Community Forest Ecosystem Services, Indonesia:

Community-Based Agroforestry for Upper Watershed Rehabilitation, Lombok Indonesia

Plan Vivo Project Idea Note
Submitted to Plan Vivo December 2013

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## Key Information

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<th>Community-Based Agroforestry for Upper Watershed Rehabilitation, Lombok Indonesia</th>
</tr>
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</table>
| **Project location** | Central Lombok District, Lombok, Indonesia  
Pilot: Aik Bual Village |
| **Project coordinator & contact details** | Adam Aziz, Project Lead FFI Indonesia  
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| **Summary of proposed activities** | Rehabilitation of watershed forests through improved community based agroforestry systems. |
| **Summary of proposed target groups** | The target groups are communities in Lombok’s upstream watershed forests near Mount Rinjani National Park, which have or are in the process of securing HKm community management rights. The project pilot target group is 134 households from Aik Bual village who currently use a 100 ha forest area in the project location. |
| **Acronyms** |  
CBNRM Community-Based Natural Resource Management  
CBFM Community-Based Forest Management  
EN Endangered (IUCN Red List classification)  
FFI Fauna & Flora International  
FPIC Free Prior and Informed Consent  
HKm Hutan Kemasyarakatan (community forest)  
GHG Greenhouse Gas  
ICRAF World Agroforestry Centre  
IUCN International Union for Conservation of Nature  
MoF Ministry of Forestry  
NT Near Threatened (IUCN Red List classification)  
NTFP Non Timber Forest Product  
MPTS Multi Purposes Tree Species  
PES Payments for Ecosystem Services  
PIN Project Idea Note  
PRCF People Resources and Conservation Foundation  
RMI Rimbawan Muda Indonesia  
VU Vulnerable (IUCN Red List classification)  
WHS World Heritage Site (UNESCO) |
1. Project objectives and activities

The project promotes an ecosystem-based approach to watershed management. The project objectives are to:

1) Rehabilitate upper watershed forests enhancing biodiversity and ecosystem services by:
   a. improving community-based agroforestry systems in forest adjacent to Mount Rinjani National Park, and
   b. increasing natural forest protection in and around Mount Rinjani National Park
2) Develop livelihood opportunities linked to sustainable use of agroforestry products
3) Empower communities to manage forest resources effectively for people and conservation benefits, by establishing appropriate management rights and institutions
4) Provide a pilot model for community management of upper watershed forests in Lombok Island.

The main focus of activities to generate Plan Vivo Certificates will be on improving community agroforestry practices in the degraded forest land adjacent to Mount Rinjani National Park.

1.1 Activities that will generate Plan Vivo Certificates

a) Improve Community-Based Agroforestry Systems

Community-based forest management (CBFM) is increasingly recognised as a legitimate means of forest management by the Government of Indonesia, promoting both forest conservation and sustainable livelihood goals. In Lombok, the legal community-forest designation promoted is the Hutan Kemasyarakatan (HKm). The HKm areas are mostly found within the upper watershed forests buffering Mount Rinjani National Park. Agroforestry is most commonly practiced in these areas, with the HKm permitting the planting of Multi-Purpose Tree Species (MPTS) and Non-Timber Forest Products (NTFPs) as well as different types of annual crops, in line with set regulations.

There is strong government support for CBFM and HKm licensing, however, the capacity to manage the HKm area is often limited and unable to achieve the conservation goals, despite the clear potential for the approach. By the end of 2012, the total area of forest on Lombok approved as HKm by the Ministry of Forestry (MoF) was 11623.50ha (6492.50 ha in 2011 and 5131ha proposed in 2012). There is a target of 16000 ha by 2014 in Lombok.

The project will be launched with one pilot target community which is currently in the process of being designated as HKm. The project will work with the target community to develop an appropriate agroforestry system with benefits for the watershed function by improving tree cover in critical forest status lands and well-being benefits to remote rural livelihoods. The successes in the pilot will be promoted to other HKm across Lombok’s upper watershed areas.

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1 Booklet of CBFM development information in NTB (BPDAS DMS, 2012)
Where possible native NTFPs will be used, in Mount Rinjani National Park 29 species of NTFP have been identified, 26 of these are found in the project area but their abundance is low. Using these species in the Community Agroforestry systems in Lombok is one strategy to help preserve forest resources, whilst rehabilitating watershed function and increase the benefits to forest communities in Lombok. The specific activities to be conducted are presented in Table 1.

Table 1. Description of reforestation activities in Aik Bual Forest

<table>
<thead>
<tr>
<th>Period (Year)</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1-2</td>
<td>Tree seedling/nursery</td>
</tr>
<tr>
<td></td>
<td>Land preparation, making of planting hole &amp; marker, planting preparation, planting</td>
</tr>
<tr>
<td>Year 2-5</td>
<td>Monitoring and evaluation, maintenance, replanting</td>
</tr>
<tr>
<td>Year 5-10</td>
<td>Maintenance and harvesting activities of MPTS crops; <em>Annona muricata</em>, <em>Persea americana</em>, <em>Garcinia mangostana</em>, <em>Manilkara zapota</em>, <em>Lansium domesticum</em>, <em>Durio zibethinus</em>.</td>
</tr>
</tbody>
</table>

1.2 Additional activities

b) Improve Natural Forest Protection

Forest protection activities will be carried out through a series of monitoring and periodic patrols by community groups and officials from the District and Provincial Forest Service and the National Park of Mount Rinjani office.

The main purpose of monitoring and patrolling activities is to control encroachment and illegal logging in and around the project area. This is to minimise current negative impacts but also to avoid forest clearance activities being ‘leaked’ to new areas, especially into the National Park.

c) Secure Community Forest Management Rights and Strengthen Management Institutions: Community Forest (*Hutan Kemasyarakatan*)

The granting of legally recognised forest management rights to target communities is a pre-requisite for establishment of a community Payments for Ecosystem Services (PES) mechanism, and will strengthen local ownership and participation in forest conservation. The bureaucratic process for HKm designation includes the following key steps:
1. Establishment of a community institution, led by the community,
2. Formulation of HKm management plans,
3. Boundary delineation, and utilisation plans,
4. Submission of applications to District governments and the MoF,
5. Formal verification and government approval.
Training activities and facilitation will build local capacity to undertake these tasks. The granting of management rights to the community institution is for 35 years and helps secure long-term tenure necessary for project sustainability.

Once the HKm is secured, a permit for Community Forest Utilisation (IUPHKm) must be awarded which can only be granted to groups or co-operatives. The project will facilitate the permit process and support the strengthening of these community institutions to empower them to manage the HKm sustainably, benefitting people and conservation.

By the end of December 2013 the project reached step 4 of the HKm process listed above marked by the submission of the application. The project has completed steps 1 to 3 of the HKm process listed above including identifying members for the community institution, developing the structure (election and clarifying roles of leaders), mapping the area, developing a management plan.

In November 2013, the District Head submitted a letter of recommendation to the MoF for the HKm. In 2014, we expect the MoF will conduct verification and to issue the area allocation (PAK). This is then followed with the granting of the HKm licence (IUPHKm) by the District Head. Delays would be anticipated if there was a) overlap with other forest management concessions, or b) lack of support from the District Government and NGOs, but fortunately, both are not the case with our project.

2. Identify Target Groups/Communities

The project target groups are communities in Lombok’s upstream watershed forests in the vicinity of Mount Rinjani National Park, which have secured or are in the process of securing HKm community management rights. Central Lombok District will be our first priority if the pilot is successful (See Appendix 1); there are 2255 ha of HKm designated in this district.

The project will launch with one pilot village in Central Lombok District:

- **Aik Bual HKm** is in the upstream of Renggung watershed, and administratively located in Aik Bual Village, Kopang Sub District. Aik Bual village has an area of 2517 ha with a population of 1464 households. For the pilot, the target will be 134 households from Aik Bual who have been managing an area of 100 hectares, but this management right is not currently legally secured. The 100 ha is managed by three forest farmer groups who will form one HKm.

- Central Lombok District will be our first priority if the pilot proves successful (See Appendix 1); there are 2255 ha of HKm designated in this district.

**Women will be the focus of the small-enterprise development activities.** The project will seek to develop economic activities that add value to agroforestry products and improve livelihoods for forest-edge communities. Women are traditionally active in land management and use of NTFPs and will be the specific focus for these activities, which includes training and assistance with post-harvest
processing for a limited range of products, such as: jackfruit, banana, sugar palm, mangosteen, bamboo. Start-up capital for equipment is also provided.

3. Description of proposed project area

3.1 Physical Environment

Lombok Island, West Nusa Tenggara Province, Indonesia has a land area of approximately 473575 ha, 30% of this has ‘forest land’ status which is classified as Mount Rinjani National Park (MRNP), Protection Forest and Production Forest. MRNP (40000ha) and the tropical rainforest covered foothills (an additional 85000 ha) play an important role in Lombok’s climate and hydrological cycles (Figure 1). Three of Lombok’s four main Watershed Management Areas (SWP DAS) are connected to Rinjani, making the volcano an essential resource supporting life on the island, particularly water for irrigation, industry and drinking.

Watershed degradation, however, is a major issue on Lombok. Water supply is declining and springs in the upstream are drying up due to deforestation since the 1980’s, land conversion for agriculture as well as growing human settlements, and local communities are becoming more reliant on the forest for their livelihood. All these factors are encroaching on the protected native forests and reducing the effectiveness of the watersheds. Since 2008, when the Indonesian Government removed the kerosene subsidy for industry, there has been an increase in fuel wood use by households and industry.

In addition, a recent assessment in Lombok showed the island is highly vulnerable to climate change; particularly at risk are the agricultural, water resources and coastal sectors, with a high risk of crop failure due to projected changes in the timings of the seasonal rains.

![Figure 1: Map of forest status with Renggung sub-water catchment (left) and river systems in Lombok (right)](image)

2 Divided into 145 sub-watershed catchments
Figure 2: Map of Mount Rinjani Forest and Pilot Project Site
Figure 3: Map of Pilot Project Area and the Aik Bual Village Forest
The site of the Pilot Project is focused on Aik Bual forest area in the upstream area of Renggung sub Watershed, directly adjacent to MRNP (Figure 2 and 3). The overall area of Aik Bual protected forest is ± 445 hectares, however, since early 2000, people from Aik Bual began managing ± 100 ha of this illegally. Community activities undertaken started with land clearing followed by planting crops and MPTS as a source of family income. As a protected area, any timber trees planted cannot be logged by the community. This 100 ha area will be the carbon accounting area for the project where improved agroforestry activities will be conducted, the remaining 335ha will be expanded too on the success of the 100 ha.

A baseline participatory biodiversity assessment conducted in the project area and neighbouring community forests in 2011 recorded 16 mammal species, 94 bird species and 30 herpetofauna species. Of these species, 5 mammal species, 24 bird species and 12 herpetofauna species of high conservation value (HCVF). Four of the species are found in Aik Bual Forest Area:

- **Sunda Pangolin**, local name Trenggiling (*Manis javanica*) - conservation status endangered (EN).
- **Lesser Sulphur Crested Cockatoo**, local name Kakatua jambul kuning (*Cacatua sulphurea*) - conservation status critically endangered (CR).
- **Frog**, local name Katak (*Oreophyrne monticola*) - conservation status critically endangered (CR).
- **One species of frog** *Occidozyga floresiana* is a type that has not previously been recorded on Lombok (Mertens, 1930; Iskandar pers.com; Monk et al., 2000).
3.2 Socio Economic Environment

The population of Lombok is around 3 million (2010) with the population growing 2.14% per year. There are 82 villages across four administrative districts (East, Central, West and North Lombok) which surround Rinjani’s forests, with 20% of the population living across these areas.

According to recent surveys, the forest lands of Mount Rinjani are used directly as an economic resource by around 25 of these villages (with 42 sub-villages across 12 Sub-Districts) with a population of 190786 (7% of Lombok’s population). This highlights the dominant role of the upper watershed forests.

In 2011 Aik Bual village had a population of 4424 people (2120 men and 2301 women), mostly. They are indigenous Sasak people (culturally and linguistically), with a strong Islamic tradition. The main source of income for the Aik Bual villagers is from farming. Other sources of income include farm labourers, cattle ranchers, digging for pumice, palm sugar entrepreneurs, firewood collectors, carpenters, masons, traders, civil servants, driver, helpers and bamboo craftsmen. Here most people have a high dependence on forest products and are active in management of land in the forest areas, although this is done illegally, the average income of Aik Bual villagers who work in the forest areas is IDR 363643/month (USD30/ month).

Aik Bual Village has an area of approximately ± 2517 ha which is divided into seven hamlets with 1543 households and 1 to 5 people per household; details of the households per hamlet is as follows:

1. Dusun Pertanian 263  
2. Dusun Talun Ambon 259  
3. Dusun Bual 284  
4. Dusun Bare Eleh 162  
5. Dusun Nyeredep 225  
6. Dusun Ramus 140  
7. Dusun Rabuli 210
The village is the lowest government administrative structure, led by a democratically elected head and appointed secretary. Both receive a nominal salary from the district government budget. The village head reports to the democratically elected district head, but is directly supervised by a government-appointed sub district head. The village has a village-level legislative body (BPD) that supervises the performance of the village head and staff. In addition to the village government and a village-level legislative body (BPD), other institutions located in the Aik Bual village of, Farmers Group, Cooperatives, Public Health, early childhood, IHC, PKK, elementary school and junior.

Collection of community forest products, including firewood, ferns, bamboo, jackfruit and bananas
3.3 Carbon Stocks

Participatory vegetation surveys, with communities from Aik Bual, have been conducted to estimate the existing carbon stock in the project area. The results showed that the lowest carbon stock estimated in the project area was 45.94 tonnes CO2e/ha and the highest was 214.95 tonnes CO2e/ha. The lowest tree density was 39 trees/ha and the highest tree density was 181 trees/ha. The ‘without project’ scenarios showed that the existing tree density is on average 110 tree.ha-1, with carbon stock 77.63 +2.08 tonnes C.ha-1, and the carbon increment is 5.38 tonnes C.ha-1.year-1.

The project will aim to increase the tree density up to 400 trees/ha (which is the national standard for rehabilitation). Thus, a tree planting scenario can be used to increase the carbon stock and the tree density, at least up to the highest existing level. The ‘with project’ scenarios showed that the planting needed is 290 trees/ha-1, mean carbon stock 91 tonnes C.ha-1, and the carbon increment 13.68 tonnes C.ha-1.year-1. Based on the results of structured-interviews conducted with the community, various species were proposed for planting under the proposed Plan Vivo project activity – improved agroforestry (Table 2 below).

<table>
<thead>
<tr>
<th>No</th>
<th>Planned Tree-planting Species</th>
<th>Tree</th>
<th>%</th>
<th>Tree Planting</th>
<th>Carbon Stock (Tonnes C/Ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>In 15 years</td>
</tr>
<tr>
<td>1</td>
<td><em>Annona muricata</em></td>
<td>40</td>
<td>10%</td>
<td>29</td>
<td>2.59</td>
</tr>
<tr>
<td>2</td>
<td><em>Duabanga moluccana</em></td>
<td>120</td>
<td>30%</td>
<td>87</td>
<td>172.16</td>
</tr>
<tr>
<td>3</td>
<td><em>Durio zibethinus</em></td>
<td>40</td>
<td>10%</td>
<td>29</td>
<td>13.71</td>
</tr>
<tr>
<td>4</td>
<td><em>Garcinia mangostana</em></td>
<td>80</td>
<td>20%</td>
<td>58</td>
<td>1.99</td>
</tr>
<tr>
<td>5</td>
<td><em>Lansium domesticum</em></td>
<td>40</td>
<td>10%</td>
<td>29</td>
<td>2.04</td>
</tr>
<tr>
<td>6</td>
<td><em>Manilkara zapota</em></td>
<td>40</td>
<td>10%</td>
<td>29</td>
<td>8.32</td>
</tr>
<tr>
<td>7</td>
<td><em>Persea americana</em></td>
<td>40</td>
<td>10%</td>
<td>29</td>
<td>4.37</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td>400</td>
<td></td>
<td>290</td>
<td><strong>205.18</strong></td>
</tr>
</tbody>
</table>
The forest growth was calculated from the field data (details in ‘Mixed Species Forest Plantation Technical Specification’ document), and only predicted for 15 years in the future while the other 20 years (up to 35 years) will be projected from annual monitoring data. This prediction is used as an alternative option while the local forest growth from annual monitoring is still collected, and as a conservative approach in accounting the forest growth in the project benefit scenario.

The project benefit from carbon accounting calculation is showed in table3, figure 4.

<table>
<thead>
<tr>
<th>Crediting Year</th>
<th>Cumulative Baseline CO2e (tonnes)</th>
<th>Cumulative Project Scenario CO2e (tonnes)</th>
<th>Estimated ERS (tonnes CO2e)</th>
<th>Estimated ERs After 14% Buffer Deduction (tonnes CO2e)</th>
<th>Net Average ER (tonnes CO2e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>28,488.73</td>
<td>28,488.73</td>
<td>0.00</td>
<td>-</td>
<td>4,317.24</td>
</tr>
<tr>
<td>2</td>
<td>30,462.63</td>
<td>30,462.63</td>
<td>0.00</td>
<td>-</td>
<td>4,317.24</td>
</tr>
<tr>
<td>3</td>
<td>32,436.52</td>
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<td>0.00</td>
<td>-</td>
<td>4,317.24</td>
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<tr>
<td>4</td>
<td>34,410.42</td>
<td>37,978.22</td>
<td>3,567.80</td>
<td>3,068.31</td>
<td>4,317.24</td>
</tr>
<tr>
<td>5</td>
<td>36,384.31</td>
<td>41,876.56</td>
<td>5,492.24</td>
<td>4,723.33</td>
<td>4,317.24</td>
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<tr>
<td>6</td>
<td>38,358.21</td>
<td>46,568.85</td>
<td>8,210.64</td>
<td>7,061.15</td>
<td>4,317.24</td>
</tr>
<tr>
<td>7</td>
<td>40,332.11</td>
<td>52,027.52</td>
<td>11,695.41</td>
<td>10,058.05</td>
<td>4,317.24</td>
</tr>
<tr>
<td>8</td>
<td>42,306.00</td>
<td>58,325.94</td>
<td>16,019.94</td>
<td>13,777.15</td>
<td>4,317.24</td>
</tr>
<tr>
<td>9</td>
<td>44,279.90</td>
<td>65,533.68</td>
<td>21,253.79</td>
<td>18,278.26</td>
<td>4,317.24</td>
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<tr>
<td>10</td>
<td>46,253.79</td>
<td>73,717.15</td>
<td>27,463.36</td>
<td>23,618.49</td>
<td>4,317.24</td>
</tr>
<tr>
<td>11</td>
<td>48,227.69</td>
<td>82,940.05</td>
<td>34,712.36</td>
<td>29,852.63</td>
<td>4,317.24</td>
</tr>
<tr>
<td>12</td>
<td>50,201.59</td>
<td>93,263.76</td>
<td>43,062.17</td>
<td>37,033.47</td>
<td>4,317.24</td>
</tr>
<tr>
<td>13</td>
<td>52,175.48</td>
<td>104,747.60</td>
<td>52,572.11</td>
<td>45,212.02</td>
<td>4,317.24</td>
</tr>
<tr>
<td>14</td>
<td>54,149.38</td>
<td>117,449.07</td>
<td>63,299.69</td>
<td>54,437.74</td>
<td>4,317.24</td>
</tr>
<tr>
<td>15</td>
<td>56,123.28</td>
<td>131,424.06</td>
<td>75,300.78</td>
<td>64,758.67</td>
<td>4,317.24</td>
</tr>
</tbody>
</table>

Figure 4: Estimated Potential Project Benefit
4. Ownership of Carbon Rights and Land-Tenure

State Forest: The project area is inside the government-designated state forest zone and falls under the jurisdiction of the Ministry of Forestry (MoF), which has authority to award forest area and management rights to the local communities. Forest management and commercial utilisation plans are subject to MoF approval, although some of the MoF’s authority has been devolved to local government as a result of a decentralisation process started in the late 1990s. Results of periodic compliance monitoring determine whether management rights/licences are revoked or continued.

HKm Licenses: The Aik Bual community forest user group and village government have submitted their application for a HKm community forest management permit to the district government. Completing the process of securing the community forest license will be a priority activity in this PES project.

Carbon Rights: Similar to forest biomass (i.e. wood), carbon is considered government ‘property’, and commercial utilisation of this ‘commodity’ by the private sector and community requires government approval. Approval for the continuation of this license is contingent on the results of monitoring.

MoF decrees P.36/2009 and, most recently, P.20/2012 regulate all forest carbon/REDD+ projects, both decrees are embedded in Appendix 2 and more discussion is available in section 8.

Local context: At the local level, while agricultural fields are individually owned, forest is considered as either common property or as an open access area. The total area of the Aik Bual HKm is 100 ha. Plan Vivo activities will take place in the whole area or a 100 ha section of degraded forest within the HKm. HKm identified as potential sites for subsequent project extension are detailed in Appendix 1.

Since the state forest gazettement process overlaps with village administrative areas, and often includes agroforestry and agricultural fields, disputes over the forest zone boundary feature almost anywhere in the country, including in the project area. Supporting the target communities to secure legal recognition of their state forest areas as HKm helps to reduce this tension.

Through the HKm scheme the community aims to prevent this situation from happening in the project area, through the approach outlined below:

- Clear and legally documented land-rights tenure and placement of boundary markers - prior to HKm approval the project area was state forest with no active license creating a management vacuum, leaving the forest resource more vulnerable to illegal exploitation;
- Regular community-based forest patrols supported by rangers from the District Forestry Department and National Park;

The steps above will form part of the community’s own land-use strategy. They will require additional support from the District Forestry Department and National Park as the authorities that have the legal mandate to enforce forest protection law where it is required. This will be a cost to government rather than the community.
5. Description of Applicant Organisation and Proposed Governance Structure

The HKm area and management licences are granted by the government to the HKm community groups subject to approval of their application. The HKm community groups are responsible for conducting forest management activities to ensure compliance with laws and regulations pertaining to the HKm licence. The HKm community groups will function as the legally recognised community forest management group for the purposes of the Plan Vivo project.

FFI will act as the project applicant and focal point for project coordination, representing sites and providing the linkage with the Plan Vivo Foundation. A number of additional organisations will be involved as project partners, including the Plantation & Forestry Department of Central Lombok District (local government); and long-standing local NGO partner Lembaga Transform, experienced in community facilitation and forest protection. RMI (national NGO) will provide discrete external technical services to the project, supporting in-depth socialisation of agroforestry and the Plan Vivo System, participatory project design and PDD development. None of the partners have a commercial interest in the project.

In order to adapt to the local context of existing partner relationships and distribution of skills and expertise, certain project co-ordinator responsibilities will be led or co-implemented by the partners above. To facilitate transfer of payments from buyers of Plan Vivo certificates to producers in the target communities, a dedicated Indonesia-registered administrative facility will be established for the sole purpose of managing and monitoring certificate sales and PES payments. This will be established by agreed partners as an independent structure, with clear and transparent governance; and will ensure all financial management is managed efficiently and in accordance with national legislation. Henceforth this facility is referred to as the PV management facility.

The section below highlights the expected division of key responsibilities in the Plan Vivo project:

**Administrative**
- Registration and recording of community plan vivos (**PV management facility**);
- Signatory to and management of PES agreements with community groups (**PV management facility**);
- Managing the use of project finance in the Plan Vivo and making payments to producers (**PV management facility**);
- Coordinating and recording monitoring (**FFI and local NGO partners**);
- Negotiating sales of Plan Vivo Certificates (**FFI and PV management facility**);
- Reporting to the Plan Vivo Foundation (**FFI**);
- Contracting project validation and verification auditors (**FFI**);
- Managing project data (**FFI and local partners**).
Technical

- Providing technical support and training to producers in planning and implementing project activities (Transform);
- Developing, reviewing and updating forestry and agroforestry systems—the technical specifications (FFI and RMI);
- Evaluating the quality of community Plan Vivos (FFI and local partners);
- Monitoring implementation and impact of Plan Vivos (FFI and local partners).

Social

- Conducting preliminary discussions and on-going workshops with communities (RMI, FFI and local partners);
- Gathering socio-economic information for project registration and reporting purposes (FFI, in collaboration with RMI);
- Helping groups/individuals to demonstrate land tenure (FFI and Transform);
- Advising on issues such as community mobilisation, setting up bank accounts, dispute resolution etc. (RMI).

5.1 Information about applicant organisation

- Legal status: FFI is an international conservation NGO. It is a company limited by guarantee, incorporated in England and Wales in January 1992, Registered Company Number 2677068. It was originally established in 1903 and is registered with the Charity Commission, Registered Charity Number 1011102
- Long-term objectives:
  Vision: A sustainable future for the planet, where biodiversity is effectively conserved by the people who live closest to it, supported by the global community.
  Mission: To act to conserve threatened species and ecosystems worldwide, choosing solutions that are sustainable, based on sound science and take into account human needs.
- Brief history and achievements:
  FFI champions the conservation of biodiversity, to secure a healthy future for our planet where people, wildlife and wild places coexist. The organisation works to build the capacity of local partners to conserve endangered species like the Sumatran tiger, or threatened ecosystems such as the fruit and nut forests of Central Asia. Lasting local partnerships have been at the heart of the organisation’s conservation activities for more than one hundred years, and its work now spans the globe with more than 140 projects in over 40 countries.
- Summary of current activities:
  The FFI Indonesia Programme was established in 1996. Today the programme works to conserve a diverse range of threatened species and ecosystems throughout the archipelago, and has a particularly strong focus on empowering forest-edge communities to conserve and benefit from high conservation value forest landscapes. The project team has developed substantial expertise in climate change and the development of REDD+ activities in the Indonesian context.
• **Key personnel to be involved in the project:**

<table>
<thead>
<tr>
<th>Name</th>
<th>Role</th>
<th>Expertise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fauna &amp; Flora International</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adam Aziz</td>
<td>Project Lead, Lombok Programme</td>
<td>CBNRM, community facilitation, government &amp; partner liaison, project management, NTFPs, conflict resolution</td>
</tr>
<tr>
<td>Ahmad Kusworo</td>
<td>Community Forest, Climate and Livelihoods Advisor</td>
<td>Community-based natural resource management (CBNRM) &amp; governance, national REDD+ regulations, land-use conflict</td>
</tr>
<tr>
<td>Joseph Adiguna-Hutabarat</td>
<td>Biodiversity &amp; Forest Carbon Specialist</td>
<td>Forest carbon assessment &amp; avoided emissions modelling, remote sensing techniques</td>
</tr>
<tr>
<td>Angga Rachmansah</td>
<td>Biodiversity Specialist</td>
<td>Forest &amp; wildlife ecology - HCVF assessment (surveying, data analysis, monitoring), species &amp; ecosystem conservation</td>
</tr>
<tr>
<td>Sugeng Raharjo</td>
<td>Governance &amp; Land Use Advisor</td>
<td>Spatial planning, landscape-level forest governance, social baseline assessment &amp; monitoring</td>
</tr>
<tr>
<td>Budhy Setiawan</td>
<td>Technical Advisor</td>
<td>CBNRM, forest management, marketing on Lombok</td>
</tr>
<tr>
<td>Ismail</td>
<td>Field Assistant, Lombok Programme</td>
<td>Community facilitation, participatory methodologies, livelihoods/NTFPs</td>
</tr>
<tr>
<td>Mahrin</td>
<td>Community Facilitator Specialist</td>
<td>Community facilitation, participatory methodologies, livelihoods/NTFPs</td>
</tr>
<tr>
<td>Ahmad Syiaruddin</td>
<td>Training and Monitoring Coordinator</td>
<td>Community facilitation, participatory methodologies</td>
</tr>
<tr>
<td>Zoë Cullen</td>
<td>Environmental Markets</td>
<td>Project development and marketing</td>
</tr>
<tr>
<td>Anna Lyons</td>
<td>Agricultural Landscapes</td>
<td>Project development and management support</td>
</tr>
<tr>
<td><strong>Transform</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Suyono</td>
<td>Director of Transform</td>
<td>CBNRM, forest management, marketing on Lombok</td>
</tr>
<tr>
<td>Alfian Pujian Hadi</td>
<td>Transform Project Coordinator</td>
<td>Community facilitation, participatory methodologies, livelihoods/NTFPs</td>
</tr>
</tbody>
</table>

6. **Community-Led Design Plan**

Participation of the target community in project design and implementation has and will continue to be central to project delivery. FFI and local partners Lembaga Transform have been intensively assisting communities in the formation of community groups in relation to HKm management planning (mapping, HKm zoning, preparation of village laws pertaining to HKm and drafting of HKm management plan documents). RMI has initiated Free Prior and Informed Consent (FPIC) consultation and introduction of basic REDD+ and sustainable forest management principles at the pilot site, Aik Bual.
In keeping with Plan Vivo criteria and guidelines, participatory approaches will be used at every stage of project development to ensure community participation in all activities, such as mapping, baseline forest and social data collection, land use and management planning, risk analysis, project design and monitoring. Project facilitators will encourage the widest possible participation of target community members in project development to help ensure the views of all sectors of the community are represented and that there are equitable opportunities for individual community members both to participate in project activities, and to feel their benefits. Particular effort will be made to facilitate inclusion of vulnerable or potentially marginalised people, such as poorer members of the community and women, particularly female-headed households. FFI and local partners will continue to provide on-site community facilitation, mentoring and capacity building.

7. Additionality Analysis

In keeping with PV Standards pertaining to additionality, this project is not the product of a legislative decree. The awarding of HKm areas and management licences is through legislative decree but substantial support for, and facilitation of, target communities is required in order for this granting of community forest rights to be achieved. There is no requirement for HKm to be implemented in the context of a PES model.

Current barriers to implementing the proposed project were assessed for the Lombok contexts, see below. The barriers identified indicate that the project activity is additional. In the context of intense unplanned deforestation and degradation and planned conversion pressures, coupled with very weak law enforcement; the deforestation and degradation trends in the project area cannot be reduced or reversed in the project area without the project activities that will remove barriers and shift incentives in favour of sustainable forest management.

The VCS Additionality Tool (VT0001) was applied to the project concept, to test assumptions about the additionality of activities proposed under the Plan Vivo Aforestation and Reforestation project activities in Lombok. The proposed with-project scenario is community forest (HKm) managed sustainably and protected as standing natural forest with tree planting activities to enhance the carbon stock (HKm+R).

Numerous barriers to achieve the proposed project scenario were identified, as detailed in the table below. Barriers were lowest for the alternative land use scenario of HKm without reforestation (HKm-R), a form of ‘unplanned’ deforestation and degradation, which is thus defined as the without-project or ‘baseline’ scenario.
<table>
<thead>
<tr>
<th>No.</th>
<th>Barrier Type</th>
<th>Barrier Detail</th>
<th>Baseline Scenario HKm-R</th>
<th>Project Scenario HKm+R</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Investment</td>
<td>Sustainable finance to fund activity</td>
<td>No barrier</td>
<td>High barrier (3)</td>
</tr>
<tr>
<td>2.</td>
<td>Institutional</td>
<td>Weak law enforcement</td>
<td>No barrier</td>
<td>High barrier (3)</td>
</tr>
<tr>
<td>3.</td>
<td>Technological</td>
<td>Technical expertise to implement activity</td>
<td>No barrier</td>
<td>High barrier (3)</td>
</tr>
<tr>
<td>6.</td>
<td>Prevailing practice</td>
<td>“First of kind”/pioneering model</td>
<td>No barrier</td>
<td>High barrier (3)</td>
</tr>
<tr>
<td>7.</td>
<td>Social conditions</td>
<td></td>
<td>No barrier</td>
<td>High barrier (3)</td>
</tr>
<tr>
<td>7a.</td>
<td>Demographic pressure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7b.</td>
<td>Social conflict</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7c.</td>
<td>Widespread illegal practices</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7e.</td>
<td>Shortage of skills in target community</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>Lack of community organisation</td>
<td>Lack of community organisation</td>
<td>No barrier</td>
<td>High barrier (3)</td>
</tr>
<tr>
<td>9.</td>
<td>Land Tenure/Property Rights</td>
<td></td>
<td>No barrier</td>
<td>High barrier (3)</td>
</tr>
<tr>
<td>9c.</td>
<td>Property rights</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9d.</td>
<td>Formal &amp; informal land holdings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9h.</td>
<td>Market Price</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9i.</td>
<td>Rent capture</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.</td>
<td>Local Tradition</td>
<td>Traditional equipment and technology</td>
<td>Low barrier (1)</td>
<td>No barrier</td>
</tr>
<tr>
<td>11.</td>
<td>Ecological Condition</td>
<td>Degraded soil, catastrophic natural disaster</td>
<td>No barrier</td>
<td>Medium barrier (2)</td>
</tr>
</tbody>
</table>

**7.1 Project Activities to Address Barriers**

- Resolution of land tenure/property rights issues through completion of the HKm licensing process and securing carbon permits;
- Targeted training to address specific skills and organisational capacity required by the target community to implement project activities successfully;
- On-going facilitation and awareness-raising within the target community to strengthen skills developed through training and ensure all sectors of the target community have a common understanding and buy-in to project activities;
- Threat of illegal practices within the target community and demographic pressures addressed by demonstration of material benefits to communities as a direct result of sustainable forest
management (revenue from the sale of Plan Vivo certificates and additional produce from agroforestry activities), and support to increase benefits realised from existing agricultural lands and non-timber forest products.

8. Compliance with Regulations and Notification of Relevant Bodies

The project will comply with all relevant national and international regulations. Indonesian regulations pertinent to project design and implementation are as follows:

HKm Regulation: The HKm tenure arrangement was introduced as a formal community forestry scheme in Indonesia by the issuance of MoF decree P. 37/2007 on HKm. The purpose of HKm is to give local communities access, through community groups, to legally recognised, sustainable utilisation of forest resources. Improving local community well-being and sustainable management of the forest estate are the main objectives. The two main steps to establishing HKm are obtaining:

1. A MoF licence for the forest area, which requires the following information to be submitted:
   a. A map of the HKm area
   b. Legality of the institution
   c. Information on the management group

2. A District Head (Bupati) licence for forest management. Both steps involve stringent formal verifications. Failure to secure the forest management licence from the Bupati revokes the MoF area licence, which require the following information to be submitted:
   a. Results of the evaluation

The HKm licence is non-transferable, valid for 35 years, renewable, and monitored at least once every five years. The community group is responsible for HKm boundary demarcation, formulation of the HKm management plan, forest protection, rehabilitation, and restoration/enrichment. The project will facilitate target communities to secure the necessary permit for carbon sequestration and trading.

Technically, the concept of agroforestry that will be implemented at the project site is to ensure a minimum 400 trees per ha planted with timber and MPTS. This condition is consistent with community forestry policy in Indonesia that aims to improve both the biophysical condition of forests and the welfare of forest communities, through planting various species that have ecological and economic benefits.

REDD+ Regulation: This project will generate Plan Vivo certifications by enhancing forest carbon stocks through agroforestry activities. National legislative frameworks for Reduced Emissions from Deforestation and Forest Degradation plus conservation, sustainable management of forest, and enhancement of forest carbon stocks (REDD+) are already promulgated.

MoF decrees P.36/2009 and, most recently, P.20/2012 regulate all forest carbon/REDD+ projects (Appendix 2). Regulations include direction on the following:
Eligibility of HKm management license holders as forest carbon project proponents is specified in paragraph 5 of P.36/2009 and in Article 6 of P.20/2012.

Entities (government, private sector, local community) with forest management rights must register their forest carbon projects with the MoF. In forest zones with no competing licence, forest carbon project proponents need to apply for a carbon sink and sequestration business permit.

International systems and standards for project development and marketing (CCBA, VCS, Carbon Fix, and Plan Vivo) are recognised in P.36/2009.

Regulations on vertical distribution/benefit-sharing of revenue from the sale of carbon credits, which is currently subject to inter-ministerial review.

In the absence of a carbon compliance market, FFI is seeking to secure upfront fund commitments to finance performance-based PES payments through a grant mechanism that will not use the commercial credit sales model, or be subject to its legislative requirements.

FFI is in regular communication with the Ministry of Forestry on Indonesian jurisdictional requirements for REDD+ projects and is monitoring any new developments in relevant policy that may affect planning and implementation of this project.

The MoF has developed national standards for land cover classification (SNI 7645:2010), carbon stock measurement and accounting (SNI 7724:2011), and formulation of allometric equations (SNI 7725:2011). These standards will be used to inform development of the project’s technical specification for ‘Mixed native species agroforestry’.

Notification of relevant bodies: MoF representatives and District Forestry Department in Central Lombok Districts have been informed of the proposed project, its activities and participants through presentation on the progress of FFI’s wider REDD+ programme in Indonesia to the MoF REDD+ Working Group, and informal discussion directly with the Chairperson of the REDD+ Working Group. Local government staff participated in Plan Vivo training in Central Lombok in September 2012.

9. Sources of start-up funding identified

The British American Tobacco Biodiversity Partnership (BATBP) is funding watershed protection activities in Lombok until 2015. This PIN and a feasibility assessment to evaluate the scope for and viability of a Plan Vivo programme in Lombok’s upper watersheds was funded by the BATBP during 2013. Following review of the feasibility assessment by BATBP, further funding will be requested for the technical specification and PDD development, establishing the 100ha pilot, and providing three-years ex-ante payments for the 100ha. We will know by 1 April 2014 if we are able to secure all of the request or only parts. An investment to jump start establishment of an additional 200ha will be requested.

Funding is already secured from BATBP for HKm development and community engagement. KOICA has provided a small amount of funds for technical inputs into the development of a REDD+ project in the protection forest (hutan lindung) which is complementary to the proposed Plan Vivo project objectives.
A small grant has also been awarded by ICCO (a Dutch NGO) managed by Samdana Foundation to project partner Transform to trial a PES funding mechanism on 12.5 ha in a neighbouring village.

In Lombok, there may be opportunities to investigate other funding streams once proof of concept is shown, for example the tobacco tax in Lombok could be spent by government in Central Lombok on expansion of HKm and Plan Vivo. Existing corporate afforestation programmes could be encouraged to target HKm/Plan Vivo areas.

In addition, our Environmental Markets team are engaging with Europe-based brokers, PES funders and donor agencies. Other potential sources of PES fund is from foreign government pledges to Indonesia for REDD+ (such as the USD 1 billion from Norway).

Appendix 1: Potential project expansion sites

Expansion of the project is planned to include the following HKm sites, pending results of participatory feasibility assessments and successful proof of concept in the Aik Bual site. This is shown in the map below.

Central Lombok will be our initial priority for expansion:

- Pending success of Plan Vivo in the 100ha target site in Aik Bual, we will focus on the remaining 345 ha
- We are starting work on a REDD+ site in Central Lombok within the 1809.5 ha shown below using the Verified Carbon Standard (VCS). If registered as VCS it cannot be registered as Plan Vivo and vice versa.
- We will of course take other opportunities and interest where they arise and funding is available in the other districts:

<table>
<thead>
<tr>
<th>Island</th>
<th>District</th>
<th>HKm Site</th>
<th>Estimated HKm Area (Ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lombok</td>
<td>Central Lombok</td>
<td>Aik Bual Forest</td>
<td>445</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Batukliang Utara</td>
<td>1809.50</td>
</tr>
<tr>
<td>West Lombok</td>
<td></td>
<td>Sesaot</td>
<td>185</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Batu Layar</td>
<td>226</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gunung Sasak</td>
<td>431</td>
</tr>
<tr>
<td>East Lombok</td>
<td></td>
<td>Sambelia</td>
<td>420</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sekaroh</td>
<td>1450</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gunung Malang</td>
<td>360</td>
</tr>
<tr>
<td>North Lombok</td>
<td></td>
<td>Santong</td>
<td>758</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td><strong>6084.5</strong></td>
</tr>
</tbody>
</table>
Appendix 2: MoF Decrees on Forest Carbon

Ministry of Forestry P.36/Menhut-II/2009


Ministry of Forestry P.20/Menhut-II/2012

Translation from FFI
MINISTRY OF FORESTRY REPUBLIC OF INDONESIA DECREE
NUMBER : P. 36/Menhut-II/2009
REGARDING
PROCEDURES FOR LICENSING OF COMMERCIAL UTILISATION OF
CARBON SEQUESTRATION AND/OR STORAGE IN PRODUCTION AND
PROTECTED FORESTS.
BY THE GRACE OF ALMIGHTY GOD,
THE MINISTER OF FORESTRY REPUBLIC OF INDONESIA,

Considering:

a. That based on Article 33 Sub (1) Government Regulation Number 6 Year 2007 jo
Government Regulation Number 3 Year 2008 regarding Forest Management and
Compilation of Forest Management Plan, and Forest Utilisation, it was stated that
one form of environmental services utilisation in production and protected forest is
sequestration and/or storage of carbon;

b. That based on Article 19 letter b in Government Regulation Number 6 Year 2007
jo Government Regulation Number 3 Year 2008, environmental services
utilisation in production and protected forest is given in a form of Licence to
Exploit Environmental Services *Izin Usaha Pemanfaatan Jasa Lingkungan
(IUPJL)*;

c. That related to point a, and b, there is a need to establish a Procedure for Licensing
of Commercial Utilisation of Sequestration and/or Storage of carbon in Production
Forest and Protected Forest by a Decree of the Minister of Forestry.

Recognising :

1. Law Number 5 Year 1990 regarding Conservation of Biological Resources and its
Ecosystems (Republic of Indonesia Gazette Year 1990 Number 49; Supplement to
Republic of Indonesia Gazette Number 3419);

2. Law Number 23 Year 1997 regarding Environmental Management (Republic of
Indonesia Gazette Year 2007 Number 68; Supplement to Republic of Indonesia
Gazette Number 3699);

3. Law Number 41 Year 1999 regarding Forestry (Republic of Indonesia Gazette
Year 1999 Number 167, Supplement to Republic of Indonesia Gazette Number
3888) as changed by Law Number 19 Year 2004 regarding The establishment of
Government Decree Substituting a Law Number 1 Year 2004 regarding Changes
in Law Number 41 Year 1999 regarding Forestry as a Law (Republic of Indonesia
Gazette Year 2004 Number 86, Supplement to Republic of Indonesia Gazette
Number 4412);

4. Law Number 17 Year 2004 regarding Ratification of the Kyoto Protocol to The
United Nations Framework Convention On Climate Change (Republic of
Indonesia Gazette Year 2004 Number 72, Supplement to Republic of Indonesia
Gazette Number 4403);

5. Law Number 32 Year 2004 regarding Local Government (Republic of Indonesia
Gazette Year 2004 Number 125, Republic of Indonesia Gazette Number 4437)
which has been amended several times most recently with Law Number 12 Year

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version.
2008 regarding The Second Amendment of Law Number 32 Year 2004 regarding Local Government (Republic of Indonesia Gazette Year 2008 Number 59, Supplement to Republic of Indonesia Gazette Number 4844);

6. Government Decree Number 27 Year 1999 regarding Environmental Impact Analysis (Republic of Indonesia Gazette Year 1999 Number 59, Supplement to Republic of Indonesia Gazette Number 3838);

7. Government Decree Number 6 Year 2007 regarding Forest Management and Compilation of Forest Management Plan (Republic of Indonesia Gazette Year 2007 Number 22, Supplement to Republic of Indonesia Gazette Number 4696) as amended by Government Decree Number 3 Year 2008 (Republic of Indonesia Gazette Year 2008 Number 16, Supplement to Republic of Indonesia Gazette Number 4814);

8. Government Regulation Number 38 Year 2007 regarding Division of Governance Roles between Government, Provincial Government, and District/City Government (Republic of Indonesia Gazette Year 2007 Number 82, Supplement to Republic of Indonesia Gazette Number 4737);

9. Presidential Decree Number 187/M Year 2004 as amended several times most recently as amended by Presidential Decree Number 31/P Year 2007;

10. Decree of the President of Republic of Indonesia Number 9 Year 2005 regarding the location, tasks, function, organizational structure, and working procedures of State Ministries of the Republic of Indonesia as amended several times most recently by Number 20 Year 2008;

11. Presidential Decree Number 10 Year 2005 regarding Organizational Units and Tasks of Echelon I of the State Ministries of the Republic of Indonesia as amended several times most recently by Number 50 Year 2008;

12. Forestry Minister’s Decree Number P.13/Menhusk-II/2005 regarding Organizational Structure and Working Procedures of the Ministry of Forestry, as amended several time most recently by Number P.64/Menhusk-II/2008;

DECIDES:

Decides: **FORESTRY MINISTER’S DEGREE ON PROCEDURES FOR LICENSING OF COMMERCIAL UTILISATION OF CARBON SEQUESTRATION AND/OR STORAGE IN PRODUCTION AND PROTECTED FORESTS.**

**CHAPTER I**

**GENERAL DECISIONS**

**Article 1**

In this Forestry Minister’s Decree the meaning of:

1. Licence for utilisation of environmental services (Izin Usaha Pemanfaatan Jasa Lingkungan pada forest produksi, IUPJL-HP) is a business licence issued for utilisation of environmental services in production forest that has existing permit/rights and that has not had permit/right

2. licence for utilization of timber in natural forest (Izin Usaha Pemanfaatan Hasil Hutan Kayu dalam Hutan Alam, IUPHHK-HA) previously is called Forest

Unofficial translation. For information purpose only. Always refer to the original Bahasa Indonesia version.
Business Right (Hak Pengusahaan Hutan, HPH) is a licence to utilize production forest covering activities connected with cutting, transporting, planting, maintaining, securing, processing and marketing forest products

3. Licence for utilisation of Timber from Plantation Forest (Izin Usaha Pemanfaatan Hasil Hutan Kayu dalam Hutan tanaman, IUPHHK-HT) covers business activities in production forest areas, including planting single or mixed species stands, primarily to produce wood, where the activities include land preparation, nursery, planting, maintenance, harvesting or cutting, processing and marketing.

4. IUPHHK Restoration Ecosystem within natural forest (IUPHHK-RE) is a licence for business given to develop an area of natural forest in production forest that has important ecosystems so that its functions and representativeness can be maintained through maintenance, protection and forest ecosystem recovery including planting, enrichment, thinning, wildlife breeding, release of flora and fauna to restore the biological (flora and fauna) and non biological elements (soil, climate and topography) in a particular forest area to their natural state, so that biological and ecosystem balance is achieved.

5. licence for utilization of timber from Community Plantation Forest within Plantation Forest (Izin Usaha Pemanfaatan Hasil Hutan Kayu Pada Hutan Tanaman Rakyat dalam Hutan Tanaman - IUPHHK-HTR) is licence for business given to utilize forest timber products in plantation forest in production forest which was developed by individuals or cooperatives to increase the resource and quality of production by implementing silviculture practices to ensure sustainability of forest resources management.

6. Minister is the Minister entrusted with duties and responsibilities in the field of Forestry.

7. Director General is the Director General entrusted with duties and responsibilities in the field of Forest Production Development (Bina Produksi Kehutanan).

8. Provincial offices (Dinas Provinsi) are the offices entrusted with duties and responsibilities in the field of Forestry in the area of a Province.

9. District/City Offices (Dinas Kabupaten/Kota) are the offices entrusted with duties and responsibilities in the field of Forestry in the area of a District/City

CHAPTER II

COMMERCIAL UTILIZATION OF SEQUESTRATION AND/OR STORAGE OF CARBON

Section One
Type of Business

Paragraph 2

Unofficial translation. For information purpose only. Always refer to the original Bahasa Indonesia version.
Business of carbon sequestration and/or carbon storage (UP RAP- KARBON and/or UP PAN-KARBON) is one form of commercial utilisation of environmental services in production and protected forests.

Section Two

Business activities of RAP-KARBON and/or PAN-KARBON

**Paragraph 3**

(1) Business activity of RAP-KARBON related to Sustainable Production Forest Management includes:
   a. Planting and maintenance as part of IUPHHK-HT activities or IUPHHK-HTR activities, which are land preparation, nursery development, planting, maintenance, harvesting and marketing in accordance with the designated sylviculture system for the whole or part of the forest area or forest block;
   b. Planting or maintenance until the period of rotation of the trees [sampai daur tanaman] in the whole or part of the forest area or forest block for IUPHHK-HA and IUPHHK-RE;
   c. Enrichment in the logged-over areas in the whole or part of the forest area or forest block in the areas of IUPHHK-HA or IUPHHK-RE or IUPHHK-HT or IUPHHK-HTR;
   d. Planting in a planting line in IUPHHK-HA or IUPHHK-RE or IUPHHK-HT that use the selective logging with line planting (tebang pilih tanam jalur) sylviculture method, or the selective logging with intensive planting (tebang pilih tanam intensif) sylvicultural method;
   e. increase productivity to increase standing stocks (riap tegakan) by implementing silviculture techniques

(2) Business activity of PAN-KARBON related to Sustainable Production Forest Management includes:
   a. Lengthening cycle of cutting or delaying cutting in specific areas in the work areas of IUPHHK-HA areas.
   b. Lengthening the cutting rotation or delaying cutting in part of forest or block in a IUPHHK-HTI or IUPHHK-HTR area.
   c. Implementation of environmentally friendly cutting in part of forest or block in the IUPHHK-HA area.
   d. Maintenance and security in the intermediate lines in an IUPHHK that uses the felling – line planting method or the selective logging - intensive planting silviculture technique.
   e. Increasing of protection and conservation areas in IUPHHK-HA and IUPHH-HT areas.
   f. Protection and security in an area with protection functions in all or part of a forest or forest block in the area of a IUPHHK-HA or IUPHHK-RE or IUPHHK-HT or IUPHHK-HTR or IUPHHBK.
   g. Protection and security in the protection area in all or part of a forest or forest block in IUPHHK-HA or IUPHHK-RE areas.
(3) RAP-KARBON business activities in protected forest cover:
   a. Planting or maintenance as part of the activities under a forest reserve
      commercial business licence or forest areas utilisation licence, or community
      forest utilisation licence, and village forest which includes land preparation,
      nursery, planting, maintenance, harvesting, and marketing in accordance to the
      designated silviculture system for the whole or part of a forest or forest block;
   b. Planting or maintenance until the period of rotation of the trees [sampai daur
tanaman] in the whole or part of the forest area or forest block for commercial
      forest utilisation licence, or community forest utilisation licence, and village
      forest;
   c. Increasing productivity though increasing standing stock by implementing
      silviculture techniques.

(4) PAN-KARBON activities in protected forest include:
   a. Planting or maintenance in the areas that have a forest utilisation licence, or
      community forest utilisation licence, and village forest
   b. Increasing the protection and conservation areas in the forest area utilisation
      licence, or community forest utilisation licence, and village forest areas
   c. Protection and security in the areas which function as protection areas in the
      whole or part of a forest or forest block of a forest area utilisation licence, or
      community forest utilisation licence, and village forest
   d. Protection and security in the whole or part of forest or forest block in the areas
      of forest area utilisation licence, or community forest utilisation licence, and
      village forest

Paragraph 4

Implementation of commercial activities for carbon storage within the reduced
emissions from deforestation and forest degradation (REDD) scheme and carbon
sequestration within the framework of the clean development mechanism is
regulated in a separate Ministerial Decree

CHAPTER III
REQUEST FOR BUSINESS LICENCE

Section One

Request and requirements for areas that have pre-existing licences

Paragraph 5

(1) Holder of IUPHHK-HA, IUPHHK-RE, IUPHHK-HTI, or IUPHHK-HTR, Licence
    for utilisation of Protected Forest, Licence for Utilisation of Community Forest,
    and Manager of Village Forest can apply for IUP RAP-KARBON and/or IUP
    PAN-KARBON as stated in Paragraph 3

(2) Request for IUP RAP-KARBON and/or IUP PAN-KARBON as meant by sub (1)
    is proposed to the Minister with the following requirement:
    a. Copy of IUPHHK-HA decision or IUPHHK-RE or IUPHHK-HTI or Licence

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version.
for utilisation of Protected Forest, Licence for Utilisation of Community Forest, and Village Forest Management right;

b. Proposal for business of carbon sequestration and/or storage (Proposal UP RAP-KARBON and/or UP PAN-KARBON) following format 1 attached to this decree

(3) For holder of IUPHHK–HTR requesting IUPJL, request of IUPJL for holder of IUPHHK–HTR is proposed to the Head of District complete with the following requirements:

a. Copy of IUPHHK–HTR decision;

b. Proposal for business of carbon sequestration and/or storage (Proposal UP RAP-KARBON and/or UP PAN-KARBON) following format 1 attached to this decree

(4) The finalization of request as meant in sub (3) follows the regulation in Section 10.

(5) For holders of IUPHHK–HA, IUPHHK–HTI, IUPHHK–RE, who do not send a PAN – KARBON or RAP – KARBON proposal but propose project development for PAN–KARBON or RAP–KARBON, the request is regulated in Section 11.

(6) PAN – KARBON or RAP – KARBON project developers as meant by sub (5) will not issue IUP PAN – KARBON or RAP – KARBON.

Article 6

(1) Based on the request as meant in Article 5 sub (2), the Director General will check that the request is in compliance with requirements within 10 (ten) working days from when the request is received.

(2) If the request does not comply with the requirements, the Director General on behalf of the Minister will issue a rejection letter.

(3) When the request complies with the requirements, the Director General will form a Proposal Evaluator Team to judge the technical aspects of forest management, type of forest environmental services business, cash flow projection, and social economy activities related to the local community in 15 (fifteen) working days

(4) If the proposal passes the technical evaluation, the Director General will report the result to the Minister.

(5) Based on the report from the Director General, as meant in Sub (4), the Minister will instruct:

a. the Director General of Forest Spatial Planning (Planology) to prepare a Map of the Working Area.

b. the Director General to prepare concept of decision for granting IUP RAP-KARBON and/or IUP PAN-KARBON.

(6) Based on the Working Area Map and decision concept IUP RAP-KARBON and/or IUP PAN-KARBON as meant in Sub (5), the Minister through implementation by the Director General, will issue to the applicant an Instruction to Pay Letter (Surat Perintah Pembayaran, SPP) for the IUP RAP-KARBON and/or IUP PAN-KARBON levy based on the tariff as determined Ministerial Decree.

(7) After SPP IUP RAP-KARBON and/or IUP PAN-KARBON is paid, the Minister will issue a decree for releasing IUP RAP-KARBON and/or IUP PAN-KARBON to the applicant.
Section two

Request and requirements for areas that do not have a pre-existing licence

Article 7

(1) Request for IUP RAP-KARBON and/or IUP PAN-KARBON as meant in Article 3 for areas that do not have a pre-existing licence can be proposed by:
   a. Individual;
   b. Cooperative;
   c. State Own Company Badan Usaha Milik Negara (BUMN) or Local Government Own Company Badan Usaha Milik Daerah (BUMD);
   d. Indonesian Company Badan Usaha Milik Swasta Indonesia (PT, CV, Firma)

(2) The requirements for the request as meant by Sub (1) are:
   a. Copy of ID card for individual or Deeds of Establishment for Cooperation/Company for PT, CV or Firma and its amendments and priority will be given to those who are working in the areas of forestry/agriculture/plantation;
   b. Business Permits from authorized institutions;
   c. Tax Number (Nomor Pokok Wajib Pajak, NPWP);
   d. A statement letter stating willingness to open a branch office in the Province and or District/City
   e. Proposal for Environment Services Business in Production Forest (Proposal UPJL) will follow the format in Attachment 1 of this decree

(3) Request as mentioned in Sub (1) can be submitted for one or more activities of carbon sequestration and/or storage utilisation as meant in Article 3.

Article 8

(1) Permit issuance for IUP RAP – KARBON and/or IUP PAN – KARBON in areas that do not have licence for utilisation of timber forest products is done by the Minister

(2) In the case that areas that have a licence for utilisation of timber forest products will conduct IUP RAP – KARBON and/or IUP PAN – KARBON, it is obligatory to get approval from the Minister

(3) Procedure for approval of IUP RAP – KARBON and/or IUP PAN – KARBON in the areas that has licence for utilisation of timber forest products, will be regulated by a separate Ministerial Decree

(4) Request for IUP RAP – KARBON or IUP PAN – KARBON as meant in sub (1) is proposed to the Minister complete with the requirements as meant in Article 7 sub (2).

(5) Request as Project Developer of IUP RAP – KARBON and/or IUP PAN – KARBON is proposed to the Minister as regulated in Chapter 11.

Section Three

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Licensing issued by the Head of District/City

Article 9

(1) Head of District/City Office will check that applicants meet the requirement as meant by Article 10 sub (2) in 10 (ten) working days from when the request is received.

(2) If the request is not complete as required, the Head of District/City office on behalf of the Head of District/City will issue a rejection letter.

(3) When the request has fulfilled the requirements, as meant by sub (1) and the areas requested IUP RAP-KARBON and/or IUP PAN-KARBON are outside of areas with a pre-existing licence the Head of District/City Offices will form a Proposal Evaluator Team UPJL-HP consist of UPT Ditjen BPK, UPT Ditjen PHKA, UPT Directorate General Forest Spatial Planning (Planologi) from the local province and in the district/city to judge the technical aspects of the proposal in 12 (twelve) working days

(4) The Proposal Evaluator Team as meant by sub (3) does not need to be repeatedly formed for every request

(5) When the result of the evaluation is that the proposal has passed the requirements as meant by sub (3), the Head of District/City Offices will report the result to the Head of District/City

(6) Based on the report from the Head of District/City offices as meant by sub (5), the Head of District/City will instruct the Head of District/City offices to prepare the working areas map and concept for decision of IUP RAP-KARBON and/or IUP PAN-KARBON

(7) Based on the Working Area Map and decision concept IUP RAP-KARBON and/or IUP PAN-KARBON as meant in Sub (6), the Head of District/City, through the Head of District/City office, will issue to the applicant a Instruction for Payment Letter (Surat Perintah Pembayaran, SPP) IUP RAP-KARBON and/or IUP PAN-KARBON levy based on the tariff as determined by a Ministerial Decree.

(8) After SPP IUP RAP-KARBON and/or IUP PAN-KARBON is paid, the Head of District/City will issue a decree for releasing IUP RAP-KARBON and/or IUP PAN-KARBON to the applicant.

Section four

Licensing issued by the Governor

Chapter 10

(1) The Head of the Provincial office will check that applicants meet the requirements as meant by Article 7 sub (2), in 10 (ten) working days from when the request is received

(2) If the request does not fulfil the administration requirements as meant by Article 7 sub (2), the Head of the Provincial office on behalf of the Governor will issue a rejection letter.

(3) When the request has fulfilled the requirements, as meant by sub (1), and the areas requested for IUP RAP-KARBON and/or IUP PAN-KARBON is outside of areas with a pre-existing permit the Head of Provincial Offices will form a Proposal Evaluator Team UPJL-HP consist of UPT Ditjen BPK, UPT Ditjen PHKA, UPT Directorate General Forest Spatial Planning (Planologi) from the local province and in the district/city to judge the technical aspects of the proposal in 12 (twelve) working days
\[PHKA, UPT\] Directorate General Forest Spatial Planning (Planologi) from the local province and in the related district offices to judge the technical aspects of the proposal in 12 (twelve) working days

(4) The Proposal Evaluator Team as meant by sub (3) does not need to be repeatedly formed for every request

(5) When the evaluation result pass the technical requirement as meant by sub (3) the Head of the Provincial Office will report the result to the Governor

(6) Based on the report from the Head of Provincial offices as meant by sub (5), the Governor will instruct the Head of Provincial offices to prepare the working area map and concept for decision of IUP RAP-KARBON and/or IUP PAN-KARBON

(7) Based on the Working Area Map and decision concept IUP RAP-KARBON and/or IUP PAN-KARBON as meant in Sub (6), the Governor through the Head of Provincial office, will issue a Payment Instruction Letter (\textit{Surat Perintah Pembayaran, SPP}) IUP RAP-KARBON and/or IUP PAN-KARBON levy based on the tariff as determined by Ministerial Decree to the applicant.

(8) After SPP IUP RAP-KARBON and/or IUP PAN-KARBON is paid, the Governor will issue a decree for releasing IUP RAP-KARBON and/or IUP PAN-KARBON to the applicant.

\textbf{Section five}

\textbf{Licensing issued by the Minister}

\textbf{Article 11}

(1) Director General will check that applicants meet the requirements as meant by Article 7 sub (2) in 10 (ten) working days from when the request was received

(2) If the request does not fulfil the administration requirements as meant by Article 7 sub (2), the Director General on behalf of the Minister will issue a rejection letter.

(3) When the request has fulfilled the requirement, as meant by sub (1) and the areas requested IUP RAP-KARBON and/or IUP PAN-KARBON is outside of areas with pre-existing licence the Director General will form a Proposal Evaluator Team UPJL-HP consisting of Director General BPK, Director General PHKA, Director General Forest Spatial Planning (Planologi) and Technical Implementation Unit from related provinces and in the related district offices to judge the technical aspects of the proposal in 12 (twelve) working days

(4) The Proposal Evaluator Team as meant by sub (3) does not need to be repeatedly formed for every request

(5) When the evaluation result passes the technical requirement as meant by sub (3) the Director General will report the result to the Minister

(6) Based on the report from the Director General as meant by sub (5), the Minister will instruct:
   a. Director General Forest Special Planning (Planologi) to prepare the working areas map
   b. Director General to prepare concept for decision IUP RAP-KARBON and/or IUP PAN-KARBON.

(7) Based on the Working Area Map and decision concept IUP RAP-KARBON and/or IUP PAN-KARBON as meant in Sub (6), the Minister, will issue IUP RAP-KARBON and/or IUP PAN-KARBON decree.

(8) Based on the Minister Decree as meant in sub (7), Director General will issue a
Payment Instruction Letter (Surat Perintah Pembayaran, SPP) IUP RAP-KARBON and/or IUP PAN-KARBON levy based on the tariff as determined by the applicable laws and regulations

(9) the Director General will give the Ministerial decree as meant by sub (7) to the applicant after the applicant has paid SPP IUP RAP-KARBON and/or IUP PAN-KARBON

(10) Related to requests for permit for utilisation and/or carbon storage in the community forest, and village forest, checking for requirement as meant by Article 7 sub (2), and sub (1), sub (3), sub (5), and sub (6) letter b, sub 8 and sub 9 is implemented by the Director General of Land Rehabilitation and Social Forestry.

**Article 12**

In making the working areas map for permit which will be issued by the Head of District/Head of City or Governor, Head of District office/City or Head of Province office will ask for assistance from local office of the Forestry Boundaries Agency (Balai Pemantapan Kawasan Hutan, BPKH)

**Article 13**

(1) If the permit holder does not pay the forest levy in 1 (one) Year, Head of District office/City or Governor or Ministry will annul the decision granting IUP RAP-KARBON and/or IUP PAN-KARBON.

(2) Payment of levy IUP RAP-KARBON and/or IUP PAN-KARBON is made to the State revenue (kas negara) through Treasurer of Non-tax State Income Forestry (Penerimaan Negara Bukan Pajak, PNBP).

**CHAPTER IV**

**PROJECT DEVELOPMENT AND MARKETING OF CARBON**

**Article 14**

(1) The Manager of Production Forest (BUMN) or holder of IUPHHK–HA, or IUPHHK–RE or IUPHHK–HTI can be the Project Developer for RAP and/or PAN KARBON activities.

(2) When the Management of Production Forest (BUMN) or holder of IUPHHK as meant by Sub (1) is working together with an investor for Operational Collaboration as Project Developer, and submitted to the Minister c.c. Director General for approval

(3) Collaboration as meant by Sub (2), at least consists of rights and responsibilities between the Management of Forest Production or permit holder with the investor related to selling and payment, maintenance and development of forest resources, capacity development of local community and project development/replication for the surrounding areas.

(4) Result of Project development activity as meant by Sub (1) are carbon commodity, which can be marketed in the national or international voluntary carbon market

(5) If the national carbon voluntary market is not established, the Project Developer can market it in international carbon voluntary market

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(6) When the Project Developer as meant in Sub (1) will market internationally, the Project Developer, based standards in the international market, will conduct:
   a. Develop project design and may use a consultant’s services
   b. propose valuation and verification using existing independent valuator institutions

(7) In developing project design or valuation and verification of DP/PD RAP KARBON or PAN-KARBON as meant by Sub (6) by international consultant or independent international valuator, the international consultant independent international valuator has to work in collaboration with national consultant or national independent valuator institutions.

(8) In developing project design as meant in Sub (6) letter a, Project Developer can work with local government, National independent BUMN/BUMD/BUM, national Non Governmental Organization.

(9) The standard for project development and carbon marketing in international market as meant by Sub (6) is in Attachment II of this decree.

**Article 15**

(1) Based on verification as meant in Article 14 Sub (7), Project Developer register to the National Registration Body (Badan Registrasi Nasional) or those which are in the International PKS (VCM) to get certificate of Verified Emission Reduction (VER).

(2) If a National Registration Body has not yet been established, registration as meant by Sub (1) is sent to the Director General.

(3) Certificate of VER as meant by Sub (1) can be sold directly between Project Developer with buyer or through Carbon Stock Exchange market nationally or internationally as approved by the Minister.

(4) Result of sales as meant by Sub (1) as carbon credit obtained by the Project Developer RAP-KARBON and/or PAN-KARBON can be transferred or given to a third party with Ministry approval.

**Article 16**

A RAP-KARBON and/or PAN-KARBON project that has a VER certificate, credit and storage has to be real/to have become permanent, registered, verified by national independent institutions or in voluntary carbon market national or international.

**Article 17**

(1) Value of Environmental Service Sale (Nilai Jual Jasa Lingkungan, NJ2L) RAP-KARBON and/or PAN-KARBON is income from selling carbon credit that has been certified and paid based on ERPA (Emission Reduction Purchase Agreement).

(2) Distribution of NJ2L is in Attachment III of this decree.

(3) Funding received by the government as meant by Sub (2) is PNBP Kehutanan [forestry Non-tax State revenue].

(4) Funding for local community as meant by Sub (2) is managed by Trust Fund which is managed on good governance principles by the local community together.
with the village government and project development is facilitated by local Forestry Extension Officer for security in the area of forest being developed for the project RAP-KARBON and/or PAN-KARBON related to avoiding leakage.

(5) The Project developer can insure RAP-KARBON and/or PAN-KARBON project with an insurance company in national or international markets

Article 18

Related to REDD or Compliant Market which will start from December Year 2012:

a. Certificate of VER for PAN-KARBON have to be validated following the compliance mechanism procedure which has been acknowledged and included in the National REDD carbon baseline and registered in the National Registration Body.
b. Selling and buying of Agreement of PAN-KARBON will be renegotiated

Article 19

(1) The longest length of RAP-KARBON and/or PAN-KARBON Project is 25 (twenty five) Year and can be extended by the Minister or does not exceed the time of the business permit
(2) When IUP RAP-KARBON and/or IUP PAN-KARBON time has finished, extension of IUP RAP-KARBON and/or IUP PAN-KARBON can be proposed to the IUP RAP-KARBON and/or IUP PAN-KARBON . licensing authority
(3) Procedure for extension of RAP-KARBON and/or PAN KARBON project as meant by Sub (1) and Sub (2) is regulated in a separate Ministerial decree.

CHAPTER V
FINANCING AND PAYMENT

Article 20

Resources for financing for implementation of RAP-KARBON and/or PAN-KARBON activities can be obtained from:
a. own funding.
b. funding from Corporate Social Responsibility (CSR) in country or from overseas
c. grant from overseas (donor) in bilateral or multilateral framework.

CHAPTER VI
OTHERS
Article 21

Integrated Management Unit (Kesatuan pengelolaan Hutan, KPH) of Production Forest, Integrated Management Unit of Protection Forest, Forest areas for special purposes in Production Forest and/or Protected Forest, Community Forest, Hutan Kemasyarakatan (HKm), Indigenous People’s Forest (Hutan Masyarakat Hukum Adat), and Village Forest can conduct business of utilisation RAP-KARBON and/or PAN-KARBON in accordance to this regulation.
**FINAL ACT**

**Article 22**

This Ministry decree is valid from the date it is issued. 
So that every person knows about the decree, the Ministry of Forestry Decree is enacted by placing it in the State Gazette Republic of Indonesia.

Issued in Jakarta 
On 22 May 2009
MINISTRY OF FORESTRY 
REPUBLIC INDONESIA, 
Signed 
H.M.S. KABAN

Enacted in Jakarta 
On 29 May 2009
MINISTER OF LEGAL AND HUMAN RIGHTS 
REPUBLIC INDONESIA, 
SIGNED. 
ANDI MATTALATTA 
BERITA NEGARA REPUBLIC OF INDONESIA YEAR 2009 NUMBER 128

Copies are identical to the original

Head of Legal Department and Organisation 
signed. 
SUPARNO, SH 
NIP. 19500514 198303 1 001

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Proposal for utilisation of environmental services business (Proposal UPJL)

1. Background of IUPJL development
2. Legal base and legality of licensing
3. Aim and Objective
4. Description of areas/location
5. Management Plan and utilisation of IUPJL
   a. Planning for development of Forest resources
   b. Planning for community empowerment
   c. Planning for environmental services utilisation
   d. Management organization
   e. Planning for protection and security of Forest resources
6. Cash flow projection
7. Attachments

Copies are identical to the original

Head of Legal Department and Organisation

Signed
SUPARNO, SH
NIP. 19500514 198303 1 001

MINISTRY OF FORESTRY
REPUBLIC OF INDONESIA,

signed
H. M. S. KABAN

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**ATTACHMENT II MINISTRY OF FORESTRY**

Number : P. 36/Menhut-II/2009  
Date : 22 May 2009

**STANDAR PROJECT DEVELOPMENT AND CARBON MARKETING**

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<td>A/R CDM / finance Analysis</td>
<td>Barrier Analysis / general practice/ A/R CDM</td>
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<td>Project information which is published</td>
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<td><strong>12.</strong></td>
<td>CO2, certificate price</td>
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Issued in: Jakarta
Date: 22 May 2009

Unofficial translation. For information purpose only. Always refer to the original Bahasa Indonesia version.
Attachment III Forest Ministers Decree, Republic of Indonesia

Number : P. 36 /Menhut-II/ 2009
Date : 22 May 2009

<table>
<thead>
<tr>
<th>N2JL No.</th>
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<td>IUPHHK-RE</td>
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<td>5.</td>
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<td><em>Hutan Kemasyarakatan</em></td>
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<td><em>Adat</em> Forest</td>
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<td>Protected Forest</td>
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</table>

Information:

*) Government’s share will be divided proportionately, that is central Government 40%, provincial government 20%, District Government 20%

**Copies are identical to the original**

Head of the Legal and Organisational department

Minister of Forestry,

Republic of Indonesia

Signed

Suparno SH

H.M.S Kaban

NIP. 19500514 198303 1 001
REGULATION OF THE MINISTER OF FORESTRY

OF THE REPUBLIC OF INDONESIA

Number : P.20/Menhut-II/2012

CONCERNING

FOREST CARBON MANAGEMENT

BY THE GRACE OF GOD ALMIGHTY

THE MINISTER OF FORESTRY

OF THE REPUBLIC OF INDONESIA,

Considering:

a. That one way of conducting forestry activities for people’s welfare that is fair and sustainable pursuant to Article 3 of Law Number 41 Year 1999 concerning Forestry is through optimizing various forest function to achieve environmental, social, cultural and economic benefits in a balanced and harmonious way;

b. That optimizing forest function is an effort to mitigate global climate change through the role of forest to reduce forest carbon emission, sequester CO2 from the atmosphere and maintain carbon stock;

c. That based on considerations on point a and point b, it is necessary to stipulate a Minister of Forestry Regulation concerning Forest carbon management;

In view of:

1. Law Number 5 Year 1990 concerning Conservation of Biological Natural Resources and their Ecosystem (State Gazette of the Republic of Indonesia Year 1990 Number 49, Supplement to State Gazette of the Republic of Indonesia Number 3419);

2. Law Number 6 Year 1994 concerning the ratification of United Nations Framework Convention on Climate Change (State Gazette of the Republic of Indonesia Year 1994 Number 42, Supplement to State Gazette of the Republic of Indonesia Number 3557);

3. Law Number 32 Year 2009 concerning Environmental Protection and Management (State Gazette of the Republic of Indonesia Year 2009 Number 140, Supplement to State Gazette of the Republic of Indonesia Number 5059);

4. Law Number . . .
4. Law Number 41 Year 1999 concerning Forestry (State Gazette of the Republic of Indonesia Year 1999 Number 167, Supplement to State Gazette of the Republic of Indonesia Number 3888) as amended with Law Number 19 Year 2004 concerning Stipulation of Government Regulation as Law Replacement Number 1 Year 2004 concerning Amendment on Law Number 41 Year 1999 as Law (State Gazette of the Republic of Indonesia Year 2004 Number 86, Supplement to State Gazette of the Republic of Indonesia Number 4412);

5. Law Number 17 Year 2004 concerning the ratification of Kyoto Protocol to The United Nations Framework Convention on Climate Change (State Gazette of the Republic of Indonesia Year 2004 Number 72, Supplement to State Gazette of the Republic of Indonesia Number 4403);

6. Government Regulation Number 6 Year 2007 concerning Forest Management and Forest Management Plan Development, and Forest Use (State Gazette of the Republic of Indonesia Year 2007 Number 22, Supplement to State Gazette of the Republic of Indonesia Number 4696) as amended with Government Regulation Number 3 Year 2008 (State Gazette of the Republic of Indonesia Year 2008 Number 16, Supplement to State Gazette of the Republic of Indonesia Number 4814);


9. Presidential Regulation Number 71 Year 2011 concerning National Greenhouse Gas Inventarisation;

10. Minister of Forestry Regulation Number P.14/Menhut-II/2004 concerning the Procedures of Afforestation and Reforestation in the Framework of Clean Development Mechanism;

11. Minister of Forestry Regulation Number P.68/Menhut-II/2008 concerning the Implementation of Demonstration Activities of Reducing Emission from Deforestation and Degradation (State News of the Republic of Indonesia Year 2008 Number 94);

12. Minister of Forestry Regulation Number P.30/Menhut-II/2009 concerning Reducing Emission from Deforestation and Degradation (State News of the Republic of Indonesia Year 2009 Number 88);

13. Minister of Forestry Regulation . . .
DECIDES:

To Stipulate:  

MINISTER OF FORESTRY REGULATION CONCERNING FOREST CARBON MANAGEMENT

CHAPTER I

GENERAL PROVISIONS

Article 1

The following are definitions contained herein:

1. Forest carbon is carbon from forest management that applies activities of carbon stock, carbon sequestration and reducing forest carbon emission.
2. Demonstration activities are activities in testing and developing methodology, technology, and institutional aspects of forest carbon management in the readiness phase.
3. Implementation of forest carbon activities is the implementation of activities to reduce forest carbon emission, increase carbon stock, carbon sequestration, and carbon change into solid carbon stored in biomass, dead organic materials, and soil carbon, and maintain the balance of solid carbon within a forest.
4. Initiators are individuals or institutions implementing activities related to forest carbon.
5. Partners are the government, international agencies, private sector and individuals with the capability to fund demonstration activities and their implementation.
6. Forest carbon manager is an institution conducting forest carbon management.
7. Forest carbon management license is a license given by the Minister of Forestry to conduct forest management that applies activities such as carbon stock, carbon sequestration and reducing forest carbon emission both in forest areas and rights forest.
8. Minister is the Minister responsible in the field of forestry.
9. Relevant Director General is the Director General with duties and functions according to the substance of demonstration activities and their implementation.
CHAPTER II
PURPOSE AND OBJECTIVE

Article 2

(1) The purpose of forest carbon management is to regulate basic principles in implementing activities related to forest carbon.
(2) The objective of forest carbon management is to achieve optimalisation of forest carbon management in forest management that is harmonious, conducted for the welfare of the people, and fair.

CHAPTER III
BASIC PRINCIPLES

Part 1

Forest carbon management

Article 3

(1) Forest carbon management includes:
   a. Demonstration activities;
   b. Implementation of forest carbon activities;
(2) Forest carbon activities may be in the form of carbon stock and/or sequestration, consisting of:
   a. Seeding, planting, forest and land preservation and forest harvesting applying sustainable management principles;
   b. Extension of tree cutting cycles on and/or enrichment planting on license to use timber forest products;
   c. Protection, guarding the areas of license to use timber forest products;
   d. Biodiversity protection;
   e. Sustainable protected forest management;
   f. Conservation forest management;
(3) Forest carbon management may be applied to:
   a. State forest with the following functions:
      1. Production forest;
      2. Protected forest;
      3. Conservation forest;
      4. Rights forest / Community forest.
(4) Forest carbon managers are:
   a. Government;
   b. State/Locally/Privately Owned Corporations;
   c. Cooperatives;
   d. Community.
(5) Forest carbon management is also prioritized to encourage an increase in community empowerment within and outside forest areas.

Part II...
Part 2

Criteria for Demonstration Activities

Article 4

(1) Criteria for demonstration activities are as follow:
   a. Develop the creation or improvement process of technical standards of measurement, implementation of those standards, and reporting the result of the measurement.
   b. Facilitation which is accompaniment for the creation or improvement process of technical standards of measurement, implementation of those standards, and reporting the result of the measurement.
   c. Forest carbon activities must be workable, replicative in a broader scale, and sustainable after demonstration activities are completed.

(2) Initiator submits written request for the implementation of demonstration activities to the Minister, attaching the following:
   a. Demonstration activities plan, which includes the status and location along with a map of the potential areas, form and duration of the cooperation, estimated value of the activities, and risk management.
   b. In the case that the initiator is a self-funded individual, the initiator shall attach a letter stating the preparedness to fund the implementation of such demonstration activities.
   c. In the case that the initiator is cooperating with a partner and all or some of the funding will come from such partner, the initiator shall attach a cooperation document.

(3) The Minister shall assign the relevant Director General to conduct evaluation on the demonstration activities request as mentioned in paragraph (2).

(4) The evaluation to the demonstration activities request as mentioned in paragraph (3) shall be coordinated by the Head of Climate Change Working Group of the Ministry of Forestry.

(5) The initiator of the demonstration activities shall conduct measurement, monitoring, reporting and evaluation, and periodically report to the Minister through The Secretary General.

Part 3

Implementation of Forest Carbon Management

Article 5

The criteria for implementing forest carbon management are:

   a. Clarity of the carbon managers;
   b. Clarity on the areas.

Article 6 . . .
Article 6

(1) In the case that the initiator of demonstration activities will conduct the implementation of forest carbon management, it shall acquire a Forest Carbon Management License from the Minister.
(2) The minister shall assign the relevant Director General to conduct evaluation on the demonstration activities request as mentioned in paragraph (1).
(3) The evaluation to the demonstration activities request as mentioned in paragraph (2) shall be coordinated by the Head of Climate Change Working Group of the Ministry of Forestry.
(4) Forest carbon managers from demonstration activities management and new management without demonstration management, are as follow:
   a. Holder of license to use timber forest products of the natural forest;
   b. Holder of license to use timber forest products of the plantation forest;
   c. Holder of license to use timber forest products of the ecosystem restoration;
   d. Holder of license to use timber forest products of the community plantation forest;
   e. Holder of license to use community forestry;
   f. Holder of license of village forest management;
   g. Holder of license to use non timber forest products;
   h. Holder of license for natural tourism facility/service business;
   i. Holder of license to use environmental services;
   j. Holder of license to use forest products/forest areas/environmental services in protected forest;
   k. Manager of conservation forest;
   l. Manager of production forest management unit;
   m. Manager of protected forest management unit;
   n. Manager of indigenous forest;
   o. Manager/owner of rights forest.

Article 7

(1) The license of forest carbon management is integrated with the license attached to the use of forest/forest products.
(2) Forest carbon management is conducted through the License of Carbon Forest Management.
(3) The license of forest carbon management in production or protected forest management unit may be granted as long as the area of such forest management unit has not been granted licensing.
(4) The license of forest carbon management on protected forest area and/or production forest area that has not been granted licensing is in the form of license to use carbon sequestration and/or storage.
(5) Manager/owner of rights forest shall submit a request for forest carbon management license to the Minister.
(6) Procedures of granting license of forest carbon management on rights forest and forest areas, is further regulated by a Minister Regulation.

Article 8 . . .
Article 8

(1) Holder of the forest carbon management license may trade forest carbon within its working area collectively and/or individually with the forest products the holder is using.

(2) Forest carbon traded on domestic forest carbon market or international forest carbon market both voluntary market and compliance market, is forest carbon that has obtained certification pursuant to prevailing regulations in the carbon trade market.

(3) Forest carbon traded is the difference between forest carbon potential on a specific year and forest carbon initial potential (baseline), and/or maintaining and/or securing forest carbon stock.

(4) Procedures of forest carbon trading as mentioned in paragraph (4) are separately provided with a Minister Regulation.

(5) To meet the commitment target of emission reduction in Indonesia, forest carbon buyers from other countries will receive a carbon emission reduction value of maximum 49%.

(6) In order to increase potential forest carbon addition, holder of the forest carbon management license shall preserve forest potentials within its working area from forest damages, forest fires, forest clearing, and shall not conduct excessive forest logging, and shall manage the forest in a sustainable manner.

CHAPTER IV
RIGHTS AND OBLIGATIONS OF FOREST CARBON MANAGER

Article 9

(1) Forest carbon manager has the following rights:
   a. Managing activities related to forest carbon management during its management period;
   b. Choosing to trade and/or not trade the managed forest carbon.

(2) Forest carbon manager has the following obligations:
   a. Executing carbon management according to the principles of forest carbon management;
   b. Monitoring, evaluating, and periodically reporting the results of forest carbon management activities to the Minister.

Article 10

(1) The government shall receive non-tax state revenue from forest carbon trading activities.

(2) The setting of value and allocation of benefit distribution from non tax state revenue from forest carbon trading shall be provided with laws and regulations.

CHAPTER V . . .
CHAPTER V
MENTORING AND SUPERVISION

Article 11

(1) The Minister shall conduct mentoring, oversight, control, monitoring, evaluation and supervision to forest carbon management activities.
(2) Mentoring, oversight, control, monitoring, evaluation and supervision as mentioned in paragraph (1) shall be executed by the Secretary General.
(3) The Director General of Forestry Planning shall establish a national level MRV system.
(4) The Secretary General, the Director General of Forestry Business Development, the Director General of Watershed Management Development and Social Forestry, and the Director General of Forest Protection and Natural Conservation, shall conduct technical mentoring on forest carbon management.
(5) Forestry Research and Development Agency shall conduct the development of science and basic and applied technologies related to forest carbon management.
(6) Forestry Human Resources Training and Development Agency shall conduct training and capacity building for human resources of forest carbon management.

CHAPTER VI
TRANSTITIONAL PROVISIONS

Article 12

(1) The initiator of existing demonstration activities prior to this regulation coming into effect, shall conduct registration of its working area and report such demonstration activities periodically to the Minister.
(2) The implementer of afforestation and reforestation activities in the framework of clean development mechanism shall be according to provisions in Article 6 paragraph (4) of this regulation.
(3) The feasibility criteria and indicator of demonstration activities shall be according to provisions in Article 4 of this regulation.
(4) With this regulation coming into effect, :
   a. Provisions of Article 3 and Article 4 paragraph (1) and Article 5 of the Minister of Forestry Regulation Number P.14/Menhut-II/2004 concerning Procedures of Afforestation and Reforestation in the framework of Clean Development Mechanism;
   b. Provisions of Article 5 paragraph (2), Article 5 paragraph (4), and Article 5 paragraph (5) of the Minister of Forestry Regulation Number P.68/Menhut-II/2008 concerning Management of Demonstration Activities for Reducing Emission from Deforestation and forest Degradation (REDD);

are no longer valid.

(5) At most in 1 (one) year, other existing provisions related to forest carbon, must be adjusted according to this Regulation.

CHAPTER VII . . .
CHAPTER VII
CLOSING PROVISIONS

Article 13

This regulation shall take effect as of the date of promulgation.

In order for every person to know, this Minister of Forestry Regulation shall be promulgated by placing it in the State News of the Republic of Indonesia.

Stipulated in Jakarta
On 23 April 2012

MINISTER OF FORESTRY
OF THE REPUBLIC OF INDONESIA

Duly Signed

ZULKIFLI HASAN

Promulgated in Jakarta
On 26 April 2012

MINISTER OF LEGAL AND HUMAN RIGHTS
OF THE REPUBLIC OF INDONESIA

Duly Signed

AMIR SYAMSUDIN

STATE NEWS OF THE REPUBLIC OF INDONESIA YEAR 2012 NUMBER 458
Certified Copy
HEAD OF LEGAL AND ORGANISATIONAL BUREAU

Signed

KRISNA RYA