

International Seminar  
REDD+ Finance Mechanism and Its Optimum Use:  
How to incentivize forest conservation

**Beyond Bilateral Funding:  
Creating New Mechanisms for  
REDD+ Operationalization in Indonesia**

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## Talk about

1. Scope of REDD+ in Indonesia
2. Sources and scales of REDD+ finance
3. Emerging financial mechanisms
4. A way forward

# 1. Scope of REDD+ in Indonesia

- Institutional arrangement (e.g.)

MRV; Safeguard; Funding instrument

- Policies and measures as well as projects (e.g.)

Policy: Moratorium; Customary rights

Institution: Forest Management Unit (FMU)

Project: Input-based / Investment

Private sector: Zero deforestation

Finance for REDD+ → How to finance these activities

## 2. Sources and scales of REDD+ finance

### (1) Sources

REDD+ related activities (e.g.)		Nat'l budget	Donor		Private sector
			LoI*	Other	
Institutional arrangement	MRV	Y	Y	Y	
	Safeguard	Y	Y	Y	
	Funding instruments	Y	Y	Y	
Policies and measures; project	Moratorium	Y	Y		
	Customary right	Y	Y	Y	
	FMU	Y		Y	
	Input-based Projects	Y	Y	Y	Y
	Investment project				Y
	Zero deforestation				Y

\* The work conducted by REDD+ Agency, which is funded by Norwegian government under the Letter of Intent (LoI).

## (2) Scales

- Public climate finance in 2011: US\$0.95 billion  
By Government of Indonesia – US\$0.63 billion (66%)  
By Int'l development partner – US\$0.32 billion (34%)
- Int'l commitment on climate finance as of 2011  
\$4.4 billion (Norway \$1 billion) for multiple years
- Financial requirement on REDD+ until 2020  
\$5-10 billion (REDD+ Taskforce 2012)

Source: CPI (2014); GCP (2014)

### 3. Emerging financial mechanisms

➤ Trust Fund: to follow Presidential Regulation 80/2011

Trust Fund	Responsible Agency	Funding Sources	Focus Area in Mitigation
Indonesia Climate Change Trust Fund (ICCTF)	Ministry of National Development Planning (Bappenas)	International Development Cooperation & State budget	Land based mitigation; Energy
<i>Fund for REDD+ Indonesia (FREDDI)</i>	<i>REDD+ Agency<sup>(1)</sup></i>	<i>International Development Cooperation</i>	<i>Implementation of Nat'l REDD+ Strategy</i>

Remark: (1) Presidential Regulation 16/2015 stipulates the revoke of Presidential Regulation 62/2013 on the establishment of National REDD+ Agency.

Source: ICCTF Business Plan 2014-2020 (2014)

- ICCTF: Indonesian Climate Change Trust Fund
  - So far \$16 million of International contribution
  - Grants provided to Ministries, CSO, research inst.
  - Plans to apply as a National Implementing Entity (NIE) of Green Climate Fund (GCF)
  - Pilot projects in the land based mitigation sector
    - (1) Sustainable Peat Management (2010-14)
    - (2) Community-Based Wood Pellets Production (2012-14)

➤ Instrument and mechanism under preparation

(1) FREDDI – Four funding windows

Strategic (Readiness, Nat'l priorities, Emergency)

Sub-national priority (CB, Performance-based payment)

Competitive (Proposals)

Small scale grant (For community-based activities)

(2) JCM: Joint Crediting Mechanism

Bilateral crediting mechanism between Indonesia and Japan (initially) as non-tradable credits.

## 4. A way forward

- Scope of REDD+ activities is broad and they are supported by multiple sources. On addressing deforestation and forest/peatland degradation, both policies and measures as well as investment projects need to be continuously funded.
- As REDD+ Agency used to take key roles in designing and implementing REDD+ activities, new arrangement of dealing with readiness work needs to be urgently developed, including the operationalization of FREDDI and the mechanism of fostering funding from Green Climate Fund.