

**Forest Carbon Partnership Facility (FCPF)**

**Country submitting the R-Plan : Indonesia**

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**R-Plan General Information:**

**1. General Information:**

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6. National level Stakeholders through public consultation on REDDI Strategy-Readiness Plan-draft Regulation on REDD in Jakarta, 25 March 2009 (see Annex 01 for the list of stakeholders),
7. Provincial level stakeholders through stakeholders' discussions in 4 Provinces, April 2009 (South Sumatera, Riau, East Kalimantan, South Sulawesi) (see Annex 02 for the list of stakeholders)

Notes : The names listed here are limited to the people who directly involved or consulted in the preparation of this R-Plan. However, the contents of the R-Plan are as the results of extensive stakeholder communications during IFCA studies in 2007 and follow up processes up to May 2009. The R-Plan should be considered as a living document which contains broad array of proposed actions, and further details of activities can be elaborated through time to accommodate adjustments wherever necessary. In this regards, stakeholders consultations on the R-Plan/activities for the country like Indonesia with complex socio-bio-geographical conditions could also be carried out even during the implementation of Readiness Plan.

- c. This R-Plan was prepared by the Ministry of Forestry Team who were involved in IFCA studies in 2007, with the aim to provide learning exercise and thorough understanding to this core team of the Ministry of Forestry on all issues relating to REDD, starting from developing R-Plan, implementation of the R-Plan and the REDDI implementation in the future. In this regards, technical assistance was not requested at this stage.
- d. IFCA studies undertaken by GOI in the run up to COP 13 that were supported by highly qualified technical experts from many international partners culminated in publication of a report titled "REDDI : Reducing Emissions from Deforestation and Degradation in Indonesia. REDD Methodology and Strategies : Summary for Policy Makers", launched in conjunction with COP-13, and a consolidated report titled : IFCA Consolidation Report : Reducing Emissions from Deforestation and Forest Degradation in Indonesia, MoFor, 2008. While these reports provide a comprehensive overview of Indonesia's emerging REDD Strategies it is anticipated that continued technical assistance will be needed for further development of the strategy and R-Plan implementation. Since Indonesia did not go through R-PIN development, any reference to R-PIN in this template, Indonesia will refer to IFCA studies (2007) reports and the follow up records, instead of R-PIN.

## 2. Current country situation:

Current country situation summary :

Indonesia is one of the three largest tropical forest countries. The use of forest resources in Indonesia follows the rules applied to each of the four forest functions/categories. First, conservation forest, managed to conserve biological diversity, the source of genetic resources needed for food crops, medicinal plants, wood and non-wood forest species domestication. Second, protection forest, important to maintain hydrological function, watershed protection and soil conservation. Third, production forest, provides timber and non-timber products, and is managed through selective cutting for natural forest and clear cutting for plantation forests. The fourth category is conversion forest, forest area which can be converted for other land uses.

Around 48 million people live in and around Indonesia's forests. The Ministry of Forestry's Long Term Development Plan for the period 2006 - 2025 provides. Around 6 million Indonesians make their living directly from forests. The government has made extensive efforts to accommodate community rights in forest management through forestry regulations and laws. Wood products contributed significantly to Indonesia's economic growth, employment and exports, especially between 1980s - 1990s. Foreign exchange earnings from forest product exports were estimated as US\$ 1.2 billion in 1985. Since then the composition of exported forest products has shifted from logs to processed products such as sawn timber, plywood, panels, furniture and pulp and paper products. By 2005 the reported level of forest commodity exports had risen to US\$ 5 billion

Along with deforestation problem in the tropics, Indonesia has lost approximately 1.7 million ha of its forest per year during the period of 1985 - 1997. The highest forest lost occurred during 1997-2000, reaching the figure of 2.8 million ha per year. The latest published data (MoF, 2007) showed that net forest lost has decreased during 2000-2005, reaching about 1.2 million ha. Hence, it is understandable that the volume of harvested wood products decreased from 26.2 million m<sup>3</sup> in 1990 to 11.2 million m<sup>3</sup> in 2005. The importance of non wood forest products increased during the same period (food products, medicinal plants, rattan etc). According to FAO (2005) it was reported that the volume of fuel wood declined from 357.000 m<sup>3</sup> in 1990 to 171.000 m<sup>3</sup> in 2000 and only 79.000 m<sup>3</sup> in 2005.

Forestry faced considerable challenges in the past ten years which demand for refocus and reorientation of forest policies. In this regards, forestry sector has set up five priority policies, namely : (1) combating illegal logging and its associated illegal trade; (2) forestry sector restructuring through enhancement of timber plantation and industry restructuring; (3) forest rehabilitation and conservation and; (4) strengthening the economy of local communities and, (5) securing forest areas. The five priority policies have been translated into short, medium, and long-term planning. The legal and policy framework already exists which contribute to creating enabling conditions for climate mitigation actions, through reducing emissions from deforestation and forest degradation, sustainable forest management, forest conservation, and through enhancement of carbon stocks from forest restoration, afforestation and reforestation.

Sustainability of forest resources is crucial for the continuation of national development. Sustainable management of forest resources is a form of mitigation and adaptation measures, which is survival issue for Indonesia. As a country with thousands of island and high dependency on agricultural sector (agriculture, forestry, fishery, livestock), Indonesia is vulnerable to climate change not only from environmental aspect but also economic and social.

### 3. Definition of objectives, approach, and responsibilities for the R-Plan process:

#### **The major objectives of the R-Plan: What is it designed to achieve?**

Studying the R-Plan guidelines, the R-Plan requires a comprehensive process and integrated undertaking, extensive stakeholders communication, and in depth analysis of certain issues relating to REDD as well as to a broader issues of development. Indonesia's R-Plan is intended to assist Indonesia in improving management of forest resources according to sustainable principles. Those principles take into account already well documented beneficial social environmental and economic impacts of forest conservation and sustainable management. (Chapter 2 of Indonesia's Long Term Development Plan (2006 - 2025)). In addition to those benefits, rising global awareness of the fact that deforestation and degradation in the tropics account for about 20 % of total global carbon emissions has highlighted the potential of Indonesia's forests to play a significant role in contributing positively towards climate change mitigation through delivering real reduction of emissions from deforestation and forest degradation and also through increased carbon sequestration, at the same time allow national development continue in a sustainable manner.

#### **How would the result of the process change current land use and other sectoral behavior, policies, or governance, so that reductions in deforestation and degradation can occur?**

The process will cover a broad range of activities starting from analytical works, policy dialogue and stakeholders communications, shared learning, capacity building and awareness raising, to institutional arrangements including distribution of incentives and responsibilities at all levels. A number of aspects need to be addressed appropriately across levels and demand for a strong link between central and local governments, for example in determining methodology for REDDI monitoring and its implementation, as well as among sectors, for example in establishing reference emissions level (REL) and REDDI national registry. The process will have to also consider outcomes from negotiations in COP and SBSTA, and so, involvement of international partners is critical in providing necessary expertise, technology, access to data/information, and financial resources.

#### **For which aspects of the R-Plan does the country seek external support? :**

For the aspects which needs a comprehensive and in depth analysis as the basis to undertake activities under component described in the R-Plan, for example :

1. In depth analyses which can provide options as the basis to determine reference emission level (REL),
2. In depth analyses relevant to REDDI approach 'national accounting with sub-national implementation', for example, how to make sure technically and methodological consistency between regions at the sub-national level and between national and sub-national levels, including practical models on how to manage this system over time.
3. In depth analysis on financial aspects (especially for readiness phases), potential markets for REDD, and MRV issues under Bali Action Plan which will affect REDD implementation.
4. Capacity building at all levels, access to data/information, technology transfer and know how, shared learning.
5. Identification of specific on the ground investment and other activities that between now and 2012 will lead to emission reductions and sustainable development. Translating these activities into a format that will provide a basis for appraisal by interested private and public investors.

## Component 1: Land use, forest policy and governance quick assessment

### 1.1. Executive Summary of the quick assessment paper:

Recognizing the unique role of forest in climate stabilization and as live support system, and considering problem in deforestation and forest degradation, Indonesia has put five priority policies since 2000 as mentioned in earlier section, to improve the management of forest resources and halt further forest decline.

According to the UNFCCC Decision 11/CP.7, definition of deforestation is the direct, human-induced conversion of forested land to non-forested land. Effectively this definition means a reduction in crown cover from above the threshold for forest definition to below this threshold. Whereas degradation is defined as a direct, human-induced, long-term loss (persisting for X years or more) or at least Y% of forest carbon stocks [and forest values] since time T and not qualifying as deforestation. Degradation would represent a measurable, sustained, human-induced decrease in carbon stocks, with measured tree cover remaining above the minimum required to be considered forest. Furthermore, it should be enlighten between gross and net deforestation. Gross emissions assume removal of trees and most of the biomass and that all carbon is emitted. It does not include any reductions for the carbon sequestered in the vegetation of the replacing land use. However, net emissions assume removal of trees and most of the biomass and that all stored carbon is emitted, but allows for counting the carbon stocks on the area deforested as they are replaced. Where an area of natural forest is removed for the purposes of creating a plantation it may seem attractive to consider applying the concept of net deforestation because it is assumed that the level of emissions will be lower because of subsequent carbon sequestration as the plantation grows. Though gross emissions are higher than net emissions and result in a higher REL, MoF concern on reducing gross emissions in order to comply with IPCC Guidelines,

In the case of Indonesia, deforestation can be categorized as planned and unplanned deforestation. Forest area under the category of 'convertible forest' and forested non-forest land (*Id. Areal Penggunaan Lain/AOL*) are allowed to be converted to other land uses, and so, deforestation in these area is under the category of 'planned deforestation'. Planned deforestation as well as planned forest losses mostly as a result of the rapidly growing of forest plantation and pulp and paper industry. Since the availability of timber from natural forests is declining, pulp and plywood producers and furniture manufactures are increasingly turning to fast growing tree species, grown in plantations, as a source of raw material. The strategic policy to reduce planned deforestation is by allocating the degraded and uncommercially unproductive land for intensive plantation silviculture. Oil palm plantation also contribute to the planned forest loss in Indonesia. Implementation of spatial planning effectively, including law enforcement on that, is one of the effort to reduce forest conversion into oil palm plantation. Furthermore, to avoid unplanned forest losses, MoF has opposed further conversion of convertible production forest for plantation crops, over and above the agreed areas under the *Padu Serasi*. There have been some efforts to reconstruct *Padu Serasi* agreement at a scale that is consistent with local government spatial planning, thereby it would be a harmony between the functional land use zoning that is required under local government spatial planning and the functional land planning and management of forest areas within the forest land.

Unplanned forest losses can result from forest fires, forest encroachment, unsustainable levels of logging from legally permitted forest concessions, and illegal logging at small and large scales. As Indonesia's population continues to grow through the current long term plan projections towards 275 million, there is also going to be continuing pressure for land reform and reallocation of forest estate to support the growing numbers of people. The forest dependent people give high pressure into forest land since there is limited source of their livelihood. They have very low income thereby they depend much on forest products as their

main source of livelihood. Schemes to improve livelihoods of forest-dependent people while reducing pressures on the forest have failed in the past in part because they operate too close to the forest edge and serve more as magnets that attract and keep people close to or inside the forest rather than pulling them away towards less forest-dependent livelihood options. This can be overcome by addressing the problem on a larger scale. Poverty alleviation funds that draw people away from, rather than into, forests—such as through agricultural intensification in areas of good productivity and adequate infrastructure far from the forest frontier—have proven effective. Instruments that may be applied include disbursement through projects, or block payments to local governments implementing the programs such as REDD.

In addition to unplanned forest losses, the largest length of the boundaries of the production forests and the protected areas are more difficult to control and are therefore open to unplanned encroachment from communities of local people or other commercial forest users, and subject to small and large scale illegal logging. The factors that combine to allow for illegal logging and encroachment particularly in protected forest are a lack of enforcement, insufficient incentives for communities and governments for maintaining protected areas, and low capacity of institutions charged with managing the protected areas. It also occurred in production forest. The encroachment are conducted by neighbouring communities who may or may not be aware of the boundaries. Over the last three years the Ministry of Forestry has issued regulations that create four new avenues for improved access and rights over forest resources in order to overcome the root cause of unplanned forest losses. These regulations embraces Collaborative Management in Protected Areas (MoF decree No 19/2004), Community Forests (Government Regulation 6/2007), Community Forest Plantations (Government Regulation 6/2007), and Customary Forests (Government Regulation 6/2007).

The five priority policies have been translated into long, medium and short term planning. National long-term planning (RPJN) and the national 5 year plan are the guidance for the forestry sector planning. The following time scale planning have been in place, namely, Forestry Long Term Development Plan, Road Map for the Revitalization of Forest Industry, Five Year Forestry Plan. Annual budget allocation is based on these plans, however, because of the magnitude of the challenges which need to be tackled, the available domestic funds often far from adequate. Market failure for forest products and services (e.g. market of illegal forest products, A/R CDM) has also added the challenges in practicing SFM principles which can eventually contribute positively towards climate change mitigation.

A number of regulations already exists which can contribute to creating enabling conditions for climate mitigation actions, through reducing emissions from deforestation and forest degradation, sustainable forest management, forest conservation, and through enhancement of carbon stocks from forest restoration, afforestation and reforestation, if they are successfully implemented. To provide illustration of the regulation exists, there are new spatial planning legislation in Act 26/2007 which requires local government to progressively revise their spatial plans and government regulation PP 6/2007 and its revision PP 3/2008 which provides a framework for licensing the use of forest land for a range of environmental services as well as timber products. PP 6 and PP 3 also accommodate a greater range of community interest through licenses for Community Plantation Forest (HTR), Community Forest (HKM), and Customary Forest (Hutan Adat). The forestry law, Act 41/1999 introduced a broader range of concepts of forest resources use than had previously existed.

Along with the implementation of the five priority policies, forest lost has decreased significantly. Based on the Ministry of Forestry data, forest lost has decreased from 1.7 million ha per year between 1985 - 1997 and the highest forest lost of 2.8 million ha per year during 1997-2000, to 1.2 million ha per year during 2000-2005.

The necessary condition to enable sustainable forest management, including the formulation and implementation of forest policies and practices is good governance. Recognizing the need for a multi sector approach to improving governance, the Gol has made the fight against corruption in all sectors a top priority, as demonstrated by the work of the Independent Anti Corruption Commission (KPK) and the Special Anti Corruption Court. Gol also has a law against money laundering (UU 25/2003) which allows the proceeds of illegal logging to be investigated and used in prosecution. The state Ministry for Administrative Reforms announced a goal to

apply a nationwide system of good governance at the local government level by 2008. To address the transparency and accountability considered in good forest governance, Directorate General of Forest Planning, MoF has built the new Forest Monitoring and assessment system (FOMAS/FRIS/NCAS) using new remote sensing technologies. Other initiative that aimed to strengthen community access to customary land is designation such as “village forest”, “community forest” and HTR. These designations promote an interested management presence on land that has become de facto open access where communities have not had the legal authority or means to prevent outsiders entering the forest. Since 2005, GoI has been undertaking a comprehensive program to curb illegal logging under the umbrella of the Forest Law Enforcement National Strategy (FLENS). In addition, Presidential Instruction (INPRES 4/2005) directs 18 government bodies as well as local government officials to cooperate in action to eradicate illegal logging.

There are several action plans that MoF committed to undertake for improving good forest governance in Indonesia as follow : 1) Building Confidence and Readiness by implementing the Ministry of Forestry’s disclosure policy and invite public review of the maps and information prepared by the FOMAS project and advanced to FRIS and NCAS, activating the national case-tracking system within the Ministry of Forestry in coordination with police and prosecutors, launching a high-level, inter-agency *strike force* under Presidential authority to investigate and prosecute top ringleaders and financiers of illegal logging and associated crimes, 2) Strengthening Accountability by requiring disclosure and divestiture by cabinet members of forest-related financial holdings and other business interests to reduce the potential for political interference and conflict-of-interest, eliminating the use of forestry revenues as a source of funding for political parties, making corporate and local government eligibility to participate in REDD conditional on meeting specific standards and indicators of good governance, considering a public declaration of principles and practices that politicians, political parties, and business associations should commit to in support of good forest governance and achievement of REDD objectives, seeking compliance through incentives and enforcement with policies and regulations requiring forest concession holders to implement plans which reduce timber theft and environmental damage from fire and logging practices, 3) Safeguarding REDD Payments and Markets by considering adopting national financial sector regulations requiring enhanced due diligence procedures for Politically Exposed Persons (PEPs) to curtail the financial activities of PEPs involved in forest-related corruption and crime, enhancing cooperation with Indonesia’s major international partners in forest trade and investment to strengthen FLEG reforms, tackling judicial reform and anti-corruption efforts in the justice system through case-tracking and public scrutiny, consumer action, and institutional capacity-building

As noted earlier there are also underlying issues of institutional infrastructure and human resources capacity, which need to be improved to ensure that positive outcomes can be achieved. Furthermore, government efforts in enhancing commercial plantation in degraded forest land and other programmes to improve forest cover have not been able to balance the rate of forest loses. And so, protecting the remaining forest is urgently needed, facilitated by policy intervention which enable Indonesia to reduce emissions from forest losses and achieve her development objectives. Hence, REDD Indonesia need to be designed to support these two fold objectives.

## 1.2. Partners and organizations involved

The paper was written by the Ministry of Forestry team (see General Information). Data from various sources are used, including the Ministry of Forestry and related institutions, outputs of REDD Indonesia studies in 2007 conducted under the umbrella of Indonesia Forest Climate Alliance (IFCA) and other sources. At this stage, data and information gathering mostly rely on relevant documents and study reports with a number of focus group discussions and workshops. Even though this R-Plan was prepared by the MoF team only, there have been extensive stakeholders processes on REDD throughout the country for the past two years where the team members actively participated.

### 1.3. Land use, forest policy and governance quick assessment paper (See Annex 1)

IFCA studies (2007) report have produced a report that cover quick assessment on land use, forest policy and governance. The report can be accessed through [www.forda-mof.org](http://www.forda-mof.org)

## Component 2: Management of Readiness

### 2a. Convene a national REDD working group to coordinate REDD activities, and how REDD will be integrated into the existing land use policy dialogue

#### 2a.1. Design of the Working Group:

##### *a. Rationale*

Design of the REDD working group shall be unique to each country, taking into account national circumstances and institutional setting in the respective country. In the case of Indonesia, there have been a number of REDD and climate changes related working groups established both at the national and provincial/district level. The Ministry of National Planning is coordinating a working group dealing with the preparation of Indonesia's Road Map on Climate Changes and Ministry of Finance coordinates a Focus Group Discussion on climate change financial aspects. A number of provinces and districts has also established REDD Working Groups. Within the Ministry of Forestry, working group on forest and climate changes (WG\_FCC) has long been established which is now focusing on REDD issues. Process towards establishment of National Working Group on REDD has been started since 2008, coordinated by the Ministry of Forestry as the institution responsible in forestry sector and the leading institution in UNFCCC negotiation on forest related agendas including REDD.

Extensive stakeholders' consultation/communication has been carried out in preparation of *REDD guidelines* and *national REDD working group* since 2008, coordinated by the Ministry of Forestry, through meetings at different levels and electronic communications such as the use of MoFor *website* and e-mail communications to gather inputs from stakeholders. First, the Minister of Forestry issued a regulation on the implementation of REDD demonstration activities (PERMENHUT No. P. 68/Menhut-II/2008 ; see Annex 2a) and a decree on establishing the Ministry of Forestry Working Group on Climate Change/WG-FCC (SK.13/Menhut-II/2009; see Annex 2b), and just recently Regulation on REDD (PERMENHUT No. P30/Menhut-II/2009; see Annex 2c).

The release of Regulation No. P 68/Menhut-II/2008 and P. 30/Menhut-II/2009 was intended to respond to the high interest from both international partners and national stakeholders to participate in -REDD activities, as well as to exercise outcomes of COP/SBSTA processes on REDD. The aim of the implementation of demonstration activities is to test and develop methodologies, technology and institution of sustainable forest management that endeavor to reduce carbon emission through controlling forest deforestation and degradation.

The objective of implementation of demonstration activities of reduction of emission from deforestation and degradation is to obtain forest management design related to reduction of carbon emission from deforestation and degradation.

The Regulation Sets-Out the following items : (a) Definitions, (b) Aims And Objectives, (c) Location And Proponent, (d) Application And Approval Procedure, (e) Concluding Stipulations

The main intention of the regulation is to set-up entry point for the investor. The regulation was designed as an entry point for the interested parties to develop DA-REDD.

The Working Group on Forest and Climate Change (WG-FCC) based on the Regulation No. P..No.13 carry out the following tasks :

- a) Provide inputs to the Minister of Forestry on the policies, strategies, programs, and activities on climate change control in the Ministry;
- b) Assist the Minister of Forestry in conducting the duties of controlling climate change consisting of adaptation, mitigation and transfer of technology activities in the Ministry;
- c) Assist the Minister in evaluating policies on climate change adaptation, mitigation and transfer of technology within the Ministry; and
- d) Manage data and information on climate change in the Ministry.

Review of proposal for Demonstration Activities is also the task of the Working Group on Forest and Climate Change.

Regulation No. 30/Menhut-II/2009 provides guidance on REDD activities starting from prerequisites for locations and participations, rules and procedures for approval, establishment of REL, monitoring, reporting and verification, time frame, rights and obligations, incentive distribution and liability, to roles of government at all levels (national, provincial and district levels).

**b. Design of the National Working Group**

Prior to COP13, Indonesia formed *Indonesia Forest Climate Alliance* in July 2007, an umbrella or forum for stakeholders' communication/coordination/consultations on REDD related issues, including progress and outputs of the studies on REDD methodologies, strategy, financial/market analysis and incentive distributions. The REDD Indonesia /REDDI studies (2007) were coordinated by the Ministry of Forestry, involving both national and international experts, funded by WB, UK, Australia, and Germany. The progress and results of the studies were communicated through IFCA, involving the three pillars of governance (government institutions, private sectors, civil societies including academia) and international partners working on climate changes and forestry in Indonesia (see Figure 1 : IFCA process prior COP-13).

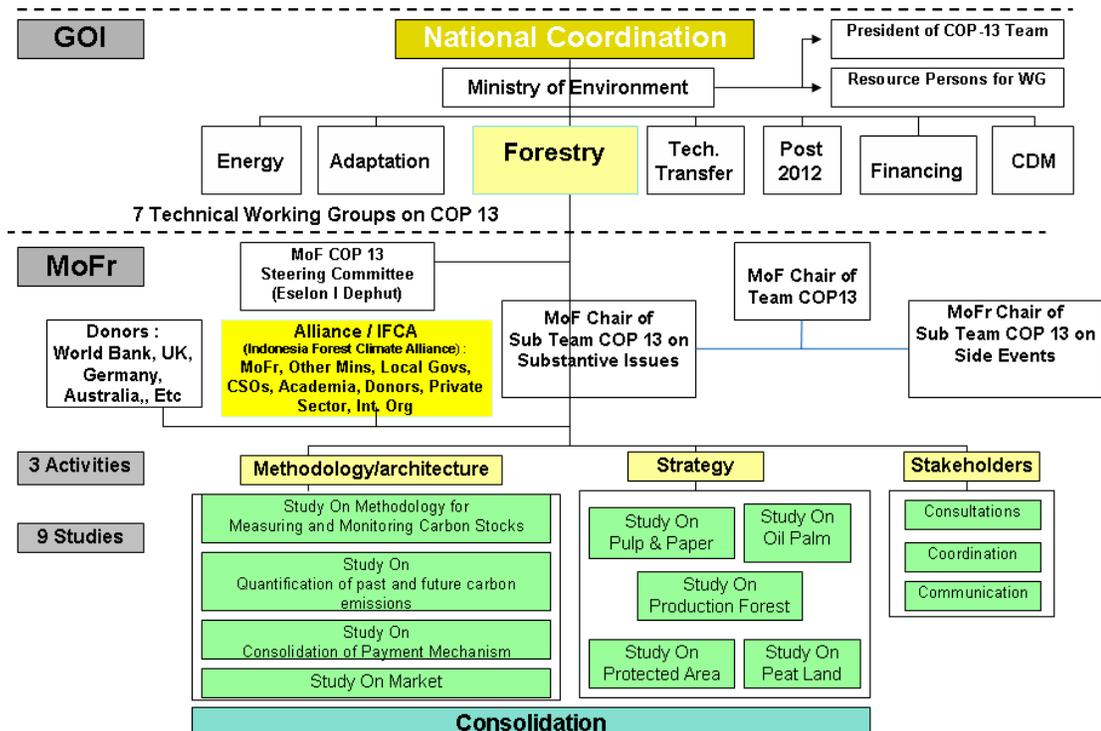
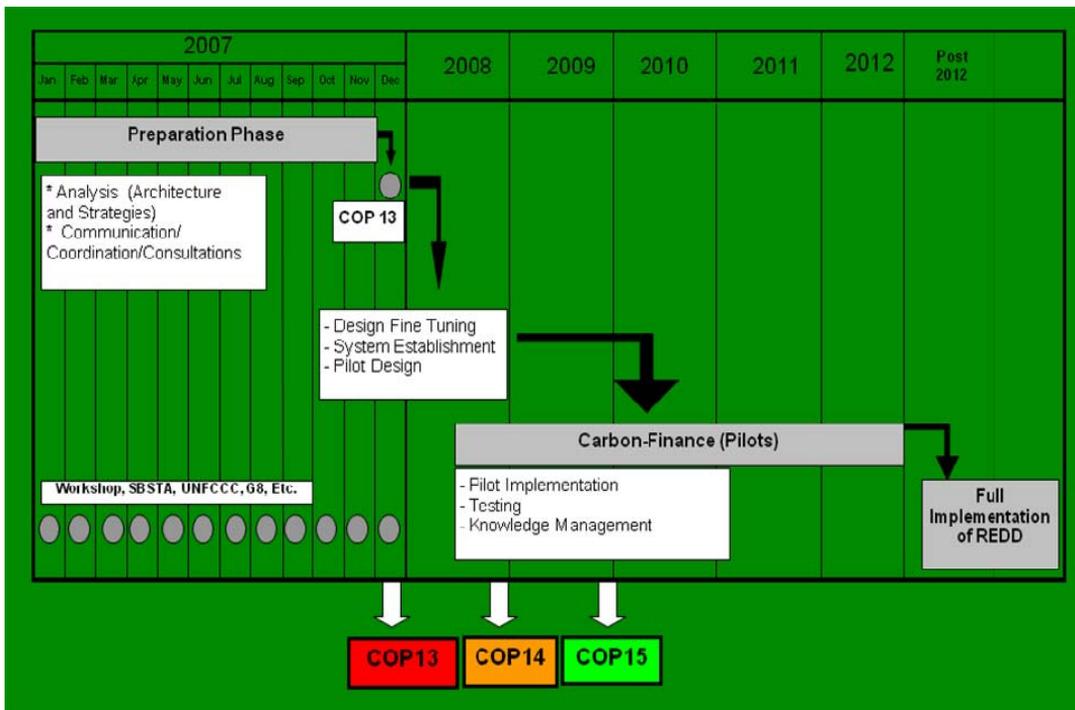


Figure 1. IFCA process in the National Climate Change Context prior COP-13

Along with the preparation for COP-13, Indonesia set up a road map for REDD which includes readiness and transition (capacity building, demonstration activities, and other REDD related initiatives) from 2007 to 2012, and full implementation from 2013 or when REDD mechanism in place ( see Figure 2: REDDI Road Map).

Following up the road map and in line with the decision of COP 13 on REDD and relevant element of Bali Action Plan (Policy approaches and positive incentives for REDD), stakeholders' communication at the national and sub national (provincial and district) levels continue to be carried out in various forms (e.g. focus group discussions, workshops, awareness raising and training). The Ministry of Forestry, the government institution responsible in forestry sector, as a leading institution for REDD, has focuss the efforts in building synergy among many institutions and organizations working on REDD, as to minimize unnecessary duplication and repetition of actions which may result in inefficiency in resource use and ineffectiveness of the actions. Throughout 2008, the FCC working group has facilitated awareness raising and training for local governments, NGOs, and other stakeholders, as well as involved in related focus group discussions. At the sub national level, public consultations have been conducted in Java, Sumatera, Kalimantan, Sulawesi and West Papua. The outcome of these processes have stimulated a number of provinces and districts to establish REDD Working Group.

Figure 2. REDDI Road Map



Although the set up and focus of the working group may vary from region to region, they share common objectives, that is to disseminate relevant information on REDD and assess readiness of the provinces/ districts to implement REDD.

As the follow up of the release of Regulation No. P30/Menhut-II/2009, WG-FCC has to immediately finalizing draft REDD Commission (National Working Group on REDD) who will be tasked to oversee REDD implementation. The National REDD Working Group (NRWG) will consist of representatives from relevant sectors and stakeholders. As the members of the WG are high

level official (Directorate General level), their duties are more dealing with strategic issues. To conduct their duties they will be backed-up and assisted by Technical Team, whose member at more technical level (Director level) and REDD Secretariat. The member of NRWG are representatives of :

1. Ministry of Forestry;
2. Ministry of Environment;
3. Ministry of Foreign Affairs;
4. Ministry of National Development Planning;
5. Ministry of Agriculture
6. Ministry of Home Affairs;
7. Ministry of Trade
8. Ministry of Public Works
9. Ministry of Finance
10. Ministry of Mining and Mineral Resources
11. Ministry of Economic
12. National Landuse Agency
13. National Commission on Climate Change (NCCC)
14. Local Government where REDD activities are located
15. Representative from Civil Societies.

The voice of each NRWG member will be on behalf of institutions they represent. For example, representative from Ministry of Finance will take a lead on issues related to Government revenue from REDD and Distribution of benefit; Issues on land use will be discussed and consulted among National Land Use Agency, Ministry of Home Affairs, Ministry of Forestry and other related sectors.

It is recognized that in overall climate change issues, both adaptation and mitigation (REDD is only one among many mitigation measures), strong coordination among responsible government institutions and other relevant stakeholders at the national and sub national levels is crucial. The National Council on Climate Change (NCCC), chaired by the President with related Ministers as the members, was set up to handle high level coordination on climate change issues especially on the cross sectoral issues. There is also the Ministry of National Development Planning who is responsible in coordinating all sectors development planning in order to achieve national development objectives. As the implementation of national policies and programmes is distributed to all sectors and each sector play role as a leading institution in UNFCCC negotiations related to the sector, in the case of REDD, formulation of policies and programmes is coordinated by the Ministry of Forestry. Any cross-sectoral issues related to REDD will be handle through appropriate channel of coordinations which NRWG could play significant role.

As highlighted earlier, the REDD guidelines (Regulation No. P. 30/Menhut-II/2009 will allow broader activities related to REDD be implemented, and are in an integrated manner. It sets-out the following items:

- Location, proponents and requirements
- Procedures to apply REDD, review and approval
- Rights and obligatory
- Timeframe
- REL, monitoring and reporting
- Verification and certification
- Incentive Distribution and liabilities
- Type of REDD activities
- Technical Guidelines

## 2a2. How would the REDD debate be linked and integrated into the overall land-use and forest dialogue?

As stated in earlier section on the importance of building synergy among many institutions and organizations working on REDD and the fact that REDD is only one among a number of mitigation measures, the debate on REDD shall be an integral part of overall forest dialogue and other land-based sectors dialogue wherever necessary. The dialogue will also take advantages of ongoing processes such as dialogue in the preparation of long-term *National Forest Planning*, *Second National Communication*, and *Road Map on Climate Change* this year.

IFCA studies (2007) analyzed the investment cost of a broadly based integrated forest, agriculture, rural development and forest industry sector program, designed to create a sustainable forest management regime which maximizes Indonesia's forest carbon resources is estimated at in excess of \$ 4 billion within the next 5 years (most of it from private investments; see Annex 6 for Component 6). REDD-related financial resources could make a very significant contribution to meeting the costs to be faced by provincial and district government administrations, forest communities and private sector, during the transition period before revenues from sustainable forest resource management come on stream. REDD-related incomes could also support a substantial investment in peat land restoration and broadly-based, rural and village level forest enterprises. Such an investment could result in alternative and sustainable livelihoods for many of Indonesia's 10 million lowest income families who currently survive on uncontrolled harvesting of forest and expansion of slash and burn agriculture.

## 2a3. Type, schedule and sequencing of activities to be developed by working group:

In preparation for the COP13, Indonesia formed the *Indonesian Forest Climate Alliance* in July 2007, to analyze how a REDD scheme could operate as a practical carbon emission reduction mechanism. The IFCA a forum/umbrella for communication/coordination/consultation of stakeholders working on forest and climate changes in Indonesia. The IFCA is coordinated by the Ministry of Forestry, consisted of governments, private sectors, and civil societies, scientific institutions, and international partners. The IFCA process in 2007 was supported by governments from Australia, Germany and the United Kingdom under the coordination of the World Bank. Universities and International Research Organizations from inside and outside Indonesia have also contributed their expertise. These include CIFOR and ICRAF, The Australian Greenhouse Office, the Australian National University, Winrock International, the World Resources Institute, URS, EcoSecurities, The Nature Conservancy, WWF, Sekala and Wetlands International.

Under the direction of the MoF, Forest Research and Development Agency (FORDA) nine IFCA working groups were brought together to produce technical working papers between August and December 2007. A total of 60 national and international experts in all aspects of forestry and climate change have participated in the preparation of technical papers which address the elements of the *supply chain* necessary to produce carbon credits from REDD project activities. During both periods in August and in October, the writing workshops have culminated in focus group meetings with counterparts from the Ministry of Forestry and national workshops where ideas developed in the working groups have been tried out and enhanced by input from the broad audience of stakeholders interested in the future of a REDD scheme in Indonesia.

IFCA outputs were integral parts of the material presented for discussion by the Ministry of Forestry at a parallel event at UNFCCC COP13 on the 6-7 December 2007 to officially launch Indonesia's REDD roadmap. The event was attended by more than 400 participants from local and international governments, the private sector, civil society, donors and academia. It featured a number of presentations on the role of community forestry, conservation, ecosystem restoration, and fire management in efforts to implement REDD. There was also discussion concerning issues of governance through enhanced forest monitoring and law enforcement. Prior to COP 13, in October, the IFCA launched its website to further enhance its outreach nationally

and internationally and to build a venue for a developing database and exchange of information and ideas. The site provides for an online public clearinghouse for the most up-to-date information, and a collaborative *Wiki* for IFCA members.

In 2008 the IFCA process has continued with further review of the draft documents and the opportunity to complete a more detailed analysis of historic patterns of deforestation. The feedback from these sessions has allowed a clearer exposition of this synthesis. Consolidation Report which focuses more clearly on development and implementation of the REDD process prior to 2012 has been completed, and further works at various levels have been carried out. Table 1 shows examples of stakeholder communications for REDD preparation which was taken place during 2008.

Table 1. REDD stakeholder communications in Indonesia during 2008 (MoFor records)

No	Location/Time/ Activities	Organizing Institution(s)	Participants	Scope/focus
1	Bogor/January/ outreach seminar	IPB	Governments representatives, private sectors, NGOs, University lecturers and students, research institutions	<ul style="list-style-type: none"> <li>Post COP-13 UNFCCC : responding Bali Action Plan and COP decision on REDD</li> </ul>
2	Samarinda, Berau, Balikpapan/ January and March/ stakeholders communication	Local Government- Ministry of Forestry- TNC- GTZ	Local government institutions, MoFor, NGOs, Universities and research institutions	<ul style="list-style-type: none"> <li>Awareness raising on the REDD progress post COP- 13,</li> <li>Facilitation in the establishment of working Group on REDD in East Kalimantan</li> </ul>
3	Jakarta/February / outreach seminar	University of Indonesia	Governments representatives, private sectors, NGOs, University lecturers and students, research institutions	<ul style="list-style-type: none"> <li>Climate change issues in general,</li> <li>REDD challenges and opportunities was one of the topic.</li> </ul>
4	Semarang/April/ outreach seminar	Religious leaders - Ministry of Forestry	Religious leaders, Ministry of Forestry representatives, local governments and other stakeholders	<ul style="list-style-type: none"> <li>Impact of Climate changes and religion,</li> <li>Opportunities under CC regimes</li> </ul>
5	Sulawesi (all provinces) /February-April	NGOs-Local Government- Ministry of Forestry	Governments representatives, private sectors, NGOs, Universities and research institutions, local community groups	Awareness raising and stakeholders consultations: preparing REDD implementation including IFCA study results and follow up
6	Yogyakarta/Mei/ seminar	Gadjah Mada University- Ministry of Forestry	University lecturers and students	Tackling CC issues in forestry in Indonesia
7	Pakanbaru/June/ stakeholders consultation	NGOs-Local government- Ministry of Forestry	Governments representatives, private sectors, NGOs, Universities and research institutions, local community groups	Awareness raising and stakeholders consultations : preparing REDD implementation including IFCA study results and follow up
8	Jakarta/July/RED D conference	TNC Indonesia	All TNC offices, Governments representatives, private sectors, NGOs, Universities and research institutions, local community groups	Sharing lessons learned from initiatives relating to REDD
9	Jakarta/July/	Ministry of	Governments	<ul style="list-style-type: none"> <li>Stakeholders</li> </ul>

No	Location/Time/Activities	Organizing Institution(s)	Participants	Scope/focus
	stakeholders consultations	Forestry	representatives, private sectors, NGOs, Universities and research institutions, local community groups, international partners	<ul style="list-style-type: none"> <li>consultations on draft government regulation (PERMENHUT) on REDD</li> <li>Draft PERMENHUT was also posted in IFCA Website (Ministry of Forestry website) before and after consultation process</li> <li>Inputs/comments were also received through email and other means of communications</li> </ul>
10	Palangkaraya/October/ stakeholders consultations	Local government_ Wetland International	Governments representatives, private sectors, NGOs, Universities and research institutions, local community groups, international partner (Australia-KFCP)	<ul style="list-style-type: none"> <li>Awareness raising on REDDI progress</li> <li>Stakeholders consultations on draft regulation (PERMENHUT) on REDD by MoFor representative.</li> <li>Establishment of REDD Working Group in Central Kalimantan</li> </ul>
11	Papua/October/ outreach workshop	Local government- Ministry of Forestry	Governments representatives, private sectors, NGOs, Universities and research institutions, local community groups	<ul style="list-style-type: none"> <li>Awareness raising and stakeholders communications on REDD and A/R CDM</li> </ul>
12	Bogor/November / training for MoFor regional forest conservation officers	Ministry of Forestry	MoFor regional forest conservation officers	<ul style="list-style-type: none"> <li>Forest and climate change issues : adaptation and mitigations (including A/R CDM, REDD, and other forest-based PES)</li> </ul>
13	Jakarta and others/periodic/ workshops	Ministry of Forestry	Governments representatives, private sectors, NGOs, Universities and research institutions (depending on the topic and focus of the workshops)	<ul style="list-style-type: none"> <li>Development of Forest Resource Information System (FRIS) and National Carbon Accounting System (NCAS) → Indonesia-Australia cooperation</li> </ul>
14	Jakarta and others/on requests	Government institutions/ot hers	Governments representatives, private sectors, NGOs, Universities and research institutions, local communities, international partners (depending on the topic and focus of the events)	Facilitation by the Ministry of Forestry in the REDD workshops/ awareness raising/ training and others (by WG-FCC/FORDA/IFCA Secretariat)
15	Jakarta/periodic / Focus Group Discussion	Ministry of Finance	Related government institutions, private sectors, NGOs, Universities and research institutions	<ul style="list-style-type: none"> <li>Financial aspects of climate changes</li> <li>REDD is one of the focus</li> </ul>
16	Jakarta and others/ coordinating meetings or consultations	Related government institutions (MoFor/MoE/ MoFA/MoF/ Bappenas/oth	Governments representatives, private sectors, NGOs, Universities and research institutions, local community groups, international partners	<ul style="list-style-type: none"> <li>All climate change issues,</li> <li>Forestry is one of the national CC strategic issues,</li> <li>REDD is one of the main</li> </ul>

No	Location/Time/ Activities	Organizing Institution(s)	Participants	Scope/focus
		er ministries)/ National Council on CC/Internatio nal partners		focus.

Series of meetings and other form of stakeholder communications on the R-Plan development (considering the availability of Gol funding for that purpose) have been carried out for the last two months at the national level (25 March 2009) and sub-national level (in April 2009) in four provinces (South Sumatera, Riau, East Kalimantan, and South Sulawesi). The consultation in Jakarta (national level) was done together with stakeholders consultation on REDD National Framework, draft regulation on REDD, and draft regulation on REDD Commission. At the sub-national level, the four provinces were selected to represent different forest conditions and challenges, different level of awareness on the issues, and the readiness of local institutions to host the consultations within the available time frame. The Section below depicts major comments which were received from 25 March consultation, while comments from consultations at the provincial levels can be seen in Table 2.

#### Stakeholder Consultation on REDDI Framework-draft Regulation on REDD-draft Regulation on National REDD Commission - Readiness Plan : major comments and responses

##### I. Major Comments

###### General :

1. The Draft of REDD Guideline should urgently be finalised and issued, because it will be our main reference to implement Demonstration Activities toward REDD from either voluntary and mandatory market.
2. Cross sector team is needed to agree upon carbon asset and benefit distribution.
3. Regulation on national strategy of REDD should be prioritized as reference for preparing this guideline
4. Position on National strategy of REDD should be clear.
5. Mainstreaming Climate Change issues into National Forestry Plan should be formulated.
6. Role of foreign partner should be optimised under clear control from government.

###### Technical :

1. Definition on forest from UNFCCC should be added.
2. Definition of deforestation should be re-formulated to avoid complain when forest plantation companies conduct land clearing and land preparation on unproductive licensed forest ares.
3. Definition of forest degradations lacks the aspects of change of quality in forest composition (
4. Definition of forest (and deforestation) is not consistent with UNFCCC terminology
5. Location criteria : for adjacent REDD locations, bundling should be encouraged.
6. It would be useful to prepare simple and easy template for Implementation plan of REDD, to avoid broad variations of REDD submission (Could be put on annex)
7. REL and Monitoring need to be detailed in annex
8. REL is a crucial issue, but there is little guidance for projects: Appendix 5 (c) 3.

9. Reference Emission levels on different implementation levels have to be consistent with national REL, the procedure to ensure so is not elaborated (APPENDIX 5). Appendix 5 and 6 needs further scrutiny
10. How should a district-level reference emission level (REL) be developed ?
11. GL-AFOLU is more comprehensive than IPCC guideline or GPG-LULUCF.
12. MRV should be put in annex as a practical guideline to implement REDD
13. Important that regulation now allows bundling of projects by district government: Article 3 (2). Will this involve creating a single project, or just streamlining application for separate projects with separate reference levels?
14. There is significant forest carbon outside forest estate, but it is not clear from the regulation how APL could be included, and therefore whether a district-scale approach is really possible
15. Programmatic as well as site-based emission reduction approaches.
16. Eligible areas? Not all land in district will meet project-based eligibility criteria, but can contribute to emission reductions.
17. In the medium and long-term, sub-national reference-emission levels (within a national program) will probably need to be substantially different from project-based approaches developed so far
18. Performance standards should be considered rather than “business as usual” baselines for guiding project-level and even perhaps district-level incentives

#### Policy and Institution :

1. REDD should have fundamental and broader purposes as a means to improve forest governance.
2. There is a need to immediately issued supporting regulation to back-up this guideline.
3. What is the argument behind that the review of REDD proposals should be finished within 30 working days
4. Criteria on forest governance should be mentioned clearly and separated with other issues.
5. REDD should be directed to support SFM.
6. The draft could be further developed to anticipate the possibility of co-lateral benefits that is more important than the carbon trading itself.
7. GOI could prioritize development of guidance documents outside of the regulations and hold workshops to both develop the guidance and disseminate guidance to avoid wasted effort and unreasonable expectations. Could refer to VCS and other external sources, or build on them if appropriate
8. Distinguishing benefits from improved *governance* vs. improved *management*
9. At project-level, non-financial incentives will be extremely important tools, as will financial incentives not directly linked to carbon performance
10. Diverse composition of REDD Commission is very positive: Decree on REDD Commission, Appendix 1.
11. Very substantial coordination and regulation, going beyond current draft regulation, will be required for the following :
  - Inclusion of areas outside of the national forest estate
  - Coordination on determining sites of oil palm
  - Mining sector integration into REDD planning
  - Clarifying and streamlining monitoring and oversight of HPHs
  - Data sharing across each level and between levels to improve planning and decision-making
12. Could consider additional task for REDD Commission that members proactively identify opportunities and risks related to alignment of institutions they represent with REDD

- activities, and develop a mechanism for addressing issues that are identified: Decree on REDD Commission, Sixth specification,
13. Incorporating learning more explicitly into the draft regulation :Getting started is important, but can also acknowledge that changes may be needed due to improved approaches
  14. Regulation does a good job of creating context for starting REDD-I, but need to realize that new, perhaps dramatically better, implementation approaches may be developed
    - Need to avoid “lock-in” to highly project approach: project approach can build on existing carbon approaches, but these have high transaction costs
    - Simplicity should be sought wherever possible, and close alignment with existing frameworks is key for this
    - Harnessing demonstration projects for more detailed data collection to build national database—small investment in data management could yield big results: Appendix 5 (c)
  15. The lessons learned on REDD in Indonesia will be extremely important for progressing negotiations on REDD in the UNFCCC leading to COP15 in Dec 2009.
  16. This regulation on implementation procedures will be very useful for stakeholders who are working to develop demonstration or commercial REDD activities, and we note there are now at least 20 REDD activities in Indonesia at various stages of development by government and donors, NGOs and the private sector.
    - What is the role of Provincial Governments under this Regulation? Can Provincial Governments be REDD proponents?
    - Can Local (District) Governments be REDD proponents? Or can they be proponents as Managers of FMUs (KPH)?
    - Does the Regulation cover areas where Local Government has issued permits for environmental services in Protection Forest (IUPJL)?
    - If both concessions and FMUs (KPH) can be REDD proponents, what happens if there are concessions within a KPH and both want to be a REDD proponent? Who will take precedence or will the KPH and concession have to be joint proponents?
    - Verification and peat: Given that there are no internationally agreed methodologies for measuring and monitoring peat GHG emissions, how can verification be done, ie. how will the Independent Appraiser Institutions be able to verify emissions from peat swamp forests if efficient and credible methodologies are still being developed?
    - Is it intended that the regulation will cover peat GHG emissions within REDD activity frameworks?
  17. Role of Local Government is not clear. Ministry of Finance is ready to support for preparing regulations related to the Fiscal incentive. To date we don't have any regulation to manage the Climate Change Fund. It should immediately be prepared.
  18. Articles in draft REDD Regulation :
    - The terms *REDD credit* and *REDD certificate* and *REDD incentive* require definitions. There seem to be some inconsistencies in the use of these 3 terms. (CHAPTER 1 ARTICLE 1)
    - The differentiation between aim and objective of REDD is not clear
    - Bundling as such supports sub-national activities e.g. districts- or province-based approaches, however it is not clear how the benefit-sharing is then arranged (CHAPTER III: LOCATION AND REQUIREMENTS)
    - The transparent work flow and time schedule for processing REDD proposals, might create work overload for the commission given the tasks stated. Depending on application the proposed set up for the commission needs to have sufficient institutional resources for this task. (CHAPTER IV: PROPOSAL, ASSESSMENT AND APPROVAL PROCEDURES)
    - Role of independent appraiser might be further defined
    - Benefit sharing in general is not clear yet

- What is management of emission reduction in the national level? (CHAPTER IX: INCENTIVES DISTRIBUTION AND LIABILITIES)
  - Referring also to responsibilities of REDD proponents (Art 17)
19. Preparation of the guideline is not well arranged so as to ensure the active participation from Indigenous people. Indigenous people is '*rights-holders*', and not '*stakeholders*'
    - The contents of the guideline do not have breakthrough for adequately accommodating interest of indigenous people.
    - The guideline is not fully in-line with the spirit of UUD 45 (article 18 and 28)
    - REDD will continue centralistic policy on forestry.
    - Position of 'Hutan Adat' in Forestry Act (UU) 41 may create problem relating to REDD. In REDD there is commodity, means the owner must be clear for the purpose of trading. If there is carbon right, there must be right upon trees and land right.
    - Most benefit from REDD will not go to indigenous people.
    - Recommendation from local government should be clearly defined.
    - Regulation on benefit distribution should be immediately prepared
  20. Carbon fund could be an alternative source of fund, but we have to consider the opportunity cost generated from REDD revenue.

## II. Responses from Ministry of Forestry Working Group on REDD

1. Based on the existing regulation, the MoFOR prepares draft REDD Guideline for Indonesia interests since Climate Change (CC) challenges can not be separated from challenges in achieving sustainable forest management as well as sustainable development issues.
2. All comments and suggestions will be accommodated wherever possible, taking into account relevant regulations, local and national issues and international requirements, relevance of the comments to the topic being consulted.
3. If regional government could be a proponent, there will be conflict of interest as the government function is to regulate and facilitate REDD implementation. If bundling will be proposed, they could be as a coordinator (not a proponent).
4. REDD National Working Group consists of broader related cross sectors for the sake of representativeness and consist of high level bureaucrats to ease access for decision making process.
5. The Guideline is very important because of two reasons; first for guiding implementation of REDDI framework and also to respond to the high interest of various parties to develop REDD project in Indonesia.
6. We are also very concern on the interests of all stakeholders, that is why we meet here to discuss and gather inputs for the draft regulation and others.
7. Objectives of different conventions are not the same eg. Convention on Biological Diversity, Convention to combat Desertification and United Nations Framework Convention on Climate Change. It could be synergised each other but could not be merged.
8. Public awareness and safeguarding with regard to REDD implementation have already been accommodated in the existing capacity building program; but it can not cover all of the needs. Therefore we need support from international partners.
9. Substance of the draft regulation will not be conflicting with the existing regulation. It does not mean to add the complexity, but rather we need the "umbrella" of regulation for REDD implementation.

Table 2. Major comments received during stakeholders consultations on R-Plan in April 2009<sup>1</sup>

No	Component/Sub-Component	Point Raised
1	Land use, forest policy and governance quick assessment	<ul style="list-style-type: none"> <li>• Provincial and District Land use Planning should be immediately finalised to strengthen efforts to reduce deforestation.</li> <li>• Data; ongoing deforestation; conversion from forest into non-forestry uses; effectiveness of 5 priorities forest policy</li> <li>• Riau have chance to implement REDD because of high deforestation. Is RTRWP (spatial planning) needed Riau Province to implement REDD?</li> <li>• Based on Minister of Agriculture Regulation No. 15/2008, oil palm can be established in peat land with depth less than 3 m</li> <li>• Deforestation in Riau was caused by 3 factors: oil palm establishment, pulp paper industry and industrial plantation forest. Many oil palm plantations were established in production forest.</li> <li>• Concern about rate of aforestation-reforestation can not follow rate of deforestation. For that reason, it is important focused on prevention of land encroachment and forest fire.</li> <li>• HTI establishment is allowed in areas with growing stock &lt; 5 m3. On the other hand, Riau Province has obtained IPK target hundreds of m3. Where is policy position of Ministry of Forestry now? Is it in conservation position or economic position?</li> <li>• Is there special policy for Riau Province in term of REDD implementation considering that the RTRWP (spatial planning) are in the process of revision?</li> <li>• It is important to make regulation to reduce oil palm expansion in Riau order to reduce deforestation in this Province. .</li> <li>• REDD initiative should not inhibit the implementation of master plan of Riau Province.</li> <li>• Land conversion especially in peatland should be stopped, as it has high stock of carbon. On the other hand, , regulation allow development of forest plantation on peatland</li> </ul>
2	<p>Management of Readiness:</p> <p>2a. Convene National REDD Working Group</p> <p>2b. Prepare a REDD Consultation and Outreach Plan</p>	<ul style="list-style-type: none"> <li>• Interconnection among existing working group on REDD at all level should be developed and strengthened.</li> <li>• High level lobby between national and regional leader as well as cross sector leader is important.</li> <li>• Common perception on REDD at high level officials is important to be developed, as REDD require long term commitment from cross sector, national and regional level.</li> <li>• Public awareness on REDD is not only needed at</li> </ul>

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No	Component/Sub-Component	Point Raised
		<p>technical level but it should be “strengthened ” through high level lobby.</p> <ul style="list-style-type: none"> <li>• Scenario for each landscape should be developed.</li> <li>• Mechanism , strategy and responsibility on REDD should be clearly defined to ensure that REDD is trade off with the need to convert the forest for development</li> <li>• Communication and socialization of the concept</li> <li>• This Consultation should be followed up with other consultation on more specific issues, related to REDD</li> </ul>
3	Design the REDD strategy :	
	3a. Assess candidate activities for a REDD Strategy	<ul style="list-style-type: none"> <li>• DA-REDD sites in those 5 landscape should be initiated. The activities on those sites will cover five REDD infrastructure</li> <li>• It is important to include ex-mining forest state as the sixth landscape of REDD coverage, since mining is a crucial land use issues in east Kalimantan.</li> <li>• Small size private owned forest should be included on the REDD scheme.</li> <li>• Communication and socialization; selection of activities and DA locations.</li> <li>• The activities should be directed to build trust among various parties</li> </ul>
	3b. Evaluate potential additional benefits of REDD, including biodiversity conservation and rural livelihood	<ul style="list-style-type: none"> <li>• It is crucial to obtain views from local people on REDD</li> <li>• Mainstreaming REDD into Regional Planning is very important</li> <li>• Financial and economical benefits</li> <li>• What is the minimal size of forest land to implement REDD?</li> <li>• How is the relevance of oil palm with REDD?</li> <li>• It is not agreed if landscape strategy of oil palm is implemented for REDD in Riau. One factor of deforestation in Riau caused by conversion forest land to oil palm.</li> <li>• What type of production forest is used as REDD implementation?</li> <li>• There is a risk that REDD will limit access for indigenous people to the forest.</li> </ul>
	3c. Trade-offs Analysis	<ul style="list-style-type: none"> <li>• It is important to assess how local people will get optimum benefit from REDD scheme.</li> </ul>
	3d. Risk assessment of your REDD strategy	<ul style="list-style-type: none"> <li>• Roles of local people in relation with roles of the donor parties (investor)</li> </ul>
4	REDD implementation framework	<ul style="list-style-type: none"> <li>• If displacement happened in one location, is it reducing incentive in the other location ?</li> <li>• Is oil palm concessionaries who does not convert forest land to oil palm in order to implement REDD will receive incentive from REDD mechanism?</li> <li>• Who are proponents of REDD?</li> <li>• How to ensure that money leakage in REDD incentive distribution will not happen?</li> <li>• REDD incentive can be given to community for “swakarsa protecting” for keeping and monitoring of conservation forest.</li> </ul>

No	Component/Sub-Component	Point Raised
		<ul style="list-style-type: none"> <li>• What type of incentive from REDD mechanism?</li> <li>• Who will facilitates REDD proposal by local community/masyarakat adat?</li> <li>• How about regulation of income system that will be received by community, industry and other institutions?</li> <li>• Government should carry out survey carbon stocks in the natural forest area, plantation forest and oil palm.</li> <li>• Is non forest area can be included in REDD mechanism?</li> <li>• How to measure and analysis incentive for carbon value in forest area for REDD mechanism?</li> <li>• What is the difference between assessment of carbon value as environmental service and carbon value as product from HTI?</li> <li>• Clear mechanism for REDD mechanism in production forest as environmental service is needed.</li> <li>• REDD scheme should be part of RAN-MAP to strengthen coordination among related institution.</li> <li>• Our position should be clear, do we focus on carbon trade from REDD, or REDD be used for support SFM?</li> <li>• Pengelolaan Hutan Bersama Masyarakat (PHBM) and Agroforestry is the best model for Forest management in REDD implementation</li> <li>• Most of participants agree that REDD could potentially support the effort to reduce deforestation and forest degradation in order to support SFM</li> </ul>
5	Assess the social and environmental impacts of candidate REDD strategy Activities	<ul style="list-style-type: none"> <li>• The positive impacts for local people are conditionality for successful REDD</li> <li>• The impacts need to be happened shortly after the implementation for community initiative :</li> <li>• Development of plantation forest and restructuring forestry industry for business initiative:</li> <li>• Implementation of sustainable forest management principles with consistent.</li> <li>• Role of Rubber plantation, planted on the unproductive land should also gained compensation from carbon project</li> <li>• Holistic and integrated studies should be conducted in South Sumatera province to provide significant impacts for stakeholder</li> </ul>
6	Assess investment and capacity building requirements	<ul style="list-style-type: none"> <li>• Sharing capacity from national to regional level should be generated.</li> <li>• Capacity building at regional level should be prioritized</li> <li>• Capacity to define and measure REL; capacity to conduct MRV; availability of information</li> <li>• Not only concern in emission, but also in land fertility, sustainability, land optimization and food security.</li> <li>• How to get incentive from degraded forest? How to get incentive from existing forest that has good condition? Masyarakat adat Buluh Cina, Kab. Siak has kept forest in 1000 ha during 20 years and also had SK Gubernur for recognition to the land.</li> <li>• How to strengthen the institution in local community?</li> </ul>

No	Component/Sub-Component	Point Raised
		<ul style="list-style-type: none"> <li>• How the local community can involve in REDD mechanism?</li> <li>• MRPP-GTZ funded project in Merang District will facilitate Sumatera Provinces to be ready for REDD implementation</li> </ul>
7	Develop a reference scenario of deforestation and degradation	<ul style="list-style-type: none"> <li>• The Ministry of Forestry should support regional level to set-up baseline and other technical matter.</li> <li>• Methods on REL; actor or legitimate party to set the REL</li> <li>• One of MRP-GTZ activity is to develop REL with Tier 3.</li> <li>• Institutional arrangement on REL need to be set-up</li> </ul>
8	Design and implement a monitoring, reporting and verification system for REDD : Provide the capacity to monitor forest sector carbon emissions and other benefits over time, in relation to the Reference Scenario	Mechanisme on MRV with regard to National-sub national flow of input should be clearly defined

2a4. Attach ToR or plan for component 2a as annex.  
See Annex 2a\_framework TOR..

## 2b. Prepare a REDD Consultation and Outreach Plan

2b1. Consultation and Outreach Plan under this component:

a. Include all major components of your R-Plan (e.g., monitoring, etc.)

Indonesia is currently working on each component of the REDDI architecture (see the Figure 1). The concept of REDDI architecture was developed prior COP-13 and was launched in a parallel event of the COP-13. It can be seen from Figure 3 that the five components of REDDI architecture are consistent with major components required for the R-Plan.

b. Who developed the Plan?

Since the National REDD Working Group has not been established yet (finalization), the RPLAN was prepared by the Ministry of Forestry Climate Change Working Group, taking into account earlier processes on REDDI consultations and outreach and other ongoing process relevant to REDDI. The RPLAN plan was consulted to other stakeholders for further improvement (see Table 2) .

c. What methods would be used (e.g., workshops, survey, trainings, etc.)? What will be the format of the consultations, and what topics will they cover?

For the operationalization of each component in the future in an integrated manner, a regulation or REDDI guideline has been released on 1 May 2009 (PERMENHUT No. P. 30/Menhut-II/2009). Technical guidance for the five Annexes of the Regulation No.P.30 will be prepared by REDDI Commission (National REDD-WG). National REDDI Working Group will facilitate the implementation of REDDI guideline. Table 3 describes main activities to be done in each

component, responsible institution/s, consultation and outreach activities, and stakeholders involved during the readiness phase.

Table 3. Stakeholders communication for each component of REDDI framework

REDDI Component and Activities	Responsible Institution/s	Consultation and Outreach Activities***	Stakeholders
Reference Emission Level (REL) : see component 7	<ul style="list-style-type: none"> <li>Ministry of Forestry *</li> <li>National Aeronautical and Space Agency (LAPAN)</li> <li>Bakosurtanal</li> </ul>	<ul style="list-style-type: none"> <li>Awareness raising</li> <li>Training, and shared learning</li> <li>Workshops/meetings/policy dialogue for input gathering , defining REL</li> <li>Expert gathering for exchanges of knowledges and experiences</li> <li>Web-based communications</li> </ul>	<ul style="list-style-type: none"> <li>Ministry of Environment</li> <li>Ministries related to land use sector</li> <li>Local government</li> <li>National Council on Climate Change (DNPI)**</li> <li>Private sector</li> <li>Scientific institutions</li> <li>Civil societies (including NGOs, indigenous people and local communities)</li> <li>International partners (bilateral and multilateral cooperation, international organizations working in Indonesia)</li> </ul>
<p>REDDI strategy :</p> <ul style="list-style-type: none"> <li>Elaborate further REDDI strategy developed in IFCA studies 2007 →</li> <li>adjusted wherever necessary, to suit the REDDI approach '<i>national accounting with sub-national implementation</i>' see component 3</li> </ul>	<ul style="list-style-type: none"> <li>Ministry of Forestry</li> <li>Ministry of National Development Planning/BAPPENAS,</li> <li>Ministries related to land use sector</li> <li>Local government</li> </ul>	<ul style="list-style-type: none"> <li>Awareness raising</li> <li>Training, and shared learning</li> <li>Workshops/meetings for input gathering to identify the most suitable REDDI strategies at the national and sub-national levels, taking into account diversity of sub-national circumstances and the national development priority.</li> <li>Web-based communications</li> </ul>	<ul style="list-style-type: none"> <li>Ministry of Environment</li> <li>Ministries related to land use sector</li> <li>National Council on Climate Change (DNPI)**</li> <li>Private sector</li> <li>Scientific institutions</li> <li>Civil societies (including NGOs, indigenous people and local communities)</li> <li>International partners (bilateral and multilateral cooperation, international organizations working in Indonesia)</li> </ul>
Monitoring : see component 8	<ul style="list-style-type: none"> <li>Ministry of Forestry *</li> <li>National Aeronautical and Space Agency (Id. LAPAN)</li> <li>Bakosurtanal</li> <li>Ministries related to land use sector</li> <li>Local government</li> </ul>	<ul style="list-style-type: none"> <li>Awareness raising</li> <li>Training, and shared learning</li> <li>Workshops/meetings for input gathering for component 8</li> <li>Expert gathering for exchanges of knowledges and experiences</li> <li>Web-based communications</li> </ul>	<ul style="list-style-type: none"> <li>Ministry of Environment</li> <li>Ministries related to land use sector</li> <li>Local government</li> <li>Ministry of Environment</li> <li>Ministries related to land use sector</li> <li>Local government</li> <li>National Council on Climate Change (DNPI)**</li> <li>Private sector</li> <li>Scientific institutions</li> <li>Civil societies (including NGOs, indigenous people and local communities)</li> <li>International partners</li> </ul>

REDDI Component and Activities	Responsible Institution/s	Consultation and Outreach Activities***	Stakeholders
			(bilateral and multilateral cooperation, international organizations working in Indonesia)
Market/funding	<ul style="list-style-type: none"> <li>Ministry of National Development Planning/BAPPE NAS,</li> <li>Ministry of Finance*</li> <li>Ministry of Forestry</li> <li>Other related institutions</li> </ul>	<ul style="list-style-type: none"> <li>Awareness raising</li> <li>Expert gathering for exchanges of knowledges and experiences</li> <li>Workshops/meetings to design the most appropriate institutional setting for REDDI financing.</li> <li>Meetings : Indonesia-international partners providing financial support for REDDI</li> <li>Web-based communications</li> </ul> <p>Note : related to the work coordinated by BAPPENAS and Ministry of Finance 'Climate Change Trust Fund'</p>	<ul style="list-style-type: none"> <li>Ministry of Environment</li> <li>Ministries related to land use sector</li> <li>Local government</li> <li>National Council on Climate Change (DNPI)**</li> <li>Private sector</li> <li>Academia</li> <li>Civil societies (including NGOs)</li> <li>Private sector</li> <li>Scientific institutions</li> <li>Civil societies (including NGOs, indigenous people and local communities)</li> <li>International partners providing financial support for REDDI</li> </ul>
Distribution of incentives and responsibilities	<ul style="list-style-type: none"> <li>Ministry of National Development Planning/BAPPE NAS,</li> <li>Ministry of Finance</li> <li>Ministry of Forestry</li> <li>Other related institutions</li> </ul>	<ul style="list-style-type: none"> <li>Awareness raising</li> <li>Workshops/meetings to design the most appropriate setting for REDDI distribution of incentives and responsibilities at all levels.</li> <li>Web-based communications</li> </ul>	<ul style="list-style-type: none"> <li>Ministry of Environment</li> <li>Ministries related to land use sector</li> <li>Local government</li> <li>Ministry of Environment</li> <li>Ministries related to land use sector</li> <li>Local government</li> <li>National Council on Climate Change (DNPI)**</li> <li>Private sector</li> <li>Scientific institutions</li> <li>Civil societies (including NGOs, indigenous people and local communities)</li> <li>International partners (bilateral and multilateral cooperations, international organizations working in Indonesia)</li> </ul>

Notes :

\* Lead Institution;

\*\* DNPI responsible for high level coordinating function. for overall issues on climate changes,

\*\*\* Format of activities, listed in the table will be adjusted to suit different needs of stakeholders at different levels.

**d. Outreach and Communication: How will results be disseminated? To whom? And how often?**

Indonesia has extensive learning process on REDDI outreach and communication since 2007, through IFCA studies and stakeholders coordination in preparing REDDI architecture prior to COP-13, supported by international experts and stakeholders. Stakeholder communication on REDDI has been done at various levels since then, for example, stakeholders consultation on REDDI guideline/regulation and National REDD Working Group; awareness raising and training for NGOs, local government and local stakeholders, in collaboration between the Ministry of Forestry, local governments, NGOs and international partners. There are also a number of REDDI related outreach activities organized by various organizations which strive to build synergy among all pillars of governance.

Learning from these previous processes, similar approaches and channels will be used for communications and dissemination of results including the use of web-based communication. Further improvement will be done to find suitable approaches and methods for different stakeholders at all levels, including frequency for disseminating results and relevant information, taking into account the diversity of capacities and availability of resources for this undertaking.

**e. Stakeholder identification: Who are the targeted potentially affected groups that will be involved in the consultations? What stakeholder group would be consulted on what component (monitoring, REDD strategy, reference scenario, etc.). How are attendees selected?**

Please refer to Table 3 for explanation. Basically all groups listed in the table 13 will be involved in the consultations, depending on the component in REDDI architecture to be consulted and the issues to be addressed. The Readiness plan was designed to allow further elaboration of activities even during in its implementation wherever necessary, through stakeholders consultation. What stakeholder group will be consulted for each component is explained more detail in each component. The selection of stakeholders will be based on a set of criteria including : (a) the relevance of the topic/issue to be consulted, (b) Degree of impact of the topic/issue to a group of stakeholders, and (c) potential contribution of a stakeholder group to the success of activities being consulted.

**Stakeholder analysis: what are the potentially affected interests of various stakeholders?**

**- What role would forest dwellers and indigenous peoples play?**

Forest dwellers and indigenous people, like other Indonesian citizens, have the same rights and responsibilities as Indonesian citizens according to national regulations. At the policy level, the guidance is clear that REDDI must benefits local communities. This guidance need to be translated further especially by local government and related stakeholders to make sure local communities gain benefits from REDDI initiatives, and take part in REDDI activities according to their capacities and responsibilities.

Forest dwellers and indigenous peoples and other forest dependent communities will play an enormously important role for the success of REDDI in reducing effectively and sustainably deforestation and forest degradation rates. Adequate involvement of those groups in the implementation of programs will be key, but also addressing their needs in future public policies will be important.

Relevant traditional knowledge and wisdom can be the basis for identifying what the best roles local communities at different bio-geographical regions of Indonesia can play for REDDI

implementation to reduce deforestation and forest degradation and providing real benefits to them at the same time.

Number of studies have shown that indigenous people and local community are and would be heavily affected by deforestation. Generally speaking their livelihood and social life will be negatively affected from deforestation. To get detailed data on indigenous peoples and local communities who suffer from deforestation or will be affected by REDD related activities, rapid data collection will be conducted through either collecting secondary data from the existing studies and/or directly from field observations (this will be part of readiness activities) Groups of forest dweller that are most important to consult are those who live surrounding the forest where the REDD activities conducted. They will be consulted intensively before and during the REDD implementation.

What roles of forest dwellers and indigenous peoples could play in REDD, based on Regulation (PERMENHUT) No. P. 30/2009 they can be as REDD implementers, for example, REDD in 'Hutan Adat' for indigenous people and REDD in 'Hutan Desa' or 'Hutan Kemasyarakatan' for other forest dwellers. In the case these groups do not attached to any of those types of forest use rights, these groups may be involved in monitoring (especially ground-based inventory), securing forest resources where they depend, and other roles based on their capacity and customs. Even the most vulnerable people who do not qualify for the above two roles to play, there is still responsibility of government and REDD actors to make sure that REDD activities give benefits to forest dwellers and indigenous people residing in the forest where REDD activities is taking place.

f. When and where will consultations occur? Does this Plan involve consultations outside the capital or major cities, in areas where REDD activities are likely to occur?

As stated in the earlier sections, stakeholders consultations related REDDI have been done at various levels (national in Jakarta and sub-national in the capital of provinces and districts). Because of resource limitation (especially financial resources), the consultation at the sub-national levels were focused on the provinces and districts which have expressed their interest on REDDI and ones with high pressure to forest areas.

For the purpose of preparing R-Plan implementation, depending on the availability of resources (especially funding), consultations will be expanded to cover all potential REDDI areas. Consultations and capacity building at all levels are crucial for REDD approach Indonesia will use, which is *national approach with sub-national implementation*.

## 2b.2. Attach your Plan as Annex 2b: Consultation and Outreach Plan

See Annex 2 and TOR-2B\_Outreach plan

### Component 3. Design the REDD strategy

Detailed development and further in depth analysis of Indonesia's REDD strategy will not need to start from zero. The IFCA studies that led up to the report prepared for COP 13 plus the findings and recommendations of a more recent report<sup>2</sup> will be used as a starting point for further analysis and development of the R- PLAN .

The key lesson that Indonesia has learned is the importance of treating REDD as an integrated product where all links in the five components of REDDI framework (see Figure 3) will need to be in place for effective implementation. Of utmost importance will be the need for the many different actors at the national and sub-national levels, international partners and financial institutions involved in this process closely to collaborate in the course of implementing REDD related to capacity building including technical assistance and investment programmes.

Table 4. briefly summarizes what have already been identified as strategies that were recommended by IFCA for addressing underlying causes of deforestation and degradation in various categories of forest landscapes. These recommendations were based on a thorough analysis of historical experience and lessons learned plus the findings of a series of REDD related multi stakeholder workshops carried out between August and November of 2007. During 2008 further discussions were arranged between the MOF, other Ministries, representatives of indigenous people's NGO's, local communities private sector companies, international partners, and conservation community representatives.

Table 4. Summary of IFCA 2007 studies of recommended strategies for addressing deforestation and forest degradation (IFCA Consolidation Report : Reducing Emissions from Deforestation and Forest Degradation in Indonesia, MoFor, 2008)

Landscape Category	Recommended Strategy Initiative
Protected Areas (Conservation Forests and Protection Forests)	<ol style="list-style-type: none"> <li>1. The development of a revised national conservation strategy</li> <li>2. The development of a professional and sufficient management structure.</li> <li>3. The confirmation of boundaries and the completion of the legal gazettal process</li> </ol>
Production Forests	<ol style="list-style-type: none"> <li>1. Review the production forest function units to accommodate changes in the areas of forest vegetation in support of decentralized government responsibilities, including               <ul style="list-style-type: none"> <li>• A review of the ecological conditions associated with each forest unit to determine its continuing conformity with the original function;</li> <li>• A review of the condition of <i>open access</i> production forest land;</li> <li>• Review opportunities to secure land access among local people and potential for collaborative land use involving HTR projects</li> </ul> </li> <li>2. Reduce the flow of illegal logs into the market, by               <ul style="list-style-type: none"> <li>• Enforcing laws against illegal logging</li> <li>• Creating alternative log supply</li> <li>• Re-structuring wood products sector</li> </ul> </li> <li>3. Review management practices in production forest units to optimize REDD opportunities, by</li> </ol>

<sup>2</sup> IFCA Consolidation Report : Reducing Emissions from Deforestation and Degradation in Indonesia (MoFor 2008 )

	<ul style="list-style-type: none"> <li>• The provision of incentives to achieve stipulated <i>outcomes</i> of management rather than compliance to prescribed actions</li> <li>• The use of performance bonding</li> <li>• The provision of incentives for practices reducing carbon emissions</li> <li>• Supporting adoption of accountable ‘sustainability targets’</li> <li>• Supporting collaborative management arrangements between forest concession companies</li> </ul> <p>4 Capitalize on the opportunity of the REDD Market instrument to realize planned strategic reform of the pulp and paper industry to achieve a sustainable forest plantation sector, by</p> <ul style="list-style-type: none"> <li>• Strengthening the criteria for approval of new plantations in Production Forest</li> <li>• Increasing the cost of using MTH and/or restrict its use for pulp production</li> <li>• Regulating the export of wood chips and pulpwood logs</li> <li>• Encouraging carbon-positive pulp and plantation projects by improving due diligence in the financial sector.</li> </ul>
Oil Palm	<ol style="list-style-type: none"> <li>1. Consolidate policy and approval criteria for releasing HPK for oil palm developments</li> <li>2. Review spatial plans to optimize degraded lands.</li> <li>3. Intensify production per unit of land.</li> <li>4. Require zero burning</li> </ol>
Peat land	<ol style="list-style-type: none"> <li>1. Regulate and Restore Water Tables</li> <li>2. Prevent Fire</li> <li>3. Build coordination and consistency across government jurisdictions and sectors to control cross boundary impacts of fire (control of sources and control of spread).</li> <li>4. Regulate further conversion of peatlands and revise and enforce rules for management of existing peatland plantation sites.</li> <li>5. 5. Implement land swaps where possible to retain high carbon value forest and peats while allocating alternative land for new plantations.</li> </ol>

The emergence of the REDD Programme makes it possible to place an economic value on the carbon stock of Indonesia’s tropical forests. REDD-related financial resources can make it possible to finance programmes that will help to create alternative and sustainable livelihoods for many of Indonesia’s 6 million forest dependent low income families who currently survive on uncontrolled harvesting of forests, and expansion of slash and burn agriculture. Establishment of an additional fast growing pulp and timber plantations on non forest and non peat lands can create an alternative source of timber and reduce pressure on rain forests. Plantations of pulpwood and oil palm established on non forest and non peat lands will allow for a doubling in size of Indonesia’s pulp and oil palm production and to a major increase in export revenues. One of MoFor policies is to engage low income communities and small holders as outgrowers of pulpwood, timber and oil palm thereby contributing to rural incomes.

### 3 a. Assess candidate activities for a REDD Strategy

Further elaboration of some key strategy initiatives in Table 4 will be carried out in order to speed up process in designing REDDI strategy that enable the implementation of REDDI approach with ‘*national accounting and sub-national implementation*’. Comprehensive analytical works

on driver of deforestation and forest degradation to cover broader aspects and needs for national development, institutional and human resource capacity building, and stakeholders coordination will be part of the design process of REDDI strategy. Further work will be needed to analyze opportunity costs and cost benefits of interventions to better define strategic investments and opportunities for REDD in the national and local context. Provisional data<sup>3</sup> derived from the literature on estimated opportunity costs of deforestation and equivalent breakeven values expressed as net present values (NPV, i.e. with future values discounted to the present) under various land use options in Indonesia are presented in Table 5. These values provide a comparative scale of magnitude of the cost to the country of stopping or reducing deforestation<sup>4</sup>. If the REDD initiatives generate international carbon credit payments that exceed these opportunity costs, Indonesia would have the financial incentive to adopt REDD.

Table 5. A provisional analysis of opportunity costs and break even prices for CO<sub>2</sub> in relation to a range of forest land uses (Source : IFCA Consolidation Report , MoFor, 2008)

Land Use	Opportunity Cost of Deforestation (\$/ha)	Forest Type	Soil Type	Emissions (t CO <sub>2</sub> e/ha)	Break Even Price of CO <sub>2</sub> e (\$/t)
Timber extraction	450	Primary		110	4.09
Timber plantation	1,073	Degraded	Mineral	184	5.83
	399	Degraded	Peat	1018	0.39
Timber + Timber plantation	1,523	Primary	Mineral	661	2.30
	849	Primary	Peat	1385	0.61
Oil palm plantation	3,963	Degraded	Mineral	184	21.54
	4,265	Degraded	Peat	1018	4.19
Timber + Oil palm plantation	4,413	Primary	Mineral	661	6.68
	4,715	Primary	Peat	1385	3.40
Rubber	36	Degraded	Mineral	184	0.20
Timber + Rubber	486	Primary	Mineral	661	0.74
Rice fallow	26	Degraded	Mineral	184	0.14
Timber + Rice fallow	476	Primary	Mineral	661	0.72
Cassava	18	Degraded	Mineral	184	0.10
Timber + Cassava	468	Primary	Mineral	661	0.71

For further analysis, not only private and social opportunity costs, but also implementation, transaction and institutional costs will have to be considered to reach a clear picture of the foregone costs and actual costs of REDD. Studies on opportunity costs will be conducted especially to the three following areas :

1. Analisis on social opportunity costs of poverty based, community based forest encroachment

<sup>3</sup> IFCA Consolidation Report : Reducing Emissions from Deforestation and Degradation in Indonesia (MoFor 2008 )

<sup>4</sup> The data presented in Table 4 are provisional and do not fully represent the significant variation in economic returns from land uses and carbon stocks.

2. Analysis on private and institutional costs for sustainable forest management in production forests
3. Analysis on pulp and paper plantations and oil palm costs conducted on forest lands compared to non-forest lands

### **3.1. REDD Strategy:**

REDDI strategy will cover the following main elements :

#### **A. NATIONAL LEVEL**

##### **A.1. Tackling drivers of deforestation and degradation**

- a. Protected areas : Develop more effective conservation and management of Protected Areas
- b. Production forest :
  - Develop more effective management of Production Forests
  - Options for forest harvesting and management to supply the requirements of pulp and paper industry
- c. Oil palm : Options for supplying requirements of oil palm industry
- d. Peatlands : Testing strategies for restoration of peatlands

##### **A.2. REDDI regulation<sup>5</sup> : Development of technical and institutional guidance to implement the REDDI**

##### **A.3. Methodology :**

- Establishment of REL at the national level
- Establishment of national level MRV system

##### **A.4. Institution :**

- Establishment of National Registry
- Institutional setting to implement REDDI
- Setting incentive/payment distribution mechanism
- Stakeholders communications/coordination/consultations
- Capacity building and institutional strengthening

#### **B. SUB-NATIONAL LEVEL :**

##### **B.1. PROVINCIAL LEVEL**

##### **B.1.1. Methodology :**

- Establishment of REL at the provincial level
- Establishment of provincial level MRV system

##### **B.1.2. Institution :**

- Stakeholders communications/coordination/consultations
- Capacity building and institutional strengthening

##### **B.1.3. Demonstration Activities (DA) :**

- Enhance DA to represent different biogeographical conditions
- Enhance capacity of local community groups, including adat communities to engage in forest management through REDD activities

##### **B.2. DISTRICT LEVEL**

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<sup>5</sup> Minister of Forestry Regulation (PERMENHUT) on REDD (Annex 2c)

B.2.1. Methodology :

- Establishment of REL at the district level
- Establishment of district level MRV system

B.2.2. Institution :

- Stakeholders communications/ coordination/consultations
- Capacity building and institutional strengthening

B.2.3. Demonstration Activities :

1. Implement Demonstration Activities at district level or management unit .
2. Enhance capacity of community groups, including adat communities to engage in forest management through REDD activities

C. RELEVANT ANALYSIS

- Analyze costs of alternative land uses
- Analyze environmental and socio-economic impacts of REDD
- Evaluate potential additional benefits of REDD
- Assess trade-offs and risks to sustainable development
- Assess risks of the REDDI strategy

*3.1.1. Objectives of the REDD Strategy:*

To provide direction for REDDI implementation which can deliver real reduction of emissions from deforestation and forest degradation (measurable, reportable, verifiable) according to international standard (UNFCCC relevant decisions), at the same time provide source of revenue to support national development and sustainable management of forest.

*3.1.2. Expected Outcome:*

Equitable and cost effective REDD designed, taking into account sectoral and national development goals.

*3.1.3. Who will lead and coordinate the design and organization of the REDD-Strategy:*

Ministry of Forestry as the leading institution for National REDD Working Group

*3.1.4. The process how the REDD strategy will be developed, what elements will be analyzed and what stakeholders will be involved:*

1. Initial REDDI strategy was developed through intensive informal and formal meeting such as discussions, seminars, workshops during the IFCA studies in 2007. Further elaboration of some key strategy initiatives in Table 3 will be carried out to provide a useful basis for designing REDDI strategy that enable the implementation of REDDI approach with '*national accounting and sub-national implementation*'. Comprehensive works on tackling driver of deforestation and forest degradation to cover broader aspects and needs for national development, institutional and human resource capacity building, and stakeholders coordination will be part of the design process of REDDI strategy.
2. The process will involve substantial analytical work, which will be part of the relevant component (see Table 6.), various forms of meetings from very technical and scientific meetings to very practical aspects related to implementation of the strategy on the ground, policy processes at the national and sub-national levels.
3. The process will be coordinated by Ministry of Forestry, in collaboration with Ministry of Environment, Ministry of National Development Planning/BAPPENAS. Depending on the

aspects/activities to be carried out, the process will involve at least the following stakeholders : Ministries related to land use sector, Ministry of Finance, Local government, National Council on Climate Change (DNPI), private sector, scientific institutions, civil societies (including NGOs, indigenous people and local communities), and international partners (bilateral and multilateral cooperations, international organizations working in Indonesia)

Tabel 6. Schedule and Sequencing of activities: Level and Strategy Category

Level and Strategy Category	Key Strategy Component	Activities	Schedule			
			2009	2010	2011	2012
<b>NATIONAL LEVEL</b>						
<b>1. Tackling drivers of deforestation and degradation :</b>						
Protected area	<ul style="list-style-type: none"> <li>Develop more effective conservation and management of Protected Areas</li> </ul>	Detail activities in the Component 6				
Production Forest	<ul style="list-style-type: none"> <li>Develop more effective management of Production Forests</li> <li>Options for forest harvesting and management to supply the requirements of pulp and paper industry</li> </ul>	Detail activities in the Component 6				
Oil Palm	<ul style="list-style-type: none"> <li>Options for supplying the requirements of the oil palm industry.</li> </ul>	Detail activities in the Component 6				
Peat land	<ul style="list-style-type: none"> <li>Testing strategies for restoration of peatlands</li> </ul>	Detail activities in the Component 6				
<b>2. REDDI regulation<sup>6</sup></b>	<ul style="list-style-type: none"> <li>Development of technical and institutional guidance to implement the REDDI</li> </ul>	Elaboration of the guidance (6 Annexes) to the REDD regulation: <ul style="list-style-type: none"> <li>Role of local government</li> <li>Eligibility criteria for REDD activities</li> <li>Guidance for preparation of REDD proposal</li> <li>Guidance for assessment of REDD proposal</li> <li>Establishment of REL, guidance for monitoring and reporting</li> <li>Guidance for verification</li> </ul>				
	<ul style="list-style-type: none"> <li>Establishment of National REDD Committee/REDD National Working Group</li> </ul>	Finalization of Decree on REDD Committee				
<b>3. Methodology</b>	<ul style="list-style-type: none"> <li>Establishment of REL at the</li> </ul>	Detail activities in				

<sup>6</sup> Minister of Forestry Regulation on REDD (PERMENHUT) No. P.30/ Menhut-II/2009 (Annex 2c)

Level and Strategy Category	Key Strategy Component	Activities	Schedule			
			2009	2010	2011	2012
	national level	the Component 7				
	<ul style="list-style-type: none"> <li>Establishment of national level MRV system</li> </ul>	Detail activities in the Component 8				
4. Institution	<ul style="list-style-type: none"> <li>Establishment of National Registry</li> </ul>	Detail activities in the Component 4				
	<ul style="list-style-type: none"> <li>Institutional setting to implement REDDI</li> </ul>					
	<ul style="list-style-type: none"> <li>Setting incentive/payment distribution mechanism</li> </ul>					
	<ul style="list-style-type: none"> <li>Stakeholders communications/ coordination/ consultations</li> </ul>	Detail activities in the Component 2				
	<ul style="list-style-type: none"> <li>Capacity building and institutional strengthening</li> </ul>	Detail activities in the Component 6				
<b>SUB-NATIONAL LEVEL</b>						
<b>PROVINCIAL LEVEL</b>						
1. Methodology	<ul style="list-style-type: none"> <li>Establishment of REL at the provincial level</li> </ul>	Detail activities in Component 7				
	<ul style="list-style-type: none"> <li>Establishment of provincial level MRV system</li> </ul>	Detail activities in Component 8				
2. Institution	<ul style="list-style-type: none"> <li>Stakeholders communications/ coordination/ consultations</li> </ul>	Detail activities in the Component 2				
	<ul style="list-style-type: none"> <li>Capacity building and institutional strengthening</li> </ul>	Detail activities in the Component 6				
3. Demonstration Activities (DA)	<ul style="list-style-type: none"> <li>Enhance DA to represent different bio-socio-geographical conditions</li> </ul>	<ul style="list-style-type: none"> <li>Apply indicative guidance for DA (Annex to the Dec. 2/CP13) and examine the outcomes</li> </ul>				
		<ul style="list-style-type: none"> <li>Existing DA (in preparation) : Kalimantan (Central and East Kalimantan), Java (East Java)</li> </ul>				
	<ul style="list-style-type: none"> <li>Enhance capacity of local community groups, including adat communities to engage in forest management through REDD activities</li> </ul>	<ul style="list-style-type: none"> <li>Detail activities in Component 6</li> </ul>				
<b>DISTRICT LEVEL</b>						
1. Methodology	<ul style="list-style-type: none"> <li>Establishment of REL at the district level</li> </ul>	Detail activities in Component 7				
	<ul style="list-style-type: none"> <li>Establishment of district level MRV system</li> </ul>	Detail activities in Component 8				
2. Institution	<ul style="list-style-type: none"> <li>Stakeholders communications/ coordination/ consultations</li> </ul>	Detail activities in the Component 2				
	<ul style="list-style-type: none"> <li>Capacity building and</li> </ul>	Detail activities in				

Level and Strategy Category	Key Strategy Component	Activities	Schedule			
			2009	2010	2011	2012
	institutional strengthening	the Component 6				
3.Demonstration Activities (DA)	<ul style="list-style-type: none"> <li>Implement Demonstration Activities at district level or management unit (with bundling to district level wherever possible)</li> </ul>	Apply indicative guidance for DA (Annex to the Dec. 2/CP13) and examine the outcomes				
	<ul style="list-style-type: none"> <li>Enhance capacity of community groups, including adat communities to engage in forest management through REDD activities</li> </ul>	Detail activities in the Component 6				
RELEVANT ANALYSIS	<ul style="list-style-type: none"> <li>Analyze costs of alternative land uses</li> </ul>	<ul style="list-style-type: none"> <li>Analyzing social opportunity costs of poverty based, community based forest encroachment</li> </ul>				
		<ul style="list-style-type: none"> <li>Analyze the private and institutional costs for sustainable forest management in production forests</li> </ul>				
		<ul style="list-style-type: none"> <li>Analyze pulp and paper plantations costs conducted on peatlands compared to non-peat lands</li> </ul>				
		<ul style="list-style-type: none"> <li>Analyze oil palm plantations costs conducted on peatlands compared to non-peatlands</li> <li></li> </ul>				
	<ul style="list-style-type: none"> <li>Analyze environmental and socio-economic impacts of REDD</li> </ul>	Detail activities in Component 5				
	<ul style="list-style-type: none"> <li>Evaluate potential additional benefits of REDD</li> </ul>	Detail activities in Component 5				
	<ul style="list-style-type: none"> <li>Assess trade-offs and risks of REDD to sustainable development</li> </ul>	Detail activities in Component 5				
	<ul style="list-style-type: none"> <li>Assess risks of the REDDI strategy</li> </ul>	Detail activities in Component 5				

3.2. Attach ToRs for this component as separate Annexes # 3a, 3b, 3c, and 3d.  
See Annex 3

## Component 4: REDD Implementation Framework

### Objectives for this component:

The REDD implementation framework aims to establish institutional, policy and legal setting to enable operationalization of REDDI framework and implementation of the REDDI which can deliver real reduction of emissions from deforestation and forest degradation (measurable, reportable, verifiable) according to international standard (UNFCCC relevant decisions), while at the same time provide source of revenue to support national development, poverty alleviation, and sustainable management of forest.

#### *Expected outcome:*

- Policy, legal and institutional setting (including governance system) is in place
- National Carbon accounting and national registry (and sub-national wherever needed) is in place
- Payment Distribution Mechanism implemented,

which enables Indonesia to implement REDDI strategy to deliver real emissions reduction and generate revenue to support sustainable development at all levels.

These principles and challenges raise some questions that will be answered by this activity. The questions are as follows: what is the best option for managing national accounting and sub national implementation ?, what is the impact of different sub-national implementation on monitoring, reporting and verifying ?, how to provide a low-cost, large-scale, pro-poor REDD? how to engage institution involved in monitoring, reporting and verifying , including local people, who need alternative income-generating activities ?, how to generate a viable REDD? This could partly be achieved through effective payments for environmental services, which would require some form of contractual arrangement between landholders and government (or a REDD developer) to arrange monitoring and certification of carbon offsets. One of the most important obstacles to such arrangements is the presence of transaction costs. Transaction costs arise because carbon stored in forests needs to be accounted for in a way that ensures that carbon changes are real, directly attributable to the project, and additional to any changes that would have occurred in the absence of the REDD activity. In other words, carbon credits must be measured relative to a reference emissions level/baseline (business as usual scenario).

An effective REDD mechanism requires that appropriate rewards accrue to those that undertake initiatives that reduce deforestation and forest degradation. The IFCA studies (2007) suggested the design of the Indonesian national REDD payments system will involve decisions over:

1. Financial transfer mechanisms at different scales;
2. Revenue allocation;
3. Forms of payment and timing;
4. Legal and other institutional structures; and
5. Risk management options.

The first issue that needs to be agreed upon is who will be the "sellers" (assuming market scheme will exist for REDD) and who would be responsible for the financial allocations. Regarding the first question, there are two options:

1. Transactions would take place with the central government;

2. Transactions would be carried out with lower government levels/ sub-national level or directly with REDD developer. With respect to the second issue, redistribution of funds can take place in three ways:
  - (i) Following the government administration hierarchy: National <> Provincial <> District government <> Village;
  - (ii) Based on management of forest functions: National <> National forestry authority <> Local forest management units;
  - (iii) Domestic project-based with the nation as re-seller on the international market: National authority <> Project entities <> local actors.

The advantages and disadvantages of these combinations are currently being discussed. There are several options to organize the allocation of revenues to different entities. These allocation issues will be vital for the central government to resolve, regardless of how transactions may take place between international, national and sub national levels.

With regard to the forms of payments, several options have been explored in detail during the IFCA process. These include whether payments to main actors should be in the form of a lump sum, or staged over time; whether to individuals or groups, or whether on a cash or non-cash basis. A resolution of what mechanisms would be preferred is needed taking into account of the effectiveness and efficiency levels that can be achieved in each case and the transaction costs that are likely to materialize.

The legal framework to regulate the various options is complex. Revenue Sharing Funds (DBH), General Allocation Funds (DAP), and Special Allocation Funds (DAK), are examples of revenue sharing between national and sub-national government entities and are likely to play a role in allocation decisions. Regulations related to decentralization of roles and authorities of forest governance will also have a major influence in the design of REDD mechanisms. The Ministry of Finance and BAPPENAS is currently coordinating the establishment of Climate Change Trust Fund which cover all sectors including forestry. Detail mechanism on management and distribution of such fund, however, still need to be developed.

A significant number of demonstration and pilot projects are already being initiated by private and public entities, but those projects are currently using different standards and approaches. A comprehensive system of approval criteria, monitoring and reporting system needs to be developed to guarantee a coherent national accounting system. To guarantee transparency and unified standards, a national registry needs to be designed, implemented and maintained. In doing so, the government has issued regulation on REDD (PERMENHUT) No. 30/Menhut-II/2009 (See Annex 2c).

*Activities to achieve outcome:*

As can be seen in Figure 3. (REDDI framework) and Table 3. in Component 2 (Management of Readiness) for the main activities to be covered in developing REDDI implementation framework. The main activities in the REDDI framework can be broken down (but not limited) into the following activities :

1. Assessment of legal and institutional setting needed to implement REDD activities (which also cover broad arrangement of the following activities: setting baseline (Reference Emission Level) (Covered in Component 7), Reporting and monitoring (Covered in Component 8) , financial/market aspects,
2. Defining roles and responsibilities of national government including national registry, local government, other agencies, communities and the private sector in managing carbon assets. It is also important to understand what mechanism to assure the reduction of emissions at the sub-national implementation is monitored and reported to national registry periodically.
3. Definition of the scale of REDD activities, in this case elaborate REDDI approach '*national accounting with sub-national implementation*', and how the approach can be effectively

- implemented in Indonesia, considering the (i) diversity of bio-socio-geographical conditions, (ii) political and institutional organization, (iii) drivers of deforestation (iv) and national development priorities.
4. Elaboration on how activities at different scales will be implemented, monitored and reported
  5. Tracking implementation of REDD activities and payments in a national carbon registry;
  6. Estimate the transaction costs associated with alternative arrangements and identify strategies to reduce these transaction costs
  7. Development of mechanism for management of interaction between international buyers and investors
  8. Definition of who would be entitled to sell Emission Reductions or receive payments for Emission Reduction
  9. Definition of an equitable payment distribution system that is transparent, adequately compensates agents that incur losses as a result of changed forest-resource use, and rewards good performance and at the same time is either based on existing mechanisms and/or mechanisms that create little transaction costs
  10. Definition of ownership and transfer of carbon rights;

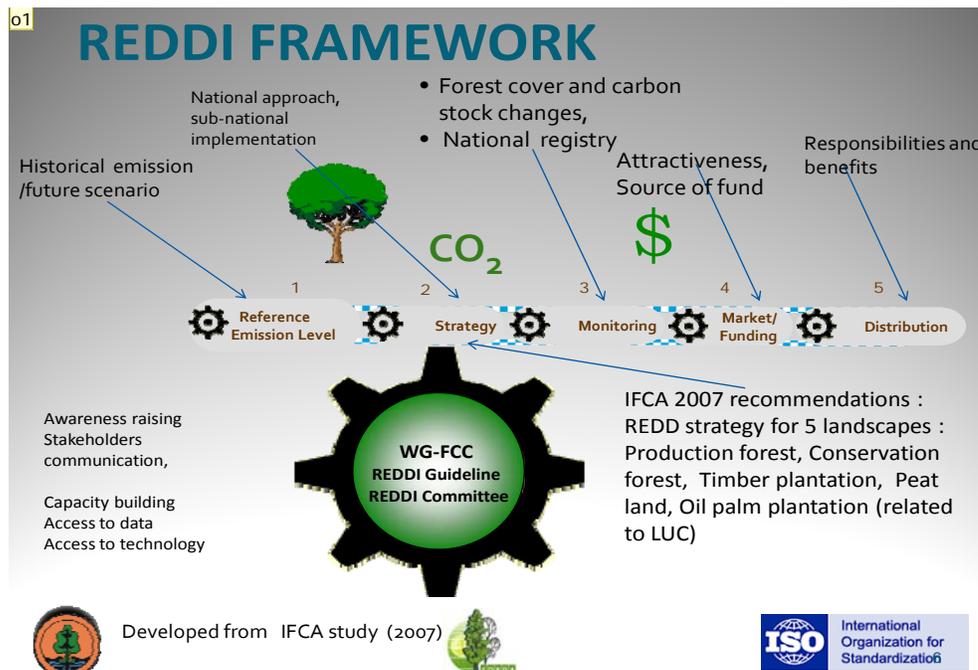


Figure 3. REDD Indonesia Framework

**Partners and organizations involved:**

Ministry of Forestry, Ministry of National Development Planning, Ministry of Agriculture, Ministry of Environment, National Land Agency, local government (provincial government, district government), Community institutions , NGOs, Private Sectors, Scientific institutions, International Organization

Table 7. Schedule and Sequencing of activities:

No.	Activities	Schedule		
		2009	2010	2011
1	Assessment of legal and institutional setting needed to implement REDD activities <ul style="list-style-type: none"> <li>• Regulation and Standard for National Registry</li> <li>• Workable REDD Committee</li> <li>• Identify Potential Funding Agencies</li> <li>• Technical and Governance Risk Assessment</li> </ul>			
2	Defining roles and responsibilities of institution involved including government agencies, communities and the private sector in managing carbon assets <ul style="list-style-type: none"> <li>• National Government</li> <li>• Local Government</li> <li>• Private sectors</li> <li>• Communities</li> <li>• NGOs</li> </ul>			
3	Definition of the scale of REDD activities, in this case elaborate REDDI approach ' <i>national accounting with sub-national implementation</i> ', and how the approach can be effectively implemented in Indonesia <ul style="list-style-type: none"> <li>• Assessment on potential mechanism</li> <li>• Risk Management (potential leakage and permanence, social, culture)</li> </ul>			
4	Elaboration on how activities at different scales will be implemented, monitored and reported <ul style="list-style-type: none"> <li>• Mechanism to link between National Registry-and Sub National</li> <li>• Searching Effective Coordination Mechanism</li> </ul>			
5	Tracking implementation of REDD activities and payments in a national carbon registry; Basis for payment <ul style="list-style-type: none"> <li>• Commencement of system</li> <li>• Standards</li> </ul>			
6	Estimate the transaction costs associated with alternative arrangements and identify strategies to reduce these transaction costs			
7	Development of mechanism for management of interaction between international buyers and investors <ul style="list-style-type: none"> <li>• Financial Arrangement Agreement</li> </ul>			
8	Development of mechanism for payment distribution (definition of who would be entitled to sell Emission Reductions or receive payments for Emission Reduction and definition of ownership and transfer of carbon rights) <ul style="list-style-type: none"> <li>• Benefit and responsibilities</li> <li>• Setting effective basis of payment</li> </ul>			

*Indicators of performance for objective:*

- National Registry established,
- Institutional setting to implement REDD in place
- Incentive/payment distribution mechanism in place

*4.2. Attach your ToRs for this component as a separate Annex # 4.*

See Annex 4

**Component 5. Assess the social and environmental impacts, and potential additional benefits, of candidate REDD strategy activities**

**5.1. Objectives and activities:**

**5.1.1. Objectives of Environmental and Social Assessment of readiness Activities:**

Background

The effective REDD should cover an appropriate balance between social, environmental, and economic issues. Focusing on any of these dimensions is unlikely to achieve permanent emissions reductions. For example, a focus on efficient reduction of emissions alone is unlikely to have a long-term impact on the drivers of deforestation, for example forest encroachment and could result in negative impacts on people, leading to further deforestation. Triple accountability requires the emergence of integrated REDD strategy activities that are: (i) efficient in reducing emissions at affordable cost, linking local to international scales in ways that are accountable for emissions but as simple as possible, (ii) address social equity and fairness, within improved systems of governance and accountability from local to international scales, (iii) design a project goals for co-benefits including environmental (e.g., maintain soil fertility through erosion reduction), provide sustainable livelihood for communities and biodiversity and habitat restoration, and (iv) express a commitment to learning and accountability for the REDD process.

This activities will help overcome the obstacles associated with engaging local people, environment and economic assessment, and lack of institutional infrastructure. This will result in social-economic benefits by improving the livelihoods of people living in and around forests, as well as environmental benefits by conserving forests and contributing to climate mitigation through REDD.

The overall objectives is how to make REDD a viable option from social, environment and economic benefit?

**Specific objectives:**

- Assess environmental and socio-economic impacts of REDD,
- Assess potential additional benefits of REDD :
- Assess trade-offs and risks of REDD to sustainable development
- Assess risks of the REDDI strategy

**Expected Outcome:**

- Positive environmental and socio-economic impacts of REDD
- Additional benefits of REDD activities identified
- Trade-offs and risks of REDD analyzed,

Risks of REDDI strategy identified and addressed.

**Methods to be used to achieve outcome:**

1. Analytical works
2. Survey and mapping
3. Stakeholders consultations and policy dialogue to reach consensus/common understanding on the issues and ways to addressed risks

**Activities :**

1. Review the current references and proposals for REDD policies.
2. Obtain spatially referenced of socio-economic data (population, income, etc.)
3. Estimate vulnerability assessment to determine likely deforestation rates based on socioeconomics and environmental characteristics of the area.
4. Determine the possible transaction costs associated with alternative policies for avoiding deforestation
5. Assess institutional arrangements that will contribute to the efficient implementation of several policies

**Table 8. Schedule and Sequencing of activities:**

No	Activities	Schedule			
		2009	2010	2011	2012
1	Analyze environmental and socio-economic impacts of REDD : Review current references and proposals for REDD policies Obtain spatial reference of socio-economic data (population, income, etc.) Vulnerability assessment to determine likely deforestation rates based on socioeconomics and environmental characteristics of the area.				
2	Evaluate potential additional benefits of REDD : Identification and valuation of additional benefit from REDD (incl. biodiversity conservation, livelihood improvement, watershed protection				
3	Assess trade-offs and risks of REDD to sustainable : Determine the possible transaction costs associated with alternative policies for avoiding deforestation				
4	Assess risks of the REDDI strategy Assess institutional arrangements that will contribute to the efficient implementation of several policies				

5.2. Attach your ToR for this component as a separate Annex # 5.

See Annex 5

## Component 6: Assess investment and capacity building requirements

### 6.1. Objectives and activities:

#### Objectives for this component:

To assess investment and capacity building required to tackle driver of deforestation and degradation in Indonesia (see Table 6. in component 3)

The following estimates of investment and capacity building needs were based on the recommendations of the IFCA studies (2007) ( IFCA Consolidation Report : Reducing Emissions from Deforestation and forest Degradation in Indonesia, MoFor, 2008 ([www.dephut.go.id](http://www.dephut.go.id) and [www.forda-mof.org](http://www.forda-mof.org)))

Preliminary estimates of the investment and capacity building required to tackle driver of deforestation and degradation such as those shown in Annex 6 and that will aim to demonstrate that Indonesia can successfully achieve REDD, are likely to be in the order of US \$ 4 billion. Most of that investment will come from private sector oil palm, pulp and timber companies and private sector financial institutions. In addition to substantial grant aid funding already provided by various bilateral donors, the Climate Change Forest Investment Programme may also secure part of the funding needed to “kick start” these on the ground investments.

Table 9. Investment and capacity building requirements 2009 - 2012.

Activity	Estimated Cost US\$ million	Potential sources of funding
Implementation of strategies for more effective conservation and management of Protected Areas	500	MOF Local Govt. Resources Leading Conservation agencies Bilateral Donors The World Bank (FIP)
Implementation of strategies for more effective management of Production Forests	1000	MOF Private sector companies Bilateral donors World Bank (FIP)
Strategies for forest harvesting and management to supply the requirements of the pulp and paper industry	1000	Private sector companies MOF Local govt. resources Bilateral donors The (FIP)
Testing strategies for restoration of Peatlands	500	Private sector companies MOF Local govt. resources Bilateral donors World Bank (FIP)
Strategies for supplying the	500	Ministry of Agriculture

Activity	Estimated Cost US\$ million	Potential sources of funding
requirements of the oil palm industry.		Public Work The World Bank (FIP)
Enhancement of the capacity of community groups, including adat communities to engage in forest management through REDD activities	500	MOF Ministry of Home Affairs
Total	4.000	

**Expected Outcome:**

1. Investment needs defined and implemented
2. Human resource and institutional capacity built at the national and sub-national (Provincial and district) levels

**Key Strategies to achieve outcome (detail activities see Table .....):**

1. Implementation of strategies for more effective conservation and management of Protected Areas,
2. Implementation of strategies for more effective management of Production Forests ,
3. Strategies for forest harvesting and management to supply the requirements of the pulp and paper industry,
4. Testing strategies for restoration of Peatlands,
5. Strategies for supplying the requirements of the oil palm industry,
6. Enhancement of the capacity of community groups, including adat communities to engage in forest management through REDD activities

**Partners and organizations involved:**

1. Ministry of Finance
2. Ministry of National Development Planning
3. Ministry of Forestry
4. Ministries related to land use sector
5. Local government (Provinces and Districts)
6. Private sector

Table 10. Schedule and Sequencing of activities:

Key Strategy Component and Activity	Schedule			
	2009	2010	2011	2012
<p><b>Implementation of strategies for more effective conservation and management of Protected Areas :</b></p> <ul style="list-style-type: none"> <li>• Assess national conservation plan</li> <li>• Completion of gazettal</li> <li>• Investment in training and professional capacity</li> <li>• Development of effective management of protected areas, including protection forest in upper watersheds.</li> <li>• Development of collaborative management arrangements and ecosystem restoration</li> <li>• Implementation of REDD demonstration activities involving a range of protected area types with different jurisdictions</li> </ul>				
<p><b>Implementation of strategies for more effective management of Production Forests :</b></p> <ul style="list-style-type: none"> <li>• FLEG related initiatives to contain illegal logging ( e.g. <i>Strike Force</i> proposals )</li> <li>• Voluntary adoption by private sector companies of anti timber theft measures.</li> <li>• Outcome based independent certification</li> <li>• Investment in Reduced Impact Logging</li> <li>• In collaboration with the MOF and BRIK establishment. of a 1 million ha compensatory fast growing timber plantation resource by small holders</li> </ul>				
<p><b>Strategies for forest harvesting and management to supply the requirements of the pulp and paper industry:</b></p> <ul style="list-style-type: none"> <li>• Create transition away from harvesting native mixed tropical hardwoods towards increased dependence on community and small holder owned pulpwood plantations grown on degraded forest and agricultural lands ( e.g. <i>alang alang</i> grasslands), with a target of 1 million ha of plantations over 5 years.</li> </ul>				
<p><b>Strategies for supplying the requirements of the oil palm industry :</b></p> <ul style="list-style-type: none"> <li>• Introduce way to avoid establishment of new oilpalm plantation on forested land through provision for establishment by small holders of 1 million hectares of new plantations on degraded lands.</li> <li>• Rationalize the relationships between forest land, especially the functional zone of convertible forest HPK and non-forest land subject to land use decisions and spatial planning by regional governments.</li> </ul>				
<p><b>Testing strategies for restoration of Peatlands</b></p> <ul style="list-style-type: none"> <li>• Building on the success being achieved through a continuing water resource management program.</li> <li>• Implement drainage design and fire control which has been proven effective,</li> </ul>				

<ul style="list-style-type: none"> <li>Assess land management responsibilities between local and national governments in relation to forest and non-forest land on peats.</li> </ul>				
<p><b>Enhancement of the capacity of community groups, including adat communities to engage in forest management through REDD activities .</b></p> <ul style="list-style-type: none"> <li>Improve quality of life of low income families, living in or adjacent to natural forests, to protect the rights of forest dependent indigenous peoples and local communities,</li> <li>Reduce illegal logging, through f.e. an extension of successful models such as the Kecamatan Development Scheme and the National Program for Community Empowerment (PPMNM).</li> </ul>				

**Indicators of performance for this objective:**

- Investment needs defined and implemented
- Human resource and institutional capacity built at the national and sub-national (Provincial and district) levels

**6.2. Requirement: Attach your ToR for this component as a separate Annex # 6.**  
See Annex 6

**Component 7: Develop a Reference Scenario**

**7.1. Objectives and activities:**

**Background**

Prior to COP-13, Indonesia, supported by WB, UK, Australia, and German conducted a comprehensive studies relevant to REDD including technical and methodological aspects. The studies were carried by both national and international experts, coordinated by the Ministry of Forestry, and communicated to stakeholders under the umbrella of Indonesia Forest Climate Alliance (IFCA). Reference Emissions Level (REL) was one of REDD methodological aspects covered under the IFCA study (see Annex 7a. Background Information for Component 7). The study also identified the gaps need to be filled, possible improvement of the existing systems and other methodological relevant including institutional setting.

Through bilateral cooperation with Australia, Indonesia has developed Forest Resource Information System (FRIS) and National Carbon Accounting System Indonesia (NCAS) The development and implementation of the systems require sufficient capacities both human resources and institutions. Lists of activities and financial resources needed under both systems have been identified. At least an amount of US \$ 16,395,000 is needed to develop further and start operating the FRIS and NCAS, which will need mobilization of resources from international sources (see Annex 7b: National Carbon Accounting System (NCAS)).

Development of reference emissions level (REL) will be benefitted from the works have been carried out under FRIS and NCAS, however, there are considerable works remain to be done, including data acquisition and processing, analytical works to provide options of approaches for

REL setting. Strengthening human resources and institutional capacities, policy dialogue, and stakeholders communication are also central in the process of REL establishment. Annex 7a provides *Background Information* of initial works (IFCA study 2007) on REL setting and challenges to be tackled during readiness phase.

**Objectives for this component:**

Develop reference emission level (REL) which will meet international requirements/guidelines as well as suitable with national circumstances and relevant policies (enable implementation of REDDI approach 'national accounting with sub-national implementation'). For this purpose, and according to Regulation on REDD (PERMENHUT No. 30/Menhut-2/2009), REL need to be established at the national, provincial, and district level/management unit.

**Expected Outcome:**

1. Options of REL scenarios as the basis for selecting the most appropriate REL for REDDI.
2. REL for national and sub-national ( provincial and district level) established
3. Improved human resources and institutional capacities at all levels for REDDI implementation
4. Sufficient resources to carry out activities under this component.

**Activities to achieve outcome:**

1. Analytical works : analyze approaches to establish REL to determine the most suitable approach for REDDI
2. Establishment of National Reference Emission Level (will be the guidance for the establishment of Provincial and District REL)
3. Establishment of Provincial Reference Emission Level (must be consistent with National REL)
4. Establishment of District Reference Emission Level (must be consistent with Provincial and National REL)

**Further elaboration of the activities are follows :**

1. Analytical works. This is to provide a comprehensive technical and methodological basis as well as macro-economic and other relevant analysis for identifying the most appropriate REL for REDDI
  - a. For this purpose the following approaches that are currently available will be analyzed to provide suitable basis for REL establishment :
  - b. Historical emission approach (an average of past emissions) – information on past emission is used to predict future emission. Some issues need to be agreed, for example, time interval covered, time of commencement, and how far into the future it should be projected.
  - c. Modeling approach- identifies and interprets the future effects of drivers such as population growth and economic growth on deforestation. For this projections drivers of deforestation/degradation can be differentiated into *planned* or *unplanned*. The advantage of this approach is that development objectives and economic analysis are taken into account.
  - d. Hybrid approach (mixed modeling) - to consider a mixed REL where emissions from planned and unplanned drivers of deforestation and forest degradation are considered differently and separately. In this case, emissions from *unplanned* activities are measured against a REL based on historical unplanned emissions, or an average of historical emissions; either of which could be modified according to projected trends in

the key drivers of unplanned deforestation. Emissions from *planned* activities will be developed on the basis of national policy defining the area of forest to be converted to other land uses. The *mixed* approach consider country-specific circumstances including projected development activities, population growth, GDP, and other development trajectories.

Analytical works will need to take into account relevant COP decisions and SBSTA conclusions, and Ministerial Regulation on REDD (PERMENHUT No. P. 30/Menhut-II/2009, since establishment of REL is a political decision although this must be backed up with a strong analytical basis.

2. Establishment of national and sub-national (provincial and district) emissions reference level (REL). National Reference Emission Level will be the guidance for the establishment of Provincial and District REL,
3. Policy dialogue, subject to availability of funding, will be held at the national and sub-national levels (e.g. provincial, district) to come up with the most suitable REL for REDDI. Policy dialogue will be set up in such away, depending on target groups, scopes/focus to be discussed at the national and sub-national levels as well as between national and sub-national levels. Management of readiness as in Component 2 (see component 2 point c) will be used for both policy dialogue and stakeholders communications
4. Awareness raising, capacity building, technology transfer and know how, shared learning, access to data/information, are integral part of the implementation under this component. Substantial resources will be needed for this purpose, and so, mobilization of resources from international sources will be crucial.

**Partners and organizations involved:**

**Activity 1 :**

Further analytical works for REDDI will be carried out by experts from Ministry of Forestry and other institutions including Ministry of Agriculture, National Aeronautical and Space Agency (LAPAN), National Survey and Mapping Agency (Bakosurtanal), CIFOR, ICRAF, Universities, and other scientific institutions, as well as international experts whenever needed.

**Activity 2 to 4 :**

Will involve all possible stakeholders, depending on the types of activities and necessary target groups. Referring to Component 2 (see point 2 c), the partners/stakeholders includes Ministry of Environment, Ministries related to land use sector, local government, National Council on Climate Change (DNPI), BAPPENAS, Ministry of Finance, private sector, scientific institutions, civil societies (including NGOs, indigenous people and local communities), international partners (bilateral and multilateral cooperations, international organizations working in Indonesia).

**Table 11. Schedule and Sequencing of activities for REL establishment :**

Activities	Schedule			
	2009	2010	2011	2012
<b>Analytical Works :</b> Analyze approaches to establish REL to determine the most suitable approach for REDDI :  <b>1. Historical trend (an average of past emissions)</b> a. Collection and analysis of deforestation and degradation data: 1. Analysis of data on historic land cover trends				

Activities	Schedule			
	2009	2010	2011	2012
<ul style="list-style-type: none"> <li>2. Development of baseline forest cover map</li> <li>3. Gather forest inventory data (area change, biomass density etc)</li> <li>b. Develop reference scenario of forest cover change, e.g. since 1990</li> <li>c. Develop reference scenario of forest carbon stocks &amp; change</li> <li>d. Develop reference scenario of forest carbon degradation (change in carbon stocks) and change</li> </ul> <p><b>2. Modeling future projection</b></p> <ul style="list-style-type: none"> <li>a. Analyze development plans :                             <ul style="list-style-type: none"> <li>1. Economic trend analysis &amp; forecast (population growth, drivers of deforestation and forest degradation, policies and measures)</li> <li>2. Macroeconomic trends (global agricultural commodity, wood demand, biofuel projections)</li> </ul> </li> <li>b. Reference scenario projection into future :                             <ul style="list-style-type: none"> <li>1. Deforestation: forest area change</li> <li>2. Degradation: biomass and carbon density change.</li> <li>3. Develop historical trends extrapolation methods</li> <li>4. Adapt modeling tools for REDD.</li> </ul> </li> </ul> <p><b>3. Hybrid approach (mixed modeling)</b></p> <ul style="list-style-type: none"> <li>a. Predict unplanned deforestation from average of historical emissions,</li> <li>b. Predict planned deforestation from spatial plans indicating forest conversion to other uses,</li> <li>c. Adapt modeling tools, incorporating historical emissions and emission projections arising from modeling.</li> </ul>				
<p><b>Establishment of National Reference Emission Level :</b></p> <ul style="list-style-type: none"> <li>1. Awareness raising, capacity building, technology transfer and know how, shared learning, access to data/information,</li> <li>2. Policy dialogue and stakeholders communication to reach consensus/common understanding on REL to be established,</li> <li>3. Mobilization of resources.</li> </ul>				
<p><b>Establishment of Provincial Reference Emission Level :</b></p> <ul style="list-style-type: none"> <li>1. Awareness raising, capacity building, technology transfer and know how, shared learning, access to data/information,</li> <li>2. Policy dialogue and stakeholders communication to reach consensus/common understanding on REL to be established, ,</li> <li>3. Mobilization of resources</li> </ul>				
<p><b>Establishment of District Reference Emission Level :</b></p> <ul style="list-style-type: none"> <li>1. Awareness raising, capacity building, technology transfer and know how, shared learning, access to data/information,</li> <li>2. Policy dialogue and stakeholders communication, to reach consensus/common understanding on REL to be established,</li> <li>3. Mobilization of resources</li> </ul>				

**Indicators of performance for this objective:**

1. Results of analytical works are able to provide reliable basis for establishing REL
2. REL at the national and sub-national (provincial and district) established, facilitated by a strong analytical basis and stakeholders consultation, and in line with national development goals and sustainable forest management principles.
3. Improved awareness, capacity, technology transfer and know how, shared learning, and access to data/information.
4. Policy dialogue and stakeholders communication carried out,
5. Sufficient resources to carry out all activities under the Component 7 available.

**Attach your ToR for this component as a separate Annex # 7.**

See Annex 7.

**Component 8: Design and Implement Monitoring, Reporting, and Verification System for REDD**

**8.1. Objectives and activities:**

**Background**

Under a REDD mechanism, countries will need to show credible reductions in emissions from deforestation and forest degradation, measured against the REL at specific intervals in time (e.g. annual or bi-annual). Monitoring will show the success of REDD policies and interventions. Two major types of data are needed to quantify CO<sub>2</sub> emissions from deforestation and forest degradation: first, area of forest converted to non forest or area of forest degraded, and second, carbon stocks of forests converted to non-forest or degraded.

The 2006 IPCC Guidelines for National Greenhouse Gas Inventories for Agriculture, Forestry and other Land Uses (AFOLU) and the 2003 IPCC Good Practice Guidance for Land Use, Land Use Change and Forestry (GPG-LULUCF) use the term “Categories” to refer to specific sources of emissions/removals of greenhouse gases. The following categories are considered under the AFOLU sector and are commonly equated to deforestation:

1. Forest Land Converted to Crop Land,
2. Forest Land Converted to Grass Land,
3. Forest Land Converted to Settlements,
4. Forest Land Converted to Wetlands,
5. Forest Land Converted to Other Land, and
6. A decrease in carbon stocks of Forest Land Remaining Forest Land is commonly equated to forest degradation.

The IPCC AFOLU refer to two basic inputs with which to calculate greenhouse gas emissions or removals namely *Activity Data* (an emission/removal category which is quantified in terms of land area in hectares—these data address the area data), and *Emission Factors* (emissions/removals of greenhouse gases per unit activity, e.g. tons carbon dioxide, or equivalent, emitted per hectare of land converted—these factors address the carbon stock data).

Indonesia has established National Carbon Accounting System (NCAS) that provide tools to monitor all green house gases (GHG) emissions from land use/land and forest cover changes. The system will use satellite imagery to identify land cover change and ground-based data to capture changes in carbon stocks, emissions, and other relevant data such as biodiversity. Land

use and management data and site index (climate, soil, slope, altitude etc) will be collected to carry out spatial and temporal ecosystem modeling that relevant to estimate GHG flux. Spatial information regarding rural livelihoods and other socio-economic factors will be used to model future projection of deforestation and forest degradation.

Similar to Component 7, analysis on measurement and monitoring emission reductions were carried out during the IFCA studies prior to COP-13 in 2007. The use of 2006 IPCC Guidelines for National Greenhouse Gas Inventories for Agriculture, Forestry and Other Land Uses (AFOLU) and the 2003 IPCC Good Practice Guidance for Land Use, Land Use Change and Forestry (GPG-LULUCF) on Indonesian context was analyzed and gaps were identified both data and information needed as well as capacity requirement to undertake such activities. Challenges for REDDI readiness were identified in the study<sup>7</sup> and progress to overcome the challenges at the national level was summarized in Annex 8b '*Additional background: Developing national framework to support sustainable forest management that accommodate the need for REDD implementation : progress to date.*

#### **Objectives for this component:**

Establish a credible monitoring, reporting and verification system which allow REDDI with national accounting approach and sub-national implementation.

#### **Expected Outcome:**

1. A credible system for measuring and monitoring emission reduction, reporting and verifying results in a transparent manner,
2. Improved human resources and institutional capacities at all levels for measuring and monitoring emissions reductions, and addressing issues relating to displacement of emissions,
3. Sufficient resources to carry out activities under this component.

#### **Activities to achieve outcome:**

##### **Activity 1.**

- Follow up works on NCAS relating to measurement and monitoring forest cover changes and its associated changes in carbon stocks, taking into account IFCA study (2007) results and other relevant works carried out in Indonesia, as well as guidance under REDD Regulation (PERMENHUT No. 30/2009). The National Carbon Accounting System (NCAS) have been designed in such away to accommodate the need for monitoring both at the national and sub-national levels. Both remotely sensed and ground-based inventory approaches will be used for measuring and monitoring forest cover and carbon stocks changes. Relevant COP decisions and SBSTA conclusions including the use of IPCC guidelines and IPCC good practice guidance for LULUCF.
- Harmonization with other relevant works, such as GHGs inventory under Second National Communication (SNC) and other relevant works which will affect results of the works under this component.

##### **Activity 2.**

Activity 2 will be carried out through the following approaches :

- Awareness raising, capacity building, technology transfer and know how, shared learning, access to data/information,
- Policy dialogue and stakeholders communication at all levels,

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<sup>7</sup> See annex 8a 'Background information for Component 8'

## Activity 3.

Activity 3 (mobilization of resources) is needed to undertake activities under this component.

## Partners and organizations involved:

- Activity 1 will be carried out by experts from Ministry of Forestry and other institutions including Ministry of Environment, Ministry of Agriculture and other Ministries related to land use sector, National Aeronautical and Space Agency (LAPAN), National Survey and Mapping Agency (Bakosurtanal), scientific institutions, and international experts whenever needed.
- Activity 2 and 3 will involve all possible stakeholders, depending on the types of activities and necessary target groups. Referring to component 2 (see point 2.c), the partners/stakeholders includes Ministry of Environment, Ministries related to land use sector, local government, National Council on Climate Change (DNPI), private sector, scientific institutions, civil societies (including NGOs, indigenous people and local communities), international partners (bilateral and multilateral cooperation, international organizations working in Indonesia).

Table 12. Schedule and Sequencing of activities:

Activity	2009	2010	2011	2012
1. Develop MRV System : a. Develop a system/sub system of NCAS, build on IPCC guideline/GPG, taking into account REDDI regulation <sup>8</sup> , b. Data acquisition to fill the gaps identified in IFCA studies 2007 <sup>9</sup> and analysis (Activity Data and Emission Factor) : <ul style="list-style-type: none"> <li>• Area of forest converted to non forest or area of forest degraded (remote sensing)</li> <li>• Carbon stocks of forests converted to non-forest or degraded (ground-based inventory data)</li> <li>• Soil carbon especially for peat land</li> <li>• Other necessary data f.e. for trends in land use, land use change, biodiversity, rural livelihoods, etc.</li> </ul> c. Determine carbon pool to be included d. Analyze trade-offs between the increase of certainty by using a higher approach and Tier and the increase of costs including the need to enhance the capacity both human resources and institution as well as infrastructure.				
2. Technical Assistance and Capacity Building : <ol style="list-style-type: none"> <li>1. Training on remote sensing and forest inventory interpretation and reporting,</li> <li>2. Strengthening institution responsible on monitoring and reporting<sup>10</sup>,</li> <li>3. Exchange of expert, technical workshop, access to data/information</li> </ol>				

<sup>8</sup>Minister of Forestry Regulation on REDD (PERMENHUT) No. P.30/ Menhut-II/2009 (Annex 2c). According to the PERMENHUT No. 30, Indonesia will use Approach 2 and 3 (whenever possible) for *Activity Data* (area change) and Tier 2 and 3 (whenever possible) for *Emission Factors* (changes in carbon stocks).

<sup>9</sup> See Annex 8a 'Background Information'

<sup>10</sup> See Minister of Forestry Regulation on REDD (PERMENHUT) No. P.30/ Menhut-II/2009 (Annex 2c), Annex 5

Activity	2009	2010	2011	2012
3. Awareness raising, shared learning, policy dialogue and stakeholders communication at all levels				
4. Follow up of UNFCCC negotiation				
5. Resource mobilization				

**Indicators of performance for this objective:**

1. System for measuring and monitoring emission reduction, reporting and verifying results established and operate in a transparent manner,
2. Improved human resources and institutional capacities at all levels and issues relating to displacement of emissions are properly addressed,
3. Sufficient resources to carry out activities under this component.

**8.2. Attach your ToR for this component as a separate Annex # 8**

See Annex 8

**Component 9: Design a System of Management, Implementation, and Evaluation of Readiness Preparation Activities**

- 9.1. We recommend you begin to develop a means to synthesize and manage the REDD program, including evaluation of progress at regular intervals. No ToR are required at this time—but we strongly encourage you to develop a management and evaluation system.

To be developed → not included

- 9.2. Fill in the provided spreadsheet in Excel, including the three sheets listed below:

Annex 10 (Required) - Excel spreadsheet: (see template for this provided on FCPF website)  
 Sheet 1) Summary of R-PLAN Implementation Across Donors (not attached) → embedded in each component  
 Sheet 2) Detailed Budget, using the template.  
 Sheet 3) Summary Budget.

See Annex 10 for sheet 2) and 3)

**Attachments: Annexes with ToR or Plans, and Schedule and Budget**

- Annex 1 (Required) - Land use, Forest Policy and Governance Quick Assessment (the completed study)
- Annex 2a (Required) - National REDD Working Group (framework ToR or Plan)
- Annex 2b (Required) - REDD Consultation and Outreach Plan (full Plan required)
- Annex 2c (Required) - REDD Management and Evaluation System (framework ToR or Plan)
- Annex 3a (Required) - Assess Candidate Activities for the REDD strategy (framework ToR or Plan)
- Annex 3b (Required) - Evaluate potential Additional Benefits (framework ToR or Plan)
- Annex 3c (Required) - Trade-Offs Analysis (framework ToR or Plan)
- Annex 3d (Required) - Risk Assessment of Your REDD Strategy (framework ToR or Plan)
- Annex 4 (Required) - REDD Implementation Framework (framework ToR or Plan)
- Annex 5 (Required) - Assess Social and Environmental impacts (framework ToR or Plan)
- Annex 6 (Required) - Investment and Capacity Building Requirements (framework ToR or Plan)
- Annex 7 (Required) - Develop a Reference Scenario (framework ToR or Plan)
- Annex 8 (Required) - Design Monitoring, Reporting and Verification System (framework ToR or Plan)
- Annex 9 (Required) - Component 9: Design a system of management, implementation, and evaluation of Readiness preparation activities (optional):
- Annex 10 (Required) - Excel spreadsheet: (see template for this provided on FCPF website)
  - i. Sheet 1) Summary of R-PLAN Implementation, Across Donors
  - ii. Sheet 2) Detailed Budget, using the template.
  - iii. Sheet 3) Summary Budget.

**15. List any other Attachments included (11 annexes : background information and supporting documents)**

1. Annex 01. List of participants : Stakeholder Consultation on REDDI Framework-draft Regulation on REDD-draft Regulation on National REDD Commission - Readiness Plan, Jakarta, 25 March 2009
2. Annex 02. List of Participants of the Stakeholders Consultation on R- Plan at the sub-national level (4 Provinces), April 2009
3. Annex 2a. Regulation No. P.68/2008 on Demonstration Activities
4. Annex 2b. Minister of Forestry Decree No. 13/2009
5. Annex 2c. Regulation No. P.30/2009 on Demonstration Activities
6. Annex 7a\_ Background information for Component 7 : background for reference scenario component: the reference emission level (rel)
7. Annex 7b : National Carbon Accounting System (NCAS) Activities, responsible agencies and estimated costs
  
8. Annex 7-8 : Additional Background Information for Components 7 and 8 (Source : Initial Grand Design For Indonesia's National Carbon Accounting System/NCASI

9. Annex 8a\_ Background information for Component 8 : Background for mrv component: Design and implement monitoring, reporting, and verification system for redd
10. Annex 8 b : Additional Background Information for Components 8 (Source : Initial Grand Design For Indonesia's National Carbon Accounting System/NCASI)
11. IFCA Consolidation Report : Reducing Emissions from Deforestation and Forest Degradation in Indonesia, MoFor, 2008