attention is required to social and environmental safeguards if emissions reductions are not to be achieved at the expense of sustainable development and social justice.

6.3 Effectiveness

6.3.1 National Ownership and Institutional Arrangements

The Letter of Intent (Lol) has been the most effective means of placing REDD high on the national agenda. However not all stakeholders are in consensus on the matter and there will be a need for a number of consultations, especially with the oil palm, pulp and paper, and mining industries if there is to be a high degree of transparency and stakeholder inclusion for REDD coordination in the future.

Support to non-governmental organisations through the Civil Society Support Scheme has enabled national level civil society to engage and lobby on key issues. They have obligation for the Government of Indonesia to hold stakeholder consultations, brought through the UN-REDD and FCPF processes, helped to open up the debate, and ensure that the consultations are real and not just “*sosialisasi*”. No-rad's practice of contracting international non-governmental organisations to manage small-grants schemes for local Indonesian organisations promotes effective back-stopping which helps strengthen the local organisations, and develops useful alliances for exchanging information between global national and project levels.

Importantly, the Lol has been effective in requiring the involvement of the Presidential Delivery Unit for the Supervision and Monitoring of Development (UKP4) and this has stipulated the need for coordination, which in turn has released REDD+ from Ministry of Forestry domination, which many felt was holding up its progress. This

has improved the breadth or inclusiveness of national ownership of REDD+. The Lol has already served to promote greater involvement of other key government agencies, like BAPPENAS, Ministry of Finance and Ministry of the Environment, and engagement with the Ministry of Agriculture, National Land Agency is anticipated. Certain local non-governmental organisations whose reputation and credibility have risen in the last few years, in part with indirect NICFI support, are now participating as advisers to UKP4, on high level policy development issues.

A government supporter of the Lol, nevertheless expressed what was said to be a broader concern that donors and advocacy groups are trying to “raise the bar” and make more stringent conditions in the Lol, instead of concentrating on delivering what’s there, as a first step. It may have a negative effect on national ownership and commitment if non-Indonesians (in particular) are seen to be too much control the REDD+ initiative.

6.3.2 REDD Policies, Strategies, Plans and Actions

The Lol’s requirements for an independent REDD+ institution and national strategy for REDD+ that addresses the key drivers of deforestation, is an effective start to building a REDD framework capable of reducing emissions from forest and peat lands. The resulting effectiveness will depend on how these policies, strategies, plans and actions get implemented and coordinated between different sectors and actors. Though it is quite premature to evaluate, the proposed establishment of a REDD+ institution, independent of the Ministry of Forestry, provides a new opportunity to be effective at addressing the cross-sectoral drivers of deforestation.

Broad participation within government is crucial, but it is equally important to establish a broad public participation including civil society and indigenous peoples’ representatives in the REDD+ special agency and the development of the national REDD strategy. The Lol commits to this participation in the general approach and principle, but these good intentions must be detailed, in writing, in the plan for implementation.

6.3.3 MRV Capacity and Capability

The Lol requires the development of a strategy to meet Intergovernmental Panel on Climate Change Tier 2 level of precision or better by the end of 2013, and develop a strategy to improve the MRV system to Tier 3. UN-REDD and FCPF components also support an operational MRV system, however, achieving Tier 3 throughout the country will require 1) additional permanent sample plots, which are still yet to be established, 2) the frequent monitoring of such sample plots, 3) human resources for ground truthing and 4) many more site specific estimates of emissions from various carbon pools. While this may be possible at the district level, the scale up of these requirements that would feed into a national system is significant, and requires many resources. The scale up operation for monitoring, is a major factor in the success of achieving a national MRV system that can yield performance grade, verifiable emission reductions. Issues of transparency on such data will also be a major factor in achieving verification. Since the national REDD+ MRV strategy and framework are yet to be designed, it is difficult to evaluate whether NICFI’s support in this sense will achieve its desired impact. Many other donors are supporting MRV

systems development; Norway's support through the Lol for the establishment of an independent MRV agency may prove effective in bringing the much needed coordination amongst them.

6.3.4 Deforestation and Forest Degradation

NICFI's support to research on deforestation and forest degradation has produced high quality publications and briefs although their effectiveness in informing policy makers is difficult to assess. Current rates of forest degradation remains unknown, and research on national deforestation rates in Indonesia has been supported by other donors, including the World Bank and United Nations Food and Agriculture Organisation. The establishment of the degraded lands database proposed in the Lol should be an effective means for collecting and organising the needed data on the forest degradation rate. In addition, the requirement for a national REDD+ strategy which addresses all the key drivers of deforestation could potentially be effective in determining specific rates of deforestation with respect to specific drivers.

6.3.5 Social and Environmental Safeguards and Co-benefits

Social and environmental safeguards represent probably the most challenging and, as yet, least effective area of NICFI's programme. Globally, NICFI clearly states that the development cooperation objectives of poverty alleviation, social and economic development and environmental protection are paramount. NICFI gives considerable prominence to biodiversity safeguards, through making the conservation of natural forests to maintain their carbon storage capacity one of its three specific goals. However, social development and safeguard considerations are not given this same prominence. While Norway's commitment to these is not questioned, they appear to have been reduced to simple "safeguards" or "co-benefits", letting attention focus more on the technical and high level political considerations.

Although indigenous peoples' rights and participatory planning are promoted through the Constitution and other regulations, these issues are extremely sensitive in Indonesia, and implementation has not been comprehensive. While many non-governmental organisations and indigenous rights groups feel that the wording of the Lol is too weak to be effective with regard to indigenous and local peoples' rights and overall social and environmental safeguards, some government people have found the Lol "aggressive". The Lol negotiations clearly required careful handling. It appears that rather than push the issues in the initial Lol, NICFI has flagged them, hoping that greater clarity and commitment to them from both sides will emerge as the more detailed agreement on deliverables is finalised.

Meanwhile, Civil Society Support Scheme funds are being used to support some local civil society and international non-governmental organisations and research centres to experiment with social and environmental safeguards in the field, and lobby nationally and internationally. In part through Norway's support, the capacity and profile of some local non-governmental organisations, such as AMAN, has been built sufficiently in this area that they are now being invited by the Government of Indonesia to participate at the national level in policy development. While it appears that bases may have been diplomatically covered, for the time being, constant

attention will be required to ensure that NICFI does not let these issues slip and delivers on the trust invested by its indigenous peoples' and other development partners from civil society.

The moratorium on new concessions threatens to be ineffective in reducing deforestation and degradation and protecting biodiversity, due to the number and extent of existing licences, and other loopholes which continue to permit deforestation. The moratorium may provide breathing space in which to conduct much needed land use planning.

6.3.6 Donor Support and Coordination

While Norway is far and away the biggest donor for REDD+ in Indonesia, the effectiveness of this support has been mixed. The UN-REDD Programme and particularly the Forest Carbon Partnership Facility (FCPF) are proving bureaucratic and slow to disburse their funding, but NICFI's support to civil society organisations appears well targeted and timely. The Letter of Intent (LoI) has been effective at catching the Indonesian people's attention, given the potential for US\$ 1 billion in performance-based payments, but there are some stakeholders that believe that the sum will prove too little to be effective, given the sheer scale of deforestation in Indonesia. Much of the other pledged donor support to the Government of Indonesia remained undisbursed at the time of the evaluation. NICFI's recent decision to provide US\$ 30 million in up-front funding for preparation activities should increase the LoI's effectiveness.

NICFI's portfolio approach to supporting REDD+, through multilateral, bilateral, local and international non-governmental organisations and research organisations, and this provides complementarity and a degree of coordination. This strategy appears to be quite effective, as different stakeholders are able to deal with different issues and in different ways, and can influence the national REDD+ agenda in different ways. There are strengths and weaknesses to the approaches of all organisations, but taken together, they are quite effective. For instance, the United Nations organisations bring with them the obligation to uphold the various United Nations conventions; the World Bank FCPF may be slow and bureaucratic, but is a portal to much greater finance, through other lending programmes. They also bring their own set of safeguards. Local non-governmental organisations are able to be critical of the government, in ways that for bilateral donors or Embassies would be "undiplomatic".

In terms of coordination with other donors, the LoI, through the UKP4 shows promise of being one of the more effective of all the bilateral and multilateral initiatives.

6.3.7 Conclusions

After only its first few months, the LoI appears to be a "game-changer" for REDD+ in Indonesia. It has catalysed a high level of attention to REDD+ within government, the donor and research community, civil society and, through the media, the general public. It has targeted key bottlenecks to REDD+ implementation, and importantly, it has catalysed a multi-sectoral approach to REDD+ delivery, under

the direction of the highly effective UKP4, including the establishment of an effective inter-ministerial national REDD+ institution.

The Lol itself, does not make a sufficiently strong commitment to social and environmental safeguards, but there is now a considerable lobby on these issues from civil society, which may help produce greater commitments in the supporting documents on deliverables, or the agreement on the financial instrument.

6.4 Efficiency

NICFI is investing around US\$35 million over the next two years in REDD readiness activities in Indonesia through UN-REDD and the Lol alone, at least a further US\$ 14.5 million in research and civil society activities (see above), and ultimately nearly US\$ 1 billion may be disbursed in performance-based payments.

While Norway is a firm believer in the principles of the Paris Declaration, particularly that regarding national ownership of development, this investment is being managed in Indonesia by a very small team of three people working out of the Embassy (RNE) in Jakarta, who are also required to provide inputs into the smaller PNG and Vietnam components of NICFI. In addition two staff in the NICFI offices in Oslo are focused on Indonesia, and a number of other NICFI staff contribute according their special portfolios⁶⁶. Some Ministry of Foreign Affairs staff are involved, and Norad manages the Civil Society Support Scheme. Although the RNE has a strategy to work with and through the technical specialists of other donors and research organisations, several of these other donors were concerned that the RNE team is too small and does not enable Norway to have a country presence commensurate with its investment, and anticipated that without more staff on the ground in Indonesia, it would be hard for Norway to keep abreast of and fully understand the political and field contexts and realities.

During the mission, the RNE did state that they have requested additional staff, and hope to get one or two more people; more are probably need to provide a sufficiently large team to coordinate and facilitate the implementation of such an ambitious partnership.

Some observers noted that the US\$ 1 billion funding, proposed under the Lol, is actually a relatively small investment – given the expected opportunity costs of REDD of US\$ 5 billion/year, and the MoF annual budget of \$800 million. The Lol could be a model of economic efficiency - a great deal of leverage is being obtained for a relatively small level of investment.

The Civil Society Support Scheme and Allocation grants appear to be an efficient as well as effective and discrete way of indirectly supporting local non-governmental organisations on sensitive issues of governance and social and environmental safeguards, although the impact at national level is only just emerging.

⁶⁶ These include MRV, FCPF, FIP, and the UNREDD programme.

7. Recommendations

7.1 Recommendations Regarding NICFI and REDD+ in Indonesia

These recommendations are intended for follow-up by NICFI and their partners in their ongoing dialogue and partnerships on REDD+. The evaluators recognise that details of the bilateral agreement are still being discussed, and that NICFI may be aware of and acting on many of these issues.

7.1.1 National Ownership, Institutions and Participation

While national ownership and participation have increased significantly in the last three years, strategies are needed to broaden ownership and commitment of REDD+ amongst other relevant national government institutions (such as State Minister for Acceleration of Development in Underdeveloped Regions), local government, national and local People's Representative Councils, and to support the development of strong local REDD institutions.

Building on the success of the CIFOR-hosted Civil Society Support Scheme stakeholder's meeting in May 2010, a "communication/consultative forum" of these stakeholders should be created and regular meetings held for information exchange and discussion and strategy development on key issues, and to help review progress of the Lol. Non-participating civil society organisations, particularly national non-governmental organisations, should be invited to attend as observers to help strengthen their national participation.

The private sector should be more actively engaged with to gain their commitment to successful REDD+ implementation, and bring private sector representatives into public forums to help devise strategies which benefit the nation as a whole.

7.1.2 REDD Policies, Strategy, Plans and Actions

With further respect to the implementation of REDD+ strategies, careful consideration needs to be given on the institutional arrangements. For example, the Ministry of Forestry, from the central level down to the Forest Management Unit level, has the mandate to implement REDD+. However it is not clear how this will occur, if a new REDD+ institution is established.

Forest and Other Governance issues

There appears to be a significant lack of coherence between what is happening on policy and strategy development at the national level, and the political and governance realities of the implementation context at the local level. It is recommended to explore this as soon as possible and in detail, through a project level real-time

evaluation, or an alternative study, and make it a particular focus of the Lol demonstration activities.

The persistence and pervasiveness of corruption requires that effective mechanisms for oversight and accountability, including improved budgeting, due diligence by donors, accounting, internal financial controls, reporting are put in place at all levels (not just in the NICFI financing mechanism), or the influx of substantial REDD+ funds could put additional stress on already weak and fragile governance institutions and jeopardise the longevity of REDD+ as a climate change mitigation and development mechanism.

7.1.3 MRV Capacity and Capability

There is little understanding at the national level on the role of forest degradation and its contribution to emissions. The absence of a national definition of forest degradation is the cause. A clear definition of forest degradation, with defined parameters, is needed. Once defined, pilot activities to measure degradation could be implemented and progress towards integrating forest degradation into the national MRV system could commence.

Increased accuracy of forest cover and above-ground biomass monitoring in mountainous areas in Indonesia (often very difficult for field verification) is needed. LIDAR remote sensing methodologies have proven effective in these situations, and though expensive, should be promoted on an experimental basis, particularly in the UN-REDD and Lol demonstration provinces.

7.1.4 Deforestation, Degradation and their Drivers

To complement the moratorium on new concessions, an independent third party review of the legality of all existing plantation, logging and mining concessions should be promoted and the Government of Indonesia encouraged to cancel any found not to be fully legal.

In relation to the degraded lands database planned under the Lol, work to ensure a quick clarification of the threshold definition of “degraded forest”, which would be eligible for re-development. Since lands currently classified as degraded are typically inhabited and used by local communities whose livelihoods dependent on these areas, the legal, environmental and social status of the land should be assessed and safeguards applied.

Land Use Planning and Degraded Lands Database

Sound and strategic participatory land use planning, including identification of degraded lands at local level and incorporation in a national database, will be fundamental to achieving a REDD+ strategy that accommodates Indonesia’s sustainable development objectives. Consider providing technical assistance in the pilot provinces to support work in the pilot provinces to revise provincial spatial plans in a participatory manner and in accordance with the national REDD strategy, and link back to the degraded lands database. Ensure that the database incorporates data on the economic, social and legal status of land units.

7.1.5 Social and Environmental Safeguards

General

We recommend a move towards a more direct and explicit approach to ensuring social and environmental safeguards in national policy and legislation on REDD+ and in local implementation. The commitment of candidate pilot provinces to address land and forest tenure issues could be considered as one of the criteria for selection.

Land, Forest and Carbon Rights

Currently, the various licences available through the Ministry of Forestry and local government are the only means indigenous groups and local communities have to gain access to forest lands for REDD+ and local development, and obtaining and using them is proving difficult. Support research to examine the history, scope, uptake and problems with these licences, to inform policy change. Support processes for policy change, and support more pilot projects that are specifically trying to implement community forestry based REDD+ projects.

Indigenous groups are increasingly vocal on their position of “No rights, No REDD”. Explore practicalities of requiring the resolution of tenure issues before REDD, and other prioritise issues where failure to resolve rights would do most damage. Many have argued from rights perspective that it is important to resolve this first. The reality is that REDD, when set up, will happen fast.

Gender

Work with the State Minister for Women’s Empowerment, AMAN, HuMa, Walhi, Solidaritas Perempuan and other relevant stakeholders to develop a gender policy and strategy for REDD+ and to develop a system to monitor the gender-differentiated impacts of REDD+ to ensure full and active participation of women, especially in indigenous communities, where nearly all representatives are men.

Biodiversity

The reduction of deforestation rates holds one of the greatest hopes for biodiversity. The Lol’s moratorium on new concessions for forest clearance does not prohibit clearance under the very many existing licences. Ways to tighten up the moratorium should be explored, including the review of the legality of existing concessions, recommended above.

Future efforts should ensure biodiversity objectives are integrated in the spatial planning exercises proposed in the UN-REDD and Lol pilot provinces, and support biodiversity research in these areas if background data is inadequate.

Papua should be selected as one of the demonstration provinces to help to protect the largest remaining tracts of natural forest in Indonesia.

Monitoring of Safeguards

A monitoring system is needed to cover social and environmental impacts and safeguards. This kind of monitoring requires different expertise to MRV of carbon emissions and should be conducted by a special sub-unit within the MRV institute

or possibly a parallel institution. It should have an advisory board with representation from civil society and indigenous groups.

7.1.6 NICFI Strategy, Management and the Implementation of Lol

More NICFI staff *in Indonesia* are needed to support the partnership. Consider a technical advisory component for implementation of the Lol, with advisors continuing to engage in discussions with the Gol on social and environmental safeguards, governance, the degraded lands database, and land use planning. An advisor to support local government partners in the demonstration provinces would also be very useful and effective. Overall, these advisers would improve communication between Norway and Indonesia and with other REDD+ stakeholders, provide points for joint responsibility in terms of actions and support, and help ensure that the processes and outcomes are also consistent with Norway's and Indonesia's expressed development values.

The Gol and UKP4 should be supported to improve co-ordination amongst donors involved in REDD+.

Explore options for handling non-compliance on terms in the Lol. For example, if an illegal concession area is given during the moratorium, compensation options and/or other measures need to be identified, discussed and agreed upon.

The support documents providing the details of the Lol and/or the financing instrument, should include a section providing agreed definitions of key terms, such as "forest", "deforestation", "forest area/estate", "forest degradation", "concession", "licence", to name a few.

Table 19 Evaluation Framework

| Detail of Indicator | Situation in 2007 | Progress 2007 to 2010 | Contribution of NICFI to progress 2007 to 2010 |
|---|---|---|--|
| 1. National ownership | | | |
| Position of REDD in the national agenda | Medium COP13 Bali Action Plan chaired by Indonesia | High SBY 26/41 NCCC UKP4 | High Copenhagen Pledge UN-REDD Paris Oslo Process LoI |
| Transparency and stakeholder inclusion of REDD coordination | Medium Good stakeholder inclusion and collaboration in run up to COP 13. | Medium – growing Declined after COP 13, with MoF domination. LoI and other donors increasing participation of other ministries. | Medium – High Low transparency and stakeholder inclusion in LoI preparations for justified reasons. UN-REDD LoI itself only encourages these. |
| Civil society participation | Low | Medium Growing voice, but participation in formal forums still limited. | High NICFI support for civil society has been instrumental; LoI promises greater involvement |
| 2. REDD relevant policies, strategies, plans and actions | | | |
| Policy addresses the key issues | To a certain extent IFCA studies provided a sound analysis REDDI was a reasonable start | To a certain extent Policy addresses issues within the forest sector, but not external sectors | To a certain extent Potential of LoI is high new REDD+ strategy will be required to address key issues |
| REDD strategy links well with NFP (or similar) | Well IFCA linked REDDI with National Forestry Development Plan 2006-2025 | To a certain extent REDD has progressed and it is recognised REDD needs to link beyond the NFP and with National Development Plan | Not yet New REDD+ strategy in LoI, to be developed will include stronger inter-sectoral linkages |
| Plans allocate adequate resources | To a certain extent REDDI had very preliminary budgets | To a certain extent | To a certain extent Although high, LoI funding will not be sufficient to compensate emissions reductions |

| Detail of Indicator | Situation in 2007 | Progress 2007 to 2010 | Contribution of NICFI to progress 2007 to 2010 |
|---|--|--|---|
| Actions are addressing key policy issues | To a certain extent COP 13 raised | To a certain extent Actions are still confined to forest sector and exclude actions in other sectors | Well, Potentially Well Actions emerging from Lol are addressing key policy, financing and institutional issues. |
| 3. MRV capacity and capability | | | |
| Quality of national forest inventory | Low Tier 1-2 IPCC, FAO completed the previous national forest inventory in the 1990's. Data is disorganised. No stratification, mainly due to lower capacity. | Medium Tier 2 for national level, with some sites moving to Tier 3 IPCC. Reorganisation of NFI database in progress, stratification is beginning to be applied. No progress on additional PSPs or monitoring degradation. | Medium With NICFI support, ICRAF and CIFOR are doing research on carbon stock estimation. ICRAF is organising the NFI database. |
| Frequency of national communications to UNFCCC | Low Only 1999 1 st national communication | Medium 2 nd NC in draft, additional submissions on national position to the UNFCCC for REDD negotiations | Low NICFI not engaging on this issue |
| Quality assurance and quality control of verification | Low | Low | Potentially High Independent verification proposed in the Lol |
| 4. Deforestation and forest degradation | | | |
| Rate of deforestation | Known Multiple estimates FAO 24% deforestation 1990-2005 | Known A lot of different assumptions and definitions which are also UNFCCC inconsistent | Low Too early to expect that NICFI has had an impact on deforestation rate. NICFI supported analysis of causes of deforestation by CIFOR supplied to Norway for negotiation on Lol |
| Rate of forest degradation | Unknown identified as a key issue by IFCA | Unknown but knowledge improving Degraded forest definition very unclear and applied differently across ministries (can be used for agency gain and loss) | Medium Low Too early to expect that NICFI has had an impact on degradation rate. NICFI supported CIFOR brief on monitoring degradation in Indonesia |

| Detail of Indicator | Situation in 2007 | Progress 2007 to 2010 | Contribution of NICFI to progress 2007 to 2010 |
|---|--|---|--|
| 5. Livelihoods, economic and social development and environmental conservation | | | |
| Share of forest-based income of rural family income | Known For selected sites – little utility in using this indicators to generalise across whole country | Known For selected sites | Medium For selected sites CIFOR research |
| Present or planned sharing of REDD payments among stakeholder groups | Unknown | Provisional legislation By MoF, but disputed by Ministry of Finance | Medium Via UN-REDD Planned before NICFI |
| Rights of indigenous peoples and local communities to land and forest resources | Very limited Via various MoF community forestry schemes | Very limited One more MoF community forestry scheme brought on line, but application process very bureaucratic so uptake poor. | Low Lol initially weak on promoting this |
| Share of conservation forest of all forests | Known on paper but not on the ground, status does not necessarily reflect condition | Known on paper but not on the ground, status does not necessarily reflect condition | None |
| Proportion of certified production forests | About 4% | 5% certified production forests, EU FLEGT | None |
| Conservation included and applied in forest management guidelines | Partial | Good New legislation on national standards for concession management | None |

Annexes



Annex 1 List of Persons Consulted

| Organisation | Persons Consulted | Position |
|--------------------------------|---------------------------------|---|
| Government of Indonesia | | |
| Ministry of Foreign Affairs | Ambassador Retno Marsudi | Director General for America And Europe |
| | Mr Dewa Made Juniarta Sastrawan | Director for West European Affairs |
| Ministry of Forestry | Mr Adran Wickasono | Deputy Director |
| | Mr Wandojo Siswanto | Head, Working Group on Climate Change |
| | Mr Ir Soestrisno | DG Forest Planning |
| | Mr Yuyu Rahayu | Director, Forest Inventory and Monitoring and National Director, UNREDD |
| | Ms Laksmi Banowati | Manager, UNREDD |
| | Mr Machfudh | Chief Technical Adviser, UNREDD |
| | Ms Listya Kusumawardhani | Asst DG Forest Production |
| | Dr Nur Masripatin | Director, Forest Research & Development Agency, |
| | Ms Fitri Nurfafriani | Researcher, FORDA |
| | Ms Dyah PUspasar | Researcher, FORDA |
| | Ms Retno Maryani | Data & Information FORDA |
| | Dr Gustan Pari | Researcher, FORDA |
| | Deden Djaenudin | Researcher, FORDA |
| | Ari Wibowo | Researcher, FORDA |
| | Mega Lugina | Researcher, FORDA |

| Organisation | Persons Consulted | Position |
|---|----------------------------|--|
| BAPPENAS | Mr Basah Hermowo | Director of Forestry and Water Resource Conservation |
| | Dr Nur Hygiawati Rahayu | Head of Conservation and Environmental Services |
| | Dr Edi Effendi Tedjakusuma | Director, Environmental Affairs |
| Ministry of the Environment | Ms Listy Sulistyowati | Asst Deputy for Climate Change Impact Control |
| National Organisations | | |
| National Council on Climate Change | Mr Rachmat Witoelar | Chairman |
| | Mr Agus Purnomo | Head of Secretariat |
| | Mr Doddy Sukadri | Chair WG on LULUCF |
| | Dr Agung Supangat | Coordinator Capacity Building and Reserach |
| President's Delivery Unit for Development Monitoring and Oversight (UKP4) | Mr Heru Prasetyo | Deputy Head |
| | Ms Aichida Ul-Aflaha | Staff |
| National Forest Council | Taufiq Alimi | Member (Ex-executive Head) |
| LEI: Indonesian Eco-labelling Institute | Mr F Agung Prasetyo | Executive Director |
| Multi-lateral Organisations | | |
| UNDP SEA Regional Office | Dr Tim Boyle | UNREDD |
| FAO SEA Regional Office | Mr Petteri Vuorinen | UNREDD |
| World Bank Jakarta (FCPF) | Mr Timothy Brown | Senior NRM Adviser |
| UNDP Jakarta | Ms Siije Haugland | Programme Officer for Climate Change |
| | Mr Tomoyuki Uno | Programme Officer (UNREDD) |
| | Dr Verania Andria | Programme Manager for Sustainable Energy |
| FAO Jakarta | Mr Rogier Klaver | APO (UNREDD) |

| Organisation | Persons Consulted | Position |
|--|--------------------------------|--|
| Bilateral Donors and Programmes | | |
| Royal Norwegian Embassy | HE Eivind Homme | Ambassador |
| | Ms Hege Karsti Ragnhildstveit, | Counsellor for Forests and Climate |
| AUSAID | Dr Anne Casson | Forest and Climate Specialist |
| British Embassy | Dr Rob Daniel | Head, Climate Change and Economy Group |
| | Mr Matthew Phillips | Adviser, Climate Change and Economy Group. |
| USAID | Mr Alfred Nakatsuma | Director, Environment Office |
| DFID | Mr Gerard Howe | Head of Office |
| | Ms Gustiya Indriana | Deputy Programme Manager |
| JICA | Mr Murata Takuya | Senior Representative |
| | Ms Keiko Fukumori | Asst to Representative |
| | Mr Masato Kawanishi | Sr Adviser, Global Environment |
| | Mr Yasuhisa Tanaka | CTA forest Resources Management |
| | Mr Shigeru Ono | Expert, Satellite Image Analysis |
| GTZ | Mrs Barbara Lang | Policy Adviser |
| EU - | Theobald Portevin | TA Climate Change |
| EU - FLEGT | Mr Andy Roby | FLEGT Adviser |

| Organisation | Persons Consulted | Position |
|---|--------------------------|---|
| International Research Organisations | | |
| ICRAF – World Agroforestry Center | Dr Meine Van Noordwijk | Global Science Advisor |
| | Dr Sonya Dewi | Manager, |
| | Dr S. Suyanto | Economist |
| | Ms Atiek Widayat | Spatial Analyst |
| CIFOR | Dr Daniel Murdiyarto | Senior Scientist |
| | Dr William Sunderlin | Principal Scientist, Forests and Livelihoods |
| | Dr Markus Kaiser | Manager, Forests and Climate Change Mitigation |
| | Dr Maria Brockhaus | Scientist, Climate Change, Forests and Governance |
| | Dr Louis Verchot | Scientist |
| | Dr Moira G Moeliono | Scientist |
| National NGOs | | |
| HuMa: Group for Renewal of Law based on Community and Ecology | Mr Bernadinus Steni | Legal Adviser |
| Forest Watch Indonesia | Mr Bob Purba | Executive Director |
| Telapak | | Vice President |
| Walhi/FOE Indonesia | Mr Dedy Rath | Campaigns and Policy Manager |
| KPSHK: Support Consortium for Community Forestry | Mr Muhammad Jauhari | National Coordinator |
| Sawit Watch | Mr Abetnego Tarigan | Deputy Director |

| Organisation | Persons Consulted | Position |
|--|--------------------------|--|
| AMAN: Indonesian Alliance of Indigenous Peoples | Mr Abdon Nababan | General Secretary |
| PILI-Indonesian Environmental Information Centre | Ms Pam T Minigh | Adviser |
| Kemitraan/Partnership | Ms Avi Mahaningtyas | Chief of the Environmental and Economic Governance Cluster |
| | Ms Farah Sofa | |
| Burung Indonesia | Dr Tom Walsh | Team Leader, Ecosystems Restoration Conservation Development Programme |
| International NGOs | | |
| RECOFIC Bangkok | Ms Zhang Xuemei | Manager, Capacity Building |
| | Dr Chandra Silori | Manager NORAD Grassroots Capacity building for REDD |
| Down to Earth | Ms. Devi Anggraini | International campaign for Ecological Justice in Indonesia |
| Greenpeace | Ms Nur Hidayati | Country Representative, Indonesia |
| | Mr Yuyun Indradi | Forest Campaigner |
| Samdhana Institute | Mr Patrick Anderson | Manager, |
| World Wide Fund for Nature | Mr Zulfira Warta | REDD Programme Manager |
| | Mr Iwan Wibisono | Forest Climate Policy Coordinator, |
| The Nature Conservancy | Mr Wahudji Wardoyo | Senior Adviser |
| Clinton Climate Initiative | Mr Taufiq Alimi | Manager |
| Fauna and Flora Intl | Ms Dewi Rizki | Manager, REDD |

| Organisation | Persons Consulted | Position |
|--|--------------------------|--|
| Forest Peoples' Programme | Mr Marcus Colchester | Director |
| Rainforest Foundation Norway | Anja Lillegraven | Programme Coordinator, SE Asia |
| Private Sector | | |
| Sinar Mas Forestry | Mr Canecio P Munoz | Forest Environment Coordinator |
| PT Rimba Makmur Utama | Mr Dharsono Hartono | Director |
| Consultants | | |
| McKinsey & Company | Dr Goetz Martin | |
| | Reagar Chai | |
| Aksenta Socio-Enviro Management Consulting | Mr Dwi Muhtaman | Executive Director |
| NICFI | (in January 2011) | |
| | Per Fredrik Ilsaas Pharo | Deputy Head of NICFI |
| | Leif John Fosse | Senior Adviser responsible for SE Asia |

Annex 2

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* denotes key background document

** denotes key progress document

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Annex 3

Mapping of Demonstration / Pilot Projects / Activities Supported by NICFI Financing

As of August 2010, there were approximately 32 REDD+ demonstration or pilot projects in Indonesia. The full list is provided in Annex 4. Of these 32 projects, 9 are recognised by the Government of Indonesia as “official” demonstration areas activities, meaning they are supported by (mostly) bilateral donors, in compliance with the COP13 decision on REDD.

Table 20 List of the Nine Official Demonstration Activities in Indonesia

| Donor | Province | District/Site |
|------------------------|--------------------|-------------------------|
| Australia | Central Kalimantan | Kapuas, ex-Mega project |
| | Jambi (Sumatra) | TBA |
| Germany | South Sumatra | Merang |
| | East Kalimantan | Malinau |
| | | Berau |
| | West Kalimantan | Kapuas Hulu |
| The Nature Conservancy | East Kalimantan | Berau |
| ITTO | East Java | Meru Betiri NP |
| South Korea | Lombok | Gunung Rinjani NP |
| UN-REDD | Central Sulawesi | Province level |

Of these, 9 Demonstration Areas, Norway directly supports the UN-REDD pilot province of Central Sulawesi, and supports some activities of the Demonstration Area in Berau, managed by The Nature Conservancy. In addition, the LoI calls for one or two additional province-level pilots, and these will be selected by the end of 2010, from amongst 9 candidates including: Aceh, Riau, Jambi, South Sumatra, Papua, West Papua, Central Kalimantan, East Kalimantan and West Kalimantan

The remaining 24 REDD pilots are being developed by conservation non-governmental organisations, local government and private sector, often in partnership with universities, donors, financial institutions, and logging companies. However, the government has failed to acknowledge these, partly because of the late arrival of the regulatory framework and the lack of government preparedness to implement REDD (Murdiyarsa, in Peskett and Brockhaus 2009). There are a couple of commercially-oriented private sector investments, and the paper giant Asia Pulp & Paper is also developing a pilot. Norway directly and indirectly supports a number of

these initiatives, again, through the Norad Civil Society Grants. For example, NICFI has funded the Clinton Climate Initiative to run a small-grants scheme to support the development of REDD projects, and they have funded (amongst others) a private company, PT Rimba Makmur Utama, to develop its carbon monitoring.

Annex 4 provides a list of Demonstration Areas and pilots, and those directly or indirectly supported by NICFI are highlighted in blue.

As of August 2010, 19 organisations have submitted 24 applications for Ecosystem Restoration Concessions, covering over 2.5 million ha, in 11 provinces. These were made available in 2004, but to date, only one Ecosystem Restoration Concession has been approved, a 98,555 ha block straddling Jambi and South Sumatra, developed by Burung Indonesia, RSPB and Birdlife International.

Annex 4 List of Sub-national REDD+ Projects in Indonesia

| Project | Province | Selected institutions involved | Strategies* | Related document |
|--|--------------------|---|-----------------|---|
| 1 Leuser Ecosystem REDD Project | Aceh | Global EcoRescue / Government of Aceh | AD | http://eco-rescue.com |
| 2 Reducing Carbon Emissions from Deforestation in the Ulu Masen Ecosystem - A Triple-Benefit Project | Aceh | Aceh Provincial Government, Carbon Conservation, FFI | AD, Adg | http://www.climate-standards.org |
| 3 Kalimantan Forest and Climate Partnership | Central Kalimantan | Australian Government partnering w GOI. Implementation partners are CARE, BOS, Wetlands International | AD, Adg, RS, AF | http://www.usaid.gov.au |
| 4 Katingan Conservation Area: A Global Peatland Capstone Project | Central Kalimantan | PT Rimba Makmur Utama and Starling Resources | AD, Adg, RS, AF | http://forestclimatecenter.org |
| 5 Lamandau | Central Kalimantan | RARE / YAYORIN / Clinton Foundation | AD, Adg, RS | http://rareconservation.org |
| 6 REDD in Sebangau National Park | Central Kalimantan | World Wide Fund for Nature / Sebangau National Park | RS,AD | http://forestclimatecenter.org |
| 7 The Rimba Raya Biodiversity Reserve Project | Central Kalimantan | Infinite Earth / Orangutan Foundation International | AD, Adg, RS | http://www.infinite-earth.com |
| 8 Meru Betiri National Park | East Java | ITTO / Forestry Research and Development Agency | AD, Adg, RS | http://www.itto.int |
| 9 Berau, Indonesia Climate Action Project; Kabupaten Berau Forest Carbon Program | East Kalimantan | TNC / ICRAF / Sekala / University Mulawarman / Winrock Int'l / University of Queensland | AD, Adg, RS, AF | http://www.law.harvard.edu |
| 10 Global Green in East Kalimantan | East Kalimantan | Global Green | AD, Adg, RS | http://www.globalgreen.co.id |
| 11 Hutan Lestari untuk Orangutan | East Kalimantan | PT. RHOI (Restorasi Habitat Orangutan Indonesia) formed by BOS | AD, Adg | http://orangutan.or.id |

| Project | Province | Selected institutions involved | Strategies* | Related document |
|---------|---|---|----------------|---|
| 12 | Kutai Barat, HKM: Heart of Borneo | WWF | AD | http://assets.www.fid.panda.org |
| 13 | Malinau Avoided Deforestation Project | GER / PT Inhantani II / Malinau Regency / KfW / FFI / District Governemnt / GTZ / Tropenbos International / Global Eco Rescue / Borneo Tropical Rainforest Foundation | Adg | http://forestclimatecenter.org |
| 14 | FORCLIME - Malinau Demonstration Activity | KfW, GTZ, MoF, GFA, district government, provincial government | AD, Adg, REDD+ | http://www.forclime.org |
| 15 | FORCLIME - Berau Demonstration Activity | KfW, GTZ, MoF, GFA, district government, provincial government | AD, Adg, REDD+ | http://www.forclime.org |
| 16 | TEBE Project (Towards Enabling Mitigation of Climate Change Through Promotion of Community-Based Economic Growth) | KYEEMA Foundation/ AusAID/ Yayasan Peduli Sanlima (SANLIMA)/ Yayasan Timor Membangun (YTM) | AD | http://www.kyeemafoundation.org |
| 17 | Gorontalo: Establishment & Management of Nantu National Park | Gorontalo University / YANI - Yayasan Adudu Nantu Internasional | AD | http://darwin.defra.gov.uk |
| 18 | Berbak Carbon Value Initiative | ZSL / DEFRA / LIPI / Berbak National Park / US Fish and Wildlife Service | AD | http://static.zsl.org |
| 19 | Sumatra Forest Carbon Partnership | Partnership between Australian and Indonesian governments – IAFCP | | http://www.alertnet.org |
| 20 | Sustainable Management of Poigar Forest: REDD in North Sulawesi | ONF International / Green Synergies (French NGOs – website says CLOSED) | AD, RS, AF | http://www.planet-action.org |
| 21 | Perpetual Finance for Carbon Benefits | New Forests Asset Management / PT Emerald Planet (Aussie companies, MOU 052008) | AD | http://www.newforests.com.au |
| 22 | Kampar Ring - A Sustainable Development Model Based on Responsible Peatland Management | APRIL (Asia Pacific P&P) | AD, Adg, RS | http://www.aprilasia.com |

| Project | Province | Selected institutions involved | Strategies* | Related document |
|---|------------------|--|-----------------|---|
| 23 Tesso Nilo Pilot Project - REDD | Riau | WWF | AD, Adg, RS, AF | http://www.wwf.or.id/en/ |
| 24 Merang REDD Pilot Project (MRPP) | South Sumatra | GTZ | AD, Adg, RS | http://merang-redd.org |
| 25 Conservation of the Upper Kapuas Lakes System | West Kalimantan | FFI/ Macquarie Bank | AD, Adg, RS | http://www.fauna-flora.org |
| 26 Rehabilitation of the Sungai Putri peat swamp forest, Ketapang, Kalimantan | West Kalimantan | FFI/ Macquarie Bank | AD, Adg, RS | http://www.fauna-flora.org |
| 27 West Kalimantan Community Carbon Pool | West Kalimantan | FFI/ David and Lucile Packard Foundation | AD, Adg, RS | http://www.fauna-flora.org |
| 28 FORCLIME - Kapuas Hulu Demonstration Activity | West Kalimantan | KfW, GTZ, MoF, GFA, district government, provincial government | AD, Adg, REDD+ | http://www.forclime.org |
| 29 Mamuju Habitat | West Sulawesi | PT Inhutani I + Keep the Habitat | AD, Adg, RS, AF | http://www.keepthehabitat.com |
| 30 Global Green Ecosystem Restoration Project | West Sumatra | Global Green | AD, Adg, RS, AF | http://www.globalgreen.co.id |
| 31 Korea-Indonesia Joint Project for Adaptation and Mitigation of Climate Change through Forestry Lombok REDD | Lombok | KOICA, MoF | TBA | |
| 32 UN-REDD Demonstration Area | Central Sulawesi | UN-REDD, MoF | TBA | |

Source: CIFOR as of March 2010, with additions during mission.

* Strategies: AF: Reforestation, AD: Avoided deforestation, Adg: Avoided degradation, RS: Restoration

■ NICFI supported DAs ■ Officially approved DAs

Annex 5

Details of Donor Mapping Exercise (Sarito 2010)

Table 5.1 Donor Support for Monitoring, Reporting and Verification

| Activity | Assessment of existing forest carbon monitoring and framework capacities | Design of a forest carbon monitoring system driven by UNFCCC reporting | Data collection and monitoring changes in forest areas, carbon stock and biomass burning | National GHG information system |
|-------------------------|--|---|---|---|
| Government of Indonesia | Management teams and equipment to support INCAS | Models adopted, calibrated and further developed by GOI to estimate land use change emissions | Wall to wall land cover change analysis, compilation of land use and management information, field verification | Capacity development of GOI to operate effective data management system |
| Donor | UN-REDD: Review standard and methodology | JICA: Improve monitoring and assessment system | Proposed FCPF: Establish PSPs for different forest types – Tier 3 | EU/ICRAF: Dynamics of carbon stocks Tier 3 |
| Donor Finance US\$ | 950K (2010-11) | 720K (2008-11) | ? (2011-12) | 1.65 million (2009-11) |

Table 5.2 Donor Support for Reference Emissions Levels/Reference Levels

| Activity | Donor Role |
|---------------------------------------|---|
| Establish REL/RL methodology | UN-REDD: Review Methodology AusAID: Capacity to establish REL/RL |
| Historical Trend Analysis | FCPF: Analyse divers of deforestation |
| Future Prediction | JICA: increased capacity in spatial analysis FCPF: develop time series analysis, possible mapping of land uses and carbon cycles |
| Stakeholder Consultations | UN-REDD: Stakeholder consultations on REL/RL methodology and approach as well as provincial provisional REL/RL |
| REL/RL Finalisation and Establishment | Government of Indonesia |
| Analysis of Policies and activities | Proposed FCPF: Identify priority REDD investments, identify activities that result in emission reduction and stabilisation of carbon stocks |
| Selection of Policies and activities | Government of Indonesia |

Table 5.3 Multilateral Support on Institutional Strengthening

| Activity | UNREDD | FCPF |
|---|--|--|
| Regulation and Guidance | | |
| Establishment of Institution | Consensus on key issues for national REDD policy development | Readiness institutional setting and framework for REDD |
| Communication and Coordination | Dissemination of REDD lessons learned including building national knowledge and learning network Communications program | Awareness raising communication and outreach, including policy and scientific dialogue Monitoring readiness activities including demonstration activities |
| Capacity Building and Institutional Strengthening | | Capacity building for institutions and stakeholders |

Table 5.4 Donor Support for a REDD+ Payment Distribution System

| | Activities | Contributions |
|----------------------------------|--|--|
| Analyses | Socio economic impact assessment Estimation and calculation of REDD co benefits | Proposed FCPF: Analysis of environmental and social impact of REDD strategies ICRAF – ASB: Analyse costs and alternative land uses and benefits UN-REDD: Compilation of existing payment systems, Analysis of benefits and constraints of existing systems |
| Testing & establishing mechanism | Public consultation, setting up institution, capacity building | UN-REDD: Options for modification to meet requirements of a REDD payment system |
| Payment/ funding mechanism | interaction with buyer or investor | Proposed FCPF: setting incentive mechanism for REDD |
| Distribution mechanism | distribution of payment to stakeholders , safeguards based on performance | GTZ FORCLIME: Establish sustainable payment mechanism for REDD |

Annex 6

Terms of Reference

Real-time evaluation of Norway's International Climate and Forest Initiative: The Initiative's support to the formulation and implementation of national REDD strategies

Final version, 11 June, 2010

General background: REDD and Norway's Initiative

The primary objective of the Norwegian Government's climate policy is to play a part in establishing a global, binding, long-term post-2012 regime that will ensure deep enough cuts in global greenhouse gas emissions. To this end, the Government has launched Norway's International Climate and Forest Initiative and pledged substantial funding towards efforts to reduce emissions from deforestation and forest degradation.

Reducing emissions from deforestation and forest degradation in developing countries (REDD) has the potential to generate significant, cost-efficient and quick reductions in greenhouse gas emissions. It has been estimated that emissions from the forestry sector in developing countries account for about one fifth of the global CO₂ emissions. REDD has therefore attracted high-level political attention over the last few years¹.

REDD is based on the idea that the international community can pay developing countries, either directly or to sub-national actors, to put in place policies and measures to reduce their rate of deforestation and forest degradation. This would be a cheaper option than reducing greenhouse gas emissions from sources in developed countries as well as from most other sectors, yet there is widespread consensus that REDD must add to deep emission reduction commitments from industrialised countries. REDD could also generate a range of co-benefits, such as biodiversity conservation and poverty alleviation.

However, as with any transforming policy, the success of REDD is dependent on numerous conditions. The debate and emerging literature on REDD has especially concentrated on the difficulty of designing an international and national REDD architecture that can channel reliable funding and ensure real emissions reductions, while also delivering co-benefits². This involves issues such as determining the

1 REDD is used here in a broad sense and generally includes the role of conservation, sustainable management of forests and enhancement of forest carbon stocks (i.e. REDD+).

2 See, for example: (1) Angelsen, A. (ed) 2008. Moving ahead with REDD: Issues, options and implications. CIFOR, Bogor, Indonesia. (2) Angelsen, A. with Brockhaus, M., Kanninen, M., Sills, E., Sunderlin, W.D. and Wertz-Kanounnikoff, S. (eds) 2009. Realizing REDD+: National strategy and policy options. CIFOR, Bogor, Indonesia.

source and mechanism of finance (public or private, fund-based or market-based, compliance or non-compliance markets) and the scale of REDD (national or sub-national accounting), setting reference levels for REDD payments, developing systems for monitoring, reporting and verification (MRV), addressing possible land tenure reforms, ensuring the rights of indigenous peoples and local communities, and establishing governance safeguards, including fighting corruption in the forestry sector.

Norway's International Climate and Forest Initiative was launched by the Norwegian Government at COP-13 in December 2007, pledging up to 3 billion Norwegian kroner per year over five years to reduce emissions from deforestation and forest degradation in developing countries³. The objectives of the Initiative are⁴

1. to work towards the inclusion of emissions from deforestation and forest degradation in a new international climate regime
2. to take early action to achieve cost-effective and verifiable reductions in greenhouse gas emissions
3. to promote the conservation of natural forests to maintain their carbon storage capacity.

The Initiative is being financed by official development assistance (ODA) funds. Thus, the overriding objectives of Norwegian foreign development policy also apply to the Initiative, in addition to the directly climate-related objectives listed above. These objectives include social and economic development, poverty reduction, the welfare and rights of indigenous peoples and other people living in or from forests, better land use, and the protection of biodiversity and the environment in general. In the work towards these goals, it is a goal in itself that the climate policy and the foreign development policy are to be mutually supportive.

The Initiative supports the UN Collaborative Programme on Reduced Emissions from Deforestation and Forest Degradation (UN-REDD Programme) jointly managed by FAO, UNDP and UNEP, the Forest Carbon Partnership Facility (FCPF) and the Forest Investment Program (FIP) managed by the World Bank, the Congo Basin Forest Fund (CBFF) managed by the African Development Bank, and the Amazon Fund managed by the Brazilian Development Bank (BNDES). Norway has also entered into a bilateral agreement with Tanzania, signed a Memorandum of Understanding with Guyana and with Mexico, and a Letter of Intent with Indonesia. Non-governmental organisations are funded through a grant scheme administered by the Norwegian Agency for Development Cooperation (Norad)⁵.

The overall responsibility for the Initiative lies with the Ministry of the Environment, where a secretariat has been established. The Ministry of Foreign Affairs, supported by Norwegian missions abroad and Norad, is responsible for foreign and development policy related to the Initiative, as well as the management and disbursement

3 COP is an abbreviation for Conference of the Parties, which is the supreme body of the UNFCCC. COP-13 took place at Bali, Indonesia.

4 See Proposition No. 1 to the Norwegian Parliament 2008-2009

5 For more details about NICFI, see the web site (also available in English): <http://www.regjeringen.no/dep/md/tema/klima/kiimaogskogprosjektet.html?id=548491>

of funds. An inter-ministerial body has been established for coordination and, when necessary, the facilitation of government discussions related to the Initiative.

It is essential to recognise the strategic nature of the Initiative. It was launched with the aspiration that it would contribute in building support for the potential of REDD to prevent climate change and encourage initiatives and funds from other parties in the international community. Substantial risks due to existing economic interests and weak governance in many of the countries harbouring the largest remaining tropical forests were recognised, and the Initiative was launched with an emphasis on the importance of patience, a long-term perspective and the need to experiment and learn from experience. Indeed, the development of national REDD strategies and implementation mechanisms are expected to require substantial time and support in most countries. An important objective of the Initiative is therefore to support capacity development and the political reforms needed to facilitate REDD over the longer term.

The Real-Time Evaluation Framework

The need for timely information and rapid learning calls for a real-time evaluation to progressively assess the results of the Initiative with regard to its objectives and the general objectives of Norwegian development cooperation. The real-time approach is especially useful in fast-moving situations, and the developing issues around REDD are just that. As the Initiative is expected to be a significant recipient of Norwegian ODA funds for several years, it is also in the interest of policy-makers and the public to have access to up-dated and impartial information about the progress and status of the Initiative. Hence, the real-time evaluation should serve both a documentation function and a learning function. This approach allows the Initiative to adjust its programming during the course of implementation, i.e. in real time.

The real-time evaluation will cover a time span of four years, i.e. 2010-2013. A framework agreement has been signed with a consortium of independent consultants and experts led by LTS International. The work load has been estimated at 150 weeks per year, distributed among several evaluation assignments. The terms of reference and timing of the different evaluation tasks will be agreed with the consultants and concerned stakeholders on a case-by-case basis. Each evaluation will be commissioned as a call-off order under the framework agreement.

The real-time evaluation should cover all the partners that have received ODA grants, including multilateral, bilateral and non-governmental agencies. In order to stimulate continuous learning and debate, the concerned stakeholders will be actively consulted during the evaluation process and reports will be made available to the general public.

The overall objectives of the real-time evaluation are to assess the results of the Initiative's support:

1. for improving the prospects of the inclusion of a REDD mechanism in a post-2012 climate regime

2. for the preparation of mechanisms and implementation of activities to attain verifiable reductions in greenhouse gas emissions
3. for the conservation of natural forests to maintain their carbon storage capacity
4. with regards to the general objectives of Norwegian development cooperation, such as those related to livelihoods, economic and social development and the environment.

The first three objectives refer to the objectives of the Initiative, while the fourth objective derives from the use of ODA funds.

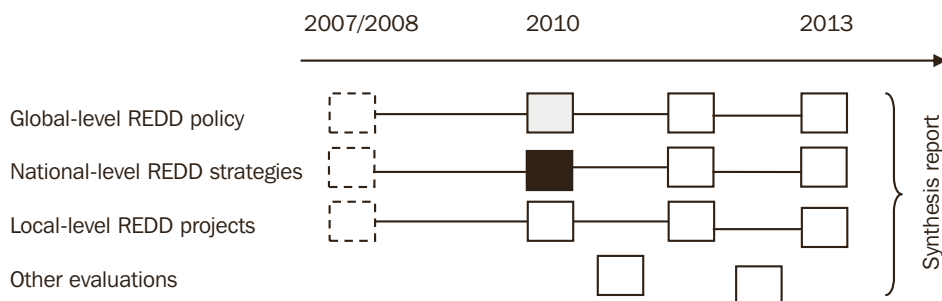
The final product of the real-time evaluation is expected to be a synthesis report that addresses the four overall objectives. However, in order to develop a synthesis and to create learning and provide feedback to the Initiative along the way, a series of evaluations will be carried out. It is envisaged that the real-time evaluation will consist of three core evaluation tasks, which will be repeated at regular intervals (e.g. 2010, 2012, 2013), combined with stand-alone evaluations or studies of specific thematic or geographical areas (e.g. evaluations of anti-corruption measures, effectiveness of different funding channels and mechanisms). The backbone of the real-time evaluation will be the following three core evaluations:

- Global level: The Initiative's contribution to an international REDD regime
- National level: The Initiative's support to the formulation and implementation of national REDD strategies
- Local level: Lessons learned from REDD demonstration projects supported by the Initiative

The global level evaluation will primarily address the first objective of the real-time evaluation, while the national and local level evaluations will primarily address the second, third and fourth objective of the real-time evaluation.

The three levels correspond to the notions of policy, programme and project. While the global level evaluation is policy-oriented and the local level evaluation is project-oriented, the national level ('programme') evaluation will assess the formulation and implementation of REDD strategies in a selection of case study countries. All the evaluations shall combine assessments of the status and progress of the overall REDD agenda with efforts to identify the actual contributions of the Initiative. The latter will be a main methodological challenge for the whole evaluation exercise, especially in cases where funding has been channeled through multilateral agencies and development banks.

Figure 1. A conceptual model of the real-time evaluation. Dashed lines indicate baseline (which shall be established retrospectively), grey box indicates an on-going evaluation, black box indicates the present evaluation, and white box indicates a planned evaluation.



There is also a need to closely coordinate this real-time evaluation with the monitoring and evaluation programmes of the Initiative's partners. It is known that the UN-REDD Programme, FCPF, CBFF, BNDES, and Norads' Civil Society Department are already planning reviews of their respective portfolios. There are also numerous research and development groups involved in REDD related studies, e.g. Centre for International Forestry Research (CIFOR) is conducting a global comparative study on REDD⁶. Norad's Evaluation Department and the evaluation team need to continuously follow the developments across the international REDD arena in order to avoid duplication of work and to incorporate knowledge generated by others.

The Present Evaluation

The present evaluation task concerns the national level described above. It aims to evaluate the Initiative's support to the formulation and implementation of national REDD strategies and other REDD readiness efforts, as of 2010. As the international REDD architecture is likely to build on national policies and measures, this evaluation task will constitute a main pillar of the whole real-time evaluation programme.

The target countries for Norway's International Climate and Forest Initiative are at different stages of REDD planning and implementation, ranging from initial readiness stage (early phase 1) to advanced REDD strategy formulation (late phase 1) and results-based REDD actions (phase 2)⁷. Consequently, the funds are used for different purposes, including stakeholder consultations, capacity-building, institutional strengthening, demonstration activities, and enforcement of policies and measures. In Brazil and Guyana, the Initiative's payments are intended to create incentives for REDD actions while the funds will be used to address a wider agenda beyond the Initiative's REDD related objectives (cf. the Amazon Fund and Guyana's Low Carbon Development Strategy, respectively).

The Initiative's funding at the country level is delivered through a diversity of channels and mechanisms, including a single multilateral institution with multiple donors

⁶ See CIFOR's web site: <http://www.cifor.cgiar.org/>

⁷ The phased approach to REDD has not been formally adopted. For details about the proposed phases, see the IWG report (Report of the Informal Working Group on Interim Finance for REDD+. Discussion document, 27 October 2009). In short, phase 1 refers to national REDD strategy development, phase 2 refers to implementation of national policies and measures for REDD, and phase 3 refers to performance-based payments on the basis of quantified forest emissions and removals against agreed reference levels.

(e.g. FCPF in Ghana), a single multilateral institution with multiple donors combined with a multi-bi program through an international financial institution (FCPF and Guyana REDD+ Investment Fund in Guyana), two multilateral institutions (e.g. FCPF and UN-REDD Programme in Bolivia), two multilateral institutions combined with a bilateral programme (e.g. FCPF, UN-REDD Programme and Royal Norwegian Embassy in Tanzania), two multilateral institutions combined with a regional fund (e.g. FCPF, UN-REDD Programme and CBFF in the Democratic Republic of Congo), and direct bilateral payments to a national fund (Amazon Fund in Brazil). Among these mechanisms, only the support to the Amazon Fund is directly performance-based (phase 2), but the Initiative also plans to make performance-based payments to Guyana and Indonesia.

The Initiative's wide geographical coverage (> 40 countries) and multiple support channels (multilateral, bilateral and non-governmental) create methodological and practical challenges in the evaluation process⁸. However, assessing the aid effectiveness with respect to REDD performance over time in a few selected countries may serve both the documentation function and the learning function of the real-time evaluation. In this initial evaluation, five countries have been selected for case studies, but other countries may be added at a later stage.

Purpose and Objectives

The purpose of this evaluation is to assess the Initiative's support to the formulation and implementation of national REDD strategies⁹. This will be achieved by developing a real-time methodology upon which the status and progress of national REDD performance can be evaluated¹⁰. The national level evaluations using the same methodology (or adapted methodology if found necessary) will be carried out periodically in the selected countries.

Accordingly, the present evaluation has two main objectives:

1. Develop a methodology for the real-time evaluation of the Initiative's support to the formulation and implementation of national REDD strategies
2. Evaluate the status and progress of the Initiative's support to the formulation and implementation of national REDD strategies in a selection of case study countries as of 2010

As an integral part of the real-time evaluation approach, the learning aspect shall be addressed by identifying lessons learned and their potential implications for the Initiative's future support to the formulation and implementation of national REDD strategies.

Scope

The evaluation shall include the following five countries: Brazil, Guyana, Democratic Republic of Congo, Tanzania, and Indonesia. These countries receive significant support from the Initiative through different channels and mechanisms, they are at

⁸ The geographical coverage also includes countries supported by FCPF only.

⁹ 'Support' refers to financial contributions and policy and technical advice conveyed through the different channels and mechanisms that ultimately target national REDD efforts.

¹⁰ Status and progress of national REDD performance shall be measured against the second, third and fourth objective of the real-time evaluation, cf. page 3.

different stages in the forest transition, they represent different national policy contexts, and they cover each of the three tropical continents.

Whereas the evaluation shall attempt to identify the actual contributions of the Initiative, it shall also include an assessment of the status and progress of the national REDD processes as a whole. This will ensure that the findings and recommendations from this evaluation could also be relevant for other REDD actors. The contributions of the Initiative need to be mapped by providing a summary of how its financial resources are being used by year (i.e. fund recipients, size of funding, country, activities).

National REDD strategies are expected to be informed by demonstration projects at the sub-national level, and hence, the evaluation shall carry out a preliminary mapping of such projects in the case study countries. While also relevant for addressing the objectives of this evaluation (cf. evaluation questions below), the available information about the REDD demonstration projects shall primarily feed into the subsequent local level evaluation described above¹¹. In Brazil, therefore, the performance of the Amazon Fund's project portfolio is, for the purpose of the present evaluation, subordinate to the wider REDD policies and measures at national level¹².

As the three climate-related objectives of the Initiative are supplemented with the development-related objectives associated with the use of ODA funds (cf. objective 4 of the real-time evaluation), including those related to poverty alleviation, indigenous peoples' rights, environment, and anti-corruption, the evaluation should try to distinguish between the climate-related effects and the development-related effects of the Initiative.

The time period under investigation in the present evaluation is 2007-2010. The launching of the Initiative in 2007 (COP-13) should serve as a base year for later evaluations, and hence, particular emphasis should be placed on assessing the national REDD situation at that stage, i.e. constructing a baseline retrospectively. The contributions of the Initiative towards the formulation and implementation of national REDD strategies should then be evaluated for the period 2007-2010.

The evaluation should focus on the relative contributions of the Initiative rather than the overall performance of the fund recipients.¹³ This is particularly relevant in cases where the funding is channeled through multilateral agencies and development banks. In such cases, the emphasis should be on the strategic contributions of the Initiative in influencing the policies and programmes of the fund recipients, and not only on the actual outcomes in terms of carbon effectiveness, cost efficiency, equity and co-benefits on the ground.

11 Separate Terms of Reference will be developed for the local level REDD project evaluation.

12 The activities financed through the Amazon Fund are not necessarily part of the government's action plan to combat deforestation or an integral part of Plano Amazonas Sustentavel (PAS) since there is no direct link between the Amazon Fund and these programs (see 'Assessment of BNDES as a potential mechanism for Norwegian support to the Fundo Amazônia (Amazon Fund)', Norad, 27 June 2008).

13 It should be recognised that NICFI operates in an institutional context that is largely determined by other actors. The preexisting actors and frameworks limit the range of available options.

Evaluation Questions

The below list of questions is not exhaustive and the questions may have different relevance for the different case study countries.

Formulation of National REDD Strategies

National ownership:

- To what extent has the Initiative's financial and policy support contributed to building political REDD leadership and commitment?
- To what extent has the Initiative contributed to strengthening institutional capacities at the national level?
- To what extent has the Initiative contributed to cross-sectoral coordination within the government in the target countries?
- To what extent has the Initiative contributed to active involvement by civil society to enhance national ownership?

Donor Support and Coordination:

- To what extent has the Initiative and its partners contributed to a coordinated and harmonised approach to REDD at the country level?
- To what extent have the Initiative's multilateral partners responded to the support needs of the country?
- How has Norwegian ODA policies and the Initiative's viewpoints on social and environmental safeguards related to equity and co-benefits been communicated and negotiated with the fund recipients?¹⁴
- To what extent has the Initiative contributed to creating synergies across countries?

Consultation Process:

- To what extent has the REDD stakeholder consultations been inclusive and participatory?
- To what extent has the national REDD process involved indigenous peoples and local communities?
- To what extent has the Initiative's support to civil society organisations and research institutions contributed to the national REDD strategy?
- How has the issue of equity and co-benefits been treated in the stakeholder consultations?

Policy Content:

- Is the REDD strategy at present soundly formulated, based on solid analysis and data, and likely to be efficient and effective in promoting emissions reductions?
- Has the REDD strategy been effective in promoting diagnosis of causes of forest carbon emissions, including external drivers, and formulation of plans to reduce emissions?

¹⁴ Equity refers to the sharing of REDD benefits among different stakeholders, while the debate on co-benefits in REDD has concentrated on environmental services (e.g. biodiversity), socio-economic services (e.g. poverty alleviation), governance and rights issues (e.g. rights of indigenous peoples and local communities), and climate change adaptation. Safeguards refer to donor policies that promote equity and co-benefits, while avoiding harmful side-effects, e.g. anti-corruption safeguards and anti-plantation safeguards.

- To what extent is the REDD strategy integrated into the wider policy framework of the country, including land tenure policies, agricultural and energy policies, and infrastructure development plans?
- To what extent is the REDD strategy coordinated with Nationally Appropriate Mitigation Actions (NAMAs) or broader national low carbon strategies, and to what extent are REDD payments proposed to be channeled into NAMAs?
- Which sub-national incentives for REDD have been developed in the REDD strategy?
- Which institutional set-up is proposed at the national level in order to manage sub-national payments and ensure that the MRV system would meet international reporting and verification requirements?
- How adequate are the proposed MRV systems for carbon fluxes?
- To what extent are the proposed reference levels robust and credible enough to prevent any profiteering and free riding (capturing REDD payments on changes that would have taken place anyhow)?
- Is the REDD strategy likely to have a positive impact on livelihoods, development, and local environment (i.e. equity and co-benefits)?
- To what extent have social and environmental safeguards related to equity and co-benefits been incorporated into the REDD strategy?

Implementation of National REDD Strategies¹⁵

- To what extent have the Initiative's REDD payments contributed to cost-effective and verifiable reductions in greenhouse gas emissions?¹⁶
- To what extent is the implementation of the REDD strategy addressing the underlying drivers of deforestation and forest degradation in the country?
- What is the quality of greenhouse gas emissions data on which the payments are based?
- To what extent is the Initiative contributing to improving the MRV system?
- To what extent is the Initiative's funding mechanism additional, contradictory or supplementary to other REDD-related policies and measures of the government?¹⁷
- To what extent are social and environmental safeguards related to equity and co-benefits being enforced and implemented through national REDD policies and measures?
- To what extent is the implementation of the REDD strategy likely to achieve the development-related objectives and contribute to equity and co-benefits?¹⁸
- How are stakeholders, especially indigenous peoples and local communities, involved in the implementation of the REDD strategy?

Methodology

The evaluation shall apply international best-practices to ensure objective, transparent, evidence-based and impartial assessments and learning. The methodology

¹⁵ Mostly relevant for Brazil and Guyana at present (i.e. phase 2 countries), but also applicable in countries where REDD measures are implemented while the REDD strategy is being developed. Note that the strategy in Guyana refers to REDD+, while Brazil's policies and measures predate the REDD agenda and primarily deal with reduced deforestation in the Amazon.

¹⁶ REDD payments can contribute either directly to reductions in greenhouse gas emissions by earmarked funding to REDD activities (e.g. support to REDD demonstration projects), or indirectly by creating incentives where payments are based on documented results (e.g. the Amazon Fund).

¹⁷ This is particularly relevant in Brazil, cf. footnote above.

¹⁸ Where REDD funds are provided or planned to be provided to national entities, it is important to map how and to whom they are distributed to assess whether those sectors or social groups who are bearing the main costs of REDD are being compensated.

shall be standardised into a real-time evaluation framework that allows comparisons over time. This includes the definition of a set of common indicators that (i) remain valid throughout the real-time evaluation period, (ii) can be used across countries, (iii) address the overall objectives of the real-time evaluation, (iv) cover the issues raised in the evaluation questions, and (v) enable attribution of observed results to inputs from the Initiative. The baseline for each indicator shall be reconstructed and compared to the situation as of 2010.

The country case studies shall include field visits and in-depth literature surveys. The evaluation shall be based on stakeholder interviews and document reviews, including research papers, reports and policy documents.

The analysis shall refer to the three OECD/DAC criteria relevance, effectiveness and efficiency. The latter will require that the evaluation prepares an inventory of the actual outputs and outcomes at the national level and compare them with the Initiative's inputs through the different funding channels and support mechanisms. The corresponding terminology in the REDD literature, i.e. carbon effectiveness, cost efficiency, and equity and co-benefits (the 3E+ criteria), may also be helpful in analysing the data.

In developing the evaluation framework, the monitoring and evaluation systems developed internally by the Initiative's partners (e.g. FCPF's M&E framework) should be considered and drawn upon.

Based on these guidelines, LTS International shall develop a detailed work plan and methodology.

Evaluation Team

This evaluation will require team members with in-depth knowledge about the forestry sector and policy development in the target countries combined with international REDD experts.

LTS International shall suggest a composition of team members, taking notice of the size of the evaluation (see below) and the expected distribution of personnel categories agreed for the overall real-time evaluation.

Budget

The estimated size of this evaluation is 83 person weeks. LTS International shall propose a budget based on the personnel requirements and the expected travel and subsistence expenses.

Deliverables and Time Frame

14 June: Proposed team and final Terms of Reference

16 June: Start of the evaluation

20 July: Inception report¹⁹

¹⁹ The inception report shall pay special attention to possible country-specific adjustments in the evaluation questions and the scope of the evaluation, presenting an adjusted and extended outline of the country evaluation reports of the four countries reflecting the respective country situation as well as an extended outline for a synthesis report. It shall also propose a detailed time schedule of each country evaluations, methodology for collecting and analysing data using a real-time approach.

August: Country field visits, including validation workshops

10 September: Five draft final country evaluation reports

1 October: Draft final synthesis report

29 October: Final report

November: Seminars in Oslo

The reports shall be prepared in accordance with the Evaluation Department's Guidelines for Reports.

EVALUATION REPORTS

- 7.98 The World Bank and Poverty in Africa
- 8.98 Evaluation of the Norwegian Program for Indigenous Peoples
- 9.98 Evaluering av Informasjons støtten til RORGene
- 10.98 Strategy for Assistance to Children in Norwegian Development Cooperation
- 11.98 Norwegian Assistance to Countries in Conflict
- 12.98 Evaluation of the Development Cooperation between Norway and Nicaragua
- 13.98 UNICEF-komiteen i Norge
- 14.98 Relief Work in Complex Emergencies
- 1.99 WID/Gender Units and the Experience of Gender Mainstreaming in Multilateral Organisations
- 2.99 International Planned Parenthood Federation – Policy and Effectiveness at Country and Regional Levels
- 3.99 Evaluation of Norwegian Support to Psycho-Social Projects in Bosnia-Herzegovina and the Caucasus
- 4.99 Evaluation of the Tanzania-Norway Development Cooperation 1994–1997
- 5.99 Building African Consulting Capacity
- 6.99 Aid and Conditionality
- 7.99 Policies and Strategies for Poverty Reduction in Norwegian Development Aid
- 8.99 Aid Coordination and Aid Effectiveness
- 9.99 Evaluation of the United Nations Capital Development Fund (UNCDF)
- 10.99 Evaluation of AWEPA, The Association of European Parliamentarians for Africa, and AEI, The African European Institute
- 1.00 Review of Norwegian Health-related Development Cooperation 1988–1997
- 2.00 Norwegian Support to the Education Sector. Overview of Policies and Trends 1988–1998
- 3.00 The Project “Training for Peace in Southern Africa”
- 4.00 En kartlegging av erfaringer med norsk bistand gjennomfrivillige organisasjoner 1987–1999
- 5.00 Evaluation of the NUFU programme
- 6.00 Making Government Smaller and More Efficient. The Botswana Case
- 7.00 Evaluation of the Norwegian Plan of Action for Nuclear Safety Priorities, Organisation, Implementation
- 8.00 Evaluation of the Norwegian Mixed Credits Programme
- 9.00 “Norwegians? Who needs Norwegians?” Explaining the Oslo Back Channel: Norway’s Political Past in the Middle East
- 10.00 Taken for Granted? An Evaluation of Norway’s Special Grant for the Environment
- 1.01 Evaluation of the Norwegian Human Rights Fund
- 2.01 Economic Impacts on the Least Developed Countries of the Elimination of Import Tariffs on their Products
- 3.01 Evaluation of the Public Support to the Norwegian NGOs Working in Nicaragua 1994–1999
- 3A.01 Evaluación del Apoyo Público a las ONGs Noruegas que Trabajan en Nicaragua 1994–1999
- 4.01 The International Monetary Fund and the World Bank Cooperation on Poverty Reduction
- 5.01 Evaluation of Development Co-operation between Bangladesh and Norway, 1995–2000
- 6.01 Can democratisation prevent conflicts? Lessons from sub-Saharan Africa
- 7.01 Reconciliation Among Young People in the Balkans An Evaluation of the Post Pessimist Network
- 1.02 Evaluation of the Norwegian Resource Bank for Democracy and Human Rights (NORDEM)
- 2.02 Evaluation of the International Humanitarian Assistance of the Norwegian Red Cross
- 3.02 Evaluation of ACOPAMA ILO program for “Cooperative and Organizational Support to Grassroots Initiatives” in Western Africa 1978 – 1999
- 3A.02 Évaluation du programme ACOPAMA Un programme du BIT sur l’« Appui associatif et coopératif aux initiatives de Développement à la Base » en Afrique de l’Ouest de 1978 à 1999
- 4.02 Legal Aid Against the Odds Evaluation of the Civil Rights Project (CRP) of the Norwegian Refugee Council in former Yugoslavia
- 1.03 Evaluation of the Norwegian Investment Fund for Developing Countries (Norfund)
- 2.03 Evaluation of the Norwegian Education Trust Fund for Africa in the World Bank
- 3.03 Evaluering av Bistandstorgets Evalueringsnettverk
- 1.04 Towards Strategic Framework for Peace-building: Getting Their Act Together. Overview Report of the Joint Utstein Study of the Peace-building. Norwegian Peace-building policies: Lessons Learnt and Challenges Ahead
- 2.04 Evaluation of CESAR’s activities in the Middle East Funded by Norway
- 3.04 Evaluering av ordningen med støtte gjennom paraplyorganisasjoner. Eksempifisert ved støtte til Norsk Misjons Bistandsnemda og Atlas-alliansen
- 4.04 Evaluation of the work of FORUT in Sri Lanka: Building Civil Society
- 5.04 Study of the impact of the work of Save the Children Norway in Ethiopia: Building Civil Society
- 6.04 Study of the impact of the work of FORUT in Sri Lanka and Save the Children Norway in Ethiopia: Building Civil Society
- 1.05 –Study: Study of the impact of the work of FORUT in Sri Lanka and Save the Children Norway in Ethiopia: Building Civil Society
- 1.05 –Evaluation: Evaluation of the Norad Fellowship Programme
- 2.05 –Evaluation: Women Can Do It – an evaluation of the WCDI programme in the Western Balkans
- 3.05 Gender and Development – a review of evaluation report 1997–2004
- 4.05 Evaluation of the Framework Agreement between the Government of Norway and the United Nations Environment Programme (UNEP)
- 5.05 Evaluation of the “Strategy for Women and Gender Equality in Development Cooperation (1997–2005)”
- 1.06 Inter-Ministerial Cooperation. An Effective Model for Capacity Development?
- 2.06 Evaluation of Fredskorpset
- 1.06 – Synthesis Report: Lessons from Evaluations of Women and Gender Equality in Development Cooperation
- 1.07 Evaluation of the Norwegian Petroleum-Related Assistance
- 1.07 – Synteserapport: Humanitær innsats ved naturkatastrofer: En syntese av evalueringsfunn
- 1.07 – Study: The Norwegian International Effort against Female Genital Mutilation
- 2.07 Evaluation of Norwegian Power-related Assistance
- 2.07 – Study Development Cooperation through Norwegian NGOs in South America
- 3.07 Evaluation of the Effects of the using M-621 Cargo Trucks in Humanitarian Transport Operations
- 4.07 Evaluation of Norwegian Development Support to Zambia (1991 - 2005)
- 5.07 Evaluation of the Development Cooperation to Norwegian NGOs in Guatemala
- 1.08 Evaluation: Evaluation of the Norwegian Emergency Preparedness System (NOREPS)
- 1.08 Study: The challenge of Assessing Aid Impact: A review of Norwegian Evaluation Practise
- 1.08 Synthesis Study: On Best Practise and Innovative Approaches to Capacity Development in Low Income African Countries
- 2.08 Evaluation: Joint Evaluation of the Trust Fund for Environmentally and Socially Sustainable Development (TFESSD)
- 2.08 Synthesis Study: Cash Transfers Contributing to Social Protection: A Synthesis of Evaluation Findings
- 2.08 Study: Anti-Corruption Approaches. A Literature Review
- 3.08 Evaluation: Mid-term Evaluation the EEA Grants
- 4.08 Evaluation: Evaluation of Norwegian HIV/AIDS Responses
- 5.08 Evaluation: Evaluation of the Norwegian Research and Development Activities in Conflict Prevention and Peace-building
- 6.08 Evaluation: Evaluation of Norwegian Development Cooperation in the Fisheries Sector
- 1.09 Evaluation: Joint Evaluation of Nepal’s Education for All 2004-2009 Sector Programme
- 1.09 Study Report: Global Aid Architecture and the Health Millennium Development Goals
- 2.09 Evaluation: Mid-Term Evaluation of the Joint Donor Team in Juba, Sudan
- 2.09 Study Report: A synthesis of Evaluations of Environment Assistance by Multilateral Organisations
- 3.09 Evaluation: Evaluation of Norwegian Development Cooperation through Norwegian Non-Governmental Organisations in Northern Uganda (2003-2007)
- 3.09 Study Report: Evaluation of Norwegian Business-related Assistance Sri Lanka Case Study
- 4.09 Evaluation: Evaluation of Norwegian Support to the Protection of Cultural Heritage
- 4.09 Study Report: Norwegian Environmental Action Plan
- 5.09 Evaluation: Evaluation of Norwegian Support to Peacebuilding in Haiti 1998–2008
- 6.09 Evaluation: Evaluation of the Humanitarian Mine Action Activities of Norwegian People’s Aid
- 7.09 Evaluation: Evaluation of the Norwegian Programme for Development, Research and Education (NUFU) and of Norad’s Programme for Master Studies (NOMA)
- 1.10 Evaluation: Evaluation of the Norwegian Centre for Democracy Support 2002–2009
- 2.10 Synthesis Study: Support to Legislatures
- 3.10 Synthesis Main Report: Evaluation of Norwegian Business-related Assistance
- 4.10 Study: Evaluation of Norwegian Business-related Assistance South Africa Case Study
- 5.10 Study: Evaluation of Norwegian Business-related Assistance Bangladesh Case Study
- 6.10 Study: Evaluation of Norwegian Business-related Assistance Uganda Case Study
- 7.10 Evaluation: Evaluation of Norwegian Development Cooperation with the Western Balkans
- 8.10 Evaluation: Evaluation of Transparency International
- 9.10 Study: Evaluability Study of Partnership Initiatives
- 10.10 Evaluation: Democracy Support through the United Nations
- 11.10 Evaluation: Evaluation of the International Organization for Migration and its Efforts to Combat Human Trafficking
- 12.10 Evaluation: Real-Time Evaluation of Norway’s International Climate and Forest Initiative (NICFI)
- 13.10 Evaluation: Real-Time Evaluation of Norway’s International Climate and Forest Initiative. Country Report: Brasil
- 14.10 Evaluation: Real-Time Evaluation of Norway’s International Climate and Forest Initiative. Country Report: Democratic Republic of Congo
- 15.10 Evaluation: Real-Time Evaluation of Norway’s International Climate and Forest Initiative. Country Report: Guyana

Norad

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