



Risks of corruption in REDD+ in Indonesia

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Structure

Context

REDD+ in Indonesia

Why corruption risks?

Lessons from Reforestation Fund

Implications for corruption risks in REDD+

Conclusions

Context

- Law enforcement agencies:
 - *Corruption Eradication Commission*
 - *Financial Intelligence Unit*
 - *Supreme Audit Agency*
- Moratorium
- Decentralization
- Spatial planning

REDD+ in Indonesia

REDD+ regulatory frameworks and institutions

Nastra, National REDD+ Task Force (10 Working Groups, including Legal Review), REDD+ Safeguards

Development of REL and independent MRV system

MRV system, carbon accounting method, development of single map

REDD+ project preparation

40+ pilot projects, demonstration activities, Ecosystem restoration concessions

Management and distribution of REDD+ revenues

Discussions are still taking place

Why corruption risks in REDD+

Licensing

REDD+ operates within existing forest concession systems

MRV

MRV and financial management capacity is still weak, particularly at local government level

Benefit sharing

Potential revenues from REDD+ will be larger than existing revenues from timber exploitation

What can Indonesia's Reforestation Fund tell us about the corruption risks?

Financial management and revenue administration

*The Fund was under **discretionary management** outside state budget; reforestation vs **other irrelevant uses** of the Fund; local government has limited capacity to manage it*

Capital subsidies and accountability

*Approximately \$1 billion of the Fund was used to support timber plantation development, but most subsidy recipients **did not fully plant their plantation sites**, and **have not fully repaid their loans***

Corruption and fraud

*Some recipients of subsidies **'marked up'** their investment costs or **overstated their planted areas**; corruption related to the Fund has become **decentralized***

What does it mean for corruption risks in REDD+

Readiness phase

*Development of
regulatory frameworks
and institutions*

Policy inconsistencies

Avoiding forest conversion, moratorium

Manipulation of baseline data

Unclear land title and tenure rights

Poor coordination

Agriculture and mining sector excluded in policy discussions, planning pluralism (MP3EI vis-à-vis REDD Strategy)

Implementation phase

*Implementation of
emission reduction
activities*

Obstacles in licensing

Getting a license is extremely cumbersome

National vs subnational tensions

*Provincial/District government technical
recommendations for licensing becomes
political blessings*

Non compliance

License holders do not meet their obligations

Performance assessment and payment

MRV and performance-based payments

Manipulation of data

Misreporting the production data for tax evasion

Poor financial and revenue management

No regular balance cross-checks, poor capacity esp. at local government

Misuse of REDD+ revenues

What is REDD+ money for? How will it be distributed? Who decides on allocation/distribution? Who will benefit?

Conclusions

Corruption risks may occur in all REDD+ phases

Transparency in licensing process is essential

MRV principles should be applied not only to carbon emission reductions, but also financial management and governance

Preventing the risks does not only involve improving the management in the forest sector, but also financial governance

Relevant publications

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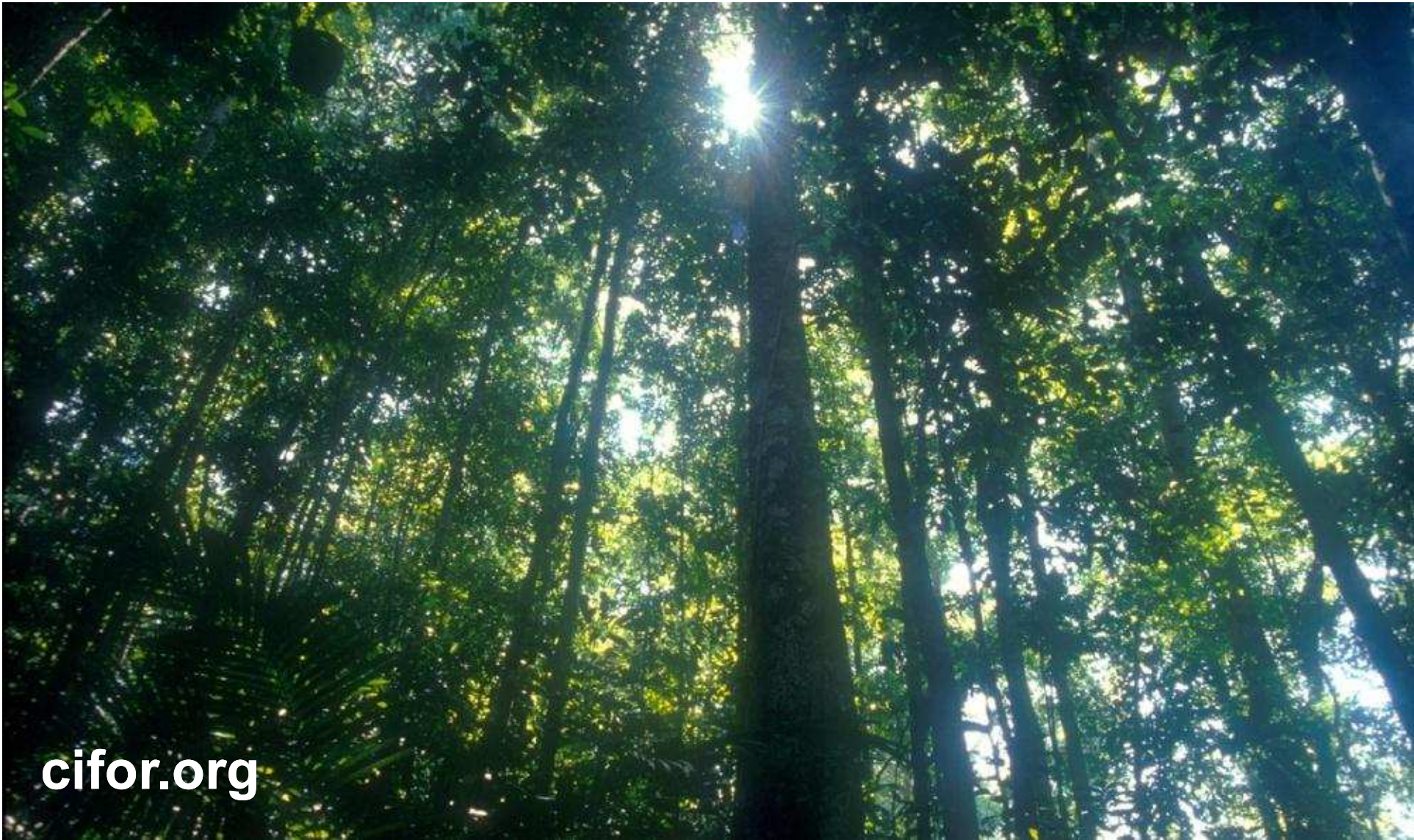
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