



FIP Pilot Countries Bulletin

A Summary of the Fifth Forest Investment Program Pilot Countries Meeting

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FOREST INVESTMENT PROGRAM PILOT COUNTRIES MEETING: 24-26 SEPTEMBER 2013

The Fifth Forest Investment Program (FIP) Pilot Countries Meeting took place from 24-26 September 2013 in Yogyakarta, Indonesia. Approximately 60 participants from pilot countries, multilateral development banks (MDBs), the Climate Investment Funds (CIF) Administrative Unit, civil society and the private sector attended the meeting.

Over the first two days of the meeting, participants: discussed and agreed on a FIP proposed approach for results measurement and annual reporting, to be addressed by the next FIP Sub-Committee meeting; heard presentations on Indonesia's institutional arrangements and proposed FIP activities; discussed their national institutional arrangements; and heard presentations on related activities and jurisdictional approaches to REDD+. They also attended a reception hosted by the Government of Indonesia at the Prambanan Temple.

On Thursday, participants took part in a field trip to various sites of the Yogyakarta Forest Management Unit (FMU), where they observed some of the activities currently being undertaken by the FMU, such as cajuput oil production and resin tapping.

BRIEF HISTORY

The CIF are a set of financing instruments that provide developing countries with a jump-start toward achieving climate-smart development. Two distinct funds under the CIF, the Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF), support developing countries' efforts to mitigate and manage the challenges of climate change by providing grants, concessional loans and risk mitigation instruments, and through leveraging significant financing from the private sector, MDBs and other sources. With CIF support, 48 developing countries are piloting low-emission and climate-resilient development, transformations in clean technology, sustainable forest management (SFM), and increased energy access through renewable energy.

The CIF, formally approved by the World Bank's Board of Directors on 1 July 2008, are a collaborative effort among MDBs and countries to bridge financing and knowledge gaps between now and the next international climate change agreement. The funds were designed through consultations with various stakeholders and are governed by donor and recipient countries, with active observers from the UN, the Global Environment Facility (GEF), civil society, indigenous peoples' organizations and the private sector. A Partnership Forum brings all stakeholders together once every 18 months.

The CTF and SCF each has a specific scope and objective, and its own governance structure. Thus far, donor countries have pledged approximately US\$7.6 billion to the CIF,



Participants pose for a photo at the Playen Superior Teak Plantation. These fast-growing teak trees can be harvested at five years of age, instead of the usual fifteen years.

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administered through country-led programmes and investments by the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, International Finance Corporation (IFC) and World Bank.

The CTF provides developing and middle-income countries with incentives to scale up the demonstration, deployment and transfer of technologies with a high potential for long-term greenhouse gas (GHG) emission reductions. The SCF supports efforts by developing countries to achieve climate-resilient, low-carbon development. It operates through three targeted programmes with dedicated funding to pilot new approaches to climate action that should initiate transformation that has the potential to scale up climate resilience. The three programmes under the SCF are the FIP, the Pilot Program for Climate Resilience (PPCR) and the Scaling up Renewable Energy Program (SREP). Pledges for the three SCF programmes total US\$2.44 billion.

The FIP supports the efforts of developing countries to reduce emissions from deforestation and forest degradation, promote SFM and enhance forest carbon stocks.

The SREP aims to: scale up the deployment of renewable energy solutions and expand renewable markets in the world's poorest countries; and pilot and demonstrate the economic, social and environmental viability of low-carbon development pathways in the energy sectors of low-income countries.

The PPCR helps developing countries to mainstream climate resilience into development planning and offers additional funding to support public and private sector investments. It provides incentives for scaled-up action and initiates a shift from "business as usual" to broad-based strategies for achieving climate resilience at both the national and regional levels.

CIF PILOT COUNTRY MEETINGS

The CIF Pilot Country Meetings provide the opportunity for those working on CIF-financed operations in countries around the world to meet regularly and discuss progress and experiences in an open and collaborative manner. Representatives of CIF pilot country governments are joined by their counterparts from MDBs, donor countries and other stakeholders to share knowledge, learn from experiences of CIF implementation, and foster trust and accountability.

A total of 21 Pilot Country Meetings have been organized between October 2009 and September 2013. Through discussing common issues, pilot country representatives have identified areas of common understanding, and have communicated their views to the CIF governing bodies on how to improve the funds.

Pilot Country Meetings also provide a space for cross-fertilization among CIF programmes. For example, in early 2011, SREP countries that were in the initial stages of CIF programming had the opportunity to learn from PPCR experiences in preparing their Strategic Programs for Climate Resilience (SPCRs) for endorsement. PPCR experiences highlighted the need for: multi-stakeholder engagement and ongoing inter-ministerial collaboration and coordination; a clear understanding of the state of knowledge, awareness and policies to address climate change; and political will to bridge capacity gaps.

The PPCR convened its first meeting of pilot countries in October 2009 and has met seven times since. CTF pilot countries first met in March 2010 and have met twice since; and SREP and FIP pilot countries first met in November 2010 and have each met four times since then.

JUNE 2011 PILOT COUNTRY MEETINGS: These meetings convened in Cape Town, South Africa, prior to the 2011 CIF Partnership Forum. Six SPCR had already been endorsed by the PPCR Sub-Committee when this meeting convened. Thus, the meeting's objective was to bring countries together to discuss common issues related to preparing and implementing the SPCRs, including the results framework, and gender and stakeholder involvement, as well as to look at lessons learned on the basis of the PPCR learning brief.

The objective of the SREP Pilot Country Meetings was to provide technical input to countries to support the preparation of investment plans. Experts from MDBs and UN agencies reported on options for renewable energy policies, subsidies and finance. Participants also discussed challenges and opportunities associated with the SREP results framework, climate-risk assessment for energy investments, and gender mainstreaming.

The meeting of FIP pilot countries provided input to countries to support: preparation of their investment plans; discussions on stakeholder involvement; cooperation with partners and donors; synergies with national processes; and the overall results framework.

The meeting of CTF countries offered an opportunity for country representatives to discuss experiences with CTF implementation, focusing on renewable energy and energy efficiency. Participants also discussed the results framework with a view to moving forward with implementing systems for monitoring and evaluating results.

MARCH/APRIL 2012 PILOT COUNTRY MEETINGS: PPCR pilot countries met in March 2012 in Livingstone, Zambia. The meeting aimed to provide the opportunity for countries to: discuss and prepare for the challenges and opportunities of maintaining a programmatic approach in implementing PPCR Strategic Programs; and exchange views on the design and implementation of systems to monitor results and manage knowledge. A segment on climate information systems and hydro-meteorological services was also organized in recognition of the fact that a large proportion of PPCR pilot countries plan to make investments in this area.

SREP pilot countries met in March 2012 in Nairobi, Kenya. Countries discussed experiences, lessons learned and best practices regarding technologies, financing instruments and private sector engagement, and also exchanged views on designing and implementing systems to monitor results. In addition, one full day was focused on structured, case study-based learning using Kenya's experience in developing their SREP Investment Plan.

In April 2012, FIP pilot countries convened in Brasilia, Brazil. One objective of the meeting was to share innovative approaches to investing in REDD+ (reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks). A further objective was to work with the private sector, indigenous peoples and local communities, and to exchange views on the design and implementation of systems to monitor results from REDD+ investments.

OCTOBER 2012 PILOT COUNTRY MEETINGS: A series of Pilot Country Meetings took place during the Partnership Forum held in Istanbul, Turkey in October and November 2012. The sixth meeting of PPCR pilot countries and regions convened to give pilot countries the opportunity to provide updates on their progress with the programming and

implementation of the SPCRs. Participants also discussed and provided feedback on the PPCR learning product, and PPCR monitoring and evaluation showcases.

At the fourth meeting of SREP pilot countries, pilot and reserve countries provided updates on their progress with the SREP programming and implementation process. Participants also learned about various emerging financing instruments and shared their preliminary experiences.

At the fourth meeting of FIP pilot countries, pilot countries provided updates on their progress with the FIP programming and implementation process. Participants also discussed and provided feedback on the FIP learning product, and FIP monitoring and evaluation showcases. Consultations took place on the revised FIP results framework between pilot and contributor countries.

During a meeting of the CTF, convened during the same period in Istanbul, Turkey, countries shared experiences, successes, challenges and lessons learned from the CTF implementation process, and discussed and provided feedback and recommendations on CTF monitoring and evaluation showcases. Consultations also took place between CTF recipient and contributor countries on the revised CTF results framework. In a master class on wind energy and biodiversity issues, CTF support at different stages of wind energy development was highlighted, including the introduction of wind farms in South Africa, and experiences in Egypt, where large-scale wind energy has already been developed, but is still facing many challenges.

MAY 2013 PPCR PILOT COUNTRY MEETING: The seventh PPCR meeting for pilot countries and participating regions convened in May 2013 in Washington, DC. The meeting provided countries and regional organizations with the opportunity to share challenges and experiences in implementing their programmes to enhance climate-resilient development. During practical discussions, participants were able to address issues related to the PPCR revised results framework, including work plans, core indicators, and national monitoring and reporting systems.

Participants examined different models of country and regional coordination mechanisms, including managing interagency coordination, engaging with stakeholders, measuring and reporting results, and mainstreaming climate resilience.

Core indicator guidance sheets and score cards for monitoring and reporting received attention, with CIF Administrative Unit staff providing information on the content and context of the work plans, and soliciting feedback in order to improve the core indicator guidance sheet and score card. Participants also focused on: activities pursued by businesses and enterprises with support from MDBs in middle-income countries outside of the PPCR; and engagement with the private sector through the Competitive Basis from an Agreed Set Aside of Resources under the PPCR.

MAY 2013 SREP PILOT COUNTRIES MEETING: The fifth SREP pilot countries meeting took place in May 2013 on Bandos Island, Maldives. Participants heard updates from pilot and reserve countries on new developments in their investment plans, and exchanged lessons learned on SREP planning, project preparation and implementation. They also discussed the SREP “pipeline” monitoring and project delivery, and the proposed competitive allocation of funds to promote innovative approaches to engage the private sector.

Participants further considered issues relating to defining and measuring access to renewable energy, and assessing the access impacts of generation and transmission projects.

Moderated discussions also took place on the unique challenges of rural poverty and rural functional energy markets, and on the role of social enterprise and the provision of energy services in rural areas.

REPORT OF THE MEETING

On Tuesday morning, Amalia Anindia, Gadjah Mada University, welcomed participants and introduced Paku Alam IX, Vice Governor of Yogyakarta Special Territory, who made opening remarks on behalf of Sri Sultan Hamengkubuwono X, the Governor of Yogyakarta Special Territory. He informed participants that with an area of 3,200 square meters and a



L-R: Ida Bagus Putera Parthama, Special Advisor to the Minister on Economics and International Trade, Ministry of Forestry, Indonesia; Paku Alam IX, Vice Governor of Yogyakarta Special Territory; and Funke Oyewole, Deputy Program Manager, CIF Administrative Unit

population of 5.5 million, Yogyakarta Special Territory does not have abundant natural resources and has chosen to focus on developing education, culture and tourism. He emphasized the role of forests in sustaining the natural environment and maintaining a balance between water, soil and atmospheric systems.

Funke Oyewole, Deputy Program Manager, CIF Administrative Unit, welcomed participants and expressed thanks to the Governor of Yogyakarta and staff of the Ministry of Forestry. She highlighted that in May 2013, the President of Indonesia renewed a two-year moratorium on forest concessions, and the constitutional court made a decision upholding indigenous peoples' traditional rights in forest management. She welcomed these as major

steps forward in advancing the country's forest governance commitments, and noted the role played by the FIP in addressing the challenges of decentralized government and conflicting laws and regulations, through supporting governments in capacity strengthening and governance reform.

Oyewole welcomed the progress that countries have made in bringing projects forward, noting that the FIP pipeline of 20 projects reflects the full spectrum of REDD+ investments and represents US\$370 million in endorsed funding across seven pilot countries. She announced that over US\$104 million has been approved by the FIP Sub-Committee, of which more than US\$76 million has been approved by the respective MDB boards. She noted that the Government of Peru will present its investment plan for endorsement in October 2013, and that this will bring the programming phase of the FIP to a close.

Oyewole emphasized that local governance and indigenous peoples' roots are at the heart of sustainable forests, and play a crucial part in REDD+. She described the FIP's work with indigenous peoples to ensure their full participation, through the Dedicated Grant Mechanism, including undertaking consultations with them to determine priority areas of focus. Oyewole noted that the FIP is one of the largest sources of financing for implementation of REDD+ activities and that there is growing interest in learning from the FIP's experiences. She therefore invited participants to provide input into refining the proposal on how monitoring should be conducted, made by the Working Group on Core Indicators to be Measured Under FIP Investment Plans.

She announced that the next Partnership Forum will take place in Jamaica in June 2014, and called on participants to suggest which issues should be showcased at that event.

Ida Bagus Putera Parthama, Special Advisor to the Minister on Economics and International Trade, Indonesia, highlighted Indonesia's commitment to reducing its GHG emissions by 20% by the year 2020, and that 87% of the planned reduction



Funke Oyewole, Deputy Program Manager, CIF Administrative Unit



Shaanti Kapila, Global Support Program Coordinator, CIF Administrative Unit

will be derived from reducing emissions from deforestation. He welcomed the FIP's assistance in aiding countries to promote the necessary transition toward addressing the underlying causes of deforestation and forest degradation.

INTRODUCTION: Shaanti Kapila, Global Support Program Coordinator, CIF Administrative Unit, provided an overview of activities since the last FIP meeting. She noted that the first day's discussions would address the proposed approach for results measurement and annual reporting, with a view to attaining consensus. The second day, she said, would focus on Indonesia's experience with REDD+, including presentations on jurisdictional approaches and private sector experiences.

Andrea Kutter, FIP Senior Program Coordinator, CIF Administrative Unit, provided an update on the FIP portfolio. She highlighted that seven of the eight pilot countries have had their investment plans endorsed, and anticipated that the final investment plan will be endorsed in October 2013. Affirming that the pipeline is active, she said that submission of projects and programmes has been slightly delayed due to the complexity of the subjects being addressed. On the 20 projects currently in the programme pipeline, Kutter noted that 14 projects are still in preparation for submission to the FIP Sub-Committee, five projects have had funding approved and one has received funding that is now being disbursed. She anticipated that the majority of the projects would be approved for the 2014 financial year.

Kutter noted that projects' thematic focus has been on mapping FIP investments across the REDD+ continuum, as well as addressing the drivers of deforestation. She said that investments have also focused on building capacity, and strengthening institutions and governance reform, saying that these issues contribute to improving the enabling environment. She outlined emerging strategic issues that need to be addressed by the FIP Sub-Committee, including: the quality of project submissions; the delivery rate of projects for FIP funding approval; the low level of disbursements; and the link between readiness and implementation in FIP pilot countries.

During the discussion, Burkina Faso emphasized the importance of governance for underpinning projects in the FIP. He also lamented that funds are not necessarily received in a timely manner, which delays project progress. Kutter assured participants that the FIP project approval process is not intended to be protracted. Others noted that internal systems might also delay project approval at CIF and MDB levels.

FIP PROPOSED APPROACH FOR RESULTS MEASUREMENT AND ANNUAL REPORTING

On Tuesday morning, Christine Roehrer, Senior Monitoring and Evaluation (M&E) Specialist, CIF Administrative Unit, conducted an icebreaker exercise, inviting participants to comment on a series of cartoons about M&E. She then invited participants to rate their own clarity of understanding about the FIP Results Framework.



Andrea Kutter, FIP Senior Program Coordinator, CIF Administrative Unit



Cartoons about monitoring and evaluation helped spark discussions

Roehrer noted that monitoring is often seen as an external requirement. She explained that accountability is not the only objective of an M&E system, and that other objectives are learning and evidence-based decision making to ensure that implementation paths can be adjusted in the course of a programme. She said the current FIP Results Framework is the product of very careful negotiation, and that the discussion aims to clarify how the Framework will be used.

Roehrer presented examples of monitoring and reporting toolkits that other programmes of the CIF - the PPCR and the SREP - have produced, and emphasized the aim of having “simple but robust” reporting.

Roehrer further recalled the decision of the FIP Sub-Committee to establish the Working Group. She noted that the group is comprised of eight members: two representatives each from MDBs, FIP pilot countries, contributing countries and the CIF Administrative Unit. She invited all participants to review the proposal of the Working Group and recalled the “Consensus on General Principles” that:

- FIP results frameworks in endorsed investment plans will be the basis for mid-term and ex-post evaluations only;
- countries will report annually on progress of implementation at the investment plan level;
- the annual report will consist of a mix of quantitative and qualitative information;
- a narrative should provide reflections on the validity of the theory of change presented in the investment plan, which is the basis of the agreed investments; and
- reporting should identify challenges faced in measuring data and collecting information on the agreed themes, so that the CIF Administrative Unit can provide guidance and support, and help explore opportunities for South-South learning.

She highlighted that pilot countries are encouraged to, *inter alia*, provide annual reports covering common themes that apply to all FIP pilot countries, and other relevant co-benefits of country investment plans. She specified that this includes reporting on GHG emission reductions or enhancement of carbon stocks, and co-benefits for livelihoods.

Roehrer outlined possible co-benefits that could be reported, including: biodiversity and other environmental services; governance; tenure, rights and access; and capacity development. On the narratives to be included in reports, she noted that the Working Group had proposed five topics for all pilot countries to report on annually, and that other potential themes may be proposed on an occasional basis. She highlighted the opportunity for countries to revise, streamline and adapt the results framework in their endorsed investment plans, and to reflect a realistic set of expected results from FIP investments.

Three Working Group members were invited to provide their comments. Berenice Hernandez Toro, Mexico, said that pilot countries had discussed that the reporting approach was complex and needed modifying, underscoring the importance of the current opportunity to do this. She pointed out that not all indicators can be reported on as there are too many, noting that this also makes baselines difficult to assess.

Victor Agyeman, Executive Director, Forestry Research Institute of Ghana, noted concerns with the Results Framework. He said that it is currently very broad and that there may therefore be little commonality between reports, highlighting the diversity of the proposed projects.

Gerhard Dieterle, World Bank, noted the complexity of the topic due to different projects having different demands. He urged that the results frameworks of projects be linked to the programmes. He also highlighted that the usefulness of REDD+ is not limited to GHG emission reductions and addressing climate change.

The group took a short break to allow participants to read the Working Group document, “Report of the FIP Sub-Committee Working Group on Core Indicators to Be Measured Under FIP Investment Plans”, before inviting comments from pilot countries.

A participant from Brazil said that his government is taking M&E very seriously and has discussed possibly applying the FIP Results Framework to other domestic initiatives. He highlighted the need to consider how commitments relate to Brazil’s own position in international negotiations, such as those under the UN Framework Convention on Climate Change (UNFCCC) and REDD+ discussions. He expressed concern that the group had moved from identifying a few core indicators, to specifying 23 different elements for reporting, noting the cost implications of tracking too many indicators.

A participant from the African region stressed that most projects have a five-year cycle and monitoring can only measure what is achievable within that time frame, overlooking the transformational aspects of change that may take place over the long term, such as improvements in local governance. He noted that a large part of the FIP portfolio relates to capacity development, the results of which are harder to measure. He also emphasized the need for the sustainability of FIP investments, saying that each country will need to establish its own mechanism for ensuring this.

A participant from Indonesia called for simple indicators, acknowledging however that simplicity and flexibility beyond a certain point could sacrifice the quality of reporting. She expressed doubt about the comparability of the reporting from pilot countries.



Gerhard Dieterle, World Bank



Artur Cardoso de Lacerda, Ministry of Finance, Brazil

Continuing the discussion after lunch, Roehrer provided an outline of areas of commonality and topics of divergence. One participant from the Democratic Republic of Congo underscored the importance of selecting a small number of key indicators that are relevant for all countries and can be applied across all projects. A participant from Burkina Faso, providing an overview of his country's activities, noted the need to understand project dynamics when applying the indicators.

Roehrer reminded everyone that the approach is a guideline that should be focused yet flexible. Dieterle said the proposed approach for measuring and reporting captures a trajectory and allows countries to take stock of changes that occur. Pilot countries discussed and reached consensus on a number of revisions to the Working Group document, which were incorporated into the document and presented to the group. Among the revisions and clarifications, pilot countries suggested reporting once every two years rather than on an annual basis. A participant from Lao PDR commented that his country performs a GHG inventory every five years, and that it would be very difficult to measure GHG emission reductions from REDD+ on an annual basis.

When discussions resumed on Wednesday morning, Roehrer invited participants to repeat the previous day's exercise of rating their own degree of understanding of the FIP Results Framework. The exercise, mapped on to a chart, showed that participants had mostly acquired greater understanding.

Roehrer affirmed that the FIP Results Framework remains valid and that the previous day's discussion had addressed Working Group efforts on how to use the framework for regular M&E. She said participants' inputs will be compiled into a revised Working Group proposal and presented to the FIP Sub-Committee when it meets in November 2013.

Responding to the suggestion of bi-annual reporting, she noted the need for FIP approaches to be consistent with those of other CIF funding streams. She suggested consideration of the approach used by the CTF, of alternating in-depth reporting with "light touch" reporting every other year.

Participants discussed how countries that have had their investment plans approved but have not yet embarked on any project should report progress. Roehrer said some countries have been asked to establish a baseline for two indicators that would be feasible to monitor at the investment plan level. Gerhard Dieterle, World Bank, suggested that the detailed

progress reports issued by the MDBs' six-monthly supervision missions be used to compile annual reports. In the case of investment plans with no approved projects or data to report, he suggested adopting a narrative approach. Roehrer further clarified that the FIP annual reporting is more of a temperature-taking exercise "showing that the FIP train is moving," rather than a formal monitoring, reporting and verification process.

Participants discussed whether reporting on the progress of the Dedicated Grant Mechanism in involving indigenous peoples would raise questions from civil society about participation of local communities generally in FIP reporting. Victor Agyeman clarified that the annual reports would represent the opinion of governments, and that reporting by the Mechanism would be handled separately, as it is a different entity.

SETTING THE CONTEXT: INDONESIA'S FIP INVESTMENT PLAN

On Wednesday morning, Agus Sarsito, Director of Forestry Development Coordination for Sumatera Region, Ministry of Forestry, provided an overview of Indonesia's FIP Investment Plan. He noted that through contributing to the forestry long-term planning policy, the FIP contributes indirectly to national social and development objectives.

He outlined that the investment plan framework incorporates three themes: institutional development of sustainable forest and natural resource management; investment in forest enterprises and community-based forest management; and community capacity building and livelihood development. He said outcomes include reduced barriers to sub-national REDD+ implementation and increased local capacity for SFM and REDD+. Sarsito said that projects being developed under the investment plan include: community-focused investments to address deforestation and forest degradation; ensuring sustainable community-based natural resource management and institutional development; and strengthening forestry enterprises to mitigate carbon emissions.



Agus Sarsito, Director of Forestry Development Coordination for Sumatera Region, Ministry of Forestry, Indonesia



Participants during the session

In the ensuing discussion, one participant asked about the contribution of the forestry sector to the national gross domestic product and timber export volumes, in order to ascertain the importance of the forestry sector. Sarsito noted that the forestry sector's contribution to gross domestic product is very small, as processed timber, pulp, paper and other related products are not accounted for in the forestry sector's contribution. He said that timber exports in Indonesia have been increasing since the start of 2013 due to the country's implementation of legal systems, including compliance certificate requirements for all exports. Another participant asked about the IFC's involvement in projects. Michael Brady, IFC, clarified that where there is an allocation of concessional finance, a country has the option to either take it up directly or through an MDB such as the IFC. He said that Indonesia had indicated its preference for the latter early on in the FIP investment plan process.

A participant from Burkina Faso questioned whether the pillars of REDD+ are relevant to or appropriate for Indonesia. Sarsito replied saying that challenges in forestry are also challenges in REDD+, stating that "they are two sides of the same coin."

Commenting on stakeholder involvement, a participant from Brazil noted that his country works on building up existing committees and using existing fora to engage with stakeholders.

IMPROVING LOCAL GOVERNANCE THROUGH THE FMU SYSTEM

On Wednesday morning, Shaanti Kapila introduced Is Mugiono, Director of Forest Management Unit and Forest Area Utilization Arrangement, Ministry of Forestry, who presented on the establishment of Forest Management Units (FMUs) (known as KPH or Kapeha locally) in Indonesia.

Mugiono explained that forest areas are administered as conservation, production or protected forests, observing that around 53 million hectares of production and protected forests are not being managed at site level. He said the establishment of FMUs began in 2010 as a way to address three main challenges: the decreasing quality and quantity of forests in Indonesia; lack of institutional capacity to manage forests at the local government level; and low optimization of forest utilization, with limited involvement of local communities in planning. He highlighted that the Ministry of Forestry's 2010-14 strategic plan aims to establish 600 FMUs in Indonesia by 2014.

Mugiono presented potential increases in forest utilization that could be enabled by FMUs through: direct utilization, including reclamation and rehabilitation of forest areas; partnerships for direct investment and capital sharing; and community empowerment and cooperation.

To fully operationalize the new FMUs, he recommended: at the national level, strengthening institutional, financial and technical capacity, and supporting FMUs to engage in policy dialogue; and at the sub-national level, strengthening knowledge generation and knowledge management, and disseminating the concept of an FMU. He also recommended assisting a small number of pilot FMUs to



Is Mugiono, Ministry of Forestry, Indonesia

become operational and engage with local communities and other stakeholders to improve livelihoods and derive economic benefits from SFM.

Participants asked about the composition and staffing of FMUs. Agus Sarsito explained that the government provides personnel to start up a FMU, but that in the future, the FMUs will work more like private enterprises, using the income they gain from forest management activities to recruit the types of professionals they require.

Other questions related to whether operating budgets come from the central government or from earned revenues, and how stakeholders are involved. Sarsito said the central government sets up the model and local governments provide initial funding. He anticipated that in the future, FMUs will operate with the income earned from SFM. He added that all stakeholders are advised when an FMU is set up, and that the FMU may establish partnerships for forest utilization. He noted that after a few years the government will evaluate the ability of the FMUs to become self-financed.

A participant from the Democratic Republic of Congo queried whether part of the revenue income will flow back to local communities, the provincial administration and the central government.

Sarsito responded that the local governments can benefit from earned income and taxes, and through many other ways, and that they have the potential to earn income from tourism and products such as honey and mushrooms. He emphasized the independence of FMUs and their freedom from bureaucracy and tedious administrative processes. He noted that even protected forest areas can generate income through the production of non-timber forest products.

A participant from Ghana asked how to ensure that forests are protected not only for products, such as mushrooms, but also for ecological and watershed functions that are for the common good. Sarsito said that the debate about benefit sharing is an ongoing one.

Mugiono stressed that when the FMUs have progressed more, they will become local development organizations, and Sarsito noted that this is "a bridging time" for the FMUs as they exercise flexibility in managing financial sources.

INSTITUTIONAL ARRANGEMENTS FOR LOCAL FOREST MANAGEMENT AND GOVERNANCE

On Wednesday afternoon, participants were invited to provide a brief overview of their national forest management and governance arrangements.

Mexico, noting that forest-related activities are generally government funded, said they are trying to bring together all levels of government to work in this area. She said collaboration between municipalities for effective planning and implementation is encouraged, and that local development agents work with local technical experts and the government to ensure effective implementation. She also noted that all relevant ministries are involved in order to avoid competition among ministries and conflicting resource use.



Christine Roehrer, Senior Monitoring and Evaluation Specialist, CIF Administrative Unit

Burkina Faso said that their overarching framework, including national forest policy and implementation provisions, is contained in their forestry law of 1997, which classifies state, private and other forests. He noted that with the advent of participatory governance in the country during the 1990s, effort has been made to involve local communities. He outlined this process, including the setting aside of a proportion of land where the community can work and establish FMUs. Noting that the FMUs use a participatory approach in their operations, he said that approximately two-thirds of the revenue generated is retained by the operators. He also noted the importance of this system in engaging the community in better management of forests and improving the livelihoods of women.

The Democratic Republic of Congo said that its Forest Code of 2002 defined three types of forests: state, protected and local community forests. To begin operations in a forest concession, he said an agreement is reached whereby conditions, such as the volume of timber logged and the rates of different timbers being logged, are agreed to. At the provincial level, he noted that provincial councils involve all stakeholders to address how to best manage these processes.

Ghana, outlining his country's institutional arrangements, said that FIP funds are being used to reform national forestry processes. He said that there is an umbrella body that addresses cross-cutting issues and tries to prevent FMUs from "reinventing the wheel." He said the body also aims to drive the change to sustainable development and encourage private sector investment.

A participant from Brazil noted that the Government of Brazil issues 25-year concessions for sustainable use, and that there are federal and state institutions that manage forests at the provincial level.

PRIVATE SECTOR INVESTMENT IN REDD+ AND RELATED ACTIVITIES

On Wednesday afternoon, Kapila introduced Perpetua George, Senior Manager for Sustainability Sourcing, Unilever, who presented the company's efforts to ensure that the raw materials they buy are produced sustainably and can be traced to their sources.



Samuel Yeye, Ministry of Environment and Sustainable Development, Burkina Faso



Musah Abu Juam, Ministry of Land and Natural Resources, Ghana

George said that Unilever is a major buyer of palm oil from Indonesia and Malaysia, and that two billion consumers are using the company's products on a daily basis. She highlighted that the Lipton and Magnum brands in particular showed huge consumer growth after the company moved towards sustainable sourcing of cocoa and tea.

George described Unilever's journey in sustainable palm oil, stressing that addressing deforestation involves looking at agricultural growth and land-use planning. She said that palm oil is not the issue, but rather, how and where it is produced. She explained that Unilever no longer owns its own oil palm plantations as it had in the past, and since 2003, has applied internal "Sustainable Palm Oil Best Practice and Guidelines." She said the company supports the work of the Roundtable on Sustainable Palm Oil (RSPO) and its "Principles and Criteria for the Production of Sustainable Palm Oil," noting that one environmental criterion adopted since November 2005 is that new plantings do not replace primary forests or high conservation value areas.

George highlighted that in the RSPO's 2013 review of principles and criteria, Unilever put forward a proposal to: strengthen the requirement on reporting GHG emissions; express a clearer position regarding new developments on peat lands; and include human rights considerations. She expressed disappointment that the RSPO deferred a decision on GHG emissions, and had no clear position on peat.

George emphasized that industry actors need to work together to drive demand for certified sustainable palm oil, and that companies must also work with governments, especially local governments. She called for increased cooperation between ministries of agriculture and forestry.

Participants asked about monitoring of targets, possible "leakage" in the supply chain, and how certification works. George replied that Unilever aims to have completely sustainable sourcing by 2020 and has set interim targets relying on an externally verified system, including buying of GreenPalm certificates. She said it is difficult for Unilever to police its suppliers.

On the company's contact with smallholders, participants from Burkina Faso queried whether there are policies to preserve resources that are at risk of extinction, such as shea. George responded that the company works with suppliers to ensure smallholder compliance, and that some support funds are channeled directly to smallholders. In the case of shea, she said the company's policy is to look at how to immediately benefit the producers.

Michael Brady, IFC, provided an overview of FIP activities in South-East Asia, describing two active projects in Indonesia and Lao PDR. He said that both countries have identified similar drivers of deforestation and forest degradation, including weaknesses in spatial planning, forest management and governance, noting that forest management is of the biggest concern to the private sector. He said that barriers to markets for the forestry private sector include: a



Perpetua George, Unilever

mismatch between the supply and demand of legal, high quality, commercially available industrial roundwood for processing; problems in accessing forestry land and wood supplies; lack of cash flow; and a lack of affordable services.

On the Indonesian project, he said the project aims to, *inter alia*, partner with downstream and integrated forestry lead firms to increase planted forests, enhance wood supplies and improve production efficiency. The Lao PDR project, he said, aims to develop successful outgrower schemes that are commercially viable and environmentally sustainable, in partnership with private sector forestry companies.

He outlined IFC support for the two projects under a five-year framework that has undergone a comprehensive consultation process. He said they will pilot initiatives using one lead firm within the supply chain, and if successful, will replicate the initiatives to involve three to four firms. He highlighted risks including a lack of interest from lead firms, lack of traction with forest communities, and NGOs and other stakeholders' negative perceptions of the IFC's efforts.

During the discussion, Ghana queried which institutions receive concessional loan repayments, to which Brady clarified that repayments are ultimately received by donors. Responding to a question regarding the IFC's operations, Brady noted that as they are a commercial financial institution with development objectives, care must be taken not to distort markets such as by releasing sensitive information. He said, however, that an agreement needs to be made with the company to reach the set objectives, and some agreement on disclosure and the extent thereof needs to be reached. Brady noted that funds provided by the FIP through the IFC will be for a specific FIP theme.

JURISDICTIONAL APPROACHES TO REDD+ IN INDONESIA

Lex Hovani, Terrestrial Program Advisor, The Nature Conservancy Indonesia, presented an overview of the Berau Forest Carbon Program as an example of a sub-national, multi-stakeholder implementation approach to REDD+.

Hovani explained that the programme involves "jurisdiction-wide" performance evaluation and carbon accounting, based on a coordinated approach that integrates plans for development and land use. He argued that jurisdictional programmes are valuable as they present many of the same challenges of national programmes, but at a more manageable scale. He noted various factors to be considered in deciding at what scale of jurisdiction a programme should be established, including the jurisdiction's potential effectiveness in limiting carbon emissions based on having enough authority and ability to undertake actions at a sufficient economy of scale.

Introducing the Berau Forest Carbon Program, Hovani observed that the main aim of the programme is effective land management, with emission reduction as a secondary aim.



Michael Brady, International Finance Corporation (IFC)

He described arrangements whereby the programme works with different land managers, including logging companies, local government and villages, to set up incentive payments based on customized agreements with each land manager or institution. He highlighted that a KPH pilot covering 775,000 hectares is a critical element of the approach in Berau, tying together multiple programme components.

Hovani informed participants that it has been possible to reduce emissions by 30% without reducing harvest levels, for example, by avoiding felling of hollow trees, improving felling techniques, and making narrower haul roads. He recommended engaging with local communities and linking with existing government processes to try to extend the time horizons of planning and take planning beyond infrastructure provision.

He stressed that 17% of land in Berau is currently not managed, symptomatic of the situation in many protected forest areas in Indonesia. He noted that for local communities, gaining a license to manage the forests helps them to secure land tenure and brings in income.

Hovani stressed the need for up-to-date information on the roles of REDD+ and green development actors before developing performance-based agreements with local actors. He recommended developing a clear set of priorities for conservation, which can be adapted to address mitigation in different situations. He further proposed identifying interim and key results that had to be achieved in order for performance payments to be released.

Hovani said that financing for Berau could come from international REDD+ sources, domestic sources, or a mixture of both. He called for governments to provide coherent guidance to jurisdictional programmes, such as information about national approaches to handling emission rights, and whether an integrated national accounting system will be established. He noted the importance of remaining flexible, as basic questions on REDD+ have yet to be answered.

In closing, he described how orangutans move from one tree to another in sparsely wooded areas, by using their body weight to bend the tree they are on before reaching out to pull the next tree towards them. He encouraged everyone to have some faith in the possibility of moving forward, saying that "we are still in that position with REDD+, where the next tree is very far away."

Several participants asked how the performance-based aspects of the programme work, and how payments are targeted. Hovani responded that payments in the first year are unconditional, while payments in the second year are based on performance in specific activities. He said that different options are being evaluated, and that there is no set methodology at present. He cautioned that performance monitoring of actions to reduce carbon emissions should be done in coordination with other institutions.

A participant from the Africa region asked what mechanisms exist for involving local communities, ensuring compliance



Lex Hovani, The Nature Conservancy Indonesia

with agreements, and compensating companies affected by restrictions on access to resources. He further enquired what mechanisms exist to ensure that the revenue from the sale of carbon credits will be at a level that is satisfactory for the communities concerned.

Hovani cautioned against entering into long-term agreements to pay loggers or local communities for climate mitigation actions, saying that village mapping and supporting people's negotiations with companies are also crucial parts of addressing REDD+ commitments. Participants also raised questions about establishing a mechanism to enable payments for environmental services to go to local communities as well as the state. Hovani responded that the programme's objectives include supporting local communities to develop better, alternative livelihoods so that they do not need to depend on activities that destroy forests. He mentioned that two villages in Berau are entering into forest management licensing agreements that will include performance-based protection of forests. He noted that The Nature Conservancy also has arrangements for monitoring shifting cultivation, and provides payments based on improvements.

BRAZILIAN PRESENTATION ON A PROMISING FIP PROJECT

Carla Leal Lourenço de Miranda, Ministry of Environment, Brazil, provided an overview of a promising FIP project called the Environmental Regularization of Rural Lands in the Cerrado Biome. She outlined the project's objective of improving the environmental regulation compliance of the Cerrado Biome's rural landholdings. She said that a new monitoring tool was developed, as previous monitoring methods were not able to identify legal and illegal deforestation. The new monitoring system, she said, will also contribute to reduced GHG emissions and improved forest and biodiversity conservation.

De Miranda provided an outline of how the monitoring tool works, noting that through the registration of rural landholdings in a central database, authorities will be able to monitor and control the levels of legal and illegal deforestation, biodiversity loss and other environmental degradation. She noted that funding for the project was received from the CIF and the Brazilian Government. She explained that compliance



Carla Leal Lourenço de Miranda,
Ministry of Environment, Brazil

with the monitoring tool is now a federal legal requirement, and that funding from the UK Government, as well as from the Amazon Fund and other resources, will be used to, *inter alia*, build capacity, ensure sufficient database infrastructure, and analyze and validate rural landholding registers.

CLOSING

Funke Oyewole, in closing, thanked the Government of Indonesia for their generous hospitality in hosting the meeting. She said that over the course of the two days, participants had been able to share and exchange experiences and lessons learned, which provided a "real sense of what took place on the ground." She congratulated participants for agreeing on the FIP proposed approach for results measurement and annual reporting. She noted that the field trip will further reinforce this learning, and expressed hope that presentations from the private sector would spark new ideas to explore in the future.

FIELD VISIT TO THE YOGYAKARTA FOREST MANAGEMENT UNIT

On Thursday, participants went to four Yogyakarta FMU sites. They first visited Mangunan Pine Forest, a reforested area of pine trees 300 meters above sea level at Imogiri, where tapping of resin provides households with an additional income of around US\$100 a month. Participants heard that the FMU works in partnership with a private company, Cahaya Abadi, to coordinate the resin collection. A company representative highlighted that local farmers also gain additional income from selling a resin by-product used in batik making, and from growing food crops under the trees, including pineapple, corn, peanuts, soybeans and cassava.

The second stop was the Playen Community Forest, where participants were able to view a production forest that is part of a government SFM programme. Budi Leksono, Centre



Participants viewing the storage of resin tapped at the Mangunan Pine Forest.

for Forest Biotechnology and Tree Improvement, Ministry of Forestry, Indonesia, explained that the community forest system was established to counter a wave of illegal logging that took place following the economic downturn in 1998. He said the government has licensed many community groups to harvest the timber sustainably within demarcated plots at the end of a 15-year growth period. At the Playen Community-based Forest Plantations, Leksono demonstrated a young planting of Nusantara Superior Teak, a fast-growing variety developed through biotechnology, noting the trees can be harvested from five years of age.

Participants stopped for lunch at Wanagama, a 600-hectare forest managed by the Faculty of Forestry, Gadjah Mada University. Mohammed Na'iem, Gadjah Mada University, explained that the site was established in 1964 as an educational and experimental forest, and that it has successfully restored a formerly barren landscape where clearance of the native teak trees had been occurring since the 1940s. He said the site is now used for tree genetic trials, silviculture, and conservation of mahogany, black ebony and other species.

At the final stop of the day, the Sendangmole Cajuput Industry, Pipin Permadi, Forests and Climate Change Programme (FORCLIME), German Agency for International Cooperation (GIZ), introduced the FMU enterprise, which has four factories processing a total of 34 tonnes of cajuput (*Melaleuca leucadendron*) leaves daily. He demonstrated the boilers for steaming the leaves and the separators that produce the oil through a condensation process. He explained that local farmers are paid by the ton for the leaves, and that the leaf waste is used as boiling fuel and compost, while the water waste is used in spa treatments.

As the last activity of the day, participants were invited to take part in a tree planting ceremony to commemorate their visit to Indonesia.

At the close of the field trip, the CIF Administrative Unit expressed appreciation to the Government of Indonesia for all arrangements and the warm hospitality shown to delegates. Teguh Rahardja, Ministry of Forestry, Indonesia, thanked everyone for their participation and wished them safe travels home.

UPCOMING MEETINGS

Governor's Climate and Forests Task Force 2013 Annual Meeting: The Governors' Climate and Forests Task Force Annual Meeting is an opportunity for information exchange and for member countries (Brazil, Indonesia, Mexico, Nigeria, Peru, Spain and the US) and partners to provide updates on their REDD+ activities and achievements. The meeting will also convene a high-level policy dialogue on REDD+ issues. **dates:** 1-4 October 2013 **venue:** Puerto Maldonado **location:** Peru **additional:** Madre de Dios **contact:** Carly Hernandez **phone:** +1 303 492 8928 **email:** Carly.Hernandez@Colorado.edu **www:** http://www.gcftaskforce.org/events/2013/annual_meeting/

19th Session of the Conference of the Parties to the UNFCCC (COP 19): COP 19, the ninth session of the Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol (CMP 9) and their subsidiary bodies will convene in Warsaw, Poland. **dates:** 11-22 November 2013 **location:** Warsaw, Poland **contact:** UNFCCC Secretariat **phone:** +49-228-815-1000 **fax:** +49-228-815-1999 **email:** secretariat@unfccc.int **www:** <http://www.unfccc.int/>

Global Landscapes Forum: Organized on the margins of UNFCCC COP 19, the Forum will focus on four main themes: investing in sustainable landscapes and livelihoods; landscape policy and governance; synergies between adapting to and mitigating climate change in landscapes; and landscapes for food security and nutrition. The Forum combines into one event, two annual conferences on the role of forests and agriculture in mitigating and adapting to climate change: Forest Day, and Agricultural and Rural Development Day. **dates:** 16-17 November 2013 **location:** Warsaw, Poland **contact:** Ann-Kathrin Neureuther **email:** a.neureuther@cgiar.org **www:** <http://www.landscapes.org/>

ITTC-49: The 49th Session of the International Tropical Timber Council (ITTC) and the Associated Sessions of the four Committees (Finance and Administration, Economic Information and Market Intelligence, Forest Industry, and Reforestation and Forest Management) are scheduled to take place in Libreville, Gabon. **dates:** 25-30 November 2013 **location:** Libreville, Gabon **contact:** ITTO Secretariat **phone:** +81-45-223-1110 **fax:** +81-45-223-1111 **email:** itto@itto.or.jp **www:** <http://www.itto.int>

46th GEF Council Meeting and GEF Assembly: The GEF Assembly will be held back-to-back with the 46th GEF Council meeting in Mexico. The Civil Society Organizations Consultation, GEF Council and Least Developed Countries Fund/Special Climate Change Fund Council Meetings will convene from 25-27 May, and the Assembly is expected to convene from 28-30 May. **dates:** 25-30 May 2014 **location:** Cancun, Quintana Roo, Mexico **contact:** GEF Secretariat **phone:** +(202) 473-0508 **fax:** +(202) 522-3240/3245 **email:** secretariat@thegef.org **www:** <http://www.thegef.org/>

CIF 2014 Partnership Forum and Associated Meetings: This meeting will take place in Jamaica in 2014. **dates:** TBD, 2014 **location:** Jamaica **contact:** CIF Administrative Unit **phone:** +1 202 458 1801 **email:** cifevents@worldbank.org **www:** <https://www.climateinvestmentfunds.org/cif/home>

GLOSSARY

CIF	Climate Investment Funds
CTF	Clean Technology Fund
FIP	Forest Investment Program
FMU	Forest Management Unit
GEF	Global Environment Facility
GHG	greenhouse gas
IFC	International Finance Corporation
MDB	multilateral development bank
M&E	monitoring and evaluation
NGO	non-governmental organization
PPCR	Pilot Program for Climate Resilience
REDD+	reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks
RSPO	Roundtable on Sustainable Palm Oil
SCF	Strategic Climate Fund
SFM	sustainable forest management
SPCR	Strategic Program for Climate Resilience
SREP	Scaling up Renewable Energy Program
UNFCCC	United Nations Framework Convention on Climate Change