Perspective on Indonesia's Forest, Climate Change and REDD Issues, Institutions & Challenges









THE WORLD BANK | BANK DUNIA

May 2012

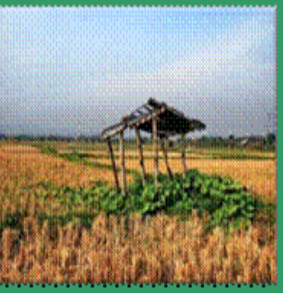




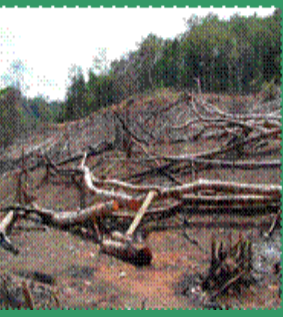


Forests Matter: Economically, Socially, Environmentally

- National asset, livelihoods of 10 M of poorest 36 million
- RI long known for deforestation, peat burning, habitat loss
- Forest loss hurts rural livelihoods, ecosystem services
- Weak forest governance & tenure damages investment climate, rural economic potential, international competitiveness
- Forest crime robs state; diverts public revenues for development
- Weak econ incentives, policy distortions; decentralized govts
- Weak public awareness & constituency for environment
- Drivers of deforestation:
    - Need upstream approach, recognizing the challenges:
    - Money, palm, peat, pulp, politics, fire, poverty







Forests & Climate: Challenges & Opportunities

- CC: threat to development, especially for the poor
- Globally significant emissions: forests & land use change
- Forest loss & land use change ~ 75% of GHG
- Highly vulnerable to CC impacts: Agriculture, water management, health, preparedness, resilience
- Challenges: Money, palm, peat, pulp, politics, fire, poverty

Opportunities

- Globally significant targets: 26-41% from BAU by 2020
- REDD = Financial opportunity to change incentives (> $1 B/yr)
- REDD+ Agenda has high level support, momentum
- MIC & G-20 member, rising economy
- Decades of donor & CSO focus on deforestation, governance
- Climate finance is growing: More funds, integration needs

Indonesia has accomplished a lot…



We are here as leaders not negotiators …

We will reduce emissions by 26% by 2020 …

Achievable b/c most emissions come from … forest fires & deforestation

- National Council on Climate Change, up and running
- New Environmental Mgmt & Protection Law
- GOI carbon opportunities defined; 2nd Nat'l Comm
- Indo Climate Change Trust Fund Launched
- Accessing Climate Finance mechanisms for clean technology and forest preservation
- Mitigation Action Plan under Copenhagen Accord
- Adopted RAN GRK as Presidential Decree
- Launched National REDD+ Initiative, strategy, pilot province, & moratorium on licensing + "one map"

… But has more to do





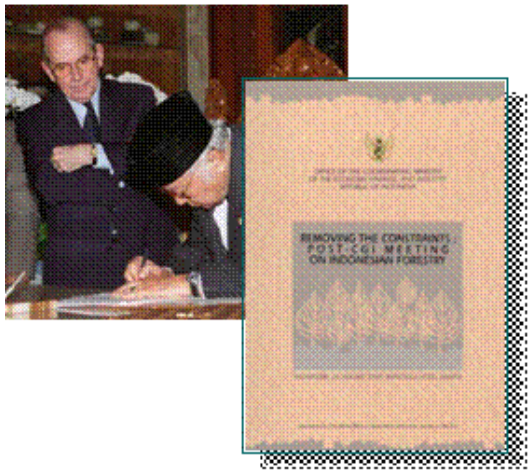
Mitigation & Policy Convergence

- Converging agreement on priorities: Peat, Forests, Power
- Better forest mgmt: incentives, revenue, asset values
- Leverage investment in energy infrastructure
- Coordinate & integrate policies & plans

Adaptation and Institutions

- Longer term challenges: Agric, water, coastal livelihoods
- Marine & coral protection for livelihoods & nutrition
- Address vested interests & policy distortion challenges
- Build awareness & constituency for longer term change

Brief Review of Forest/Climate Actions This Century







1998 Financial Crisis
1999 IMF Econ Reform & Conditionalities

2000 Consultative Group on Indonesia & Workshops

2001 FLEG Awareness & Campaigns

Brief Review of Forest/Climate Actions This Century





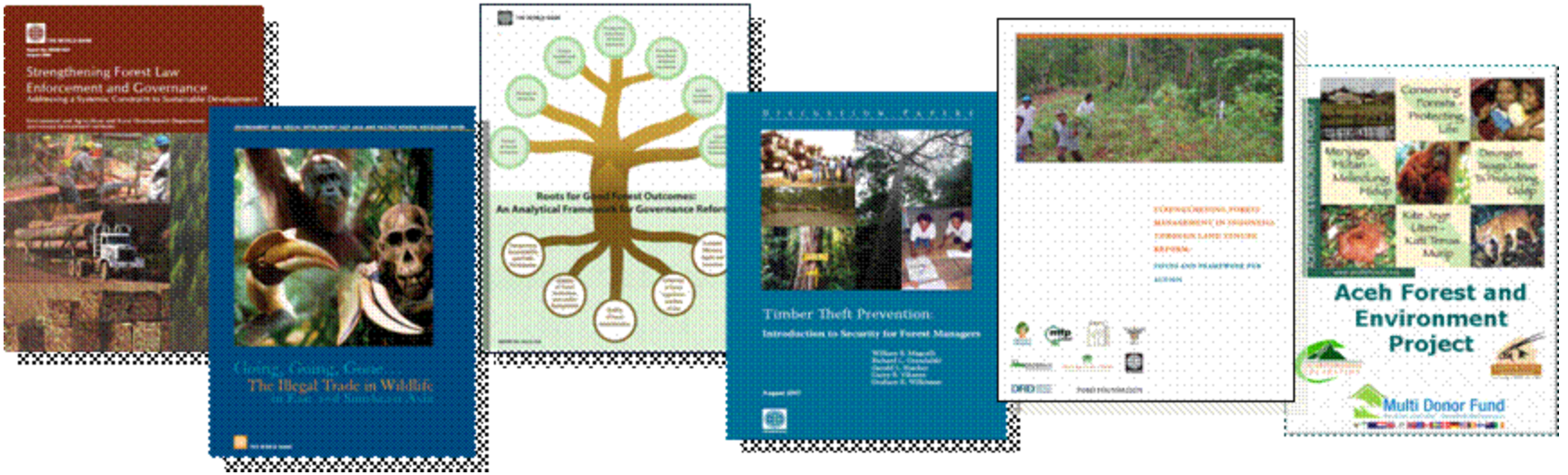


2000 – 2006: Multiple Partners, Workshops, Studies, Initiatives, Presidential Decree

Brief Review of Forest/Climate Actions This Century







2002 – 2007: World Bank Strategies & Studies w Multiple Partners

Brief Review of Forest/Climate Actions This Century







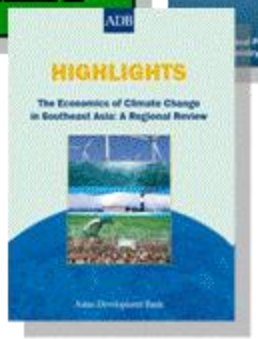


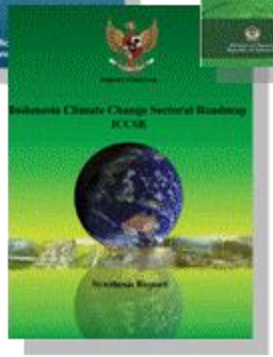






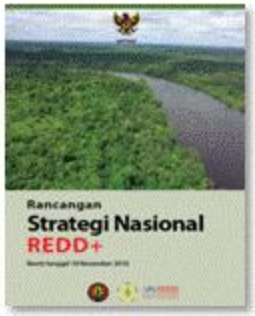












UN-REDD
PROGRAMME

FOREST
CARBON
PARTNERSHIP
FACILITY

CLIMATE INVESTMENT FUNDS
Forest Investment Program

2007 2008 2009 2010 2011

REDD ➔ Economic Incentives for a New Way of Managing

Forest & Land Use Sector: Upstream Policies & Distortions Impede Progress and Impose Costs on Society

Underlying Policy & Institutional Issues

- Weak legal & political accountability (& constituency)
- Policies favoring large scale commercial activity over SME or CBFM
- Distorted Incentives for timber pricing, transport
- Weak legal framework for protecting poor, indigenous land users
- Undervaluation of forest assets, low revenue capture
- Corruption, elite capture

Proximate Causes/ Symptoms

- Inappropriate land use and allocation decisions
- Weak legal status of forest and peat lands
- Weak, inconsistent & law enforcement
- Excess industrial processing capacity
- Weak, inconsistent provincial/local government forest and land management approaches
- Marginalization of traditional land stewards
- Opening of new lands, encroachment
- Wealth concentration, feeding political cycle

Forest Cover & Peat Loss

- **Watershed Degradation**
  - Disruption of water quality & quantity
  - Decrease in productivity, agric output, nutrition
- **Drying of Land, Forests**
  - Fires, haze, health impacts
  - Drought, water shortages
- **Erosion, Degradation**
  - Soil quality, productivity, nutrition, poverty
  - Siltation, flooding, urban impacts
- **Resource Scarcity**
  - Increased social conflicts
  - Loss of rural livelihoods
  - Rural Poverty and Landlessness
  - Lower resilience, vulnerability
- **GHG Emissions**
  - Lost opportunities for carbon market payments

Costs to Society:

Modified and expanded from WRI State of the Forest Report 2002
WB Strategic Options for Forest Assistance In Indonesia, 2006

Dynamic Landscape of Stakeholder Interests

Business, Banks, Buyers, Brokers

Central Ministries & Legislature

NGOs: Big, small, Int'l, local

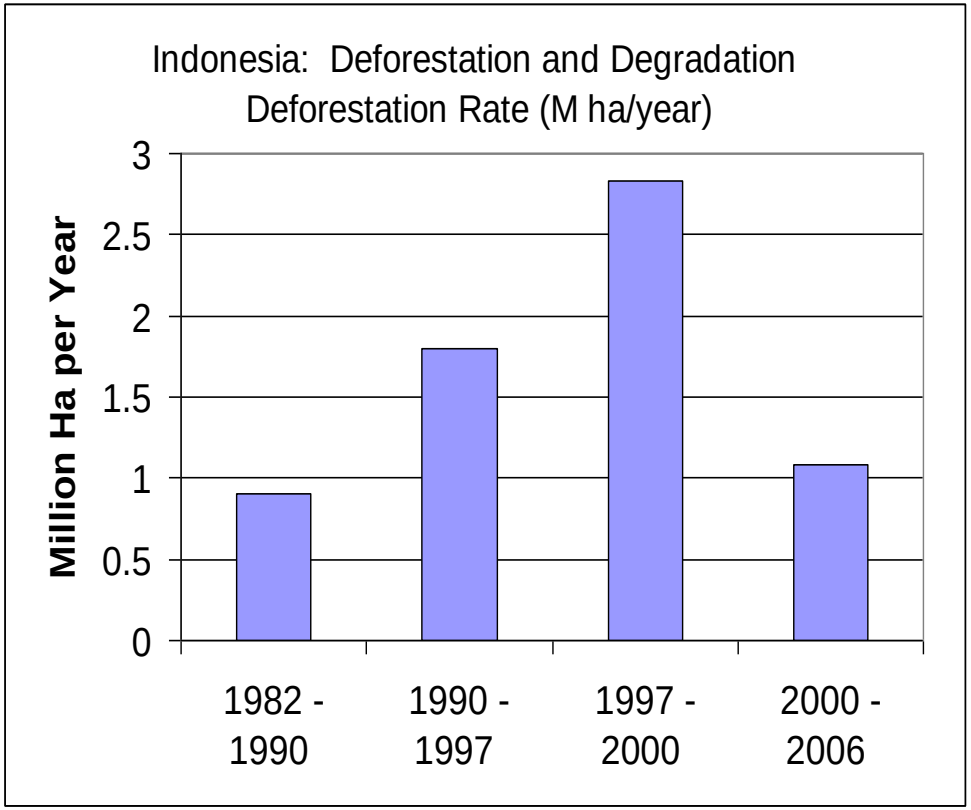
Donors, Climate Funds, Int'l Agencies

CGIAR, Think Tanks & Universities

Provincial & Local Govts

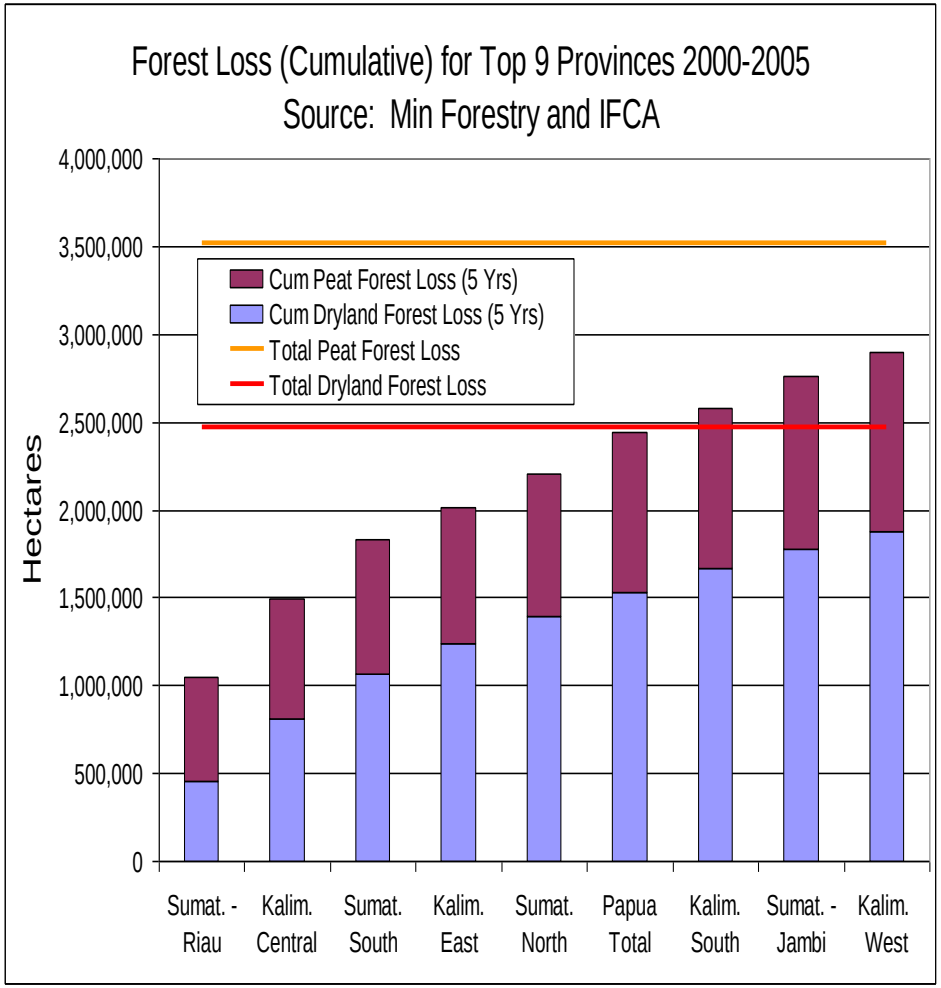
Forest, Peat, & Land Use: Emissions Profile

- High deforestation, illegal logging, forest fires, peat loss
- GHG emissions flow from forest loss (higher from peat losses)
- Exact emissions = uncertain, disputed (severity of fires, depth/ loss of peat, deforestation vs. degradation)
- Recent analysis: Deforestation rate has declined



- Baseline is understood in general terms; debate is over details & transparency
- Min Forestry data for different periods based on when satellite information was gathered by different organizations
- Results depend on definition of forest and interpretation of land cover

Forests, Peat & Land Use: Provincial Profile



Land use changes of concern:

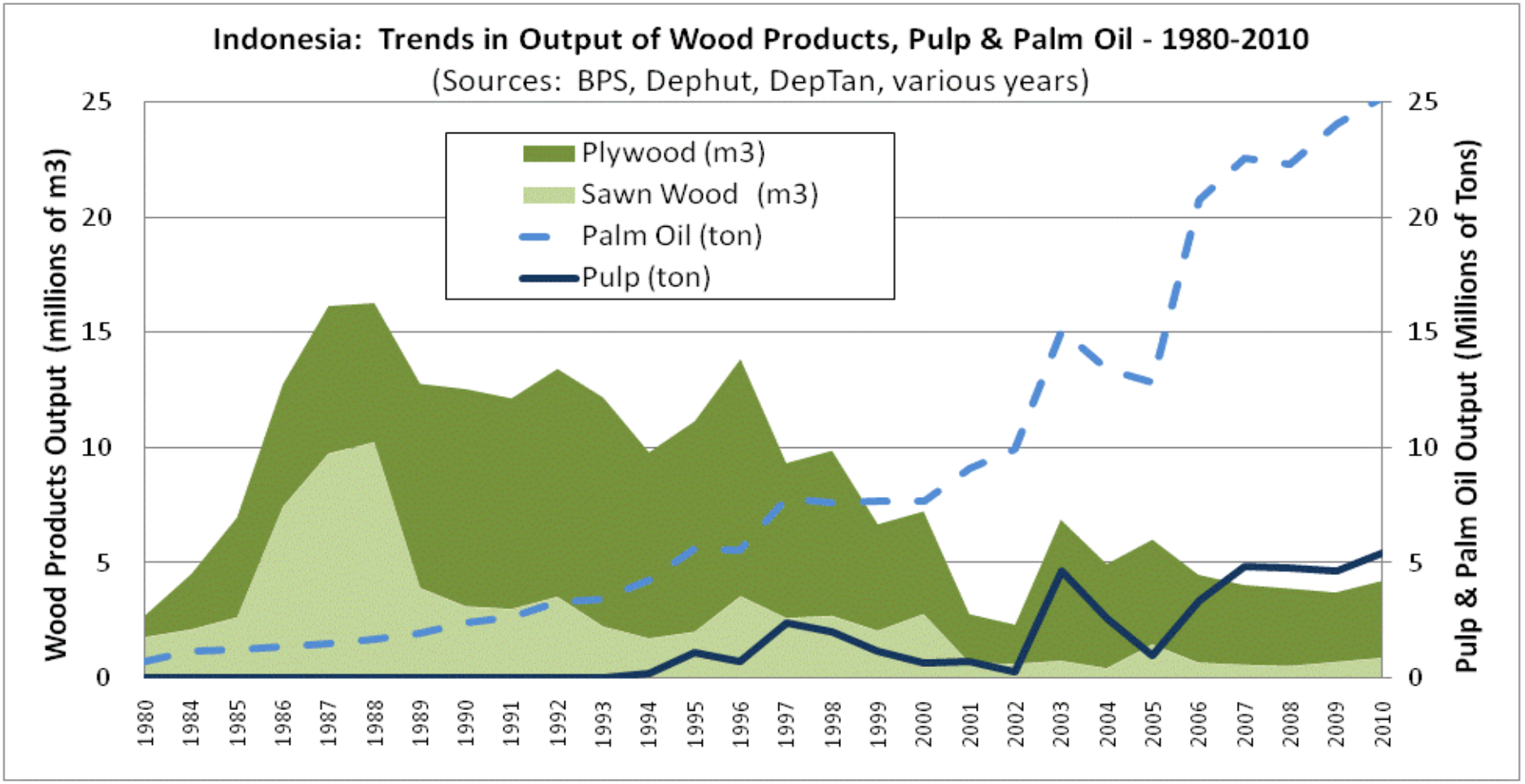
- Production & conversion forest (not parks)
- Conversion for plantations + FIRE
- Peat drainage = long term problem

Provinces of concern, trends

- 3 provinces ➔ 50% of forest emissions: Riau, Kalteng, Sumsel
- 10 Provinces ➔ 80% Forest & 96% Peat Loss
- Sumatra & Kalimantan now, Papua next

- REDD implementation efforts need to focus in a few places
- Effort and benefits will be unevenly distributed

Indonesia: Economic Trends Are Changing Forest & Land Use



"Last Century"

- Extensive forest harvesting
- Timber based business
- Regulating forest practices

"Next Century"

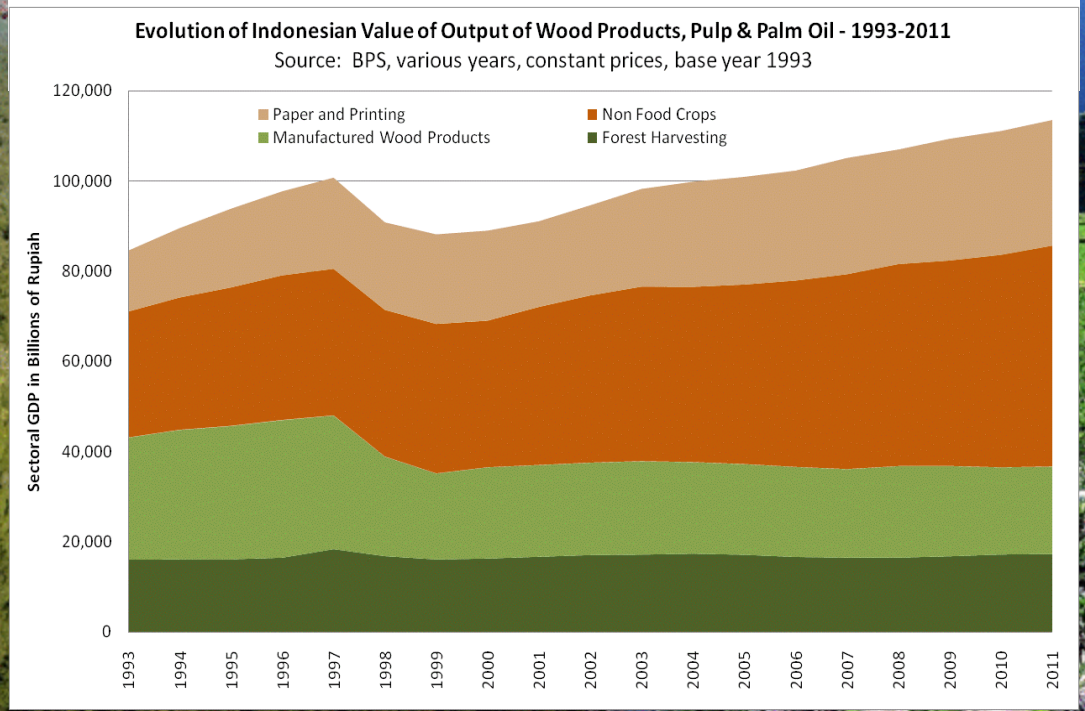
Intensive management - cyclic harvesting

Plantation based businesses – pulp & palm

Regulating rapid expansion & land use change

Indonesia: Economic Trends in Forest & Land Use

- Evolution of economic activity ➔ Changing role of Government:
- Changing growth drivers, pressures on forests, job options
- Changes in central & local tax / non tax revenue levels and options
- Need changes in policies & approaches for regulating management practices



Oil Palm: Economic Benefits … Environmental Risks

Forest loss

- Palm plantations mainly established on former forested areas
- Palm plantations: less biodi & less carbon than degraded forests
- Past link between logging and oil palm, less now

Conversion of peat

- Peat = ~12% of Indo land area, or 21 million ha
- ~ 25% of existing oil palm plantations are on peat lands
- Peat conversion to plantations ➔ significant C emissions: drainage and irreversible loss of ecological functions

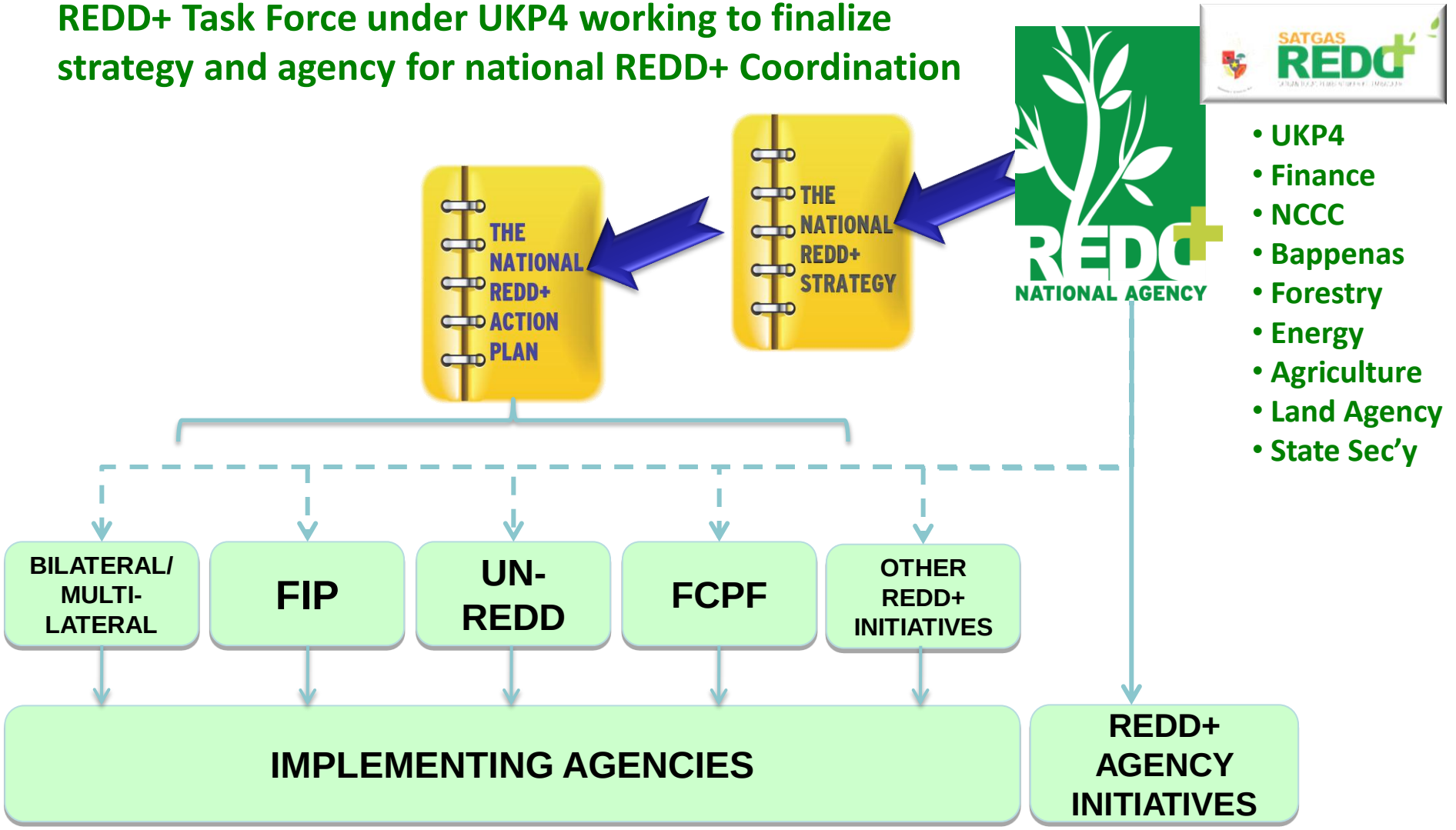
Fires

- Fire used to clear land can spread
- Drying of peatland increases the risk of large scale fires
- 1997-8 fires (El Nino period) ➔
- Econ losses: ~ $2 B from degradation, $5 Billion in health costs

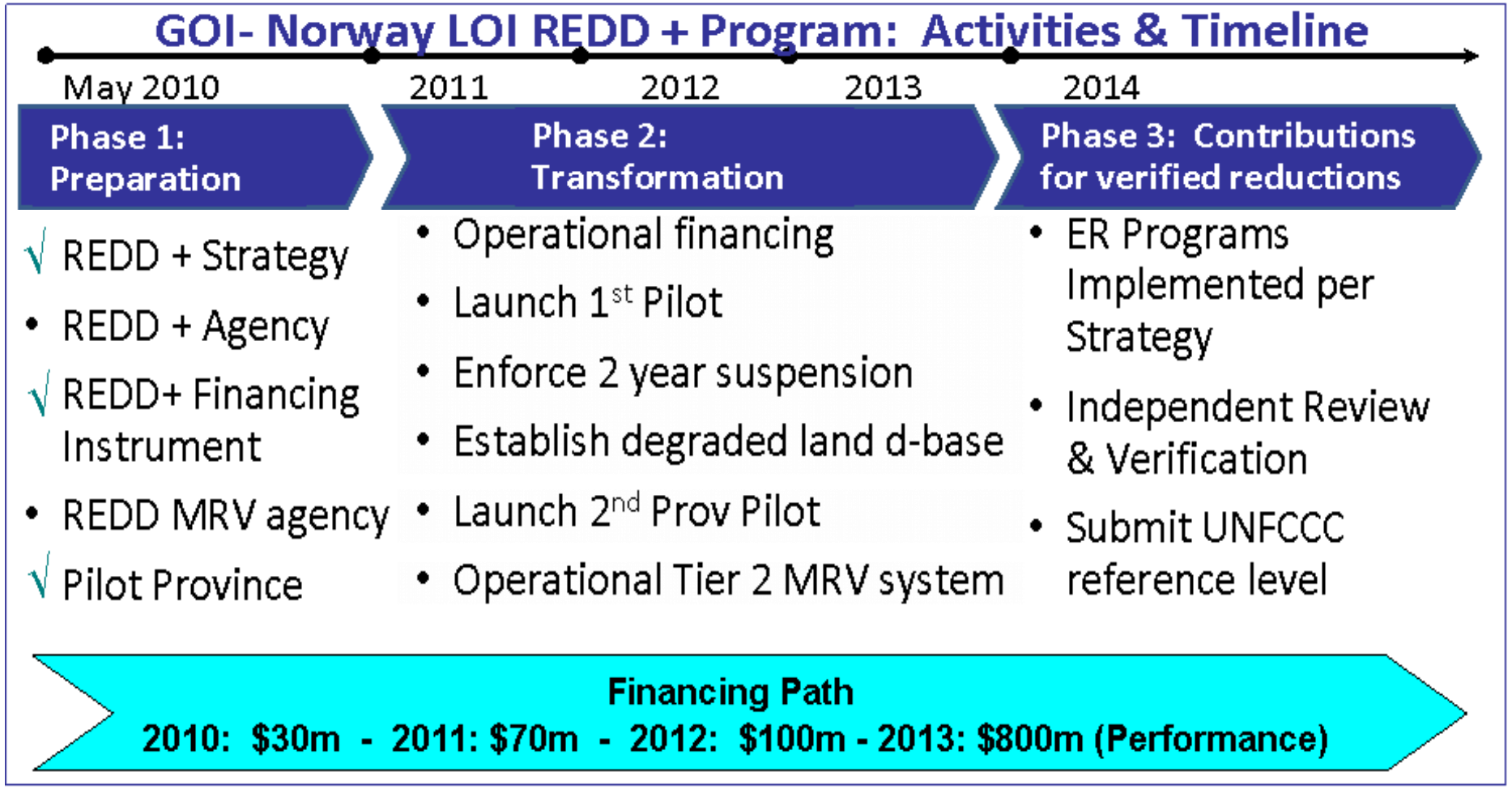
Encroachment into protected areas

Indonesia REDD Governance & Institutional Coordination Context

REDD+ Task Force under UKP4 working to finalize strategy and agency for national REDD+ Coordination



GOI REDD Initiative - $ Billion Incentive



- Presidential delivery unit (UKP4) has mandate to deliver program
- UNDP Managing first $30 million to date
- WB providing analytical support through other funding sources

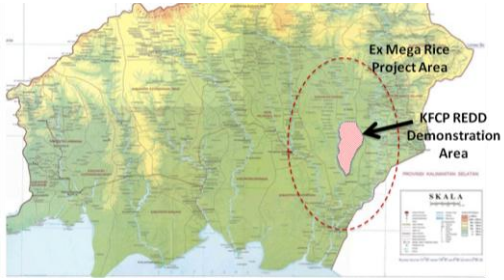
GOI REDD Initiative – WB Alignment

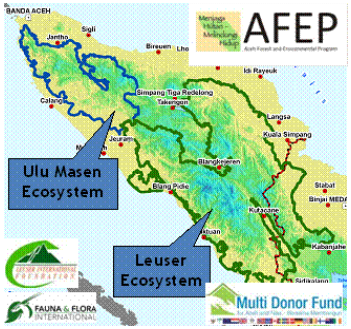


FOREST CARBON PARTNERSHIP FACILITY

CLIMATE INVESTMENT FUNDS
Forest Investment Program

Kalimantan Forest Carbon TF





Advice to UKP4 on REDD Strategy, Institutions, Financing: BB+EFO

PROFOR PROGRAM ON FORESTS

Analysis of REDD+ Benefit Sharing

gef

Sumatra Habitat Conservation: Piloting reform

FOREST CARBON PARTNERSHIP FACILITY
Carbon Fund

Threats: Old Issues in New Forms?

Pros	Cons
REDD and Climate Finance	
• Attracts more funds/political attention • Healthy debate among econ interests • (or more tension)? • What do we give up to get new $?	• Crowding out biodiversity $? • Could be misspent or ineffective ➔ • (Even more) donor fatigue
Land Tenure Reform	
• May clarify rights / access • May protect forests • New admin & resolution processes • More players, more partners	• Protracted legal delays • Uncertainty ➔ poor outcomes • Rights need to be backed up with law and institutions = remaining gap
Land/Forest Conversion	
• Econ activity & jobs driving expansion • Not new, but quicker pace & scale • Next commodity boom? Carbon?	• Over harvesting, over licensing • Weak monitoring & enforcement • Weak analysis of implications • Same in marine / coastal sector

Threats: Old Issues in New Forms?

Pros	Cons
Local Governments, Land Use Plans, Fragmentation	
• Are roads more valuable? • Can we “afford” conservation?	• Ongoing divergence in views/ values over conservation areas • Local govts / operators aim to extract most value from landscapes – often with SR perspective
Trade in Endangered Species	
• East Asia: Rising incomes, old traditions (gift giving, honor)	• Old threats with renewed pace and scale: tigers, reef fish, exotic birds • Economics & values mix to become increased threats
Conservation, Values and Domestic Priorities & Spending	
• Epicenter of biodi & endemism, RI gets lots of grants & NGO work • As fast growing MIC, how long before RI can direct own $ toward conservation, intangible env values ?	• Are we giving GOI a pass on self financing home grown solutions? • Is "soft money" delaying the due date for this maturation?


Terima Kasih!