



## **The Impact of Payment-for-Performance Finance on the Political Economy of Deforestation in Indonesia**

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### **Abstract**

Indonesia is home to the third-largest area of tropical forests, has been the second largest national contributor to carbon emissions from deforestation (after Brazil) over the last 20 years, and now has the world's highest rate of deforestation. Indonesia has been active in global discussions related to climate mitigation, and in 2010 entered into an agreement with Norway to reduce its forest cover loss. The Letter of Intent (LOI) signed by both countries outlined Indonesia's intentions to implement policies for Reducing Emissions from Deforestation and Forest Degradation (REDD+) in return for up to USD 1 billion in financial support. The LOI encountered opposition from plantation companies who feared negative economic consequences, and from some government officials who perceive it as inappropriate foreign intervention in domestic affairs. Implementation of the LOI has been hampered by political disunity across various governmental bodies. Although the agreement between Norway and Indonesia hasn't readily yielded results in terms of reduction of deforestation and emissions, the LOI has facilitated public awareness of the mismanagement of Indonesia's forests, which, in turn, has put pressure on the government to improve forest governance. The agreement has also produced several outputs and strategies that aid in continuing conservation efforts. Among these are a moratorium on the issuance of forest exploitation permits, progress toward a unified map of land cover and concession areas, improved political transparency and recognition of indigenous rights. Continuity of the program will be highly dependent on the format and engagement of the new government, which takes office in October 2014. Future success lies in the strength of the political will of the new government to reform the forestry sector.

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## **Foreword**

This paper is one of more than 20 analyses being produced under CGD's Initiative on Tropical Forests for Climate and Development. The purpose of the Initiative is to help mobilize substantial additional finance from high-income countries to conserve tropical forests as a means of reducing carbon emissions, and thus slowing climate change.

The analyses will feed into a book entitled *Why Forests? Why Now? The Science, Economics, and Politics of Tropical Forests and Climate Change*. Co-authored by senior fellow Frances Seymour and research fellow Jonah Busch, the book will show that tropical forests are essential for both climate stability and sustainable development, that now is the time for action on tropical forests, and that payment-for-performance finance for reducing emissions from deforestation and forest degradation (REDD+) represents a course of action with great potential for success.

Commissioned background papers also support the activities of a working group convened by CGD and co-chaired by Nancy Birdsall and Pedro Pablo Kuczynski to identify practical ways to accelerate performance-based finance for tropical forests in the lead up to UNFCCC COP21 in Paris in 2015.

This paper, "The impact of payment-for-performance finance on the political economy of deforestation in Indonesia", by Metta Dharmasaputra and Ade Wahyudi of KATADATA-Indonesia, was commissioned by CGD as one of two case studies to illuminate the politics in forest-rich countries surrounding the acceptance of international results-based finance to reduce climate emissions from deforestation, or REDD+. The paper is intended to provide an analysis of how Indonesian initiatives to reduce deforestation were affected by the availability of significant results-based finance from Norway. The paper explains that while implementation of REDD+ policies have been hampered by industry opposition and government indecision, the agreement with Norway has resulted in significant steps toward reform of forest governance.

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**Contents**

Executive Summary .....	1
1. Introduction: The importance and state of Indonesia’s forests .....	4
2. Background: The expansion of Indonesia’s forestry sector.....	6
2.1 Forests as key to a nation on the verge of economic crisis.....	6
2.2 The rise of forest conglomerates: A new “Business-as-Usual” .....	8
2.3 The impacts of decentralization .....	12
3. Challenging “Business-as-Usual” .....	14
3.1 Challenging BAU: Walhi.....	14
3.2 Challenging BAU: Greenpeace.....	15
3.3 Challenging BAU: AMAN.....	16
4. An Agreement between Norway and Indonesia.....	17
4.1 Indonesia and international discussions on REDD+ .....	17
4.2 Letter of Intent with Norway.....	19
4.2.1 Establishment of REDD+ Task Force .....	20
4.2.2 Pay for Performance .....	20
4.3 Opposition to the LOI.....	23
5. Outcomes of the agreement with Norway .....	25
5.1 A Moratorium on Forest Concessions .....	25
5.1.1 Moratorium Implementation Problems .....	26
5.1.2 Moratorium Impacts.....	27
5.1.3 Moratorium Extension.....	28
5.2 The One Map Initiative .....	30
5.3 Recognition of Indigenous Rights.....	31
5.4 Cooperation with the Corruption Eradication Commission (KPK) .....	32
5.6 Environmental policy transformation .....	34

5.7 Central Kalimantan Pilot Province .....	35
5.8 Establishment of REDD+ Agency.....	36
5.8.1 Delay in Agency Establishment.....	36
5.8.2 Agency limitations.....	38
6. Future Prospects .....	39
7. Conclusion .....	40
8. Acknowledgements .....	42
References .....	44

## **Executive Summary**

As a country with the third largest area of tropical forests in the world (FAO FRA 2010), Indonesia plays a strategic role in mitigating global carbon emissions. Rapid deforestation, peatland degradation and forest fires have made Indonesia one of the most significant contributors to carbon emissions. In fact, between 1990 and 2010, Indonesia emitted 13.1 billion metric tons of carbon (Butler 2013), making Indonesia the second largest national contributor to carbon emissions from deforestation in the world during those years. Brazil ranked higher by releasing 25.8 billion metric tons of carbon dioxide due to deforestation over the same period (FAO STAT 2014).

Historically, Brazil has maintained the greatest rates of deforestation, a new study revealed Indonesia exceeded Brazil's deforestation rate in 2012. This has made Indonesia the country with the world's highest rate of deforestation (Margono, et al. 2014).

As global concern over climate change has increased, Indonesia has become actively involved in discussions regarding global-scale mitigation efforts. In fact, negotiations on Reducing Emissions from Deforestation and Forest Degradation (REDD+) were launched at the UNFCCC Conference of the Parties in Bali in 2007. Encouraged by growing global engagement, during the G-20 meeting in Pittsburg on September 25<sup>th</sup>, 2009, President Susilo Bambang Yudhoyono made a commitment to reduce carbon emissions by 26% and up to 41% with international assistance (Reuters 2009).

The President's commitment gained international support. Norway agreed to provide up to US\$1 billion in return for reduced deforestation and forest degradation. A Letter of Intent (LoI) between the two countries was signed on May 26<sup>th</sup>, 2010, detailing plans for disbursement of funds in accordance with goals met by the government toward reducing the national deforestation rate (Government of Norway 2010).

The LoI has encountered some opposition and indecision since its inception. Plantation companies protested that the LoI would hamper the growth of the palm oil industry. The Indonesian Palm Farmers Association stressed potentially negative consequences such as unemployment for palm oil farmers and certain violations of government regulations concerning allocation and utilization of forest areas (Yozami and Nababan 2011). Meanwhile, some government officials denounced the LoI as a type of inappropriate foreign intervention in Indonesia's domestic affairs.

In addition, Indonesia's decision-making on improved land-use policies was paralyzed by dissention among various governmental bodies. Uncertainty regarding which agency ought to manage progress towards the LoI's objectives has led to frequent disputes between the two main relevant government units: the Ministry of Forestry, responsible for managing the nation's forests, and the Presidential Work Unit for Development Monitoring and Control (UKP4), which was appointed by the President to manage the REDD+ Task Force. This political disunity is largely responsible for the slow implementation of objectives outlined by the LoI.

Although the agreement between Norway and Indonesia hasn't readily yielded results in terms of reduction of deforestation and emissions, the LoI has facilitated public awareness of the mismanagement of Indonesia's forests, which, in turn, has put pressure on the government to improve forest governance. The agreement has also produced several outputs and strategies that aid in continuing conservation efforts. Among these are a moratorium on the issuance of forest exploitation permits, progress toward a unified map of land cover and concession areas, improved transparency and recognition of indigenous rights.

A moratorium on issuing new forest exploitation permits was enacted by President Susilo Bambang Yudhoyono in May 2011. The moratorium's impact on forest recovery has been hindered by the absence of a comprehensive national land use map, scope limitations, and lack of overall government support. However, the increased national concern and focus on deforestation generated by the moratorium bolstered support for extending the ban after the initial two-year term ended.

The prospect of a moratorium required the initiation of a process to create a single, all-encompassing land map (One Map Initiative), which would integrate all of the various maps created by a range of government institutions, to be used as a collective reference in the future. Unfortunately, data submissions from these institutions remain far from complete and acquisition is very slow because not every institution is willing to share its data.

The increased focus on the forestry sector has shed light onto widespread corruption among government officials. Corrupt practices were identified by the Corruption Eradication Commission (KPK) in the context of investigations regarding mismanagement in the forestry sector. Studies conducted by the KPK, ranking various national agencies and service units according to transparency, revealed that the Ministry of Forestry, responsible for most national forestry management, ranked first as most corrupt. The KPK followed these

investigations with a crackdown on corruption practices involving government officials in the forestry sector.

However, recent evidence suggests that corrupt practices within the Ministry haven't subsided. This is alarming given the broad authority possessed by the Ministry of Forestry, including the issuance of forest utilization permits, as stipulated by the Law on Forestry No. 41 of 1999.

Finally, Indonesia's partnership with Norway also brought indirect benefits to forest management, especially those related to the rights of indigenous peoples. The inclusion of the government's commitment to involve indigenous peoples in the implementation of the LoI has provided the momentum for civil society to raise the issue of indigenous peoples' rights to forested land. In November 2012, *Aliansi Masyarakat Adat Nusantara* (Indigenous Peoples' Alliance of the Archipelago, or AMAN) successfully included the participatory mapping of indigenous peoples' territory into the One Map Initiative in response to an invitation from the REDD+ Task Force.

The indigenous peoples' struggles finally yielded results on May 16<sup>th</sup>, 2013 when the Constitutional Court recognized indigenous peoples' rights to forest in its judicial review of Law on Forestry. AMAN had submitted its request for judicial review of this issue in March 2012.

Unfortunately, despite the various positive outcomes noted above, the LoI has not been able to bring about overall significant changes to the implementation of forestry policy in Indonesia. The moratorium adopted by President Yudhoyono is still unable to put the brakes on the national rate of deforestation.

Indonesia's REDD+ program will soon enter a transition phase in line with the change in government after the July 2014 Presidential election. The continuity of the program will be highly dependent on the format and engagement of the new government, which takes office in October. What is the likelihood of the program's future success if it is upheld? The key lies in the strength of the political will of the new government to reform the forestry sector.

## **1. Introduction: The importance and state of Indonesia's forests**

The threat of forest degradation and deforestation has always loomed large over Indonesian forests. A huge global demand for timber, as well as for other wood and agricultural products, encourages the mass removal of trees every year. In 2010, the Food and Agriculture Organization of the United Nations (FAO) estimated that between 2000 and 2010, Indonesia's forest cover had disappeared at an annual rate of 498,000 hectares.

Recent studies estimate Indonesia currently has a total of 94.4 million hectares of forests, or around 52.1 percent of total land area (FAO 2010). Around half (47.2 million hectares) of that area was classified as primary forests, the most carbon-rich and biodiversity-rich forest type (Mongabay 2010). From 2000 until 2012, Indonesia had lost 6.02 million hectares of primary forests. This was equal to half the area of Britain or ten times the area of Bali (5,561 square kilometers) (Hadi 2014). Furthermore, Indonesia's primary forest loss is increasing by an average of 47,600 hectares every year (Anderson 2014).

The loss of Indonesia's forests has severe consequences. It has been estimated that Indonesia's tropical forests contain 10 percent of the world's plant species, 12 percent of the mammal species – including several endangered species such as Orangutan, Sumatran Tiger, and Rhino – and 17 percent of known bird species in the world (Rainforest Action Network 2011).

Deforestation in Indonesia also significantly contributes to national and global greenhouse gas (GHG) emissions. Forests in Indonesia are mostly being converted for large-scale industrial agriculture, small-scale community use, establishment of timber plantations, and timber extraction (Ministry of Forestry 2008). Activities relating to land conversion and forest clearing in Indonesia have contributed substantially to national GHG emissions. It was recently estimated that 59% of the country's total GHG emissions came from land-use change and forestry activities (World Resources Institute 2011). Indonesia's land sector emissions contribute significantly to total global GHG emissions, accounting for up to 3.3% (Busch, et al. 2012).

Conflicting information has been given on the current state of Indonesia's forests. The Indonesian government has claimed on more than one occasion that the country's annual deforestation rate has been successfully reduced to below 1 million hectares per year (MoF 2013). In 2013, President Susilo Bambang Yudhoyono stated that the enactment of the moratorium on new forest utilization and conversion permits in 2011 had successfully

lowered the national annual deforestation rate. However, newer studies contradict the numbers reported by the President, showing instead that deforestation rates have actually increased, making Indonesia the country with the largest deforestation rate in the world (Margono, et al. 2014).

The effects of continuous deforestation in Indonesia due to land-use change are already apparent. According to Agus Purnomo of Indonesia's National Council on Climate Change (DNPI), the impact is being felt by regions near degraded forests where severe flooding occurs during heavy rain. Damaging landslides due to forest clearing have also occurred in several regions.

As global concern over climate change has grown over the last few years, so has Indonesia's involvement in discussions regarding global-scale mitigation efforts, especially in the context of Reducing Emissions from Deforestation and Forest Degradation (REDD+). The President and other government officials have made numerous public commitments to the reduction of deforestation and carbon emissions. The commitment by the Indonesian government has since gained international support. The Norwegian Government has agreed to provide up to US\$1 billion for deforestation and emissions reduction. The funds are being disbursed gradually in accordance with achievements made by the Indonesian government toward better forest management. The Letter of Intent between the two countries detailing these commitments was signed on May 26<sup>th</sup>, 2010.

This report outlines the potential impact of the REDD+ agreement between the Indonesian and Norwegian governments on the political economy of forest management in Indonesia. The report highlights the impact of Norwegian aid on policy-making regarding the forestry sector. The report investigates the potential benefits and the likely significance of the transformation, ascertains the effectiveness of the implementation of activities in meeting REDD+ objectives, and outlines the constraints on the field implementation of the program. The analysis is based on 22 in-depth interviews conducted by the authors with key participants in and observers of Indonesia's experience with REDD+.<sup>2</sup>

Indonesia's partnership with Norway was intended to be the first step towards reducing deforestation to prevent continuous disasters and to protect biodiversity in the country. The importance of following through on economic and policy changes is well understood, as

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<sup>2</sup> A list of persons interviewed is included below in Section 8, Acknowledgements. Quotations included are from those interviews unless otherwise noted. Some interviews were conducted on a not-for-attribution basis.

Senior Advisor to The Nature Conservancy in Indonesia, Wahjudi Wardojo, put it “We will be headed for disaster if we keep destroying our forests.”

## **2. Background: The expansion of Indonesia’s forestry sector**

The politics of forestry in Indonesia over the past fifty years are inextricably linked to the dynamics among three major groups of actors: government officials, corporations, and civil society. Over this period, collusion between officials and business owners in the forestry sector to generate revenue has contributed to massive deforestation.

### ***2.1 Forests as key to a nation on the verge of economic crisis***

Extensive exploitation of forests in Indonesia began shortly after the New Order government rose to power in 1966, when Suharto was appointed President. The intensive exploitation of forests was a consequence of the severe economic conditions at the time, when Indonesia was on the verge of economic collapse. The New Order government held the view that the only way to quickly gain foreign exchange and save Indonesia’s economy was through forest exploitation. During Suharto’s tenure, the forestry sector served as the part of the backbone of economic growth (Abood, et al. 2014). The sector was the second largest contributor to GDP after oil and gas. During the early years of the New Order regime until 1982, the most exploited forest product was timber. However, from 1982 until 1990, the focus shifted to plywood and wood processing industries. From 1990 onwards, Indonesia’s forest policy was focused on support for the pulp and paper industry (Indrarto, et al. 2012). In the years preceding Suharto’s resignation in May 1998, the sector generated approximately US\$3.5 billion annually (Barr, et al. 2006).

The practice of collusion between business owners and officials thrived in the forestry sector during the New Order. Suharto’s administration was characterized by patrimonialism, a political system defined by an informal, personal relationship between ruler and subjects sustained by material rewards and personal loyalty. For Indonesia’s forests, this meant that the distribution of concessions was embedded in personal, informal relationships between the concession holder and the president (Kasa 1999). Suharto’s government distributed forest concession permits to high-ranking military officers and senior bureaucrats. This measure was taken to gain support and loyalty from the military in the early phase of New Order regime (Barr, et al. 2006). In this way, he was able to manage potential critics in political, religious, and social circles by offering potential adversaries prestigious ambassadorial posts or setting them up in business. It is well known that many retired

officers have “benefited handsomely” from equity stakes in timber companies (Schwartz 1994).

These high-ranking military officers later partnered with private businesses who took the operational role in forest exploitation. The military officers and senior bureaucrats served as protection for these private businesses against competing economic interests, and later received revenue derived from forest exploitation as their reward (Barr, et al. 2006).

The bureaucratic machine that played the largest role in granting forest concession permits was the Directorate General of Forestry, at the time under the Ministry of Agriculture. The decision to give the Directorate General of Forestry jurisdiction over forest concessions strengthened their position of authority. The issuance of forest concessions was massive during the first 14 years of Suharto’s tenure (1966-1980). During this period, Suharto’s government issued forest exploitation permits that covered a total area of 53 million hectares of forest. As much as 10 million hectares (81 forest concessions) were allocated during the period 1966-1970, while the remaining 43 million hectares (438 forest concessions) were granted between 1971-1980 (Pusat Data Business Indonesia 1988). The position of the institution was later elevated to ministerial status when it was given the title of the Ministry of Forestry in 1983 and became the main institution with the authority to grant forest exploitation permits.

However, the ministry shared this responsibility with the provincial and regency-level (*kabupaten*) governments who maintained the right to grant forest exploitation permits to small-scale enterprises. This not only made deforestation worse, but allowed the forest management permits to overlap. It was not uncommon to find situations where the permits granted by the provincial and regency governments were located in the concessions of companies that had previously obtained permits from the Directorate General of Forestry.

To overcome this problem, in the early 1970s, President Suharto prohibited the sub-national governments from granting concession permits. The government also required that the forest management permits should at least cover an area of 50 thousand hectares, ensuring future logging enterprises would be larger and more permanent, allowing for better monitoring (Barr, et al. 2006).

## ***2.2 The rise of forest conglomerates: A new “Business-as-Usual”***

From an economic point of view, the expanding forestry sector had successfully generated large foreign exchange reserves needed for development. After abandoning its timber focus around the 1980s, Indonesia became the world’s largest plywood manufacturer (Makkarennu and Nakayasu 2013), the tenth country in pulp and paper production (Obidzinski and Dermawan 2012), and is now the leading country in palm oil production (Sustainalbe Palm Oil n.d.).

Most of Indonesia’s forestry-related industries are controlled by a few companies. A study conducted by Greenomics Indonesia in 2011 found that 7 Indonesian conglomerates occupied 9 million hectares of forest which were used for plantations. The two largest companies that held plantation permits were the Sinar Mas and Raja Garuda Mas (now, Royal Golden Eagle) Groups. According to Greenomics, these two companies--including their 63 subsidiaries--occupied 3.5 million hectares (Mongabay 2011).

The Sinar Mas Group had control over Asian Pulp & Paper (APP) and Golden Agri Resources (GAR), one of the largest palm oil plantation companies in Indonesia. Raja Garuda Mas had subsidiaries that engaged in the pulp and paper industry called Asia Pacific Resources International Limited (APRIL), and in the palm oil plantation company called Asian Agri.

As for timber concessions, Greenomics found that five conglomerates occupied 5.5 million hectares of timber concession areas. They are Kayu Lapis Indonesia (KLI), Alas Kusuma Group, Barito Pacific, Jati Group and Korindo Group. Similar to the Sinar Mas Group and Raja Garuda Mas Group, the five conglomerates owned 37 subsidiaries that were engaged in the forestry sector (Mongabay 2011).

Many of these conglomerates had close ties to President Suharto. For example, in the mid-1990s, 10 conglomerates held 228 forest concessions that covered a total area of 27 million hectares of production forests. One of the companies that held the largest forest concession at the time was Barito Pacific which was owned by the tycoon Prajogo Pangestu (Hidayat 2008).

In 1988, forest concessions held by Barito Pacific covered a total area of 1.9 million hectares. However, within five years, in 1993, the number soared to 6.2 million hectares. This made Barito Pacific the largest concession-holder in Indonesia at the time. It has been suspected

that Prajogo Pangestu's close friendship with Suharto was one of the reasons why Barito Pacific was able to acquire rights to exploit timber so easily (Hidayat 2008).

Another businessman who profited from the forestry sector through his close connection with Suharto was Bob Hasan. In 1988, the Kalimantan business group, which was owned by Bob Hasan, held timber concessions that covered a total area of only 700,000 hectares. However, its number quickly grew to 1.9 million hectares by 1998 (Hidayat 2008).

It has been suspected that the various corruption and bribery practices inside the bureaucracy, especially inside the Ministry of Forestry, were responsible for the decade-long widespread granting of forest utilization concessions. The situation worsened due to the biased ministerial selection during post-Suharto era. The position of the Minister of Forestry has always been reserved for persons from a political party, instead of being granted to persons with professional qualifications. Due to lack of knowledge and experience, these ministers generally have had no great concern over forest protection. In fact, often they have made their party's and personal interests a priority. The same corruption practice is also the reason why deforestation in Indonesia is very hard to control.

A government official in an interview conducted for this study revealed that there was a certain minister who granted dozens of concession permits near the end of his term. It has been suspected that bribery by businesses was involved in the issuance of these permits.

The lack of integrity inside the Ministry of Forestry was also apparent from the results of an integrity survey conducted by the Corruption Eradication Commission (KPK) in 2012. The survey found that among 20 national institutions assessed by the KPK, the Ministry of Forestry was the only institution at the national level whose integrity was below the minimum standard. And among 40 services at the national level, the permitting process for release of forest land by the Ministry of Forestry was the only one that was rated below the minimum standard (Corruption Eradication Commission, 2013).

As an institution that had the authority to regulate any matters related to forest management, including permit issuance, the authority of the Ministry of Forestry was very broad. Its position and influence only grew stronger following the issuance of Law No. 41 of 1999 on Forestry after the collapse of New Order regime.

In 1998, there was a change in government. The fallen New Order regime was replaced by the post-Suharto era or "Reformation Order". Unfortunately, the downfall of Suharto did

not improve forest conditions. In fact, deforestation became even worse. This is attributed to widespread lawlessness immediately following the change in the government. In addition, the adoption of decentralization policies (including Law No. 22 of 1999 on regional autonomy) enabled the heads of the regional governments to recklessly issue forest utilization permits. An increasing demand for forest-related products contributed to increased individual and group interest in these industrial sectors. A recent issue of *Forbes* magazine, identifying the world's richest people, revealed that among Indonesia's 50 richest people, 18 of them made their fortunes mainly from the palm oil, pulp and paper and coal industries (Forbes Indonesia 2013). The latest available data shows that, combined, industrial concessions cover a third of the total land area of five major regions (Table 1).

Table 1: Area of industrial concessions for each region in Indonesia

	Area of industrial sectors (ha)						
	Land area (ha)	Oil palm	Logging	Fiber	Mining	Mixed concessions	All industries
Kalimantan	53,602,272	8,367,306	9,192,299	4,242,584	2,538,180	4,737,105	29,077,375
Sumatra	47,639,870	3,099,060	1,368,171	4,467,859	1,583,892	767,572	11,286,553
Papua	41,505,929	416,636	10,442,780	1,412,020	NA	275,783	12,547,219
Sulawesi	18,738,282	249,154	1,663,584	441,988	NA	24,141	2,378,868
Moloccus	7,884,757	0	1,325,608	44,330	NA	0	1,369,939
Total	169,371,110	12,132,057	23,992,442	10,608,782	4,122,072	5,804,600	56,659,954

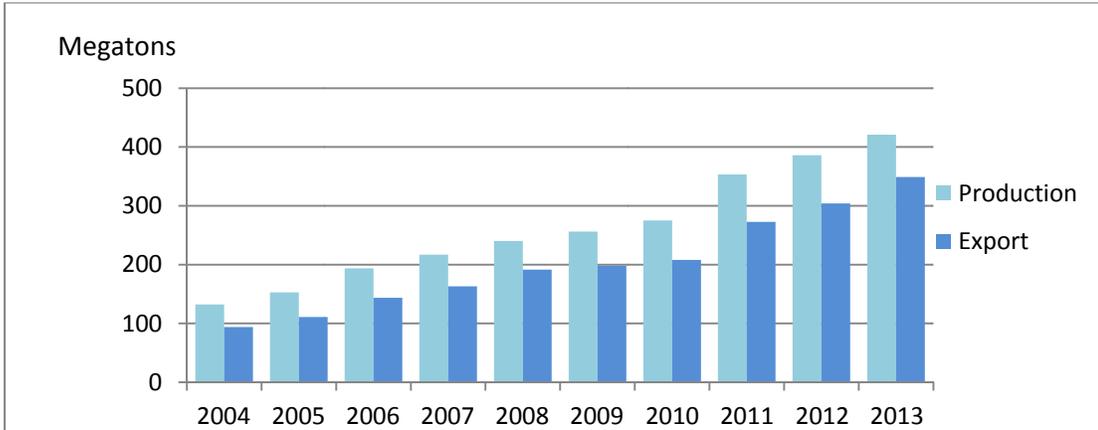
*Source: S.A. Abood, et al. 2014*

The 21<sup>st</sup> century marked the beginning of a dramatic increase in international demand for Indonesia's natural resources. Forest utilization permits were increasingly granted to companies trying to meet higher demand for timber, pulp and paper, crude palm oil (CPO) and coal products. Indonesia's pulp production capacity grew from 606,000 to 4.9 million tons per year between 1988 and 2000, while the paper industry's processing capacity rose from 1.2 million to 8.3 million tons per year. By 2000, pulp and paper products generated US\$2.9 billion in export earnings, accounting for over 50% of the country's forest-related exports (C. Barr 2000). From 2004-2013, Indonesia's coal production tripled (see Figure 1). Over three quarters of this production is for export, making Indonesia the world's largest coal exporter (Chunchun 2014). Similarly, oil palm production in Indonesia increased dramatically from 1999-2011, mirrored by a 3000% revenue increase from 1999-2011 (see Figure 2.)

The expansion of industrial concessions to increase production capacity resulted in massive forest loss within the same period of time. Following the establishment of the Reformation

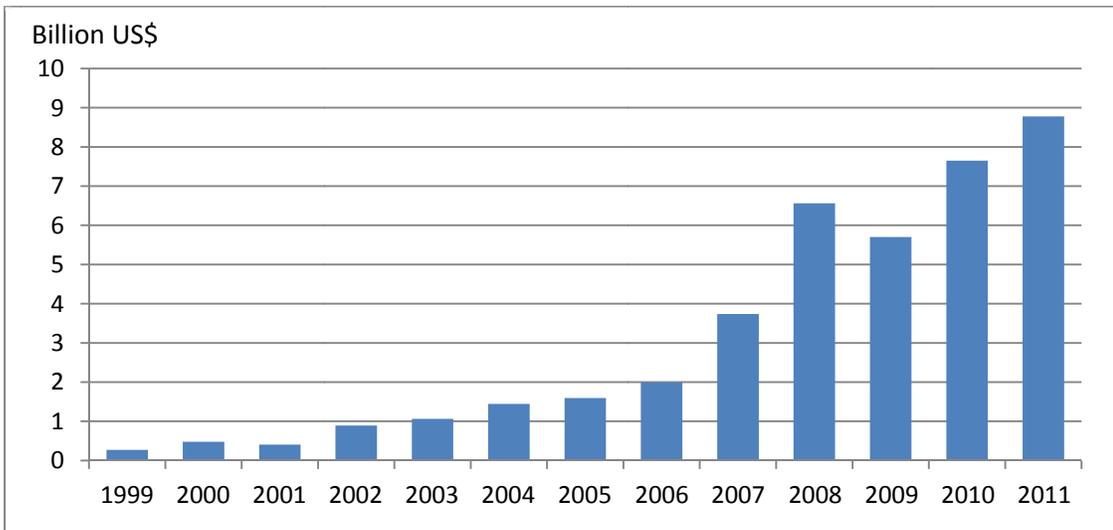
Order, from 2000 until 2010, the islands of Sumatra, Kalimantan, Sulawesi, Maluku and Papua lost around 14.7 million hectares of their forests. Of this, 44.7 percent or 6.6 million hectares of forest cover loss occurred within industrial concession areas (See Figure 3).

**Figure 1** Indonesian Coal Production and Export 2004-2013



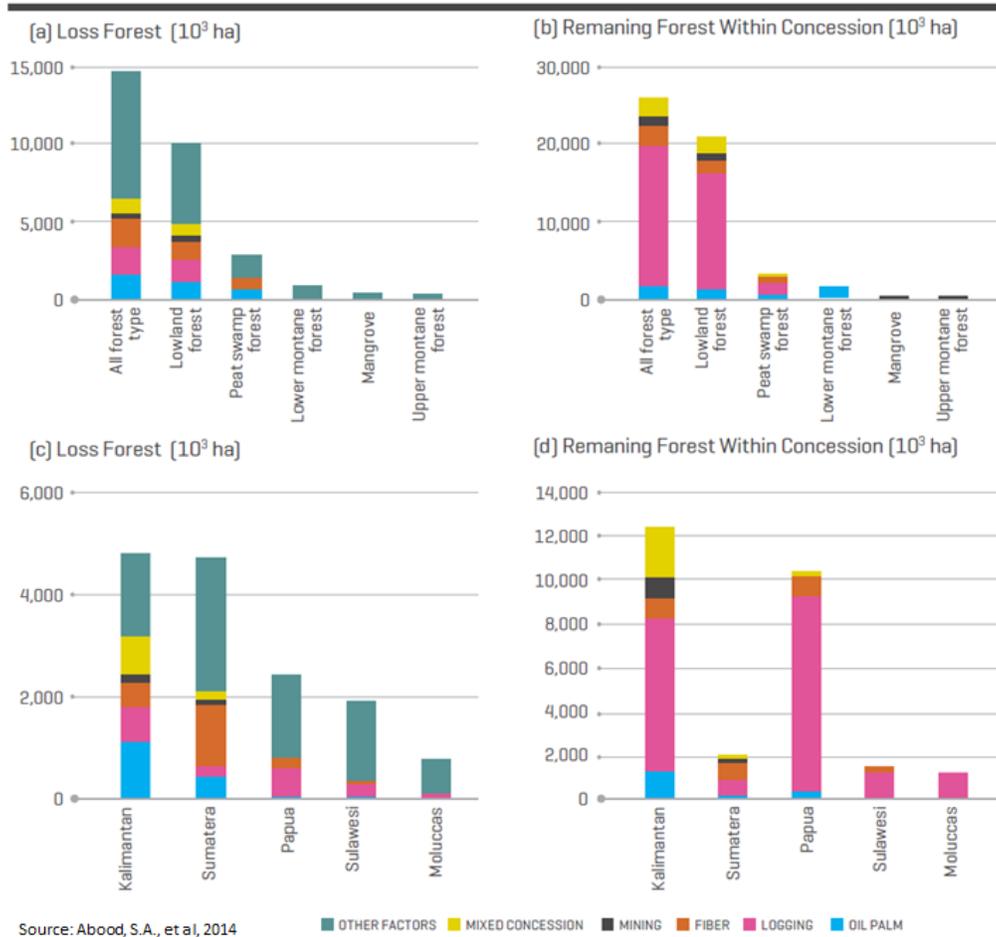
*Source: Ministry of Energy and Minerals 2014*

**Figure 2** Indonesian Crude Palm Oil Export Revenue 1999-2011



*Source: Statistics Indonesia*

**Figure 3** Forest loss in Indonesia from 2000 to 2010 within different industrial sectors, and forest remaining among different industrial sectors based on forest types (a) and (b), respectively, and islands (c) and (d), respectively. Coal mining concessions were unavailable for Papua, Sulawesi, and Moluccas



Source: S.A. Abood, et al, 2014

### 2.3 The impacts of decentralization

The increased role of the regional governments has added to widespread deforestation. After the downfall of New Order regime, various regions demanded broader authority to manage and gain profits from their natural resources. During New Order regime, natural resources were fully managed by the central government, leaving little to the producing regions.

A number of regions requested permission to collect taxes and royalties from companies that conducted natural resource exploitation in their regions. These taxes and royalties were previously received by the central government. Lack of response from the central government incited several regions such as Riau, Aceh, East Kalimantan and Papua to threaten to secede from Indonesia (Barr, et al. 2006).

To appease these requests, the government issued Law No. 22 of 1999 on Regional Autonomy. The law delegates some of the central government's authority to the regional governments. In the forestry sector, Law No. 22 of 1999 was widely used by the regional governments at regency level to issue many small-scale timber extraction and utilization permits.

In East Kalimantan, for instance, from March 1999 until January 2000, the government of Berau Regency issued 33 Timber Extraction and Utilization Permits covering a total area of 11,396 hectares. Meanwhile, the government of Malinau Regency had issued 39 of these permits covering a total area of 56,000 hectares from April 2000 to February 2001 (Barr, et al. 2006).

This practice was not unique to East Kalimantan; the reckless issuance of permits was also widespread in Central Kalimantan, West Kalimantan and other regions in Indonesia.

As time passed, the broader authority possessed by the regional governments conflicted with the authority of the central government. In September 1999, five months after the enactment of Law No. 22 on Regional Autonomy, the government issued Law No. 41 of 1999 that strengthened the position of the central government. According to the Law, the central government has the authority to regulate any matters related to forestry issues, including permits.

However, this new law did not automatically reduce authority of the regional governments. Through Law No. 22 of 1999, regional governments still had substantial control over their respective forests. This was reinforced by the Regional Autonomy Law, which gave them authority to manage natural resources, including the forestry sector. Law No. 41 of 1999 is deemed a sectoral law, thus cannot replace Law No. 22 of 1999.

This jurisdictional confusion is the main reason for the dysfunctional coordination among government institutions. For example, in May 2000 the Minister of Forestry sent letters to the governors and regents ordering them to refrain from granting forest utilization permits.

The Minister also required companies that had already obtained the permit to restore the damaged forests.

In defiance, the regional governments ignored the letters and continued issuing more permits. Despite a temporary decline, by the end of 2000, the issuance of utilization permits in small-scale forests by the regional governments was once again widespread.

The central government responded forcefully. In late 2000, the Ministry of Forestry's Secretary General threatened to sue a number of regional government heads for granting forest utilization permits in the state forest areas. Various regulations were later issued to prevent regional governments from recklessly granting permits. Again, despite these efforts, new forest permits were still widely issued. In 2011, for instance, the Ministry of Forestry announced that 14 regents had granted forest utilization permits, contradicting the law stipulating that the Ministry of Forestry alone can grant this permit, with the regional government only playing an advisory role (Koran Tempo 2011).

It is clear that one of the biggest constraints to the overall improvement of forest governance is Law No. 41 of 1999 on Forestry. According to the Head of UKP4, Kuntoro Mangkusubroto, the Law on Forestry is exploitative in its nature and gives too much power to the state without being checked by strong governance. "So long as the law remains unchanged, we can't expect the politics of forestry in Indonesia to change significantly," said another government official.

However, an amendment to Law No. 41 of 1999 will be difficult. Opposition is expected from inside the government as well as from the parliament that has the authority to pass laws. The interest groups who have benefited from this law will also oppose its amendment.

### **3. Challenging "Business-as-Usual"**

In response to widespread bureaucratic corruption and contradictory law-making following the end of the Suharto era, civil society groups emerged to advocate forest conservation and government transparency. These groups included a number of non-governmental organizations (NGOs).

#### ***3.1 Challenging BAU: Walhi***

During the ultra-repressive New Order era, there were few civil society groups that voiced concerns about forest protection. One of the first of these groups was *Wahana Lingkungan*

*Hidup* (Indonesian Forum for the Environment or Walhi), an organization that was established in 1980 as a government initiative. Walhi was expected to assist the government in resolving environmental issues. In this way, the government would be able to promote its environmental programs to the public through Walhi while at the same time the people would be able to report various environmental issues to the government through Walhi (Walhi 2013).

However, as time passed, Walhi became more critical of the government. In fact, Walhi sued the government a number of times. In 1989, Walhi sued six government officials after they approved the construction of a pulp and rayon plant owned by PT Inti Indorayon Utama, a member of Raja Garuda Mas Group.

Despite losing in court, Walhi continued to provide advocacy for several other cases. Lawsuits filed by the organization included cases concerning forest fires in South Sumatra (1998) and the One Million Hectare Peatland Development Project in Central Kalimantan (1999).

### ***3.2 Challenging BAU: Greenpeace***

During the Reformation Order, a number of environmental organizations with a focus on Indonesia's forests began to emerge. One of the groups most widely reported in the media campaigning for forest protection was Greenpeace. The international organization opened its representative office in Indonesia in 2006.

Greenpeace later organized several controversial campaigns. In 2007, dozens of Greenpeace activists hoisted a banner that read 'Palm Oil Kills Forest and Climate' at the crude palm oil (CPO) processing plant of PT Duta Mas. Another campaign involved activists chaining their bodies to heavy equipment belonging to PT Riau Andalan Pulp and Paper (RAPP), a member of the Sinar Mas Group. The action was taken by Greenpeace as a protest against RAPP, which they accused of degrading peat forest in the Kampar Peninsula of Riau.

Their most successful action was achieved when they launched a campaign to ask global brands such as Unilever and Nestle to cut their commercial relationships with companies suspected of degrading the forests. The campaign proved successful. Increasing public awareness of products tied to deforestation has encouraged commitments from large palm oil and pulp and paper companies to avoid deforestation, due to their concern over losing customers in the international market. For instance, in 2011 Golden Agri Resources

committed to reduced deforestation. Another member of the Sinar Mas Group, Asia Pulp and Paper, made an avoided deforestation commitment in 2013, and, in the same year, the palm oil trading company Wilmar International and the pulp and paper company APRIL made similar pledges (Poynton 2014).

### ***3.3 Challenging BAU: AMAN***

Another civil society organization that was successful in providing advocacy was *Aliansi Masyarakat Adat Nusantara* (Indigenous Peoples' Alliance of the Archipelago/AMAN). The organization was established in April 2001 with the objective of fighting for indigenous peoples' rights to forest.

Indigenous peoples have relied for centuries on forest resources for subsistence. However, forest concession permits granted by the government frequently overlap with lands occupied by indigenous peoples. This overlap created unavoidable conflicts over land ownership between indigenous peoples and businesses that were often backed by security officials (See Box 1).

#### **Box 1: Indigenous communities vs the pulp and paper industry**

One of these conflicts occurred in Humbahas Regency, North Sumatra. In that regency, the indigenous communities of Pandumaan and Sipituhuta has been involved in a conflict with PT Toba Pulp Lestari (formerly called Indorayon, owned by Raja Garuda Mas Group) since 2009.

After securing a permit from the Ministry of Forestry and backed by security forces, PT Toba Pulp made an attempt to enter a Kemenyan forest area (managed by local communities to produce a valuable resin used in incense and perfume) to plant *eucalyptus*. The Kemenyan forest area was considered customarily to be part of their traditional territories by the people of Pandumaan and Sipituhuta. A physical confrontation inevitably followed. In February 2013, 21 citizens of Pandumaan and Sipituhuta were arrested for confronting the police who were trying to enter the Kemenyan forest.

AMAN handled 143 violent conflicts involving indigenous peoples in 2013 that were related to the seizure of land areas and natural resources. According to AMAN's estimates, the actual number of these cases may be three times larger as many cases go unreported (AMAN 2014).

#### 4. An Agreement between Norway and Indonesia

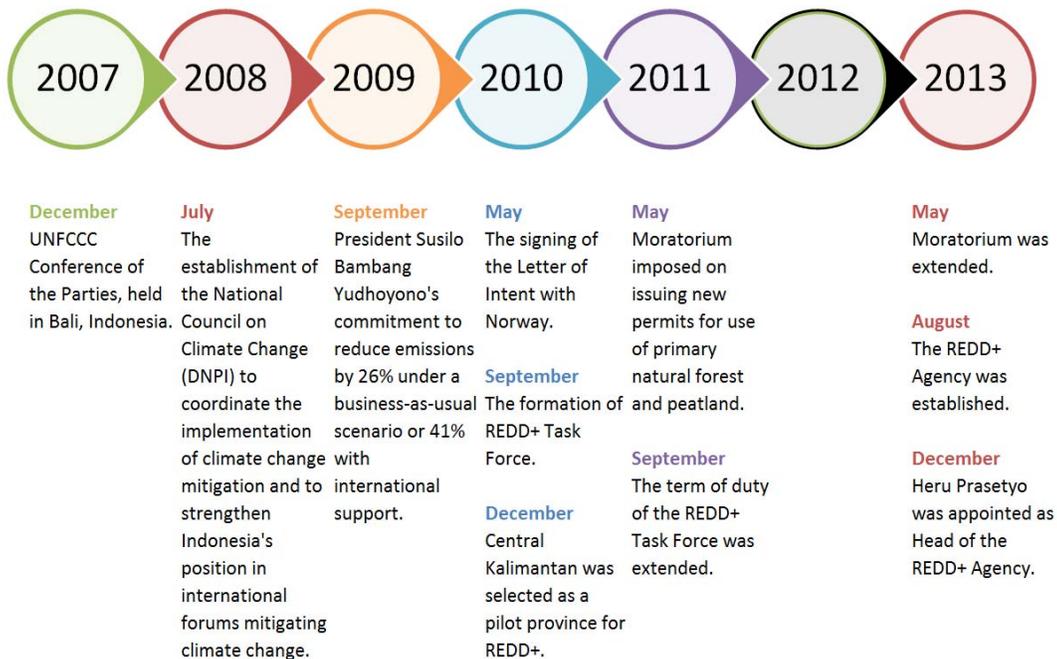
##### *4.1 Indonesia and international discussions on REDD+*

Growing concern for global climate change has encouraged involvement in international discussions related to global-scale mitigation efforts. One of the major forums for these discussions is the United Nations Framework Convention on Climate Change (UNFCCC).

Under the UNFCCC, industrially developed countries are required to reduce their emissions through mitigation. Developing countries, which are currently not required to reduce their emissions, are presented with a chance to obtain various funding and technological support to modify their economic development course into a low-carbon development model.

REDD+ is the main UNFCCC mechanism through which developed countries provide compensation to developing countries with considerable forest areas to prevent deforestation and reduce emissions (Corbera, Estrada and Brown 2009).

**Figure 4** Timeline of the evolution of REDD+ in Indonesia



The concept that became REDD+ was initially brought up in 2005, at the UNFCCC's 11th Conference of the Parties (CoP 11) held in Montreal, Canada. During the Conference, a number of countries formed a Coalition for Rainforest Nations (CfRN) and submitted a

proposal on "Reducing emissions from deforestation in developing countries: approaches to stimulate action", introducing a mechanism referred to as Reducing Emissions from Deforestation (RED), a precursor to REDD+. The discussion evolved over the two years that followed as member countries focused on practical issues that needed to be addressed before action could be taken on global RED implementation.

Indonesia's involvement in global forums on deforestation and emissions began two years after initial RED talks (see Figure 4). December 2007 marked an important milestone in the history of REDD+ and its relationship with Indonesia. That year, CoP13 was held in Bali, Indonesia, during which Parties to the Convention decided to begin formal negotiations and implementation of REDD+ strategies through demonstration activities. The agreement was subsequently called the Bali Action Plan. During the Conference, representatives of the CfrN argued that forest degradation, another large source of emissions, should also be included in the mechanism. The Parties thus agreed at the CoP13 to broaden the scope to REDD (Pistorius 2012).

After the Bali conference, the debate began focusing on other ways to reduce forest-related emissions. The plus in REDD+ indicates the inclusion of these alternative methods, specifically conservation of forest carbon stocks, sustainable management of forests, and enhancement of forest carbon stocks. Indonesia translated its international involvement into domestic commitments in subsequent years. In July 2008, Indonesia's National Council on Climate Change (DNPI) was established by Presidential decree. The DNPI's function is to coordinate climate change mitigation and to strengthen Indonesia's position within the international community on climate change mitigation.

Significantly, during the G-20 meeting in Pittsburg on September 25<sup>th</sup>, 2009, President Susilo Bambang Yudhoyono publicly committed to a reduction of carbon emissions by 26 percent compared to business as usual <sup>3</sup> by 2020. In fact, President Yudhoyono was confident that the emission reduction could reach 41 percent with international support.

"This target is entirely achievable because most of our emissions come from forest-related issues, such as forest fires and deforestation," said President Yudhoyono (Reuters 2009).

In his speech in Pittsburg, President Yudhoyono also stated that Indonesia wished to become part of the solution to solve climate change problems, despite the fact that

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<sup>3</sup> Indonesia carbon equivalent emissions in 2009 were 11 Mt Co2e per capita, (EDGAR 2014)

Indonesia still faced other domestic problems, such as unemployment, infrastructure development, education and healthcare (Yudhoyono 2009).

The announcement made by the President was a big step forward. Given the severity of deforestation in Indonesia at the time, many called it a leap in environmental sector policy. This commitment by the Indonesian government gained international attention and support, encouraging countries like Norway to aid in Indonesia's struggle to maintain forest cover.

#### ***4.2 Letter of Intent with Norway***

Encouraged by President Yudhoyono's commitment, the Norwegian government decided to commit US\$1 billion for deforestation and emissions reduction programs in Indonesia consistent with the proposed REDD+ mechanism. The Letter of Intent (LoI) between the two countries was signed in Oslo on May 26<sup>th</sup>, 2010.

Based on the agreement, the US\$1 billion fund was to be disbursed gradually in accordance with achievements in forest and carbon stock management made by the Indonesian government. As of the time of the interviews undertaken for this paper, a total of US\$40 million had already been disbursed for preparatory activities such as developing a national REDD+ strategy.

The execution of the agreement with Norway was divided into three phases (Government of Norway & Government of Indonesia 2010):

Phase 1 is a preparatory phase. During this phase, various measures were taken to prepare for REDD+ implementation, such as formulating a REDD+ national strategy, establishing a national REDD+ Agency, and selecting a pilot province for REDD+ implementation.

Phase 2 is termed the transformative phase. According to the LoI, Phase 2 was scheduled to be implemented from January 2011 until the end of 2013, but in fact is only now getting underway. During Phase 2, the partnership program will focus on national-level capacity building, policy development and implementation of legal reform and law enforcement. During this phase, Indonesia is to enforce laws against illegal logging and other forest-related crimes, as well as to take measures to resolve land disputes.

Phase 3 is projected to be the scaled-up implementation of the REDD+ strategy and program at the national level. This includes monitoring, assessment, and verification of REDD+ results by an independent MRV agency. The results of these emissions reduction

efforts would trigger payments based on performance, and are to be reported to the UNFCCC.

#### *4.2.1 Establishment of the REDD+ Task Force*

The LoI was followed by Presidential Decree No. 19 of 2010, establishing the REDD+ Task Force. The Task Force was set up to coordinate all work related to mitigating forest emissions and to manage the process of establishing a more permanent REDD+ Agency. The Task Force was expected to oversee all ongoing work processes under other ministries or agencies related to this objective. It was chaired by the Presidential Working Unit for Development Monitoring and Control (UKP4). The UKP4 is a working unit that is solely responsible to the President of Indonesia, and does not act on behalf of other ministries.

In addition to including representation from staff in the UKP4, the REDD+ Task Force included representation from officials that were appointed from across other Ministries and agencies. These included representatives from the Ministry of Finance, the Ministry of Forestry, the State Ministry for the Environment, the Ministry of Energy and Mineral Resources, the Ministry of Agriculture, the State Ministry for National Development Planning and the National Land Agency. The decision to appoint the UKP4 to chair REDD+ Task Force was a prudent decision to ensure that REDD+ initiatives in Indonesia would not be under the sole purview of the Ministry of Forestry.

#### *4.2.2 Pay for Performance*

Upon the signing of the LoI, it was widely assumed by the media and the public that Norway would disburse the whole pledge of US\$1 billion immediately.

However, the funding was, in fact, designed to be disbursed gradually under a pay-for-performance mechanism. Under this mechanism, Norway and Indonesia have agreed upon a number of targets and achievements. The funds are to be disbursed if these targets and achievements have been successfully attained.

The funds will be released in accordance with the LoI implementation. A total of US\$200 million were allocated for Phases 1 and 2, while the remaining US\$800 million were set aside to pay for performance in reducing deforestation during Phase 3. As of the writing of this paper, a total of US\$40 million had been disbursed to help achieve the milestones included in the LoI (Greenpeace 2012).

The majority of government officials and civil society activists who were interviewed for this study thought that the implementation of a pay-for-performance approach in Indonesia would work well precisely because it was based on achievements. The pay-for-performance system is anticipated to encourage Indonesia to continuously demonstrate achievements as outlined by the LoI. “Just like a rabbit, they will run faster if they see a carrot in front of them,” said Nyoman Ismawarayoga, Communication and Advocacy Director of WWF Indonesia.

Other than encouraging the implementation of effective conservation policy, the pay-for-performance system is anticipated to mitigate corruption in the country.

#### **Pay for Performance and Anti-Corruption: A World Bank Case**

A corruption case involving a World Bank grant can serve as an example of how aid disbursed to the government in a single lump sum is prone to corruption and will likely fail to reach its desired targets. In 2001 the World Bank had to stop its grant funding for a social safety net project, having spent US\$203 thousand before reaching the total grant allocation, due to corruption.

After this dirty practice was exposed, the World Bank immediately blacklisted five persons and two firms who were barred from receiving any aid or project whatsoever from the World Bank for the next three years (Priharnowo 2005).

Weak government bureaucracy was thought to be the reason why aid funds could be so easily squandered, although the government may not take all the blame. It has been suggested that the World Bank, as the donor, failed to provide strict supervision, creating a situation where the aid could be misspent.

In light of this, civil society activists warmly welcomed the pay-for-performance mechanism in the REDD+ program and viewed it as a breakthrough. They expect the partnership between Norway and Indonesia to yield real outcomes.

In addition to preventing the funds from being squandered, the pay-for-performance mechanism changes the relationship between Indonesia and Norway from donor and recipient to equal partners.

Head of the UKP4 Kuntoro Mangkusubroto commended the payment strategy by saying that Norway did not demand too much nor impose too many cumbersome conditions for providing assistance to reduce emissions. According to Mangkusubroto, this is different from other assistance programs that impose various conditions. “Norway is the most sincere

of all, (it) didn't impose absurd conditions such as [those that] forbade [us] to hamper their industry. The majority are just like that," said Mangkusubroto.

The agreement between the two countries was framed as an equal partnership, meaning that Indonesia could suggest amendments or changes to the terms of the agreement during the grant period. Norway also put more emphasis on the ultimate objective, i.e., achieving reduced deforestation and related emissions. For this reason, around US\$800 million is to be awarded based on achievements toward the ultimate objective.

If the payment method were based on a grant mechanism, the relative positions of the two partners would be different. Psychologically speaking, the donor always feels superior to the recipient.

Indonesia was caught in this awful situation when the IMF provided a loan during the 1998 financial crisis. A photo was taken in which the IMF's Managing Director, Michael Camdessus, is seen to be standing with his arms crossed, haughtily peering over the shoulder of President Suharto as he signed the Letter of Intent. As the media circulated the photo, the nation took offense (Seymour 2013).

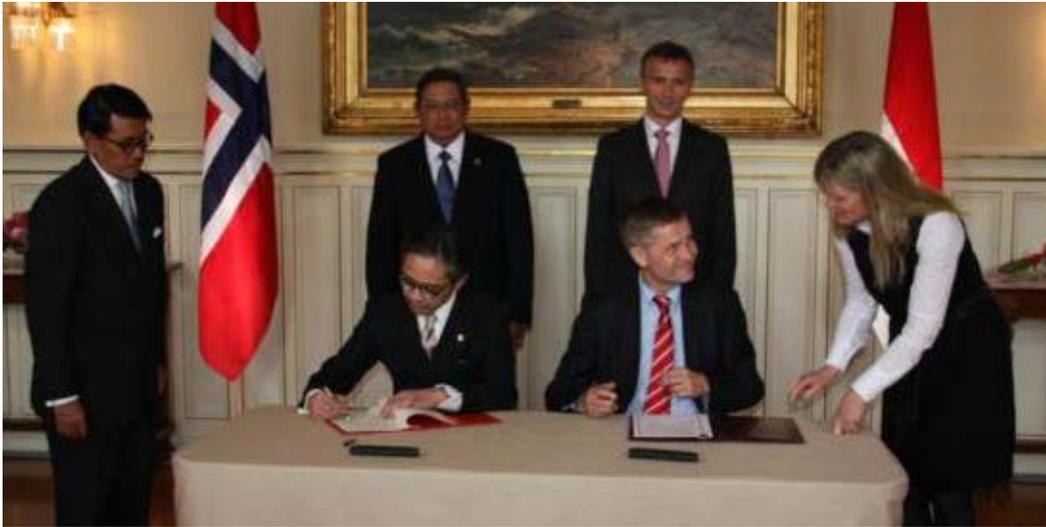


President Suharto Signs the Letter of Intent with the IMF in 2008

*Source: Suara Pembaruan*

However, being in the midst of an economic crisis at the time, the Indonesian government had no choice but to accept the conditions imposed by the IMF for obtaining the financial aid.

In contrast, during the signing of the agreement between Norway and Indonesia, both state leaders, Norwegian Prime Minister Stoltenberg and President Susilo Bambang Yudhoyono were standing side by side, signaling equality in their partnership.



Signing of the REDD+ Letter of Intent between Indonesia and Norway in 2010

*Source: Statsministerenskontor, Government of Norway*

Based on the analysis above, we can conclude that under the current circumstances where Indonesia is still highly susceptible to corrupt practices, the implementation of a pay-for-performance mechanism is likely to be more effective than a grant mechanism. The pay-for-performance mechanism also gives assurance that the program can be implemented in a transparent way with measurable outcomes, and signals a more equal partnership with the donor country.

#### ***4.3 Opposition to the LOI***

As expected, business owners were opposed to the Indonesia-Norway partnership designed to promote REDD+. The partnership was severely criticized by the Indonesian Palm Oil Association (Gapki). Gapki accused Norway of having a special agenda in granting US\$1 billion in aid to Indonesia for implementing REDD+. The Secretary General of Gapki, Joko

Supriono, blasted Norway by saying that, as one of the largest oil producers in the world, the country has a vested interest in compensating for its own carbon emissions. He said that this was the real reason behind Norwegian aid to Indonesia (Siregar 2010).

Opposition also came from the Employer's Association of Indonesia (Apindo). The Chairman of Apindo, Sofyan Wanandi, said that if Norway is so committed to climate change, then they should implement carbon mitigation programs in their own country. "Why put pressure on us?" demanded Sofyan. According to Sofyan, the government should not be misled by the global campaign launched by the environmental NGOs. It would be better, he stated, if Indonesia concentrates on domestic poverty alleviation (Siregar 2010).

Plantation companies also strongly disapprove of the pay-for-performance mechanism. According to them, the pay-for-performance mechanism has opened up an opportunity for a foreign country to control and put pressure on Indonesia. After all, the moratorium on forest permits was mentioned in one of the clauses of the agreement. They said that the moratorium would hamper the growth of the plantation industry, especially palm oil.

A small number of government officials also expressed a similar opinion. An official at the Ministry of Forestry in interviews conducted for this study said that there was no equality between Indonesia and Norway in the LoI on REDD+. According to the official, Norway has too much control and has interfered with Indonesia's internal matters.

In an interview for this study, a source stated that the Minister of Forestry voiced his disapproval of Norway's decision to use the pay-for-performance mechanism. According to him, the mechanism creates uncertainty as to whether or not the Indonesian government will eventually receive the funds. However, the official admitted that Norway's commitment to fund Indonesia's conservation efforts up to \$1 billion has the potential to encourage various parties to think seriously about forest protection.

Despite opposition to the Indonesia-Norway agreement, the need to mitigate the effects of deforestation has encouraged the continued efforts to this end, as described in the next section.

## 5. Outcomes of the agreement with Norway

### *5.1 A Moratorium on Forest Concessions*

An important milestone in the implementation of REDD+ in Indonesia was the enactment of a moratorium on new forest exploitation and conversion permits. An earlier moratorium policy to relieve the growing pressure on forests had been enacted in 1998, as part of the IMF's conditions for financial assistance to Indonesia during the Asian financial crisis (International Monetary Fund 1999). However, this condition was never met and the moratorium was discontinued following expiration of the IMF program in 2003 (Luttrell, et al. 2011).

The idea of a moratorium was introduced again on May 20<sup>th</sup>, 2011, when the government enacted Presidential Instruction (Inpres) No. 10/2011, a moratorium on new concessions in primary natural forests and peatlands. The decision to enact a moratorium was one of the more significant outcomes of the partnership between Indonesia and Norway. Many environmental organizations had called for a moratorium in the past but had never received a response from the government. It was not until the partnership with Norway was established that the Indonesian government finally voluntarily issued a moratorium policy.

The Inpres instructed three ministers (Forestry, Home Affairs and Environment) and the heads of five agencies, including the REDD+ Task Force, to prohibit the granting of new licenses for exploitation or conversion in primary natural forests and peat lands. The scope of the moratorium was significantly limited by its specification that it applied only to natural primary forests, and excluded secondary and degraded forests (Murdiyarso, et al. 2011). However, the inclusion of peatland was expected to yield the most environmental benefits due to the huge carbon capacity of the ecosystem type. The moratorium was also expected to be applied to unclaimed land. Article 2 of the Inpres listed some exceptions to the moratorium:

- Forests covered by applications for concessions licenses already approved in principle by the Ministry of Forestry
- Land needed for “vital” national development projects (geothermal, oil and natural gas, electricity, rice and sugarcane)
- Extension of existing licenses for forest exploitation and/or forest-area use
- Ecosystem restoration

Finally, as a Presidential Instruction, the moratorium was meant to encourage conservation, but is a non-legislative document with no legal consequences if its instructions are not implemented. Still, the potential impact of the moratorium was promising. Unfortunately, over the next few years limitations of the moratorium became evident.

#### *5.1.1 Moratorium Implementation Problems*

In order to monitor implementation of the moratorium, the government issued an indicative moratorium map. The indicative moratorium map (IMM) was created to provide a unified and comprehensive map demarcating peatland areas, primary natural forests, and existing concessions. The map is updated once every six months to remain current. It is a useful tool for public scrutiny and to further secure and possibly increase the area covered by the moratorium (Murdiyarto, et al. 2011).

Previously, the only available forest-related maps covered the same areas with varying and sometimes contradicting layers. Different maps were maintained by various ministries and agencies. For instance, the maps controlled by the Ministry of Forestry showed different land use boundaries from the maps controlled by the Ministry of Agriculture, the National Land Agency (BPN), and the National Coordinating Agency for Survey and Mapping (Bakosurtanal) (Murdiyarto, et al. 2011). This lack of data coherence is the chief reason why the boundaries of the designated areas covered by the moratorium are always changing.

Furthermore, different government officials presented different data to the public regarding the total forest area covered by the moratorium. For example, the President's advisor on climate change once stated publicly that the area covered by the moratorium reached 64 million hectares. However, a different set of data was presented by the Secretary General of the Ministry of Forestry who said that the area covered by the moratorium reached 72 million hectares, consisting of 55 million hectares of primary natural forest and 17 million hectares of peatland. This is a much smaller amount than the figure previously announced by the Ministry of Forestry, which indicated that the area covered by the moratorium reached 96 million hectares (Murdiyarto, et al. 2011). Meanwhile, according to an analysis by the Center for International Forestry Research (CIFOR), the total land area covered by the moratorium was in fact only 66.4 million hectares (Murdiyarto, et al. 2011).

By the time of its fifth revision published in December 2013, the indicative moratorium map showed that the total land area covered by the moratorium had decreased to 64.7 million hectares of primary natural forests and peatland (Britmindo 2013).

In addition to the inconsistent forest map, the moratorium was confronted by other various constraints. As previously mentioned, the moratorium did not cover secondary forests such as logged areas. This resulted in the loss of opportunity to protect at least 46.7 million hectares of forests that were still rich in both carbon and biodiversity (Murdiyarso, et al. 2011).

Furthermore, the exceptions listed in Article 2 of the Inpres limited its effectiveness. As previously noted, the Presidential Instruction on moratorium excluded any forest that had already obtained a permit “in principle” from the Minister of Forestry, without taking into account the forest’s biodiversity and carbon richness. In addition, the Presidential Instruction excluded land required for vital national development projects (geothermal, oil and natural gas, electricity, rice and sugarcane), without taking into account its proximity to conservation areas.

In their 2011 study on the forest moratorium, Mudiyarso et al wrote that due to the half-hearted moratorium policy, there remained large areas of unprotected forest, and the various environmental benefits from the moratorium would be lower than expected.

Moreover, there was a delay in enacting the moratorium that should have been in full effect starting January 1<sup>st</sup>, 2011. The delay of almost five months left room for various frauds and corrupt practices. A study by CIFOR showed that many forest concession permits were hastily issued to take advantage of the delay. The fact that the moratorium did not apply retroactively added to the severity of these consequences (Murdiyarso, et al. 2011).

#### *5.1.2 Moratorium Impacts*

The assessed impact of the moratorium differs by source. Government officials have proclaimed the moratorium a success. The Indonesian Ministry of Forestry announced an estimated decrease in annual forest loss to 400 thousand hectares from 2009 to 2011 (MoF 2013), down from 1.2 million hectares per year between 2003 and 2006 (Forest Asia Summit 2014). Furthermore, President Susilo Bambang Yudhoyono publicly stated that the moratorium resulted in decreased deforestation rates. He explained that between 2011 and 2013, Indonesia had been able to reduce its annual deforestation rate to between 450 and 600 thousand hectares. Despite being higher than the reported numbers from the two previous years by the Ministry of Forestry, this was noted as a seemingly impressive contrast to the 2003 and 2006 estimates.

However, according to newer studies, Indonesia's deforestation rate has not decreased since the moratorium. In fact, it has persisted at an alarming rate. A study led by researchers at the University of Maryland found that in 2012, a year after the moratorium implementation, Indonesia lost 840,000 hectares of forest. This figure is far greater than the figure reported by President Yudhyoyono for that same year. Furthermore, when compared to Brazil's annual forest loss of 460,000 hectares, it becomes evident that Indonesia is now the country with high rate of forest loss in the world (Margono, et al. 2014).

Not only is deforestation persisting, but it is occurring in areas assumed to be protected by the moratorium. Anderson et al note that around 40 percent of land clearing from 2000-2012 occurred in the national parks, protected forests and the areas covered by the moratorium (Anderson 2014). There is additional evidence that forest concessions continued to be issued on land covered by the moratorium. For instance, a year after the enactment of the moratorium, it was discovered that permits were issued for almost 5 million hectares of peatland in areas thought to be protected by the moratorium (Evans 2012).

### *5.1.3 Moratorium Extension*

Despite being considered ineffective in decelerating deforestation and forest degradation, all environmental organizations agreed that the moratorium should be extended after its expiration date in May 2013.

Abetnego Tarigan, Executive Director of Walhi, said that forest governance would get even worse if the moratorium were to be terminated. According to Tarigan, the forest permitting problem had not be fixed by the end of the moratorium. In addition, forest-related conflict involving local communities had not been resolved either. "The last moratorium period was merely delaying the issuance of permits, without any achievement indicators," said Tarigan (Saturi, Koalisi: Lanjutkan Moratorium Berbasis Capaian Tanpa Jeda Waktu 2013).

Yuyun Indardi, Forest Political Advisor of Greenpeace, suggested that the moratorium should be extended based on achievements. In addition, the moratorium's extension should not have any hiatus period, even for a moment. He worried that "If there was a hiatus, even if it's only for a month, (new) permits can be issued." (Saturi, Koalisi: Lanjutkan Moratorium Berbasis Capaian Tanpa Jeda Waktu 2013).

As expected, opposition to moratorium extension was voiced by business owners. The Indonesian Palm Oil Association (Gapki) said that the moratorium extension would hamper

the growth of the palm oil industry. Tungkot Sipayung, Director of Advocacy and Law of Gapki, said that over the two-year moratorium period deforestation and carbon emissions had been adequately reduced, and therefore it should not be further extended. According to him, extension of the moratorium would only cause losses to palm oil companies that had contributed significantly to state revenue. According to Tungkot, the government should focus on protecting primary and conservation forests, while peatland should be used for palm oil plantations (Lubbis 2013).

Business owners were not alone in this opposition. The Minister of Agriculture also opposed the extension. As forest conversion permits had been suspended during the two-year moratorium, he preferred to revoke the moratorium to increase the availability of new lands for palm oil (Suhendra 2012).

Fortunately, amid conflicting interests and opinions, on May 13<sup>th</sup>, 2013, President Susilo Bambang Yudhoyono issued a decision to extend the moratorium on the issuance of forest permits for two more years until 2015.

The Minister of Forestry, Zulkifli Hasan, said that the decision to extend the moratorium was taken because the policy was deemed successful in preventing severe deforestation due to commercial utilization. According to Hasan, the moratorium policy will remain in place to improve governance in the forestry sector (Wardah 2013).

As previously mentioned, the effectiveness of the moratorium on forest loss and governance as claimed by Hasan has been widely disputed. It appears deforestation has not slowed and permits for forest concessions have continued to be issued. The head of UKP4 Kuntoro Mangkusubroto, in an interview for this study, acknowledged these facts. According to him, President Yudhoyono anticipated that change would not happen right away, that it would take a long time to improve forest governance, and that it must be done gradually.

The President seemed to have recognized that such massive changes in the forestry sector would likely not be completed during his short remaining tenure in office. The President has preferred “small” and gradual steps, such as the moratorium and the creation of a comprehensive forest map, with the expectation that the next government will continue improvement.

“The moratorium is an important issue. At least we saw improvements albeit on the wrong foundation,” said Mangkusubroto.

The moratorium actually presented a huge opportunity for President Yudhoyono to demonstrate to the world that, as the head of state, he was seriously concerned about forest protection and emissions reduction. Unfortunately, the lack of enforcement on the part of the President in implementing the commitment is one of the reasons why the moratorium's impact was far from optimal.

In September 2011, the Civil Society Coalition to Save Indonesian Forests and Global Climate harshly criticized the government's lack of implementation of the moratorium. The coalition, comprised of a number of environmental organizations such as Walhi and Greenpeace, said that the President had deliberately ignored the moratorium, and was not serious about its implementation. This was evidenced by the huge pile-up of forest governance-related cases during the moratorium (Tarnes 2011).

### ***5.2 The One Map Initiative***

As was previously mentioned, one of the crucial issues behind the lack of protection for forests is the absence of an unambiguous land map reflecting accurate land use and land tenure boundaries. Each ministry and agency has its own forest map that locates the permits that have been granted so far, and often these are conflicting. The lack of clearly-defined boundaries frequently causes problems in the field and triggers conflict.

This lack of clarity is one of the reasons why many protected forest areas were occupied by new concessions, and can also partially explain the issuance of new land utilization permits in the areas that were actually part of the protected forests. This situation motivated President Yudhoyono in 2010 to order the creation of a collective map that incorporates and verifies every single map possessed by the various ministries and agencies. The REDD+ Task Force was tasked with executing the program which was later called Indonesia's One Map Initiative (OMI). The Task Force later appointed Indonesia's Geospatial Information Agency (BIG) to prepare the infrastructure and systems necessary to standardize and incorporate all existing thematic maps from each sector in the future.

Unfortunately, the completion of the One Map Initiative has been impeded by the reticence of relevant ministries and agencies to share the required data. For example, the National Land Agency (BPN) is supposed to submit a Land Cultivation Rights map, the Ministry of Forestry is required to submit a land cover map, and the Ministry of Agriculture is required to submit data on plantation permits.

“We see that it’s moving, although very slowly,” said Kiki Taufik of Greenpeace. “It’s because each sector has its own ego. Not every sector is willing to give its data easily. In this respect, the Ministry of Forestry initially objected to revealing its maps, because they contain a lot of important information, including data on land concessions and their owners. Thanks to the moratorium, all of this information can now be accessed.”

Nirarta Samadhi, Deputy Head of the Presidential Work Unit for Development Monitoring and Control or UKP4, further explained that it takes a long time to harmonize all data from the ministries and agencies. “What we are doing right now is to resolve any arising issue one at a time.”

Samadhi added that the creation of a collective map is still in the stage of data harmonization. After each party has agreed upon a standard definition of terms and operating procedures, the process is anticipated to move more quickly (Pearl 2014).

The delay in establishing a collective map is a hindrance to evaluating the effectiveness of REDD+ programs in Indonesia. Without the collective map, it would be impossible to assess the progress of REDD+ in reducing deforestation and forest degradation.

### ***5.3 Recognition of Indigenous Rights***

One of the many beneficial outcomes from the One Map Initiative is the formal acceptance of the traditional territories of indigenous peoples. On November 14<sup>th</sup>, 2012, AMAN submitted maps outlining boundaries of customary (*adat*) lands of various indigenous groups. This presented the government with an opportunity to recognize indigenous peoples’ rights to forested areas. There are 265 area maps covering a total area of 2.4 million hectares of indigenous land that will be integrated into the One Map Initiative (AMAN 2012). This is a significant step toward securing the rights of indigenous peoples, whose presence has historically been marginalized in forest management (Saturi, Abdon: Akomodir Peta Wilayah Adat 2012).

Another breakthrough for AMAN is winning a Constitutional Court decision on indigenous land ownership. AMAN struggled to gain support for Indigenous rights to forested areas after the Letter of Intent (LoI) between Indonesia and Norway was signed in 2010, despite the fact that the LoI clearly mentioned Indonesia’s commitment to grant land rights to indigenous peoples.

However, on May 16, 2013, AMAN won a judicial review of Forestry Law No. 41 of 1999 at the Constitutional Court. The Constitutional Court stipulated in its ruling that customary forests are not state forests.

The ruling explicitly confirmed the state's acknowledgment of the indigenous peoples as well as their rights to forest. According to an interview with the Head of the UKP4 Kuntoro Mangkusubroto, this was a significant achievement in Indonesia's forest policy, because the state had never before recognized indigenous peoples' rights. The Constitutional Court's ruling is an initial step in a larger effort, because the ruling needs to be supplemented by implementing regulations to help indigenous peoples secure their rights.

#### ***5.4 Cooperation with the Corruption Eradication Commission (KPK)***

Another important outcome of establishing a REDD+ Program in Indonesia is the greater involvement of various stakeholders, both directly and indirectly related to forestry and environmental issues. Since the LOI was signed, an increased number and range of stakeholders has increased demand for law enforcement and transparency in the forestry sector.

In December 2012, six ministries and agencies signed a Memorandum of Understanding (MoU) on enhancing the coordination of law enforcement among agencies to strengthen the protection of natural resources, including forested areas. The MoU was signed by the Minister of Finance, Minister of Forestry, State Minister for Environment, Attorney General, Head of Indonesian Police, and Head of Financial Transactions and Reports Analysis agency (PPATK). The Head of the REDD+ Task Force and the Head of the Corruption Eradication Commission (KPK) were also present at the signing of the MoU.

A second MoU was signed in March 2013 involving 12 ministries and agencies, setting out the agreement on planned collective action to improve forest governance and to accelerate forest area designation. The President and the Vice President were present at the signing of the MoU. The planned collective action aims at preventing corruption in the forestry sector by encouraging transparency, improving public services, enhancing legal certainty, empowering indigenous peoples and facilitating investors through simplified permitting processes. Indonesia's Corruption Eradication Commission (KPK) and the UKP4 are the designated supervisors of the implementation of this collective action.

The involvement of the KPK in supervision is a strategic step toward accelerated improvements in governance and transparency in the forestry sector. KPK is considered to be the most credible institution in corruption eradication, exceeding the police or the attorney general's office (Trangana 2013).

The institution is currently focused on corruption prevention and eradication in the natural resources sector, as explained by its spokesman Johan Budi in an interview conducted for this study. The KPK has conducted various studies on the forestry sector and has submitted them to the authorized ministries and institutions, which are expected to follow up on cases in order to prevent corruption.

The KPK's focus on the forestry sector has resulted in a number of law enforcement operations conducted by the institution. The Indonesian Corruption Watch (ICW) revealed that from 2003 until August 2012, as many as 26 people related to the forestry sector were tried and sentenced in the corruption court. Of that number, 15 were from the executive branch (a former head of a regional government, a head of office in the Ministry of Forestry, and an official from a provincial forest office), 6 were politicians and lawmakers, and 5 were from the private sector (Indonesia Corruption Watch 2013).

Improved law enforcement and transparency in the forestry sector is an indirect impact of the partnership between Indonesia and Norway. The efforts to increase transparency and improve law enforcement against violations of forestry legislation have been ongoing for quite some time. However, it was intensified after the LoI with Norway was signed, in part due to the continuous outreach effort conducted by the REDD+ Task Force to law enforcement agencies, emphasizing the importance of forest preservation.

In addition, the spotlight put on forest governance by civil society has compelled law enforcement to be tougher on illegal activity, and forestry authorities to be more prudent in their actions. Continued public discourse on forest protection has raised awareness among law enforcement agencies regarding corruption-related deforestation in the forestry sector. "Law enforcement is braver now," said Communication and Advocacy Director of WWF Nyoman Ismawarayoga. "They (law enforcement agencies) are aware of areas that need improvement in the future."

Ever since the forestry sector came under the KPK's scrutiny, the ministries related to the forestry sector have become more cautious in issuing their policies. The head of the UKP4 Kuntoro Mangkusburoto said that it has changed the mindset of most people regarding the

forest. “The State Ministry for the Environment has a partner now in conducting forest-related campaigns, while the Ministry of Forestry is more cautious now,” said Mangkusubroto. “In my opinion, this is the real meaning of Norwegian aid.” The Minister of Forestry, Zulkifli Hasan, has visited the KPK several times on his own initiative, partnering with the KPK to tackle various abuses linked to the issuance of forest management permits.

### ***5.6 Environmental policy transformation***

Besides Indonesia’s law enforcement transformation, the commitment between the Indonesian and Norwegian governments has also improved the effectiveness of the Indonesian government’s environmental policy.

Never before have forests and forestry issues been discussed at such a high governmental level for such a long period of time. Referencing the fact that the government has taken unprecedented steps to adopt policies aimed at forest protection, Senior Advisor of The Nature Conservancy (TNC), Wahjudi Wardoyo, said “I think this was a historical breakthrough.”

In addition, Indonesia’s commitment, outlined by the LoI with the Norwegian government, has encouraged civil society activists, and the world, to participate in supervising its implementation. The Indicative Moratorium Map, for instance, serves as the basis for civil society to monitor and evaluate implementation of the forest moratorium. These groups now have a baseline for assessing the government’s performance as well as its commitment to forest protection. Various environmental NGOs and international organizations have periodically published studies evaluating the government’s progress.

When the partnership between Indonesia and Norway was in its second year, Greenpeace conducted an evaluation of the progress made by Indonesia in implementing the LoI.

Greenpeace noted that the progress was very slow. On the one hand, Greenpeace admitted that the partnership between Indonesia and Norway had successfully raised the public awareness of the importance of forest protection and the anti-corruption issues. However, the most important targets of the LoI, such as the moratorium, land conflict and inadequate forest degradation data had not been resolved (Greenpeace 2012).

### ***5.7 Central Kalimantan Pilot Province***

The partnership agreement between Indonesia and Norway has increased regional expectations of international support for their forest conservation efforts. The Governor of Central Kalimantan, Teras Narang, said that it would be hard to depend solely on the central government for assistance in protecting the forest. Foreign aid is needed to protect the forest in the regions. This is particularly pressing for Central Kalimantan, which was selected by the President to be the REDD+ pilot province on December 30<sup>th</sup>, 2010.

After being selected as a pilot province, Central Kalimantan began efforts to demonstrate its commitment to improving forest governance and reducing deforestation. In October 2012, Central Kalimantan signed a memorandum with the REDD+ Task Force to improve the permitting process and to speed up the designation of forest areas. This measure was taken to untangle the overlapping permitting processes for forest exploitation.

Central Kalimantan proved its commitment further by extending its own moratorium on forest permits in May 2013. The Governor of Central Kalimantan, Teras Narang, actively campaigned for the extension of the national moratorium through the media. Narang even sent a letter to President Yudhoyono requesting the moratorium extension as well as the inclusion of tougher law enforcement for violators.

The CEO of PT Rimba Makmur Utama, Dharsono Hartono, lavished praise on Teras Narang's actions. PT Rimba Makmur is a company that undertakes ecosystem restoration in Central Kalimantan. In an interview for this study, Dharsono said that Teras Narang is a local government leader who has been highly supportive of any effort to save the forests. Dharsono emphasized that Governor Teras Narang's policies had greatly helped him with ecosystem restoration in Central Kalimantan.

While Central Kalimantan has significantly improved its forest management, the pilot province received very little support from the national sectoral ministries, especially the Ministry of Forestry. In a press release in May 2014, several environmental NGOs that joined the Civil Society Coalition for Saving Forests and Global Climate said that much of the effort to improve forest governance has come from Central Kalimantan, including the enactment of a moratorium, permit evaluation, accelerating forest area designation, and involving civil society. However, these measures were implemented in suboptimal fashion due to lack of support from the Ministry of Forestry. In an interview for this study, Governor Teras Narang said that the status of a certain protected forest had been changed

by the Ministry of Forestry so that it could be exploited and used for other activities such as plantation agriculture. “The Ministry of Forestry can pretty much do whatever it wants to change the [borders of protected areas],” said Narang. This, he explained, is due to lack of clear land regulation, which hampers the regional government’s efforts to protect forests.

### ***5.8 Establishment of REDD+ Agency***

The final mission of the REDD+ Task Force was to establish a REDD+ Agency, a more permanent agency responsible for the implementation of strategies to reduce the rate of deforestation and to renovate the governance and transparency of resource management in Indonesia. On August 31<sup>st</sup>, 2013, after months of delay, President Yudhoyono finally signed a decree on the establishment of a national REDD+ Agency. The agency is independent and is chaired by a ministerial-level official. At the time of its establishment, the person who would chair the REDD+ Agency had not yet been determined. Finally, in December 2013, it was decided that the agency would be chaired by Heru Prasetyo. Heru was formerly the First Secretary of the UKP4 and was also the Secretary of the REDD+ Task Force.

Based on the initial timeline set out by the LoI, the establishment of the REDD+ Agency was long overdue. The REDD+ Agency was supposed to be established during the first phase, but had yet to be completed by the end of 2011. The establishment of the REDD+ Agency was far from easy, and the term of duty of the REDD+ Task Force that was in charge of establishing the agency had to be extended in 2011 for a year.

#### *5.8.1 Delay in Agency Establishment*

The reason for the delay was related to a dispute over control of the Task Force and the proposed Agency. When it was initially established, there was a question as to who should run the REDD+ Task Force. The Ministry of Forestry requested that it be put in charge of the Task Force. During an interview for this paper, however, a government official revealed that the President was concerned that if the REDD+ Task Force were to be placed under the Ministry of Forestry, the program might not work well. UKP4 was therefore appointed to the role with the expectation that it would yield independent policy perspectives and more effective measures. “All authority relating to forest management has been given to the Ministry of Forestry for decades. And the result is Indonesia’s forests are devastated,” said the official.

Likewise, during the establishment of the REDD+ Agency, the Ministry of Forestry again demanded that the Agency be placed under its coordination. The Secretary General of the Ministry of Forestry Hadi Daryanto admitted that his ministry was eager to place the REDD+ Task Force and Agency under its coordination. During his speech at the launch of the latest version of the Indicative Moratorium Map in July 2011, Daryanto said on more than one occasion that it would be better if the future REDD+ Agency was placed under the Ministry of Forestry (Simamora 2011).

Hadi didn't elaborate on this. The dispute over control of the Agency became increasingly apparent as time went on. A source inside the Cabinet revealed that during a meeting, the Head of the REDD+ Task Force, Kuntoro Mangkusubroto, was involved in a fierce quarrel regarding the legal status of the REDD+ Agency with the Minister of Forestry Zulkifli Hasan. When the Minister of Forestry insisted that the REDD+ Agency be placed under its authority, Mangkusubroto denied the request.

According to Mangkusubroto, the REDD+ Agency should be independent. Mangkusubroto, insisted that the Ministry of Forestry had failed to improve forest governance. The Ministry of Forestry countered that Law No. 41 of 1999 had given it the authority to regulate any matters related to forest governance. "Because no one was willing to retreat from the quarrel, Mangkusubroto finally said in the meeting to leave it to the President to decide," said the source.

As a follow up, in May 2011, the REDD+ Task Force prepared seven organizational options regarding the legal status of REDD+ Agency and later submitted them to the President.

The first option was to establish a new independent agency that would specifically handle the REDD+ implementation. The second option was to establish a REDD+ agency in coordination with the State Ministry for the Environment. The third option was to create a work unit similar to the deputy to the State Minister for the Environment. The fourth option was to establish an agency in coordination with the Ministry of Forestry. The fifth option was to create a new work unit at the Ministry of Forestry, i.e., a Directorate General. The sixth option was to extend the term of duty of the Task Force to prepare the establishment of the REDD+ Agency which would expire in June 2013 to serve as the REDD+ Agency during the transition phase. The seventh option was to add a function to handle REDD+ strategies in one of the work units at the Ministry of Forestry or at the State Ministry for the Environment without creating a new work unit (Henricus 2011).

This issue wasn't immediately addressed. President Yudhoyono ignored the impasse for two years. It is likely that had this issue been resolved sooner, the REDD+ Agency would have been established within the given time frame and, in turn, would have effected more changes.

#### *5.8.2 Agency limitations*

Furthermore, despite being placed directly under the President's supervision, the REDD+ Agency remains in a mostly coordinating role, as was the case for the Task Force. The implementation of its various policies depends on the performance of the relevant ministries and agencies.

The REDD+ Agency also has similar structure and authority as its predecessor, the REDD+ Task Force. The main driver of the REDD+ Agency is the UKP4 assisted by relevant ministries and agencies. The REDD+ Agency's role is limited to coordinating and communication functions. Only the line ministries will be able to take actions and implement its policies.

Secretary General of the Ministry of Forestry Hadi Daryanto once publicly stated that the REDD+ Agency cannot independently formulate any strategic policy. He said that the REDD+ Agency only has the authority to report the progress of emission reduction projects and constraints to the relevant ministries. The actions taken to follow up on these reports are the responsibilities of the line ministries (Jakarta Post 2013). Daryanto also stressed that the REDD+ Agency has no authority over the control of forestry assets. The agency is merely an independent committee that links various institutions so that the REDD+ implementation can be integrated without causing any overlap between ministries and agencies.

The limited authority of the REDD+ Agency is illustrated by the lack of reform inside the Ministry of Forestry, which was implicitly exposed by Kuntoro Mangkusubroto, Head of UKP4 and REDD+ Task Force, in the documentary series "*Years of Living Dangerously*", starring American actor Harrison Ford.

Part of the movie featured a conversation between Harrison Ford and Mangkusubroto, when both were visiting Tesso Nilo National Park in Riau Province, Sumatra in September 2013. In that area, Ford saw massive forest fires and deforestation that devastated the national park, which has a total area of 390 square kilometers.

Ford was disturbed by the situation and asked Mangkusubroto why deforestation occurs continuously in Indonesia. Mangkusubroto told him that corruption is main obstacle to curbing deforestation. Forest exploitation permits, including illegal ones, were widely issued through these corrupt practices.

Feeling dissatisfied with the answer, Harrison Ford then asked, “Does the Minister of Forestry have the authority to stop deforestation?” Mangkusubroto answered diplomatically, saying that the Minister of Forestry does indeed have the authority to stop forest degradation. The question is whether he is willing to use his authority or not. This exchange in the film demonstrates the high level of conflict between the REDD+ Task Force and the Ministry of Forestry.

## **6. Future Prospects**

2014 is a critical year for the implementation of REDD+ in Indonesia. President Susilo Bambang Yudhoyono’s government will be replaced by a post-election government in October of this year.

There is concern that the new government will no longer support the program. If that fear does indeed become a reality, then the four years of continuous efforts to establish the REDD+ Agency, as well as formulating various rules in the forestry sector, will have been in vain. Currently, REDD+ is Indonesia’s biggest opportunity to save and rehabilitate its forests, especially its tropical forests, from deforestation and extinction.

Over the last four years, the implementation of REDD+ in Indonesia has had to remain focused on how to build the institutional infrastructure and the various rules that support it. The program hasn’t been able to move beyond its own establishment to actual implementation of strategies for mitigation.

According to Kuntoro Mangkusubroto, Head of UKP4 and also Head of the REDD+ Task Force, building a strong foundation and the right system is needed to maintain the continuity of the program in the long run. However, its progress is very slow, which has raised public skepticism about the initiative.

Dharsono Hartono, CEO of PT Rimba Makmur Utama, in an interview for this study, criticized this approach, stating that the executors of REDD+ in Indonesia always think big, without delivering smaller concrete steps that are tangible to stakeholders.

From an institutional point of view, the position of the REDD+ Agency is also very weak. So far, its mission has been entirely supported by the UKP4. However, after the formation of the new government, the UKP4 may no longer exist. Even if it still exists, the position of its officials will definitely change, based on the decisions of the new President. This entails a very uncertain future for the Agency. Meanwhile, the support from the Ministry of Forestry, which maintains authority over forest management, remains very weak, if not oppositional.

In an interview conducted for this study, an official at the Ministry of Forestry criticized the work of the UKP4 as the driving force behind the implementation of the REDD+ mechanism. He said that the UKP4 had wasted their money on hiring foreign consultants without clear results. He said that the Ministry of Forestry is capable of implementing various policies on forest protection without the aid of a REDD+ mechanism.

Despite various conflicting interests, everyone agrees that forest protection is important. But there is disagreement, including within the government, on how to go about it: either through the REDD+ or through another mechanism.

As long as disagreements exist, and as long as there are no results on the ground within its first four years of implementation in Indonesia, the future of the the collaboration with Norway and the REDD+ program will remain uncertain.

## **7. Conclusion**

It takes considerable time and effort to improve forest governance in Indonesia. Forest governance has been weakened by corruption for decades. Permits were issued in a reckless manner without taking into account their negative effects on the environment. The consequences are devastating: a high deforestation rate, the threat of biodiversity loss, and frequent human rights violations, which occurred in part due to land disputes between companies and indigenous peoples.

The agreement between Indonesia and Norway on REDD+ is an entry point for improving various forest-related issues. The pay-for-performance mechanism for disbursing the funds is expected to prevent the funds from being eroded by common corrupt practices, and to encourage the government to prove its commitment to the improvement of national forest management.

The implementation of the LoI since its inception four years ago has been met by many obstacles. The moratorium has failed to reduce deforestation. This is due to lack of resolve on the part of the government. The forest area covered by the moratorium is limited to the primary natural forests and peatland. In addition, boundaries outlining the total forest area under the moratorium covers less and less forest area with each update of the Indicative Moratorium Map. Moreover, due to lack of support from the Ministry of Forestry, the REDD+ Agency is unable to formulate an effective forest protection policy.

Nevertheless, the agreement with Norway has yielded some tangible results. The LoI has successfully prompted public discussions on various issues, not only on the improvement of forest governance, but also on social issues such as indigenous peoples' rights to forested lands which has never been a topic stressed in public discussions.

The One Map Initiative is evidence of how the agreement with Norway could encourage a governance transformation. In the past, each ministry and agency has used its own land map. This has led to forest utilization areas overlapping with protected areas. The creation of a collective map is an effort to resolve this issue.

Another important aspect is that Indonesia's commitment contained in the LoI has served as a guide for civil society activists to keep an eye on the government so it can effectively improve national forest governance. As this paper has discussed, the LoI can serve as a basis for the civil society to monitor the government's achievements in forest protection.

Given its various positive values, what we need now is the government's strong political will to seriously and continuously reduce emissions through improving forest conditions, as promised by President Susilo Bambang Yudhoyono himself.

So far the government has demonstrated a lack of political will sufficient to result in important breakthroughs in the forestry sector. The most obvious phenomenon is the lack of cohesiveness among the cabinet and the ranks of the government in managing the forestry issue. The Ministry of Forestry seems reluctant to support the REDD+ program.

This is one of the reasons why the implementation of the LoI in the last four years was slower than expected, although President Yudhoyono himself has announced his commitment to reduce emissions and the deforestation rate.

Hopefully, this trend will not be repeated under the new government. Without strong political will on the part of the government, no matter how big foreign aid is, Indonesia's forest conditions will never improve.

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