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The Permanent Mission of the Republic of Indonesia to the United Nations presents its compliments to the secretariat of UNFF and with reference to your letter No. UNFF/2008/INPUTS dated 2 December 2008 requesting proposals for financing sustainable forest management from member states, has the honor to submit Indonesia’s inputs on that request (as attached). This submission reflects Indonesia’s position on the proposed financial mechanism to be discussed and deliberated at the upcoming UNFF-8 meeting, 20 April-1 May 2009.

The Permanent Mission of the Republic of Indonesia avails itself of this opportunity to renew to the Secretariat of UNFF the assurances of its highest consideration.

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United Nations Forum on Forests Secretariat
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Inputs on proposals for financing sustainable forest management

(By: the Republic of Indonesia)

1. Drawing from AHEG's formulation, does your Member State or major group have a preference for either a dedicated global forest fund or a facilitative mechanism for sustainable forest management funding? Is the preferred option (select one):
   a. Dedicated global forest fund
   b. Facilitative mechanism
   c. Both
   d. Other mechanism (please specify)

Indonesia does not see a dedicated global forest fund (GFF) and a facilitative mechanism (FM) as exclusive to one another. Thus, Indonesia prefers both (i.e. option c). There has been various funding mechanisms for forests, characterized by multiple sources and aimed for different purposes — making up the elements to what is considered a portfolio mechanism. Yet, it is widely accepted that the current level of financing for forests is deemed inadequate; hence, the need for new and additional financial resources. In addition, gaps have also been identified — which further justify the urgency for such additional resources. Overall, a dedicated global forest fund will assure the availability of new and additional resources to fill these gaps.

Besides filling the identified gaps, a facilitative mechanism should be developed, put in place, and geared towards enhancing the effectiveness and efficiency of existing and emerging funding mechanisms for forests. Such a facilitative mechanism would assist in ensuring greater coherence, availability, accessibility, flexibility, and complementing nature of available funds.

2. What do you consider to be the essential elements for the preferred option? (select as many as relevant):
   a. Scope and structure
   b. Governance and management
   c. Sources of financial resources
   d. Types of activities covered
   e. Accountability, monitoring and evaluation mechanisms
   f. Any other elements?

All the above elements are essential to both the proposed GFF and FM. Among them, element b (governance and management), element c (sources of financial resources), and
element (accountability, monitoring and evaluation mechanism) should particularly be given extra attention for the GFF and FM to be effective and efficient. For example, the proposed fund or mechanism should avoid over-complex procedure and high transaction costs, which have hampered past, similar funds/mechanisms.

An additional element to the considered choices [a to e] would be “Objective(s)” – which is essential in developing both the above-mentioned dedicated global forest fund and facilitative mechanism. An “objective(s)” should become the center of the essential elements as it/they guide(s) and define(s) the rest of the essential elements in accordance to the ultimate goal of achieving (a) particular objective(s). For example, the success of monitoring and evaluation activities is measured relative to the objective(s) that both form of activities are meant to meet.

Another element would be “Principles”, which could be a separate (stand-alone) element, or be included under “governance and management”. In this regards, a reference could be made to the Paris Declaration on Aid Effectiveness – which specifies the principles and roles to be adhered to by both donor and partner countries in order for a financing cooperation to be useful.

3. **How would your preferred option be linked to with other forest funding sources and mechanisms e.g. the Collaborative Partnership on Forests (CPF)?**

The board of management of a proposed (dedicated) global forest fund/GFF (herewith referred to also as the “Fund”) would need to link the Fund with other forest funding sources, including the CPF. Such a linkage is necessary because the CPF as well as other established funding sources and mechanisms possess, under their belt, best-practices that are absent in the new proposed Fund. A consultative committee may serve as a platform for established funding resources to communicate indispensable knowledge and experience, as well as to channel resources to the new proposed Fund – in the view to strengthen the board of the Fund.

In terms of the facilitative mechanisms (FM), the same consultative mechanism should be developed, with a view to enhance coherence and complementing nature among the different funding sources and mechanisms.

4. **What challenges would be resolved with the creation of either of the preferred option?**

**Expected challenges resolved through GFF:**
- GFF would fill in the gap that exists due to the lack of a financing mechanism dedicated for global achievements in forestry. Existing mechanisms – for example, the Global Environment Facility (GEF), A/R CDM, etc. – do consider forestry (initiatives) seriously. However, they are not purely dedicated to forestry. Thus, there exist financing gaps in fully achieving the Global Objectives on Forests (GoFs); implementing provisions of the Non-legally Binding Instrument on all types of forests (NLBI); and putting in place sustainable forest management (SFM).
Expected challenges resolved through FM:

- FM would resolve the lack of coordination between existing financing mechanisms related to forestry, so as to reduce duplications and enhance coherence in global finance for forests.
- FM would enhance accessibility of existing financing mechanisms for developing countries through the availability of consultation and liaison services.

5. **What other existing and emerging sources of financing and mechanisms could be utilized to implement sustainable forest management, the four Global Objectives on Forests and the Non-Legally Binding Instrument on All Types of Forests (NLBI)?**

Some potential sources of funding include:

- ODA budgets of donor countries.
- The private sector through corporate social responsibility (CSR) programmes. In the case of Indonesia, funding from CSR has been utilized for forest/land rehabilitation activities.
- Financing mechanism related to management of forests through reducing emission from deforestation and degradation in developing countries programmes – for example, the Forest Carbon Partnership Facility (FCPF); Forestry Investment Program (FIP); UN-REDD; and Voluntary Carbon Scheme (VCS).
- Other possible initiatives (innovative approaches) such as ‘oil for trees’, etc.
- We should avoid channeling commissions from other forestry commitments as means of creating new sources of funding [for example, reducing certain percentage of levy of REDD’s commitment to be included in the new Fund]. Therefore, the new mechanism should really promote [new and] additional sources of funding for the NLBI.

6. **Any other views and suggestions?**

The following concerns are mainly related to governance and management of the GFF:

- There is a concern over the form of funding disbursed by the Fund: should it be grant or loan. Indonesia is in line with the suggestion that the [new] mechanism should avoid more lending and creation of additional debt to developing countries.
- The UNFF Secretariat could be given a mandate to run the GFF, using ITTO’s simple and efficient financial management model as a benchmark. Hence, the UNFF could explore the possibility for such a mandate.
- To be eligible for GFF support, developing countries should develop Readiness Plan for Sustainable Forest Management (SFM R-Plan) – the likes of Readiness Plan of the World Bank’s Forest Investment Programme. This SFM R-Plan would provide member
countries with a comprehensive plan (i.e. a so-called “roadmap”) geared towards achieving the Four GoFs; implementing provisions of the NLBI; and putting in place SFM. Such a plan – which could also be interpreted as a signal of a country’s commitment towards good forest governance – for forest achievements is currently missing. Against this backdrop, it is expected that donor countries see the merits behind GFF and, consequently, contribute towards providing new and additional financial resources dedicated to forestry.

- Donor and recipient countries should possess a balanced role in the decision making mechanism of the GFF.