



PRESIDENT'S DELIVERY UNIT
on Development Monitoring and Oversight

INDONESIA-NORWAY CLIMATE CHANGE PARTNERSHIP

Discussion on latest developments

27 August 2010

QUOTES FROM TWO SIDES

“We have to reduce poverty and increase the people's living conditions, but we also have to protect our environment in facing climate change and global warming. These are twin aims, we know we have to deal with this with or without international help,“ - SBY, 05/26/2010

"There shouldn't be any cheating. With or without help, we should protect our forests," SBY, 05/25/2010

"We think it is important to underline that REDD is more than development aid, and more than combating climate change. We strongly hope that the work with reduced emissions from deforestation and forest degradation can create deep, substantial, lasting partnerships between developed and developing countries to help put the latter on the path to genuine, sustainable, low-carbon development." Hans Brattskar, 03/19/2009

BENEFITS AND IMPLICATIONS OF THE INDONESIA-NORWAY CLIMATE CHANGE PARTNERSHIP



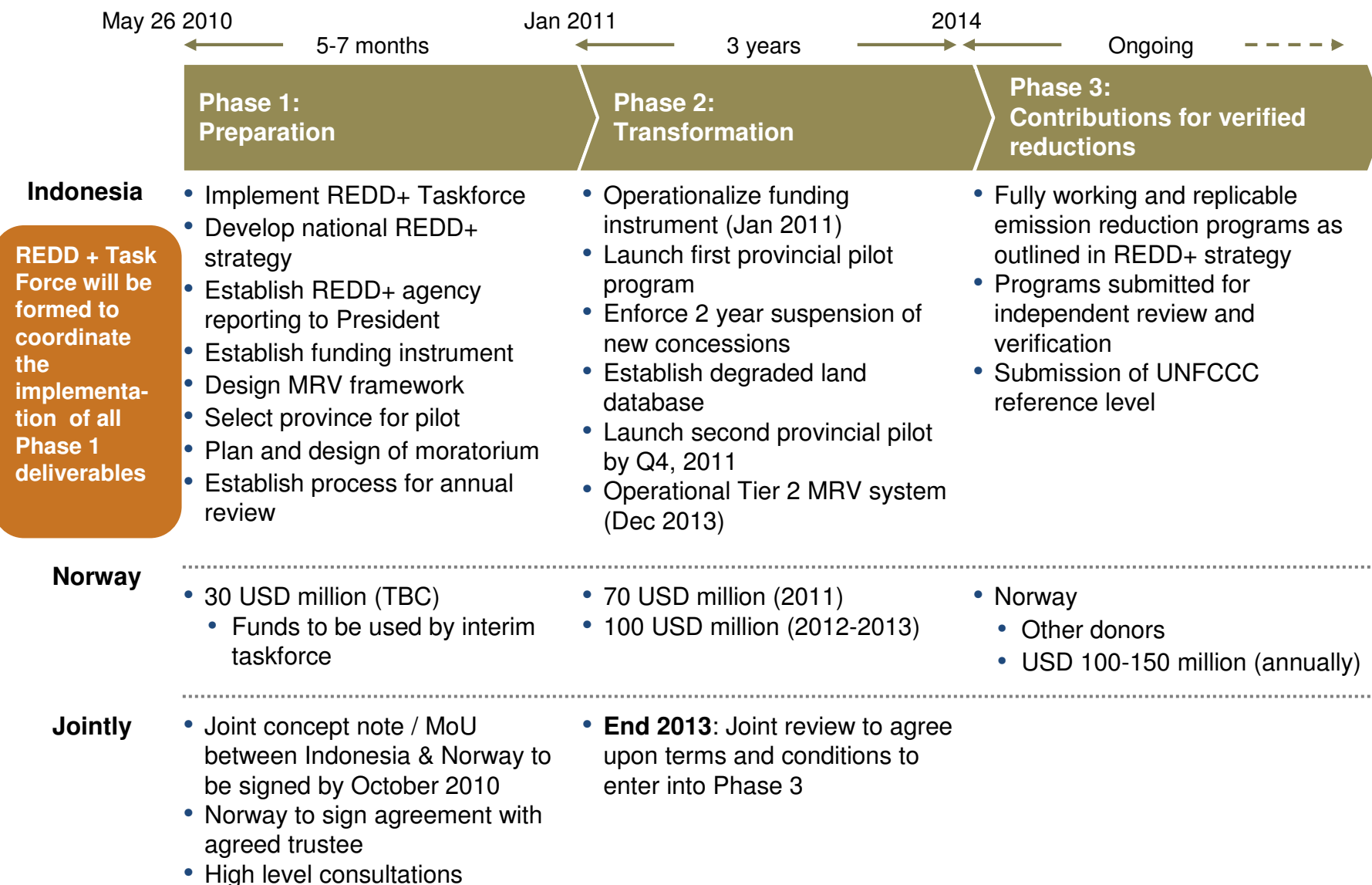
The signing of the Letter of Intent and the USD 1 billion is only a first step, but it holds important benefits and implications for Indonesia's climate change effort

- **Establishes Indonesian leadership** in the climate change space, building on SBY's previous statements
 - The new partnership “must succeed. It is time to prove that we can succeed 100 percent.” – SBY, 05/30/2010
- **Recognizes global interest** in Indonesia's potential for exportable “ecosystem services”, and not just another form of ODA (official development assistance)
- **Enables Indonesia to tap into international funding**, both USD 30 bn of startup funding (USD 5 bn earmarked for REDD) and potential future private and other country investments, beyond just climate investments
- Task force will ensure that **LOI implementation reflects Indonesian interests**
- **LOI will be a driver for institutional change and reform** by:
 - aligning multiple Ministries and departments across a common objective and goal
 - shifting mindsets and attitudes to climate change
 - driving real and lasting impact on the ground

THE INDONESIA AND NORWAY CLIMATE CHANGE PARTNERSHIP HAS THE COMMON GOAL OF REDUCING EMISSIONS THROUGH REDD+ ACTIVITIES

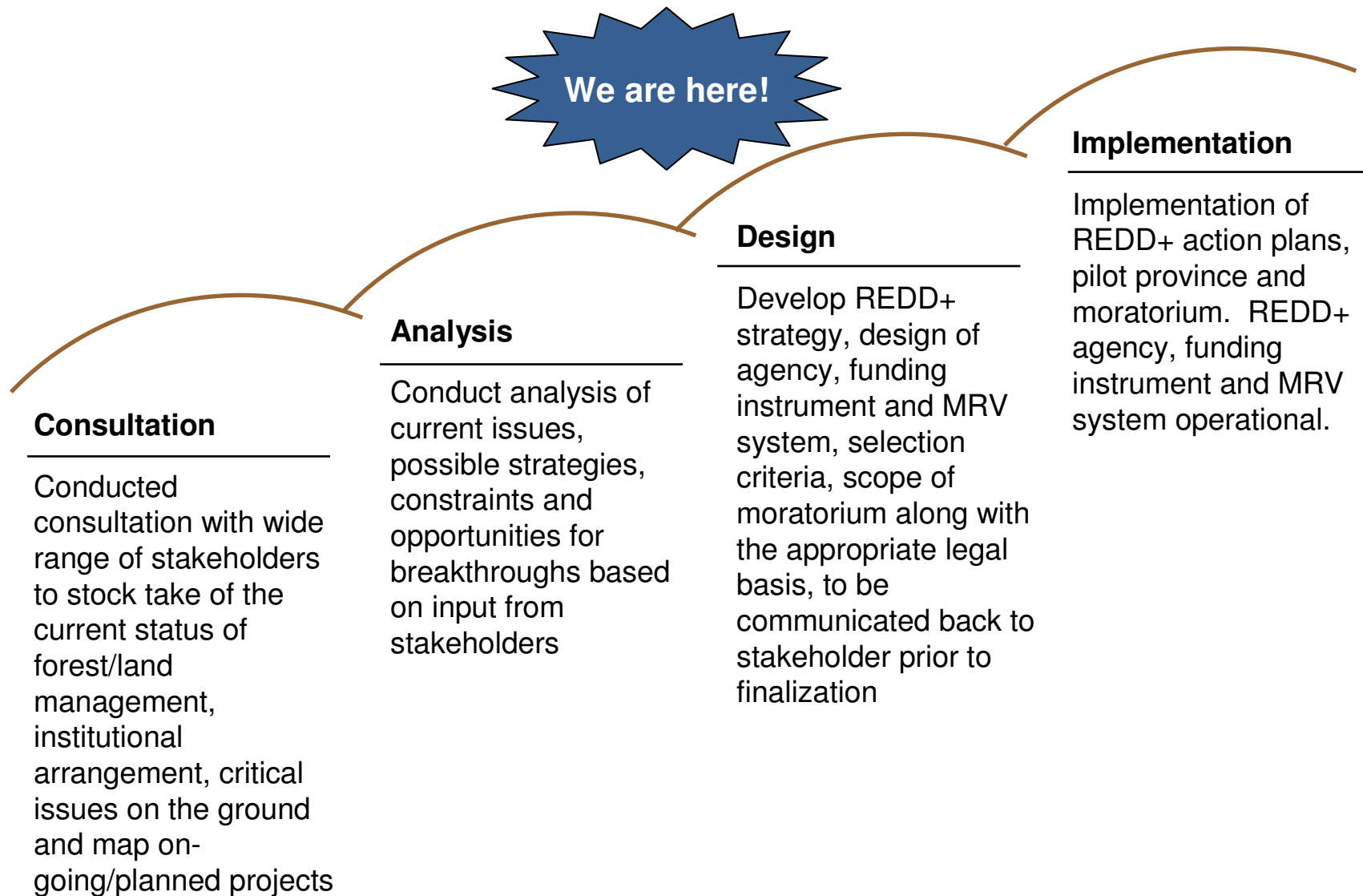
AS OF 13 AUGUST 2010

The letter of intent proposes a three phased approach ...



REDD + Task Force will be formed to coordinate the implementation of all Phase 1 deliverables

FOUR STEP PROCESS IN IMPLEMENTATION OF PHASE 1

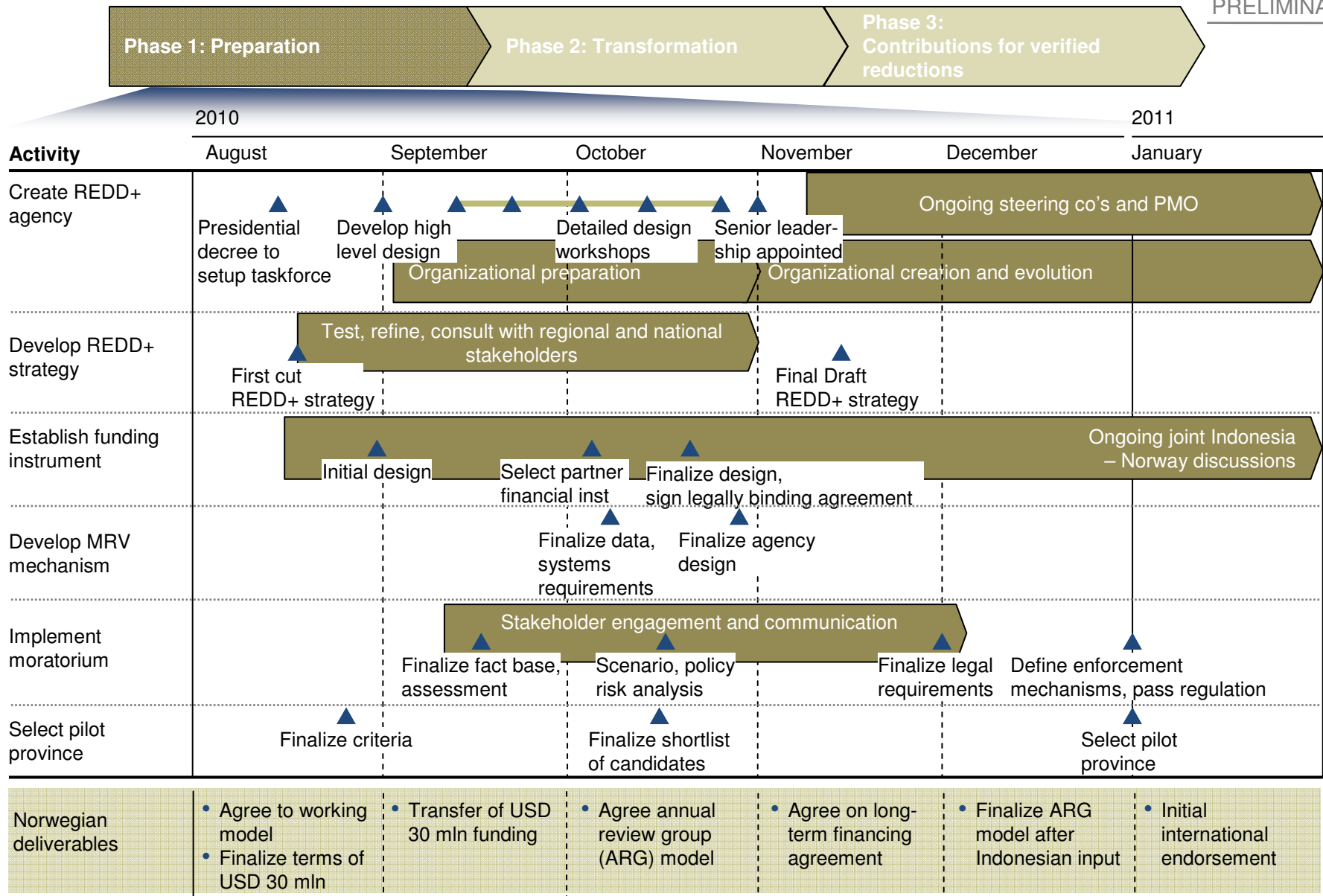


CONSULTATIONS WERE HELD TO GAIN UNDERSTANDING OF COMPLEXITIES ON THE GROUND

Stakeholder group	Sample of complexity	
<p>Central & Local Government</p>	<ul style="list-style-type: none"> • Development of REDD+ strategy necessitates synchronization with sectoral and regional strategic plans • Criteria for pilot province must include good governance, biophysical, socio-economic value and availability of data 	
<p>Donor</p>	<ul style="list-style-type: none"> • Donor(s) seeks involvement in REDD+ agency to ensure transparency while maintaining host government's sovereignty 	
<p>NGOs, CSOs, local communities</p>	<ul style="list-style-type: none"> • NGOs and local communities must have access to resources and data to create inclusive REDD+ program and enable independent monitoring 	
<p>Private sector</p>	<ul style="list-style-type: none"> • Plans to suspend new concessions for primary forests and peat lands will generate opposition and major economic loss unless mitigated 	

PHASE 1: INDONESIA REDD+ 5-7 MONTH IMPLEMENTATION WORK PLAN

PRELIMINARY



1

FUNCTIONS OF THE REDD+ AGENCY PREPARATION TEAM AND THE JOINT CONSULTATION GROUP WILL COMPLEMENT EACH OTHER

	REDD+ Agency Preparation Team	Joint Consultation Group
Role/Function	<ul style="list-style-type: none"> • Carry out operational function • Consolidate and coordinate ongoing/planned activities by Line Ministries, agencies and donors to ensure the implementation of Lol Phase 1 targets • Serve as a communications liaison to domestic public 	<ul style="list-style-type: none"> • Carry out diplomatic functions • Ensure alignment of expectations and develop agreements between governments in implementing all deliverables related to Lol • Produce Joint Concept Note • Serve as a formal communication forum
Period of Duty	<ul style="list-style-type: none"> • Work with domestic players during Phase 1 of Lol 	<ul style="list-style-type: none"> • Work with donor government through the entire tenure of Lol
Members	<ul style="list-style-type: none"> • Chairman: Head of UKP4 • Members will compose of high level representatives from*: <ul style="list-style-type: none"> - Ministry of Finance - Ministry of National Development Planning Agency/Bappenas - Ministry of Forestry - Ministry of Environment - DNPI - UKP4 	<ul style="list-style-type: none"> • Consists of Norway and Indonesia government delegations • Suggested Head of Indonesia's Delegation*: Coordinating Minister of Economic Affairs • Suggested Members*: <ul style="list-style-type: none"> - Minister of Forestry - Minister of Environment - Minister of Foreign Affairs - Minister of Finance - Minister of National Development Planning/Head of Bappenas - Head of UKP4/Head of REDD+ Agency Preparation Team - Executive Director of DNPI

* Still awaiting final decision by the President

AGENDA

Day 1, August 18 th	Time
Introductory remarks to full delegation (Heru Prasetyo)	09:00 – 09:30
Opening Remarks (H.E. Eivind Homme and Kuntoro Mangkusubroto)	09:30 – 10:30
BREAK	
Technical team discussion 1: Task Force, JCG, joint concept note	11:00 – 12:00
LUNCH & PRAYERS	
Technical team discussion 2: REDD+ agency, financial mechanisms	13:30 – 15:30
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Technical team discussion 3: REDD+ strategy, annual review group	16:00 – 18:00
DINNER	
Day 2, August 19 th	Time
Technical team discussion 4: Pilot province selection, moratorium, MRV	09:00 – 11:00
BREAK	
Technical team discussion 5: Way forward, comms strategy & others	11:30 – 12:00
Closing remarks to the technical teams	12:00 – 12:15

TECHNICAL TEAM DISCUSSION 3



2b Establishing the REDD+ Agency

3 Determining the interim and long term financial mechanism

Agency's principles

- Possesses high integrity
- Long term duration
- Considers the aspirations of national and international stakeholders
- Authority to make decisions
- Capacity to monitor implementation of decisions
- Competent and able to implement strategies
- Capacity to handle complex issues both horizontally and vertically

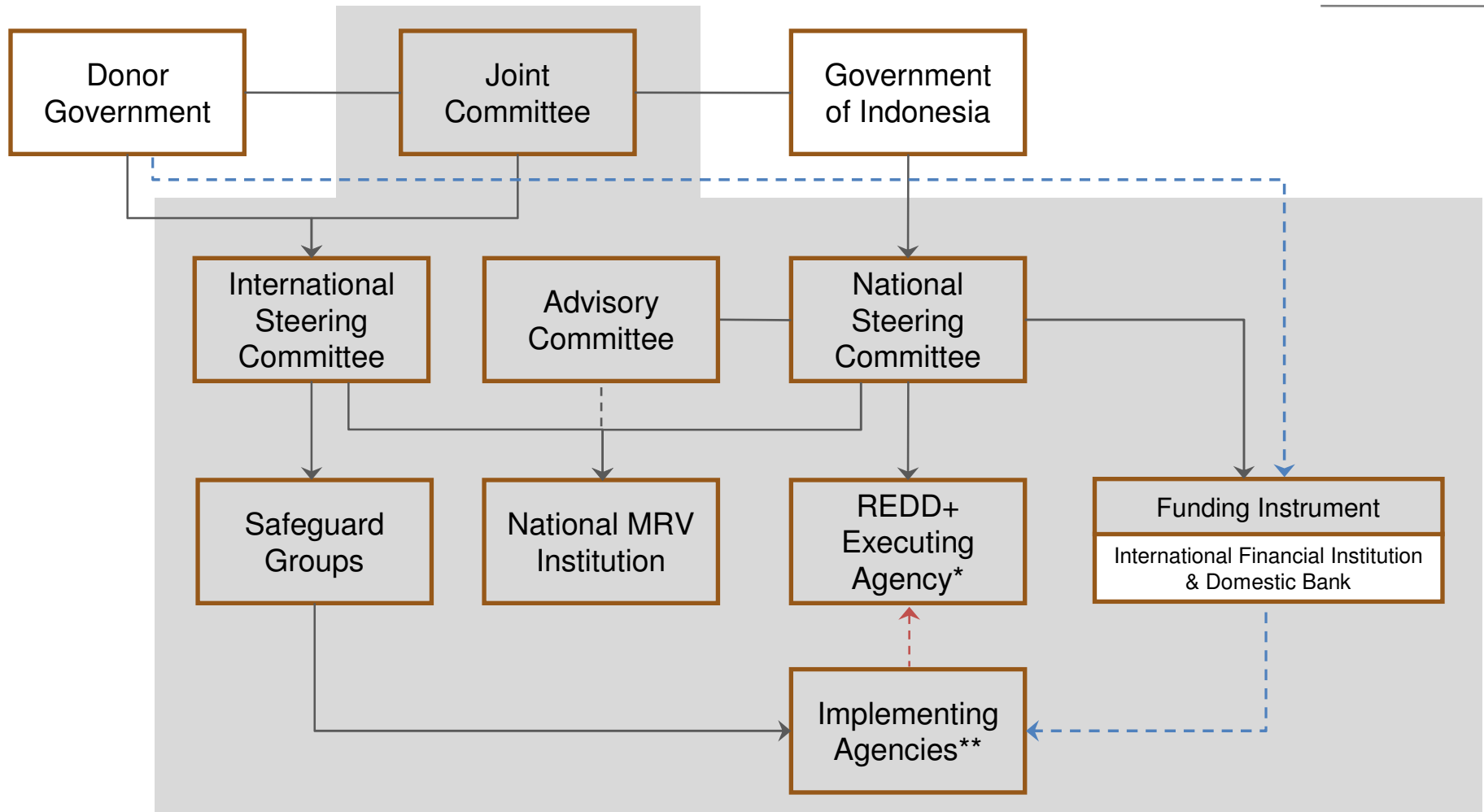
Design principles

- Based on adequate information
- Designed with a deep analysis and at the appropriate speed
- Can be continuously enriched
- Supported by appropriate legal basis
- Able to allow effectiveness at the right time
- Designed through a transparent process
- Capable of obtaining input from stakeholders on the ground

2b

THE GOVERNANCE STRUCTURE OF THE REDD+ AGENCY WILL INCORPORATE INTERNATIONAL AND LOCAL STAKEHOLDERS

PRELIMINARY



---> Fund flow

- - -> Project proposal (approval by National Steering Committee)

■ REDD+ Agency Units and Structure

*The institution may evolve from time to time to handle overall climate change

** To implement projects

2b DESCRIPTION OF ROLES/FUNCTIONS OF EACH UNIT (1/2)

PRELIMINARY

Unit	Roles/Function	Members
Joint Committee	<ul style="list-style-type: none"> • High-level committee to maintain international relation • Ensure the domestic actors involvement • Maintain political momentum 	<ul style="list-style-type: none"> • President of Indonesia and PM of Norway • Member can be broaden up by involving other Government leaders
International Steering Committee	<ul style="list-style-type: none"> • Provide forum for all donors to align strategy • Oversee and, together with National Steering Committee, define safeguards to be executed by the Safeguard Group • Monitor MRV • Accept input from Advisory Committee 	<ul style="list-style-type: none"> • Members to be determined by the Government of Norway (and potentially other donor governments)
National Steering Committee	<ul style="list-style-type: none"> • Set agenda, priorities, policies and KPIs • Approve project proposals and at the onset, provide clearance for fund disbursement • Accept input from Advisory Committee 	<ul style="list-style-type: none"> • Chairman: Chairman of UKP4 • Members: Chairman of Bappenas, Minister of Forestry, Minister of Finance (may be broadened based on institutional scope)
REDD+ Executing Agency	<ul style="list-style-type: none"> • Daily coordination and operation of REDD+ programs/projects implementation (may be enlarged to oversee climate change programs over time) • Monitor achievement of KPIs • Facilitate stakeholder relations 	<ul style="list-style-type: none"> • The Chairman will be selected by Head of National Steering Committee • Deputy and staff will come from public and private sectors

2b DESCRIPTION OF ROLES/FUNCTIONS OF EACH UNIT (2/2)

PRELIMINARY

Unit	Roles/Functions	Members
Advisory Committee	<ul style="list-style-type: none"> • Provide input on policy, strategy and program/project selection • Have access to safeguards data and reports by MRV institution 	<ul style="list-style-type: none"> • Members: Line Ministers, DNPI, Governors, Heads of District, and representatives from UN Agencies, NGOs, CSOs, private sector and indigenous communities
Safeguard Group	<ul style="list-style-type: none"> • Ensure proposed projects comply with social and environmental safeguards of international caliber • Conduct evaluation to ensure continuity of compliance to safeguards 	<ul style="list-style-type: none"> • Independent institution to be selected by International and National Steering Committees (eg. Ernst & Young)
National MRV Institution	<ul style="list-style-type: none"> • Framework to be designed by the International and National Steering Committees • Monitor and report the emission reduction based on international regulation • Develop independent verification method 	<ul style="list-style-type: none"> • New independent institution • Responsible to the International and National Steering Committees
Funding Instrument	<ul style="list-style-type: none"> • Manage fund from donor(s) in accordance with fiduciary safeguards • Receives oversight and direction from the National Steering Committee 	<ul style="list-style-type: none"> • Joint Operation between internationally reputable financial institution (e.g. World Bank, Asian Development Bank or HSBC) and national banks (eg. Bank Mandiri, BRI)
Implementing Agency	<ul style="list-style-type: none"> • Carry out programs as approved by National Steering Committee and monitored by REDD+ Executing Agency 	<ul style="list-style-type: none"> • Line Ministries, local government, private sectors, NGOs and indigenous communities

4

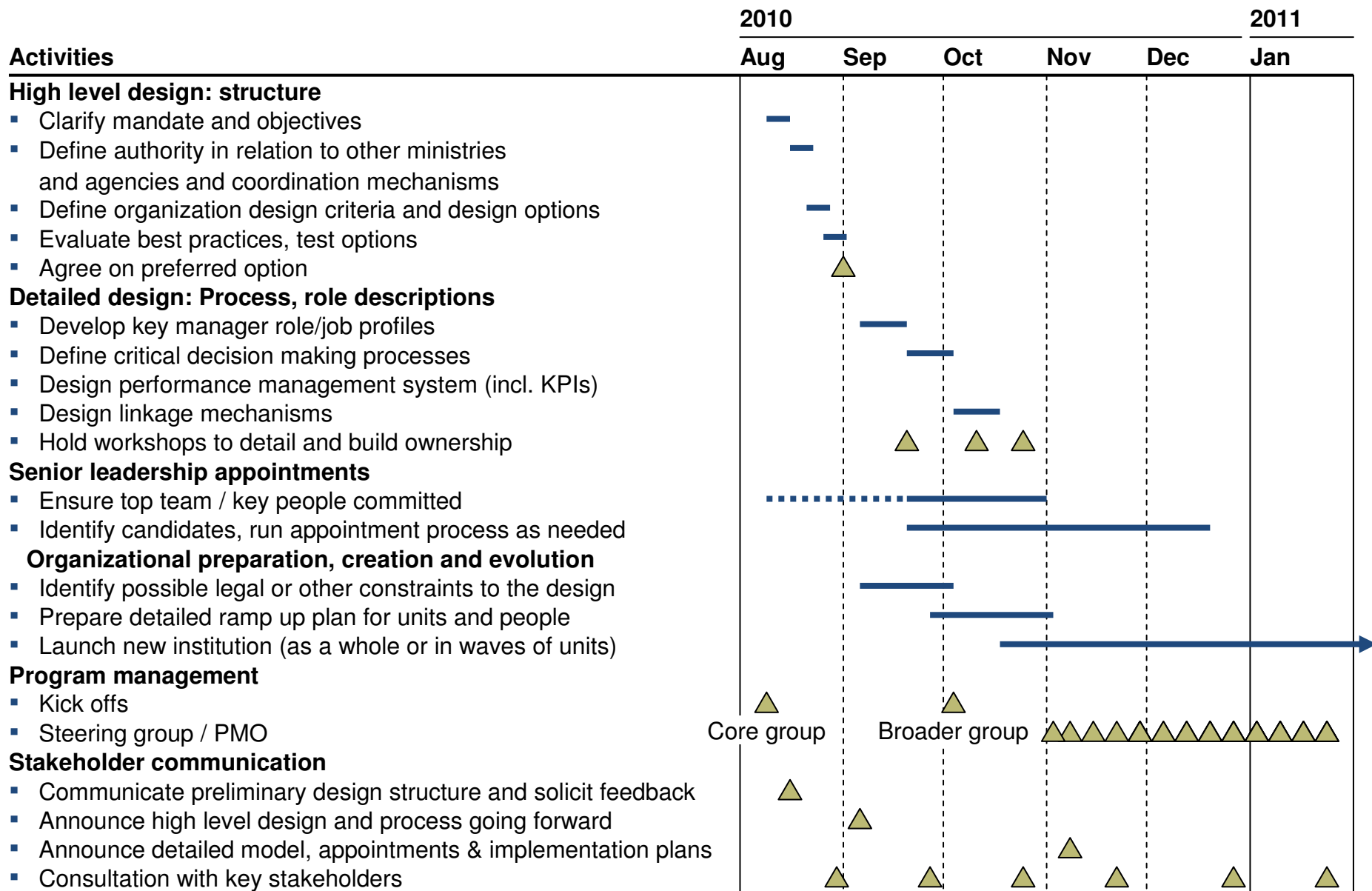
SOCIAL AND ENVIRONMENTAL SAFEGUARDS WILL BE ADDRESSED AT NATIONAL AND INTERNATIONAL LEVELS

DISCUSSION DRAFT

Funding cycle	Agencies	Description	Safeguards
Define initiatives / programs	<ul style="list-style-type: none"> National Steering Committee REDD+ Agency 	Define initiatives outlining specifics with Safeguards Group	External standards organization reviews for alignment with environmental & community goals
Solicit proposals	<ul style="list-style-type: none"> REDD+ Agency 	Initiate process to invite proposals from implementing agencies	Ensure that solicitations are appropriately targeted and defined
Evaluate proposals	<ul style="list-style-type: none"> National Steering Committee REDD+ Agency Safeguards Group 	Evaluate proposals by established criteria include cost & sustainability	Proposals are vetted for impact on biodiversity and local communities
Disburse funds	<ul style="list-style-type: none"> Financial institution 	Funds are transferred to local banking partner for distribution to implementing agencies	Reports and audits verify disbursements
Monitor Execution	<ul style="list-style-type: none"> Safeguards Group/Independent Auditors 	Matching performance of projects to funded proposals	Verification of execution to proposal and impact on local environment & community
Verify completion and impact	<ul style="list-style-type: none"> Safeguard Group MRV organization 	Independent review of project implementation against individual proposal and overall goals	Verification of effectiveness of program and emissions impact through MRV process

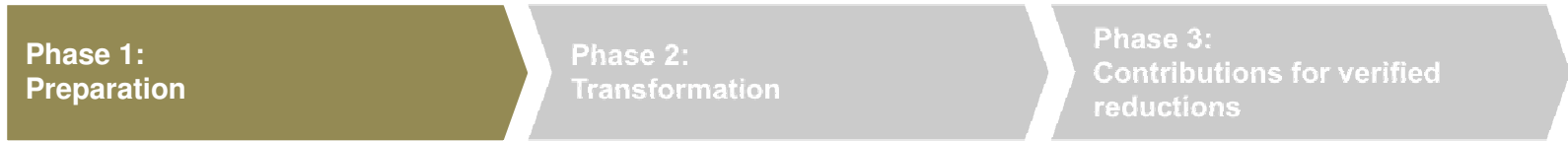
2b

A PERMANENT REDD+ AGENCY WILL BE FORMULATED BY END OF PHASE I



3 THE PREPARATION PHASE WILL REQUIRE A QUICK AND FLEXIBLE FUNDING INSTRUMENT

PRELIMINARY



Need for funding

- Support to task force
- Outside technical resources
- Task Force/Agency infrastructure
- Operations of task force
- Pilot province assessment
- Development of functional bodies (MRV, Financing, Agency)
- Stakeholder management

- Carbon neutral economic development
- Implementation of strategy in pilot province
- Implementation and enforcement of moratorium, including MRV
- Policy development
- Stakeholder management
- National capability building

- Carbon neutral economic development
- MRV operation
- Policy and legal enforcement
- Stakeholder management

Key mechanism requirements

- Transparency, accountability, and appropriate safeguards
- Established trustee with immediate credibility
- Speed and flexibility of implementation
- Quick approval and disbursement processes
- Short term involvement

- Transparency, accountability, and appropriate safeguards
- Established trustee
- Flexibility to accommodate evolution of REDD+ Agency
- Administrative capability
- Capability to disburse





- Transparency, accountability, and appropriate safeguards
- Established trustee
- Scale to manage large program
- Multilateral capability

Potential Fund Manager



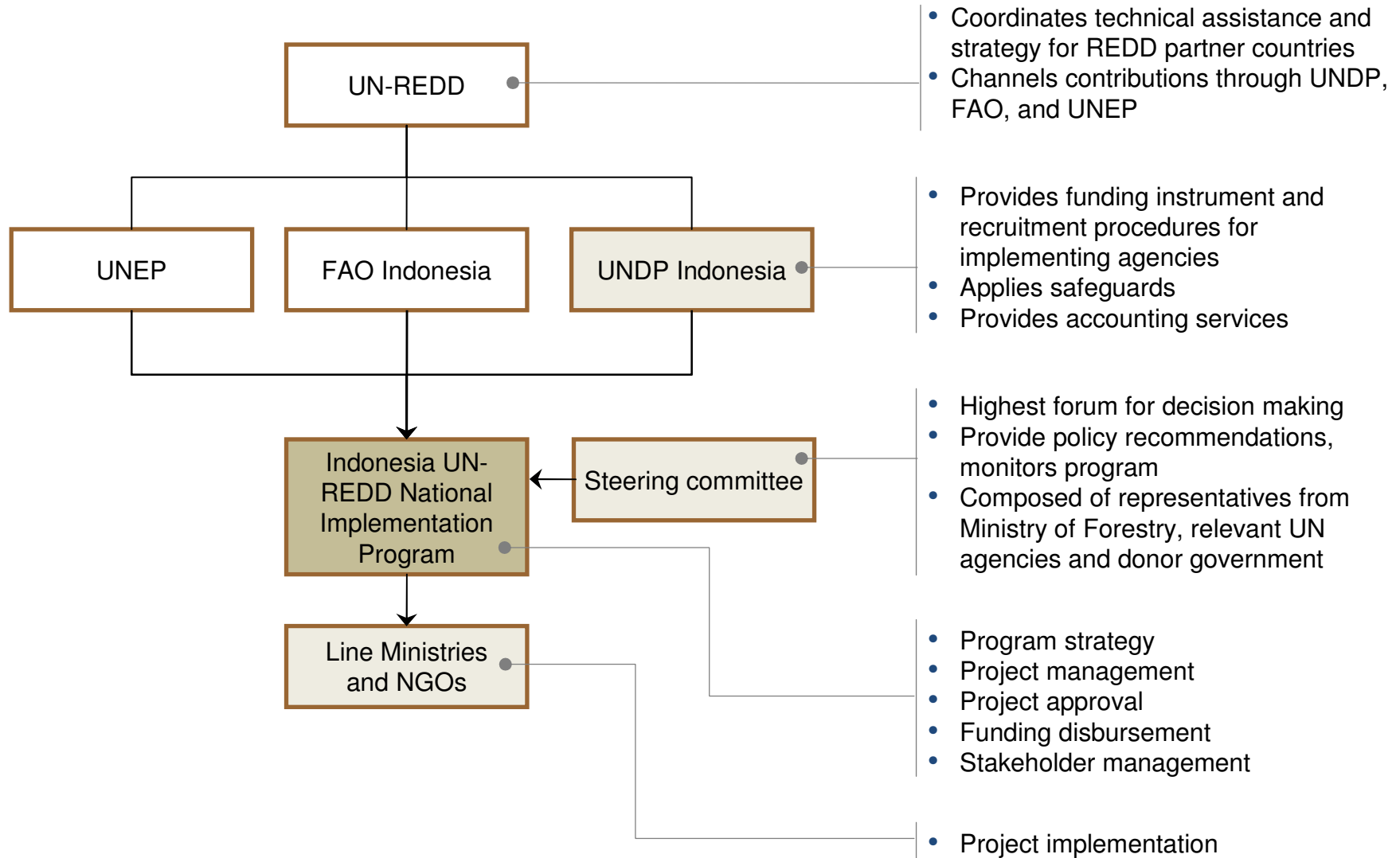
3

EXPEDIENCY FOR PHASE 1 WILL REQUIRE LEVERAGE OF AN EXISTING FINANCING INSTRUMENT

Modality	Description	Key characteristics
	<ul style="list-style-type: none"> Multilateral UN agency with broad development mandate 	<ul style="list-style-type: none"> Represents full required capabilities Establishing new fund may be lengthy
	<ul style="list-style-type: none"> Regional multilateral development bank 	<ul style="list-style-type: none"> History of flexibility and willingness to decentralize May not be able to establish new fund on short notice
	<ul style="list-style-type: none"> Multilateral development bank with broad development mandate 	<ul style="list-style-type: none"> Renowned for reliable safeguards May not be able to establish new fund on short notice, high fees
	<ul style="list-style-type: none"> UN program devoted to REDD with fund facility administered by UNDP 	<ul style="list-style-type: none"> Financial facility already operational Carries safeguards of UNDP

3

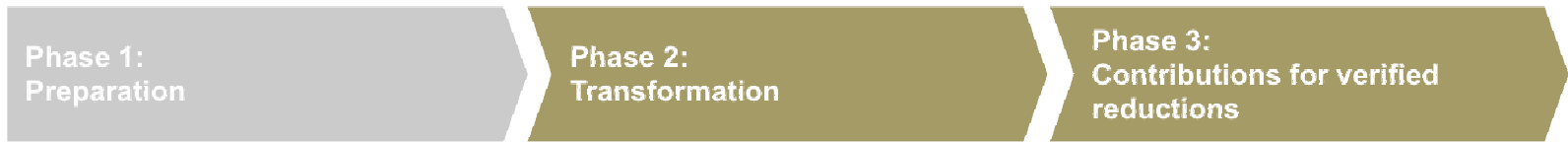
INDONESIA UN-REDD NATIONAL IMPLEMENTATION PROGRAM FLOW OF FUNDS



3

THE REDD+ AGENCY DEVELOPMENT REQUIRES AN EVOLVING FUNDING INSTRUMENT

PRELIMINARY



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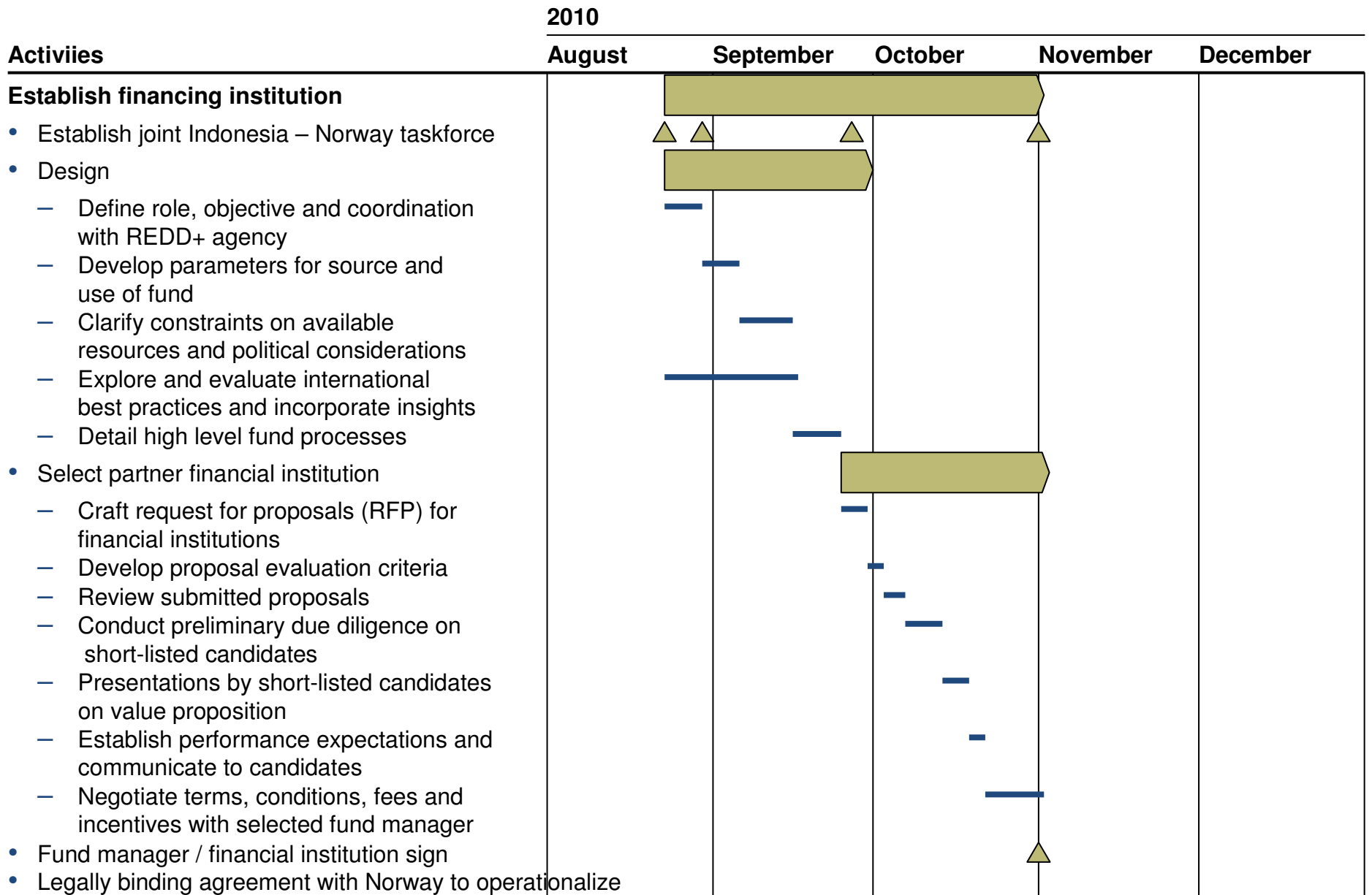
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Potential Fund Manager






3 THE INTERIM STEP ALLOWS TIME FOR PROPER DEVELOPMENT OF THE PERMANENT MECHANISM

▲ Key meetings



FOUR BROAD MODELS COULD POTENTIALLY MEET INDONESIA'S NEED FOR AN INTERNATIONALLY REPUTABLE FINANCIAL INSTITUTION

PRELIMINARY

	Domestic institution	Multilateral institution	Private sector hybrid	Public-private hybrid
Description	<ul style="list-style-type: none"> Public sector bank or financial agency to manage and operate the fund on the behalf of the Government of Indonesia 	<ul style="list-style-type: none"> Multi-donor trust fund model with a multi-lateral institution acting as the Trustee Both Indonesia and Norway would have representation on the board 	<ul style="list-style-type: none"> Employing a larger international private sector bank to play the role of trustee for the fund In conjunction, employing private sector institutions with safeguard experience 	<ul style="list-style-type: none"> Splitting fiduciary and safeguarding roles between different institutions, e.g., fiduciary role managed by private sector bank and safeguards managed by a multilateral institution
Potential examples				
Primary functions	<p>There are two primary functions expected of the financial partner:</p> <ol style="list-style-type: none"> Fiduciary duties which include managing receipt and disbursement of funds, account management and basic reporting Implementing safeguards such as audits, reporting mechanisms, and procurement practices which are considered international best practice 			

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TECHNICAL TEAM DISCUSSION 3



- 4 Development of the REDD+ strategy
- 5 Establishing a process for the tender for the annual review group

4 REDD+ NATIONAL STRATEGY INCLUDES ALL ASPECTS OF REDD+...

DRAFT



Aspects

- Deforestation reduction
- Forest degradation reduction



- Role of conservation
- Sustainable forest management
- Carbon stock enhancement

Examples

- Improve national spatial and land-use planning to have low carbon growth mindset
 - Accelerate establishment of forest management units
-
- Implement reforestation and enrichment planting on degraded land
 - Strengthen SFM principles implementation
 - Implement RIL (reduced impact logging)

	Drivers	Mitigation and economic development strategies (example)
FORESTRY	Irresponsible logging	<ul style="list-style-type: none"> Implement Reduced Impact Logging (RIL) Recruit and train community to protect forest and enforce law
	Forest-fire	<ul style="list-style-type: none"> Implement system to monitor and predict hotspot locations Establish dedicated forest firefighters
	Industrial timber	<ul style="list-style-type: none"> Move production onto degraded land Increase productivity on current land and future areas
	Concession management	<ul style="list-style-type: none"> Establish clearing house to revisit land license Build geographical information system mapping all concessions
NON-FORESTRY	Housing	<ul style="list-style-type: none"> Reallocate planned housing area to degraded land Rehabilitate ex-housing area
	Agriculture	<ul style="list-style-type: none"> Increase crop productivity on current land and future areas Increase local food security safeguard measures
	Plantation	<ul style="list-style-type: none"> Move production onto degraded land Support for downstream processes to increase value capture
	Mining	<ul style="list-style-type: none"> Enforce strict land surveying requirements Limit deforestation only to essential areas
	Infrastructure	<ul style="list-style-type: none"> National-level spatial planning effort to redirect construction onto non-forest areas or utilize existing major logging roads

4 UPDATE AND NEXT STEPS FOR NATIONAL REDD+ STRATEGY

Status update

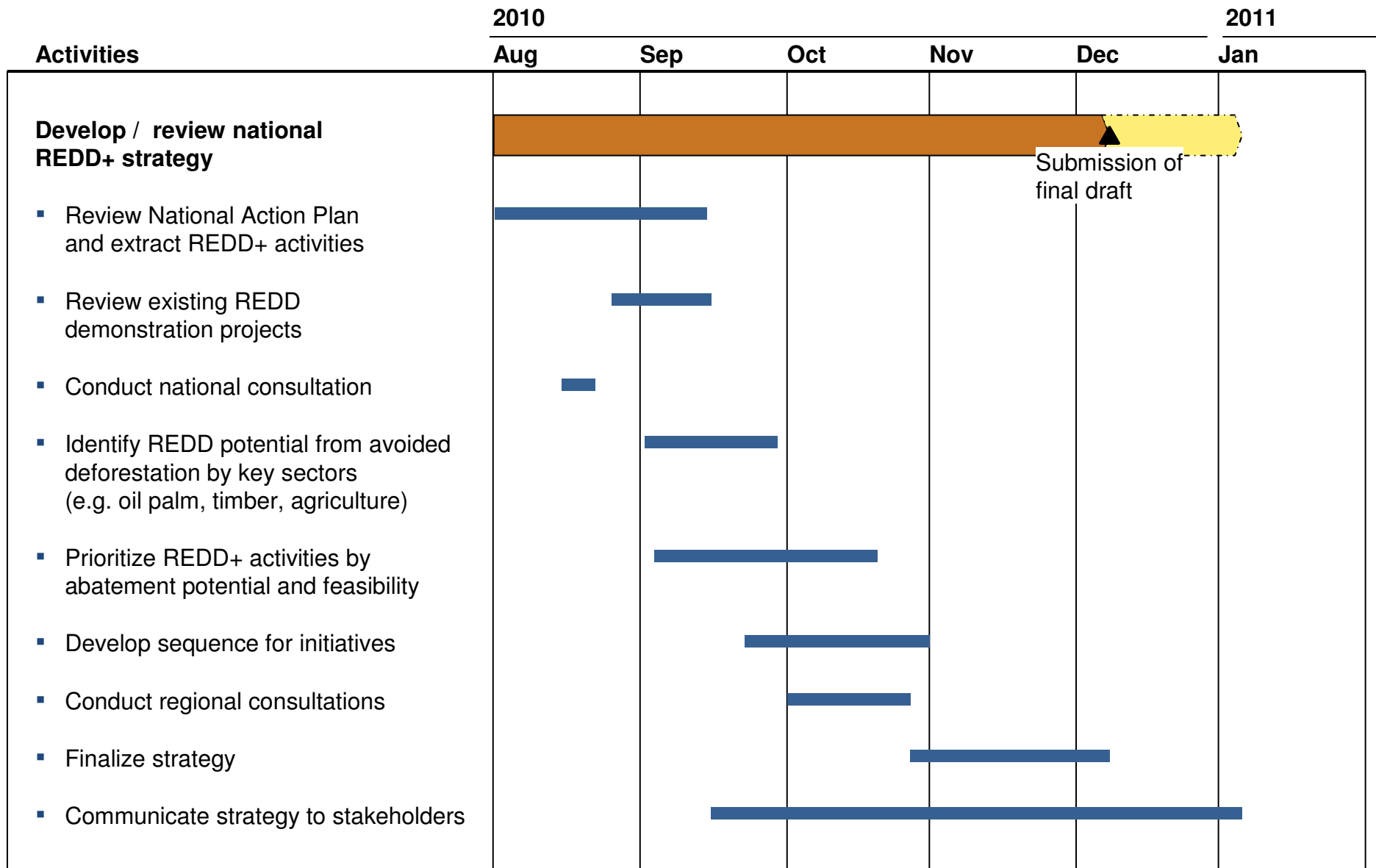
- Bappenas (National Development Planning Agency) as the lead agency for developing REDD+ National Strategy
 - Draft preparation of strategy will be facilitated by Ministry of Forestry
 - TOR has been prepared as development guidelines
- Candidate list for team member positions have been established; members come from government (including first echelon officials) and non-government background
- Work plan has been established until the next 3 months
- Preliminary draft is ready for workshop on Thursday, August 19

Next steps

- **19 August:** Consultancy with representatives from all provinces on preliminary draft
- **September:** Regional workshop in Jakarta, Makasar, Bali on second draft
- **December:** Final Draft completed

4

WORKPLAN FOR DEVELOPING REDD+ STRATEGY



Objective

- To conduct independent evaluation of deliverables of Lol annually as a basis for contributions

Clarity needed

- What are your expectations for the annual review group? Will the group conduct a financial and/or performance review?
- Is the participation of an international and third party organization compulsory?

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*The Ambassador of Norway, H.E. Eivind Homme,
requests the pleasure of your company*

at a Buffet Dinner

on Wednesday, 18 August 2010 at 19:30

*at Jl. Aditiawarman No. 6
Kebayoran Baru, Jakarta*



PRESIDENT'S DELIVERY UNIT
on Development Monitoring and Oversight

INDONESIA-NORWAY CLIMATE CHANGE PARTNERSHIP

Discussion on latest developments of Letter of Intent implementation

18-19 August 2010