

# Case Study

## III. Thematic Sector Case Study: Climate & Forestry

Submitted to:  
Norad  
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July 2020

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*This Case Study is publicly available on the NORAD website  
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## List of Abbreviations

AMAN	Association of Indigenous People of the Archipelago
CGD	Center for Global Development
CIFOR	Centre for International Forestry Research
CLUA	Climate and Land use Alliance
GGGI	Global Green Growth Institute
KLD	Norway Ministry of Climate and Environment, Oslo
KPK	Indonesian Corruption Eradication Commission
LoI	Letter of Intent between Indonesia and Norway, May 2010
MOEF	Indonesian Ministry of Environment and Forestry
NICFI	Norway's International Climate and Forest Initiative
PDIA	Problem Driven Iterative Adaptation
REDD+	Reducing emissions from deforestation, forest degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in countries
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNODC	United Nations Office of Drugs and Crime
UNOPS	United nations Office for Project Services
WALHI	Indonesian acronym for Friends of the Earth Indonesia
WEF	World Economic Forum
WRI	World Resources Institute
ZTP	Zero Tolerance Policy

# 1. Introduction

## 1.1 Background and Purpose

Climate/Environment is one of the five sectors prioritised by the Norwegian Parliament (the other four being Health, Education, Humanitarian assistance, and Private Sector Development/agriculture/ renewable energy). The Norwegian government supports global efforts to reduce destruction of tropical forests, with the aim of halting greenhouse gas emissions from deforestation and forest degradation. Norway's major programmes of climate support are its contributions to the Green Climate Fund (NOK 1.6 billion, 2015-2018), and the large multi-country programme called *Norway's International Climate and Forest Initiative* or NICFI, of which support for Indonesia is a major part. NICFI is managed by the Ministry of Climate and Environment (KLD) in Oslo and disburses NOK 3 billion per annum<sup>1</sup>. Norway disbursed NOK 4.3 billion in 2018 in this sector<sup>2</sup>.

Corruption in the climate/environment sector affects broad communities of people through accelerated climate change and involves large amounts of money – vast quantities of assets – being misappropriated. Management of resources such as forestry require strong systems to prevent corrupt permits, illegal logging and other forms of corruption. The same goes for managing fisheries in bountiful marine ecosystems. The harm this causes to the environment, society, and people living in poverty is immense. This part of the evaluation study is focused on anti-corruption in one major climate change initiative: preventing destruction of tropical forests in Indonesia.

The purpose of this evaluation, as set in the study's Terms of Reference, is '*to contribute to strengthening Norway's AC policies and practices within its overall development policy*'.

## 1.2 Methodology

The Case study is built around interviews with personnel and institutions in Jakarta and Oslo, plus additional interviews in Bergen and the USA, corroborated with project documents and external analyses. Interviews in Jakarta have been held with seven stakeholder groups: 1) Members of the government, notably the Ministry of Environment and Forests; 2) Anti-Corruption and Law Enforcement groups and experts, including Commissioners from the Indonesian Corruption Eradication Commission (KPK) and UNODC; 3) Forest and Climate Research Institutes, such as World Resources Institute (WRI), and the Center for Global Development (CGD); 4) Multi-stakeholder groups such as Global Green Growth Institute (GGGI) and Kemitraan; 5) NGOs and forestry/climate activist groups such as Auriga, Madani and Walhi; 6) Two other development agencies also active in forestry in Indonesia, DFID and USAID; 6) Multilateral agencies involved in forest improvement and funded by Norway, including UNODC, UNOPS and UNDP. Interviews in Oslo have been with the NICFI team in the Norwegian Environment Ministry and with Norad There was one weakness with this interview stratification: several of the requested meetings with government officials in Jakarta proved not to be possible: with the AG's office, with the National Police, with the close colleagues of the Environment and Forests Minister and of the Home affairs Minister. This meant there was some over-representation of NGOs. In total, discussions have been held with 54 individuals in 34 meetings.

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<sup>1</sup> <https://www.regjeringen.no/en/topics/climate-and-environment/climate/innsiktartikler-klima/climate-funding/id2345197/>

<sup>2</sup> This figure, for 2018, is approximate. It is taken from the Norad database for General Environment Protection (Sector 410), NOK 3.35billion, then adding in spending categorised as 'multilateral' for those multilateral entities seen to be working only on environmental matters, NOK 0.96 billion. An alternative data source for total spending is "development climate finance", used for Norway's reporting under the UN Climate Convention. This includes climate mitigation and adaptation, as well as multilateral contributions. In 2018 Norway's development climate finance in total was 7,4 billion NOK.

Documents reviewed included audit reports, investigation reports, strategies and plans, country performance reports and so forth. Bilateral projects were reviewed through relevant project documents downloaded from MFA and Norad archives.

The case study examines how Norway engages on AC in Indonesia, both indirectly and directly. It covers the following three layers of AC activity:

- 1) AC as a cross cutting issue: examining corruption issues and how they are being addressed, both for good and for the avoidance of harm, at project level. This includes the many corruption issues that impede the achievement of reduced deforestation.
- 2) AC as a distinct component: Implementing projects that have AC as a main purpose
- 3) Strategic integration of AC: Integrating direct and indirect AC measures into the design of the portfolio, in order to reduce deforestation in Indonesia.

### **1.3 Structure of the Report**

Chapter 1 sets out the context of forestry in Indonesia, the efforts underway to reduce deforestation and the corruption issues that are intrinsic to this challenge. We also summarise Norway's assistance through its partnership with the Indonesian government in this chapter. In Chapter 2 we set out our findings, organised according to the evaluation questions set in the Terms of Reference. In Chapter 3 we present our conclusions and recommendations.

## **2. The Context**

### **2.1 Preventing Deforestation**

Norway's NICFI initiative, led by the Norwegian Ministry of Climate and Environment, has established a series of partnerships with key forest countries. NICFI has a broad mandate: to contribute to the inclusion of REDD+ under the UNFCCC; to contribute to early actions for measurable emissions reductions from deforestation and forest degradation; and to promote the conservation of primary forests, due to their particular importance as carbon stores and for their biological diversity. As an overarching goal, all these efforts should promote sustainable development and the reduction of poverty. The text below, an extract from Norway's NICFI website<sup>3</sup>, encapsulates how corruption issues are integrally connected with the challenge to reduce deforestation:

"Destruction of forests threatens millions of people who depend on forests for their subsistence. Many of these people are among the world's most vulnerable. In spite of many efforts to reduce the problem, deforestation continues at an alarming rate. 13 million hectares of forests were lost every year between 2000-2010, according to estimates by the UN Food and Agriculture Organization (FAO). Deforestation and forest degradation cause huge emissions of greenhouse gases. 24 per cent of total man-made greenhouse gas emissions come from forestry and agriculture, according to the Intergovernmental Panel on Climate Change (IPCC). The drivers of deforestation are many and vary among countries and regions, but there is one common denominator: It is currently more profitable, at least in the short term, to convert a forest to other uses than to leave it as a natural ecosystem".

The core concept of NICFI, to change the economic logic from deforestation to favouring the global climate, is to reward outcomes - reductions in deforestation - rather than to fund reform efforts.

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<sup>3</sup> <https://www.regjeringen.no/en/topics/climate-and-environment/climate/climate-and-forest-initiative/kos-innsikt/hvorfor-norsk-regnskogsatsing/id2076569/>

Earlier forestry management experience, especially supported by the German Development Agency GIZ over decades, had found that input measures to strengthen forestry management had not been effective in reducing deforestation<sup>4</sup>. The results-based approach had been one of the recommendations from the Paris Declaration on Aid Effectiveness in 2005: "*Donors commit to link country programming and resources to results*" (OECD 2005, Para 45).

NICFI has the following broad objectives:

- To ensure that the United Nations Framework Convention on Climate Change (UNFCCC) is an effective tool for reducing emissions.
- To contribute to early actions for measurable emission reductions from deforestation and forest degradation.
- To promote the conservation of primary forests, due to their particular importance as carbon stores and for their biological diversity.

NICFI currently operates in 9 forest locations: Brazil, Indonesia, Colombia, Guyana, Peru, Liberia, Ethiopia, Vietnam, Tanzania, Mexico and the Congo basin (the Partnership with Mexico ended in 2015, and Vietnam in 2016).

NICFI fits within a larger framework of global action on climate change, generically termed 'REDD+'. REDD+ is an acronym for "*Reducing emissions from deforestation and forest degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries*". REDD+ is not simply an issue of improved forest management, but a fundamental development choice: The climate change mitigation potential of REDD+ must offer a more attractive and viable development option than the destructive uses of the forests. Participating countries pursue several distinct strategies:

- Enter partnerships with private sector. The aim is to secure deforestation-free supply chains and encourage a low-carbon development path.
- Enter large-scale partnerships with key forest countries. The aim is to prove that real action on a national level is possible.
- Contributing to the design and establishment of an integrated architecture of multilateral REDD initiatives to help ensure broad and early progress on REDD+.
- Financing NGOs, research institutes and civil society organizations to provide analyses, pilot projects and demonstrations supporting the REDD+ negotiations and learning through field experiences.

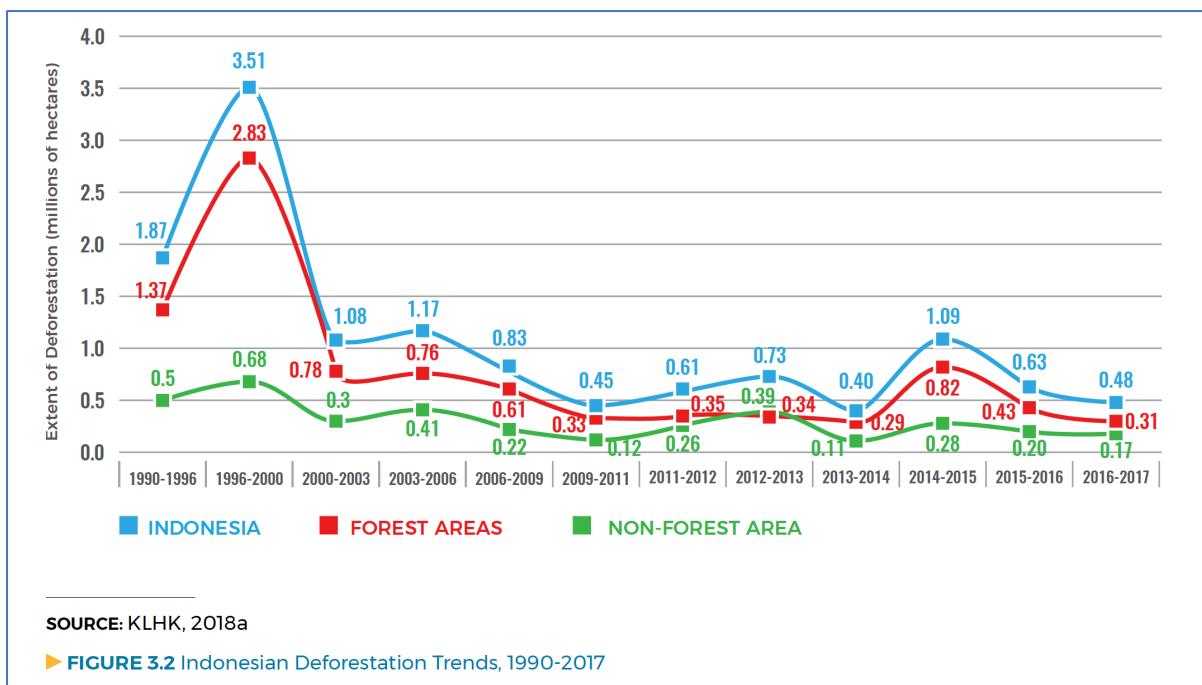
## 2.2. The State of Indonesia's Forests

Indonesia is a large country of more than 270mln people, almost the same population as the USA. Many of its provinces and islands have larger populations than most countries. The land is largely - 63% - covered by tropical forest. The 120mln hectares of forest land comprises production forest (69mln ha), conservation forest (22mln ha) and protection forests, which have watershed functions (30mln ha). Approximately 12% of the forest total is represented by peatlands (15mln ha), which are especially important for CO<sub>2</sub> emissions.

The trend in deforestation is shown in the graph below (from MOEF 2018, p29). The two peaks illustrate the uncontrolled economic logging period of the 1990s, and increased deforestation due to the major forest fires of 2014-2015.

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<sup>4</sup> CGD (2018)



Forests - for timber - have been a major driver of Indonesia's economic development for decades. However, the economic contribution has declined along with the performance of forest management, particularly since the implementation of regional autonomy policies. The government has for some years been taking active measures to increase the sustainability of the forests, including a moratorium on new permits in primary forests, control over peatlands and improved fire control and management. Many mechanisms of monitoring are now in place, especially through high resolution satellite imaging. Indonesia now has a mandatory system for forest certification, which has allowed Indonesia to be the first country in the world to complete a certified timber trade agreement with the EU. Norway has been a major supporter of these changes, supporting the Indonesian government to shift away from management of timber production to management of forest lands.

### 2.3. Corruption in Indonesia

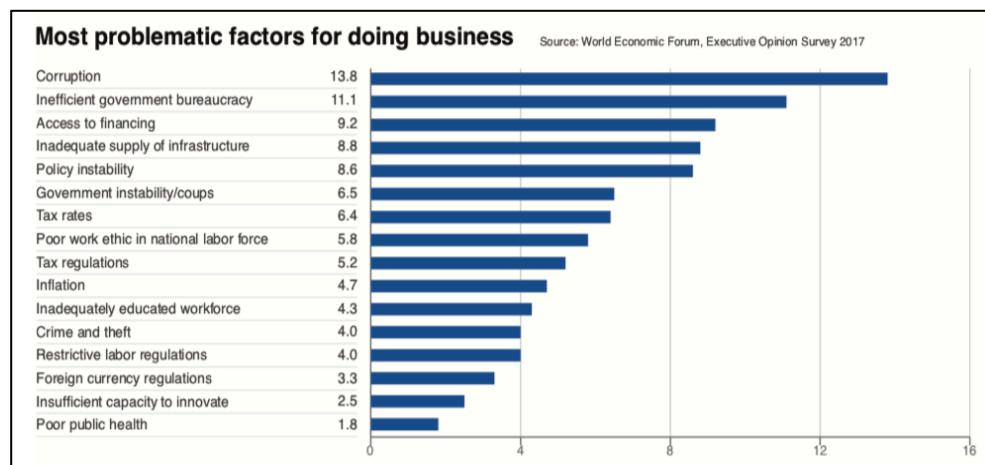
Indonesia was ranked 85th out of 180 countries in Transparency International's Corruption Perceptions Index 2019. Its score of 40/100 represents an improving trend, from 28/100 in 2010 and much lower before then.

The end of the era of President Suharto in 1998 led on to a successful transition to democracy, new AC laws were enacted, such as on the Eradication of criminal acts of corruption (1999) and the country was one of the early signatories of UNCAC (2003). Besides such measures, the improvement in the CPI is ascribed to the effectiveness of the Indonesian Corruption Eradication Commission (KPK). Established in 2003, KPK is consistently rated as the most trusted of Indonesia's state institutions having successfully prosecuted many cases of high-level corruption, though its powers have been severely curtailed by new laws passed in 2019.

More recently, since 2019, the corruption reform climate has deteriorated. The leadership of KPK has been changed for candidates regarded as being weaker than their predecessors, the formal powers of KPK have been severely curtailed, and the reform pressure on Parliamentarians has been correspondingly reduced.

This changed political climate, and how the deforestation work might be affected, was an active point of discussion in almost all the interviews.

Corruption is still the most problematic factor for doing business in Indonesia according to the World Economic Forum (WEF 2018; see bar chart opposite).



## 2.4. The Nature of Corruption and Anti-Corruption in Indonesian Forestry

**The forestry sector (Indonesia).** Within forestry, corruption is manifest in the rampant illegal logging of tropical forest, corrupt issuance of permits and licenses, and illegal peatland destruction by forest fires. All interviewees in Indonesia were asked what they saw as the major corruption problems in preventing deforestation. Their responses, largely similar, can be summarised under the following eight categories

- 1) Corrupt granting of permits and licenses
- 2) Illegal logging: Illegal encroachment onto protected land areas
- 3) Corruptly changing land categories: Improperly taking advantage of boundary ambiguities; Improperly adjusting the spatial plan, so desired development areas are excluded from protection.
- 4) Evasion of environmental requirements: e.g. failure to do an EIA, failure to implement an EIA, failure to manage the area properly, failure of fire control & management
- 5) Violation of land rights
- 6) Corruption in law enforcement: police inaction, police complicity, under-resourcing of law enforcement in natural resource ministries; failure to investigate and/or prosecute; bribing of judges in natural resource cases
- 7) Undeclared conflicts of interests: between companies, government and politicians
- 8) Impunity: Sanctions not being effective

These problems are exacerbated by the previously devolved nature of Indonesian governance: central level, provincial level (34 provinces, ranging in population from 620,000 to 43 million<sup>5</sup>) and district level (7000 districts), each having their own autonomy and powers over the forests in their area. The scope of sub-national authorities on forest is now the same, except for provinces with special autonomy status. According to Law No 23 of 2014 on Sub National Government the (power and) responsibility for management of forest area lies with the central and provincial governments. There was a transitional period of two years before the law came into force, but obviously was not adequate to address all issues of re-centralization.

### Corruption Prevention

In tackling corruption in Indonesia's forest lands, there is a network of prevention and enforcement mechanisms. There is a full range of laws in place, which are mostly well regarded by interviewees,

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<sup>5</sup> [https://en.wikipedia.org/wiki/Provinces\\_of\\_Indonesia](https://en.wikipedia.org/wiki/Provinces_of_Indonesia)

so that what is legal and illegal is clearer than before. The Ministry of Environment and Forests is the Ministry primarily responsible. They undertake a wide range of activities, many of which also serve to prevent and limit corruption in forestry (See MOEF 2018).

There are major efforts underway to clarify the exact locations of concessions, permits and land ownership. These include a major government ambition to align around a single, authoritative map of the country, called the 'One map' initiative. This is important because there are multiple maps in use in Indonesia, with each Ministry having their own. As a result, there is continued ambiguity around land boundaries and permit boundaries, with the related corruption potential, and corresponding reluctance to surrender authority to another map. The Government of Indonesia finished the first step of the One-map policy in 2019, whereby all thematic maps were collected from the various ministries and national institutions. The next question is how this process will be taken forward in the provinces and communities where real overlaps and conflicts exist. See explanatory articles by WRI<sup>6</sup> and the Jakarta Post<sup>7</sup>.

There are sophisticated networks of international NGOs, institutes, research organisations and donors that work to provide essential data, policy suggestions and policy analysis. These organisations are very alert to the corruption issues. As one of the interviewees put it: '*The corruption in forests is everywhere, so you have to deal with it in many ways, all the time.*'

The government has also taken initiatives in relation to 'social forestry', to enable local stewardship of forests by indigenous groups who live in place, often without legal documentation, and who are better at managing the forests sustainably than outside groups. See for example explanatory articles by Asia Sentinel<sup>8</sup> and CIFOR<sup>9</sup>.

Finally, there are many NGOs, large and small, working to prevent deforestation. Some NGOs will work directly on corruption issues, for example leading investigations, bringing forward cases, or exposing corporate networks behind apparently unconnected logging and pulp-mill companies: see one such example of concealed corporate control below, from Auriga (2018). Most of the NGOs in forest management, however, work on their particular climate mission, engaging indirectly rather than directly on corruption.

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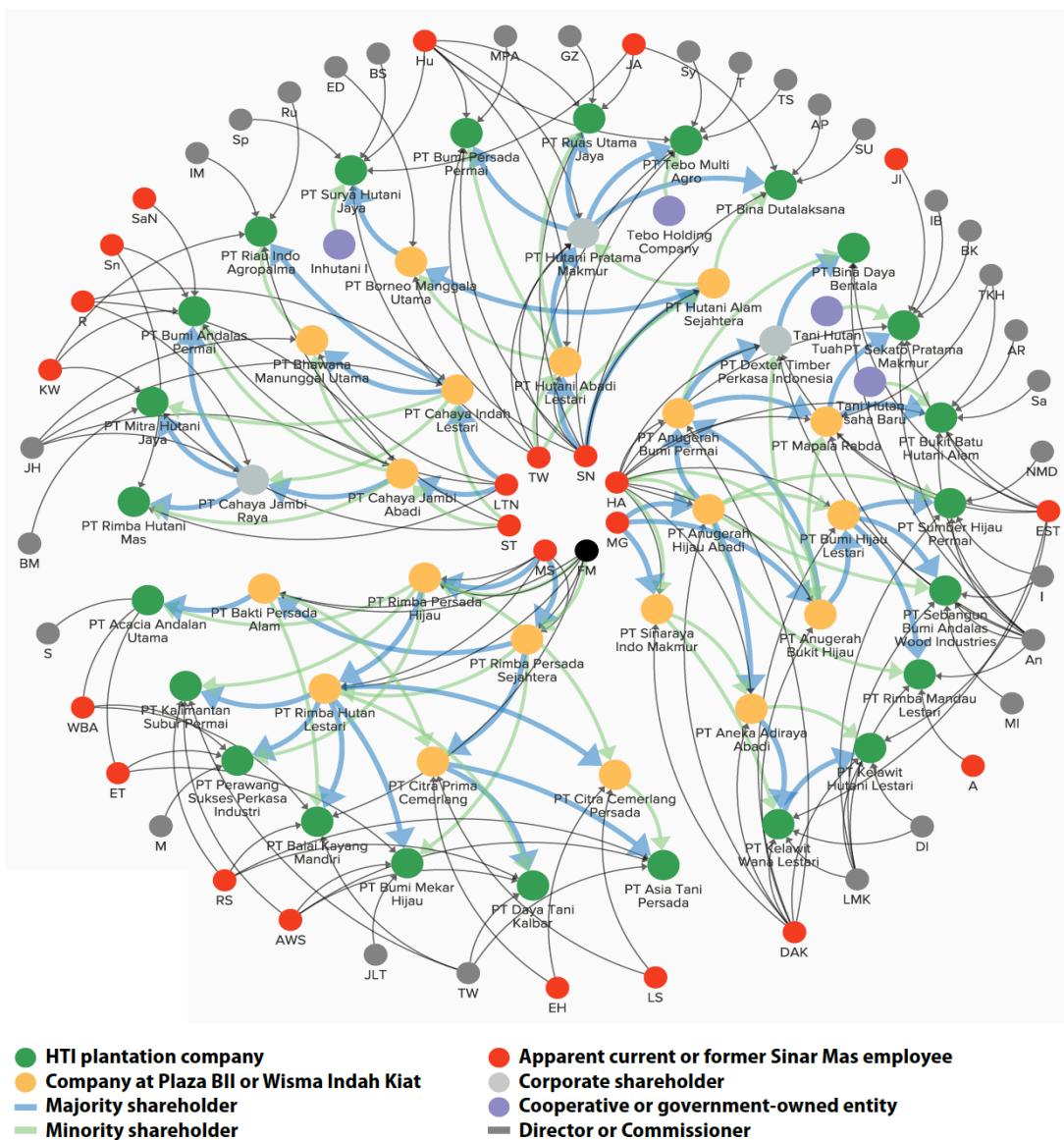
<sup>6</sup> WRI Understanding Indonesia's OneMap initiative. [Here.](#)

<sup>7</sup> Indonesia launches One Map policy to resolve Land Conflicts. December 2018. [Here.](#)

<sup>8</sup> Indonesia's social forestry program. May 2018. [Here.](#)

<sup>9</sup> The future of social forestry in Indonesia. April 2019. [Here.](#)

**Figure 7. Consolidated shareholder, commissioner, and director map for 24 of APP's "independent" supplier companies and holding companies, as of April 16, 2018.**



## Law enforcement

Indonesia's law enforcement consists of the Indonesian National Police, the Attorney General's office, the Law Enforcement arm of the Environment and Forest Ministry, and the Corruption Eradication Commission (KPK). Of these, only the Ministry's law enforcement group is dedicated to forest law enforcement. This MOEF group, actively supported within the Ministry, is stronger than its equivalent in other ministries. Headed by a Director General, about 1000 people strong including forest ranger groups, it has the authority to issue administrative sanctions, and to undertake both civil and criminal investigations. This group is well regarded, but too small to police Indonesia's forests effectively.

The police are much larger, some 470,000 strong, and are present at all levels of Indonesia, provinces, districts and villages. However, in the views of interviewees, they have limited focus on forests and environmental crime, being seen as engaged on more traditional crimes with little training or knowledge of environmental crime. Nonetheless, in other specific areas, for example on Counter Terrorism and in countering illegal fishing, interviewees commented that the police have shown the capability to become quickly effective in a new area.

Norway's partnership with Indonesia was focused on payment for results in reducing deforestation, without focus on the mechanisms. But as the environmental laws became better, so the volume of illegal logging rose. Supporting law enforcement has been an important evolution in Norway's strategy for helping to prevent deforestation.

## 2.5. Norway's Engagement in Indonesia

Indonesia and Norway entered into a climate and forest partnership in May 2010. Norway committed up to one billion USD in the period up to 2020, in order to support Indonesia's efforts to reduce greenhouse gas emissions from deforestation and degradation of forests and peat. The partnership has provided support to policy and institutional development and to the implementation of policies and measures aiming at reaching Indonesia's ambitious climate targets. The cooperation aims at establishing a framework where Indonesia can receive financial contributions for verified emission reductions at the national level. This includes support to the establishment of a national funding mechanism and a system to monitor, report and verify emissions. The first payment from Norway to Indonesia under the results-based financing was agreed in 2019 and is scheduled to take place in 2020, once Indonesia agrees the appropriate channel, following a major drop in forest loss in 2017 compared with the moving average<sup>10</sup>.

The funding of Norway's engagement on preventing deforestation in Indonesia flows through five routes:

- 1) **From KLD Oslo direct to major grantees:** These entities may have NICFI projects in several countries, including Indonesia. Examples include the World Bank; Global Green Growth Institute (GGGI), a multilateral organisation headquartered in South Korea; World Resources Institute; and UNODC, Interpol and Rhipto - the LEAP project against forest crime.
- 2) **From KLD Oslo to the Norwegian Embassy to grantees in Indonesia:** Examples include the Global Green Growth Institute (GGGI); Kemitraan; Auriga; World Resources Institute Indonesia; UNOPS, the UN project management organisation for support to the Peatlands Restoration Agency; UNODC for forest crime; World Bank MDTF on land use management; Co-funding agreement with DFID Indonesia; FAO Indonesia for technical input on forest monitoring; improving soil carbon management through the Center for International Forestry Research Indonesia (CIFOR).
- 3) **From KLD to Norad, direct to grantees in Indonesia:** Examples include WALHI (Friends of the Earth in Indonesia) and AMAN (Alliance of Indigenous Peoples of the Archipelago).
- 4) **From KLD to Norad to Norwegian and international NGOs and then to Indonesian grantees:** Examples include Rainforest Foundation Norway, WALHI, who were funded by Norad through Rainforest Foundation Norway, Forest Peoples Programme and EIA - the Environmental Investigation Agency.
- 5) **From KLD to international NGOs and foundations and then to Indonesian grantees:** Examples include the Climate and Land Use Alliance and the Accountability Framework Initiative of the Rainforest Alliance.

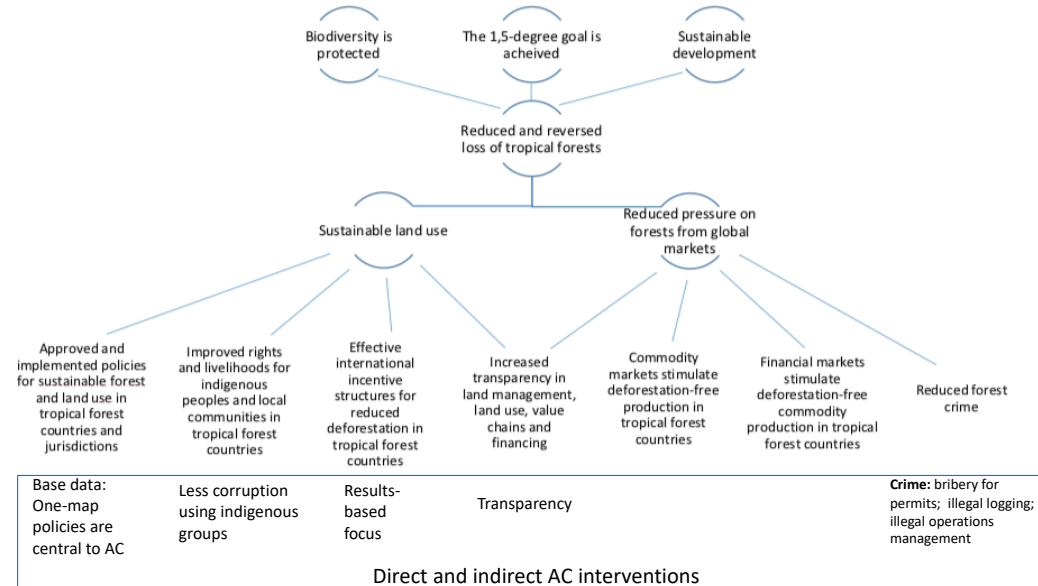
It is common for the same organisations to fund work in Indonesia through more than one of these mechanisms.

Another way of looking at the Norwegian AC interventions is to map the general type of AC intervention against the broad NICFI objectives, as in the diagram below:

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<sup>10</sup> Indonesia reduces deforestation, Norway to pay up. [Here](#)

**Appendix 1 Strategic framework for Norway's International Climate and Forest Initiative**



This makes clear that both direct AC interventions, such as those projects with the MOEF, with UNODC and with activist NGOs tackle one set of corruption problems, whilst indirect interventions, such as supporting the development of the One-Map initiative and of increasing transparency in land management, address other corruption problems.

### 3. Findings

Our findings below are structured in the order of the questions ('EQs') set for this evaluation.

#### 3.1 Explicit and Implicit Strategies for Preventing and Fighting Corruption (EQ 1)

Preventing deforestation, on the large scale faced by Indonesia, involves finding solutions to a wide range of problems in which corruption is one of the main drivers.

The heart of Norway's strategy is its results-based financing approach, formalised in the Letter of Intent between the two countries in 2010. There are two distinct elements of strategy here.

- The first is that results-based financing is not 'aid' but an agreement between two countries in which one will reduce greenhouse gas emissions, desirable by the whole world, whilst the other, Norway will reward that behaviour with finance. This sets the relationship as an equal partnership. Whether results-based financing DOES work is still a disputed question: though it seemed to have worked in Brazil 2008-2018. The Norwegian embassy thinks it does work, based on their experience so far in Indonesia – *the way the political dialogue shifted after the Norway pledge is quite substantial*. In relation to AC, because so much of deforestation is about corruption, the agreement legitimises discussion of the subject between the two partners.
- The second strategic element is the Letter of Intent document. In it, Norway and Indonesia have agreed a wide range of measures that are of an AC nature - strengthening law enforcement, clarifying disputed boundaries, etc. This means that AC actions are not grounded in a donor 'doing good', but in a jointly agreed partnership that is explicit about preventing illegality.

For Norway, the corruption issues are central to the design of their assistance. For some of these, solutions do not lie in directly tackling the corruption but in building solutions that prevent the corruption. A major example is the way that Norway is supporting the better mapping of the unclear land and concession boundaries. Conversely, for other problems, the better solution lies in directly tackling the corruption problems. Examples include Norway's support for the Law Enforcement Directorate of the MOEF, and Norway's funding of UNODC to provide expertise in fighting forest crime.

Addressing these corruption factors, indirectly or directly, requires a high degree of strategic thinking: they are hard issues to work through, with no guidance from forest or anti-corruption experience available from elsewhere. Further, because corruption issues are always politically sensitive, addressing them in ways that maintain or build support with the host nation requires a high degree of political acumen.

We find that Norway, in the form of the NICFI team in Jakarta plus the NICFI leadership team in Oslo, is aware of the strategic dimension of this complex set of corruption-related problems. As one interviewee put it: "*Unless we are thinking about corruption at systems level, we are not going to have an impact in reducing emissions*". Interviewees in these two groups focused on building the anti-corruption capacity of their partners to effect larger change. For example: "*AC is in the design of our bilateral partnerships, embedded in the tasks we are trying to perform. Our main goals are governance and policy reforms, building capacity, enforcement and transparency (e.g. making concession data available to the public). This initial phase of building up capacity can be short or many years. In the early years of REDD there were few CSO's with experience of holding people to account and related skill sets. There are lots now.*"

The evaluation team confirmed this finding: the NGOs and federations of NGOs whom we interviewed are much better than some years ago on accountability, transparency and AC capabilities. These included WALHI (WALHI is Friends of the Earth Indonesia, and also a federation of 483 local organisations focused on social justice, environmental sustainability and accountability), AURIGA (a forestry anti-corruption NGO) and Kemitraan (a governance and democratisation offshoot of UNDP and the World Bank 20 years ago, now implementing many small forest projects).

In answer to Evaluation Question 1, Norway is using explicit and implicit anti-corruption strategies, both advantageously, in developing solutions to the barriers to reduced deforestation.

### **Historical perspective on the AC aspects of the climate strategy**

In the period 2006-2008, interviewees informed the evaluation team that Norad had become increasingly negative about the poor success rate of traditional approaches to anti-corruption. One consequence of this was the support for tackling Illicit Financial Flows (IFF); see the Global Norms case study for more on this. The development of Norway's approach to IFF was very influential (as well as controversial), and it acted in support of re-thinking about why climate projects were stalling, notably the Brazil Rainforest Fund, in which the funding was parked, unspent, because no transparency existed. With the more aggressive approach of Erik Solheim as Environment and Development Minister from 2007, this evolved into the payment-by-results NICFI initiative.

## **3.2 The Channels and Partners that Norway Uses and the AC Effectiveness of Each (EQ 2)**

Norway is working through a wide range of channels, institutions and partners:

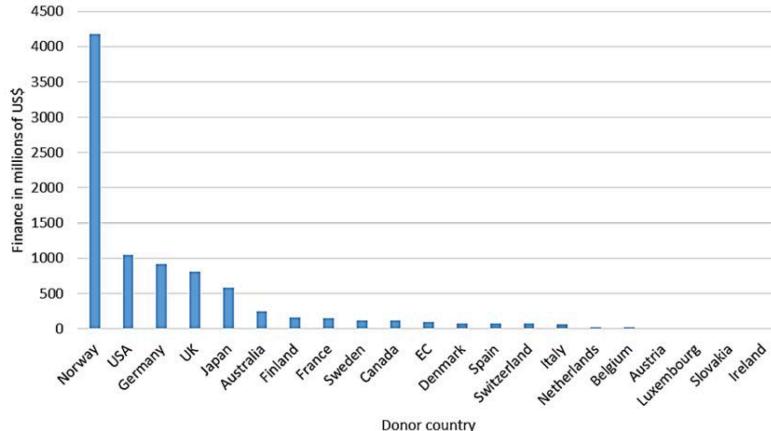
- Supporting government entities with logistical and technical support (e.g. MOEF law enforcement directorate, and the Peatlands Restoration Agency)
- Providing capacity building and training, e.g. for Supreme Court Judges and for forestry crime officers
- Using large multilateral agencies, like World Bank

- Bilaterally, using intermediary Institutes and NGOs, e.g. GGGI, who in turn commission others
- Directly supporting federations of NGOs and small NGOs

It has taken time for Indonesia to develop its own Environment Fund to channel Norwegian funding, other channels that both Norway and Indonesia trust, such as UNOPS, have been chosen to help support Indonesian set priorities under the partnership.

Norway is also using NGOs as' programme managers', whereby the intermediary NGOs funnels funds through to other entities: Examples include GGGI and Kemitraan.

Figure 5: Donor country pledges for REDD+ for the period 2006-2014



*Source: Compilation of public sector reported data from the REDD+ Partnership Voluntary REDD+ Database and ODI and HBF Climate Funds Update covering REDD+ financial commitments for 2006 to 2014.*

In answer to Evaluation Question 2, Norway is choosing to use a wide range of channels, programmes, institutions and partners to drive Norway's AC efforts in preventing deforestation. These extends from directly working with Governments, as with law enforcement in MOEF, through to neutral bodies that manage a portfolio of sub-projects, such as UNOPS, through to activist anti-corruption NGOs such as Auriga. The evaluation team finds this to be an approach that is well thought through and is widely admired by stakeholders.

### 3.3 International Initiatives Driving Norway's Strategy and its AC Efforts (EQ 3)

REDD+, the initiative out of which NICFI came, is almost entirely a global, international story, one in which both Norway and Indonesia have played a leading role from the beginning. REDD+ grew in part out of concern about illegal logging, with the first ministerial level meeting on Forest Law Enforcement and Governance (FLEG) being held in Indonesia in September 2001 (CGD 2016, p334).

Norwegian NGOs, e.g. Rainforest Foundation, had been prominent in raising awareness of rainforest issues since 1989 and, once combined with Norwegian government political will from 2007, Norway became the leading funder among the rich nations championing REDD+ (see graph).

**Do no harm:** Once the REDD+ debate had embraced the idea of a results-based donor mechanism (a recommendation of the Paris Declaration on aid effectiveness 2005), part of the international discussion moved on to the potential for unintended harm. Initially centred on the risks to the rights of indigenous forest communities, donor agencies were also concerned that results-based funding would exacerbate poor governance (CGD 2016, p383).

Corruption and poor governance considerations have thus been integrally connected with climate change and deforestation discussions for more than two decades now. This helps to explain how the subject of corruption risk is an automatic part of the discussion, as this evaluation team has found in discussions with almost all interviewees.

**Do good:** In the AC language of this evaluation, almost all the Norwegian NICFI initiatives are seeking to 'do good' in relation to corruption. However, this is a misleading and patronising phrase, because what the projects are seeking to do is to **improve outcomes**. 'Doing good' in the Grant Management Assistant (GMA) manual is presented as an optional extra, to be decided according to the partner and the circumstances: here, improving the outcomes is the core objective of the whole engagement.

In answer to Evaluation Question 3, the main international initiatives driving Norway's partnership in preventing deforestation in Indonesia are forestry ones, notably UNFCCC and the many global Climate-related initiatives. In relation to anti-corruption, the most direct is UNCAC, whose second cycle review has been helpful for Indonesia in identifying legal gaps and acting as the firm basis for the Indonesian AC law and the corruption prosecutions by the KPK.

### 3.4 Norway's Use of Dialogue to Support AC in Indonesia (EQ 4)

Norway is in regular discussion with the Government, principally with the responsible MOEF, on both the direct and indirect AC actions being undertaken (See Section 2.1 above). This dialogue with Indonesia is founded on the Letter of Intent of 2010, whereby the two countries established a climate change partnership<sup>11</sup>.

Interviewees noted that the importance of building up Indonesian civil society was built into this dialogue from the original LoI: Both countries agreed to give all relevant stakeholders, including indigenous people, local communities and civil society the opportunity of full and effective participation, and to be fully transparent regarding financing, actions and results. The stakeholders were also to be involved in the governance structure of the funding instrument. Norway continues to be active in regularly convening the NGOs and other stakeholders to advance the national understanding of good governance and accountability, seeing this as a core part of their dialogue with the country to improve capabilities.

Other evaluations also comment on the effectiveness of the relationship between Norway and the Indonesian Government over past years (Norad 2017, Conclusion 4; Norad 2014, xxiii).

In answer to Evaluation Question 4, Norway has engaged in regular dialogue with Indonesia on AC. This has covered AC as a cross cutting issue, AC as a distinct component and especially on corruption as one of the major issues stopping deforestation. Norway has actively used multilateral agencies to help in this dialogue, currently using UNODC and UNOPS. It is to be commended for requiring good performance from them, and for being prepared not to recontract with agencies where performance lags behind. The dialogue with the government is closely coordinated with the other donor agencies in the country.

Norway has actively used Problem Driven Iterative Adaptation (PDIA) as a way to combine dialogue with frequent analysis of how changes in the political and economic climate affect the deforestation work. The box below summarises this.

#### Problem-Driven Iterative Adaptation – Norway in Indonesia

The NICFI team has adapted the portfolio in response to the problems that arise and the opportunities that present themselves. This applies as much to AC-related activities as to forest and peatland management activities. This approach represents a ToC that closely resembles PDIA (Andrews et al 2015):

**Breaking down and sharing the problems:** Norway periodically brings groups of their Indonesian partners into a single meeting and demands that they share their challenges so that the best partner may be used for the task, regardless of the formal arrangements. The NICFI Indonesia team also have close links to and strong support from the NICFI leadership team in KLD in Oslo. It was clear from the interviews that Oslo and Jakarta were operating as 'one team'.

<sup>11</sup> Letter of Intent between the Government of the Kingdom of Norway and the Government of the Republic of Indonesia on "Cooperation on reducing greenhouse gas emissions from deforestation and forest degradation". [Here](#).

**Identifying and following opportunities:** The way Norway has increased emphasis on strengthening law enforcement to find, investigate and prosecute forest crimes is a notable example of this, following the appointment of a highly active Director General of Law Enforcement.

**Politically astute adaptation:** The NICFI team have meetings every few weeks with their partners, which are not about project tracking or management, but about discussion of current social trends and politics. This way, they have their own 'rolling' political economy analysis.

**Humility:** Many interviewees referred to the 'humble' way in which Norway asks how they can best assist as clearly appreciated by the Indonesians. Many interviewees commended Norway for doing this in a way that was not only energetic, but also aligned with Indonesian sensibilities: routinely asking for the input of their partners and offering the assistance that the partner felt they needed.

### 3.5 Norway's Zero Tolerance of Corruption Policy in Indonesia (EQ 5,6)

The NICFI team in Norway's Indonesian embassy strongly supports the ZTP policy and they confirm that they follow the Grant Management Assistant (GMA) manual in assessing potential partners. There has previously been criticism of Ministry of Climate and Environment's assessments of the risks of fraud and corruption (Auditor General of Norway 2018), notably in Brazil, though the Storting's response was positive towards NICFI. The evaluation team reviewed 26 recent Indonesia NICFI project documents from the Norad database. These indicated active attention to the quality of the risk assessments being carried out.

However, the NICFI team commented that the high levels of compliance, audit and risk paperwork were demanding of time and required expertise that they did not feel they possessed, such as assessing audit reports. Norad and KLD should identify ways to reduce this.

When negotiating the larger agreements from Oslo, NICFI interviewees note that zero tolerance is not a separate topic at this top level, being more of a standard clause. Nonetheless, interviewees comment that corruption issues do come back to them, noting that the multilaterals could be very frustrating in the long time they take on corruption questions, and that they are sometimes not effective, such as in not following up a whistleblower. One NICFI interviewee commented at being alarmed at the lack of attention by the multilaterals to corruption issues.

### 3.6 Norway's Operationalisation of AC as a Cross-Cutting Issue (EQ 7)

In its Grant Management Assistant (GMA) Manual, Norad suggests that AC as a cross-cutting issue be dealt with using a sector lens, to reflect the specific challenges related to corruption in this sector. All projects are also required to mitigate against the risk of negatively affective AC in the beneficiary countries (*do no harm*), and projects in priority sectors may have some AC elements, implicit or explicit, in their design, which go beyond a "do no harm" approach to actively pursue positive AC outcomes.

The evaluation team noted that NICFI are active in examining projects and partners for their approach to AC as a cross cutting issue. One NICFI interviewee in Jakarta said that for new partners: "*We ask them to demonstrate how the design of the programme is not harmful on corruption and how it might assist the AC agenda.*" Speaking independently with NGOs that partner with Norway confirmed this. We also observed this in the decision documents for two of the partners, where AC was a substantive and explicit part of the risk assessment, and where the relevant section of the Decision Document on AC as a cross cutting issue was fully completed. This was the case even in projects where corruption was a rather peripheral issue. The project completion document for a book project noted that "*By enhancing understanding of and support for results-based instruments, the project helped build awareness of the potential for results-based instruments to reduce*

*corruption in development assistance programs. Results based funding for REDD+ avoids the risk that development assistance may be misused." (CGD 2018).*

Jakarta NICFI interviewees made several observations about problems with the Grant Management Assistant (GMA) manual requirements:

- Norad provides little guidance on the cross-cutting requirements
- Norad Quality Assurance (QA) is focused on ZTP only
- The 1-2 governance/AC experts in Norad are helpful, but they are split so many ways that there is a limit to how much they can get involved or be knowledgeable on deforestation corruption issues
- NICFI Indonesia's emphasis is on assessing the partner at the initial stage; they recognise that they are less focused on AC cross-cutting issues once the partnership is operational, and are not well qualified to assess audit reports
- The Grant Management Assistant (GMA) manual guidelines are at project level, and this level of analysis can lead to the wrong actions. They had an example of projects for peat restoration and burning, which passed all the grant requirements, but all these projects would have failed because there was no supportive law. Hence Norway Jakarta did not undertake any such projects until Indonesia had passed a suitable regulation that stopped all peat destruction. NOR agreed that once the regulation was signed, NOR would contribute \$25mln; follow up actions could lead to another \$25mln, depending on progress.

***The most important observation, from both the evaluation team and the NICFI interviewees, was that the NICFI team sees success in limiting or removing corruption-related obstacles as central to their strategy for preventing deforestation. The Grant Management Assistant (GMA) approach to AC as a cross-cutting issue does not get close to the deeper way AC needs to be, and is being, integrated into the design of the overall strategy and the NICFI portfolio.***

There is evidence that Norad's climate /civil society team are also active in reviewing how much cross-cutting AC issues are addressed. Here for example, in a technical review of WRI's project, they write: "*Cross-cutting issues are addressed, but they are insufficiently integrated in the proposal. Little information is provided on how these cross-cutting issues will be operationalised. How will they collaborate and involve key stakeholders? WRI should further and more systematically integrate the objectives of fighting corruption.*"<sup>12</sup>

In answer to Evaluation Question 7, Norway in Indonesia has been diligent in the last two years in operationalising the Grant Management Assistant (GMA) manual's AC cross-cutting requirements and in being attentive to Do-no-harm concerns. Prior to that there had been compliance deficiencies as noted by the Auditor General Report (2018). On the other hand, Norway Indonesia has been much more active than the manual 'requires' in its attention to tackling corruption as a barrier against improving outcomes.

For NICFI, the desired outcome is clear reducing greenhouse gases by a quantifiable amount – and it is equally clear that many of the barriers to achieving this outcome are corruption-related or politically-related ones. In this respect, Norway Indonesia is doing more than other donor agencies, who are more hesitant on the results-based approach and more hesitant in working in the more political domain that is needed to address corruption issues. Indonesia has in the time of the partnership introduced three types of moratoria, against logging, against peat exploitation and against the expansion of palm oil concessions. These moratoria have each improved governance on their list of measures that need to be taken by different levels of government.

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<sup>12</sup> Internal Norad document, Technical Review of the WRI project, 2016.

### **3.7 Resources and Flexibility Regarding Norway's Approach to AC (EQ 8)**

The NICFI team in Jakarta has adequate resources and funds for their work, including for paying full attention to the ways that corruption acts as a barrier to reducing emissions from deforestation. The team is also able to operate with great flexibility.

For example, once it became clear the Director General for Law Enforcement in MOEF - the first one ever - was highly capable, Norway increased the resourcing of the Director General's team and provided additional technological capabilities.

In answer to Evaluation Question 8, a distinctive feature of the NICFI work is that it is staffed by people who not only deeply understand environment and climate issues but who are also well attuned to the corruption issues that constrain achievement of results. There is an expertise gap in specialist AC knowledge: the two experts in Norad are well appreciated but are spread much too thin to be able to give more than occasional guidance. There is also a large resourcing burden that comes with the ZTP requirements. The burden falls entirely on the technical officers as they have no finance or controller resource to assist. It means they have to read and judge audit reports, for example, whilst not having the expertise to do so. Regarding the evolution of the AC approach, there has been a huge evolution: from thinking that a hands-off approach might be possible - the programme being results-based not input or capacity-based - to the realisation that because so much of the logging was illegal, so the initiative would have to really focus on tackling the illegalities. As a result, the AC thinking is now broad and sophisticated, extending throughout the strategy and the design of the portfolio. This approach stands out on its own, it is more strategic and sophisticated than thinking on AC in MFA or Norad.

### **3.8 AC-Specific Engagements – Relevance, Effectiveness, Sustainability (EQ 9,10)**

As mentioned in Section 1.1, Norway is using direct AC approaches as well as indirect AC approaches for reducing deforestation. In the evaluation, the team reviewed four of the programmes that have direct AC components:

#### **i) Support for MOEF Law Enforcement operations**

At the time of signing the Letter of Intent between the two countries in 2010, Norway was explicit that the Ministry (MOEF) should have a specific unit dedicated to law enforcement: "*Enforce existing laws against illegal logging and trade in timber and related forest crimes and set up a special unit to tackle the problem.*" (Letter of Intent text Phase 2, para c. clause iii). This project was thus hard-wired into the partnership between Norway and Indonesia from the start, an approach that makes it long-term sustainable. Evidence of serious intent on the side of Indonesia, actively supported by Norway, was cemented by the Minister's decision to put a top-level civil servant (a Director General; 1st echelon grade) in charge of the law enforcement unit. This makes the unit more relevant and more effective than the equivalent units in other Ministries (e.g. in Ministry of Mines - 3rd echelon; in Ministry of Agriculture - 3rd echelon). The unit has led 1180 field operations to date, leading to 1098 administrative sanctions, 26 civil cases, 748 criminal cases, and assisted 181 police operations.

The effectiveness of this measure is enabled by financial support for the DG Law Enforcement, with a Programme Manager for the project sat in the Director General's office, and a dedicated Operations Centre for tracking the permits and concessions (see photo of operations centre screen below, showing timber, palm oil and mining concessions in East Kalimantan).

There is close communication between the DG's office and the Norway NICFI team, ensuring that close and effective relationships are maintained.

## ii) Support to UNODC to provide training on law enforcement, investigations and prosecution to Indonesian officers

This project is also in line with the 2010 Letter of Intent, which committed the parties to develop national level capacity building and law enforcement (Letter of Intent Phase 2, introduction to para VII). As with the DG law Enforcement work above, anchoring the support in the Letter of Intent is a powerful way to ensure sustainability of the support. UNODC also follows the UNCAC peer reviews: the most recent 2nd one focused on corporate criminal liability, with new regulation in 2016 and six corporate prosecutions to date, and new regulations on beneficial ownership. Norway has been closely involved in supporting law enforcement capability building with UNODC since the LOI in 2010.

The current forestry programme is more recent, from 2018. For them, the core driver is sustainability - that they always work in a close and transparent partnership with the Indonesian MOEF, and so agreement with MOEF has to precede any increase in law enforcement support. Centred on the four provinces that have the most remaining forest cover, the programme has a specific focus on AC, including assessment of corruption, the way the license operations are conducted, and the way that supervision of the license proceeds. By way of example, the permit for a single logging shipment was being used for 1200 shipments in West Papua. The scale of the problem is illustrated by the need to control all the ports off each island, as this is not the case at present, and there is no legal control at all on private ports. The project also shows up the direct AC purpose of improving the maps and the permit spatial coordinates, as in some provinces, e.g. East Kalimantan, there are two sets of conflicting maps, one for coal mining, one for forestry. This project is directly relevant to Norway's mission.

The need for larger scale law enforcement is massive, and projects such as this one with UNODC are too small to have a substantive effect. In discussions with the NICFI team in Jakarta, they are well aware of the law enforcement limitations and the need for greater scale.

## iii) Support to NGOs Auriga and WALHI that are active in exposing cases of corruption in deforestation, peat burning and other forest crimes

Once again, Norway bases its AC initiatives on the Letter of Intent. In this case, Norway was clear that it would always support civil society, as an essential part of delivering the REDD+ strategy: The Letter states "*implementation of the province-wide REDD+ strategy..engaging all relevant stakeholders, including indigenous people, local communities and civil society..*" (Letter of Intent Phase 2, para d, sub section i). To this effect Norway supports a wide range of NGOs, and the authority conveyed by the LoI helps to ensure sustainability. Some of these are working on general forest support issues - such as clarifying data and boundaries, which will work to reduce corruption indirectly; others are working on supporting indigenous people; and other NGOs such as AURIGA and WALHI who are supplementing the very modest capability of official law enforcement by taking civil society action to expose illegal deforestation. Interviews with both these organisations indicated that these NGOs were effective in their mission, to the point of being an occasional source of friction with the MOEF. Norway is active in building up the financial control capability of these NGOs; for example, WALHI was funded for many years through the Norwegian NGO Rainforest Foundation, who was responsible for strengthening WALHI's financial controls. WALHI has just 'graduated' to being funded directly by Norway, having reached a sufficient level of financial control capability. At the same time, the NGOs interviewed requested greater support from Norway in building up regional platforms for their views to be better heard.

## iv) Older AC-specific initiatives

There are also several older AC-specific projects that were related to REDD+ initiatives but were directed at all the NICFI partner countries, not just Indonesia. Funded through Norad, these were the following:

- **REDD+ integrity project.** Addressing governance and corruption challenges in schemes for Reducing Emissions from Deforestation and Forest Degradation. This U4 Report aims to add nuance to discussions on how donors might approach challenges of governance and corruption with special reference to REDD schemes. It offers a state-of-the-art review of literature on REDD, forest governance, and corruption, and draws evidence from fieldwork in three countries either embarking or about to embark on their path towards REDD implementation. U4, 2011-14, NOK 4.5mln.

Interviewees familiar with this project note that it was deemed highly relevant, and that it contributed to some extent to a more systematic approach to addressing corruption in Norad. Norad held two seminars to follow up and discuss implications, but no major new knowledge was conveyed. It was meant to look at specific corruption issues that could occur in REDD+ work. However, REDD+ is not very different from other work in the natural resource management sector when it comes to corruption, and the conclusions felt unconvincing. So, it was only partly effective in terms of impact on Norad's work. The sustainability must be seen as weak, as reports tend to be forgotten in the wake of ever new tasks and approaches.

- **Making REDD+ work for people and the planet: accountability.** The REDD+ Accountability Project will stimulate governments to put in place accountability mechanisms that will make REDD+ programs more responsive to the needs of rural people. Partner: WRI, 2013-15, NOK 58mln. No information in Indonesia on performance.

The REDD+ accountability project was deemed very relevant, but like the first one it had limited long term impact, but only as one among many sources of information when assessing and monitoring project implementation. Sustainability was deemed by interviewees to be low. The Norwegian Office of the Auditor General (2018) noted that "The purpose of these analyses was to build up knowledge and understanding concerning administration of the governance and irregularity risk in REDD+ at national level, and provide advice on how the administration could relate to this risk.' (Auditor General 2018, p55).

- **Building Anti-Corruption measures in REDD.** The PAC REDD project sought to ensure that REDD payments meet their intended objectives by having forestry related government agencies receptive to transparency initiatives, and a civil society capable of monitoring integrity in REDD mechanisms. Transparency International, 2010-2014, NOK 24mln.

Also deemed (by one interviewee only) to have had limited impact and sustainability.

Thus, in answer to Evaluation Question 9, Norway Indonesia's recent specific AC programmes are relevant, effective and sustainable. This was not true in earlier pan-country AC programmes and demonstrates an evolution in learning by the larger NICFI team.

### **3.9 Strengthening International Norms and Standards (EQ 10)**

Norway is a major global player in climate change and in preventing deforestation. The evaluation team thinks that the way NICFI's thinking has evolved in relation to tackling corruption in deforestation - from traditional thinking in 2007 that led to the stalled Brazil Fund, to the sophisticated portfolio approach of today with both direct and indirect AC approaches being deployed, also has the potential to be setting standards internationally.

### **3.10 Unexpected Results from ZTP and AC as a Cross-Cutting Issue in Indonesia (EQ 11)**

The principal observation for the evaluation team is that AC mechanisms, direct and indirect, are central to the design and evolution of the NICFI programme in Indonesia. This is partly a function of the results-driven objective of the NICFI mission, which drives the whole team and requires a strong focus on AC. But it is also a tribute to the way of thinking in NICFI, because they have internalised AC as a core and necessary part of what has to be done in tackling change. The evaluation team finds

this to be an example of good practice in Norwegian development assistance, and of how best to integrate the cross-cutting nature of corruption within a larger objective.

## 4. Conclusions and Recommendations

### 4.1 A Results-Based Approach to AC has been Integrated into the NICFI Indonesia Programme

The NICFI team in Indonesia has thoroughly integrated thinking about corruption issues and anti-corruption mechanisms into its strategy and portfolio of programmes for preventing deforestation. This approach has been helped by the logic of results-driven assistance

**Recommendation:** No recommendations for KLD. For recommendations relevant for other sectors, see 4.8 below.

### 4.2 ZTP is Being Well Applied by NICFI, but it is a Burden

ZTP compliance is highly demanding of staff teams in Embassies. It also requires expertise that Embassy staff feel they do not possess, such as assessing audit reports.

**Recommendation:** Norad and KLD should identify ways to reduce the workload required of ZTP compliance and to provide expert resources capable of assessing ZTP compliance and the related evidence.

### 4.3 Gaps in NICFI AC Coverage

There were two main areas where the evaluation team thought more should be done on AC.

1) The current level of engagement is well below what is needed to be effective. The police have a reputation as being one of the less trusted organisations in the country (MPs are the least trusted) and they do not prioritise environmental crime, being seen instead to focus on money laundering, terrorism and traditional crime. Nonetheless, they can clearly be very effective if the incentives are right. The evaluation team heard two such examples: the way that the forest fires stopped once President Jokowi made it clear direct to his top police and military commanders that this had to happen; and the way that the police have rapidly upped their capability on Counter-Terrorism (with Australian support).

2) The other gap relates to support for provincial forestry and AC NGOs. Many interviewees noted Norway's good interventions in this area, but were keen to see much more, especially in relation to giving those NGOs a better platform from which to present their findings and develop collective solutions.

In addition, Internally, NICFI needs to assess partners once the partnership is operational, not just at the outset (See 3.6)

#### Recommendations:

- NICFI should explore ways to work more with the Indonesian National Police.
- NICFI should explore ways to build better platforms from which provincial AC NGOs can present their findings and develop collective solutions
- NICFI should continue to assess partners once the partnership is operational, not just at the outset (See 3.6)
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### 4.4 Thinking on AC is Being Challenged and Regularly Updated by NICFI

The NICFI team have evolved the portfolio in response to the problems that arise and the opportunities and present themselves. This applies as much to AC-related activities as to forest and peatland management activities. The way that they are going about strengthening law enforcement to find, investigate and prosecute forest crimes, is a notable example of this. The evaluation team also noted several internal examples of this approach:

- They periodically bring all the partners into a single meeting and demand that the partners share out the challenges so that the best partner is used for the task, regardless of the formal arrangements.
- They have meetings every few weeks with their partners which are not about project tracking or management but about discussion of the current social trends and current politics. This way they have their own 'rolling' political economy analysis.
- The 'humble' way in which Norway asks how they can best assist is clearly appreciated by the Indonesians. Several expressed this forcefully in the interviews.
- The NICFI Indonesia team have close links and strong support from the NICFI leadership team in KLD Oslo. It was clear from the interviews that Oslo and Jakarta were operating as 'one team'.
- The recent deterioration in the national anti-corruption climate has been regularly discussed and its implications debated with the NICFI partners.

**Recommendation:** No recommendations for KLD. For recommendations relevant for other sectors, see 4.8 below.

## 4.5 The GMA methodology of 'AC as a Cross-Cutting Issue' Misses the Real Problems

In respect of Norway's formal anti-corruption requirements, the NICFI team are working in line with the Grant Management Assistant (GMA) manual requirements on AC as a cross-cutting issue. They are doing this diligently, with both bilateral and multilateral partners. Nonetheless, these cross-cutting requirements are not clear. In particular, the current requirements also de-emphasise NICFI's main 'cross-cutting' focus, which is on tackling those corruption issues that prevent results from being achieved. The specialist AC help available in Norad is too small to offer anything more than passing assistance on AC as cross-cutting. There was also no useful additional guidance to be had from Norad, with the implication that there is no deeper knowledge. The result is that taking account of AC as a cross cutting issue, as currently operationalised, is not a useful exercise.

**Recommendation:** The way in which the NICFI team have thoroughly integrated AC thinking into their strategy, taking on board the *intent* of AC as a cross cutting issue should be adopted by Norad for future use, adapted as needs be.

**Recommendation:** The Grant Management Assistant (GMA) manual could first outline the hierarchy of corruption and anti-corruption mechanisms:

- 1) Zero Tolerance properly implemented
- 2) AC as a cross cutting issue
- 3) AC in relation to the real corruption problems that are preventing improved outcomes
- 4) AC as a strategic design factor for the overall relationship in the country

Then a series of exploratory questions relating to the corruption problems could be asked: How will corruption issues prevent us, or limit us, from reaching the desired outcome at strategic level, for each thematic area of the initiative/portfolio? And in each particular project or sub-project within the portfolio? Where do we need to be instituting projects or actions that will help 'solve' the problem in front of us, and might indirectly also serve to reduce corruption? Where do we need to be taking more direct anti-corruption or other enforcement action that will help 'solve' the problem in front of us? The questions can usefully be subdivided into direct measures and indirect measures, and into strategic level outcomes and project level outcomes.

An outline of a similar approach is also provided in the Health Sector Case Study, Chapter 3.

## 4.6 The Norwegian Climate Partnership with Government is Explicit on AC Support

The strategic heart of the AC thinking is the partnership of equals between Norway and Indonesia, in which transparency, support for NGOs and support for tackling forest crime are explicit.

**Recommendation:** Such 'letters of intent' between equals could be a possible approach for Norway in other situations as the world moves 'beyond aid', and possibly as a basis for the export of AC expertise from the Knowledge Management group at Norad.

Many interviewees commended Norway for the way that they were doing this in a way that was not only energetic, but also aligned with Indonesian sensibilities: humble, routinely asking for the input of their partners, offering the assistance that the partner felt they needed.

The approach adopted by NICFI represents a theory of change that closely resembles Problem Driven Iterative Adaptation (PDIA) (Andrews et al 2015). This quote from Andrews et al could almost be about NICFI: *The most vexing problems in the public sector are simultaneously logically complex, politically contentious (i.e. implementing them generates potentially hostile resistance), have no known solution prior to starting, and contain numerous opportunities for professional discretion. Often, such meta problems need to be broken down into smaller and more manageable problems around which support can be mobilised and ultimately solved. It requires taking calculated risks, embracing politics and being adaptable (thinking strategically but building on flexibility). Crucially, one needs the humility to accept that we do not have the answers and to accept, discuss and learn from failure.*

## 4.7 Comparison with AC in the Health Sector

Norway's work in the Climate & Environment Sector, as examined in this Indonesia case study, has one major parallel with Norway's work in the Health sector: both are well aware of the ZTP requirements of their projects, highly attentive to them and they are actively operationalised. This is especially evident in the emphasis placed by Norway on building up the financial control capabilities of the smaller NGOs.

But there are also significant differences:

- Norway Indonesia is not dealing with the larger multilaterals, so does not have to review whether those multilaterals are behaving well on ZTP or not (though this issue does occur in partners funded via NICFI Oslo).
- Norway Indonesia and NICFI Oslo have brought AC thinking into the heart of its strategy and portfolio, with good results. This contrasts with health, where the subject is seen as being related only to misuse of donor funds.
- Apart from ZTP, Norway Indonesia is focused on real corruption problems - those which act as barriers to achieving the desired outcomes. In health, there has been little focus on corruption problems that impede outcomes, except for some recent thinking at WHO and Global Fund.
- Norway Indonesia makes the AC subject 'discussable' with partners and with Government. The team makes it a distinct part of almost all projects, devotes regular meetings with partners to discussion of the current political economy trends, and actively explore with government the boundaries of what may or may not be possible.

## 4.8 Recommendations for Other Sectors Based on the Above Conclusions

From Conclusion 4.1:

- Norad should review how high levels of technical expertise (environmental, in this case), matched with considerable AC experience gained in the field, can be built up in other priority sectors.

From Conclusion 4.4:

- Other sectors and Embassies could periodically bring their partners into a single meeting and demand that the partners share their challenges so that the best partner is used for the task, regardless of the formal arrangements.
- Other sectors/Embassies could build their own 'rolling' political economy analysis via frequent meetings of groups of partners with the Embassy.
- As the world moves 'beyond aid' formal partnerships like the NICFI Norway/Indonesia one could be used as a model; in which AC aspects such as transparency, support for civil society and direct working with police on corruption matters are explicit in the agreement.
- Norway should consider adopting a PDIA approach to AC once the projects are operational.

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## 6. Interviewees

1. Abimanji Sasonko Aji, Kemitraan
2. Collie F. Brown, Country Manager, UNODC
3. Matthew Burton, Director, Environment office, USAID Indonesia
4. Kenney Cetera, Forest legality Junior analyst, WRI Indonesia
5. Drew Engel, Adviser, Forestry crime prosecution, UNODC
6. Fredrik Eriksson, formerly Norad and U4
7. Mohammed Fadli (Aday), Sustainable landscape officer, GGGI
8. Rannveig Formo, NICFI, Norwegian Ministry of Climate and Environment
9. Adam Gerrard, Forest Officer, UN-REDD, FAO
10. Nurul Ghulfron, Commissioner, Corruption Eradication Commission (KPK)
11. Amanda Glassman, Vice President, Centre for Global Development (CGD), USA
12. Ane Broch Graver, Policy Director, NICFI, Norwegian Ministry of Climate and Environment
13. Nadia Hadad, Strategic Development Director, Madani
14. Noor Hidayati (Yahya), Executive Director, WALHI
15. Insa Imarifa, Environment management specialist
16. Zil Irvan, Office of strategic planning, Corruption Eradication Commission (KPK)
17. Timothy Jessop, Peatland Development adviser, GGGI
18. Marianne Johanssen, NICFI, Norwegian Embassy, Jakarta
19. Jolanda Jonkhart, Fund and country manager, UNOPS Indonesia
20. Vegard Kaale, Ambassador, Norwegian Embassy, Jakarta
21. Janeen Madan Keller, Centre for Global Development (CGD), USA
22. Susilo Ady Kuncoro, Forestry and climate change adviser, Norwegian Embassy, Jakarta
23. Syafira Pyri Larasati, Cooperation specialist, Corruption Eradication Commission (KPK)
24. Mads Lie, Policy Director, NICFI, Norwegian Ministry of Climate and Environment
25. Lars Lunde, Head of section on Forestry, Climate and the green economy, Norad
26. Alexander Marwata, Commissioner, Corruption Eradication Commission (KPK)
27. Mayang Meilantina, Senior officer, GGGI
28. Len Milch, Senior engineering adviser, UNOPS
29. Henry Muryanto, Deputy Chair, Commissioner, Corruption Eradication Commission (KPK)
30. Palula Nainggolan, Corruption Eradication Commission (KPK)
31. Dian Novianti, Head of Anti-Corruption Education, Corruption Eradication Commission (KPK)
32. Dian Patria, System assessment specialist, Corruption Eradication Commission (KPK)
33. Agus Prabowo, Forestry crime project, UNDP Indonesia
34. Anggalia (Anggi) Putri, Knowledge Management Manager, Madani
35. Ahmad Qisa'i, Head of Programmes, Kemitraan
36. Stephen Rudgard, Country Representative in Indonesia and Timor Leste, FAO
37. Rasio Ridho Sani (Pak Roy), Director General for Law Enforcement, Ministry of Env't & Forestry
38. Sujsnarko, Head, PJKA, Corruption Eradication Commission (KPK)

39. Dewi Suralaga, Country representative, CLUA
40. Laode Syarif, Executive Director, Kemitraan
41. Jason Seuc, Deputy Director, Environment office, USAID Indonesia
42. Anna Christina Sinaga, Head of Forestry crime project, UNDP Indonesia
43. Lili P Siregar: Commissioner, Corruption Eradication Commission (KPK)
44. Abdul Situmorang, Forestry crime project, UNDP Indonesia
45. Latifa Sitadevi, Forest and land use associate, GGGI
46. Farah Sofa, DFID partnership adviser, DFID Indonesia
47. Siska Susanti, Programme Officer Anti-Corruption, UNODC
48. Yonata (Joey) Syarief, Operations Manager, GGGI
49. Lisetta Trebbi, NICFI, Norwegian Embassy, Jakarta
50. Dewi Tresya, Legal specialist, WRI Indonesia
51. Benjamin Tular, Team leader sustainable landscapes, GGGI
52. Arief Wijaya, Forest and Climate Change senior adviser, WRI Indonesia
53. Aled Williams, U4 Senior Adviser, Norway
54. Maria Wowro, Procurement manager, UNOPS Indonesia