FINANCING SFM
Republic of Indonesia

FOREST AREAS OF INDONESIA
(136.88 Million Ha: 71.20% of Total Land Areas)

- 300 Forest Concession
- 42 Industrial Plantation
- 43 National Parks
- 243 Strict Nature Reserves
- 74 Wildlife Sanctuaries
- 14 Hunting Parks
- 515 Spices Mammals
- 511 Spices Reptiles
- 1531 Spices Aves
- 270 Spices Amphibies
- 35 Spices Primates
- 121 Spices Butterflies
- 38,000 Spices Floras
CONTRIBUTION TO ECONOMY

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>PDB (%)</td>
<td>0.98</td>
<td>0.91</td>
<td>0.91</td>
<td>0.81</td>
<td>0.80</td>
</tr>
<tr>
<td>Export (Billion US$)</td>
<td>3,7</td>
<td>5,5</td>
<td>6,1</td>
<td>6,7</td>
<td>6,6</td>
</tr>
<tr>
<td>Employment (Million household)</td>
<td>2,40</td>
<td>2,65</td>
<td>2,79</td>
<td>2,76</td>
<td>2,75</td>
</tr>
</tbody>
</table>

*) Not Including wood processing and pulp & paper industries

ACHIEVEMENT TOWARD MDGs

- Forest Cover: 59.70% (1990) to 52.43% (2008)
- Biodiversity Conservation: 26.40% (1990) to 29.31% (2010)
- Endangered Species (2010),
  - Borneo Orangutan: 54,457
  - Sumatera Orangutan: 6,667
  - Sumatera Rhino: 180
  - Java Rhino: 60
  - Sumatera Elephant: 2,400
  - Borneo Elephant: 60
  - Sumatera Tiger: 300
- Emission Reduction of GHGs: 14% out of 26% 2020 target.
- Poverty alleviation
- Job creation (forestry industries, GERHAN, national tree plantation movement)
1. Forest Area Management
2. Degraded Forest Rehabilitation and Watershed Capacity Development
3. Forest Protection and Forest Fire Management
4. Biodiversity Conservation
5. Revitalization of Forest Utilization and Forestry Industries
6. Empowerment of indigenous peoples and local communities
7. Climate Change Mitigation and Adaptation
8. Institutional Capacity Development
### National Targets

<table>
<thead>
<tr>
<th>National Targets</th>
<th>The 4 GOFs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forest Boundary: 25K Km</td>
<td>•</td>
</tr>
<tr>
<td>FMU Development on 33 Provinces</td>
<td>•</td>
</tr>
<tr>
<td>Forest Plantation: 2.65 M Ha</td>
<td>• • •</td>
</tr>
<tr>
<td>Forest Concession and Ecosystem Restoration: 2.5M Ha</td>
<td>• • •</td>
</tr>
<tr>
<td>Certification and Timber Legality: 50% increase</td>
<td>• • •</td>
</tr>
<tr>
<td>Forest fire hotspots: 20% per year decrease</td>
<td>•</td>
</tr>
<tr>
<td>Forest encroachment, illegal logging and wildlife trafficking: 5% decrease</td>
<td>•</td>
</tr>
<tr>
<td>Biodiversity and ecosystem management in 50 National Park and 477 other conservation forest</td>
<td>• •</td>
</tr>
<tr>
<td>Watershed management integrated plan: 108 watersheds</td>
<td>• • •</td>
</tr>
<tr>
<td>Degraded forest and critical lands rehabilitation: 1.6 M ha</td>
<td>•</td>
</tr>
<tr>
<td>Forest community facilitation: 2 M ha</td>
<td>• • •</td>
</tr>
<tr>
<td>Village forest facilitation: 500 K ha</td>
<td>• • •</td>
</tr>
<tr>
<td>Human resources capacity development: 15K persons</td>
<td>• • •</td>
</tr>
</tbody>
</table>
Financing Strategy

- To achieve the 4GOFs and implement the NLBI on All Types of Forest need huge investment
- Wide Spectrum need wide approach, thus need support from cross-sector investment (Finance, Agriculture, Environment, Transportation, etc.)
- Mobilization of public and private from national, regional and international institutions
- Effective and Efficient Fund Management

Sources of Finance

- Public Budget
  - Annual National Budget (Tax-Based Revenue, Forest Non-Tax Revenue)
  - Province Budget (Province APBD and Fiscal Balance Budget)
  - District Budget (Province APBD and Fiscal Balance Budget)
- Private Investment
  - National Investment
  - Foreign Investment
- Overseas Development Partnerships
  - Bilateral and Multilateral
    - FCPF, IFP, GEF, ICCTF, FIP, etc.
  - REDD+ Readiness Investment, FLEGT, Forest Fire, Bio Diversity, Community Development, Institutional Capacity Building, etc.
FORESTRY PUBLIC BUDGET
(Millions US$)

PERCENTAGE TO GOVERNMENT EXPENDITURE

- It needs at least US$3.6 Billions of Government Expenditure Per Year

Overseas Development Partnerships

Registered ODP

Project Cores:
- Forest Governance (GTZ, DFID, FLEGT (EU))
- COREMAP (GEF, IDA, WB)
- Forest Rehabilitation (Japan)
- Forest Management (JICA)
- Community Development and Watershed Management (GEF-PBB)
- Mangrove (JICA)
- Seed Stands (KOICA)
- Biodiversity (JICA)
- A/R CDM & REDD (GTZ, KFW, AusAID, Norwe, UNDP, ACIAR)
- Forest Research (KFRI, TBI, ACIAR)
- It needs at least US$31 Billions additional private investment

**AREAS OF INVESTMENT**

- **Public Investments**
  - SFM Capacity Development
  - Aforestation and Reforestation
  - Critical Lands rehabilitation
  - Forest Protection and Conservation
  - REDD+ and VCM Readiness

- **Private Investments**
  - Forest Concessions
  - Industrial Forest Plantation
  - Small Scale Forest Plantation
  - Community-based Forest
  - Wood processing Industries
  - Non wood forest products
  - Ecotourism and Environmental Services
  - Ecosystem Restoration
REDD+ AND SFM

- Financing REDD+ Readiness only part of the Financing SFM
- Building blocks for better forest management practices
- Huge Investment on REDD+ Demonstration Activities (30 CC-related Projects, 14 of Which are REDD+ DAs)
- Provide alternative incentive for forest investment

Partner’s Activities on REDD+

<table>
<thead>
<tr>
<th>Partner</th>
<th>Project Name</th>
<th>Total Fund</th>
<th>PMU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Indonesia Australia Forest Carbon Partnership (IAFCP)</td>
<td>AUD 70 juta</td>
<td>DG Planology</td>
</tr>
<tr>
<td>German</td>
<td>FORCLIME dan Merang REDD Pilot Project (MRPP)</td>
<td>EUR 32.4 juta</td>
<td>Bureau of Planning</td>
</tr>
<tr>
<td>UN</td>
<td>UN-REDD</td>
<td>USD 5.6 juta</td>
<td>DG Planologi</td>
</tr>
<tr>
<td>ITTO</td>
<td>Tropical Forest Conservation from REDD and Enhancing carbon Stocks in Meru Betiri National Park</td>
<td>USD 60,150</td>
<td>FORDA</td>
</tr>
<tr>
<td>Korea</td>
<td>Project for Adaptation and Mitigation of Climate Change in Forestry through A/R CDM and REDD (KIPCCF)</td>
<td>USD 5 Juta</td>
<td>FORDA</td>
</tr>
<tr>
<td>JICA</td>
<td>Support on Forest Resources Management through Leveraging Satellite Image Information</td>
<td>USD 720,000</td>
<td>DG Planologi</td>
</tr>
<tr>
<td>World Bank**</td>
<td>Forest Carbon Partnership Facility (FCPF)</td>
<td>USD 3.6 juta</td>
<td>FORDA</td>
</tr>
<tr>
<td>ICRAF</td>
<td>Accountability and Local Level Initiative to Reduce Emission from Deforestation and Degradation in Indonesia (ALLREDD)</td>
<td>EUR 1.123 Juta</td>
<td>DG Planologi</td>
</tr>
<tr>
<td>ACIAR</td>
<td>Improving governance, policy and institutional arrangements to reduce emissions from deforestation and degradation (REDD)</td>
<td>AUD 1.4 Juta</td>
<td>FORDA</td>
</tr>
</tbody>
</table>
FORCLIME:
Modul Keuangan € 20 Millions; 2010-16
Modul Teknikal € 7 Millions (2010-12)

ITTO: USD 540,000 (2010-12)

UNREDD:
USD 2.2 Million (2010-11)

AusAID:
AUD 30 Million

KOICA:
USD 5 Million (2009-13)

GTZ Merang:
(€ 1,445,255; 2008-11)

KFCP:
AUD 30 Million

Voluntary Activities on REDD/REDD+

BOS Foundation, UNAS Jakarta & Museum of anthropology of Zurich

Environmental Resource

RSPB, Burung Indonesia & BirdLife International

TN Berbak, Zoological Society of London, Environmental Resource

APRIL

RSPB, Macquarie, PHKA

Green Synergie

 neuronal

TN Berbak, TN Wairol, Berau

Heart of Borneo

Inhutani I

BOS Foundation

BOS Foundation, UNAS Jakarta & Museum of anthropology of Zurich

Winrock Intl

Global EcoRescue

Inhutani II

NewForest

Emerald Planet

Keep the Habitat & Inhutani I

FFI, & Carbon Conservation

WWF

TN Berbak, Zoological Society of London, Environmental Resource

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WWF
CONSTRAINS

- National budget:
  - Conflict between national funding priorities between economy and environment
  - Limited resources

- Private investment:
  - Forests not bankable
  - Long term and less competitive compared to other commodities such as agriculture and plantations
  - High uncertainty and prone to risk of natural disaster

- International funds:
  - Various funds sources with wide diverse requirements
  - Funding driven programs often resulting in big gap between the program design and actual needs, also duplication
  - Delay of implementation due to exhausting negotiation and design processes
  - Complexity of the budgetary regulation
OPORTUNITIES

- Increase international, national, and local funding capacities both from public and private resources
- Simplify existing funding mechanism through budgetary regulation reform to enable more flexible schema and allocation
- More effective, proper usage and wiser management of existing fund
- Concessional Loan and Bank Guarantee for Private Investment
- More allocation for Real Field Activities
  - Forest Campaign (International Forest

WHAT NEXT?

- Implement effective sustainable financing mechanism, in national, local and field levels
- Establish more transparent and accessible international forest fund resources with simpler mechanism
- Improve the capacity of forest management units on managing the forest and its financial aspects
- Integrate various sources of funding (international, national, private and public funds)
- Build close international cooperation on the basis of mutual benefit, trust and respect
- Increase international communication among forest stakeholders
- More adequate fund resources, better SFM practices, and better environment for better life
THANK YOU