



Financing **REDD+**: in Indonesia through **FREDDI**

Agus P. Sari

agus.sari@santalaya.com

Chair | Working Group on Funding Instruments
Presidential Task Force on REDD+

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Why REDD+?



Climate change will cause devastating impacts in Indonesia and in the world.

Globally ...

The world cuts **13 million** hectares of forests
every year, emitting

5.8 billion tons of CO₂ p.a.

To halve emissions from forestry by 2020:

\$30 billion p.a.

National Commitment



Reduction of emissions of
greenhouse gases by

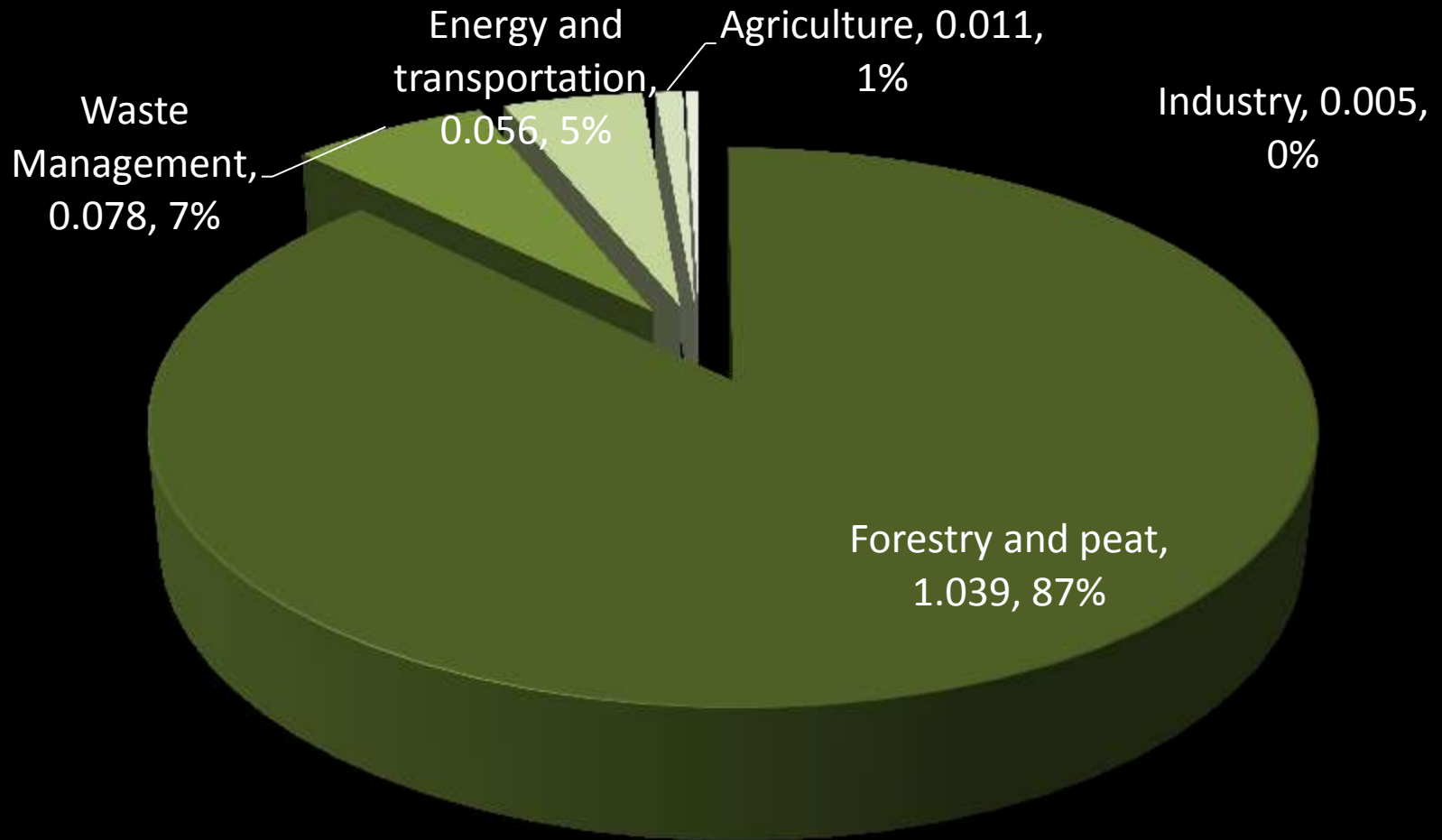
26 – 41 percent

and

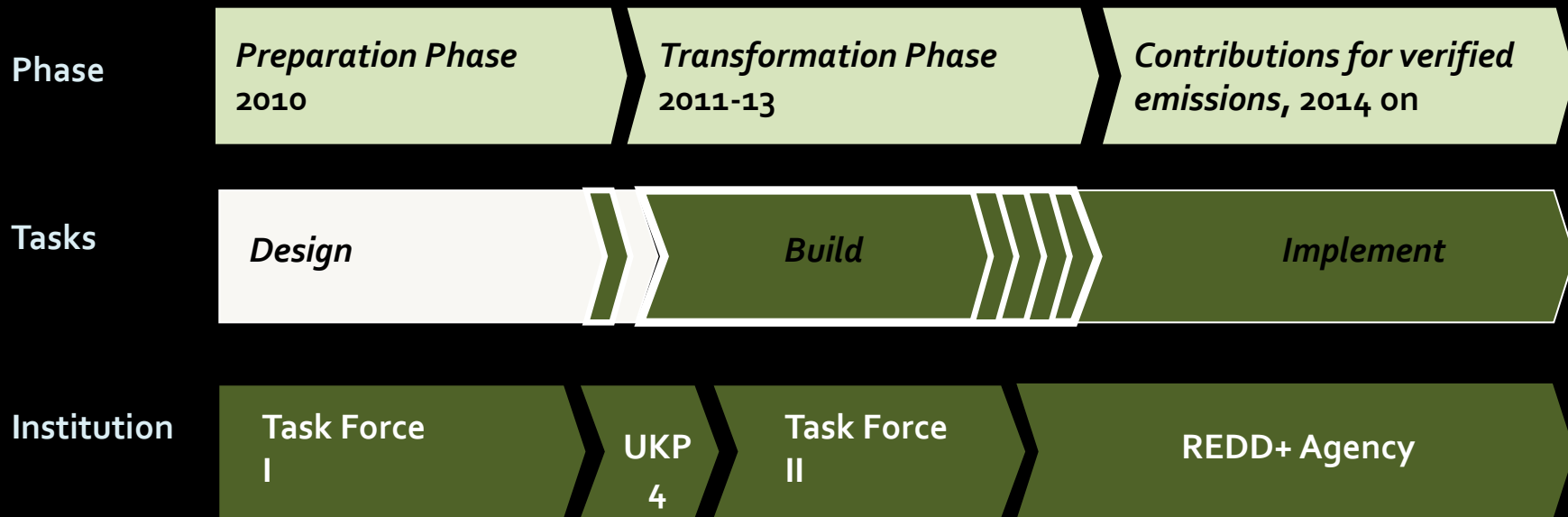
Continue to grow the economy
by

7 percent

Forestry and peat dominate emission reduction targets



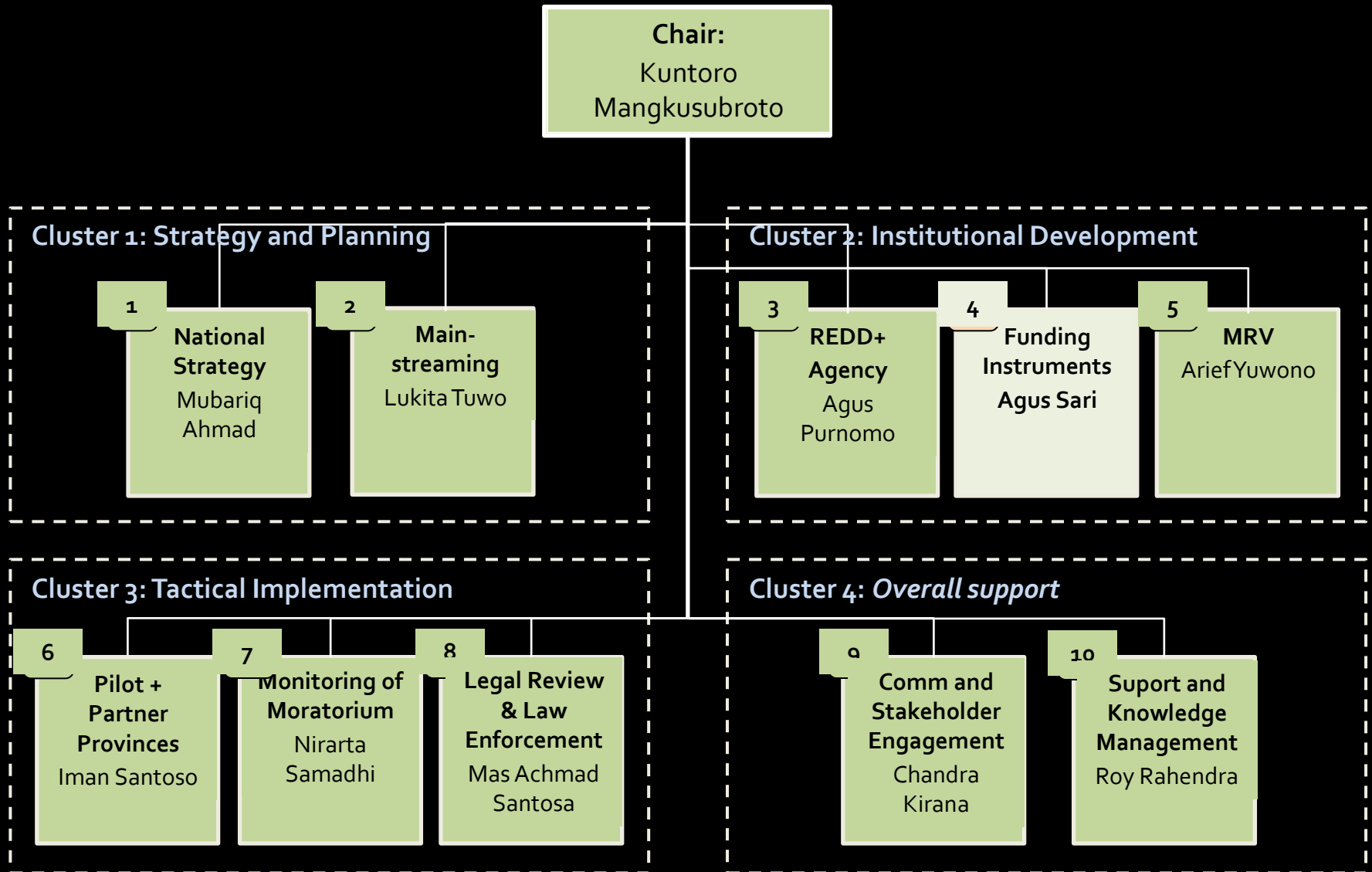
In gigatons (gt, billion tons), and in percentage



Main Activities

- Constructing national institutions based on the design from the former phase.
- Improving strategic elements and formulating strategy and action plan for the provinces based on the National REDD+ Strategy.
- Implementing “no-regret” strategic initiatives in collaboration with other stakeholders, including local governments and the communities (including implementation of moratorium, legal improvement and law enforcement, activities in the partner provinces).
- Mainstreaming and synchronizing of REDD+ in the existing development plans.

REDD+ Task Force is supported by 10 Working Groups,
chaired by governmental and non-governmental experts



REDD+ in Indonesia

- The President's announcement.
- LOI with Norway.
- Establishment of the REDD+ Task Force.
- National REDD+ Strategy
- Design and Construction of the institutional infrastructures:
 - REDD+ Agency at the Ministerial level.
 - MRV instruments.
 - Funding instruments.
- Moratorium for 2 years, extended recently for 2 more years.
- One Map Movement.
- Provincial REDD+ Strategy and Action Plan.
- Regulatory advancements, including indigenous tenurial rights.
- Design of FREDDI
 - Structural design.
 - Accreditation.
 - Business Plan.
 - Pipeline.
 - Benefit Sharing
- PRISAI, the Safeguard Protocol.
 - Links with SIS and SESA.
- MRV, RL/REL, Registry.
- Demonstration activities.



- **Central Kalimantan** as pilot province
- **8 provinces** as partner provinces with support for the development of their Provincial REDD+ Strategy and Action Plan and mapping. (started in Jambi, Sumsel, Riau, Kaltim, Papua)
- West Sumatra and Central Sulawesi have joined.

FREDDI: a “fund of funds.”



The Trust Fund for REDD+ in Indonesia, **FREDDI**, is a fund of funds. It is a fund that invests in other funds.

The funds underneath **FREDDI**, the subsidiary funds, can be special-purpose vehicle companies, fund managers, or collective investment agreements.

These subsidiary funds can form joint ventures with other funds or other companies, among others, to use it as disbursement vehicles and as leverage to mobilize other funds.

An **innovative** structure: three sequencing modalities of REDD+ funding instruments

Modality 1: Grants

Consist of Small, Medium, and Large Grants, to be established . Most of the utilization is for readiness, infrastructure, and capacity building.

Modality 2: Trade Intermediary

Being designed. Returns are expected in terms of performance units. Activated once MRV instruments are in place.

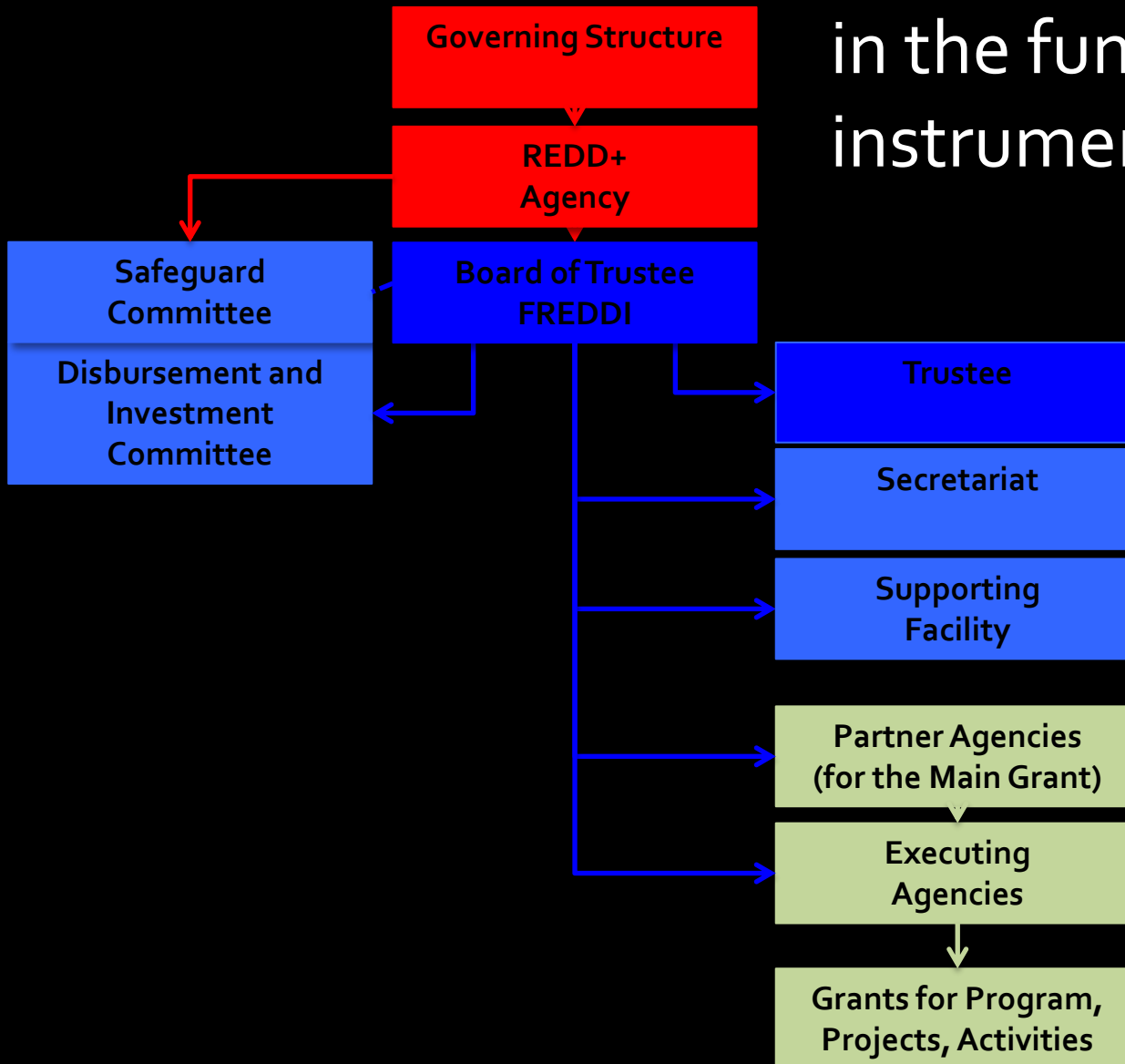
Sub-Modalities of Grants:

- 1.1. Input-based.** Straight forward grant-making.
- 1.2. Output-based.** Payment against products.
- 1.3. Outcome-based.** Payment against performances and milestones.

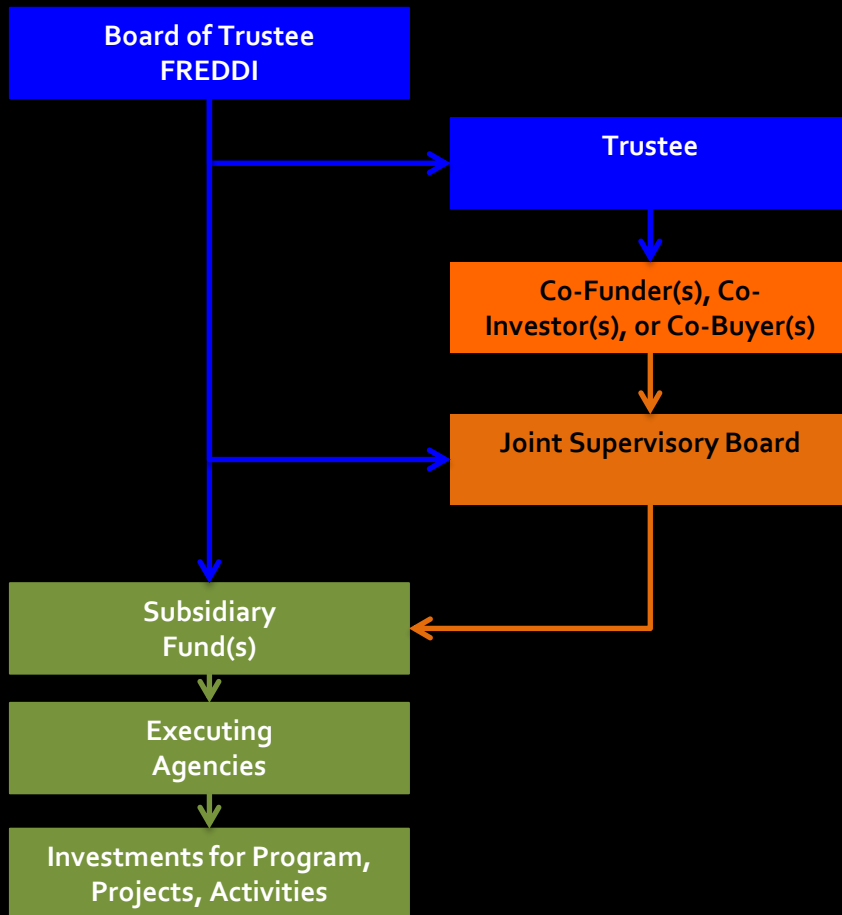
Modality 3: Investments

Being designed. Returns are expected in terms of monetary and performance units. Activated when readiness and capacity are in place.

Structure of FREDDI in the funding instruments



Fund Mobilization through leverage by FREDDI's subsidiary funds

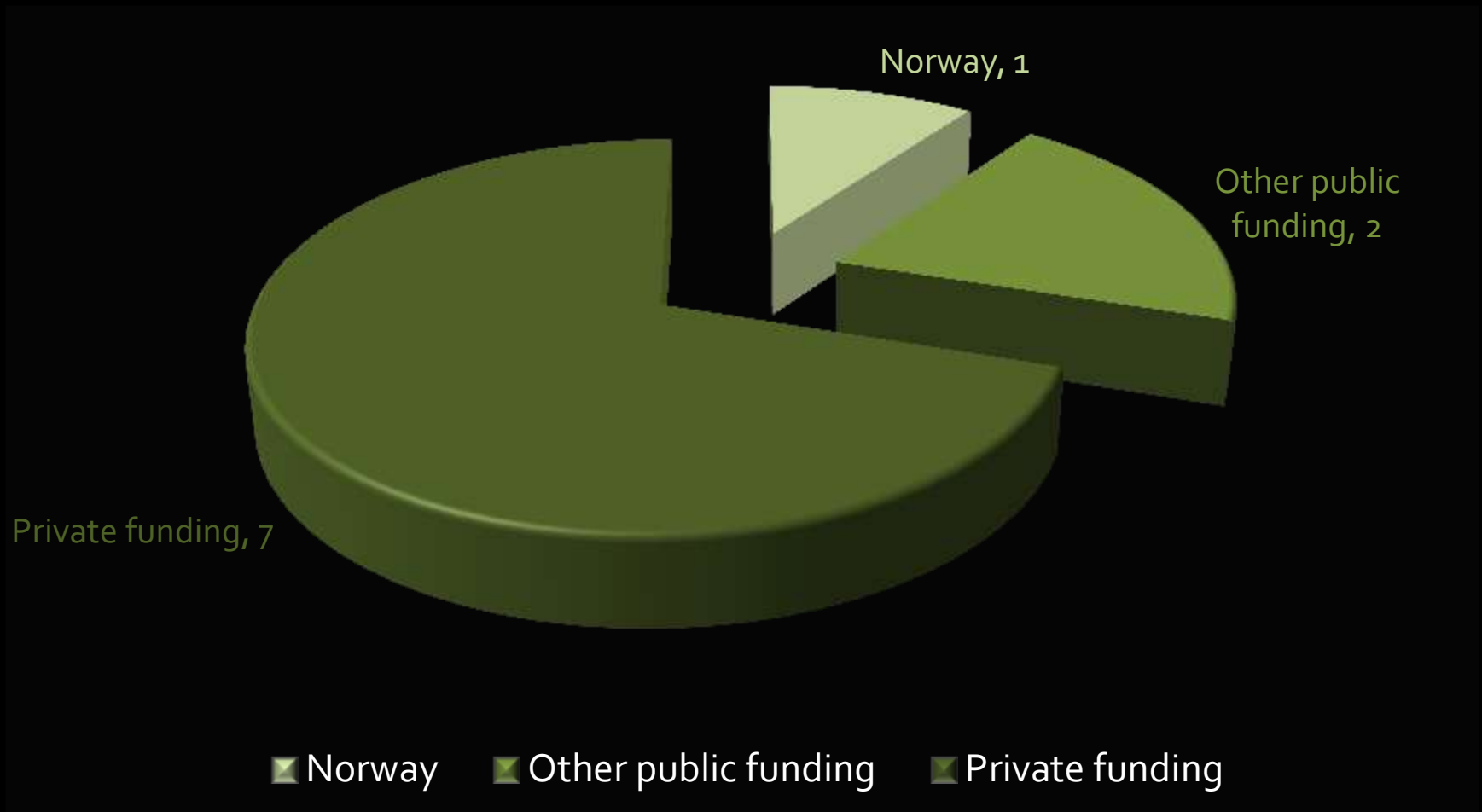


Fund mobilization **leverages** other public and private funds using public funds in FREDDI.

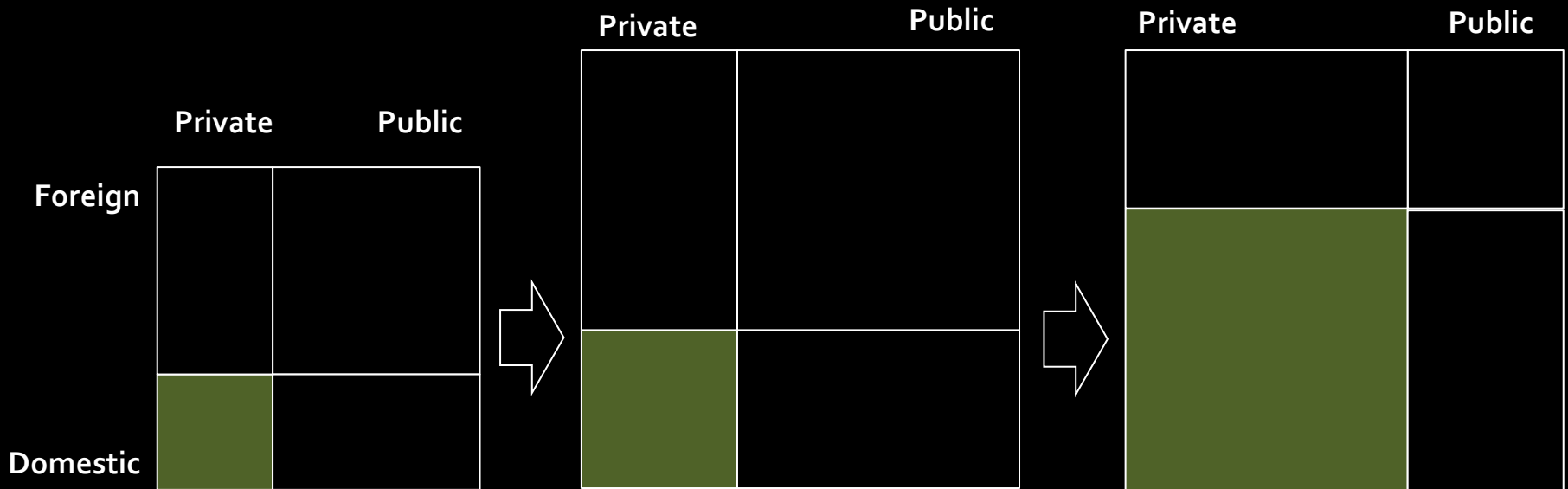
Fund mobilization may be in the form of fund placement, through joint corporate financing, or through joint project financing.

A **Joint Supervisory Board** can be established to provide guidance for the specific directions of the funds.

Fund mobilization target, assuming a \$10 billion mobilization target: the prominent role of the private sector



Fund mobilization: increasing the role of domestic private sector



Changing the financing paradigm from **budget** to **investments**.

Expanding the sources of funding:

- Foreign public funds other than that from the Government of Norway.

- Foreign private investments.

- Domestic private investments.**

A need to recognize “ecological services certificates” as asset classes.

Carbon markets

Compliance markets

Depending on emission reduction targets beyond 2015.

Currently inexistent.

Expected to be large (possibly even too large that it may flood the markets)

Voluntary markets

They exist now, but very small. (maybe too small that it cannot absorb large supplies)

PRISAI: a participatory consultative process to develop a strong and workable safeguard protocol



PRISAI, the **Principles, Criteria, and Indicators for REDD+ Safeguards in Indonesia**, has been developed through a bottom-up manner with involvement of key stakeholders at the national and provincial levels. The provincial process will provide a provincial context to the process.

A process has been started to merge the process to develop PRISAI and the process to develop a UNFCCC-related Safeguard Information System (SIS) in the Ministry of Forestry and SESA. A process is also started to compare and harmonize safeguard protocols of other key institutions to possibly form a “mutual recognition” mechanism among the existing safeguard protocols. They include those of the WB, the ADB, the IFC, etc.

A guideline is ready for use. A website is currently being developed to put **PRISAI** in the public domain.

Paradigm shifts that guide the principles for **benefit-sharing** and incentive mechanisms

Community as “disturbed neighbors” of an “REDD+ Project” that needs to be “bribed” through cash-distribution

Community as a part of, and “co-owners” of the project, being inside the project boundary, sharing responsibility as well as benefits

Benefits being defined almost entirely as cash distribution.

Benefits being defined as well-being, happiness, sustainability, with fulfilled social needs.

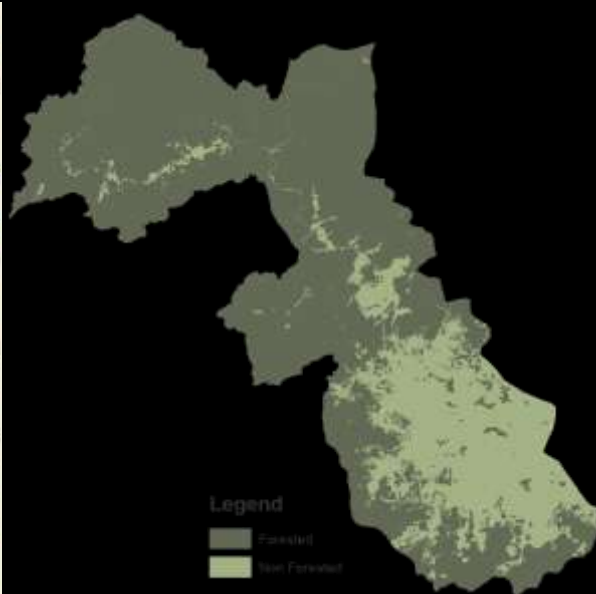
Benefits being defined almost entirely as derived from carbon.

Benefits being defined as carbon and other social and ecological services.

Highlights on **jurisdictional** and nested approach



Berau, East
Kalimantan



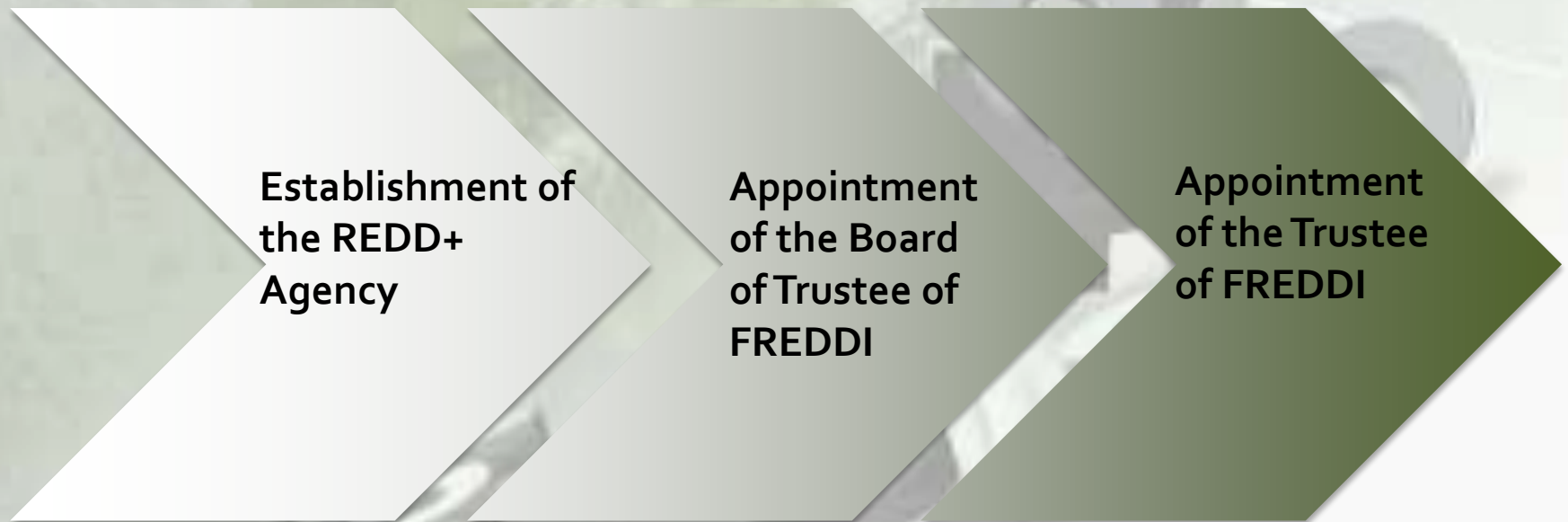
Kutai Barat (West
Kutai), East
Kalimantan

JNA methodologies are currently developed by the Verified Carbon Standard (VCS).

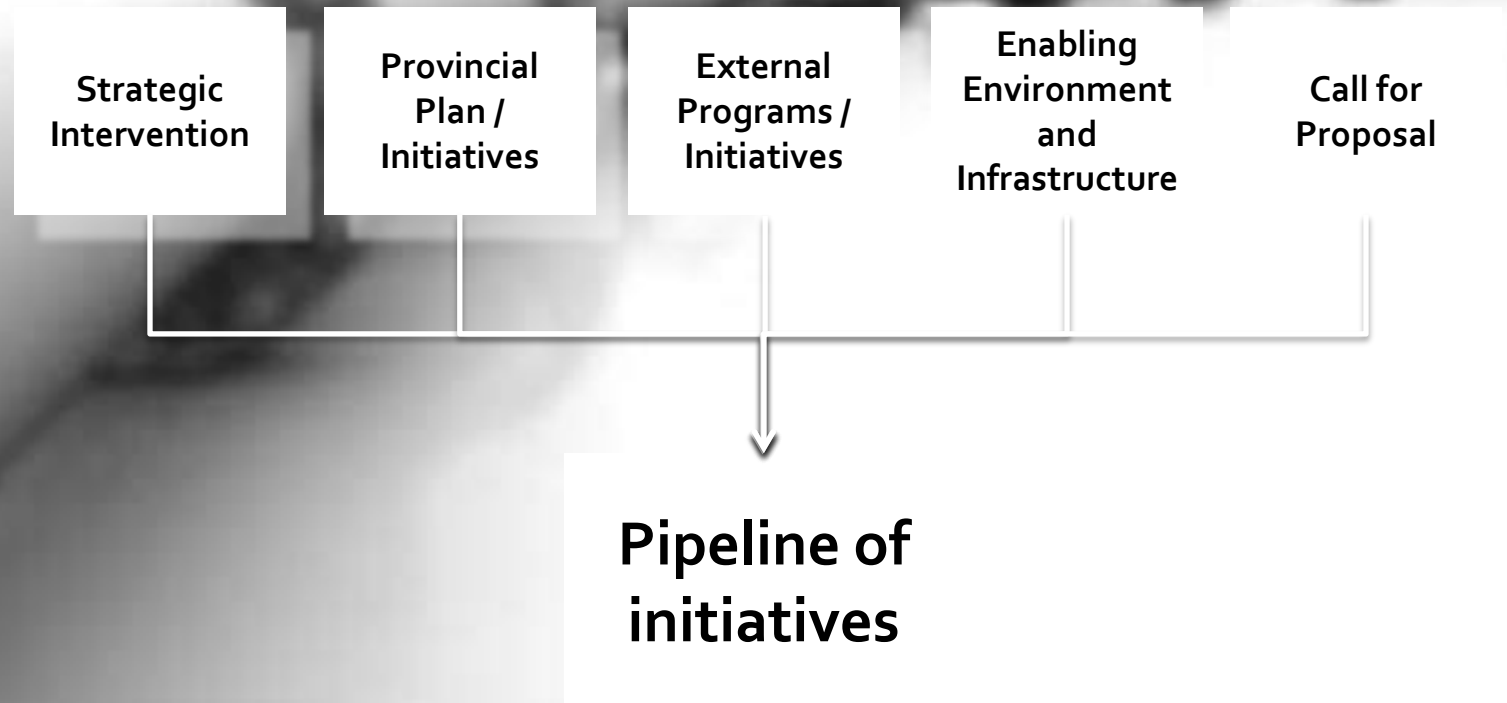
JNA fits well with the paradigm shift to ensure public benefits.

Two models exist:
Berau and Kutai Barat
in East Kalimantan.

Sequence for the establishment of the REDD+ Agency and **FREDDI** in Indonesia



Pipeline Portfolio Development



Project Typology: Five Pillars of The National REDD+ Strategy

Institutional infrastructure and settings;

Legal instruments and enforcements;

Paradigm shifts and **awareness**;

Stakeholder engagements

Strategic programs:

- Sustainable landscape management;

- Sustainable natural resources management;

- Conservation and rehabilitation;



Funding Windows

National Initiatives and Emergencies

Sub-National Initiatives

Competitively-Selected Initiatives

Small-Grants



Thank you

More information:

www.satgasreddplus.org

info@satgasreddplus.org

