



Summary report

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Lessons for REDD+ from measures to control illegal logging in Indonesia

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Background

Indonesia has committed to reducing its emissions from land use, land use change and forestry by 26 percent by 2020. One way the country plans to meet this target is by reducing its emissions from deforestation and forest degradation through the REDD+ mechanism. By implementing REDD+, Indonesia will become eligible to receive financial payments based on forest carbon credits. A substantial amount of Indonesia's carbon emissions are caused by deforestation and forest degradation from land conversion activities, forest fires and illegal logging, with the latter having significant impacts as a driver of deforestation. Therefore, initiatives to curb illegal logging will have to form a central part of any emission reduction strategy. REDD+ has the potential to help reduce illegal logging activities by creating financial incentives to encourage compliance with the law, changes in behaviour and wider governance reforms.

Since 2001, several initiatives in Indonesia have attempted to address the problem of illegal logging. These include international initiatives such as the Forest Law Enforcement, Governance and Trade (FLEGT) process; bilateral agreements between Indonesia and major importers of timber; and market instruments such as timber certification. National initiatives include joint security sweeps to combat illegal logging, anti-money laundering approaches to tackle illegal finance in the sector and the expansion of timber plantations to increase the supply of timber.

This report summarises findings in the working paper to be published in September 2011. That paper explores ways in which the ongoing design of REDD+ mechanisms and institutions can benefit from these experiences. It focuses primarily on the FLEGT-VPA (Voluntary Partnership Agreement), and the associated SVLK (*Sistem Verifikasi Legalitas Kayu*, or timber legality verification standards), as a trade-related measure, and on enforcement measures such as the OHL. In doing so, it explores some of the key differences and similarities between FLEGT and REDD+. FLEGT aims to ensure that timber is produced in accordance with the laws of a country, using access to the international market as an incentive. REDD+ aims to create performance-based monetary incentives to halt deforestation and forest degradation. Obtaining REDD+ finance will require attention to aspects such as credibility, traceability and social and governance safeguards as well as independent verification. The SVLK has had to develop mechanisms to address all these aspects. Therefore, its lessons are likely to be relevant to REDD+ and there may be opportunities for synergies between the systems and the ways in which they have dealt with these concerns. The REDD+ and FLEGT processes are both nationally designed mechanisms that require implementation at the local level. This raises the question of how these processes can design incentive structures given the ongoing decentralisation reforms in Indonesia in order to

ensure subnational ownership. Lessons from the OHLs are also useful in examining this issue.

Lessons from illegal logging measures can be divided into process lessons and outcome lessons. Process lessons examine how the mechanism was designed and implemented. Outcome lessons consider the impact that such measures have, or can have, in tackling deforestation, forest degradation and the underlying governance causes. In terms of process, several pertinent aspects of the design of the SVLK mirror the concerns raised in current discussions on the design of REDD+ institutions and systems. The SVLK was initially developed in a context where the existing forest control system was perceived as lacking the independence and transparency needed for international credibility. Much of the design has

focused on ways to address these deficits. In terms of outcomes, it is too early to make firm conclusions about the impact of the existing processes. For example, bilateral arrangements between Indonesia and timber-purchasing countries helped to raise awareness about problems with the illegal logging trade in consumer countries and provided significant resources for capacity building in Indonesia. However, it is not clear to what extent they actually helped reduce the illegal timber trade. For this reason, many of the lessons presented in the working paper concern process. However, we do explore some issues in terms of their potential ability to tackle governance aspects and conclude with a discussion of the degree to which we can expect the measures to be able to resolve more deep-seated governance issues.

Cross-cutting issues for FLEGT and REDD+ in tackling illegal logging in Indonesia

We summarise seven cross-cutting areas where pertinent lessons for REDD+ can be drawn from attempts to tackle illegal logging. These are:

1. Broad governance challenges
2. Law enforcement
3. Specific technical MRV-related challenges
4. Securing compliance with social and environmental safeguards
5. Access to information
6. Institutional reforms and capacity
7. Engendering ownership

1. Broad governance challenges

The FLEGT–VPA process in Indonesia has increased the amount of attention paid to multistakeholder involvement, civil society capacity building and development of transparency mechanisms. The fact that the SVLK should be able to trace the origin of every tree has the potential to reduce corruption at many levels. Despite this significant contribution, the SVLK may not necessarily result in more fundamental reforms needed in the forest sector: reducing tenure uncertainty, closing regulatory loopholes, bringing attention to due process, and reducing the high levels of logging due to conversion of forestland to other purposes.

These fundamental governance issues must be addressed if REDD+ is to be effective. REDD+ may present an opportunity to consolidate reforms in the ways Indonesia governs its extractive industries. REDD+ has the potential to lead to broader governance reform than SVLK and VPA.

A key challenge for both REDD+ and initiatives to control illegal logging is whether they can address underlying governance failings in the system as a whole or whether they in fact leave untouched more fundamental reforms that may be needed. A particular concern is that the current emphasis on verifying the credibility of documentation in FLEGT–VPA might encourage the *status quo* and thus fail to spur wider reforms. Central to this concern is

the nature of the standards applied. In the process of developing legality standards, concerns were raised that they neglected gazettement requirements and shifted away from the FPIC standard toward mere ‘consultation’ with local communities. These concerns remain in some quarters. For example, it is theoretically possible to get legality certification without final gazettement ever taking place. If an operator can prove, for instance, that they paid for gazettement but the government failed to conduct it, then the operator can get a legality certificate. A key question is whether a narrow audit function is appropriate given the complexity of the Indonesian context: Auditors can find themselves in a compromising position or some level of government buy-in is required for reforms to take place. This same concern may affect REDD+, which will be similarly dependent on the credibility of validation and verification documents, and the independence of validation and verification processes. The limitations of the SVLK approach should therefore be taken into account when designing the REDD+ process.

The current design of verification systems raises the question of whether MRV should primarily serve the purpose of international credibility or should aim to complement national reform agendas such as the improvement of the forest control system. The current design of the SVLK, which sits parallel to the existing mandatory system by introducing a third-party audit, is effective as a temporary confidence-building exercise, but it may not lead to more fundamental reforms. Hence, one lesson for REDD+ is that different objectives may require different MRV mechanisms and there is a need for clear identification of the key objective or audience. Developing one all-encompassing MRV system to serve subnational, national and international purposes will help to ensure efficiency, accountability and complementarity between countries and avoid duplicating – or worse, undermining – existing national processes. The FLEGT–VPA experience suggests the benefit of adopting a phased approach with the initial objective of building up international credibility.

2. Law enforcement

Implementation relies on effective law enforcement. Law enforcement is a primary tool for eradicating those aspects of illegal logging that trade-related measures such as the VPA cannot address. Political commitment to law enforcement is currently high and some initiatives are underway: the OHL joint enforcement sweeps, proposed legislation on illegal logging, the use of the anti-judicial-mafia task force to investigate illegal logging and the new anti-corruption and anti-money laundering laws. However, enforcement measures taken against illegal logging have met with mixed success. For example, the OHL enforcement sweeps were criticised as merely responding to political pressure to deliver prosecutions rather than reflecting serious efforts to address the root causes of illegal logging. Recurring problems include the tendency to 'net the small fish' rather than the big players, a lack of transparency over the methods and standards used, a lack of accountability over the disbursement of revenue from the auctioning of illegal timber seized and the undermining of local government authorities.

The role of the courts has also been challenged, as critics point to systemic weaknesses in the judicial system, protracted delays in securing prosecutions and a tendency for law enforcers to approach forest crime as an administrative offence. Whilst some statistics suggest that court performance is improving, doubts persist as to whether there is genuine improvement in law enforcement, with the suggestion that fewer cases are being brought to the courts. Exacerbating this issue are changes in the nature of illegal logging: perpetrators are increasingly able to legitimise their actions by obtaining legal permits albeit through illegal means. As long as illegal logging is viewed as an administrative rather than a criminal offence, law enforcers will focus on the existence of documentation rather than on the process by which such documentation was obtained. Article 50(2) of the Forestry Law (No. 41/1999), which defines destructive logging as a forest crime, does in theory allow law enforcement agencies to look beyond legality in combating forest crime and hence increase the chances of catching bigger players. However, this legal provision is rarely used, and a root cause of the failure to prosecute illegal logging offences lies in the ambiguities in forestry laws.

New enforcement tools such as the anti-corruption and anti-money laundering laws may offer more effective ways to catch larger players that have not been directly linked to timber extraction activities on the ground. The emphasis has therefore shifted from 'follow the logs' to 'follow the money'. The hope is that this new legislation will make it easier to catch the strategists and financiers behind illegal logging. Related to this, the KPK has been able to start to recover financial losses incurred by the state. The anti-money laundering law is significant because it brings illegal logging under the purview of the banking sector and anti-corruption authorities. CIFOR recently developed Customer Due Diligence and Enhanced Due Diligence Guidelines for the Bank of Indonesia to assist in these efforts.

Nevertheless, the lack of information flow and cooperation between the Ministry of Forestry and the various law enforcement agencies continues to hamper the successful enforcement of laws to combat illegal logging. To date, the number of prosecutions has been limited, mainly because of the secrecy of banking operations and the police's reluctance to use the new legislation.

3. Challenges in monitoring, reporting and verification

Problems with data credibility exist in both the illegal logging and the REDD+ arenas. These problems include the existence of unclear and multiple definitions, contested data and standards, and limitations in measurement capacity and data quality. These weaknesses have resulted in multiple conflicting estimates of critical factors such as the volume of illegal timber produced and the amount by which carbon emissions might be reduced. Data inconsistencies and incomparability present problems for setting standards, setting reference levels and monitoring. The challenges encountered during the process of setting the SVLK standard (e.g. determining which laws should be included in an assessment of legality) are likely to be even greater when establishing forest definitions and other standards for REDD+ because the debate spans many more issues than the legality debate.

Resolving contestations over definitions and data estimates requires an agreement on whose knowledge

counts and who has the legal and legitimate authority to decide which data are correct. One of the main concerns in the legality standard-setting process was the lack of clarity over authority distributed amongst levels and sectors of government. That ambiguity made it possible for the same batch of timber to be judged both legal and illegal depending on which interpretation or governing authority was prioritised. Similarly, the decision-making architecture emerging in the REDD+ debate in Indonesia is increasingly complex. Clear authority over MRV for REDD+ remains an element of this complexity. The LoI that Indonesia and Norway signed in May 2010 includes a condition to establish an independent REDD+ agency, MRV system and financing instrument. The fundamental questions of institutional authority and which institutions will have overall responsibility for decision-making on MRV, as well as on other aspects of operationalising REDD+, remain unresolved.

No decisions have been made on how emission reductions due to REDD+ will be verified in a compliance market. Nevertheless, it is clear that establishing an MRV system with both national and subnational acceptance and international credibility will be a key requirement for REDD+. Despite the concerns of the Group of 77 developing countries within UNFCCC negotiations that a requirement for international approval of a national MRV system would violate national sovereignty, it is likely that independent verification will be a requirement for trading forest carbon credits on any market – whether compliance or voluntary. To create and maintain credibility, Indonesia will have to ensure clear standards, independent verification and transparency.

Many of the concerns clouding the design of the SVLK and the Indonesian VPA revolved around this issue of how to guarantee independence. Thus, the experience of the FLEGT–VPA provides a number of lessons on how to create independence in a system for REDD+ monitoring and verification. The SVLK relies on ‘operator-based’ licensing, similar to the approach used by the voluntary certification process. Points of debate include the low levels of internal control in the system, the fact that Indonesia has more than one export licensing authority and the problems of finding impartial auditors. The principle of separation of mandates for accreditation, standard-setting, monitoring and verification is fundamental for the independence and credibility of

the SVLK, and will be for REDD+ systems as well. Clear reporting, public consultation and disclosure provisions and mechanisms for corrective action can act to strengthen both mechanisms. Additional lessons for REDD+ include those on increasing the effectiveness of civil society monitoring, with a view to requirements for clarity of process, public access to information and guidelines for impartiality.

4. Securing compliance with social and environmental safeguards

The wider scope of MRV in a REDD+ agreement under the UNFCCC has not yet been determined. In particular, there has been no resolution over what types of social and economic safeguards should be included and whether the mechanism should include MRV of sustainable development policies and measures. In the meantime, the rules for MRV systems are evolving under bilateral agreements. Regardless of the final UNFCCC decision, it can be argued that MRV for credibility will also require attention to ‘non-carbon’ issues. Since COP 16 in Cancún, Mexico, in 2010, the government of Indonesia, with the MoF taking the lead, has begun to define its own standards for safeguards.

A related issue is the avoidance of unintended impacts – a key area of concern for both REDD+ and measures to control illegal logging. Unintended impacts include leakage (the displacement of carbon emissions), the movement of legal or illegal deforestation to other locations, the shifting of international markets to less stringent buyers, negative impacts on the livelihoods of the poor and the exclusion of small-scale operators due to the high technical and financial barriers of entry.

5. Access to information

Transparency is an important principle in REDD+ and a fundamental design feature to ensure the success of measures for tackling illegal logging. Conversely, lack of access to information and absence of transparency of decision-making are key weaknesses that may foster the development of corrupt practices. For example, the lack of transparency over procedures and protocols and lack of clarity over the use of funds from timber auctions held after the OHL law enforcement sweeps led to

accusations of unlawful appropriation of confiscated timber and misappropriation of funds by OHL personnel. The design of the SVLK and the VPA depend heavily on the assumption of accessibility and transparency of information and on functioning systems to provide this information. A key feature of the SVLK is the formal recognition of the civil society 'independent monitoring' function in the Indonesian TLAS, or SVLK. This allows civil society to submit objections when irregularities are found in the accreditation, assessment or licensing processes. In practice, however, civil society monitors will encounter difficulties in accessing the information they require. Therefore, although the data availability requirements agreed to in the VPA represent an important opportunity for reform, their stringency may prove a weakness of the system, as it will make fulfilling the requirements difficult.

Some recent positive changes in access to information are evident in the forestry sector, including the 2011 regulation on public information services (MoF Regulation No. P.7/Menhut-II/2011) and the online tracking system for transport permits, forest royalty fees and reforestation fees. However, the information listed in the regulation on public information is only aggregated information and is insufficient for independent monitoring purposes. For example, early analysis of the 2011 Presidential Instruction regarding the moratorium on new licences suggests that the data used to produce the maps of primary forest and peatland cannot be independently verified with publicly available data.

A crucial factor for the effective operation of the REDD+ MRV institution is a mechanism to ensure that it can get access to all necessary data on time. The challenge for the MRV mechanism in REDD+ is 3-fold, with the need for (1) improvements in data quality; (2) a mechanism for data sharing and transparency both within and amongst institutions; and (3) publicly accessible information in a form that is independently verifiable and understandable for the layperson.

6. Institutional reforms and capacity

Lack of capacity is a contextual factor that needs to be taken into account in the design of any new initiative. The design of REDD+ should be cognisant of weaknesses, rather than assuming that

well-functioning systems are in place. The narrow timeframes set for introducing measures to combat illegal logging as well as REDD+ present huge capacity-building challenges, both across sectors and across levels of government, the private sector and civil society. For example, significant weak points in the implementation of illegal logging measures are enforcement and sanctioning mechanisms.

Under the SVLK, the government has limited involvement in the functioning of the system. The MoF is not involved in accreditation or auditing and it has no authority to sign off on an operator's legal compliance. The government sets up the systems and standards, and then withdraws by outsourcing the MRV to credible third parties. This can have the advantage of increasing the system's perceived credibility. However, the question does arise whether the outsourcing model of the SVLK constitutes an example of capacity substitution, directing efforts and resources away from strengthening existing structures, or whether the model actually represents an example of capacity reinforcement for the state institutions.

It is likely that the government will play a larger role in the MRV of REDD+ than it currently does in the SVLK. This is deemed necessary to ensure greater attention to aspects such as permanence and leakage, and will also help build accountability and ownership within the forest administration system. The challenge is to maintain the level of independence achieved by the SVLK whilst also increasing the involvement (and thus chances for reform) of state institutions and processes. This leads to questions about the appropriate allocation and devolution of functions and how to guarantee checks and balances to ensure independence. Other analysis has shown that independence is not necessarily related to the actors involved but rather to the architecture and the presence of checks and balances.

REDD+, similarly to many illegal logging measures, is a centrally designed process that requires implementation and monitoring at the local level. However, for REDD+, the critical MRV challenge will be establishing nested jurisdictional accounting systems to avoid the risk of 'hot air' crediting, and to clarify who has responsibility for liabilities (namely, shortfalls in delivering credits). This raises the question of how to set appropriate incentives and

thus help to build ownership, accountability and capacity in local government. Achieving this will require solutions for key questions in terms of how to accommodate jurisdictional differences between districts and provinces within a national system.

The FLEGT–VPA process in Indonesia also provides valuable lessons on using consultation processes, on involving civil society and the private sector in the design, and on civil society monitoring. Multi-stakeholder processes have emerged as important conditions for the success of both REDD+ and VPA-driven legality systems and as an important part of building buy-in into these processes. Involving multiple stakeholders enhances legitimacy, effectiveness and public scrutiny. However, opening up a process to multiple stakeholders inevitably leads to broadening of the remit and can slow down the process and raise expectations. In addition, it is important to ensure that such processes do not undermine more accountable forms of representation by taking the place of democratic decision-making forums. This concern arose in the early stages of the process to define legality standards: do the stakeholders being consulted hold the right to decide which laws are counted in the legality standard? That question was addressed by engaging an institution with more legitimacy to facilitate the process and formalise the protocols. Clearly defining roles and precisely communicating expected results and outputs, including how the results of the consultations will be used, are crucial for ensuring accountability and avoiding fatigue.

REDD+ and illegal logging measures differ significantly in their institutional architectures. Whereas illegal logging measures tend to be focused on the forestry sector, the REDD+ process spans multiple sectors and institutions. Therefore, consultation processes on REDD+ have involved a wider range of sectors than the FLEGT–VPA consultations. Nevertheless, crucial sectors – notably agriculture and mining – remain unengaged. Civil society groups engaged in REDD+ are less cohesive, which has made adopting a common position problematic. To some extent, this reflects divisions between development and environmental advocacy NGOs and may also be a factor in the relatively recent emergence of REDD+ as a policy issue.

One element of effective coordination is to ensure there is learning across scales. However, learning from demonstration activities or other early REDD+ pilot projects in Indonesia has not taken place in a systematic manner. This is a lost opportunity for learning and for avoiding duplication of efforts; for example, the development of the SVLK was greatly enhanced by a process that considered lessons from voluntary timber certification initiatives.

7. Engendering ownership

The early assumption that REDD+ would develop under an international agreement has not yet been realised. In the absence of this agreement and of significant private sector investment, much of the start-up finance is currently being provided through bilateral or multilateral relationships. In a context of increasing proliferation and fragmentation of climate finance, donors must align with each other and with national processes to avoid undermining or duplicating such initiatives.

Securing the support of business was a crucial element in reaching agreement on the VPA. For REDD+, this challenge is even more acute: whereas some elements of the private sector are the prime movers for innovation, those elements involved in alternative land uses such as oil palm, pulp and paper and mining currently constitute a massive barrier to REDD+. For the VPA, demonstrating that there are clear benefits to compliance, as well as adopting of a step-wise approach to standard-setting, advanced its credibility in the private sector. These lessons are relevant to REDD+ in terms of how to engage the private sector.

One of the challenges for REDD+ is how to meet international demands whilst maintaining national ownership over the process. Given the fundamental importance of building and maintaining credibility, one option is to concentrate on meeting the minimum standards needed for international acceptance. However, a key element blocking the progress of the REDD+ debate in Indonesia is the widely held perception that the mechanism will undermine sovereignty and the interests of the national economy. Similar forms of resistance arose early in the VPA design debate, and the process stalled partly

because of the need to meet international standards. Examining how this was overcome is illuminating, as it indicates the importance of paying attention to local ownership of the process, as well as the importance of demand-side measures – currently missing for REDD+. Demand has been an important part of the solution for the VPA: the signing of the EU Timber Regulation in 2010 significantly facilitated the VPA's progress, engendering crucial support amongst those who might have otherwise blocked it. Above all, the VPA experience demonstrates the value of an approach that works from both the supply and the demand ends. In the absence of a strong demand mechanism, as is the case with REDD+, perhaps more attention should be given to building and strengthening a national and public constituency as a possible lever to push for REDD+-related reforms.

Comparing REDD+ with illegal logging measures such as the FLEGT-VPA is instructive, but has its limitations. These 2 policy initiatives have had different time spans. Attention to illegal logging has

been pursuing solutions for a more than a decade, whereas REDD+ has been developing over only 3–4 years. With its relatively longer time span, the FLEGT-VPA has been able to give greater attention to consultative processes, address conflicts and build ownership of the process. This has, in turn, enabled the development of a VPA design and process that are specific to Indonesia, thus resolving some of the concerns related to sovereignty and lack of ownership – an inevitable aspect of internationally driven processes. A clear lesson from the SVLK is that it is inadvisable to look for short cuts in the process. REDD+ is subject to much greater pressure, dominated by the discourse on 'fast-tracking' and the urgency of IPCC reports to avoid the risk of passing a climate change tipping point. Urgency in the discourse threatens to prevent REDD+ from being able to give close attention to key process issues. In this respect, it may be wise to reconsider the degree to which REDD+ processes that are implemented over a short time period can have fundamental governance impacts.

Key lessons learned

Based on the analysis of cross-cutting issues for FLEGT and REDD+ in tackling illegal logging, we identify the following key lessons for the ongoing design and implementation of REDD+ in Indonesia:

Adopt an approach that harmonises common REDD+ and SVLK MRV requirements. One such common requirement is the generation of accurate, complete and up-to-date data. Another is MRV capacity building, such as supporting data-sharing protocols within and across agencies, establishing linkages between databases used for the SVLK and REDD+ (e.g. inventories, management plans, harvest data) and compiling and sharing data on land use and land cover change, tenure, forest stock, type and location.

Develop mechanisms for exchange of data and transparency both within and between institutions and ensure information is publicly accessible, understandable and independently verifiable. This information should include:

- monitoring, land use and concession activity data to enable independent verification of the operations to which a given forest area has been subject and the implications for carbon stock balance;
- accrual and distribution of net revenues from REDD+;
- documentation demonstrating compliance with FPIC processes and socio-economic and environmental standards;
- verification and validation reports, audit reports, claims, records on any breaches of policy and practice identified, corrective decisions on verification results and actions taken; and
- guidelines and protocols for monitoring by civil society.

Enhance independence in the design of REDD+ MRV by ensuring the separation of mandates for accreditation, standard-setting, monitoring and verification. Acknowledge that independence is not necessarily related to the nature of the actors (i.e. ISO-accredited auditors or civil society); rather, it

can be achieved by ensuring that checks and balances are embedded in the system architecture and that functions are allocated with clear and legal mandates.

Develop the role of civil society monitors and public oversight mechanisms to strengthen the credibility of REDD+ processes. Effective civil society monitoring needs clarity of process, public access to information and clear guidelines on how to guarantee impartiality. Whether the same civil society groups that are undergoing training to monitor timber audits could also monitor REDD+ processes should be explored, but it is possible that additional skill sets will be required.

Ensure clarity of procedure for independent REDD+ validation and verification systems including:

- public reporting, public consultation and public disclosure provisions;
- mechanisms for corrective decisions on verification results and action where breaches are identified;
- mechanisms for addressing non-compliance;
- mechanisms to report to the government on verification findings; and
- redress mechanisms and methods for dealing with non-compliance and attempts to undermine the process.

Match the design of REDD+ systems and institutions to a realistic and rigorous *ex ante* assessment of capacity to help avoid the process being stalled. Wherever possible, promote REDD+ systems and processes that strengthen existing systems rather than undermining, distorting or duplicating them.

Clarify the roles and mandates of local and central government, as well as ways to accommodate jurisdictional differences within a national REDD+ system, whether through decentralisation of functions or devolution of authority. The role of local government is currently unclear in the operation both of enforcement measures such as the OHL and of the

SVLK and REDD+; the result is a lack of ownership at that level. Clarifying rights and responsibilities for MRV at national and local levels will help to direct incentives towards the right parties.

Acknowledge that different objectives and audiences (e.g. international credibility, domestic reform) have different MRV needs. Given the fundamental importance of building and maintaining credibility, one option is to focus primarily on the minimum standards needed for international acceptance. However, this approach may fail to foster national ownership and thus undermine longer-term sustainability of the process.

Ensure that MSPs play a central role in REDD+ design and implementation. The SVLK process has shown that MSPs take time. Encourage them to be nationally owned rather than donor-driven. Clearly defined roles and precise communication on expected results and outputs, including how the results of the consultations will be used, are crucial for ensuring accountability and managing participants' expectations.

Given the government of Indonesia's commitment to both fund- and market-based REDD+, it is necessary to **ensure buy-in from the private sector**

by guaranteeing and demonstrating the benefits of engaging in REDD+. This requires attending to the demand side. It also requires mitigating risk for private sector operators, for example through step-wise approaches to standard-setting and compliance, the targeted use of public funds to leverage finance from the private sector and the exploration of public-private partnerships.

Pay particular attention to aspects of law enforcement such as:

- defining a clearer role for enforcement agencies/ penalties/sanctions and increased interaction between these agencies and the MoF;
- broadening the understanding of illegal logging by emphasising use of Article 50(2) of Law No. 41/1999 when dealing with forest crime to encourage law enforcement to look beyond administrative aspects and investigate violations related to the permit itself, corruption and negative impacts of legal concession activities; and
- extending law enforcement's approach to illegal logging to use related instruments such as the anti-corruption and anti-money laundering laws, to reach the financial backers and corrupt officials who turn a blind eye to illegal activities in the forest.

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