

**Implementing the Indonesia Australia Forest Carbon
Partnership (IAFCP)**

**The Indonesia Australia Forest Carbon Partnership Facility
(IAFCP Facility)**

Facility Design Document

Final Version

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Acronyms

ADB	Asian Development Bank
AusAID	Australian Agency for International Development
BAPLAN	Badan Planologi Kehutanan (Spatial Planning Agency, Ministry of Forestry)
BAPPENAS	National Development Planning Agency
CDM	Clean Development Mechanism
CIMTROP	Centre for International Cooperation in Management of Tropical Peatland
COP	Conference of the Parties to UNFCCC
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DCC	Department of Climate Change
DFAT	Department of Foreign Affairs and Trade
DfID	Department for International Development (UK)
EMRP	Ex Mega Rice Project
FAO	Food & Agriculture Organization of the United Nations
FCPF	Forest Carbon Partnership Facility (World Bank)
FOMAS	Forest Resource and Management System
FRIS	Forest Resource Information System
FWI	FireWatch Indonesia
GOA	Government of Australia
GOI	Government of Indonesia
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (German Agency for Technical Cooperation)
IAFCP	Indonesia-Australia Forest Carbon Partnership
IAFCP Facility	Indonesia-Australia Forest Carbon Partnership Facility
IFCA	Indonesian Forest Carbon Alliance
IFCI	International Forest Carbon Initiative
TP	Technical Panel
KFCP	Kalimantan Forests and Climate Partnership
KfW	Kreditanstalt für Wiederaufbau (The German Development Bank)
LAPAN	Lembaga Penerbangan dan Antariksa Nasional (National Aeronautics & Space Administration)
M&E	Monitoring & Evaluation
MC	Managing Contractor
MDB	multilateral development bank
MOE	Ministry of Environment
MOF	Ministry of Forestry
NCAS	National Carbon Accounting System
NCASI	National Carbon Accounting System Indonesia
NCCC	National Council for Climate Change (GOI)
NGO	Non Government Organisation
PAF	Performance Assessment Framework
PO	Partnership Office
REDD	Reduction of emissions from deforestation and forest degradation in developing countries
RPJM	Rencana Pembangunan Jangka Menengah (Medium Term Development Plan)
RPP	Rolling Prioritisation Plan
TA	Technical Assistance
TAG	Technical Advisory Group
TOR	Terms of Reference
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change

1. Executive Summary

1.1. *The environment for the IAFCP Facility*

This Facility Design Document describes the Indonesia Australia Forest Carbon Partnership Facility (IAFCP Facility). The IAFCP Facility is funded through the Australian Agency for International Development (AusAID) and the Australian Department of Climate Change (DCC). It runs from early 2009 to mid 2012 with an initial maximum financial commitment of \$40 million. It has the potential for scale up during this time to over \$100 million with further contributions anticipated from the Australian Government and other sources.

The IAFCP Facility is the implementation mechanism for the Indonesia-Australia Forest Carbon Partnership (IAFCP) in Indonesia. The IAFCP was established by agreement between the leaders of Indonesia and Australia in June 2008. It aims to “build upon, and provide clearer goals for, existing cooperation between Indonesia and Australia in three key areas:

- policy development and capacity building to support participation in international negotiations and future carbon markets;
- technical support for Indonesia to develop its national forest carbon accounting and monitoring system; and
- the further development of demonstration activities, and the provision of related enabling assistance, to trial approaches to reducing emissions from deforestation and forest degradation”.

IAFCP is part of the International Forest Carbon Initiative (IFCI) which is Australia’s contribution to the global effort on reducing emissions from deforestation and degradation in developing countries (REDD). The IFCI aims to demonstrate that REDD can be part of an equitable and effective post-2012 global outcome on climate change. IFCI includes a specific focus on developing demonstration activities in Indonesia and Papua New Guinea.

A crucial stage in establishing REDD is the 15th Conference of the Parties Meeting (COP 15) to the United Nations Framework Convention on Climate Change (UNFCCC) in Copenhagen in late 2009. Indonesia and Australia are committed to addressing REDD at the meeting. This places enormous pressure on the Partnership Office and IAFCP Facility to deliver credible, defensible and scientifically rigorous evidence to support negotiations on REDD in a very short time.

Furthermore, the environment for the Partnership Office and IAFCP Facility is very fluid. Not only is REDD an untested concept and the technologies rapidly developing, but the political and institutional framework is rapidly evolving in Indonesia and Australia, there is no agreed international framework or methodologies, and as mentioned above the financial envelope for the facility is likely to expand considerably.

Above all the facility needs to deliver key aspects of the partnership between Indonesia and Australia. This means it must resource and manage a joint learning process involving the two governments that will allow diverse players from both Government of Australia (GOA) and Government of Indonesia (GOI), and other stakeholders, to contribute to the effort. All these factors call for a flexible, responsive and nimble approach to REDD through the facility.

The facility also needs to cater for a range of IAFCP activities that have already been commenced or which are under design. These include:

- The Kalimantan Forests and Climate Partnership (KFCP) – a major REDD demonstration activity focusing on reducing emissions from peat lands within the Ex-Mega Rice Project Area in Central Kalimantan;
- Development of a second large scale REDD demonstration activity in Indonesia. Ministers agreed to develop a second demonstration activity in November 2008. The activity will be differentiated in location and forest type to the KFCP.
- Support for the Roadmap for Access to International Carbon Markets was agreed in November 2008 and will support Indonesia develop the necessary policy, technical and financial capabilities for participation in future international carbon markets for REDD.
- The development of a Forest Resource Information System and a more encompassing National Carbon Accounting System for Indonesia (collectively referred to as FRIS/NCASI);
- The FireWatch Indonesia project, already under contract and being implemented (by Landgate), which is building remotely sensed forest fire monitoring infrastructure and capacity in Indonesia; and
- Provision for enabling support to Indonesia for the development of forest and climate policy – including under the Indonesia Forest Climate Alliance (IFCA), a multi-donor supported initiative.

Section 2 analyses the environment for IAFCP and the Facility and covers a range of factors that were considered in formulating this design.

1.2. Concurrent development of the Facility and the Partnership Office

Given the fluid nature of efforts to develop REDD in the Indonesian context and the time pressures to develop the Australian and Indonesian positions on REDD, it needs to be emphasised that many aspects of the hierarchy of IFCI, IAFCP and subsidiary activities in Indonesia are under concurrent development processes. This is particularly relevant for the relationship between the Partnership Office and the IAFCP Facility.

During the design period for the IAFCP that has resulted in this document, several design processes have been underway. Most notably these include the detailed design for the KFCP and the development of the FRIS/NCASI set of activities. While these are now in late stages of design, time pressures mean that design and onset of implementation are in fact occurring together under the direction of the Partnership Office. Furthermore, with the recent deployment of the GOA-appointed Coordinator to lead the team of already appointed Forest and Climate Specialists, and the anticipated appointment of the GOI-appointed Coordinator and support staff, the Partnership Office is also under a process of development. This is an essential design feature for the Facility and for its implementation in the future.

In this situation, the Managing Contractor needs to be mindful that while sufficient definition of the relationship between the Partnership Office and the IAFCP Facility exists to go to tender, the arrangements for the Partnership Office and the subsidiary activities under its direction will need updating during the tender process and beyond. GOA will provide updates at appropriate stages. The Managing Contractor also needs to be mindful that the development of Indonesia and Australia's national positions on REDD to inform international negotiations on REDD will require flexibility throughout the implementation of the IAFCP Facility.

1.3. What the IAFCP Facility will do

The IAFCP Facility goal is:

To support the demonstration through the IAFCP that reducing emissions from deforestation and forest degradation in developing countries can be part of an equitable and effective post 2012 global outcome on climate change

This goal states that IAFCP Facility is the delivery mechanism for the IAFCP in Indonesia and the vehicle through which government to government activities on REDD in Indonesia will be implemented. This places the Governments of Indonesia and Australia firmly as partners in directing and benefiting from the activities that the IAFCP Facility will undertake.

It also states that all activities delivered through the Facility and thus IAFCP aim to reach the overarching aim of IFCI, which is to demonstrate that REDD can be part of an equitable and effective post-2012 global outcome on climate change.

There is a subsidiary purpose for the IAFCP Facility which is:

To support the Partnership Office to deliver scientifically rigorous policy and technical solutions for IAFCP to support the development of Indonesia and Australia's national positions on REDD and to inform international negotiations on REDD.

This recognises the need to provide documented evidence that REDD can be incorporated in the post-Kyoto framework. The stress on scientific rigor is absolutely essential and has been acknowledged by both governments. This purpose recognises that while there is uncertainty in the process and outcomes of the international negotiations on REDD, particularly in the early stages, the IAFCP Facility still needs to exercise scientific rigour in what it is tasked to do by IAFCP and will need to present focused results for use by the two governments.

The Managing Contractor for the IAFCP Facility will have four broad task areas:

- Logistics, procurement, financial management and administrative support for the Partnership;
- Logistics, procurement and administrative support for other REDD related activities implemented by other groups engaged under IAFCP;
- Project management of existing and future REDD demonstration activities under IAFCP; and.
- Design of future REDD demonstration activities for IAFCP under the guidance and leadership of the Partnership Office.

These task areas are accommodated by two operational components for the Facility and form the basis for the Managing Contractor's (MC) Scope of Services with objectives as follows.

Component 1: IAFCP Support

Objective: Under IAFCP direction support policy and readiness¹ activities of the Partnership

Component 2: REDD Demonstration Activities

Objective: Under the direction, guidance and supervision of the Partnership Office, design, implement, manage and report upon high quality REDD demonstration activities

¹ Readiness activities are defined as those activities that are required to have been completed before REDD schemes can be implemented. They include legal and social preparation aspects, as well more technical aspects such as methodologies for carbon accounting. This is a complex set of activities to be considered by IAFCP and dealt with by IAFCPF.

Further description of the components outputs is given in section 3.4.

1.4. *The form of the facility*

The design team concluded that the facility approach is the only form of aid considered practical for delivering the IAFCP and this is explained in section 3.2. The facility allows: intensive involvement of both governments in implementation; activities to be developed iteratively to suit the rapidly changing environment; and scale-up as implementation progresses. Above all it allows for a learning process.

1.5. *Overview of IAFCP Structure*

The IAFCP Facility will operate within the given structure of the IAFCP. There are four key groups in the IAFCP which the Facility will resource, each with particular roles and responsibilities. The roles of these groups are covered in section 4.1 and shown diagrammatically in the figure below.

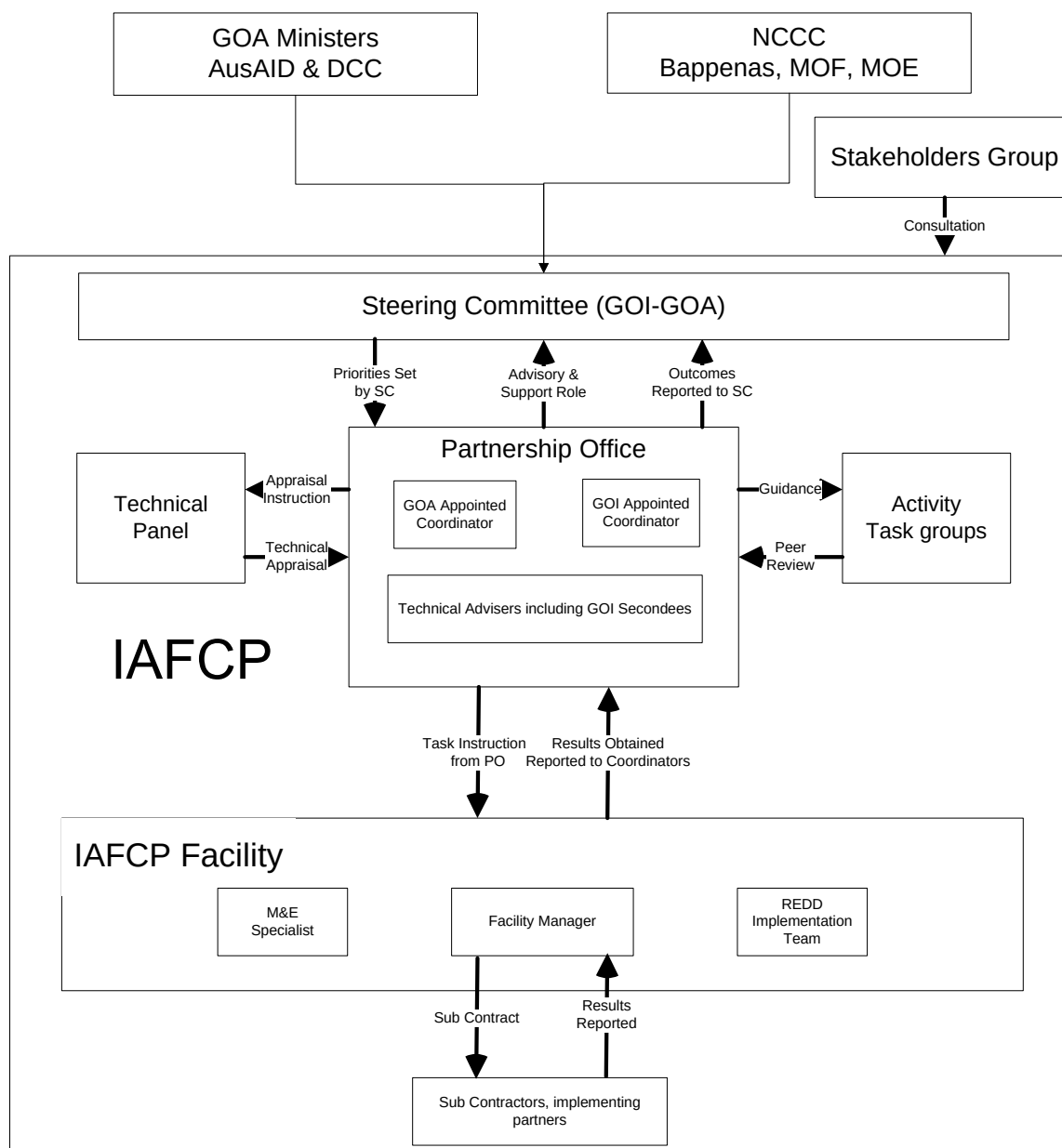
- A **Steering Committee** reporting to and representing the two Governments. It sets the agenda for all work in IAFCP and reviews results with a view to providing policy advice to the two governments. Also noted in the figure and explained in more detail in section 4.1 (The Steering Committee) are other stakeholders, who while not formal members of the Steering Committee come from organisations with an interest in REDD.
- The **Partnership Office**, led by two Coordinators appointed by the two Governments, is directed by and reports to the Steering Committee. The Partnership Office advises the Steering Committee on all aspects of IAFCP operation and is leading/directing implementation of all work within the IAFCP. Operation of the Partnership office is resourced from the IAFCP Facility.
- Activity **Task Groups**, comprising individuals with a direct interest in managing activities under the IAFCP from organisations involved in the Steering Committee and other key stakeholders. Task Groups will prepare terms of reference for and appraise the results of work undertaken through the IAFCP Facility and the PO; and
- A **Technical Panel** which will provide high level technical guidance and advice to the Steering Committee and appraisal of work designs and activity results. Experts on the Technical Panel will have sufficient credibility to have influence at UNFCCC negotiations.

The IAFCP Facility as the support and delivery mechanism for IAFCP will require a **Managing Contractor**. The Facility will support the Partnership Office to undertake detailed design, sub-contracting and monitoring of quality during implementation of REDD demonstration activities and other tasks required by the Steering Committee and directed through the Partnership Office. The implementation of aspects of the Facility work program will require sub-contractors.

1.6. *A three-phase approach*

A three phase approach will be undertaken for IAFCP. It is anticipated that the Managing Contractor for the Facility will be selected, contracted and in place by mid-2009. During the transition phase from January 2009 to that time the KFCP detailed design will need to be finalised and the Managing Contractor selected and contracted.

The IAFCP structure



Once the MC is in place (expected to be mid-2009) there will be a phase of approximately 10 months – the Through-COP15 phase - during which REDD demonstration activities will be implemented and results documented as far as possible with scientific rigour. Also during this through-COP15 period the MC will be required to provide full logistical, administrative and procurement support to the IAFCP.

The third phase for the IAFCP will commence after COP15, once the results of international negotiations are clear. Activities for that phase will continue to focus on implementing REDD demonstration activities, as lessons will continue to be important to inform ongoing methodological and policy work that is likely post COP 15. In addition, an increasing focus on capacity building for REDD is to be expected. However, it is not possible to firmly identify activities at this stage. The two

governments will review the Facility after COP15 and put into place plans for the third phase which will run, subject to continuation being viable and desirable, till mid-2012.

2. Analysis and Strategic Context

2.1. *International context*

The Kyoto Protocol commits countries to binding targets for reduction in greenhouse gases. To date 187 countries have ratified the Protocol, including Indonesia and Australia.

The 2007 Bali Climate Change Conference (13th Conference of the Parties or COP13) of the United Nations Framework Convention on Climate Change (UNFCCC) launched a comprehensive process for moving forward on measures to address climate change issues. It also set the agenda for work leading up to the crucial 15th Conference of Parties in Copenhagen (COP15) in late 2009. At Copenhagen, decisions will be made on the inclusion of REDD in a post 2012 global climate change outcome.

The Bali Action Plan arising from COP13 resolved to develop a shared vision for long-term cooperative action, together with enhanced action on:

- mitigation of climate change;
- adaptation to climate change;
- technology development and transfer of technology to support mitigation and adaptation efforts; and
- financial resources and investment to support actions on mitigation, adaptation and technology development/transfer.

Efforts to mitigate climate change as envisioned through the Bali Action Plan include measurement, reporting and verification of greenhouse gas emissions and their reduction. They also include the development of market mechanisms that will allow emission reductions to be converted into carbon credits. In particular there is a need to demonstrate that reduction in deforestation and forest degradation in developing countries can contribute significantly to reduction in greenhouse gases and to the emerging carbon market. This design addresses the need to demonstrate REDD.

Clearly REDD is of major importance to developing countries, particularly those, such as Indonesia, with large stocks of tropical forest, especially as long-term incentives to reduce deforestation may help turn around the major depletions that have occurred in recent decades.

2.2. *Indonesia-Australia context*

Indonesia's leading role in REDD

Indonesia is playing a leading role among developing countries in examining how REDD can be integrated within the emerging international carbon market. Indonesia's leadership in addressing climate change was also demonstrated through hosting the UNFCCC COP13 meeting in Bali in 2007 and assuming the role of COP President of COP13. The June 2008 agreement between the leaders of Indonesia and Australia has committed both nations to partnership in this endeavour. A decision at COP15 to include REDD as part of a post 2012 international climate change outcome will be a crucial next step in supporting international efforts on REDD.

Indonesia includes a significant amount of the world's tropical forest; the largest amount in Asia, second only in the world to Brazil. Approximately 100 million ha of forest resources exist in Indonesia, with contemporary forest loss of around 1.1 million hectares per year.

Indonesia's efforts to deal with climate change (and in particular REDD) are, like Australia's, being pursued at the highest levels. Its climate change governance framework is rapidly evolving, progressing from a situation where delineation of roles and responsibilities between agencies on some areas was largely unclear. The President of Indonesia issued a decree establishing the National Climate Change Commission in July 2008. This cabinet level Commission comprises the Ministers of Finance, Coordinating Economy, Foreign Affairs, Environment, Forestry and the State Minister for National Development Planning (BAPPENAS) and others. Work is being undertaken to establish the role of the Commission and the structure of working groups underneath it. A number of Ministries have also established their own Working Groups to provide input. In particular there is a BAPPENAS led multi-departmental working group on REDD; and the Minister of Forestry has issued a draft Decree on the establishment of a REDD Commission and a draft Regulation on the management of REDD.

IFCI as Australia's global effort on REDD

The International Forest Carbon Initiative (IFCI) is Australia's contribution to the global effort on REDD. The IFCI aims to demonstrate that REDD can be part of an equitable and effective global climate change outcome. A central element of work is the development of practical REDD demonstration activities in Indonesia and Papua New Guinea. Planning and delivery of the IFCI involves a whole of government effort, led by the Australian Agency for International Development (AusAID) and the Australian Government Department of Climate Change (DCC).

IFCI aims to increase international forest carbon monitoring and accounting capacity. By demonstrating that forests can be monitored effectively through remote sensing, Australia will show that there can be certainty in measuring emission reductions from avoided deforestation activities. IFCI plans to undertake practical demonstration activities to show how reducing emissions from deforestation can be included in a future international climate change framework. IFCI supports international efforts to develop market-based approaches to address deforestation. Australia will play a key role in international climate change forums and in working with other countries to promote the development of market-based approaches to reducing emissions from deforestation and forest degradation.

The Australian position on REDD is that: "Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (REDD) is crucial to reducing global greenhouse gas emissions as this sector contributes almost twenty percent of global emissions. The post- 2012 outcome should adequately address emissions from REDD in a manner that is fair, environmentally effective and economically efficient. Australia considers that REDD will be most effectively and sustainably addressed through market-based mechanisms."².

The Indonesia-Australia Forest Carbon Partnership (IAFCP)

The Indonesia-Australia Forest Carbon Partnership (IAFCP) has been articulated as the component of IFCI that focuses on bilateral cooperation between Indonesia and Australia, as distinct from other components of IFCI. As agreed between the

² Australian Submission to the AWG-LCA Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (REDD), Accra: 21 August 2008

President of the Republic of Indonesia and the Prime Minister of Australia, “the Partnership will build upon, and provide clearer goals for existing cooperation between Indonesia and Australia in three key areas:

- policy development and capacity building to support participation in international negotiations and future carbon markets;
- technical support for Indonesia to develop its national forest carbon accounting and monitoring system; and
- the further development of demonstration activities, and the provision of related enabling assistance, to trial approaches to reducing emissions from deforestation and forest degradation”.

The delivery mechanism proposed in this design document aims to support the Indonesia-Australia Forest Carbon Partnership (IAFCP). It will be called the Indonesia Australia Forest Carbon Partnership Facility (IAFCP Facility).

The Roadmap

On 13th June 2008 the leaders of Indonesia and Australia also agreed to “develop a Roadmap for Access to International Carbon Markets, which will model how a developed country like Australia and a developing country partner like Indonesia can work together towards participation in international forest carbon markets”. In October 2008 the IAFCP Steering Committee decided that the Roadmap would become one of the courses of action under the IAFCP. The Roadmap was finalised and agreed by Australian and Indonesian Ministers on 12 November 2008.

2.3. *Existing partnership activities*

At this stage in its development the following activities have already been commenced or are under design through the IAFCP and the Partnership Office and will be supported through the IAFCP Facility:

- The Kalimantan Forests and Climate Partnership (KFCP) – a major REDD demonstration activity focusing on reducing emissions from peat lands within the Ex-Mega Rice Project Area in Central Kalimantan;
- Development of a second large scale REDD demonstration activity in Indonesia. Ministers agreed to develop a second demonstration activity in November 2008. The activity will be differentiated in location and forest type to the KFCP.
- Support for the Roadmap for Access to International Carbon Markets was agreed in November 2008 and will support Indonesia develop the necessary policy, technical and financial capabilities for participation in future international carbon markets for REDD.
- The development of a Forest Resource Information System and a more encompassing National Carbon Accounting System for Indonesia (collectively referred to as FRIS/NCASI);
- The FireWatch Indonesia project, already under contract and being implemented (by Landgate), which is building remotely sensed forest fire monitoring infrastructure and capacity in Indonesia; and
- Provision for enabling support to Indonesia for the development of forest and climate policy – including under the Indonesia Forest Climate Alliance (IFCA), a multi-donor supported initiative.

The IAFCP Facility will need to provide the mechanism for all of these activities to be managed and monitored and, in the case of new REDD projects, designed. It is also emphasised that the activities already in existence and likely to emerge will need to be managed in an inter-related and holistic manner in order to ensure that synergies and results are maximised.

2.4. Other programs

Annex 3 gives details of other initiatives related to IAFCP. They include the following initiatives being funded by the Australian Government:

- Low Carbon Development Options – \$0.4m funded through the World Bank and aiming to assist Indonesia to analyse low carbon development options;
- Pathways to Sustainability (Phase 2) - \$1.5m and implemented by BAPPENAS and CSIRO with the aim to build tools for assessing ecological, economic and social consequences of alternative policy decisions.
- The Asia Pacific Forestry Skills and Capacity Building Program (APFSCBP) – under Phase 1 of the Program some short-term project based activities are being implemented. Phase 2 of the Program is currently in design phase and it is possible that Phase 2 may involve longer term capacity building activities.

These three activities do not form part of the portfolio of activities to be supported through the IAFCP Facility.

Also included in Annex 3 are details of the following programs supported by other donor/funders:

- Asian Development Bank – some engagement with Indonesia on trans-boundary haze and on the Heart of Borneo initiative;
- Clinton Climate Initiative – developing global carbon monitoring system based on Australia's national system and may support REDD demonstration activities in Indonesia;
- Centre for International Cooperation in Management of Tropical Peatland (CIMTROP) in Palangka Raya is a centre of collaboration on peatland for a range of universities and research organisations from Indonesia and worldwide;
- DfID – currently funding the second phase of the Multi-Stakeholder Forestry Program to improve forest governance and deliver more equitable benefits to primary forest stakeholders and more sustainable management of forest resources in Indonesia. The program is open to multi-donor support.
- Germany – The Indonesia-German Forest & Climate Change Programme is currently in its formulation phase and will include REDD demonstrations in several districts in Central Kalimantan. The program is being developed by GTZ and KfW, with a commitment of 26 million Euros and a timeframe of 12 years. This program will form a valuable contact for IAFCP, and in particular shows promise in the areas of local government and community involvement in REDD.
- European Union – currently supporting fire management in Sumatra and providing funding for works related to peatland improvement in Kalimantan.
- Japan – currently providing major support for satellite radar image information and is working closely on this with BAPLAN in the Department of Forestry. Japan's technology is also being used in FRIS/NCASI.
- World Bank - the Forest Carbon Partnership Facility (FCPF) aims to assist developing countries to reduce emissions from deforestation and land degradation. FCPF has the potential to work in Indonesia.

- UN-REDD The United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD Programme) is a collaboration between FAO, UNDP and UNEP. A multi-donor trust fund was established in July 2008 that allows donors to pool resources and provides funding to activities towards this programme (information from UN-REDD website).

2.5. *Lessons Learned from programs and facilities*

AusAID has significant experience in Indonesia and elsewhere in funding, contracting and implementing development facilities and programs. Analysis of the proposed aid modality for the IAFCP Facility is given later in this document (section 3.2). However, it is worth stating here some of the lessons from other programs and facilities.

Annex 4 presents a range of possible management models that could be utilised for the Facility. Other lessons can be drawn from the complexity of the environment in which this delivery mechanism has to operate. Of particular importance in this case is the need to:

- Avoid unnecessary tensions between technical advisors (who advise the Australian Government and/or direct program activity) and implementing contractors or government agencies (who implement);
- Avoid the need and opportunity for micro-management by Australian Government agencies as the funding clients;
- Maximise the participation of steering committee members and the wider stakeholder group so that stakeholders, not technical advisers, are clearly establishing the agenda;
- The management of the program should be a partnership, but for smooth and efficient operation there should one senior manager;
- Use wherever feasible the working groups and technical capacities already established by GOI and GOA;
- Ensure that governance arrangements for the facility fully reflect the needs of the wider stakeholder group and the need to be cognizant of the evolving policy framework and international negotiations;
- Ensure that key knowledge gaps for stakeholders and implementers alike are addressed as quickly and effectively as possible;
- Ensure that incentives for implementation are entirely in line with the need for quick and decisive action, quality results and price containment;
- Recognise intermediate and longer-term aims; and
- In short, ensure that goals can be reached quickly and effectively.

2.6. *The setting for IAFCP*

REDD is new territory

A significant degree of flexibility is required from IAFCP and the IAFCP Facility. The partnership will need to operate in a rapidly changing scientific, political, institutional and financial framework. Both Governments need a partnership in which they can actively participate and which they can guide to maximise results required during the forthcoming months and years of international negotiation. It needs to recognise that REDD is new territory: demonstrations of the scale anticipated have not been

attempted before; there are few experts in this field and knowledge (at least at this stage) is limited. IAFCP will thus need to cater for existing and agreed activities as well as activities that may emerge in the future. The facility not only needs to implement quickly, it needs to incorporate and record lessons as soon as they are learned, while at the same time building capacity for the future. This is about learning by doing.

Scientific minimum for COP 15 and beyond – the IAFCP Outcomes

Action to reduce emissions from deforestation is almost wholly excluded from the Kyoto Protocol and the UNFCCC. This was mainly due to remaining technical concerns at the time these instruments were negotiated that meant that many countries had significant concerns with the lack of certainty that any claimed emission reductions from REDD would be genuine. These technical concerns were largely due to:

- Uncertainty over the accuracy of emissions measurements for deforestation and forest degradation;
- Difficulty in standardising the definition of forests, deforestation and forest degradation; and
- Issues relating to:
 - Additionality – ensuring that emission reductions from REDD activities are additional to those that would have otherwise occurred;
 - Leakage – ensuring that emission reductions in one area are not offset by increases in another area; and
 - Permanence – ensuring that emission reductions are long term or permanent.

As a result, there are currently no incentives provided under the UNFCCC or the Kyoto Protocol to assist developing countries reduce their rates of deforestation or forest degradation.

There has been considerable recent progress on REDD discussions during international climate change negotiations, mainly due to increased confidence in how carbon accounting and monitoring systems can address technical issues such as leakage and permanence. This progress culminated at the UNFCCC COP13 meeting in Bali in December 2007, where the process for the development of a framework for long-term cooperative action under the Convention, known as the 'Bali Action Plan' was agreed. The Bali Action Plan included agreement that a future international climate change framework should consider action to reduce emissions from deforestation in developing countries.

The COP13 decision on REDD encourages countries to: "support capacity-building, provide technical assistance, facilitate the transfer of technology to improve, inter alia, data collection, estimation of emissions from deforestation and forest degradation, monitoring and reporting, and address the institutional needs of developing countries to estimate and reduce emissions from deforestation and forest degradation". The decision also further encouraged countries to "explore a range of actions, identify options and undertake efforts, including demonstration activities, to address the drivers of deforestation relevant to their national circumstances, with a view to reducing emissions from deforestation and forest degradation and thus enhancing forest carbon stocks due to sustainable management of forests".

Activities under the IAFCP are aimed at supporting this call for action on REDD. As outlined in the IAFCP agreement, the IAFCP will involve cooperation in three main areas:

- (a) policy development and capacity building to support participation in international negotiations and future carbon markets;
- (b) technical support for Indonesia to develop its national forest carbon accounting and monitoring system; and
- (c) the further development of demonstration activities, and the provision of related enabling assistance, to trial approaches to reducing emissions from deforestation and forest degradation.

In the coming year a strong focus of activities such as the KFCP will be on providing lessons learned to inform ongoing international negotiations on REDD through the UNFCCC. Early lessons learned from activities under the IAFCP are particularly important in the lead up to COP15 in Copenhagen in December 2009. It is important that the Managing Contractor understands the overarching purpose of the tasks that the IACFP Facility is asked to undertake and the linkages to the UNFCCC process.

Beyond COP15 we can envisage a broader and longer-term set of outcomes will emerge in the period up to 2012. The focus and approaches of the facility to meet longer-term aims will need to be reviewed after COP15.

To achieve the aims of the IAFCP, the Partnership Office will task the IAFCP Facility to undertake tasks that support IAFCP activities and objectives. The task of the Managing Contractor (as detailed in section 4.3 and in the Scope of Services) will be to provide design, implementation and monitoring services as appropriate to ensure tasks are successfully implemented in a timely manner to meet IAFCP objectives and allow the two governments to take high quality results to COP15 and beyond.

A shifting stakeholder mix

IAFCP will need to cater for an initially diverse and likely expanding group of institutional stakeholders operating within or in conjunction with IAFCP. At the current time the Steering Committee for IAFCP includes: (from Indonesia) BAPPENAS, the Ministry of Forestry, the Ministry of Environment and the Ministry of Foreign Affairs (with the Ministry of Finance currently an observer); and (from Australia) the Department of Climate Change and AusAID (with the Department of Foreign Affairs & Trade and the Department of Agriculture, Fisheries and Forestry as observers). As the climate change debate intensifies a wider range of institutions may need to be involved and these may include Treasury in Australia and the Ministry of Finance in Indonesia as Steering Committee members. Other donor agencies have also indicated interest, and as the carbon trading system progresses, it may be expedient to involve the private sector. Additional players do not necessarily need to be on the Steering Committee, but their roles and needs will have to be catered for.

The challenge of managing the shifting stakeholder mix lies within IAFCP as a whole and in particular with the specialists hired for the Partnership Office. The Managing Contractor for the IAFCP Facility will be instructed by the Partnership Office to undertake activities that involve a changing group of stakeholder in REDD as implementation progresses.

Scaling up and Managing Contributions from other parties

It is intended that IAFCP will scale up operations as implementation progresses. It is anticipated that the Facility will initially help implement \$35 million worth of programs and activities (encompassing Australia's \$40 million commitment minus \$5 million already expended on activities). The implementation of KFCP against its existing design will absorb most of this. In order to undertake further REDD demonstration activities – and indeed to complete reforestation activities already identified under

KFCP – additional funds are required. For additional REDD demonstrations the Managing Contractor will be required to facilitate the design (led by the Coordinators and the Forest and Climate Specialists in the Partnership Office), implement and project manage. The MC should be aware that systems for the IAFCP Facility may have to cope with up to \$140 million. Additional funds may come from a variety of sources including:

1. The Government of Australia;
2. The Government of Indonesia;
3. Private sector firms keen to improve their environmental credentials;
4. Private sector entities seeking investment opportunities in REDD generated credits;
5. Other donors with a desire to use IAFCP Facility's management and implementation structures; and
6. Other donors with a desire to contribute to the goals of the IAFCP Facility and use its management and oversight arrangements for coordination but not disburse through it.

Other sources of funding may also become available during the course of implementation. Additional contributions from the Government of Australia would be simple to manage, but each of the other potential sources of funds mentioned above would bring with them their own special challenges for integration. Each potential source will require an examination of its merits and management implications and these will need to be undertaken by the MC, the PO and the Steering Committee as they become apparent.

Early focus on COP15

This design document calls for an approach to managing the IAFCP Facility through establishing systems that will respond quickly to stakeholder requirements as articulated through the IAFCP. These systems should aim to minimise the time required to implement activities. They will need to assist IAFCP to manage the inherent complexity, and maximise the results obtainable within a short time frame. This means overcoming the in-built tensions between showing results at COP15 and institutional capacity building for REDD in the longer-term. It presages a phased approach that will prioritise the needs of COP15 in the first instance, and thereafter augment lesson-learning from REDD demonstration activities with an increased focus on longer-term capacity building needs. A review of the IAFCP Facility is expected after COP15 to facilitate this change of emphasis.

2.7. Overview of IAFCP Structure

The Facility will operate within the given structure of the IAFCP. There are four key groups in the IAFCP which the IAFCP Facility will resource, each with particular roles and responsibilities. The roles of these groups are covered in more detail section 4.1 and shown diagrammatically in figure 3 in that section.

- A **Steering Committee** reporting to and representing the two Governments. It sets the agenda for all work in IAFCP and reviews results with a view to providing policy advice to the two governments. The IAFCP Facility may also need to resource the wider stakeholder group which has an interest in REDD.
- The **Partnership Office**, led by two Coordinators, is directed by and reports to the Steering Committee. The Partnership Office advises the Steering Committee on all aspects of IAFCP operation and leads/directs implementation of all work within the IAFCP. Operation of the Partnership office is resourced from the IAFCP Facility.

- **Activity Task Groups**, comprising individuals with a direct interest in managing activities under the IAFCP from organisations involved in the Steering Committee and other key stakeholders. Task Groups will prepare terms of reference for and appraise the results of work undertaken through the IAFCP Facility and the PO; and
- A **Technical Panel** which will provide high level technical guidance and advice to the Steering Committee and appraisal of work designs and activity results. Experts on the Technical Panel will have sufficient international credibility to have influence at UNFCCC negotiations.

The IAFCP Facility as the support and delivery mechanism for IAFCP will require a **Managing Contractor**. The Facility will undertake detailed design of sub-activities and tasks under direction, sub-contracting and monitoring of quality during implementation of REDD demonstration activities and other tasks required by the Steering Committee and directed through the Partnership Office. The implementation of aspects of the IAFCP Facility work program will require sub-contractors.

2.8. Other important factors considered in the design

Section 2.6 outlines a number of aspects of the setting for IAFCP which need to be borne in mind in the design of the IAFCP Facility. They include rapidly changing scientific, political and institutional contexts, with a likelihood that the facility will need to be scaled up financially and operationally during implementation. The initial imperative of the COP15 process is to establish credible methodologies for REDD in what is for an aid funded activity a very short time frame. The minimum requirements for the establishment of REDD methodologies by IAFCP are also given as outcomes in section 2.6 above and mean that a considerable and focused effort is required to reach these short-term aims by the end of 2009.

Building on the Concept Note

Work prior to the design mission culminated in a "Delivery Mechanism Concept Note" authored by AusAID in consultation with DCC. It recommended an all-in-one implementation facility that would allow for "components of work" to be designed and sub-contracted by the facility team and for future requests for additional activities to be met. The design team concurs that this is appropriate. The concept note stated that the following attributes of an all-in-one facility are highly desirable:

- The approach exploits complementarities in program management;
- It allows for strong performance planning and management;
- It reduces management costs through accessing complementarities in program delivery;
- It expedites contracting and delivery of demonstration activities; and
- It is administratively simple for the Australian Government, flexible and scalable.

Separating agenda setting from implementation

From the analysis of various facilities that have been used by AusAID, a necessary condition for success is to ensure that managing contractors receive unambiguous instructions to be executed within a specific timeframe and under a fixed budget ceiling. From the moment that the instructions change, contractors try to renegotiate timeframes, budgets and outcomes. In most cases this has led to cost increases, delays and disagreements over quality.

The success of the facility is dependent on unambiguous instructions provided to it. There should therefore be only one channel of communication with the facility through which instructions are received and accountability is rendered. This is a challenge for the entities the facility interacts with. As explained above the IAFCP will have to deal with several challenges: priority setting within a very tight timeline, involvement of a wide range of stakeholders and inclusion of lessons learned into activities in an iterative and inclusive way.

Managing the Partnership

The IAFCP needs to create a wide range of opportunities for Indonesia and Australia to work together. This means that the Facility must resource and help manage a joint learning process through IAFCP involving two governments that will allow diverse players from both GOA and GOI to contribute to the effort. What is described here is essentially a facilitated government to government partnership arrangement. New ways of working will have to be explored. A constant investment in consultation and sharing lessons learned is necessary to achieve this strong working relationship.

The IAFCP will have a strong Partnership Office that fosters an agenda for action based on a common understanding between all GOA and GOI stakeholders. The PO will bring together officials and technical representatives of both governments in appropriate fora to build a common understanding on issues of their concern and through a common understanding a stronger relationship will be achieved. The facility will have to support this function by providing resources to the organisations and individuals that manage and participate in this joint learning process.

2.9. *Rationale for Australian involvement*

Climate change is a high priority activity area for both GOI and GOA, and the two governments have agreed at the highest levels to cooperate, in particular on the area of REDD. AusAID and DCC are collaborating on a whole of government basis in developing the cooperation under the Indonesia-Australia Forest Carbon Partnership to meet the obligations of Australia under IAFCP. AusAID has the delivery system in place in Indonesia, while DCC has the internationally recognised expertise to support technical requirements.

3. Program Description

3.1. *The challenge for IFCI, IAFCP and the IAFCP Facility*

From IFCI to IAFCP

IFCI is a \$200 million, 5-year program. It is a key part of Australia's international leadership on reducing emissions from deforestation. The Initiative will support international efforts to reduce deforestation through the United Nations Framework Convention on Climate Change (UNFCCC). It aims to demonstrate that reducing emissions from deforestation and forest degradation can be part of an equitable and effective global climate change outcome. It is also a major initiative of cooperation between a developed country (Annex 1 in UNFCCC terms) and a developing country (Non Annex 1). It clearly calls for development of systems for carbon monitoring and for market-based approaches to address deforestation while aiming at the central requirement to demonstrate that REDD can and should be included in a Post-2012 international climate change outcome. The Indonesia-Australia Forest Carbon Partnership is a major initiative under the IFCI. It supports the development of the forest resource information system and national carbon accounting system in

Indonesia, the ongoing development of REDD demonstrations in the country as well as support for policy development to contribute to international negotiations. It will also support development and implementation of the new Roadmap for Access to International Carbon Markets.

Figure 1: IFCI, IAFCP and IAFCP Facility goals

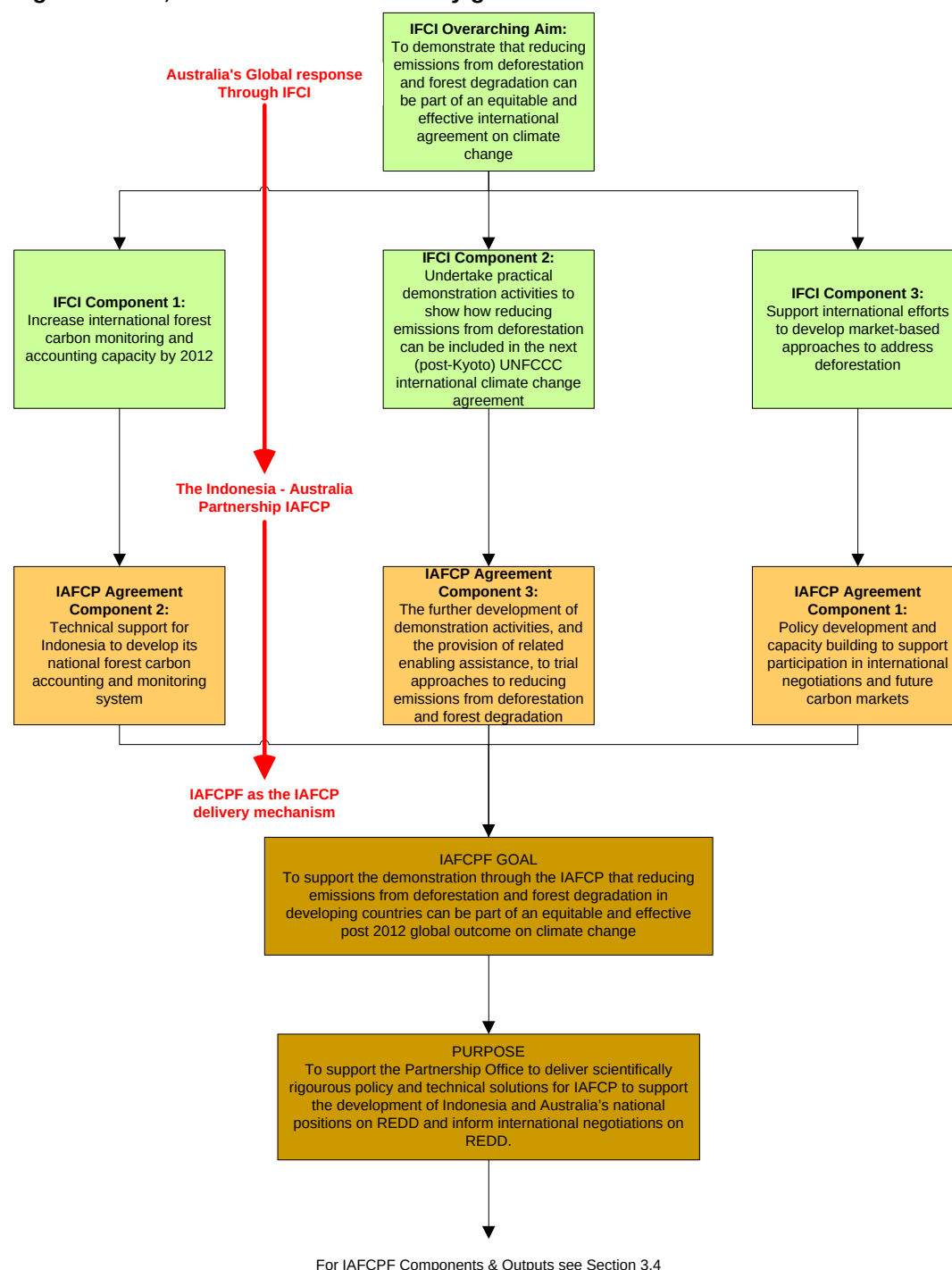


Figure 1 provides an overview of the hierarchy of goals under which work through the IAFCP Facility will proceed. It shows the relationship between IFCI's overarching aim

and the components that have been defined for it, and the component goals that have been set for IAFCP. There are three streams of intention with the goal of further developing REDD demonstration activities under IAFCP and the goals to assist Indonesia to develop its carbon accounting and monitoring system and to develop policy and capacity to support participation in international negotiations and future carbon markets. These three goals are then combined again into the goal of the IAFCP Facility, which in turn reflects the IFCI overarching aim. Section 3.3 following gives more detail of the structure of IAFCP.

3.2. *Form of aid*

Before developing the goal and objectives of the IAFCP Facility we need to explain just why a facility is the correct response to the challenge. This argument is framed in terms of “selecting form of aid”. AusGuideline 3.2 provides an overview of forms of aid and suggests that the following main forms be considered.

Specific Activities – these are specific and time-limited projects that are generally an addition to the systems used by a partner government. These are normally contracted by AusAID and fall into two main categories: **Projects** and **Facilities**. Projects have well defined implementation paths while facilities are more flexible and adopt a progressive approach as part of the management methodology whereby responsive and flexible funding for a range of needs can be provided as needs emerge and are identified as priorities. The latter approach of a facility is the only form of aid considered practical for delivering the IAFCP for the following reasons:

- Governments will want to provide intensive guidance and strategic policy input to the facility: Management arrangements need to consider the need for both Governments’ need to closely guide program directions and the highly iterative facility approach provides this.
- The activity will need to be rapidly iterative to take into account the changing international scientific and political environment; a more rigid project modality would not be responsive enough.
- Scaling up to deliver additional financing for demonstration activities may be required: The Australian Government has committed in principle to consider additional packages of support for further demonstration activities following the release of GOI’s REDD criteria. A more defined, traditional project approach would be unlikely to provide this flexibility.

By contrast a **Program approach** is usually a longer term suite of activities in an area or sector to support the national plans of the partner country. This is not considered practical because:

- There is lack of clarity around the current plans of Indonesia on REDD and climate change and the rapidly developing structures, legislative and regulatory framework in which these plans are evolving; and
- Time imperatives are faced which means this approach would not deliver what is needed in the time available.

Parallel financing is a further form of aid in which Australian activities are aligned with multilateral development bank (MDB) activities/programs. This is not considered practical because Australia and Indonesia wish REDD to be incorporated into a post-Kyoto framework. This view is not necessarily shared by other donors or the MDB’s and as such a parallel financial approach is unlikely to deliver the outcomes required.

Development policy support – this is broad based budget funding based on significant up-front reforms, with GOA focus on monitoring selected sectors. In light of the start-up work needed in advance of a development policy support

arrangement, particularly if were to be used for channelling funds to sub-regional governments, and the evolving policy reform intentions on the part of the Government of Indonesia (GOI), this approach would probably take more than a year to gain traction and commence. However, it may be desirable to consider this approach in later years.

3.3. Goal

Having established that a facility approach is needed we can set the goal and objectives for the IAFCP Facility. As stated above in Figure 1 the goal of the Facility is:

To support the demonstration through the IAFCP that reducing emissions from deforestation and forest degradation in developing countries can be part of an equitable and effective post-2012 global outcome on climate change under the UNFCCC.

This goal states that the IAFCP Facility is the delivery mechanism for the IAFCP and the vehicle through which government to government activities on REDD will be implemented. This places the Governments of Indonesia and Australia firmly as partners in directing and benefiting from the activities that the IAFCP Facility will undertake.

It also states that all activities delivered through the IAFCP Facility and thus IAFCP aim to reach the overarching aim of IFCI, which is to demonstrate REDD can be part of the international agreements on climate change.

There is a subsidiary purpose for the IAFCP Facility which is:

To support the Partnership Office to deliver scientifically rigorous policy and technical solutions for IAFCP to support the development of Indonesia and Australia's national positions on REDD and to inform international negotiations on REDD.

This recognises the need to provide documented evidence that REDD can be incorporated in a post-2012 outcome. The emphasis on scientific rigor is essential and has been acknowledged by both governments. This purpose recognises that while there is uncertainty in the process and outcomes of the international negotiations on REDD, particularly in the early stages, the IAFCP Facility still needs to exercise scientific rigour in what it is tasked to do by the Partnership Office and will need to present focused results for use by the two governments.

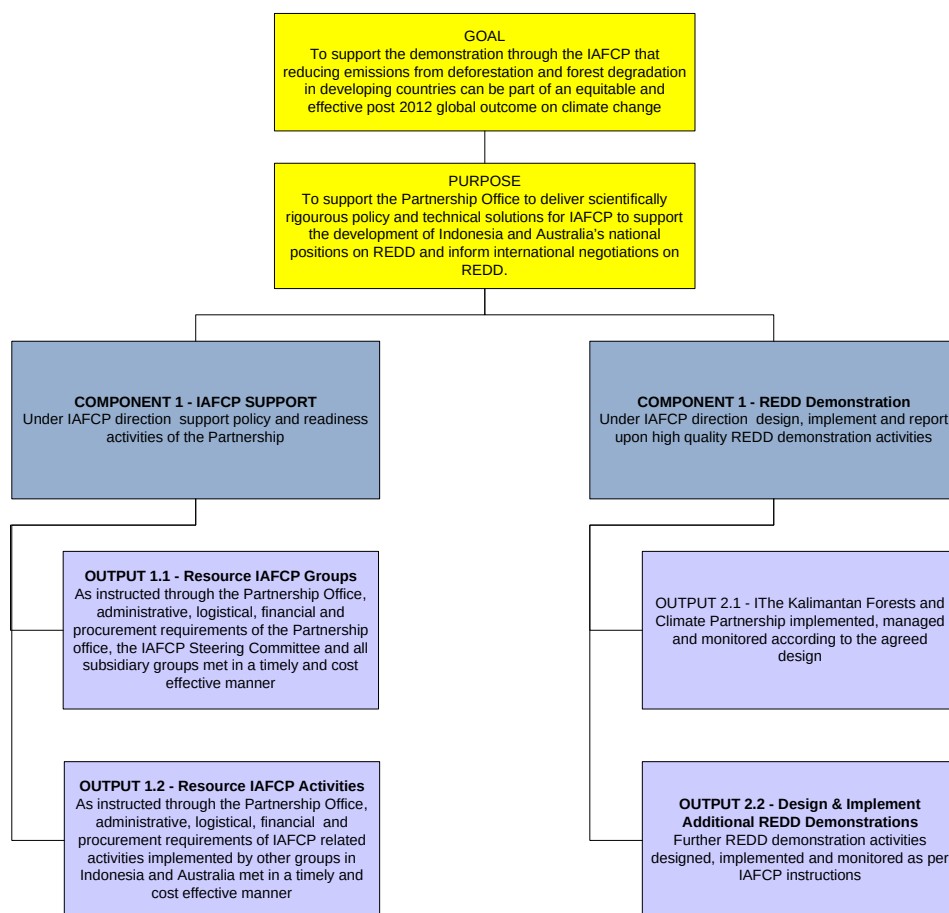
3.4. A two component structure for the IAFCP Facility

The Managing Contractor will have four broad task areas:

- Logistics, procurement, financial management and administrative support for the Partnership;
- Logistics, procurement and administrative support for other REDD related activities implemented by other groups engaged under IAFCP;
- Project management of existing and future REDD demonstration activities under IAFCP; and
- Design of future REDD demonstration activities for IAFCP under the guidance and leadership of the Partnership Office.

These task areas are accommodated by two operational components for the Facility and form the basis for the MC's Scope of Services with objectives and outputs as shown in figure 2.

Figure 2: Component Structure of IAFCP Facility



Component 1: IAFCP Support

Objective: Under IAFCP direction support policy and readiness activities of the Partnership

The MC will under the direction of the PO be required to support policy and readiness tasks and activities required by GOA or GOI under IAFCP. The MC's work will involve provision of logistical, administrative, financial management and recruitment and procurement support. The MC will also resource the Partnership Office. There are two outputs to cover the differing scenarios:

Output 1.1: As instructed through the Partnership Office, administrative, logistical, financial and procurement requirements of the Partnership Office, the IAFCP Steering Committee and all subsidiary groups met in a timely and cost effective manner

The Partnership Office is headed by the GOA and GOI-appointed Coordinators. The GOA Coordinator will be contracted separately to AusAID, but all other staffing and all procurement and logistics for the Partnership Office will be resourced through the MC. Contracts for the three Forest and Climate Specialists will be novated to the MC. The MC will also be required to resource the activities of the IAFCP Steering Committee and all Task Groups and Technical Panel members. The MC will not be responsible for the performance of the Partnership Office or any other group so resourced, provided that logistical, procurement, recruitment and administrative requirements as instructed through the Partnership Office are met in a timely and cost effective manner.

Output 1.2: As instructed through the Partnership Office, administrative, logistical, financial and procurement requirements of IAFCP-related activities implemented in Indonesia and Australia met in a timely and cost effective manner

The Partnership Office will provide instruction for the resourcing of IAFCP activities carried out by other groups, largely on a direct bilateral or multilateral basis. One major example of this is the FRIS/NCASI activity which is currently under design in conjunction with the Department of Climate Change in Australia. Another example is commitment for the multi-lateral Indonesia Forest Climate Alliance (IFCA). While the two Governments will reserve the right to directly fund elements of activities such as these (i.e. through direct funding to government or multilateral agencies) it is likely that the MC will be required to provide administrative, logistical, financial management and procurement services on demand for such activities.

The MC will not be responsible for the performance of activities implemented through bi-lateral or multilateral arrangements, provided logistical, procurement, recruitment and administrative requirements as instructed through the Partnership Office are met in a timely and cost effective manner.

Please note that the FireWatch activity is included here as a special case because it is already contracted and being implement by Landgate under separate contract with AusAID. The existing contract will not be novated to the Managing Contractor for the IAFCP Facility, however, if the FireWatch activity is extended or expanded beyond the scope of the original contract, the new revised contract will be novated to the MC. If this novation occurs, the MC's role will be limited to the provision of financial tranches to Landgate, and for the oversight and reporting of the use of these funds under the direction of the Partnership Office.

Please also see section 4.2 which covers the eventuality that activities will be implemented directly by government agencies from either or both Indonesia or Australia. These activities can either be funded through the IAFCP Facility or directly to the government agency concerned. Activities in the latter category will not involve the Facility.

Component 2: REDD Demonstration Activities

Objective: Under the direction, guidance and supervision of the Partnership Office, design, implement and report upon high quality REDD demonstration activities

REDD demonstration activities form the core of IAFCP. The task of the MC is to ensure that demonstrations are implemented to the highest quality possible within the time available in line with the purpose of the IAFCP Facility as articulated above. There are two main sub-sets of activities for which the contractor will receive payment and these are covered in the outputs given below. The MC will in the case of KFCP manage a pre-designed activity. In the case of additional demonstrations the MC will be required to design and implement in collaboration with and under the leadership of the Coordinators and the Partnership office specialists. In all cases the MC will be required to provide administrative, logistical, financial management, recruitment, procurement and project management services.

Component 2 requires the attainment of two outputs accordingly:

Output 2.1: The Kalimantan Forests and Climate Partnership implemented, managed and monitored according to the agreed design and as updated from time to time

The KFCP is under a separate process of detailed design at the time this IAFCP Facility design document is being prepared. By the time the Facility is tendered the KFCP detailed design will be finalised and approved and available for bidders. The

MC will be required to manage KFCP under the guidance of the Partnership Office and the IAFCP Steering Committee, although some related sub-activities may be led by the Forest and Climate Specialists. It should be noted that there is also a pre-existing steering committee for KFCP, which will be re-designated as the KFCP Task Group. Broadly, the KFCP Task Group will work to establish a work program for elements of KFCP on a regular basis. This will require a final contractual sign off by the GOA Coordinator within the Partnership Office. Once work elements of KFCP have been signed off by the Partnership Office the MC will be required to implement them according to the management arrangements outlined in section 4 of this document. In particular, for details of the roles of Task Groups see section 4.1.

Output 2.2: Further REDD demonstration activities designed, implemented and monitored as per IAFCP instructions

The two Governments intend that IAFCP will include further REDD demonstration projects in other forest areas of Indonesia. On 12 November 2008 Australia and Indonesia announced at the Australia-Indonesia Ministerial Forum that the two countries will develop a second REDD demonstration activity that will be differentiated in location and forest type from KFCP. Further work will be required by the Partnership Office to recommend the geographical areas and scope of activities of the new demonstration/s to the IAFCP Steering Committee. Once agreement has been secured, a full design will be produced by the Managing Contractor in collaboration with and under the leadership of the Coordinators and the Forest and Climate Specialists. Once the resulting design has been approved by GOA and GOI, the MC will be required to implement the new REDD demonstration/s under Partnership Office instructions.

The new REDD demonstration/s may be undertaken on a design and implement basis. Once the design has been submitted, appraised and approved, contract variations will be drawn up to cover the new REDD activities. The MC will be required to manage and monitor the additional REDD activities under the guidance of the Partnership Office and the IAFCP Steering Committee. This is likely to be in a similar manner to the management and monitoring of KFCP. Details of the work required will be determined in the design phase for the new demonstrations. One option that can be considered at this stage is the continued use of the KFCP Task Group to provide inputs to work programming.

3.5. Estimated Budget and Timing

As of mid October 2008 the allocations and expended amounts for each element of the IAFCP are as given in table 1.

Table 1: Estimated available budget for the IAFCP Facility

Financial Situation for IAFCP October 08			
	Element of IAFCP	Allocation A\$	Expended to October 2008 A\$
1	REDD - Indonesia Forest Climate Alliance	1,000,000	747,003
2	REDD - Policy & Pilot Concept Development ³	3,000,000	0
3	Program Management	1,000,000	383,554

³ Pilot Concept Development refers to the development of additional REDD demonstrations. Program Management funds are for overall management and development of the IAFCP and are managed by AusAID.

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Financial Situation for IAFCP October 08			
4	Peat Carbon Assessment	1,500,000	340,840
5	FireWatch Indonesia	1,500,000	1,004,829
6	Kalimantan Forests & Climate Partnership	30,000,000	1,369,073
7	Forest Resources Information System / NCASI	2,000,000	642,496
		40,000,000	4,487,795
	Remaining funds	35,512,205	

These are estimates sourced from AusAID and will be subject to revision due to a) finalisation of this design document and b) further expenditure made prior to inception by the MC in June 2009. They therefore give a guide as to the initial financial size of the facility, which will be a maximum of \$35million to mid 2012 (with possible upward revision if further funds are made available during that time).

Under the IAFCP, Australia has committed A\$10 million over two years to readiness activities and A\$30 million to the KFCP until mid 2012 with broad allocations by IAFCP element. Items 1 to 5 and 7 above are thus included in the “readiness” category.

Table 2 shows the estimated budget to mid-2012 for the main areas to be covered under the IAFCP Facility. The total budget in each case is broken down into the cost for the PO, support to the Steering Committee and to Task Groups, administrative costs for the Managing Contractor, the MC's fee and (in the right hand column) the funds remaining for implementing work components. The design team acknowledges that a) this estimate does not cover to the end of 2012 (i.e. post Kyoto) and b) this estimate will require refinement in forthcoming months. We suggest that this is a guide only at this stage.

Table 2: Indicative funding breakdown for the IAFCP Facility

IAFCP Element		PO	SC/TGs	Admin	MC Fee	For Activities
REDD - Indonesia Forest Climate Alliance	252,997	35,008	5,001	3,505	19,959	189,523
REDD - Policy & Pilot Concept Development	3,000,000	415,125	59,304	41,563	236,675	2,247,333
Program Management	616,446	85,301	12,186	8,540	48,632	461,787
Peat Carbon Assessment	1,159,160	160,399	22,914	16,059	91,448	868,340
FireWatch Indonesia	495,171	68,519	9,788	6,860	39,065	370,938
Kalimantan Forests & Climate Partnership	28,630,927	3,961,803	565,972	396,664	2,258,741	21,447,747
Forest Resources Information System / NSASI	1,357,504	187,845	26,835	18,807	107,096	1,016,921
Totals	35,512,205	4,914,000	702,000	492,000	2,801,616	26,602,589
Calculated percentage of total	100%	13.84	1.98	1.39	7.89	74.91

N.B. Estimates for MC fees are based on an 8% of total less the MCs own admin costs.

Based on the current indicative total budget of \$35.5 million, the costs related to the Facility can be broken down as in the table above and applied for the period June 2009 to June 2012. Costs related to the PO, support to the Steering Committee and Task Groups and administration costs are calculated for the whole operation and divided proportionally over the different programs.

The cost related to operating the Partnership Office include the GOI-appointed Coordinators, the Forest & Climate Specialists (already working) and additional support staff for facilitation and administration. It also includes the cost of equipping and running the PO.

Costs related to support extended to the Steering Committee and the Task Groups includes some equipment, support staff, expert fees and travel. Also, this part of the budget is expected to go down as a percentage of total budget if the total budget is increased.

Administrative Costs cover the cost of running the MC's office including staff. The cost of the MC's Facility Manager, M&E Specialist and KFCP Coordinator (see section 4.3 for summary of these roles) are not included in this section. Their salaries are part of the Management Fees. The total administrative costs are likely to go up proportionally with increasing budgets.

The management fees are an estimate only and will be subject to determination through bidding. All other funds including government implementation expenses will be spent on implementation in accordance with the TORs developed by the various Task Groups. Please refer to the separate Basis of Payment Document for further details.

4. Implementation Arrangements

4.1. *IAFCP Structure and Work Flows*

The IAFCP Facility will operate within the given structure of the IAFCP. There are four key groups in the IAFCP which the IAFCP Facility will resource, each with particular roles and responsibilities. These groups are shown structurally in Figure 3. Work flows (the program cycle) are shown in Figure 4. Information given here on these groups is provided as a context for the Facility. It is acknowledged, given the fluid situation with which the Facility must deal, that groups and their modus operandi may need to change and evolve as the work on REDD progresses.

The IAFCP Steering Committee

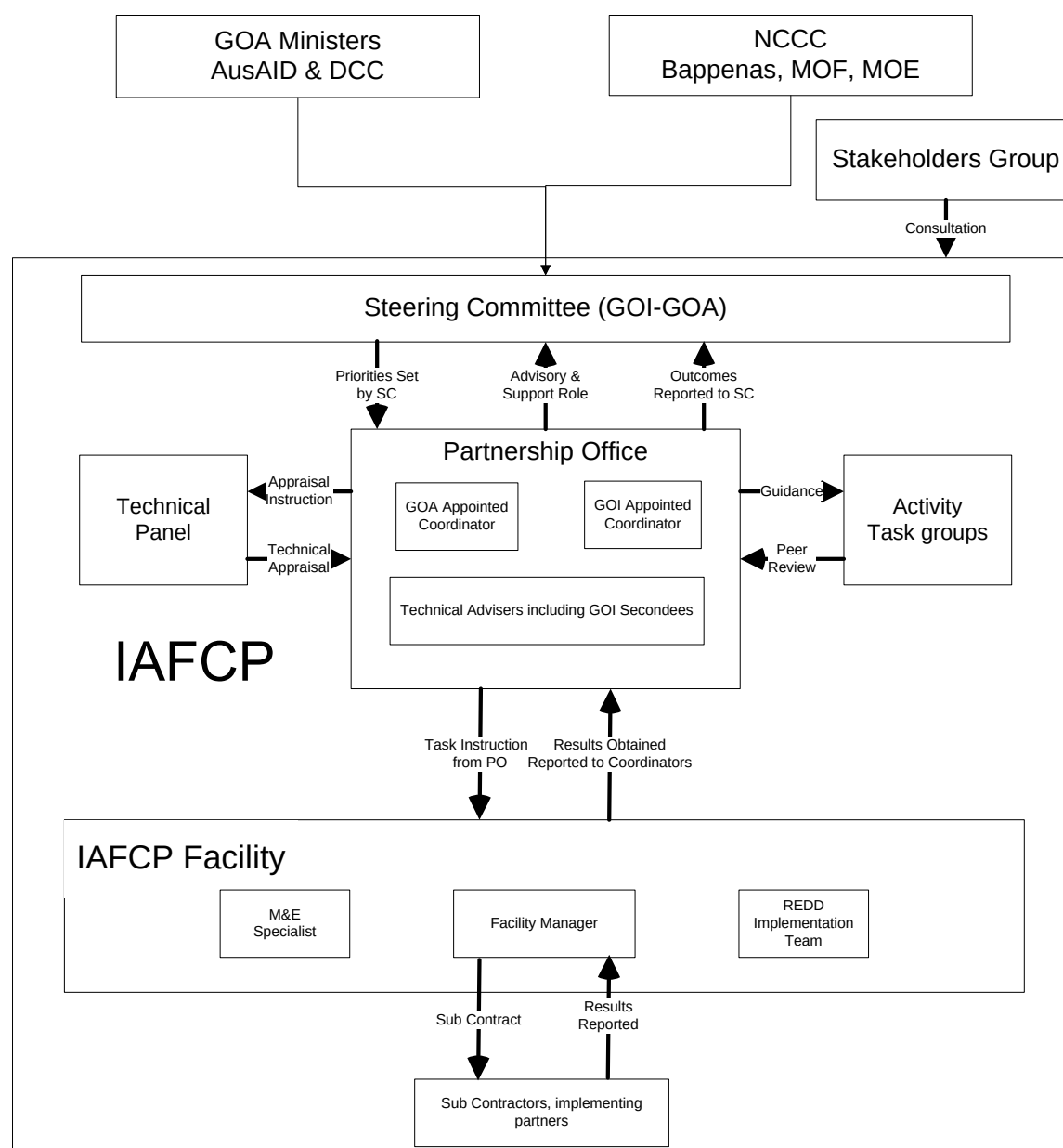
The IAFCP Steering Committee is already in place and has commenced its work in guiding IAFCP. It provides a coordination point for both Governments for cooperative REDD activities and policy developments. In this regard the Committee is able to pass information regarding REDD to both Governments. The involvement of senior government officials from Australia and Indonesia will allow access to high level policy making processes in both countries.

The IAFCP Steering Committee meets at a minimum once every six months and consists of: (from Indonesia) BAPPENAS, the Ministry of Forestry, the Ministry of Environment, the Ministry of Foreign Affairs and the Ministry of Finance (currently an observer); and (from Australia) AusAID Jakarta and Canberra and the Department of Climate Change. The Australian Departments of Foreign Affairs (DFAT) and of Agriculture, Forestry and Fisheries (DAFF) are also observers. BAPPENAS and AusAID are co-chairs and it is likely that Ministry of Forestry, which currently has three members on the Steering Committee, will take over as the GOI Executing

Agency. In addition the Partnership Office and Managing Contractor should be observers at Steering Committee meetings.

The two Governments will if necessary review the membership of the IAFCP Steering Committee with a view to opening up this group to a broader range of stakeholders in REDD. The Indonesian Ministry of Finance mentioned above as already being an observer, has, for instance, been mooted as a Steering Committee member. There is provision for further organisations to be observers in the future, with possible inclusion of local governments and other implementing organisations. One example is the National Aeronautics and Space Administration, LAPAN, which is involved in the FRIS/NCASI activity.

Figure 3: Management Arrangements for the IAFCP



The Steering Committee will be assisted and advised by the Partnership Office (PO) and resourced by the IAFCP Facility as instructed through the Partnership Office. The IAFCP Steering Committee currently provides strategic direction for the IAFCP. Following the creation of the Partnership Office and the Facility, this will be done

through a more formal process whereby the Steering Committee approves and provides strategic direction for a six-monthly Rolling Prioritisation Plan (RPP) and budget (see section 4.5). This will be formulated by the Partnership Office (with inputs from the IAFCP Facility Managing Contractor) for approval at each six-monthly Steering Committee meeting. The RPP will also contain requirements for the establishment, resourcing and work of Task Groups.

Figure 3 also includes a stakeholders group. This is not a formal group within IAFCP, but is included to recognise that while the Steering Committee represents the major players from Indonesia and Australia in the field of REDD, there are many other agencies and organisations that do, or in the future will, have an interest in REDD. The composition of this group may change over time particularly as and when the dialogue on REDD moves from a focus on scientific demonstration to one of practical implementation. It is likely during the implementation of the IAFCP Facility that Task Groups (see below in this section) will draw membership from the wider stakeholders group.

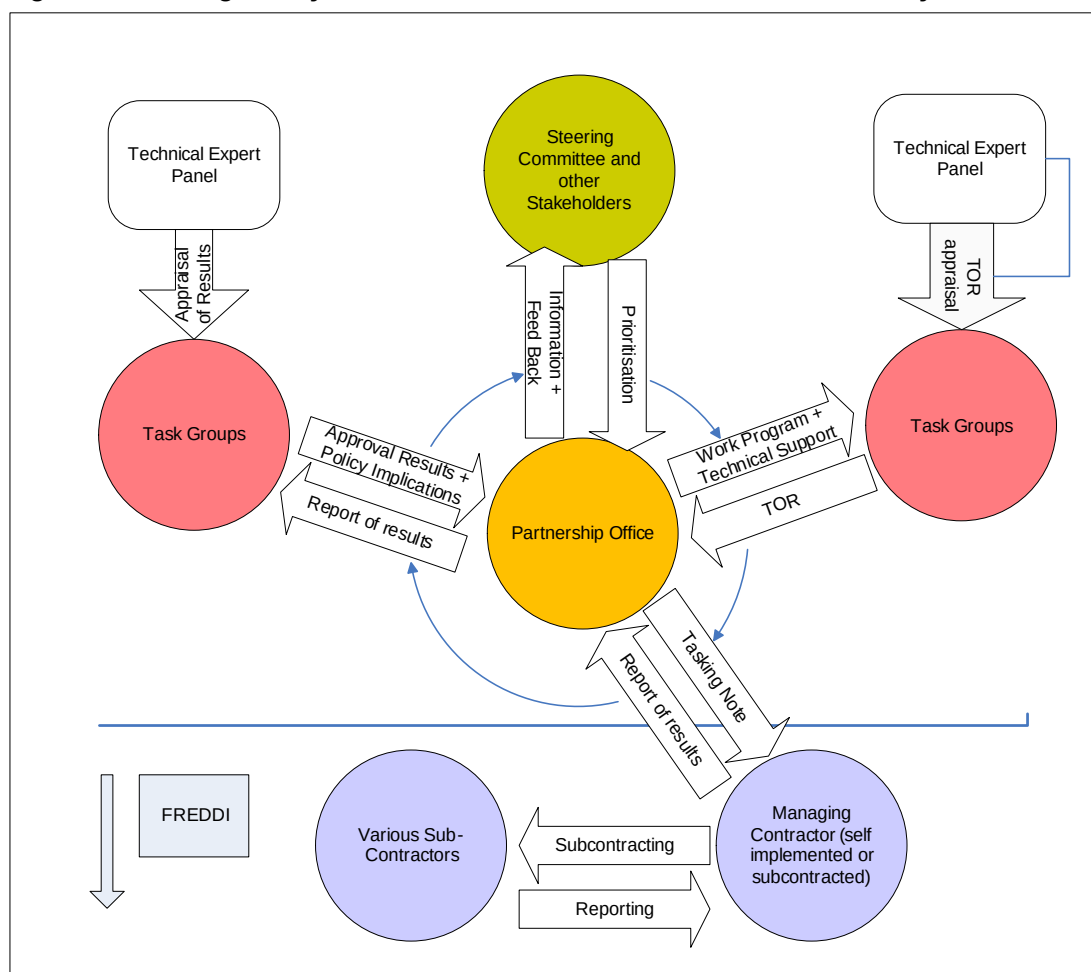
The Partnership Office

Central to the operation of IAFCP is the Partnership Office. It is paid for by the IAFCP Facility, but reports to GOA & GOI through the IAFCP Steering Committee. The Partnership Office supports and advises the Steering Committee on all aspects of IAFCP operation. The PO acts as advisor to the two Governments and will assist in the definition and prioritisation of issues prior to the formulation of six-monthly RPPs and budgets. The PO will also advise the Steering Committee on the formation and membership of Task Groups as the need arises.

The PO directs implementation of all work within the IAFCP. In this regard it instructs the IAFCP Facility to a) resource all IAFCP activities and groups as per Component 1 and b) assist with design and undertake implementation of REDD demonstration activities as per Component 2. It is assisted in definition of terms of reference for work to be undertaken by the IAFCP Facility by Task Groups.

The PO supports the Task Groups in their work to define terms of reference for work to be undertaken by the IAFCP Facility (and by the PO itself). It has the responsibility to convene and facilitate task group meetings and to ensure that results are communicated to the Steering Committee and to the IAFCP Facility. It also has the responsibility to call for high level advice or appraisal from the Technical Panel as and when this is required. Please refer to Figure 4 for a diagrammatic representation of work flows.

Figure 4: the Program Cycle and work flows for IAFCP and IAFCP Facility



The Partnership Office includes the following positions:

A **GOA-appointed Coordinator** whose overall responsibility is to ensure that IAFCP activities provide useful input into the UNFCCC negotiations and that relevant technical advice is available on all developments related to REDD activities being implemented through IAFCP. The GOA-appointed Coordinator will provide high level analysis of key issues and advise the Steering Committee accordingly. He will take overall responsibility for ensuring that IAFCP task requirements are communicated to the IAFCP Facility in a timely and accurate manner. The detailed TOR for the GOA-appointed Coordinator is given in Annex 6. The GOA-appointed Coordinator has already been appointed by the Government of Australia after recruitment through the international market and is under contract directly with AusAID;

A **GOI-appointed Coordinator** whose overall responsibility is to represent the Government of Indonesia in the implementation of IAFCP and to advise the Steering Committee (in concert with the GOA-appointed Coordinator) on overall strategic directions for IAFCP. The detailed TOR for the GOI-appointed Coordinator is given in Annex 6. S/he will be under direct contract with the IAFCP Facility and be appointed on the advice of GOI;

A group of three **Forest and Climate Specialists** is already recruited and operational and has taken major responsibilities to date in formulating designs for KFCP and the FRIS/NCASI activities. The Facility Design Team has not

developed TORs for this group, as they will work under the direction of the GOA-appointed Coordinator. They are currently contracted directly to AusAID. Their contracts will be novated to the MC; and

Administrative and logistical support staff (to be recruited) and paid through the IAFCP Facility.

Technical Staff seconded from GOI: Discussions are underway concerning the inclusion of seconded technical staff from GOI within the PO. It is envisaged that such staff could work under the direction of the Coordinators or as direct counterparts to Forest & Climate Specialists, but this will need to be determined by GOI and GOA on the advice of the PO. It will be important to ensure that technical secondees have appropriate skills and experience to REDD. The work may suit younger, more qualified persons from within line Ministries. Possible work for the secondees includes:

- Assisting the PO in its role with the MC in preparing designs for new REDD demonstration activities;
- Assignment as resource persons for Task Groups to provide assistance in Task Group work on drawing up TOR and undertaking review of tasks under the IAFCP Facility;
- Providing ongoing liaison with operational staff within stakeholder organisations, both those represented on the Steering Committee and those within the wider stakeholder group; and
- Providing ongoing liaison with resource persons within the scientific and academic community on REDD issues.

The GOA-appointed Coordinator will need to ensure that the MC is advised accordingly of needs for further PO staffing, including any further specialists as may be agreed by the Steering Committee.

Please note that the core of the Partnership Office, consisting of the GOA-appointed Coordinator and three Forest and Climate Specialists, already exists and is working from the AusAID offices in Jakarta.

Task Groups

The Task Groups comprise nominees of the Steering Committee and key stakeholders with an interest in the management of activities and/or the technical issues at hand. The PO will provide technical leadership and direction for task groups. It is important that a representative of the Managing Contractor and Partnership Office is part of each Task Group. This helps ensure that realistic aims are set for work components and that the Managing Contractor is not asked to undertake tasks it is unable to do.

Task Groups will take responsibility for different task areas and it is likely that at any one time several will be operational. Established groups, where they exist, will be used if possible. An example is the KFCP Management Committee which will be re-designated the KFCP Task Group. There will also be a Task Group for each of the following: FRIS/NCASI, Peat Carbon and Policy Development. Task Groups may not necessarily be permanent IAFCP groups. They are to be formed and disbanded as required to deal with technical issues as the need to program activities arises.

Based on the priorities established by the Steering Committee, and under the leadership of the PO, Task Groups are required to develop terms of reference for activities to be implemented under the IAFCP Facility and the PO. The TOR are not detailed, as it is the responsibility of implementers (whether through the Managing Contractor or directly through government agencies) to develop detailed activity

designs. But TOR will need to establish clearly the objectives, the timeframe, the quality assurance and monitoring requirements and the cost framework.

Once the implementer has accepted the work the Task Group maintains a watching brief over implementation and progress from a technical perspective, with the understanding that it would require exceptional circumstances under which changes to contracted activities (communicated by the PO) would be necessary to avoid complicated and costly delays. The watching brief means that for longer term activities, Task Groups should meet on a regular basis to oversee progress.

Reports from implementers are provided to the Task Groups which are required to ascertain whether implementation has been undertaken in accordance with the TOR. If the Task Groups are satisfied with results, outcomes and achievements are reported through the PO to the Steering Committee. If the Task Groups are not satisfied, implementers can be asked to remedy or repeat.

Technical Panel

A Technical Panel (ITP) is likely to be formed by the two Governments. The aim of the Technical Panel is to ensure a very high level of scientific rigour in the design and implementation and interpretation of results of all IAFCP technical activities. The panel will provide critical appraisal for IAFCP Facility activities as directed by the PO. The panel is a network of experts that can be called on as required and it is not envisioned that the panel would meet physically on a regular basis.

Members are world renowned experts in REDD and related technical matters. Such members will by necessity be used sparingly (as they are likely to be in high demand), and will play two key roles. The first role is to provide independent high level technical advice to the two governments through the Steering Committee, which will be arranged through the PO. In this case members will report directly to the Steering Committee. The second role is to provide appraisal advice to the Task Groups to appraise the TOR and the results of activities. In this case the members will report to the PO.

High level technical assistance is provided at two stages in the activity cycle by the Technical Panel to appraise the TOR and the results of work activities. This helps to confirm technical directions, particularly as they relate to demonstrating REDD.

ITP membership may change according to technical requirements as work under the IAFCP Facility progresses. For instance it is likely that additional or different expertise will be required after COP15. The panel members are contracted by the Managing Contractor but the PO will help the Steering Committee select and task the experts.

4.2. A note on direct government implementation

As introduced in section 3.4 in the description for Output 1.2, during term of the IAFCP Facility there will be cases where implementation of activities needs to be the direct responsibility of Australian or Indonesian government agencies, with work occurring either in Australia or Indonesia. A case in point is the development of FRIS/NCASI systems. The Roadmap is another example of a Government to Government activity where technical assistance may be provided through the Facility. For clarity the Managing Contractor will need to understand that there are two operational modes envisaged for direct government implementation:

- Direct funding through the government agencies concerned, which by definition will not involve the Managing Contractor or the IAFCP Facility at all; and
- Funding for the government agencies concerned released through the Managing Contractor and the IAFCP Facility, in which case the MC is

responsible only for disbursement and acquittal of funds, and administrative and logistical support, not for results of the activities.

Determination of the need for direct government implementation will be made using the same processes as for MC implemented or sub-contracted activities, i.e. the Steering Committee will determine the need for government implementation (using either operational mode) and in the usual manner instruct the PO to develop TOR with the Task Groups.

4.3. *The IAFCP Facility and the Managing Contractor*

The IAFCP Facility as the support and delivery mechanism for IAFCP will require a **Managing Contractor**. The IAFCP Facility will undertake detailed design aspects, sub-contracting, monitoring of quality during implementation and implementation of REDD demonstration activities. In order to achieve this the Facility will require:

- A Facility Manager, whose role is to lead the facility and deliver agreed outputs for all activities and tasks (with administrative support as appropriate). The Facility Manager will oversee detailed design, contracting, supervision and reporting of all work implemented through the IAFCP Facility. S/he will oversee all administrative, financial management, logistic, procurement, contracting and recruitment work undertaken to support a) the work of the Steering Committee, PO, Task Groups and Technical Panel, and b) the work of other groups engaged to implement activities under IAFCP. More detailed TOR for the Facility Manager are given in Annex 6;
- A Monitoring and Evaluation Specialist who takes primary responsibility to ensure quality in all activities undertaken through the IAFCP Facility and to ensure that M&E systems are in place accordingly (commencing with an evaluability assessment and definition of end-of-initiative outcomes – see Section 4.5 for details). Significant parts of the Specialist's work in this regard will be a) to liaise with Task Groups to establish appropriate performance indicators as part of activity TORs; b) to ensure that REDD implementation groups (whether in-house or sub-contracted) have M&E systems in place to ensure quality in their work, and c) that useful and timely monitoring information is available through the Facility Manager for the PO to distribute to relevant players within IAFCP. The M&E Specialist is also required to assist the PO on behalf of the IAFCP Facility to ensure that an overall M&E system is in place for IAFCP, with the PO taking overall responsibility for the IAFCP M&E system. Furthermore the M&E Specialist will be required to work with the PO on assisting AusAID to ensure that appropriate inputs are made to the IFCI performance assessment framework for which AusAID takes responsibility. More detailed TOR for the M&E Specialist are given in Annex 6;
- A REDD implementation team to manage implementation of REDD demonstration activities. The Facility Design Team has not developed TORs for this team as their membership and responsibilities will depend on the detailed design for KFCP and further REDD demonstration projects. Provision for a KFCP Coordinator is made in the Basis of Payment; and
- Administrative support staff as appropriate.

The Managing Contractor (MC) for the facility is appointed through an open international tender process in accordance with the Australian Commonwealth Procurement Guidelines and is contracted to AusAID. The MC will report on work components and activities to AusAID's separately contracted GOA-appointed

Coordinator and the IAFCP Facility contracted GOI-appointed Coordinator within the PO.

All other personnel and groups employed to undertake work through the IAFCP Facility will be sub-contracted to the MC. This includes the three Forest and Climate Specialists currently contracted to AusAID, who while they will be responsible to the GOA-appointed Coordinator of the IAFCP Partnership Office, will be novated to the MC for contractual matters. In a similar manner, in the event of extension of the existing contract with Landgate for the FireWatch activity, this may be novated to the MC. If novation occurs, Landgate will remain responsible to IAFCP for all performance matters, but will be financially supported through the IAFCP Facility.

The IAFCP Facility will provide administrative, logistic, financial management, procurement, contracting and recruitment work to support a) the Steering Committee, PO, Task Groups and Technical Panel, and b) the work of other groups engaged to implement activities under IAFCP.

The largest part of the MC's role will be to manage REDD demonstration work processes. The MC should have a representative on each Task Group to assist in drawing up realistic TORs, but this representative will only be a silent observer on reviews of designs and activity results by the Task Groups. Once TORs have been agreed and accepted the MC's role is to undertake (or contract out) detailed design and/or implementation based on the requirements of the TORs prepared by the Task Groups. Selection procedures to choose implementers will be agreed with the PO in the case where sub-contractors are tendered. Prior to 1 June 2010, and where total activity costs will not exceed \$250,000, the MC may implement activities itself, using additional personnel engaged specifically for the activities concerned. Prior approval for this will come from AusAID. Stipulations for self-implementation of this nature are given in section 4.36 of the Scope of Services.

The MC is charged with ensuring that sub-contractors' or its own staff implement activities to meet the time, cost and quality requirements of the TOR, and can report appropriately and in a timely manner to the Task Groups on results obtained. The role of the MC's M&E Specialist will be crucial in this regard, although there may be circumstances where large or complex M&E tasks need to be sub-contracted.

At the time of writing an office is being established in Central Kalimantan to cater for the needs of the KFCP. The MC will be required to resource this office.

The MC will be responsible at the commencement of its contract to produce an Operations Manual for the Facility and for contracting annual independent financial and management audits throughout implementation of the IAFCP Facility. Further detailed information on the MC's role and funding is given in the Scope of Services and Basis of Payment, which are separate documents. In case there are differences between the Scope of Services/Basis of Payment and this Facility Design Document, the Scope/Basis will prevail.

4.4. *Implementation Plan*

A phased approach

The division of expected outcomes between those of a short-term nature with a focus on the needs of COP15, and those focused on developing a post-2012 framework calls for a different emphasis in activities. Particularly because the MC will be unlikely to have deployed before June 2009, the early outcomes are by nature severely time-constrained. It would be unrealistic to expect prior to COP15: a) significantly more than preliminary scientific results and b) significant gains in capacities (the exception to this is capacity of the two governments to negotiate a position on REDD). The focus pre-COP15 is to present and defend methodologies and policy approaches.

Post-COP 15 it is expected that IAFCP Facility activities will need to continue to focus on implementing REDD demonstration activities to inform ongoing methodological and policy work in the UNFCCC, while at the same time addressing longer-term capacity building needs (see discussion of sustainability in section 4.6) to ensure that systems are in place to derive benefit from REDD on a long-term basis.

We need to recognise that: a) key work elements will need to be implemented pre-COP15 to meet the priority outcomes required for negotiations; b) an MC is unlikely to be deployed before June 2009; and c) assuming success at Copenhagen, a different set of priorities will emerge for the latter part of the IAFCP Facility implementation to 2012. This defines a 3-phase approach to the IAFCP Facility which is summarised in Figure 5.

The following two sections outline the implementation plans for the first two phases of the IAFCP Facility. At the end of these phases, i.e. as a result of the outcomes of COP15, IAFCP will implement a review of the Facility to determine what needs to be undertaken between then and mid-2012 (which will be immediately prior to “post-Kyoto”). COP15 will determine the future of REDD within the international climate change negotiations and developments. It is therefore premature to specify at this stage an implementation plan for the Facility for a significant period after COP15.

Figure 5: Three phases for the IAFCP Facility

	2008			2009												2010						
Phase/Month	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J
Pre-MC Mobilisation (Transition)																						
MC Implementation Through COP15																						
Review based on COP15 outcomes																						
Post COP 15																						
Post COP15 phase continues to mid-2012 subject to review.																						

The Transition Phase

The MC is not responsible for the transition phase of the IAFCP Facility as it will not have been selected and contracted. This information is given to show what needs to be achieved prior to the inception of the Facility. Logistics and procurement support for this phase will be provided through the existing contract between AusAID and HK Logistics. The transition phase will consist of at minimum the key activities as shown in Figure 6. This includes by necessity a requirement for early implementation of KFCP and other key IAFCP activities through existing mechanisms (including the PO and HK Logistics) at the same time that the MC is being selected through the tender process.

Figure 6: The IAFCP Facility Transition Phase

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Transition Phase	2008			2009					
	O	N	D	J	F	M	A	M	J
Completion of and agreement to KFCP Design									
Early implementation of KFCP and other IAFCP activities through PO									
Agreement between GOA/GOI on overall IAFCP Facility Design									
Tender and Appointment of Contractor for the IAFCP Facility									
IAFCP Facility MC Deployment									

The Through COP15 Phase

Upon the commencement of IAFCP Facility activities in June 2009, the MC will be required to immediately undertake the two streams of work specified in this design document: support for IAFCP and all its groups and activities; and as instructed design and implement activities for REDD demonstration.

Figure 7: The IAFCP Facility Through COP-15 Phase

Ongoing Phase	2009							2010		
	J	J	A	S	O	N	D	J	F	M
IAFCP Facility MC Deployment										
MC Supports IAFCP Groups/Activities										
MC Work on KFCP										
Decision on Further REDD Activities *										
Design for Further REDD Activities *										
Approval of Design for Further REDD *										
MC Implementation Work on Further REDD *										
Documentation of REDD Activities					Ongoing Process					
COP15										
IAFCP Facility Review										

The Through COP15 phase for the IAFCP Facility (i.e. immediately before and after COP15) is summarised in figure 7. A key milestone will be the compilation of priority information on REDD and its documentation prior to the COP15 meeting in Copenhagen. While it will be the responsibility of the Partnership Office to take a lead in this, the MC will need to work closely with the PO to ensure that the best quality of scientific information is available to take to the COP meeting. It is also acknowledged that documentation of REDD is an ongoing process that will continue post-COP15.

Please note that this figure also shows a stream of activity to design and implement further REDD activities. This is dependent on a decision to proceed to design, which has been nominally allocated to August of 2009. The timing for this decision point may be changed and the two Governments may opt to defer design of further REDD activities until post COP15 (this is marked * in figure 7).

4.5. *Planning, Reporting and Monitoring for the IAFCP Facility*

The Rolling Prioritisation Plan

Prioritisation of activities to be undertaken by IAFCP is carried out by the IAFCP Steering Committee on the advice of the Partnership Office. The GOA and GOI-appointed Coordinators will assemble a Rolling Prioritisation Plan (RPP) every six months for submission to the IAFCP Steering Committee two weeks before its formal meeting. The RPP will allow IAFCP to move ahead in a clear programmed manner and form plans to be adjusted on a biannual basis to cope with major changes, for instance in the negotiations on REDD.

From a planning perspective, the IAFCP contains the following types of activity:

- Activities implemented through the IAFCP Facility, either by sub-contract or through self-implementation;
- Activities implemented by other groups with resources provided through the IAFCP Facility; and
- Activities implemented by other groups but with resources provided outside of the IAFCP Facility.

While the Coordinators will be responsible for planning for all types of activity, the Managing Contractor will only be responsible for formulating those parts of the RPP that relate to activities implemented through the IAFCP Facility, either by sub-contract or by self-implementation. The MC will provide its portion of the RPP to the PO at least three week's before the formal meeting of the IAFCP Steering Committee.

The template for the RPP will be designed by the PO, negotiated and agreed between the MC and the PO and approved by the Steering Committee. The RPP will include:

- A succinct review of progress and achievements during the preceding six-month period based on the Managing Contractor's ongoing monitoring and evaluation, together with information on any important issues arising and related remedial actions taken or needing to be taken;
- Proposed overall strategy for the following 12 months of the plan; and
- A forward work plan including proposed program outputs and budget for the Facility for the coming 12-months.

Approach to Performance Assessment

As has been noted in section 1.2, the IAFCP and its subsidiary activities are under a concurrent series of design processes that parallel the design process for the IAFCP. While overall goals for IFCI and IAFCP have been set, the specific outcomes related to REDD and the various streams of activity that will be achieved through IAFCP are still under consideration and development. This means that the performance assessment framework for the IAFCP Facility is still a work in progress.

Consequently the Performance Assessment Framework (PAF) included as annex 5 of this Facility Design Framework only identifies initial process-oriented outcomes and indicators relating to the MC's performance in meeting the requirements that will be specified by the Partnership Office. At this stage these are restricted to a) ensuring that the MC meets logistical, administrative, financial and procurement requirements commensurate with PO instructions; b) that appropriate standards are utilised in carrying out these duties; and c) that emerging design requirements are met.

It will be very important therefore that a strong platform for outcome based monitoring and evaluation is built into the IAFCP Facility and IAFCP as soon as possible. The MC, which is required to hire a world-class M&E Specialist, will develop and implement under the direction of the PO a properly designed, scheduled and budgeted M&E system that will ensure:

- That the M&E system takes into account the process oriented indicators already set in the draft PAF;
- That the M&E Specialist will lead an evaluability assessment that will at minimum consider:
 - o End of initiative outcomes – what will be achieved by IAFCP at the crucial COP15 and 2012 stages to guide measurement of performance against outcomes. This will require work with the PO, with GOA and GOI and with other major stakeholders as appropriate;
 - o Likely sources of monitoring data;
 - o Assessment of the capacity of stakeholders to participate in M&E design and a review of resources available to undertake M&E; and
 - o Examination of key reporting requirements for major stakeholders and how M&E information will be used and disseminated;
- That cross cutting themes are considered in the evaluability assessment and outcome definition and built into the M&E system;
- That sound methodologies for the collection of primary data will be developed and utilised;
- That indicators will reflect both achievement of outcomes and their quality (with quality at entry, implementation and completion being considered); and
- That the PAF for the IAFCP Facility will dovetail with performance assessment measures for IAFCP and IFCI (which are currently under separate development).

Performance Assessment Functions

Because the IAFCP Facility is part of IAFCP which in turn (from the Australian Government perspective) is part of IFCI, performance assessment in the context of the Facility is a hierarchy of tasks that progressively inform performance assessment frameworks for individual activities such as KFCP, IAFCP Facility, IAFCP and IFCI, with each layer contributing to the layer above.

Tasks within performance assessment for the IAFCP Facility and IAFCP are shared between the MC and the PO, with GOA and GOI taking an oversight role through the Steering Committee. The MC will be responsible for the following performance assessment tasks:

- Developing during the establishment phase a plan for ongoing monitoring and evaluation for the IAFCP Facility that is synchronised with the RRP and utilises the approach to performance assessment set out above and which includes:
 - o Definition of monitoring/performance measurement tasks, their frequency and individual responsibilities;
 - o Updating the IAFCP Facility PAF against which Facility performance will be measured (see section below and Annex 5);
 - o Identifying within the updated PAF the responsibilities for performance of the various activities; and

- o Producing a risk management framework that can be utilised in conjunction with the PAF (see section 4.8 on critical risks);
- Implementing the IAFCP Facility M&E plan and revising it as and when required;
- Assisting the PO to establish and implement an M&E Plan for all IAFCP activities. This M&E Plan will be part of the broader IFCI Performance Assessment Framework and the PO will be responsible for the relevant IAFCP components. The M&E Plan will:
 - o Incorporate the M&E system for the IAFCP Facility;
 - o Provide performance assessment information for activities and tasks for which the PO takes responsibility; and
 - o Provide, where possible, performance assessment information for activities within IAFCP but outside the control of either the PO or the MC (e.g. FireWatch);
- Together with the PO providing input to assist AusAID in the preparation of the IFCI Performance Assessment Framework, for which AusAID (Canberra) has responsibility. This is likely to focus on ensuring that:
 - o IAFCP and IAFCP Facility inputs are included within the overall IFCI PAF which is a multi-country document, and
 - o higher level policy and negotiation activities associated with IFCI, for which neither the PO nor the MC are responsible, are captured within the IFCI PAF.

The PO is responsible for the following performance assessment tasks:

- The development and operation of the overall M&E Plan for IAFCP activities which will include information provided as part of the IAFCP Facility M&E system. The PO will draw upon the assistance of and expertise within the IAFCP Facility to produce and implement the M&E Plan;
- Working with the MC on providing input to the IFCI PAF as mentioned above.

The IAFCP Facility M&E Plan will be designed and finalised within the first four months of IAFCP Facility operation. As mentioned in Section 4.3, the MC will have an M&E Specialist full-time within the Facility to undertake M&E functions. The Specialist's TOR is given in Annex 6. In addition to meeting M&E requirements for the RPP it is anticipated that the M&E Specialist will ensure a quality control chain to promote scientific rigour in IAFCP work to support international negotiations on REDD.

In regard to M&E, the MC will also be required to (see the SOS for more details):

- establish a database of monitoring information for ready access by IAFCP;
- ensure sub-contractors fully contribute to the M&E system; and
- ensure that opportunities are made available for lessons learned in the implementation process to be disseminated and internalised by IAFCP participants in order to be more influential in UNFCCC negotiations and improve the selection, design and delivery of activities.

The Draft Performance Assessment Framework

The Draft Performance Assessment Framework (PAF) for the IAFCP Facility is given as Annex 5 to this document. This PAF is a starting point for the Facility and will be updated as part of early implementation, particularly as more details of elements of IAFCP become available (e.g. KFCP and FRIS/NCASI). It is based on the Goal, Purpose, Component Objectives and Outputs as given in Sections 3.3 and 3.4. The PAF defines the overall result (at Goal level) for the Facility as being:

That reductions in emissions from deforestation and forest degradation are demonstrated

With the purpose level result being:

That REDD is included in an effective and equitable Post-Kyoto International Agreement on Climate Change

With these results in mind, the PAF then needs to differentiate between performance for activities that are delivered by others but supported by the IAFCP Facility (Component 1) and those which the MC delivers itself (Component 2).

For component 1 (IAFCP Support) the Facility has the objective to:

Under IAFCP direction, support policy and readiness activities of the Partnership

In this case the MC entirely follows the directions of the Partnership Office and IAFCP Facility activities are aimed at making the PO function effectively. The intended outcome is thus:

PO operates in an effective and efficient manner

This calls for a range of indicators at component and output levels, as given in tables in Annex 5, through which performance can be measured. At component level these are:

Logistical, administrative, financial and procurement support provided in a timely manner (as assessed by the PO)

There are neither duplications nor contradictions between the policy support and readiness activities by the PO and those undertaken as part of the KFCP and other REDD demonstrations

These are process type indicators. As policy and readiness activities are designed in more detail it will be possible to include clearer activity indicators within the Component 1 sections of the IAFCP Facility PAF. For instance, as the FRIS/NCASI design firms up it will be possible to identify indicators that specify targets for training and other capacity building activities.

For component 2 (REDD Demonstrations) the IAFCP Facility has the objective:

Under the direction, guidance and supervision of the Partnership Office, implement and report upon high quality REDD demonstration activities

In this case the MC will be undertaking a wide range of activities for KFCP and additional REDD demonstrations. The intended outcome is:

REDD demonstrated as directed by the IAFCP Partnership Office

There is a large range of potential indicators for this at component and output levels through which performance can be measured and these will need to be defined through the current KFCP design process. As given in tables in Annex 5, at the component level process indicators are:

REDD conceptual challenges as defined by the PO resolved

That 85% of tasks set by Task Groups are met to their satisfaction

In a similar manner to component 1 these are only process type indicators. Clearly as subsidiary activities in REDD demonstration are developed (and the KFCP will be the first such finalised design) it will be necessary to include outcome oriented indicators into the performance assessment framework. These will reflect the specific REDD outcomes towards which IAFCP and the Facility will need to work.

Please refer to Annex 5 for the first draft of the Performance Assessment Framework.

Reporting

A range of reports will be required from the MC throughout the implementation of the Facility. They are:

- A Financial Manual of Operations and draft Procurement Guidelines. The Procurement Guidelines will detail the planned procurement arrangements to be followed in order to obtain the services of sub-contracted staff, including the establishment of a pre-approved list of consultants, if this is desired. At this stage the MC will also be required to submit a draft activity template which will be used for Task Groups and the PO to provide instructions to the MC to implement activities.
- M&E Plan to be submitted to the PO after the Facility Start Date, with a draft RPP to be developed for the first Steering Committee meeting;
- Financial Reports - as advised by AusAID; to be submitted quarterly;
- RPP to be developed under the direction of the PO and submitted to the PO three weeks prior to each six-monthly Steering Committee meeting. The PO will then provide comments on the RPP within one week, allowing one week for amendments to be made by the Contractor. The contractor will then provide the RPP to the six-monthly Steering Committee meeting at least one week in advance of the meeting being held;
- Completion Reports - including a Task Group Completion Report for each funded activity and a final Facility Completion Report – to be submitted as a draft three (3) months before the end of the contract and as a final by one (1) month before the end of the Contract incorporating any comments provided by the Steering Committee and the PO; and
- Annual audits will also be required.

Please refer to the separate Scope of Services and Basis of Payment for more detailed reporting requirements.

4.6. Sustainability Issues

Sustainability is defined in AusGuide as the continuation of benefits after major assistance from a donor has been completed. In the case of IAFCP and the IAFCP Facility, the extent to and time at which sustainability of benefits will be achieved depends on four main factors:

- Whether REDD is adopted as a scientifically proven method for creation of carbon credits after COP 15;
- The length of time for which the Australian Government and/or other funding organisations are prepared to fund the IAFCP Facility;
- The extent to which additional funding can be obtained for the existing KFCP REDD demonstration and any further REDD demonstrations to be implemented; and
- The extent to which the wider systems for carbon trading are agreed internationally and in place in Indonesia.

At the time of writing these factors are unclear. Therefore the extent to which the benefits which the IAFCP Facility aims to achieve are likely to be sustainable is still an open question. However, for systems set up with the assistance of the Facility to be sustainable the following aspects are sensible:

- Post COP15 activities should focus strongly on establishing systems for institutional capacity (both public and private sector) and readiness for REDD;
- Work will need to go ahead to ensure that the large number of communities that are likely to benefit from REDD fully understand why they are being

asked to participate, what benefits they are likely to receive and how to ensure their participation is effective. This will need to be another focus of post COP 15 activities for the IAFCP Facility;

- There needs to be a focus throughout on gaining a wider understanding of the systems requirements for carbon trading to include products from REDD. This includes the establishment of appropriate regulations and institutions. It will to a large extent fall upon governments to ensure that QA systems are in place so that emission reductions are fairly recognised and traded. This is largely outside the control of the IAFCP Facility.

4.7. Overarching Policy Issues

The establishment of scientific evidence to show that REDD can be part of the carbon trading system in the future is largely socially neutral, at least as far as initial efforts up to COP15 are concerned. However when the scientific system impinges on communities and their involvement is required, this is a different matter. REDD implies a system of benefits being passed from buyers of carbon credits to owners and users of the forests and peatland. This by definition introduces socially complex systems with which the IAFCP Facility will deal.

There are thus potentially significant negative impacts, particularly for socially disadvantaged groups, and particularly, although not exclusively, for women in rural communities. Experience elsewhere tends to show that rural women in Indonesia are easily disadvantaged in matters of land ownership, tenure and use. The design of IAFCP Facility activities will need to address this risk. There will need to be similar focus on the potential for disadvantage to minority ethnic groups in areas where REDD activities are being implemented. These aspects are important because once REDD is in place and benefit mechanisms established, the potential for institutionalised disadvantage clearly exist. Similarly there may be a potential for igniting local conflict.

The design team is of the view that it is unlikely that any major child protection issues will occur in regards to the IAFCP Facility or that any Facility positions will have sustained access to children. However, child protection goes beyond these aspects and care will need to be taken to monitor this issue on an ongoing basis.

The large range of planned and potential activities to be undertaken through IAFCP brings special challenges for the Partnership Office and the Managing Contractor to ensure that gender equity issues are taken into account in implementation. The potential for significant negative social and economic impacts on women through the implementation of REDD is mentioned above. Equally, the wide range of activities will necessitate careful attention to gender equity issues for all stakeholders in the IAFCP.

The Managing Contractor will need to be sensitive to gender issues in all aspects of implementation, and will be required to adhere to the current AusAID guidelines on gender. The MC will be required to include gender considerations in the detailed design of all IAFCP Facility activities and to ensure that gender disaggregated data is collected appropriately for monitoring purposes. It is important that the Partnership Office and MC ensure that suitable gender advice can be obtained as and when required throughout implementation.

The potential for corruption within the REDD system is obvious, especially if government institutions are to take "gatekeeper" roles and particularly if they are to be involved with the distribution of local benefits. Care will need to be taken to minimize the likelihood of corruption becoming ingrained in the long-term operation of REDD.

Climate change is an environmental issue. While comfort can be taken from a facility that is set up to deal with a major environmental issue we can be sure that large

scale adoption of REDD will have other knock-on localised environmental impacts. These might include problems associated with local biodiversity, change in land use, or other situations where unintended adverse effects may occur.

In all of these broader cross-cutting areas the design team recommends that IAFCP ensures that up to date advice is taken to ensure that potential negative effects of IAFCP Facility activities (which cannot be quantified at this stage) are identified and rectified at an early stage. This should involve the use of technical assistance personnel and/or specialised organisations as required.

Potential triggers by IAFCP Facility or IAFCP of the Australian Environmental Protection and Biodiversity Conservation act or Indonesian environmental legislation or obligations of both countries under international treaties are not likely. However their potential should be a subject of review during implementation.

Please refer to additional information on social impact included as part of Annex 5 "Performance Assessment Framework".

4.8. Critical Risks and Risk Management Strategies

Uncertainty over the outcomes of the UNFCCC negotiations present an overarching challenge for the IAFCP and the IAFCP Facility. To meet this challenge, the IAFCP and the Facility will need to be flexible enough to respond to an evolving and uncertain negotiating process.

Lack of Political attention for REDD demonstrations

The international financial crisis is capturing a large share of political attention at the time of writing. If the crisis deepens further, investments in climate change might be perceived by the Australian public as too burdensome for the national economy. The Indonesian government on the other hand is preparing for national elections in April and July 2009. So in both countries there are now important political agendas competing with REDD. It is possible that the IAFCP Facility may not get the support required from both GOI and GOA during implementation. The economic crisis or the result of the Indonesian elections might also result in new policy priorities. This might lead to a situation where the policy agendas of Indonesia and Australia might diverge. This will put considerable strain on the partnership and the REDD demonstrations.

This risk will be mitigated by the PO. By focusing beyond national political imperatives on challenges at the level of the international negotiations, IAFCP can foster Steering Committee agreement on prioritisation plans that contribute to the international rather than a national agenda. Focus on the international challenges will also allow IAFCP to operate when political attention wanes. IAFCP can forge ahead until political attention most likely returns to REDD at the end of 2009.

Retaining sufficient oversight by GOI and GOA

With outsourcing a program of this scale, a suitable balance needs to be found between outsourcing management and administrative functions while retaining appropriate levels of control and oversight.

This issue is addressed by the use of the GOA-appointed Coordinator directly contracted to AusAID within the facility structure. The priorities for the IAFCP Facility and the definition of TORs for activities remain clearly under the control of the GOI and GOA stakeholders. The same stakeholders also have control over the approval of work delivered and thus over quality of the activities.

Heavy reliance on the PO

An overarching risk for the IAFCP Facility is its dependence on the PO. Not only is the PO the main point of contact between the Facility and IAFCP, it also informs the Steering Committee, it negotiates prioritisation plans, it supports the Task Groups, it

tasks the IAFCP Facility, it reviews the results and it keeps abreast of the worldwide developments on REDD, among other tasks.

The PO consists of two Coordinators appointed by the respective governments and the Forest and Climate Specialists. While most teams 'storm' before they 'perform', cooperation between the Coordinators might further be complicated by cultural differences and different approaches within the respective governments. Moreover, the GOA-appointed Coordinator has already been selected while the tasks required are still being defined. This carries the risk that the Coordinator might come into the job with different expectations or skills.

This risk is ameliorated by contracting the GOA-appointed Coordinator directly to AusAID and by engaging the GOI-appointed Coordinator through the IAFCP Facility. In this way, the governments not only keep control over the quality of the persons recruited but will also be able to replace Coordinators should performance be unsatisfactory. Conversely it needs to be recognised that the Coordinators have a very central and crucial role to play and that they and the PO will need enough support. With the IAFCP Facility designed to respond to requests for support, additional resources can easily be provided at the agreement of the Steering Committee and at the request of the Coordinators.

Demonstration activities are complicated

The demonstration activities combine various complicated and multifaceted elements that cover issues as widely apart as chemical emissions measurements and community land ownership. For each demonstration activity, the Task Groups have to define the terms of reference for the IAFCP Facility Managing Contractor. Since every demonstration covers such a varied range of activities, representation in the Task Group will also be diverse. Both the multiple issues and the large group of interested parties will increase the risk that Task Groups might not easily agree on TORs for the IAFCP Facility. This can lead to considerable delays.

This risk can be mitigated by ensuring that all parties involved in the different task groups are kept fully abreast of the latest developments and challenges related to REDD and the pros and cons of the available options for demonstrations. Information can be disseminated through a variety of meetings with individual stakeholders or specific groups of stakeholders. This will be another key task for the PO.

Careful use of political endorsement of proposed actions can also reduce the risk of indecisiveness of Task Groups. As long as political commitment to REDD is strong in both Indonesia and Australia, developing channels to inform and engage political actors will ensure that public officials feel comfortable to take the agenda forward. The engagement of one Coordinator by each government will ensure officials from both countries can easily raise their concerns and have them taken into account.

To avoid Task Groups revisiting decisions already made, it will be important to establish very clear decision-making rules, including rules related to rights of those who were absent at the time agreements were reached. It should be clearly agreed that once the PO has instructed the IAFCP Facility (based on the deliberations of the Task Group), the instruction should no longer be renegotiated. Tasks might commence as relatively under-defined until more information becomes available, but changing tasks once they have been commenced should be avoided because it invariably results in increased cost and longer time schedules.

Performance of the IAFCP Facility Managing Contractor

When the tasks given to the IAFCP Facility Managing Contractor by the PO are unclear or ill-defined, the MC might procrastinate, deliver poor quality work or increase cost to cover unforeseen expenses.

This implies that the PO needs to clearly define the tasks it instructs the MC to undertake. Quality is assured by comprehensive quality assurance mechanisms. The

work delivered through the IAFCP Facility will not only need to be subject to AusAID Quality at Entry (QAE) and Quality at Implementation (QAI) processes, ultimately it must convince sceptical specialists and negotiators during international negotiations. IAFCP will set up a Technical Panel that can appraise TORs before they are sent to the IAFCP Facility Managing Contractor and review the results after the activities have been completed by the Facility. Since the international field of experts is rather thin, it is very likely that some of the experts on the IAFCP panel will also be involved in the international negotiations. The PO will need to be mindful of this in engaging experts for specific tasks.

Cost can be kept under control by reducing uncertainty for the IAFCP Facility Managing Contractor as much as possible. But the level of certainty provided to the Managing Contractor cannot be at the expense of flexibility. The level of flexibility in the design strikes an appropriate balance between a facility that can be responsive and a facility design with enough definition to allow the market to appropriately tender and price for its management. Uncertainty is further reduced (i) by limiting the number of positions that need to be paid from the management fee; (ii) by clearly defining incentives; and (iii) by reducing the uncertainty in the definition of TORs.

Time Constraints

REDD demonstrations need to show sufficient results before COP 15 for REDD to remain on the agenda of the international negotiations. But the time available for the implementation of activities is very short even to ensure commencement of the activities. This is particularly problematic because the IAFCP Facility Managing Contractor has not been involved in the design of KFCP, the demonstration that will be implemented first. This might lead to additional delays to negotiate the design before the Managing Contractor can start sub-contracting.

With time in short supply, there will be pressure on the Managing Contractor to self-implement because it is usually faster (or at least perceived to be faster) to self-implement as sub-contracting arrangements take time. But self-implementation can increase the risk of non-performance – which would therefore affect the entire program with delays. Experience in Indonesia has shown that ensuring that the contractor sub-contracts most tasks reduces this risk. Appropriate safeguards need to be put in place to ensure that the IAFCP Facility will subcontract most of its activities.

To ensure that the MC has an incentive to subcontract, self-implemented activities will not attract a management fee for staff hired for such work. This will ensure that contractors will not unnecessarily opt for direct implementation.

Time constraints can further be reduced by agreeing to report early results. The Task Groups can agree in the TOR that the MC will report on results of sub-components before the overall demonstration has been completed.

Because time is so limited for IAFCP implementation pre-COP15, it will be important that IAFCP where possible avoids implementing activities that are not essential to achieving the aim of bringing defensible scientific results to the negotiating table. This design lays out a process for prioritisation that will it is hoped minimise this risk allowing parties concerned to continue to focus on the absolute priorities for COP15. This will require clear leadership from the PO.

ANNEX 1: Terms of Reference for In-Country Design Mission

Indonesia Australia Forest Carbon Partnership (IAFCP) Facility 24 August – 6 September 2008

1 Introduction

- 1.1 The Indonesia-Australia Forest Carbon Partnership (IAFCP) is a program under the Australian Government's International Forest Carbon Initiative (IFCI) which aims to demonstrate that reducing emissions from deforestation and forest degradation can be part of an equitable and effective international agreement on climate change. A central element is the Initiative's focus on developing practical demonstration activities in our region, particularly in Indonesia and Papua New Guinea.
- 1.2 The Prime Minister of Australia and the President of Indonesia announced the Indonesia - Australia Forest Carbon Partnership on 13 June 2008. The Partnership incorporates and builds on IFCI's activities in Indonesia and formalises existing long-term practical cooperation between Indonesia and Australia on reducing greenhouse gas emissions from deforestation and forest degradation. The focus of the Partnership is policy development and capacity building, technical support for carbon monitoring and measurement, and the development of demonstration activities.
- 1.3 Indonesia is playing a leadership role among rainforest countries in its policies on reducing emissions from deforestation and forest degradation, promoting sustainable forest management and conserving its rich biodiversity – and welcomes strong and reliable support from its international partners to achieve substantial and rapid impacts in these areas. The IAFCP will give this support by providing programs and activities to reduce greenhouse gas emissions from deforestation and forest degradation (REDD), to improve livelihoods for forest-dependent communities and to promote biodiversity conservation.
- 1.4 The total funding commitment to Indonesia under the IAFCP, as at August 2008, stands at \$40 million, as the first part of an anticipated larger program being funded under the \$200 million IFCI (covering Indonesia, PNG and global programs). Planning and delivery of the IFCI involves a whole of government effort, led jointly by the Australian Agency for International Development (AusAID) and the Australian Government Department of Climate Change (DCC). Work under the IFCI will be informed by, and complement:
 - Australia's international climate change policies and negotiations; and
 - Australia's aid policies, including the Australia Indonesia Partnership (Country Strategy 2008-2013).

2 Background

Government of Indonesia

- 2.1 Indonesia has a range of policies and programs that are of direct relevance. First, it is important to acknowledge that Indonesia has ratified: the Ramsar Convention; the UN Convention on Biological Diversity; the UN Framework Convention on Climate Change UNFCCC); and the Kyoto Protocol. More specifically, Indonesia has prepared a National Action Plan Addressing Climate Change (February 2007), which outlines the potential impact of climate change for Indonesia, and outlines specific strategies for a wide range of institutions to conduct a coordinated and integrated effort to combat climate

change. For the forestry sector, this includes rehabilitation of areas of degraded forest, combating illegal logging, forest fire prevention, promotion of low-impact logging, and effective land use planning.

- 2.2 The **Ministry of Environment (MoE)** leads Indonesia's negotiations in the UNFCCC and the Minister for Environment, Rachmat Witoelar, is the new Executive Director of the National Climate Change Council (see below).
- 2.3 The **Ministry of Forestry (MoF)** is responsible for the management of Indonesia's 'forest estate', an area of 120 million hectares, which includes both forested and non-forested land with a range of conservation and production functions. An overview of forest regulations and the sector as a whole is presented in Indonesia's long term forestry plan and MoF's strategic plan for the period 2005-9.
- 2.4 MoF has established a working group on REDD comprised of relevant sections within the Ministry, which aims to develop guidelines for the implementation of REDD demonstrations and establishment of a national carbon accounting system. The working group consists of a range of members from within the Ministry, and played a key role in the preparation of Indonesia's submission to the UNFCCC in Bali. The submission was prepared with assistance of the international community, through the Indonesia Forest & Climate Alliance (IFCA), that consisted of technical inputs funded by the World Bank, Australia, Germany and the United Kingdom. The future of the working group is currently unclear, but it will be important for the IAFCP to have a close working relationship and interact with other entities that undertake REDD demonstration activities.
- 2.5 In addition, MoF is preparing guidelines for a national policy framework for REDD including criteria for REDD demonstration activities and the establishment of a national REDD Commission. A draft Ministerial Decree on REDD was released for public comment in July 2008.
- 2.6 **The National Development Planning Agency** prepared a National Development Planning Response to Climate Change report in December 2007. The most relevant aspect of the report for forestry and REDD was the support for the development of Forest Management Units (FMU) as a climate change mitigation strategy.
- 2.7 **Presidential Decree on National Climate Change Council:** The President of Indonesia issued a decree No 40 on National Climate Change Council in July 2008. The Council is chaired by the President with Rachmat Witoelar (now Minister of Environment) as its Executive Director. Its membership comprises various Ministers including Finance, Coordinating Economy, Foreign Affairs, Forestry, Agriculture, Public Works, State Ministry for National Development Planning, etc. The role of the Council is to formulate national policies, strategies, programs and coordinate activities relating to adaptation, mitigation, technology transfer and funding arrangement; formulate mechanism and procedure for carbon trade; and monitor and evaluate the policy implementation. It has working groups dealing with adaptation, mitigation, technology transfer, funding, Post Kyoto 2012 and forestry and land use conversion
- 2.8 **Presidential Decree on the Rehabilitation of the Ex Mega Rice Project Area:** This is INPRES 2/2007 and concerns the rehabilitation, conservation and sustainable development of the Ex Mega Rice Project area where the KFCP will be implemented.

International Response

- 2.9 The international engagement on forest and climate issues in Indonesia is summarised below:
- 2.10 The **ADB** has had limited engagement in Indonesia's forestry sector in recent years, although has provided some technical assistance, including training for MoF on the Clean Development Mechanism (CDM) and technical advice on forest fire management. An ADB team visited Jakarta in September 2007 to explore regional policy dialogue and coordination between governments on cross border issues including transboundary haze pollution and the Heart of Borneo initiative.
- 2.11 The **Clinton Climate Initiative** has announced its intention to develop a global carbon monitoring system, based on Australia's national carbon accounting system. In addition, the Climate Initiative has indicated that it is considering the establishment of REDD demonstration activities, possibly in Indonesia.
- 2.12 The main **DFID** program is the Multi-stakeholder Forestry Program II, which is designed to be open to broader cooperation with other international donors and national partners who intend to grant their contributions through the Partnership for broadening or scaling-up the reach of the program. The purpose of the program is to fund and support multi-stakeholder partnerships that improve forest governance and deliver more equitable benefits to primary forest stakeholders and more sustainable management of forest resources. This will contribute to the goal of reducing deforestation, and promoting growth in the rural economy where 10 million of Indonesia's poorest people depend on forest resources.
- 2.13 **Germany** has a history of engagement with Indonesia in forestry, although since the mid 2000, they reduced their involvement in the forestry sector to the Support for Forest Management Project. Current activities include: (a) Technical assistance to strengthen management capacities in the MoF, including support for the establishment of Forest Management Units (GTZ); (b) A debt-for-nature swap for the protection of three national parks in Indonesia (KfW); and (c) Contributions to IFCA.
- 2.14 Germany and Indonesia have agreed during intergovernmental negotiations in October 2007 to embark on a new priority area "Climate Change" and to formulate an overall cooperation programme for this priority area consisting of two sub-programmes: (1) Environment and Climate Change with the Ministry of Environment and (2) Forest and Climate Change with the Ministry of Forestry with contributions of financial and technical cooperation.
- 2.15 In 2007 and in April 2008 GTZ undertook an overall design of the Technical Cooperation (TC) –module under the Climate Change sub-program with the Ministry of Forestry. This work focused on the appraisal of the Heart of Borneo Initiative within the TC-Module in preparation for the joint KfW/GTZ feasibility study. This work which involved AusAID in the role of an observer for part of the field activities in West Kalimantan to ensure there is no duplication/conflict with other donor activities and to look for areas of collaboration provided input for the overall design of a coherent approach for the Forest and Climate Change, ensuring a consistent concept of the overall bilateral cooperation in the Priority Area Climate Change. The work proposed in the Heart of Borneo Initiative is likely to contain four REDD demonstration activities, on sites in Kalimantan.

- 2.16 GTZ is the implementing organisation of the **European Union's** South Sumatra Forest Fire Management Project, which focuses on fire prevention and fire fighting by improving community based fire management and establishing effective prevention and fire fight command structures at provincial, district and village levels. In addition, the European Union is funding a relatively small program aiming to develop sluices in parts of the EMRP area to assist in the re-flooding and rehabilitation of degraded peatland. The program has a budget of €750,000 over three years from January 2007.
- 2.17 The latest input by **Japan** relevant to the KFCP is the Project for the Support of Forest Resources Management through Leveraging Satellite Image Information. The Project will be executed by BAPLAN within the Ministry of Forestry with the project to commence in June 2008. The main aim of the three year project is to improve the reliability of the forest resource and monitoring carried out by BAPLAN and to upgrade the BAPLAN capacity. The satellite technology which will be used is the PALSAR radar image data provided by Japanese satellites. This is the same technology that is being planned by Forest Resources Information System (FRIS) within BAPLAN. The FRIS development is currently being assisted by the Government of Australia, as the information will be required as a necessary component of any national carbon accounting system also proposed for Indonesia. Hence the links between the JICA project and the KFCP and Australia's assistance to FRIS are interlinked.
- 2.18 The **World Bank** provided assistance to Indonesia under IFCA for the preparation of UNFCCC COP13. In addition, the World Bank completed a mission to the Ex-Mega Rice Project, and while focusing on hydrology and engineering, supported the blocking of canals and re-flooding of degraded areas of peat. The World Bank is not, however, discussing further input to the EMRP. However, the World Bank has considerable interest in REDD and has potential to fund activities in Indonesia, particularly through the World Bank's Forest Carbon Partnership Facility (FCPF). The FCPF aims to assist developing countries in their efforts to reduce emissions from deforestation and land degradation by (i) building capacity for REDD in developing countries, and (ii) testing a program of performance-based incentive payments in some pilot countries, on a relatively small scale, in order to set the stage for a much larger system of positive incentives and financing flows in the future.

3 Current activities under IAFCP

REDD Demonstration Activity

- 3.1 The KFCP will be the first demonstration activity under the IAFCP. The KFCP Design Framework has just been completed and is the basis for a detailed design process taking place over the next four-six months. The KFCP will include a range of interventions in two main areas of activity:
- Activities to restore the hydrology and rehabilitate up to 50,000 ha of degraded peatland:
 - Blocking canals through the construction of dams and some canal infilling (either mechanical or planting with sedges/trees); and
 - Revegetating and reforesting up to 30,000 ha of degraded peatland using local tree species.

Research will be undertaken to support the above, in areas such as dam construction techniques and the suitability of different species and

revegetation techniques, including the potential for income-generating tree species.

- Reducing emissions from deforestation and forest degradation in up to 50,000 ha:
 - Fire prevention through increased awareness, capacity building and other support to local communities;
 - Restoration and protection of existing peatland forests and relevant surrounding areas; and
 - Alternative livelihood development including sustainable forest use, agroforestry, and off-farm employment.

Participatory community mapping and planning will be a prerequisite for the above interventions in order to assess local needs, problems, opportunities and priorities and to align community-based project activities and incentives with other interventions.

- 3.2 Other demonstration activities at different sites may be identified and developed in the near future along with the KFCP implementation. A further demonstration activity is roughly estimated to cost \$30 million (not including possible contributions from other donors). It is likely that they will be in provinces other than Kalimantan and will seek to develop lessons on REDD implementation in conditions different from the KFCP circumstances. Sumatra and Papua are possible sites but new activities will be decided with GOI in coming months.

Bilateral package of support to Indonesia on forests and climate

- 3.3 Australia is providing \$10 million to support Indonesia's REDD policy development and readiness for REDD implementation. This will be used to: help develop a national forest resource information system (FRIS), including a national carbon accounting system (see further below); and support the development of a national policy framework and strategies for reducing emissions from deforestation and forest degradation, including through support to the multi-donor Indonesia Forest Climate Alliance

Carbon accounting and monitoring systems

- 3.4 Indonesia's Ministry of Forestry (MoF) has commenced work on a FRIS that builds on the Forest Resource and Management System (FOMAS) that was supported by the World Bank and other donors including Australia. In February 2008, DCC hosted a two-week workshop in Canberra to support the development of the FRIS. The workshop was attended by technical and policy officials from MoF and was an initial step in an evolving program of support and knowledge sharing based on lessons learned by Australia in developing the National Carbon Accounting System (NCAS). A conceptual work program was identified that will be further developed during an in-posting visit of MoF technical staff to DCC in August 2008. The workshop identified the requirements of a national system that can match the information needs and the standards for monitoring emissions that will be demanded by a market mechanism.

Fire monitoring and prevention

- 3.5 Australia is supporting efforts to build fire monitoring infrastructure and strengthen the capacity of the Indonesian government to monitor fires through the Fire Watch Indonesia (FWI) project. The FWI project will help build a satellite data-based fire monitoring system for Indonesia (nationally and in particular Riau and Central Kalimantan) which will provide information required to more effectively manage, prevent and suppress fires (and

therefore reduce greenhouse gas emissions caused by fire). The information generated has a number of potential applications to the KFCP, including helping to calculate emissions from peatland fires, and identifying priority areas for peatland rehabilitation. FWI is being implemented by Landgate Pty Ltd and will need to coordinate closely with the FRIS/NCAS and KFCP programs. FWI will need to be incorporated into the IAFCP M&E framework.

IAFCP Steering Committee

- 3.6 A Steering Committee to oversee the implementation of a bilateral cooperation in the climate change sector was established in January 2008. It was formerly for the International Forest Carbon Initiative (IFCI) and is now for the IAFCP. The committee meets at least every six months and its previous meeting was held in April 2008. Its membership comprises 6 members from the Government of Indonesia (GoI) including representatives from Bappenas, Ministries of Forestry, Environment and Foreign Affairs and 6 members from the Government of Australia (GoA) including representatives from AusAID, DCC, DAFF and DFAT.

4 Other IFCI Activities in Indonesia

- 4.1 Australia is providing up to \$1.5 million under the IFCI to support international non-government organisations to develop concept models for demonstration activities to reduce emissions from deforestation. International non-government organisations have practical on the ground experience – particularly in providing alternative livelihoods to local communities – that can help build global expertise in implementing demonstration activities. The development of concept models could help inform approaches under the KFCP demonstration activity.

5 Design Mission Scope

- 5.1 The goal of the IAFCP is to (a) assist Indonesia to reduce greenhouse gas emissions from deforestation and forest degradation; (b) produce lessons learnt for negotiations on the inclusion of REDD in the UNFCCC climate change framework post 2012; and (c) build capacity for Indonesia to engage in emerging international markets for forest carbon emission reductions. It will do these through:
- policy development and capacity building to support participation in international negotiations and future carbon markets;
 - technical support for Indonesia to develop its national forest carbon accounting and monitoring system; and
 - the further development of demonstration activities, and the provision of related enabling assistance, to trial approaches to reducing emissions from deforestation and forest degradation
- 5.2 AusAID intends to develop a Facility to manage and oversee the effective delivery and implementation of these IAFCP activities; including designing and implementing or managing activities under the Kalimantan Forests and Climate Partnership; and providing advisory and support services on REDD policy, carbon accounting, and related areas.

- 5.3 The Facility Concept Document has been prepared and is as Attachment B. It is an important and principle direction and guidance as to how the Facility will operate and be shaped to suit IAFCP needs.
- 5.4 The objective of the IAFCP Facility design mission is to design a Facility that is flexible with the capacity to manage GOA assistance through the IAFCP. In order to meet that objective, the mission needs to consider the following issues:
- Governance and coordination with GOI:
 - a. The relationship between GOI and GOA partners involved in the IAFCP and the Facility; and
 - b. The roles and responsibilities of relevant GOI Ministries and Provincial and District agencies in facility governance and implementation. This also includes the National Climate Change Council and its relevant working groups and the coming REDD Commission.
 - Roles and responsibilities:
 - a. The roles and responsibilities of the facility management in terms of designing, implementing and sub-contracting the implementation of IAFCP activities;
 - b. The relationship between the facility management and AusAID and DCC; and
 - c. The roles of facility technical advisors and AusAID officials (including in policy dialogue with GOI), taking into account existing agreement on TORs for specialists.
 - Activity management and implementation arrangements
 - a. The relationship between different activities within IAFCP; and
 - b. Management arrangements that allow for the possible expansion of the facility through additional funding, including:
 - Up to \$30 million in Australian Government funding for an additional demonstration activity;
 - Up to \$70 million in contributions from other donors (including potentially the private sector) for the KFCP; and
 - Other smaller-scale assistance as required, possibly including some technical assistance and procurement for PNG and closely related climate change activities in Indonesia.
 - Monitoring and Evaluation arrangements for assessing the facility and M&E responsibilities of the facility in assessing activities under the facility.
 - a. This should include development of a performance assessment framework for IFCI's work in Indonesia (to complement the KFCP performance assessment framework)
 - Assessment of risks and a strategy to manage them.
 - Resource implications for AusAID in implementing the IAFCP.
 - Timeframes for completion of design, peer review and tendering, including ensuring complementarity with the schedule for completion of the KFCP design.
- 5.5 The Facility design team will need to take into account existing work being undertaken to design and structure IAFCP activities, including the KFCP design framework and the roles of the Indonesia-based forests and climate specialists, and ensure that the Facility design complements these to form a coherent package. In particular the mission shall thoroughly analyse, consider and identify:

- Options for the management and institutional structure for the Facility, taking into account the GOA and GOI's plans, existing structures, and a desire for harmonisation/ coordination with other donors.
- Ways to ensure that the governance structure provides the basis for a solid partnership approach and enables timely decision-making at appropriate levels
- Options for ensuring that oversight arrangements are appropriate to the varying degrees of direct involvement of DCC and AusAID in specific activities (e.g. closer DCC involvement in FRIS and policy/strategic direction)
- Options for increased capacity and flexible scenarios to respond to potential scaling up of the programs and activities incorporating funding from different sources e.g. other donors, private sector, etc.
- How the IAFCP Facility would form part of the Australia Indonesia Partnership (AIP) broader management structure, and how it would be coordinated with other components of AIP, in particular the existing facilities in the infrastructure and governance sectors.
- Strategies for ensuring the cost-effectiveness of the facility structure.

5.6 Following the above exercise the mission will:

- Develop a Design for the IAFCP Facility addressing the issues including those described above and any other issues identified during the mission which will form a basis to inform organisations/consortiums submitting tenders for the scope of work proposed.
- Define areas to be addressed within tenders from submitting organisations/ consortiums;
- Develop a 'Scope-of-Services', 'Basis of Payment' and Costing for the management of the IAFCP Facility for a tender process.
- Establish draft, high-level performance assessment and risk management frameworks.

5. Duration

5.1 The design process will take up to the number of days outlined below:

- 14-15 August 2008 (up to 2 days): Preparation, including pre-departure briefing and Facility Concept Peer Review by teleconference
- 24 August 2008 (1 day): Travel to Indonesia
- 25 August – 5 September 2008 (12 days): In-country consultation, including initial report writing
- 6 September 2008: (1 day): Depart Indonesia
- 8-26 September 2008 (up to 10 days): Report writing and draft Facility Design Document submitted to AusAID
- 10 October: Response by AusAID to the draft Facility Design Document.
- 13-31 October 2008 (up to 20 days): Rewriting, and final Facility Design Document submitted to AusAID
- October 2008: Design Peer Review

6. Facility Design Mission Team

6.1 The Team's responsibilities are to include, but will not be limited to the following:

- Review background documentation as per Attachments B-L;
- Meet with AusAID Post in Jakarta, who will provide a briefing on the initial schedule of meetings and other relevant issues;

- Meet with relevant GOI Ministries in Jakarta and, if needed, with provincial and district agencies to discuss options for the facility governance and outline the proposed roles and responsibilities of the facility;
 - Attend meetings with other donors and stakeholders to discuss extract lessons learned that should be reflected in the design and focus of the new facility;
 - Consult with the KFCP design team in order to ensure that the facility design and the design of KFCP are integrated and able to be tendered; and
 - Consult with necessary areas in DCC on appropriate mechanisms for policy and technical input from DCC.
- 6.2 The team will comprise the positions below and their specifications are described as follows:
- 6.3 Team Leader/Design Specialist (Mike Freeman):
- Have overall responsibility for facility design preparation and report writing;
 - Participate in consultations with government institutions and donors;
 - Lead development of the facility design structure;
 - Work with the Governance Specialist on the institutional environment;
 - Lead risk analysis;
 - Lead development of specifications for a 'capability statement', 'scope of service' and 'basis of payment';
 - Lead development of guidelines for sub-contracting; and
 - Contribute to KFCP detailed design process through overall facility/program design considerations.
- 6.4 Governance Specialist (Guy Janssen):
- Contribute to background material preparation;
 - Incorporate relevant findings from the KFCP Framework Design into the Facility Design process;
 - Works with the Forests & Climate Specialists to focus on content work (how components are structured, how reporting areas interrelate, management and reporting, etc); and
 - Work with the Design Specialist on the institutional environment.
- 6.5 AusAID representatives (Tim Vistarini, Dan Heldon, Didi Marjimi):
- Represent AusAID (TV, DH, DM)
 - Lead consultation with government institutions and donors (DH, DM);
 - Steer/guide development of the design to ensure alignment with the program's strategic objectives and lessons learned from other facilities operated by AusAID or other donors (DH, DM);
 - Provide advice on relevant contracting models in AusAID's experience (TV);
 - Provide advice on outputs to align with AusAID contracting and procurement requirements (TV);
 - Make sure the facility is contractable and will deliver value for money (TV); and
 - Take overall responsibility for examining M&E and performance assessment requirements (TV).

7. Reporting

An Aide Mémoire will be presented on 5 September 2008 (a draft should be emailed to AusAID Jakarta for clearance by 4 September 2008) that:

- outlines outcomes from the mission;

- includes an options paper as an annex that outlines options for a management model. As a part of this it should examine other modalities available and explain the rationale of using a particular model. It is to nominate a preferred model and detail why;
 - outlines program component options; and
 - provides key recommendations for AusAID's consideration in consultation with DCC.
- 7.2 A draft mission report will be submitted by 26 September 2008 that includes at least:
- Background Analysis;
 - A Design for the IAFCP Facility;
 - A Scope of Services and Team Composition for implementation work, and Basis of Payment. This also includes but is not limited to definition and clear description of governance arrangements, roles and responsibilities of the Facility and IAFCP partners, payment structures and the scope of the Facility; and
 - Proposed high level performance assessment and risk management frameworks
- 7.3 Upon receiving feedback from AusAID and DCC, a final mission report incorporating comments should be available by 31 October 2008.

8. Attachments

- A. Draft itinerary
- B. IAFCP Delivery Mechanism Concept Document
- C. Draft KFCP Framework Design Document
- D. Decree on National Climate Change Commission
- E. Draft Decree on criteria for REDD demonstration activities
- F. Draft Decree on REDD Commission
- G. FRIS Draft program plan
- H. Fire Watch Indonesia Design Document
- I. IFCA TOR
- J. TOR for Specialists.
- K. Indonesia- Australia Forest Carbon Partnership agreement
- L. Latest IFCI Fact Sheet

ANNEX 2: Aide Memoire

**In-country Design Mission
Indonesia-Australia Forest Carbon Partnership (IAFCP) Facility
24 August – 5 September 2008
Aide Memoire**

Background

The objective of this mission is “to design a facility to manage Government of Australia (GOA) assistance through the Indonesia-Australia Forest Carbon Partnership (IAFCP)”. The design team and its TOR have been informed by a concept note prepared by AusAID.

The design team for the Facility has been in Indonesia from 25 August and will depart on the 5 September. It has met with Government of Indonesia (GOI) agencies in the Department of Forestry, the Ministry of Environment, the Department of Finance and BAPPENAS. It has also met with the Secretary of the National Climate Change Council and colleagues from the Dutch Embassy, the World Bank, GTZ, DfID and the private sector. It has also undertaken discussions with AusAID in Jakarta and with colleagues from the design team for the Kalimantan Forests and Climate Partnership (KFCP). The team has undertaken telephone linkups with colleagues from AusAID and taken advice from DCC.

A wide suite of measures addressing forests and carbon are now being implemented in Indonesia. GOI structures and programs dealing with climate change and reduced emissions from deforestation and forest degradation (REDD) are being formulated with some now in operation; there are many donors in the field; the private sector has strong interests; and inter-governmental agreements between Australia and Indonesia on REDD activities are in place. GOA policy development for the IFCI and IAFCP is led from DCC and AusAID in Canberra, with GOA having recruited advisors to undertake design and commence implementation of specific activities under the IAFCP from Jakarta. These factors have been taken into consideration in the development of this aide memoire.

As a result of the mission the team has confirmed that a facility approach to the implementation of IAFCP is both desirable and feasible and that this should be undertaken utilising a managing contractor. The team agrees that a flexible facility approach should be adopted to include all of the current elements of the IAFCP: the KFCP; the development of Forest Resource Information System (FRIS) and the National Carbon Accounting System (NCAS); FireWatch; peat carbon assessment; policy & regulatory work; and a possible second REDD demonstration activity. The team also recommends that the facility be flexible enough to cater for scale-up to meet additional emerging requirements in the area of REDD, for the potential for funds from other sources, and for the implementation of other emerging activities as determined through implementation of the IAFCP.

Following the approval of the draft design framework for the KFCP in July 2008, a separate team (Tim Jessup and Grahame Applegate) is commencing a detailed design exercise for KFCP. At least initially KFCP will utilise the largest portion of IAFCP funding (\$30 million from total current IAFCP funding of \$40 million) and thus its activities will take a central place in the facility. However the facility must be flexible enough to add additional activities, including further REDD demonstration activities if agreed.

Prior to departure from Indonesia the design team is required to present AusAID, DCC and GOI with initial recommendations in the form of this Aide Memoire. Accordingly this Aide Memoire makes recommendations on the goals and objectives of the facility, and on its management structure and governance arrangements. It presents key recommendations for consideration. The views expressed in this Aide Memoire are those of the design team and not necessarily those of GOA or GOI.

It is hoped that DCC, AusAID and GOI will provide timely response to this Aide Memoire that will allow the design team to complete a first draft of the Facility Design Document by 26 September.

Goals, objectives and components

Australia's support for the Indonesia-Australia Forest Carbon Partnership is provided through the International Forest Carbon Initiative (IFCI), and the two have linked and complementary goals and objectives.

The goal of IFCI is "to demonstrate that reducing emissions from deforestation and forest degradation can be part of an equitable and effective international agreement on climate change". The team proposes that the goal for the facility should be "to support the implementation of activities under the IAFCP and assist Indonesia and Australia to work together to demonstrate that reducing emissions from deforestation and forest degradation can be part of an equitable and effective international agreement on climate change".

The Indonesia-Australia Forest Carbon Partnership has been articulated as the component of IFCI that focuses on bilateral cooperation between Indonesia and Australia, as distinct from other bilateral and multilateral components of IFCI. As agreed between the President of the Republic of Indonesia and the Prime Minister of Australia, "the Partnership will build upon, and provide clearer goals for, existing cooperation between Indonesia and Australia in three key areas:

- policy development and capacity building to support participation in international negotiations and future carbon markets;
- technical support for Indonesia to develop its national forest carbon accounting and monitoring system; and
- the further development of demonstration activities, and the provision of related enabling assistance, to trial approaches to reducing emissions from deforestation and forest degradation".

These three areas define the broad scope for the Facility.

The IAFCP delivery mechanism concept note proposed four reporting areas: operations reporting and coordination; demonstration activities (including KFCP); forest and carbon monitoring; and research policy and analysis. These four key reporting areas are inter-related. The approach proposed by the design team will provide a context in which they can be planned, agreed, made operational and linked together to deliver a coordinated and well thought out series of engagements. Component objectives aligned with each of the three areas and four reporting areas outlined above will be articulated in the design report.

Discoveries made during the initial period of the Facility will have considerable bearing on directions and activities taken at later stages. The Facility needs to support a scientific approach that can quickly deliver answers to initial questions, synthesise their results and in turn build new activities upon the results of earlier work. This is in essence a process of defining questions and obtaining answers.

Management structure

The model proposed by the team is shown in figure 1. Before examining this in more detail we would like to give our interpretation of the current situation within IAFCP. IAFCP is governed by a Steering Committee which includes high-level stakeholders from GOA and GOI. As currently structured IAFCP caters for a range of activities including: support for the development of Indonesia's FRIS/NCAS; peat research; KFCP, FireWatch and supporting policy development. It also has provision for further REDD demonstration activities. The GOA has already engaged consultants to support the detailed design and supervise early implementation of these activities from Jakarta. Various working groups within GOI are consulted to inform the detailed design process. In the case of KFCP and FRIS/NCAS, activities are supported by an interim procurement agent (HK Logistics). Other activities are directly contracted with other organisations, an example being FireWatch (contracted to Landgate). In addition a technical advisory panel is being established to ensure scientific rigour for technical aspects of the demonstration projects and peat carbon methodologies in particular. Work undertaken under the facility needs to provide lessons

learned to inform, and to be responsive to, international negotiations on REDD. It must be rigorous and scientifically defensible.

The current facility structure has been developed on an interim basis while the facility structure is being developed, and has a range of aspects that will require refinement through establishment of the facility structure. For instance, linkages between working groups and projects are not formal or structured and potential synergies between individual projects may not be fully capitalised upon. Further, the limited time available and the dynamic nature of international science and negotiations bring risks to the major activity, KFCP. If KFCP forms a single contracted package it may not be able to respond quickly enough to meet the needs of the evolving international context. Also, the current arrangement, whereby AusAID directly instructs a procurement agent without the structural involvement of stakeholders provides an opportunity for mismatch between stakeholder expectations and the outcomes of IAFCP activities. Finally, under current arrangements, the financial incentives are not aligned to achieve optimal results.

Recommendations

To manage the challenges and opportunities of the IAFCP, the team recommends that:

1. A three-phase approach be developed to help ensure that activities can deliver within the time constraints of the international negotiations. The three phases are: between now and facility mobilisation; the period up to COP15 in Copenhagen (i.e. to December 2009); and between December 2009 and June 2012. Each of these phases will have different and evolving priorities and while the immediate requirements of the facility are clear, and will be detailed in the detailed design, those activities that will need to be undertaken post Copenhagen are yet to be identified.
2. While the decision making role of the current Steering Committee members should be retained consideration should be given to opening up this group to input from a broader range of stakeholders in REDD. A Ministry of Finance representative may be considered for membership of the Steering Committee. A Government of Germany representative and a Government of the Netherlands representative may be considered for membership as they are pursuing similar REDD initiatives as IAFCP. Other stakeholders are currently invited as observers to Steering Committee members. This group could be broadened to include the World Bank, sub-national governments and NGOs involved in REDD, other Ministries and donors with interests in REDD. The purpose of doing so would be to enhance understanding of REDD across the REDD 'community' in Indonesia.
3. A Planning and Program Office be established to continuously support the Steering Committee and broader stakeholder group with information dissemination, prioritisation and framing of resulting policy options. The Planning and Program Office has ultimate responsibility to ensure that priorities given to the Facility are met in a timely manner and within budget. The Planning and Program Office is responsible for ensuring quality of outcomes. The structure of the Facility should be such that incentives around performance management align and that performance reporting obligations and expectations are clear and deliverable.
4. The Facility must support cooperation between the Steering Committee and other stakeholders to agree on and prioritise unresolved questions. The Facility should utilise systems that can create consensus between the stakeholders within a rapidly evolving context. The Steering Committee will set strategic and longer-term priorities, however prioritisation also needs to be undertaken through a continuous process of communication, rather than exclusive reliance on occasional large formal meetings. We suggest this is better done in small meetings combined with regular information sharing sessions, reserving larger meetings for key decision points. This is articulated in the proposed design through the use of small Activity Task Groups that will lead implementation of IAFCP activities and prepare tasking notes for implementation by the Facility managing contractor. Note: Activity Task Groups already exist for FRIS (DCC and MoF) and FireWatch (MoF, LAPAN and MoE) for example.
5. The Planning and Program Office will be directed in contractual matters by AusAID and on technical matters by DCC and GOI agencies.

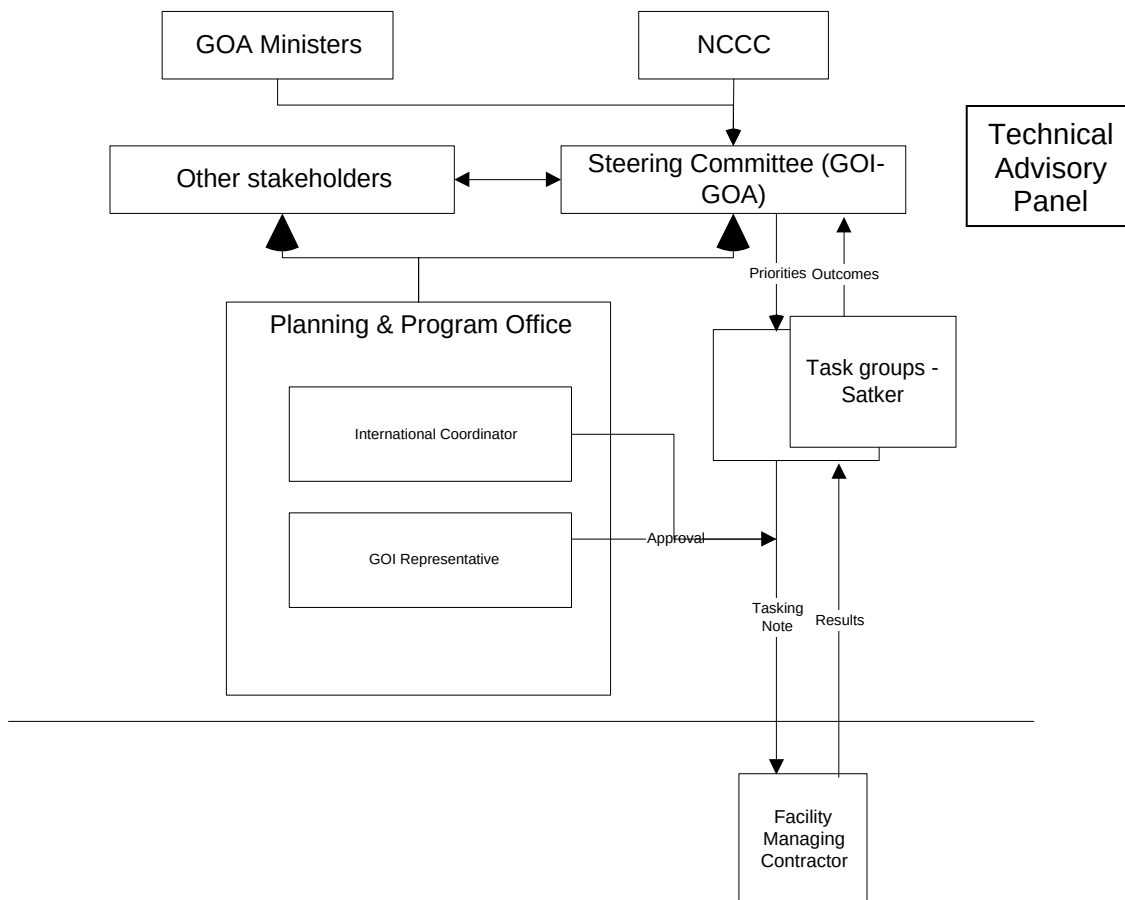
6. Flexibility can be enhanced through dividing large projects or programs into smaller tasks. This will aid a speedier determination of results and will also enable an iterative process to be undertaken in sequencing activities.
7. Tasks should be unambiguously defined by the task groups so that the Facility Managing Contractor and the sub-contractors are able to get on with clearly defined activities. Once tasking notes are issued they should preferably not be subject for review, so as to avoid the expense and time of re-negotiating tasks. Furthermore the task groups, who are responsible for quality outcomes, need to report results to the Steering Committee and stakeholder group with the support of the Planning and Program Office.
8. Prioritisation and implementation of activities are clearly separated between the Steering Committee and activity task groups, and the Facility Managing Contractor. Organisations and individuals involved need to understand this separation and be clear as to the different roles and responsibilities the separation implies. This is particularly important in a sectoral area in which there are very clear time constraints and in which there is a high level of uncertainty in policies, technologies and stakeholder interests.
9. The locus of facility work will be in Jakarta and regional areas in Indonesia where demonstrations are being implemented. However, significant work will also need to be supported in Australia (e.g. FRIS/NCAS work by DCC).
10. Wherever possible the IAFCP Facility should utilise existing systems. For instance, the Steering Committee is already established. This should continue to be utilised and supported. Some enhancements to the structure of the Committee may be needed, an example being the inclusion of the Ministry of Finance in the Committee. As another example, GOI is already utilising inter-departmental working groups for examining REDD issues. The KFCP Management Committee (outlined in the KFCP design framework) could function as the relevant task group for the KFCP. Wherever it is feasible the facility should draw upon the work and the personnel of these working groups in the establishment and operation of activity task groups – although it is noted that there may be times when this is not possible.
11. DCC be provided with the necessary resources and representation to ensure that its technical expertise is available to the stakeholder group as well as relevant task groups.
12. The Facility mechanism aims to create systems that can be scaled up if further support is provided by other funding organisations. While the facility comes about through the partnership between Indonesia and Australia it is recognised that other government or private sector funding organisations may wish to provide financial or other resources to support the work of the IAFCP or its component parts (particularly as additional contributors to the KFCP).
13. The Planning and Program Office Coordinator (Neil Scotland) is a GOA-appointed position recruited internationally. Indonesia should nominate a GOI Co-Coordinator. The team recommends that the GOA-appointed Coordinator be the senior position of the two Coordinators to avoid the problems associated with having “two bosses”. Further details of the role of these two coordinators will be outlined in the design report. It is also recommended that GOI consider appointing one or two administrative and technical staff to the Planning and Program Office to assist with the facilitation and technical roles of the Office.
14. Operational guidelines are drawn up at an early stage in facility operation to formalise and make clear the relationships between the different functions within the facility. These guidelines should be based on recommendations regarding roles and responsibilities to be included in the design document.
15. The roles and staff required of the Facility Managing Contractor (FMC) will be specified in the Facility design document. It is expected the roles of the FMC will include logistical support, administration, contracting, financial management, procurement, engaging short and long term technical advisers, project management, and activity design. The FMC will engage a Facility Manager, design and monitoring and evaluation staff, logistics and administration staff, a

Project Manager for KFCP, and other long and short term advisers. Facility staff and advisers will be recruited from Indonesia and internationally.

16. The three technical advisers currently employed by AusAID (Tim Jessup, Grahame Applegate, Anne Casson) will have their contracts transferred to the Facility Managing Contractor. Their roles will be to work with the Activity Task Groups primarily on demonstration activity preparation, peat methodologies, and carbon monitoring activities. This will involve assisting to preparing tasking notes for the Facility and ensuring the timeliness and quality of activity implementation, and ensuring that linkages between IAFCP activities are effectively exercised.

Proposed structure

On the basis of these recommendations the team proposes a structure as shown in figure 1. This is the recommended model for IAFCP implementation and is characterised by a large and fluid REDD stakeholder group working with a smaller formal Steering Committee responsible to GOA Ministers and to Indonesia's National Council for Climate Change (NCCC) (or GOI Ministers). It requires a very strong Planning and Program Office function to ensure that consensus is built among the stakeholders and that clear directions can be issued to the Facility Managing Contractor. The Planning and Program Office also recognises the partnership nature of IAFCP through the engagement of senior Indonesian and Australian Coordinators. It utilises a clear delineation of responsibility between 1) coordination personnel, who are accountable to the Steering Committee and 2) the Facility managing contractor's personnel who are required to implement approved activity designs and undertake tasks on the instruction of the activity task groups (through tasking notes approved by the Coordinators).



Annex 2: Figure 1: The proposed management structure for IAFCP

Risks and their mitigation

The team recognises that there is one key risk involved for each component in the approach outlined in this aide memoire. These are:

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- The potential for the Steering Committee and stakeholder group to be unable to agree on priorities such that tasks cannot be formulated. We believe this can be addressed through strong facilitation on a continuous basis. The importance of the facilitation role cannot be over-emphasised.
- The potential for procrastination, slowness and/or poor quality work by the Facility Managing Contractor and its sub-contractors. Contractual incentives to mitigate this risk will be discussed in the detailed design document.

Thank you from the Design Team for the IAFCP Facility. Jakarta 05/09/08.

ANNEX 3: Other programs and initiatives relevant to REDD in Indonesia

This annex is taken from material provided in the “Delivery Mechanism Concept Note” as authored by AusAID & DCC with some minor updates.

1. Other Australian funded initiatives

Low Carbon Development Options (through the World Bank) \$0.4 million

This work will support the Government of Indonesia (GOI) in preparation of its Medium Term Development Plan (RPJM) by analysing Low Carbon Development Options for Indonesia. The main objectives of the proposed work are to support the GOI to:

- Develop a strategy for further lowering the carbon intensity of its development path while maintaining acceptable levels of macro and sectoral growth
- Identify opportunities (and potential trade-offs) for climate change mitigation and adaptation through appropriate financial and economic policy initiatives
- Raise awareness and facilitate informed consensus on Indonesia's efforts to address climate change through policy actions aimed at mitigation, adaptation, and financing.

The products of the work will be a series of economic analyses and papers, disseminated through policy notes, seminars and website. Ensuring leadership and ownership by the GOI, the Ministry of Finance will lead an inter-ministerial working group including the key economic, planning and environmental ministries.

Pathways to sustainability - Phase II (Through CSIRO) \$1.5 million

AusAID is supporting this program, implemented by BAPPENAS and CSIRO, which aims to build an assessment tool for future investment decisions in Indonesia, to assess the economic, ecological and social consequences of alternative policy decisions development pathways in Indonesia. Training, development of the model and field work is currently underway.

Asia Pacific Forestry Skills and Capacity Building Program

In addition the Australian Government funds the Asia Pacific Forestry Skills and Capacity Building Program (APFSCBP) – under Phase 1 of the Program some short-term project based activities are being implemented. Phase 2 of the Program is currently in design phase and it is possible that Phase 2 may involve longer term capacity building activities.

2. Related initiatives with other donor/funder support

Asian Development Bank

The ADB has had limited engagement in Indonesia's forestry sector in recent years, although has provided some technical assistance, including training for MoF on the Clean Development Mechanism (CDM) and technical advice on forest fire management. An ADB team visited Jakarta in September 2007 to explore regional policy dialogue and coordination between governments on cross border issues including transboundary haze pollution and the Heart of Borneo initiative.

Clinton Climate Initiative

The Clinton Climate Initiative has announced its intention to develop a global carbon monitoring system, based on Australia's national carbon accounting system. In addition, the Climate Initiative has indicated that it is considering the establishment of REDD demonstration activities, possibly in Indonesia.

CIMTROP

The Centre for International Cooperation in Management of Tropical Peatland (CIMTROP) was established at the University of Palangka Raya under the direction of Dr Suwido Limin. The centre was established in 1992 and became a semi-independent international research centre in 1998. CIMTROP is a centre of collaboration for institutions, including the University of Nottingham, University of Helsinki, Gajah Mada University, University of Sriwijaya, Can Tho University, University of Malaysia Sarawak, University of Leicester, Hokkaido University and Ludwig-

Maximilians University Munchen, Alterra (an arm of Wageningen University) and Kalten Consultants (a company based in Germany). While retaining links to government agencies in Central Kalimantan, CIMTROP is also a portal for a range of international research programs that focus on peat and has a range of activities under the CIMTROP umbrella, including a natural Laboratory of Tropical Peat Swamp Forest of approximately 50,000 hectares and other field sites in two districts. A range of activities have been undertaken, including canal blocking and an analysis of dam types and effectiveness, and CIMTROP has been the primary organiser for, or heavily involved in, a number of conferences on peatlands that will provide valuable background, data, context and contacts for the detailed design and the REDD demonstration. A list of conferences and additional details on CIMTROP can be gained from their website (<http://cimtrop.itgo.com/>).

DFID

The main DFID program is the Multi-stakeholder Forestry Program II, which is designed to be open to broader cooperation with other international donors and national partners who intend to grant their contributions through the Partnership for broadening or scaling-up the reach of the program.

The purpose of the program is to fund and support multi-stakeholder partnerships that improve forest governance and deliver more equitable benefits to primary forest stakeholders and more sustainable management of forest resources. This will contribute to the goal of reducing deforestation, and promoting growth in the rural economy where 10 million of Indonesia's poorest people depend on forest resources.

To achieve this, the program will provide grants and support to a number of local and national partnerships with government, civil society and business. Local civil society partnerships will be supported through province-based Community Foundations that have already been established to support citizens' participation, build local capacity and livelihoods, encourage networks and influence forest policy. The following critical policy areas have been identified as early priorities for the new partnerships under this program, but these may change and evolve as national and international policies develop:

- (i) halting illegal logging and its associated timber trade, with a particular focus on negotiations and compliance with the EU-Gol Voluntary Partnership Agreement and other international arrangements;
- (ii) addressing poverty through more equitable and sustainable management of natural resources, with a particular focus on the rights and opportunities through community forestry for disadvantaged and women's groups;
- (iii) tackling corruption and weak law enforcement, including forest crimes and money laundering, weak forest revenue tracking, and bad practice and diligence over industrial forestry and biofuel investments; and
- (iv) implementing new tenure arrangements for stabilising land-use, rehabilitation of degraded forest lands and reducing carbon emissions from deforestation as part of Indonesia's strategy for mitigation of global climate change.

Germany

Germany has a history of engagement with Indonesia in forestry, although since the mid 2000, they reduced their involvement in the forestry sector to the Support for Forest Management Project. Current activities include: Technical assistance to strengthen management capacities in the MoF, including support for the establishment of Forest Management Units (GTZ); A debt-for-nature swap for the protection of three national parks in Indonesia (KfW); and Contributions to IFCA.

Germany and Indonesia have agreed during intergovernmental negotiations in October 2007 to embark on a new priority area "Climate Change" and to formulate an overall cooperation programme for this priority area consisting of two sub-programmes: (1) Environment and Climate Change with the Ministry of Environment and (2) Forest and Climate Change with the Ministry of Forestry with contributions of financial and technical cooperation.

In 2007 and in April 2008 GTZ undertook an overall design of the Technical Cooperation (TC) – module under the Climate Change sub-program with the Ministry of Forestry. This work focused on the appraisal of the Heart of Borneo Initiative within the TC-Module in preparation for the joint KfW/GTZ feasibility study. This work which involved AusAID in the role of an observer for part of the field activities in West Kalimantan⁴ to ensure there is no duplication/conflict with other donor activities and to look for areas of collaboration provided input for the overall design of a coherent approach for the Forest and Climate Change, ensuring a consistent concept of the overall bilateral cooperation in the Priority Area Climate Change. The work proposed in the Heart of Borneo Initiative is likely to contain four REDD demonstration activities, on sites in Kalimantan.

A Feasibility Study was undertaken in mid 2008 to focus on the Heart of Borneo region and to examine the viability of proposed options including REDD demonstration activities (pilot interventions) and assess the risk of pilot scheme implementation, given different quantities of carbon stocks and the level of threat whilst balancing the capability to implement such an activity by key actors and implementing agencies. It is noted that while the German program is yet to be finalised (as at October 2008), work to date has shown lessons on community and local government involvement in REDD that will be of significant value to IAFCP. Contact will be valuable in forthcoming months with GTZ and its project on a suite of issues related to REDD.

European Union

GTZ is the implementing organisation of the European Union's South Sumatra Forest Fire Management Project, which focuses on fire prevention and fire fighting by improving community based fire management and establishing effective prevention and fire fight command structures at provincial, district and village levels.

In addition, the European Union is funding a relatively small program aiming to develop sluices in parts of the EMRP area to assist in the re-flooding and rehabilitation of degraded peatland. The program has a budget of €750,000 over three years from January 2007.

Japan

The latest input by Japan relevant to the KFCP is the Project for the Support of Forest Resources management through Leveraging Satellite Image Information. The Project will be executed by BAPLAN within the Ministry of Forestry with the project to commence in June 2008. The main aim of the three year project is to improve the reliability of the forest resource and monitoring carried out by BAPLAN and to upgrade the BAPLAN capacity. The satellite technology which will be used is the PALSAR radar image data provided by Japanese satellites. This is the same technology that is being planned by Forest Resources Information System (FRIS) within BAPLAN. The FRIS development is currently being assisted by the Government of Australia, as the information will be required as a necessary component of any national carbon accounting system also proposed for Indonesia. Hence the links between the JICA project and the KFCP and Australia's assistance to FRIS are interlinked.

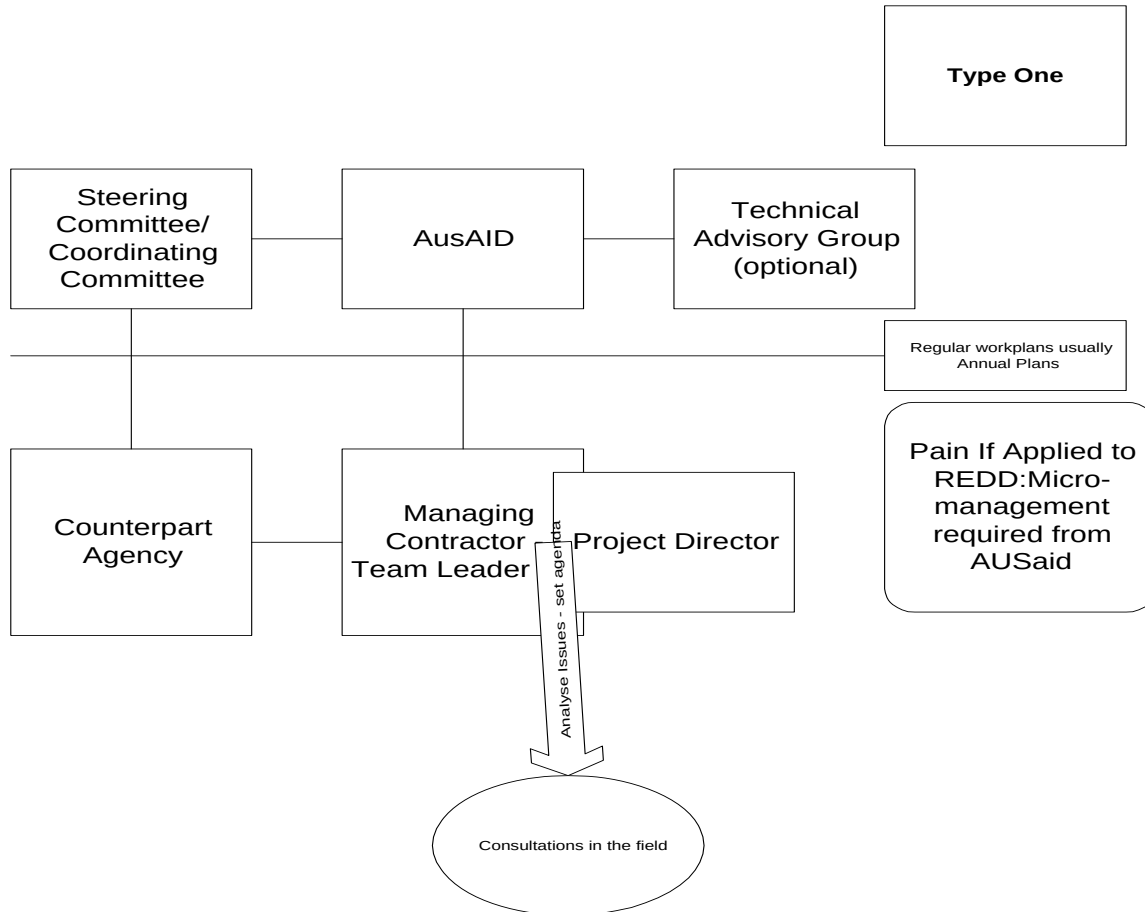
World Bank

The World Bank provided assistance to Indonesia under IFCA for the preparation of UNFCCC COP13. In addition, the World Bank completed a mission to the Ex-Mega Rice Project, and while focusing on hydrology and engineering, supported the blocking of canals and re-flooding of degraded areas of peat. The World Bank is not, however, discussing further input to the EMRP. However, the World Bank has considerable interest in REDD and has potential to fund activities in Indonesia, particularly through the World Bank's Forest Carbon Partnership Facility (FCPF). The FCPF aims to assist developing countries in their efforts to reduce emissions from deforestation and land degradation by (i) building capacity for REDD in developing countries, and (ii) testing a program of performance-based incentive payments in some pilot countries, on a relatively small scale, in order to set the stage for a much larger system of positive incentives and financing flows in the future. Further details can be found at <http://carbonfinance.org>

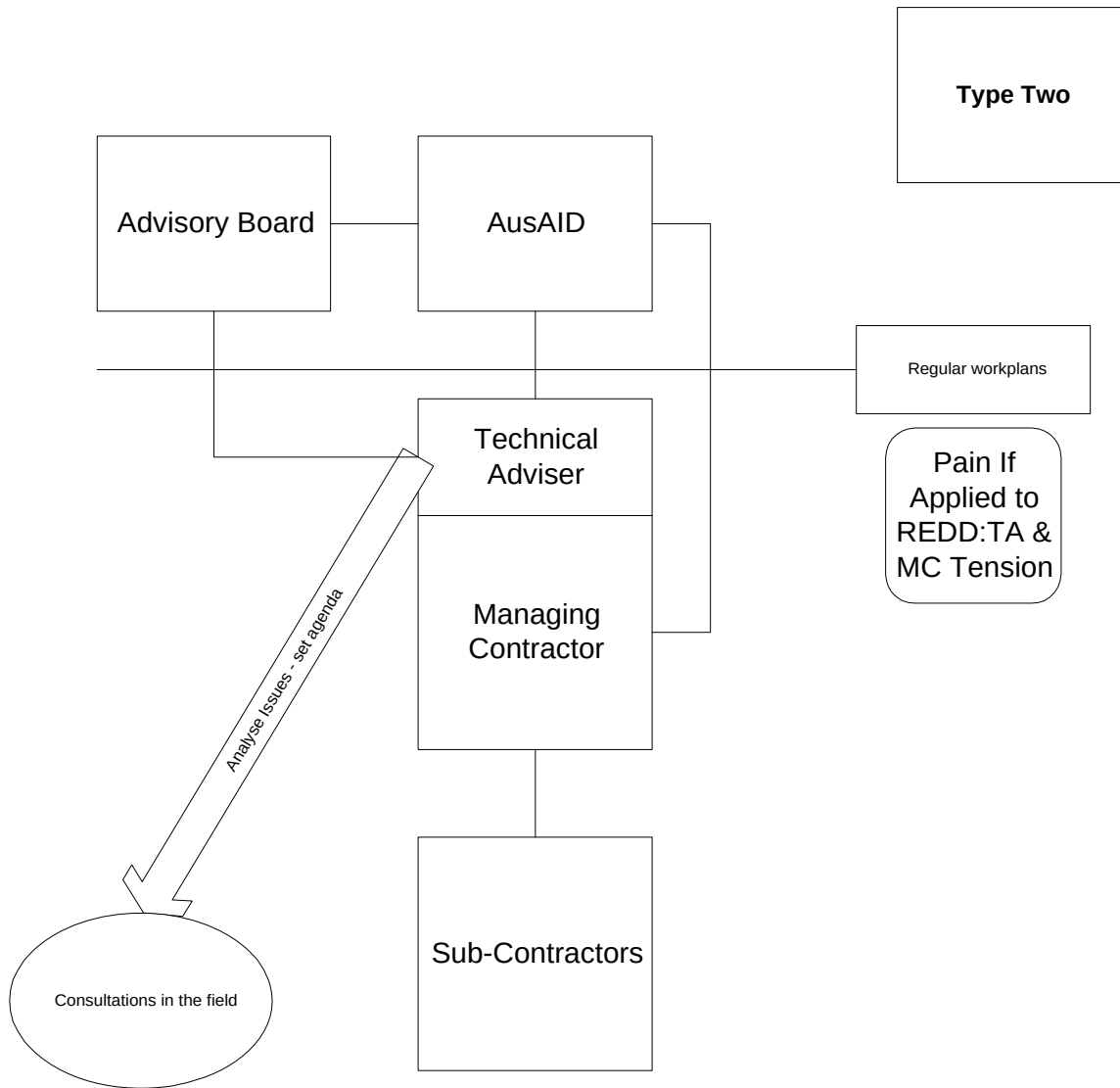
⁴ GTZ provided an observer to the KFCP Framework Design Mission in April 2008.

ANNEX 4: Facility Structures and Lessons

The team examined possible options for the management structure for the facility, based on an examination of types of management structure utilised in existing and past facilities. This annex presents the four options in diagrammatic form and they are referred to as types 1 to 4. The management option for the IAFCP Facility as presented in the main design document benefits from this analysis.

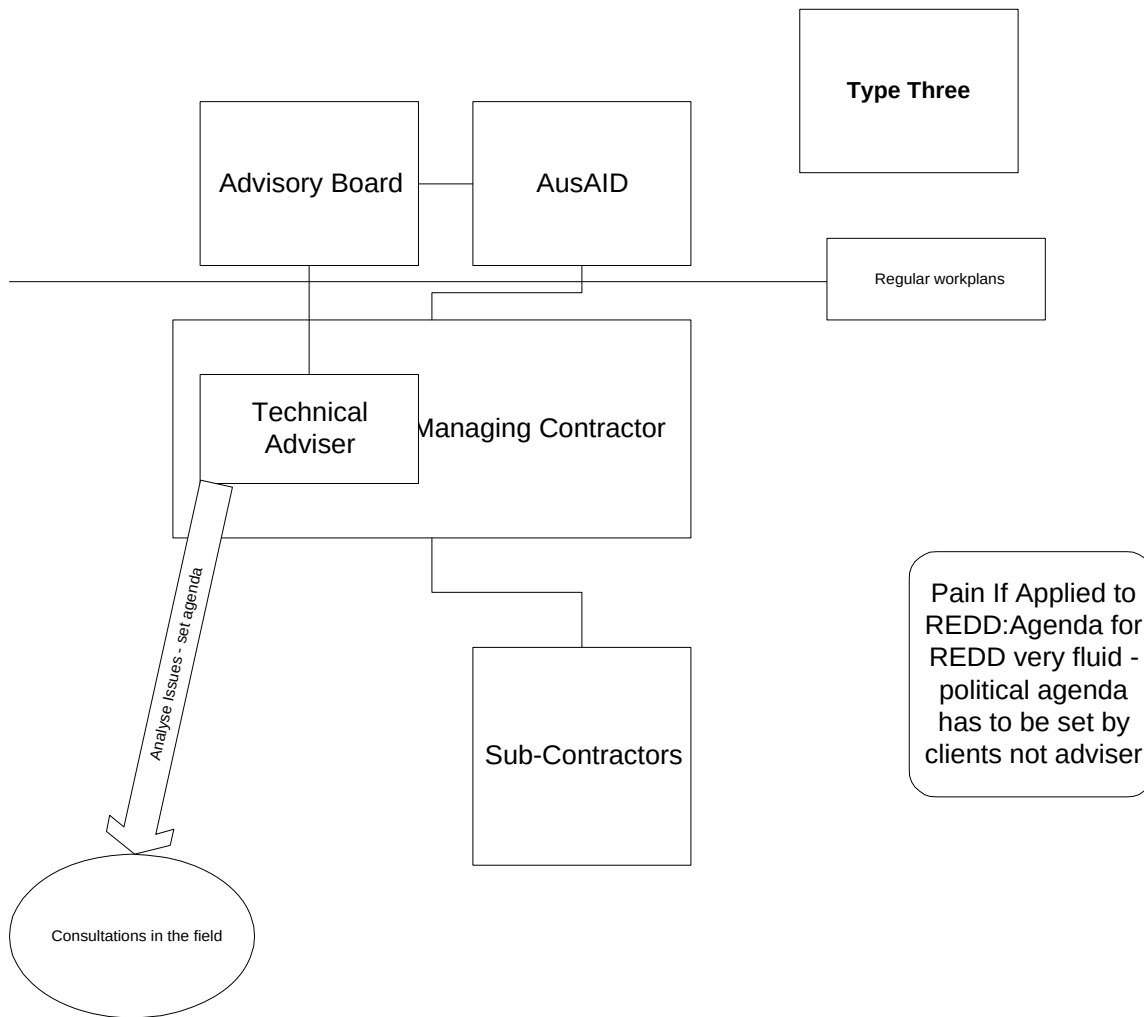


Type 1 management structure is characterised by major decisions on activities to be pursued by senior personnel from the managing contractor, most usually a team leader and a project director. Their roles include examining options in the field and deploying resources according to a regularly established workplan. AusAID engages the managing contractor and shares a governance role with GOI through a project, program or facility steering or coordinating committee. An additional option is for independent technical advice to be provided to AusAID by a technical advisory group (TAG). This model requires a considerable amount of day to day management by AusAID and if applied to REDD would probably result in micro-management. This model lacks the flexibility required for IAFCP.



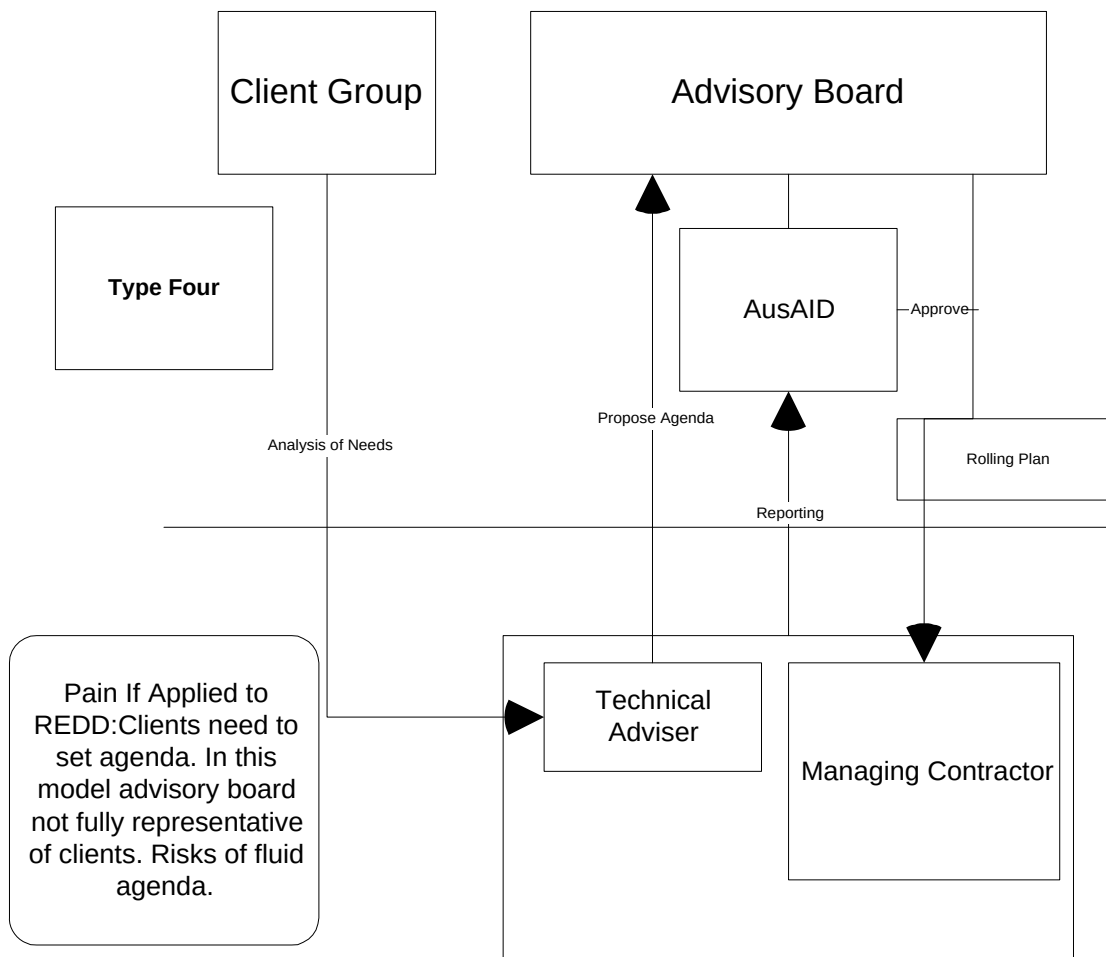
The type 2 management structure is characterised by a technical advisor directly contracted by and to AusAID who is required to oversee the implementation arrangements and activities undertaken by a managing contractor. In this model there is a high degree of reliance on the technical advisor to establish the agenda and to supervise the managing contractor. It is noted that this type of arrangement if applied to a REDD related facility would likely cause significant tensions between the technical advisor and the managing contractor.

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The type 3 management structure is characterised by a technical adviser hired by the managing contractor. This type of management structure again requires the technical adviser to set the agenda for consideration and agreement by an advisory board or steering committee through a regular planning and review mechanism. The team suggests that this is not an appropriate model for IAFCP because of the distance between the stakeholders that set the agenda and those undertaking implementation would prevent inclusion of the latest developments in the definition of tasks.

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Type 4 allows a higher degree of engagement of the client group in agenda setting by providing for a direct relationship between the client group and the technical adviser. In this model the client group and the advisory board are clearly separated. The technical advisor's main role is to translate the needs of the client group into proposed agenda for the approval of the advisory board, which then instructs the managing contractor to implement, usually through a rolling plan system. In this model the technical advisor can be directly engaged by the managing contractor. While this is ostensibly a good model for IAFCP, it would suffer from a potential disconnect between the client group and the advisory board because the latter may not be fully representative of the larger client group. It would also not establish a clear delineation between agenda setting and implementation.

ANNEX 5: Performance Assessment Framework

Please refer to next page.

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Tables 3 and 4 provide the hierarchy of objectives for the IAFCP Facility as outlined in the design document. Further performance assessment measures for Objective 2 are to be included in the PAF for KFCP. Please note that this is a guide only and a complete PAF for the IAFCP Facility should be developed once the Managing Contractor is in place.

Goal	Result
To support the demonstration through the IAFCP that reducing emissions from deforestation and forest degradation in developing countries can be part of an equitable and effective post 2012 global outcome on climate change	That reductions in emissions from deforestation and forest degradation are demonstrated
Subsidiary Purpose	Intermediate Result
To support the Partnership Office to deliver scientifically rigorous policy and technical solutions for IAFCP to support the development of Indonesia and Australia's national positions on REDD and inform international negotiations on REDD.	That REDD is included in an effective and equitable Post-Kyoto International Agreement on Climate Change
Objective 1	Outcome 1
Under IAFCP direction, support policy and readiness activities of the Partnership	PO operates in an effective and efficient manner
Activities	Outputs
Establish and manage an efficient and effective administrative, logistical, financial and procurement system that communicates clearly and proactively with the Partnership Office.	As instructed through the Partnership Office, administrative, logistical, financial and procurement requirements of the Partnership office, the IAFCP Steering Committee and all subsidiary groups met in a timely and cost effective manner
	As instructed through the Partnership Office, administrative, logistical, financial and procurement requirements of IAFCP related activities implemented by other groups in Indonesia and Australia met in a timely and cost effective manner

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Objective 2	Outcome 2
Under the direction, guidance and supervision of the Partnership Office, design, implement and report upon high quality REDD demonstration activities	REDD demonstrated as directed by the Partnership Office
Activities	Outputs
On the basis of the KFCP Framework Design subcontract, coordinate, monitor and evaluate all components under KFCP. Consolidate results from readiness activities, restoration and rehabilitation of peatland, reducing emissions from deforestation and forest degradation, emissions accounting and monitoring and payment mechanisms into a coherent REDD demonstration and report on the KFCP as a whole.	The Kalimantan Forests and Climate Partnership managed, implemented and monitored according to the agreed KFCP Framework Design
On the basis of IAFCP instructions and under the leadership and guidance of the PO design further REDD demonstrations. Upon approval of the design, subcontract and implement the demonstration in accordance with the design. Upon completion, report on the REDD demonstration as a whole.	Further REDD demonstration activities designed, implemented and monitored as per Partnership Office instructions

Table 3: Hierarchy of Objectives for the IAFCP Facility

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Table 4 provides a summary set of performance indicators for consideration and further development by the M&E specialist in monitoring and evaluating the overall performance of the IAFCP Facility.

Outcome 1	Indicators
PO operates in an effective and efficient manner.	1. Logistical, administrative, financial and procurement support provided in a timely manner (as assessed by the PO) 2. There are neither duplications nor contradictions between the policy support and readiness activities by the PO and those undertaken as part of the KFCP and other REDD demonstrations
Outputs	Indicators
As instructed through the Partnership Office, administrative, logistical, financial and procurement requirements of the Partnership office, the IAFCP Steering Committee and all subsidiary groups met in a timely and cost effective manner	1. 85% of requests from the PO are met to their satisfaction 2. Audit of procurement procedures indicates compliance with Australian procurement guidelines 3. Overall performance evaluation of recruited staff (selected through open recruitment as opposed to those recruited after selection by the PO. The latter will be considered administrative requests.) 4. Positive Value for Money review and unqualified financial audit 5. Operational manuals, standard operating procedures and supporting documents are available and used consistently by the Contractor
As instructed through the Partnership Office, administrative, logistical, financial and procurement requirements of IAFCP related activities implemented by other groups in Indonesia and Australia met in a timely and cost effective manner	1. Total number of requests from the PO 2. Total number of requests delivered to the satisfaction of the PO 3. Total number of requests delivered on time 4. Unqualified audit of procurement procedures 5. Overall performance evaluation of recruited staff (selected through open recruitment as opposed to those recruited after selection by the PO. The latter will be considered administrative requests.)

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	6. Positive Value for Money review 7. Unqualified financial audit 8. Operational manuals, written standard operating procedures and complete set of reports and supporting documents are available
Outcome 2	Potential Indicators
REDD demonstrated as directed by the IAFCP Partnership Office (PO)	1. REDD conceptual challenges as defined by the PO resolved 2. That 85% of tasks set by Task Groups are met to their satisfaction
Outputs	Potential Indicators
The Kalimantan Forests and Climate Partnership managed and monitored according to the agreed design	1. Final design of KFCP approved and being implemented 2. Subcontracting and design in accordance with Commonwealth Procurement Guidelines 3. Implementation in accordance with design, achieving the outcomes as defined in the design 4. Results reported as stipulated in the design 5. Identification and analysis of specific policy issues 6. Promotion of results and recommendations at national and international levels 7. Achievement of cross cutting indicators
Further REDD demonstration activities designed, implemented and monitored as per IAFCP instructions	1. Design for further REDD demonstrations approved by the Steering Committee 2. Subcontracting and design in accordance with Commonwealth Procurement Guidelines 3. Implementation in accordance with design, achieving the outcomes as defined in the design

	4. Results reported as stipulated in the design 5. Identification and analysis of specific policy issues 6. Promotion of results and recommendations at national and international levels 7. Achievement of cross cutting indicators
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Table 4: Performance Indicators for the IAFCP Facility

Social impact

At the international level, various groups are lobbying to oppose REDD if there are not sufficient guarantees that REDD will not only reduce emissions but also reduce poverty. All IAFCP demonstrations should therefore have a positive (or at least neutral) social impact. All demonstrations will therefore have specific social impact measurement systems in addition to the standard performance measurement and M&E systems.

A first task of all REDD demonstration activities is to identify which villages (and potentially other communities or individuals) will be affected by the demonstration. The second task will be to undertake a social impact assessment to (i) help plan and manage proposed interventions and (ii) establish a baseline from which the impact of the REDD demonstration can be subsequently assessed. The baseline should include information that summarises the lifestyle of the affected villages and their level of understanding of, and attitudes to, various aspects of the proposed activity. All information, including attitudinal data, should be disaggregated by gender. Baseline information may include, for example:

- Community/village history (focusing on origins of community members);
- Basic demographic information (family composition, age, sex and ethnicity);
- Information on access to and quality of health and education services;
- Literacy;
- Economic activities (cash and subsistence, paying particular attention to the use of forest and aquatic resources) and income levels;
- Household assets;
- Expenditure patterns;
- Access to services and to information;
- Culturally significant locations and events (particularly relating to the forest or forest areas);
- Community aspirations and trends; and
- Awareness of and attitudes to forest use, conservation, etc.

Gender disaggregated data should be recorded, and analysis conducted to ensure impacts are reported by gender.

During implementation, a monitoring program will need to be undertaken to monitor and evaluate the social impacts of the REDD demonstration. This should include attitudinal information to monitor community responses (and record both problems and suggestions) and assess impacts over time. A social monitoring program can play an important role

in terms of establishing a two-way exchange of information between communities and managers/researchers. The social impact assessment will need to be updated towards the end of the REDD demonstration period to report definitively on the social and economic impact of the interventions (giving due consideration to differences between gender, ethnicity, economic groups, etc.), the attitudes of the people to the demonstration and other factors, and reporting on other indirect impacts that may have occurred.

The initial social impact assessment (to establish a social baseline) should be undertaken during the detailed design stage. Although local capacity needs to be assessed at the onset of the detailed design stage, it is envisaged that capacity exists within the University of Palangka Raya to undertake the social impact assessment. External technical assistance in social impact assessment may be required to (i) develop a list of indicators for the social baseline, (ii) prepare a sampling framework and data collection program (iii) assist in the compilation of data and initial analysis and (iv) provide oversight during subsequent M&E activities.

ANNEX 6: Draft TORs for key personnel

1. JOB TITLE: GOA-appointed Coordinator

N.B. Draft TORs for personnel in this Facility Design Document will be reviewed and refined by AusAID.

Position Description

The International Coordinator will be a full time position responsible for the overall strategic direction of the IAFCP, and for providing the necessary oversight of all IAFCP-funded activities to ensure the achievement of IAFCP objectives and outputs.

The International Coordinator will work in synergy with the GOI-appointed Coordinator who has very similar responsibilities.

The Coordinator will be posted in Jakarta, with frequent travel to Project Areas and with constant liaison with all GOI, GOA, and other stakeholders of the IAFCP. The International Coordinator will be contracted directly by AusAID.

Specific Duties

- Assist to ensure that the IAFCP activities in Indonesia provide useful input into UNFCCC negotiations;
- Ensure relevant technical advice is available on all developments related to REDD and to the forestry sector in Indonesia (including its relationship to climate change, greenhouse gas emissions and the broader environmental context) for all IAFCP stakeholders;
- Undertake analysis of key issues and provide high level written reporting to relevant IAFCP stakeholders; task Technical Panel (ITP) to provide expert views and advice when requested by the Steering Committee to do so;
- Engage all stakeholders individually and in groups to ensure that they are all at the same level of knowledge and understanding when IAFCP priorities are discussed;
- Facilitate the identification of IAFCP priorities by stimulating a multifaceted dialogue between relevant GOI and GOA representatives. Get these priorities approved by the Steering Committee at least on a six monthly basis through the Rolling Prioritisation Plan;
- Ensure MC input to the Rolling Prioritisation Plan is integrated with PO input;
- Support and drive Task Groups to develop TORs for work components that provide answers or solutions to the priorities approved by the Steering Committee; Provide technical advisors when requested or if deemed necessary;
- Obtain the appraisal of the TORs by the Technical Panel;
- Facilitate discussions between the Managing Contractor (MC) and the Task Groups to ensure that both parties have the same understanding of the objective of each work component, the performance indicators and the mechanisms that will be used to measure performance during implementation and after completion of the work component;
- Task MC to implement the component of work after the TORs have been agreed and the MC submits an acceptable implementation time line and an indicative budget.
- Organise the agreed M&E operations for the Task Groups and ensure results of M&E activities are disseminated;
- Obtain Technical Panel appraisal of the final report and organise review of the final report by the Task Group;

- Disseminate final report of the work components and stimulate discussion on policy implications;
- Provide leadership, guidance, and strategic direction to the staff of the Planning Office (PO) to ensure that all activities are directly contributing to IAFCP overall objectives;
- Act as the primary point of contact of the facility with GOA and GOI;
- Ensure that Facility activities accord with GOA and GOI Policies and that developments in international negotiations are reflected in the IAFCP activities;
- Ensure the IAFCP interests are represented in the work undertaken by the relevant government agencies implementing the IAFCP, the World Bank and other donors in forestry and climate sectors;
- Oversee Program Planning and Reporting, Finance and Physical Resource Management, Human Resource Management and performance of the Managing Contractor.

2. JOB TITLE: GOI-appointed Coordinator

N.B. Draft TORs for personnel in this Facility Design Document will be reviewed and refined by AusAID.

Position Description

The GOI-appointed Coordinator will be a full time position advising the coordinator on overall strategic direction of the IAFCP and the achievement of IAFCP objectives and outputs.

The GOI-appointed Coordinator will work in synergy and after consultation with the International Coordinator who has very similar responsibilities.

The GOI-appointed Coordinator will be posted in Jakarta, with frequent travel to Project Areas and with constant liaison with all GOI, GOA, NGO and private entity stakeholders of the IAFCP. The GOI-appointed Coordinator will be contracted through the IAFCP Facility.

Specific Duties

- Assist to ensure that the IAFCP activities in Indonesia provide useful input into the development of national and local policy frameworks for REDD in Indonesia, and contribute to the formulation of Indonesian positions in the UNFCCC negotiations;
- Ensure relevant technical advice is available on all developments related to REDD and to the forestry sector in Indonesia (including its relationship to climate change, greenhouse gas emissions and the broader environmental context) for all IAFCP stakeholders with a particular focus on the Indonesian stakeholders;
- Undertake analysis of key issues and provide high level written reporting to relevant IAFCP stakeholders with a particular focus on the Indonesian stakeholders;
- Engage all stakeholders individually and in groups to ensure that they are all at the same level of knowledge and understanding when IAFCP priorities are discussed;
- Facilitate the identification of IAFCP priorities by stimulating a multifaceted dialogue between relevant GOI and GOA representatives. Assist the International Coordinator with obtaining the approval for these priorities from the Steering Committee at least on a six monthly basis;
- Support and drive Task Groups to develop TORs for work components that provide answers or solutions to the priorities approved by the Steering Committee; Identify needs for technical advice and suggest appropriate support to the International Coordinator;
- Assist International Coordinator with the facilitation of discussions between the Managing Contractor (MC) and the Task Group to ensure that both parties have the

same understanding of the objective of each work component, the performance indicators and the mechanisms that will be used to measure performance during implementation and after completion of the work component;

- Assist International Coordinator with the organisation of the agreed M&E operations for the Task Groups and ensure results of M&E activities are disseminated.
- Disseminate final report of the work components and stimulate discussion on policy implications;
- Advise International Coordinator to ensure that Program activities accord with GOA and GOI Policies and that developments in international negotiations are reflected in the IAFCP activities;
- Ensure the IAFCP interests are represented in the work undertaken by the relevant government agencies, the World Bank and other donors in forestry and climate sectors.

3. JOB TITLE: Facility Manager

Position Description

The Facility Manager will be a full-time position responsible for the design, contracting, supervision and reporting of work components, as well as contracting technical advisers and support for the Steering Committee, the Partnership Office and the Task Groups. The Facility Manager will report to the GOA-appointed IAFCP Coordinator and will be contracted through the Managing Contractor. The position will be based in Jakarta, with frequent travel to project areas.

Qualifications and experience

The Facility Manager should be qualified in a discipline related to natural resource management and/or business and management. S/he should be able to demonstrate 10 years of progressive experience in managing and administering large-scale development assistance programmes. S/he should be able to demonstrate experience of working in partnerships with a range of organisations including government, the private sector and civil society, and facilitating outcomes in collaborative activities between these different groups. Previous experience of working in Indonesia and knowledge of Bahasa Indonesia would also be an advantage.

Terms of Reference

- Manage the IAFCP Facility contract, oversee planning and reporting, finance and physical resource management, human resource management for staff engaged through the IAFCP Facility contract, and ensure accounting and reporting standards are met;
- Provide leadership, guidance and direction to staff under supervision and to sub-contractors to ensure that all activities contribute to IAFCP objectives, reflect GOA and GOI policies, and provide useful inputs to UNFCCC negotiations;
- In consultation with the GOA-appointed Coordinator, prepare the Managing Contractor's contribution to the Rolling Prioritisation Plan on a six-monthly basis, or as required;
- Contract and support technical advisers requested through the Partnership Office by the Steering Committee, the Partnership Office itself or the Task Groups; contract and support the members of the Technical Panel, as requested by the Partnership Office;
- Support Task Group activities, including through the provision of support to develop TORs, agree activity objectives, performance indicators and mechanisms to measure performance; preparation of indicative budgets and timelines; and sub-contracting of activities; supervise implementation of activities, monitor progress and support final reporting;
- Procure the implementation of activities in accordance with Commonwealth Procurement Guidelines or implement directly after obtaining approval from the GOA-appointed Coordinator;

4. JOB TITLE: Monitoring and Evaluation Specialist

Position Description

The Monitoring and Evaluation Specialist will be a full-time position responsible for monitoring, evaluation and continuous learning within the IAFCP Facility. The primary responsibility of the position will be to enhance quality, timeliness and focus of the work components. This involves providing strategic advice and oversight for the development and refinement of performance measurement mechanisms, monitoring and evaluation systems and continuous learning strategies. Overall requirements for M&E in the IAFCP and the IAFCP Facility are outlined in section 4.5 of the Facility Design Document. The position will be based in Jakarta with frequent travel to project areas, and will report to the Facility Manager.

Qualifications and experience

The M&E Specialist should hold a post-graduate degree that has included a research dissertation component, or be able to demonstrate evidence of training in advanced research or evaluation design, conduct and management.

In addition, s/he should be able to demonstrate practical experience in research or evaluation design, conduct, and management. This experience should reflect expertise in developing a fully elaborated design of an M&E system which includes the design approach, articulation of M&E questions, development of sound methods and tools, conduct of data collection activities, analysis of data (or supervision of such), interpretation and dissemination of results and report preparation.

An ability to communicate complex concepts simply with a range of stakeholders in multi-cultural settings, ability to develop and deliver M&E capacity building activities for implementation teams, and facilitation of learning from M&E findings should also be demonstrated.

Experience in the delivery of development projects, on-going membership of a domestic or international evaluation society would also be desirable, experience of Indonesia and fluency in Bahasa Indonesia would also be desirable.

Terms of Reference

- Conduct an Evaluability Assessment at a time when the implementation team and partners are ready and able to clearly articulate the outcomes of initiatives.
- Using a participatory approach, design a monitoring and evaluation plan that facilitates continuous lesson-learning within the IAFCP and generates useful and timely input for UNFCCC negotiations on REDD. The monitoring and evaluation plan should reflect AusAID and international standards of practice. AusAID standards are available from program managers, while international standards could include the DAC Evaluation Quality Standards, or the Joint Committee Standards;
- Identify where the Partnership Office, IAFCP Facility, Technical Panel and Task Groups will require on-going M&E technical support, and where they will be expected to implement the M&E plan themselves;
- Assist the Partnership Office to design and implement an M&E plan for the IAFCP, and help to ensure that M&E information generated from activities in Indonesia contributes to the IFCI performance assessment framework;

- Identify what capacity is required by the IAFCP (including sub-contractors) to implement the M&E plan, and develop a simple capacity building plan to develop relevant skills, and to ensure that there is an enabling environment in place to implement the M&E plan;
- Provide regular support to the implementation of the M&E Plan. The focus ought to be on the on-going design of M&E activities; assuring the quality of the M&E system implementation; and providing technical support for the analysis and interpretation of data;
- Supervise the compilation of initiative progress reports that meet the requirements of AusAID. An evidence-based, timely contribution to the Quality at Implementation Reports and Activity Completion Reports should be prepared. Negotiation of suitable content and presentation of reports should be part of the Evaluability Assessment outlined above. Reports must reflect an analytical contribution where the implications of findings are explored, not simply reported
- Working as a facilitator, support the implementation team and other relevant stakeholders to interpret and respond to M&E findings over the life of the initiative.
- In consultation with AusAID and the contractor, develop the methodology for the collection and analysis of data on the contractor performance indicators.

4. JOB TITLE: KFCP Coordinator

Position Description

The KFCP Coordinator will be responsible for all aspects of the operations and outputs of the Kalimantan Forests and Climate Partnership (KFCP), whether implemented directly by the Managing Contractor, by sub-contractors, or by partners. S/he will manage partnerships to ensure AusAID's obligations to partners are met, that partners achieve agreed results and that conditions conducive to open, trustworthy, and reliable working relationships are maintained. The post will be based in Palangkaraya, Central Kalimantan. A full description of the KFCP is provided in the KFCP Framework Design Document, which is available as part of the background information provided for this tender. The position will report to the Facility Manager.

Qualifications and experience

The KFCP Coordinator should hold an advanced degree in a subject relevant to the sustainable management of natural resources and / or have demonstrated experience of managing complex development programmes and partnerships. The post requires a blend of managerial, communications and facilitation skills. Some technical knowledge of forests and climate change would also be considered an asset. The post carries a specific emphasis on working in conjunction with multiple partners, including local governments and non-governmental organisations, and the candidate should also be able to demonstrate the skills and experience necessary for this type of collaboration. Fluency in Bahasa Indonesia will be necessary for this position.

Terms of Reference

- Manage and oversee the implementation of the Kalimantan Forests and Climate Partnership (KFCP), as tasked by the Partnership Office.

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- Liaise with and provide support to KFCP partner organisations to ensure their effective contribution to the goals of the project and the IAFCP.
- Establish and convene a KFCP management coordination group to coordinate activity planning and implementation among partners and assure the timely delivery of results guided by the KFCP Design Document.
- Work with the Monitoring and Evaluation Specialist to ensure that M&E systems meet specified standards of quality and performance, delivering relevant, accurate and reliable data needed for adaptive management and knowledge-based results; ensure that KFCP activities learn and adapt in response to monitoring and evaluation findings.
- Provide advisory support to the Partnership Office, the KFCP Secretariat and the Central Kalimantan REDD Working Group, a multistakeholder group set up to support readiness activities in the province.
- Develop training and capacity-building plans for local government agencies to enable them to fulfil their commitments as partners.
- Plan and coordinate all short-term technical assistance and monitoring missions by GoA, Gol, and partners, to ensure these missions are effective and achieve the intended results.
- Execute tasks assigned to KFCP by the Partnership Office and deliver outputs from these tasks.

ANNEX 7: Persons Met During In-country Mission

AusAID Jakarta

- Dan Heldon, First Secretary, Climate Change
- Didi Marjimi, Program Manager
- Tim Jessup, Forest and Climate Specialist
- Grahame Applegate, Senior Technical Forest and Climate Specialist
- Robin Taylor, Counsellor, Infrastructure, Regional Development and Climate Change
- Tim Smith, DPS, Economic Governance
- Priya Powell, First Secretary, Education Quality and Governance
- Diastika Rahmawati, Program Manager
- Andrew Dollimore, DPS, Roads & Regional Infrastructure
- Richelle Turner, DPS, Procurement & Contracts
- Anne Casson, Senior Forest & Climate Specialist

AusAID Canberra

- Robin Davies, Assistant Director General, Sustainable Development Branch
- Melissa Tipping, Program Manager, Sustainable Development Branch
- Jonathan Pickering, Policy Manager, Forest Carbon and Biodiversity, Sustainable Development Branch
- Brian Dawson, Director, Adaptation and Clean Development

Department of Climate Change

- Martin Sharpe, Director, Pacific Adaptation Team
- Claire Watt, Senior Policy Officer, International Forest and Land Policy

Ministry of Finance

Fiscal Policy Office

- Achmad Askolani, Head of State Expenditure, Fiscal Policy Office
- Brad Armstrong, Australian Treasury Seconded
- Singgih Riphath, APU, Fiscal Policy Office
- Purwoko, Researcher, Fiscal Policy Office

Directorate Loan & Grant

- Maurin Sitorus, Director, Directorate Loan & Grant Management. DirGen Loan Management

Ministry of Forestry

BAPLAN (Badan Planologi/Forestry Planning)

- Yetti Rusli, Director General of BAPLAN
- Basoeki Karyaatmadja, Director, Centre for Forest Planning & Statistics

FORDA Ministry of Forestry (Badan Penelitian dan Pengembangan Kehutanan/Forestry Research and Development Agency)

- Wahjudi Wardoyo, Director General
- Nur Masripatin, Secretary of FORDA

KLN (Kerjasama Luar Negeri/Bureau for International Cooperation)

- Yuyu Rahayu, Director, International Cooperation
- M. Asari, Deputy Director for Bilateral & Regional Cooperation - Bureau of International Cooperation

National Council for Climate Change

- Agus Purnomo, Head of Secretariat National Council of Climate Change

State Ministry of Environment

- Dra. Masnellyarti Hilman, MSc, Deputy Minister Nature Conservation Enhancement and Environmental Degradation Control

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- Heddy Suhandi Mukna, Assistant Deputy for Forest and Land Degradation Control

BAPPENAS

- Basah Hernowo, Director for Forestry and Water Resources Conservation

Private Sector

- Dr Peter Moore, General Manager, SFM Australasia.
- Agus Sari, Country Director-Indonesia, Regional Director-SouthEast Asia, EcoSecurities
- Bavo Suhardjo, Head of Organisations, Eco-Securities

Other Donors

- Georg Buchholz, Principal Adviser, GTZ
- Ben Zech, First Secretary Environment, Royal Netherlands Embassy
- Joe Leitmann, Environment Coordinator, World Bank
- Tim Brown, Senior Consultant, Natural Resources Management, World Bank
- Paul van Hofwegen, Senior Water Resources Specialist, World Bank
- Gerard Howe, Deputy Head Programme, Senior Social Development Advisor, DfID
- Smita Notosusanto, Governance Advisor, DfID