

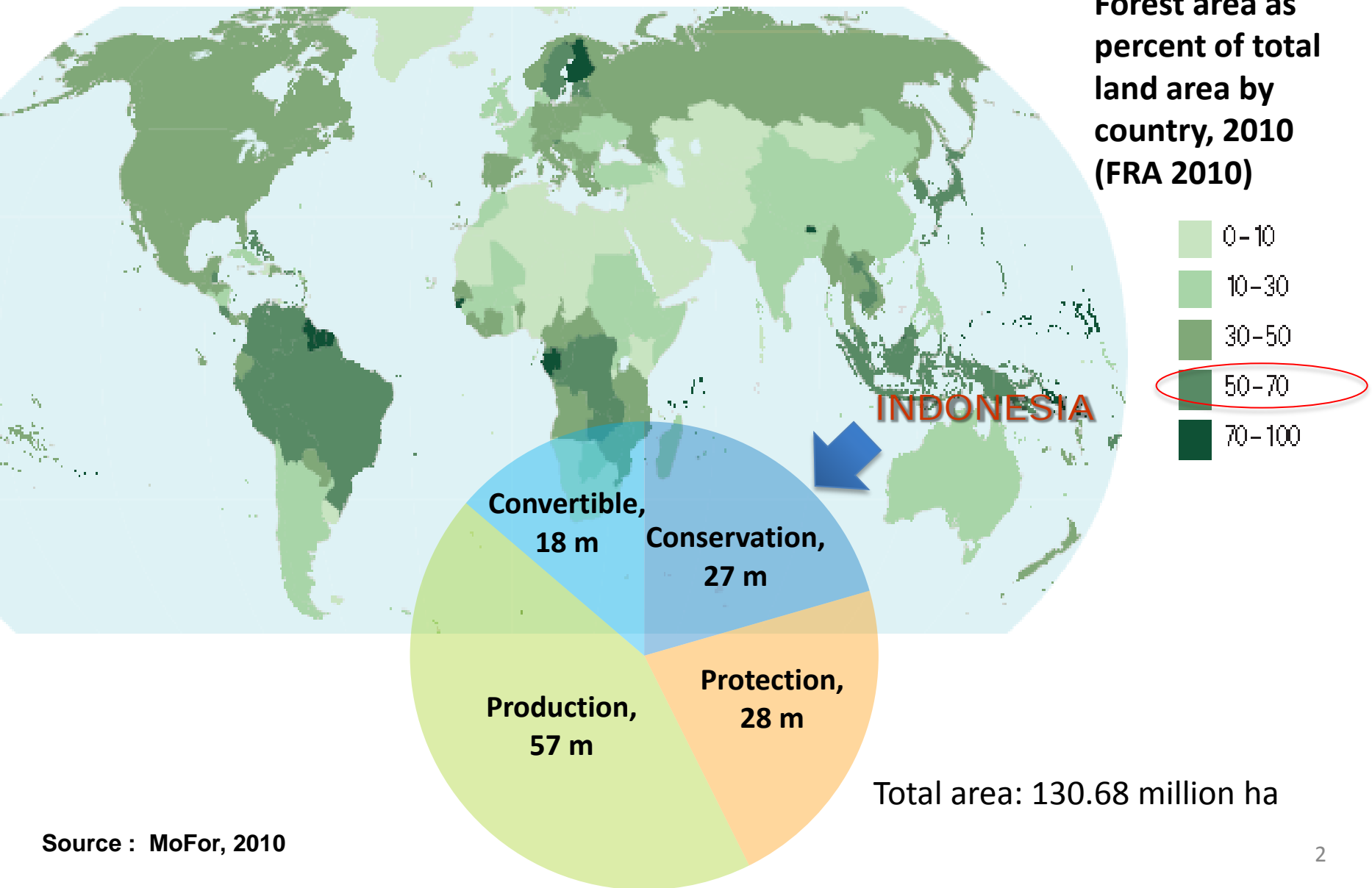


FIP-Indonesia: progress update

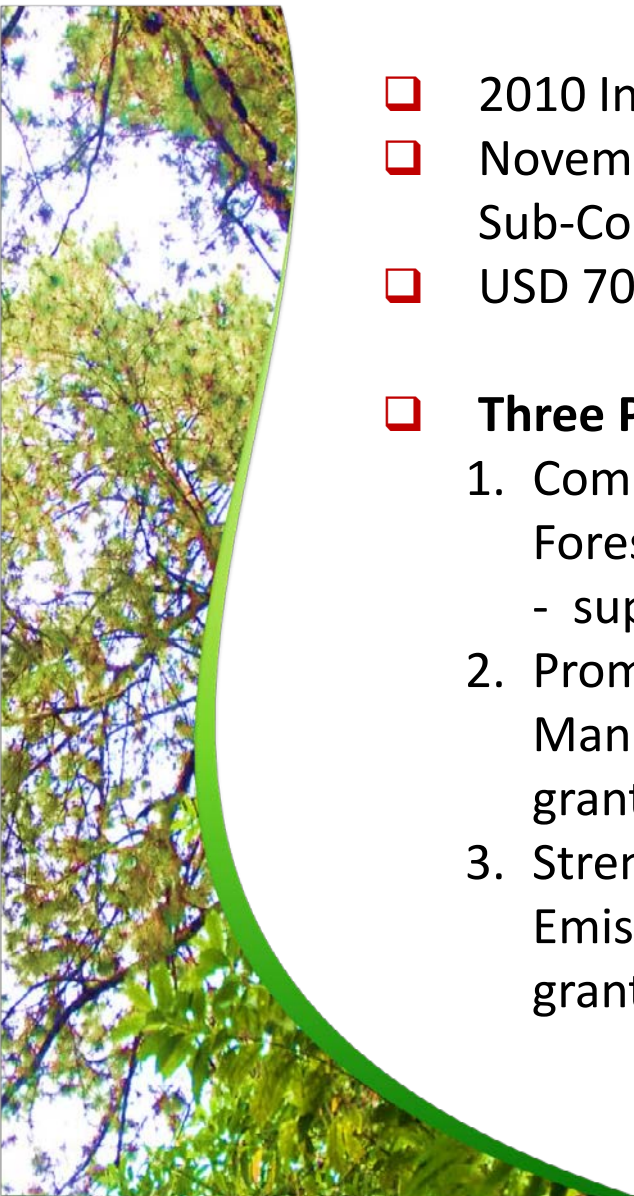
FIP Pilot Countries Meeting
Kinshasa – DRC, 23 – 26 June 2015



Indonesia and World Forests



FIP Indonesia at glance

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- ❑ 2010 Indonesia expressed interest
 - ❑ November 2012 Indonesia Investment Plan was endorsed by FIP Sub-Committee;
 - ❑ USD 70 M: USD 37.5 M grant + USD 32.5 M concessional loan

 - ❑ **Three Projects:**
 1. Community-focused Investment to Address Deforestation and Forest Degradation – USD 17.5 M grant incl. 0.5 M preparation - supported by ADB
 2. Promoting Sustainable Community-Based Natural Resource Management and Institutional Development – USD 17.5 M grant incl. 0.5 M preparation - supported by WB
 3. Strengthening Forestry Enterprises to Mitigate Carbon Emission – USD 32.5 M concessional loan and USD 2.5 M grant, supported by IFC

FIP Indonesia : Summarized Overview

Development Objective : to reduce barriers to sub-national REDD+ implementation and to increase provincial and local capacity for REDD+ and sustainable forest management.

	Overall	Project 1	Project 2	Project 3	DGM
Focus /entry point:	FMU as entry point	FMU - community	FMU - institution	Private Sector - FMU	Indigenous peoples and local community
Budget : (US\$)	70 M + 6.5 M	17.5 M grant	17.5 M grant	32.5 M grant 2.5 M loan	6.5 M grant
MDB :	WB	ADB	WB	IFC	WB
Status :	Prepare 3 project documents	PPTA by consultant is in finalization	draft Project Document under review by WB	Finalize initial clients selection	Selection of NEA on progress

FIP Plan Framework

NATIONAL DEVELOPMENT AND GLOBAL OBJECTIVES

The diagram illustrates the FIP Plan Framework. At the top, a blue banner contains the text 'NATIONAL DEVELOPMENT AND GLOBAL OBJECTIVES'. Below this banner, two white curved arrows point downwards towards three main columns. The first column on the left is titled 'RAN-GRK' and contains two sub-sections: 'Core activities' and 'Enabling activities (FMU, forest gazettement, fire management, forest protection, R&D)', followed by 'Nat. REDD+ Strategy: 5 pillars' with a list of five items: 'Institution and processes', 'Legal framework', 'Strategic programmes', 'Paradigm shift', and 'Stakeholder engagement'. The second column in the middle is titled 'FIP INVESTMENT PLAN' and contains three themes: 'Theme 1 : Institutional development for SF and NRM', 'Theme 2 : Investment in forest enterprises and CBFM', and 'Theme 3 : Community capacity building and livelihood development'. The third column on the right is titled 'FIP OUTCOMES : reduced barriers to sub-national REDD+ implementation and increased local capacity for SFM and REDD+' and contains a numbered list of four outcomes: '(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+,', and '(4) Improved access for local communities to forests and REDD+ benefits.'

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.

FIP Indonesia : Steering Committee



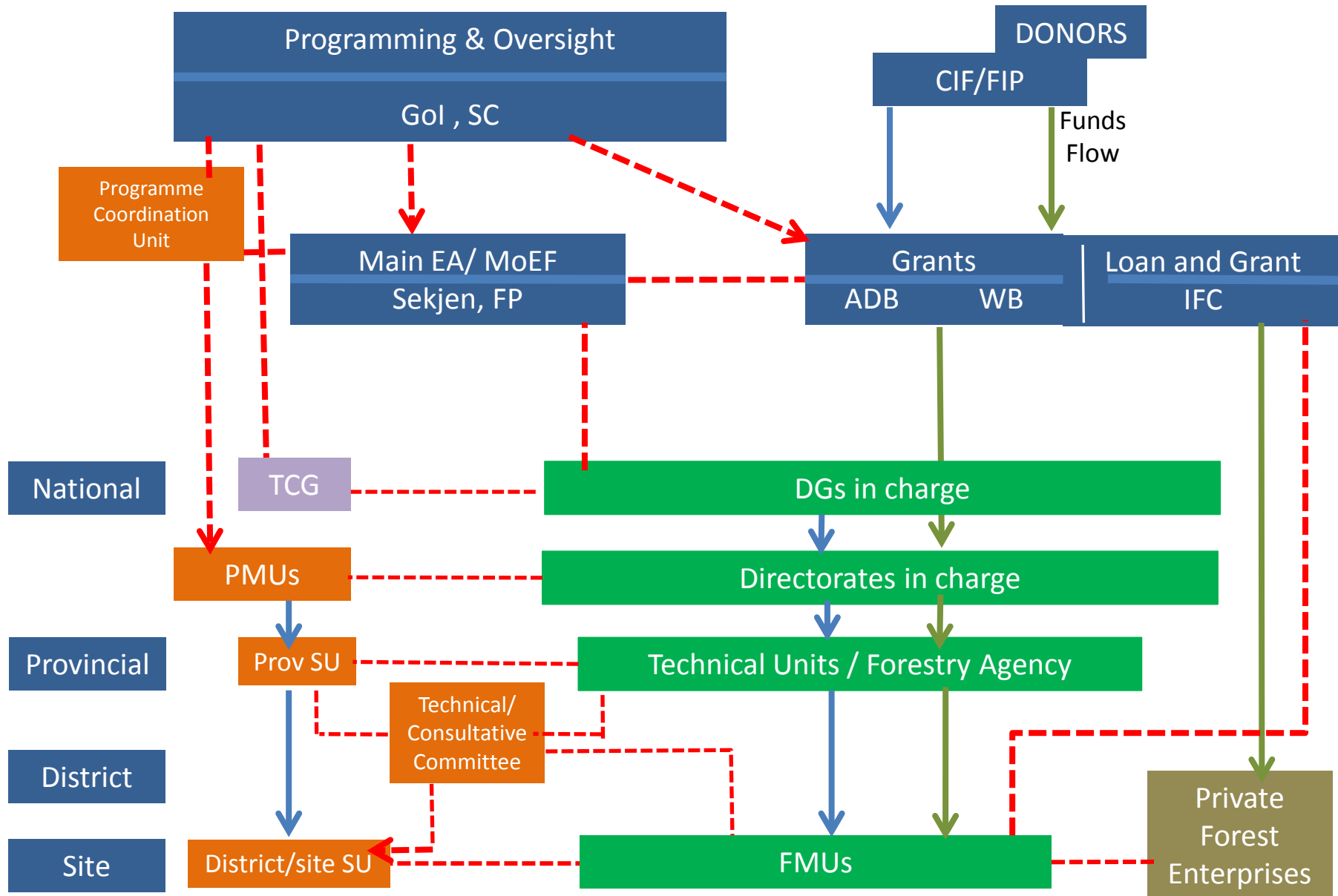
Chair : Secretary General of MoFor

Vice Chair : DG of Fiscal Policy, MoFin

Members : Representatives from Ministry of Home Affairs , Ministry of National Planing, MoAgraria, MoFor/NFP, Natioanal Forest Council; **SC DGM, MoRD**

Observers : MDB representatives

FIP Indonesia : General Structure



Project 1 : Community-focused Investments to Address Deforestation and Forest Degradation

Overview of Preparatory Phase



1. Preparatory Grant administered by ADB, carried out by South Pole Carbon Management Ltd.
2. Financial mechanism: Direct grant for services
3. Built on ADB's support for HoB – in West Kalimantan.
4. Selected 5 KPH and 17 villages
5. Coordination with FMUs, NPs, and other related initiatives (GIZ-Forclime, JICA, WWF), and local govt
6. Safeguards frameworks etc.

Project 1 Preparatory Phase

Key activities

- 1. REDD+ pilots in Kapuas Hulu and Sintang districts**
 - 1.1 Coordination and information on SFM and REDD+
 - 1.2 Workshops and study visits on REDD+ aspects
 - 1.3 CBFM agreements with local communities
 - 1.4 Training in forest products utilization, value addition and enterprise development
 - 1.5 REDD+ monitoring and safeguards information system
 - 1.6 Spatial and business plans for FMUs
 - 1.7 FMU “block 21” and its long-term business plan
 - 1.8 Community level fund-flow mechanism for results-based payments
 - 1.9 REDD+ pilots² with local communities
 - 1.10 Community-based forest fire management.

Project 1 Preparatory Phase

Key activities

2. Provincial REDD+ strategy in West Kalimantan

- 2.1 Coordination and information dissemination on forestry planning and policy
- 2.2 Workshops and training on REDD+, FMU business plan
- 2.3 REDD+ monitoring system and safeguards information system
- 2.4 Grievance redress mechanism on tenure and REDD+

3. Harmonization of fiscal policies on REDD+

- 3.1 Policy paper on integration of natural capital considerations
- 3.2 Coordination and information dissemination on forest policy
- 3.3 Policy dialogues and harmonization on fiscal, monitoring and benefit sharing policies and forest industry strategy
- 3.4 Exit strategy

Project 1 : Preparatory Activities



1. Pustanling – MoEF assigned as EA for PPTA FIP-1 (29 Jan 2014)
2. Pre-mission visit (ADB and Pustanling) to West Kalimantan (16-21 Feb 2014)
3. MoU Pustanling – ADB on PTPTA was signed (26 May 2014)
4. NOL from MoFin (July 2014)
5. South Pole Carbon Management Ltd. Selected as consultant for PPTA – contract signed (23 Sept 2014)
6. Kick-off and launch of FIP-1 collaboration (6 Oct 2014)
7. Field visit 1 to Sintang & Kap. Hulu (2-4 Nov 2014)
8. Inception workshop (5 Nov 2014)
9. Field visit and consultation (13-18 Feb 2015)
10. Interim Workshop (25 March 2015)
11. Field visit and discussion with local stakeholders (April 2015)
12. Fact finding Mission (21-23 April 2015)
13. CSO engagement meeting (27 April 2015)
14. National public consultation (11 June 2015)

Project 1 : Challenges & Next Steps

Challenges :

- Finding appropriate project sites: to suit the project, the communities' needs, and prevailing regulations/policies
- How to ensure 'return'
- Synergizing ADB's safeguards requirement with the national safeguards.

Next steps :

- Finalizing the preparatory report
- Adjusting to re-organization of MoFor into MoEFor
- Financial arrangement between ADB and GOI for implementation from 2016.
- Coordination among Executing Agency and Implementing Agencies.

Project 2: Promoting Sustainable Community-Based Natural Resource Management and Institutional Development

Overview of Preparatory Phase

- WB supported, Kemitraan Foudation as service provider
- Directorate of Forest Land Preparation as Implementing Agency
- Agreements/MoUs signed
- Public Consultations conducted
- Project Document now under review by the WB prior to submission

Project 2: **Key activities**

- 1. Regulation, policy , administrative and technical capacity building**
 - 1.1 Development and improvement of forest policies and regulations
 - 1.2 Institution development and capacity building

- 2. Development of Knowledge Platform**
 - 2.1 Development of Knowledge and Information Management System
 - 2.2 Capacity building and exchange of information

- 3. Improvement of forest management practice in 10 FMUs**
 - 3.1 Support for 10 FMUs to address respective major challenges
 - 3.2 Facilitation of communities participation and livelihood benefits
 - 3.3 Capacity building for mentoring and training nearby FMUs

Project 2: Next Steps

1. Submission of Project Document
1. Budget arrangement through Government financing system to start implementation in 2016

Project III: Strengthening Forestry Enterprises to Mitigate Carbon Emission - **Overview of Preparatory Phase**

- Concessional loans to be channelled solely and directly to the private sector (USD 32,5 millions) by IFC subjects to Gol endorsement, but Gol will not incur liability or obligation.
- Private sector includes: forestry enterprises, manufacturers, investors, credit and revolving fund programs, banks.
- Grant of USD 2,5 millions for Gol needs formal arrangement between Gol and IFC; a directorate in MoEF to be assigned as the EA.
- Current preparatory phase with USD 300,000 administered by IFC on a reimbursement basis.

Components III: Challenges & Next Steps

- Focus: developing tailor-made financial instruments and strengthening the capacity of both small and large forestry enterprises along wood product supply chains in best forestry business practices.
- Although directly channelled to the private sector, subject to GoI endorsement, and monitoring.

DGM (Dedicated Grant Mechanism) Indonesia

- In addition to the grant and loan, USD 6.5 M Dedicated Grant Mechanism (DGM) is also allocated (for 2015 – 2019)
- A grant for the local people/communities for supporting their initiatives and the improvement of their capacities to participate in FIP and other REDD+ related programs – people/community driven project.
- May be used to: (i) build institutional capacity, forest governance and information; (ii) mitigate GHG emissions from the forest sector, including through supporting forest ecosystem services; and (iii) support measures outside the forest sector to reduce the pressure on forests, such as through the creation of alternative livelihood and poverty reduction opportunities.
- Progress : process of NEA (National Executing Agency) selection by NSC is on going (call for proposals has been posted/announced through website, some proposals has been posted, and 3 insitutions/organizations have been short-listed)

OVER ALL PROGRAM : Challenges & Next Steps

Challenges :

- Indonesia geographically large, diverse, complex
- Indonesia a big democracy; inclusiveness highly important and consultation process very extensive
- MoEF a merger of 4 institutions; reorganization process still ongoing and FIP program has to adjust
- Country safeguards systems to be harmonized with the MDB's safeguards requirement
- Improvement of national financial system towards more transparency; international cooperation funds put in national budget system.

Next steps :

- The 3 projects now in the finalization stage
- Project documents will soon be registered through the respective MDBs mechanism

Thank you

