



# Investment Plan - Indonesia



**Republic of Indonesia**

**Forest Investment Program**

Istanbul, 5 November 2012

# 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



The image features a stylized map of Southeast Asia, including countries like Thailand, Laos, Cambodia, Vietnam, and the Philippines. The map uses a color palette of light blue for water, yellow and white for land, and green for forested areas. A thick green border frames the map. The background of the entire image is a photograph of lush green trees and foliage. The text 'Country Background' is centered over the map in a bold, black, sans-serif font.

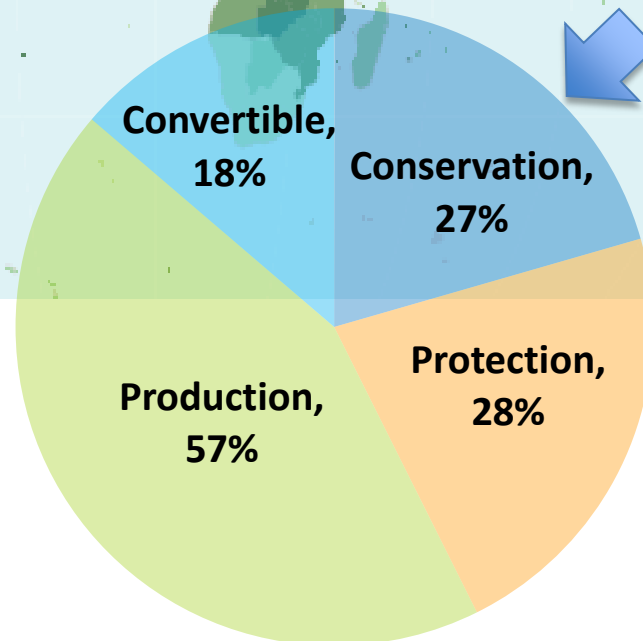
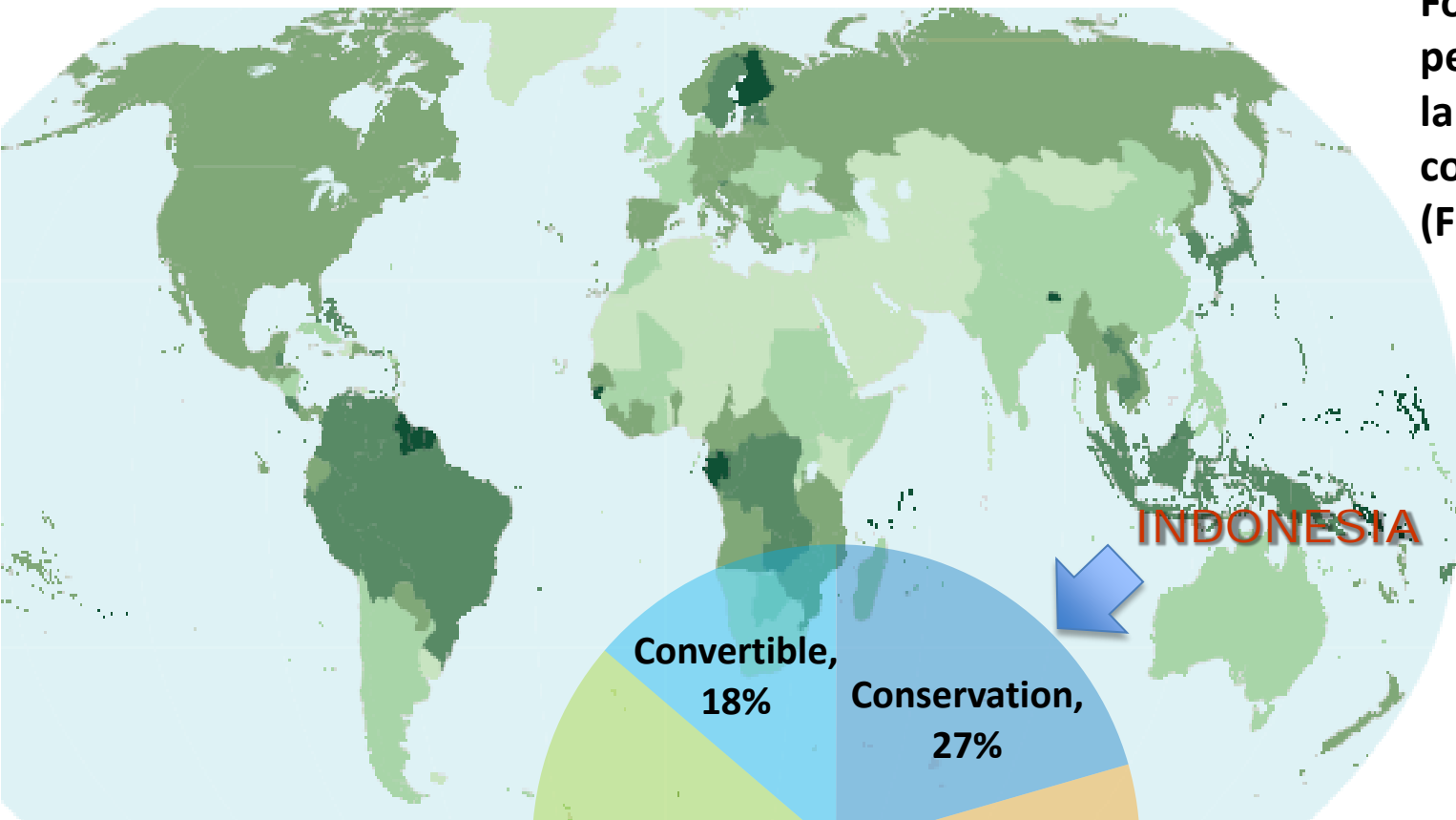
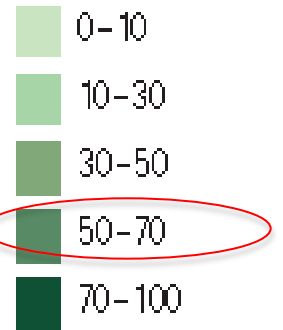
# Country Background

# INTRODUCTION

- Indonesia is an island country with about 187 million ha area,
- Forests occupy about 70% of the country land area,
- Population of  $\pm$  230 million in 2011, expected to face challenges or blessed with opportunities by more than 60% population in productive ages (18-60 years) in 2030,
- Decentralized governance system up to district level with brought about challenges in managing natural resources sustainably especially forest.

# Indonesia and World Forests

Forest area as percent of total land area by country, 2010 (FRA 2010)



Total area: 130.68 million ha

# 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

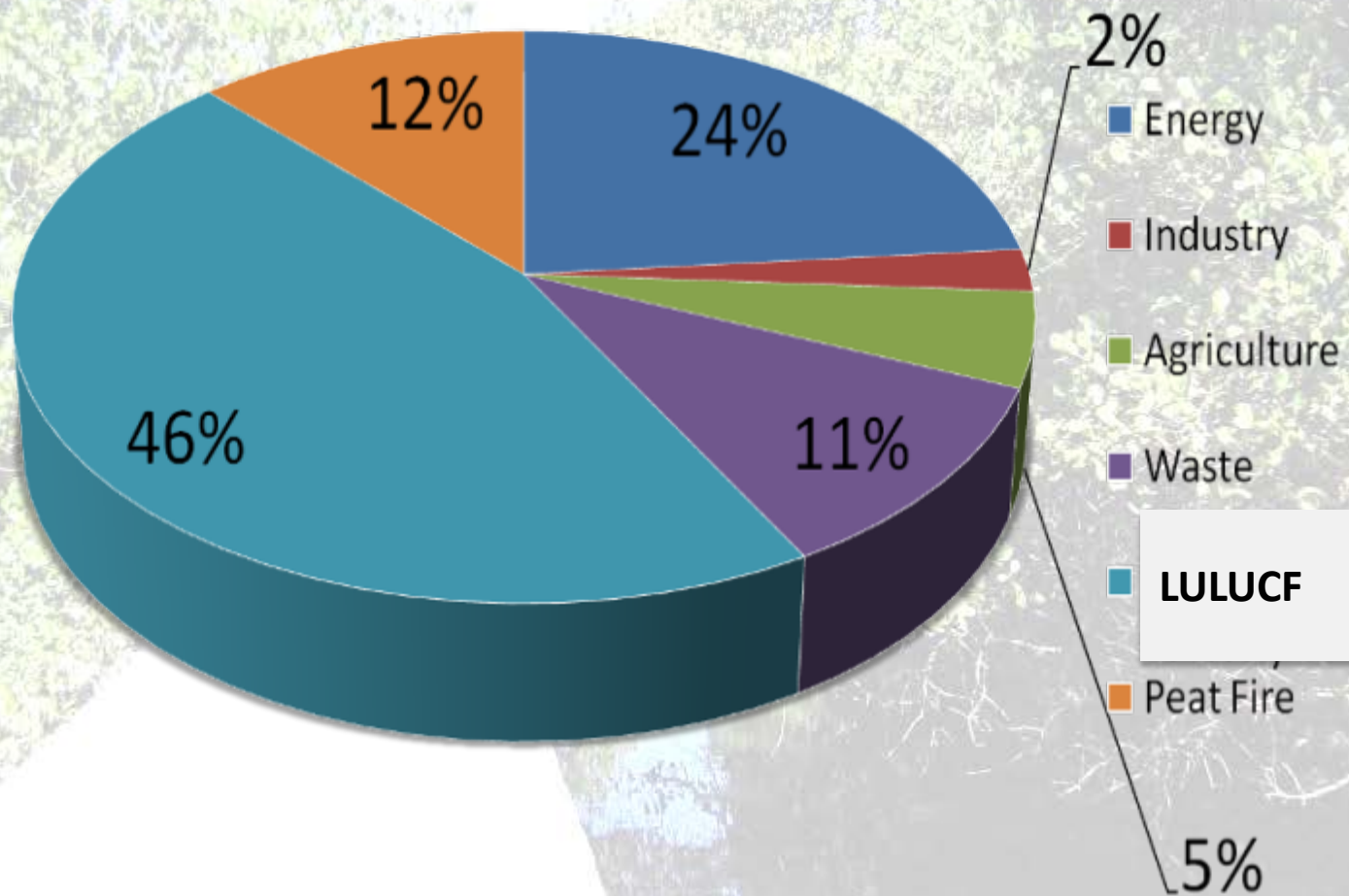
CONTRIBUTION

A photograph of a dense forest. The foreground is filled with many thin, vertical tree trunks. Some larger trees with broad, green leaves are visible in the mid-ground and background. The ground is covered with fallen leaves and branches. The overall scene is a lush, green forest.

# National Climate Change Policy



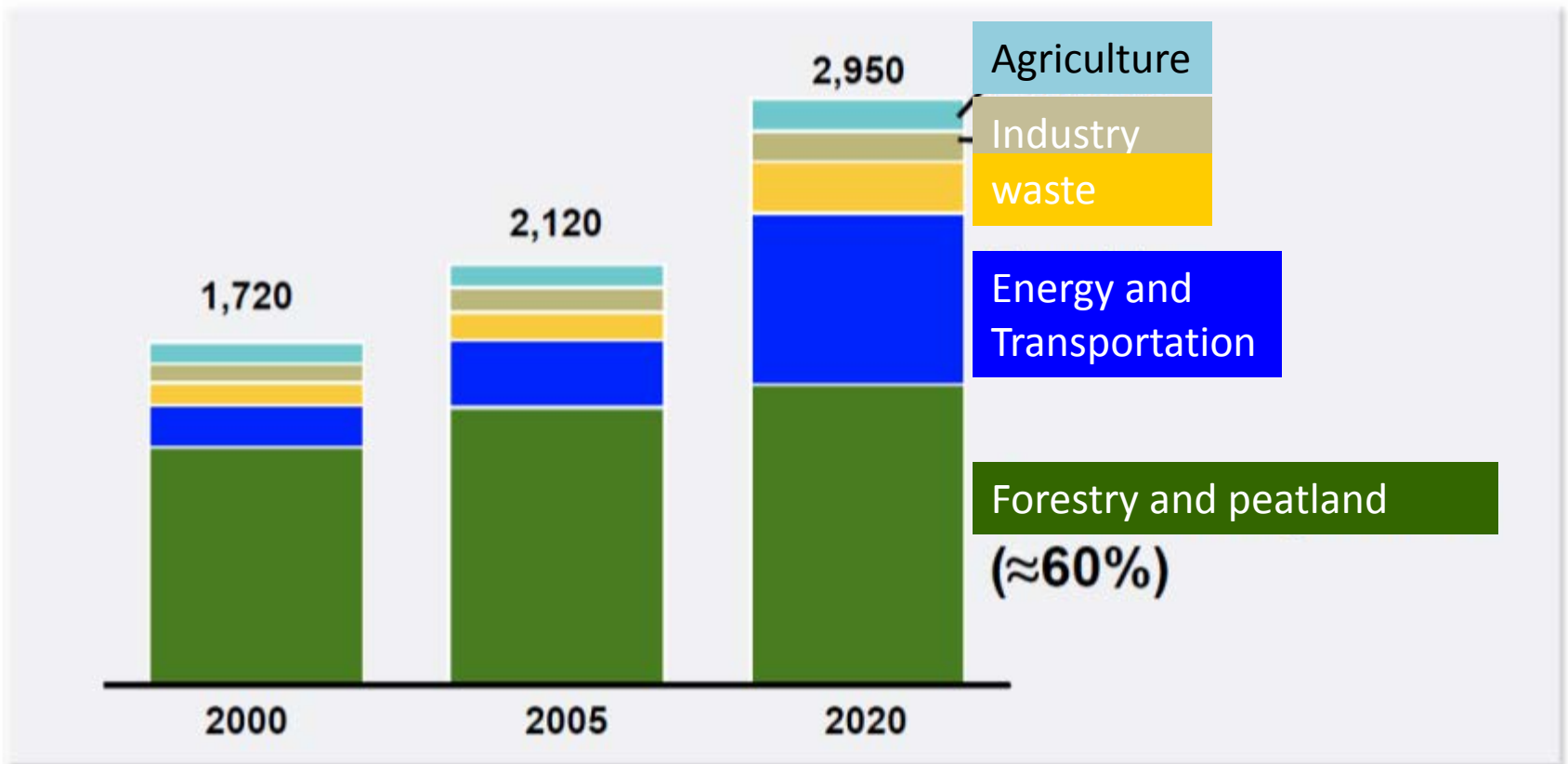
# National GHGs Emissions in SNC 2010



Source : Second National Communication (SNC) 2010

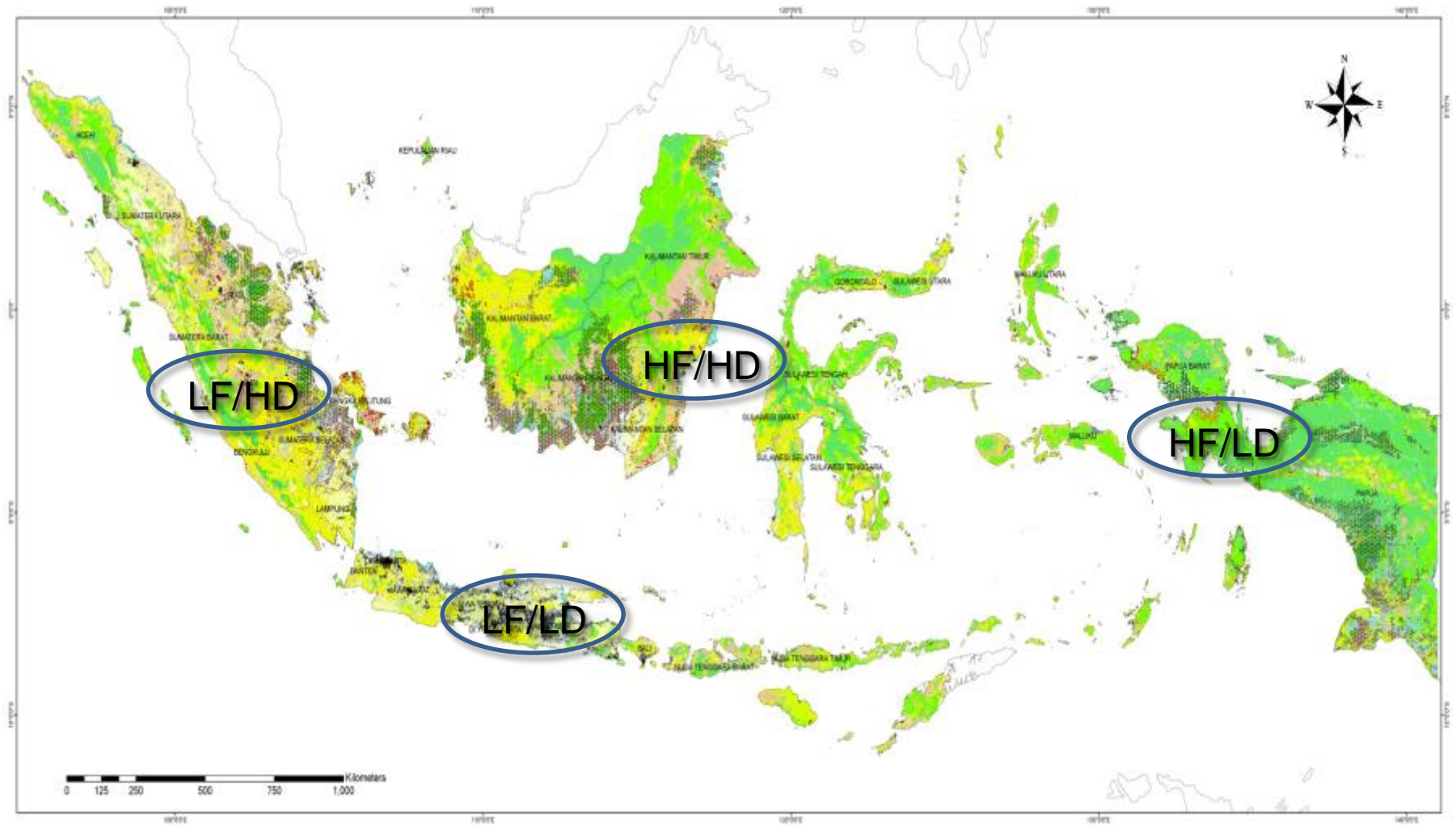
# FORESTRY WITHIN NATIONAL POLICY ON CLIMATE CHANGE

## BAU emission projection in 2020 (million ton CO<sub>2</sub>e)



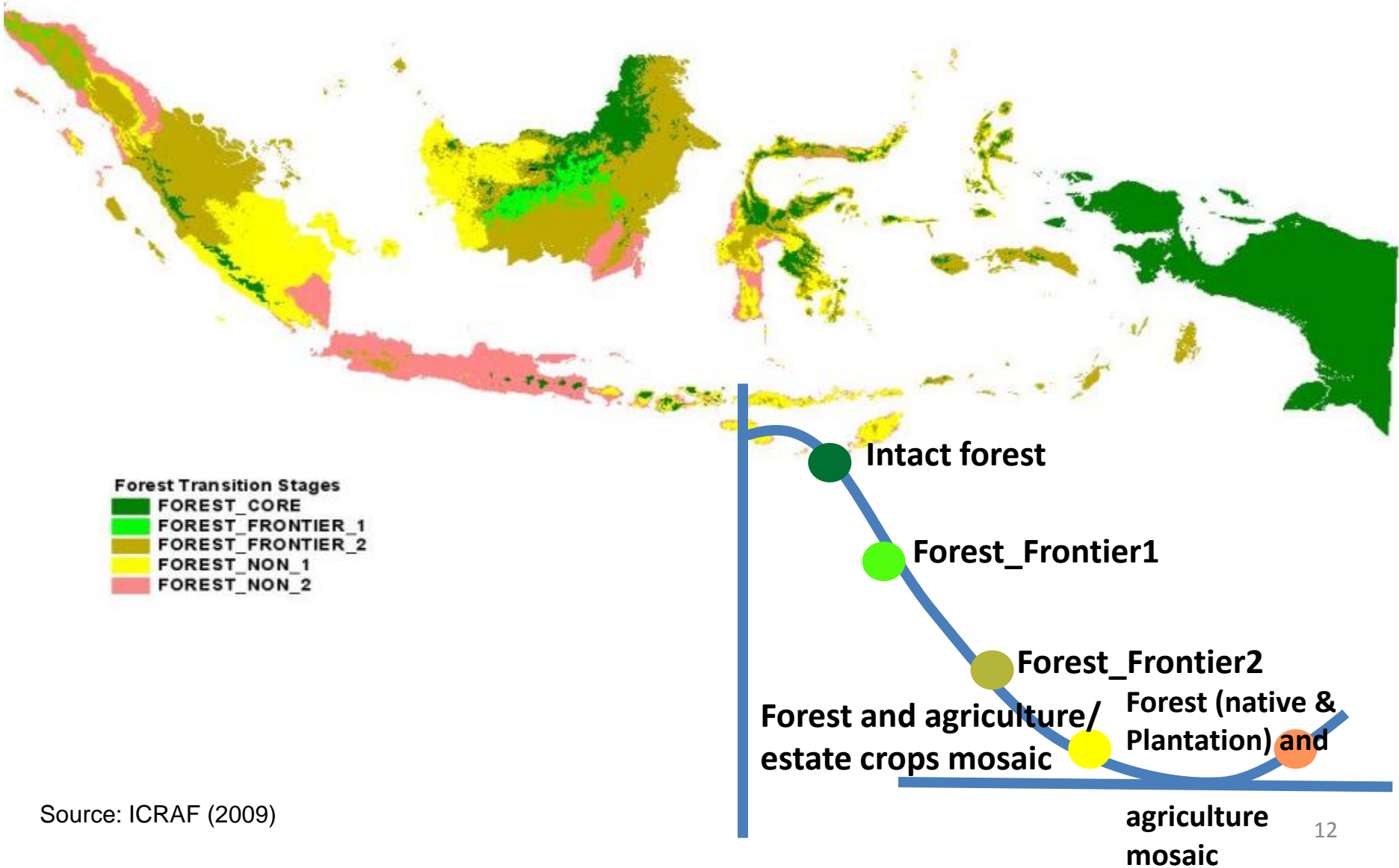
Source : SNC, 2010: Indonesia Second National Communication, Under UNFCCC, Ministry of Environment, Republic of Indonesia, Jakarta, November 2010

# Forest Cover and Deforestation in 2009



Source: DG Planning-MFor

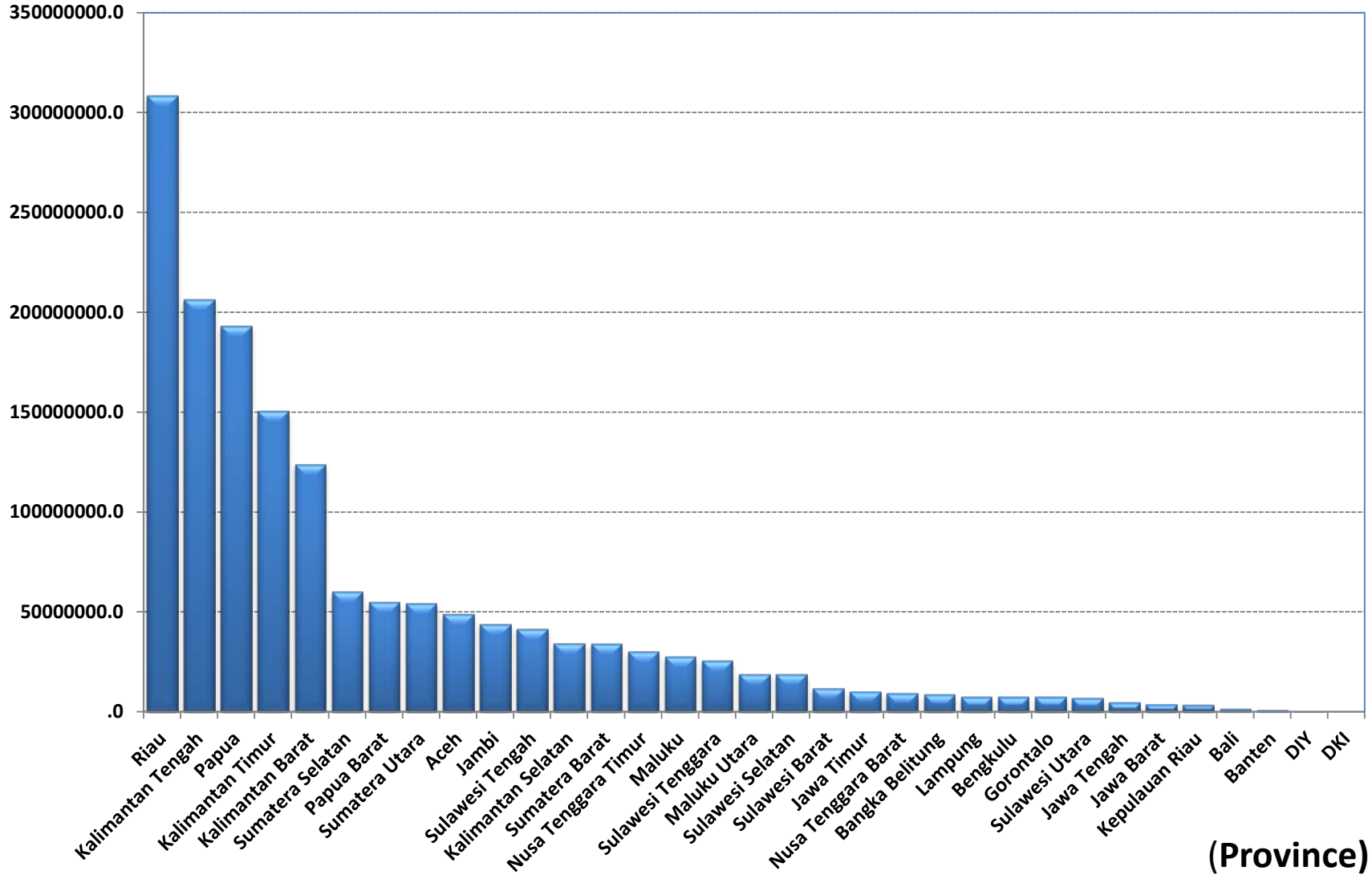
# INDONESIA'S FOREST IN TRANSITION CURVE



Source: ICRAF (2009)

# FORESTRY SECTOR BAU 2020 BY PROVINCE: (based on historical emissions)

(ton CO<sub>2</sub>e)

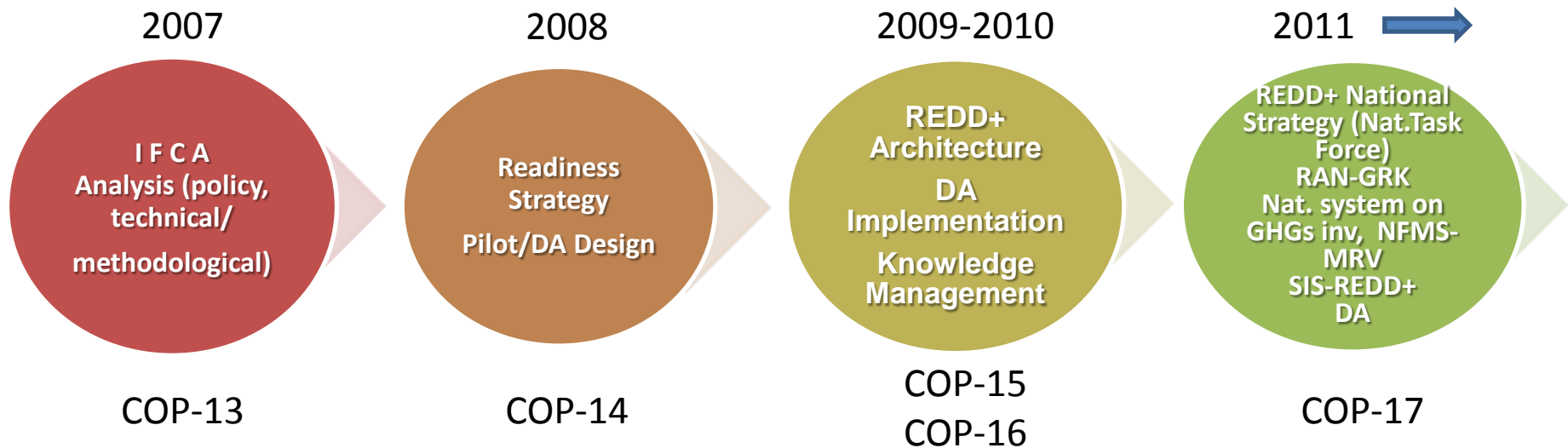


(Province)

Source: Ministry of Forestry (2010)

# Development of National Climate Change Policy

- Communication/Coordination/Consultations
- Awareness raising, Capacity building



# 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

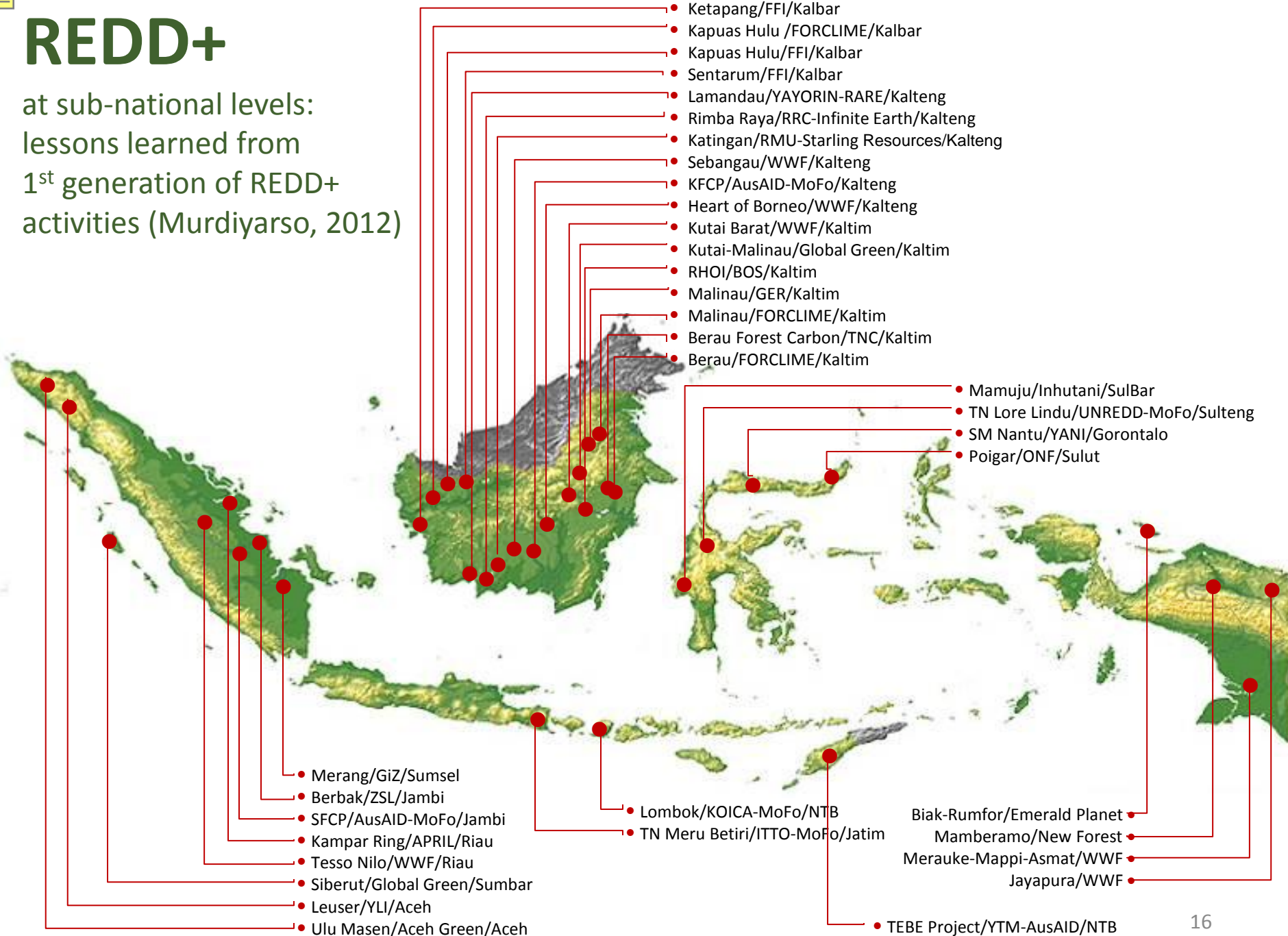
- Stakeholder communication and engagement
- Safeguards implementation
- Benefit sharing, equity etc

## GOALS

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

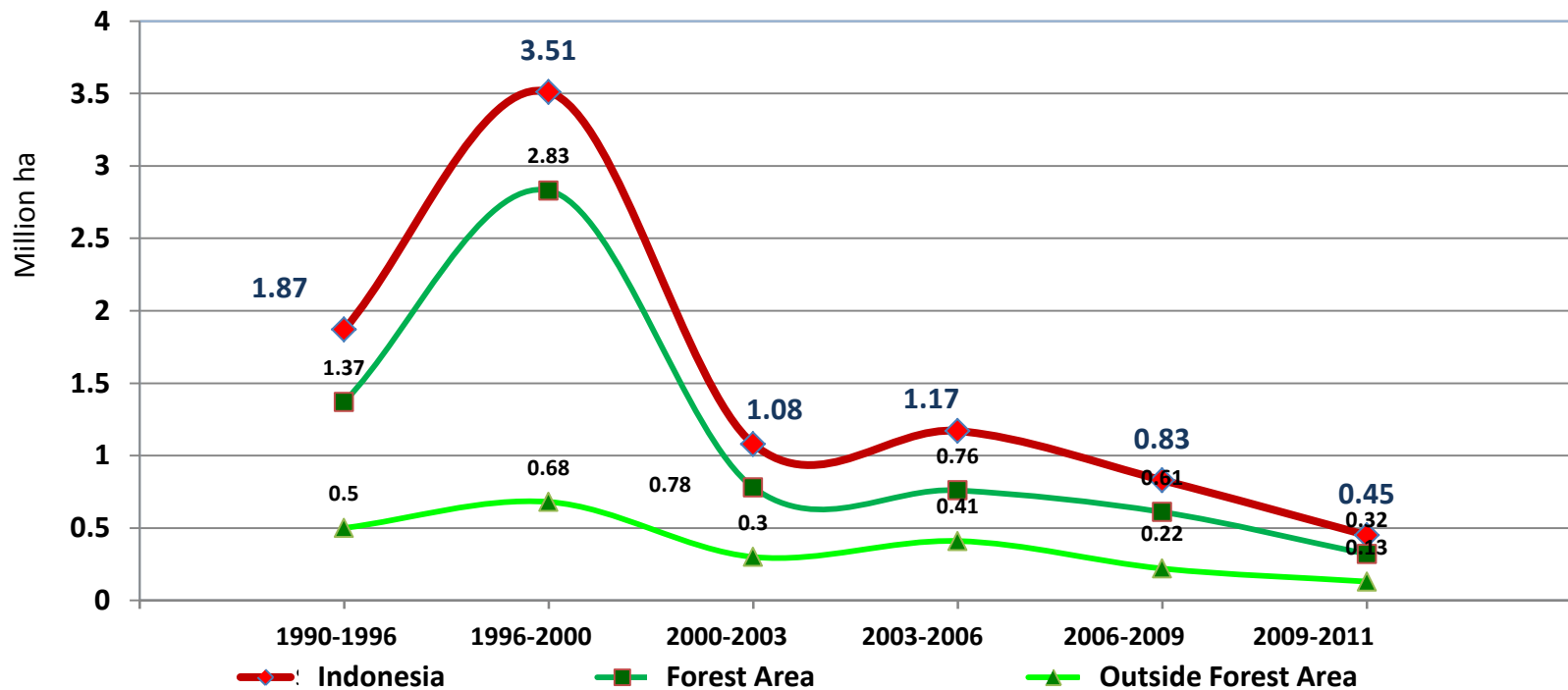
# REDD+

at sub-national levels:  
lessons learned from  
1<sup>st</sup> generation of REDD+  
activities (Murdiyarto, 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.



# Indonesia FIP Plan

# 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.



# FMU/KPH investments contribute to improved forest management

---

## Business-as-usual

## Potential benefits

Forest management continues via current licensing regime

Institutionalized monitoring of license holders within 10 year management plan

Large open access areas in production forests

Decentralized government structure/institution for site-level forest management

Rehabilitation efforts unsuccessful

Clear institutional responsibilities for discrete forest areas/geographic areas

Low level of stakeholder participation; no information sharing or engagement with civil society and local communities

Manage participatory process (e.g. 10 year management plan, "forest use planning" (tata hutan)

Facilitate community engagement and empowerment programs via capacity-building activities

No review of competing, undocumented, or overlapping claims (different licenses, community areas)

Facilitate/mediate/coordinate claim holders through transparent data provision

Limited legal access for communities to forest resources, including traditional and indigenous claims to forest land

---

# FIP Plan Framework

## NATIONAL DEVELOPMENT AND GLOBAL OBJECTIVES

### RAN-GRK

- Core activities
- Enabling activities (FMU, forest gazetment, 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(1)

## Participatory and Open Design Process



- National Forestry Council (DKN) engaged as the convening mechanism
- Two Joint Missions to meet directly with stakeholders (July 2011; Dec 2011), several more individual missions and stakeholder discussions



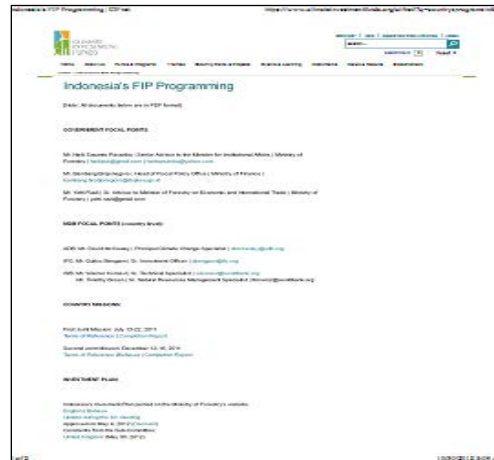
# Stakeholder Involvement and Dialogue (2)

## Public access to materials via Internet

- All documents (Aides-Memoire, Investment Plan) published on CIF and MoFor websites
- Investment Plan available online (inputs received December 2011 – March 2012 for first version; until September 2012 for reformulated plan)



- <https://www.climateinvestmentfunds.org/cifnet/?q=country-program-info/indonesias-fip-programming>
- <http://www.dephut.go.id/index.php?q=id/node/8365>
- [indonesia.fip@gmail.com](mailto:indonesia.fip@gmail.com)





# Stakeholder Involvement and Dialogue (3)

- Wide-range of organizations invited to FIP Stakeholder meetings



- Facilitated and led by DKN upon request of key CSO.
- 60+ civil society organizations; 30+ private sector organizations; wide intra governmental process'



# Stakeholder Involvement and Consultations (4)

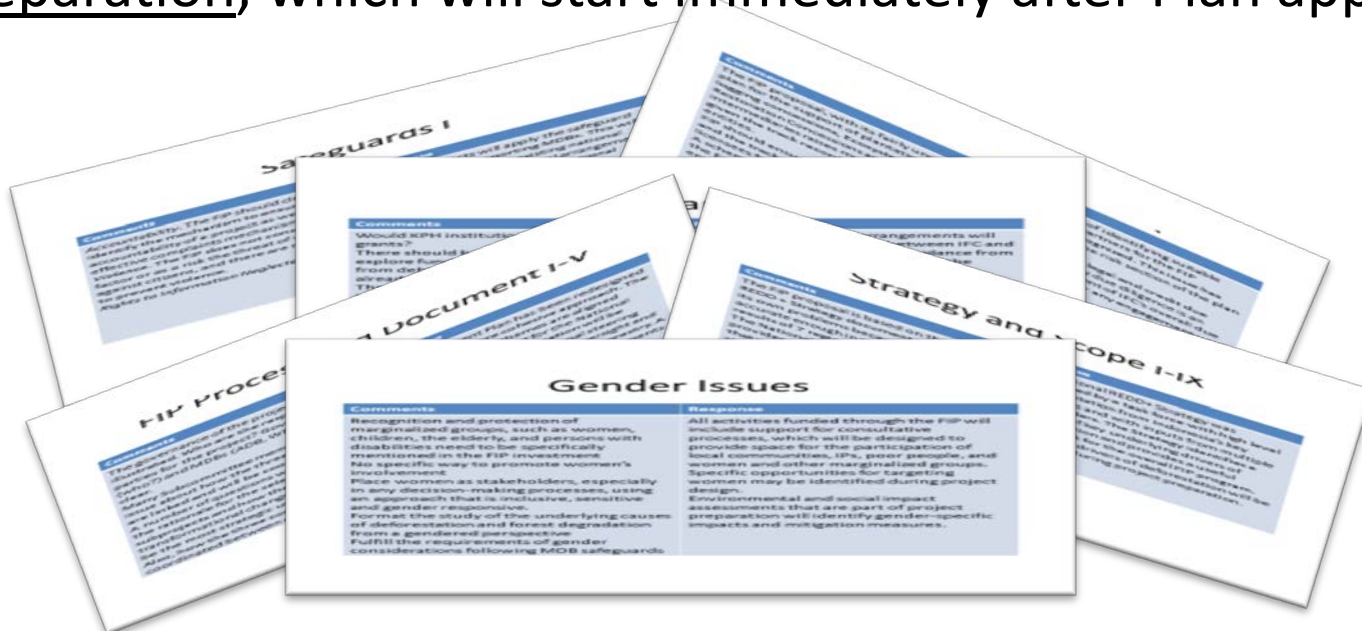
- Responsiveness to stakeholder requests



- March 2012 investment plan was postponed following concerns regarding FIP's alignment with National REDD+ Strategy
- Agreed to new process - DKN designed dialogue process with key CSOs - which was implemented accordingly

# Stakeholder Process is ongoing

- All comments received until September 18 were responded and integrated in Investment Plan
- All additional comments received after September 18, will be addressed (e.g. comments on gender issues, corruption, etc.) and comments from the Subcommittee
- Most comments will be addressed during individual project preparation, which will start immediately after Plan approval



A young green plant with two leaves and a stem, covered in water droplets. The background is a bright yellow and green gradient. The text "Investment Plan Projects" is overlaid in the center.

# **Investment Plan Projects**

# 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

# MAIN AREAS AND FOCUS OF ACTIVITIES

PROJECT	MAIN AREAS	FOCUS OF ACTIVITIES
Project 1	<ul style="list-style-type: none"> <li>• Institutional Development</li> <li>• SFM and CBFM</li> <li>• Community capacity development and livelihood support</li> <li>• Harmonize national and sub-national policies on carbon stock improvement</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance and enforce Provincial REDD+ Strategy</li> <li>• Community-focused REDD+ pilots in at least two districts</li> <li>• Harmonize national and sub-national policies on carbon stock improvement</li> </ul>
Project 2	<p>Community-focused REDD+ investments to enhance the enabling conditions for sustainable land use and REDD+ implementation.</p>	<ul style="list-style-type: none"> <li>• Support for FMU/KPH REDD+ Capacity Building</li> <li>• Support to Communities for REDD+ Readiness and Implementation</li> </ul>
Project 3	<p>Strengthening the productive capacities and business skills of forestry enterprises and firms in other related sectors, by leveraging private sector investments</p>	<ul style="list-style-type: none"> <li>• Develop tailor-made financial instruments and strengthening the capacity of both small and large forestry enterprises</li> <li>• Increase investments in the forestry sector by financial intermediaries.</li> </ul>

# 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 <sub>2</sub>
2. Promoting sustainable community based Natural Resource Management and institutional development	17.5*	Tbd (0.0)	17 to 25 M tCO <sub>2</sub>
3. Strengthening Forestry Enterprises to Mitigate Carbon Emissions	35.0**	99.0	20 to 25 M tCO <sub>2</sub> ***
<b>Total</b>	<b>70.0</b>	<b>105.0</b>	<b>45 to 72 MtCO<sub>2</sub>e</b>

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

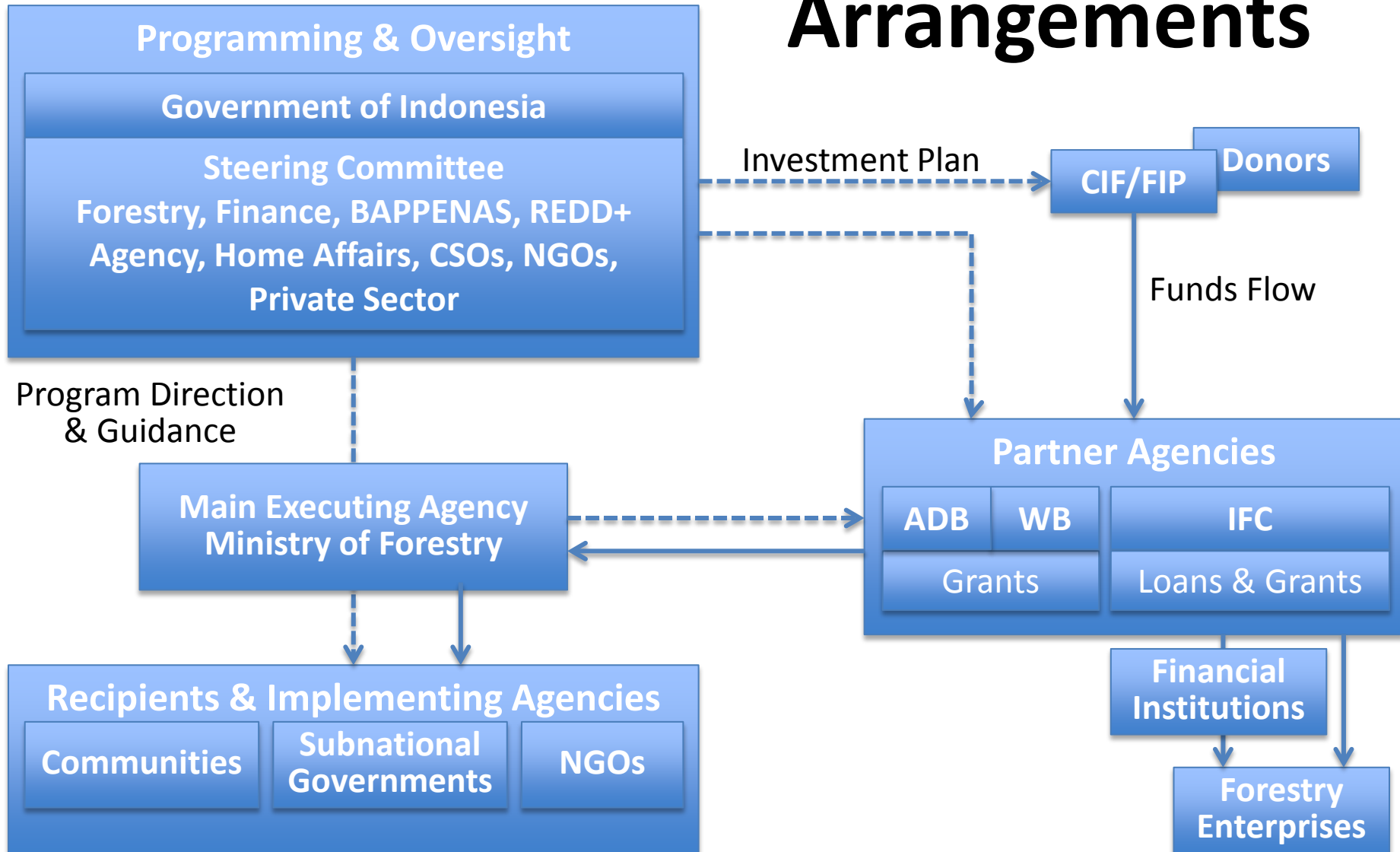
# Designated Grant Mechanism (DGM)

- Government of Indonesia fully support the establishment of the DGM,
- DGM needs to be fully Indigenous people and local community driven process,
- Dialogue has started and the Indonesian Forest Council has been asked to steer the process to establish a National Steering Committee for the DGM.





# Implementation Arrangements





**THANK YOU**