SFM FINANCING
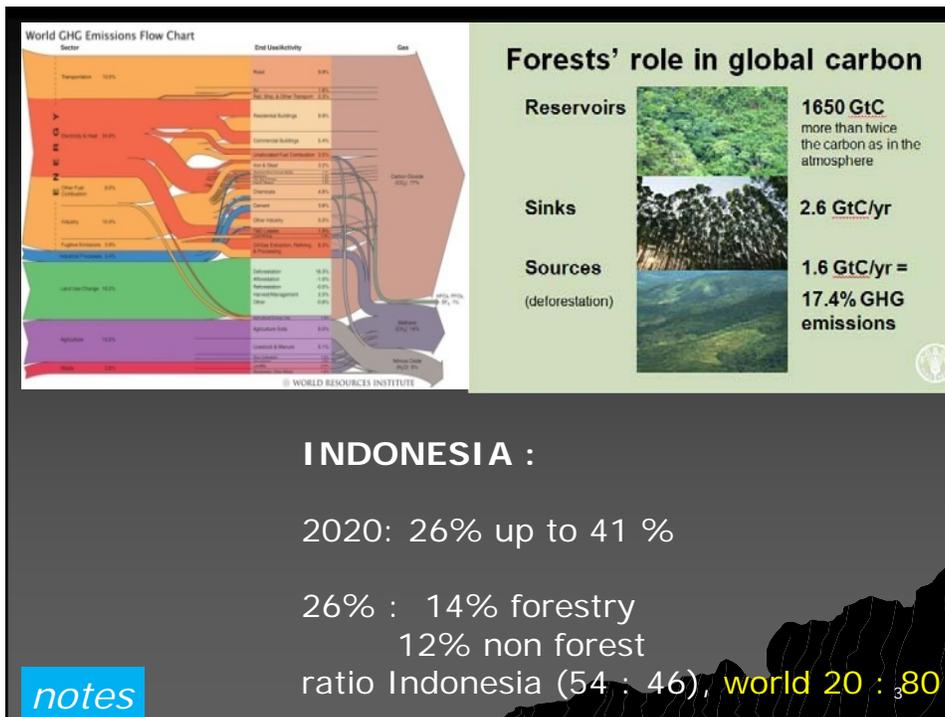## facts and challenges
Republic of Indonesia

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The UNFF on Forest Financing,
Nairobi 13-17 September 2010

Forest and Climate Change:
Some notes

◇ Indonesia set voluntarely emission reduction 26% up to 41% by 2020 compare to business as usual (G20 Pitchburg, Copenhagen)

◇ From 26 %: 14% forestry based, 12% non forest

◇ Kyoto Protocol (CDM and **AR CDM**)

World GHG Emissions Flow Chart
© WORLD RESOURCES INSTITUTE

Forests' role in global carbon

Reservoirs	1650 GtC more than twice the carbon as in the atmosphere
Sinks	2.6 GtC/yr
Sources (deforestation)	1.6 GtC/yr = 17.4% GHG emissions

notes

INDONESIA :

2020: 26% up to 41 %

26% : 14% forestry
        12% non forest
ratio Indonesia (54 : 46), world 20 : 80

3

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notes
Climate Change, Carbon & Forests

◇ Controversial issue since Kyoto Protocol

◇ AR CDM (decision 14/CP.10) is not easy

◇ Bali Action Plan, 1.(b).(iii):
– REDD after 2012, Conservation, Sustainable Forest management, and Enhancing forest carbon stocks

◇ Understanding the role of forests in absorbing CO2 is still crucial

4

MDGs

◆ MilleniumWorld Leaders, Sept 2000:

– Vision to improve the conditions of the world's poorest people - known as the Millennium Declaration

– 8 Millennium Development Goals covering poverty and hunger, education, gender, equality, child mortality, health, environment and development.

FOREST, CARBON, CLIMATE CHANGE (QUADRAN OF COMPANIONSHIP)

+ 20% CO2 FROM DEFOR/ LULUCF

+ 80% CO2 EMIISSION FROM FOSIL FUEL

Reducing emissions :
Clean Technology
Clean energy
Markets (complience, voluntary)

Trees as a remedy/cure for CO2 in the atmosphere (ABSORBING CO2 COOLING DOWN THE EARTH)

REDD

R E D D   P L U S --- new AR CDM

F o r e s t + c a r b o n

LOCAL,   NATIONAL,   GLOBAL

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FINANCING MECHANISM (an OPTION)

1. Funding !!
   ### PROJECT

2. INVESTMENT FUND
3. INVESTMENT

MARKET

GOVERNMENT

PRIVATE

COMMUNITY

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

16%

27%

17%

17%

0%

23%

- **Production Forest**
- **Limited Production Forest**
- **Convertible Production**
- **Protected Forest**
- **Hunting Park**
- **Conservation Forest**
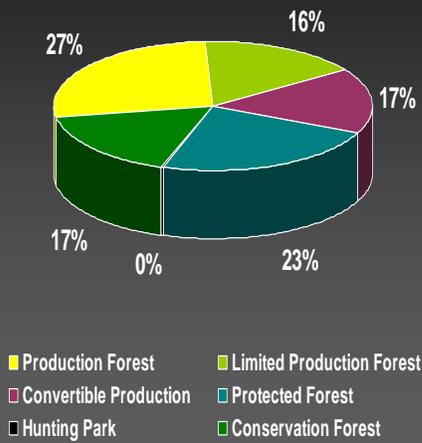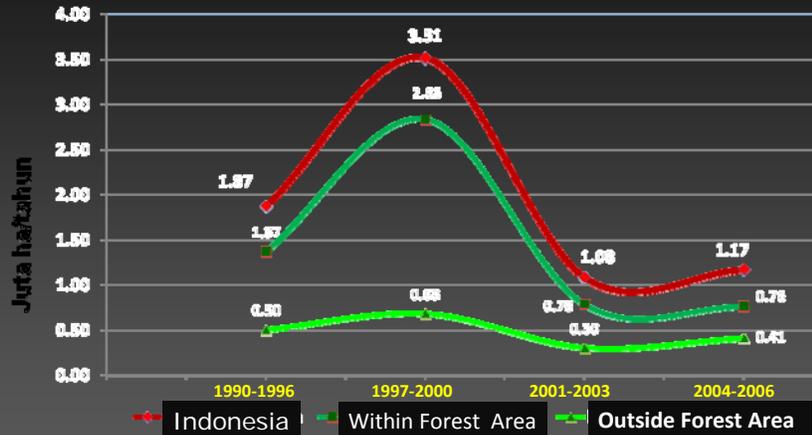
- 300 Forest Concession
- 42 Industrial Plantation
- 43 National Parks
- 243 Strict Nature Reserves
- 74 Wildlife Sanctuaries
- 14 Hunting Parks
- 515 Spices Mammals
- 511 Specs Reptiles
- 1531 Spices Aves
- 270 Spices Amphibies
- 35 Spices Primates
- 121 Spices Butterflies
- 38.000 Spices Floras

RATE OF DEFORESTATION

Juta ha/tahun

Annual Rate of Deforestasi	1990-1996	1997-2000	2001-2003	2004-2006	2005 -2007 FAO
Indonesia	1.87	3.51	1.08	1.17	0,5
Within Forest Area	1.37	2.83	0.78	0.76	-
Outside Forest Area	0.50	0.68	0.30	0.41	-

Indonesia — Within Forest Area — Outside Forest Area

CONTRIBUTION TO ECONOMY

	2005	2006	2007	2008	2009
GDP (%) *)	0.98	0.91	0.91	0.81	0.80
Export (Billion US$)	3,7	5,5	6,1	6,7	6,6
Employment (Million household)	2,40	2,65	2,79	2,76	2,75

-*) Not Including wood processing and pulp & paper industries

NATIONAL FORESTRY PRIORITIES
(2010-2014)

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 STRATEGIC PLAN
(2010-2014) 1 of 2

National Targets	The 4 GOFs			
	G1	G2	G3	G4
Forest Boundary: 25K Km	●		●	
FMU Development on 33 Provinces	●		●	
Forest Plantation: 2.65 M Ha	●	●	●	
Forest Concession and Ecosystem Restoration: 2.5M Ha	●	●	●	
Certification and Timber Legality: 50% increase	●	●	●	
Forest fire hotspots: 20% per year decrease	●			
Forest encroachment, illegal logging and wildlife trafficking : 5% decrease	●		●	
Biodiversity and ecosystem management in 50 National Park and 477 other conservation forest	●	●		

NATIONAL STRATEGIC PLAN
(2010-2014) 2 of 2

National Targets	The 4 GOFs			
	G1	G2	G3	G4
Watershed management integrated plan: 108 watersheds	•	•	•	
Degraded forest and critical lands rehabilitation: 1.6 M ha	•		•	
Forest community facilitation: 2 M ha	•	•	•	
Village forest facilitation: 500 K ha	•	•	•	
Human resources capacity development: 15K persons	•	•	•	•

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 (Environment, commodity plus)

◇ Mobilization of public and private finance from national, regional and international institutions)

◇ Effective, Efficient, transfarancy of financial 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.
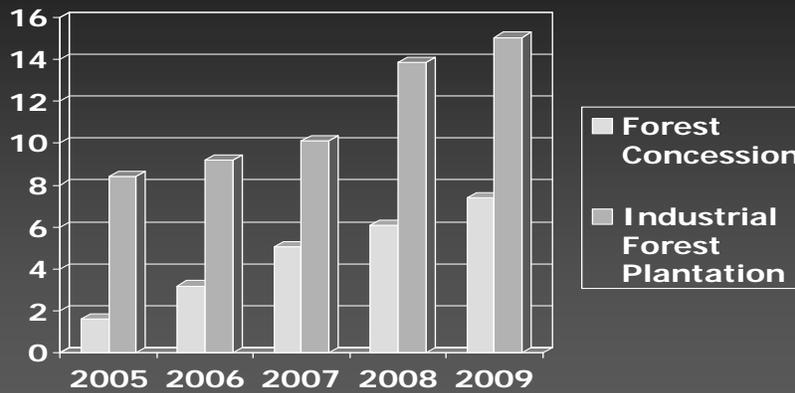

FORESTRY PUBLIC BUDGET
(Millions US$)
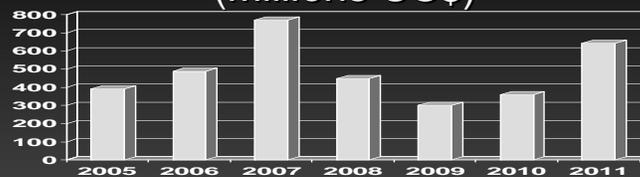
PERCENTAGE TO GOVERNMENT EXPENDITURE
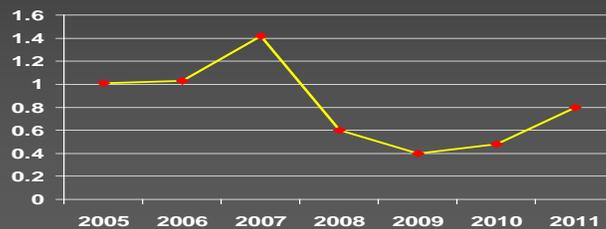
- It needs at least US$3.6 Billions of Government Expenditure Per Year

Commulative Private Investment (Billions US$)

- It needs at least US$31 Billions additional private investment

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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
- ◆ Financing/Funding 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+

Partner	Project Name
Australia	Indonesia Australia Forest Carbon Partnership (IAFCP)
German	FORCLIME dan Merang REDD Pilot Project (MRPP)
UN	UN-REDD
ITTO	Tropical Forest Conservation from REDD and Enhancing carbon Stocks in Meru Betiri National Park
Korea	Project for Adaptation and Mitigation of Climate Change in Forestry through A/R CDM and REDD (KIPCCF)
JICA	Support on Forest Resources Management through Leveraging Satellite Image Information
World Bank**	Forest Carbon Partnership Facility (FCPF)
ICRAF	Accountability and Local Level Initiative to Reduce Emission from Deforestation and Degradation in Indonesia (ALLREDDI)
ACIAR	Improving governance, policy and institutional arrangements to reduce emissions from deforestation and degradation (REDD)

CONSTRAINS

◆ National budget:
  – funding priorities
  – Limited resources

◆ Private investment
  – Forests "not bankable"
  – Competitiveness compare to other commodities
  – Long Term investment involve risks

CONSTRAINS

◆ 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

OPPORTUNITIES

- Concessional public and Private Investment
- More allocation for Real Field Activities
- Forest Campaign (International Forest Year 2011)
- CC Isu leverage SFM financial sources

In order to answer the Question of Financing SFM, WHAT NEXT?

- Build very strong common understanding among UNFF members about the role of Forest in a new era of climate change

- Redefining common understanding of Forests from conventional value to become sub ordinate of the global green economy of reducing GHG emissions

- Recover strategy approach for market and non market mechanism based on bundling up conventional values with new commodity / green products and green renewable energy

Positive Signal from the World

◆ The Worlds Leaders Major Economies Meeting on Energy Security and Climate of G8 plus, 2007: The World's forests help reduce the amount of greenhouse gases in the atmosphere by stroring carbon dioxide. (... Keynote speech of President Bush).

◆

◆ ... Kyoto Protocol – AR CDM, Bali Action Plan ... Copenhagen Accord → REDD Plus (avoiding deforestation, conservation, enhancing carbon stock, SFM)

Finally .....

Let open the space for additional new scheme of forest financing (bilateral, regional, multilateral) within our common platform under UNFF..

probably just started by linking current available finance with in the new redefining forest for funding, investment fund, and investment, through market and non market approach.