



Investment Plan - Indonesia



Republic of Indonesia

Forest Investment Program Pilot Countries Meeting

Yogyakarta, 24 September 2013

Investment Plan- Indonesia

CIF/FIP National Focal Point: Ministry of Finance/Ministry of Forestry

MDBs involved:

- **Asian Development Bank (ADB)**
- **International Bank for Reconstruction and Development (IBRD)**
- **International Finance Corporation (IFC)**

Outline

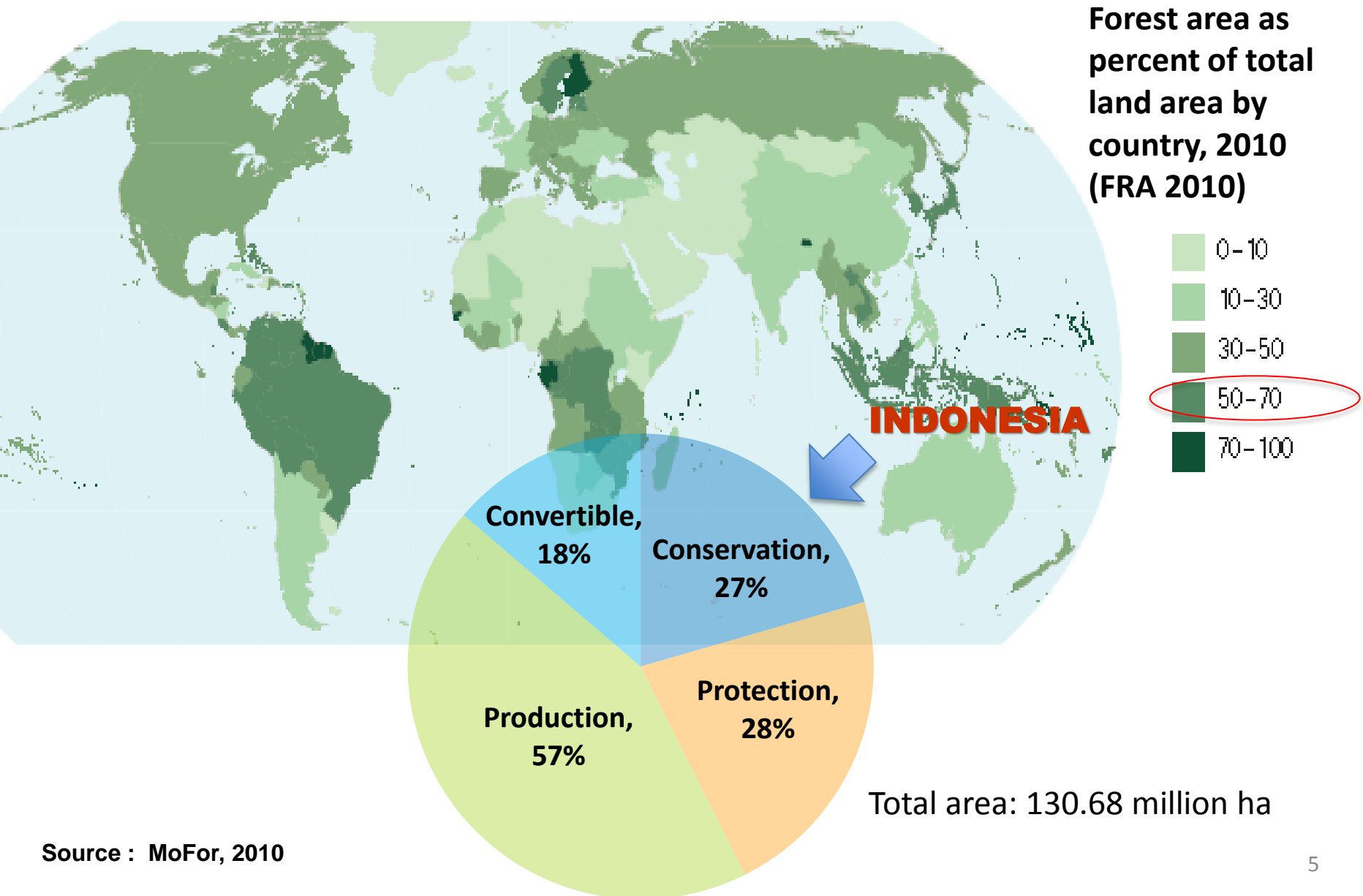
1. Country Background
2. National Climate Change Policy
3. Challenges
4. Indonesia FIP Plan



INDONESIA

- An archipelago with about 187 million ha area,
- Forests occupy about 70% of the country land area,
- Population of \pm 240 million
- Decentralized governance system up to district level, with challenges in natural resources management, especially forest.

Indonesia and World Forests



FIP Contribution to National and Forest Sector Development Objectives

NATIONAL DEVELOPMENT OBJECTIVES

- Social: reduce poverty (16.7% in 2004 to < 10% in 2014) and reduce unemployment (9.9% in 2004 to < 5% in 2014).
- Environment: reduce GHGs emission of 26-41% from BAU by 2020 and significant reduction of biodiversity loss in 2014.
- Economy: 5.5% growth with income per capita of USD 1,186 in 2004 to 7% growth with income per capita of USD 4,000 in 2014.

NATIONAL FOREST LONG-TERM PLANNING 2010-2030

- Policy reform,
- Strengthening legal status and optimization of forest area (forest tenure),
- Empowering decentralization (FMU),
- Enhance coordination across sectors,
- Enhancing roles of forestry sector at the regional and global levels

CONTRIBUTION

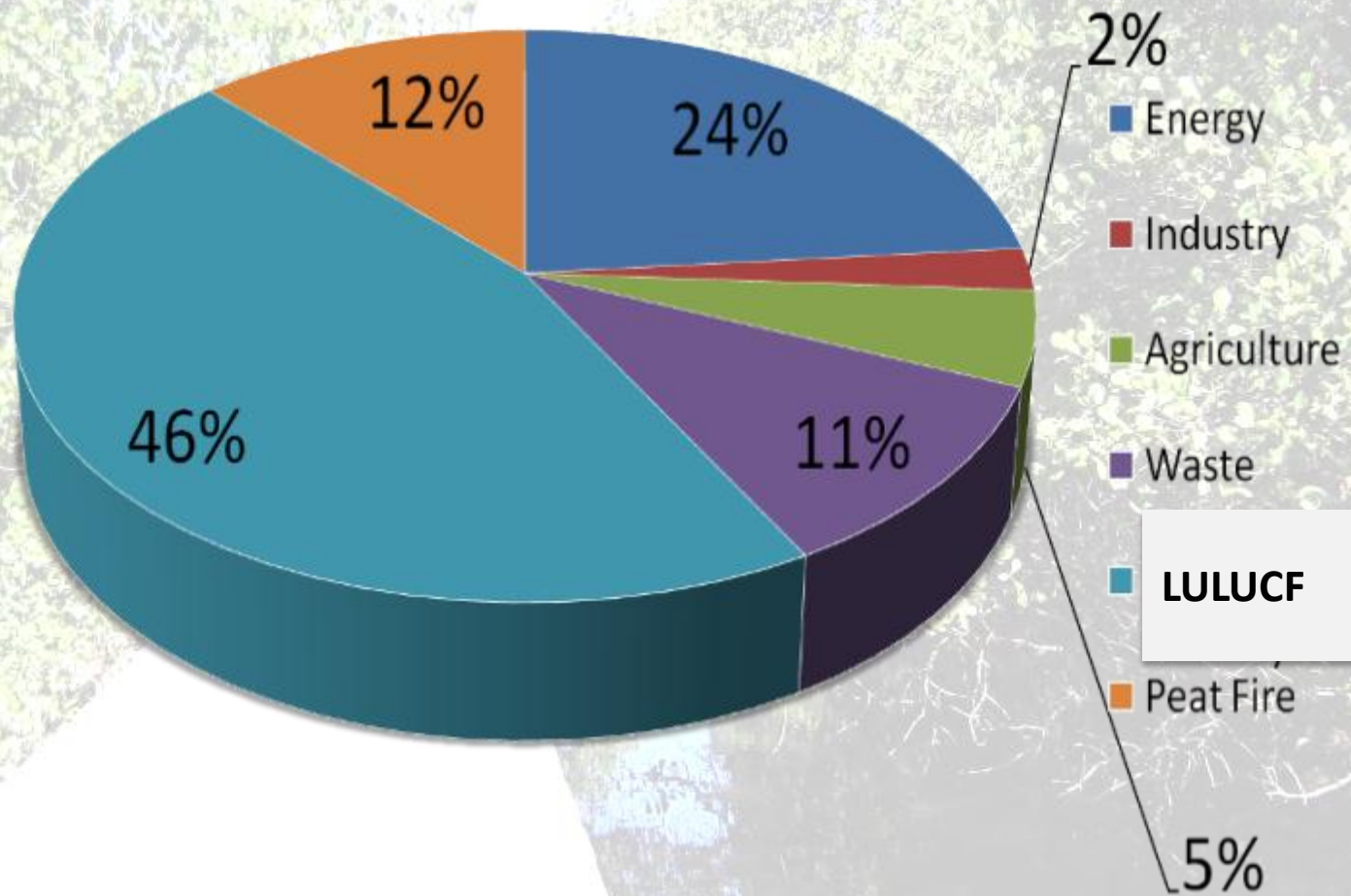
GUIDANCE

CONTRIBUTION

FIP

CONTRIBUTION

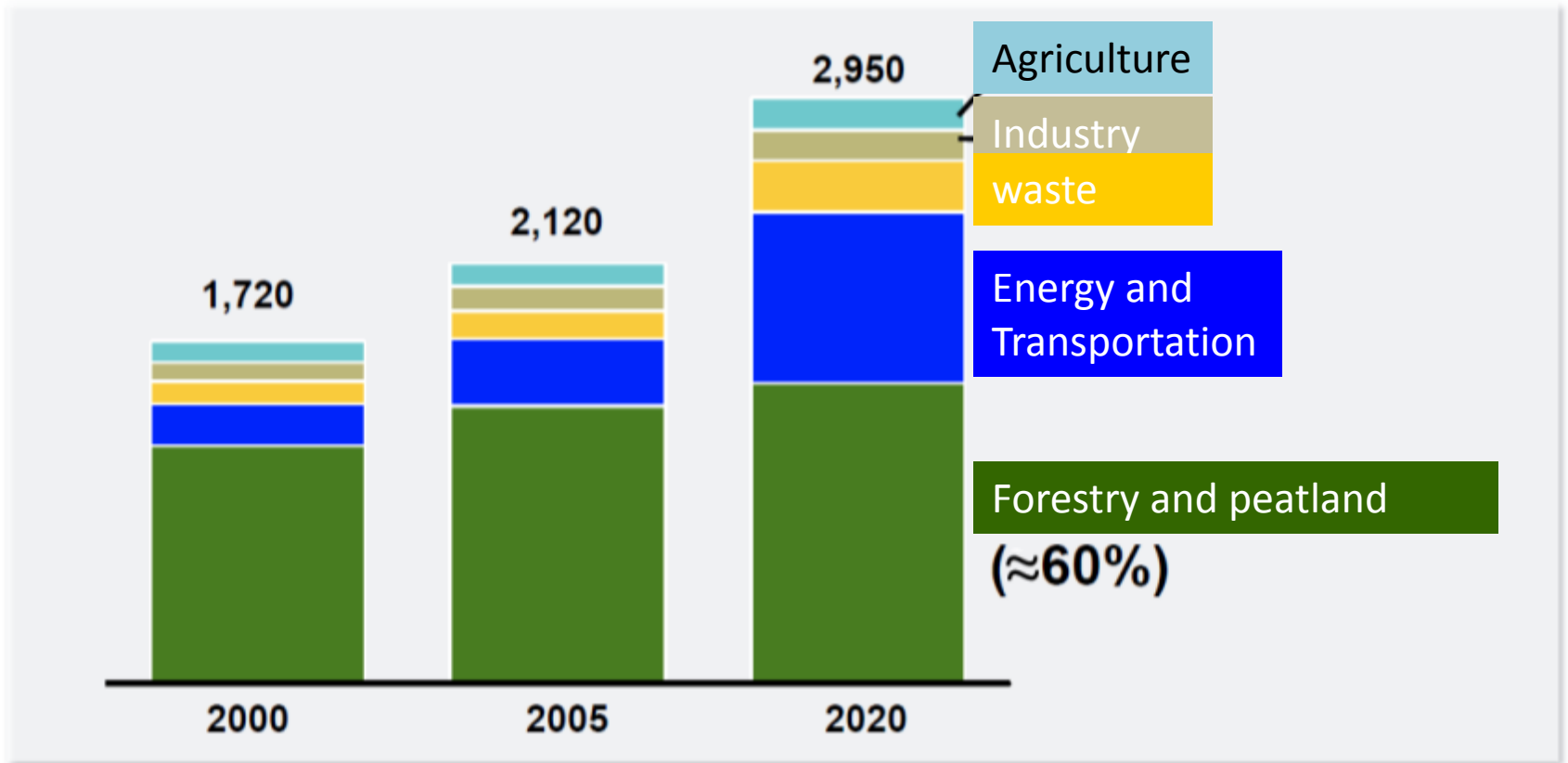
National GHGs Emissions in SNC 2010



Source : Second National Communication (SNC) 2010

FORESTRY WITHIN NATIONAL POLICY ON CLIMATE CHANGE

BAU emission projection in 2020 (million ton CO₂e)

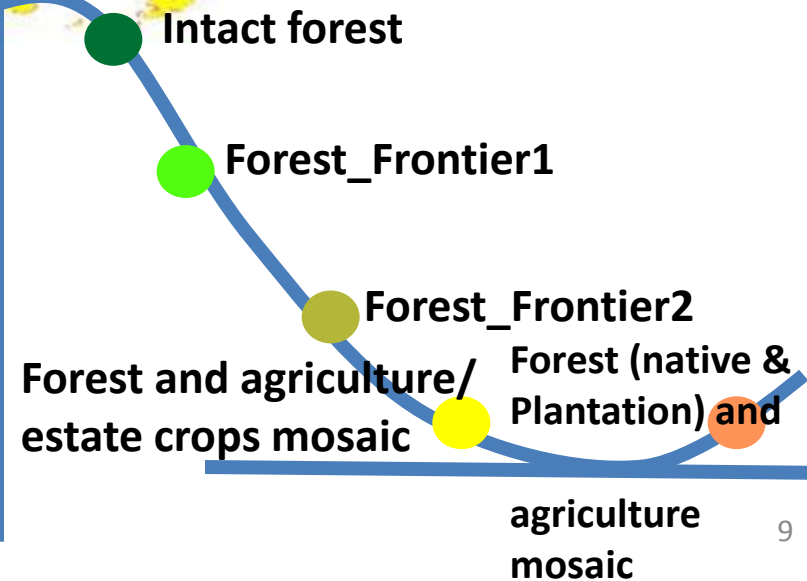


Source : SNC, 2010: Indonesia Second National Communication, Under UNFCCC, Ministry of Environment, Republic of Indonesia, Jakarta, November 2010

INDONESIA'S FOREST IN TRANSITION CURVE

Forest Transition Stages

- FOREST_CORE
- FOREST_FRONTIER_1
- FOREST_FRONTIER_2
- FOREST_NON_1
- FOREST_NON_2



Source: ICRAF (2009)

REDD+ NATIONAL STRATEGY

1

Institution and processes :

- National REDD+ agency
- Financial instruments and institution
- MRV System

2

Legal Framework

3

STRATEGIC PROGRAMMES

Sustainable landscape management

1. Landscape/watershed management
2. Enhance employment opportunity
3. Operationalization of FMU
4. Forest fire management

Sustainable use of natural resources in economic system

1. Enhancing SFM practices
2. Increase productivity of agricultural crops
3. Sustainable mining
4. Empower down stream industries

Forest conservation and rehabilitation

1. Peat land restoration
2. Securing protected areas,
3. Controlling peat land conversion,

4

Paradigm shift

- Strengthening forest governance,
- Empowering local economy in a sustainable basis
- Campaign to save Indonesia's forests

5

Stakeholder engagement

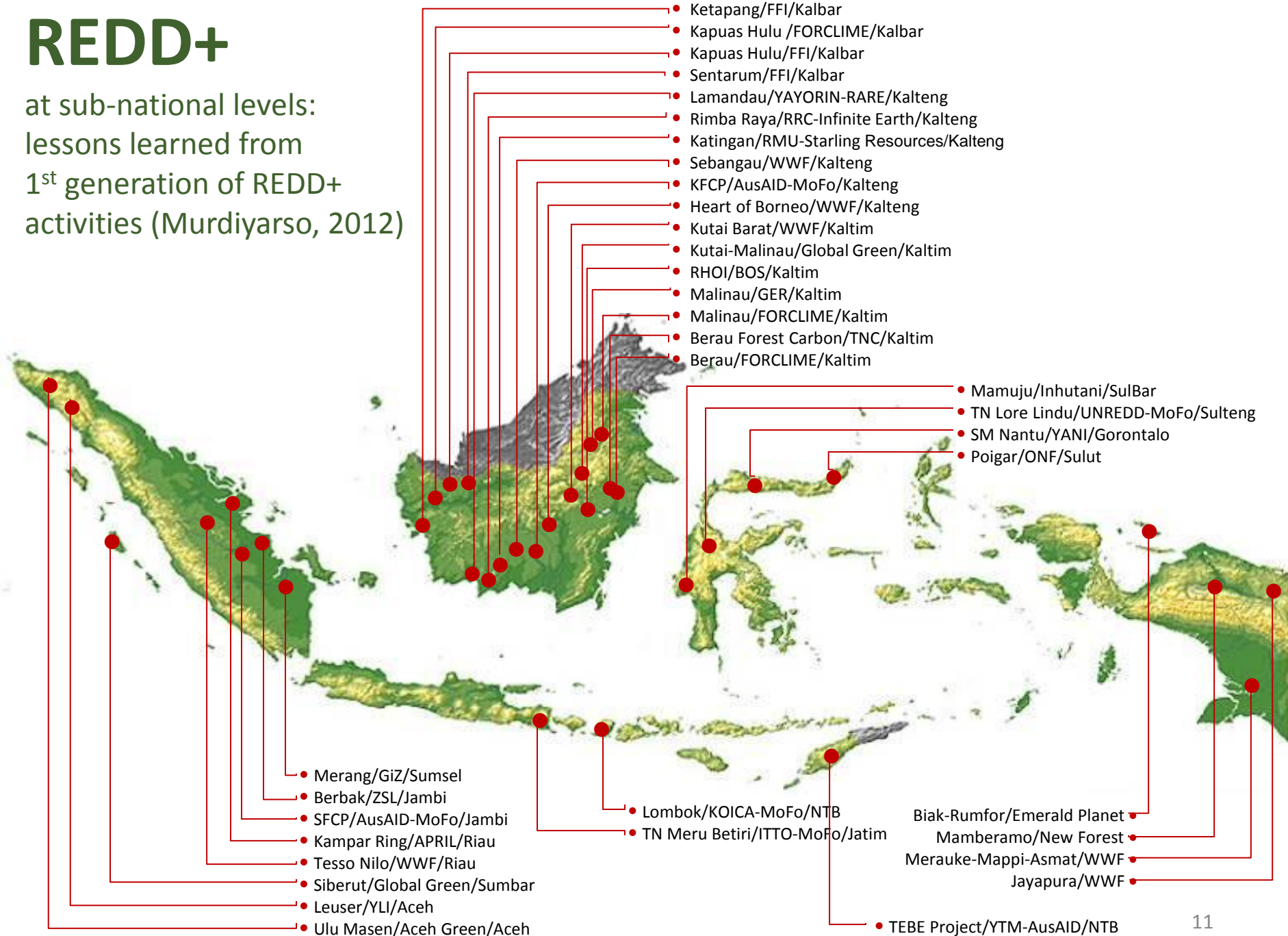
- Stakeholder communication and engagement
- Safeguards implementation
- Benefit sharing, equity etc

GOALS

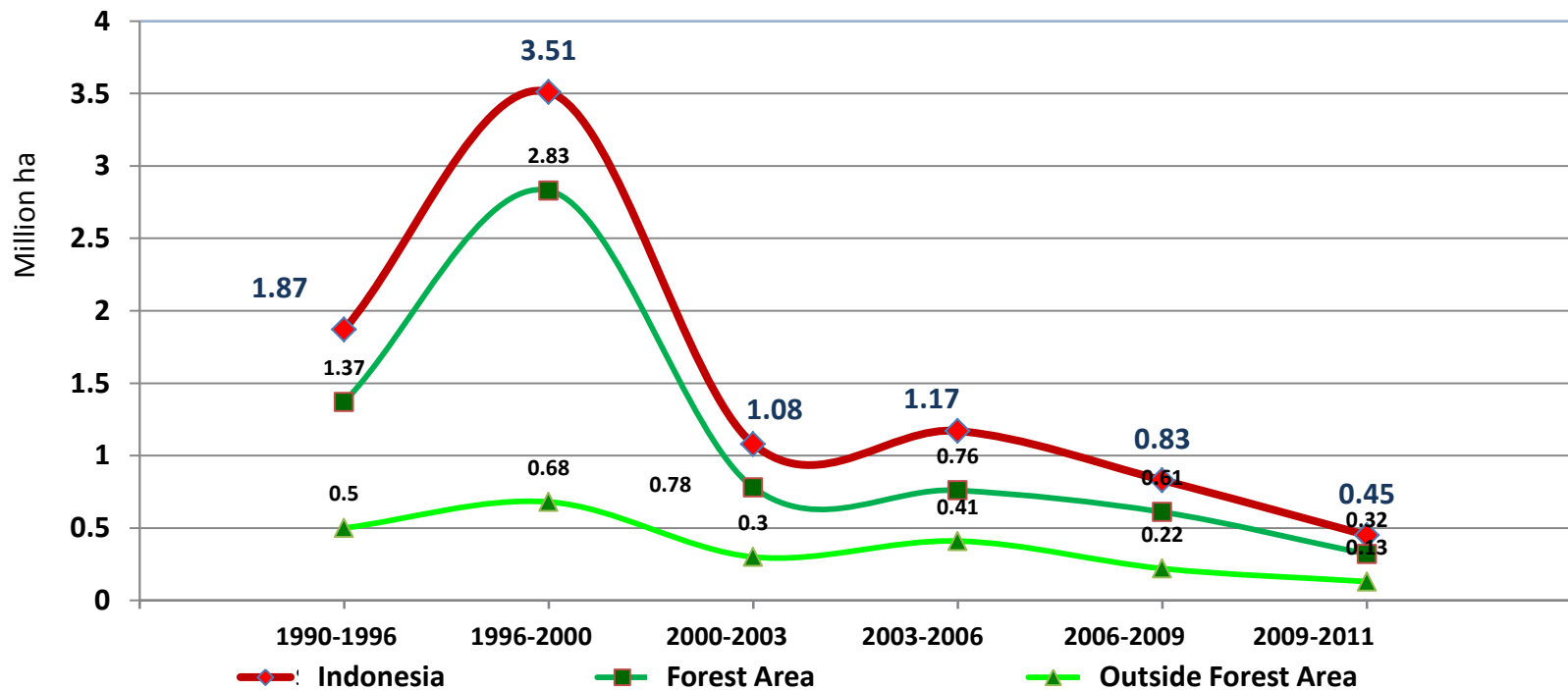
- Reduced emission
- Enhanced carbon stocks
- Conserved Biodiversity
- Provision of Environmental services
- Economic growth

REDD+

at sub-national levels:
lessons learned from
1st generation of REDD+
activities (Murdiyarso, 2012)



Changes in rate of deforestation 1990-2011



Deforestation Rate	1990-1996	1996-2000	2000-2003	2003-2006	2006-2009	2009-2011*
Indonesia	1,87	3,51	1,08	1,17	0,83	0,45
Forest land	1,37	2,83	0,78	0,76	0,61	0,32
Non forest land (APL)	0,5	0,68	0,3	0,41	0,22	0,13

Challenges

- Harmonization of spatial planning between land-based sectors at the national, provincial, and district levels, including forest and land tenure reform,
- Scaling up REDD+ to provincial and national level, and business climate for sustainable forestry investment, in highly decentralized governance system,
- Stakeholders engagement : diversity in expectations, human resources and institutional capacities especially local communities, socio-cultural and geographical conditions,
- Extracting lessons from local level experiences and scaling up activities from project into District, Provincial and national levels.

FMU/KPH as entry point

- Production forests (managed through permit holding system) have become open access when permits expire or inactive (covers nearly 50% of state forest lands, aggravated by overlapping tenurial claims on 17.6 – 24.4 millions ha)
- Lack of on-site Forest Manager with sufficient information over the resource potential, as basis for determining forest utilization allocations → Forest Management Unit is a strategic solution.
- A strong legal basis (Government Regulation No. 6/2007 and No.3/2008 on Forest Organization and Preparation of Forest Management and Utilization Plans)
- Efforts to promote FMU have become stronger, and it would be transformational for FIP to support it and make use of it.



FIP Plan Framework

NATIONAL DEVELOPMENT AND GLOBAL OBJECTIVES

RAN-GRK

- Core activities
- Enabling activities (FMU, forest gazettement, fire management, forest protection, R&D)

Nat. REDD+ Strategy: 5 pillars

- Institution and processes
- Legal framework
- Strategic programmes
- Paradigm shift
- Stakeholder engagement

FORESTRY REFORM

- Spatial/land use planning,
- FMU capacity
- CBFM

FIP INVESTMENT PLAN

Theme 1 : Institutional development for SF and NRM

Theme 2 : Investment in forest enterprises and CBFM

Theme 3 : Community capacity building and livelihood development

FIP OUTCOMES : reduced barriers to sub-national REDD+ implementation and increased local capacity for SFM and REDD+

- (1) strengthened capacity of local institutions to work with community and to support equitable REDD+ programme,
- (2) Model FMUs have capacity for SFM and REDD+ activities,
- (3) Improved enabling business environment for SFM, CBFM, and REDD+,
- (4) Improved access for local communities to forests and REDD+ benefits.

Stakeholder Involvement and Dialogue

Participatory and Open Design Process



- National Forestry Council (DKN) engaged as the convening mechanism
- Meetings with stakeholders
- Website postings
- Postponed submission in response to stakeholders' input
- All comments and response documented, most to be addressed in project implementation



Investment Plan Projects and Themes

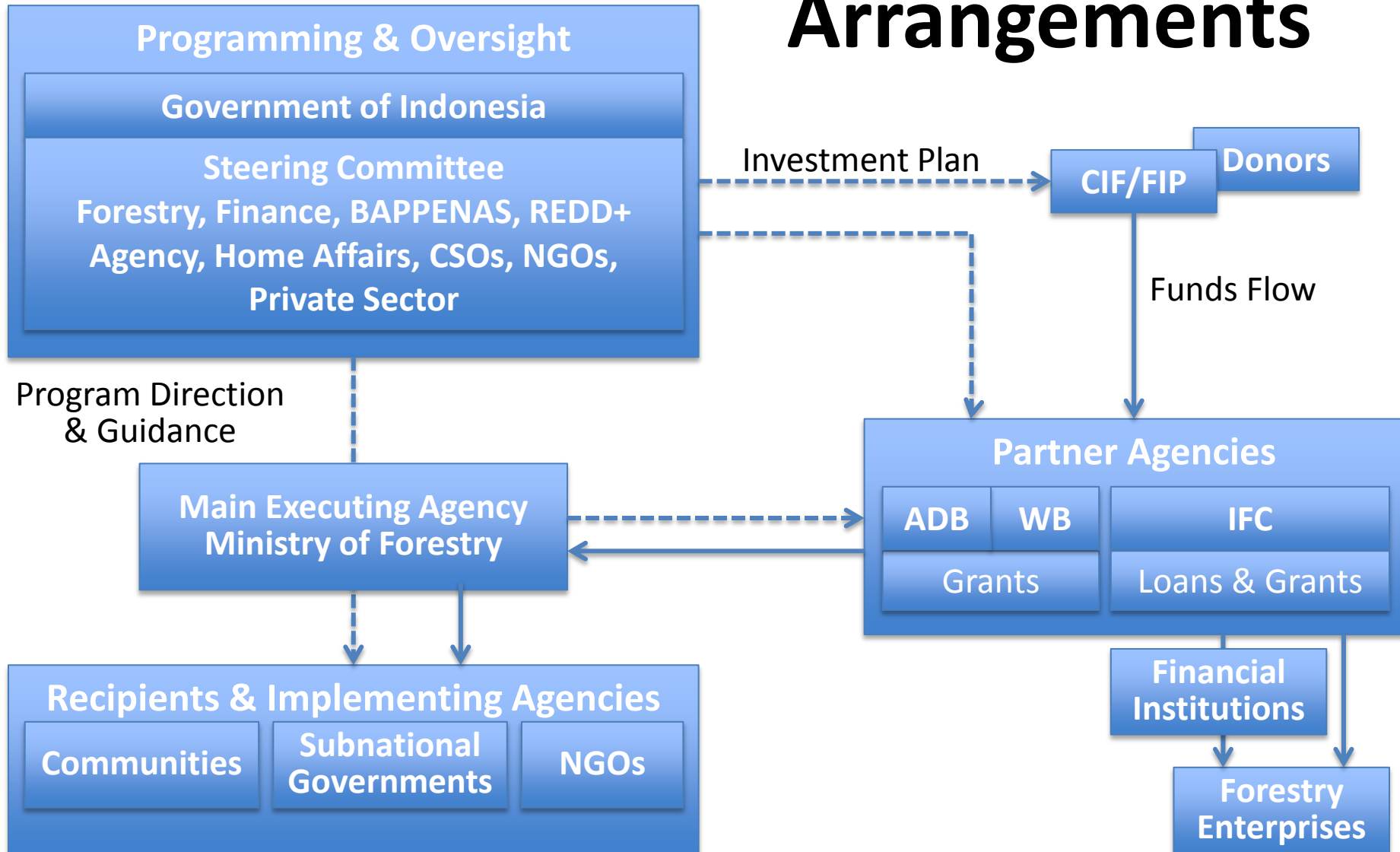
PROJECT TITLE	THEMES SUPPORTED
P1. Community-focused investments to address deforestation and forest degradation	T1. Institutional Development T2. Forest Enterprises and CBFM T3. Community capacity
P2. Promoting Sustainable Community Based Natural Resource Management and Institutional Development	T1. Institutional Development T3. Community capacity
P3. Strengthening Forestry Enterprises to Mitigate Carbon Emissions	T2. Forest Enterprises and CBFM

FIP Project Financing and Estimated Emissions Reductions

Summary of proposed program pipeline			
Project and component	Proposed FIP Financing (M USD)	Allocated and proposed leverage financing (M USD)	Potential carbon emission reductions (over 5 years)
1. Community-focused investments to address deforestation and forest degradation	17.5*	6.0	18 to 22M tCO ₂
2. Promoting sustainable community based Natural Resource Management and institutional development	17.5*	Tbd (0.0)	17 to 25 M tCO ₂
3. Strengthening Forestry Enterprises to Mitigate Carbon Emissions	35.0**	99.0	20 to 25 M tCO ₂ ***
Total	70.0	105.0	45 to 72 MtCO₂e

*Grant; ** \$2.5M Grant plus \$32.5M Concessional finance, ***Based on phase 1 funds of USD 12 million

Implementation Arrangements



PROJECT UPDATES (1)

PROJECT	MAIN AREAS	CURRENT STATUS
<p><u>Project 1</u></p> <p>Community-focused investments to address deforestation and forest degradation (CFI-ADD+)</p>	<ul style="list-style-type: none">• <u>Institutional development:</u> Strengthen capacity of forest management units (FMUs) and West Kalimantan province to effectively implement REDD+, SFM and CBFM• <u>Community-focused REDD+ pilots:</u> District level SFM and CBFM through community capacity development and livelihood support• <u>Policy harmonization:</u> Harmonize national and sub-national policies on carbon stock improvement	<ul style="list-style-type: none">• <u>Stakeholder consultations and intensive discussions</u> by the FIP Team from March to August 2013 resulted in an agreed plan of activities.• <u>Revised project concept paper</u> incorporating the feedback from stakeholders is in preparation for approval by the ADB Management.• <u>Strong partnerships</u> with the Heart of Borneo Initiative, Japan Fund for Poverty Reduction, and the ASEAN Social Forestry Network are envisioned.

PROJECT UPDATES (2)

PROJECT	MAIN AREAS	UPDATE
Project 2	<ul style="list-style-type: none">• Institutional arrangements and reform processes within MoFor in which the project will be embedded.• concentrate on governance and improved knowledge at national and subnational level and will strengthen communities and local stakeholders in the preparation, set up and operation of the Forest Management Units.• support one of the most important reform processes in the forest sector that will transfer the technical forest management function from the national to subnational institutions.	<ul style="list-style-type: none">• A grant agreement has been prepared to the NGO Kemitraan for the preparation of the Project Document.

PROJECT UPDATES (3)

PROJECT	MAIN AREAS	UPDATE
Project 3	<ul style="list-style-type: none">• Strengthening the productive capacities and business skills of forestry enterprises and firms in other related sectors, by leveraging private sector investments• Develop tailor-made financial instruments and strengthening the capacity of both small and large forestry enterprises• Increase investments in the forestry sector by financial intermediaries.	<ul style="list-style-type: none">• Concept note has been discussed through consultation in the FIP Team, to be finalised and processed internally in the IFC.

Designated Grant Mechanism (DGM)

- FIP Focal Point kicked-off the national process of DGM. DKN (National Forest Council) then steer this process, including through a national meeting on 17 June 2013 in Bogor, and a workshop on 19 July 2013 in Yogyakarta.
- The results are (i) work-principles, (ii) tasks and responsibilities, (iii) roles and authorities, (iv) structure, mechanism and work-rules, and (v) selection mechanism of the DGM National Streeting Committee.
- The process will take until end of 2013. Project preparation will start immediately after.





THANK YOU