

**Independent Progress Report of Indonesia-Australia Forest Carbon Partnership  
(IAFCP)  
MANAGEMENT RESPONSE**

### Aid Activity Summary

Aid Activity Name	Indonesia-Australia Forest Carbon Partnership (IAFCP)		
AidWorks initiative number	INH445		
Commencement date	1 July 2007	Completion date	30 June 2013
Total Australian \$	\$100 million		
Total other \$	\$1.3 million Dutch Government contribution		
Delivery organisation(s)	AusAID, IAFCP Partnership Office, IDSS Pty Ltd		
Implementing Partner(s)	Ministry of Forestry, Bappenas, LAPAN, Central Kalimantan Bappeda and Kapuas District		
Country/Region	Indonesia		
Primary Sector	Climate Change & Environment		

### Aid Activity Objective

The Indonesia-Australia Forest Carbon Partnership (IAFCP) is a bilateral partnership between the Indonesian and Australian Governments that aims to demonstrate that reducing emissions from deforestation and forest degradation in developing countries (REDD+) can be part of an equitable and effective global framework on climate change.

The IAFCP works across three areas:

- Policy development and capacity building for REDD+
- Technical support for Indonesia to develop its national forest carbon accounting and monitoring system
- REDD+ demonstration activities and related assistance to trial approaches to reducing emissions from deforestation and forest degradation.

### Independent Evaluation Summary

#### Evaluation Objective

The purpose of the evaluation is to conduct an independent progress review (a mid-term evaluation) of the IAFCP. The Independent Progress Report (IPR) aims to assess IAFCP implementation progress, the continuing relevance of IAFCP objectives, the effectiveness and efficiency of program delivery and to identify any recommendations to improve performance and sustainability. The IPR team was asked to focus on five key questions and provide recommendations for the remaining term of the IAFCP and on potential areas for future support:

- Are the objectives of the IAFCP and its component activities being met?
- Are the IAFCP activities being delivered effectively?
- Are the IAFCP activities being implemented efficiently?
- Do the IAFCP objectives remain relevant in the changing Indonesian and international context?
- Are the IAFCP activities supporting sustainable outcomes?

The findings and recommendations from the IPR will be used by the Governments of Indonesia and Australia and the IAFCP implementation team to inform revision of the implementation strategy and plans, to strengthen the quality of implementation, and inform longer-term directions.

### **Evaluation Completion Date**

The evaluation mission was undertaken in February 2011. The final report was completed in April 2011.

### **Evaluation Team**

The evaluation team consisted of David Barber (Evaluation Expert, Team Leader), John Hudson (International Forests Carbon Expert) and Agus P Sari (Indonesian Forests Carbon Expert).

### **Key messages**

The IPR:

- Confirmed the relevance of the IAFCP's broad goals and objectives
- Confirmed that both the Indonesia National Carbon Accounting System (INCAS) and the Kalimantan Forest and Climate Partnership (KFCP) have made good, but slower than expected, progress, and suggested that some elements of the program, including a number of components of the KFCP demonstration activity, may only partially achieve their objectives by mid-2013
- Made recommendations relating to program implementation including budgets, timeframe and institutions, recommended a review of the appropriateness of a second site-demonstration activity, and proposed consideration of the establishment of a Challenge Fund to leverage private sector financing for REDD+ in Indonesia.

### **Management Response**

The IPR largely meets AusAID quality requirements. The team was unable to meet with a representative of Norway during the mission, a key bilateral donor, however this is not considered to have impacted on the findings. The IPR and its recommendations have been jointly considered by AusAID and the Department of Climate Change and Energy Efficiency (DCCEE). The agencies agree with four of the five headline recommendations in the report, and action is now underway to progress these. AusAID and DCCEE partially agree with Recommendation 5, to consider the establishment of a Challenge Fund to leverage private sector financing. Private sector confidence and investment in REDD+ is important for the realisation of a REDD+ market, and the IAFCP is undertaking further work to better understand the barriers to and opportunities for private sector engagement in REDD+ in Indonesia. While it remains to be seen whether establishment of such a fund is the most appropriate direction for the IAFCP in the near term, Australia remains open to engaging in policy debate on the establishment of innovative financing instruments for private sector investment in REDD+ in Indonesia and may consider support to funds established for this purpose.

The executive summary of the IPR was submitted to the IAFCP Steering Committee for consideration by the Governments of Indonesia and Australia in June 2011.

### **Recommendation One**

**Recommendation:** Address institutional constraints impacting on the efficiency and effectiveness of program implementation as a matter of urgency.

**Response:** Agree

**Actions:** The IAFCP Partnership Office, supported by AusAID and DCCEE, has taken immediate steps to enhance institutional constraints to the effectiveness of the program, including improving engagement and communications with the Ministry of Forestry. Actions taken to date include finalisation of the Standard Operating Procedures and IAFCP Management Framework which were endorsed by the IAFCP Steering Committee at its July 2011 meeting. Regular Management Committee meetings between AusAID Jakarta and the Ministry of Forestry's Executing Agency have also been re-established. A more targeted consideration of the effectiveness of management arrangements is planned to propose additional strategies to improve the efficiency and effectiveness of institutional arrangements.

## **Recommendation Two**

**Recommendation:** Review activity budgets and the timeframe for implementation, including a sustainability strategy beyond 2013.

**Response:** Agree

**Actions:** AusAID has commenced discussions with Government of Indonesia counterparts on a possible extension of the program beyond 2013, with a focus on ensuring program sustainability over the extension period. Budget estimates will also be revised to better reflect absorptive capacity and the speed of program progress.

## **Recommendation Three**

**Recommendation:** Review the proposal for a second site specific demonstration project in Sumatra and consider alternative options, including a stronger focus on policy development and support at the provincial and national level.

**Response:** Agree

**Actions:** AusAID will work with Government of Indonesia counterparts to review the approach to a second demonstration activity in Sumatra in light of developments since its announcement.

## **Recommendation Four**

**Recommendation:** Develop a communications strategy, including a website and establishment of a knowledge network to capture lessons learned and support policy development.

**Response:** Agree

**Actions:** A communications strategy will be developed for the program. An IAFCP Research, Evaluations and Quality Assurance Specialist has been recruited to strengthen research, monitoring and evaluation within the program, supporting the improved capture and sharing of lessons learned.

## **Recommendation Five**

**Recommendation:** Consider establishment of a Challenge Fund to leverage private sector financing and support a portfolio of activities to strengthen and expand REDD+ initiatives.

**Response:** Partially agree.

**Actions:** Further work will be undertaken to explore this option. Private sector confidence and investment in REDD+ is important for the realisation of a REDD+ market, and the IAFCP is undertaking further work to better understand the barriers to and opportunities for private sector engagement in REDD+ in Indonesia. While it remains to be seen whether establishment of such a fund is the most appropriate direction for the IAFCP in the near term, Australia remains open to engaging in policy debate on the establishment of innovative financing instruments for private sector investment in REDD+ in Indonesia and may consider support to funds established for this purpose.