



TROPICAL FOREST ALLIANCE

INDONESIA REGIONAL POLICY BRIEFING #5: TAKING STOCK OF PROGRESS AND PRIORITIES AHEAD OF ELECTION SEASON

Policy brief prepared by Access Partnership for the Tropical Forest Alliance

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About this briefing

TFA has identified the need to build awareness of relevant policy developments **in Indonesia** among corporate stakeholders related to **deforestation and the forest positive agenda**. In service of this objective, TFA commissioned Access Partnership to develop regular regional policy briefings for Indonesia, with the aim of providing comprehensive and impartial information on the policy and geopolitical context related to deforestation and the forest-positive agenda in Indonesia to help stakeholders engage with policymakers. Aspects covered by these briefs include policy developments and updates from current events related to forest protection, sustainable land use, agricultural production and trade, green finance, climate, and land rights. This is the fifth of the six briefings, which **functions as a “cheat sheet” of progress against deforestation under recent federal and subnational administrations ahead of the general elections in 2024, for which campaigning is due to begin later this year**. It has been organised in the form of short sections on policy progress, gaps, and recommendations for a policy-driven agenda to end tropical deforestation in the coming years. The final brief in this series will be released in late June or early July.

Summary of insights

1. **Deforestation has reduced remarkably under President Jokowi's stewardship:** A “decade of progress” in Indonesia has seen deforestation reduced by over two-thirds from its peak. It is no surprise that this action coincides with the first and second terms of President Jokowi, who has consistently acted on his intent to introduce stronger national deforestation and decarbonization plans, clearer authority for federal agencies, stricter forest licensing schemes, better law enforcement, improved support for agricultural ecosystem stakeholders, and forging international coordination. This has been supported by strong action by governors and local leaders in key areas across Indonesia. With Indonesian Presidential elections plus those for governors and mayors due in 2024, it is important to recognize these achievements yet remain clear on where policy can improve to further reduce tropical deforestation in a “decade of delivery”.
2. **The remain key gaps in deforestation policy:** While the national ambition on climate and deforestation targets has recently been raised, the targets lag what is needed to align with a 1.5°C future, with current efforts for reforestation and restoration requiring significant scaling up to meet even stated targets. Meanwhile, a critical gap that limits progress on deforestation is lack of resources for planning implementation and enforcement of forestry programs and laws, including financing gaps worth billions, capacity building across all levels of government, and coordination across various agencies. Tensions between palm oil certification programs, smallholder participation, lagging digitization, and lagging yields are key challenges in the field. Finally, constructive government engagement with consumer governments and civil society, both local and international, remains a challenge.
3. **The “decade of delivery” policy agenda should focus on five key areas:** Future administrations across all levels of government can take five key actions to make this a “decade of delivery” to end tropical deforestation: (1) Raise the national ambition on climate and deforestation; (2) Improve the regulatory environment and enable effective subnational governance; (3) Strengthen quality of forest restoration programs including planning, implementation, and law enforcement; (4) Accelerate and broaden the transition to sustainable agriculture and forestry; and (5) Establish constructive dialogue with key stakeholders, including civil society, Indigenous communities, and consumer countries.

I. Deforestation has reduced remarkably under President Jokowi's stewardship

Indonesia has overseen a “decade of progress” on reducing deforestation. Indonesia's annual deforestation rate has been on a marked and steady decline since it peaked between 2012-15, with **annual tree cover loss of 0.84 million hectares in 2021 being less than a third of 2016 levels.**¹ In Brief #1 of this series, we attributed this dramatic improvement to multiple factors, including increased intensification and productivity in the palm oil sector, the expansion of social forestry, and the subsequent multi-stakeholder engagement approach to reducing deforestation. Other factors often cited include effective collective action from civil society, a strong push from consuming countries, and advanced information and knowledge tools for practicing sustainability.²

However, it is imperative to highlight that strong government action at the federal level has played a critical role in facilitating this change.³ It is not a coincidence that the beginning of the **downward trend in deforestation overlaps with President Joko “Jokowi” Widodo's first term in office that began in 2014.**⁴ Within the first month of his term, President Jokowi expressed his intent to improve Indonesia's environmental accountability, followed by a series of green growth policies aimed at reducing emissions and providing systemic support for sustainable development. In 2014, he ordered a comprehensive revision of the social forestry program, which at that point had been running for 15 years with little success. National and sub-national authorities also increased their investment in the overall infrastructure to streamline information sharing processes for forest data. He has also exhibited leadership in the international arena by creating new climate financing opportunities for Indonesia, including the Just Energy Transition Partnership (JETP) at G20 in 2022, the loss and damage fund at COP27 in 2022, and new results-based contribution agreements with countries such as Norway. Moreover, his commitment to reducing deforestation, exemplified by the FOLU Net Sink 2030 plan and the record-low deforestation rate in 2021, has garnered accolades in Indonesia and increased trust with the global community, placing the country at the forefront of global efforts to reduce tropical deforestation.

Subnational governments have also played a key role. Governors across Indonesia have stepped forward to display leadership against deforestation. Seven governors are members of the global Governors' Climate

and Forests Task Force (GCF Task Force) – Aceh, Central Kalimantan, East Kalimantan, North Kalimantan, West Kalimantan, Papua, and West Papua – covering 60% of Indonesia’s forests. Following a GCF Regional Task Force Workshop, these governors also established the Steering Committee on Sustainable Agriculture in Indonesia (SCAI) in 2019 together with representatives from the private sector, farmers’ associations, and local CSOs, which aims to develop deforestation-free agricultural supply chains at a jurisdictional scale.⁵ The provinces of Aceh, Central Kalimantan, and West Kalimantan are leading implementation of SCAI initiatives, which include mapping agricultural and forestry production lands, improving the quality of data for effective provincial-level spatial planning, and expanding smallholder rights through Plantation Business Registration Certificates for Cultivation (STD-B certificates).

Evidence of strong leadership across all levels of government positively impacting deforestation rates provides a timely reminder ahead of upcoming elections that action must be maintained and enhanced.

The 2024 general elections are scheduled for February 14, 2024, with the campaign expected to kick off in the second half of 2023. The results of this election will determine the future president, vice president, and members of both national legislative bodies in Indonesia. Subnational elections are due to follow in November 2024, with all governor, mayor, district head, district and provincial council, and other local elections required to be held in the same year. Ahead of these elections, it is important to recognize the achievements of the ambitious government agenda to reduce deforestation yet remain clear on where policy can improve, with a view to encouraging candidates and future administrations to end tropical deforestation in a “decade of delivery” through 2030. Additionally, over 50% of the voter demographic now consists of millennials and Gen Zs. The ability to provide an ambitious climate agenda with forest-positive policies that better aligns with younger voters’ views is likely to be one of the major factors influencing the election outcome.⁶

Key areas of progress have been documented in Table 1, by each of the six deforestation policy areas covered in previous briefs. In the next two sections of this brief, we cover key gaps in current deforestation policies and recommendations to improve these.

TABLE 1: Key areas of Indonesian policy positively impacting deforestation rates

Policy Area	Notable progress (non-exhaustive)
Laws granting authority/ Devolution of responsibility	<ul style="list-style-type: none"> Authority and oversight of Ministry of Environment and Forestry (MoEF) was reaffirmed and strengthened with new laws throughout the past decade⁷ Peatland and Mangrove Restoration Agency (BRGM) was established in 2016⁸ Recentralized authority over natural resource management from district to provincial level for effective, streamlined implementation⁹ Ecological fiscal transfer (EFT) mechanism from central to provincial and provincial to district governments was introduced in 2019¹⁰ Recognized the importance of the jurisdictional approaches in pursuing sustainable forestry¹¹
National decarbonization plans	<ul style="list-style-type: none"> Submitted an enhanced set of NDCs for COP27: 31.89% for unconditional emissions reduction and 43.2% for conditional target by 2030¹² Announced Forestry and Other Land Use (FOLU) Net Sink 2030 plan in 2022 with four pillars: deforestation reduction, sustainable forestry, peatland protection, sink enhancement¹³ Announced Nilai Ekonomi Karbon (NEK; Carbon Economic Value policy) in 2022 to develop mandatory national carbon trading schemes, with MoEF, OJK and sectoral agencies¹⁴
Forestry laws	<ul style="list-style-type: none"> Strengthened BRGM’s authority over forest rehabilitation and restoration in 2020 Revised legal grounds for forest ecosystem restoration in 2020¹⁵ Extended forest rehabilitation and restoration targets with focus on peatland restoration¹⁶ Formulated a cross-ministerial team for wetland management¹⁷ Introduced a holistic framework on forest management in 2021, covered in Brief #4 Appendix¹⁸ Established the Environment Restoration Fund (BPD LH) in 2022 to prioritize waste management and mangrove restoration¹⁹
Licensing laws	<ul style="list-style-type: none"> Revised the Social Forestry program with heavier community- and rights-based approaches in 2014 – provides legal access to 12.7 million hectares of state forests to communities²⁰ Enforced a three-year ban on new licenses in forested areas in 2018 Permanently banned new licenses in primary forest and peatlands in 2019 Implemented and enforced regulatory oversight over illegal plantations to improve governance and transparency²¹ Revoked 192 business licenses covering 2.1 million hectares for noncompliance in 2022²² Evidence of stricter enforcement and convictions, e.g., 15-year prison sentence for oil tycoon Surya Darmadi in 2023,²³ PT Kallista Alam’s US\$30 million fine for Aceh deforestation peat deforestation from 2014 upheld repeatedly despite court challenges,²⁴ PT Merbau Pelalawan Lestari fined US\$1.2 billion for unlawful clearing in Riau in 2016²⁵

Agri-food laws	<ul style="list-style-type: none"> ▪ Set up CPO fund (BPDPKS) in 2015 to promote intensification of palm oil production and provide funding to smallholders for replanting²⁶ ▪ Reinforced the Indonesia Sustainable Palm Oil (ISPO) certification in 2015 and 2020 by reducing administrative procedures for application, making certification compulsory for all oil palm plantations, and introducing sanctions for non-compliance²⁷ ▪ Established the Indonesia Forum for Sustainable Palm Oil (FOKSBI) in 2016 to coordinate sustainable oil palm development programs across 16 line ministries and private actors²⁸ ▪ Announced the National Action Plan for Sustainable Palm Oil in 2019²⁹ ▪ Continued engagement with the Roundtable on Sustainable Palm Oil (RSPO) leading to an increasing share of RSPO-certified Indonesian palm oil: 2.3 million hectares of production land, accounting for 16% of the national total, and 11.1 million tonnes of palm oil as of 2021³⁰ ▪ Launched the Sustainable Jurisdiction Indicators – led by BAPPENAS – for agricultural system stakeholders’ improved visibility over land use practices by commodity-producing districts³¹ ▪ Released the National Strategy on Agricultural digitalization in 2023, where the government committed to build an integrated database on farmland use for intervention transparency³²
Trade laws/ Multilateral Cooperation	<ul style="list-style-type: none"> ▪ Entered into the Forest Law Enforcement, Government and Trade (FLEGT) Voluntary Partnership Agreements with EU in 2014 and with UK in 2019 to enhance international coordination around legal, sustainable timber trade³³ ▪ Supported development of the Kunming-Montreal Global Biodiversity Framework (GBF) at COP15 in 2022 and began socialization efforts at national level³⁴ ▪ Secured agreement on “loss and damage” fund for climate-related disasters at COP27 in 2022 ▪ Facilitated global finance for forest conservation through formation of various international partnerships, e.g., Trilateral Rainforest Alliance and the Mangrove Alliance for Climate³⁵ ▪ Joined forces with Malaysia through the Council of Palm Oil Producing Countries (CPOPC) and a joint trade mission to EU in response to EU Deforestation Regulation (EUDR)³⁶ ▪ Signed the Just Energy Transition Partnership (JETP) at G20 in 2022, to receive an initial US\$20 billion over 3-5 years to phase out coal and invest in renewable energy

II. There remain key gaps in deforestation policy

Although the Indonesian government has demonstrated serious attention and ambitious commitment over the last decade to combat deforestation, challenges persist. One recurring issue is the difficulty in translating national strategies and policies into actions at the local level, while taking into consideration the varying circumstances of each subnational region. Limitations in this aspect were often exposed through inefficient coordination across government agencies and a lack of resources for responsible authorities to carry out policies, which consequently undermined the consistency and effectiveness of government actions. Table 2 below covers key gaps in Indonesia’s current deforestation policies.

TABLE 2: Key gaps in Indonesian policy relating to reducing deforestation

Policy Area	Key gaps (non-exhaustive)
Laws granting authority/ Devolution of responsibility	<ul style="list-style-type: none"> ▪ Overlapping mandates across ministries and subnational entities, e.g., BGRM, MoEF, Ministry of Marine Affairs and Fisheries (MoMAF) in mangrove restoration³⁷ ▪ Government agencies with newly expanded responsibilities such as BRGM (also tasked with mangrove restoration) need more support, both financially and via capacity building³⁸ ▪ Indonesia’s emissions trading system calls for more harmonized implementation with appropriate sectoral measures and holistic redistribution plans³⁹ ▪ Since its launch in 2019, the adoption rate for EFT polices remains slow – only 18 subnational governments out of 38 provinces and over 7,250 districts have formally adopted EFT policies⁴⁰ ▪ As of 2020, only eight out of 38 provinces have designed and are operating sustainable land use polices based on the jurisdictional approach (the actual number is at least over 20 programs across these provinces considering all district-level jurisdictional approaches; covered in Brief #1)⁴¹
National decarbonization plans	<ul style="list-style-type: none"> ▪ Indonesia’s NDC targets are considered insufficient despite committing to net zero by 2060 or earlier with international support; Indonesia needs an unconditional target of 62% by 2030 to meet the 1.5°C temperature limit⁴² ▪ To meet social forestry targets in FOLU Net Sink 2030, the government will need to accelerate creation of over 5,000 social forestry business groups (KUPS) annually through distribution of community-based farming permit for around 1.4 million hectares of forests⁴³ ▪ Current energy mix and targets inadequate to meet the 1.5°C limit; experts call for accelerated efforts in line with the new JETP including peak power emissions by 2030 (ahead by seven

	<p>years), 34% of all power by renewables by 2030 (double previous plans), coal phase-out by 2040 (ahead by 10 years), net zero in power sector by 2050 (ahead by 10 years)^{44,45}</p> <ul style="list-style-type: none"> ▪ Broader breakdown of constructive engagement between government and civil society stakeholders, as covered in detail in Brief #1 – including particularly stressed relationships international NGOs and local CSOs on the implementation and enforcement of current laws
Forestry laws	<ul style="list-style-type: none"> ▪ Major challenges to forest restoration and rehabilitation include lack of clear approaches to identify forest degradation using satellite data, inefficient site selection and project preparation, lack of implementation teams and mandates for forest management units to provide technical assistance, overlapping definitions of rehabilitation and reclamation causing crossing mandates between agencies, and uncertainty on long-term budgets⁴⁶ ▪ Between 2019 and 2020, only 3,600 hectares of forests were restored, far short of what is needed to reforest 10.6 million hectares by 2050⁴⁷ ▪ Mangrove restoration efforts were scaled back in 2021, existing target of 630,000 hectares by 2024 also insufficient given over 3.3 million hectares of degraded mangroves in Indonesia^{48,49} ▪ Remaining annual financing gap of US\$1 billion at national level to implement forest management and mitigation⁵⁰ ▪ Incongruence between national forest rehabilitation policies and local government policies for economic productivity, e.g., West Nusa Tenggara has a corn production quota, which incentivizes locals to clear trees that have been planted as part of forest restoration programs⁵¹ ▪ Insufficient monitoring of and reporting on illegal practices: illegal logging accounts for 80% of palm oil-related clearing as of 2021⁵² ▪ Social forestry program prohibits cash incentives that could support planting and maintenance activities for target communities⁵³ ▪ Lack of carbon trading opportunities in the forestry sector; of the 16 ecosystem restoration enterprises in Indonesia, only three operate carbon credit business models⁵⁴ ▪ Less focus on growing drivers of deforestation, e.g., nickel mining, industrial mining, settlements, and developments⁵⁵ ▪ Lack of official recognition of Indigenous territories; government has only recognized 3.1 million hectares which is just 1.5% of what is projected to be Indigenous communities⁵⁶
Licensing laws	<ul style="list-style-type: none"> ▪ Expiration of the 2018 ban on new oil palm in forested areas in 2021⁵⁷ ▪ Weak implementation and enforcement of the mandatory timber legality licensing scheme (SVLK) despite it covering 99% of the total concession area due to corruption at the local level and conflicting land rights and use by Indigenous communities; in 2019 alone, MoEF confiscated 455 containers of illegal timber⁵⁸
Agri-food laws and certifications	<ul style="list-style-type: none"> ▪ Persistent tension between ISPO and RSPO: both draw legitimacy from different sources with differing requirements, spurring tensions; the RSPO is driven primarily by international CSOs and downstream companies from developed countries, and thus has greater international market acceptance, while the state-driven ISPO is an expression of sovereignty⁵⁹ ▪ Lack of clarity in cross-agency coordination between ISPO Committee, Ministry of Agriculture, and Ministry of Industry in ISPO implementation procedures⁶⁰ ▪ Ongoing efforts to achieve nation-wide ISPO adoption by 2025 – over 60% of total palm oil plantations are not ISPO-certified, which calls for the government’s swift action to attract farmers with more direct and clearer incentive schemes⁶¹ ▪ RSPO certification prevalence remains Eurocentric; demand for RSPO-certified product covers only 20% of global palm oil consumption and the demand is much lower in two of the largest markets in the world – 3% and 8% in India and China, respectively⁶² ▪ Challenge of increasing smallholder participation that make up 40% of oil palm in Indonesia; as of 2022, only 1% of independent smallholders are either ISPO or RSPO-certified⁶³ ▪ Lagging adoption of digitalization in agriculture, as evidenced by the lack of a consolidated database where data on national agriculture is collected, extracted, and analyzed to improve the effectiveness and accuracy of policy design and monitor the implementation process⁶⁴ ▪ Limited expansion of mandatory carbon trading to agriculture, forestry, and other land use sectors beyond the power generator subsector currently applicable⁶⁵ ▪ Lagging ongoing efforts for yield improvement – palm oil yield of 2.5 tonnes per hectare needs to reach 6-8 tonnes per hectare by 2025⁶⁶
Trade laws	<ul style="list-style-type: none"> ▪ Limited influence in shaping global discourse on issues of relevance such as EU Deforestation Regulation (EUDR) – largely a “reactionary” role to new policies ▪ Major challenges posed by EUDR – cases pending resolution in September with the World Trade Organisation’s (WTO) Dispute Resolution Body (DSB)⁶⁷ ▪ Lack of certainty in palm oil global supply, despite Chief Economic Minister calming fears of an export ban to secure domestic supply, as in 2022, which introduced volatility in global vegetable oil markets

III. The “decade of delivery” policy agenda should focus on 5 key areas

Developing policies to address these gaps is imperative for future administrations at all levels of government to address deforestation in Indonesia in a “decade of delivery” through 2030. Five key strategies stakeholders should push the current government and future administrations to pursue:

- **Raise the national ambition on climate and deforestation:** NDCs and Net Sink policies must be reviewed well prior to COP28 and G20 meetings to ensure that national targets are closer aligned with the science on 1.5°C. Raising the contribution of deforestation to the NDCs or net sink goals, and pursuing more aggressive restoration and reforestation objectives, potentially even more ambitious than the 30% thresholds stated in the GBF are key actions. Rapidly expanding to and scaling carbon trading in the agriculture, forestry, and industrial mining sectors, including the participation of international stakeholders, will be essential to meeting these ambitions. Forest restoration under various programs can be scaled up by ensuring that national planning instruments sufficiently account for restoration, including the 2024-2028 RPJMN, FOLU Net Sink Operational Plans, and others.⁶⁸ The responsibility for this recommendation lies not only with the President, but key ministries including MoEF, BAPPENAS, Ministry of Agriculture, and Ministry of Trade.
- **Improve the regulatory environment and enable effective subnational governance⁶⁹:** Any remaining overlaps between mandates of directorates, ministries, and levels of governments or clashes in definitions (e.g., reforestation and reclamation) must be eliminated via new laws or procedures for decision-making which provide clear roles and coordination mechanisms. National and subnational incentives to address deforestation and encourage reforestation must also be aligned, with agricultural or forestry production quotas explicitly including provisions to prioritise conservation and provide alternative livelihoods to local communities where possible, especially through carbon trading mechanisms. Governors, mayors, and district leaders must be given clearer authority and funding to lead the charge, including accelerating and strengthening the rollout of EFT policies as a top priority. Regional level working groups consisting of all levels of government, private sector reps, and civil society would facilitate success of local programs.
- **Strengthen quality of forest restoration programs including planning, implementation, and law enforcement:** This must begin with appropriate planning to include better management and usage of spatial data and local monitoring for program site selection, as well as community-level socioeconomic planning focusing on developing long-term benefits for locals from sustainable forestry and mangrove and peat restoration (e.g., non-timber forest products, ecotourism, etc.).⁷⁰ Implementation must be strengthened by providing forest management units with the authority to lead coordination at the community level, with support from federal and provincial governments in building capacity with local officials and communities and allocating appropriate, milestone-based funding and incentives for new reforestation programs. Additionally, while evidence suggests that forestry law enforcement is improving, enforcement agencies such as the Forestry Police, Forestry Security Unit, and Forestry Supervisor, as well as equivalent agencies in provincial and district governments, are in need of funding.
- **Accelerate and broaden the transition to sustainable agriculture and forestry:** This is essential to provide a viable path to decouple economic growth and productive livelihoods from increasing deforestation. This should be the top priority of Coordinating Ministry of Economic Affairs to develop and align with national FOLU Net Sink 2030 plans, with clear responsibilities for all levels of subnational governments. This should move beyond current priorities of accelerating yields and expansion of certification schemes to include ecosystem conservation and alternative livelihoods (e.g., social forestry, agro-forestry, eco-tourism), extensive deployment of regenerative agricultural techniques across commodities at the forest frontier, and digitally driven supply chain visibility to introduce transparency between farm and port.⁷¹ Smallholder programs are an essential component throughout. Finally, a working group between ISPO and RSPO should be convened to smooth tensions, establish joint certification targets and standards, and provide a potential pathway to dual or harmonized certification.
- **Establish constructive dialogue with key stakeholders, including civil society, Indigenous peoples, and consumer countries:** the Indonesian government must engage constructively with civil society, local communities, businesses, and consumer governments to deliver the deforestation agenda. First, to rebuild fraught relationships with civil society groups, a national public-private-CSO forum or taskforce could be established with clear membership criteria to ensure that all views on existing and new regulations are heard and fairly represented. Second, Indigenous rights over forest lands must be clearly evaluated and granted relevant legal provisions, not least to ensure their safety and survival but to also leverage their critical support in delivering conservation and restoration goals under the GBF. Gaps in social forestry licenses must also be addressed, including ending the ban on incentives for community engagement.⁷²

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