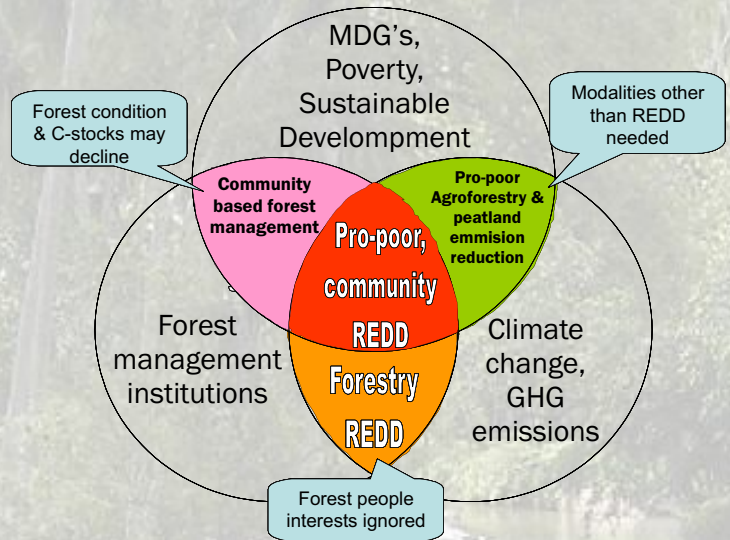


Table 1. Summary of experience with existing regulatory, fund and market incentive schemes in Indonesia (Source: IFCA Architecture study 3, 2007)

Strategy	Objective	Principles	Main beneficiaries	Basis for fund transfer	Institutional structure	Financial mechanism	Form of payment	Risks	Safeguards
Reforestation Fund	Collect funds to be used for reforestation	60% to central government; 40% to local government	Central government and local government	Reported cubic metres of logging	Local government checks reports; Ministry of Finance holds funds; Ministry of Forestry govern redistribution	Concessionaire pays Ministry of Finance	Cash transfer	Transparency; misuse of funds; corruption	Now state budget so subject to financial procedures
Community forest plantation	To guarantee log supply to forest industry; to improve community livelihoods	Equity among big and small forest players;	Local community; local government; forest industry	Proposal submitted by community and approved by local government	Local community group individually or collectively with forest industry; local government supervises and ensures clarity of rights; central government provide funding and ensures clarity of rights	Government to community (mechanism not yet defined in detail)	Rights to manage state land; cash transfer in soft loans	Excess subsidy, replacing natural forest with planted forest	High demand of log provide incentives for tree maintenance
GERHAN (national movement for reforestation)	Reforest state forest; rehabilitate non-state forest	Government funded movement to plant trees	Local communities, local government	Proposal submitted by local government	Coordinating Minister on policy; local governments on execution	Upfront; execution	Seedlings; cash transfer to universities	Mark up and tree maintenance after planting	Verification from University
DNS (Debt for Nature Swap)	Relieve debt and preserve forest	Public infrastructure development	Central government; local communities	Proposal submitted by central government	Foreign government relieves debt; Ministry of Finance	Ministry of Finance - ?	Debt swap		
PIC (Partnership inside concessions)	Reduce conflict on concession land	Local community benefits from big plantations	Communities and companies	Cubic metre of harvested trees based on trees harvested	Village group signs contract and negotiates redistribution; company makes payments; local government supervise contract execution	Company to head of Village group	Cash and job opportunities; seedlings	Elites within community/company capture most benefits	Legalisation of village groups
POC (Partnership outside concessions)	Benefit sharing on community land	Market based profit sharing: 60% to company and 40% to community	Communities and companies	Proposal submitted by local community	Individuals or village groups sign contracts; company distributes funds for plantation establishment and redistributes revenues; local government supervise contract execution (role less important than in PIC)	Company to individual or group	Cash; job opportunities	Emergence of new landlords	-
Timber certification	Improve forest management	Endorsing and paying good forest practice	Concession holders and buyers	Good practice according to LEI/FSC guidelines	Certification body check and certify forest; LEI provides standards; Public consultation	Market	Cash	Lack of demand	5-yearly certification of forest; simplified procedures
PES (Payments for Environmental Services)	Carbon, water, biodiversity conservation		Buyers and sellers of service	Verification of service maintained	Buyers, sellers, intermediaries; verifiers	Market mechanism	Cash or non-cash	Unattractive short/small contracts; elite capture	Clear rules to govern PES at local level
KDP (Kecamatan Development Program)	Alleviating poverty; stronger local institutions, governance	Participation; transparency; open menu; competition for funds; simple	Villagers	Proposals agreed by village	Managed by Ministry of Home Affairs with coordination teams down to village level. Parallel independent facilitation teams for technical support & training	Indo Bank Operational Bank Village account implementation	Development	High transaction costs; elite capture	Downwards financial flows matched by upwards document flow

On the interface of the people (poverty), profit (companies) and planet (emission reduction) circles we expect to find pro-poor, community-friendly forms of REDD. However, three domains that match only two of the three circles are important for consideration:

- A 'forestry REDD' version that ignores concerns of 'forest people' and traditional managers of forest mosaic landscapes;
- Forms of community-based forest management that let C stocks decline; and
- Opportunities for emission reduction from land uses not covered by REDD (including peatland and forms of agroforestry).



Issues surrounding international incentives for forms of 'avoided deforestation'

Issue	Why was no agreement reached five years ago on avoided deforestation?	Why do we think it can be resolved now in the form of REDD?
International relations -- See ADSB Research Brief Avoided		
Technical aspects -- See ADSB Research Brief Deforestation		
Development benefits		
8. Co-benefits	There is no shortage of other efforts to conserve forests, but these have been largely ineffective. High expectations of co-benefits complicate the additionality aspect, as a cost share among functions is expected.	With additionality out of the way, the co-benefits may be the primary incentive for decision makers to select among alternative ways of achieving a bottom line emission outcome, with financial compensation for the real opportunity costs
9. Poverty reduction	Forest-dependent people have been under-represented in public decisions about forest futures and rules may increase poverty for these groups and reduce resource access rights	Implementation of emission reduction targets will only be feasible with cooperation and sharing of incentives; conflict as underlying cause of forest fires is now recognized as threat
Relation to long term UNFCCC objectives -- See ADSB Research Brief Benefits		

This is the third of a series of four research briefs prepared in 2007 in the context of UNFCCC COP-13 (Bali) on:

Avoiding or reducing emissions at the tropical forest margins: urgent, cost-effective but not easy

Deforestation: will agroforests fall through the cracks?

Sustainable, efficient and fair: can REDD be all three?

Benefits, but not everybody will win

In Indonesia

Further information on the ASB Partnership for the Tropical Forest margins can be found at:

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How this document was prepared

This document combines analyses by ASB-Indonesia of land use change in three provinces of Indonesia with an 'issue paper' prepared for the Indonesia Forest Climate Alliance (IFCA) by ICRAF & CIFOR scientists



Partnership for the Tropical Forest Margins



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