



# Preliminary Study on the Safeguards Policies of Bilateral Donors to REDD Programs in Indonesia

A study for  
the Indonesian  
Civil Society  
Foundation for  
Climate Justice

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## Summary

Whilst many Indonesian forest dwelling communities and civil society organisations hope that REDD – Reducing Emissions from Deforestation and Degradation – will prove to be an effective instrument for the conservation of forests and strengthening of the livelihoods that depend on them, they also sound a note of caution. REDD is not being built on a level playing field. The forest sector in Indonesia is the scene of political, and sometimes physical, struggles between powerful private sector interests, a variety of government institutions, and several million people who recognise forest land as home or a source of livelihoods. The dream of managing the forest estate simultaneously for sustainable forest resource management, to protect livelihoods, and for economic development has proved elusive. Many bilateral donors have engaged with the forest sector in Indonesia over the years and many, probably the majority, have pulled out, concluding that they have made little impact. Not surprising then that the entry of REDD into this contested arena, with its promise of large sums of money but high degree of uncertainty, has provoked mixed reactions and a great deal of speculation and discussion.

Forest users and forest dwelling communities have made little progress in establishing rights – use or ownership – over the Indonesian forest estate. In practice, they continue to live, farm and hunt within the forest estate because no-one has got round to moving them out, or because local political arrangements have allowed them to remain, even though their presence is illegal. For communities and CSOs, the nightmare scenario of REDD is that a spotlight will be turned on the activities of these communities, they will be judged to be a threat to the conservation of carbon stocks, and, lacking formal rights or organisations to represent them, will be excluded from decisions and a share of the benefits, and maybe finally excluded from their lands and livelihoods. The particular irony of this nightmare scenario is that in many places it is the presence – not the absence – of traditional communities and their forest management practices that has kept the carbon in the forest until today.

This is the starting point for the discussion of safeguards – REDD may be a good idea (leaving aside the debate over offsets) – but if it is entirely driven by economic logic, it may cause great harm to vulnerable communities. Before REDD is implemented a guarantee is needed that the rights of these people to choose, to participate, and to benefit, will be respected by all parties. Safeguards can be established by stakeholders with legal authority and/or power and money: Governments, international agencies, donor agencies, private sector. All of these groups are the subject of advocacy by civil society within Indonesia and internationally, but they differ in their ability and willingness to address the issue of REDD safeguards.

The Indonesian civil society forum on Climate Justice (CSF) aims to push for safeguards which will ensure that the REDD demonstration activities that are being planned in Indonesia do not bring harm to the communities in these areas, and to push for the development of a national REDD architecture that respects and upholds the rights of these communities. Safeguards can also have a more positive function than just preventing harm: CSF also aims to use the existence (or the possibility) of REDD to push for wider reforms in the governance of Indonesia's forest estate, through the application of safeguards on tenure and rights.

One of the key target groups for CSF is the donors who are funding the construction of REDD in Indonesia. These are multilateral (UNREDD, World Bank, Asian Development Bank) and bilateral (6 individual donor countries). Whilst the safeguards policies of the multilateral organisations are freely available and the subject of scrutiny by civil society globally, much less information was available to CSF on the existing safeguards of the bilateral donors, or on what other laws and policies influence the strategies and decisions made by them. This study, which is largely based on internet sources complemented with interviews with people working in bilateral programs, aims to fill that information gap and provide CSF with information which can be an entry point for dialogue and advocacy on safeguards with the bilateral donors.

Commitments from these donors to Indonesia total about 90 million USD from the multilateral sources and between 2 billion and 2.7 billion USD from bilateral sources. Bilateral funding is spent on budget support to climate change programs, technical assistance, and REDD demonstration activities. Despite the fairly large amounts of funding, bilateral donors have not put in place specific safeguards or policies in connection with REDD. The safeguards, principles or criteria which apply to disbursement and management of funds for REDD in Indonesia are therefore those contained in donor country national policies and laws, including national policy connected to the relevant international treaties and conventions. Where these policies do not explicitly refer to overseas aid, the donor government may not have the legal powers or political will to implement them. Where there are specific policies related to overseas aid, they are general in nature, and make few commitments which could be evaluated in the field. Some aid programs (especially financial cooperation, where assessment of social

impacts is part of due diligence and risk assessment) operationalise these policies through social and environmental risk assessment and screening processes, but most rely on reporting mechanisms during implementation, or have no clear mechanism for ascertaining whether their policies are being followed in practice. Overall, this report concludes that there is very little effort by bilateral donors to ensure that REDD will not have negative social impacts, beyond hoping that the existing Indonesian laws and regulations will provide adequate safeguards.

This lack of safeguards is the result of a number of political and practical barriers which are perceived by bilateral aid donors:

- all donor and recipient countries are signatories of the 'Paris declaration' sets out principles on official development aid relationships. These include respect for national sovereignty, alignment with partner (recipient) country policies and strategies, and integration of aid between donors. Unilateral imposition of safeguards could be held to violate these principles.
- The total funding for REDD is small compared to forest and land use business income in Indonesia, even with the inclusion of Norway's commitment to pay up to 1 billion USD for REDD+. There is a perception that donor countries 'need' REDD more than Indonesia does, and as a result the Indonesian Government is in a strong position to reject any conditionality applied to REDD funds.
- Safeguards may make implementation of REDD more complex and expensive and therefore less able to compete with other land uses, or with other sources of carbon credits. Regulatory safeguards which establish standards for REDD implementation may not be appropriate for complex local realities, but project-specific monitoring and assessment is expensive.
- Supporters of governance reform note that safeguards may focus on 'symptoms' and mitigation rather than addressing the underlying policy and governance failure which causes the problem. Safeguards may lead to mitigation actions which are focussed on quick-fixes to alleviate the symptom, avoiding the need for long-term reform.

Given this resistance to using safeguards, CSOs need to adopt a multi-pronged strategy which aims to create pressure within the UNFCCC, on bilateral governments, and on the Indonesian Government. In respect of bilateral governments, existing laws and policies provide a number of entry-points and suggest arguments which may be used to push for improved safeguards or other mechanisms which reduce the social and environmental risks associated with REDD:

**Corruption and Fiduciary Risk means that REDD may fail to reduce emissions or to avoid doing harm:** improved forest governance is a pre-

requisite for REDD and for progress with social development for forest-dependent communities. In countries with a record of weak governance and corruption, additional safeguards will be needed to ensure that REDD funding has the impact desired, and does not have a negative impact on livelihoods

**Poorly implemented REDD risks worsening an already fragile human rights situation:** forest zones have a history of conflict, dispossession and exclusion of customary rights holders and forest dependent communities from decision-making processes. These constitute human rights violations. REDD has the potential to worsen or (perhaps) to contribute to solving these problems. REDD funding should explicitly ensure that it funds actions that protect and enhance the human rights which are guaranteed in the conventions which both Indonesia and donor countries have signed.

**REDD requires that stakeholders can negotiate and participate on the basis of clearly defined rights and a transparent process:** for REDD to 'do no harm', or even contribute to more secure livelihoods, those stakeholder groups most affected should have a defining say and be treated as co-stewards of forest resources along with Government authorities. Methodologies (such as participatory mapping, FPIC) are available to empower stakeholders and facilitate more equitable and transparent decision processes. The forestry sector has a very poor record in applying these approaches, and as a result there is a risk that REDD will miss important opportunities not just to help the poor but for the poor to help it succeed. REDD funding should be conditional on the implementation of an equitable and transparent process of decision making, planning and distribution of benefits.

**Bilateral payments for REDD are down-payments for carbon-based trade, and should not be treated as Official Development Assistance:** official development assistance is defined as being primarily for the economic and social benefit of the recipient country. Funding for mitigation actions, especially REDD funding designed to promote development of an international market, does not fulfil this definition. As a result, REDD funds should not be subject to Paris Declaration principles which restrict the use of conditionality and give the recipient Government the primary role in setting priorities.

The implications of this analysis for CSF in influencing the development of REDD in Indonesia are as follows:

**Define a clear Indonesian civil society position on what safeguards are needed:** work on this has already begun and should be continued and clarified. The merits of 'outcome' based safeguards, which are more specific to local situations but perhaps harder to measure and monitor, should be discussed in comparison to 'regulatory' safeguards which are simpler but risk being too general or impossible to implement.

**Connect the development of safeguards policies with implementation,** to emphasise that the development of regulatory frameworks is necessary but not sufficient, and that full implementation of policies and safeguards is essential.

In respect of the three objectives of CSF in connection with REDD:

**ensuring that REDD demonstration activities do no harm:** there are many ‘hooks’ which can be used for advocacy to influence DAs. However the scope of DAs is short term, and their strategic importance lies in the opportunity to demonstrate that good practice and safeguards deliver better more cost-effective REDD programs. CSF should encourage independent documentation of this information and push donors funding DAs to experiment with more radical rights-based approaches to the extent that they can.

**influencing the national architecture of REDD in Indonesia:** this is a complex objective because of the dynamic relationships between Indonesian Government institutions involved in REDD, bilateral and multilateral donors, and the private sector. The emergence of global REDD architecture through the UNFCCC will have a major effect on any Indonesia scheme. CSF should develop a well-documented case and advocate its position at multiple levels.

**encouraging wider governance reform through REDD:** it is clear that REDD is not going to stimulate dramatic reform in governance of forests and land in the short term. In the long term, if a large global REDD carbon market emerges, change may happen because Indonesia fails to compete with countries which offer REDD at lower cost and lower risk, and which can better manage leakage. However such change will not necessarily be pro-poor or pro-indigenous people. CSF should start now to compile evidence that reform that is pro-IPs will also improve the chance of efficient REDD implementation. The role of bilateral donors in this is limited, and post-2012 maybe be irrelevant, but current DAs could contribute to the evidence that pro-poor REDD is more effective.

Finally, the study emphasises that no one approach to safeguards is likely to work on its own. Adoption and implementation of safeguards will be the result of dialogue and debate between national and sub-national Governments, financing institutions and other stakeholders in REDD, in global forums and through the implementation of their own programs. Civil society globally needs to work on ensuring that the correct language is included in the UNFCCC agreements, influencing the language and implementation of the World Bank and UNREDD safeguards, and ensuring that the national laws and policies of donors countries are followed in their REDD programs. The extent to which REDD will ‘do no harm’ and will contribute to improving the rights and livelihoods of indigenous and forest-dependent peoples depends on this.



## List of Acronyms

ADB	Asian Development Bank
AFD	Agence Francais de Developpemente (French Development Agency)
APBN	Anggaran Pendapatan dan Belanja Negara (National Income and Expenditure Budget)
AUD	Australian Dollars
AWG-LCA	Ad Hoc Working Group on Long-term cooperative action (UNFCCC)
BAPPENAS	Badan Perencanaan Pembangunan Nasional (National Development Planning Agency, Indonesia)
BAPLAN	Badan Planologi (Forests Planning Department, Ministry of Forestry)
BMU	Bundesministerium fur Umwelt, Naturschutz und Reaktorsicherheit (Federal Ministry for Environment, Nature Conservation and Nuclear Safety, Germany)
BMZ	Bundesministerium fur wirtschaftliche Zusammenarbeit und Entwicklung (Federal Ministry for Economic Cooperation and Development, Germany)
BOS	Borneo Orangutan Survival
CBD	Convention on Biological Diversity
CBFM	Community Based Forest management
CCPL	Climate Change Program Loan (Japan, France)
CDM	Clean Development Mechanism
CEP	Cool Earth Program (Japan)
CGA	Country Governance Analysis (DFID, UK)
CIFOR	Centre for International Forestry Research

CSO	Civil Society Organisation
DA	(REDD) Demonstration Activity
DAC	Development Assistance Committee (of OECD)
DECC	Department of Energy and Climate Change (UK)
DEFRA	Department for Environment, Food and Rural Affairs (UK)
DFID	Department for International Development [UK Government]
DNPI	Dewan Nasional Perubahan Iklim (National Climate Change Commission, Indonesia)
EDFI	European Development Finance Institutions
EPBC	Environmental Protection and Biodiversity Act (Australia)
ETF	(International) Environmental Transformation Fund (UK)
FAO	United Nations Food and Agriculture Organisation
FCO	Foreign and Commonwealth Office (UK)
FCPF	World Bank Forest Carbon Partnership Facility
FDC	Forest Dependent Communities
FIP	World Bank Forest Investment Program
FMU	Forest Management Unit (= Kesatuan Pemangkuan Hutan, KPH)
FORCLIME	Forests and Climate Program (Germany)
FPIC	Free Prior Informed Consent
FRA	Fiduciary Risk Assessment (DFID, UK)
FRIS	Forest Resource Information System (Australia-Indonesia)
GCC	Global Climate Change
GEF	Global Environment Facility
GHG	Green House Gas
GOI	Government of Indonesia
GSEA	Gender and Social Exclusion Analysis (DFID, UK)
Gt	Giga tonne
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (Technical Cooperation Agency, Germany)
HRA	Human Rights Act (UK)
HuMa	Perkumpulan untuk Pembaharuan Hukum berbasis Masyarakat dan Ekologis (Association for pro-community and ecology legal reform) [Indonesia]

IACDI	Independent Advisory Committee on Development Impact (DFID, UK)
IAFCP	Indonesia-Australia Forest Carbon Partnership
ICI	International Climate Initiative (BMU, Germany)
IFACS	Indonesian Forest and Climate Strategies (USAID)
IFCI	International Forest Carbon Initiative (Australia)
ILO	International Labour Organisation (United Nations)
INCAS	Indonesian National Carbon Accounting System
IP	Indigenous Peoples
IPCC	Inter-governmental Panel on Climate Change
ITTO	International Tropical Timber Trade Organisation
IUCN	International Union for the Conservation of Nature
JBIC	Japanese Bank for International Cooperation
JICA	Japanese International Cooperation Agency
KFCP	Kalimantan Forest Carbon Partnership (Australia)
KfW	KfW-Entwicklungsbank, German Development Bank
KLH	Kementerian Lingkungan Hidup (Environment Ministry, Indonesia)
LoI	Letter of Intent (Norway – Indonesia)
LULUCF	Land Use, Land Use Change, and Forestry
MDB	Multi-Lateral Development Bank (ie World Bank, ADB)
MDG	Millennium Development Goal
MoF	Ministry of Forestry (Indonesia)
MRPP	Merang REDD Pilot Project (GTZ – Germany)
MRV	Monitoring, Reporting and Verification system
NCFI	Norwegian Climate and Forest Initiative
NGO	Non-Governmental Organisation
NOK	Norwegian Kroner
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PEFA	Public Expenditure Financial Accountability Programme
PNG	Papua New Guinea
PRBS	Poverty Reduction Budget Support
PSA	Public Service Agreement (UK)

QRS	Quality Reporting System (AusAID)
REDD	Reducing Emissions from Deforestation and Forest Degradation
RFN	Rainforest Foundation Norway
SFCP	Sumatra Forest Carbon Partnership (Australia)
TNC	The Nature Conservancy (US NGO)
UKP	UK Pounds Sterling
UNDP	United Nations Development Program
UNDR	Universal Declaration of Human Rights
UNDRIP	United Nations Declaration on the Rights of Indigenous Peoples
UNEP	United Nations Environment Program
UNFCCC	United Nations Framework Convention of Climate Change
UNFF	United Nations Forum on Forests
UNREDD	United Nations REDD Program
USAID	United States Agency for International Development
VPA	Voluntary Partnership Agreement (timber trade)
WWF	World Wide Fund for Nature

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# 1.

## Introduction

**R**educing Emissions from Deforestation and Forest Degradation (REDD) and other concepts concerning management of global forest carbon stocks and flows may have a major impact on the livelihoods and rights of millions of rural people living in and around Indonesian forests. The Civil Society Forum for Climate Justice (CSF) was formed at the time of the UNFCCC conference in Bali, in December 2007, to voice the concerns of these people. Two years later, the world's governments and scientific institutions are still debating the global architecture of REDD, but a large number demonstration activities have begun, and billions of dollars have become available for supporting a range of schemes connected with the promotion of REDD. Progress with ensuring the rights and needs of forest dwelling people within this increasingly complex debate has been patchy, and the final outcome is far from certain. On one hand there is a broad body of support for social and environmental 'safeguards' to be built in to any internationally approved REDD scheme, but on the other there is opposition to 'burdening' REDD with additional compliance procedures and interfering with the sovereignty of recipient nations [33]. CSF and its individual members continue to work to for a comprehensive set of safeguards at international level, matched by adequate policies and procedures nationally and locally. To do this they need to be able to influence the multi-lateral institutions, bilateral donors, and the Indonesian Government.

The safeguards policies of Multilateral donors (the World Bank and UNREDD, but also the Asian Development Bank) are already relatively well known to campaigning civil society groups, who are focussing more on ensuring proper implementation of the existing standards of these institutions [110]. The position of bilateral donors on safeguards for aid spending in general, and specifically REDD, is much less well known. This report, commissioned by HuMa and RFN on behalf of the CSF, starts to

fill that gap by providing initial information on the relevant safeguards and regulatory frameworks adopted by the main REDD bilateral donors to Indonesia. It is intended to assist CSF members in focussing their advocacy efforts and in planning the next steps in their work with REDD Donors.

There are at least 20 demonstration activities and private financed projects under development in Indonesia. The new concept of REDD enters an arena where there is already intense debate about rights and livelihoods. With 64% of Indonesia classified as forest estate, and several million people living within the estate, there are major conflicts over who has the rights to manage and exploit forest resources, and who should enjoy the benefits from these activities. REDD has the potential to intensify these conflicts, or to provide an incentive for resolving them. As a result, CSF is not in principle pro- or contra-REDD (though it is opposed to REDD which is a vehicle for off-setting emissions). CSF would like to see REDD implemented in a way that respects and strengthens the rights and livelihoods of forest dwelling communities, and rejects models of REDD which do not advance the cause of forest dwelling peoples in their struggle for recognition and rights.

This report is a first attempt to summarise the existing safeguards, laws and policy documents from the countries which are major donors to REDD and climate change in Indonesia. It is based on internet research, with the addition of interviews with a number of representatives of donor organisations in Indonesia.

## 2. Priority issues for REDD advocacy

The need for safeguards stems from fears about the potential negative impacts of a financial mechanism which rewards stakeholders for reducing carbon emissions from forests and for maintaining carbon stocks. The potential positive and negative impacts of REDD on indigenous and forest-dependent communities are summarised in table 2.1.

Table 2.1: Possible positive and negative impacts of REDD on indigenous and forest-dependent communities

Possible Negative impacts of REDD on forest dependent communities	Possible Positive impacts of REDD on forest dependent communities
- adding value to forest land, pricing out FDCs and leading to food insecurity (even where opportunities to buy resource rights are available)	
- capturing value of REDD requires clarity of ownership/rights, given high value of REDD authorities may purposefully postpone/deny local rights, because they are afraid of losing control/profitable rights	- high value of REDD may provide incentive to recognize local rights
- badly done mapping causes conflict, excludes marginalized groups in community, encourages elite capture and corruption, does little to increase the negotiating position of community members	- mapping done well resolves conflicts, increases participation of marginalized groups, and strengthens negotiating position

- commoditizing local values of the forest and alienating people from it	- maintaining forest preserves option of a traditional ways of life (as opposed to conversion)
- undermine local subsistence livelihoods without offering any alternative, increasing vulnerability, rural-urban migration, social problems	- provide a mechanism for poorest forest dwellers to receive payments for traditional, low impact management practices
- harmful enforcement techniques, especially given the high risk and uncertainty associated with REDD, gives support to 'repressive' enforcement arguments	- incentive for rights and CBFM - is empirical evidence that community based management is an effective and maybe cost-efficient way of protecting forest
- increased risk of conflict between FDCs and state/private sector, and within FDCs	- incentive for mechanisms to manage conflict, because conflict is a disincentive to investment, increases risk and lowers prices
- lack of participation, lack of capacity to participate, lack of resources to participate	

[Sources: 82, 83, 93, 103, 108, 109]

CSF has identified a list of key rights which should be guaranteed in any REDD scheme. The rights, and examples of specific safeguards measures which might contribute to protecting them are presented in Table 2.2.

Table 2.2: List of key 'rights' which need protection in connection with implementation of REDD in Indonesia (CSF)

Rights	Relevant safeguards
1. Right to information	- FPIC: information in advance, complete, unbiased - complete information on the source of funds and use of carbon credits - complete information on potential impacts and obligations to all parties - transparency in all calculations and planning processes
2. Procedural rights	- training in REDD and opportunities to participate in consultations - legal advice and negotiation support for affected forest dwelling people - appropriate timing, location, language etc to facilitate local community engagement - implementation of FPIC
3. Right to accept or refuse REDD scheme	- FPIC facilitated independently, with a genuine right to decide not to accept
4. Redress and remedy	- adequate compensation, paid to appropriate members of the community, for lost rights and opportunities - mechanism for dispute resolution and mediation

5. Access to forest resources	- guarantee of access for livelihoods needs - recognition of customary rights at appropriate levels
6. Benefit sharing	- socially appropriate mechanisms for benefit sharing which uphold communal values and non-financial values of forests - benefit sharing which rewards long term protection of forest as well as prevention of new deforestation
7. Freedom from all forms of violence and intimidation	- no/appropriate use of law enforcement agencies in REDD process - communities participating in REDD negotiations exempted from legal process concerned with "illegal" occupation and use of land
8. A healthy natural environment	- maintenance of biological diversity within human-used landscapes - avoid conversion of natural forest to monoculture
9. Cultural rights	- acknowledge and respect customary institutions and systems for land and resource management
10. Right to self determination	- respect of the rights of indigenous communities to define themselves as indigenous in accordance with international conventions - respect right of (particularly indigenous) peoples to determine the future of their land and resources

Some of these rights are already protected in Indonesian Law, and some are not – this is the subject of separate analysis by CSF. However experience of natural resource management conflicts over the last 20 years in Indonesia has shown that even those rights which are protected in national legislation are frequently violated with impunity by Government and Private sector. The importance of ‘upstream’ safeguards applied by donor agencies is twofold, therefore:

- bringing renewed focus and resources for actions which protect rights which are already protected in Indonesian law
- providing an incentive for promulgation of further legal instruments to define and protect rights which are not yet enshrined in Indonesian law



# 3.

## REDD Donors in Indonesia

**T**able 3.1 summarises current funding for official REDD programs in Indonesia. Privately funded projects and pilots are not included.

Table 3.1: Multilateral and bilateral donor in REDD and associated GCC programs in Indonesia (May 2010)<sup>1</sup>

Country/ Institution	Program	Value (commitment)	Notes
United Nations (UNDP, UNEP, FAO)	UNREDD	5.644 million USD	combination of policy support and demonstration activity [70]
World Bank	Forest Carbon Partnership Fund (FCPF) – Readiness Fund	3.6 million USD	technical support
World Bank	Forest Investment Program (FIP)	80 million USD	allocated, but disbursement not yet decided
International Tropical Timber Organisation (ITTO) <sup>2</sup>	REDD-environmental services program (REDD-ES)	814,590 USD	demonstration activity [90, 85, 86]
Australia	Indonesia-Australian Forest Carbon Partnership	61 million USD (70 million AUD)	2007-2012, demonstration activities and technical support [90]
France	Climate Change Program Loan	800 million USD [07]	budget support loan (co-funding Japan)

Table 3.1 (Continued)

Country/ Institution	Program	Value (commitment)	Notes
Germany	FORCLIME, Merang REDD pilot, policy development, etc	48.19 million USD (32.34 million euro)	2009-2016, demonstration activities and technical support [90]
Japan	Forest Preservation Program (grant) and Climate Change Program Loan (budget support loan)	751 million USD loan, 11 million USD grant [17]	forest monitoring and reforestation support, climate change mitigation loan (co-financing France)
Norway	Norway-Indonesia REDD+ program	1 billion USD	3 phase grant linked to policy reform, strategy development, and emissions reductions
United Kingdom	Multistakeholder forestry program (part REDD) and Fast Start Facility	84 million USD (55 million UKP)	5 years technical assistance to national government and selected regions [90, 51]
South Korea <sup>2</sup>	Korea-Indonesia Joint Program on Adaptation and Mitigation of Climate Change in Forestry	5 million USD	2008 – 2013, afforestation/ reforestation and REDD [31, 90, 92]
United States of America <sup>2</sup>	Indonesia Forest and Climate Support Project (IFACS)	around 30 million USD	demonstration activities and forest management activities

<sup>1</sup>:This table does not include NGO and private sector initiatives, although one of these, TNC's Berau Carbon Project has been recognised as an official demonstration activity [105]

<sup>2</sup>: ITTO, USA and South Korea were are not analysed further in this report because South Korea and ITTO are only involved in single pilot projects, and the USA has yet to commit climate funds to Indonesia, although a program is in the process of tender.

Three main types of funding for climate change and REDD schemes exist in Indonesia:

- Direct implementation of demonstration activities, usually directly managed by the bilateral agency
- Technical support for capacity building, analysis and policy development
- Financing support, in the form of soft loans and grants, which goes directly to the government of Indonesia

# 4.

## Environmental and social safeguards for REDD in Indonesia

In pushing for use of safeguards in the implementation of REDD in Indonesia by bilateral agencies, it is necessary to understand what laws and policies guide the decisions that these institutions make. In the donor country, relevant information may be found in national legislation, departmental rules and policies, and strategy documents for aid to Indonesia. In addition, advocacy for better safeguards needs to be in the context of Indonesian laws and policies (CSF is analysing this separately), international conventions and treaties (information is widely available on the implications of these instruments for IPs and FDCs) and multi-lateral donor safeguard policies, which are not binding on bilaterals but which may be an example which can be a reference or source of lessons (again, information is widely available on the safeguards policies of the MDBs).

### 4.1 Multi-lateral and international laws and policies as a basis for safeguards

This report focuses on laws and regulations in the bilateral donor countries, but some important points on the other instruments which may influence bilaterals are noted here:

- The international conventions of importance for REDD safeguards are the ILO Convention 169, the UN Covenant on Economic, Social and Cultural Rights, the UN Covenant on Civil and Political rights, the UN Convention on the Elimination of all forms of discrimination, the UN Convention on Biological Diversity, and The UN Declaration on the Rights of Indigenous Peoples.
- Nations which have ratified the conventions are obliged to act on their contents, whether or not the convention has been translated into national law. The universal nature of the conventions and declarations makes it likely that a bilateral aid agency from a signatory country can be held accountable for its actions anywhere in the world. Conventions also directly address the role of foreign aid: for example, Article 2 of the International Covenant on Economic, Social and Cultural Rights of 19 December 1966 states that “Each State Party to the present Covenant undertakes to take steps, individually and through international assistance and co-operation, ... with a view to achieving progressively the full realization of the rights recognized in the present Covenant ...”
- Donor and partner nations have made commitments to promote and respect human rights through international treaties on development aid. The Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD), approved a policy paper on human rights and development in February 2007 in which DAC member states pledge, for the first time, to systematically embed and reinforce human rights issues within development cooperation [58]
- The World Bank is a relatively small player in REDD in Indonesia in terms of fund volume, but its safeguard policies are important because (a) the Bank is positioning itself to be the broker for a future global carbon market, and (b) because World Bank safeguards may be adopted by other donors – for example in the case of JBIC and (reportedly) UNREDD
- The safeguards discussion within the UNFCCC remains critical because of the influence it will have on any future global carbon market. Safeguards at applied below the global level run the risk of making REDD uncompetitive in countries which adopt better safeguards.
- The development of Indonesian National policies and institutions for REDD [68] will be influenced by economic, social and political pressures outside the scope of the UNFCCC debates and REDD programs, such as the development of mines, plantations and transmigration. These industries and sectors have their own approaches to safeguards, certification and social and environmental issues which may conflict with the aims of REDD safeguards or offer potential for synergy.

## 4.2 Laws and policies of bilateral donor countries as a basis for safeguards

Whilst the policies of bilateral donor countries have the strength of applying unequivocally to the country which gives the aid, there are limits on the extent to which good intentions and commitments at national level can be translated into conditionalities or safeguards in implementation in Indonesia. The reasons for this include:

- aid may not be a significant contribution to Indonesia's budget. AusAID, for example, says that despite being the second biggest foreign donor to Indonesia after Japan, "Australia has had to come to terms with giving aid in a country where aid does not dominate policy and resource allocation decisions." [24]
- in the Paris Declaration on Aid Effectiveness, signed in 2005, donor countries committed themselves to giving aid based on the principles of ownership by the partner (=recipient) country, alignment of aid with partner priorities, transparency and harmonisation in the delivery of aid [19]. Whilst much in this agreement is positive (it should reduce the amount of aid that has to be spent on consultants and equipment from the donor country, for example), it makes it politically difficult for donor countries to unilaterally impose conditions or principles on their aid. In response to a questionnaire circulated before the Oslo Climate Conference [09], Australia and France make specific reference to the principles of the Paris declaration, whilst all the other donors to Indonesia (Germany, Japan, Norway, UK) emphasise the importance of recipient country leadership and ownership. In an interview for this study, an aid manager at an embassy in Jakarta stated that 'we would never come into negotiations [with Indonesia] with pre-defined principles. If there are issues that need to be discussed, we could raise them, and discuss with the Indonesian's what safeguards or principles are needed', whilst the Norwegian Development and Environment Minister, responding to a question about conditionalities on aid, commented "Most of the countries we are talking about are democratic nations with their own systems in place. If we started making conditions without first embarking on dialogue, we would just be kicked out" <sup>1</sup>.

Within bilateral donor countries, the following levels at which decisions are made are worthy of attention in developing strategies to advocate for improved safeguards:

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1 <http://www.ifg.org/pdf/UNDRIP%20Report-English.pdf>

#### 4.2.1 Donor Country National laws and policies

National policies are potentially one of the strongest ‘hooks’ for REDD advocacy work. However there are challenges in using national law to influence the actions of aid programs. One is that the acts that might be held to be breaking the law are carried out outside the jurisdiction of the donor country. There are some exceptions (US laws on corruption, Australian laws on child sex tourism) where a citizen or institution of the country can be held responsible irrespective of local laws, but normally the laws prevailing in the country where the action took place are the only reference. However there are precedents that suggest that the human rights law can be used to influence government institutions acting outside their own country, on the basis that, under international law, governments have an obligation to promote and protect human rights for people subject to its jurisdiction or within its territory or control. A 1997 United Kingdom (UK) House of Lords decision found that the UK Human Rights Act 1998 was capable of applying outside of the UK when an Iraqi civilian was arrested and tortured (and subsequently died) in a military prison occupied and controlled by agents of the UK [29].

This study found that no country had adopted policies explicitly on REDD in connection with human rights, indigenous peoples or related issues. It is therefore necessary to review the general national laws and policies on these issues and apply them to REDD programs. Brief reviews per country are in section 7 of the report.

#### 4.2.2 Donor Country Aid Agency and Climate Change Department Strategies and Policies

Donor Government departments handling climate change and REDD programs follow a set of internal policies, some of which may refer to the issues of concern with REDD. This particularly the case where aid agencies are involved in implementation, because they tend to have in place policies on indigenous people’s participation, human rights etc. Separate climate change departments (as in Australia, UK) may not have a set of policies covering these issues. Although these policies may not be legally as strong as national laws, they have the advantage that they irrefutably apply to the activities of the institution concerned, irrespective of whether it is in another country. Some of them contain strong commitments on key issues. Germany, for example, states “Human rights provide us with legally binding standards to which we, in common with our partner countries, have committed ourselves inside and outside our borders.” [58] and explicitly acknowledges the difference that a rights based approach makes: “the human-rights-based approach marks a paradigm change: target groups become rights holders and our (largely state) partners become duty bearers. We then no longer refer primarily to the needs and concerns of

affected groups, but to statutory entitlements to a decent existence on the one hand and, on the other, to corresponding obligations on the part of state and non-state actors.”[58].

The contents of the relevant strategies are summarised in the following table and described in more detail in the country sections.

Country	Policies and Strategies and their relevance to REDD safeguards agenda
Australia	<p><b>Australian Department Climate Change and Energy Efficiency:</b> National Policy on Climate Change, Corporate Plan - both documents refer to International Forest Carbon Initiative but do not mention social and environmental safeguards or standards</p> <p><b>AusAID:</b> Policies on better governance, environment, human rights contain commitments to participation and rights-based approaches, but state that aid sanctions based on HR concerns will only be used in extreme cases'</p> <p><b>Dept for Environment, Heritage, Water and the Arts</b> through the Environmental Protection and Biodiversity Conservation (EPBC) act lays out criteria for social and environmental assessment of projects, including overseas projects. The policy is <u>binding</u> for government agencies, including in sub-contracting.</p>
France	<p><b>Agence France Développement</b> – Business Plan 2008 and 2007 – 2011 Strategic Plan - safeguards are framed in terms of environmental and social risks to AFD’s investments. These include assessment of the carbon emissions impacts of projects</p> <p><b>AFD:</b> Climate Change strategy: no mention of social or environmental risks</p> <p><b>AFD:</b> Social and Environmental responsibility policy: outlines an environmental and social risk assessment process based on commitments to implement key UN conventions as a Global Compact member:</p>
Germany	<p>Policies available from German <b>Federal Ministry for Development Cooperation (BMZ)</b> are <u>binding</u> for German government agencies and <u>provide guidance</u> for private sector and NGOs. Policies and criteria for aid spending emphasise human rights, good governance, gender equality.</p>
Japan	<p>Japanese Aid is delivered by the <b>Ministry of Foreign Affairs, JICA</b> and <b>JBIC</b>. Policies are <u>binding</u> for JICA and JBIC, and partner governments, borrowers, project proponents are <u>encouraged</u> to implement measures.</p> <p><b>The Japan Aid Charter</b> develops the idea of ‘fairness’ as a core principle, and includes attention to gender equality, environmental and social impacts</p> <p><b>JICA/JBIC</b> Guidelines for social and environmental considerations: modelled on World Bank safeguards, commits to respect for human rights conventions, requires plans for involuntary resettlement and indigenous people’s where necessary. Proponents <u>required</u> to incorporate results of environmental and social assessment into project implementation. Mechanisms for complaint, review, and cancelation of aid exist.</p>

UK	<p><b>DFID</b> Public service agreement and the <b>Department of Energy and Climate Change</b> public service agreement both include commitments for action on climate change but no safeguards</p> <p><b>DFID</b> White Paper refers to importance of forest resources for climate change and poverty alleviation, recognises problem of lack of rights, commits to human rights</p> <p><b>DFID</b> 'How To Notes' on gender and social exclusion analysis, country governance analysis, and human rights assessments outline procedures for assessment in partner countries</p> <p><b>Department of Energy and Climate Change</b> White Paper contains brief statement recognising the role of forests for local livelihoods</p>
Norway	<p><b>Norwegian Forest and Climate Initiative</b> requires that recipient countries protect rights of local people. Implementation is based on national plans which are assessed based on criteria established by the Environment Ministry.</p>

#### 4.2.3 Bilateral agency strategy documents for Indonesia and/or Indonesian Climate Change Programs

Some bilateral donors to Indonesia have an overall country strategy document for their work in Indonesia, others have a specific document for their climate change intervention in the country. This study found that none of these documents makes clear commitments on safeguards or standards for aid in Indonesia.

Title	Links to the REDD safeguards agenda
Australia Indonesia Country Partnership Strategy 2008 – 2013	<ul style="list-style-type: none"> <li>- brief mention of the climate change program, “improved natural resource management and response to climate change” included as one of the point under Pillar 1: sustainable growth and economic management.</li> <li>- problem analysis recognises poor governance and corruption, and gender inequality as issues</li> <li>- intention to “strengthen legal and democratic oversight institutions... particularly in public financial management”</li> <li>- commitment to “active engagement with civil society to strengthen the demand for reform”</li> <li>- gender equality and anti-corruption measures are supported by specific commitments and measures</li> <li>- No mention of environmental or social standards or safeguards in the document</li> </ul>
Climate Change Program Loan (France, Japan)	<ul style="list-style-type: none"> <li>- no information on safeguards or standards: this is a budget support low interest loan which presumably is subject to French Social-Environmental Responsibility criteria, and Japanese Standards</li> <li>- JBICs assessment of the Japanese part of the loan concluded that potential impacts cannot be determined until sub-projects have been identified</li> </ul>

Germany	<ul style="list-style-type: none"> <li>- the financial cooperation part of FORCLIME does not have explicit safeguards, but 'legal status of proposed DA partners is a 'tentative eligibility criteria for site selection', and there is a statement that land title/land use rights work is part of the approach</li> <li>- Technical cooperation (GTZ) subject to institutional policies on human rights, forest sector, gender etc</li> </ul>
Development in Indonesia 2008 – 2011: the UK Government's programme of work to fight poverty in Indonesia	<ul style="list-style-type: none"> <li>- one of 3 main objectives is "enabling Indonesia to deliver a range of global public goods, particularly related to climate change"</li> <li>- intended impacts include "local governments improve transparency, accountability and public participation in policy making" and "Indonesia treats its forests and peat lands sustainably, reducing emissions of greenhouse gases, and supporting local livelihoods"</li> <li>- No mention of environmental or social standards or safeguards in the document</li> </ul>
Norway	The 'Letter of Intent' between Norway and Indonesia says that indigenous and local people should participate in planning, be represented in the financial mechanism, and engaged in pilot project implementation 'subject to national legislation and, where applicable, international instruments'

#### 4.2.4 Work plans, activities and Governance of Demonstration activities

Germany and Australia (along with South Korea, which is not covered in this study) are the only bilateral REDD donors involved in Demonstration Activities. Norway expects to be involved in activities in future. DA design documents may contain commitments to consult and involve local people, and may contain a statement of policies and laws which apply to the implementation of the demonstration activity. Further information is included in the relevant country sections for Germany and Australia below. France, Japan, UK, Norway do not have demonstration activities in Indonesia.



# 5.

## Policies of REDD Donors in Indonesia

The policies of bilateral REDD donors in respect of key REDD issues are summarised in the tables below, and detailed in the country accounts in section 7.

Table 5.1. Rights of Indigenous Peoples (IP) and Forest Dwelling Communities (FDC), including FPIC

Country	Summary of Position
Australia	<ul style="list-style-type: none"> <li>• good governance includes the right to participate in decisions. No explicit reference to IPs was found in AusAID policy, and references to local communities are general. Stronger references are found in the EPBC act, which defines 'indigenous heritage' as areas of cultural importance for IPs, and where loss of rights and access to resources is a trigger for project assessment.</li> <li>• The KFCP design document commits the project to 'do no harm', and "clarifying land tenure and property rights of communities' is one of the activities to be undertaken and recognises secure rights as a pre-condition for local participation in REDD activities. Project should be an 'instrument of change'. Free and informed consent [not 'prior'] is part of a detailed 'village engagement strategy'</li> <li>• Australia's own IPs act (Aboriginal Land Rights Act) set a precedent for recognition of communal land title.</li> <li>• A joint Australia-Indonesia submission to UNFCCC-Copenhagen notes 'Genuine and enforceable legal rights to forest carbon are fundamental to the success of a REDD demonstration activity' and that 'The KFCP is approaching this in the context of Indonesian forestry law'.</li> <li>• Australia was one of 5 countries which lobbied to ensure that the rights of indigenous peoples and UNDRIP were removed from the Copenhagen accord text</li> </ul>

France	<ul style="list-style-type: none"> <li>• No national level policies on IPs</li> <li>• No specific mention of IPs in AFD's SER project risk assessment process.</li> </ul>
Germany	<ul style="list-style-type: none"> <li>• No national level policy on IPs found (but see human rights)</li> <li>• program implementation in Indonesia: Selection of demonstration activity sites should include 'respect for' customary rights. Land rights should be clarified</li> </ul>
Japan	<ul style="list-style-type: none"> <li>• No mention of IPs in the Japan Aid Charter (the overall policy for Japanese Aid), but strong wording in the JICA social and environmental considerations: respect for human rights of IPs is a trigger for assessment, local stakeholder use includes illegal use, consultation of indigenous peoples and preparation of an IPs Plan (follows World Bank OP on IPs). World Bank safeguards are official standard for Japanese aid.</li> <li>• FPIC specifically mentioned. UNDRIP specifically mentioned as basis for dealing with projects which may impact on IPs.</li> </ul>
UK	<ul style="list-style-type: none"> <li>• No mention of IPs or FDCs in DFID or DECC strategies and policies. IPs potentially covered by the 'social exclusion' assessment process</li> </ul>
Norway	<ul style="list-style-type: none"> <li>• Global REDD mechanism should "secure the rights, involvement and livelihood of local communities and IPs". IPs specifically mentioned as one of the parties who must be involved in drawing up a national strategy, and 'local and indigenous rights' are a key element of the strategy.</li> <li>• Norway has relatively strong legal framework recognising land and political rights of its own IPs.</li> <li>• Other Norwegian national policies guarantee rights to environmental information, to participation in decisions, and to compensation for loss of rights.</li> <li>• Norway agreement with the FCPF also refers to IPs rights</li> </ul>

Table 5.2. Gender Issues

Country	Summary of Position
Australia	<ul style="list-style-type: none"> <li>• Repeatedly mentioned in the KFCP design document as an important consideration. Potential negative implications for women from formalising land tenure systems is recognised.</li> </ul>
France	<ul style="list-style-type: none"> <li>• Gender mentioned briefly in the context of AFD's internal staff policies and commitment to development according to the principles of the UN Global Compact, but no specific information on how this is operationalised in AFD programs</li> </ul>
Germany	<ul style="list-style-type: none"> <li>• Gender equality is a 'basic principle of German Development Policy' and is operationalised through human rights policies, and through written policies on 'strengthening the role of women in development cooperation' and 'gender equality – the key to realising the UN Millennium Declaration'</li> </ul>
Japan	<ul style="list-style-type: none"> <li>• Gender is part of the concept of 'fairness' (see HR). Japan promotes improvement in status of women through active participation and share of benefits. Gender required element of project assessment, consultation and evaluation.</li> </ul>

UK	<ul style="list-style-type: none"> <li>Gender equality action plan and social exclusion policy are the basis of a mandatory 'gender and social exclusion analysis' which should inform the development of country strategies</li> </ul>
Norway	<ul style="list-style-type: none"> <li>Gender equality is promoted domestically but no specific gender policy applying to international project was found for the Ministry of Environment. Norad has a strong emphasis on gender but plays a minor role in NCFI implementation.</li> </ul>

Table 5.3. General implementation of Human Rights (HR)

Country	Summary of Position
Australia	<ul style="list-style-type: none"> <li>Specific policy on HR available. 'development and HR are interdependent'. The aid program will address social, cultural, civil and political rights. Individuals need to have 'secure and long-term access to resources'.</li> </ul>
France	<ul style="list-style-type: none"> <li>No specific policy on HR available</li> <li>AFD's SER policy emphasizes links to Global Compact, and thus implicitly adopts principles of the UDHR, ILO conventions etc [<i>note: specific criteria for the SER not available</i>]</li> <li>Private sector arm of AFD, Proparco, emphasizes "respect for human rights...as a prerequisite for financing"</li> </ul>
Germany	<ul style="list-style-type: none"> <li>Specific policy on HR available. "respect for, protection and fulfilment of all human rights" is one of 5 criteria for aid decisions. Good governance is central to German aid policy and linked to HR, including the obligation of the state to respect, protect and fulfil HR.</li> <li>Some HR, such as discrimination, must be implemented immediately, while others (such as water) need progressive improvement. Partner governments must demonstrate determination to implement human rights. HR are used to assess the 'development orientation' of partners. Economic, social and cultural rights are as important as civil and political rights.</li> </ul>
Japan	<ul style="list-style-type: none"> <li>Japan gives priority to countries...making active efforts to pursue...protection of human rights. 'fairness' is a core principle of Japanese aid. UDHR is referred to in policy preamble and in safeguards. Commitment to incorporate HR principles in project decision making, including involuntary resettlement guidelines (following World Bank)</li> </ul>
UK	<ul style="list-style-type: none"> <li>Human Rights are one of the 3 pillars of UK aid and are the 'shared responsibility of the UK and partner country'. DFID is obligated by the UK HR act to ensure that its aid is not used in contravention of HRs. Assessment of the partner country commitment to HR is mandatory</li> </ul>
Norway	<ul style="list-style-type: none"> <li>'clear political intention of working systematically for... protecting rights of local people' is a precondition for selection of partner countries for NCFI. All parties who have an interest must be involved in drawing up a national strategy.</li> </ul>

Table 5.4. Protection of natural Forest

Country	Summary of Position
Australia	<ul style="list-style-type: none"> <li>• ‘conserving natural heritage’ is part of the overall objective of AusAIDs environment strategy [18]</li> </ul>
France	<ul style="list-style-type: none"> <li>• No specific environmental policy found – projects screened using the SER risk assessment criteria AFD SER has a broad statement on ‘preserving natural resources and ecosystems’</li> </ul>
Germany	<ul style="list-style-type: none"> <li>• “protecting tropical forests’ is a cross-cutting theme of German aid</li> <li>• program implementation in Indonesia: Selection of demonstration activity sites should include ‘measurable contribution to conservation of biological diversity’</li> </ul>
Japan	<ul style="list-style-type: none"> <li>• projects must not involve significant conversion or significant degradation of critical natural habitats and critical forests. “primary forest, and natural forest in tropical areas’ is classified as ‘sensitive’, triggering full environmental assessment if it may be impacted</li> </ul>
UK	<ul style="list-style-type: none"> <li>• no statement on conservation of natural forest found</li> </ul>
Norway	<ul style="list-style-type: none"> <li>• conservation of natural forest is 1 of 3 main goals of the Norwegian CFI</li> </ul>

Table 5.5 Markets as tools for development and in REDD

Country	Summary of Position
Australia	<ul style="list-style-type: none"> <li>• development of REDD markets is one of 4 over-arching objectives of the Australian IFCI [25]</li> </ul>
France	<ul style="list-style-type: none"> <li>• No clear statement on preference for development of carbon markets or funds. AFDs business model (concessional finance) and support to FCPF suggest support for market based approaches.</li> </ul>
Germany	<ul style="list-style-type: none"> <li>• Markets should be ‘social and ecological’ – environmental degradation should not happen as a result of development</li> </ul>
Japan	<ul style="list-style-type: none"> <li>• Partner promotion of a market economy is one of the factors that will have ‘full attention paid’ in prioritising aid</li> </ul>
UK	<ul style="list-style-type: none"> <li>• domestically, committed to emissions trading as part of an emissions reduction strategy. No clear statement on markets for REDD found</li> </ul>
Norway	<ul style="list-style-type: none"> <li>• Recognise markets as one of several option for a global REDD architecture. Market mechanism not a policy objective</li> </ul>

# 6.

## Conclusions and recommendations

### 6.1 The state of safeguards for bilateral funding of REDD

The study has found that despite frequent statements about the need for transformation of forest governance and the challenges of REDD implementation, no bilateral donor has applied specific pre-conditions or safeguards to a REDD program. The rules which regulate the use of these funds are therefore donor country national laws and policies, donor institution strategies and policies, and bilateral agreements between Indonesia and the donor country. The rules applied are those which relate to Official Donor Assistance (ODA).

Regulation of the use of REDD funds is applied in two ways:

- through application of overarching principles, priorities and strategies which pre-determine activities which can be funded.
- project-level application of environmental and social due diligence. This is usually applied in a two stage process, with the first stage determining if a project contains significant risks, and a second stage which identifies and quantifies risks and determines what mitigating measure need to be taken.
- However the existing bilateral donor policies, regulations and mechanisms do not amount to a guarantee that REDD will not result in harm to indigenous and forest-dependent communities. The main reasons for this are:

- laws and policies in donor countries are global in scope and whilst some contain clear language on (for example) human rights or land tenure reform, there is generally a lack of mechanisms to operationalise these over-arching concepts and principles through action in recipient countries.
- donor organisation country-specific strategies and program documents lack the strong language and commitment to principles which is contained in the overarching document and policies.
- programs which provide direct budget support are unable to monitor in detail how their funds are used, but rely on reports from the recipient country and measures of the quality of recipient country due diligence, budgeting and financial control (fiduciary risk management)
- programs which fund specific projects implemented by recipient country institutions depend on environmental and social risk assessment to anticipate and mitigate risk. These assessments are generally carried out after funding has been committed in principle, and are more likely to result in compromise to mitigate harm, rather than major changes or cancellation of a project. Their potential for encouraging governance and policy reform is limited by the project-focus of the mechanism.
- programs which directly implement REDD demonstration activities have greater control over their own funds and activities, and are thus more accountable to laws and policies of the donor country. However their potential for encouraging governance and policy reform is constrained by their limited geographic scope, and by the recipient country legal and policy framework within which they must operate as a bilateral partner of the national government.

Given that they fail even to guarantee 'do no harm', there is little chance that REDD funds disbursed through these mechanisms will contribute to the more ambitious aim of forest sector governance reform.

## 6.2 Arguments for improving regulation of bilateral REDD funds

Arguments advanced AGAINST the use of pre-determined safeguards or conditionalities for REDD are:

- Efficiency: imposition of safeguards, with associated reporting and monitoring requirements, is an additional administrative burden for government departments which already lack the capacity and resources to carry out their core tasks effectively. This argument applies even more strongly if each donor organisation has its own, different, set of safeguards.
- Competitiveness: REDD is an un-proven concept which is 'competing' with highly profitable land uses such as oil palm and industrial

timber plantations. Imposing high standards on REDD schemes, especially if those standards are higher than those applied by the other industries, makes REDD even less competitive. A related argument is that imposition of safeguards for programs in Indonesia will make Indonesian REDD credits uncompetitive compared to those from other countries, or that safeguards make REDD more expensive compared to other sources of carbon credits.

- **Appropriateness:** in principle, national Government know the needs and aspirations of their own population better than donor countries do. Safeguards established unilaterally by donors may impose external values and mechanisms which become an obstacle to the implementation of aid programs if satisfying the donor conflicts with effective and adaptive program implementation
- **Scope:** safeguards may focus on ‘symptoms’ and mitigation rather than addressing the underlying policy and governance failure which causes the problem. Mitigation actions are focussed on quick-fixes to alleviate the symptom, which are often easier and faster than long-term reform.
- **Sovereignty and Empowerment:** unilateral imposition of safeguards and standards by individual donor countries serves to keep a greater degree of control of program policy in the hands of the donor. This conflicts with the long-term aim of aid which is to support sustainable improvements in recipient institutions and mechanisms. In the worst case, the need for donor-specific safeguards assessment draws skilled national staff away from key institutions into higher paid positions in donor run projects. Unilateral determination of safeguards also undermines the principle of respect for the sovereignty of the recipient country by interfering with the development and application of national laws and policies.
- **Relevance:** given the predominant assumption that an eventual global REDD scheme will be national in scope, the usefulness of safeguards which dictate how REDD is implemented on the ground is questioned, because if a global market operates the national level will be the interface between global and national schemes.

These objections to the unilateral imposition of safeguards by donor countries are closely linked to the principles of the Paris Declaration on Aid Effectiveness. The declaration calls for harmonisation of aid approaches between donors, and for aid programs to be recipient-country driven. The shift from program funding to budget support is one of the most significant changes in response to this call for change. REDD funding, as long as it is classified as Official Development Assistance, is subject to the principles in this treaty.

Given these strong arguments against the use of safeguards, what arguments are available which might have some success in advocating to donors for greater attention to social and environmental issues within

REDD programs? drawing on the analysis of what is important to bilateral donors above, some suggestions can be made about how CSF can advocate for improved REDD safeguards by linking REDD to the issue that are of concern to the bilateral donors.

### Corruption and Fiduciary Risk means that REDD may fail to reduce emissions or to avoid doing harm

**core argument:**

improved forest governance is a pre-requisite for REDD and for progress with social development for forest-dependent communities. In countries with a record of weak governance and corruption, additional safeguards will be needed to ensure that REDD funding has the impact desired, and does not have a negative impact on livelihoods

All donor organisations have a legal duty to demonstrate to political decision makers and the public in their home country that they have spent funds appropriately and effectively. As a result there are mechanisms in place for anticipating and mitigating the risks of corruption and mismanagement of funds (fiduciary risk), and these may offer entry points for discussing corruption and transparency in the implementation of REDD. Methods of assessing the fiduciary risk have been standardised internationally, including through the Public Expenditure Financial Accountability (PEFA) Programme. REDD is primarily a financial mechanism where effectiveness is dependent on delivery of funds to the appropriate stakeholders, and as such, in countries with high levels of corruption and weak public finance accountability mechanisms, REDD is unlikely to work unless additional safeguards are put in place to improve transparency and accountability in planning, decision making, and benefit sharing. Relevant source of information are PEFA ([www.pefa.org](http://www.pefa.org)) and [www.business-anti-corruption.com](http://www.business-anti-corruption.com). Many other sources of information on fiduciary issues and corruption are listed in the annexes of DFID's publication on Fiduciary Risk Assessment [45].

Fiduciary risk is a particular challenge for bilateral donors when they provide loans and grants in the form of Direct Budget Support (as DFID, JBIC, AFD for example, mainly do). DFID recognises that "Once funds are granted to a partner government as PRBS [poverty reduction budget support], DFID is not directly responsible for the use of those funds – this responsibility is passed to the partner government. In practice, once DFID has paid funds to the partner government, they will often be indistinguishable from the other resources available to the government" [45]. As REDD moves from 'preparedness' to implementation, this issue is likely to become universally important because national level REDD schemes resemble direct budget aid support in the sense that direct control of funds and the ability to clearly separate individual payments from other sources ends once funds enter a national account or funding scheme, and what happens within the country is subject to the state's own reporting and accountability mechanisms.

Although not a core part of donor's accountability to their own funders, non-financial aspects of Governance are also assessed, and are highly relevant for REDD. DFID's Country Governance Analysis, the European Commission's 'Governance Profile', World Bank governance assessments

or the Netherlands Strategic Governance and Corruption Assessments are all official sources of information on how donors rate the quality of governance in a country. As with fiduciary risk, the argument can be made that in countries with weak governance, national mechanisms alone cannot be guaranteed to deliver effective REDD programs or ensure that ‘no harm’ happens as a result of REDD.

### Poorly implemented REDD risks worsening an already fragile human rights situation

The potential negative impacts of poorly planned and implemented REDD schemes (summarised in table 2.1) clearly have the potential to violate human rights, or to perpetuate existing violations of human rights (for example, by strengthening the governments control over a land and resources which has been alienated from customary rights holders). Many donor policies contain strong language about the centrality of human rights in the development process, with Germany and the UK recognising the fundamental power-shift implied by recognising beneficiaries of aid as ‘rights holders’ and national governments as responsible for delivering and protecting those rights. Such commitments should be an effective entry point for engaging with donors on REDD safeguards. Safeguards framed in terms of human rights should take precedence over Paris declaration concerns over donor conditionality and country-driven aid, because they are derived from the 6 main conventions on human rights, all of which have been ratified or acceded to by the bilateral REDD donors and Indonesia (Table 6.1), and because they are protected under Indonesian as well as donor-country laws. The support of human rights in the delivery of International Aid is an obligation under Article 2 of the International Covenant on Economic, Social and Cultural Rights which states that “Each State Party to the present Covenant undertakes to take steps, individually and through international assistance and co-operation, ... with a view to achieving progressively the full realization of the rights recognized in the present Covenant ...”.

**core argument:**  
 forest zones have a history of conflict and dispossession and exclusion of customary rights holders and forest dependent communities. These constitute human rights violations. REDD has the potential to worsen or (perhaps) to contribute to solving these problems. REDD funding should explicitly ensure that it funds actions that protect and enhance the human rights which are guaranteed in the conventions which both Indonesia and donor countries have signed.

Table 6.1: Status of Human Rights Treaties in Indonesia and donor countries

Treaty	Status:						
	Ind	Aus	Ger	UK	Jap	Fr	Nw
The International Covenant on Economic, Social and Cultural Rights (ICESCR) (1966)	a	R	R	R	R	a	R
The International Covenant on Civil and Political Rights (ICCPR) (1966)	a	R	R	R	R	a	R
The International Convention on the Elimination of All Forms of Racial Discrimination (ICERD) (1965)	a	R	R	R	a	a	R

The Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) (1979)	R	R	R	R	R	R	R
The Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (CAT) (1984)	R	R	R	R	a	R	R
The Convention on the Rights of the Child (CRC) (1989)	R	R	R	R	R	R	R

R: ratification, a: accession: both indicate that the state has agreed to be bound by the terms of the treaty

Source: <http://treaties.un.org>, downloaded 9 June 2010

### REDD requires that stakeholders can negotiate and participate on the basis of clearly defined rights and a transparent process

#### core argument:

for REDD to 'do no harm', or even contribute to more secure livelihoods, those stakeholder groups most affected should have the greatest say. Methodologies (such as participatory mapping, FPIC) are available to empower stakeholders and facilitate more equitable and transparent decision processes. The forestry sector has a very poor record in applying these approaches. REDD funding should be conditional on the implementation of an equitable and transparent process of decision making, planning and distribution of benefits.

All stages of a generic REDD process – identification of REDD areas, assessment of current land use and mitigation potential, decisions on REDD implementation, and the apportioning of costs and benefits from the scheme – have implications for customary rights holders and forest dependent communities. Starting with the definition of communal lands as automatically part of the National forest estate in Law 41/1999, the forestry policy environment in Indonesia has consistently supported the needs of capital investment over the rights of local people. Whilst changes in the law now allow for community-held forest licences, the number and area of such concessions is miniscule compared to the areas controlled by 300 commercial logging concessions operating in Indonesia, and the requirements for obtaining and retaining community licences onerous and bureaucratic. Operating within this environment, the forestry and land investment sectors have a history of 'after the fact' promotion of decisions on development schemes to local communities, and use of threats and non-transparent payments and other incentives to buy off local leaders and create horizontal conflicts. Whilst in most cases this succeeded in protecting company assets and allowed business operations on the ground, it largely failed to protect the forests which had already been logged from being denuded by illegal logging and encroachment.

If REDD follows the conventional model (as the existing Forest Ministerial regulation on REDD suggests), there is no reason to believe that it will be any more successful in protecting forests than logging companies were, even if the carbon price justifies effective law enforcement. Given REDD's sensitivity to carbon stock conservation and emissions reduction, genuine inclusion of stakeholders in all stages of REDD, allowing them to make decisions at an early stage about whether or not they want to participate, should be a requirement of REDD funding. This should include appropriate participatory mapping, conflict management mechanisms, and full, unbiased implementation of *free, prior, informed consent*.

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## Bilateral payments for REDD are down-payments for trade, and are not Official Development Assistance

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The Organisation of Economic Cooperation and development, which monitors and documents international aid flows, defines Official Development Assistance (ODA) as [101]:

- i. provided by official agencies, including state and local governments, or by their executing agencies; and
- ii. each transaction of which:
  - a. is administered with the promotion of the economic development and welfare of developing countries as its main objective; and
  - b. is concessional in character and conveys a grant element of at least 25% (calculated at a discount rate of 10 per cent).

It would be possible (but may not be strategic – see the next section) to argue that the purpose of bilateral assistance for climate change mitigation, and especially for REDD, is not mainly for ‘economic development and welfare’ of Indonesia, because the benefits of mitigation accrue to global community. This argument applies with particular force where the donor country is committed as a matter of policy to the development of a global carbon market which allows the trade of carbon credits to off-set emissions. In this case the bilateral funding to Indonesia is an investment in establishing a trading scheme that will benefit the donor country at least as much (possibly more) than Indonesia. In this sense bilateral aid for REDD has more in common with funding to promote trade. One implication of defining REDD bilateral funds as trade assistance rather than ODA is that the principles of harmonisation and country-drivenness in the Paris declaration no longer apply – there is no obstacle in principle to attaching conditions on the funding (though of course Indonesia may then choose to reject such funds). Another implication is that the policies and regulations which apply to the funding may be different – something which is outside the scope of this report and which should be investigated before embarking on this line of argument.

### core argument:

official development assistance is defined as being primarily for the economic and social benefit of the recipient country. Funding for mitigation actions, especially REDD funding designed to promote development of an international market, does not meet this definition. As a result, REDD funds should not be subject to Paris Declaration principles which restrict the use of conditionality and give the recipient Government the primary role in setting priorities

### 6.3 Ways forward for ensuring positive impacts from REDD in Indonesia

It is useful to distinguish between the three core objectives of CSF in this respect: ensuring that REDD demonstration activities do no harm; influencing the national architecture of REDD in Indonesia, and encouraging wider governance reform through REDD.

**Ensuring that demonstration activities (DAs) do no harm** is the most achievable aim of CSF on REDD. This report has shown that the agencies implementing DAs are subject to a considerable body of laws, regulations and principles. Many of them are also contained in laws in Indonesia, but not effectively implemented. The challenge is that the agencies implementing DA's focus on their immediate objective – delivering REDD – within their immediate environment – the forest sector policies. With pressure from advocacy which refers to existing policies and commitments, it may be possible to influence the implementation of these projects. However the gains for the effort required are small. Strategically the importance of working on DAs is not so much avoiding harm now, but using them as an opportunity to build evidence to influence national and international processes, including documenting:

- the social and REDD-efficiency benefits of good practice
- the costs and risks inherent in ignoring social issues or handling them only through the framework of the current forest policy

**Influencing the development of national REDD architecture** is a considerably greater challenge. Bilateral donors have mostly aligned themselves with the Forestry department, as being the institution with the greatest stake in REDD, but it is not yet clear which agency will lead the development of Indonesia's REDD architecture. It is not yet clear how far bilateral donors have the will or the power to influence the shape of Indonesian's national REDD architecture, and the newly announced funding from Norway will be an interesting test case of major funding from a country which has up to now shown strong commitment to indigenous people's issues. It is important that the eventual shape of REDD in Indonesia will, presumably, be strongly affected by the shape of a future international agreement under the UNFCCC. The lessons that bilateral countries learn from their engagement with Indonesia may influence the positions they take in the UNFCCC on the need for safeguards, and this is an area where CSF could intervene by providing documentation of independent monitoring of REDD policies and other forest sector issues.

**Using REDD to leverage reform of forest governance** and other key social issues in Indonesia is a long term project, and should be seen in the context of post-2012 REDD, where bilateral donors may have little influence (see below). If REDD is eventually market-led, the weakness of governance and law enforcement in Indonesia may become a decisive factor keeping investment away. Whilst this may, eventually, promote change in forest Governance, these will not necessarily be the changes that benefit indigenous people and forest dependent communities. CSF can anticipate this change by working now to gather information that demonstrates that inclusive, rights based approaches to REDD are cost effective because they reduce the risks and long-term costs of implementation.

## 6.4 The longer term view: REDD Post 2012

Action by CSF should not only respond to the immediate challenges of implementation of demonstration activities and the flood of bilateral funding, but should also anticipate the emergence of a global REDD architecture post-2012. Important points to consider now are:

- if a future REDD scheme is implemented under the UNFCCC, then the development of safeguards within the UNFCCC is of utmost importance. This debate can be informed by communicating experiences from demonstration activities and private sector initiatives. It can be influenced by building shared positions with REDD donor countries as well as recipients.
- if the World Bank succeeds in positioning itself as the manager of global carbon funds, then the Bank's own safeguards will also be very significant. The same advocacy efforts as for the UNFCCC should be directed at the Bank. Documented evidence of the harm caused by absence or inappropriate safeguards, and the advantages to REDD from effective safeguards, can be collected and communicated now.
- if, as most developed countries want, REDD emerges as a market mechanism which allows emissions trading, the aid rules and policies described in this report and which guide official development assistance will cease to be relevant. International agreements on climate change and trade can be expected to set the regulatory framework for REDD
- a global market for REDD can be expected to stimulate strong demand for verified emissions reductions from countries which offer a clear regulatory framework, simple rules, enforceable laws – in other words, minimum risk and lowest cost of doing business. Competition between REDD sellers may be intense, and national safeguards which appear to reduce competitiveness will be discarded. Safeguards will survive if they can demonstrate that they lower costs and lower risk for investors. In this context it is important to note that the present voluntary market is highly image conscious, and therefore open to considering environmental and social impacts. This will probably not be the case under a large, highly competitive international market mechanism. After 2012 REDD may appear more like CDM, where China's clear regulations and enforceable laws have given it competitive advantage over countries such as India.

Finally, it is important to recognise that no one approach to safeguards is likely to work on its own. Adoption and implementation of safeguards will be the result of dialogue and debate between national and sub-national Governments, financing institutions and other stakeholders in REDD, in global forums and through the implementation of their own programs. Civil society globally needs to work on ensuring that the correct language is included in the UNFCCC agreements, influencing the language and implementation of the World Bank and UNREDD safeguards, and

ensuring that the national laws and policies of donors countries are followed in their REDD programs. The extent to which REDD will 'do no harm' and will contribute to improving the rights and livelihoods of indigenous and forest-dependent peoples depends on this.

# 7.

## Country Information

### 7.1 Australia

#### 7.1.1. International Climate Change-REDD program

The vehicle for the Australian Governments forests and climate change work is the International Forest Carbon Initiative (IFCI). The fund has an allocation of 200 million AUD for 5 years from 2007. A “central element of the fund is taking practical action on REDD through collaborative Forest Carbon Partnership with Indonesian and Papua New Guinea.” [30, 34]

The main actions under the IFCI are:

- trialling approaches to implement REDD and enhance local livelihoods
- supporting development of regulatory, governance and law enforcement frameworks for REDD
- assist development of national carbon monitoring systems
- working to support development of REDD markets, including through the UNFCCC and by support to the FCPF and FIP

#### Australian Investment in REDD under the ICFI: total fund 273 million AUD

Indonesia-Australia Forest Carbon Partnership	REDD policy and DA in Indonesia (see below)	70 million AUD (61 million USD: 10 m USD for policy/monitoring system; 30m for KFCP; 30m for SFCP. Established 13 June 2008
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Papua New Guinea – Australia Forest Carbon Partnership	REDD policy and DA in PNG	3 million AUD (2.8m USD) initial funding. Established 6 March 2008
World Bank – FCPF	Support to FCPF-readiness mechanism	11.7 m AUD (9.6 million USD) [11,111]
World Bank – FIP		10 million AUD (9 m USD) [11]
Asia Pacific Forestry Skills and Capacity Building Program	Phase 2: 'build Indo and PNG capacity in areas such as forest governance, law enforcement, and regulatory frameworks to support REDD	17.8 million AUD (14.5 m USD) (Phase 1 6.6m, phase 2 7.9 m USD) [11]
CIFOR	Research partnership on REDD policy and technical issues, compilation and dissemination of lessons	3 million AUD (2.8 m USD) [11]
NGO fund	Development of concepts for demonstration activities	1.5 million AUD (1.3 m USD) [11]
Contribution to the 'Fast start financing for REDD+' announced in Copenhagen and confirmed at the Oslo Climate Conference	REDD+ initiation	147 million AUD (120 million USD) [38, 16, 11]
Partnership with the Clinton Climate Initiative	Effective and efficient forest carbon monitoring systems – sharing experience of Australian National Carbon Accounting System	(not in Indonesia?)
Carbon accounting project	image and equipment procurement	20.2 AUD (16.5 million USD) [11]
Management of IFCI		41 million AUD (33.5 m USD) [11]

### Governance of the IFCI

The IFCI is managed by the Australian Department of Climate Change and Energy Efficiency, and AusAID. The department was established in 2007, and is responsible for Australian national carbon accounting, international negotiations, and implementation of an Australian emissions trading scheme. The department has produced a national policy on climate

change, and a corporate plan for the Ministry [37,41], which both refer to IFCI but which do not mention social and environmental safeguards or issues. AusAID does not have specific safeguards or policies for the IFCI or REDD, but does have some relevant policies.

### 7.1.2 Social and Environmental Issues in Australian Law and Policy

#### AusAID Policies

AusAID has the following policies that have some relevance to REDD issues:

- The policy on “Approaches to Better Governance [21]” states that AusAID’s objective is ‘to help citizens participate in decisions that effect their lives and promote the accountability of governments and other institutions’. Relevant activities for the period 2007-2009 in Indonesia are “Increased community, civil society and local government partnerships promoting effective and accountable local development” and “Effective national and provincial capacity for independent research and analysis of government policy and local development challenges”.
- AusAID’s environment strategy [22] has as its overall objective “sustain economic growth and reduce poverty in the Asia-Pacific region by improving the management of natural resources, increasing community resilience and better conserving natural heritage”
- AusAID’s has a ‘human rights statement’ that lays out six principles through which Australia’s Aid program supports human rights [27]:
  - Human rights are a high priority for the Government. Civil and political rights are ranked equally with economic, social and cultural rights.
  - The aid program will continue to undertake activities that directly address specific economic, social, cultural, civil and political rights. A particular emphasis will be on the creation of durable institutional capacity to promote and protect human rights.
  - The emphasis will be on the practical and attainable. AusAID, as the Government’s aid agency, will pursue practical aid activities in support of human rights. These activities complement and build upon high-level dialogue on human rights. Dialogue on human rights and representations about individual human rights cases will normally be carried out through diplomatic channels.
  - The aid program will develop activities primarily as a result of consultations and cooperation with partner countries on human rights initiatives. Regional and multilateral activities will also be undertaken.

- Considerable care will continue to be applied to the use of aid sanctions associated with human rights concerns. The Government will consider such sanctions on a case-by-case basis. Aid conditionality based on human rights concerns would only be used in extreme circumstances since it can jeopardise the welfare of the poorest and it may be counterproductive.
- AusAID will continue to link closely with other arms of the Australian Government on governance and human rights issues. AusAID will also liaise with NGOs and human rights organisations in Australia.

The statement goes on to say that “From an aid perspective, development and human rights are interdependent and mutually reinforcing. For development to be sustainable, individuals in developing countries need to have secure and long-term access to the resources required to satisfy their basic needs, be they economic, social, cultural, civil or political” [27].

### **Aid effectiveness policies**

AusAID has an office for aid effectiveness which reports to the DG of AusAID and is guided by a steering committee with representatives from the Prime Minister and Cabinet, Foreign Affairs and Trade, Treasury and Finance and Administration [20, 26]. Considerable effort goes into AusAID’s Quality Reporting System and Annual Reviews of Development Effectiveness. QRS monitoring is compulsory for all projects valued at 3 million AUD or more. The QRS monitors the quality of aid activities at the three stages: design (or entry), implementation and completion. At each of those phases, it reports on the degree to which activities apply internationally recognised characteristics of good aid practice. Reports are subject to peer contestability of findings [26]. There may be opportunities to argue that projects that fail to acknowledge local rights and management practices are ineffective.

### Australian laws and policies outside the Aid sector

Outside of AusAID and the Department of Climate Change and Energy Efficiency, Australia has a number of policies and laws which may be relevant to influencing Australian support to REDD in Indonesia.

### **Australian Human Rights Policy**

The Australian Government has made strong statements supporting human rights in its Aid Program. These include the statement by the The Foreign Affairs Minister’s in the Policy Statement Accompanying the 2009-2010 Federal Budget that “Australia explicitly recognises the importance of human rights to development. Australia is committed to promoting and protecting human rights — civil, political, economic,

social and cultural. Australia will advance human rights at all levels — through positive multilateral engagement, genuine bilateral partnerships, regional initiatives and support to civil society and NGOs” [36].

Approaching Australian aid and bilateral relationships through human rights is hindered by the lack of an overarching human rights law in Australia [29]. Australia has ratified 7 of the 9 core human rights treaties, including the International Covenant on Civil and Political Rights, International Covenant on Economic, Social and Cultural Rights, International Convention for the Elimination of All Forms of Racial Discrimination, Convention of the Elimination of All Forms of Discrimination against Women, but has not translated these into national law [29]. Human rights policy is fragmented, contained in government departmental policies, and using human rights law to influence Australian policy is further complicated because of lack of transparency regarding Australian government human rights activities in a development context [29]. In addition, AusAID delivers a majority of its aid program through private business contractors which are not regulated in a manner that creates express obligations to promote and protect human rights in the delivery of development contracts for the Australian government.

Australian law does not have provision for prosecution of Australian citizens or institutions who breach national laws when outside Australia (there are some specific exceptions, for example the Child Sex Tourism Amendment Act 1994), so application of human rights law to Australian aid depends on the presumed universality of human rights law [29].

### **The Environment Protection and Biodiversity Conservation Act 1999**

This act is Australia’s main environmental protection act and is implemented by the Department of the Environment, Water, Heritage, and the Arts. It lays out requirements for reporting and assessing actions which might have a significant impact on the environment. Section 28 of the act states that “The Commonwealth or a Commonwealth agency must not take inside or outside the Australian jurisdiction an action that has, will have or is likely to have a significant impact on the environment inside or outside the Australian jurisdiction” [40], and that EPBC approval is required for “an action taken by a commonwealth agency anywhere in the world that is likely to have a significant impact on the environment [Australian national government agencies such as AusAID are ‘commonwealth agencies’]” [39]. Section 160 of the Act requires a Commonwealth agency or employee to obtain and consider advice from the Australian Government environment minister before authorising “entry into a contract, agreement or arrangement for the implementation of a project under Australia’s foreign aid program that will Have or is likely to have a significant impact on the environment anywhere in the world” [39, 40]

In the act, Environment is understood to include “people and communities” and the social, cultural and economic aspects of the object which may

be impacted by an action. The concept of heritage includes “Indigenous heritage value’ ...defined as meaning ‘a heritage value of the place that is of significance to Indigenous persons in accordance with their practices, observances, customs, traditions, beliefs or history’”. It is recognized that it is important to consider “whether an action will affect the significance or value that the place holds for people, as well as simply the physical impacts on its fabric or condition.” And that “The sensitivity and value of Indigenous heritage are identified through consultation with the Indigenous people that are potentially affected”

The guidance on the Act quotes examples of adverse effects on communities as being when an action is likely to:

- substantially increase demand for, or reduce the availability of, community services or infrastructure which have direct or indirect impacts on the environment, including water supply, power supply, roads, waste disposal, and housing
- affect the health, safety, welfare or quality of life of the members of a community, through factors such as noise, odours, fumes, smoke, or other pollutants
- cause physical dislocation of individuals or communities, or
- substantially change or diminish cultural identity, social organisation or community resources

If it is considered that planned action are likely to have an impact, the action must be referred to the Minister, who will decide whether the action is subject to assessment and approval (a ‘controlled action’) under the EBPC or not. If it is, the assessment process requires preparation of documentation and public consultation on the proposed action.

### **Australian Aboriginal Land Rights acts policy**

Aboriginal land rights were first recognized in 1976, when the Aboriginal Land Rights Act returned land in aboriginal reservations, and other un-claimed land areas, to communal ownership. Land sales were banned, but a 2006 amendment to the act opened up individual ownership and sales of land, as well as simplifying the process of negotiation between aboriginal communities and mining companies. The act provides a partial example of recognition of indigenous rights, and could be held as minimum standard against which Governments receiving Australian support should be compared.

### 7.1.3 REDD Programs in Indonesia

The Indonesia-Australia Forest Carbon Partnership was signed by PM of Australia and President of Indonesia on 13 June 2008. The aims of the

IAFCP are [30]:

- policy cooperation under the UNFCCC and capacity building support [strategic policy dialogue on climate change [42]]
- technical support to increase Indonesia’s forest carbon
- measurement capacity; and identifying and implementing incentive-based practical REDD activities

Activities to date under the IAFCP are:

Australian investments in REDD in Indonesia (IAFCP)		
Kalimantan Forest Carbon Partnership	Trialling REDD in 120,000 Ha in Kalimantan	30 Million AUD [90]
Sumatra Forest Carbon Partnership	Trialling REDD+ in Jambi	Launched 2 March 2010 30 million AUD [38]
Support to forest and climate policy development in Indonesia	Development of forest carbon measurement systems: Indonesian National Carbon Accounting System; Forest Resource Information System; Indofire forest fire monitoring system	10 million AUD
Developing the Roadmap for Access to International Carbon Markets	Multi-phased strategy helping Indonesia develop the technical, system and financial pre-requisites for participation in future international carbon markets for REDD	Agreed by Heads of State in June 2008, Formalised by Ministers November 2008. Funding implication not clear.

### Governance of the IAFCP [34]

The **IAFCP Steering Committee (SC)** reports to and represents the two partner governments. It sets the agenda for all work in the IAFCP, including KFCP, reviews results, and provides policy advice. The **Partnership Office (PO)**, led by two Coordinators appointed by the two Governments, is directed by and reports to the Steering Committee. The Partnership Office advises the Steering Committee on all aspects of IAFCP operation and leads/directs all work under the IAFCP. **Activity Task Groups (TG)**, comprising individuals with a direct interest in managing activities under the IAFCP, including KFCP. A **Technical Panel (TP)** provides technical guidance to

the Steering Committee and appraisal of work designs and activity results. Working Groups will be formed and dissolved on an as-needed basis to address specific issues such as design of the peat GHG monitoring system, design of payment mechanisms, and design of the KFCP socioeconomic baseline survey and related monitoring protocols. The **IAFCP Facility** supports IAFCP implementation and is supervised by the **AusAID Coordinator of the Partnership Office**. A **Managing Contractor (MC)** will be selected through competitive bidding to implement the Facility, including the KFCP and other demonstration activities. FRIS and INCAS are being developed through the joint efforts of the Partnership Office and the Ministry of Forestry. The KFCP remote sensing and Geographic Information System (GIS) GHG emissions monitoring process is linked to FRIS/INCAS conceptually and eventually technically.

### IAFCP National level interventions

*Roadmap for Access to International Carbon Markets.* When they met in June 2008, the leaders of Indonesia and Australia agreed to jointly develop the Roadmap for Access to International Carbon Markets. The Roadmap is a multi-phased strategy to support Indonesia participate in international carbon markets for REDD. The Roadmap extends cooperation beyond existing activities under the Indonesia-Australia Forest Carbon Partnership by assisting Indonesia establish the necessary technical, system and financial pre-requisites to participate in international carbon markets.

*INCAS-National MRV system* [28]: Aims to produce a comprehensive and credible account of Indonesia's land-based emissions profile and sinks capacity. Will be an integrated system drawing together data from LULUCF sectors to provide a robust emissions profile using:

- Remotely sensed land cover change data
- Land use and management data
- Climate and soil data
- Growth and biomass data
- Spatial and temporal ecosystem modelling

Work to date has focused on research, training, leading to the development of policy scenarios around the setting of reference emissions levels

## Demonstration Activities

### **Kalimantan Forest Carbon Partnership (KFCP)**

The KFCP was launched along with 3 other pilots by the Minister of Forestry on 6 January 2010. The program “aims to demonstrate a credible, equitable and effective approach to REDD, including from the degradation of peat land, that can inform a post-2012 climate change agreement. The Partnership is trialling an innovative, market-oriented approach to financing and implementing measures for REDD. The initial focus is on an area of 120,000 hectares of forested and degraded peat land in the province of Central Kalimantan on the island of Borneo” [30, 35]. This will be achieved through:

- Measures to reduce emissions from deforestation and forest degradation;
- Approaches to forest carbon measurement, linked with Indonesia’s national systems;
- Incentive based payments for forest-dependent communities in Central Kalimantan; and
- Institutional and governance arrangements for REDD activities.

### ***Local communities and indigenous peoples in the KFCP***

The KFCP briefing document devotes considerable attention to livelihoods, a strategy for engagement with local communities by the project, and has some discussion of tenure issues. The document includes strongly worded commitment to ‘do no harm’ and to work to resolve conflicts and find equitable solutions to problems. The document outlines KFCP’s responsibility to conform to relevant Indonesian and Australian laws.

A KFCP briefing document states that “as local people are directly affected by the consequences of environmental degradation, they must also be at the heart of the solution” [35]. Areas of work of the KFCP include “Documenting the positive and negative social and economic impacts of the REDD demonstration on participating communities, especially focusing on the results of KFCP interventions that are targeted at communities with emphasis on gender” and “Producing co-benefits in terms of providing livelihood options and cash payments for REDD services to target villages, conserving biodiversity, reducing health impacts and economic losses from smoke, and clarifying land tenure and property rights of communities, thereby providing a basis for economic security while reducing the threat of conflict” [35].

Explicit mention of indigenous people is confined to the annexes of the project design document [113], but the body of the document records that “The demonstration site is sparsely populated, with approximately

9,000—mostly Ngaju Dayak—residents living in 14 villages and hamlets strung out along the banks of the Kapuas River “ and contains a summary of the tenure situation at the site “Dayak communities have lived within the site for generations and claim land within five kilometres of their villages based on their customary law, which apparently was recognised by the colonial government prior to independence. During the development of the Mega Rice Project, the government recognised that villages had management rights and access tenure extending 1.5 kilometres inland from the riverbank. The district government is working with local NGOs and villages to formalise land tenure and some villages are permanently assigning specific plots of land to individual families, a change in traditional practice where land was used but not owned individually. Women are largely excluded from this process, as official land titles (in contrast to traditional land tenure) tend to be based on male heads of households. Households headed by single women are especially impacted. Villagers currently do not have formal rights to harvest forest resources in other parts of the site, although they obtain an important part of their livelihoods from the forest. Information about land tenure and property rights will be collected during the early implementation phase. Some form of gender-biased, secure land tenure and resource use rights are a necessary concomitant of long-term community participation in of REDD demonstration activities, particularly fire prevention and peat restoration”

an important footnote to this paragraph states:

“Clear land tenure laws cannot be made a precondition of project development, because no projects would then ever be developed or they would all be developed in the same handful of places. Rather, the projects themselves can be made the instrument of change, where community management rights are first given to local people in a step-wise process to full land tenure” [113]. The risk section of the design document notes that lack of clarity of land tenure, and that “resolution of the tenure issue has important implications for community legal entitlement to credits for GHG emissions reductions in the demonstration site and beyond” [113]. Action on tenure is being taken by implementing partners – mapping current land and resources use, and investigating the historical and legal basis of claims. The KFCP’s approach to these issues is summed up in this statement “The KFCP cannot directly intervene in the political and administrative processes related to land tenure but can provide all parties to the discussion with information about current land use, the types of land use changes required to make REDD effective, and the characteristics of tenure arrangements needed to support these changes.”

The village engagement process will observe the following principles:

- Be **participatory** to ensure local ownership;
- Be gender biased and ensure equal access to processes and resources for women and men, in particular those of marginalized groups;

- Provide the opportunity for **free and informed consent**;
- Be **flexible and adaptive**;
- **Follow sound development principles**, such as ensuring that livelihood alternatives are financially and socially feasible, gender sensitive, and sustainable (see livelihood standards in Attachment 1);
- Ensure that alternative **livelihoods are compatible with REDD objectives**;
- **Target groups most responsible for emissions-increasing practices** for behaviour change and offer real income alternatives;
- Ensure that interventions **do not make people worse off** if REDD is not accepted internationally—**do no harm!**
- **Do not exacerbate gender and socially based disparities** (see Section 5.1 for a discussion of gender and social inequality issues in the KFCP); and
- Ensure village planning is done within the GoI-mandated **village-level planning process (Musrenbang Desa)** but ensure that the process leads to improved access for women to development outcomes. These plans provide a means to integrate village plans into higher levels of spatial planning, make land use compatible with REDD, and provide a basis for validating land tenure claims.

And the following principles for ‘identifying and selecting livelihood interventions on peat lands’:

1. Should meet sustainable livelihood indicators (economic, ecological/environmental, human security), and as such, promote sustainable land use of forest and tropical peat lands;
2. Be socially inclusive and involve groups that are marginalised or have limited access to community decision-making processes;
3. Be gender sensitive; and
4. Should support efforts to ensure equitable and fair access to land tenure.
5. Do not create or exacerbate conflict.

#### Implementation planning:

“Community land use mapped, property rights assessed & socio economic baseline created” is an output of early implementation phase of the project.

Village forest (“hutan desa”) designation is proposed as a way to ensure involvement of communities in management processes (under the umbrella of the proposal forest management unit)

The design document notes that “Technical interventions, such as dam building and reforestation, may commence only when the necessary social enabling conditions have been created in villages that use or claim rights to the involved land or canals” [113]. Local community involvement is based on changing behaviour (farming and fire control practices) through incentive based payments. The system will initially be funded by the KFCP, and aims to trial approaches to payments that could be used to support participation in a future REDD mechanism under the UNFCCC. The design document refers to gender balance in several places, including for example that “Incentives aimed at changing land use or forest management should directly target resource users (individuals or groups) but ensure that while much of the work is male dominated, women will have equal access to these resources” [113]. There is an intention to monitor social impacts, with indicative indicators including: Governance indicators appropriate for payment mechanisms; Distribution of incentives and other benefits; Social, economic, and environmental impacts; and Gender disaggregated data from activity to impact level [113].

Finally, the design document has contains a commitment to “Do No Harm: screen interventions and monitor to ensure that KFCP activities do not harm residents of the demonstration area in terms of livelihoods, land tenure, social/gender disparities, and corruption” as one of its key implementation principles.

The design document contains sections on compliance with gender, environment, corruption, and child protection policies of Australia and Indonesia. The gender section contains a list of principles to avoid worsening the situation of women. The environment section notes that physical works (such as canal blocking and tree planting) will be subject to Government of Indonesian and Commonwealth of Australia, environmental clearances and related permitting/ licensing provisions, and that the project must comply with AusAIDs policy on environmental management, and legal obligations under the Australian Environment Protection and Biodiversity Conservation Act 1999.

#### **Sumatra Forest Carbon Partnership**

[38] The Sumatra Forest Partnership was launched on 2 March 2010

Incorporates the concept of REDD+:

“The new activity will also reflect recent developments in international negotiations, building on the good progress made on REDD in Copenhagen where there was agreement by countries on the need to immediately establish a mechanism for REDD-plus. REDD-plus builds on the existing elements of REDD and encompasses conservation, sustainable management of forests and the enhancement of forest carbon stocks. Australia and Indonesia are committed to ensuring this progress is translated into concrete and practical action to advance the implementation of REDD-plus.”

### International conventions and forums

#### **UNFCCC**

Australia and Indonesia developed a joint submission to the AWG-LCA, AWG-KP and SBSTA which included lessons from the KFCP. The submission includes the following positions related to REDD [42]:

“REDD is best included through a market-based mechanism, as international carbon markets offer the best means to provide financial incentives at the scale required to effectively address emissions from deforestation and forest degradation.”

Under the Partnership, our joint activities are designed to support the UNFCCC process on REDD policy and methodological issues, as well as Indonesia’s national REDD framework.

Lessons from the KFCP in the submission include:

“to respect national sovereignty the national government must be consulted on and agree the location of pilot activities”

“sub-national levels of government and communities should be consulted”

“it is advisable to ensure that spatial planning for the site is adequate and that carbon rights are enforceable”

“Legal rights to forest carbon: Genuine and enforceable legal rights to forest carbon are fundamental to the success of a REDD demonstration activity. Rights can be established through a variety of systems, including carbon rights, land tenure arrangements or ownership of forest resources. The KFCP is approaching this in the context of Indonesian forestry law, which grants or recognises particular types of forest use rights to landowners, forest-dependent communities, private companies, and other entities. This approach has the advantage of building on existing, well understood systems within a recognised legal framework.”

## UNDRIP in the UNFCCC

Australia was one of 4 countries (USA, Australia, Canada, and New Zealand) that voted against the UNDRIP, the only objectors out of 147 countries [32]. At the 14th Conference of the Parties of the UNFCCC, many had expected the Draft Conclusions of Agenda Item 5 (Reducing emissions from deforestation in developing countries: approaches to stimulate action) to include a reference recognizing the rights of indigenous peoples. Although it did recognize the value of encouraging participation by indigenous peoples, it “removed any references to rights of indigenous peoples and the UNDRIP.” The removal of the reference to rights was advocated by the USA, Australia, Canada, and New Zealand. [32]

## 7.2 France

French overseas aid is delivered through Agence Française de Développement (AFD, <http://www.afd-indonesie.org/>). AFD works in 50 countries and French overseas territories and provided 6.2 billion Euro in 2009. AFD provides long-term loans to States or with a State guarantee, and also to local authorities, public or private enterprises. AFD has a subsidiary dedicated to financing the private sector, PROPARCO. In 2006 the French Inter-Ministerial Council on Overseas Aid agreed to experimentally broaden the mandate of AFD to include work in ‘emerging economies’ - Brazil, India, Pakistan and Indonesia. In these 4 countries AFD works on ‘management of global public goods’ with three overarching priorities: preventing and controlling infectious diseases, climate change, and biodiversity conservation.

### 7.2.1 International Climate Change - REDD Program

#### Objectives and activities

French support for climate change work aims to develop low carbon economies [04]. Globally, 1/3 of AFD funds goes into Climate change related work – in 2009 71 climate change projects were approved, a total of 2 billion Euro for mitigation and 0.4 million Euro for adaptation. About half of this funding is disbursed as budget support to Governments and credit to banks, another quarter for clean energy projects, and the remainder for water, transport, and forests and natural resources (the smallest allocation). About 1/3 of the funding was for Asia-pacific. AFD funds research on adaptation and mitigation issues, and contributes to World Bank initiatives as well as funding actions in priority countries. AFD supports global funding of National Climate Change Plans to support “development of public policy to combat climate change” [04] in three countries – Indonesia, Mauritius, and Mexico. Climate related investments are:

Institution	Program	Value	Notes and reference
AFD	Contribution to World Bank FCPF Readiness Fund	5.2 million USD [111]	disbursed 2008 [04, 10]
AFD	Contribution to post-Copenhagen 'fast start' for REDD+	USD 330 million	mainly grant and concessional loans [04, 16, 10]
AFD	Institutional and Technical Capacity building – Congo Basin – with WWF, WCS, CI	not yet allocated	[04]
AFD	REDD in the Guyana Plateau (Guyana, Suriname)	not yet allocated	[04]
AFD	Forest process and carbon stock monitoring – Congo Basin	not yet allocated	[04]
AFD	Climate Change Program Loan support to Indonesia	800 million USD	co-financed by Japan [05]
	GEF 04 and 05	USD 288 million	188 m for GEF 4 was not all for REDD. 100 m for GEF 5 REDD planned [10]

### Governance of French Climate Change Aid Policy

French Aid Policy is set by the Inter-ministerial Committee on International Cooperation and Development, chaired by the Prime Minister. The Minister Delegate for Cooperation, Development and the French-speaking Countries, under the authority of the Minister of Foreign Affairs, coordinates the agencies in the French development cooperation system, including AFD. [01]

Within the context of the AFD SER (see below), projects are subject to analysis based on social and environmental indicators. AFD also publishes an annual report documenting ongoing and planned actions. The SER will be evaluated every 5 years, next in 2011 [08].

#### 7.2.2 Social and Environmental Issues in French Aid policy

The AFD website provides information on AFD's social and environmental responsibility policy (2007 – 2011) [08], which also applies to the private sector subsidiary PROPARCO. Elements and statements in the policy of relevance to REDD issues are as follows:

“Places the individual and the improvement of his/her well being and living conditions at the heart of its activities”, “Works to preserve the renewable natural resources, ecosystems, and climate conditions that are essential for continued economic and social development, particularly in zones where environmental degradation increases the vulnerability of the poorest populations”.

In implementation of the SER policy, AFD aims to:

- “Ensure systematic environmental and social monitoring of all operations, from project preparation to post-evaluation, focusing on those classified as “high risk” in terms of social and environmental risk indicators”,
- has a target that “all Agency activities are “carbon neutral” by no later than 2008 in terms of GHG emissions”
- will “Publish all information useful in relation to the activities it supports at various stages of the operational cycle (planning, start-up, implementation, and evaluation), respecting legal obligations to assure confidentiality, and continue to increase the disclosure of public information on its systems and strategy.”

Implementation of the SER is through an environmental and social risk assessment process which has applied since 2007. Social risks include those associated with human rights law and conventions. Further details on the criteria and procedures for the risk assessment process were not found.

The SER policy highlights AFD’s membership of global compact. This entails commitment to the principles of the UDHR, ILO conventions, CEDAW, Rio Declaration on Environment and Development, OECD convention and the UN convention on corruption. In addition, the SER confirms that AFD will adhere to principles of precaution and prevention in accordance with article 5 of the charter on the environment in the French constitution, and to France’s New Economic Regulations Act (15 May 2001), particularly indicators in Article 116. AFD is also committed to harmonising aid programs in accordance with the Paris Declaration.

SER policy implementation is the responsibility of the directors of the organization, with implementation driven by a network of ‘correspondents’ through the organization. The strategy division is charged with oversight of the implementation of the SER throughout the organization.

AFD structure includes an environmental and social support unit which supports project teams in project appraisal and monitoring to undertake systematic analysis of environmental and social risks and classification of projects to determine the extent and nature of the assessments needed and the undertakings to be required of beneficiaries. Environmental risk analysis was enhanced in 2007 by carbon emissions assessment of projects and a guide to analysis of projects’ sensitivity to climate change. [02, 03]

Proparco, the private sector section of AFD, is a member of the EDFI, Association of European development Finance Institutions. In May 2009 the EDFI agreed a declaration on 'Principles for Responsible Financing', which emphasise "respect for human rights and environmental sustainability is a prerequisite for any financing by EDFI institutions". The declaration builds on harmonized environmental and social standards applied to funding through the European Financing Partner Facility, agreed in 2007, which cover (a) Environmental and Social Category Definitions, (b) Requirements for Environmental and Social Due Diligence, Environmental and Social Contractual requirements and Monitoring and (c) an Exclusion List [52]

The French environmental code includes within its general principles the precautionary principle (lack of scientific certainty should not be a reason for delaying action to prevent risk or protect the environment), and the principle of participation, including the right of the public to be involved in projects having a major impact on the environment, and establishes a right to information on the state of the environment, decisions made affecting the environment, and the impacts on health and livelihoods caused by these decisions. The law recognises the individuals right to a healthy environment, and states that individuals, private and public bodies have a duty to safeguard and contribute to the protection of the environment. A public enquiry is required for projects which will impact on the environment.<sup>2</sup>

### 7.2.3 Climate Change Program in Indonesia

#### Objectives and activities

The Climate Change Program Loan funds implementation of a three year (2007 – 2009) policy matrix based on the priorities identified in Bappenas' 'yellow book' (National development planning: Indonesia responses to climate change). The purpose is to support policy reforms in favour of climate change mitigation and adaptation. Actions and indicators are aggregated into three blocks within a "Policy Matrix": (i) reducing emissions of greenhouse gases (forestry, energy and industry), (ii) adaptation to climate change (water and agriculture) and (iii) cross-cutting activities (spatial planning, CDM, etc.). The Policy Matrix is encompassing all the expected regulatory reforms and public actions carried out by the GOI to fight climate change: laws and decrees, pilot projects, master plans, etc. [07]

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2 Downloaded from <http://195.83.177.9/code/index.phtml?lang=uk>, 14 May 2010

Program	Amount	reference/notes
Climate change program loan 1 <sup>st</sup> tranche	200 million USD (soft loan)	disbursed 2008, co-financed by JICA (Japan)
Climate change program loan 2nd tranche	300 million USD (soft loan)	disbursed august 2009, co-financed by JICA (Japan)
Climate change program loan 3rd tranche	300 million USD (soft loan)	signed June 2010, co-financed by JICA (Japan) and the World Bank

The CCPL was designed as an MoU between AFD, GoI and GoJ, co-funding the Japanese cool earth program. A first loan of 200 million USD was made to GOI under the CCPL in 2008, as co financing JICA support. The 2008 policy matrix was judged to have performed satisfactorily, and was upgraded to the 2009 matrix, which is the basis of the 300 m USD second tranche long term soft loan. The loan was disbursed at the end of August 2009.[07] A further tranche was agreed in June 2010 after the CCPL steering committee meeting endorsed the results of 2009 actions and agreed targets for 2010.

AFD is also funding technical assistance to [07]:

- the Ministry of Industry : international expertise to introduce a greenhouse gases (GHG) emissions reduction scheme in the cement industry, which may be extended to other sectors such as steel industry;
- the Ministry of Forestry : i) Feasibility study of a “small-scale green carbon market” to give small scale forest plantations access to the voluntary carbon market; ii) Development of a spatial land use planning methodology for decision making (taking into account local development needs, forest resources dynamics and climate change risks).
- the National Council on Climate change (DNPI) : second phase of the “GHG abatement cost curve” study by McKinsey & Company.

AFD also states that it “will seek to identify pilot and innovative projects, in particular in sustainable forest management.” [06]

### **Governance of the French CCPL in Indonesia**

A steering committee is established by GOI for coordination of the CCPL. Bappenas monitors implementation and coordinates the line Ministries and with the two funders. AFD funds a forestry expert who is part of the monitoring team, supporting monitoring of progress under the agreed policy matrix.

Actions and indicators are reviewed annually between GOI (Bappenas and Ministry of Finance as well as line ministries) and the two donors, based on the three main sections of the “Policy Matrix”: (i) reducing emissions of greenhouse gases (forestry, energy and industry), (ii) adaptation to climate change (water and agriculture) and (iii) cross-cutting activities (spatial planning, CDM, etc.).

### Social and Environmental Issues in French Cooperation in Indonesia

French support to GCC issues in Indonesia involves budget support, not direct project implementation, and as such does not have a separate set of guidelines.

## 7.3 Germany

### 7.3.1 International Climate Change - REDD Program

#### Objectives and activities

Germany has an Integrated Energy and Climate Program [62], but does not have a specific global REDD-forest carbon programme. It is a significant investor in climate change related projects. In the 2009 federal budget, the sum of around one billion Euros was earmarked for mitigation and adaptation from the budget of the Federal Ministry for Economic Cooperation and Development (BMZ), with a further 120 million Euros coming from the budget of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU). [53]

German government activities on climate change include:

Institution	Program	Value	Notes and reference
BMZ	Contribution to the World Bank – FCPF Readiness Fund	14.5 million USD committed [11]; 28.74 million USD (20 million euro) [57, 09, 12]	
BMZ	Contribution to the World Bank – FCPF Carbon Fund	14.5 million USD committed [11]; 28.74 million USD (20 million euro) [57, 09, 12]	
BMZ	Initiative for Climate and Environmental Protection	2.4 billion euro	2008-2011, loan and subsidies [53]

BMU	International Climate Initiative (ICI)	120 million euro per year [53] 105 million USD [12]	[53] (15.8 m USD in Indonesia, 89.2 m USD in 16 other countries/regions) [12]
GTZ	Climate Protection Programme (CaPP),	not available	implemented on behalf of the BMZ [53]
BMZ	"Bilateral Aid" to various countries	142.06 million USD [12]	(39 m USD in Indonesia, 102 m USD in other countries)
?	Global Environment Facility	about 100 million US dollars	[53] 1/3 Germany's contribution of 295 million USD to the GEF is earmarked for climate change
?	World Bank Strategic Climate Fund and Clean Technology Fund	about 500 million USD	[53] (includes 50 m USD for Climate resilience fund [54])
	REDD+ financing announced at the Oslo Climate Conference	about 503 million USD	[09, 12]

### Governance of the German climate funds

Germany's aid program, including aid for climate change, is managed by BMZ. The BMZ's Initiative for Climate and Environmental Protection was created and is implemented by KfW. The GTZ-CaPP appears to be supported by BMU and BMZ.

The BMU provides additional funds for climate change work through its International Climate Initiative fund (ICI), which is funded from carbon credit trading in Europe. ICI Projects must be integrated within the climate strategy of the respective partner country. The programs are commonly implemented through German technical cooperation agency (Deutsche Gesellschaft für Technische Zusammenarbeit, GTZ) and the Development Bank KfW-Entwicklungsbank (KfW), with some ICI funding also going directly to national and international NGOs. Project proposals can be submitted by implementing organisations of German development cooperation (GTZ, KfW), and by non-governmental and governmental organisations, universities and research institutes, private sector companies and multilateral development organisations. Funding decisions are made by BMU, with reference to a 30-member international advisory group [62].

### 7.3.2 Social and Environmental Issues in German Law and Policy

Core elements of German development policy are the strengthening of good governance, ownership and the potential for self-help in the developing countries. A political agreement in the German ruling coalition defines the following as key sectors for development cooperation: good governance, education and training, health, rural development, protection of the climate, the environment and natural resources, and economic cooperation<sup>3</sup>. Indonesia is one of 15 ‘anchor countries’ for German aid – meaning that it has particular regional and global importance [63].

German climate change initiatives do not have a specific set of safeguards or standards, but refer to the existing BMZ policies on German Overseas Aid. BMZ has established a set of ‘rules’ that guide the implementation of German aid, and binds GTZ and KfW. German aid addresses 8 cross-cutting issues: Poverty reduction; Promoting gender equality; Participatory development and good governance; Environmental and resource protection; Crisis prevention; Combating drug abuse; Rural development; Protecting tropical forests<sup>4</sup>. There are also 5 ‘criteria’ which form the basis for decision about the type and amount of aid to a partner country (not conditions for disbursement<sup>5</sup> [60]:

- **Pro-poor and sustainable policies:** Orientation towards the Millennium Development Goals (MDGs), Sustainable, broad-based economic and financial policy, support for ecological sustainability
- **Respect for, protection and fulfilment of all human rights:** Implementation of international human rights treaties, recognition and promotion of women’s rights, observance of human rights standards by state actors
- **Democracy and the rule of law:** Democratic participation and a responsible parliament, limitation of state power through justice and the law, peaceful resolution of internal conflicts
- **Efficiency and transparency of the state:** Government willing and able to act effectively, corruption-free state institutions, transparent, efficient, people-oriented public administration
- **Cooperative stance within the international community:** Constructive participation in regional cooperation mechanisms, constructive and active participation in international processes and bodies, pro-peace stance in crisis and conflict situations

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3 <http://www.bmz.de/en/principles/koalitionsvertrag/index.html> - downloaded 22-4-10

4 <http://www.bmz.de/en/principles/rules/crosscuttingissues/index.html> - downloaded 22-4-10

5 <http://www.bmz.de/en/principles/rules/determiningFactors/index.html> - downloaded 22-4-10

These principles are further defined in binding strategy papers.

### **Good Governance**

BMZ has a strategy paper on Good Governance which is “binding for the implementing organisations of official German development co-operation; it is intended to provide guidance for non-governmental organisations and private sector actors.” In the strategy, BMZ closely links good governance to human rights, stating that “our understanding of good governance is based on human rights. The threefold obligation of the state, i.e. respecting, protecting and fulfilling human rights” [60]. The Good Governance strategy explicitly supports the Accra Agenda for Action and other human rights instruments, and EU develop policy such as the European consensus on Development (2006) and the Conclusion of the EU Council on Gender Equality and Women’s Empowerment in Development Cooperation (2007) [60]

### **Human rights**

The current BMZ strategy paper on Human Rights is the “Development Policy Action Plan on Human Rights, 2008-2010” [58]. In it, BMZ recognizes human rights as “a key regulatory framework for development cooperation’ and is experimenting with the ‘human rights approach’ in its development cooperation” and states that “German Development Cooperation is testing the human rights approach in the pilot countries Guatemala and Kenya. This approach puts the implementation of human rights at the centre of development policy efforts. ...disadvantaged population groups are seen as the bearers of inalienable, equal, indivisible and universal human rights who are entitled to the implementation of their economic, social, cultural, political and civil rights (“bearers of rights”), and not just as the recipients of state benefits with (limited) opportunities for involvement (“target groups”). Partner countries are regarded as “bearers of obligations” that are obliged to respect, protect and guarantee human rights. While some rights, such as non-discrimination, must be implemented in full, many other aspects of human rights must be implemented progressively making full use of the available resources. Governments are not required to do the impossible, such as immediately guaranteeing the right to water for the entire population. However, the policies of the partner countries must demonstrate the government’s determination to implement human rights to the best of its abilities.”

The policy is based on the four fundamental principles of human rights: non-discrimination, empowerment, accountability and participation. Criteria for assessing the development orientation of its partners have been revised in the light of the adoption of a human rights approach to development [58]: “The BMZ’s new catalogue of criteria for assessing the development orientation of its partner countries sets economic, social and cultural rights on an equal footing with civil and political rights. Economic, social and cultural rights are a basis for assessing the status of MDG implementation.

The human-rights-based approach is therefore particularly important for assessing and steering cooperation with our partner countries” [58]. BMZ notes that many poor groups remain marginalized in their own countries, and that “With our human rights orientation we are directing the focus of our contributions to sustainable development even more sharply on the structural causes of poverty, social marginalisation and violent conflict and on promoting highly disadvantaged social groups such as women, children, people with dis-abilities, and indigenous and ethnic minorities.” And that “Growth policy must go hand in hand with social security measures such as measures to establish socially compatible property rights” [58]

### **Forest Sector Strategy**

The BMZ Forest Sector strategy [55] states that “All forest-related interventions follow a common Forest Sector Strategy. Priorities and principles are aligned with international standards. Social and ecological minimum standards safeguard the rights of the forest-dependent poor and help to maintain ecologically vital forest functions”. It notes that “conducive, coherent policy framework’ is needed for forestry policies, and that the majority of German technical assistance is focussed on local level forest management including ‘improving access and tenure rights for local people’. The strategy emphasises that German support aims to assist partner countries achieve their obligations under international instruments such as the UNFF and CBD.

### **Markets as tools for development**

BMZ promotes a model of ‘social and ecological markets’ as a principle of German development aid [56]. This includes guiding principles such as “economic development must not be allowed to take place at the expense of the environment; it must be directed towards preserving the natural resource base. Governments must create economic incentives to preserve the environment through forward-looking policies and ensure that international standards are observed. Appropriate measures have to be taken to ensure the future viability of local and global eco-systems. This implies protection and sustainable use of vital natural resources by means of resource-efficient production methods. “[56]

### **Indigenous Peoples**

GTZ has an ‘issue paper’ on ‘Indigenous Peoples as Partners and Promoters in Integrating Development and Conservation’ [79] which adopts the ‘standard international definition’ of IPs as:

- a strong bond with their ancestral land and the natural resources it contains
- presence of common law social and political institutions

- a predominantly subsistence-oriented production system
- a distinct language
- self-identification and identification by others as members of a distinct cultural group

But elsewhere notes that: “In the absence of any internationally recognised standard definition of membership of an indigenous population group, German Development Cooperation relies on the “Cobo” definition, which is also used by the UN commission on indigenous peoples. Accordingly, indigenous peoples may be described by the following characteristics, although not all of them must apply<sup>6</sup>.

- Indigenous peoples are directly descended from historic pre-colonial societies.
- They are a non-dominant part of their current national society.
- They have a special relationship to their hereditary territory and their ethnic identity.
- They are determined to preserve, develop and hand on their cultural uniqueness, their own social institutions and justice systems to future generations.

The issues paper identifies unclear land ownership as 1 of 2 key changes affecting IPs, and notes that “the German Federal government explicitly supports the preservation of biological diversity and of indigenous peoples’ practices (Coalition Agreement 2002, CBD [Article 8j], Agenda 21). [79]. An internet briefing notes that core problems facing IPs are:

- unresolved property rights and inadequate access to land and its use
- insufficient opportunity for self-determination
- inadequate participation in politics and society, or national marginalisation
- disproportionately high poverty and poor living conditions
- unsatisfactory recognition of distinctive cultural and linguistic characteristics in the context of a pluralistic national society.

In response to the strong IPs issues in Latin America, GTZ established a Coordination Office for Indigenous Peoples in Latin America and the

6 <http://www.gtz.de/en/weltweit/lateinamerika-karibik/7346.htm> downloaded 20 June 2010

Caribbean (KIVLAK) in 2002. GTZ states that it aims to “help support indigenous peoples in better articulating, asserting and exercising their legitimate rights... Central to this is supporting an independent and self-determined development path. This includes the early involvement of indigenous peoples in all decisions pertaining to their country and way of life.”<sup>7</sup> GTZ also commits to:

- contribute to the avoidance, confinement or resolution of conflicts over regional planning, land tenure or land use
- support recognition of common property and user rights in indigenous settlement areas, generate no resettlements, dispossessions or other major interventions in areas in which indigenous peoples live or have their economic base

### **Land grabbing**

BMZ has a specific policy on ‘Land Grabbing – the purchase and lease of large areas of land in Developing Countries’ [59]. Whilst this is not directly connected to the REDD issue it contains principles which are relevant, including 6 basic principles:

- Participation and transparency in the negotiations: contract negotiations are to be transparent and involve all relevant stakeholders, particularly the rural population.
- Recognition of existing rights: The existing land use rights, including non-formal and traditional rights, of the local population are to be respected and taken into account in the contract agreements. Particular efforts are needed in order to protect the rights of indigenous groups.
- Compensation: Anyone who loses land shall receive compensation on the basis of the livelihood value of the land lost.
- Fair sharing in the benefits of the investment: investments in land should be tied into the poverty reduction strategies of the target countries. This calls for contract agreements to be designed in such a way that they foster pro-poor growth, promote transparency and the use of state revenues for the national wellbeing and domestic development goals, and ensure that the local population can share in the profits from the investments
- Sustainability: ecological sustainability must also be ensured in addition to economic and social sustainability. investments in land should not be made at the expense of natural resources (soil, water, forests, biodiversity, climate).

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7 From: <http://www.gtz.de/en/weltweit/lateinamerika-karibik/7346.htm> - downloaded 20 June 2010

- The human right to food: Food security for the population concerned in the target countries and thus the enforcement of the human right to food must take precedence over all other forms of land use (such as growing energy-producing plants for agrofuels).

### **Aid Evaluation and Monitoring**

Germany has a Program office for Social and Ecological Standards: this is an office of the federal ministry of development cooperation (BMZ) and advises the Ministry on standards issues. It focuses on helping partner countries to improve standards, not on imposing conditionalities on aid itself [61]. KfW has an independent Evaluation Department for Financial Cooperation

Other BMZ strategy papers connected to the issues dealt with here are<sup>8</sup>:

- The **BMZ Strategy Paper on the Promotion of Equal Participation by Women and Men in the Development Process** (2001) sets out the objectives and principles in the field of gender equality, and describes the lessons learned, opportunities and constraints.
- The **BMZ Strategy Paper on Social and Ecological Market Economy Principles in German Development Policy** (2007) applies the principles of sustainability to economically relevant issues, highlighting the linkage between economic policy and good governance as a necessary precondition for inclusive and sustainable economic growth.
- The **BMZ Strategy Paper on Social Security** (2008) describes approaches to the pro-poor framing of social policies at national level and thus to structural poverty reduction.
- The position paper **Anchor Countries – Partners for Global Development** (2004) stresses that goal-oriented cooperation on reforming and strengthening state structures in these countries is essential to creating equitable global structures that foster peace (global governance).

The BMU strategy paper on the ICI (62) does not mention safeguards or risks from REDD related activities.

### 7.3.3 German funded REDD Programs in Indonesia

#### Objectives and activities

Climate change is one of the three priorities of German aid in Indonesia, and is tackled under a German-Indonesia Strategic Partnership on Climate Change agreed in 2007, with three areas as priorities for action: forests,

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8 <http://www.bmz.de/en/service/infothek/fach/konzepte/konzept178.pdf> - downloaded 22-4-10

emissions in cities, and geothermal energy. Implementation is shared between GTZ and KfW, as noted in the table below. GTZ also has a program on geothermal power and emissions in cities, PAKLIM, and is involved in the South Sumatra Fire Project and cooperation with the Asian Development Bank on implementation of the CDM in Indonesia.

German support to forest-climate related programs in Indonesia is summarised in the table below:

Program	value	project
Forests and Climate Change Program (FORCLIME) – funded by BMZ, implemented by KfW and GTZ	28.74 million USD (financial cooperation grant) and 11.14 million USD (technical cooperation grant)	2009-2016, demonstration activities and technical support [90, 12]
Policy Advice for Environment and Climate Protection – funded by BMZ, implemented by GTZ <sup>1</sup>	?	maybe be a component of FORCLIME and/MRPP
Merang REDD Pilot Project – funded by International Climate Initiative (BMU) – implemented by GTZ	2.98 million USD [12] (2 million euro) (grant)	Preparatory measures for REDD in Merang peat forest, South Sumatra [12]
International climate initiative (BMU) – implementation by KfW	10.88 million USD (grant)	2010- 2013, 'Harapan rainforest – pilot restoration of a degraded rainforest in Sumatra' [12]
International climate initiative (BMU) – implementation by KfW	1.25 million USD (grant)	2009-2011, Securing natural carbon sinks in the heart of Borneo (grant to Wetlands Intl, BOS, etc!) [12, 66]
International climate initiative (BMU) – implementation by KfW	0.76 million USD (grant)	carbon financed management of Tropical rainforest Heritage of Sumatra world heritage site (Leuser, Bukit Barisan, Kerinci National Parks) [12]
International climate initiative (BMU) – implementation by The Nature Conservancy	3.58 million USD (2.4 million euro) (grant)	2008-2010, Coral triangle Initiative <sup>2</sup>

<sup>1</sup>: <http://www.gtz.de/en/weltweit/asien-pazifik/1475.htm>

<sup>2</sup>: additional information from the BMU website, <http://www.bmu-klimaschutzinitiative.de/en/projects?region=Asia:Indonesia&subject=subject&keywords=enter+keyword&filter=enter+search>, downloaded 22 April 2010 and [12, 81]

### **The Forests and Climate Change Program (FORCLIME)<sup>9</sup>**

This is a program under the Indonesia-Germany Aid Cooperation Program. Scheduled to be implemented for 7 years, the programs first phase 2008-mid 2009 was preparatory, and the second phase (mid-2009 – 2012) will focus on implementation on the ground and learning lessons relevant to Kyoto. The program has a financing component (implemented by KfW) and technical cooperation component implemented by GTZ. [64]

The overall objective of the FORCLIME program is “to reduce greenhouse gas emissions from the forest sector while improving the livelihoods of Indonesia’s poor rural communities”. The two key elements in achieving this goal are:

- assisting the Indonesian government to design and implement legal, policy and institutional reforms for the conservation and sustainable management of forests, at local, provincial and national level.
- Support to REDD demonstration activities, providing decision-makers with experience of how REDD can be implemented “on the ground”.

#### ***FORCLIME Technical cooperation component (the ‘TC-module’)***

There are three technical cooperation modules or components in the FORCLIME program:

<p>C1: Forest Policy, strategic planning and institution building</p>	<ul style="list-style-type: none"> <li>• Activities: Advisory service to the Indonesian government at national, provincial and district level on policy development and reform, including focus on the development of FMU (=KPH) approaches.</li> <li>• Objective: The institutional and regulatory framework set out by central and district governments for implementing sustainable forest management and reducing greenhouse gases from deforestation and forest degradation has improved</li> </ul>
<p>C2: Implementation of strategic plans for SFM and REDD+</p>	<ul style="list-style-type: none"> <li>• Activities: support to province and district forest plans, REDDiness strategies in East and West Kalimantan, FMU development, and policy development in 3 pilot districts (Kapuas Hulu, Malinau, Berau)</li> <li>• Objective: The actors in the pilot districts apply the improved framework for implementing forest administration reform in sustainable forest management and REDD activities</li> </ul>

<sup>9</sup> Unless otherwise referenced, this summary is extracted from detailed information on the program available at [www.forclime.org](http://www.forclime.org).

C3: Nature Conservation and Sustainable Development in Heart of Borneo Areas (implemented by Ecoconsult)	<ul style="list-style-type: none"><li>• Activities: facilitate agreement on REDD+ and other environmental services which empower and benefit local communities in the HoB, working with the HoB working group, local governments, NGOs including WWF and TNC</li><li>• Objective: Schemes for effective nature conservation, natural resource management and the improvement of the basic conditions of life for poor communities dependent on forests in selected districts in the Heart of Borneo are implemented by relevant stakeholders</li></ul>
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### ***The FORCLIME Financing component (the ‘FC-Module’)***

The KfW funded financial cooperation is implemented by the Government of Indonesia, and centres on development of REDD financing mechanisms and the selection of pilot districts and demonstration activity sites. The main activities are:

- Investment in Readiness
  - Support to development of a sustainable financing mechanism
  - Establishment of District Reference Emission Level (Data acquisition, ground truthing, etc.) which is consistent with National Level and linked to land-use planning
- Investments in Demonstration Activities (DA)
  - DA identification, selection, and implementation
  - DA include different potential REDD-methodologies and sectors (in cooperation with different stakeholders)
- Consulting Services for Implementation
  - Support to implementation, fund management, tendering, etc.

Detailed implementation at DA sites will be guided by an operational manual to be approved by MoF and KfW.

### ***Financing and Governance of the FORCLIME program***

The entire FORCLIME program (financial cooperation module (FC-module) and technical cooperation (TC-module)) is overseen by a national steering committee, which provides policy guidance, endorses the annual work plan, monitors and evaluates the program.

KfW funding for the FC-Module (20 million euro) will be co-financed by a 10% contribution from the Indonesian Government. The funds for this project are paid to the central government finance ministry and released through National Development Funding to the regions (APBN). The project executing agency is the Ministry of Forestry, and within the MoF Baplan is the National Program Management Unit, with responsibility for FC-Module coordination and management, including reporting to the Ministry of Finance. MoF/NPMU will coordinate closely with the TC-Module (GTZ/DED). The directorate of forestry and water resources conservation at Bappenas will coordinate the monitor the FC-module implementation. FC-module implementation is supported by a consultant, recruited by MoF with KfW approval, who supports all aspects of the program and has special responsibility for overseeing the selection of demonstration activity sites.

In each district, a District Project Implementation Unit (DPIU) will be formed.

### ***Environmental and Social Issues in the FORCLIME program***

GTZ states that “Effective stakeholder participation is a critical success factor in all planning and strategy development processes.”

The agreement between the Government of Indonesia and KfW specifies “tentative eligibility criteria” for selection of demonstration activities for the FC-Module, which include [91]:

- Activities to reduce emission from deforestation and forest degradation must respect the rights, including customary rights (adat), and interests of communities and must make a measurable contribution to the conservation of biological diversity
- Legal status of DAs partners and proposed land needs to be clearly defined.

And a statement that “Within the DA concept, the process of redefining land titles/ land use rights must be conducted.”

In the technical proposal submitted by the consultancy company which is now implementing the project, it is noted that “ultimately, the granting of formal legal title for land on which DA activities will take place will be needed.” but also recognised that where the DA is within the National Forest Estate, this “has the potential to cause serious delays in implementing DAs, and involve the project is a range of very contentious legal and political issues.” [67]

The proposal identified 3 simple scenarios for ownership of carbon (public, individual, contested) and further lays out obligatory criteria on payments of carbon benefits, which must be:

- within the frame of the REDD project (not to general budgets or environmental funds)
- must be made transparently
- must ensure that the payments are used exactly as promised by the seller (to maintain credibility)
- must ensure appropriate consideration of all stakeholder from small farmer to government

### **The Merang REDD Pilot Project (MRPP)**

The MRPP grew out of the EU-funded South Sumatra Forest Fire Project and is supported by BMU through a 1.433,454 Euro grant to GTZ for implementation from 2008 – 2011. The project area covers 24,000 Ha in a much larger peat dome landscape, in Musi Banyuasin District, South Sumatra province. The area is included in the Lalan Forest Management Unit (Kesatuan Pemangkuan Hutan, KPH) which covers 265,953 Ha.

The overall project objective and project purpose, as quoted on the project website, do not mention carbon or climate change. The overall objective is to “Contribute positively to the Sustainable Natural Resource Management in peat lands and reforestation of degraded peat lands in South Sumatra”, and the project purpose is “Protection of the last natural peat swamp in South Sumatra and its biodiversity.” However the project activities make it clear that carbon trading (voluntary or compliant market) are seen as the main potential environmental service which might raise funds for the management of the area. The peat dome is said to contain between 0.1 and 0.5 Gt of carbon

Detailed information is available on the project at <http://www.merang-redd.org/REDD/>

### ***Financing and Governance of the MRPP program***

The project is executed by the National Department of Forestry, with authority for implementation delegated to the District Forestry Department of Musi Banyuasin District, and Provincial Forestry Department, and technical support from GTZ.

### ***Environmental and Social Issues in the MRPP program***

The project website contains a list of 13 stakeholders and groups of stakeholders, including 5 Departments of the Forestry Ministry, 5 District and Provincial government institutions, universities, NGOs, other projects, but not local community members, forest resource users or local institutions. However the website identifies two villages with a total population of about 4200 (2006) people that are located close to the

project site. The situation of these communities, based on a project survey in 2009, is described as follows:

“it was found there was strong potential conflict on land tenure issues among local villagers, oil palm companies, timber estate concession and state forest lands. Villages are practically isolated, surrounded by oil palm plantations, timber estate concessions and state forest lands. And most likely, there will be no rooms for those villages to grow and develop properly. Driven by lands need for village development, just recently the head of Muara Merang village are proposing a “Village Forest” or “Hutan Desa” concession at Pancoran hamlet; and Kapayang village proposing “Hutan Tanaman Rakyat” or “Community Timber Estate” concession at Nuaran hamlet, to the Minister of Forestry.”

Based on the activities described in the website, community involvement in the MRPP is through participation in implementation, rather than in overall planning or evaluation, and focuses on technical and economic issues, not addressing issues of rights over forest resources. A recent presentation by the project [80] notes that one of the 3 hutan desa has received its licence from the Ministry of Forestry, and the other 2 are in the process of verification. The total area of the three is 24,150 Ha. It is not clear if the issuing of these licences is the results of work by the project, and there is no further information on work on rights over resources, nor of the use of mapping or other methods to describe the extent or use of customary territories. Community participation in the project is primarily through the formation of Community Forest Rangers groups which are involved in fire and illegal logging control, and forest conservation and restoration. Fire management in the project areas uses a ‘community based fire management’ approach in which community members are involved in the design and sometimes the implementation of strategies to manage fire and avoid damage. Illegal logging, which is identified as the second main threat to the area after fire, is also the subject of a declaration of Government Institutions, the ‘Muba declaration’. The declaration includes recognition of the need for alternative incomes and opportunities for communities to be involved in community based forest management. Community Forest Rangers groups are also the entry point for incoming generating activities which are planned and implemented by the group with training and some funding from the project. Community Forest Ranger groups are also involved in nursery management and forest restoration activities.

The project website does not mention FPIC, but a recent presentation by the project [80] described ‘socialisation’ of the project as ‘pra-FPIC’, and a project description [65] describes a process of FPIC for the FMU concept. It notes that further thought is needed on how to handle the lack of clarity on the eventual REDD mechanism; how to discuss benefit sharing mechanisms without creating unrealistic expectations; and the task of identifying rights holders and stakeholders.

## 7.4 Japan

### 7.4.1 National Forest Carbon Program

The Cool Earth Partnership was launched at the World Economic Forum meeting in November 2008 and provided 10 billion USD for financial mechanisms to address adaptation and mitigation. It was created initially for the period 2008 – 2012 [73]. In December 2009 the CEP was restructured and a further 11 billion USD was pledged by the (now ex-) Japanese prime minister Yukio Hatoyama, under the ‘Hatoyama Initiative’ [95]. The scheme is intended to leverage a further 4 billion in private sector finance [71]. When this was announced it was conditional on a ‘successful agreement’ at Copenhagen – it is not know how much of this funding has in fact been made available.

#### Japanese Climate Change Funding under the Cool Earth-Hatoyama Initiative

Institution	Program	Value	Notes and reference
JBIC	Climate Change Program Loan	USD 4 billion	[73] low interest loan for mitigation (mainly) and adaptation (reported actually disbursed USD 1.966 billion [13])
JBIC, Nippon Exchange and Insurance (?)	Grant aid assistance for Mitigation	USD 4 billion	[73] (151 million USD reported disbursed [13])
JICA (?)	Technical assistance for adaptation and access to clean energy	USD 2 billion	[73] (295 million USD reported disbursed [13])
	World Bank FCPF Readiness Fund	USD 10 million [111, 13]	
	REDD+ start up financing announced at Oslo Climate Conference	USD 500 million	[16]
	Global Environment Facility	1,556 million USD [13]	Included in report to Oslo Climate Conf, but includes all contributions to GEF replenishments 1-4, so presumably only a small proportion is climate change related

	ITTO	79 million USD	grant for sustainable forest management [13]
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### Objectives and activities

The Cool Earth Partnership and Hatoyama Initiative appear to have the same goals. They provide assistance to developing countries that are already making efforts to reduce greenhouse gas emissions to enable them to achieve economic growth in ways that will contribute to climate stability, on the basis of policy consultations between Japan and those countries.

The CEP assistance is in two forms:

1. Assistance for adaptation to climate change and improved access to clean energy: up to US\$ 2 billion (250 billion Yen) of grant aid, technical assistance and aid through international organizations to address the needs in developing countries.
2. Assistance for mitigation of climate change: up to US\$ 8 billion (1 trillion Yen) using financial mechanisms such as a “Climate Change Japanese ODA Loan” with preferential interest, involving capital contribution and guarantees by the Japan Bank for International Cooperation (JBIC Asia and Environment Facility), trade and investment insurance by Nippon Export Investment and Insurance, and government support (projects to be implemented through the New Energy and Industrial Technology Development Organization). An additional 500 billion Yen for projects to reduce GHGs emissions in developing countries. In this context, the Asian Clean Energy Fund (at the ADB) will be utilized to promote energy conservation in the Asian-Pacific region.

### Governance of the CEP and Hatoyama Initiative

The Japanese Ministry of Foreign Affairs, under the Council of Overseas Economic Cooperation-Related Ministers, plays the central coordinating role in strengthening broad collaboration between the ODA-related government ministries and agencies [69, 88]. The revised ODA charter (2003) gave greater prominence to the role of offices in the partner countries in the management of ODA.

Japanese Bilateral aid in the form of grant is handled by the Ministry of Foreign Affairs, technical assistance is from JICA, and bilateral loans are provided through the Japanese Bank for International Development, JBIC.

The Cool Earth Initiative is coordinated by the Japanese Ministry of Finance. The partnership is governed by a five ministerial meeting, composed of the Chief Cabinet Secretary, Minister for Foreign Affairs, Minister for Economy, Trade and Industry, Minister for Environment, and Minister for Finance. It meets on an irregular basis, on average once a month.

The Ministry of Foreign Affairs, Japan has established an Experts' Panel on Development Corporation in the Field of Climate Change to guide the development of the Partnership. This Panel consisted of Japanese academic experts, whilst representatives of other ministries and agencies participate as observers in the discussions.

#### 7.4.2 Social and Environmental Policies in Japanese Law and Policy

Japanese overseas aid is guided by an Aid Charter that was revised in 2003 [69]. Key relevant points in the charter are:

- in accordance with the principles of self-help, Japan “respects the ownership by developing countries, and places priorities on their own development strategies”, and later states “ODA will be provided in accordance with the principles of the United Nations (especially sovereign equality and non-intervention in domestic matters)” but also that “Japan will give priority to assisting developing countries that make active efforts to pursue peace, democratization, and the protection of human rights, as well as structural reform in the economic and social spheres.” [69]
- fairness is emphasised as a core principle. This involves “giving consideration to the condition of the socially vulnerable, and the gap between the rich and the poor” and “great attention will be paid with respect to factors such as environmental and social impact on developing countries of the implementation of ODA.” Gender is recognized as part of ‘fairness’ with a commitment to “make efforts to improve the status of women” and promote their “active participation” and “ensuring that women reap benefits” [69]
- the priority issues for Japan are (1) poverty reduction, (2) sustainable growth, (3) global issues (including climate change), (4) peace building.

A more recent summary again emphasises that “in order to ensure fairness in formulating and implementing its ODA, the Japanese Government pays great attention with respect to factors such as environment and social impacts on developing countries....JICA has prepared the relevant guidelines and endeavours to ensure environment and social considerations in ODA projects” [95]

### **Human rights in Japanese policies**

In the aid charter [69] the following principles for providing ODA are identified: ‘full attention should be paid to...trends in recipient countries military expenditure...appropriate policies for economic and social development’; ‘full attention should be paid to..democratisation..a market economy..the situation regarding basic human rights and freedoms’. This is the only reference to human rights in the charter. There is no reference to indigenous peoples or a rights-based approach.

However JICA has a clear statement on the role of human rights in Japanese ODA: “JICA respects the principles of internationally established human rights standards such as the International Convention on Human Rights, and gives special attention to the human rights of vulnerable social groups including women, indigenous peoples, persons with disabilities, and minorities when implementing cooperation projects. JICA obtains country reports and information widely about human rights that are issued by related institutions, and seeks to understand local human rights situations by disclosing information about cooperation projects. Thus, JICA integrates local human rights situations into decision-making processes that relate to environmental and social considerations”

An annual report on Japanese ODA will be available as a ‘white paper on official development assistance’

### **Safeguards processes**

The Japanese Aid charter does not go into details of environmental and social safeguards, but commits the Government to ‘adopt procedures that will ensure full consideration is given to the environmental and social impact of implementation of ODA’ [69]. Impact assessment is, until July 2010, dealt with separately by JBIC (for financing projects) and JICA (for technical aid). The restructuring of the Japanese Aid agencies has resulted in the combining of the 2 documents into the current one: JICA’s 2010 ‘guidelines for social and environmental considerations’ [89]. The guidelines will apply after July 2010 and contain the following of relevance to REDD issues:

- the preamble refers to the Rio Declaration on Environment and Development, Agenda 21, the Universal Declaration of Human Rights, OECD recommendations
- environmental and social considerations are defined as “considering environmental impacts including air, water, soil, ecosystem, flora, and fauna, as well as social impacts including involuntary resettlement, respect for the human rights of indigenous people, and so on.”
- “Local stakeholders” are defined as “affected individuals or groups (including illegal dwellers) and local NGOs”

- states that ‘JICA implements cooperation activities in accordance with guidelines [and] encourages host country governments, including local governments, borrowers, and project proponents, to implement the appropriate measures for environmental and social considerations’ [89]
- states that “Democratic decision-making is indispensable for environmental and social considerations. It is important to ensure stakeholder participation, information transparency, accountability, and efficiency, in addition to respect for human rights, in order to conduct an appropriate decision-making process.”
- following the model of the world bank, an ‘indigenous people’s plan’ is required where relevant.
- states that project proponents are responsible for social and environmental safeguards, with JICA providing technical support for compliance, but also states that project proponents “are required to incorporate the output of environmental and social considerations studies into project planning and decision-making processes”
- sets up an Advisory Committee on Social and Environmental Considerations
- items to be addressed in social and environmental considerations include migration and involuntary resettlement, local economy and livelihoods, local land use, local social capital, indigenous people, equality of benefits and losses in the development process, gender. Derivative, secondary and cumulative impacts are assessed as well as immediate direct ones.
- legal standards for social and environmental considerations are (a) host country laws and policies, (b) World Bank safeguard policies. Where local laws are well below the standard of the safeguards, JICA will ‘encourage proponents to take steps’ [89]
- there is a clear statement that JICA will not undertake loan aid, grant aid, and technical cooperation projects “if appropriate social and environmental considerations are not undertaken” [89]. If project proponents fail to take considerations into accounts, fail to consult, JICA may suspend aid or declare the loan due.

### ***Implementation of the safeguards policy***

- JICA will respond to complaints on non-compliance by setting up an independent local body
- JICA will monitor the implementation of agreed actions on social and environmental safeguards by the project proponent. “When third parties point out in concrete terms that environmental and social considerations are not being fully undertaken, JICA forwards such

claims to project proponents etc. and, if necessary, encourages them to take appropriate action. When project proponents etc. respond to the claim, JICA confirms that they carry out an investigation of the specific claim, an examination of countermeasures, and incorporation into the project plans through transparent and accountable processes” [89]

### *Environmental safeguards*

Specific criteria and guidance on impacts in the safeguards include: “Projects must not involve significant conversion or significant degradation of critical natural habitats and critical forests” and “Illegal logging of forests must be avoided. Project proponents etc. are encouraged to obtain certification by forest certification systems as a way to ensure the prevention of illegal logging”. This is further developed in an annex of characteristics which would put a project in the highest category of assessment, which includes “primary forest, and natural forest in tropical areas”

### **Indigenous Peoples and FDCs**

- “Involuntary resettlement and loss of means of livelihood are to be avoided when feasible by exploring all viable alternatives.” Detailed provisions for consultation and compensation are described.
- “adverse impacts that a project may have on indigenous peoples are to be avoided when feasible by exploring all viable alternatives....When projects may have adverse impacts on indigenous peoples, all of their rights in relation to land and resources must be respected in accordance with the spirit of relevant international declarations and treaties, including the United Nations Declaration on the Rights of Indigenous Peoples. Efforts must be made to obtain the consent of indigenous peoples in a process of free, prior, and informed consultation.” An indigenous Peoples Plan must be prepared after consultation. World Bank Safeguard policy OP4.10 is a reference.

### 7.4.3 Climate Change Program in Indonesia

#### Objectives and activities

“In the field of climate change, Japan will continue to work in collaboration with Indonesia, that has associated itself to the Copenhagen Accord, towards the construction of a fair and effective framework”[72]. Japanese funding for forest related climate change issues in Indonesia is summarised below. In addition, the Climate Change Program Loan includes 300 million USD (26.966 billion Yen) for the Lumut Balai geothermal power project (South Sumatra) and Japan has provided a grant for “Improved response to natural disasters caused by climate change” of 11 million USD (1 billion Yen). All of these activities fall under the Hatoyama Initiative:

Program	Value	Notes
Ministry of Foreign Affairs: Climate Change Program Loan (I)	339 million USD [30.768 billion Yen]	signed August 2008, part of the Cool Earth Partnership, note 1,
Ministry of Foreign Affairs: Climate Change Program Loan (II)	412 million USD [37.444 billion Yen]	Loan. "supporting climate change mitigation and adaptation on the basis of a dialogue between the two countries" Approved Dec 2009. Co-financing for the French (AFD) 'Climate Change Program Loan'
Forest Preservation Programme (grant)	USD 11 million [1 billion Yen]	Grant. To improve the management of forests in Indonesia through improving the quality of monitoring and encourage tree planting by local people: support provision of equipment, satellite images for forest monitoring, and machinery for forestation, as well support forest creation activities by local residents. [72, 73]

1: from [http://www.mofa.go.jp/announce/announce/2008/8/1182963\\_1040.html](http://www.mofa.go.jp/announce/announce/2008/8/1182963_1040.html)

### Governance of Japanese GCC work in Indonesia

CCPL loans are at an interest rate of 0.15% per year and have to be repaid over 15 years, At meeting between JBIC and Bappenas on 15 Feb 2010 on 'Financial policy Dialogue' it was decided to form three working groups, one of them on "Environmental Business Projects" (lead by BAPPENAS, collaborating with KLH, DNPI, MOF, other relevant government institutions, and JBIC) [112]

### Social and Environmental Issues in Japanese Cooperation in Indonesia

JBIC investments in Indonesia are governed by social and environmental guidelines (see above). The loan to the government of Indonesia was assessed [87] but the assessment concludes that 'environmental impacts cannot be identified as sub-projects have not been identified' and that 'after sub-projects are identified, JBIC will determine whether appropriate environmental and social considerations have been made'

## 7.5 Norway

### 7.5.1 International Climate Change – REDD Program

#### Objectives and activities [97, 98]

The Norwegian Climate and Forest Initiative (NCFI) was launched in 2007 at the Bali conference, with a commitment of 3 billion NOK per year (about 500,000 USD). The goals of the scheme are:

- To work towards the inclusion of emissions from deforestation and forest degradation in a new international climate regime.
- To take early action to achieve cost-effective and verifiable reductions in greenhouse gas emissions.
- To promote the conservation of natural forests to maintain their carbon storage capacity.

Planned spending under the scheme is summarized below:

Country/institution	Pledged funds	Allocated funds
WB – FIP	50 – 150 million USD 2010-2012 [99] [15]	50 million USD (2010) [99]
WB- FCPF Readiness fund	30.2 million USD 2008 – 2010 [99, 111, 15]	
WB-FCPF Carbon Fund	10 million USD [99, 111, 15]	
UNREDD	82 million USD 2008 – 2010 [99, 15]	52 million USD 2008-2009
Congo basin fund	83 million USD 2008 – 2010 [99, 15]	185 million NOK allocated 2008-2009
ITTO	8 million 2009-2010 [99, 15]	25 million NOK in each of 2009, 2010
Civil society support (through Norad)	60 million USD (2009-2010) [99]; 110 m USD [15]	175 million NOK in each of 2009, 2010
REDD+ start up funds announced at the Oslo Climate Conference	1,000 million USD [15]	[16]

Global Environment Facility	1.78 million USD per year [15]	assuming that 20% of Norway contribution of 9.5 million USD per year is spent on climate change by GEF
Brazil (Amazon fund)	Up to 1 billion USD (2009-2015) [99, 15]	grant linked to reduced deforestation. 700 million NOK 2008-2009
Guyana (GRIF)	Up to 280 million USD (2010 – 2015) [99] 250 m USD [15]	
Tanzania	83 million USD (5 years) [99, 15]	
Indonesia	Up to 1 billion USD	3 phase grant linked to policy reform, strategy development, and emissions reductions

### Governance of the NCFI

The program is run by the Ministry of the Environment, working closely with the Ministry of Foreign Affairs and other institutions. Coordination is by the Section for Climate and Energy in the Department for Pollution Control of the Ministry. A list of advisers, staff and their contacts is given [100]. The most relevant one to Indonesian issues is Senior Adviser Leif John Fosse, who is Responsible for projects in South-east Asia and has the following thematic responsibilities: programme design, national strategies, payment for ecosystem services, good governance, rights of indigenous peoples and local communities [100].

#### 7.5.2 Social and Environmental Laws and Policies in Norway

Norway contends that REDD has the potential to have “positive impacts on biodiversity and on sustainable development, including poverty reduction and indigenous peoples’ rights” [100].

The main elements of the strategy for implementation of the NCFI include the statement that:

“All recipient countries that are selected as partners for the Climate and Forest Initiative must have the clear political intention of working systematically to reduce deforestation and forest degradation, and must later demonstrate this in practice. This work will include developing and implementing national REDD strategies, and protecting the rights of local people and their opportunities for development” [100]

The cornerstone of implementation of the NCFI is the development of a national strategy by each recipient country. This is intended to be a country-owned document, but Norway states that “it must be a condition for REDD partnerships that each country draws up a national strategy and implements it within an internationally acceptable framework” [100]. What is meant by an acceptable strategy is defined in general terms, but includes:

“a broad based, inclusive process...all parties who may have an influence or interest.. these may include indigenous peoples,... NGOs, civil society organizations” [100] and key elements of a strategy include “incorporation of sustainable development concerns, including opportunities for economic and social development for the local population, conservation of biodiversity and local and indigenous people’s rights;” and “institutional and capacity building for national and local authorities, including anti-corruption measures and measures to increase transparency in forest and land use management;” a separate policy briefing paper states that a “global REDD mechanism should ... secure the rights, involvement and livelihood of local communities and indigenous peoples” [77]. The policy also states that a REDD mechanism should be broad, supporting forest conservation, stock enhancement and sustainable forest management [77].

It is stated that the Ministry of Environment is drawing up criteria for assessing the eligibility of national plans, and that this document will be made public when it is finished. This document was not be found in searches for this study.

In the results of the survey carried out prior to the Oslo Climate Conference (May 2010) Norway reduced its emphasis of specific country strategies, but stated that it supports a “Hands off approach” which is intended “To promote ownership, which is critical for the effectiveness and sustainability of our efforts, ... in which REDD+ countries themselves decide on how to spend the money according to their climate compatible development strategies.” they note that “this requires high fiduciary standards, and legitimate governing models” and therefore international financial institution may have a role to play in the future, however “Over time, Norway would favour the establishment of national climate change funds through which support could be channelled”. The Amazon fund is cited as a model of transparent management which could be adopted elsewhere.

## **Social and Environmental Issues in Norwegian Policy outside the Aid Sector**

### ***IPs recognition***

Norway has an indigenous population, the Saami. They are recognized by Norway as an indigenous people, now have their own parliament (since 1989), and communication between them and the Norwegian parliament is guaranteed and regulated by law. Recognition came about through constitutional act 110a (1988) which provides recognition and protection

for Saami culture, language and society [104], and was based on the the UN Covenant on civil and political rights, and on ILO convention 169 [84]. In 2005 there were substantive negotiations between the Norwegian and Saami parliament, leading to the Finnmark act being adopted by the Saami parliament and then the Norwegian parliament. The Finnmark act transfers an area the size of Denmark to the control of an autonomous authority controlled by a council that has part Saami representation. The act goes some way to providing mechanisms for settling conflicts over claims and mining rights.

### ***Other national legislation***

Norway has an Act (No. 31/May 2003) Relating to the Right to Environmental Information and Public Participation in Decision-making Processes Relating to the Environment [75]. This defines the obligation of authorities to hold information on environmental issues and the right of access to that information. It applies to “Norwegian public authorities and to undertakings that are established in Norway”. The act further defines a right to participate in decision making, which is described as follows “Administrative agencies shall, in connection with the preparation of legislation, plans and programmes relating to the environment, make provision for participation by the public in these processes. This shall be done at stages and within time frames that provide real opportunities to influence the decisions that are made. To this end, the public shall be provided with the necessary information.”

Section 50 of the Nature Diversity Act (Act 19/2009) states that “A landowner or a holder of rights in property that is wholly or partly protected as a national park, protected landscape, nature reserve, non-habitat management area or marine protected area is entitled to compensation from the state for financial losses incurred when protection makes current use of the property more difficult.” [76] whilst the act does not explicitly apply outside Norwegian territory, it may be a reference for standards for actions supported by Norwegian funds.

### **7.5.3 REDD/Forest Carbon Program in Indonesia**

On 26 May 2010 Norway and Indonesia signed a letter of intent for the single largest bilateral investment in forest carbon in Indonesia. The LoI is for “Cooperation on reducing greenhouse gas emissions from deforestation and forest degradation” and the text is available at <http://www.forestsclimatechange.org/fileadmin/photos/Norway-Indonesia-LoI.pdf>. Key points contained in the LoI are:

- the purpose is to contribute to significant reductions in greenhouse gas emissions from deforestation, forest degradation and peat land conversion through policy dialogue and development and implementation of Indonesia’s REDD strategy.

- the agreement is specifically aligned with the UNFCCC and the global REDD+ partnership
- stakeholder should have the opportunity of full and effective participation (but see notes below)
- be fully transparent
- the LoI remains in effect until 2016, and will be automatically renewed for 4-year periods after that unless one party withdraws.

The partnership envisages a phased approach, with the 1<sup>st</sup> two phases completed in 3-4 years, and the final phase being started after independent review. The timetable for specific activities is from a presentation by the minister of Forestry [96], not from the original LoI:

Phase 1 (until december 2010) will include:

- completing the national REDD strategy (Nov 2010)
- establishing an agency to coordinate development and implementation of REDD+ (August 2010)
- strategy and framework for a national independent MRV body (October 2010)
- design funding instrument for REDD+ and low carbon development strategy implementation (November 2010)
- select a province for a province-wide REDD pilot and develop a strategy for the pilot (November 2010)

Phase 2 (Jan 2011 – Dec 2013) will include:

- national level capacity building (including funding system operating (Jan 2011), MRV system in accordance with IPCC tier 2 (Dec 2013) and enhancement of MRV system to IPCC tier 3 (Dec 2013),
- 1 or more provincial level pilots – including stakeholder engagement, province wide strategy implementation, a province wide MRV system (Dec 2011), and measure to address land tenure conflicts and compensation claims (Jan 2011)

- policy measures in place including “A two year suspension on all new concessions for conversion of peat and natural forest”, and “Take appropriate measures to address land tenure conflicts and compensation claims.” (Jan 2011 – Dec 2013)

Phase 3 (2014 – 2016 +) will build on phase 2 and move to payments based on certified emissions reductions.

### **Financing and Governance of the Norway – Indonesia Bilateral REDD+ Program**

Funding will be provided by Norway on the basis of deliverables, and in phase 3 will move progressively towards payments for verified emission reductions. The LoI notes that “the detailed terms and conditions for such support will be set forth in the contribution agreement to be entered into between Norway and the fund manager” and that “the concrete annual amounts will be subject to appropriations from the Norwegian Parliament” [78]. It has been reported that the funds will be channelled through the Indonesian Climate Change Trust Fund<sup>10</sup>, but this is not confirmed. The UNDP is believed to have been nominated by the Government as the agency which will manage the funds for the interim period.

The framework established by the LoI will be the basis for a separate document, to be developed jointly by the Participants, tentatively by October 2010, detailing the deliverables in this LoI, and separate document(s) necessary to set up the funding instrument.

A Joint Consultation Group will be established to contribute to the effective implementation of this Partnership. The group will consist of points of contacts for both Indonesia and Norway. An independent review group, agreed by both Indonesia and Norway, will execute annual review on the deliverables of agreed indicators. The group will report to the Joint Consultation Group. Its reports will be public.

### **Environmental and Social Issues in the Norway – Indonesia Bilateral REDD+ Program**

The outline provided by the LoI gives few details on the involvement of indigenous people and other safeguards-related issues. Participation of IPs and local communities is mentioned 3 times in the LoI, always with the wording “subject to national legislation, and, where applicable, international instruments”. These sections are:

10 <http://www.tempointeractive.com/majalah/free/eco-1.html>

- III (b): the opportunity of full and effective participation in REDD+ planning and implementation (applies to the whole program)
- IV (d) iv: include representatives of..indigenous and local communities in the governance structure of the funding instrument, subject to national legislation, and, where applicable, international instruments (applies to the funding instrument to be developed under the program)
- VII (d) i: engaging...indigenous peoples, local communities and civil society, subject to national legislation, and, where applicable, international instruments (applies to implementation of the REDD+ pilot in the province)

Interpretation of the phrase “subject to national legislation, and, where applicable, international instruments” is not clear, but its repetition suggests that this is a point which was the subject of contention between the parties and will be the subject of ongoing negotiation during implementation. The meaning of the sentence is subtly altered in a presentation by the Forestry Minister [96] where he translates the last part of this sentence as “apabila memungkinkan berdasarkan instrumen internasional” [if possible based on international instruments]. An FAQ issued by the Norwegian embassy in Indonesia [74] states that “Representatives of indigenous peoples and local communities will take part both in the planning and implementation of Indonesia’s REDD+ strategy as well as the institution that will manage the funds” and that “a transparent benefit sharing mechanisms between the national and local governments will be established in line with Indonesia’s new regulations in this area. “

#### 7.5.4 Norway and Multilateral Agencies and International Conventions

##### **FCPF**

Norway’s MoU with the FCPF [94] quotes from section B of the charter of the FCPF “to build partnership among developed and developing countries, public and private sector entities, international organizations, non-governmental organizations, forest dependent indigenous peoples and forest dwellers to prepare for a possible future systems of positive incentives for REDD, including innovative approaches to sustainable use of forest resources and biodiversity conservation”. The MoU is based on the charter of the FCPF, and includes specific reference to Norway’s right to evaluate the activities funded [94].

##### **UNREDD**

Norway has committed to ensure that the UNREDD process has “the active involvement of other actors, such as NGOs, representatives of

indigenous peoples, and extractive industries that have a major influence on deforestation and forest degradation.”

Norway sees its funding of UNREDD as a first stage: “To ensure a quick start to UN REDD, Norway has decided to provide full funding, about USD 50 million, for the first phase of the work. More donors will be needed at a later stage, and Norway’s aim is to act as a catalyst in this respect. If the results of the first phase are satisfactory, Norway will channel substantially more funds through UN REDD, and will use this as one of the main channels for its efforts to reduce emissions from deforestation and forest degradation. However, Norway’s contributions in later phases will have to be channelled to fewer countries, and other donors must therefore be actively encouraged to provide funding.” [100]

## 7.6 United Kingdom

### 7.6.1 International Climate Change - REDD Program

#### Objectives and activities

The UK does not have an action plan specifically on REDD or Forest Carbon. The Government’s International Climate Change Action Plan [43] sets out a strategy for achieving domestic emissions reductions and for the UK’s contribution to international climate change initiatives. A brief section on “Forests and land use” states that the UK’s overall aim for the development of REDD+ globally is a 50% reduction in emissions from the forestry sector by 2020, and notes financial commitments made to the Copenhagen ‘Fast start’ REDD funding. The strategy emphasises the need for a binding global agreement on emissions reductions, in order to provide certainty of funding, a clear framework for private sector investment, standard and proven measures of emissions reductions, and transparent and fair sharing of responsibilities and costs of emissions reductions. The strategy states that developing countries should be asked to commit to specific mitigation actions, but not to specific outcomes.

UK action on climate change is funded through the 800 million UKP International Environmental Transformation Fund, a joint DFID/DECC fund that aims to “tackle poverty through environmental protection, and help developing countries respond to climate change”<sup>11</sup>. The ETF funding is UK’s contribution to the G8 Climate Investment Fund, the funding from which is now divided into the World Bank managed Strategic Climate Fund and Clean Technology Fund.

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11 from: [http://www.decc.gov.uk/en/content/cms/what\\_we\\_do/change\\_energy/tackling\\_climate/intl\\_strat/ietf/ietf.aspx](http://www.decc.gov.uk/en/content/cms/what_we_do/change_energy/tackling_climate/intl_strat/ietf/ietf.aspx) downloaded 9 June 2010

A large amount of DFID aid is delivered as Poverty Reduction Budget Support (PRBS) – either general Budget support or Sectoral Budget Support<sup>12</sup>, and this has important implications for the possibility of influencing REDD in Indonesia, and Indonesian Forest Policy, through safeguards. The DFID guidance on Country Governance Analysis [46] explains that “where governance is relatively good or improving we will consider the use of budget support. In cases where governance is not so good, we will still provide aid and sometimes budget support. Where government is not committed to its citizens we will work outside government and work to promote better governance.”

UK government activities and commitments on climate change include:

Institution	Program	Value	Notes and reference
DECC/DFID	Fast start funding (Copenhagen)	1.5 billion UKP, (300 m UKP, [43])	[51], [43]
	REDD+ start up funding announced at Oslo Climate Conference	450 million USD	[16]
Foreign and Commonwealth Office	Strategic Opportunities Fund (proposal funding window)	17.36 m UKP 2010 - 2011	<a href="http://ukinindonesia.fco.gov.uk/en/about-us/working-with-indonesia/funding-opportunities">http://ukinindonesia.fco.gov.uk/en/about-us/working-with-indonesia/funding-opportunities</a> , downloaded 12 May 2010
DEFRA/DECC/DFID Environmental Transformation Fund (with Norwegian Government)	Congo Basin Forest Fund	81 million USD (50 m UKP)	grant, managed by African development Bank. [14]
DEFRA/DECC/DFID Environmental Transformation Fund	World Bank FIP	162 million USD (100 m UKP)	loan. [14]
DEFRA/DECC/DFID Environmental Transformation Fund	World Bank FCPF readiness Fund	5.7 million USD [111], (3.5 m UKP [14])	grant
DEFRA/DECC/DFID Environmental Transformation Fund	World Bank FCPF Carbon Fund	18.8 million USD [111] (11.5 m UKP [14])	grant, not yet finally agreed

12 <http://www.dfid.gov.uk/About-DFID/Finance-and-performance/Aid-Statistics/Statistics-on-International-Development-2009/Section-2---Understanding-aid-expenditure-statistics/>

DEFRA/DECC/DFID	Environmental Transformation Fund	800 million UKP	'to help selected countries implement their REDD plans [48]. The 800 m UKP includes the contributions to FCPF, FIP and Congo Basin fund above.
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note that this table contains commitments made at different times and under different titles, but which may refer to the same funds in some cases.

### Governance of the UK climate funds

UK policy on Climate Change is defined in the 2008 Climate Change Act, which requires an 80% reduction in greenhouse gas emissions compared to 1990 by 2050. Movement towards this target is to be met through 5 yearly carbon budgets, which includes targets for domestic emissions reductions and limits on purchase of European and international carbon credits. The independent Committee on Climate Change is required to advise the government of appropriate and cost-effective balance of emissions reductions and credit trading. The first 3 carbon budgets (covering 2008 – 2022) were set in 2009. The 2020 Target, Credit Limit and definitions Order of May 2009 specifies that during the first carbon budget (2008-2012), only Carbon Credits bought through the European Trading Scheme can be credited towards the UK carbon budget.

The UK's work on GCC is channelled through the Department for Energy and Climate Change (DECC, created in 2008 combining the climate change mitigation tasks of DEFRA and other energy policy functions), the Department for International Development (DFID), with the Foreign and Commonwealth Office (FCO) and Treasury (HMT) providing a supporting role.

UK Government Departments' overall performance is subject to scrutiny through the UK Public Service Agreement (PSA) system. Thirty PSAs cover UK public services, with DFID the 'lead department' for PSA 29: Reduce poverty in poorer countries through quicker progress towards the Millennium Development Goals (MDGs), and DEFRA (now DECC) leading on PSA 27: Lead the global effort to avoid dangerous climate change.

PSA 27 [107] refers to "international action to minimise emissions from land-use and deforestation" and emphasises the need for international cooperation and low-carbon economies within its list of outcomes, but otherwise makes no statement about overseas activities or safeguards in the departments work. Of the 6 principle indicators, only 2 refer to the

international dimension: “global CO<sub>2</sub> emissions in 2050” and “size of the global carbon market”.

PSA 29 [106] concerns DFID’s role in promoting accelerated achievement of the MDGs, and focuses DFID’s assistance on the poorest countries, mostly in Sub-Saharan Africa, not including Indonesia. The strategy includes a commitment to push for reform of the World Bank, including “giving developing countries a stronger say in bank decision making” and “[push the bank to] make progress on the implementation of the World Bank’s good practice principles on conditionality”. PSA 29 also includes outline objectives for DFID on climate change: “DFID, DEFRA, HMT and FCO will support development and poverty eradication through better environmental management to help developing countries respond to climate change and other natural resource threats”. The key actions listed include:

- help to establish a UK position on an international climate change framework (post-2012) and help developing countries determine what they need from a future framework;
- promote reform of carbon trading systems to assist developing countries;
- help mobilise development agencies to provide technical and financial inputs to tackle climate change;
- implement the Environmental Transformation Fund;
- maintain support for the Global Environment Facility (GEF); approximately one third of the GEF budget aims to tackle climate change

DFID activities are also subject to the internal ‘blue book’ which lays out procedures for program development and implementation. The Pre-country assistance program development process involves “a consultation strategy and timetable must be published on DFID’s website, allowing partner government, civil society, ... sufficiently early opportunity to contribute to its content. Preparation must not duplicate any country-led poverty strategy consultation processes (and, where possible, consultation and analysis should build on the processes of others).”<sup>13</sup> The blue book makes no reference to safeguards, but notes the obligations of DFID to develop programs and projects within the framework of the International Development Act 2002, the Human Rights Act 1998 (see social and environmental issues, below) and DFID’s Public Service Agreement (PSA 27, above).

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<sup>13</sup> <http://www.dfid.gov.uk/About-DFID/Finance-and-performance/blue-book/Blue-Book-index-A-to-C/B1/>

### 7.6.2 Social and Environmental Issues in UK Law and Policy

The UK Government Climate Change Strategy [43], issued by the DECC, implicitly recognises links between Climate change and development issues, for example when it states that “forest provide support for nearly half of the 2.8 billion people living on less than 2\$ per day”. DECC’s explanation of why the UK supports the FCPF and FIP centres on issues of ownership and vulnerability: “The World Bank ... has no say in how the money is used .... We have worked hard to ensure developing countries have a bigger say in these decisions. This is consistent with the Paris Declaration on Aid Effectiveness, which aims to ensure aid is country, not donor, driven.” and that “It is the world’s poorest people who are hit hardest by the impacts of climate change, such as floods and droughts. This is why the UK is pushing for urgent action to cut global emissions and help developing countries prepare more for the impacts of climate change and build low-carbon economies.”<sup>14</sup> There is no discussion of the potential of dis-benefits from REDD, nor of rights and participation of indigenous peoples or forest-dependent communities, but there is a statement that “We also want to agree a way of monitoring safeguards which minimise the impact of REDD+ action on biodiversity, the environment, local communities and indigenous people.”

DFID does not have specific climate change policy, but is guided by the White Paper on ‘Eliminating World Poverty’ [48] which has a chapter on climate change which makes brief reference to forests, noting that “Standing forests are crucial to the livelihoods of 90% of the world’s poorest people” and that “Resources, such as forests, need to be allocated an economic value so that they are more valuable standing as a living, sustainably used resource, than they are when cut down”. It does not explicitly mention REDD or indigenous peoples, but recognises that “[managing forests for carbon and other benefits] is difficult where governance is weak – where institutions lack capacity, where rights of local people to use forests are not protected and laws are not enforced, and where global demand for cheaper food and fuel drives unsustainable agricultural expansion.” The White Paper also mentions “the pursuit of human rights, good governance and equity for all” as one of several “directions” for UK aid and that “The UK will explicitly consider a country’s commitments to peace and security under the human rights and international obligations partnership principle, for example tracking the fulfilment of partner governments’ responsibilities on peace agreements and the protection of civilians” and outlines commitment to supporting improved access to security and justice such as “At the community level, we will support traditional leaders or community members with a basic training in law to assist citizens in claiming their rights and solving disputes.”

The principles on which UK aid operates are further detailed by a joint DFID, HMT and FCO policy paper “Partnerships for Poverty Reduction:

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<sup>14</sup> [http://www.decc.gov.uk/en/content/cms/what\\_we\\_do/change\\_energy/tackling\\_clima/intl\\_strat/ietf/ietf.aspx](http://www.decc.gov.uk/en/content/cms/what_we_do/change_energy/tackling_clima/intl_strat/ietf/ietf.aspx) downloaded 9 June 2010

Rethinking conditionality” [102, 50] which states that UK Aid partnerships will be based on a shared commitment between the UK and the partner country to:

- poverty reduction and the MDGs;
- respecting human rights and other international obligations; and
- strengthening financial management and accountability.

Through a series of assessments (governance, gender, human rights, etc: see below) DFID assesses the partner government’s commitment to these principles, including whether the long-term trend in commitment is strengthening or weakening. This is intended to help highlight the political interests and incentives for achieving poverty reduction, human rights and strengthened financial management and accountability. The document explicitly states that: ‘States have a shared responsibility to ensure that human rights are upheld, that violations do not take place, and that governments respect their international obligations. Donors have a particular responsibility... to ensure that their development assistance is not used in ways that abuse human rights’ including the obligation to ‘ensure that our own policies ... do not impede the ability of recipient governments to fulfil their human rights obligations’. The draft guidance on the implementation of the Conditionality Policy also states that DFID’s obligations under the HRA mean that DFID must ensure that its ‘assistance is not used in ways that is incompatible with human rights. This means considering decisions taken on country programmes carefully from a human rights perspective’.

At an operational level, DFID has a series of ‘how to’ papers on social issues and environment [44] which provide guidance for program implementation. Notes of relevance to social and environmental safeguards and REDD are ‘How to Notes’ on:

- gender and social exclusion analysis (GSEA): which deals with assessment of discrimination and loss of economic, political and social rights. It is noted that DFID is subject to UK equality and discrimination law, and would be subject to legal proceedings if it did not consider these issues. The paper refers to DFID’s gender equality action plan, and the social exclusion policy. The purpose of GSEA is “ensure that DFID is working effectively towards the elimination of poverty, by addressing the needs and rights of poor and excluded groups in all of its programmes and policy work.” [49]. The GSEA informs and complements the Country Governance Analysis and Human Rights Assessment. DFID has an Equity and Rights Team in Policy and Research Division whose tasks include support to preparation of GSEA.
- managing fiduciary risk – given DFID’s policy of providing budget support, the issue of fiduciary risk (“risk that funds are not used for the

intended purpose, do not achieve value for money; and/or are not properly accounted for”) is a key concern for transparency and accountability. The Fiduciary Risk Assessment (FRA) approach uses the system outlined by the Public Expenditure Financial Accountability Programme (PEFA) and its performance measurement framework as a starting point. The note emphasises that DFID approach - understanding, mitigating, and monitoring the fiduciary risk – underpins use of all DFID funds in all countries. FRAs are mandatory and should be updated annually. The FRA assesses the quality of the applicable Public Finance Management and Accountability (PFMA) systems in the country, sector or institution which is receiving aid. The FRA provides the evidence needed to demonstrate adequate performance to the National Audit Office.

- Country governance analysis [46] – preparation of this analysis is mandatory during the preparation of DFID country plans. They are intended to identify risk, inform the donor-country dialogue and the design of DFID’s aid program. They refer to the 3 ‘pillars’ of the UK aid commitment (above), and “form the basis for DFID’s assessment and monitoring of the [recipient] government’s commitment to respecting human rights and other international obligations. [including] ...the extent to which the government is committed to respecting economic, social, civil, political and cultural rights.” [46]. CGAs should be developed with the participation of civil society and other stakeholders in both data collection and analysis, However the How to note emphasises that CGA results will not be used as triggers for Aid or to set thresholds for aid. All countries should publish some version of their CGA, but it is recognised that some information and analysis will remain confidential.

### **Human rights [47]**

The UK human rights act 1998 implements the European Convention on Human Rights. The Convention protects civil and political rights (freedom of expression, assembly, right to life etc) but does not refer to rights to livelihoods, land or resources or to cultural rights other than religion. Its applicability outside the UK is very limited (because it can only be applied where the UK can be should to have control – for example in a military base in another country).

As noted above, the Conditionality Policy [quoted in 102] established human rights as one of the 3 pillars of UK aid partnerships. Progress against these pillars will be assessed against agreed benchmarks and the human rights situation assessed “based on the partner countries’ own Human Rights commitments”, and the possibility of cancelation or reduction of aid in the case of human rights breaches is left open (but not defined). To deliver this policy, DFID Country Programs must carry out Human rights assessments covering civil, political, economic, social and cultural rights, and looking at practice versus paper protection.

Under the FCO Strategic Programme Fund (SPF), the UK embassy in Indonesia focuses on providing grants to Low Carbon High Growth; Counter Terrorism and Radicalisation; Human Rights and Democracy<sup>15</sup>.

### Markets as tools for development

The UK supports market based approaches to low carbon development. PSA 27 includes in its vision: “secure effective and robust global commitments for the period post-2012, through engagement with our international partners, consistent with a trajectory to stabilise atmospheric greenhouse gas concentrations, that will shift economies to a low carbon basis, including through an efficient and effective carbon market” [107]. As noted above, the UK Climate Change act allows for a proportion of the commitment to reduction in emissions to be achieved through purchase of carbon credits.

### Aid Evaluation and Monitoring

Evaluation of DFID’s aid work is overseen by the Independent Advisory Committee on Development Impact (IACDI) which was set up in December 2007 to help DFID evaluate the impact of UK aid. The IACDI prepares an independent annual report to the Secretary of State for International Development, and advises DFID on the overall strategy, approach and priorities being adopted in its evaluation work, and assures the independence of the evaluation function in DFID and the use of evaluation results to enhance delivery and impact of UK development assistance<sup>16</sup>.

DFID is also evaluated by the National Audit Office (NAO). The office requires proof that DFID funds have been disbursed to the intended beneficiaries, and that they have been used as intended (fiduciary risk issues: see below).

#### 7.6.3 UK funded REDD Programs in Indonesia

Climate Change work in Indonesia is supported through the DECC, DFID and the FCO. In May 2010, the UK responded to the survey input for the Oslo Climate Conference by noting that “In Indonesia we are in the process of developing a UK-Indonesia Climate Change Partnership Strategy which will work with other donors and include efforts to strengthen multi-stakeholder systems governing forests and the other factors that drive deforestation” [09]

Institution	Program	Value	Notes and reference
15			<a href="http://ukinindonesia.fco.gov.uk/en/about-us/working-with-indonesia/funding-opportunities">http://ukinindonesia.fco.gov.uk/en/about-us/working-with-indonesia/funding-opportunities</a>
16			<a href="http://www.dfid.gov.uk/About-DFID/Finance-and-performance/Evaluation/">http://www.dfid.gov.uk/About-DFID/Finance-and-performance/Evaluation/</a>

DFID	Grant to AG Centre for Clean Air Policy	0.73 million USD (0.45 m UKP)	1 year project (2009-2010) on key industries and GHG <sup>2</sup>
DFID/ British Council	Support to climate change program in Indonesia	1.62 million USD (1 m UKP)	
DFID/ DECC	Support to implementation of the Climate Change Action Plan	81 million USD (50 m UKP)	[14] 19 m UKP before 2012, 10 m UKP after 2012, are part of a 50 m program over 5 years

The bilateral relationship with Indonesia is the only bilateral climate change program reported in the UK Government’s response to the Oslo Climate Conference questionnaire [14]. The UK and Indonesia have formalised bilateral relations through the ministerial level UK-Indonesia Partnership Forum. The first meeting of the forum was held in London in January 2007. The UK notes that “The vast majority of deforestation in Indonesia is planned and legal and takes place on land allocated for economic development i.e. mostly for timber harvesting or conversion to agriculture” [51].

Aid assistance to Indonesia is channelled through DFID. DFID has a history of support to reform in the forestry sector, including to the EU’s voluntary partnership agreement (VPA) scheme on timber legality and the associated Indonesia Timber Legality standard. From 2008 to 2011 there are three main objectives for the DFID Indonesia programme: i) to support the development of stronger and more accountable institutions; ii) to delivery poverty reduction, focussing on achievement of particular off-track MDGs; and iii) to help Indonesia combat climate change and radicalisation. In January 2010 DFID announced that it will provide £50 million “to ensure Indonesia’s trees are worth more in the ground than chopped down; its economic development is based on low carbon growth; and the vulnerability of poor Indonesians to climate change is reduced. The partnership will also help limit the destruction of peat lands in the country.” [51], also described as “to help Indonesia achieve low carbon, equitable and climate resilient development. This work will focus on addressing the economic and administrative issues underlying land use change and deforestation, responsible for roughly 80% of Indonesian emissions” [43].

Specific activities and timing for implementation is not clear, but the partnership will focus on [51]:

- Providing areas such as Papua and Kalimantan (formerly Borneo) with land use planning and economic advice so that their forests and peat lands can be managed sustainably.

- Providing longer-term access to credit to help businesses offset the additional costs of choosing degraded land, not forests or peat lands, for palm oil production
- Providing analysis and information on the ways forests and peat lands are used to the Indonesian public, helping them to hold their government to account
- Helping Indonesians to adapt to the inevitable impacts of climate change by improving their understanding of the specific impacts in Indonesia and researching how best to protect the Indonesian people, their property and the infrastructure they depend on

The UK is also active in other areas of climate change, having funded a report on Carbon Capture and Storage in Indonesia<sup>17</sup>, and funds projects through the Strategic Opportunities Fund, managed by the UK FCO.

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<sup>17</sup> Indonesia CCS working group (2009) Understanding Carbon capture and Storage Potential in Indonesia. Available at <http://www.scribd.com/doc/25463812/Carbon-Capture-and-Storage-Report>



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