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**Assessment of the Institutional Setting and Payment
Distribution for REDD in the Province of Central**

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Glossary

BAPPEDA	: Badan Perencanaan Pembangunan Daerah (Development Planning Agency)
Balai Besar KSDA	: Balai Besar Konservasi Sumber Daya Alam (Natural Resources Conservation Agency)
BLH	: Badan Lingkungan Hidup (Environmental Agency)
BOS	: The Borneo Orangutan Survival
BPDAS	: Balai Perencanaan Daerah Aliran Sungai
BTN Sebangau	: Balai Taman Nasional Sebangau (Sebangau National Park Agency)
CARE	: Cooperative for Assistance and Relief Everywhere
CD	: Community Development
CDM	: Clean Development Mechanism
CKPP	: Central Kalimantan Peat Land Project
COP	: Conference of the Parties
DA	: Demonstration Activity
DGIS	: Directorate-General for International Cooperation
FESERLUI	: Fair, Efficient and Sustainable Emission Reduction from Land Use in Indonesia
FORDA	: Forestry Research and Development Agency
GNRH	: Gerakan Nasional Rehabilitasi Hutan dan Lahan (National Movement on Forest and Land Rehabilitation)
HOB	: Heart of Borneo
HTR	: Hutan tanaman Rakyat (people plantation)
ICRAF	: International Centre for Research in Agroforestry (World Agroforestry Centre)
IFCA	: Indonesia Forest Climate Alliance
KFCP	: Kalimantan Forest and Climate Partnership
KHDTK	: Kawasan Hutan Dengan Tujuan Khusus (Forest Area for Specific Purposes)
KPH	: Kesatuan Pengelolaan Hutan (Forest Management Unit)
MOU	: Memorandum of Understanding
NGO	: Non Governmental Organization
PHKA	: Perlindungan Hutan dan Konservasi Alam (Forest Protection and Nature Reserve)
R&D	: Research and Development
REDD	: Reduced Emission from Deforestation and Degradation
SPORC	: Satuan Polisi Hutan Reaksi Cepat
WALHI	: Wahana Lingkungan Hidup Indonesia
WWF	: World Wildlife Foundation - Indonesia

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SUMMARY

The threat of climate change has moved the world to take actions to reduce carbon emissions. REDD, which provides incentives to the countries whose people are able to reduce emissions, is a new hope to protect the environment after other efforts have faced failure. However, implementation of REDD is not as simple as expected, since substantial preparations are needed before actual implementation of the scheme can occur. One aspect to prepare is the institutional setting and payment distribution. This report describes the results of the assessment of the institutional setting and payment distribution for REDD in the province of Central Kalimantan.

REDD is relatively new in this province and favours the interests of some elite government institutions, NGOs, or even individuals. Only a few government institutions and national NGOs are actively involved in REDD. Their common understanding on REDD is that it entails the sustainable management of the forest in order to get money from developed countries to compensate for the carbon these countries emit. It is a means to generate a large amount of money by selling carbon without cutting trees. However, many of these stakeholders still do not know the answers to what carbon is, what it looks like and other essential questions related to technical aspects, the additionality, the effectiveness of the scheme, the rights and responsibilities, and the penalties. This leads to scepticism from some stakeholders about the successful implementation of this scheme, while others remain positive.

The stakeholders in this province have made an effort to understand the scheme through workshops and training. The national NGOs in the province (like WWF, Wetland International, CARE, BOS, Canopy, etc) have formed consortia or worked individually to collect baseline data. They are in the preparatory stage. Documentation setting up the provincial REDD Commission has been drafted and will soon be signed by the Governor. The Commission will coordinate, communicate, consult, and synchronize REDD activities in the province. It will also mediate with stakeholders at the provincial and districts levels, between the locals and the REDD National Commission and the investors. This Commission will provide inputs directly to the Governor.

The proposed institutional setting for REDD in the province of Central Kalimantan is presented in Chart 2. In principle, REDD would be implemented by a Project Implementer. The Project Implementer can transact directly with buyers or go through the central government, as well as work with the Carbon Provider. The Project Implementer can/will get advice from international, national or local advisors. Local government will provide, among other things, enabling policy, law enforcement, and implement good governance, for the successful implementation of REDD in the province.

While the stakeholders do not have a good understanding of the distribution process for the payment of REDD, they have provided some aspects for consideration, including: a bigger percentage for the local community; fairness; mode of payment; and how to channel the money. They want the payment to be made through instalments, with a 30% advance payment for REDD project preparation. However, the World Agroforestry Centre has distinguished eight

functions in the REDD value chain¹ to assist in assessing the perception of stakeholders on REDD payment distribution. The eight functions also assist to indicate whether the issues of fairness and efficiency have been dealt with. Besides the quantitative perception of fairness and efficiency, the stakeholders also argued for the adoption of two concepts, and ultimately agreed on the need for the two concepts to be combined on a proportional basis.

Nationally, the Indonesian government has issued a Presidential Decree No. 46 year 2008 concerning the formation of a National Council of Climate Change, with 17 ministers (from 17 departments) and one agency (the Meteorology and Geophysics Agency) as members of the Council. Among these departments, the Department of Forestry seems to be the most advanced, as it has developed a Road Map on REDDI (REDD Indonesia), covering all stages from the preparation to the full implementation of REDD. In addition, the Minister of Forestry has also issued a Ministerial Decree (P.30/Menhut-II/2009) on REDD, and a Ministerial Decree no. SK.13/Menhut-II/2009 concerning the formation of a Working Group on Climate Change to, among other things, negotiate with the REDD investors. Within the Forestry Research and Development Agency, a Climate Change Working Group was also formed on February 13, 2009. This working group has finished drafting the REDD Framework for Indonesia, describing the rationale of REDD in Indonesia, key strategy components, and activities to achieve readiness towards full implementation of the REDD scheme².

¹ The eight functions of REDD value chain, prepared by World Agroforestry Centre, are: 1) actual emissions reduction by guarding existing C-stocks and off-setting legitimate opportunity costs for options foregone voluntarily, 2) support sustainable livelihood pathways with less dependence on emission-causing land use, 3) guarding against leakage, by integrated natural resource management at local scale, 4) securing additionality by clear baselines as a result of spatial planning, 5) certifying credits for their 'emission reduction'(ER) by national scenario, 6) setting up conducive regulatory framework for multi scale governance, 7) verifying ER by international standards, 8) salesmanship to secure buyers and provide investment when and where needed

² This paper mainly discusses and focuses on formal institutions

A. Preface

The threat of climate change has forced the world to work on protecting tropical forest from further degradation and deforestation. REDD is a new hope after efforts to save the remaining forest from illegal logging and forest land use change have not had any success. This new scheme will provide incentives to countries (with forest communities) that are successful in reducing their carbon emissions. However, implementation of this scheme has proven to be quite complex. There are still a lot of questions to answer and many things to set up in the field for this scheme to work. Research has been conducted, among other things, to assess the institutional setting and payment distribution for the new scheme.

As a province with a large area of tropical forest and peat land, and subject to quite significant threats to its existing resources, Central Kalimantan is one of the provinces suitable for various studies related to REDD. The Governor has also shown political interest in having the scheme applied in his province. With support from some NGOs in the province, the government has started to work on setting up the institution for REDD in the province, but not yet on the payment distribution process.

This report assesses the institutional setting for REDD in the province of Central Kalimantan and the payment distribution. In the institutional setting, the discussion covers the stakeholders (institutions and organizations) involved in REDD, their understanding, efforts and potential, and the proposed institutional setting and payment distribution. With regard to the payment distribution, the discussion focuses on fairness and efficiency.

B. Institutions Involved in Redd and Their Roles

REDD is relatively new to the stakeholders in the province of Central Kalimantan. It has not been everyone's concern, but tended to be more of interest to some elite government agencies, NGOs and even individuals. Involvement in the scheme in this province has been limited to government institutions and some NGOs.

The Governor of the Central Kalimantan province has realized that the success of REDD requires active participation by the stakeholders, from the local, national, and even international levels. At the provincial level, the stakeholders who have shown an interest in REDD can be grouped into four classes. They are:

- The technical implementation units of the Forestry Department (Unit Pelaksana Teknis Departemen Kehutanan) particularly the Sebangau National Park Agency (Balai Taman Nasional Sebangau – BTN Sebangau)
- The provincial government institutions: the Development Planning Agency (Badan Perencanaan Pembangunan Daerah – BAPPEDA), Environmental Agency (Badan Lingkungan Hidup – BLH), and the Forest Agency (Dinas Kehutanan Propinsi)
- The NGOs: Wetland International, WWF, CARE, BOS Mawas, and Canopy
- The Palangka Raya University.

These government institutions, NGOs and the university have mandates or missions as presented in Table 1.

Table 1. Mandates of the Government Institutions, Non Government Institutions and the University involved in REDD in the Province of Central Kalimantan.

Institutions	Mandates
The Technical Implementation Units of the Central Government	
<ul style="list-style-type: none"> Sebangau National Park Agency (Balai TN Sebangau) 	Technical implementation unit under the Directorate General of PHKA, Department of Forestry. Managing ecosystem of Sebangau National Park, 568,700 ha, for conservation purposes. Sebangau National Park is located in 3 Sub Districts: Pulang Pisau, Katingan and Kota Palangka Raya (Ministerial Decree no. 423/Menhut-II/2004 dated October 14 2004).
Provincial Government Institutions	
<ul style="list-style-type: none"> The Planning Agency (BAPPEDA) 	The mandate is, among other things, to develop a long, medium, and short-term provincial development plan. The plan is based on landscape but considers more in the administrative area. The BAPPEDA helps the Governor in defining provincial development policy and evaluating the implementation of the planned activities.
<ul style="list-style-type: none"> Environmental Agency (Badan Lingkungan Hidup) 	The mandate is, among other things, to formulate technical policies related to managing, controlling, and preventing the environment from being polluted or destroyed. This agency is concerned a lot with peat land areas.
<ul style="list-style-type: none"> Forest Agency (Dinas Kehutanan) 	Provide technical help to the Governor in implementing decentralization in the forestry sector. In order to do so, this Forestry agency will, among other things: formulate technical policy in the forestry sector; and implement sustainable forest management, protection and prevention of forest from disturbance.
NGOs	
<ul style="list-style-type: none"> Wetland International 	Sustain management and restoration of peat land
<ul style="list-style-type: none"> WWF 	Conserve and manage natural (forest) resources sustainably; and facilitate stakeholders with a common interest in conserving the (forest) resources.

• CARE	Promote human rights and tackle the roots of poverty and vulnerability
• BOS Mawas	Save the orang utan, conserve the wild orang utan, manage its habitat, and protect the peat land of over 10 meters in depth from being converted, illegally logged, and fire. All of these activities take place in Block E of the ex-Mega Rice Project area.
• Canopy	Promote forest protection for ecotourism and as a carbon sink and absorption in Katingan, Gunung Mas and Mrung Raya Regencies
Universities	
• Palangka Raya University	Provide services through research and development, such as carbon stock measurement.

Table 1 shows that the institutions/organizations involved in REDD are mostly related to the forestry sector.

There are other institutions in forestry that could be potentially involved to facilitate the successful implementation of REDD in the province, including: the Kahayan Watershed Management Agency (BPDAS Kahayan) and the Conservation of Natural Resources Agency (Balai Besar KSDA). They are Technical Implementation Units in the Department of Forestry in the Directorate General of Land Rehabilitation and Social Forestry (Rehabilitasi Lahan dan Perhutanan Sosial - RLPS) and in the Directorate General of Forest Management and Nature Conservation (PHKA), respectively. The BPDAS has mandates, among other things, to monitor and evaluate the management and rehabilitation of the watersheds, including in the ex-Mega Rice Project. Current activity focuses more on rehabilitation of critical land both in forest and non-forest areas, but this Agency can play a role in monitoring and evaluating the forest condition.

The Balai Besar KSDA has a mandate to preserve endangered flora and fauna, and at the same time to protect their habitat from being disturbed. The working area of this Agency also includes the ex-Mega Rice Project. The Balai Besar KSDA has a 'Manggala Wana Agni' responsible for forest fires, and SPORC (the exclusive forest guard) responsible for combating illegal logging and illegal trading of endangered flora and fauna. Both Manggala Wana Agni and SPORC provide a large contribution to the protection of the forest from further deforestation.

REDD is not about forestry *per se*, for it covers issues including: additionality, governance, tenure, and the livelihood of the communities - most of whom are poor. With regard to communities, particularly those living in and around the forest, empowerment is needed so such communities are able to take a lead in sustainable management, and participation in

controlling and benefiting from their surrounding resources, and possibly influence the policies related to the resources.

Communities living in and around the forest, including the ones joining the Government Transmigration Program, are mostly engaged in more than one economic activity, including: forestry (collecting non-timber forest products and/or cutting timber), agriculture, rubber plantation, and labor in oil palm plantations (for the ones living around oil palm plantations).

For the above reasons, it is important to involve not only institutions involved in forestry in the REDD process, but also others, such as the Agricultural Agency (Dinas Pertanian), the Plantation Agency (Dinas Perkebunan), and the Human Resource Development Agency (Dinas Pemberdayaan Masyarakat). These agencies can be found at both the provincial and the district levels. Depending on their mandates, they play an important role in improving agricultural and plantation production, as well as in human resource development.

It is unfortunate that these institutions (the BPDAS, Balai Besar KSDA, Dinas Perkebunan, Pertanian, and Pemberdayaan Masyarakat), are not actively involved in the REDD scheme. Furthermore, none of these institutions, nor the NGOs leads the REDD program. Communication between these institutions is not specifically built into their structures. Nevertheless, stakeholders considered Wetland International to be the institution most actively in touch with the provincial government for REDD.

C. Understanding and Perceptions of the Stakeholders in REDD

The institutions and NGOs related to forestry have heard about REDD but they do not know much about the scheme. Their common understanding on REDD is that it involves managing forest sustainably in order to get money from developed countries to compensate for the carbon they emit. These stakeholders consider REDD as a means to generate a large amount of money by selling carbon without cutting down trees. For the government, REDD can be one of the most promising sources of provincial income to increase the welfare of the local people. REDD can provide double benefits: protecting the environment from global warming and at the same time improving the welfare of the local communities, particularly the ones protecting their forests. Such an understanding motivated the Governor, some government institutions and NGOs to start working on REDD.

The stakeholders also understand that this scheme is a national approach with sub national implementation. The Central Kalimantan Government is willing to support REDD activities in the province, providing the mechanism is clear and agreed to by all stakeholders (Dohong, 2008), This is a problem, as none of the stakeholders understands the scheme well. They admit they have limited knowledge and that they have no idea how the mechanism will work. They have many questions on REDD as listed below.

- What are the targets of REDD?
- Who has the right to apply for REDD?
- What does the mechanism look like and is it a fair mechanism?

- What is the minimum land (forest) size to get into this scheme?
- What does the carbon look like?
- How is the carbon stock calculated?
- How much carbon stock is available in the province?
- How is the carbon price determined?
- How can the carbon be marketed or how do you go about it?
- Will we benefit from this scheme and by how much?
- As carbon sellers, what are our rights and responsibilities?
- Is there any penalty if we cannot meet the responsibilities?
- What will all our forest be worth for a carbon trade?

Such a list shows that the stakeholders have essential questions related to technical aspects, the additionality, the effectiveness of the scheme, the rights and responsibilities, and the penalties. Considering that this scheme will have a national approach, this generates further question about leakage and concern regarding the strategy to minimize and possibly prevent such leakage from happening. The questions listed need to be addressed seriously by the central government, as any response by government will affect in some way the stakeholders' participation in the scheme. Failure to handle this leakage could also diminish trust in the central government, not only with respect to this program, but also in other central government programs.

Although there are still many unclear ideas about the REDD scheme, the stakeholders, particularly the NGOs, are quite enthusiastic to find answers to their questions and learn about the technical aspects of REDD. This willingness to search for information and learn about REDD is partly related to their understanding. They are quite optimistic that they will benefit from this scheme, as the province has a huge forest area. Furthermore, the head of BAPPEDA sees that the provincial policies are in line with the essence of REDD, that is sustaining the remaining forest and local economic development. In addition to that, the Governor has shown a great deal of interest in this scheme.

While most stakeholders remain positive, a few feel rather skeptical about REDD because: the technical aspects have not been mastered yet; the institutional aspects of the scheme are not clear; the government is not considered to be focused on the preparation of the scheme; and the Ministerial Decree on REDD has not been signed yet (Note: The Ministerial Decree on REDD was still in draft form when the field data was collected). They perceive that because of the world economic crisis, REDD could become an empty program, just like the CDM (Clean Development Mechanism). The Local Government has been discussing this mechanism for the last four to five years and yet there is no result. They wonder if REDD will last for only a short period and then disappear. These stakeholders, in fact, are concerned about the seriousness of the central government in adopting this REDD program. There are many programs in forestry offered by the central government and the Department of Forestry, such as Social Forestry, GNRHL, KPH, HTR, and yet the progress of these programs is unclear. Now, a new, but unclear,

REDD scheme has been introduced. This scheme could be a disaster if it is not well managed, particularly with respect to the local community. There is a thought from the respondents that if REDD is likely to become a burden to the country and the nation, particularly to the Central Kalimantan people, it would be better not to take up this scheme. This does not mean they do not take care for the forest. A government program to rehabilitate the degraded forest and protect the existing forest will still continue.

The above thought to some extent makes sense, since it is unclear yet what the stakeholders can or cannot do when they join the scheme. If joining this program will then limit access by the local communities to the forest, particularly to the ones who depend a lot on the forest for their living (especially while local government is not yet able to provide other alternatives sources of income), then social issues will potentially emerge, and the resulting social cost could be a burden to local government. Another concern of the local stakeholders is that joining the scheme will require many conditions that are beyond the ability of local communities to achieve (technically as well as financially), and eventually these people will have little or even no chance to benefit from the scheme. This concern is likely to eventuate if the government does not address the issues of: land boundary delineation; legal proof of land ownership, particularly for communities living in remote areas; tenure; and HTR that has not been working. The local NGO, Dayak Panarung, indicated that only a few of the local communities they work for have a letter from the village head confirming land ownership. The rest are just using sticks, their memories, or the 'Verklaaring Belanda' ('Dutch Disposition') to indicate their land ownership.

So far, the communities do not know about or have little knowledge of carbon trading or REDD; local government has not yet explained this program to the local communities. This is partly because there are still a lot of uncertainties associated with the program and the government does not have enough knowledge on this yet.

The existing media, including local radio stations and newspapers have played a small role in disseminating REDD information in the province, particularly in village areas. However, little can be expected from the media, as they do not cover much concerning REDD and have limited access anyway. In Central Kalimantan, newspapers have generally only reached the district level and at the furthest, to the sub-district area. The NGOs that are expected to help implement REDD still have varying understanding. A local NGO, like Dayak Panarung has decided to do nothing for the time being until it has a better understanding of the scheme. This NGO is concerned that the right of the adat community they work with not be acknowledged with the increasing value of the forest (due to REDD).

D. Stakeholder's Efforts and Their Potential to Implement REDD

Regardless of the many unclear aspects of the REDD scheme, the Governor and some national NGOs have shown their willingness to implement REDD in Central Kalimantan province. Efforts have been made to understand REDD, and some field activities have been started individually by NGOs in the province.

The Governor sent 16 representatives from the Central Kalimantan Province to attend an REDD workshop in Balikpapan in February 2008. Of the 16 representatives, nine were from the provincial level, the Forestry Agency (Dinas Kehutanan), the Environmental Agency (Badan Lingkungan Hidup), the Planning Agency (BAPPEDA), the Sebangau National Park Agency (Balai Taman Nasional Sebangau), Palangka Raya University, and the NGO, BOS Mawas. They were sent to learn about REDD and to get information on its progress nationally and internationally, and to deliver the concerns from the Central Kalimantan government related to REDD. The NGO, BOS Mawas, contributed financially to assist the group to attend the workshop in Balikpapan.

One of the team recommendations to the central government after joining the workshop was the immediate formation of an REDD Working Group (now called the REDD Commission). The Commission was to be formalized by a decree by the Central Kalimantan Governor (Surat Keputusan Gubernur Kalimantan Tengah) to indicate the importance and the strategic position of the REDD Commission in the province.

To follow up the recommendation, the government together with Wetland International organized a workshop to network and discuss REDD in Palangka Raya in October 2008. The one-day workshop was attended by 70 people including all districts within the Central Kalimantan province. The participants represented provincial and district government, the university, NGOs, and the donors. The workshop was held to anticipate the issuance of a Ministerial Decree on REDD and the Decree of the Ministry of Forestry on the National Commission on REDD, as well as to anticipate the implementation of REDD demonstration activities in the province. The workshop aimed not only to develop a common perception and understanding by the stakeholders on REDD, but also to provide input to the draft Ministerial Decree on REDD, and discuss the formation of an REDD working group in the province - its organizational structure, functions, responsibilities and programs.

In February 2009, the Government of the Central Kalimantan province signed a one-year working agreement with the Kemitraan Partnership to follow up the MOU between the two that had been signed in December 2008. The MOU supported and developed programs to improve governance related to the implementation of the REDD project in the province. Under the working agreement, the Kemitraan will provide support and set development programs for REDD that invite community participation in many ways. The development programs: include training and study; facilitate consultation among multi-stakeholders; promote human resource development, including optimization of government institutions in the province; support community development; and the development of accessible public information. The Kemitraan organized a national workshop on REDD in Palangkaraya on June 30 2009.

In March 2009, Wetland International and ICRAF-Bogor jointly organized training on 'Fair, Efficient and Sustainable Emission Reduction from Land Use in Indonesia' (FESERLUI). This entailed a form of capacity building for the stakeholders of REDD in the province. Around 37 people attended the training session. They represented central government officers, the University, and NGOs. Local community representatives were not involved in this training, because lack of better understanding on REDD will hurdle the process.

In addition to workshops and training, some NGOs have conducted fieldwork related to REDD. Their activities are presented in Table 2.

Table 2. REDD Project Activities in Central Kalimantan Province.

Institutions/ Organizations	Activities	Location
a. Consortium BOSF, CARE-Indonesia, WWF-Indonesia, Wetland International-Indonesia Program, Palangka Raya University	Central Kalimantan Peat Lands Project (CKPP) funded by DGIS-the Netherlands. Phase 1 (2007-2008) focusing on data base, monitoring and evaluation of reforestation and land cover.	Ex-Mega Rice Project Block A and Block E
b. Wetland International	Pushing the formation of the REDD Commission in Central Kalimantan province.	
c. Consortium BOSF, CARE-Indonesia, Wetland International, Palangkaraya University	Kalimantan Forest and Climate Partnership (KFCP), funded by the Government of Australia, aiming at developing and implementing REDD demonstration activity in Central Kalimantan.	Ex PLG Block A and Block E
d. WWF and Sebangau National Park Agency	REDD Demonstration Area.	Sebangau National Park
e. Canopy Indonesia	REDDI pilot project.	Protection Forest in 3 districts

a. Consortium Borneo Orangutan Survival Foundation (BOSF), CARE-Indonesia, WWF-Indonesia, Wetlands International-Indonesia Program (WI-IP) and Palangka Raya University on CKPP.

This consortium was involved in the Central Kalimantan Peat Lands Project (CKPP). The work was carried out during 2007 and 2008, with the objectives of (i) demonstrating the economic and ecological feasibility of forest conservation on peat land area through innovative funding schemes related to carbon-climate issues; (ii) maintaining and restoring the peat land forest in the Sebangau area, north PLG (Block E and Block A North) as well as the buffer zone area in Central Kalimantan. The project tried to integrate sustainable development in the peat land area through development of poverty reduction in the province. This project covered 25 villages (9020 households) located in four districts in Central Kalimantan province.

The project was funded by the Netherlands Directorate-General for International Cooperation (DGIS) and aimed at conserving the peat land in the north PLG area (Block E

and Block A North), peat swamp forest in Sebangau, and other buffer zone areas in the province of Central Kalimantan.

b. Wetland International

Since his involvement in the Balikpapan Workshop on REDD, Mr. Alue Dohong from Wetland International has been actively involved in drafting the REDD Commission for Central Kalimantan Province. He participated in the workshop not as a representative of his NGO, but on behalf of the Badan Lingkungan Hidup.

The draft for the REDD Commission has been completed and discussed and has been forwarded to the government for the Governor's signature.

c. Consortium BOSF, CARE-Indonesia, Wetland International, Palangkaraya University on KFCP

This consortium was a Kalimantan Forest and Climate Partnership (KFCP) initiative and was funded through the Australia International Forest Carbon Initiative. It was a bilateral cooperation between the GoI and the Australian Government. The KFCP aimed to develop and implement REDD demonstration activity in Central Kalimantan province. The goal was to enable Indonesia's meaningful participation in future international carbon markets and inform a future international climate change framework. The work was divided into two components: (i) project design from January to June 2009, and (ii) project implementation that will take 3 years starting from July or August 2009.

Project design concentrated on the database, with CARE together with ICRAF responsible for the socio-economic data, Wetland International for hydrological data, BOS Mawas for forest management data, and the Palangka Raya University for carbon stock accounting.

d. WWF and Balai TN Sebangau

WWF and the Sebangau National Park Agency are working on saving the Sebangau National Park, which has one of the biggest orang utan populations left in the world. The Park is being threatened by illegal logging activities, hydrological and peat land disturbance, forest fire, flood and infrastructure development. Conserving Sebangau National Park will be achieved through improvement of the welfare of the local communities living around the park. There are 34 villages in the area.

Sebangau National Park, with an area of 568,700 hectares, is one of the 'peat forest swamps' left in Kalimantan. With a peat area of about 90%, it could provide a significant contribution to climate change and consequently, the involvement of the Park in REDD is important. Efforts made by WWF and the Sebangau National Park Agency include:

- Ecological restoration for better water management

- Rehabilitation of 400 ha of forest in a joint effort between three district governments (the Pulang Pisau, Katingan and Kodya Palangkaraya), WWF and Garuda Indonesia.
- Protection of Sebangau National Park through collaborative management.
- Working on demonstration activities until 2012. The Climate Change Division in Sebangau is lead by a project from Germany. Heart of Borneo (HOB) is working on an assessment of the potential for REDD in HOB's area of interest. The protection forest of HOB is included in the REDD project

With regard to REDD, WWF is working on the baseline data, the amount of carbon emissions, the working procedure, the rate of deforestation, and the technical aspects in the demonstration area. Both WWF and the Sebangau National Park Agency are involved in detailed discussions about carbon with the local communities. They are introducing carbon as a component of peat land and explaining that it plays an important role in global climate change. They are trying their best not to talk about money in their discussions, as many things are still not yet clear about carbon trading.

e. Canopy

Canopy plans to manage 332,000 ha of protection forest along the central northern borders of Central Kalimantan. This area belongs to three districts: Katingan, Gunung Mas, and Murung Raya. It is intended to be used for ecotourism and as a carbon sink and absorption pilot project in Central Kalimantan province. Among other things, activities include a verified and comprehensive carbon stock analysis and an REDDI pilot project. The proposal has been developed and is waiting for approval from the governor of the Central Kalimantan province. The project has received funding from Lifestyle Financial Services, Australia of about US \$25 million for investment in the ecotourism project and US\$75 million for carbon funding.

Although the financial returns that potentially could be generated from this scheme are quite tempting, WWF and the local NGO, Dayak Panarung are in no rush and are being very careful to focus on aspects of REDD that particularly work with the local community. WWF realize that there is still a lot to understand about REDD and scoping should be done before any decision is made. The Dayak Panarung is still trying to come to grips with REDD and will work on this scheme only if conceptually it is in line with their vision and mission. The Dayak Panarung works with local communities who are interested in rubber trees.

The national NGOs that have been working on site in Central Kalimantan have successfully received international funding and have started working on REDD. They have shown considerable interest and have become actively involved in REDD; they are the ones pushing the government to proceed with the REDD Commission, to work together as a consortium, and to get funding from different donors to develop baseline data. The provincial and district governments, on the other hand, have only a few participants in the scheme. The few

government officers seem to perceive REDD as solely in the forestry domain. Consequently, agencies other than Forestry have not shown any interest in this subject, including Agriculture, Plantations, Human Resource Development, among others. Their understanding of REDD is limited, as is that of the Forestry Agencies.

It seems REDD could be implemented on a small scale, but at the provincial level greater effort is needed because the instrument is not yet ready (human resources, institution, data base for the provincial scale, etc.). Many stakeholders still do not know where to start.

E. Provincial Redd Commission

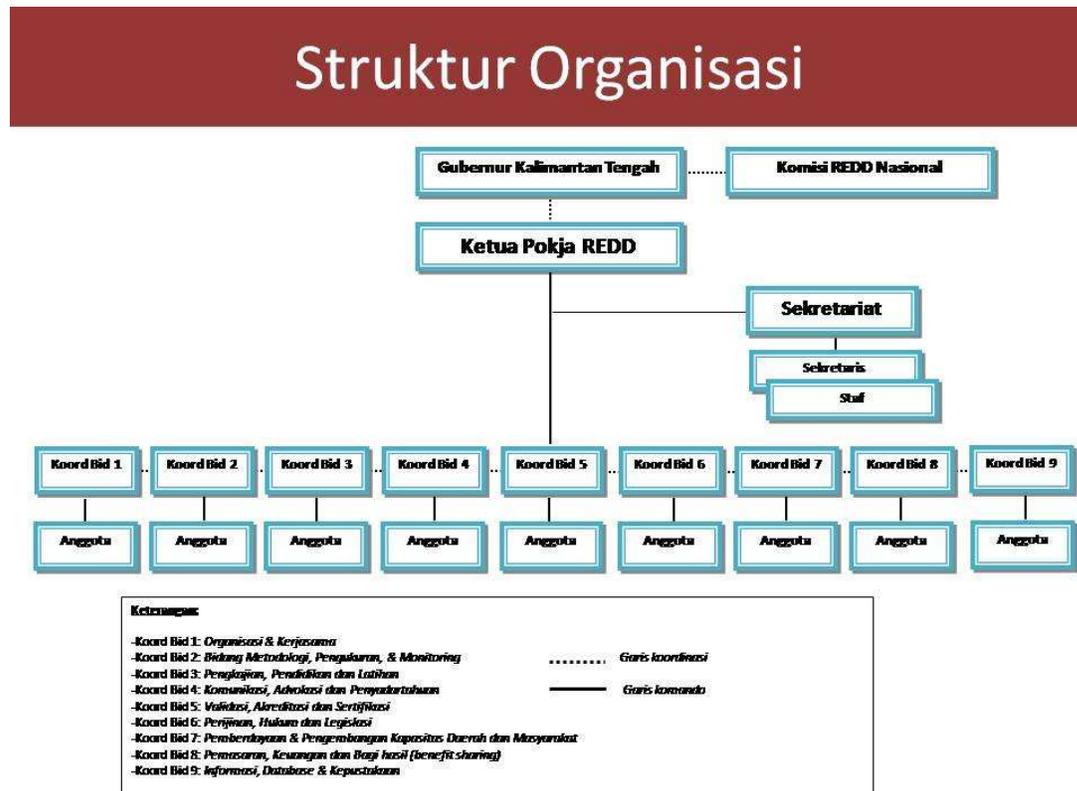
Whether it is in the form of demonstration activities or a full scheme, in the near future, REDD will involve local government and communities in its implementation. Therefore, good communication, coordination, and consultation with and among local stakeholders are necessary and therefore the formation of the REDD Commission in this province is considered necessary.

The formation of the REDD Commission has been one of the most important items on local government agendas for the successful implementation of REDD in Central Kalimantan province. The REDD Commission is a technical and an advisory body. Its role is to coordinate, communicate, consult, and synchronize REDD activities in the province. It mediates among stakeholders at the provincial and district levels, and between local communities with the REDD National Commission and investors. Specifically, the Commission will also (Dohong, 2008):

- Develop criteria, indicators, and guidelines to determine the REDD project location and the REDD scheme in the province;
- Facilitate the implementation of studies on methods for the monitoring and evaluation of emission reductions from mitigating deforestation and degradation in the province;
- Provide scientific and technical inputs and recommendations to local government related to proposed REDD locations, modes of collaboration, implementation of REDD demonstration activities and the REDD scheme after 2012;
- Provide training and education, and awareness related to REDD;
- Conduct socialization of REDD in order to improve stakeholders' knowledge and understanding of REDD and the impact on carbon emissions due to forest degradation and deforestation, and advocacy;
- Provide inputs to the realization and acceleration of the national REDD roadmap related to local programs and activities.

The proposed organization structure of the provincial REDD Commission is presented in Chart 1.

Chart 1. Organization Structure of REDD Commission.



Source: Dohong, 2008

All stakeholders agree on the importance of having an REDD Commission in this province, but the position of the Commission in the provincial organization structure is still unclear. Discussion is continuing on whether the Commission will be more appropriate under the Dinas Kehutanan or whether the Dinas Kehutanan will be part of the Commission. — this will relate to the existing roles of Dinas Kehutanan

F. Proposed Institutional Setting of REDD

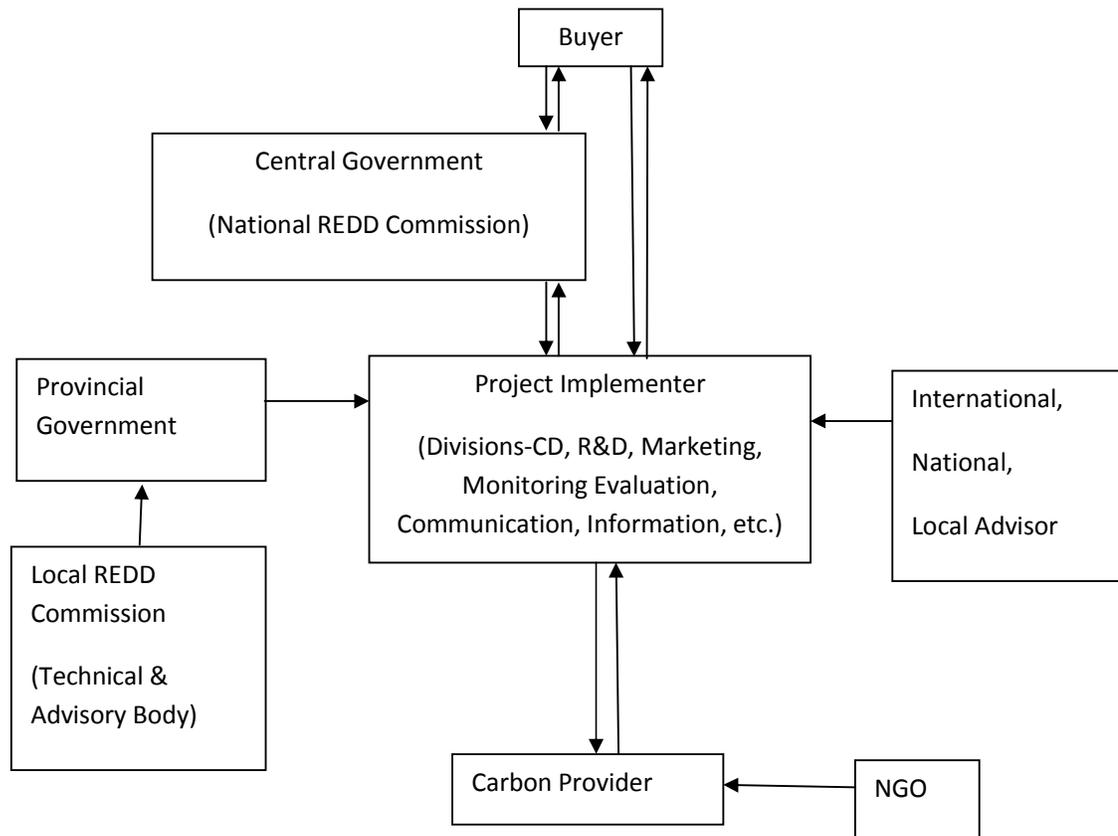
The stakeholders have focused their discussion mostly on the REDD Commission but not on the institutional setting or the payment distribution for the scheme. Stakeholders have expressed two different opinions related to the institutional setting: (i) optimize the existing government institutions; and (ii) form a new institutional setting.

The first group considers it is unnecessary to have a new institutional setting, as it will only fatten the government and be costly. This group would rather optimize the existing government institutions and meetings at various levels to discuss development issues/program, (*Musyawarah Pembangunan Desa/Kecamatan/Daerah*) can be used to discuss and synchronize the REDD activities.

In addition, the first group considers the existing government institutions have enough instruments to handle the REDD scheme. The BAPPEDA, Balai Lingkungan Hidup, Dinas Kehutanan, Dinas Pemberdayaan Masyarakat, etc. can provide inputs or suggestions to the government related to their mandates to support the implementation of REDD. They are available at both the provincial and district levels. With regard to technical aspects, such as the calculation of carbon stocks, carbon prices, etc., the expert team at the Palangka Raya University could be expected to provide appropriate information. This team has written a position paper on REDD to government as an input and will do the same for a customary/adat forest. Field implementation could be carried out by Manggala Agni, Task Force, Posko Forest Fire at the district level, etc to deal with (forest) fires, illegal logging and illegal trading; BPDAS with regard to the rehabilitation of degraded areas; farmers groups and BAPPEDA for planning; and Dinas Pendapatan Daerah for managing finances for development purposes, etc.

The problem with these government institutions is that they are not yet functioning optimally. Strengthening these existing institutions and getting them involved in REDD, as well as providing effective communication and coordination among them are big challenges. It is because of this factor that a new REDD institutional setting is proposed as presented in Chart 2.

Chart 2. Proposed REDD Institutional Setting in Central Kalimantan province.



- **The project implementer** is a private entity. Its function is to implement the REDD project. Depending on its needs, the project implementer has several divisions related to REDD, such as community development (CD), research and development (R&D), marketing, monitoring and evaluation, communication, and information, among others. The project implementer is located within the provincial level of administration. All incoming REDD projects in the province will go through the provincial project implementer. The project implementer can get in touch directly with the buyer or also go through the central government. It is expected that REDD funding will be allocated to the project implementer to guarantee that it will be managed for REDD purposes. If the funds are allocated to the provincial government, there is a fear that they will (partly) be allocated for activities other than REDD.

The project implementer will work with the carbon provider and ensure that the work is properly implemented and the funds are allocated correctly. An agreement will be made between the two entities to guarantee that their individual rights and responsibilities are fulfilled and sanctions are applied accordingly. The agreement would be acknowledged by local government. With the existing decentralization, local government should be involved in activities including people under their responsibility. If something unexpected happens, then local government can be involved to facilitate/mediate.

- **The carbon provider/proponent** will implement activities to reduce carbon emissions. They will operate according to their responsibilities, rights and sanctions as stated in the agreement. The carbon provider/proponent could be a local community, a private company, or the manager of a village forest, etc., as stated in the Ministerial Decree on REDD (P.30/Menhut-II/2009).

A carbon provider, particularly if from within a local community, would generally have limited or no knowledge of REDD. Close assistance would usually be needed and **NGOs** can play a double role - providing technical advice or initiating activities to reduce emissions, as well as empowering the communities. Governments at the provincial and district levels in fact have a Provincial or District Community Empowerment Agency. Unfortunately, they have limited capacity and budget, and therefore they are not able to cover all the villages within their domain. The NGOs can fill this gap, helping local government to empower the local communities.

As long as the NGOs provide services to the local communities, the stakeholders interviewed agreed that the NGOs would have the right to receive part of the REDD funding.

- **International, national, and local advisors** function to provide advice to the project implementer on issues related to REDD, such as how the project should be implemented, monitored, evaluated and verified, how the contract should be made, and what to cover in the contract.

- The **provincial government**, as a regulatory body, should provide enabling policy, enforce laws, and implement good governance. The government would ensure that regulations/policies were well implemented. The challenge is to have pre-conditions to ensure consistency among all aspects.
- The **REDD Commission** is an independent technical advisory body (see the above description). The Commission will consist of representatives of related local government institutions, universities and other relevant organizations in the province.

The REDD Commission and the project implementer can be accessed by the stakeholders, including local communities.

One of the important aspects in this setting is that the mandates of the bodies should be clear. There are three important mandates: (i) policy (the Governor, the head of district government, and possibly the local House of Representatives); (ii) technical aspects; and (iii) operational components (local community, Balai Taman Nasional, Dinas Kehutanan, Perkebunan, etc.).

Other concerns raised in the discussion that were related to this setting were the challenge to handle leakage and the capacity to negotiate with buyers. The stakeholders do not have any means yet to handle leakage, if it happens. With existing local autonomy, the issue will get more complicated if leakage happens in another province/district, including how and in what way this will be tackled. The stakeholders were also skeptical of the capacity of central government to address this issue.

In summary, the stakeholders realized that the existing institutions needed to be empowered in order to achieve a solid and legitimate organization to implement REDD.

G. Transaction Scheme

REDD is voluntary and should have a simple mechanism that is not too bureaucratic, with low transaction costs. Depending on the forest status, the stakeholders proposed three kinds of transaction schemes:

- a. Buyer → Central Government → Implementer → Carbon Provider
- b. Buyer → Implementer → Carbon Provider
- c. Buyer → Carbon Provider

The first scheme (a) is applicable to government forest under the mandatory (compliance) scheme. The central government will negotiate with the buyer. The central government will then approach the implementer at the provincial level, and the implementer will work with the carbon providers.

The second scheme (b) is applicable to private/community forest under a voluntary scheme. The buyer will make a deal directly with the implementer. The implementer will then approach the carbon provider and report to local government. Local government will report to the central government. Acknowledgement is expected from both the central and local

governments, and part of the funds will be allocated to them. This scheme could be too bureaucratic and costly, but it may be good for the communities as carbon providers, as they do not have sufficient capability to negotiate with buyers.

The third scheme (c) is applicable to private companies in a voluntary scheme. This scheme could be simple and have the lowest transaction costs. Certainly, this is not a good option for the local communities due to their limited skills, unless there is a competent NGO working closely with them.

Negotiation with buyers needs certain skills. Since none of the stakeholders in the province has ever done this before, they do not know what skills are needed or how to improve them in order to be able to negotiate successfully.

H. Payment distribution

The stakeholders agreed that payment distribution was an important aspect to discuss and that it was also quite a sensitive issue. Unfortunately, the stakeholders did not have any idea on how the payment could be distributed fairly among the stakeholders. They had no method to allocate portions, but they did provide some aspects for consideration: a large percentage for the local community; fairness; mode of payment; and how to channel the money.

All stakeholders agreed that the carbon provider, particularly when it was a community, had to get a reasonable (large) percentage of the REDD funding, as they are expected to work on sustainable forest management and take care of the remaining forest. However, determining how much was 'reasonable or fair' was still unclear. The stakeholders interviewed did not have any standards to follow or methods to calculate a detailed percentage distribution.

Payment should not be in one lump sum, but through installments, depending on the agreement. There should be an advance payment of about 30%. This money will be used for land preparation for REDD or to cover all necessary requirements in the planning stage.

The stakeholders questioned the readiness of local government to manage the REDD funds that could amount to a substantial figure, and to use a transparent mechanism in transactions. There was debate on whether the funds should go through the central government and then be distributed to local government, or whether it should be channeled directly to local government or the carbon provider/local communities (through a trusted NGO such as WWF, among others). Stakeholders were a little skeptical that if the funds were to be distributed through central government, then only a small amount would be channeled to local government. The stakeholders wondered if a large management fee would be applied under such a scheme, resulting in a large proportion of the REDD funds going to the central government.

The World Agroforestry Centre (ICRAF) has developed a tool, called FERVA (Fairness and Efficiency in the Value chain for REDD). FERVA is based on focus group discussion with different stakeholder groups. A FERVA workshop in Central Kalimantan, was attended by 30 participants from different institutions (government, NGOs and the University).

ICRAF distinguished eight functions in the REDD value chain, which can help to provide an estimate on the amount the community would prefer to accept from the total REDD funds and how they perceive that the current system or bureaucracy will allocate the funds. The eight functions were:

1. Actual emission reduction by guarding existing C-stocks and off-setting legitimate opportunity costs for options foregone voluntarily
2. Support sustainable livelihood pathways with less dependence on emission-causing land use
3. Guarding against leakage, by integrated natural science management at the local scale
4. Securing additionally by clear baselines as a results of spatial planning
5. Certifying credits for “Emission Reduction” (ER), by national standards
6. Setting up a regulatory framework conducive to multi-scale governance
7. Verifying ER by international standards
8. Salesmanship to secure buyers and provide investment when and where needed

Based on these functions, the stakeholders were required to allocate a percentage based on their perception under the current situation of how the REDD funds would be distributed among these functions. They also had to repeat the allocation process based on their expectations. The results were divided into categories, using the first and second functions for payment distribution to the community, and the third to eighth points as transaction costs.

The following results (Table 3) are based on stakeholders’ perceptions under these two scenarios:

Table 3. Current Reality (%)

		Univ	NGO	Govt
	Payment Distribution to Community	20	10	10
1	Actual emission reduction by guarding existing C-stocks and off-setting legitimate opportunity costs for options foregone voluntarily (Efficiency)	10	5	5
2	Support sustainable livelihood pathways with less dependence on emission-causing land use (Fairness)	10	5	5
	Transaction cost			
	Points 3 – 8 of the value chain in REDD	80	90	90

Table 4. Desirable Situation (%):

		Univ	NGO	Gov
	Payment Distribution to Community	50	50	50
1	Actual emission reduction by guarding existing C-stocks and off-setting legitimate opportunity costs for options foregone voluntarily (Efficiency)	30	27.5	30
2	Support sustainable livelihood pathways with less dependence on emission-causing land use (Fairness)	20	22.5	20
	Transaction cost			
	Points 3 – 8 of the value chain in REDD	50	50	50

From the findings it can be concluded that the stakeholders were pessimistic about the distribution of REDD funds based on perceived current reality, where the transaction cost was perceived to be very high (80-90 %) and the payment to the community itself was very low (10-20%). They expected that as a minimum, the funds should be distributed equally with regard to transaction costs and the community (50% each).

Based on the category of payment to the community, it was also possible to measure how much was perceived to be fair and efficient by the stakeholders. Point 1 from the REDD value chain considered efficiency, while fairness was represented by the second point. Reflecting on the stakeholder’s allocation with regard to these two points, based on current reality, they perceived that efficiency and fairness were equally considered, while under the expected conditions, they determined that efficiency should be considered more than fairness.

I. Fairness and Efficiency

In addition to the above findings on efficiency and fairness based on the payment distribution, the stakeholders also provided arguments to support these two issues. Those who preferred the REDD scheme to be implemented based on the efficiency concept, argued:

- The REDD scheme needed to be implemented in areas with a high deforestation rate, where the incentive could contribute to a reduction in carbon emissions, so the effect of the program would be more visible.
- With the same cost for forest preservation, emissions can be reduced and additionality can be achieved.
- Calculating the cost of implementing, the REDD scheme based on the efficiency concept, in the end will lead to fairness.

In contrast, the stakeholders who expected the REDD scheme to be implemented based on the fairness concept, argued that:

- Benefits should be distributed not only to the central government, but also to the regional government and the community surrounding the natural resources. In fact, the community should be the one to receive the most.
- Every stakeholder should be involved in the management of any future REDD implementation area (collaborative/participative management).
- The ecosystem also should benefit through preservation and being sustained.
- Fairness should be observed, especially to avoid leakage of incentives that will be given.
- Conservation area/forest in good condition has low forest degradation risk, and good conditions also support favorable outcomes with regard to minimizing plantation failure and achieving successful land rehabilitation.
- The existence of an REDD incentive is expected to promote successful preservation of the forest if the incentive is distributed fairly.
- Replacing the opportunity lost due to forest preservation.
- Awareness concerning future generations.

However, even though there were differences between these two groups, in the end they were both aware of the importance of the concept. Both endorsed the need for the process to be balanced, by focusing efficiency on the market mechanism and fund availability, and fairness on the moral point of view of the people who are already preserving the forest. In order to achieve sustainability, neither of these concepts can stand alone and they need to be combined; therefore, there is a need for tools that can be used to negotiate the fair and efficient percentages for an area. They also realized that their differences regarding preference for the concept were due to the different perceptions of stakeholders, with the community and regional government more focused on fairness, while donors and brokers put a higher priority on efficiency.

J. National Institutional Setting

Following the UNFCCC 2007 meeting in Bali, a Presidential Decree No. 46 year 2008 was signed on July 4, 2008. It authorized the formation of a National Council of Climate Change, which indicated the commitment of the Indonesian government to handling global problems on climate change. The Council is lead directly by the President, who has two deputies: the Coordinating Minister for People's Welfare and the Coordinating Minister for the Economy. The state Minister of Environment is the executive director of the Council. Seventeen ministers (from 17 departments) and one agency head (the Director of the Meteorology and Geophysics Agency) are members of this Council. The full list of members is:

- State Secretary
- Cabinet Secretary
- State Minister of Environment

Assessment of the Institutional Setting and Payment Distribution

- Minister of Finance
- Minister of Internal Affairs
- Minister of Foreign Affairs
- Minister of Energy and Mineral Resources
- Minister of Forestry
- Minister of Agriculture
- Minister of Industry
- Minister of Public Works
- State Minister for National Development Planning and Chairperson of the National Development Planning Agency
- Minister of Maritime Affairs and Fisheries
- Minister of Trade
- State Minister for Research and Technology
- Minister of Transportation
- Minister of Health
- Director of Meteorology and Geophysics Agency

The involvement of many ministries or departments indicates the government considers that the excessive increase in greenhouse gases leading to climate change is a serious matter and not one to be simply handled. It should be the responsibility of all elements of society, involving many aspects, across all sectors. It also implies that the policies issued by each department and their programs to some extent should be adapted and coordinated to support climate change mitigation in Indonesia. Effective coordination among the departments is crucial and the challenge is to maximize the role of the Council, otherwise its existence will just enlarge government bureaucracy.

Some scientists, NGOs, and environmental observers have voiced concerns about the Council. The Council is considered to be quite exclusive, as it is composed 'only' of government officers. Those concerned wonder if inputs from the stakeholders will be accepted and represented in policies. Under existing legislation, the authority of the Council is being questioned on whether it has the ability and power to require other sectors to follow decisions it makes. A national environmental NGO, WALHI (Wahana Lingkungan Hidup Indonesia) has challenged how the government can guarantee good coordination among the many departments on the Council. In addition, the effectiveness of the Council is being questioned, as presidential elections could lead to possible changes in future cabinets and possible changes in the government's interest in the climate change issue.

The National Council of Climate Change has as primary tasks: to formulate a national policy, strategy, program and activities related to a climate change; to watch and coordinate its implementation; to help strengthen the position of Indonesia in the International Forum of Climate Change; and to handle international negotiations. The Council will also regulate the

carbon trade mechanism. In essence, the Council will not manage the technical programs, but strengthen coordination. Policies will be issued by the Council but implementation will be within the departments. The Council is considered a means to develop a National Action Plan to tackle and control rapid climate changes.

There are six working groups to help the Council implement its task. They are the working groups on: Adaptation, Mitigation, Transfer of Technology, Funding, Post Kyoto 2012, and Forestry and Land Use. The members of these working groups are drawn from officers in government organizations and related institutions, academics and public representatives. They process all the inputs and prepare all aspects related to climate change including policy and these are then submitted to the Council for consideration. It is through the working groups that all the inputs and criticism from the stakeholders can be considered; this process addresses the issue of ensuring the inclusion of stakeholders' inputs.

The Council has been active for about one year, and its activities are still limited to studies on adaptation, mitigation, transfer of technology, and funding. The Council has carried out some work on the socialization of climate change, limited to 90,000 people. The Council is making a movie about climate change in Indonesia. In addition, the Council has attended a meeting with donors at the Second Donor Communication on Climate Change in July 2008 organized by Meneg PPN. The meeting discussed the priority issues in the national development plan that related to climate change mitigation. The Council also carried out some activities to prepare the negotiation position of the country for the UN meeting at the Climate Change Conference in December 2008 in Poland. Nevertheless, there is not any concrete program related to applied climate change mitigation in Indonesia yet. The public is now waiting for the policies and their implementation in the various related sectors.

The Department of Forestry

The Department of Forestry has been involved in REDD quite intensively and its role has been quite significant since 2007, when COP 13 was held in Bali. The Department has developed a Road Map on REDDI (REDD Indonesia) that consists of three phases: (i) preparation (the readiness phase in 2007); (ii) transition, including demonstration activities from 2008 to 2012; and (iii) full implementation, starting from 2013 or earlier, depending on the COP decision and the readiness of Indonesia. During the preparation phase, IFCA (Indonesia Forest Climate Alliance) was formed and coordinated directly by the Minister of Forestry to analyze how an REDD scheme could operate as a practical carbon emission reduction mechanism. As a forum for stakeholder consultation (government, civil society, business community, and international parties) working on forest and climate change in Indonesia, IFCA provided substantial contributions to the Indonesian government for COP 13 in Bali. However, recently IFCA has been in an idle stage.

After the successful conference in Bali, the Department of Forestry has continued with the transition phase. In this phase, the Department is working on the REDDI Guidelines for REDD, demonstration activities, an REDD initiative on voluntary carbon trading at the sub-national level, and preparing a proposal for FCPF, UN-REDD. Ministerial Regulation number

P.30/Menhut-II/2009, concerning REDDI Guidelines was also finally issued on May 1, 2009 after a long discussion period. A focus group discussion with the stakeholders that was completed before the decree was issued provided some inputs that are still relevant:

- In the 'considerate' chapter, there is a need to include the Government Decree no.3 2008 concerning 'Perubahan atas Peraturan Pemerintah nomor 6 Tahun 2007 Tentang Tata Hutan dan Penysunan Rencana Pengelolaan Hutan, serta Pemanfaatan Hutan' and the Ministerial Decree no. P6/Menhut-II/2009 concerning 'Pembentukan Wilayah Kesatuan Pengelolaan Hutan'.
- Chapter III, Paragraph 3, article 1. Forest Area with Specific Objectives (Kawasan Hutan Dengan Tujuan Khusus - KHDTK) is not yet included.
- Chapter III, Paragraph 6 and 7, article 1. There should be another point (d) added concerning the necessity to get recommendations from local government.

In the Ministerial Decree on REDD, the role of local governments is defined, among other things, to give recommendations for the implementation of REDD. Local governments consider that this is not enough. They also expect to have a role in appraising the implementation of REDD in their respective areas. With this additional role, it is believed that local government will have greater a sense of belonging and will be more responsible if there is a leakage.

- In the Ministerial Decree, there should be mention that local government can form local REDD commissions to evaluate the suitability of REDD locations and to provide recommendations. This will create a greater sense of belonging from local government. It is understood that there will be specific discussion about national and local committees, but the link between the two should be included specifically.
- Additional notes related to the implementation of REDD:
 - There should be implementation guidelines for reference, if there are problems in the implementation of REDD in the field.
 - The demonstration activities (DA) require five years, but what happens if a DA requires a longer period (after 2012)?
 - Intensive REDD socialization is needed and that has not been signed off.

Furthermore, the Ministerial Decree for the REDD Commission, which will set up the implementation of REDD, is being drafted. This Commission will be chaired by the Secretary General of the Department of Forestry. The members of the Commission will be all the Directors General within the Ministry of Forestry and Directors or Deputies from other departments (such as the Departments of Interior, Finance, Foreign Affairs, Public Works, etc.).

The Minister of Forestry issued a Ministerial Decree no. SK.13/Menhut-II/2009 concerning the formation of the Working Group on Climate Change with members from across the Directorates General. One of the tasks of the Working Group is to negotiate with REDD investors. Within the Forestry Research and Development Agency (FORDA), another climate

change working group was also formed on February 13 2009, but it had been functioning since January 1, 2009. This working group has 14 members with objectives to:

- Document all information related to the results of study, research, and initiatives on REDD;
- Provide technical, scientific and policy recommendations;
- Collaborate with partners to facilitate various meetings, as a preparatory step in the implementation of an REDD scheme in Indonesia;
- Synergize all efforts and activities related to reducing emissions of greenhouse gases;
- Support the work of the Climate Change Working Group in the Department of Forestry, particularly where it relates to technical and scientific aspects and policy analysis;
- Provide inputs to the Director of the Forestry Research and Development Agency related to REDD policies.

In May 2009, the FORDA REDD Working Group drafted an Indonesian strategy on REDD as one of the components of the REDD framework for Indonesia. The document, which has been circulated internally within FORDA to get comments and various inputs, describes the rationale of REDD in Indonesia, key strategy components, and activities to achieve readiness towards full implementation of the REDD scheme.

The latest degree issued by the Ministry of Forestry is *Permenhut* no 36/2009. This degree regulates in issuing permit for carbon certificate in production and protection forest. Permit can be issued by Bupati, Governor and Minister of Forestry. However, it is not clear which areas are ruled by these different layers. There is a possibility of overlap authorities in this decree.

Distribution of carbon payment to government, communities and developer was regulated by type of permit holders. Communities obtain 50-70% of carbon payment for people forest plantation, people forest, community forest, *adat* forest and village forest holders. Government received higher proportion (50%) for forest area for special purpose and protection forest. While developer received higher proportion (50-60%) for forest concession, plantation forest, restoration ecosystem area and forest management area. The payment to government will be allocated to central government (40%), provincial (20%) and district (40%). The basis for carbon payment distribution was more focusing on the ownership of land than on functions in the REDD value chain. The distribution itself did not discuss how much the carbon payments will be distributed to the transaction cost. This regulation did not determine it.

Table 5. Carbon payment distribution for different type of permit holders

No	Permit Holders	Distribution			Remarks
		Government	Communities	Developers	
1	Forest Concession (<i>Ijin Usaha Pemanfaatan Hasil Hutan Kayu-Hutan Alam</i>)	20	20	60	
2	Plantation Forest (<i>Ijin Usaha Pemanfaatan Hasil Hutan Kayu-Hutan Tanaman</i>)	20	20	60	
3	Restoration Ecosystem Area (<i>Ijin Usaha Pemanfaatan Hasil Hutan Kayu-Restorasi Ekosistem</i>)	20	20	60	
4	People Forest Plantation (<i>Ijin Usaha Pemanfaatan Hasil Hutan Kayu-Hutan Tanaman Rakyat</i>)	20	50	30	
5	People Forest (<i>Hutan Rakyat</i>)	10	70	20	
6	Community Forest (<i>Hutan Kemasyarakatan</i>)	20	50	30	
7	Adat Forest (<i>Hutan Adat</i>)	10	70	20	
8	Village Forest (<i>Hutan Desa</i>)	20	50	30	
9	Forest Management Area (<i>Kesatuan Pemangkuan Hutan</i>)	30	20	50	
10	Forest Area with Special Purpose (<i>Kawasan Hutan dengan Tujuan Khusus</i>)	50	20	30	
11	Protection Forest (<i>Hutan Lindung</i>)	50	20	30	

Source: Permenhut Lampiran P 36/2009

Another main concerns on REDD policies prepared by the government currently is the response of the government if the area still contains overlapping claims. These overlapping claims might hurdle the carbon rights process.

At the field level, to follow up on the recommendation of the IFCA study from COP 13 on REDD, activities to raise the awareness level of REDD have been carried out during 2008 in: East Kalimantan, Berau, Central Kalimantan, Southeast Sulawesi, Central Sulawesi, North Sulawesi, and Papua. Demonstration activities have been selected in provinces, including East and Central Kalimantan and East Java. It is expected that after 2012, Indonesia will be ready to fully implement REDD.

K. Closing Remarks

REDD is a new scheme that provide a hope to mitigate the climate change but requires significant efforts to get it runs. This scheme is quite complex and it is still evolving. Consequently, there are still a lot unclear about this scheme. But to many stakeholders in Indonesia, this scheme is being perceived as carbon trading and it potentially generates a big amount of money.

Many research related to REDD are in progress, among others, assessing the institutional setting and payment for distribution. The Government of Indonesia has formed National Council of Climate Change, the Department of Forestry formed the Working Group of Climate Change, and the Provincial Government of Central Kalimantan will have Local Commission on REDD to get the nation ready in time to implement this scheme. But the legal link of National to Local REDD Commission needs to be created.

Similarly, the stakeholders in the Province of Central Kalimantan propose to have certain institution to implement this scheme, to guarantee the effective implementation of REDD and to ensure that the REDD money will not be allocated for others but REDD activities. This could imply there is a lack of trust to the Local Government or the Government is considered not well functioning. If that is the case, a new set of institutional arrangements will always be needed anytime a new program is being proposed, and it includes existing institutions. Several examples such as Working Group-Tenure (WG-T) and *Dewan Kehutanan Nasional* (DKN) was set up by the government and civil society to aim certain purposes.

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