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Snapshot: REDD+ and Indonesia

Prepared by CIFOR

Background

As additional financing has become available to support REDD+ policies and measures (PAMs) and project or demonstration activities, the need for reliable science-based policy advice has become increasingly urgent. At least fifty developing countries are now in the process of developing national REDD+ strategies and plans through a number of multilateral and bilateral international initiatives, laying the groundwork for implementation of the REDD+ mechanism. [1]

The Government of Indonesia is committed at national and international levels to addressing the challenges of climate change and to using forest carbon offsets to consolidate its forestry sector reforms. Indonesia has pledged to reduce its emissions from land use, land use change and forestry (LULUCF) by at least 26% by 2020. One way the country plans to meet this target is by reducing its emissions from deforestation and forest degradation, through the REDD+ mechanism, which offers the potential for innovative and stable forms of financing for local governments and community-based resource management.

Although recent data suggest a slight declining trend, deforestation rates over the last three decades have been high; 2.7% per year in Sumatra and 1.3% in Kalimantan during the period 2000-2010. Activities that directly contribute to deforestation and forest degradation include conversion of forests to other uses, such as agriculture and mining, illegal logging, and forest and land fires, the latter often associated with drained peatlands. These activities are driven by, among others, high demand for oil palm and forest-based products in both domestic and international markets, and weak governance systems at both national and sub-national levels.

Forest cover decline is also associated with natural population growth and demographic change associated with transmigration programs.

Ultimately, deforestation is intricately linked to the structure of the Indonesian economy, which still remains dependent on the extraction of natural resources This dependence has shaped the political-economy and institutional landscape of the country (Gellert, 2010). The issues are systemic, expansive, and complex, including capacity constraints and poor governance of land use-related institutions, unclear spatial planning processes and frequent land resource tenure conflicts.

CIFOR's assessment of recent developments with regard to REDD+ (globally and in Indonesia) suggest that i. the REDD+ process at international and national levels is moving ahead more slowly than was expected only a year ago; ii. the focus of efforts is moving from the global REDD+ architecture to more flexible approaches at national and sub-national levels; iii. REDD+ has progressed at very different rates in different countries due to particular national circumstances – lack of clarity about benefit

[1] For example, t*he UN-REDD Programme* (UN-REDD) is the United Nations collaborative initiative to assist developing countries prepare and implement national REDD+ strategies (www.un-redd.org/); The World Bank *Forest Carbon Partnership Facility* (FCPF) is a global partnership assisting tropical and subtropical forest countries to develop systems and policies for REDD+ and providing them with performance-based payments for emission reductions. (www.forestcarbonpartnership.org); and the REDD+ Partnership, an interim coalition of 71 countries committed to supporting REDD+ initiatives with the ultimate aim of aligning to the UNFCCC process (http://reddpluspartnership.org and www.reddplusdatabase.org)

sharing is hampering progress; iv. REDD+ benefit-sharing arrangements are of growing importance as readiness activities progress, and REDD+ projects start to be validated, and v. Ministries of Finance exhibit growing interest in REDD+ financing.

CIFOR's experience has also shown that it is important to share lessons among countries to stimulate further action. However, as the concept of REDD+ is rapidly evolving, and models for implementation are still under discussion, reliable baseline data are often not available. There is also growing recognition of the need to address critical non-carbon dimensions of REDD+ implementation encompassing forest governance, rights of indigenous peoples and forest-dependent communities (including women), livelihood opportunities of forest dependent communities that elect to participate in REDD+, and linking tenure rights to benefit sharing or vice versa. Recent literature raises questions about an earlier view of REDD being "a significant, cheap, quick and win-win way to reduce greenhouse gas emissions" (Angelsen,2008: 15-16).

To achieve further progress with the formulation and implementation of an efficient, effective and equitable REDD+ in Indonesia, a number of obstacles have to be overcome:

Clarifying land tenure and aligning legal frameworks

Of Indonesia's entire land base, over 70 percent (or some 130 million hectares) are under the purview of the Ministry of Forestry. While the Forestry Law clearly assigns these lands as forest areas (*kawasan hutan*), the same law also indicates that these areas must be gazetted and established as state forest areas (*kawasan hutan*). However, to date, only around 10 percent has been gazetted, easily provoking different interpretations on the ground. Consequently, while officially state lands, many of these areas are inhabited by local and indigenous peoples claiming customary rights, or have been allocated for large development activities, including oil palm plantations, and mining. This uncertain and unclear tenure has been counterproductive in promoting sustainable management of forest lands. Current land use planning processes have proved ineffective, and often result in contests between national and local government authorities.

Moreover, the legal framework under which forestry activities operate encompasses both specific, sectoral laws and regulations (e.g. those regulating forestry, agriculture and mining) and more general, cross-cutting legislation (e.g. decentralization, finance and spatial planning). This has led to inconsistencies and contradictions (Resosudarmo, 2007), uncertainty and inefficiency, and encourages corrupt practices (Komisi Pemberantasan Korupsi, 2010a) as multiple legal frameworks create opportunities for rent-seeking behavior (McCarthy, 2004). With REDD+ introducing a new value for forests (i.e. carbon), and therefore another layer of additional claims to land from different groups of actors, there is now even greater need to clarify land tenure and legal frameworks in order to improve land use planning, reduce the risks of corruption (Dermawan et al, 2011), and harness lessons learned from other policy processes such as FLEGT (Luttrell et al, 2011).

Protecting the rights of forest-dependent communities and vulnerable groups

REDD+ policies and projects present new risks for forest-dependent communities, and vulnerable groups such as Indigenous Peoples. For example, customary rights may not be respected due to land speculation by investors, communities may get locked in to unfavourable legal agreements, unaware of the risks involved, or double standards may be applied as community rights are restricted to subsistence use, while rights for commercial extraction continue to be awarded to corporate and government elites. Furthermore, the concentration of REDD incentives in particular areas may create perverse effects such as increased in-migration and agrarian conflicts. Recent research suggests that the economic incentives to reduce emissions from deforestation in Indonesia could be achieved by making four key policy improvements, viz., by aggregating and nesting accounting for net-emission reductions at the level of districts; setting jurisdictional reference levels using future business-as-usual

emission rates; paying for emissions reductions achieved sharing district-level revenues with the national government: and cost-shared responsibility for costs associated with increases in emissions between the national government and districts (Busch et al, 2012).

A range of measures will be needed to mitigate these risks during the design and implementation of REDD+ projects. These could include: clarifying ownership and legal rights to benefit from carbon; improving access to simplified information on REDD+ in local languages; defining how revenues will be channelled to forest-dependent communities; securing effective redress and dispute resolution mechanisms; prioritising the broader development interests of local communities and governments rather than the interests of carbon investors; and introducing creative approaches to community-based monitoring.

Sectoral focus

Partly because bureaucratic performance is assessed against sector-based targets, ministerial programs tend to be compartmentalized and narrowly focused on sectoral objectives. Similarly, there are no sectoral links in the budgeting process, which leads to sectoral laws and regulations that often do not refer to laws and regulations beyond their sector, despite their relevance. Consequently, there is often a lack of coordination among ministries which are otherwise closely related. This presents an important challenge for REDD+, because while forest management in Indonesia essentially falls under the jurisdiction of the Ministry of Forestry, the underlying drivers of deforestation are often related to the Ministries of Agriculture, Trade, Finance and Development. To date, there has been limited success in establishing cross-sectoral coordinating structures and institutions: they exist, but remain either ineffective or face 'resistance' from sectoral ministries. This is exemplified by the inchoate land use planning system in Indonesia.

Decentralization process and local governance

Indonesia's central government has played a dominant political and administrative role throughout most of the country's history. Significant reforms occurred following the 1997-98 economic and political crises, and included provisions to transfer natural resource management authority to regions. However, the way in which the decentralization process has taken shape has involved a significant degree of uncertainty and contradiction. For example, local autonomy is often interpreted as if there were no hierarchical linkages between, and among, levels of government. As a result, many local regulations conflict with higher level policies and laws, while, increased decision-making powers and the quest for locally-generated revenues have led to indiscriminate licensing for inappropriate forest conversion. Weak local governments are often characterized by non-transparent decision making processes, incidences of corruption involving local leaders, poor law enforcement, and ineffective accountability mechanisms. This is exemplified by (administrative) land allocation processes by local government officials. In April 2011 the Anti-Corruption Commission (KPK) estimated that 1,236 mining firms and 536 oil palm plantation companies were operating illegally in Central, East and West Kalimantan.

While the Government of Indonesia has made significant progress in addressing these broad governance challenges, with media and civil society now enjoying much greater freedom and promoting greater transparency and participation in decision making, additional efforts are needed to prevent the risks of corruption in REDD+, and to strengthen law enforcement at all levels.

REDD+ - Fund and/or market based mechanisms?

As UNFCCC negotiations on a potential future compliance market continue, determining who owns the carbon (government, local communities and/or concessionaires), who has the right to sell carbon credits and how carbon payments are to be disbursed are key issues to be agreed prior to validation, and the first verification and sale of REDD+ Voluntary Carbon Units (VCUs). The verification and sale

of VCUs has already been accomplished by a project in Kenya, and others are close to completing sales in other countries such as Indonesia and Cambodia. The administration of payments (or in-kind benefits such as employment and social welfare infrastructure) to a diverse array of REDD+ partners, especially remote forest-dependent communities, will present particularly difficult challenges, as the opportunity for rent-seeking and benefit capture by local elites, external project developers, and local government offices remains high.

Progress on establishing a funding instrument in Indonesia has been slow. The Ministry of Forestry's early attempts to develop an indicative framework for REDD+ benefit sharing (P. 30 and P. 36) were contested by the Ministry of Finance. No alternative regulatory instrument has been proposed and, to date, no agreement has yet been reached on which Government of Indonesia structure is (legally) authorized to sell forest carbon credits.

Failure to establish effective, efficient and equitable REDD+ benefit sharing mechanisms may lead to a number of perverse results. If poorly designed, REDD+ policies and measures and projects may bring new risks through the loss of, or reduced access to forest resources, local (and national) elite capture, conflicts within and among communities, and the potential destabilizing effects of forest carbon financing in local economies, thereby worsening rural poverty. The concentration of REDD+ incentives in particular areas may also create perverse outcomes such as increased in-migration and agrarian conflicts. The administration of payments to a diverse array of REDD+ project partners, especially remote forest-dependent communities, will present particularly difficult challenges, as the opportunity for rent-seeking and benefit capture by local elites, external project developers, local government offices remains high. Greater efforts are also needed to address the challenges of reducing transaction costs, shortening REDD+ project preparation cycles and aligning technical requirements to existing in-country capacities (Bucki et al, 2012).

Developed countries have pledged "fast start financing" through 2012 to advance REDD+ architecture, readiness and demonstration activities. As this is scaled-up and national REDD+ systems are developed, it is expected that the private sector will increasingly drive REDD+ project financing through private investments and anticipated growth in revenues from eventual carbon credit sales. More resources are needed to tackle climate change and in particular, to scale-up REDD+ activities if significant reductions in GHG emissions are to be achieved within the next decade. There is a concomitant need to protect the rights and livelihoods of women, indigenous peoples and forest-dependent communities, conserve biodiversity, and help developing countries adapt to climate change. Attention is now shifting from global options assessments to the complex political, technical and financial issues that need to be addressed in the design and implementation of national, sub-national and project-level REDD+ activities. A robust and predictable system for mobilizing fund and market-based financing is needed to pay for both REDD+ readiness activities, and performance-related payments for actions that result in reduced emissions. Global pledges reached an estimated US $27.9 billion by September 2010. However, large gaps exist between pledges, deposits in dedicated climate funds and disbursement, and there is growing evidence of the increasing proliferation and fragmentation of public sector climate financing at the national level. Information on the scale of existing finance is sketchy (Haites, 2011).

Even if all donor pledges under the 2009 Copenhagen Accord, and REDD+ Partnership are met, a significant funding gap still exists viz-à-viz Stern, Eliasch and IWG-IFR estimates of financing needs to address climate change mitigation. Part of this gap will be filled with private capital. The market needs to function effectively, provide efficient pricing on the (carbon) assets being transacted and demonstrate a high degree of transparency with regard to the 'rules of the game' governing the valuing of the asset, and how the rules are applied to participants. Currently, a few early investors are purchasing offsets and making investments, but many more are waiting and observing on the

sidelines. To date, the private sector has invested relatively smaller amounts in forestry and REDD+ carbon activities but interest is growing.

Legal reform

The conditions of Indonesia's agreement with Norway included the 'acceleration of the establishment of the legal basis and strong guidelines for the implementation of REDD+ at the national and sub-national levels'. The National REDD+ Task Force in Indonesia has recently established a legal review team charged with developing a REDD+ legal framework, and reform of law enforcement relating to forest resources. This will include the establishment of a 'One Roof Enforcement System' and the creation of a 'Green Bench' with specialized judges.

Forest moratorium and National REDD+ strategy

Indonesia's forest moratorium and the development of a national REDD+ strategy are among the deliverables of the partnership on REDD+ between the Government of Indonesia and the Government of Norway stipulated in a Letter of Intent (LoI) signed on 26 May 2010. To this end both governments have followed the so-called phased-approach that was agreed at COP17 in Cancun, December 2010.

Forest moratorium

The forest moratorium established in May 2011 aims to suspend the issue of new licenses or permits to convert primary forest and peatland while forest governance is being improved. It was enacted under the Presidential Instruction, Inpres No. 10/2011, 20 May 2011.
An Inpres is a set of instructions to ministries and government agencies. Inpres No. 10/2011 issues instructions to three line ministers (Forestry, Home Affairs and Environment) and the heads of five agencies (Presidential Delivery Unit for Development Oversight, National Land Agency, National Coordination Agency for Spatial Planning, National Coordination Agency for Survey and Mapping and the proposed agency for managing REDD+), and governors and heads of district governments. The Inpres sets out the tasks and role of each agency for two years.

An Indicative Map of Moratorium (IMM) has been revised every six months with the participation of the public. The area affected by the moratorium is subject to several interpretations. The first revision of the map put the area affected at 65.5 million ha, consisting of 8.4 million ha primary forest and 5.9 million ha peatland. This means that most of the forest affected by the moratorium is conservation forest (21.6 million ha) and protection forest (29.6 million ha), forest already protected by legislation.

Although the moratorium will not reduce greenhouse gas (GHG) emissions, it is in line with the President's commitment to reduce emissions by 26-41%. The Inpres may be a stepping stone towards better forest governance. However, weaknesses and issues to be clarified include:

1. The fate of peatlands (around 15 million ha) already under existing forms of concessions
2. Potential land swapping with degraded forests on mineral soils
3. The conservation value of secondary forests excluded from the moratorium.

National REDD+ strategy

Indonesia was among the first countries to engage in the REDD mechanism and took part in extensive stakeholder consultations facilitated by the World Bank prior to COP13 in Bali, in December 2007. The Indonesia Forest Carbon Alliance (IFCA) was followed in 2009 by the World Bank Forest Carbon Partnership Facility (FCPF) and Indonesia was invited to submit a national readiness plan. At the same time another multilateral initiative later positioned under the UN REDD Programme (started in 2011 in Indonesia) was launched for sub-national activities in central Sulawesi. Both initiatives come under the Ministry of Forestry, and are largely financed by the Government of Norway.

In 2009, bilateral cooperation with the Australian Government established the Indonesia-Australia Forest Carbon Partnership (IAFCP) which includes the Kalimantan Forest Climate Partnership (KFCP) demonstrating REDD activities in degraded peatland. KFCP has three components:

1. Reducing deforestation and degradation of peat swamp forest by blocking canals to raise the water table, re-establishing tree cover in highly degraded areas and providing livelihood opportunities
2. Capturing knowledge from REDD demonstration activities to share within Indonesia and internationally
3. Establishing a programme to measure and monitor GHG emissions linked to the National Carbon Accounting System Indonesia (NCASI).

The 2010 LoI set out the need for a national REDD+ strategy. There were two versions of a strategy, one led by the National Development Planning Agency (BAPPENAS) and another by the Ministry of Forestry. When the President formed the National REDD Task Force the two were consolidated and will be launched as a national strategy in the near future.

The current strategy is the result of extensive national and sub national consultations and sets out ways and means to:

- Establish a REDD+ agency to monitor and report activities that are ready for verification (MRV), and to manage financial compensation for activities that generate carbon credits
- Develop and implement policies and measures (PAMs) to reduce emissions from deforestation and forest degradation, including aligning existing laws and regulations associated with spatial planning, the forest moratorium and land-use/land cover data and information
- Implement sustainable landscape management, taking a participatory approach that promotes environmental and social safeguards, and shares benefits equitably.

Central Kalimantan was selected as a pilot REDD+ province, as well as eight other provinces, Aceh, Riau, Jambi, South Sumatra, West Kalimantan, East Kalimantan, West Papua and Papua.

Sub-national REDD+ and REDD+ projects

REDD+ projects are often viewed as being the most feasible and financially affordable opportunities to reduce drivers of deforestation and mitigate climate change while providing other sustainable development benefits. At least 79 REDD readiness and 100 REDD demonstration projects and sub-national REDD+ activities existed in October 2009, the largest number being implemented in Indonesia and Brazil. Recent research has highlighted the risk that geographic biases (against Sub-Saharan Africa and toward Latin America) may undermine broad political support for REDD+ as part of efforts to reach a more comprehensive climate change agreement (Cerbu et al, 2011).

There are currently estimated to be more than forty REDD+ projects at various stages of development in Indonesia. There is wide variation in terms of what constitutes a REDD+ project (Madeira, 2010). In most cases progress has been slow. Even where project proponents have complied with the formal validation requirements of international standards (both in terms of methodology and project development using, for example, the Verified Carbon Standards and Climate, Community Biodiversity Alliance project standard respectively) no sales of VCUs have yet been achieved. Weak governance by local and national governments continues to hamper progress of well-advanced REDD+ projects that have already met the highest international validation standards (Fogarty, 2011).

CIFOR's GCS-REDD+ project is currently monitoring the socioeconomic, governance, and biophysical changes associated with implementation of 21 REDD+ projects in six countries. This is being done through a counter-factual approach, comparing conditions before and after the introduction of REDD+ conditional incentives, and between villages where these incentives are applied (intervention) and

where they are not applied (control). The tangible output will be knowledge of what works and does not work in REDD+ on the ground with respect to effectiveness, efficiency, equity, and co-benefits.

National REDD+ policy process

Although Indonesia has taken a major step towards broad change by establishing a forest moratorium, there are still many policies that allow deforestation and forest degradation.
Table 1. Policies affecting REDD+ in Indonesia

Drivers of deforestation and forest degradation	Policies that clash with REDD+	Policies that support REDD+
Agriculture (large scale, including forest plantations such as oil palm plantations, small scale and subsistence), logging, mining	Taxation policies on forestry and mining; tax breaks for forest products, farm produce, pulp and paper; policies that permit mining in protected areas; fiscal and non-fiscal concessions for food and bioenergy production; policies for biofuel; and allocation of land for oil palm plantations	Moratorium on the Granting of New Licenses and Improvement of Natural Primary Forest and Peatland Governance (considered a 'weak' policy because of the influence of business on government)

Adapted from Di Gregorio, Brockhaus, *et al*. 2012 (forthcoming)

The policies affecting REDD suggest strong links between the state and the private sector (Indrarto *et al*., 2012; Brockhaus *et al*., 2011). However, an analysis of the coverage of issues, actors and actor stances in three national newspapers in Indonesia shows that the voices of business actors are rather absent (Cronin and Santoso, 2010). An examination of the positions and coalitions of those involved in specific issues indicates that state actors represent the interests of large-scale business. Business interests are mainly presented in the context of national development, and put forward the views that REDD should not jeopardise national business interests or hamper national progress.

Examination of how newspapers report REDD shows that coverage of equity issues is sketchy. However, although the main body of an article may not discuss equity, a number of actors use the media to put forward their positions on the issue. Preliminary analysis of media coverage indicates that articles focus on very broad topics, and say little about process. Government officials talk mainly about equity at the international level and seem to avoid talking about equity at the national level. Most arguments concern fairness, rights and needs. Very few arguments concern stewardship, the inclusion in decision making based on outcomes (performance-based justification). In summary, there is very little debate about baking the cake. The arguments are mostly about eating the cake and keeping it (Di Gregorio and Brockhaus, 2012).

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