

Ulu Masen REDD Demonstration Project

The Challenges of Tackling Market
Policy and Governance Failures that
Underlie Deforestation and Forest Degradation



Foreword

The Institute for Global Environmental Strategies (IGES) is undertaking a programme of research to assess and compare the design process and elements of selected REDD-plus demonstration activities in the Asia Pacific region. IGES enlisted Dr. Lesley McCulloch to write this paper on the proposed REDD-plus project in the Ulu Masen area of Aceh, Indonesia. By providing a critique of the governance context in which the project is located and the project's design process, we hope that this paper will provide direction for designing REDD-plus forestry activities through participatory processes to achieve long-term, real emissions reductions as well as equitable outcomes.

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1. INTRODUCTION

Aceh is a forest landscape where the interests of local people, extractive industries and globally important biodiversity are in conflict. Two prevailing factors have ensured large tracts of forest in Ulu Masen have remained relatively undisturbed: the three decade long separatist conflict that raged in Aceh meant that forests were generally thought to be unsafe; and the fact that much of the area is mountainous terrain, thus making it difficult to access. The signing of the peace agreement in 2005 brought an end to the conflict. And the post-tsunami reconstruction process has also added pressure to forests as timber needs soared.

The focus of this paper is specifically on the area of the Ulu Masen REDD (reducing emissions from deforestation and forest degradation) demonstration project. Designated by Aceh Governor Decree No.522/372/2009,¹ the Ulu Masen REDD demonstration project covers around 750,000 ha spread over six districts: Pidie, Pidie Jaya, West Aceh, Aceh Jaya, Aceh Besar, and encompasses a small area of Central Aceh. The area's forest cover is however, highly vulnerable to degradation as it is afforded a varied and largely limited level of protection.

Following the signing of the 2005 peace agreement which effectively ended the civil conflict, and the post-tsunami reconstruction process, these forests now face significant threats from resurgent illegal logging, conversion to plantations and farm land, and the development of infrastructure. There are also several mining concessions held in the area.

Prior to the December 2004 earthquake and tsunami that devastated Aceh, the rate of deforestation province-wide was less than 21,000 ha per year.² The post-disaster reconstruction process saw deforestation rates increase rapidly; in the two year period 2005 to 2006 more than 200,000 ha of forest were lost.³ The problem could no longer be ignored.

Aceh Governor, Irwandi Yusuf, himself a committed conservationist, decided to take a bold step and implement a moratorium on logging. In June 2007, Governor Instruction No.5/INSTR/2007 was issued, effectively halting all logging in natural forests. Not only illegal, but *legal* logging had finally become a high profile issue in Aceh; throughout the province nine logging concessions in natural forests were suspended, including five in Ulu Masen covering a total area of 294,704 ha. In a further move to save Aceh's forests, Governor Irwandi

¹ SK Gubernur Aceh No.522/372/2009 tentang Pencadangan Lahan untuk Kawasan Strategis Ulu Masen Aceh Sebagai Areal Pengurangan Emisi dari Deforestasi dan Degradasi Hutan (REDD), 7 July 2009.

² Forest Planning Agency of the Provincial Department of Forestry, "Data and Information of Aceh Forest", 2004.

³ Greenomics, 2006.

issued another Governor Decree (*SK Gubernur*) No.522.21/284/2008 on the Establishment of an Integrated Team on Eradicating Illegal Logging Activities.⁴

These unprecedented initiatives by the Government of Aceh (GoA) have proven to be effective; the logging concessions have indeed effectively stopped logging operations, and field research indicates that in many areas of Aceh the rate of deforestation has in fact slowed. However, problems remain in Ulu Masen; ongoing forest monitoring by Fauna and Flora International (FFI) has produced a map of illegal logging in Ulu Masen that shows at least 155 illegal logging sites within the REDD demonstration project area with many more identified along the borders.⁵

Average annual deforestation of 9,630 ha or 1.28% of the total area is projected for the Ulu Masen REDD project area for the thirty year period 2008 to 2038.⁶ Over a period of thirty years, this would result in approximately 289,000 ha of forest loss in Ulu Masen; “under this scenario, 38% of the forests in the project area are assumed to be deforested if no project activities are implemented.”⁷ The stakes are high; the REDD demonstration project must protect the remaining intact natural forests, restore degraded natural forests, and deliver on its promise to create greater incentives to reforest to counter existing drivers of deforestation.

This paper is based on research carried out in Aceh from December 2009 to April 2010. A review of existing literature was conducted together with a detailed analysis of legislation and government documents. Interviews with government actors at the provincial, district, subdistrict level and below enabled us to make a preliminary assessment of the market, policy and governance challenges in the project area that underlie deforestation and forest degradation. Discussions with community members and other local stakeholders gave an insight into levels of transparency of decision making, and on the level of stakeholder satisfaction in their ability to participate meaningfully in the REDD process to date in Aceh. Tentative conclusions are drawn on whether, and to what extent, the project strategy to reduce emissions from deforestation and forest degradation is likely to be *effective, efficient and equitable*.

⁴ The integrated team consists of police, military, former combatants' institution or KPA, NGOs and relevant government agencies at both the district and provincial level.

⁵ Illegal logging by district: West Aceh 17, Aceh Jaya 39, Pidie 30, Aceh Besar 17, and Pidie Jaya 52.

⁶ CIFOR, “Defining Baseline for REDD Ulu Masen, Aceh”, Bogor, August 2009.

⁷ *Ibid.*

2. ISSUES OF POLICY, MARKET AND GOVERNANCE

The forest governance environment in Aceh remains a tilted playing field; the result is deforestation and forest degradation.⁸ At the policy level, forest governance is skewed towards a particular extractive model of use of the forests, to the disadvantage not only of conservation but also of existing and potential non-extractive users. At the government body level, bureaucratic power is skewed towards industry players, and whether or not the provincial government is willing to admit it, the reality is that much authority over Aceh's forests remains in central government hands despite the province enjoying special autonomy status. At the legal and regulatory level, the web of overlapping and contradictory legislations surrounding forestry has created confusion, and allowed a legislative vacuum to occur where bureaucrats can hide behind unclear legislation.

At the level of debate, there are three dominant discourses: the first advocates that government place conservation and sustainable environmental management at the core of Aceh's development policy. The second prioritises encouraging investors to expand and develop natural resource extraction and plantation development. The third prioritises community development through activities such as the expansion of smallholders' agricultural land, settlement, and construction of roads to reduce the isolation of forest edge communities from market, education, and health services. There are many permits held for natural resource extraction in the province, for agribusiness plantations and industrial forest estates. The current problem facing the GoA is how to balance both; a new urgency to this dilemma has been introduced with the designation of the 739,788 ha Ulu Masen area as a REDD demonstration project, the success of which depends on the protection of forests.

The issue of forest governance is at the heart of many of the challenges that face the Ulu Masen REDD demonstration project. Land use policy and forest administrative structure is not well understood by many forest-dependent people in Aceh. Social tensions over forest rights between the government and indigenous and other local communities are set to escalate. Confusion and disagreement over who should control or own Aceh's forests is widely seen as the underlying sources of many, if not most, of the challenges facing Aceh in managing its forest estate and in implementing REDD. Add to this the pressures for exploitation of Aceh's vast natural resource wealth which includes minerals such as gold, copper, iron ore, and others, and one can see around which issues the battle lines are drawn. But REDD now also offers the prospect of substantial sums of money being made available by the international community for the reduction of greenhouse gas emissions that result from the clearing, logging and degradation of forests. There is an

⁸ For a detailed analysis on forest governance in Aceh, see Eye on Aceh, "Challenges of Forest Governance in Aceh", March 2009.

expectation that the money will be spent to permanently protect forests, and the carbon that they store and sequester over time, to assist global efforts to combat climate change. This is something quite new in Aceh, and yet to be fully understood by communities.

2.1. Land use policies and administrative structures

Both central and provincial government impose their administrative authority over Aceh's forests; herein lies one of the main problems plaguing Aceh's development planning – including the REDD project.

The Law on Governing Aceh (LoGA), Law No. 11/2006, confirms Aceh's special autonomy status and defines separation of power between the local and national government. But a law can only be implemented after necessary implementing regulations are in place, such as government regulations and presidential decrees. In Aceh, there is a lack of these necessary legislative prerequisites. Moreover, the administration of the REDD project faces problems in implementation due to unclear lines of responsibility.

The power of administrative arrangement within Aceh for this cross-district project management is facilitated both in the LoGA, and also in the Central Government Law No.32/2004 on Regional Government. Both of these laws give authority to the Aceh Provincial Government to conduct cross-district administrative arrangements on investment and natural resource management. Technically, the LoGA gives the GoA a certain amount of power over natural resources.⁹ There are however, limitations, in that the provincial authority is "based on the nationally applicable norms, standards, procedures and criteria."¹⁰ These norms, standards, and procedures are as yet undefined in the LoGA implementing mechanism. Negotiations on this document are ongoing between the provincial and central government.

Using its special autonomy status and attendant powers from the LoGA, the Aceh Government then issued a Governor Decree establishing the provincial REDD Task Force made up of representatives of provincial government agencies.¹¹ Mindful that at the heart of REDD is the principle of multi-stakeholder involvement, the REDD Task Force is tasked to establish a project management unit (PMU) in all six project areas. The PMU is a central point to gather information, to discuss and analyse changing information and needs in the field, and to make strategic plans for necessary action. The establishment of the PMU is still in process.

⁹ LoGA Law No. 11/2006, Article 149.

¹⁰ LoGA Law 11/2006, Article 165.

¹¹ SK Gubernur No.522/18/2010. The Task Force was established 28 January 2010.

2.1.1. Land Management

Despite Aceh’s special autonomy status, most of the forest in Ulu Masen – around eighty per cent - remains under the control of central government (Table 1). The area is made up of conservation, protection, and production forest, and also a non-forest area allocated as a development zone. Technically, the Ministry of Forestry in Jakarta holds the power to administer most of these designations within the Ulu Masen REDD demonstration project area. This has caused some feathers to be ruffled in Aceh, and made negotiations on changes to land management between central government and the province more urgent.

Table 1. Forest designations and authorities within Ulu Masen

Legal classification	Total area (ha)	Administrative power	Current status
Conservation forest	15,865	Central government	Fully protected from logging and conversion.
Protection forest	292,641	Central government	Semi-protected. District or province can propose conversion, but the decision is with central government.
Protection forest – temporarily designated	2,485	District or province	Weak level of protection. Proposal for permanent protected status is still under review.
Production forest	274,188	Central government	Logging concessions. Currently suspended due to the moratorium on logging. Final decision on activities lies with central government at the recommendation of the province or district.
Production forest	67,271	Central government	Logging concessions (planted forests). Under administration of central government with limited input from province and district.
Community development zone	5,281	District or province	Agricultural and/or development area.
Unprotected forest	82,057	District or province	Potential for agriculture, community settlement, and other uses.
TOTAL	739,788		

Source: Ministry of Forestry and Plantation Decree (SK Menhutbun) No.170/KPTS-II/2000 on the Designation of Forest and Marine Area in Aceh, also extracted from the REDD Project document referred to in FN 16.

It is “highly likely that forest administration will be devolved from the central government to the province in the very near future” according to a source close to the negotiations.¹² A multi-stakeholder delegation from Aceh and the Ministry of Forestry are in ongoing discussions on bringing more of Aceh’s forests under the administration of the provincial government as provided for

¹² Illarius Wibisono, Adviser to the Governor of Aceh, interviewed 17 March 2010.

by the LoGA. The inclusion of forest that is currently under the auspices of the central government into the REDD project is based on an anticipated successful outcome of these negotiations that will see a transfer of authority for much of Aceh's forests *from* the central government *to* the province.

Around fifty-eight per cent of the project area has virtually no protected status (Table 1). Of this total, sixty per cent is technically available to be assigned as concessions. Thankfully, Aceh's current provincial government has shown a great deal of political will to protect the forests, but if there are no changes made to land designations within the Ulu Masen area then it is quite conceivable that the REDD project might – should the political wind change direction – be in jeopardy.

In addition to formal land management arrangements, many forest dependent communities in Aceh also believe they play a central role in managing local forests under the *adat* system (customary law). Local governance structures called *Mukim* 'manage' vast tracts of land; but since the land is 'state forest', in reality the *adat* system is only able to operate with the approval of either the central or provincial government.¹³

Mukim

Aceh's unique *Mukim* institution has an important role in maintaining peace and social cohesion at the local level. The *Mukim* has its origin in Acehese custom and tradition, dating back eight hundred years. The role of the *Mukim* has recently been integrated into formal government structure, and consists of several villages with identifiable territorial borders led by the *imum Mukim* (Head of the *Mukim*). In the administrative structure, the *Mukim* sits directly under the authority of the sub-district government. The democratically elected Head *Mukim* is often afforded a higher level of political power and influence than the Head of the sub-district who is a government appointed civil servant. However, to date, most of *mukim*'s roles have not yet been fully implemented, as the power of *mukim* is continuously squeezed out by sub-district and village government.

2.2. Utilising the forest

In general, local communities in Aceh understand the distinction between different forest designations but are often confused about the regulation of what activities can and cannot take place within these areas. As shown in Table 1, Ulu Masen consists of both protected and unprotected forests, but in most – if not all – of these areas, the exact boundaries are unmarked. Even staff in the District Forestry offices are unclear of where the boundaries of protected forests begin and end: "Ulu Masen is a fairly recent designation. In this office we have no maps that show exactly where the boundaries are. This makes it difficult for us to discuss issues of forest use with local communities if

¹³ Mukim is an indigenous local administrative governance structure applicable in a Acehese ethnic dominated population – which is more than eighty per cent of the total population; highland Gayonese and Alas ethnics are called *Sarak Opat*; in Tamiang the *Malay Deli* ethnic group is called *Datuk*. Other ethnic groups such as Aneuk Jamee and Simuelue also have their own specific traditional term.

we are unable to show them where protected forest begins and ends.”¹⁴ Thus, communities, sometimes unwittingly, are often the perpetrators of forest crimes. Moreover, if forestry staff are unsure of boundaries then they are also often reluctant to try to enforce protection of forest law within what some villagers argue are ‘imagined’ boundaries.

2.3. Forest crimes

Illegal activities are a daily occurrence in the protected areas of Ulu Masen forest. Illegal logging, mining, poaching, and farm encroachment are common, as is the utilisation of the forests for daily living such as collecting fire wood and non forest timber products (NFTPs).

Gathering firewood and NFTPs such as rattan species, honey, mushrooms, bird nests, and other items in protected forest areas is allowed for personal use, but if commercial intent exists then a licence is required.¹⁵ Interviews with villagers living in the sub-district of Trienggadeng, which is partly within the Ulu Masen boundary, said that gathering the items listed above form the basis of their traditional livelihood; it is how they have been sustaining a subsistence living for generations. None of those interviewed was in possession of a licence.¹⁶ Indigenous knowledge of the forests has provided these communities with sustainable livelihoods that they are reluctant to abandon. The opening up of land for smallholdings is a traditional way of life in Aceh and poses an ongoing challenge to the drive to stop deforestation and further degradation of protected forests; the conversion of forest area is prohibited.¹⁷ Hunting is also common; it is prohibited in protected forests, but in production forests the only restriction is species-related.

In Aceh, the conservation versus development debate is already complex. With the introduction of REDD, the debate between those who want to maintain the integrity of the forest and those who support development by utilising the forests resources is gaining momentum. The discourse is changing to consider where the greatest economic incentive lies; in a standing tree, a felled tree, or in a change of land use?

2.4. Market incentives that drive deforestation and degradation

There are multiple economic forces that drive deforestation and forest degradation in the Ulu Masen area. These powerful factors can be broadly categorised as agricultural expansion, extraction of wood, exploitation of

¹⁴ Interview with staff of the Department of Forestry and Plantations, Aceh Jaya, 5 March 2010.

¹⁵ Law No.41/1999, Article 67.1.

¹⁶ Interviews with six individuals found to be collecting NFTPs in Trienggadeng, Pidie Jaya.

¹⁷ Law No.41/1999, Article 50.3.c.

mineral resources, and infrastructure development. Specifically, these include: small-scale subsistence farming; the establishment of small-holding and estate plantation crops such as palm oil, cacao, durian and others; large-scale concession and illegal community mining; the need for fuel and commercial logging; and the opening up of roads.

REDD is designed to counter these multiple drivers by creating economic incentives to protect, conserve, restore, and create forests. To be successful, project proponents will need to present strong incentives to lure people away from their traditional exploitative relationship with the forests which is no longer sustainable. Moreover, with so much of the project area under little protection, there is a substantial number of timber and mining and exploration concessions within the Ulu Masen boundary which pose a real and ongoing threat to the integrity of the project.

2.4.1. Logging

Prior to the 2007 moratorium, both legal and illegal logging threatened to devastate Ulu Masen. There are six logging concessions in the area; while operations remain suspended, it is unclear for how much longer the moratorium will be in place (Table 2). Illegal logging, does however, continue as the FFI research mentioned above shows. From organised logging networks, some of which profile as mafia gangs, to local communities who sell logs that have been cleared to open small farms, to individuals who cut a few trees to sell to local wood shops; all are responsible for the devastating deforestation and forest degradation that is taking place in Ulu Masen.

Table 2. Logging Concessions Within the Ulu Masen Forest

	Companies	District	Area (ha)	Licence expiry date	Type of concession
1	PT. Aceh Inti Timber	Aceh Jaya	80,804	7 Jul 2049	Natural forest
2	PT. Alas Aceh Perkasa Timber	Aceh Jaya	56,500	1 Feb 2011	Natural forest
3	PT. Lamuri Timber	Aceh Jaya	44,400	14 Nov 2034	Natural forest
4	PT. Raja Garuda Mas Unit II ¹⁸	West Aceh	72,000	6 Jun 2014	Natural forest
5	PT. Trijasamas Karya Inti	Pidie	41,000	22 Jan 2011	Natural forest
6	PT Aceh Nusa Indrapuri	Aceh Besar & Pidie	110,000	5 Aug 2035	Planted industrial forest
	Total		404,704		

Source: Provincial Department of Forestry in Aceh, list of logging concessions (natural and planted industrial forest) in Aceh, 2006.

¹⁸ The total concession area for PT. Raja Garuda Mas Unit II is 96,500 ha, of which 24,500 ha is located under the district administration of Nagan Raya, which is outside the Ulu Masen Forest boundary.

Local people are often 'employed' by timber networks to cut wood locally. In these remote areas where employment opportunities are few and far between, strong financial incentives exist to harvest timber unsustainably. According to the Ulu Masen REDD project proponents, in 2007 there were 4,412 people employed in illegal logging activities in five districts of Ulu Masen forest.¹⁹

2.4.2. Mining

Below the Ulu Masen forest lie untapped reserves of gold, copper, coal and iron ore, most of which remains unexploited due to Aceh's recent history of conflict. There are currently fifteen mining exploration permits within, or close to, the Ulu Masen project boundaries.²⁰

In Ulu Masen, gold and copper is found in high and medium elevations, much of it within protected forest areas of Aceh Besar, Pidie, West Aceh, Aceh Jaya, and Central Aceh. In the lower elevation forests, coal and iron ore is found underground. Iron ore is most commonly located in Aceh Besar and West Aceh, while coal is found in West Aceh and Aceh Jaya. These reserves present ongoing challenges to conservationists as pressure mounts on the government to fulfil expectations that Aceh's new-found peace will enable the province to exploit its abundant natural resources.

In West Aceh alone, five companies hold licences to explore for gold in an area of 40,000 ha within the Ulu Masen REDD project area. In Pidie District, three gold exploration licences encroach on 44,260 ha within Ulu Masen.²¹ Other licences are spread across Aceh Jaya and Aceh Besar, where copper and iron-ore are being explored and exploited.

Of recent concern is the increase in the number of people engaged in illegal mining. This problem has been particularly visible since after the tsunami when more 'outsiders' began to move in and talk of the potential to 'get rich quick' from gold. Communities seem determined not to allow all the mineral wealth to be taken only by companies:

There is no way we will allow the company to take all our gold. These are our mountains and our Aceh, so it is our gold. We will mine alongside the company to get gold to help our families. If the company tries to stop us, we will drive them away from here.

(Nasruddin, illegal miner, Alue Suloh village, Geumpang sub-district, 24 January 2010)

Since September 2008, there are an estimated 1,000 people every day involved in illegal mining for gold in Gunong Ujeun, Aceh Jaya alone. In support of this, around 100 processing mills have sprung up.²² In the districts of Pidie

¹⁹ Government of Aceh and Carbon Conservation "Reducing Carbon Emissions from Deforestation in the Ulu Masen Ecosystem, Aceh, Indonesia. A Triple-Benefit Project Design Note for CCBA Audit", resubmitted December 2007.

²⁰ Provincial Department of Mining and Energy, Aceh, December 2009.

²¹ Provincial Department of Mining and Energy, Aceh, 2009.

²² Azhar Abdurrahman, Bupati (District Chief) Aceh Jaya, Quoted on Serambi Indonesia, 6 December 2009.

and West Aceh, where companies have also recently secured licences, there has been a similar proliferation of illegal mining. Tensions are growing in Pidie where the director of a mining company, PT Aceh Woyla Minerals, is not alone in suspecting that some of the more organised illegal mining in Aceh is backed by wealthy Singaporean and Chinese business people.²³ Companies who hold legal exploration licences for these areas are reluctant to try to stop this illegal mining for fear of ongoing hostilities with local communities. Furthermore, local government authorities also seem reluctant to take steps to curb the illegal activities.

Villagers interviewed for this report fear that REDD will reward the 'big players', not just mining companies, but also those who hold logging and plantation concessions, thus creating perverse incentives for them to clear even more forest, and leaving the local communities devoid of sustainable livelihood opportunities.

It seems that communities feel there is a lack of secure land tenure systems and clearly defined property rights, and insufficient capacity (or willingness) for effective law enforcement.²⁴ In some villages visited in the course of research for this report, tensions are already beginning to show. For example, in Lhoong, Aceh Besar, PT Lhoong Setia Mining is involved in exploitation activities for iron ore which is causing land ownership conflict with the local communities. In Geumpang, Pidie there are problems between PT Woyla Aceh Minerals, which is exploring for gold, and those in the community who are involved in illegal mining. REDD mechanisms must address these crucial land tenure issues.

In order to clarify land and property rights, a REDD mechanism:

- a. Must guarantee the security of *de jure* and *de facto* land and property rights for local and forest dependent people and communities.
- b. Should clarify and strengthen *land tenure/land rights* in developing countries, not further degrade them.

2.5. Failures of policy and governance

REDD is essentially shifting control over natural resource management from the state to local societies. The implications of this change on social justice, transparency and accountability are as yet unknown. There can be no doubt that the current lack of forest law compliance witnessed in Aceh can be attributed more broadly to a lack of good governance in the province. Several good governance prerequisites are not upheld in Aceh; herein lies the crux of the forest governance problem.

²³ Interview with Michael Thirnbeck, Director of PT Aceh Woyla Minerals, 4 March 2010.

²⁴ Six focus group discussions were held in the sub-districts of Tringgadeng in Pidie Jaya, Saree in Aceh Besar, and Padang Tiji in Pidie.

The (United Nations Economic and Social Commission for Asia and the Pacific) UNESCAP model of good governance has eight major characteristics that are pre-requisites for achieving good governance: consensus-oriented, participatory, accountable, transparent, responsive, effective and efficient, equitable and inclusive, and follows the rule of law.

2.5.1. Consensus

There is no clear, systematic and wide-ranging stakeholder consultation process written into national or provincial forest legislation, or that takes place prior to new policy decisions being taken. Meanwhile, consensus relating to the Ulu Masen project is sadly lacking.

2.5.2. Transparency

Processes permitting stakeholders to agree, or not, to REDD activities taking place on their land did not take place. Thus local stakeholders are concerned about lack of transparency around land tenure, property and carbon rights. Moreover, there is no legislation in Aceh guaranteeing stakeholders the right to transparent processes in decisions about land use and profit distribution.

2.5.3. Accountability

There is neither horizontal nor vertical accountability of decision makers in forest governance in Aceh. This is a problem not only in the forest sector, but in all aspects of governance. Non compliance with forest related laws and poor governance – such as government officers and security services being involved in logging – has led to lack of accountability, and been a main driver of deforestation in Aceh.²⁵

2.5.4. Responsiveness

The province is unable to meet standards that would respond to the needs of the local population due to the complex and often confused policy and legal frameworks. This is specifically relevant to current tensions and confusion between the roles and responsibilities of the provincial and national level government vis-à-vis managing several forest designations.

2.5.5. Equity and inclusion

It is difficult to see how equity and social inclusion in policy making, sharing forest revenues and resources will ever be incorporated into best practice in Aceh. As with most aspects of good forest governance, equity and inclusion do not interact well with local power structures which are exclusive in nature. As a representative of the project proponents admit: “We have been slow to

²⁵ See Lesley McCulloch, “Greed: The silent force of the conflict in Aceh”, in *Violence in between: conflict and security in archipelagic Southeast Asia*, ed. Damien Kingsbury (Monash Papers on Southeast Asia; no 62, ISEAS); McCulloch and Kingsbury, “Military Business in Aceh” in *Verandah of Violence*, ed. Anthony Reid (Singapore: NUS Press).

include the people of Aceh in our ideas on REDD, and it is true that some may not believe they will benefit equally in the rewards.”²⁶

2.5.6. Participation

Citizens are gradually becoming active stewards of forest resources. Along with the development of legal and institutionalised mechanisms for participation, there should be more scope for various degrees of citizen involvement in policy making, resource management, and benefit sharing.

2.5.7. Land use policies

The question of preserving land for conservation versus opening land for economic development is one of Aceh’s ongoing policy challenges. The Governor of Aceh has made a commitment to reduce the areas of forest for logging and clearing in return for carbon finance. Thus, the most important immediate activity is to revise provincial and district spatial plans, which should include cross-sectoral policy coordination to reduce the forest area classified as production forest, and increase the area of natural forests under formal permanent forest estate categories.

2.5.8. Adherence to the rule of law

There is no transparent independent verification (due diligence) of the eligibility of forest users who receive permits, and in implementation of forest related legislation. Improving forest law enforcement also requires better collaboration across sectors and more stakeholder involvement.

Considering substantial economic drivers to exploit natural resources in Aceh and the problems of governance, the level of political commitment in the province to the interests of industry/investment often appears to meet the definition of “legislative capture,” a situation which occurs when “officials inappropriately identify with the interests of a client or industry” at the expense of good governance. The effect of this tilted playing field is to perpetuate conflict. The GoA has yet to realise that a greater role for community actors in forest governance and deeper attention to the factors that lead to effective governance, beyond ownership patterns, is both necessary and proper to address future forest governance challenges, and for the future of the REDD project.

2.6. Signs of improvement in policy and forest governance

Although limited, recent improvements in forest governance in Aceh are encouraging. Much of this improvement can be attributed to the support of the Aceh Governor, Irwandi Yusuf. A long-time conservationist and proponent of sustainable environmental policies, he has overseen the implementation of several policies and governance initiatives that have resulted in a heightened

²⁶ Fadmi Ridwan, Head of REDD Taskforce Aceh, interviewed 2 March 2010.

awareness of the range of values that forests hold, and of the necessity of including conservation in future development plans. There are several points worthy of note:

- A province-wide Moratorium on Logging was declared in June 2007.²⁷ The target of the moratorium was to cease the operation of eleven natural forest logging concessions held in Aceh which involved 742,915 ha, including 294,704 ha in the Ulu Masen project area.²⁸ The aim of the moratorium is to provide an opportunity to: review the current status of Aceh's forests; redesign a more strategic and sustainable forest development and management strategy, to strengthen existing – and to establish new – enforcement mechanisms to prevent violations of the policy.
- In line with the logging moratorium, Governor Irwandi established an expert team to develop a strategic plan for the sustainable management of Aceh's forests; the Aceh Forest Design Team (TIPERESKA).²⁹ The policy document produced by the TIPERESKA team has informed Aceh's new draft spatial planning proposal.
- In September 2008, the Governor of Aceh issued Governor Decree No.522.21/284/2008 on the Establishment of an Integrated Team on Eradicating Illegal Logging Activities. As part of this effort, teams were established at district and provincial levels to implement the logging moratorium, and to ensure the eradication of illegal logging in Aceh. These teams include relevant forest and conservation departments, the former combatants association (*Komite Peralihan Aceh – KPA*), police, military, military police (in recognition of the fact that there are members of the security forces also involved in illegal logging), and NGOs.
- In an effort to improve surveillance in Aceh's 3.3 million ha of forested area, which before the tsunami was patrolled by only 500 forest rangers, the provincial government has engaged 2,000 additional forest rangers. These forest rangers are under the management of the Provincial Department of Forestry.

The overarching theme of all these initiatives is the Aceh Green Vision, launched by Governor Irwandi in December 2007. Aceh Green aims to “integrate and expand carefully and consciously integrated themes of climate change via renewable energy and land use management, community development, commerce and conservation.”³⁰ Aceh Green is not a policy but is a ‘vision’ that aims to integrate green governance into the planning and

²⁷ Governor Instruction No. 05/INSTR/2007, The Moratorium on Logging in Aceh, 6 June 2007.

²⁸ TIPERESKA, “The Analysis of Forest Governance in Aceh: A Proposal for Redesigning the Forestry Sector in Aceh”, October 2009.

²⁹ TIPERESKA was established by Governor Decree No. 522.1/534/2007, 31 October 2007.

³⁰ Aceh Green, “Green Economic Development and Investment Strategy for Aceh, Indonesia”, July 2008, p.ii.

programmes of all government departments and agencies in Aceh. An Aceh Green Secretariat has been established to oversee the initiative.

2.6.1. Ongoing policy initiatives

The TIPERESKA team submitted its report in late 2009 in which it essentially proposed new borders for production, protection and conservation forest areas, as well as provided recommendations for reform of forest management in Aceh.

In strengthening administration procedures and tightening commercial land uses policy, the GoA is in the process of evaluating all concessions related to natural resources, including the forestry, plantation and mining sectors. All concession holders are required to re-register their existing licence and complete an evaluation form. The purpose is to build an integrated database on natural resource use in Aceh, and to consider the performance of the licence holders. It is quite conceivable that some licences may well be revoked. The evaluation began in March 2010, and is expected to be completed within five months.

In March 2010 a proposed provincial spatial plan was sent to the central government for approval. Of significance for the Ulu Masen REDD project is that the spatial plan recommends sweeping changes to forest designation for Aceh, which includes changing the status of much of the production forest areas to protected forest status. The provincial government says it expects a response late in 2010, after which the provincial plan will be integrated into the National Spatial Plan (*Tata Ruang Wilayah Nasional*).

3. REDD PROJECT DESIGN PROCESS

3.1. Reality of project design processes - best practice?

Project design was almost wholly in the hands of the project proponents: the GoA and Carbon Conservation, in close collaboration with FFI. Few others were privy to the REDD project design process; decisions on who should be included was not made using a rights based approach, but was instead based on friendships and existing networks. Moreover, very few of the other occasional 'experts' were long-term stakeholders in the project, i.e. implementers or beneficiaries. While several government departments such as the Environmental Management Agency (BAPEDAL-Aceh) and the Provincial Department of Forestry and Plantations have been involved in the process since early on, those privy to detailed information and in regular negotiations with Carbon Conservation were mostly from the Governor's office.

In that sense the project did not ensure open, transparent and inclusive decision making processes. The GoA appears to see no problem in such an exclusive process:

The government's position is that we do not want to raise people's expectations about what benefit they will get from REDD before we ourselves have a better idea of both what is possible, and when it is likely to happen.

(Fadmi Ridwan, Head of REDD Taskforce)

Sadly, there has been no free, prior and informed consent of indigenous peoples, nor the full (or even partial) support and involvement of local communities. There is a real danger that the REDD process will repeat the mistakes of past experiments with centralised forest management strategies based on enforcement.

Whilst the Aceh government says it recognises the need for future consultation with forest dependent communities, it has yet to be proactive in actually seeking consent. Several government officers spoke enthusiastically about the need for multi-stakeholder participation in all levels of decision-making.

There is something to be said for not raising unrealistic expectations, as argued by the REDD Task Force, but there are also problems associated with a 'wait and see' approach that not one of the interviewees was willing to go on record as acknowledging. It is a fact that the less access to information people have, the more room there is for misinformation. This is exactly what has happened with the REDD project. Exaggerated stories of the value of the project and how benefits will be apportioned abound in Aceh.

Moreover, this lack of transparency has already led to suspicions by local NGOs that 'inadequate' compensation will be received by local communities

who will then simply continue to log the forests.³¹ There is also some resentment that the REDD scheme seems to have been ‘hijacked’ by international actors, and a misperception that it is they who will manage the funds. Local media has argued that “The carbon fund should not be managed by a foreign NGO. The carbon fund that is given to Aceh by a donor country should be managed by the provincial and district government, so that each district chief can protect the forest in their territory.”³²

Audit

An independent audit of the design of the project against the Climate, Community and Biodiversity Alliance (CCBA) standard was conducted by an independent assessor, Smartwood. The Governor of Aceh explained the need for an audit: “In the absence of a comparatively robust standard from an internationally recognized cap and trade compliance mechanism, the GoA has been advised to originate its forest carbon credits in the Ulu Masen Ecosystem Avoided Deforestation Project pursuant to the Climate Community and Biodiversity Alliance (CCBA).”¹ The CCBA audit is often used as an assurance of minimum standards to secure financing. And indeed, Bank of America Merrill Lynch¹ appears to be satisfied that standards have been met, and have committed to purchase the forest carbon credits generated from the Ulu Masen Demonstration project at “a mutually agreed upon price.”¹

The final audit report based on conformance in January 2008, the audit found ‘average compliance’ with standards, but determined that the project proponents had not fulfilled all indicators for the mandatory CCB Standards’ criteria.¹ The lack of community participation at the time of writing – February 2010 – is also reflected in the 2008 audit, where at both dates of conformance, December 2007 and January 2008, the audit found the project not to be conforming to “best practices in community involvement.” Unlike other points of non-conformance where corrective action was taken, the project proponents were unable fully address inadequacies in the community involvement aspect of the project.

The CCB standards against which the Ulu Masen Project was audited are, by the admission of the CCBA itself, not really ‘up to’ measuring compliance of a project as large as the Ulu Masen REDD demonstration project. A new set of standards is under discussion to address the REDD+ Social and Environmental regime which recognises REDD’s potential to deliver significant social and environmental benefits. REDD+ places more emphasis on consultation with communities during the design phase of the project. The criteria in the new document are much more detailed and fashioned to ensure beneficiary communities are prioritised.¹

In relation to the draft REDD+ audit standards, the same government source as above suggested that “If the audit was to be done against the new set of standards that are under discussion, the Ulu Masen Demonstration Project would definitely fail. We have not done ‘the right thing’ for the communities here in Aceh.”

A government source expressed concern at the lack of community involvement in REDD process to date: “Why is all the information in the hands of foreigners and a few government officials? I of course know all there is to know about REDD, but am I so important? The most important are the people

³¹ Statement by Walhi Aceh, Rakyat Aceh, 10 December 2009.

³² Waspada, 29 October 2009.

living near the forests.” Moreover, he said that while the REDD Task Force had held meetings with local village chiefs in Mane, Pidie District, that communities in Aceh do not yet feel any sense of ‘connection’ with the REDD demonstration project.

It is interesting that the Ulu Masen demonstration project received approval rating from Smartwood; of the total fifteen community representatives interviewed for this study on this particular issue, the comments of one Mukim chief are typical:

We have been told very little about REDD. FFI has been here to discuss with us, but mostly in the context of protecting the forests and rivers for our downstream neighbours. We are wondering whether FFI staff themselves understand REDD because information is far from clear. What we want is very simple – do not treat us as children in our own territory. We are the most important stakeholder in the REDD project – why do you have information that we do not have, and how can that be so when the REDD project is about our lives, not yours? That is our question to FFI.

To our own government, I don’t know why it’s only FFI that has been talking to us about REDD. Perhaps it is their project, and our own government – like us – does not understand.

(Pak Sabibasyah, a Mukim Leader, Geumpang, Pidie District, 16 March 2010)

4. REDD PROJECT

4.1. Interface between provincial and national REDD policy

Due to its special autonomy status, Aceh has more power over its forestry sector than other provinces in Indonesia, including within the context of the REDD demonstration activities. REDD strategies must arise from the coordination and intersection of national and sub-national policies on land use and climate change; there are however, remaining tensions associated with overlapping authority.

The Ministry of Forestry is authorised by Indonesian Law No.41/1999 on Forestry as well as Government Regulation No.6/2007 on Forest Management Planning to administer the forestry sector. These regulations give the Ministry decision-making powers over conservation, protection, and production forest, including managing the utilisation of forest environmental services. To this end, the central government has issued four pieces of enabling legislation relating to REDD:

- Presidential Regulation No.46/2008 on “National Council on Climate Change.”
- Ministry of Forestry Decree, No. P 68 11/2008 on the “Implementation of Demonstration Activities Related to Reducing Carbon Emission from Deforestation and Forest Degradation (REDD).”
- Ministry of Forestry Decree, No. P. 30/Menhut -11/2009 regarding the “Procedure on the Implementation of Reducing Carbon Emission from Deforestation and Forest Degradation (REDD).”
- Ministry of Forestry Decree, No. P. 36/2009 concerning “Licensing Procedures of REDD projects on Carbon Sequestration and/or Storage in Production and Protected Forests.”

A significant role is thus secured for the central government in negotiating and processing licences for REDD, and in managing the resource.

The GoA does not agree, believing it is empowered by the LoGA to manage its own natural resources, including the utilisation of environmental services from forest areas. Without exception, provincial government staff interviewed for this paper all argue that the GoA has negotiated the Ulu Masen demonstration project in line with powers invested in the province by the LoGA, and that the law states that the provincial and district governments have the authority to manage Aceh natural land and sea resources. This includes minerals, geothermal, forestry, agriculture, fishery and marine resources. There does, however, appear to be a legal vacuum regarding claiming property rights over carbon. Moreover, the provincial government is authorised to establish a provincial owned enterprise to manage the business

issues related to these resources.³³ There is however, a recognition for the need to coordinate with the central government on the REDD issue:

We don't feel we must ask Jakarta's permission for the REDD project, but we are happy to coordinate. We have sent several letters to the Ministry of Forestry updating them on progress on REDD here in Aceh. We have received two letters in response confirming that everything is in order.
(Fahdmi, Head of REDD Task Force, Aceh)

On 7 July 2009, the Governor of Aceh issued Decree No.522/372/2009 designating Ulu Masen forest as the REDD demonstration project area covering around 750,000 ha. To manage the REDD project, a second Governor's Decree was issued, Decree No.522/18/2010 on the Formation of the REDD Task Force.³⁴ The REDD Task Force is under the direct management of the Governor, and has its offices in the Governor's building. It is comprised of a steering committee and organising committee. The steering committee is mandated to define the procedures and substantive issues related to the REDD project, and to report directly to the Governor. The task of the organising committee is to conduct socialisation, coordination and facilitate all relevant parties in enhancing the process of the development of the REDD project, including in the process of due diligence; and to develop draft REDD policies in Aceh including those relating to ownership issues.³⁵

4.1.1. 'Carbon ownership'

A key question for all REDD activities is who owns the carbon held in Indonesia's forests and soils. The Ministry of Forestry assumes that the central government has the right to issue licenses for management of the carbon stocks. For example, existing logging permits within Ulu Masen that were initially issued by the Ministry of Forestry in Jakarta could, with the approval of the Ministry, be included as REDD activities. In negotiating and signing the REDD demonstration project agreement, the GoA has, according to the Ministry, flouted Indonesian law: "In principle, Aceh cannot sign a direct cooperation with an international actor without the approval of central government. The local government must first receive an endorsement letter from the Ministry of Home Affairs, and then from the Ministry of Foreign Affairs."³⁶

Under the Ministry of Forestry's REDD regulations, any forestry permit holder (logging, industrial pulp wood, plantation, local forest owner or user with the agreement of a District Chief) can develop a REDD proposal and submit it to the Ministry's REDD committee for approval. The Ministry of Forestry wants to maintain the right of approval for REDD projects throughout Indonesia, regardless of whether the funding is private or public. The GoA argues that Aceh's special autonomy status means it does not require approval from the national government to develop REDD projects and secure investors. The

³³ LoGA, Article 156.

³⁴ Issued 28 January 2010.

³⁵ Governor's Decree No.522/18/2010.

³⁶ Eye on Aceh interview with Retno Maryani, Indonesian Government delegation to World Forestry Congress, Buenos Aires, interviewed 24 October 2009.

province, it is argued, can apportion ownership according to local, rather than national interests. But in Aceh, there has been no clarity of ownership issues in relation to either corporate stakeholders or local communities. This lack of clarity is worrying land owners and users, while the provincial government argues that the decision-making process is ongoing.

In finding solutions to unresolved issues, the provincial government has been consulting a team of legal experts on how best to harmonise national and sub-national regulations for REDD within the context of Aceh as a region of special autonomy. According to government sources, there have been several stages to this process. The most recent was in January 2010, when an action plan was formulated, focussing on:

- How to coordinate between districts around the Ulu Masen ecosystem;
- Rights, roles, and responsibilities of the current concession holders.

In March 2010, the Ministry of Forestry announced it intended to undertake a review of national laws governing REDD. The review will cover the three decrees mentioned above, No.s 30, 36 and 68 and is aiming to identify and remove overlapping and contradictory elements of the laws. In addition, it is highly likely that a new national REDD authority will be established to monitor REDD. The review is intended to be completed by the end of 2010; the consequences of which might be far-reaching.³⁷

4.1.2. Project agreement details

There has been a minor problem in the technical aspects of the project agreement; it is in fact legally prohibited in Indonesia for government to participate directly in business. Thus, the Ulu Masen REDD demonstration project document signed by the GoA was, technically, not legally binding. To rectify this, a Novation agreement has been drafted by the REDD Task Force, and at time of writing, was still under discussion. This Novation agreement will transfer authority from the GoA to the local state development enterprise *PT. Pengembangan Investasi Aceh* (PT. PIA), formerly PDPA. The agreement will be signed by the Government of Aceh, Carbon Conservation, and PT. PIA. The company will “acquire the entire portion of the assets, rights and responsibilities” in performing contracts related to REDD. The agreement will transfer obligations and liabilities of agreements on REDD already signed by the Aceh government to PT. PIA. There will then follow a separate document that will be signed by the carbon financier Bank of America Merrill Lynch and the government, which will approve the transfer of financial authority. It is expected that the signing of the final documents will take place in May or June 2010.

³⁷ Reuters, 19 March 2010.

4.2. Market alternatives and reducing emissions

The project has ambitious aims; to reduce deforestation by eighty-five percent in the project area, thus avoiding 3,369,848 tons of CO₂ emissions each year.³⁸ The project proponents suggest that this figure could be even larger: “we are being conservative in estimating potential emission reductions.”³⁹

The REDD Task Force is in the process of conducting a carbon stock measurement, establishing relevant mechanisms, feasibility studies, leakage monitoring, and drafting verification processes, all of which are vital to the success of the REDD project.

Once the new agreements are signed, an initial payment of around US \$1 million is expected from Bank of America Merrill Lynch by June 2010. This money will be used to develop the social welfare of the forest edge communities, alternative livelihood initiatives, and to further develop project methodology.

The provincial government has been reluctant to publicly discuss potential benefits from REDD. Yet despite these best attempts to avoid misunderstanding that might lead to unrealistic expectations of benefits, there has been coverage in the local media that suggest some communities already do believe that REDD is a ‘get rich quick’ scheme.

Unfortunately, there has been little transparency around the issue of exactly how Carbon Conservation is going to benefit from the Ulu Masen demonstration project beyond the fact that a sum of US \$1.5 million will be made available to them during the initial five year period, which is to include developing and building the capacity of new and existing REDD-related institutions, and to ensure that environmental, social and economic benefits get to the forest dependent communities upon whose support the entire project rests.⁴⁰ Efforts to uncover more specific information on costs and benefits for this report were unsuccessful. As a member of the Provincial Parliament said, “...there does seem to be an unhealthy veil of secrecy surrounding specific aspects of the [Ulu Masen demonstration project].”

According to a senior provincial government adviser, quantifying the benefits exactly from the REDD demonstration project is virtually impossible. This is largely due to the fact that there is not yet a Verified Emissions Reductions (VER) validation mechanism, without which there is no verifying activity, and no quantifiable sale of VERs.

³⁸ Government of Aceh and Carbon Conservation, “Reducing Carbon Emissions from Deforestation in the Ulu Masen Ecosystem, Aceh, Indonesia. A Triple-Benefit Project Design Note for CCBA Audit”, resubmitted December 2007.

³⁹ Ibid.

⁴⁰ Confidential government source.

4.3. Roles, rights and responsibilities of each actor under the project?

Market incentives will only be effective if the stakeholders most affected by the new initiatives are supportive. Meanwhile, uncertainties remain over some key issues pertaining to the rights and responsibilities of stakeholders; questions are being asked but the answers lie in decisions yet to be made. Those who either own land within the project area, or who have permits to utilise land for plantations, logging, and other commercial uses now face a period of uncertainty.

Many people in Aceh feel they are denied statutory rights of ownership or access to forests; REDD has the potential to exacerbate these grievances thus creating conflict. It is true that there have been efforts to address this issue in Aceh, but there remains a long way to go before the long history of exclusion is finally ended. If REDD funds are seen to be in the hands of elites, resentment due to perceptions of inequality will create conflict and potentially jeopardise the success of the entire project.

4.4. Capacity building

Without doubt there has been an untenable lack of focus on assisting communities and other stakeholders in becoming 'REDD literate.' To date, the focus for raising awareness and building capacity to a) understand what REDD is, and b) to participate meaningfully in REDD-related processes has been almost entirely focussed on provincial level government, with a limited level of input to district level government. Government capacity is lacking and the Head of the REDD Task Force at the Governor's office acknowledges that "We are really unable to complete all REDD related tasks with confidence." He explains there is frustration within his team, and that "in my position of Head of the Task Force I am searching for those to help us to really understand the principles and mechanisms of REDD."⁴¹

The list of capacity building requirements for communities, local NGOs and CBOs, and district and governance actors includes:

- Raising awareness of REDD
- Analysis and interpretation
- Developing a common position among stakeholders
- Technical and scientific capacity.

While being REDD literate is an enabling prerequisite for free, prior and informed consent, and for participation, stakeholders in the province overall lack an understanding of the concept of REDD, and of its implications for their communities. This then undermines the integrity of the entire project. Moreover, it is paving the way for conflict and the breakdown of social capital

⁴¹ Fadmi Ridwan, Head of the Government of Aceh REDD Task Force, interviewed 2 March 2010.

within and between stakeholder groups. Meanwhile, some in government are concerned:

The chronic lack of capacity that we [government] are feeling about the REDD project means we could easily be persuaded to agree to points in the process that in fact, if we understood fully, we would not accept. We are racing to build the capacity of the government here – it is an ongoing challenge.⁴²

Another source close to the project design cautions that one should be careful not to be too critical of the process:

We shouldn't forget that REDD is a new initiative, so there's not an 'expert' in the world yet. There are probably only a handful of people who really do understand REDD.

(Joe Heffernan, Project Design Specialist, FFI)⁴³

He further elaborates:

We are all learning together, we are struggling together and none of us are expert. FFI does see our key involvement in the project is to build capacity of the local provincial and district government in Aceh to deal with REDD.

Together with several partners such as the International Development Law Organisation, the United Nations Development Programme, and the Centre for International Forestry Research, FFI is helping to build provincial government capacity to fully grasp the concept of REDD and all its attendant complexities, and to execute supporting activities to ensure its success.

In discussions with those involved in the REDD project it quickly becomes clear that there is a common perception that the two project proponents are the cause of the lack of inclusive processes. It seems that the provincial government has acknowledged the problem but lacks capacity to address it in any meaningful way, while it is commonly believed that Carbon Conservation places more emphasis on speed of completion than on building the capacity of stakeholders.

The priority is to support institutional and technical capacity building. FFI is helping with technical capacity building on forest inventory work and assisting the REDD Task Force to understand the legal jargon. There is also a broad programme of community engagement planned.

At the government level, training has focussed on working with members of the REDD Task Force on carbon stock measurement and ground truthing. In addition to this, the REDD Task Force has prioritised its urgent training needs as follows:

- To engage in policy formulation and implementation between national government and sub-national (provincial) government.
- To be able to fully explain REDD to Aceh's elected politicians and civil servants.

⁴² Member of the REDD Task Force, interviewed 18 February 2010.

⁴³ Interviewed by telephone, 4 March 2010.

- To develop a measuring, reporting and verification (MRV) mechanism for Aceh.
- Ability to measure carbon using the VCS standards, and other technical tasks.
- Institutional training for the PMU so that they can read and answer the need of local forest edge community.

4.5. Projects controls and incentive mechanisms

The principle control and incentive mechanism is the assumption that the 'carrot' for the fulfilment of roles is significant enough for the actors to comply with all responsibilities. Since the incentive, the payment for the environmental service of carbon sequestration, will be reviewed annually, that is in itself generally viewed to be sufficient control: "What better control mechanism than to know that if we mess things up there will be no money coming from REDD. I think we [government] are quite well aware of our responsibilities to fulfil obligations" (Fadmi Ridwan, Head of REDD Taskforce in Aceh).

4.6. Livelihood, cultural and social needs of local communities

Since the 'project' itself has not yet really begun, it is impossible to assess if, and to what extent, sufficient attention will be given to the livelihood, cultural and social needs of the local communities.

Without doubt, communities living close to forest areas in Aceh can be classified as 'forest dependent communities'; their livelihood, social and cultural way of life is inextricably intertwined with the forest. Yet the potential impact of the REDD project on their lives is little understood .

4.7. Presence of an effective project consultation mechanism

The success or otherwise of the Ulu Masen REDD project depends on the reaction of local forest communities. The quality and flow of benefits, and the degree of grass-roots participation will determine the level of support the project receives from local communities living near the forests. The Governor himself has been involved in decisions about community consultations, and has been reluctant to go to the community with incomplete information. Joe Heffernan of FFI explains:

The project does not yet have an effective consultation mechanism. We know there needs to be one and we are just discovering what that mechanism is going to look like.

He continues: “The priority now is that ‘free prior and informed consent’ takes place as soon as possible.”⁴⁴ This would indeed appear to be an issue of the utmost importance. It is both necessary and right that local people are able to ask questions and receive honest answers.

The Governor has now said it is time to go to socialise the REDD project to local communities, but socialising a project that is already as well developed as the Ulu Masen REDD demonstration activity is something quite different to involving community stakeholders in the conceptual process, pre-planning assessment, and planning. FFI acknowledges shortfalls in consultation: “Of course it bothers me that the communities have not been involved in the conceptual process, but it was the government’s decision to wait. This is, after all, an Aceh Government project” (Joe Heffernan, FFI). In sum, the process to date has provided little, if any, opportunity for dialogue and social learning as called for by the CCBA criteria.

In preparation for the community socialisation process, FFI has prepared a three phase plan working through the *Mukim* mechanism. It is clear from the planned interventions below that the process of including communities is in the very early stages, and while FFI’s intentions are laudable, they are somewhat late. One could argue however, that since FFI is not a formal signatory to the REDD project agreement they have less responsibility to ensure that the people of Aceh were included earlier in the process than, for example, the provincial government or Carbon Conservation.

FFI shared its planned strategy for socialising the Ulu Masen REDD project to communities. The following is the “draft plan” and is “likely to be subject to revision.”⁴⁵

1. REDD Education and Information-Sharing with all sixty-one Mukim in Ulu Masen.

Working to fulfill a Free Prior Informed Consent process required by FFI internal best practice standards, our first objective is to support the Govt of Aceh REDD Taskforce to broadly inform/educate people as to what is REDD, what types of issues need to be discussed and how the process will look going forwards. Much of this initial phase relates to the *prior information* phase of FPIC.

- Developing information tools, possibly including video and written materials.
- Training GoA’s REDD Task Force Community Field Teams and FFI support staff to facilitate community meetings.
- Initiate Community meetings with all 61 *Mukim* around the Ulu Masen.

2. Medium to long-term UM REDD community activities

⁴⁴ Interviewed by telephone, 4 March 2010.

⁴⁵ Email correspondence with Joe Heffernan, FFI, 5 March 2010.

Continuing FPIC process (including further REDD education and information sharing, discussing benefit-sharing options, developing conflict resolution mechanism), finally seeking consent for the project.

3. Ongoing FFI activities in Aceh relevant to REDD and communities
 - To help ensure that community/*Mukim* forest is legally recognised.
 - To help enable local community role in forest management and monitoring.

4.8. Conflict resolution mechanism

The REDD project presents several potential areas of conflict within and between communities over perceived inequalities in benefit sharing. Despite this, the project lacks a dispute resolution mechanism. Indeed, elements of the decision-making process – including the different types of power and authority among government and stakeholders, bureaucratic rules that restrict consensus decision-making, and lack of transparency in government decision-making – may potentially constrain conflict resolution.

Project proponents and others close to the project are not unaware of this problem: "The conflict resolution and community benefit sharing mechanism are not yet in place. They are already being discussed, but not yet drafted." (Joe Heffernan, FFI, comment by telephone, 5 March 2010)

The REDD Task Force suggests utilising the *Mukim* structure as a conflict resolution mechanism, but the idea remains short on detail: "It makes sense to use traditional Aceh structures such as the Mukim to solve disputes. Local communities will respond to this much more positively than some conflict resolution idea that is not familiar to them. We have still to structure this part of the project – but yes, it is extremely important." (Fahdmi Ridwan, REDD Task Force, 4 March 2010)

5. CONCLUSION

It is difficult, if not impossible to assess whether, or to what extent, the REDD demonstration project in Aceh will be effective, efficient, or equitable. As this report has highlighted, the process of discussion, debate and resolution of some key issues is ongoing. These include the mechanism for information sharing with the forest communities who will be most affected by REDD, methods of accountability and the REDD governance structure, benefit sharing and compensation for opportunity costs, financial mechanisms, establishment of baselines for monitoring systems, who actually 'owns' the carbon stored in the forests, and many other unanswered questions. Meanwhile, the overarching challenges of forest governance more generally remain a constant threat to Aceh's ability to maximise opportunity from the Ulu Masen demonstration project while at the same safeguarding the integrity of the project.

There are positive moves towards more participatory forest practice that do place emphasis on consultation and participation, and that recognise the contributions forests make to local livelihoods. However, with the climate change mitigation measures represented by the REDD demonstration project in Aceh, these slow but positive changes could be swamped in the rush for carbon dollars. Thus, that the effectiveness of REDD depends upon ownership for the concept amongst forest dependent communities and equitable distribution of the benefits might well be forgotten.

The REDD process is an opportunity to improve transparency and accountability in the forest sector; to improve public interaction with, and trust in, the forest governance systems and procedures; to address key areas of strategic and public concern such as the protection of the customary system of land use; to achieve equal access for all to the economic benefits of the forests; and to improve forest governance. However, REDD will only be as effective as the forest communities in Aceh allow it to be, which depends upon how far they are genuinely part of the process. For example, when people feel that the rule of law or cultural norms are not being upheld, or not being applied equally, they are likely to operate outside the law, and may become perpetrators of forest crime. Equally, it might be said that if legislation relating to REDD does not accommodate the prevailing cultural norms then non-compliance with formal norms is almost inevitable.

It is clear that key REDD project staff, government officials and stakeholders would benefit from an agreed set of objectives, systems and procedures for REDD projects. Furthermore, a clear understanding of the principles and safeguards required for the Ulu Masen demonstration project is a prerequisite for its sustainability. At the heart of this is the development and implementation of an effective project consultation mechanism that involves government officials, forest-dependent communities, and other stakeholders.