

# Taking Stock of International Contributions to Low Carbon, Climate Resilient Land Use in Indonesia

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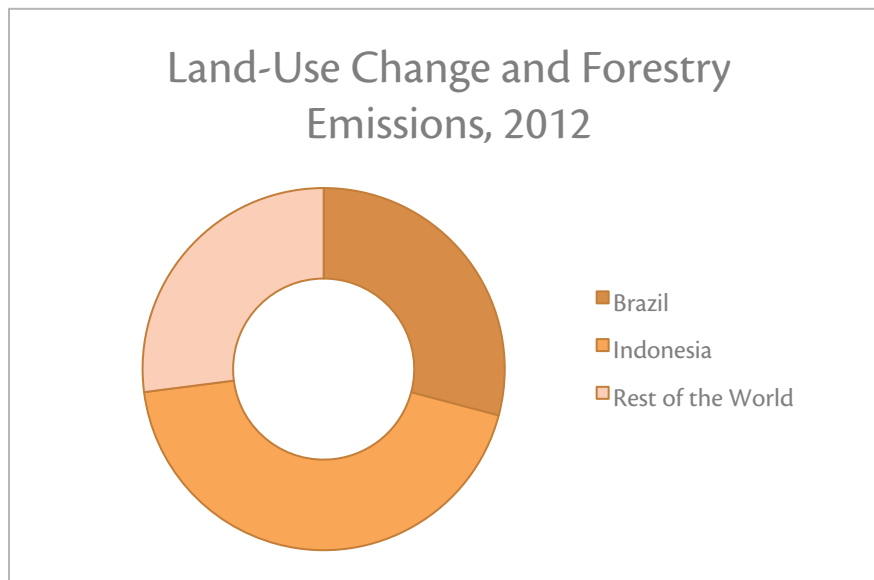
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## Indonesia was the top global land use emitter in 2012

- 44% of global land use and forestry emissions came from Indonesia in 2012
- Halting global deforestation could make up to 25-35% of global action to address climate change



Source: WRI, 2015



## The international community has a huge opportunity to help reduce emissions and build resilience in Indonesia

- Govt. of Indonesia has committed to reduce emissions by 26% by 2020, scaling up to 29% by 2030, and further extending to 41% with international support
- Indonesia plans to meet 88% of its emission reductions target from forest and peat sector

SECTOR	Gt CO <sub>2</sub> (e)	% TOTAL
AGRICULTURE	0.008	1%
FOREST AND PEAT LAND	0.672	88%
ENERGY AND TRANSPORT	0.038	5%
INDUSTRIAL	0.001	0%
WASTE	0.048	6%
<b>Total</b>	<b>0.767</b>	<b>100%</b>

## But not enough climate finance is flowing to land use sectors, especially from international partners

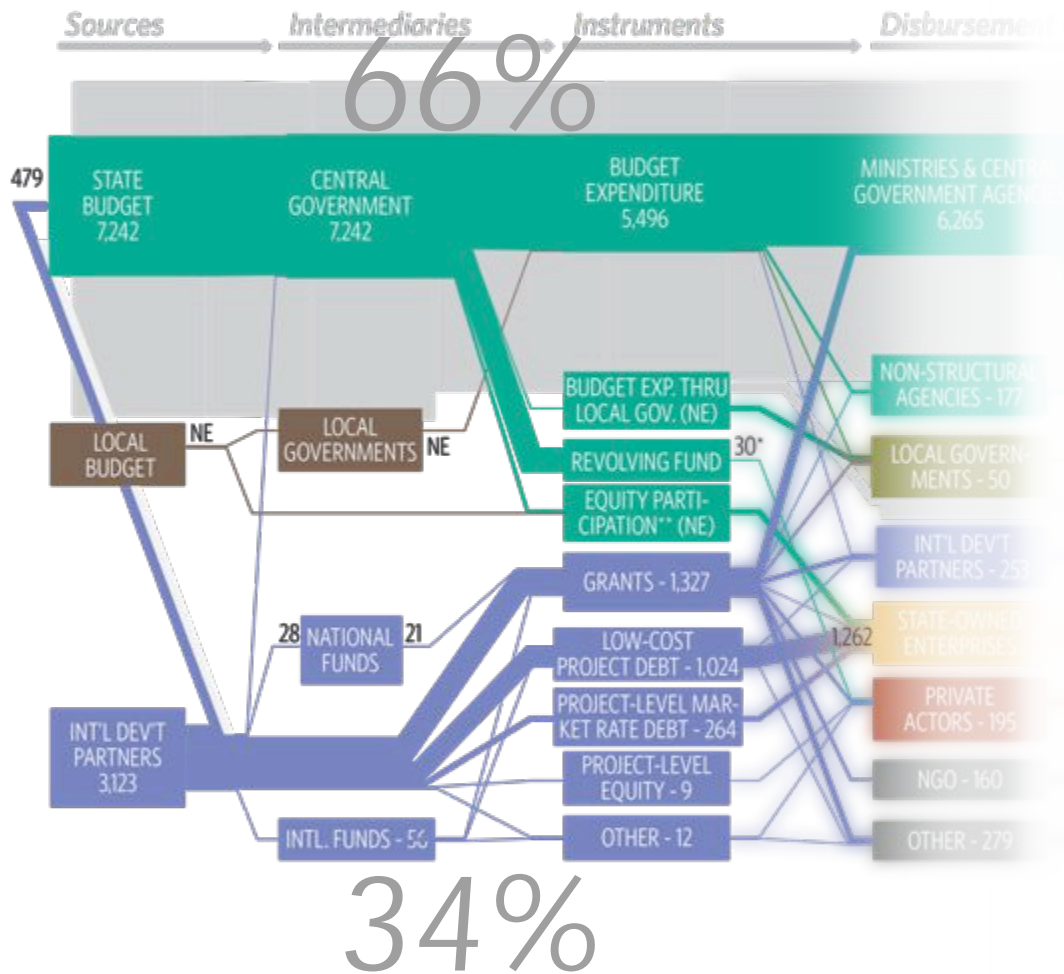
The 26% target requires USD 11-15 billion per year in 2020.

Sources of Emission Reduction	Emission reduction (m tCO <sub>2</sub> e in 2020)	Indicative costs (IDR tr/year <sup>1</sup> )		
		Public	Private	Total
Maintaining RAN GRK expenditure at 2012 levels	116	16	0	16
Additional RAN GRK expenditure in line with GDP	31	4	0	4
Improving cost effectiveness of existing expenditure	78	1-2	0	1-2
Power generation emissions 26% lower, incl. geothermal	104	15-45	15-45	40-70
Policies to limit deforestation to 450,000ha/year	260	1-2	20-30	21-32
Reductions required from new initiatives	121	6	11	17
RAN GRK target for forest, peatland, energy & transport	710	45-75	45-85	100-140
Reductions from agriculture, industry & waste water	57	Not covered in this first MFF		
<b>Total RAN GRK target</b>	<b>767</b>			

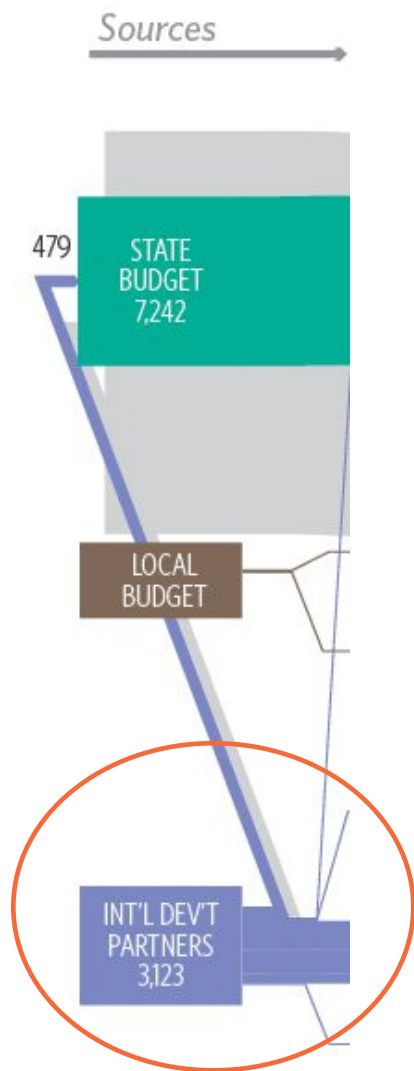
1) Indicative costs expressed in 2012 prices.

Source: Ministry of Finance Mitigation Fiscal Framework 2012

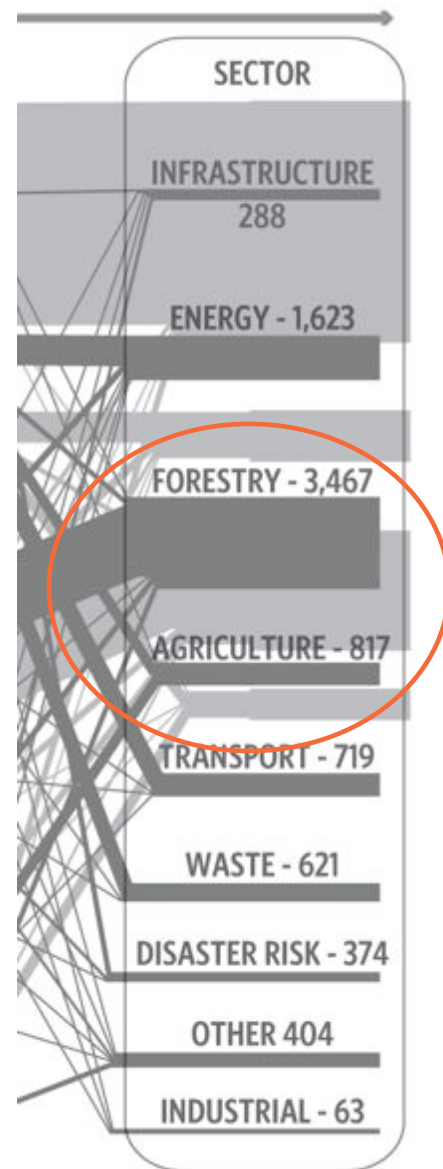
Public climate  
finance disbursed  
at least  
**USD951** million  
in 2011.



Development  
partners  
contributed USD  
323 million.



But only **18%** of development partner finance **flowed to the land sector** – a surprisingly small share, given the international focus on reducing deforestation in Indonesia.



## Land-use deep-dive - this study finds that:

- While international disbursements to the land use sector are low, the focus of existing development finance is well directed
- But, finance is often too short-term to deliver desired results
- Management by international rather than local organizations is limiting its effectiveness
- Better coordination presents the best opportunity to maximize the next phase of international support – and although politically challenging, there are some specific steps forward

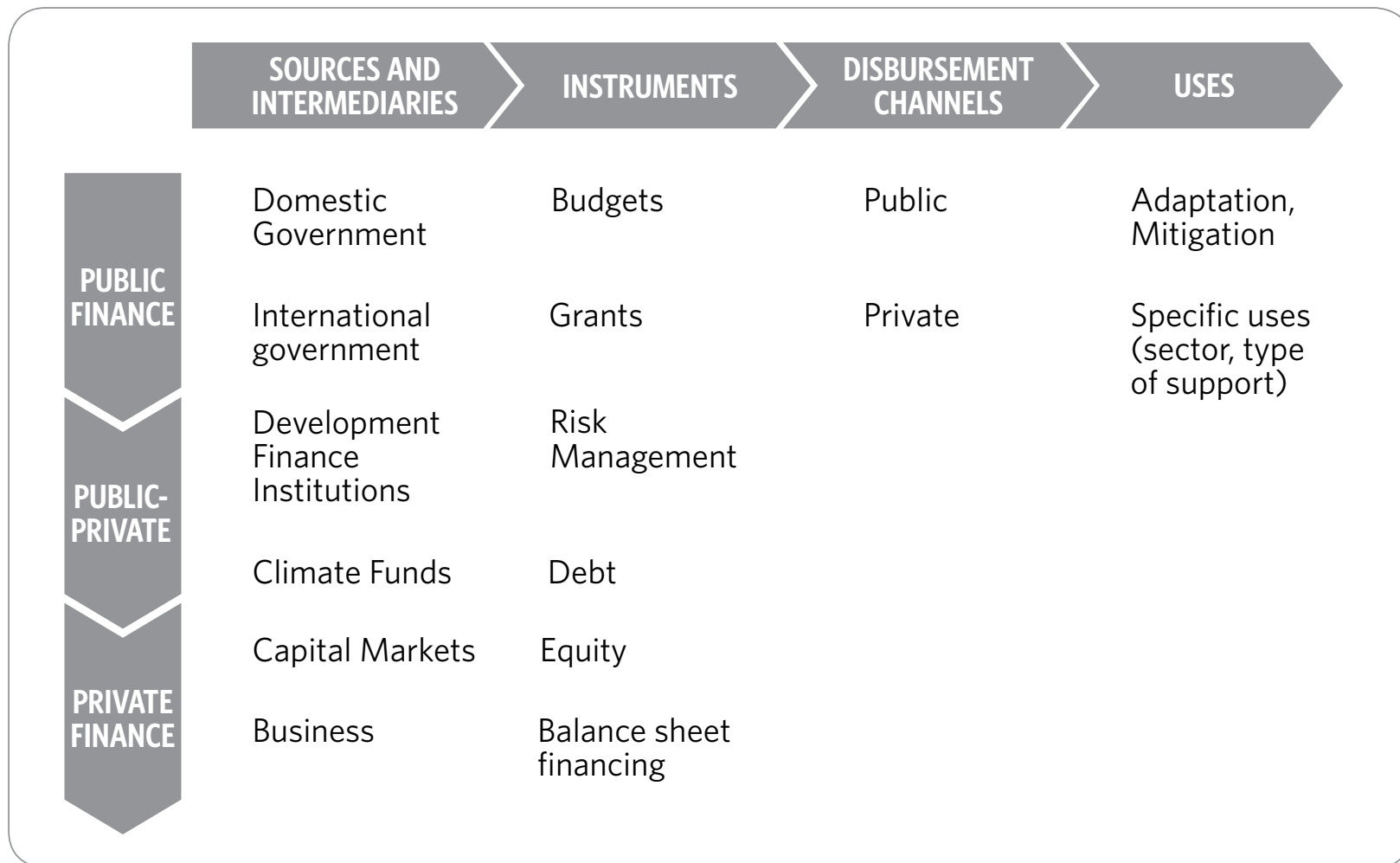
# Study Approach



## Objectives

- Understand how land use climate finance from international partners is flowing: actors, instruments, activities
- Assess role & value add of international development partners
- Identify implementation challenges
- Propose opportunities to improve the effectiveness of development cooperation

# The Landscape of Climate Finance Framework



Source: Buchner et al. 2011a, 2011b, 2012, 2013, 2014, 2015.

# Approach for the tracking public climate finance in Indonesia

- Collected data on *disbursements* of public climate finance in 2011
  - coded 12,000 lines of state budget for 11 key ministries
  - surveyed 25 international development partners
  - reviewed national data on local government transfers and a case study for one region
  - literature review of 46 state-owned enterprises
  - conducted many interviews with stakeholders.

## International land use finance deep dive

- 69 projects by 15 donors and 2 climate funds
- Literature review for additional project information and contextual data
- Expert interviews to help interpret our findings and build recommendations, focused on:
  - The suitability of current support
  - The value add of international support
  - Operational challenges and ways forward

# Study Findings

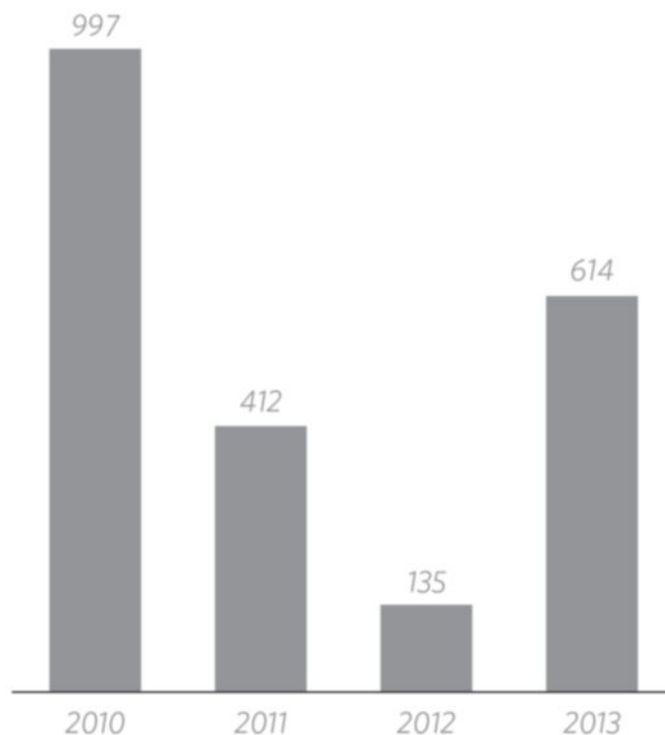
# Disbursement to land use sectors is low

International climate finance commitments to forestry and agriculture in Indonesia (USD million)

## Forestry and agriculture: climate specific

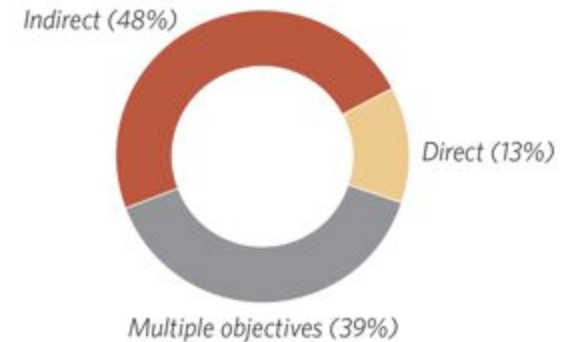
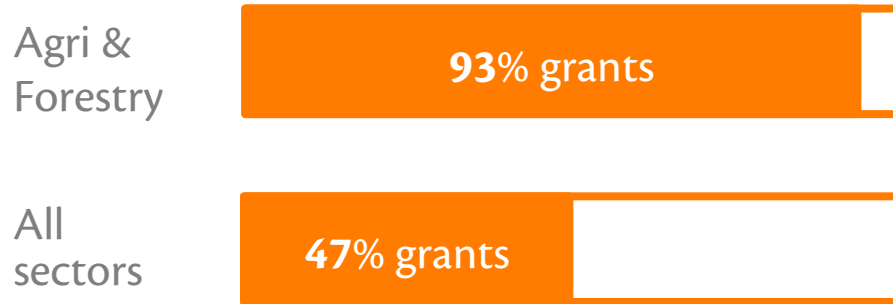


## Other sectors: climate marked ODA and OOF to Indonesia



Source: OECD, 2015

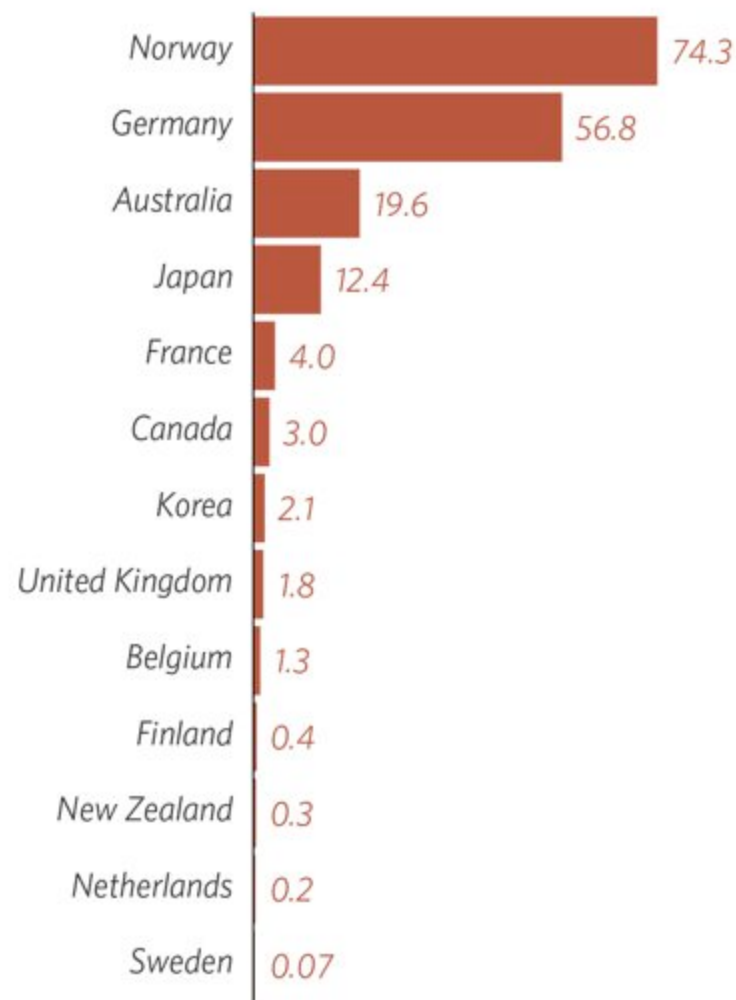
# Low disbursement reflects the dominance of grants for indirect activities as well as implementation challenges



Source: author's assessment based on review of project documentation where available

# 88% of international finance disbursed to the land use sectors in 2011 was from bilateral donors, with the remainder from multilateral organizations or funds

Cumulative climate marked ODA in the agriculture and forestry sectors, 2010-2013 (USD million)



Source: OECD, 2015



# Most international finance is managed by international entities, which may impede sustainability of results



Source: authors' interpretation based on publicly available project documentation. Note: we aimed to identify the type of organization that managed the finances of projects and was mainly in charge of the project implementation and direction. In reality, most projects have a decision-making structure involving key government partners and stakeholders, while beneficiaries are varied and multiple.

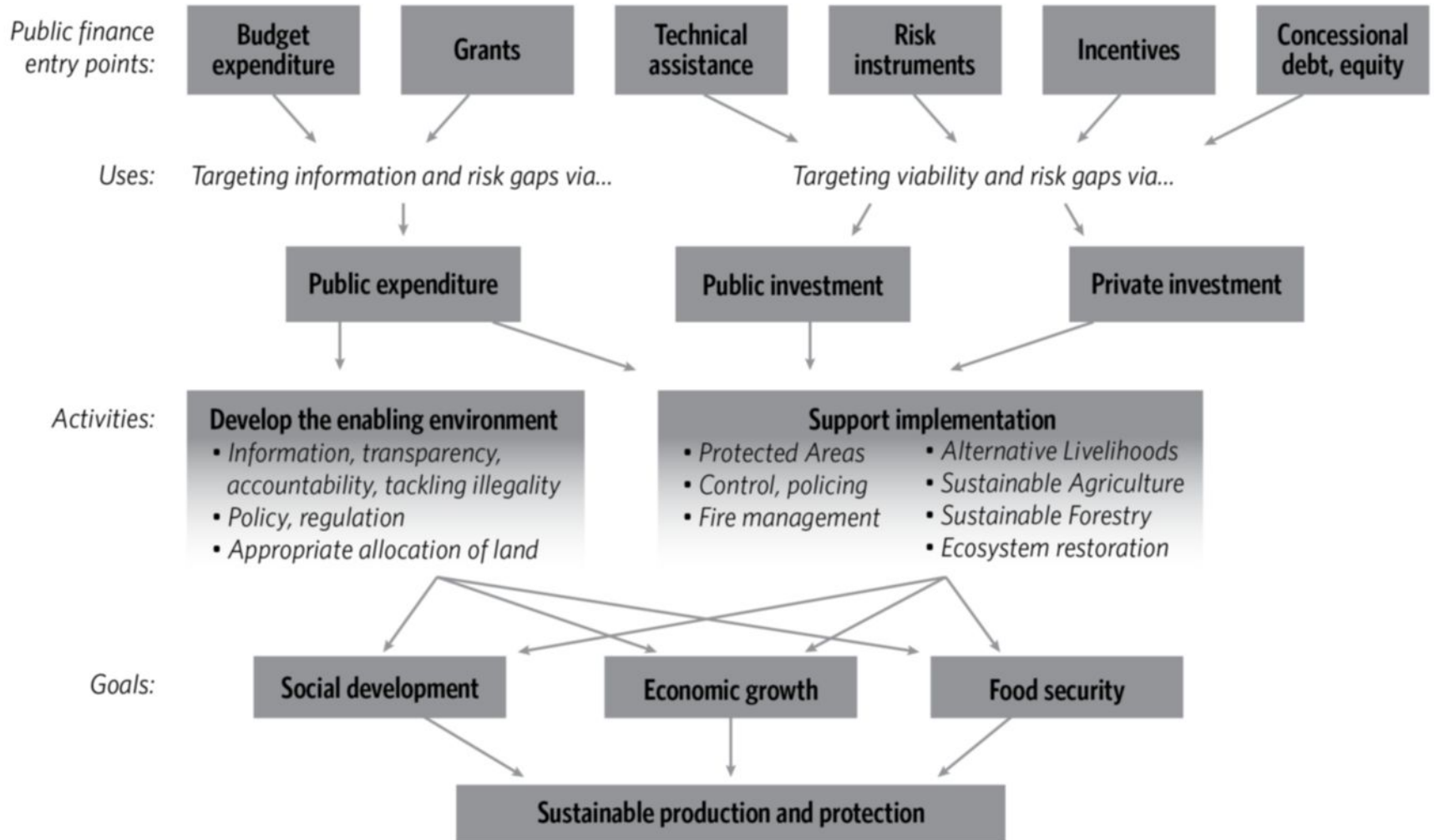
## Finance focused on capacity building and strengthening of enabling environments is well directed given persisting weaknesses

SECTOR	IDR BILLION	% TOTAL
<b>DIRECT</b>	<b>65</b>	<b>13%</b>
ECOSYSTEM RESTORATION	49	77%
FIRE MANAGEMENT	6	10%
PROTECTED AREAS	7	11%
SUSTAINABLE FOREST MANAGEMENT	2	3%
<b>INDIRECT</b>	<b>242</b>	<b>48%</b>
INSTITUTIONAL DEVELOPMENT	65	27%
OTHER	17	7%
RESEARCH	44	18%
STRATEGY AND POLICY DEVELOPMENT	70	29%
SYSTEMS DEVELOPMENT	31	13%
TRAINING	16	6%
<b>MULTIPLE OBJECTIVES</b>	<b>196</b>	<b>39%</b>
RESEARCH	5	2%
SUSTAINABLE FOREST MANAGEMENT	5	2%
TRAINING	192	98%
ECOSYSTEM RESTORATION	134	68%
SUSTAINABLE AGRICULTURE	47	24%
SUSTAINABLE FOREST MANAGEMENT	11	5%
<b>Total</b>	<b>503</b>	<b>100%</b>

Key enabling environment challenges include:

- lack of spatial information on concessions, licenses and permits
- lack of recognition of customary land rights
- conflict over land rights and illegality in land use
- limited capacity of institutions and human resources
- lack of political support and corruption

# However, public finance needs to transition from supporting enabling activities toward direct implementation



## There are mixed views on the role and value add of development partners

- ✓ Accelerate government activities not covered by the national budget
- ✓ Building capacity of local civil society organizations
- ✓ Help overcome inter-ministerial blockages
- ✓ Progress to build awareness of REDD+ issues
- New cooperation models have proven challenging e.g. performance based payments (Indonesia-Norway agreement), funds
- Some opposition to external support

## Addressing development cooperation challenges could further improve effectiveness of finance

- Local organizations frequently struggle to meet diverse reporting requirements or follow application procedures for development partner funding
- Program knowledge is frequently lost following host government staff rotations
- Funding timescale are commonly too short to enable full implementation and meet project goals
- Significant duplication of donor efforts – with overlapping projects often running in silos within same or parallel ministries

# Recommendations & Ways Forward

## Development partners and the Government of Indonesia need to coordinate more systematically to support regulatory reform and improve systems

- Working together to form a vision for land use that is cross-ministerial, cross-jurisdictional, and cross-donor
- Creating a comprehensive public database of international development partner activities and disbursements

## Development partners can make adjustments to improve effectiveness & longevity of programs

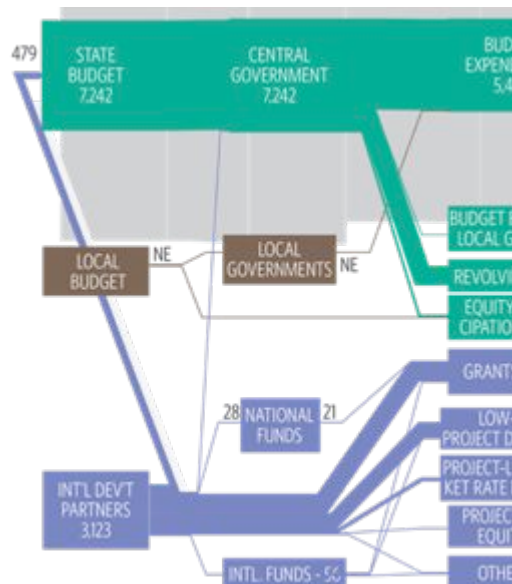
- Develop funding mechanisms that delink funding from political cycles, enabling sustained support for land use projects over extended durations
- Work with local delivery agents who are better placed to maintain longer term relationships with local government
- Take care during project inception to prepare full risk assessments and realistic, participatory implementation plans
- Aim to provide systems and outputs that can quickly transfer data and information to local officials following staff rotations



## Leverage greater finance and impact by building up the capacity of Indonesian organizations and promoting innovative public private funding partnerships

- Assisting Indonesian institutions meeting accreditation requirements to access international funds directly
- Streamlining administrative requirements and offering support to meet them to potential local implementing organizations

# Explore the report further...



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