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# **Reducing emissions from deforestation and forest degradation in a context of nationalist oligarchy: Lessons from Indonesia**

By Aled Williams

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Thinking and working politically is often viewed as crucial for anti-corruption reform efforts in resource sectors. But what happens when it does not play a central role? Lessons from REDD+ implementation in Indonesia point to some actions for development practitioners. When working in a context of nationalist oligarchy it is vital to plan for reform backlash and governance deteriorations, and prioritise complementary democratic governance reforms.

## Main points

- Competitive post-Reformasi oligarchic interests in natural resource extraction are central in explaining REDD+ performance in Indonesia to date.
- Resistance from the national forest bureaucracy and from subnational governments led to the 2015 disbanding of the National REDD+ Agency – a multi-stakeholder body established to bypass the then Ministry of Forestry due to concerns about corruption.
- Deforestation of primary forests in Indonesia has declined since 2017, but CO<sub>2</sub> emissions from peat-soil decomposition and burning are not included in the results-based payment protocol for REDD+. The resulting figures may be an underestimation of Indonesia's overall forest-related carbon emissions, depending on the time period.
- Satellite data reveals no decisive impact on reducing deforestation and forest degradation from pilot projects in Central Sulawesi, with other studies of REDD+ pilots elsewhere in Indonesia showing similar results.
- Despite past successes in prosecuting high-level forest corruption offenders, new legislation in 2019 has reduced the authority and investigative powers of Indonesia's Corruption Eradication Commission (KPK). There is a broad consensus among analysts that past prosecutions have not significantly diminished Indonesia's forest sector corruption.
- The imbalance between the incentives offered by REDD+ and economic rents from land conversion (often facilitated by corruption) have dampened the potential of REDD+ to slow Indonesia's primary deforestation rate.
- Practitioners in bilateral development agencies working on anti-deforestation initiatives should focus on ways to: (i) improve planning for reform backlash, (ii) challenge governance deteriorations when they occur, and (iii) prioritise work on complementary democratic governance reforms.

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## About the author

### **Aled Williams**

Aled Williams is a political scientist with a background in international relations and political philosophy. He is responsible for U4's thematic work on *corruption in natural resources and energy* and *international drivers of corruption*.

In 2010, Norway launched a flagship initiative to slow the rampant deforestation that for decades has plagued Indonesia: one of the world's top contemporary carbon emitters from land conversion.<sup>1</sup> The Norwegian government signed an agreement to provide Indonesia with up to USD 1 billion if it could prove it had reduced its high carbon emissions from deforestation and degradation of forests and peat lands.<sup>2</sup> This U4 Brief focuses on the resulting schemes for Reducing Emissions from Deforestation and Forest Degradation (REDD+) in Indonesia. It uses the lens of two REDD+ pilots in Central Sulawesi and evidence from Jakarta, Bogor, Oslo, and Palu, to determine a set of anti-corruption lessons for future anti-deforestation initiatives.<sup>3</sup> It argues that competitive post-*Reformasi* oligarchic interests in natural resource extraction are central in explaining REDD+ performance in Indonesia to date, just as nepotism and elite capture influenced outcomes observed in the Central Sulawesi pilots. This view resonates with other accounts of the centripetal nature of the Indonesian political party system and the notion that former President Suharto's political monopoly has been replaced by an oligopoly within which contemporary elites compete for access to resource rents.<sup>4</sup> Natural resource management practitioners in bilateral aid agencies should strengthen collaboration with their democracy and governance counterparts to address the structural, political-economic drivers of deforestation beyond particular anti-deforestation interventions.

## What is REDD+?

REDD+ is an anti-deforestation intervention intended to contribute to national climate change mitigation goals through forest carbon storage and provide socioeconomic benefits to local populations in intervention areas.<sup>5</sup> Since atmospheric carbon emissions from forest conversion are an important contributor to climate change,<sup>6</sup> the idea behind REDD+ is that still-standing forests should be preserved as carbon sinks.<sup>7</sup> At the core of REDD+ is the notion that financial inducements can alter existing incentives to harvest timber and other products from forests.<sup>8</sup> REDD+ acknowledges that temptations to

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1. FAO 2010.

2. Letter of Intent 2010.

3. Fieldwork was conducted in 2017 as part of doctoral research at the Department of Development Studies, SOAS University of London. A multi-method political ecology approach was used, combining earth-observation satellite data, in-field interviews, focus group discussions and participatory observation with both REDD+ proponents and opponents.

4. Baker 2020, Muhtadi 2019, Aspinall, and Berenschot 2020.

5. Angelsen 2016.

6. van der Werf et al 2009.

7. Angelsen et al 2009.

8. Angelsen et al 2009.

deforest or degrade standing forests via industrial or artisanal logging, conversion to agriculture, plantations, mining or other extractive economic activities, are great - particularly in countries experiencing high poverty levels but that are still in possession of vast swathes of forest. REDD+ envisages therefore performance-based payments for forest conservation: forest owners and users will be paid to reduce forest carbon emissions, providing incentives to better manage forests and clear less forestland.<sup>9</sup>

REDD+ can be categorised as a ‘payment for environmental services’ or PES scheme, but it seeks to avoid problems considered to have undermined wide application of PES systems for forest conservation in the past, particularly unclear definitions of land tenure and forest carbon rights.<sup>10</sup> Given that most deforestation hotspots are characterised by unclear and contested land rights, REDD+ is intended to be much more than a simple PES system: it envisages the establishment of an entire institutional apparatus for regular monitoring of forest carbon levels, for managing payments to forest owners and users, and linking information from local PES systems to national and even global REDD+ systems. Furthermore, it is noted<sup>11</sup> that effective implementation of REDD+ will only be feasible within a context of broader enabling policies, calling for institutional reforms in the areas of governance, land tenure, decentralisation, agriculture, energy, and community forest management.

## The backdrop for REDD+ in Indonesia

Norway’s bilateral REDD+ agreement with Indonesia emerged following the 13th Conference of State Parties (COP) of the UN Framework Convention on Climate Change (UNFCCC) held on Bali in 2007.<sup>12</sup> At the time, Indonesia was widely viewed as a top carbon emitter, with the UN’s Food and Agriculture Organization (FAO) assessing the country two years later as the second highest emitter globally of CO<sub>2</sub>-equivalent from land use, land use change and forestry.<sup>13</sup> The signature in 2010 and later implementation of the Norway-Indonesia deal was considered crucial to meeting REDD+ commitments under the UNFCCC. In 2009, influenced by discussions at the Bali COP and the recently-signed payment-for-performance forest conservation deal between Norway and Brazil,<sup>14</sup> then Indonesian President Yudhoyono gave a speech to G20 leaders stating that his government would cut carbon emissions by 26% by 2020

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9. Angelsen et al 2009.

10. Angelsen et al 2009.

11. Angelsen et al 2009.

12. Glover and Schroeder 2017.

13. FAO 2010.

14. Seymour et al 2015.

from business-as-usual levels, using a mix of policies to invest in renewable energy and curb deforestation and land use changes.<sup>15</sup> With international support, President Yudhoyono proposed Indonesia could cut carbon emissions even further: by as much as 41% by 2020.<sup>16</sup>

The Norwegian Letter of Intent offered financial support for Indonesia's planned carbon emission cuts and the Norway-Indonesia deal has been described as the 'single most significant game-changer for the Indonesian forest sector in the past 25 years'.<sup>17</sup> In Indonesia, a presidential decree established a National REDD+ taskforce (later renamed the National REDD+ Agency or BP REDD) to coordinate the government's strategy.<sup>18</sup> Representing primarily the Ministries of Finance, Agriculture, Forestry, Energy and Mineral Resources, the National Land Agency, and the Cabinet Secretariat, this new multi-stakeholder body also drafted in individuals from civil society, and represented the first cabinet-level REDD+ coordinating body in any country, reporting directly to the presidency.<sup>19</sup>

## REDD+ at national level in Indonesia

A major motivation for the inclusion of the provision regarding a special REDD+ agency in the 2010 Letter of Intent was the government of Norway's concerns regarding forest sector corruption and mismanagement.<sup>20</sup> For decades the then Indonesian Ministry of Forestry had been notorious, both domestically and internationally, for its involvement in forest sector corruption.<sup>21</sup> The huge forestlands under its control, its role in presiding over crucial conservation and plantation development activities, its position as a gatekeeper in issuing various government licenses, and its tendency to be led and staffed by graduates of the elite Bogor Agricultural University and the University of Gajah Mada, all contributed to the ministry's formidable reputation.<sup>22</sup> This reputation dated back at least to Suharto's New Order era (1966–1998) when massive and unsustainable forest extraction was used to lift Indonesia's gross domestic product, create jobs and develop the outer islands – all at the cost of high deforestation, illegal

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15. Reuters 2009.

16. Reuters 2009.

17. Seymour 2012.

18. Government of Indonesia 2011.

19. Glover and Schroeder 2017; Jong 2015.

20. Seymour et al 2015; In-field interviews 2017.

21. Dermawan et al 2011; Seymour et al 2015; Wibowo and Giessen 2015.

22. Seymour et al 2015; in-field interview 2017.

logging, annual fires, biodiversity loss and land use conflicts, for which the Ministry of Forestry was typically blamed.<sup>23</sup>

Before 2010, a series of high-profile forest sector corruption cases, involving prominent provincial bureaucrats and politicians, served to reinforce fears that REDD+ could be derailed by corruption.<sup>24</sup> For example, the former governor of East Kalimantan, H. Suwarna Abdul Fatah, was sentenced to four years in prison and an IDR 200 million fine for his role in illegally issuing permits for palm oil plantations in Berau, East Kalimantan, in 2003–2008.<sup>25</sup> Suwarna had been accused of enriching the Surya Dumai Group developing the plantations and of causing economic losses to the Indonesian state worth IDR 346.8 billion<sup>26</sup> This, and other similar forest corruption cases in Riau and Papua, meant that although President Yudhoyono had demonstrated strong commitment to REDD+, worries remained that existing failures in forest governance could undermine REDD+ implementation.<sup>27</sup> By establishing an independent, multi-stakeholder body reporting directly to the president on a national strategy to reduce deforestation, the Indonesia-Norway agreement sought to circumvent the potential for poor governance of the scheme.<sup>28</sup>

Signs that the National REDD+ Agency was to face challenges in fulfilling its mandate were evident right from the beginning, however. Despite President Yudhoyono's 2010 commitment to the Norwegian government to create such a special body, it took more than three years to actually establish it in August 2013, while further delays meant that its head, Heru Prasetyo, would not be appointed until December of the same year.<sup>29</sup> A full complement of staff was not in place until a month before the presidential elections of July 2014, and staff reportedly struggled to surmount political, legal and bureaucratic hurdles to operationalise REDD+ mechanisms.<sup>30</sup> A combination of resistance from the national forest bureaucracy and from certain subnational governments eventually led to the political isolation of the National REDD+ Agency, with newly elected President Widodo signing Presidential Decree No. 16 in January 2015, disbanding the agency and reassigning its responsibilities to the newly formed Ministry of Environment and Forestry.<sup>31</sup> Norway's flagship anti-deforestation project would now be led in Indonesia

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23. Hansen et al 2009; Casson and Obidzinski 2007; Tacconi et al 2007; Fay and Michon 2005; Wibowo and Giessen 2015.

24. Dermawan et al 2011.

25. Luttrell et al 2011; Dermawan et al 2011.

26. Luttrell et al 2011; Dermawan et al 2011.

27. Dermawan et al 2011.

28. Seymour et al 2015.

29. Harfenist 2015; Seymour et al 2015.

30. Seymour et al 2015.

31. Jong 2015.

by the ministry it had earlier sought to keep at arm's length from REDD+ due to concerns about its links to corruption.<sup>32</sup>

A crucial question with regard to the effectiveness of REDD+ in Indonesia is whether its deforestation rate (and related carbon emissions) has increased or declined. Almost a decade after the signature of the Letter of Intent, the Indonesian Minister of Environment and Forestry, Siti Nurbaya, and the then Norwegian Minister of Environment, Ola Elvestuen, announced in Jakarta in February 2019 that Norway would pay Indonesia the first installment under the deal.<sup>33</sup> Although the precise amount of the payment was not yet calculated, the decision to pay was determined by Indonesia's reported prevention of the emission of 4.8 million tons of carbon dioxide equivalent (CO<sub>2</sub>e) through reducing its rate of deforestation in 2017.<sup>34</sup> Satellite-based data from the Global Forest Watch project at the University of Maryland and the World Resources Institute shows there was indeed a drop in the deforestation of primary forests in Indonesia nationally from 2017, with the 2018 figures also lower as compared to previous years.<sup>35</sup> However, this followed all-time record high deforestation levels in primary forests in the years immediately following the signature of the Letter of Intent: in 2012, 2014 and again in 2016. Indonesia's total land-use carbon emissions roughly trebled after 2010 to a peak of three billion tons with the fires in 2015 and net deforestation at over a million ha, then stabilised at about half the peak level while deforestation declined from about 0.6 to 0.5 million ha annually.<sup>36</sup> Norway and Indonesia also decided not to include CO<sub>2</sub> emissions from peat-soil decomposition and burning (typically recurring events linked to historic deforestation) in the results-based payment protocol for REDD+.<sup>37</sup> This means that the resulting figures may be an underestimation of Indonesia's overall forest-related carbon emissions, depending on the time-period considered.<sup>38</sup>

## The REDD+ pilots in Central Sulawesi

As part of the rolling-out of REDD+ demonstration activities and pilots following the 2010 Letter of Intent, and following identification of Central Sulawesi as the pilot province for UN-REDD activities, a draft set of subnational guidelines for gaining local community consent for REDD+ was field-tested in March 2012 in the Central Sulawesi

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32. Seymour et al 2015.

33. Jong 2019.

34. Jong 2019.

35. GFW 2020a.

36. Caldecott et al 2018.

37. Usher 2019.

38. Usher 2019.

villages of Talaga and Lembah Mukti.<sup>39</sup> Indonesia had not developed national guidelines for the conduct of the Free, Prior and Informed Consent (FPIC) process that was to be used in determining whether local communities wished to proceed with REDD+ activities.<sup>40</sup> But, in conjunction with the UN-REDD Programme, the National Forestry Council (*Dewan Kehutanan Nasional*), a forest industry body, had prepared a set of national policy recommendations on FPIC, which were submitted to the National REDD+ Agency and the Ministry of Forestry in March 2011.<sup>41</sup> These national FPIC recommendations were used to inform the draft subnational FPIC guidelines for Central Sulawesi's pilots, and it is these guidelines that were field-tested in Talaga and Lembah Mukti in 2012.<sup>42</sup> The field-test was led by the Provincial REDD+ Working Group (or *Pokja*) in conjunction with the local Forest Management Unit (FMU), and involved a proposal to replant degraded forests with valuable species, namely rubber (*karet*) or *jabon*, in exchange for villagers carrying out forest conservation activities.<sup>43</sup>

Hewat's evaluation for the Norwegian government (2017), Howell and Bastiensen (2015) and Boer (2019) all report that the FPIC trials in Talaga and Lembah Mukti experienced difficulties. The first problem arose from the novelty of the FPIC process in Central Sulawesi. Those implementing the process found it difficult to distinguish between, on the one hand, consultation and consent, and, on the other, socialising information about decisions made.<sup>44</sup> Howell and Bastiensen (2015) note that: 'Meetings between communities and government or NGOs in the name of REDD+ often seemed like an opportunity for teaching and persuasion, rather than dialogue and an open process of gaining (or not gaining) consent'. One in-field interviewee from a local NGO noted: 'There are two different terminologies: socialisation and FPIC. What happened in Talaga was just socialisation'. A second, related, problem was in the relationships between those conducting the FPIC trials and the village communities themselves. Hewat (2017) notes: 'preliminary consultations were largely delegated to the provincial and regency level branches of AMAN (the largest Indigenous Peoples' organisation in Indonesia), which relied heavily on kinship relations, which were strong in Lembah Mukti village but less so in Talaga'.

The main motivation for choosing Central Sulawesi as a pilot province for UN-REDD activities was its large areas of primary forest as well as its relatively high deforestation rate.<sup>45</sup> The FPIC trials in Talaga and Lembah Mukti sought not only to test the FPIC

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39. UN-REDD Programme 2012.

40. UN-REDD Programme 2012.

41. UN-REDD Programme 2012.

42. UN-REDD Programme 2012.

43. UN-REDD Programme 2012.

44. Hewat 2017; Howell and Bastiensen 2015.

45. UN-REDD Programme 2012.

consultation mechanism but also to engage in forest rehabilitation work, in recognition of the degradation of forest areas linked to human activity.<sup>46</sup> What were the results of these activities, both in forest rehabilitation terms and in terms of the socio-economic benefits REDD+ was supposed to bring to local communities?

The immediate results of the FPIC pilots in Central Sulawesi were that villagers in Lembah Mukti agreed to implement forest rehabilitation activities with a few, minor, changes to the original plans and signed a Letter of Agreement with the FMU.<sup>47</sup> Villagers in Talaga did not, however, wish to continue consultations on REDD+ activities and their wishes were reportedly respected, even if *Pokja Pantau* was criticized in official reports and evaluations for its anti-REDD+ advocacy.<sup>48</sup> Lembah Mukti's agreement with the FMU to implement forest rehabilitation activities as a result of the FPIC pilot led to the planting of Jabon (*Neolamarckia cadamba*) and rubber trees (*Hevea brasiliensis*). But tree planting did not continue after the end of the REDD+ pilot in 2012.<sup>49</sup> In fact, the trees that were planted as part of the pilot have since been harvested.<sup>50</sup> Lembah Mukti villagers ultimately did not receive REDD+ payments, motivating them to attempt to benefit economically by harvesting the trees.<sup>51</sup> Because it did not engage with the FPIC pilot in the first instance, Talaga's villagers did not enter into an agreement with the FMU to undertake forest rehabilitation activities, meaning that there was no question of them receiving REDD+ payments.<sup>52</sup> More broadly, the manner in which the FPIC pilot was conducted in Talaga raised mutual suspicions among various stakeholders: Talaga villagers became suspicious that the REDD+ trial was a cover for provincial officials to grab land upon which their livelihoods depended, while those implementing the trial became suspicious of the role and motivations of *Pokja Pantau* in stoking tensions with the state forest bureaucracy.<sup>53</sup> Global Forest Watch data reveals that no decisive impact on reducing deforestation and forest degradation is evident from these pilots, given that, in the vicinity of the community where forest rehabilitation activities went ahead, larger areas of forest loss are present than in the community where no forest rehabilitation efforts took place.<sup>54</sup> Although we should be careful in extrapolating too far from the Central Sulawesi pilots, other studies of REDD+ pilots elsewhere in Indonesia show similar results.<sup>55</sup>

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46. Hewat 2017.

47. In-field interviews 2017; UN-REDD Programme 2012.

48. In-field interviews 2017; UN-REDD Programme 2012.

49. In-field interviews 2017; e-mail correspondence 2019.

50. In-field interview 2017; E-mail correspondence 2019.

51. In-field interviews 2017; e-mail correspondence 2019.

52. In-field interviews 2017.

53. In-field interviews 2017.

54. GFW 2020b.

55. Howell and Bastiensen 2015.

## The 2019 legislative assault on the KPK

Over the past 15 years, Indonesia's Corruption Eradication Commission (KPK) has pursued a string of high-profile investigations in the forest and land sectors, leading to multiple successful prosecutions of prominent businesspeople and politicians.<sup>56</sup> But, in 2019, new legislation was introduced that reduced the commission's authority and investigative powers, leading to the largest nationwide protests since the Suharto era.<sup>57</sup> Although Indonesia's House of Representatives (the People's Representative Council, DPR-RI) had tried before to curtail the KPK's powers to prosecute high-level corruption offenders, this time its government coalition members had succeeded.<sup>58</sup> In secretive proceedings lasting only a week, they had reduced the once formidable anti-graft agency to a shadow of its former self. The KPK was now no longer an independent state institution, but an agency to be overseen by a supervisory body handpicked by the president.<sup>59</sup> It had been stripped of its right to conduct independent wiretapping, severely constraining its investigations.<sup>60</sup> For some domestic observers, this legislative assault on what had been a highly effective anti-corruption agency was evidence of the Widodo administration's unwillingness to challenge the oligarchic groups that still preside over the country's natural resource wealth.<sup>61</sup> Indeed, few believe that forest sector related corruption has significantly diminished in recent years, despite past prosecutions.<sup>62</sup>

## Anti-corruption lessons for anti-deforestation initiatives

Norway's financial and programmatic support via REDD+, coupled with the support of the UN-REDD Programme, had offered Indonesia a means of demonstrating its commitment to tackling deforestation. But the way in which REDD+ has been implemented is reflective of fundamental challenges in the country's forest governance, not least the continued influence of pro-deforestation oligarchic interests on national forest and land-use policies (Muhtadi 2019, Morse 2019). The influence that business and economic elites exert on Indonesia's politicians is illustrated by several recent examples:

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56. Baker 2020.

57. Widiyanto and Suroyo 2019.

58. Schuette 2019.

59. The Jakarta Post 2019.

60. The Jakarta Post 2019.

61. Pangestika 2019.

62. Baker 2020.

- Indonesian NGO *Jatam* found that 86% of donations to President Widodo’s 2019 election campaign were from extractive industry companies (often linked to land use change and deforestation), while his rival Prabowo’s campaign saw around 70% of its donations from mining and fossil fuel companies.<sup>63</sup>
- Investigations by journalists as part of *The Gecko Project* outline how the political party campaign system incentivises candidates for political office to agree to *quid pro quo* arrangements with businesses where they exchange financial support for pro-business decisions once they are elected.<sup>64</sup>
- The Indonesian Corruption Eradication Commission (KPK) found that two thirds of candidates in the 2015 regional elections reported that campaign donors demanded something in return – from government contracts, to policy influence and licenses for mines and plantations.<sup>65</sup>

Commercial influence on Indonesia’s land and forest policies is nothing new. Historically, forests and land have provided both important state revenues and a means for politicians to control the resources and populations of the outer islands of the archipelago, binding them into the Indonesian state-building project. So, although, as of February 2019, Norway had spent around USD 130 million of its promised USD 1 billion to support the efforts of the Indonesian government to address deforestation, the financial incentives offered via REDD+ to curtail forestland conversion were weak compared to other potential economic uses of land, such as plantation, infrastructure or mining developments. Indonesia’s total palm oil production was, for example, forecast to reach 43 million tons in 2019–2020, which at January 2019 prices would fetch upwards of USD 25 billion.<sup>66</sup> The imbalance between the incentives offered by REDD+ and economic rents from land conversion (often facilitated by corruption) have dampened the potential of REDD+ to slow Indonesia’s primary deforestation rate.

What could, in hindsight, have been done differently from anti-corruption and anti-deforestation points-of-view? Three broad lessons for bilateral development practitioners planning future anti-deforestation initiatives can be gleaned from the above case:

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63. *Jatam* 2019.

64. *The Gecko Project* 2018.

65. *Utama* 2018.

66. *USDA* 2019.

## **1. Plan for the reform backlash**

Where natural resource wealth extraction is underpinned by a variety of engrained corrupt practices, anti-deforestation reforms that challenge the way political-economic actors benefit from this wealth will, sooner or later, provoke a backlash. Political transitions offer particular opportunities for reform opponents to break with policy priorities and intervention objectives. Natural resource management practitioners within bilateral aid agencies should collaborate with their democracy and governance portfolio counterparts to pay close attention to domestic political developments, set against a deep understanding of national political history, in order to anticipate sources of reform backlash. Contingency plans should be developed in advance for likely backlash scenarios and how to deal with them, as part of regular situational analyses.

## **2. Challenge governance deteriorations**

The potency of performance-related aid projects (such as REDD+) is that they allow opportunities for withholding financing and support if key provisions and indicators (eg on arresting deforestation rates) are not met. If the threshold bilateral aid agencies set for responding to deteriorations in the agreed governance parameters of these interventions is too high this sends a signal that ‘anything goes’. Development practitioners should be mindful not only of the narrow objectives a particular intervention aims to achieve, but also of the broader threats to achieving Sustainable Development Goals (SDGs) if serious governance deteriorations go unchallenged.

## **3. Work on complementary democratic governance reforms**

The success of anti-deforestation interventions depends on whether they truly address deep drivers of forest loss, not merely proximate causes. Natural resource management practitioners should occasionally step back from particular anti-deforestation projects and, along with their democracy and governance portfolio counterparts, consider what longer-term democratic governance reforms are needed to ensure anti-deforestation success. In Indonesia, an obvious target that was unfortunately not addressed in connection with REDD+ implementation is the political campaign financing system. The current system incentivises candidates for political office to agree to arrangements with businesses where they exchange financial support for pro-business decisions once elected. As shown by both the Gecko Project and the KPK, these decisions often result in forest loss, bypassing formal rules and institutional constraints.

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