

## Moving REDD forwards in Indonesia

*An outline for possible UN REDD strategy for Indonesia*

### Executive Summary

Indonesia has experienced a significant loss in forest and forest degradation in its recent history leading to significant emissions of green house gas emissions. Most of these emissions are linked to clearing of especially peat swamp vegetation clearing. Geographically most forest related green house emissions are on Sumatra and Kalimantan and to a lesser extent Papua and Sulawesi.

Indonesia has moved progressively on the REDD (Reducing Emissions from Deforestation and forest Degradation). Mid 2007, under guidance of the Ministry of Forestry, the Indonesian Forest and Carbon Alliance was established which was multi-stakeholder forum. IFCA was coordinated by the world bank and developed joint understanding on a REDD agenda. IFCA has contributed significantly towards Indonesian REDD readiness. Unfortunately, after COP 13 the IFCA process lost some of its initial momentum and delay started to occur.

Currently the REDD agenda is mainly driven by the Ministry of Forestry, in particular its Forest Planning Unit (BAPAL) and the forest research agency. Other Government agencies involved include the Minister of Finance, the National Planning Board (BAPPENAS), the Coordinating Minister for Economic Affairs, the National Climate Change Council and the Ministry of the Environment. The Institutional landscape has changed dramatically during the last year.

The complex administrative structure in Indonesia consists of two (three if West Papua is included) provinces which have special autonomy status and decentralization at district level. After the revisions in decentralization laws in 2004, the Ministry of Forestry regained responsibility for the management of the forest estate. A newly enacted spatial planning law, further complicate matters at specifies a 30% forest cover requirements which provides incentives to districts and province.

An assessment of on going REDD activities was conducted which resulted in the identification of key gaps. Key gaps identified were unclear Institutional setting constrains decision making, Need to set clear MRV standards to ensure transparent, equitable implementation, development of efficient and equitable payment schemes and mainstreaming of potential co benefits. The conclusion was that more efforts was needed to ensure that Indonesia would be REDD ready by 2012 while multi stakeholder participation had to be reinforced while more impetus has to be given to mainstreaming of co-benefits with an particular emphasis on Millennium Development goals and bio-diversity conservation.

UN REDD could play a key role in moving REDD forwards in Indonesia through focussing on

1. Strengthening multi stakeholder participation. This would entail the strengthening of the IFCA process and broadening the scope
2. Support the development of an equitable, effective and efficient REDD architecture for Indonesia,
3. Develop REDD implementation standards for Monitor, Verification and Reporting standards for REDD initiatives in Indonesia.
4. Work towards the development of national REDD fund based on nested approach as this enables the inclusion of the various voluntary market initiatives into a national REDD regime
5. Strengthen capacity at district level in REDD sensitive spatial planning
6. Develop strategies that ensure that REDD generates significant co benefits for biodiversity conservation and enhances MDG performance

## **1 Background and Current institutional setting of REDD**

### *Background*

Indonesia possesses the third largest areas under tropical rainforest globally. Indonesia deforestation rates remain significant albeit they seem to decrease. Most recent estimates indicate that in between 2000 and 2005 3,5 million ha of forests have been lost or around 1.9% of the total forest area. This resulted in annual forest related emissions of 502 million MT CO<sub>2</sub>e<sup>1</sup>. The highest emissions came from peat swamp vegetation clearing. Sumatra was the main source of emissions (around 56%) while Kalimantan generated 28%, which underlines the importance of these islands as key sources of carbon emissions accounting for 84% of total emissions. Most of the emissions are coming from production forest and forests on other land.

Since colonial times, forest management has seen significant paradigm shifts. The forestry law of 1967 defines forests as key resources for national developments 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 changes for example have allowed the use of forest for ecological restoration and environmental services. REDD, as being in essence an environmental service, should be seen within the framework of more recent policy shifts which perceive forests as having significantly environmental values which under a developing global effort to address climate change have significant value. Having said so, it has to be underlined that most of these initiatives are in their early stages of development.

### *REDD Institutional setting*

#### Organization of REDD in Indonesia

Indonesia has effectively moved towards a form of a nested for REDD implementation<sup>2</sup>, which allows for sub national REDD initiatives while a national approach is being established all implemented under a national monitoring, reporting and verify (MRV) system approach. The newly released directives on environmental services licenses allow for voluntary carbon credit projects of which already some are on going. This will require however future standardization in MRV.

Furthermore, through IFCA initial steps in REDD readiness have been taken. IFCA has conducted a series of studies on different aspects of REDD organized through the set up of working groups. By the time of COP 13 in December 2007 each of the working groups had developed their technical papers to a comprehensive 2<sup>nd</sup> draft stage: a process which has involved extensive research by the specialist teams and a structured program of consultations with principal stakeholders from the Ministry of Forestry, national and international NGO's and forest industry groups.

#### An overview of key institutions and their role in REDD readiness

At ministerial level The REDD process insofar has been primarily driven by two Ministries which has been given the authority to manage the process, which are:

- ❖ Ministry of Forestry, The Ministry of Forestry 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 are key REDD target category. Production forests are further divided in:
    - Permanent production forest is divided in natural production forests (HP-A), Limited Production Forest (HPT) and Industrial production forest
    - Convertible production forest, these forest are meant to be converted in other land use types such as smallholder agriculture, settlements, estates etc

---

<sup>1</sup> This information is based on the most recent information made available by MoFR and further analysed by IFCA

<sup>2</sup> See for further explanation: Angelsen, A. (ed.) 2008 Moving ahead with REDD: Issues, options and implications. CIFOR, Bogor, Indonesia.

- Protection Forest (*Hutan Lindung*). These are forest set aside because they deliver critical ecosystem functions such as soil and water conservation, coastal defence, peat land management etc. However, off-take of non-forest timber products is allowed.
- 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.

The Ministry of Forestry is responsible for overall management, improvement and managing public access to forest lands. The most important recent changes are collaborative management, community forest management, community forest plantations and customary access rights. The Ministry of Forest and Environment have been leading initial steps in the REDD process such as setting up IFCA. The Ministry of Forestry, in particular the forest spatial planning unit (BAPAL) and FORDA (Forest Research and Development Agency) has been key players in the process.

Within Forestry, it is anticipated that BAPAL will be responsible for the Forest Resource Inventory Systems which is integrated into the National Carbon Accounting System (NCAS). The NCAS, which monitors all terrestrial carbon, has to be seen as an effort to come to an integrated effort to manage and monitor all terrestrial carbon. NCAS is a fully integrated Carbon Accounting Model (CAM) for estimating and predicting all biomass, litter and soil carbon pools in forest and agricultural systems. In addition to this, it accounts for changes in major greenhouse gases, nitrogen cycling and human-induced land use practices<sup>3</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 estate'). It will also include a REDD registry to REDD related operations, both voluntary as well as future market-based, and for serving payment mechanisms. The tentative budget available is Aus\$10 million, but there are more funds available if needed.

- ❖ Ministry of Environment. MoE has been acting, at least until the initiation of the national climate change council as the focal point for the UNFCCC. The Ministry of Environment is responsible for overall environmental management and has besides being the UNFCCC focal point also a role to play at 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; Develops and oversees economic development. Is responsible for mainstreaming climate change into general development policies. The ministry has been instructed by the president through presidential instruction 5/2008. This presidential instruction which instructs the Ministry of Forestry and Environment to issue a REDD regulation has a clear mandate to coordinate REDD implementation.
- ❖ BAPPENAS: BAPPENAS is responsible for overall development coordination which includes the management of financial/technical assistance from Development Partners. BAPPENAS is the coordination of the implementation of bilateral and multilateral aid projects which includes the REDD pilots financed by AUSAID and BMZ (German aid). 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 on REDD pilots as currently being implemented.
  - The development and management of national REDD fund through which REDD credits are being traded is seen as potential BAPPENAS responsibility with the Ministry of Finance.
- ❖ Ministry of Finance: The Ministry of Finance is responsible for the design and implementation of payment mechanisms insofar it concerns 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 so-called public service agency (BLU = Badan Layanan Umum). In

---

<sup>3</sup> See <http://www.greenhouse.gov.au/ncas/ncat> for more information on NCAS as developed by the Australia Department of Climate Change

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 MoFR.

- ❖ National Climate Change Council : this is a newly established body which is given significant authority to advise and oversee implementation of both climate change adaptation and mitigation policies. The national council is being established and will be the future UNFCCC focal point. The final arrangements with regards to the role of the Ministry of Environment remain unclear. The council will comprise six working groups of governmental officials 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 possibly links to the IFCA group are yet to be defined, potentially it could play an important role in establishing a favourable policy and regulatory framework for REDD in Indonesia.
- ❖ Ministry of Public works/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, this will be explained in further detail below. The

Other ministers do not have direct links to implementation of REDD but are influencing policy with to REDD. These are agriculture and trade and commerce. The MoA is managing the state owned estate crop companies and is responsible for the development of the Palm oil development in Indonesia, generally seen as one of the most significant drivers of deforestation.

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.

#### 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>4</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 as Forestry, based on the 199 Forestry law claims to be responsible for management of the national forest estate including Papua and Aceh while both province claim that management of forests 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 married 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 MOU signed with companies active on the voluntary carbon market (New Forests). The government of Papua sees that REDD has potential to secure long-term, sustainable revenues for improving local livelihoods<sup>5</sup>.

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 however are responsible for their spatial planning. As such the recently issued Law 26/2007 on Spatial Planning offers an opportunity for utilizing the spatial planning as a tool to adapt to climate change and initiate 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 island, province, district or watershed should

---

<sup>4</sup> In this case covers both Papua and West Papua as both are included in the special autonomy law

<sup>5</sup> See presentation: Barnabas Suebu, 2008 "Indonesia Lessons from Papua Province for development of REDD in Indonesia

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 socioeconomic conditions of the community within the region it is residing. REDD initiatives however back fire as it requires a 30% forest could cover which gives district the incentive to reduce forest cover to 30% as quickly as possible. This 30% requirement 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 provide however significant opportunities for REDD development in forested areas outside the forest estate. In forest outside the forest estates, Law 26.2007 for example covers spatial planning at the coastal zones which provides opportunities to revert the clearing of mangrove forests (relative carbon intensive). As such, a robust policy framework should be put in place to integrate REDD into spatial planning at national and local level 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 resilience.

However, the issues of coordination, lack of capacity and resources, as well as, weak enforcement system 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 plan is hence imperative. In particular the process of aligning forest planning (TGHK, functional forest zones) and spatial planning through a process named *Pardusasi* (literally aligning) which results in gazetting of forest areas.

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 to 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 in so far these have not been officially enacted. Nevertheless sub national stakeholders have expressed significant

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 “hearth 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 of the Partnership:
  - 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, the World Bank is moving from technical assistance towards financing. The bank played a key role in coordinating IFCA which outcomes are perceived as reasonable successful despite that the currently the process is somewhat stagnating. Nevertheless the Bank anticipates that Indonesia will participate in the forest and carbon partnership in which case it is eligible for readiness support, however the World Bank foresees that in

the Indonesian case, the Forest Investment Fund would be a key vehicle in supporting REDD. Eligible activities could include:

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

The Forestry investment could be supportive to finance Industry 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: The GoJ has activities through a program loan, implemented together with the French and technical assistance activities.
  - A Program Loan involves a 500 million USD of which Japan is contributed 300 million and France 200 million. The loan is managed by JBIC. 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 regulation are included as a performance indicator.
  - JICA is working on pilots in Sumatra at a small scale in South Sumatra and Jambi, mostly in Peat Swamp areas (Berbak national park). JICA provides support as well the development of a national carbon accounting system through provision of satellite imagery and through developing links with its pilot projects
- Dutch Government, still uncertain. A second phase of Dutch funded but NGO implemented program. CKPP could be aligned with the AUSAID funded KFCP program. Furthermore, the Dutch Government might fund a low land development initiative with a significant spatial planning component.

#### *Voluntary market initiatives:*

- Ulu Masen, this initiative covers around 750,000 ha of forests development of the first forest protection project to be approved by a leading international standards for reducing emissions from deforestation and degradation (REDD) - is expected to prevent 100 million MT of CO<sub>2</sub> from being emitted over the next 30 years. The project is designed to deliver significant amounts of carbon credits for future sale on the voluntary carbon markets. It is supported by FFI, and the project achieved certification against the Climate, Community & Biodiversity (CCB) Standards in February 2008. As the first of its kind, the project is likely to have a significant impact on the design and implementation of REDD projects in the future in Indonesia. The project's activities are predicted to reduce deforestation of Aceh Province's endangered *Ulu Masen* forest by a 85%, thereby bringing about real reductions in greenhouse gas emissions. The 3.3 million carbon credits predicted to be generated annually will help finance the conservation of the forest's rich biodiversity and development projects for local communities, who are some of Indonesia's poorest.
- 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 consultants/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
- 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.
- TNC, 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 ('the 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
- Other initiatives which are mostly at initial stages of development; WWF-Kampar peninsular (scoping), WWF Sebangua, Leuser foundation, JP Morgan is working with CIMTROP on a reduced peat land emission program. This list of other projects is in the annex

## **Chapter 2 REDD Matrix: Current status of REDD readiness in Indonesia**

The READINESS matrix, which is presented in annex 1, is based on explaining the REDD readiness steps as defined by the World Bank forest and carbon facility. 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>6</sup>.

The objective of the exercise was to identify key gaps (based on REDD readiness steps etc) which allows UN REDD to properly position itself in its efforts to facilitate technical and financial support for REDD in Indonesia. As such on going activities were assessed in terms of quality of the process through looking at them from the perspective of three key indicators, which were:

1. Analysis, here an overview is given till what extent the particular step has been studied and is understood. As such key studies and on going activities related to efforts to better understand a certain step are collected.
2. Multi-stakeholder consultation, this describes till what extent and how effective stakeholders are consulted. This includes amongst other the involvement of multi-stakeholder alliances like IFCA as well till what extent responsible agencies have consulted the public.
3. Capacity building, till what extent capacity building activities have been undertaken that enable stakeholders to move forward the REDD agenda and reach REDD readiness on time.

The matrix has been presented during a coordination meeting to key donors and multilateral agencies, e.g. GTZ, KFW, JICA, JBIC, AUSAID and the World Bank. During the meeting the table was presented and revised. Comments and additional activities were included. The participants identified key gaps in current readiness activities which could potentially be addressed by UN REDD.

The preliminary conclusions of the meeting were

- ❖ Readiness, concerns were raised that if the current pace of progress continued, Indonesia might not be REDD ready in 2012
- ❖ Insofar, not much attention is paid towards mainstreaming issues such as biodiversity, MDG. A possible well designed national REDD initiative could for example address key biodiversity or develop sub programs for REDD focussed on specific ecosystems such as mangroves/coastal forests and cloud forests
- ❖ Stakeholder involvement, while Indonesia started progressively, more efforts need to be put in stakeholder consultation and involvement in particular at sub national level.
- ❖ Donor coordination, donor coordination remains a point of concern. During the meeting, participants stressed the need to have more focussed and better organized donor coordination efforts.
- ❖ Readiness management, since the IFCA process has slowed down, leadership has been poor and most of the momentum built around COP 13 has been lost. Still understanding of REDD at local level remains limited.

## **Chapter 3 Gaps and going forward**

---

<sup>6</sup> See

The gap analysis presented in annex 2 shows where based on initial consultant analysis and input from key donor representative input gaps exists which hampers Indonesia to be ready by 2012. 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:

- 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 the COP 13 included REDD was included in the Bali roadmap and was effectively mainstreamed. While this was a significant positive step, it 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, it led to a more a complex institutional setting.
- New institutional arrangement emerged after the establishment of the national climate change council. While 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
  - Reference Emissions Levels led to heightened discussions, an issue which has not been settled yet. In particular because different studies show significant difference in deforestation and forest degradation levels both in ha as well in MT CO<sub>2</sub>e. As many of the initial deforestation assessment overestimated emissions from deforestation but 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. An history of less efficient use of public funding led to often a lack of confidence between stakeholders.
- Approach to REDD, while all stakeholders agree that REDD is the only feasible response to safe significant tracks of Indonesian forests, difference on the implementation modality are significant. For the sake of simplification, two perspectives exists:
  - 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 initiative should drive REDD.
  - Institutional requirements for various aspects of REDD 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 exists within production forest/plantation units both within government and private sector that REDD will restrict potential for Indonesia to exploit its forests economically and limits 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 which mandate is to support the Indonesian government to be REDD ready by 2012 by having established a REDD programs that effectively address deforestation and forest degradation but has significant additional co-benefits. This should include at least, enhancing Indonesian MDG performance and conserve Indonesian unique biodiversity.

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 should 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 is necessary to develop a broad based REDD program. This fits well under UNREDD outcome 2 “increased stakeholder participation in REDD”. As such reviving multi stakeholder participation led by the Indonesian Government by 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 focussed however to the following groups:
  - Industry representative from palm oil, pulp and paper; and plywood industry.
  - Local governments agencies responsible for spatial planning, forestry departments and agricultural agencies
  - Representative from “*Adat*” communities, During COP 14, inclusion of indigenous communities have become a serious political issues 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 enable the building of more inclusive consensus on REDD.
  - Ministry of Forestry representatives
  - 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 first under UN REDD outcome 3 “*Improved analytical/technical framework of co-benefits for REDD decision-makers (by2010)*” This involves the provision of Technical Assistance to key actors (MoFr, 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 on as needed basis through a facility type arrangement.
- Develop REDD implementation standards for MRV. This direction is aligned with UN REDD 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 international agreed upon period and that leakage has been addressed properly. If not the risk is that credits might be double sold or so called hot air is brought to the market (credits sold for activities that were by economically feasible without crediting (no additionality)) As such UN REDD could together with the Ministry of Forestry, key bilateral projects and Voluntary Market projects develop and agree on the following:
  - Standards approaches for monitoring reporting and verification of REDD credits between projects. New legalization will allow for a significant growth in voluntary market initiatives which need to captured well. The Forest Resource Inventory System does allow this but its development needs to be accelerated and might require more input from stakeholders which could as well positively affect the NCAS implementation.
    - ❖ 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. .
    - ❖ Works towards 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/MoFR/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 regards to forest access issues and payment mechanism. UN REDD should be positioned

better to support and ensure that concerns with regards to marginalization and gender inequity are taken into account.

- Work towards the development of national REDD fund based on nested approach as this enables the inclusion of the various voluntary market initiatives into a national REDD regime. If done successfully, this will allow the Indonesian linked to NCAS/FRIS which allows the Government to capture credit yield from additionally developed policies to address deforestation and forest degradation. This should include as well earmarking for REDD initiatives where carbon yield might be lower but where co-benefits are high. Examples are cloud forests and coastal forests, which delivers significant co benefits but are currently poorly represented in REDD initiatives/target areas.
- Strengthen capacity at district level in REDD sensitive spatial planning. Ideally this would happen under two different scenarios, in one case a frontier district (an district where forest cover is still high and threats are relative low and a district where the landscape has developed towards a forest mosaics (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 right deprivation tend to be higher. This might include collaborating with GTZ/KFW pilot on a district based REDD regime and see if this approach could be replicated in other provinces (Sumatra in collaboration with JICA or Papua).
- Develop strategies that ensure that REDD generates significant co benefits for biodiversity conservation and enhances MDG performance. Most of the literature insofar has focussed on developing equitable payment mechanism, however it might be as important to seek how REDD can be employed more efficiently to protect critical ecosystems. In the case of Indonesia, ecosystems where improved forest management could lead to significant MDG benefits are:
  - Cloud forest; cloud forest play a critical role through their ability to harvest water horizontally (through condensation of fogs and clouds). These forests harvest rainwater and lead to increased water availability up to 15 to 50%<sup>7</sup>. Whereas the extend in Indonesia is significant, research is extremely limited and these areas prove to be significant sources of biodiversity as well.
  - Inland Peat Swamps in critical watersheds. A key example is the Mahakam central basin in East Kalimantan. Peat plays a critical hydrological role because it acts like a swamp. While the extend of peat is less than coastal swamp areas their impact on human well being is significant as it ensure more reliable access to water and reduced risks to flooding

This have to be stressed as these are currently not included in on going initiatives and are identified most urgent.

Annex 1: REDD matrix

Annex 2: Gap analysis

---

<sup>7</sup> See: L.S. Hamilton, Forest and Water. FAO Forestry Paper 155.

Annex 3: List of key contact persons within GOI agencies

Institution	Unit	Name	Role
Ministry of Forestry	BAPAL/ Forest spatial planning unit	-Yetti Rusli, M.Sc (Head of BAPAL). -Saipul Rahman, M Firman Fahada & Krisna Dwipayana	Forest resource management/spatial planning. BAPAL leads the NCAS/FRIS implementation. These persons are involved in the set up of the NCAS.
		-Dr. Wardoyo MF Ir. Syaiful Rahman,	Responsible for REDD development within BAPAL.
	Production forests	Dr.Ir Hadisusanto Pasaribu,M.Sc	Responsible for the management of production forest and industrial forestry estates. Set production targets and decides on use of production forests areas
	FORDA	Dr Wahyudi Wardoyo (Director) /Dr Nur Masripatin	FORDA leads the REDD methodologies development. FORDA leads the IFCA process/Leads REDD conceptual development,
BAPPENAS	Environmental & Natural Resources	Ms. Umiyatun H. Triastuti, Deputy Minister	Leads international coordination and overall coordination with line ministries
		Mr. Edi Effendi,	Environmental Unit includes climate change but not forestry
		Basah Hernowo	Forestry is responsible for forest and peat land related issue. Key contact for the master plan
National Council for Climate Change	Secretary General	Agus Purnomo	The national council at this point in time has a LULUCF working group. The council will take over the role of being Indonesia's UNFCCC focal point however the hand over process is not finalize. Key limitation is that the mandate remains unclear
Minister of Finance	Directorate of Foreign Loans and Grants, Directorate of BLU	Rahmat Waluyanto (Director)	Payment mechanism and a possible national fund. Involvement in setting of a BLU and in the oversight of a BLU,