

**Report to the Rainforest Foundation Norway
on
Reducing Emissions from Deforestation and Degradation in Indonesia**

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All opinions made in the report are the responsibility of the authors, as are any errors of fact or analysis.

Executive Summary

Each month in Indonesia, new REDD actors and plans are announced and the whole field is undergoing rapid development. All levels of government are becoming involved, and many departments and agencies at the national level are beginning to develop work related to REDD. A major concern of civil society is that the forestry department will incorporate REDD funding into its business as usual approach, which routinely violates indigenous peoples' rights and rewards big business while not addressing land tenure, livelihoods and ecological functions.

Community groups and NGO's in Indonesia are open to being involved in REDD programmes and projects provided that the issues of land tenure and indigenous peoples rights are dealt with fairly and good governance procedures are adopted and followed. Groups interviewed welcomed the news that Norwegian NGO's are concerned about the same set of issues, and that the Norwegian Government has funding that could potentially assist with REDD policy, programme and pilot development in Indonesia in line with these overarching concerns.

There are many opportunities for Norway to engage in REDD policy development in Indonesia that could assist the adoption of rights-based approaches, in a number of national agencies, reducing the hegemony of the national forestry department. For instance, BAPPENAS, the new National Council on Climate Change and the Department of Agriculture are developing work on REDD but lack funding.

On technical matters, the BPPT (National Agency for Technology Research and Application) is developing its ability to monitor carbon and carbon fluxes in the forest and agriculture landscape, and could be assisted to develop a participatory approach to such assessments.

Norway could also assist APEKSI, the Association of District Governments to learn about and share experiences on REDD policy and practice amongst district (*kabupaten*) governments in cooperation with civil society groups.

The Norwegian government could create a fund for planning grants for the development of proposals for programme development and associated pilot projects. Applications for these planning grants could come from district or provincial governments, or theoretically from the national government, in cooperation with civil society, NGOs, academia etc. Or these proposals could come from NGO's, but should only be supported if they include close cooperation with and the agreement of district, provincial or national government. The point is to create a fund where the national government cannot block planning grants. The Indonesian government could still block the funding needed to implement the programme plans that are generated by these grants, but there will be more options for advocacy by the proponents of the programmes and linked pilots to get the programmes funded.

The authors believe that all the REDD pilot projects described in this report are making important attempts to develop participatory, accountable approaches, and would be worthy of funding. The Governments of Papua and Aceh are willing to sign MoU's directly with foreign governments on REDD programme development, with a goal of developing policy frameworks and programmes that could assist the development of the provincial and national REDD framework, and create provincial REDD approaches acceptable to the national government.

Norway could also provide assistance to NGOs and communities to explore and socialize the potential benefits and threats of REDD programmes and projects, and to engage with government and industry in REDD policy, programme and project development and implementation.

Background on REDD in Indonesia

While Indonesia's overall deforestation rate has fallen from around three million hectares annually a decade ago to less than two million hectares annually today, the deforestation rate is still one of the highest in the world, and is a major source of global CO₂ emissions. Indonesian governments are planning large-scale expansion for the Oil Palm and Pulp and Paper industries over the coming decade, with an additional 20 million and 10 million hectares of new plantations respectively. Although Indonesia has tens of millions of hectares of deforested lands that could potentially be planted with these crops, the majority of the plantation expansion is planned for forest areas. Funding to avoid emissions from deforestation offers a potential economic incentive to reduce the planned deforestation.

In November 2006, Wetlands International and Delft Hydrology Institute released a report on peat forest degradation in Asia which estimated that Indonesia's Carbon Dioxide emissions from forest destruction and peat soil oxidation to be about two billion tonnes per year. The figures shocked Indonesian government and civil society as it placed Indonesia as the third largest Greenhouse Gas emitting nation in the world, with per capita emissions equivalent to Western Europe.

During the first half of 2007, the Indonesian Government denied that its land use practices were leading to high CO₂ emissions by criticizing the report and citing recent studies of CO₂ levels in the air above Sumatra that indicated that Indonesia's forests are a net CO₂ sink. Over the last year, however, further studies of peat forests and peat soils in Indonesia by ICRAF in cooperation with Indonesian research institutes have confirmed the high level of emissions from peat soils. While there is still a significant error margin in the estimates, Indonesia's annual CO₂ emissions from land use and land use change are estimated at between two and three billion tonnes of CO₂.

Roughly half of Indonesia's 22 million hectares of peat forest has been drained for logging and one third has been cleared for agriculture. Almost half of Indonesia's remaining peat forests are classified as conversion forests. Permits have been issued for

the conversion of about four million hectares of peat forests for pulpwood and oil palm plantations in Riau, Central Kalimantan, Jambi, Papua and West Papua. If these peat forests are cleared and drained, Indonesia's annual CO₂ emissions will increase by another billion tonnes and will continue at that level for decades until the drained peat soils are oxidised.

The COP 13 UNFCCC in Bali agreed to include Reducing Emissions from Deforestation Forest Degradation in Developing Countries in a future protocol to reduce GHG emissions. The framework for REDD to be negotiated over the next 16 months will have to resolve important issues including: financial mechanisms, benefit sharing and compensation for opportunity costs, methodologies for establishing baselines and monitoring systems; ownership of carbon and responsibility for maintaining carbon stores; governance structures. NGO's and indigenous peoples groups have been strongly critical of REDD plans by the World Bank and others for failing to address underlying causes of deforestation and degradation, and for failing to respect the rights of indigenous peoples.

To be successful on the ground in Indonesia, the REDD framework will have to address tenure conflict between businesses that hold permits to exploit much of remaining forest area in Indonesia and indigenous peoples whose customary rights to manage their resources are routinely ignored by government and industry. It will have to develop mechanisms that can reward individuals and communities on the ground that have been protecting forests, and also reward individuals and groups for changing their behaviour away from destructive activities. It will be a big challenge to the Indonesian government, which consistently rates near the bottom of any international survey of governance failures and corruption, to develop governance systems that are transparent, participatory and accountable.

Over the last decade, many NGOs in Indonesia called on the Indonesian Government to address governance failures and resolve land tenure issues as the best way to stop forest degradation and reduce rural poverty. A substantial body of evidence and expertise on these issues has been built up, and this will assist the development of REDD programs and projects in Indonesia to deal with the underlying causes of forest degradation and loss.

Carbon Markets and Tenure Issues

On the issue of funding sources for REDD, one government official we interviewed noted, "Indonesia is greedy, and is seeking REDD funds from any and all sources". Only a few NGO's have questioned Indonesia's interest to join a global carbon market; most civil society groups and all levels of government seem uninterested in the problems of offsets for dirty industries, carbon sales to international actors and the implications of carbon debts.

The inclusion of REDD initiatives in global carbon markets will impact on Indigenous Peoples rights and on other local communities. Payment for Environmental Services

schemes have been shown in other countries to impact negatively on land reform campaigns and campaigns to obtain recognition of indigenous title to lands. In Costa Rica for instance, it is mainly big land owners who get the benefits from the PES program, and this has led to marginalization of indigenous communities. Internationally, Indigenous Peoples have expressed concern that PES systems can lead to increased land pressure, although discussion on this issue in Indonesia is just beginning. There is potential for a REDD program in Indonesia to make campaigns for land rights and land reform more complicated, as large landholders and leaseholders have an increased incentive to acquire and hold on to their land titles and licenses.

In countries such as Indonesia, where national legal frameworks to protect Indigenous Peoples' lands are weak or not enforced, those wishing to implement REDD initiatives may ignore IP's and local community rights. There is a high potential that REDD will reward license holders - logging, mining and plantation companies, creating perverse incentives for them to threaten to clear even more forest, and leaving indigenous peoples even more marginalised.

The UN definition of forests includes tree plantations. If this definition is accepted in the REDD negotiations of the UNFCCC, it will allow the replacement of natural forest with plantations in the name of climate change. While many REDD projects will be based around maintenance of natural forests, the pulp and paper and oil palm plantation industries have a close working relationship with the Indonesian Government, and may be able to secure government support for REDD deals that allow them to convert forests and receive REDD payments. This would lead to a worse situation for forests and climate, as healthy forests store significantly greater quantities of carbon than either plantations or industrially logged forests. Conservative estimates indicate that plantations store only 20% of the carbon in a mature natural forest, and that allowing natural secondary forests to regrow sequesters much more carbon than plantations.

The United Nations Declaration on the Rights of Indigenous Peoples was adopted by the General Assembly on September 2007 and is the most comprehensive and relevant human rights standard-setting instrument for Indigenous Peoples. The Declaration itself is not legally binding for States, but it is a reaffirmation of rights that are also found in the UN Charter, both UN Covenants and other legally binding and non-legally binding international instruments relevant to Indigenous Peoples. Indigenous peoples and their associations and support groups are calling on the UNFCCC to include in its negotiations on REDD articles 10, 26 – 30 and 32 from the Declaration. To date, the UNFCCC has been unwilling to include specific reference to this declaration.

It is important that REDD processes in Indonesia respect the right to free, prior and informed consent of Indigenous Peoples. In recognizing such consent, Indigenous Peoples will be able to exercise their self determination and maintain their efforts to protect their lands, territories and resources. Indigenous Peoples representatives expressed in SBSTA 27 in Bali that without safeguards, REDD may increase the violation of Human Rights, IP's rights to lands, territories and resources, cause forced

evictions, prevent access and threaten indigenous agriculture practices, destroy biodiversity and cultural diversity and cause social conflicts.

The G77 is arguing that REDD should follow the same rules that Annex-1 countries apply for Land Use, Land Use Change and Forestry. Under the Annex 1 LULUCF rules, countries do not have to account for emissions caused by industrial logging, nor for forests converted to tree crops (which under FAO definitions are still forests). Annex 1 countries will argue that the rules that apply to them should not be used for REDD, but this is a hypocritical position. The enormous loopholes in LULUCF rules were established in Kyoto, where parties to the convention were desperate to achieve an agreement on emissions reductions, and accepted many perverse demands from participating countries (such as Australia negotiating the right to increase its emissions to 108 per cent of 1990 levels, while other developed countries agreed to reduce their emissions to 5 per cent below 1990).

The National Government and REDD

In 2007, the Government of Indonesia issued legislation on forest planning, management and use (Government Regulation PP6/2007) which provides a legal basis for implementation of REDD pilot projects. This regulation authorizes provincial and district governments to issue IUPJL licenses (Izin Usaha Pemanfaatan Jasa Lingkungan – Permit for Ecological Service Utilization) which can include permits for storing and absorbing carbon in both production and protection forests.

Under the new law, Provincial and District Governors and Regents can issue IUPJL licenses to exploit environmental services including carbon sequestration. This law was put in place to enable reforestation projects to claim carbon credits. IUPJL can be issued for periods longer than 30 years, where required for environmental services. While no 100-year IUPJL license has been granted, the Aceh government is working towards this objective so that it can attract investors to its REDD activities.

A key question for all REDD activities is who owns the carbon held in Indonesia's forests and soils. The Forestry Department and Government regulation PP6 assume that the State has the right to issue licenses for management of the carbon stocks, allowing licensees to sell the carbon. This model is similar to the licenses issued by the Forestry Department for logging. The state does not own the trees, but has the right to issue licenses for exploitation of the trees.

Under the national forestry department's draft REDD implementation plan, any forestry permit holder (logging, industrial pulp wood, or local forest owner or user with the agreement of a Bupati) can develop a REDD proposal and submit it to the department's REDD committee for approval. The Forestry Department wants to maintain the rights to give or withhold approval for any and all REDD projects throughout Indonesia, regardless of whether the funding is private or public. The Provinces of Aceh and Papua, due to their special autonomy laws, argue that they do not need approval from the

national government to develop REDD projects and secure investors. To date, private investors, based on the voluntary market, have requested that the provinces secure approval from the national government.

This approach is based on the assumption that the state has management rights over Indonesia's forests. In an important sense, this is legally questionable, as the vast majority of Indonesia's National Forests have never been formally gazetted. ICRAF estimate that only twelve per cent of Indonesia's forests have been gazetted as State Forests, a process that requires consultations with local stakeholders to determine which areas are free of rights pertaining to other parties. As the gazette process has not happened in the vast majority of Indonesia's forests, the right of the Indonesian government to issue licenses for exploitation, either for wood extraction or carbon storage, can be questioned.

ADD and REDD offer the opportunity for these issues to be revisited, but also hold the possibility that activities to avoid or reduce emissions from deforestation and degradation will perpetuate the injustices of current forest management by the national, provincial and local governments, whereby the right of indigenous peoples to control and manage their customary lands are routinely violated.

The National Forestry Department is currently preparing guidelines for REDD implementation with little involvement of civil society. It is important that groups with a critical yet constructive analysis of REDD are given the possibility to have input to the guidelines, so that good governance forms the basis of REDD policy and practice.

The forestry department's REDD policy could easily be changed in the future, as it is based on a Ministerial Regulation. A new Minister of Forestry can change the regulation without consulting any parties.

The National Development Planning Agency (BAPPENAS)

Since 2007, BAPPENAS has been preparing a national response to climate change. In July 2008, BAPPENAS released a report; Indonesia's Response to Climate Change, explaining its climate change related program, projects, and activities in Indonesia. The forestry sector is one of the priorities of BAPPENAS, which also include agriculture, transport and energy production. The BAPPENAS plan was endorsed by the ministry of finance and has been offered to donors to contribute in tackling climate change issues in Indonesia. BAPPENAS is the most legitimate and experienced agency in the Indonesian Government in administering and coordinating inter-departmental activities. BAPPENAS has had authority to facilitate development planning for more than 40 years. With the publication of the recent report, it is clear that BAPPENAS is taking over climate change response initiatives in Indonesia, replacing the Ministry of Environment.

BAPPENAS is coordinating all government's climate change initiatives including REDD-I. The lead agency in developing the REDD-I mechanism is the Forestry Department, while BAPPENAS will ensure coordination with another sectors and departments. The

BAPPENAS report includes the following forest-climate related activities: a) reforestation, maintaining Gerhan (Gerakan Rehabilitasi Lahan, National Action on Land Rehabilitation) and developing next actions on land rehabilitation, b) developing a master plan for peatland rehabilitation in Central Kalimantan (ex-mega-rice project), c) completing REDD-I preparatory works, including selection of locations to conduct REDD-I pilot projects. The process on REDD-I also includes developing incentives and a monitoring mechanism. d) improving Forest Management including forest fire prevention.

BAPPENAS report recognises that recognizing indigenous peoples' rights is essential; "Crucial for successful implementation of REDD-I will be the acknowledgement and inclusion of the rights of indigenous people and rural people who depend upon forest resources for their livelihoods, in Indonesia, this number might exceed 60 million people." However, based on the experiences of NGOs working with forestry and indigenous peoples issues, there is a big reluctance from sectoral departments, especially the Forestry Department, to recognise IPs rights. The draft of Ministerial Regulation on REDD for instance, does not give proper recognition to IPs and local community rights. Detailed safeguards for IPs and communities should be needed in any implementation, but it is unclear if BAPPENAS will make this a requirement of REDD programmes. Given the policy difference between the two departments, this is an area where NGO lobbying could help push government policy towards a rights-based approach.

The Forestry Department

With leadership from the Forestry Department, the Indonesian Government has been developing Reducing Emissions from Deforestation and Degradation-Indonesia (REDD-I) as a response to the global call to combat GHG emissions from forest and land use change. The process to develop REDD-I started after COP 12 in Nairobi, and involved donor agencies such as World Bank, GTZ, AusAID, and International conservation NGOs such as WWF, TNC, and CI.

After several assessments and consultations (which were often conducted at short notice and few invitations to civil society) in July 2008 the Forestry Department released its plan for a REDD-I mechanism and commission, in the form of two draft Ministerial regulations. The drafts do not include an overall strategy to combat deforestation and degradation but aim to regulate pilot activities for reducing emissions from deforestation and degradation based on financing through a carbon market.

The draft sets out the implementation steps for a temporary mechanism until there is an international agreement on a REDD mechanism under UNFCCC in 2009 or 2012. The draft is a bridging regulation to undertake REDD pilot projects and establish REDD baselines and monitoring.

There was a lot of criticism of the draft, including the fact that it is only a Regulation under the Minister of Forestry, which will not be strong or broad enough to deal with the

complexities of deforestation and forest degradation. Following is information on the content of both drafts including criticism from stakeholders.

There are obvious problems with the scope of the draft regulation, as it only refers to forest carbon financing through REDD mechanism but doesn't address drivers of deforestation such as expansion of plantations, illegal logging, bad forest governance, or tenurial issues.

The draft defines a mechanism for proponents to carry out REDD activities in Indonesia, which can be in state forest areas consisting of natural forest, industrial forest plantation, community forest plantation (HKM), peoples forest plantation, ecosystem restoration forest, production forest, protected forest, conservation forest, indigenous peoples forest, which are all part of the national forest estate, and individual forest. The draft does not mention REDD activities in conversion forests, where the highest deforestation rates and the highest levels of CO2 emissions occur.

The mechanisms outlined in the Ministry Regulation are based on REDD-I proposals from the Indonesian Forest Climate Alliance (IFCA) an ad-hoc group consisting of the Dept of Forestry, conservation NGOs and research institutions. Under the REDD regulation, entities with legal title or license to manage a forest area can receive certificates for verified REDD emissions reductions, which will hopefully be recognized by the carbon markets, both the current voluntary market and any future market recognised by the UNFCCC. Planning Body of Forestry Department will have to set national reference for REDD. Indicators of success will be based on the IPCC Good Practice Guidance for Land Use, Land Use Change and Forestry.

A REDD commission will be formed to assess proposed REDD activities, and to issue REDD certificates after the carbon stock is verified by an independent body. Another task of REDD commission is registering REDD projects, data storing, and holding warranty funds of REDD project. It will be chaired by the Secretary General of Forestry Department, with membership including the Directors General of Forest Production, Land Rehabilitation and Social Forestry, Forest Protection and Natural Conservation. Also included from the Forestry Department will be the Head of the Planning Body, the Head of Research and Development, and Environmental Staff Experts. Commission members from other departments and ministries will include; Deputy Director of Natural Resources Conservation and Environmental Protection of the Ministry of Environment, General Director of Land and Water Management of the Department of Agriculture, General Director of Oceans, Coastal and Small Islands of the Department of Oceans and Fisheries, General Director of Spatial Planning of the Department of Public Works, the General Director of Regional Development of the Department of Interior.

For many NGOs there are many factors missing from the draft regulation such as tenurial issues, law enforcement, and rationalization of existing permits. The draft assumes that existing forestry governance works well although there is acknowledgement that tenurial conflicts exist. But the authors of the draft assume that there are existing mechanisms to settle conflicts, so a conflict resolution mechanism is not included in the draft.

NGOs have commented that up until the present there is no conflict resolution mechanism in forestry or other natural resource sectors, and there is an urgent need to establish a mechanism for conflict resolution an integral part of any REDD-I mechanism.

NGO criticisms also highlighted the eligibility component of REDD-I. Although there is an opportunity for indigenous peoples or rural peoples that hold land certificates to propose REDD projects, there is no such legal recognition of community land. Under Government Regulation on land use rights, there is an opportunity for communities to propose long term management of forest land through Social Forestry. However, up until now, only less than 50 communities have been granted licenses under the Social Forestry scheme. The vast majority of forestry licenses still go to the private sector. Many NGOs believe that REDD-I will give compensation or incentives to those who have already damaged and continue to damage forests instead of rewarding those who protect forests.

As REDD is a performance based mechanism, incentives will be given when proponents succeed in reducing emissions from land use. Permits holders will calculate the opportunity cost of doing business as usual or getting involved in REDD projects. When the benefit are bigger and easier from deforesting, permit holders will prefer to continue cutting rather than keeping the trees to store carbon.

The redraft of the national forestry regulation on REDD implementation was completed in late August and is awaiting the signature of the Minister of Forestry. It has not been made available to civil society. Many inputs were received from civil society, industry and other parts of government but we understand that suggestions that were not in line with existing forestry department policy were ignored. For instance, the regulation will not provide safeguards for IPs. This is justified by the fact that the REDD implementation strategy is to learn from the demonstration projects. If necessary, revisions of the regulation in the future may include such concerns, based on lessons learned from the demonstration projects.

Provincial Governments and REDD

Kalimantan

Central Kalimantan province

The REDD pilot project in Central Kalimantan is guided by Presidential Instruction no 2/2007 on rehabilitation of the 1.4 million hectare ex-mega-rice peat land project. An ad-hoc working group is developing the project coordinated by coordinating ministry of welfare. At the national level, the working group includes Central Kalimantan Province, Forestry Department, Department of Agriculture, BAPPENAS, and the Department of Public Works. The project intends to rehabilitate damaged peat forests on the site of the mega-rice project, and develop a governance system for the project.

By the end of 2008, the project expects to have approved a master plan for Central Kalimantan Peatlands. The master plan provides guidelines for ecological and economic development functions of the peat lands. Rehabilitation of degraded peat land would be the main activities, along with controls of development activities in remaining peat forests.

A weakness of the Dutch and Australian initiatives for the former mega-rice project area is that they focus on restoration of the degraded site, but do not attempt to address the plans of Central Kalimantan provincial and district governments for the conversion of an additional million hectares of peat swamps. At the least, it would make sense that the projects negotiated cooperation based on an agreement with national and local government that the project would include a component to assess current and planned CO₂ emissions from land use change for the whole province, and to develop recommendations for policy changes and pilot projects that could reduce these planned emissions. This issue is related to the topic of leakage, or in a broader sense can be described as failure of policy reform.

In parallel with the master plan and pilot activity in Central Kalimantan, in July 2008 the government drafted a Presidential Regulation on Peat-Land Use and Management to establish the extent of peat areas, and limit activities in peat forests and on peat soils around Indonesia.

The Forestry Department recently released a revision of the Regulation on Forest Management Units (FMUs) which allows FMUs to be established on large areas and with more than one function. FMUs can now cover a landscape of forest with multiple functions, for instance production forest, protected forest, limited production forest and conversion forest. The revision addresses the need for a multi-sectoral approach to forest management. In 2008, the Central Government plans to establish six Forest Management Units.

West Kalimantan province

Fauna and Flora International and GTZ have begun community and government consultations in West Kalimantan to socialize the idea of REDD, and seek partners for projects. GTZ is offering capacity building to district governments to increase their ability to develop and implement REDD projects.

FFI is developing proposals for REDD pilot projects in two districts, Kapuas Hulu and Ketapang in partnership with the Macquarie Bank, Australia. The project aims to stop the conversion of deep peat forest areas which are currently zoned as non-forest land or conversion forest. The peat swamp forest areas in these two districts have overlapping location permits for oil palm development. However, no decision has been taken yet to grant concessions rights and the two district Bupatis have opted to develop REDD pilot projects in these areas instead of oil palm. The draft proposal focuses on district spatial planning to rezone these forests as protection forest as well as engage the Ministry of Forestry (Department for Forest Planning – BAPLAN) to re-assess and rezone these forest areas. FFI is seeking bilateral funding to develop multi-stakeholder management

institutions, develop village development programs as part of an equitable benefit distribution mechanism in the buffer zones and collaborative law enforcement and fire prevention programs for these peat forests. FFI has established an MOU with the two district governments and has an MOU with the two largest oil palm developers in these districts, Cargill and PT Smart, to assess and protect high conservation value forest and seek RSPO certification for sustainable palm oil production.

FFI is also planning to develop a community carbon pool in collaboration with local civil society organizations based on customary owned forests in West Kalimantan. West Kalimantan has numerous forest fragments managed by local communities on non-state forest land. Transaction costs would be too high for these communities to participate in REDD carbon markets. However managed jointly as a carbon pool, REDD carbon finance could provide significant incentives to local communities to maintain these forest. West Kalimantan has strong village finance institutions through more than 3000 credit unions set up by the local civil society partner Yayasan Pancur Kasih, which provides an ideal framework for the development of equitable benefit distribution mechanisms. FFI is seeking bi-lateral funding to develop the West Kalimantan Community Carbon Pool.

NGO's in West Kalimantan are skeptical but interested to learn more about REDD. Community groups are less skeptical, but are not ready to make decisions on being involved in REDD projects until they have a lot more information.

Sumatra

Aceh province

In June 2007, the new Governor of Aceh declared a moratorium on industrial logging and forest conversion, against the wishes of the national Forestry Department, which was eager to see Aceh produce large amounts of industrial wood to feed sawmills and plywood mills throughout Sumatra and Kalimantan.

In declaring the moratorium, Governor Irwandi Yusuf expressed interest in receiving financial support to manage Aceh's forest, and in particular to receive funding for the reduced carbon emissions that would result from the moratorium. During 2007, the Governor's team worked with Fauna and Flora International and a carbon brokerage firm, Carbon Conservation, to prepare proposals for REDD and to find investors.

Ulu Masen

In March 2008, Merrill Lynch declared its support for a REDD project in the Ulu Masen forests in Aceh. Merrill Lynch is prepared to invest up to \$500,000 a year in the project up until 2012, buying the carbon resulting from reduced carbon dioxide emissions for US\$4 per tonne of avoided CO₂. Merrill has the right to buy additional carbon after 2012. The Ulu Masen project seeks to reduce the baseline deforestation rate of 9,500 hectares per year by 85 per cent, reducing emissions by up one million tonnes of CO₂ per year.

On July 11, 2008 the Provincial Government of Nanggroe Aceh Darussalam (NAD) signed a MoU with Carbon Conservation Australia on Purchasing Sales and Marketing Agreement of Ulu Masen Ecosystem. Carbon Conservation act as middle agent among NAD and other buyers including Merrill Lynch who has the rights to buy all carbon credits until 2012.

Under the agreement the NAD Government agrees to conduct a moratorium on industrial logging and forest conversion and to withdraw mining, timber/logging, and plantation concessions in Ulu Masen in order to reduce the loss of biomass/carbon from the forests and soils of Ulu Masen, and achieve 'Ulu Masen Carbon Credits'. The Provincial Government will develop systems and mechanisms to maintain the carbon stocks through spatial planning, reforestation, agricultural intensification, and law enforcement. The Provincial Government will respect the right of local communities within the Ulu Masen areas to give or withhold their free, prior and informed consent to the activities of project that will affect them, and will integrate the Ulu Masen Project into the overall development plan for Aceh.

Up until now there is no clarity as to who will fund the whole project. Under the MoU, Merrill Lynch, as a partner of Carbon Conservation, will provide an investment of up to \$10 million. But, these funds will become available as the Project demonstrates avoided emissions.

The design of Ulu Masen Project received a silver standard from the Climate, Community and Biodiversity Alliance, an independent organisation working to promote best standards in forest-climate related programs (www.climate-standards.org). The development of the Ulu Masen Project has been in parallel to Aceh Green Vision, which was initiated by the Governor of Aceh under Aceh's Special Autonomy Law.

Stakeholder consultations have begun about the proposed project involving all four districts and including community leaders as well as local government. The land use planning process in Aceh is striving to be fully participatory, where communities are empowered to help plan and execute land-use decisions.

While there is potential for conflict over use of forest resources within the project area, the intention is to minimize conflict by involving communities and Mukim leaders in participatory land use planning processes, establishing jointly agreed boundaries and land use patterns, and developing a multi-stakeholder management structure. (Mukim are groupings of six to 12 villages, and are a customary institution for indigenous peoples in Aceh.) Participatory land use planning process has been completed in the district of Aceh Jaya and the resulting spatial plan is in the final public consultation process before approval by the district parliament.

Areas currently zoned for logging will be reclassified as permanent protection forests and community-managed low-impact, limited production forest areas. This process will build on Governor Irwandi's logging moratorium and enable the Provincial Government, in

consultation with the national government, districts and Mukims, to design an alternative to the expected logging and conversion in Ulu Masen.

A project implementation unit, tentatively called the Ulu Masen Implementation Board will be established at provincial level for project management and technical assistance. Technical assistance will be provided by FFI as well as through procurement of specialized technical service contracts. Through the participatory planning process begun in Aceh Jaya, multi-stakeholder management boards will be established within the five participating districts to provide oversight for project implementation at district, Mukim and village levels.

The Government of Aceh is conducting a multistakeholder Forest Sector Reform Program which is reviewing all forestry law and practices in the province, and will make recommendations to the Provincial Government on a new legal framework, policy and practices for sustainable and equitable forest management. The policy issues raised by the Ulu Masen REDD project are a small part of the work plan of the Forest Sector Reform Program. A team of fifty experts is involved in the program, including representatives from Acehnese communities, Aceh district and provincial government, national government, national scientists, and international experts. The review process, which started in early 2008, is open to input from all parts of civil society, and seeks to follow best practice for good governance.

Although the MoU has been signed between NAD government and Carbon Conservation, the process to develop a permanent mechanism and governance system for the Ulu Masen area is still at a preliminary stage. Setting up the REDD mechanism, an institutional framework, spatial planning and benefit sharing, and initial implementation of the project will take up to five years. The cost of the whole development project is estimated to be \$48 million.

There have been many criticisms of the Ulu Masen REDD Project, including lack of transparency. For many NGOs working in environmental and indigenous peoples issues in Aceh, the process leading up to the MoU was conducted too quickly without adequate consultation or information. JKMA, the largest indigenous peoples' organization in Aceh, was not fully involved in the consultation process. There is a low level of understanding about forest carbon issues among NGO's, communities and governments in Aceh. Even many heads of districts (Bupati) don't understand the process. Given this situation, tensions between District Governments, the Aceh Government and the Central Government are bound to occur unless the development of the project is slowed down, and adequate time is allowed for provision of information and consultation with local stakeholders.

On the other hand, some local environment groups in Aceh are quite critical of the Provincial Government since there has been no concrete action in the field since the start of the moratorium. Many permits for mining and plantation operations that were given out by previous provincial and central governments are now being used and companies

are queuing for more permits. As yet there has been no action by the Provincial Government to assess the permits and revoke those that threaten forests.

There is still a lack of clarity over land tenure throughout Aceh. The Government is in the process of drafting of a land law but the 750,000 hectares of land that the Ulu Masen Project covers (some of which neither state forests nor protected forest) is already subject to the MoU on carbon trading. One of the drafters of land law commented that the REDD project is confusing and distracting the process of drafting the land law.

Aceh Leuser Ecosystem

Another REDD initiative is being developed in the Leuser Ecosystem, in southern Aceh. The Leuser Ecosystem covers 1.7 million hectares, and was gazetted under Ministerial Decree 190/Kpts-II/2001. The Government of Aceh set up the Agency to Manage the Leuser Ecosystem (Badan Pengelola Kawasan Ekosistem Leuser or BPKEL) which has authority for planning, implementation, monitoring, licensing and evaluation of activities in the Leuser Ecosystem.

In June 2008 the Aceh Government signed a draft agreement with Sustainable Forest Management South East Asia (SFM-SEA Ltd), for the establishment of PT-Devco and related companies to operate environmental businesses in the Leuser Ecosystem. Under the agreement PT. Devco and related companies can conduct business activities in the Leuser Ecosystem including agribusiness-agroforestry, timber plantations, eco-tourism, renewable energy, carbon-sequestration and carbon trading.

Riau province

NGO's, industry and governments in Riau are interested in developing REDD projects, especially for areas of deep peat soil, which together contain ten billion of tonnes of carbon. Permits have already been issued for most of the remaining peat forests in Riau for conversion to industrial pulp wood and oil palm plantations. The pulp and paper industry, RAPP and APP, see REDD as a way to receive payments for not converting some of the areas that they have already retained permits for. NGO's see REDD projects as a way to raise funding to manage areas for conservation purposes. The Government of Riau is interested in REDD projects as a source of revenue.

Most efforts to date have been focused on the Kampar Peninsular, an area of roughly one million hectares of peat forest on the central coast of Riau Province. Perhaps half of the peat soils in the Kampar Peninsular are already affected by drainage canals established to facilitate logging, roads and to a lesser extent, oil palm plantations. Without intervention, the Kampar Peninsular will continue to be a major source of CO₂ emissions. RAPP have prepared a detailed plan to manage the Kampar Peninsular by establishing a core protected area surrounded by a ring of 200,000 hectares of pulp wood plantations. RAPP estimates that its plan would significantly reduce the current CO₂ emissions from the peninsular. RAPP's scheme involved a complex system of dams and drains at a scale that has never been practiced in Indonesia. While it is possible that its scheme could reduce the current level of CO₂ emissions, the plantation areas would be net sources of CO₂ to the atmosphere, due to ongoing oxidation of peat soils.

At present, RAPP's plans for the Kampar Peninsular are progressing slowly, as police investigate whether plantation permits that RAPP and other parties received for the western Kampar Peninsular were issued illegally by district governments.

Due to the long history of disagreement and conflict between communities, NGO's and the pulp and paper industry, many groups in Riau are wary of working closely with RAPP. This is not the case for WWF or the local group, Scale Up, which has received funding from RAPP to play a mediation role between the company and communities whose customary lands were taken over by RAPP.

NGOs such as Jikalahari (Forest Resource Network Riau) and Greenpeace are hoping the election of a new Governor will create the possibility to work closely with the Provincial administration on REDD. Both groups along with WALHI Riau have been meeting with the Provincial legislature, and report that the major parties are interested in enacting a provincial moratorium on logging and forest conversion, following the lead of Aceh and West Java. To date, REDD discussion in Riau by government and industry has not emphasized good governance principles.

The recent statement by the Governor of Riau supporting a moratorium on logging and forest conversion will improve prospects for a province-wide REDD programme. However, testing the strength of the Riau Government's commitment will have to wait until the new Governor is in place after provincial elections in November.

Papua

Papua and West Papua provinces

The Governors of Papua and West Papua have both expressed their interest in substantially reducing the forest area classified as conversion forests. At present nine million hectares of forest in the two provinces is classified as conversion forest, including about one million hectares of peat forests. The Governors have said that they would like to reduce the area of conversion forests to about four million hectares, with five million hectares becoming protection or limited production forests. Both Governors see REDD as an important way to generate revenues for local communities, so that they can develop sustainable livelihoods that maintain forest carbon.

FFI, Carbon Conservation and WWF are working with the two provinces to prepare REDD proposals. The Australian Government is interested to provide funding to REDD developments in Papua, but cannot act without the approval of the National Forestry Department. Several private investors are interested to back REDD proposals in Papua and West Papua but are requiring the provincial governments to obtain approval for the projects from the National Government. Private investment in REDD projects in Papua or elsewhere in Indonesia could go ahead without national government approval, based on a decision by a Governor. However, investors are not willing to risk funding a REDD

project that is rejected by the national government, and therefore outside of any future national REDD scheme.

Although the Provincial Governments wish to see REDD assist the development of local economies, and to follow good governance processes, there is a great information gap between provincial plans and communities on the ground. Norway could assist Indonesian groups that want to make sure that communities and local NGOs are kept informed of REDD policy development and pilot project proposals, so that civil society can participate actively in REDD policy and project design and implementation.

Papua initiatives to combat Deforestation and Forest Degradation

The Papua government will implement efforts to avoid deforestation and degradation through the Papua Province Forestry Program. The Program includes the following activities:

Reviewing and reducing industrial logging permits (HPH): The government of Papua will give recommendations to National Forestry Department to withdraw idle HPH permits, which make up about half of the current permits.

Recalculation of forest resources: The government of Papua is conducting an assessment of existing forest resources to set a benchmark for the annual allowable cut and the need for reforestation. This review includes an assessment of the carbon store contained in certain forest areas, and annual rates of emissions.

Optimization of Wood industries: The government will promote on-site wood processing and manufacture industries. The capacity of industries will be adjusted to match with existing forest resources, and log exports will be banned.

Community Forest Industries: To improve local livelihoods, the government will assist communities to become involved in sustainable forest management and wood processing industries.

Plantations: The government plans to reduce the area of forest allocated for conversion from 5 to 2 million hectares and will give permits to companies with adequate financial and technical capability and a willingness to develop the skills and economy of local communities and make a long term investment in the province.

Forest Rangers: The Papuan Department of Forestry has trained 1500 people as forest rangers. The training was conducted jointly with the Police Department and is part of developing system for community-based law enforcement and protection of forests in Papua.

Environmental services program: Papua plans to develop a system of payments for environmental services. Maintaining forest carbon and reducing CO2 emissions will be a major part of the program.

The government of Papua has developed a pilot REDD project in the Cyclops Mountains near Jayapura, which is being degraded by immigrants from the highlands. The Government of Papua signed a MoU with FFI to develop the REDD project using funds from the voluntary market. The proposal has been waiting for a year for approval by the National Forestry Department.

The planned restructuring of the forestry sector in Papua will need both a provincial and national policy framework. At the provincial level, draft regulations on managing natural resources, indigenous peoples' rights and forest management are awaiting approval by the provincial parliament, under the special autonomy law. At the national level, it may still be some months before a national regulation on REDD implementation is established, and it is unlikely that the national government will give priority to REDD projects in Papua.

The national forestry department has been the main agent blocking approval for REDD pilots in Papua. Hopefully with the involvement of the National Council on Climate Change and BAPPENAS, future REDD projects in Papua will be able to receive approval from the national government. It is unclear if the national government.

At the provincial level in Papua, working group of NGO's, community representatives and Government has been created to discuss, develop and socialize a programme and pilots for REDD. Key issues that the working group, called Pokja Sembilan, has identified are creating a legal basis for REDD, clarifying land tenure and carbon tenure issues, conducting a risk analysis, from the point of view of communities and government of REDD options.

The Government of Papua is willing to sign MoU's directly with foreign governments or funders for cooperation on REDD programme development. The government has contracted two companies, Emerald Planet and New Forest, to develop REDD projects for Timika and Mamberamo, with planned payments coming from the voluntary market. Although there are large areas of Mamberamo slated for conversion, the actual threats at present are degradation caused by industrial logging, and the project will seek to reduce these emissions. Although the Provincial Government is expecting to receive REDD funding from the voluntary market next year for REDD projects in Timika and Mamberamo, the legal basis for the projects is still unclear, and Emerald Planet has informed the province that without national government approval for the planned projects, it will be unable to secure investors.

Effective REDD pilots will require district and provincial policy reform to monitor and reduce plans for large scale conversion and hence carbon emissions. Aceh has agreed to develop a province-wide REDD policy framework that will reduce emissions overall. In the case of Papua, the baseline of deforestation over the last ten years is so low (about 100,000 hectares per year), and the planned forest conversion developments are so large (theoretically up to 500,000 ha. per year) that it will be hard for Papua to qualify for REDD funding based on reducing emissions below that baseline unless the Papuan

provinces abandon almost all large scale land use developments. This seems unlikely, and unfair.

The in-principle commitment from the two provinces to reduce the area of conversion forest by more than half (from 9 to 4 million hectares), and to forgo the development options that conversion of those five million hectares of forest would bring, is already an enormous step towards reducing emissions from deforestation. To expect the two provinces to reduce their deforestation rates to below 50,000 ha per province per year, when current forest cover is more than 80 per cent, is unrealistic. Supporting a strong national REDD framework with a national baseline that could reward the Papuan Province's plans to reduce future large scale deforestation, would be in the provinces' best interests. Whether or not the national government and international agreements will allow REDD to include reduction of hypothetical future emissions remains to be seen.

A further problem with the Australian Government programme is that all funding, even planning grants, are conditional on approval of the National Government. All proposals for planning grants for work in Papua and Aceh are on hold, and have been so for a year, waiting the approval of the Ministry of Forestry.

Donor Governments and REDD

Norway. The Norwegian Embassy is promoting forestry sector governance reform through funding to the Partnership for Governance Reform and CIFOR. The Partnership has been conducting consultations in a number of provinces on REDD, to inform local stakeholders about REDD issues, and to assist greater dialog and cooperation between civil society, government and industry in the development of REDD programs and pilots. CIFOR has been conducting trainings for judges and courts on the anti-money laundering law and on laws relevant to illegal logging and forest governance. The Embassy is conducting a review of these programs to help it prepare for further funding on forestry governance and REDD issues next year.

UK. Promoting efforts to mitigate and adapt to climate change is the number one priority of the UK foreign affairs ministry and DfID. DfID is seeking to support policy development in relationship to REDD in Indonesia, and is focusing on readiness issues, rather than pilot projects. DfID are engaged with the World Bank's Forest Carbon Partnership Facility, which to date has been weak on good governance. The local DfID office is not aware of the latest developments with the FCPF, as this is the responsibility of DfID in London.

Germany. Both the GTZ and KfW are working on REDD projects in Kalimantan. In May, at the CBD COP, Angela Merkel announced that Germany will provide up to 500 million Euros per year for the next five years for tropical forest conservation. The details of this fund are yet to be established, but the Government wants to support implementation of CBD and FCCC conventions, of which REDD may be the major

mechanism. This is a major fund which is yet to have clear guidelines for its implementation, although good governance approaches are important to Germany.

The Netherlands has developed a Masterplan for the ex-Mega rice area, in line with Presidential Instruction 2/2007, and will present the Masterplan to the Indonesian Government in September. The final version of the Masterplan will be released by the government at the end of the year. The Masterplan concerns rehabilitation of 800,000 ha. of drained peat soils, and development of 400,000 ha. of agricultural lands.

The Netherlands has offered to develop a nation-wide Masterplan for Indonesia's wetlands, which cover 36 million hectares, of which 22 million hectares are peat soils. The Indonesian Government is considering this offer but no decision has been made. If the government accepts the offer, this would allow the development of an integrated planning approach to monitoring and addressing threats to peat forests and peat soils, as well as rehabilitation of degraded areas.

Australia. A year ago, the Australian Government launched a \$200 million program over five years for supporting REDD. It is expected that between one third and one half of the funding will be made available to Indonesia. Australia was initially interested to provide funding to REDD projects in Papua, but is waiting until the national government gives its support for proposed projects in that province. The Australian government is open to input on best practice for its carbon fund, in regard to participation, transparency and accountability, and is currently focusing its efforts in Central Kalimantan.

The Australian Indonesia Forest Carbon Partnership plans to take a rights-based approach to developing a pilot project in the former mega rice project peat swamp in Central Kalimantan. The goal of the project is to demonstrate that REDD is a viable method able to reduce emissions from deforestation and degradation. It is not primarily designed as a development project, but it will involve livelihoods, and plans to work closely with community stakeholders.

The project will have to deal with land tenure issues, and will contact ICRAF to assist with assessing land tenure issues, and designing peatlands agroforestry systems that can be promoted as livelihood alternatives to further peat degradation by local communities and companies. ICRAF will also assist in designing benefit systems that can reward villagers for changing their behaviour.

Communities will be provided incentives to change their behaviour, and they will be involved in constructing dams to re-flood wetland areas. The project is being developed in cooperation with the Forestry Department, BAPPENAS and the Environment Department, and draws on the work of the Dutch-funded Masterplan for rehabilitation of Peat in Central Kalimantan. NGO's involved include CKPP, BOS, Wetlands, WWF, CARE, and the CINTROP at the University of Palangkaraya.

The project is planning a strong communications component, which is seen as key to motivate behavioural change. The project has a commitment of \$30 million dollars from

the Australian Government, and will last for four or five years. The overall project design envisages a project of \$130 million, lasting for 30 years.

The Partnership is in the early stages of its work. The Central Kalimantan project has developed an outline design for the project, which is currently being peer reviewed by Governments of Indonesia and Australia. Based on the comments from the two governments, the design phase will continue for the next 4-6 months, and tenders will be issued to implement the demonstration project. It will include development of methodologies for developing local baselines and monitoring leakage of activities from the project site.

Australia will also assist the Indonesian Government to establish national baselines for CO₂ emissions from deforestation over the last decade. Australia has asked the Indonesian Government for a list of potential REDD sites, and would like to work on a site with high forest cover. AusAID is seeking other funders who may be interested in the Central Kalimantan project, and has had some initial discussions with the Norwegian and Dutch Embassies.

International Agencies

The World Bank is not active on REDD issues in Indonesia at present, and is waiting for Indonesia to request involvement with the FCPC. Unlike many smaller tropical countries that have requested support from the FCPF, Indonesia is being offered tens of millions of dollars of aid from bilateral donors for REDD preparations. The funds often come with less stringent conditions than World Bank funding. Last year, the Bank played a coordinating role in research for readiness aspects of REDD. A draft consolidation report from the research, conducted in cooperation with IFCA, is presently with the Forestry Department.

The International Center for Research on Agro Forestry has developed a methodology for Rapid Tenure Assessment in Indonesia that can be used to identify tenure claimants as the first step in resolving tenure rights and disputes. It has started training NGO's, community representatives and local government in applying this methodology, with recent trainings in West Java and Sulawesi. The Forestry Department has expressed interest in this approach but there is no formal cooperation at this stage.

ICRAF is planning to assist the Central Kalimantan REDD project by conducting a rapid rural tenure appraisal, designing and implementing peatlands agroforestry systems for local communities that don't degrade peat soils, and designing benefit systems that can reward villagers for changing destructive behaviour.

ICRAF is working with UNEP on great apes and REDD proposals for Cameroon, and for the Tripa swamp in Aceh. ICRAF's role will, like the Central Kalimantan project, involve tenure assessment, livelihoods options that can maintain peat forest and benefits systems that can reward changed behaviours. Cooperation at this point is with the Kabupaten but it will soon involve the provincial and eventually the national government.

ICRAF is also working with CARE and a local NGO in Gorontalo, North Sulawesi, on a REDD project that assesses carbon across the landscape, and designs approaches that can support reducing emissions in the agricultural, agroforestry and natural forest landscapes.

ICRAF is providing training to GAPKI on carbon accounting, and is working with BAPLAN and BPPT (Agency for Technology Research and Application), on developing greater capacity in Indonesian government to understand and carry out carbon accounting.

ICRAF sees many possibilities for REDD projects that are not inside the national forest zone, and therefore would involve other the Agriculture Department and the National Lands Agency (BPN) rather than the Forestry Department. It is unclear if the Agriculture Department and BPN will act with more accountability to district and provincial governments and more involvement of civil society than the Department of Forestry has shown so far. Developing a range of REDD projects with different government departments will encourage a more rapid and comprehensive learning phase.

ICRAF has pointed out that current UNFCCC definitions will not reward carbon emission reductions in peat soils if these are non-forest areas, and believes that whole carbon accounting across the landscape may well be easier to carry out than trying to decide where the forest starts and finishes. ICRAF's initial analysis in Berau shows that there is as much tree cover outside of the forest zone (*kawasan hutan*) as there is inside, due to the fact that the forest zone is an administrative definition, and is not based on forest conditions.

ICRAF is ready to assist with capacity building on the technical aspects of carbon accounting, and has a proposal into the EU on this, but no commitment of funds yet.

CIFOR is not yet involved in REDD pilot projects in Indonesia, but will continue to provide input to the Indonesian Government on the economics of deforestation and avoided deforestation. Together with IFCA, ICRAF wrote a paper on REDD Payment Mechanisms, Distribution and Institutional Arrangements. CIFOR is working on improving the global framework for a REDD mechanism to become viable, including issues of tenure, governance, baselines and monitoring. Through Daniel Murdiyarso, CIFOR is assisting the Forestry Department to develop REDD policies. CIFOR does not have a lot of experience in promoting good governance, although its research findings highlight the importance of participation of affected communities in forestry planning and the need for greater government accountability.

UNDP The GEF is preparing to administer REDD funding through its small grants programme, which is managed by the UNDP. While UNDP Indonesia is interested in handling REDD funding, to date it has not secured or provided funding for REDD either through medium or small grants programmes.

Non Governmental Organisations

The Extractive Industry Transparency Initiative is expecting that the Indonesian Government will sign up to its initiative in the coming months, thereby committing the government to transparency in its dealings with oil, gas and mining companies. The EITI has a good set of tools for transparency and accountability that may provide interesting insights and models for REDD discussions in Indonesia.

Fauna and Flora International is playing a leading role in developing REDD pilot projects in Indonesia. It is working closely with the Governments in Aceh, Papua and West Papua on the development of REDD pilots, and has started discussions with provincial and district governments in West Kalimantan. In each province, FFI has been meeting with NGO's and communities on the REDD plans, although much more consultation and cooperation is needed. To date, only the Ulu Masen project has received funding. Recently FFI signed a MoU with Macquarie Bank, Australia, and it will receive \$12 million to develop six REDD pilot projects in the tropics. Two of these projects will be in Indonesia, one in Papua, and the other in West Kalimantan. FFI is strong on technical ability, and is planning for close cooperation with government, industry and civil society on the development of REDD projects.

FFI has worked with the Papuan Provincial Government to prepare a REDD proposal for the Cyclops Mountains near Jayapura. The area is protected forest, but is being degraded by small scale agriculture by recent migrants from the highlands. The proposal seeks funding to support sustainable livelihoods for the traditional owners in the area, including funds to monitor and protect the area from further degradation. FFI plans to include compensation for relocation and alternative livelihoods for the migrants, as ways to avoid conflicts between the landowners and the migrants. The proposal is yet to receive funding, although the Government of Australia has expressed interest.

FFI is also developing REDD pilot projects in West Kalimantan, see section on West Kalimantan. FFI seeks to promote good governance in its REDD initiatives, and is open to learning about approaches that promote greater transparency and participation.

Other FFI REDD initiatives at the conceptual stage include:

Preparing plan for ecological restoration concessions to stop deforestation in ex-logging concessions in two sites: surrounding Kerinci Seblat National Park in Jambi province in Sumatra, and in Murung Raya districts, Central Kalimantan.

Assessing carbon financing mechanisms as incentives for forest concessionaires to adopt reduced impact logging practices and get FSC certified. FFI has signed an MOU with PT Alas Kusuma to assess and protect high conservation values in concession forests in West and Central Kalimantan and develop carbon finance mechanisms for reduced impact logging and certification.

Greenpeace Southeast Asia is active in discussions on REDD pilot projects in Papua, and to a lesser extent in Riau. Its advocacy for a moratorium on forest conversion by the

palm oil industry already has acceptance from leading palm oil consumers such as Unilever. Greenpeace will work to make the oil palm industry in Indonesia accept a conversion moratorium. Greenpeace internationally is also advocating a REDD fund controlled by the UN with mandatory contributions by annex 1 countries which allows contributions in the form of carbon offsets by these governments seeking to meet their emissions reductions.

WALHI has publicly stated its opposition to carbon offsetting and carbon trading. For WALHI, governance reform and appropriate law enforcement is needed before implementation of new initiatives. There have been a lot of initiatives to resolve forest problems but the development paradigm is still based on industrial exploitation of forests to obtain raw materials (including timber industries and plantations), deforestation problems cannot be resolved.

WALHI sees the drivers of deforestation as not only coming from plantations and mining expansion, but also from increasing global demand for natural resources. There should be initiatives to control demand as well as improving national and local policies and governance to protect environment.

Law enforcement and forestry sector reform to restructure licensing and tenure systems need to be done to stop deforestation. WALHI is opposed to any positive incentives given to companies, such as REDD payments, particularly because there are no companies succeeded in preserving environment. Most of the companies in the extractive industries sector have failed to fulfill their obligation to protect environment. Therefore penalties should be given first.

For more than five years WALHI has been calling for a Logging and Forest Conversion Moratorium. There has not been much intention from the national government to answer the call from WALHI, although some provincial and district governments are applying moratoriums.

WWF Indonesia is working closely with the Indonesian Government on its REDD development, and was part of the Indonesian Government delegation to COP 13, and the UNFCCC SBSTA in Bonn in June, as requested by the Department of Environment. WWF is preparing a REDD plan in the Kampar Peninsular in Riau, in cooperation with Jikalahari. In Sebangau, WWF is preparing baseline carbon accounting that could form the basis for a REDD project in the area, as well as a model for carbon accounting useful in other areas of Indonesia. In Papua, WWF is involve in large scale bio-visioning exercise, that includes consideration of carbon stores, threats and possibilities for REDD projects. WWF has cooperated with FFI in the preparation of a REDD proposal for the Cyclops Mountains, and sees Merauke as a suitable area for REDD projects, due to the many conversion threats. WWF support good governance in principle, but often let their conservation agenda take precedence over participation and respect for rights. WWF is leading the working group on REDD in Papua Province. Its first priority for a REDD pilot project is Jayapura district, due to accessibility and the supportive district

government. WWF will seek to have all REDD work supported by the national government, but is open to private investment.

AMAN – the Indigenous Peoples’ Alliance of the Archipelago regards the high rate of deforestation and forest degradation in Indonesia as symptomatic of the failure of the state to respect the rights of indigenous peoples over their customary lands and forests. Due to the policies and practices of the national Forestry Department, the traditional forest managers and guardians – indigenous peoples – have lost control of their resources, and forests have effectively become open access areas due to the inability of the state to protect forests. Without state recognition of and respect for IP rights, any mechanism to protect forest or reduce deforestation will fail.

AMAN does not reject positive incentives mechanism nor REDD as long as it recognizes IP’s Rights. For AMAN, the most fundamental issue is the implementation of United Nation Declaration of Rights of Indigenous Peoples (UNDRIP). Therefore AMAN is campaigning and advocating for implementation and adoption of UNDRIP in any climate change initiatives, both mitigation and adaptation.

Central to UNDRIP and AMAN’s concerns is the implementation of FPIC (Free to Prior and Informed Consent) principles in any mitigation or adaptation activities on climate change.

AMAN will support any program related with forest protection and improvement of community welfare if the programs include a process to implement UNDRIP and FPIC. In practice there needs to be a breakthrough in how government bureaucracies take into account IPs rights in national or regional forest inventories. Once spatial planning approaches recognize IP’s lands, further progress to comprehensive recognition of IPs rights (both cultural and tenorial) will be possible.

Another important issue for AMAN is lack of adequate information on REDD issues and initiatives. Distribution of information in a simple words or communicative medias are important to increase IPs involvement to the debates or even contribute to the development of any REDD initiatives.

ICEL – Indonesian Center Environmental Law has been working for years on forest governance, illegal logging and forest fires, which are all potentially relevant to REDD. For ICEL, forest governance and illegal logging are important issues to be addressed if we want to avoid and reduce deforestation and degradation. Better law enforcement is a big issue, since there haven’t been strong penalties for companies or permit holders breaching environmental and forestry law.

In ICEL’s analysis there is a lot of overlap in forest related policies. Some policies are conflicting such as Government Regulation on Non Tax Revenue from Mining Activities in Protected areas. There needs to be a harmonisation of these policies to protect fragile ecosystem and forest.

On positive incentive mechanisms for REDD, ICEL is quite supportive in principle but critical, particularly on issues of access benefit sharing. Positive incentives should give a large portion of benefit to communities. Positive incentives should also be given for better forest governance and law enforcement. Participatory processes and implementation of FPIC is also critical issues in the development of a positive incentives mechanism.

Another important issue relevant to REDD is transparency in development, implementation. ICEL promotes principles and indicators for transparency developed by The Access Initiative (TAI), which has developed 143 indicators to measure the quality of transparency. ICEL is working with the Supreme Court, the State Attorney, the Police Department, and the Ministry of Environment on transparency issues. ICEL suggests that transparency principles are adopted in every stage of REDD development.

Huma - Association for Community and Ecologically based Law Reform focuses on strengthening local community and indigenous peoples' customary laws on natural resources management. For Huma, the existing discussion of REDD is only focused on the management of forest, but does not address the fundamental forest problems which are tenurial rights issues. Indigenous peoples and local community land rights are not recognised under all national laws and regulations. National Forestry Law recognizes the existence of IPs but does not yet respect their social-cultural and tenure systems. Prolonged conflicts over forests are between customary rights and state rights to manage (sometimes interpreted as ownership) of forest land.

Conflicts in some areas, according to Huma, lead to destruction of forests. In a prolonged conflict where a community has already suffered expulsion from their customary lands or their land being taken over by third parties, the only way to survive was for the community to involve themselves in destructive activities to get some benefit from their forests before they are destroyed by others.

Therefore, any REDD initiatives must address the fundamental issues of rights, although, it is very difficult to change the central government's paradigm of state-based forest management to community rights-based management. There are many experiences showing that the paradigm shift can be happen at the local government level. A breakthrough in community-based forest management that addresses rights issues can be seen in Batu Kerbau, where local government has recognized the community in Batu Kerbau as the forest rights holder, and the manager of the forest.

Huma has found it is better to link initiatives to protect forest and land use to direct impacts such as avoiding on-site disasters (floods, droughts, land slides). Linking carbon storage with forest and land use protection will be too complicated for most local people.

Telapak sees poor forest governance is the prime factor causing deforestation and degradation. First, 80 % of state forest area is only a claim. Only 20% of the national forest estate has legal status as state lands. Second, forest management does not exist. What exists in Indonesia is only licensing and payments for forest exploitation. Forestry

law granted so much power to forestry department which has the authority to do almost anything to the forests. The Forestry Department uses its authority to issue permits and take payments from large forestry industries.

Telapak is quite pessimistic about the success of initiatives linking reducing deforestation with carbon issues. Addressing real environmental problems that result from deforestation and degradation, such as natural disasters and poverty should be the foundation of forest protection initiatives. It should also address institutional issues such as governance, transparency, accountability, and participation to resolve deforestation.

If carbon related incentives cannot be avoided, it should be additional to the income of community. Community access to forest resources must be guaranteed and protected, including the right to harvest timber in a sustainable manner.

Jaringan Kerja Masyarakat Adat Aceh – the Network of Indigenous Peoples of Aceh, is the largest indigenous peoples' network organisation in Aceh. It consists of more than 300 Gampong (villages) in 13 districts of Aceh. JKMA main focus is strengthening customary institutions to regain access and control over natural resources. It also works to advocate land and natural resources management policy and customary land rights.

JKMA wants to see development funding quickly brought to its member communities, to give them the opportunity to improve livelihoods as well as protecting forests. JKMA realizes that a lot of thinking and planning will be needed to assist communities to balance development and environmental preservation. The forest-carbon issue is not yet on the radar of JKMA. Disasters caused by environmental damage are a concern to JKMA as well as indigenous/local peoples' access to and control of land and forest to improve livelihoods.

JKMA sees that land-reform and clear land title for indigenous peoples and local peoples are prerequisites for appropriate development and forest protection. Recognition of Mukim governance and tenure is now in Acehnese law but a regulation is needed to operationalise the role of the Mukim in management and governance of natural resources. There is a need to resolve overlapping laws. There are two laws that can be used to interpret authority and management of forests in Aceh. The first is the National Forestry Law where national government has the main authority in forest management. The second is the Law of Aceh Government that gives the Government of NAD authority in forest and natural resources management. Authority here means control over land use and licensing on forest land use.

For JKMA, preserving forest for carbon storage is far from the daily lives of the people. Direct environmental and livelihood benefits to local peoples are more important rather than the concept of forest carbon storage.

LATIN (Lembaga Alam Tropika Indonesia) is a member of the Civil Society Organisation Network on Forest Governance, a forum funded by the Multistakeholder

Forestry Program/Partnership for Governance Reform. LATIN works on community forestry particularly in Java and West Nusa Tenggara. For years LATIN has promoted community forestry as means to protect forest sustainability as well as improving livelihoods of people dwelling in and around forests.

LATIN has been involved in REDD discussions since 2007, and views the concepts in the Forestry Department's REDD-I plans as too complicated to address deforestation and degradation. Latin thinks that communities will find it difficult to follow the requirements needed to participate in REDD process, and that it will take quite a long time before community gets benefits from REDD initiatives.

The Partnership for Governance Reform has been holding public consultations on REDD in a number of provinces, bringing together local and national NGO's, community organisations, local, provincial and national government, and industry, to discuss the issues of developing REDD programmes and pilots. To date, consultations have been held in Papua, Riau, Central Kalimantan and South Sulawesi.

The Partnership plans to continue holding consultations, and sees its role to bring participation, transparency and accountability into REDD policy development and programme and project implementation.

The Partnership does not have staff with natural resources, forestry or relevant legal expertise, and will have to bring in consultants or hire staff with these skills if it is to advance from offering general consultations on REDD to assisting civil society to engage in policy debates on REDD, and to develop fair and effective REDD programmes and projects.

Principles for supporting Indonesian national or regional plans for REDD

Most of the groups interviewed commented that REDD will be of no use if it does not address tenurial issues, forestry governance, and corruption. Some NGOs and donors also noted that it will be frustrating and ineffective to attempt to reform forest governance by only focusing on the national agencies. The Forestry Department is powerful and rigid, and a breakthrough in governance is more likely to come from a combined approach of regional initiatives and bringing other ministries into the process of designing mechanisms for reducing or avoiding emissions from deforestation and degradation.

There are many aspects of REDD policy development that have not been adequately explored by the Indonesian Government or civil society. The National Government's REDD policy development to date has been weak on transparency and participation. Greater civil society involvement is needed to keep the policy process open and make it more transparent and accountable. It would be useful to consider a means to provide grants to civil society groups to develop policy options and engage in policy debate on: carbon ownership rights and management responsibilities, carbon accounting and

establishment of baselines, mechanisms for participation of local communities and other affected parties, models for funding disbursement, benefit sharing and compensation, participatory project implementation and monitoring, complaint mechanisms, consideration of the benefits and risks of engaging with carbon trading and the offsets market, and national government policy towards the UNFCCC negotiations.

An example of an issue that needs further discussion and exploration by civil society is the governance implications of supporting government or business models for REDD implementation. The Indonesian Civil Society Forum does not support carbon trading and offsets. However, corporate involvement in REDD in Indonesia is will promote greater transparency, participation and accountability than government only REDD projects due to the high standards required by the voluntary market. But this approach will tie REDD to the carbon market. The CSF and other civil society groups need to help Indonesian society to explore the strengths and weaknesses of industry and government approaches to REDD from the point of view of good governance.

Through donor government REDD readiness funding, hundreds of millions of dollars of funding are being offered to Indonesia. Now that the World Bank is no longer coordinating efforts, there is a danger of little collaboration or coordination between the donors. Norway could assist the development of coherence between the different donor government REDD plans through arranging dialog between the donors and with various levels of Indonesian government, in consultation with civil society.

REDD pilot projects will have to work closely with district governments, however few districts (*kabupaten*) that understand what REDD means and most are yet to consider REDD governance and rights issues. APEKSI, the Association of District Governments would be a useful forum to present information on REDD, possibly in the form of a dialog with civil society groups and presentations on best practice in relation to transparency, participation and accountability.

All the above efforts will require an informed and motivated civil society. There is a need for grants and technical support to civil society groups wishing to engage in REDD policy development at the district, provincial and national levels, and to get involved in REDD pilot projects.

Summary of key issues and relevant groups

Participation, transparency and accountability: BAPPENAS, the Partnership for Governance Reform, the Extractive Industry Transparency Initiative (EITI), WALHI;

Incorporation of UNDRIP and FPIC principles: AMAN and Huma, BAPPENAS;

Coherence with environmental law; the Ministry of Environment and ICEL;

Lessons from work on illegal logging and forest governance reform: The Forestry Department, Telapak, WWF;

Financial mechanisms, carbon accounting, benefit distribution and non-financial local benefits from REDD: The Finance Department, ICRAF, BPPT, EITI and FFI.

Livelihoods that can maintain carbon in the landscape: ICRAF, FFI.

Deforestation and Greenhouse Gas Emission baselines and projections and use of satellite imagery and information technology: the forestry department, Forest Watch Indonesia, the National Agency for Space and Aeronautics - LAPAN, BPPT, ICRAF, FFI and WWF.

REDD pilot projects outside of forest areas: the Agriculture department, Aliansi Rakyat Pengelola Gambut (Peoples Alliance of Peat Land Dwellers, ARPAG), JKMA, ICRAF, FFI.

Tenure issues: ICRAF, AMAN, Huma, BPN.

Conflict resolution mechanisms for resolving tenure disputes and disputes that arise due to REDD activities: Huma, AMAN, BPN.

Institutions able to lead REDD processes in a transparent and participatory manner

Successful policy development and implementation of REDD processes in Indonesia will require the involvement of many national agencies. Key to coordination of efforts will be the work of the National Council on Climate Change and BAPPENAS, which is coordinating intersectoral work on mitigating and adapting to climate change.

The National Council on Climate Change is a new body under the President with the task to develop a framework and policy directives on climate change mitigation and adaptation. The council has created six working groups. The one relevant to REDD is the working group on LULUCF. The other working groups concern energy production, the transportation sector, energy efficiency and so on.

The following list summarises the roles of other national agencies involved with REDD

Badan Pertanahan Nasional (BPN, National Agrarian Bureau) has the task to administer non state forest areas. BPN is ensuring certainty of titles of land and resolving disputes among stakeholder on non-state forest land.

The Department of Finance is developing standards and procedures for financial mechanisms for REDD including benefit sharing to local communities, local government and land use permit holders.

The Forestry Department is leading forest related REDD programs, developing the methodologies, mechanisms and procedure for REDD on forest lands, integrating other activities related to REDD e.g. illegal logging, and forest conservation. Badan Perencanaan Wilayah Kehutanan BAPLAN is the agency within the Forestry Department responsible for forest management planning. On REDD projects BAPLAN will set the national reference of emissions from the forestry sector.

The Department of Agriculture is just beginning to think about reducing emissions from agriculture. It will play have to play a central role in reducing emissions in oil palm plantations and agricultural lands.

BPPT – The National Agency for Technology Research and Application is currently increasing its capacity to research carbon accounting; BPPT could assess carbon stock and carbon fluxes from forestry and non-forestry sectors, under the supervision of the National Council on Climate Change.

APEKSI The Association of District Governments of Indonesia, increasing capacity of district governments to understand and implement REDD pilot projects.

The Department of Public Works – is the leading agency on infrastructure development in Indonesia. Dept of Public Works could lead the design for rehabilitation of peatlands.

The Department of Interior – works to increase the capacity of local governments as well as harmonising local and national policies and regulations. In the REDD context, the Department of Interior will hamonise regulations between central, provincial and district governments on relevant forestry and land use management.

The Ministry of Environment will be involved in non-forestry emissions in REDD projects and emissions from in-direct activities related with the project, including recommendations on Strategic Environmental Assessments or Environmental Impact Assessment in every REDD project. The Ministry is also plays a role relevant to REDD through monitoring and coordinating efforts to fight forest fires.

International bodies that Norway could work together with on REDD in Indonesia

ICRAF is providing constructive leadership on a range of REDD issues (carbon accounting, tenure assessments, benefit sharing, agroforestry), and its efforts in these areas are appreciated by government, ngos, communities and the private sector.

CIFOR is developing work on carbon accounting and benefit sharing

The World Bank is waiting invitation for an invitation from the Indonesian Government to re-engage in REDD issues in Indonesia.

The WMO is working together Bureau of Meteorology and Geophysics (BMG) on climate models and carbon fluxes.

The EU has experiences to offer from its cooperation with Indonesia on forest governance, and lessons from the FLEG and FLEGT processes.

Options for Norwegian cooperation with pilot projects

The REDD pilot projects in Aceh, Central Kalimantan, Papua and West Papua have all stated their openness to input from civil society, and their intention to respect the rights of local communities. Proponents of developing pilot projects in Riau, West Kalimantan and East Kalimantan have also stated their interest in close cooperation with civil society. All the pilots have a great deal of work to do to develop mechanisms that can bring benefits to communities on the ground, reduce emissions, and link to national level processes.

Norway could engage directly with the National and Provincial Government on the REDD Pilot in Central Kalimantan. For the pilots in Aceh, West Papua and Papua, the Norwegian Government could indicate its interest to provide support for these processes, or could provide limited funding to enable civil society in these provinces to engage in the pilots.

Groups interviewed for this report

NGOs

AMAN

Civil Society Forum on Climate Justice

Flora and Fauna International

Forest Peoples Programme

Greenpeace Southeast Asia

Gemawan, West Kalimantan

ICEL

JKMA

HUMA

LSM FOKER Papua

Partnership for Governance Reform

Samdhana Institute

Sawit Watch

TELAPAK

WALHI Aceh Chapter
WALHI National Executive office
WWF

Donor Agencies/Embassies

The World Bank
AusAID
DfID
KfW
SGP GEF
Norwegian Embassy
The Netherlands Embassy

Government

National Development Planning Agency
National Forestry Department
National Council on Climate Change
Governor of Aceh office
West Papua Forestry Department
The Governor of Papua advisors

International Agencies

ICRAF
CIFOR
