



## STANDARD JOINT PROGRAMME DOCUMENT

### 1. Cover Page

Country: Indonesia

UNDAF Outcome(s):

OUTCOME 1: Strengthening Human Development to Achieve the MDGs

OUTCOME 3: Protecting the Vulnerable and Reducing Vulnerability

<p>Programme Duration: Apr 2009 – Dec 2010</p> <p>Anticipated start/end dates: Apr 2009</p> <p>Fund Management Option(s): __pass-through (Parallel, pooled, pass-through, combination)</p> <p>Managing or Administrative Agent: __UNDP_ (if/as applicable)</p>	<p>Total estimated budget*: USD 4,925,000</p> <p>Out of which:</p> <p>1. Funded Budget: USD 4,925,000</p> <p>2. Unfunded budget: _____</p> <p>* Total estimated budget includes both programme costs and indirect support costs</p>
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Sources of funded budget:	
• Government	_____
• UN Org....	_____
• UN Org...	_____
• Norway (UN-REDD)	USD 4,925,000
• Donor ...	_____
• NGO...	_____

### Names and signatures of (sub) national<sup>1</sup> counterparts and participating UN organizations

UN Organizations	National Partners <sup>2</sup> (including sub national partners)
..... Signature UNDP Date, Seal	..... Date, Seal
..... Signature FAO Date, Seal	..... Date, Seal

<sup>1</sup> Governmental, and any NGO/civil society, private sector or other partners

<sup>2</sup> For UNDP, national signatories must include the national coordinating agency and the relevant national cooperating agency

## ACRONYMS

AA	Administrative Agency
ADB	Asian Development Bank
BAPLAN	Division of Forest Planning
BAPPENAS	National Development Planning Agency
BLU	Badan Layanan Umum (Public Service Agency)
BMK	German Federal Ministry of Economic Cooperation and Development
BMKG	Indonesian Institute for Meteorology, Climatology and Geophysics
BMZ	German Ministry for International Cooperation
C	Carbon
CCB	Climate, Community & Biodiversity Standards
CDM	Clean Development Mechanism
CIMTROP	Centre for International Management of Tropical Peatlands
CKPP	Central Kalimantan Peatlands Project
CO <sub>2</sub>	Carbon dioxide
CoP	Conference of the Parties
DG	Directorate General
DGFP	Directorate General for Forest Planning
DNPI	National Council on Climate Change
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FCPF	Forest Carbon Partnership Facility
FFI	Flora and Fauna International
FLEGT	Forest Law Enforcement, Governance and Trade
FORDA	Forest Research and Development Agency
FRA	Forest Resources Assessment
FRIS	Forest Resources Information System
GEF	Global Environment Facility
GER	Global Eco-Rescue
GIS	Geographical Information System
GoI	Government of Indonesia
GoJ	Government of Japan
GoN	Government of Norway
GTZ	German Technical Cooperation Agency
HPA	Hutan produksi alam
HPT	Hutan produksi terbatas
HTI	Hutan taman industri
ICRAF	World Agroforestry Centre
IFCA	Indonesian Forest Climate Alliance
IPCC	Inter-Governmental Panel on Climate Change
ITC	International Training Centre
JICA	Japan International Cooperation Agency
JPD	Joint Programming Document
KfW	German Development Bank
KLH	Ministry of Environment
MARV	Monitoring Assessment Reporting and Verification
MDG	Millennium Development Goal
MoA	Ministry of Agriculture
MoF	Ministry of Finance
MoFor	Ministry of Forestry
MoHA	Ministry of Home Affairs
MoTC	Ministry of Trade and Commerce
MOU	Memorandum of Understanding
MT	Megatonnes

NGOs	Non-governmental Organizations
NCAS	National Carbon Accounting System
NFI	National Forest Inventory
PEB	Project Executive Board
PES	Payment for Ecosystem Services
PSP	Permanent Sample Plot
PU	Ministry of Public works
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
SFM	Sustainable Forest Management
STORMA	Stabilization of Tropical Rainforest Margins project
TA	Technical Assistance
TGHK	Tata Guna Hutan Kesepakatan
TNC	The Nature Conservancy
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UN-REDD	United Nations REDD Programme
USD	US dollars
WB	World Bank
WRI	World Resources Institute
WWF	Worldwide Fund for Nature

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## 2. Executive Summary

In September 2008, the global UN REDD Programme was launched aiming to assist tropical forest countries with establishing a fair, equitable and transparent REDD regime. Indonesia has been selected as one of the nine pilot countries for the initial 'Quick Start' phase. The quick start will be funded by the Government of Norway as part of Norway's International Climate and Forest Initiative which was announced during the UNFCCC conference at Bali in 2007.

The proposed joint program aims to facilitate the Indonesian government to timely develop a REDD architecture that will allow a fair, equitable and transparent REDD implementation significantly contributing to a sustainable reduction of forestry related greenhouse gas emissions.

REDD is already re-shaping the Indonesian forestry landscape. Around 20 voluntary projects are in various stages of development. Some of these have been launched officially and are linked to high profile financing institutions. Despite some setbacks, interest remains significant. Altogether, over 3 million ha is proposed for REDD development. The scope and aim vary and worries exist that this ultimately leads to different approaches for setting reference baseline, monitoring tools and payment schemes. This may ultimately undermine Government of Indonesia (GoI)'s efforts to move towards a market based nested approach to REDD<sup>3</sup> as seems to be the preferred direction from GOI. A recent REDD workshop allowed project proponents to present their plans which has led to significant interest.

Multi-stakeholder participation in REDD is of critical importance to REDD readiness. Recognizing the importance to do so, the government initially has been working through the IFCA multi-stakeholder alliance. IFCA organized and streamlined stakeholder input. Amongst others, this resulted in an initial outline of what was called a REDD supply chain. Furthermore, subject matter related analysis were conducted which fed into a final report outlining the Indonesian REDD strategy. This process still has to be finalized.

Provincial governments are developing policies and shown interest in developing REDD as an alternative for forest development. These efforts are hampered by misunderstanding and insufficient alignment with national level processes. While these initiatives need support, better communication between province governments and the Ministry of Forestry is essential to make REDD successful longer term. The key risk is that if agreements are made at local level that are in conflict with national level policies, early investments based on these commitment will be disappointing for investors which will impacts on future market development.

The **Objective** of the UN-REDD Indonesia Programme is "*to assist the GoI in attaining REDD-Readiness*". In order to secure this Objective, three Outcomes with subsequent outputs and activities will be pursued:

### **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 Program

### **Outcome 2 Successful demonstration of establishing a REL, MARV and fair payment systems based on the national REDD architecture**

Output 2.1 (FAO): Improved capacity and methodology design for forest carbon inventory within a Monitoring, Assessment, Reporting and Verification System (MARV), including sub-national pilot implementation  
Output 2.2 (FAO): Reference emissions level (REL)

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<sup>3</sup> A. Angelsen (ed), 2008. Moving Ahead with REDD, CIFOR: Bogor 156 p.

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 MDG

**Outcome 3: Capacity established to implement REDD at decentralized 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

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### 3. Situation Analysis

Globally, Indonesia holds the third largest area under tropical rainforest. Indonesian deforestation rates remain significant. Most recent estimates indicate that between 2000 and 2005, 3.5 million ha of forests (deforestation) have been lost, or around 1.9% of the total forest area. This has resulted in annual forest related emissions of 502 million MT CO<sub>2</sub>e<sup>4</sup>, encompassing both deforestation and forest degradation. The highest emissions are caused by clearing and logging of peat swamp vegetation. Sumatra is the main source of emissions (around 56%) while Kalimantan generates 28%, which underlines the importance of these islands as key sources of carbon emission, accounting for 84% of total emissions in Indonesia. Most of the emissions are coming from production forests and forests on land other than forest (forests outside the forest estates).

Since colonial times, forest management has seen significant paradigm shifts. Initially, forests were seen as a dispensable resource to be cleared for estate crop production. The forestry law of 1967 defines forests as key resources for national development and affirmed state control over forest lands. The revised forestry law of 1999, while still affirming state control, has given more space for public access. More recent forest legalization is acknowledging ecological services provided by forests. This has resulted in forest ecological restoration concessions (one currently under implementation in Jambi) as well the use of forest for ecological restoration and environmental services (a number of initiatives currently on-going).

Reducing Emissions from Deforestation and Forest Degradation (REDD), being in essence an environmental service, should be seen within the framework of more recent policy shifts which perceive forests as having significant environmental values. This is further strengthened by developing global efforts to address climate change where forests have a significant value as outlined in the Bali roadmap of which Indonesia is one of the key supporters. Despite this, it has to be emphasized that most of these initiatives are in their early stages of development

#### *REDD Institutional setting*

##### Organization of REDD in Indonesia

Indonesia has adopted an approach to REDD implementation characterized as a “national approach with sub-national implementation. This would involve a national monitoring, assessment, reporting and verification (MARV) system, but with sub-national projects, following a set of uniform standards, delivering the actual reductions in deforestation and forest degradation. The newly released directives on environmental services licenses allow for voluntary carbon credit projects of which some are already on-going. This will require however future standardization in MARV of REDD carbon credits.

Furthermore, through the IFCA (the Indonesian Forest and Climate Alliance) process, initial steps in REDD readiness have been taken. IFCA, a multi-stakeholder alliance, established and managed by the forestry research agency (FORDA) and coordinated by the World Bank, has conducted a series of studies on different aspects of REDD organized through working groups. By the time of COP 13 in December 2007 each of the working groups had developed technical papers which were supported by a structured program of consultations with principal stakeholders from the Ministry of Forestry (MoFor), national and international NGO's and forest industry groups.

In January 2009, the Ministry of Forestry initiated two decisions; one dealing with the development of REDD demonstration plots, and one on the establishment of a REDD working group. The first decision provides a legal

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<sup>4</sup> Gibbs, H.K. and S. Brown 2007. Geographical distribution of biomass carbon Tropical Southeast Asian Forests: An Updated Database for 2000. Available at <http://cdiac.ornl.gov/epubs/ndp/ndp068/ndp068b.html> from the Carbon Dioxide Information Center, Oak Ridge National Laboratory, Oak Ridge, Tennessee.

Hansen et al. 2008. Forest change in Indonesia 2000-2006. Draft report of a summer workshop.  
FAO 2006 Global Forest Resources Assessment 2005 ([www.fao.org/forestry/fra2005](http://www.fao.org/forestry/fra2005))

umbrella for voluntary REDD initiatives and demonstration pilots currently under implementation or being developed. The working group aims to develop initiatives to deal with issues related to climate change including reducing emission from deforestation and forest degradation. The group comprises all DGs within the ministry.

#### An overview of key institutions and their role in REDD readiness<sup>5</sup>

At ministerial level, the REDD process so far has been primarily driven by the Ministry of Forestry and the Ministry of Environment, who have been given the authority to manage the process.

**The Ministry of Forestry (MoFor)** has the responsibility to manage the nation's forest estate which is currently in the order of 118 million ha or 55% of the land surface. The forest estate is divided in three major functional categories:

- Production forest (*Hutan Produksi*) which is the key category for REDD targets. Production forests are further divided in:
  - Permanent Production Forest; sub-divided in Natural Production Forests (*Hutan Produksi Alam - HPA*), Limited Production Forest (*Hutan Produksi Terbatas - HPT*) and Industrial Production Forest (*Hutan Tanaman Industri – HTI*)
  - Convertible Production Forest; these forests are meant to be converted in other land use types such as smallholder agriculture, settlements, estates, etc.
- Protection Forest (*Hutan Lindung*). These are forests set aside because they deliver critical ecosystem functions such as soil and water conservation, coastal defense, peat land management, etc. However off take of non forest timber products is allowed. These areas are currently excluded from REDD.
- Conservation Forest (*Kawasan Konservasi*). These are conservation areas such as national parks, nature reserves and hunting/recreational areas. These areas are currently excluded from REDD.

MoFor is responsible for the overall forest management which includes improvement and managing public access to forest areas. The most important recent changes are collaborative management, community forest management, community forest plantations and customary access rights. The MoFor, with support of the Ministry of Environment has been leading initial steps in the REDD process such as setting up IFCA. MoFor, in particular Directorate General of Forest Plan (DGFP- formerly known as BAPLAN), the forest spatial planning directorate, and Forestry Research and Development Agency (FORDA) have been key players in the process.

Within MoFor, it is anticipated that DGFP will be responsible for the Forest Resource Inventory System (FRIS) which is integrated into the National Carbon Accounting System (NCAS). The NCAS, which monitors all terrestrial carbon, has to be seen as an integrated effort to measure all green house gas emissions related to terrestrial carbon. NCAS is a fully integrated Carbon Accounting Model (CAM) for estimating and predicting all, wall to wall, biomass, litter and soil carbon pools in forests and agricultural systems. In addition to this, it accounts for changes in other major greenhouse gasses such as nitrogen oxides through monitoring of the nitrogen cycle and human-induced land use practices<sup>6</sup>. FRIS will be the basis for monitoring, assessment and reporting for REDD and GHG, as far as these concern the forests managed by the ministry of forestry (so called 'forest estates'). It will also include a REDD registry to list REDD related operations, both voluntary as well as future market-based, and for serving payment mechanisms. The tentative budget available is AUD 10 million.

Furthermore, the MoFor, with financial and technical support of Australia, Germany, the UK, and the World Bank is currently developing demonstration activities for testing and triggering a global REDD carbon market. In June 2008, Indonesia and Australia agreed to develop a Roadmap for Access to International Carbon Market. This roadmap assumes that Indonesia aims for what is called a nested approach.

**The Ministry of Environment (Kementerian Lingkungan Hidup- KLH)** has been acting, at least until the establishment of the National Council on Climate Change (*Dewan Nasional Perubahan Iklim-DNPI*) as the focal point for the UNFCCC. KLH is responsible for overall environmental management and also has a role to play at

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<sup>5</sup> This information is based on the most recent information made available by MoFor and further analyzed by IFCA

<sup>6</sup> See <http://www.greenhouse.gov.au/ncas/ncat> for more information on NCAS as developed by the Australia Department of Climate Change



implementation levels through environmental impact assessments of REDD and Environmental Service Concessions.

Since COP 13, other institutions have become involved. The increased complexity and significant anticipated benefits and economic changes initiated by REDD triggered increased involvement of other institutions of which the most important are:

- The Coordinating Ministry of Economic Affairs: it develops and oversees economic development. It is responsible for mainstreaming climate change into general development policies. The ministry has been instructed by the president through Presidential Instruction 5/2008, which instructs the MoFor and KLH to timely issue REDD regulations.
- National Development Planning Agency (*Badan Perencanaan Pembangunan Nasional*- BAPPENAS): BAPPENAS is responsible for overall development coordination which includes the management of financial/technical assistance from Development Partners. BAPPENAS is the coordination the implementation of bilateral and multilateral aid projects which includes the REDD pilots financed by AusAID and BMZ (The German Federal Ministry of Economic Cooperation and Development). BAPPENAS is expanding through the following initiatives:
  - BAPPENAS is working towards the establishment of a climate change multi donor trust fund. This could potentially include work related to ongoing and/or planned REDD. Furthermore BAPPENAS has initiated project ideas, presented in the national development response to climate change, also known as the Yellow Book, to initiate the development of equitable and efficient REDD value chain and payment mechanisms.
  - The possible development and management of a national REDD fund through which REDD credits are being traded is seen as a potential responsibility of BAPPENAS in collaboration with the Ministry of Finance. This might happen through a Public Service Agency (*Badan Layanan Umum - BLU*)
- Ministry of Finance (MoF): MoF is responsible for the design and implementation of payment mechanisms as far as it concerns financial resources. This includes amongst others a possible 30% (pending upon interpretation of the tax legalization) levy on REDD generated revenues. One of the possible options to manage REDD finances is the establishment of a Public Service Agency (BLU). In the forestry sector, one is already in existence and is used to manage revenues generated through the Reforestation Levy. MoF is instrumental in the establishment and management of these agencies which will report to Minister.
- The National Council on Climate Change (DNPI): this is a newly established body which has been given significant authority to advise and oversee implementation of both climate change adaptation and mitigation policies. This national counsel is being established and is expected to become the future UNFCCC focal point. The final arrangements with regards to the role of the Ministry of Environment remain unclear. The DNPI comprises of six working groups to deal with issues of adaptation, mitigation, technology transfer, finance, forestry and post-Kyoto aims. The exact roles and responsibilities of the forestry working group and possible links to the IFCA group are yet to be defined; potentially it could play an important role in establishing a favorable policy and regulatory framework for REDD in Indonesia and effectively advocate for specific Indonesian interests such as peat land degradation related emissions.
- Ministry of Public works (*Pekerjaan Umum*- PU) / General Directorate for Spatial Planning is responsible for spatial planning and oversees the implementation of law 26/2007. The role of this institution is understated but is significant, as will be explained in more detail below.
- Ministry of Home Affairs (MoHA) is responsible for overseeing decentralization and provides overall guidance to the districts with regards to the spatial – and economic development planning. Engagement with MoHA on REDD is thus of significant importance, but still very limited.
- The Ministry of Agriculture is a key player due to its role in licensing of palm oil estates and the way it influences forests on forest estate lands. MoA has aggressively pushed for expansion of palm oil as it believes that this is an ultimate vehicle for a pro poor development strategy.

Other ministries do not have direct links to the implementation of REDD but can influence policy decisions that impact on REDD implementation. These are the Ministry of Trade and Commerce (MoTC), State Ministry of Cooperatives and Small/Medium Enterprises (SMCSME). The Ministry of Trade and Commerce is responsible for trade related issues and its policies impacts on prices and trade volumes of palm oil, pulp and paper, plywood and other forest related products.

During discussions between the Gol and the World Bank (WB) it was agreed that Indonesia did not need to submit an R-PIN but could move directly to preparing an R-PLAN under the World Bank's Forest Carbon Partnership Facility (FCPF). Based on this, the UN-REDD initiative will be in the Gol framework of REDD.

Sub national level; Decentralization, special autonomy and spatial planning:

Indonesia's administrative system is decentralized at district level with the notable exemption of Papua<sup>7</sup> and Aceh which have a special autonomous status. Nevertheless, ambiguity remains over who is control of the forests in these provinces as the laws outlining special autonomy and forestry remain unclear on this issue. The MoFor, based on the 1999 Forestry law claims to be responsible for management of the national forest estates including the ones in Papua and Aceh while both provinces claim that management of forests in these provinces is their responsibility. Nevertheless, both Aceh and Papua have shown firm commitment to a REDD agenda:

Aceh has initiated a Green Aceh Project, supported by UNDP, which includes four key outputs: 1) establishment of a network of renewable, green energy projects turning Aceh from a net importer of energy to a net exporter within 7 years (energy security); 2) generating sustainable economic livelihoods for many of the people of Aceh through initiatives spearheaded by land reform integrated with environmentally sound estate crop practices (food and livelihood/income security); 3) successful implementation of a REDD project, the *Ulu Masen* Ecosystem Carbon Initiative (environmental security); and 4) capacity building for relevant provincial-level agencies responsible for Aceh Green's execution and *qanun* (local legislation).

Papua is in the process to commit significant parts of its forested areas to REDD initiatives through MOUs signed with companies active in the voluntary carbon market (New Forests). The government of Papua sees that REDD has the potential to secure long-term, sustainable revenues for improving local livelihoods<sup>8</sup>. However, this demands a satisfactory and practical approach to involving customary owners in resource management decisions, and in determining their just financial return for the stewardship of the forest carbon resource. Other structural issues which will need to be considered include the architecture of a Reference Emission Level (REL), an appropriate means of monitoring change in forest cover and forest degradation against the REL, and a payment distribution system that is able to respond to projects generated at the sub-national level. With the exception of the issue of customary ownership, the mechanisms that will be used for REDD carbon management remain vague and the subject of much research and collaboration in Indonesia with the Ministry of Forestry and other agencies

For other parts of Indonesia, since 2004, forest and forest estate related issues are the responsibility of the Ministry of Forestry however with significant management responsibilities at local level. Districts are responsible for their own spatial planning. As such the recently issued Law 26/2007 on Spatial Planning offers an opportunity for utilizing spatial planning as a tool to adapt to climate change and initiate REDD crediting base lines. Law No 26/2007 states that the minimum forest cover that should be maintained is 30% of the total area of a watershed.

This is also stated in the Law No. 41/1999 on Forestry that islands, provinces, districts or watersheds should have a minimum forest cover of 30% of the total land area and the forest area is defined by the government based on biophysical condition, climate, population and socio-economic conditions of the community within the region it is residing. Spatial plans and *Tata Guna Hutan Kesepakatan* -TGHK (consulted forest planning) and

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<sup>7</sup> In this case covers both Papua and West Papua as both are included in the special autonomy law

<sup>8</sup> See presentation: Barnabas Suebu, 2008 "Indonesia Lessons from Papua Province for development of REDD in Indonesia

spatial plans are often conflicting. The process to align these called *PADUSERASI* has proven to be difficult. In some of the most forested provinces, such as Central Kalimantan, these conflicts have brought the process to a halt.

This could negatively impact development of REDD as it implies that districts with forest cover less than 30% are not entitled to REDD (there is no additionality) while districts with forest cover in excess of 30% could claim the difference as being their credit stock, in particular when no agreement can be reached to settle conflicts between forest use planning and spatial planning. The 30% requirement also could be used as a possible BAU (Business As Usual) scenario which in some cases (districts with significant forest cover) generates problems in baseline setting.

It does however provide significant opportunities for REDD development in forested areas outside the forest estate. For example, Law 26/2007 covers spatial planning of coastal zones, which provides to the possibility of REDD incentives to avoid the clearing of mangrove forests (relatively carbon intensive). As such, a robust policy framework could be put in place to integrate REDD into spatial planning at national and local levels for forested areas outside the forest estate. Furthermore, the development of cross-cutting policies on climate adaptation in spatial plans can integrate climate adaptation into the development of sectoral policies and make the policies climate change resilient.

However, the issues of coordination, lack of capacity and resources, as well as weak enforcement systems often hamper sound formulation and implementation of the plans. The existing spatial planning process also often neglects the importance to address the socio-economic and environmental issues. Strengthening the capacity of the local governments in developing integrated spatial plans is hence imperative. In particular the process of aligning forest planning (*Tata Guna Hutan Kesepakatan - TGHK*, functional forest zones) and spatial planning through a process named *Paduserasi* (literally “aligning”) which results in determining the boundaries of the forest estate. Based on an ICRAF assessment<sup>9</sup>, only 10% of the forest estate is gazetted which leave the remaining 90% in jeopardy and open for encroachment.

Some provinces are in the process of establishing REDD working groups. In Aceh this is facilitated through Green Aceh. In Papua, the government is actively pursuing REDD and is in the process of developing a REDD policy which is well embedded and linked into a national program. Outside Aceh and Papua, REDD working groups have been established in Central and East Kalimantan and *Kemitraan*, a national NGO, is working at district level in Siak, Riau Province. However so far these REDD working groups have not been officially enacted.

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<sup>9</sup> ICRAF, 2008. Shifting cultivation in Asia. Report

#### 4. Strategies including lessons learned and the proposed Joint Programme

##### What has been done so far by whom?

###### *Bilateral/multilateral initiatives (moving towards compliance markets)*

Since 2007 various REDD initiatives are under way. The key ones, which have already clearly defined pilot initiatives, are:

German Government (BMZ, implemented by KfW/GTZ): This project tentatively aims to support “The implementation of strategies for forest conservation and sustainable forest management results in reduced GHG emissions from the forest sector and improved living conditions of the impoverished rural population”. The project will be working in 2 to 4 districts in Kalimantan, mostly located in what is called the “Heart of Borneo” which encompasses the provinces of East and West Kalimantan. The project focuses on a district implementation model.

AusAID: AusAID has initiated the “International Forest and Climate Partnership”. The partnership encompasses the following key areas:

- Policy development and capacity building to support participation in relevant international negotiations and future carbon markets;
- Technical support for Indonesia to develop its national forest carbon accounting and monitoring system; and
- Development of large-scale project based demonstration activities, and the provision of related enabling assistance, to trial approaches to REDD. This includes the Kalimantan forest and carbon partnership and a second demonstration project, of which at the time of writing no specifics were known.

World Bank (WB): the WB is moving from technical assistance towards financing. The bank played a key role in coordinating IFCA of which outcomes are perceived as reasonable successful despite the fact that currently the process is somewhat stagnating. Nevertheless the WB anticipates that Indonesia will participate in the Forest and Carbon Partnership Facility (FCPF) in which case it is eligible for readiness support. Indonesia is expected to submit a R-Plan to the FCPF Board meeting in March. Beyond the readiness process, the WB foresees that the Forest Investment Program (FIP) could be a key vehicle in supporting REDD in Indonesia. Although the FIP is not yet operational, eligible activities may include:

- Shifting agriculture to non-forest lands
- Restoration of degraded forests
- Protection of forests against fires, etc.
- Building capacity for better forest management

The forestry investments may support sectoral restructuring programs such as re-allocating planned palm oil development from peat land soils to mineral soils, closure of saw mills/plywood mills, developing alternative employment for households depending on timber processing facilities etc.

Government of Japan (GoJ): The GoJ is provide support through a program loan, implemented together with the French Government and technical assistance activities.

- A Program Loan of 500 million USD to which Japan contributed 300 million and France 200 million. The loan is managed by JICA. The program loan is a budget support mechanism in which disbursements are made dependent upon progress in climate change policy development and implementation. REDD implementation regulations are included as a performance indicator.
- JICA is working on pilots in Sumatra on a small scale in South Sumatra and Jambi, mostly in Peat Swamp areas (Berkak National Park). JICA is providing support to the development of a National Carbon Accounting System through the provision of satellite imagery and developing links to its pilot projects

Dutch Government assistance is focusing mostly towards peat/low land management. Key activities include a second phase of the Central Kalimantan Peatland Project (CKPP). CKPP may be aligned with the AusAID funded KFCP program.

#### *Voluntary market initiatives:*

- Papua-New Forests Initiatives; this involves a collaboration between the government of the Papua province and New Forests, an Australian based voluntary market company facilitated through a collaboration with Emerald, a Bali based environmental consultant/project development agent. The parties are assessing three project areas ranging in size from 300,000 hectares to one million hectares.
- Central Kalimantan: PT Rimba Makmur Utama (RMU). RMU is working on a concession for which it is proposing an environmental service permit. The area is located in Katingan district.
- PT Global Eco Rescue (GER); GER is working on a voluntary market initiative in the Malinau district (overlaps with GTZ project area). The CER project consists of 325,000 ha of forest with a possible extension to over 2 million. A MOU has been signed between the district government and GER. GER has submitted a request for a permit to the Department of Forestry.
- The Nature Conservancy (TNC); TNC is working to establish a district based REDD program in Berau in East Kalimantan. TNC builds on an existing integrated development and conservation program.
- Flora-Fauna International - Macquarie Group Carbon Initiative. Indonesia is the major focus for this initiative with three projects currently in development. These projects aim to achieve local and national support for the preservation and sustainable management of forest landscapes that range from 57,000 hectares to 500,000 hectares
- The Provincial government of North Sulawesi – Carbon Storage Global PTE Limited. Both agreed to collaborate manage approximately 373,506 Ha of forest located at the North Sulawesi Province for Trading of the Carbon Credit and Biodiversity Credits under the Utilization and Protection of Forest for Carbon and Biodiversity Project.
- Wetland International Project in Central Kalimantan Peatswamp Restoration Project. The project ties in with the Green Policy of the Provincial Government focusing in filling urgent gaps with respect to REDD implementation in peatswamps
- Other initiatives which are mostly at initial stages of development are being developed by: WWF-Kampar peninsular (scoping), WWF Sebangua and Leuser Foundation, as well as Ulu Masen initiative. JP Morgan is working with CIMTROP on a reduced peat land emission approach which is meant to be proposed for inclusion in CDM (Clean Development Mechanism).

All the above initiatives provide lessons for future REDD interventions in Indonesia.

#### **Current status of REDD readiness in Indonesia**

Based on consultations with key-stakeholders, an overview of readiness activities has been prepared, which outlines the current status of REDD readiness steps as defined by the World Bank FCPF. The reason to use these readiness criteria is that these are generally accepted by key actors and have been used by countries to design their readiness matrices<sup>10</sup>.

#### **Gap analysis**

A Gap Analysis has been prepared, identifying where gaps exist which will hamper Indonesia to be ready by 2012. This Gap Analysis was based on an initial analysis by consultants and inputs from key government and donor representatives.

While during the COP 13 Indonesia was seen as one of the leaders in the development of REDD, some of the momentum has been lost. This is mainly due to the following issues:

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<sup>10</sup> See <http://wbcarbonfinance.org/Router.cfm?Page=FCPF&ItemID=34267&FID=34267>

- Initially the Ministry of Forestry had a strong and clear mandate with regards to the development of REDD. The recent year has seen a significant rise in interest in REDD as during the COP 13 REDD was included in the Bali roadmap and mainstreamed effectively. While this was a significant positive step, it also led to a broadened institutional interest within the Indonesian government. This is crucial for successful implementation as REDD could have significant impacts on the development of forestry in Indonesia as well as overall land use, but at the same time it led to a more a complex institutional setting.
- New institutional arrangements emerged after the establishment of the National Council Climate Change. Whilst it underlined the commitment of the Indonesian government towards climate change, it also caused confusion between line ministries and the newly established council which delayed key political decisions.
- The complexity of REDD has caused misunderstanding and misperceptions on what potentially is possible and what is required to implement REDD successfully. After the World Bank commenced to reduce its support to IFCA, coordination faded and oversight was lost. In particular different views on the following issues remain:
  - Reference Emissions Levels (REL) led to heightened discussions, an issue which has not been settled yet. In particular because different studies show significant differences in deforestation and forest degradation levels measured both in ha. as well in MT CO<sub>2</sub>e. As many of the initial deforestation assessments overestimated emissions from deforestation but results of these assessments had been exposed widely.
  - Benefit/payment mechanism. Despite that not even an REL was agreed upon, questions arose who was entitled to what and how this is managed. A history of less efficient use of public funding led to often a lack of confidence between stakeholders. This hampered efforts to agree on standards for the development of a payment mechanism.
- Approach to REDD: while all stakeholders agree that REDD is the only feasible response to save significant tracks of Indonesian forests, differences on the implementation modality are significant. For the sake of simplification, two perspectives exist:
  - REDD should be implemented as a national program, through a national fund approach with limited scope for projects. The government through a BLU should be the key driver of REDD.
  - REDD should be mainly concessions/project driven supported by a nationally managed monitoring system. Projects, including community based initiatives, should drive REDD.

These differences have delayed decisions in institutional set up. As institutional requirements for various aspects of REDD between these approaches are different. This involves key elements such as the set up of a monitoring system, a lack of alignment between GOI led initiatives (bilateral and multilateral support) and voluntary market initiatives to agree on key methodological issues which is required if Indonesia intend to move towards a national approach.

- Concerns exist within production forest/plantation units, both within government and private sector, that REDD will restrict potential for Indonesia to exploit its forests economically and limit Indonesia's control over its forest. Difference of opinion became political which caused delays in decision making processes and issues.

*Where should UN-REDD intervene and support and why?*

The gap analysis and consultation with donors shows that significant gaps exist leading to delay in implementation. UN REDD whose mandate is to support the Indonesian government to be REDD ready by 2012 by having established a REDD program that effectively addresses deforestation and forest degradation with significant additional co-benefits. This should include at least, enhancing Indonesian MDG performance and conserve Indonesia's unique biodiversity.

Based on the latest information available, Indonesia REDD will develop into a nested approach with most likely island based Reference Emission Scenarios to better capture regional patterns of deforestation.

Based on these considerations and the above reported GAP analysis, the following interventions need to be pursued:

Revive and strengthen multi stakeholder consultation in an organized and inclusive albeit efficient fashion. IFCA has shown that multi stakeholder participation works and that it is necessary to develop a broad based REDD program. This fits well under the Global UN REDD Programme outcome 2 "increased stakeholder participation in REDD". Reviving multi stakeholder participation led by the Indonesian Government, supported by UN REDD is critical. The scope however should be broadened and include at least initiatives in 4 to 5 key provinces through supporting REDD working groups that are established or being established. Participation should be focused on the following groups:

- o Industry representative from palm oil, pulp and paper; and plywood industry;
- o Local governments agencies responsible for spatial planning, forestry departments and agricultural agencies;
- o Representative from "Adat" communities. During COP 14, inclusion of indigenous communities has become a serious political issue as it was not explicitly expressed. In the Indonesian case, most resistance to REDD comes from this group, they are however one of the groups who could benefit the most. As such inclusion of groups representing them enables the building of more inclusive consensus on REDD;
- o Ministry of Forestry representatives;
- o Representatives from universities and research institutions with a proven track record in forest related issues.

UN REDD could play a key role in facilitating a national multi stakeholder process which aims to accelerate REDD readiness through providing facilitation, technical assistance and grant support.

Support the development of an equitable, effective and efficient REDD architecture for Indonesia which serves Indonesian institutional needs best which fits under the Global UN REDD Programme outcome 3 "*Improved analytical/technical framework of co-benefits for REDD decision-makers (by2010)*" This involves the provision of Technical Assistance to key actors (MoFor, MoF, BAPPENAS and national council) to accelerate the implementation of the Readiness agenda through acting as a clearing house for policy makers and political decision makers. The objective is to facilitate dialogue and provide technical assistance as needed basis through a facility type arrangement.

Develop REDD implementation standards for MARV. This proposed direction is aligned with the Global UN REDD Programme outcome 1 "*Improved guidance on Monitoring, Assessment, Reporting and Verification*" and the results should be binding for both voluntary as future compliance market/REDD fund initiatives. Agreed upon standards should provide clarity to buyers that the Indonesia REDD credits are additional to existing development spending, ensure protection of the assets for at least an internationally agreed upon period and that leakage has been addressed properly. If not, the risk is that credits might be sold twice or that so called "hot air" is brought to the market (credits sold for activities that were economically feasible without crediting, meaning no additionality).

Therefore, UN REDD could together with the Ministry of Forestry, key bilateral projects and Voluntary Market projects develop and agree on harmonized and internationally acceptable approaches for Monitoring, Reporting and Verification (MARV) of REDD credits between projects. New legalization will allow for a significant growth in voluntary market initiatives which will need to be captured well. The Forest Resource Inventory System (FRIS) does allow this but its development needs to be accelerated as more data need to be gathered and analysed. This requires the revival of the FAO/World Bank developed National Forest Inventory system and might require more input from stakeholders which could positively affect the NCAS implementation as well. To assist with harmonization, the following can be considered:

- o A REDD registry/clearing house aligned with existing legalization on REDD and ecological restoration projects linked. The registry should include a GIS system which shows for the different projects what project boundaries are.
- o Work towards an efficient and equitable payment mechanism that ensures significant benefits for the poor while effectively addressing deforestation drivers. Again, various approaches are proposed, UN REDD could initiate a study in collaboration with the MoF/MoFor/BAPPENAS on what, given the current situation is

the most efficient way to manage REDD revenues both those sold through a national funds and those generated by projects.

- Provide TA to ensure mainstreaming of gender and rights issues (tenure). Most projects have not articulated a gender strategy well in particular with regard to forest access issues and payment mechanisms. UN REDD should be positioned better to support and ensure that concerns with regard to marginalization and gender inequity are taken into account.
- Increased quality of the NCAS by redesigning FAO developed National Forest Inventory system to include grand redesign, carbon credit, socio-economic, NCAS grand design, and linking existing demo plots that are already scattered in the whole country.

Strengthen capacity at district level in REDD sensitive spatial planning. Ideally this would happen under two different scenarios: in a frontier district (a district where forest cover is still high and threats are relative low) and in a district where the landscape has developed towards a forest mosaic (significant forest patches combined with agriculture which are commonly found in Sumatra). No pilots are being implemented in this type of area/scenario but deforestation/degradation rates tend to be the highest and co-benefits the most significant as population density as well as rights deprivation tend to be higher. This might include collaborating with the GTZ/KfW pilot on a district based REDD regime and see if this approach could be replicated in other provinces (e.g. Sumatra in collaboration with JICA, or Papua).

Develop strategies to ensure that REDD generates significant co-benefits for biodiversity conservation and enhances MDG performance. To date, most of the literature has focused on developing an equitable payment mechanism. However, it might be important to seek how REDD can be employed more efficiently to protect critical ecosystems.

#### **Lessons Learned:**

Over the course of the last 2 decades, Indonesia has received significant donor assistance in forest and forest management projects. Albeit effectiveness varied from project to project, overall results have been disappointing. Key reasons for failures have been:

- After the collapse of New Order, illegal logging became rampant. Initial interpretation of the decentralization law created a spectrum of outright timber theft to semi legalized schemes in which significant amounts of timber were harvested illegally<sup>11</sup>. This has led to uncontrolled exploitation of forest resources. This has been driven by:
  - Overcapacity of the wood-processing industry, which has resulted in a huge imbalance between industry requirements (approximately 74 million cubic meters) and the licensed supply of timber (about 17 million cubic meters);
  - Domestic and international demand for tropical timber, which stimulates demand for illegal timber and timber products;
  - Systemic corruption and rent-seeking behavior, through rapidly harvesting of existing timber stocks, which perpetuated the illegal logging problem and allow a select few to profit significantly from it;
  - Rapid and sometimes disorganized decentralization, which has encouraged new forms of logging considered illegal by the central government but viewed as legal by some district governments;
  - Growing dissatisfaction with the status quo that has long denied local people access to forest and land resources while providing significant benefits for a select elite;
  - Poorly implemented law enforcement operations that fail to deter illegal logging activities and in fact perpetuate its existence.
- Integrated Conservation and Development projects have failed to deliver conservation impact. A study supported by the World Bank in 1997<sup>12</sup> concluded that most of these projects failed to deliver upon their promise due to a number of reasons. Most prominently mentioned were unclear links between conservation

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<sup>11</sup> A.C. Casson, A. Setyarso, M. Boccucci, and D.W. Brown , 2007 "A Multistakeholder Action Plan to Curb Illegal Logging and Improve Law Enforcement in Indonesia" . WWF/World Bank Global Forest Alliance.

<sup>12</sup> Wells, M., Guggenheim, S., Khan, A., Wardojo,W. and Jepson, P. (1998) Investing in Biodiversity. A Review of Indonesia's Integrated Conservation and Development Projects. World Bank, East Asia Region. b. Claridge, G. (1997)



and livelihoods, opposed to what as assumed local communities were often not the biggest threat to the protected area and limited sustainability of the projects.

- Rapid expansion of estate crops during the commodity boom in between 1998-2008 led to rapid encroachment upon forest in areas such as Sulawesi and Southern Sumatra. Work conducted by ICRAF showed that this could be reversed through environmental service payments. In Sulawesi where this is well documented through the STORMA project which showed that cacao cultivation led to major change in land use, indigenous tenure arrangement and led to large scale forest encroachment<sup>13</sup>. These dynamics show that financial returns from REDD need to be able to compete with alternative land use.

However, recent years have seen some significant progress:

- The current administration has taken active and comprehensive steps against illegal logging which is resulting in reduced logging. Top level commitment to combat illegal logging has resulted in more frequent and effective police action.
- Emerging environmental service payment schemes in Indonesia have shown that this type of mechanism could deliver lasting reduction of threats to natural resources. To date, only a few schemes are being implemented, but interest is increasing and initial results are promising. Work by ICRAF on reverse auction mechanism to deliver environmental services. Results showed that farmers do commit to community based forestry schemes (“Hutan Kemasyarakatan”, HKm) in which communities have secured access to tenure. Under HKm, the areas of forest loss decrease and agroforest areas increase. Deforestation is not completely eliminated, but after 2000 (when HKm was launched) deforestation reached the lowest level since 1973<sup>14</sup>. This is further underlined by experiences in other parts of Indonesia where initial results seem to be promising despite that initiatives have commenced recently. Recent revisions in the forestry law allow for environmental services permits to be released.
- The launching of the first eco-restoration license (Harapan forest) by the Ministry of Forestry to a Birdlife led consortium<sup>15</sup>. This high profile project (it was visited by the heir to the British Crown) aims to protect endangered biodiversity through the set up of an endowment fund. The targeted area is around 104,000 ha.
- Community based carbon monitoring efforts have proven to empower communities to better understand the value of forests<sup>16</sup>. Initial results have led to positive feed back

#### *The Proposed Joint Programme:*

The proposed joint program aims to facilitate the Indonesian government to timely develop a REDD architecture that will allow a fair, equitable and transparent REDD implementation significantly contributing to a sustainable reduction of forestry related greenhouse gas emissions.

REDD is already re-shaping the Indonesian forestry landscape. Around 20 voluntary projects are in various stages of development. Some of these have been launched officially and are linked to high profile financing institutions. Despite some setbacks, interest remains significant. Altogether, over 3 million ha is proposed for REDD development. The scope and aim vary and worries exist that this ultimately leads to different approaches for setting reference baseline, monitoring tools and payment schemes. This may ultimately undermine GOI's efforts to move towards a market based nested approach to REDD<sup>17</sup> as seems to be the preferred direction from GOI. A recent REDD workshop allowed project proponents to present their plans which has led to significant interest.

Multi-stakeholder participation in REDD is of critical importance to REDD readiness. Recognizing the importance to do so, the government initially has been working through the IFCA multi-stakeholder alliance. IFCA organized and streamlined stakeholder input. Amongst others, this resulted in an initial outline of what

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<sup>13</sup>F. Sitoris, 2002 “Revolusi Coklat” Social formation, agrarian structure and forest margins in Upland Sulawesi, STORMA discussion paper 9. 19p

<sup>14</sup> J. Kerr, Suyanto, J. Pender, and B. Leimona, 2008. PROPERTY RIGHTS, ENVIRONMENTAL SERVICES AND POVERTY ALLEVIATION IN INDONESIA. Basic Brief 2008-03

<sup>15</sup> See <http://www.birdlife.org/action/ground/sumatra/index.html>

<sup>16</sup> Hairiah K and Rahayu S. 2007. Pengukuran karbon tersimpan di berbagai macam penggunaan lahan. Bogor, Indonesia. World Agroforestry Centre - ICRAF, SEA Regional Office. 77 p.

<sup>17</sup> A. Angelsen (ed), 2008. Moving Ahead with REDD, CIFOR: Bogor 156 p.

was called a REDD supply chain. Furthermore, subject matter related analysis were conducted which fed into a final report outlining the Indonesian REDD strategy. This process still has to be finalized.

Provincial governments are developing policies and shown interest in developing REDD as an alternative for forest development. These efforts are hampered by misunderstanding and insufficient alignment with national level processes. While these initiatives need support, better communication between province governments and the Ministry of Forestry is essential to make REDD successful longer term. The key risk is that if agreements are made at local level which are in conflict with national level policies, early investments based on these commitment will be disappointing for investors which will impacts on future market development.

The Indonesian greenhouse gas emission profile, which is heavily influenced by peat related emissions, both through over-drainage, peat fire and degradation of peat forests possess a real challenge. Research indicates that the incidence of peat land fires is strongly influenced by temporary rainfall anomalies, while spatially reduced forest cover and increased access have proven to be linked to the spread of fires. Most recent research shows that these two are mutually reinforcing which leads to a non linear response<sup>18</sup>. Non linearity of response indicates that sustained burning in areas with high fuel loads (including peatlands and forests) increased with drought severity. This is aggravated by increased land clearing activities during prolonged periods of drought. Effective reduction of forest based emissions implies that peat related emissions have to be included. This, however, requires significant investments in a future REDD architecture for Indonesia.

Overall, capacity and awareness on REDD is a factor constraining development and leads to misperceptions. REDD will involve significant resource to improve management of Indonesian forests and thus reduce emissions. To date, the emphasis has been too much on protecting forests while possible alternatives such as low impact logging, sustainable forest management, improved fire management have not received sufficient attention. Advanced programs are needed to build capacity to better encompass these aspects.

The UN REDD strategy aims to develop an Indonesian REDD architecture which is inclusive and addresses the key challenges describes above. REDD provides a unique opportunity to address structural challenges in the Indonesian forestry sector. However, REDD has to effectively address forest related emissions and to allow for sustained co-benefits that forests provide for local communities. Significant investments and technical assistance is needed to make this happen. The program aims to achieve this by assisting GOI with developing an equitable and transparent REDD mechanism through:

1. Working on strengthening multi-stakeholder involvement at national and sub national level while aligning sub national process with the national one,
2. Work on harmonization of the REDD supply chain with emphasis reference emission level setting, Monitoring Verification and Reporting (MVR) and principles/standards for payment entitlement and;
3. Build capacity within various agencies and stakeholders in REDD implementation

### **Project feasibility**

During design of the project, the UN REDD design team ensured that key elements of project feasibility were met. Two issues were deemed to be key which were:

- GOI political commitment to REDD resulting in a clear need for UN-REDD assistance
- Wide spread stakeholder support for UN REDD involvement

This has been achieved through a process which has involved meeting with various stakeholders, coordination meetings with multilateral agencies (World Bank, Asian Development Bank) and bilateral agencies.

This project is embedded and managed with the support of the Indonesian Ministry of Forestry and the Indonesian Climate Change Council, which is supposed to become the key focal point of the UNFCCC negotiations. Indonesia has made key policy commitments to REDD through its high level political support for the Bali roadmap. The Ministry of Forestry has cleared express its interests in working on UN REDD and

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<sup>18</sup> G. R. van der Werf, J. Dempewolf, S. N. Trigg, J. T. Randerson, P. S. Kasibhatla, L. Gigliof, D. Murdiyarto, W. Peters, D. C. Morton, G. J. Collatz, A. J. Dolman, and R. S. DeFries Climate regulation of fire emissions and deforestation in equatorial Asia. p20350–20355 ! PNAS ! December 23, 2008 , vol. 105: no. 51

identified key issues that need to be supported. This has been cemented at national level through the IFCA process and the bilateral initiatives taken. UN REDD as such is institutionally well embedded and is part of broader effort to make REDD work in Indonesia which is strengthened by high level political support.

Furthermore, to quick start REDD in Indonesia, this project addresses several key gaps in REDD development in Indonesia which are defined through multi-stakeholder involvement. These gaps have been identified through a multistakeholder process which engaged government agencies, donors and civil society agencies. A meeting with project proponents is being prepared however some of these were approached on individual basis. Thus, the Indonesian UN REDD program is building on a strong stakeholder commitment and designed to meet the needs of key actor involved in rolling out REDD.

These are two key elements of a feasible project which ensures that the proposed UN REDD activities are institutionally well housed and meet the needs of the host country

## Risk management

Table 2 below shows key risks and how the project believes it can cope with them.

Table 2: UN REDD risk management matrix.

Risks	Risk Indicator	Anticipated Risk Level	Risk Management Strategy
Climate change impacts alter ecological function which potentially undermines carbon stocks	<ul style="list-style-type: none"> <li>- increased fire outbreaks due to prolonged drought</li> <li>- Ecological changes in species composition</li> </ul>	H	Mainstream CC into program activities through: <ul style="list-style-type: none"> <li>- Conduct assessment on potential changes</li> <li>- Develop CC mainstream tools for REDD projects</li> </ul>
Political support for REDD could potential weaken post elections due to changing political agendas.	<ul style="list-style-type: none"> <li>- A new administration lacks political commitment as outlined in its midterm development plans</li> <li>- Increased logging and less effective law enforcement</li> </ul>	L/M	<ul style="list-style-type: none"> <li>- Develop relationships with key forestry partners</li> <li>- Work with government as well as private initiatives</li> <li>- Strengthen links with international activities through UN REDD</li> </ul>
Continued economic downturn will undermine efforts to include REDD in a post 2012 climate change regime	<ul style="list-style-type: none"> <li>- COP 15 does not lead to an satisfactory agreement on REDD</li> <li>- Institutional donors from annex A countries reduce their commitments</li> </ul>	M/H	<ul style="list-style-type: none"> <li>- Support voluntary carbon market initiatives through capacity building and support GOI to develop appropriate legalization.</li> <li>- Ensure that REDD piloting activities support on going improvement in forest governance without clearing linking these to REDD. This includes: i) Combat illegal logging, ii) Promote sustainable forestry, iii) Enhance reforestation efforts</li> </ul>
Indonesia will be unable to make sufficient progress on aligning forest planning and spatial planning	<ul style="list-style-type: none"> <li>- In key provinces the <i>Paduserasi</i> process has come to a virtual stand still which causes tenure uncertainty and increased deforestation rates</li> <li>- Spatial planning initiatives such as road building undermine</li> </ul>	M	<ul style="list-style-type: none"> <li>- UN REDD will provide support to provinces where the situation is problematic to resolve key issues.</li> <li>- UN REDD will work with Ministry of Home Affairs and Ministry of Forestry to streamline the process better.</li> </ul>

	forest integrity		
<b>Indigenous groups will protest against REDD projects because these are seen as taking control over their forests</b>	<ul style="list-style-type: none"> <li>- Protest against REDD initiatives in selected areas</li> <li>- Local governments are unwilling to support REDD due to protests</li> </ul>	M	<ul style="list-style-type: none"> <li>- Enhanced awareness on REDD by training rural advisory services and local NGOs in utilization of REDD awareness campaigns</li> <li>- Strengthen Indigenous to assess what REDD can actually mean for their development through utilization of community based carbon monitoring tools</li> </ul>
<b>The NCAS systems proves difficult to implement</b>	<ul style="list-style-type: none"> <li>- No national Reference emissions levels and baseline</li> <li>- Delays in REDD implementation</li> </ul>	M/L	<ul style="list-style-type: none"> <li>- Ensure that the NCAS systems data access is enhanced by reviving the NFI</li> <li>- Provide back up support through an alternative system</li> </ul>
<b>Local Stakeholder Buy-in is lacking.</b>	<ul style="list-style-type: none"> <li>- The REDD Concept is new, and understanding at different government levels and in communities is basic.</li> </ul>	M	<ul style="list-style-type: none"> <li>- Dissemination as well as capacity building to local government capacity in climate change issue to include REDD concept is increased by central government.</li> <li>- Involve communities in all aspects of REDD</li> </ul>
<b>A Lack of coordination and initiatives is leading to field based misunderstandings</b>	<ul style="list-style-type: none"> <li>- There is currently significant donor and private sector interest in protecting forest and in creating REDD initiatives. In this environment, coordination of activities and sharing of results is critical.</li> </ul>	M	<ul style="list-style-type: none"> <li>- Previous experience of IFCA has resulted some lesson learnt among parties. Revisiting the weaknesses and redesigning the parties working mechanism in intervening the Gol by all parties will create a very effective and efficient works.</li> </ul>

### Sustainability of Results

Building upon GOI identified needs and well implemented design process, UN REDD expected results are likely to be sustained even in case COP 15 will take no or a negative decision on REDD. The emphasis on a broad based stakeholder engagement is a key element of the sustainability strategy.

If COP 15 includes REDD and Indonesia moves towards a nested – or fund based approach than the UN REDD program provides a sound basis based upon the current situation to develop a effective, fair and equitable national REDD architecture. The outputs emphasis broadening support for REDD at sub-national level, harmonized benefit sharing; and ensure capacity exist to implement REDD by 2012.

## 5. Results Framework

The **Objective** of the UN-REDD Indonesia Programme is “to assist the *Gol* in attaining *REDD-Readiness*”

In order to secure this Objective, three Outcomes with subsequent outputs and activities will be pursued:

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

This Outcome is particularly focused on securing consensus on key issues related to REDD at the national level, particularly among the governmental stakeholders, but also ensuring participation of civil society organizations. Outputs include:

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

The process will be based on the work done by IFCA and will be closely aligned with the DNPI LULUCF Working Group and the MoFor Climate Change Working Group. It will encompass engagement with stakeholders at provincial level. Four provinces are initially targeted which are Aceh, Central Kalimantan, Central Sulawesi and Papua. Activities include:

- Setup and manage a UN REDD Secretariat that will organize and facilitate multi-stakeholder activities
- Organize national and sub-national consultations on key-issues
- Analyze key issues identified by stakeholders to streamline the REDD value chain
- Establish collaboration with ongoing projects to stimulate coordination and joint learning

#### Output 1.2 (UNDP): REDD lessons learned

UN-REDD will support on-going REDD initiatives undertaken by NGO's, the private sector, and bilateral partners, by establishing a learning mechanism. Small grants will be mobilized to assist these existing initiatives to analyze lessons learned to date, and report them using a harmonized approach to permit further analysis at the national level and reporting to all stakeholders. These lessons will also be used to inform the international negotiation process on REDD.

Indicative activities include:

- Design an appropriate lessons learning mechanism and reporting structure
- Mobilize lesson learning activities through a small grants mechanism
- Capture and analyze lessons from all on-going initiatives in Indonesia
- Prepare and disseminate information on lessons learned

#### Output 1.3 (UNEP): Communications Program

REDD requires understanding commitment and involvement from a diverse group of stakeholders, ranging from local communities and indigenous groups, the general public, to government officials and parliaments. Currently, the knowledge on REDD is still very limited and the interpretation of what REDD can bring in terms of benefits but also responsibilities is still very diverse. Therefore, a common understanding needs to be built to expedite the process of becoming ready for REDD and keep momentum going.

REDD readiness in Indonesia needs additional investments in creating an enabling environment towards real change in reducing deforestation. This applies to both national political levels where policies such as expansion of oil palm would be competing with objectives of REDD, as well as at local district level where decisions have to be made with regards changing the status of local forest lands or halting forest exploitation in favor of conserving those carbon resources. Although the process of multi-stakeholder coordination and national policy

framework will reach consensus on critical elements of National REDD Readiness process, this will not be adequate to install actual change at field level with regards the fate of forests.

Social marketing will work along the lines of providing strategic information, creating the knowledge and understanding, and as a result the willingness to change, e.g. towards significantly improved national policy decisions. The social marketing envisioned for the UN REDD would use a range of communications and marketing techniques along with training and education to achieve specific and measurable behavioral changes with decision and policy makers at provincial and national levels, as well as local stakeholder groups at field level.

- Conducting awareness baseline assessment, and design of impact monitoring system;
- Design of social marketing campaign, specifically focusing on high level government decision makers, as well as local resource users in the pilot districts;
- Develop REDD Information, Education and Communication materials
- Conducting awareness campaign activities;
- Conduct training on REDD which include all aspects based on standards and emphasis the needs of project implementers/designers. Emphasis will be given to local level actors.

### **Outcome 2 Successful demonstration of establishing a REL, MARV and fair payment systems based on the national REDD architecture**

This Outcome will undertake analytical work on a number of key elements for REDD implementation in Indonesia. The objectives of this outcome are to support Indonesia in being ready to report emission reduction to UNFCCC and to support Indonesia in developing a REDD national implementation system, which Indonesia would like to test at provincial level. Thus the Indonesian MARV system will have two functions, being the essential tool to assess the Indonesian performance in the international mitigation actions and the tool to assess the performances of Indonesian sub-national unit (e.g. provinces).

The criteria used to select the province for demonstration purposes are:

1. Deforestation process is on going but a significant forest cover has remained.
2. Carbon density is relative high
3. Local political support is strong
4. Local capacity is reasonably strong, in order to generate rapid results
5. Drivers can be addressed relatively easily
6. REDD can result in significant co benefits within the project site.
7. GOI preference and location of other initiatives (based on agreements reached in IFCA on criteria for demonstration site selections, GOI policy on REDD demonstrations and UN REDD objectives)

Based on these criteria, it is considered that the demonstration province should be selected from among three provinces in northern Sulawesi, namely Central Sulawesi, Gorontalo, and North Sulawesi.

The reasoning for selecting from among these three provinces is presented below:

- The pilot area has significant forest cover and facing significant deforestation. Sulawesi, in particular Central Sulawesi and Gorontalo still have relative high forest cover, around 60% and higher. For Sulawesi, reanalysed Indonesian forest inventory data showed that of a total land surface, which is around 17.4 million ha, 10.8 million ha is classified as forested<sup>19</sup>. Forest cover is around 60%. Recent analysis of gross forest loss for the island is estimated around 200,000 ha for the period 2000-2005, thus leading to an estimated deforestation rate of around 2% Deforestation rates in Sulawesi and Gorontalo have relatively high due to migration and a rapid spread of cacao. Almost all of the deforestation is unplanned and to a significant extent illegal.

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<sup>19</sup> World Bank, 2006; Sustaining Economic growth, rural livelihoods and economic benefits: Strategic options for Forest Assistance. Jakarta: World Bank

- Carbon density is relatively high. Forests are relative carbon dense in particular in above ground biomass. As below ground biomass remains excluded, this makes REDD piloting in Sulawesi increasingly feasible given the relative high carbon density and anticipated deforestation rate. Detailed research for the proposed UN REDD site by the STORMA (Stabilization Tropical Rainforest Margins) -project, showed a nonlinear relationship between canopy cover in agro-forestry systems with biodiversity and ecosystem functioning. This was based on research in areas which mostly encompassed forests in mountainous regions which are characteristic for remaining forest areas. They concluded that clearing of forests leads to a rapid decline of eco-system servicing. This decline corresponded to a loss of 600 t CO<sub>2</sub>e per hectare of near-primary forest when converted to cacao agro-forestry systems. They estimate that for land to which community have access too opportunity costs to stop conversion were around 216 €/ha/year<sup>20</sup>.
- Local political support and capacity: The governors of these provinces are known to be forward-looking and keen to engage with emerging international carbon markets, while the capacity of local line agencies is better than many other parts of the country.
- Drivers of deforestation: Smallholder agriculture through the spontaneous spread of cash crops, mostly cacao, has been the key driver of deforestation. The drivers for deforestation in Sulawesi are thus significantly different than in Kalimantan and Sumatra, where mechanized logging has already degraded millions of hectares of lowland forest and where now extensive areas of logged-over forest are being cleared for oil palm and pulpwood plantations. Smallholder cacao has led to major agrarian change over the last two decades, as rapid expansion of cacao under the *revolusi coklat* ('chocolate revolution') replaced subsistence-based local economies with market-integrated and cash-driven ones. To address drivers of deforestations, community based REDD payment mechanism can be effective alternative to compensate for economic losses due to halted conversion of forests.<sup>21</sup>.
- Co-benefits. The proposed project sit offers significant potential to realize co-benefits due to the combination of low MDG performance and unique biodiversity..
  - MDG: The targeted parts of Sulawesi are relative poor and faces significant underdeveloped. The proposed project target provinces in Sulawesi (Gorontalo/Central Sulawesi), which despite a wealth of biodiversity has long been among the less developed parts of the country. In the project areas, poverty levels as high as 60% are reported<sup>22</sup>. In particular, Gorontalo scores low on MDGs progress (second lowest to Papua). Of the total population in these areas, 31% lives below the poverty line and 44% of all children under five are classified as undernourished, which makes it one the poorest provinces in Indonesia. Gorontalo for example has the second highest scores (after Papua) on poverty depth and income inequity. Around 50% of the population has access to a latrine and protected water supply.
  - Biodiversity: Sulawesian biodiversity is unique and under threat by deforestation. Situated at the heart of the Wallacean biogeographical region (named for the 19<sup>th</sup> century naturalist Alfred Russel Wallace), Sulawesi contains unique biodiversity, with elements of both Asian and Australian fauna and flora, many of which are endemic to the island. For example, with the exception of bats, 98% of the Sulawesian mammals are endemic (notable examples being the babirusa *Babyrousa babyrussa*, the Anoa *Bubalus depressicornis* and the Sulawesi giant civet *Macrogalidia musschenbroeki*) while 89 of the 247 known bird species on Sulawesi are not found anywhere else (e.g. the Red-knobbed hornbill *Aceros cassidix* and the blue-backed parrot *Tanygnathus sumatranus*).
- GOI preference and capacity: The GOI MoFor stated that their interest is to have an equal spread of pilot project throughout the country. In so far, REDD demonstration projects are located in Kalimantan and to a lesser extent in Papua and Sumatra. Sulawesi has been poorly covered. Capacity of government agencies on Sulawesi has assessed as average for Indonesia. Some districts have shown innovation in natural resource management such as the Poso district which has developed a pro-poor land certification program.

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

<sup>20</sup> Ingolf Steffan-Dewenter et al., 2007 Tradeoffs between income, biodiversity, and ecosystem functioning during tropical rainforest conversion and agroforestry intensification PNAS 104 (12) p 4973–4978

<sup>21</sup> F. Sitoris, 2002 "Revolusi Coklat" Social formation, agrarian structure and forest margins in Upland Sulawesi, STORMA discussion paper 9. 19p

<sup>22</sup> CARE, 2005. PTF ECML monitor data, Unpublished

This outcome will work on developing a new methodological approach for the already existing national forest inventory (NFI). The new approach should allow assessing the forest carbon content according to the IPCC LULUCF Guidance and AFOLU Guidelines and should also allow Indonesia to assess and report carbon stock and carbon stock changes at sub-national level (e.g. provincial level). Regarding the methodological design of a MARV system, the UN-REDD Programme will evaluate options that comply with the guidance provided under the UNFCCC and that will allow to assess the national performances and the Indonesian provincial performances. The two levels will be methodologically consistent and will allow Indonesia to support REDD implementation at sub-national level. UN REDD activities are as follows:

- Review of existing standards and methodologies in MARV at national and sub-national level
- Development of measurement protocols and sampling design for a national forest carbon inventory with reporting capability at provincial level, building on the existing Indonesian national forest inventory system;
- Implementation of the forest carbon inventory in pilot provinces to assess carbon stock and carbon stock changes
- Development of methods for Reporting and Verification at sub-national level, consistent with national reporting requirements
- Implementation of Reporting and Verification in a pilot province
- Workshop: Identification of additional data needs concerning socioeconomic aspect in MARV
- Training in monitoring and assessment methodology (with AusAid)
- Stakeholder consultations in every process and level.

#### Output 2.2 (FAO) Reference emissions level (REL)

The project will develop a methodological approach to set up a workable and verifiable REL against which future efforts to reduce deforestation and forest degradation will be measured. It will do this at national and the sub-national levels with a REL assessment in a pilot province (likely to be Central Sulawesi). In order to develop RELs, the following indicative activities are envisaged:

- Review of methodologies for establishing REL at national and sub-national scale
- Development of methodological options to establish REL at national and sub-national scale
- Compilation of data to support development of REL
- Assessment of a provisional REL in a pilot province
- Stakeholder consultations on REL methodological approach and provincial provisional REL
- Scientific peer review of REL methodological options and provincial provisional REL

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

There are already examples in Indonesia of payment systems under which funds are transferred from the national level down to local beneficiaries. One such example is the PNPM Program (The National Community Empowerment Program), which is a programme to generate additional employment and corresponding additional income, primarily for poor unskilled labour. There are also several pilot PES programmes in different parts of the country. To the extent possible, a transparent and equitable payment mechanism for REDD should build on existing payment systems, while ensuring that the necessary assurance for international purchasers of carbon credits that their payments are for genuine carbon conservation are met. The project will therefore demonstrate the development of such a system at a provincial and sub-provincial level. Indicative activities to achieve this result include:

- Compilation of information on existing payment systems
- Analysis and review of benefits and constraints of existing payment systems
- Formulation of options for modifications required to meet requirements of a REDD payment system
- Stakeholder consultations on proposed modifications
- Integration of modifications to create a REDD payment system
- Training of staff of local institutions on application of modifications to the payment system



#### 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 MDG

Various REDD pilots are under development in Indonesia, of which most are linking carbon markets to biodiversity conservation objectives. Others incorporate watershed protection functions as well as generating co-benefits such as income generation to poor communities, the latter fully meeting MDG objectives. Whilst these are valuable local projects, less clear is whether these have been chosen at the most optimum sites with regards potential carbon gains e.g. through incorporating forested peatlands, high biomass/dense forests, or whether additional co-benefits could possibly have been incorporated, at little additional cost, by targeting a different location whilst maintaining a similar Carbon stock in below- and above-ground biomass. Factors such as maximizing potential carbon gains, water supply & watershed protection, poverty alleviation, as well as selecting biodiversity hotspots and/or sites with higher than average poverty levels, should be important considerations in site selection for REDD, not least to build a better business case for upscaling of REDD investments nationally.

It is important however to keep the objective of reducing carbon emission high on the agenda, first of all through a standardized but easy to apply site selection process in provinces, whilst incorporating co-benefits should be treated as a secondary objective only.

The UN REDD program will develop a priority setting toolkit as well as building capacity in the pilot province and pilot districts on what specific forests or forest zones to target in order to maximize potential carbon gains through a systematic site selection process. This would be conducted in the forests both in the Forest Estate managed by the MoFor as well as in those forests outside the estate. Additionally it will present the methodology to optimize site selection with regards incorporating co-benefits through overlay mapping with data and GIS systems on biodiversity hotspots, high conservation value forests and others such as water resources and watersheds, as well as MDG elements like poverty alleviation.

The mapping component of this tool could build upon the FRIS, whilst the review process of REDD sites through the national registry could make use of the system to optimize for site selection. Potential activities under this output could include:

- Development and testing of the Priority Setting Toolkit
- Training of provincial staff of BAPLAN, BAPPEDA and others in its use;
- Mapping of above- and below-ground carbon stocks inside and outside the Forest Estate at provincial level;
- Overlay mapping to incorporate co-benefits into the planning products and produce GIS maps
- Provincial workshops on reaching consensus on the site selection, as well translating these results into local REDD policy.

#### **Outcome 3: Capacity established to implement REDD at decentralized levels**

This outcome will enable Indonesia to demonstrate its commitment to a national approach with sub national implementation through REDD demonstration at district level, based on the REDD architecture developed under outcome 2. At a district level, some land is within the forest estate and some lies outside the forest estate, and different local government agencies are responsible for administration of these areas. The legal process of spatial planning is the government mechanism to bring the various economic, environmental and social interests together to agree on land use. REDD should be mainstreamed into this process. Therefore the project will demonstrate this process in a number of districts in the demonstration province. Key partners will be the district governments with emphasis on the DPRD, Bappeda, forestry services, agriculture and rural advisory services and Forest Management unit.

A district based approach will enable local stakeholders to effectively address key drivers of deforestation. Logging, slash-and-burn clearance as well as smallholder cacao are key drivers causing deforestation in Sulawesi. The drivers for deforestation in Sulawesi are thus significantly different from those in Kalimantan and Sumatra, where mechanized logging has already degraded millions of hectares of lowland forest and where now extensive areas of logged-over forest are being cleared for oil palm and pulpwood plantations

The MoFor has the authority and the mandate to manage the forest estate, which is state land. The forest estate includes which is protected and which not protected. Not protected forest can be released from the forest estate for long term leases for estate crops, released and distributed to communities (through BPN/Land Administration Department) or to district based entities. The functional spatial allocation for land outside the forest estate is the responsibility of the district government. The Land Administration Agency is then responsible for manage and administer tenure arrangement for land outside the forest estate.

The spatial planning process guides planning of land which is not protected (for protected lands special permission is needed). This allows for changes in function from production forest to other land uses. This change requires a change of spatial function from forestry to agriculture. After agreement on Boundaries has been reached, MoFor established a Kesatuan Pemangkuan Hutan (KPH)/Forestry Management Unit (FMU).

The carbon-biomass baseline trajectory for Sulawesi remains negative: high-value, carbon-rich forests are being logged and cleared on a smaller scale and replaced with a patchwork of depleted forest, cash crops such as cacao and maize, and especially in the steep upland areas unproductive, degraded land. However, since the deforestation drivers are more localized and site-specific, it is possible to address them through more local, community-based and site specific interventions. Given that direct links between smallholders grown cacao and tree crops demand different but political more feasible approach to deal with than for example palm oil, UN REDD believes that significant impacts are possible within a limited time frame.

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

This output builds on recent spatial planning law (Law 26/2007) which provides clear guidelines on allocation land to key functions. One of the features of this law is that at least 30% of an “ecosystem” should be forested and be protected. This however excludes production forests and conversion forests. This includes land which is classified as protected by law for the sake of hydrology (watersheds and peat lands), nature conservation and exposed to natural hazards (volcano edges, flood plains etc). Agreement on spatial planning is crucial to move forwards on demarking forest estate and other land use categories.

REDD brings in a new dimension, which requires, if maximum benefits are to be achieved, to change spatial functions and within production and conversion forest change use. For forest outside the forest estate, this implies engagement of the managers of these assets to assert what current uses are and what opportunities costs these have. The process will be sensitive to indigenous people rights and MDG mainstreaming.

A district REDD mainstreaming tool will be developed and assists district governments, FMUs (if in existence) and private forest managers to optimize carbon yields and thus generate maximum REDD benefits.

Indicative activities include:

- Identify areas of REDD-eligible forest
- Analyse opportunity costs of alternative land uses
- Analyze impacts of REDD to the socio-economic of community.
- Mainstream REDD into existing spatial planning and forest utilization planning
- Develop district based consensus on land – and forest use allocation
- Approve the REDD mainstreamed spatial plan.

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

For REDD to be effective, local stakeholders, consisting both of local communities and local institutions (governmental and non-governmental) need to have the capacity and tools to ensure that they understand their rights and obligations under a REDD regime. This includes, for example, the capacity to verify that payments are consistent with reductions in deforestation and forest degradation achieved locally, and the ability to monitor overall progress in implementation of local REDD initiatives. If, for example, REDD payments are distributed based on performance at a District level, then sub-District REDD management units (for example, Forest

Management Units) need to have the capacity to monitor not only their own performance, but also the performance of other management units within the District. Indicative activities to achieve this output include:

- Capacity needs assessment
- Design of capacity building processes, including training programmes
- Training of trainers
- Conduct of training and other capacity building activities
- Assessment of follow-up activities required to improve and sustain capacity

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

Within the province of central Sulawesi, interest will be sought from districts to pilot REDD. This will happen be based on setting initial indicators which emphasis MDGs with emphasis on poverty, forest cover and carbon density of forest (above ground biomass) through a spatial planning tools which is based on the provincial NCAS-I based on which 5 district will be pre-selected. This process is transparent and guided by a selection committees composed of representatives from MoFor, DNPI (national Climate Change Committee), MoHA (Ministry of Home Affairs) and UN REDD.

The pre-selected districts will be ask to develop a proposal for REDD implementation which outlines clear commitments in willingness to make change in spatial planning and sufficiently strong track record in management of payment schemes such as PNPM. The district will be asked to present their proposals to a selection committee which will set transparent indicators for selection. After final selections, UNREDD will start engaging and work towards implementation of REDD. Indicative activities include:

- Develop REDD implementation plans
- Socialize REDD to stakeholders in districts

These Outcomes, outputs and Activities, together with indicators are presented in the logical framework matrix in Table 1.

**Table 1: Logical framework matrix**

Result	Implementing Partner	Related activities	Indicator	Baseline	Proposed target	Means of verification	Risks and assumptions
<b>Outcome 1: Strengthen multi-stakeholder participation and consensus at national and provincial level</b>	DNPI	<ul style="list-style-type: none"> <li>•IFCA</li> <li>•REDD working group MoFor</li> <li>•DNPI LULUCF coordination program</li> </ul>	<ul style="list-style-type: none"> <li>•Components of REDD architecture and policies in place</li> <li>•REDD pilots running</li> </ul>	<ul style="list-style-type: none"> <li>•Few policies, but not operational</li> <li>•Pilots stalled</li> <li>•Delays in investments</li> </ul>	<ul style="list-style-type: none"> <li>• By end 2009 policy hurdle for REDD demonstration removed</li> <li>•By end 2010 new and effective policies endorsed</li> </ul>	Policy documents issued; interviews with key government officials and national NGOs	<p>The REDD policy development is not dramatically interrupted by election and possible change in administration</p> <p>Government and local partner agencies cooperate effectively</p>
<b>Outputs:</b>							
1.1. Consensus on key issues for national REDD policy	<ul style="list-style-type: none"> <li>•MoFor Forest and Climate WG</li> <li>•DNPI</li> <li>•Other government agencies</li> </ul>	<ul style="list-style-type: none"> <li>•National working group REDD</li> <li>•Program of DNPI</li> <li>•IFCA process</li> </ul>	<ul style="list-style-type: none"> <li>• UN REDD secretariat running</li> <li>•Stakeholder representation broadened to provinces</li> <li>•Roadmap agreed</li> <li>•Components REDD architecture</li> <li>•Demonstration projects moving ahead</li> </ul>	<ul style="list-style-type: none"> <li>•Tension and unclear mandates between MoFor &amp; DNPI</li> <li>•IFCA analysis stalled</li> <li>•Few policies, but not operational</li> <li>•Status of demonstration projects remains unclear</li> </ul>	<ul style="list-style-type: none"> <li>•By end 2009 stakeholder consultations broadened to provinces and additional line agencies. Lessons captured and reported to COP Copenhagen</li> <li>•By end 2009 three studies concluded, recommendations in process government</li> <li>•Roadmap agreed by June 2010</li> </ul>	<p>Reports and consultation minutes</p> <p>Thematic reports and recommendation</p>	<p>Single agencies dominate the process</p> <p>Elections may change the political landscape on REDD</p> <p>Commitment from all partners</p> <p>Institutional relationships with particularly FCPF resolved</p>
1.2. REDD lessons learnt	<ul style="list-style-type: none"> <li>•DNPI</li> <li>•MoFor Forest and Climate group)</li> </ul>	<ul style="list-style-type: none"> <li>• IFCA process</li> <li>•Other demonstration activities (AIFCP and GTZ-KfW)</li> </ul>	<ul style="list-style-type: none"> <li>• Conflicting policies affecting forests</li> <li>•Consensus on Indonesia specific project modalities</li> </ul>	<p>Effective knowledge sharing institutionalized</p> <p>NGO involvement structured</p>	<ul style="list-style-type: none"> <li>• By June 2010 at least one conflicting policy cancelled or in process of modification</li> <li>•By end 2009 consensus on national REL</li> </ul>	Formal report to UNFCCC as well the CoP UNFCCC 15 in Copenhagen	REDD implementer are unwilling to share experiences/technologies due to commercial interests
1.3 Communications Program	•DNPI	<ul style="list-style-type: none"> <li>•WB communications program</li> <li>•Green KDP/PNPM (national. community</li> </ul>	<ul style="list-style-type: none"> <li>•REDD awareness levels with decision makers and communities</li> <li>•Level of consensus on relevant elements</li> </ul>	•Awareness on REDD remains limited to few key agencies at central government level.	•Increased awareness against baseline (June 2010)	Awareness baseline study results, as well as midterm and end-of-project assessment	Government supports targeting controversial forestry issue, like oil palm expansion, mining and illegal logging

		empowerment program)	REDD architecture	<ul style="list-style-type: none"> <li>• Various policies endanger prospect and sustainability of REDD, like expansion palm oil on peat and allowing the use of timber from natural forests for pulp and paper</li> </ul>		Media reports	
<b>Outcome 2: Successful demonstration of establishing a REL, MARV and fair payment systems based on the national REDD architecture</b>	MoFor – BaPlan & FoRDA	<ul style="list-style-type: none"> <li>• BAPLAN Province</li> <li>• BAPPEDA province</li> <li>• Centers of Applied Research in Rural Development</li> <li>• Universities</li> <li>• NGOs</li> </ul>	<ul style="list-style-type: none"> <li>• On province has improved MARV system supporting NCAS</li> <li>• Provisional REL successfully demonstrated</li> </ul>	<ul style="list-style-type: none"> <li>• Currently there are no provincial MARV system but it is requirement for sub national implementation</li> <li>• NFI (1989-1997)</li> <li>• FRA (2005)</li> </ul>	<ul style="list-style-type: none"> <li>• By the end of 2010 of provisional REL completed for a province</li> <li>• By 10/2010 NFI system redesigned and MARV demonstrated at the provincial level</li> </ul>	Progress reports; Regulations and other documentation; System design documents;	<ul style="list-style-type: none"> <li>• Capital investments and training are delivered in a timely fashion</li> <li>• Institutional coordination is effective</li> </ul>
<b>Outputs:</b>							
2.1 Improved capacity and methodology design for forest carbon inventory within a Monitoring, Assessment, Reporting and Verification System (MARV), including sub-national pilot implementation	<ul style="list-style-type: none"> <li>• BaPLAN through Provincial branch offices;</li> <li>• BAPPEDA;</li> </ul>	<ul style="list-style-type: none"> <li>• FAO FRA</li> <li>• AIFCP: FRIS, NCAS, FIREWATCH</li> <li>• JICA</li> <li>• KfW/GTZ</li> <li>• EU-FLEGT</li> <li>• National universities</li> <li>• South Dakota State Univ., ITC Netherlands</li> <li>• NGO activities by amongst others TROPENBOS, WRI, SEKALA</li> </ul>	<ul style="list-style-type: none"> <li>• Design for scalable NFI completed</li> <li>• Guidelines for NFI are in place</li> <li>• Methodology developed to assess and monitor REDD relevant information (forest cover, C stock, changes)</li> <li>• Socio-economic data needs for MARV at sub-national level are identified</li> <li>• Capacity to produce maps and statistic for REDD in the pilot province is improved</li> </ul>	<ul style="list-style-type: none"> <li>• NFI (1989-1997) are outdated and need to be further developed</li> <li>• Baseline for socioeconomic data in NFI does not exist</li> </ul>	<ul style="list-style-type: none"> <li>• By 11/2009 review on existing standards and methodologies compiled</li> <li>• By the end of 2009 a seminar on collaboration with key stakeholders organized</li> <li>• By 3/2010 NFI system redesigned</li> <li>• Methodology demonstrated by 8/2010</li> <li>• By 10/2010 training conducted</li> </ul>	<ul style="list-style-type: none"> <li>• Progress reports</li> <li>• Regulations</li> <li>• Training materials</li> <li>• Other documentation</li> </ul>	<ul style="list-style-type: none"> <li>• Sufficient staff, equipment and other resources are dedicated to the task</li> <li>• Adequate methodology selected for demonstration of MARV</li> <li>• There is a need for a clear data management and data sharing policy among information providers and users</li> </ul>
2.2 Reference emissions level (REL) proposed at the provincial level	<ul style="list-style-type: none"> <li>• Provincial BaPlan;</li> <li>• BAPPEDA;</li> <li>• PU</li> </ul>	AIFCP:FRIS & NCAS; ICRAF/BaPLAN	<ul style="list-style-type: none"> <li>• Data analysis on deforestation and degradation apply national methodology</li> <li>• Trained provincial staff capable to provide</li> </ul>	<ul style="list-style-type: none"> <li>• Some data analysis exist within BaPlan but incomplete</li> <li>• No Baseline for Carbon Emission</li> </ul>	<ul style="list-style-type: none"> <li>• By the end of 2009 review of methodologies for REL at national and sub-national level completed</li> </ul>	<ul style="list-style-type: none"> <li>• Progress reports</li> <li>• Technical and other documentation</li> </ul>	<ul style="list-style-type: none"> <li>• Basic information is available (satellite images, reference data)</li> <li>• Authorities are willing</li> </ul>

			<p>information for REL and scenario development</p> <ul style="list-style-type: none"> <li>Stakeholders endorse reference scenario</li> </ul>	<p>at the national and sub-national level exists</p> <ul style="list-style-type: none"> <li>Existing NFI data not calculated for REDD</li> <li>No scenario exists</li> </ul>	<ul style="list-style-type: none"> <li>By the 6/2010 provisional REL completed in a province</li> <li>By the 8/2010 stakeholder workshop arranged</li> <li>By the end of 2010 scientific peer review ready</li> </ul>		<p>to co-operate</p> <p>Implementing partners are capable to allocate skillful staff</p>
<p>2.3. Harmonized fair and equitable payment mechanism at provincial level</p>	<ul style="list-style-type: none"> <li>Min of Finance</li> <li>Governors office</li> <li>Local parliament (DPRD)</li> <li>National University Indonesia</li> <li>DNPI</li> </ul>	<ul style="list-style-type: none"> <li>Voluntary REDD pilots and district governments</li> <li>PNPM program</li> <li>PES and BD conservation initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Level of stakeholder satisfaction with payment system(s)</li> <li>Payment systems endorsed through national or provincial legislation</li> <li>Application payment systems</li> </ul>	<ul style="list-style-type: none"> <li>No REDD payment distributions systems for all types of credits</li> <li>Role of district government unclear</li> </ul>	<ul style="list-style-type: none"> <li>By end 2010 fiscal regulations supporting REDD payment distribution to sub-national level or project implementers</li> <li>By end 2010 at least 1 REDD pilot adopts payment system</li> </ul>	<p>Reports</p>	<p>No national legislation enabling the payment system(s)</p> <p>Lack up-front payments impacting local commitments</p>
<p>2.4 Toolkit for priority setting towards maximizing potential Carbon-benefits and incorporating co-benefits, at the provincial level</p>	<ul style="list-style-type: none"> <li>MoFor - FORDA, BaPlan, PHPA, &amp; DG DAS; Bureau of Statistics</li> </ul>	<ul style="list-style-type: none"> <li>AIFCP FRIS &amp; NCAS</li> <li>Queensland Univ &amp; James Cook University</li> <li>Global Canopy Program</li> <li>EU-ICRAF project,</li> <li>ICRAF, CIFOR, CI, WWF, TNC, WI</li> </ul>	<ul style="list-style-type: none"> <li>Maps produced indicating forests, land resources, carbon, biodiversity, watersheds and pockets of poverty</li> <li>Toolkit applied for district spatial planning &amp; REDD</li> <li>Toolkit include CC impact assessment tool.</li> </ul>	<ul style="list-style-type: none"> <li>No national nor provincial site selection process, IFCA provides guidelines only</li> <li>No DSS to make feasible investment decisions</li> <li>Draft criteria for site selection indicated in IFCA (2007)</li> </ul>	<ul style="list-style-type: none"> <li>By Dec 2009 site selection criteria and indicators agreed</li> <li>By June 2010 GIS of toolkit linked to FRIS and provincial mapping systems</li> <li>By June 2010 overlay maps, analysis and their incorporation into one or two district spatial plans</li> </ul>	<p>Project reports</p> <p>Manual of Toolkit translated in Bahasa Indonesia</p>	<p>RS coverage pilot province not available or not in time for analysis</p> <p>MoFor departments unwilling to exchange data sets, and share with FORDA</p> <p>Climate Change impacts lead to significant changes in forest ecology.</p>
<p><b>Outcome 3: Capacity established to implement REDD at decentralized levels</b></p>	<p>Local government, Kantor Bupati, DPRD</p>	<ul style="list-style-type: none"> <li>GTZ forest and climate program;</li> <li>Australin Indonesia Forest &amp; Climate Partnership</li> <li>FCF P: (Facility for Carbon Forest Partnership)</li> <li>Voluntary projects</li> </ul>	<ul style="list-style-type: none"> <li>Local government programs and policies on REDD</li> <li>Awareness level on REDD with decision makers</li> <li># of districts REDD ready</li> </ul>	<ul style="list-style-type: none"> <li>Weak awareness and understanding pro-contra of REDD</li> <li>No integrated approach to carbon stock management at</li> </ul>	<ul style="list-style-type: none"> <li>By end of 2010 district spatial plan endorsed by DPRD for 2-3 districts</li> <li>Awareness levels One district is REDD ready</li> </ul>	<p>Capacity and awareness impact surveys</p> <p>Spatial plan ready + implementation plan</p>	<p>Bupati/DPRD willing to make changes in forest use and status</p> <p>REDD commitment is not dependent on Bupati only but based on stakeholder wide Commitment.</p>

		<ul style="list-style-type: none"> <li>Potential A/R investments</li> </ul>		<ul style="list-style-type: none"> <li>district level</li> <li>Limited understanding on how REDD impacts on local supply level requires A/.R investment</li> </ul>			
<b>Outputs:</b>							
3.1 Capacity for spatial socio-economic planning incorporating REDD at the district level	BAPPEDA Kab (District); DPRD; BAPLAN; forestry services; Public Works (PU) DG spatial planning, MoHa;	<ul style="list-style-type: none"> <li>TGHK forestry mapping (MoFo); RTRD – spatial planning (PU); Kabupaten Development Program (WB)</li> </ul>	<ul style="list-style-type: none"> <li>Level achieving “Paduserasi” between TGHK &amp; RTRD</li> <li>Priority setting tool used for spatial planning on REDD</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing conflicts TGHK with process RTRD</li> <li>Few district spatial plans endorsed at national level</li> </ul>	<ul style="list-style-type: none"> <li>By Dec 2009 process ‘paduserasi’ on the road</li> <li>By June 2010 draft revised RTRD indicating REDD concerns</li> </ul>	Reports; minutes of consultations draft spatial plan	<p>Forestry authorities willing to participate and go for consensus</p> <p>Priority setting tool ready and applied</p>
3.2 Empowered local stakeholders are able to benefit from REDD	<ul style="list-style-type: none"> <li>Forestry service; BAPPEDA</li> </ul>	KDP (WB); various other social development programs pending district chosen	<ul style="list-style-type: none"> <li>Level of awareness REDD</li> <li>Enhanced capacity</li> </ul>	<ul style="list-style-type: none"> <li>Low awareness and high level of misconception REDD at village and district level</li> <li>All REDD proposals driven by foreign agencies</li> </ul>	<ul style="list-style-type: none"> <li>By end 2009 awareness levels increased 10% against baseline; and 50% by end of project (Dec 2010)</li> <li>By mid-2010, community driven proposals indicating enhanced capacity on REDD</li> <li>By Dec 2010 community-Carbon monitoring established in at least two villages</li> </ul>	Awareness & capacity impact studies at mid- and end- term	Baseline established at inception
3.3 Multi-stakeholder-endorsed District plans for REDD implementation	<ul style="list-style-type: none"> <li>DPRD, BAPPEDA, PU</li> </ul>	ongoing RTRD (spatial planning at district)	<ul style="list-style-type: none"> <li>Spatial plan endorsed DPRD</li> </ul>	<ul style="list-style-type: none"> <li>Few district spatial plans endorsed at national level</li> </ul>	<ul style="list-style-type: none"> <li>By Dec 2010 one district spatial plan accommodating REDD endorsed by DPRD</li> </ul>	Perda on RTRD	DPRD approves district based spatial plans,

**Table 2: Summary of Results framework**

JP Results	Responsible UN org	Reference to CP	Implementing Partner	Indicative activities for each outputs	Resources allocation	
					Y1	Y2
<b>Outcome 1: Strengthen multi-stakeholder participation and consensus at national and provincial level</b>						
1.1 Consensus on key issues for national REDD policy development	UNDP	By 2010 improved environmental living conditions and sustainable use of energy in Indonesia, and establishment of sustainable living conditions in the poorest provinces	DNPI, MoFor	<ul style="list-style-type: none"> <li>▪ UN REDD Secretariat facilitating multi-stakeholder activities</li> <li>▪ National and sub-national consultations on key-issues</li> <li>▪ Analyze key issues focusing on those related to REL</li> <li>▪ Facilitate inter-ministerial round table discussions on identified issues</li> <li>▪ Prepare policy recommendations</li> <li>▪ Develop roadmap for issuing policies to address these issues</li> </ul>	200,000	300,000
1.2 REDD lessons learned	UNDP	As above	DNPI, MoFor	<ul style="list-style-type: none"> <li>▪ Establish national knowledge &amp; learning network</li> <li>▪ Collaboration with projects to stimulate coordination and joint learning</li> <li>▪ Organize joint workshops</li> <li>▪ Prepare publication on lessons learned</li> </ul>	200,000	200,000
1.3 Communications Program	UNEP	As above	DNPI; MoFor; media firms, and NGOs	<ul style="list-style-type: none"> <li>▪ Awareness baseline assessment, and impact monitoring system;</li> <li>▪ Design of social marketing campaign for national to local level</li> <li>▪ Develop REDD information, education and communication programs and materials</li> <li>▪ Conduct high level panel</li> <li>▪ Training and capacity building on REDD</li> </ul>	200,000	500,000
<b>Outcome 2: Successful demonstration of establishing a REL, MARV and fair payment systems based on the national REDD architecture</b>						
					Y1	Y2
2.1 Improved capacity and methodology design for forest carbon inventory within a Monitoring, Assessment, Reporting and Verification	FAO	As above	Provincial BAPLAN; BAPPEDA; FORDA; Forestry	<ul style="list-style-type: none"> <li>▪ Review on existing standards and methodologies in MARV at national and sub-national levels;</li> <li>▪ Development of measurement protocols and sampling design for a national forest carbon inventory with reporting capability at provincial level, building on the</li> </ul>	500,000	450,000



System (MARV), including sub-national pilot implementation			service; Universities	<ul style="list-style-type: none"> <li>existing Indonesian national forest inventory system;</li> <li>Implementation of the forest carbon inventory in pilot provinces to assess carbon stock and carbon stock changes;</li> <li>Development of methods for Reporting and Verification at sub-national level, consistent with national reporting requirements;</li> <li>Implementation of Reporting and Verification in pilot provinces</li> <li>Workshop: Identification of additional data needs concerning socioeconomic aspect in MARV Training in monitoring and assessment methodology (with AusAid)</li> </ul>		
2.2 Reference emissions level (REL) proposed at the provincial level	FAO	As above	Provincial BAPLAN; BAPPEDA; PU	<ul style="list-style-type: none"> <li>Review of methodologies for establishing REL at national and sub-national level</li> <li>Development of methodological options to establish REL at national and sub-national scale</li> <li>Compilation of data to support development of REL</li> <li>Assessment of a provisional REL in a pilot province</li> <li>Scientific peer review of provisional REL</li> <li>Stakeholder consultations on REL methodological approach and provincial provisional REL</li> <li>Scientific peer review of REL methodological approach and provincial provisional REL</li> </ul>	300,000	150,000
2.3 Harmonized fair and equitable payment mechanism at provincial level	UNDP	As above	Min of Finance; Governors office; Local parliament (DPRD); Nation al University Indonesia; DNPI	<ul style="list-style-type: none"> <li>Compilation existing payment systems</li> <li>Analysis/review of benefits and constraints of existing systems</li> <li>Options for modifications to meet requirements of a REDD payment system</li> <li>Stakeholder consultations</li> <li>Integration of modifications to create a REDD payment system</li> <li>Training of local institutions</li> </ul>	100,000	300,000
2.4 Toolkit for priority setting towards maximizing potential Carbon-benefits and incorporating co-benefits, at the provincial level	UNEP	As above	MoFor - FORDA, BaPlan, PHPA, & DG DAS; Bureau of Statistics; and universities and NGOs	<ul style="list-style-type: none"> <li>Development Priority Setting Toolkit, including site selection criteria &amp; GIS combined with FRIS;</li> <li>Training of provincial staff in its use;</li> <li>Mapping of above- and below-ground carbon stocks inside and outside the Forest Estate;</li> <li>Overlay mapping indicating optimum sites for Carbon gains, as well as co-benefits;</li> <li>Provincial workshops towards consensus on site selection, as well integration with local REDD policy.</li> </ul>	250,000	125,000
<b>Outcome 3:</b> Capacity established to implement REDD at decentralized levels	<b>Responsible UN org</b>	<b>Reference to CP</b>	<b>Implementing Partner</b>	<b>Indicative activities for each outputs</b>	<b>Resources allocation</b>	
					<b>Y1</b>	<b>Y2</b>
3.1 Capacity for spatial socio-economic planning incorporating	UNDP	As above	BAPPEDA; DPRD;	<ul style="list-style-type: none"> <li>Mainstream REDD into existing spatial, forest utilisation and FMU planning at District level</li> </ul>	200,000	450,000

REDD at the district level			BAPLAN; forestry services; Public Works (PU); Kantor Bupati	<ul style="list-style-type: none"> <li>▪ District based consensus on land – and forest use allocation,</li> <li>▪ Approve the REDD mainstreamed spatial plan</li> </ul>		
3.2 Empowered local stakeholders are able to benefit from REDD	UNDP	As above	Forestry service; BAPPEDA	<ul style="list-style-type: none"> <li>▪ Capacity needs assessment</li> <li>▪ Design of capacity building &amp; training</li> <li>▪ Training of trainers</li> <li>▪ Conduct of training and other capacity building activities</li> <li>▪ Assessment of follow-up activities required to improve and sustain capacity</li> </ul>	200,000	350,000
3.3 Multi-stakeholder-endorsed District plans for REDD implementation	UNDP	As above	DPRD, BAPPEDA, PU	<ul style="list-style-type: none"> <li>▪ Assess five districts in which REDD is most feasible</li> <li>▪ Socialize REDD to these districts</li> <li>▪ Invite these districts to present their proposals and ensure political readiness to implement REDD</li> <li>▪ Agree with the selected district on an implementation framework.</li> </ul>	100,000	200,000
UNDP	Programme Cost **				1,000,000	1,800,000
	Indirect Support Cost**				70,000	126,000
UNEP	Programme Cost				450,000	625,000
	Indirect Support Cost				31,500	43,750
FAO	Programme Cost				800,000	600,000
	Indirect Support Cost				56000	42000
Totals	<b>Programme Cost</b>				<b>1,900,000</b>	<b>3,025,000</b>
	<b>Indirect Support Cost</b>				<b>133000</b>	<b>211750</b>

*Note: Resources allocated to each output are exclusive of programme management costs*

## 6. Management and Coordination Arrangements

The UN Joint Programme management arrangements will follow the United Nations Development Group (UNDG) Joint Programming Guidelines that have been agreed upon by the members of the UNDG.

### **Roles and Responsibilities the Steering Committee (SC) and the Programme Management Committee (PMC)**

A National Steering Committee (SC) will be established to provide oversight and strategic guidance to the Joint Programme. The SC is co-chaired by the Government and the UN Resident Coordinator (UNRC). Members include the UN and government representatives and a representative from the donor country. Membership will be kept to a minimum and will only consist of non-implementing parties to maintain independence.

The Committee shall be responsible for providing oversight of the fund-supported activities, overall coordination of the JP and be responsible for making arrangements for assurance function. The responsibilities of the SC shall include, but not be limited to:

- 1) Review, approve and amend this JP document;
- 2) Discuss progress and identify solutions to problems facing any of the programme's partners;
- 3) Review and approve consolidated financial and progress reports;
- 4) Review and approve annual workplans and budget revisions; and
- 5) Review evaluation findings related to impact, effectiveness and the sustainability of the JP.

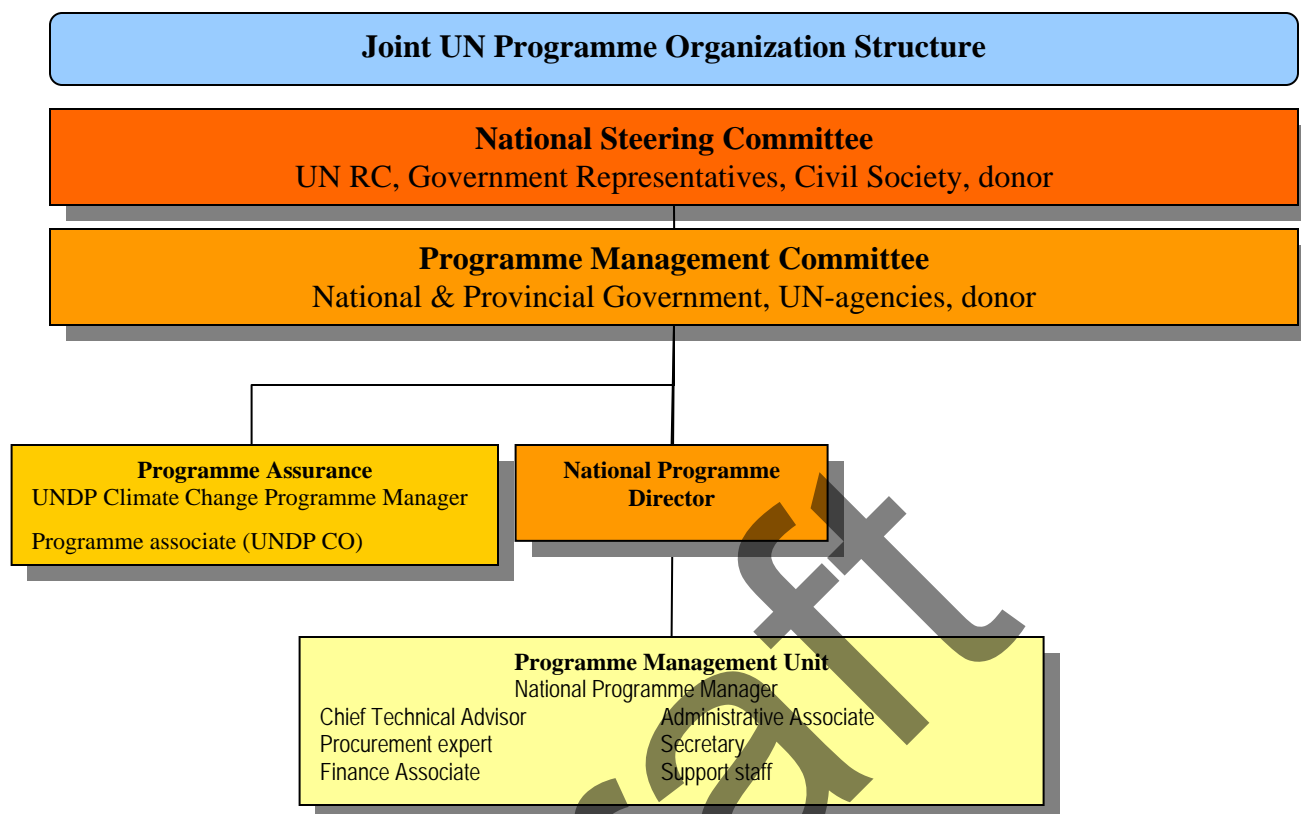
The SC will normally meet twice a year to review accomplishments and future activities, investigate bottle necks and barriers in order to reach a decision on expected actions. The SC will also serve as a channel for inter-partner exchange of communication and decision making is done by consensus.

**Besides the SC, a Programme Management Committee (PMC)** will be established to provide operational coordination to the Joint Programme planning and implementation of activities. The membership will consist of participating UN organizations of the Joint Programme and relevant Indonesian Government counterparts. The UN Resident Coordinator (RC) or his/her representative will chair the PMC. Other Joint Programme partners and experts will be invited to the PMC meetings as needed. The PMC will provide technical and substantive leadership regarding the activities envisaged in the Annual Work Plan and provide technical advice to the SC. The PMC will normally meet quarterly, but may have to meet more often depending on the need to address issues related directly to management and implementation of the programme. Key-development partners involved in REDD such as the World Bank and AusAID will be invited to join the PMC as observer.

UNDP will act as the Administrative Agent (AA) of the Joint Programme. Each output of the Joint Programme will be managed by a designated UN organization, hereafter referred to as Participating Agency. Each participating UN organization shall assume full programmatic and financial accountability for the funds disbursed to it by the AA. Participating UN Organizations shall be entitled to deduct their indirect costs on contributions received according to their own regulations and rules which will not exceed 7 percent of the budget. In addition to a fee of 1 percent of the donors contributions will be deducted for fund administration and fiduciary responsibilities for the Administrative Agent.

### **Role of the UNRC**

The JP will rely on the UNRC to facilitate collaboration between Participating UN Organizations to ensure that the program is on track and that promised results are being delivered.



### National Programme Director

The Government of Indonesia will appoint a National Programme Director who will carry overall responsibility of the programme implementation on behalf of the GoI. S/he will report to the PMC and the NSC on progress made and issues to be resolved. S/he will furthermore provide overall guidance to the National Programme Manager.

### UN Staff

The UNDP Climate Change Programme Manager will provide programme assurance. S/he will also monitor delivery of results both in terms of budget and programme outputs. S/he will be supported by a programme associate for administrative and financial processes.

### UN REDD Secretariat

To implement the programme, a UN REDD Programme Support Unit will be established in Jakarta. The Secretariat will work with the implementing partners and key-stakeholders to implement programme by providing operational and technical leadership to the programme activities.

### Key Project Personnel

The team based in the Secretariat will be led by a National Programme Manager who will be reporting to the National Project Director and the UNDP and FAO country offices as well as UNEP Regional Office in Bangkok, and seek guidance on issues to be resolved. Other key personnel will consist of a Chief Technical Advisor

(international), a Procurement Specialist, Finance Associate, Administrative Associate, Secretary, and support staff.

**Cash Transfer Modalities**

The allocated funds from the donor for executing activities will be transferred through the AA to the participating UN Organizations in line with provisions of the JP Guidelines. The AA will then transfer funds to the Participating UN Organizations which will in turn use their normal procedures to make the funds available for activities under their responsibility.

Each participating UN Organization shall establish a separate ledger account for the receipt and administration of the funds disbursed to it by the AA. Each organization assumes complete programmatic and financial responsibility of the funds disbursed to it by the AA and can decide on the execution process with its partners and counterparts following the organization's own regulations.

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## 7. Fund Management Arrangements

The UN-REDD Collaborative Programme utilizes the 'pass-through' modality for fund management (see below graphic illustration). Participating UN organizations, in this case FAO, UNDP and UNEP, assume full programmatic and financial accountability for the funds received from the Administrative Agent.

Graphic illustration of fund management for a Joint Programme with Pass-Through Funding



Each Participating UN Organization shall decide on the execution process with its partners and counterparts following the organization's own regulation and rules. National governments, Regional Development Banks and NGOs can receive funding through a Participating UN Organization and act as executing agencies. Participating UN Organizations shall be entitled to deduct their indirect costs on contributions received according to their own regulations and rules, taking into account the size and complexity of the particular programme. Any indirect costs will be reflected in the Joint Programme submitted to the Technical Secretariat. Indirect costs will not exceed 7 per cent of the project budget. These costs cover general oversight, management, and quality control, in accordance with its financial regulations and rules. Specialized service delivery costs for programme and project implementation may be recovered directly, in accordance with the respective Participating UN Organizations' policies.

Each Participating UN Organization will use the funds disbursed to it by the Administrative Agent from the UN-REDD Programme MDTF to carry out the activities for which it is responsible as set out in this document as well as for its indirect costs. The Participating UN Organizations will commence and continue to conduct operations for the UN-REDD Programme as set out in the UN-REDD MOU or as instructed by the UN-REDD Policy Board. The Participating UN Organizations will not make any commitments above the approved budgets, as amended from time to time by the Policy Board. If there is a need to exceed the budgeted amounts, the Participating UN Organization concerned will submit a supplementary budget request to the UN-REDD Policy Board, through the Technical Secretariat.

The Administrative Agent will ensure consistency of the approved Joint Programme with the applicable provisions of the Standard Administrative Arrangements (SAA) entered between donors and the Administrative Agent, and the MOU between the Participating UN Organizations and the Administrative Agent.

The governance and oversight mechanisms include:

A Programme Executive Board will be established. The PEB will be jointly-chaired by a designate of the Minister of Forestry and a designate of the UN Resident Coordinator, and will meet quarterly and be responsible for the effective coordination of the programme, the approval of all detailed work plans, budgets, and overall

monitoring and evaluation of progress made. A country-led National UN-REDD Office (within the Department of Forestry of the Ministry of Forestry) will provide day-to-day management of the Joint Programme, coordinate national REDD activities, ensure whole-of-government responses, and integrate REDD into the national development planning processes.

The UN Resident Coordinator provides on-going oversight to the Joint Programme, ensuring the participating UN organizations are meeting their obligations. The Resident Coordinator is entrusted with leadership of on-going programmatic oversight of the UN-REDD activities and UN Coordination with the National REDD Office. He/she also facilitates ongoing monitoring and evaluation of UN-REDD activities in conformity with UN standards.

**Transfer of cash to national Implementing Partners:**

Funds will be released in accordance with the UN-REDD Programme Rules of Procedure. These procedures require the Technical Secretariat to submit the following to the Administrative Agent:

- Copy of the signed NJP document with the approved budget
- Submission Form, signed by the Chair of the Policy Board.

Upon receipt of the necessary documentation, the Administrative Agent shall release funds to the Participating UN Organizations as set out in Section II of the Memorandum of Understanding for the Multi-Donor Trust Fund (available at [www.undp.org/mdtf/UN-REDD/overview.shtml](http://www.undp.org/mdtf/UN-REDD/overview.shtml)). The Administrative Agent shall notify the Participating UN Organizations and the UN Resident Coordinator when the funds have been transferred. Each Participating UN Organization shall establish a separate ledger account for the receipt and administration of the funds disbursed to it by the Administrative Agent.

## 8. Monitoring, Evaluation and Reporting

The logical framework matrix (Table 1, above) provides the expected results (Objective, Outcomes and Outputs) of the Indonesia UN-REDD programme, together with quantitative indicators, including baseline values and time-bound targets. It also describes the means of verification and risks and assumptions associated with each result. The Summary of Results framework (Table 2, above) identifies the responsible UN agency for each Output and the implementing partner.

The Indonesia UN-REDD programme is only expected to last 20 months, and represents an initial phase in the process of assisting Indonesia to become REDD-ready by 2012. As such, no evaluation will be undertaken, and most indicators, which are mainly process indicator, will be measured only once. Table 3 re-organizes the indicators described in Table 1 sequentially, and thus constitutes a monitoring workplan.

Table 3. Monitoring workplan

Result	Indicator	Means of Verification
<b>May 2009</b>		
1.1 Consensus on key issues for national REDD policy development	<ul style="list-style-type: none"> <li>• UN REDD secretariat running</li> </ul>	Reports, Project running
<b>June 2009</b>		
1.1 Consensus on key issues for national REDD policy development	<ul style="list-style-type: none"> <li>• Stakeholder representation broadened to provinces</li> <li>• Roadmap agreed</li> <li>• Components REDD architecture</li> <li>• Demonstration projects moving ahead</li> </ul>	Reports, Demo projects
1.2 REDD lessons learned	Consensus on Indonesia specific project modalities	Reports
1.3 Communications Program	<ul style="list-style-type: none"> <li>• REDD awareness levels with decision makers and communities</li> <li>• Level of consensus on relevant elements REDD architecture</li> </ul>	Reports, interviews
2.1 Improved capacity and methodology design for forest carbon inventory within a Monitoring, Assessment, Reporting and Verification System (MARV), including sub-national pilot implementation	<ul style="list-style-type: none"> <li>• Methodology developed to assess and monitor REDD relevant information (forest cover, C stock, changes)</li> <li>• Socio-economic data needs for MARV at sub-national level are identified</li> </ul>	Reports, MRV system.
2.2 Reference emissions level (REL) proposed at the provincial level	<ul style="list-style-type: none"> <li>• Stakeholders endorse reference scenario</li> </ul>	Reports
3.2 Empowered local stakeholders are able to benefit from REDD	<ul style="list-style-type: none"> <li>• Level of awareness REDD</li> <li>• Enhanced capacity</li> </ul>	Reports, Demo running
<b>August 2009</b>		
2.2 Reference emissions level (REL) proposed at the provincial level	<ul style="list-style-type: none"> <li>• Trained provincial staff capable to provide information for REL and scenario development</li> <li>• Data analysis on deforestation and degradation apply national methodology</li> </ul>	Reports, trained staff, MRV information system
<b>September 2009</b>		
2.1 Improved capacity and methodology design for forest carbon inventory within a	<ul style="list-style-type: none"> <li>• Capacity to produce maps and statistic for REDD in the pilot province is improved</li> </ul>	Reports, database system.



Monitoring, Assessment, Reporting and Verification System (MARV), including sub-national pilot implementation		
2.3 Harmonized fair and equitable payment mechanism at provincial level	<ul style="list-style-type: none"> <li>• Level of stakeholder satisfaction with payment system(s)</li> <li>• Payment systems endorsed through national or provincial legislation</li> <li>• Application payment systems</li> </ul>	Reports
3.1 Capacity for spatial socio-economic planning incorporating REDD at the district level	<ul style="list-style-type: none"> <li>• Level achieving “Paduserasi” between TGHK &amp; RTRD</li> <li>• Priority setting tool used for spatial planning on REDD</li> </ul>	Reports
<b>December 2009</b>		
2.1 Improved capacity and methodology design for forest carbon inventory within a Monitoring, Assessment, Reporting and Verification System (MARV), including sub-national pilot implementation	<ul style="list-style-type: none"> <li>• Design for scalable NFI completed</li> <li>• Guidelines for NFI are in place</li> </ul>	Reports, NFI revised design, books/toolkits
2.4 Toolkit for priority setting towards maximizing potential Carbon-benefits and incorporating co-benefits, at the provincial level	<ul style="list-style-type: none"> <li>• Maps produced indicating forests, land resources, carbon, biodiversity, watersheds and pockets of poverty</li> <li>• Toolkit applied for district spatial planning &amp; REDD</li> <li>• Toolkit include CC impact assessment tool.</li> </ul>	Reports, maps, books/toolkits
3.3 Multi-stakeholder-endorsed District plans for REDD implementation	Spatial plan endorsed DPRD	Endorsed map

### Evaluation, Annual/Regular reviews:

The Technical Secretariat will establish an Evaluation Plan which ensures that all programmes supported by the UN-REDD Programme will undertake a final evaluation, which will assess the relevance and effectiveness of the intervention, and measure the development impact of the results achieved, on the basis of the initial analysis and indicators described at the time of programme formulation. Furthermore, the Technical Secretariat will lead Mid-Term Reviews and thematic reviews for all programmes.

### Reporting:

At the national level, the Participating UN Organizations are required to provide narrative reports on results achieved, lessons learned and the contributions made to the Joint Programme. The information shall be consolidated by the Programme Manager into a narrative report every 6 months. The Technical Secretariat shall provide the Policy Board updates on the implementation progress of the Joint Programme every 6 months, based on information received from the Programme Manager. The UN Resident Coordinator will assist in ensuring the Participating UN Organizations at the country level provide the necessary information. The UN-REDD Coordination Group shall also follow-up with the relevant officers and representatives of the Participating UN Organizations.

The Administrative Agent will provide regular updates on the financial status of the MDTF to the Policy Board, for review and action as appropriate.

Participating UN Organizations in receipt of UN-REDD resources will be required to provide the Administrative Agent with the following statements and reports:

- Narrative progress reports for each twelve-month period ending 31 December, to be provided no later than two months after the end of the applicable reporting period;

- Annual financial reports as of 31 December each year with respect to the funds disbursed to it from the Joint Programme Account, to be provided no later than three months after the end of the applicable reporting period;
- A final narrative report and financial report, after the completion of all Joint Programme activities financed from the UN-REDD MDTF, to be provided no later than 30 April of the year following the financial closing of Joint Programme activities;
- A final certified financial statement, to be provided no later than 30 June of the year following the financial closing of Project activities.

The Administrative Agent shall prepare consolidated narrative progress and financial reports consisting of the reports referred to above submitted by each Participating UN Organization, and shall provide those consolidated reports to the respective Resident Coordinators and subsequently to the UN-REDD Policy Board through the Technical Secretariat.

Subsequently, in accordance with the MOU and the SAA, the Administrative Agent will submit consolidated narrative and financial reports to all UN-REDD Programme donors. Agreed standard UNDG financial and progress reporting formats will be utilized. The Administrative Agent will also submit to donors a certified annual financial statement (Source and Use of Funds).

Information given to the press, to the beneficiaries of the UN-REDD Programme, all related publicity material, official notices, reports and publications, shall acknowledge the role of the UN-REDD donors, the UN Agencies, and any other relevant parties.

Whenever possible and to the extent that it does not jeopardize the privileges and immunities of UN Agencies, and the safety and security of their staff, UN Agencies will promote donor visibility on information, project materials and at project sites, in accordance with their respective regulations, rules, policies and procedures.

## 9. Legal Context or Basis of Relationship

The Participating UN Organizations (FAO, UNDP and UNEP) have signed a Memorandum of Understanding (MOU) to implement the UN-REDD Collaborative Programme, which came into effect on 20<sup>th</sup> June 2008 and ends 20<sup>th</sup> June 2012.

This Joint Programme document is consistent with the cooperation/assistance agreements signed by the lead UN agencies involved in this programme with the Government of [*insert country*]. For the UNDP, this Document is pursuant to the Country Programme Action Plan and the Standard Basic Assistance Agreement (SBAA) it signed with the Government of the [*insert country*]. All provisions in the SBAA therefore apply to this document. Consistent with Article III of the SBAA, the responsibility for the safety and security of the implementing partner and its personnel and property, and of UNDP's property in the implementing partner's custody, rests with the implementing partner.

The implementing partner shall:

- put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried, and
- assume all risks and liabilities related to the implementing partner's security, and the full implementation of the security plan

The **UNDP** reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of this agreement.

On the part of the **FAO**, this document is consistent with the basic agreement with Government of Indonesia as indicated in the exchange of letters between the Government of Indonesia and FAO on 16 October 1978.

The FAO Representative shall represent the Organization in Indonesia, and shall be responsible within the limits of the authority delegated to him/her, for all aspects of the Organization's activities in the country. In the effective performance of his/her functions, the FAO representative shall have access to appropriate policy and planning levels of Government in the agriculture, fishery and forestry sectors of the economy, as well as, to central planning authorities. He/she shall maintain close liaison with the Government's coordinating agency for external assistance and thereby serve to keep all the appropriate Government agencies fully informed on all aspects of the policies and procedures of FAO's programme in Indonesia.

For **UNEP**, in line with its position as a non-resident agency with a global mandate for technical cooperation and capacity building, the signed Joint Programme document shall be the legal basis of UNEP's relation with the Government of Indonesia within the context of this programme. UNEP will work in close coordination with the programme management team.

The Participating UN Organizations agree to undertake all reasonable efforts to ensure that none of the funds received pursuant to UN-REDD are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by Participating UN Organizations do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via <http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm>. This provision must be included in all sub-contracts or sub-agreements entered into under this programme document.

Annex A: Total Budget for UN-REDD Indonesia Programme

Period: April 2009 – December 2010

Outcomes			Year 2009	Year 2010	Total
<b>Outcome 1:</b> Strengthen multi-stakeholder participation and consensus at national and provincial level	1.1	Supplies, commodities, equipment and transport	60,000	60,000	<b>120,000</b>
	1.2	Personnel	237,400	461,000	<b>698,400</b>
	1.4	Contracts	240,000	322,000	<b>562,000</b>
	1.5	Other direct costs	2,600	12,000	<b>14,600</b>
		<b>Total Outcome 1</b>	<b>540,000</b>	<b>855,000</b>	<b>1,395,000</b>
<b>Outcome 2:</b> Successful demonstration of establishing a REL, MARV and fair payment systems based on the national REDD architecture	1.1	Supplies, commodities, equipment and transport	114,000	26,000	<b>140,000</b>
	1.2	Personnel	530,000	536,000	<b>1,066,000</b>
	1.4	Contracts	153,000	400,000	<b>553,000</b>
	1.5	Other direct costs	3,000	8,000	<b>11,000</b>
		<b>Total Outcome 2</b>	<b>800,000</b>	<b>970,000</b>	<b>1,770,000</b>
<b>Outcome 3:</b> Capacity established to implement REDD at decentralized levels	1.1	Supplies, commodities, equipment and transport	76,000	196,000	<b>272,000</b>
	1.2	Personnel	265,000	644,000	<b>909,000</b>
	1.5	Other direct costs	9,000	60,000	<b>69,000</b>
		<b>Total Outcome 3</b>	<b>350,000</b>	<b>900,000</b>	<b>1,250,000</b>
Project management	1.1	Supplies, commodities, equipment and transport	23,000	0	<b>23,000</b>
	1.2	Personnel	186,000	295,000	<b>481,000</b>
	1.5	Other direct costs	1,000	5,000	<b>6,000</b>
		<b>Total Management</b>	<b>210,000</b>	<b>300,000</b>	<b>510,000</b>
<b>TOTALS</b>			<b>1,900,000</b>	<b>3,025,000</b>	<b>4,925,000</b>