

BOOK OF **ABSTRACTS**

**FORESTS & SOCIETY
TOWARDS 2050**



STOCKHOLM 2024
WORLD CONGRESS
26th **IUFRO**
FORESTS & SOCIETY TOWARDS 2050

Stockholm, Sweden
23–29 June 2024

Impact of Indonesia's general-purpose ecological fiscal transfer on forest cover: a comprehensive evaluation approach and early results

T4.8 Effects and effectiveness of forest policies in developing tropical statehoods

Colas Chervier¹

Sonny Mumbunan²

¹ CIRAD

² University of Indonesia

Abstract: Indonesia has initiated significant reforms in order to reduce GHG in the land-based sector. Among the country's most ambitious and recent reforms is the introduction of forest cover of subnational jurisdictions as an indicator to allocate general-purpose fiscal transfers (DAU), Indonesia's largest and most significant fiscal transfers, from central to subnational governments. With an explicit link to forest cover, this new fiscal transfer policy is expected to change the incentive structure for reducing deforestation in Indonesia. Scientific evidence on the impact of Ecological Fiscal Transfers (EFT) is scarce, and existing studies in the early-moving countries of Brazil and India are not directly comparable to the Indonesian case of general-purpose fiscal transfers. In this research, we first adopt a political economy framework and use the Transformational Change literature to analyze the underlying policy processes leading up to this ambitious policy reform. Secondly, we present a detailed research protocol, aimed at providing evidence of the impact, and impact pathways, of Indonesia's EFT policy for general-purpose transfer and related fiscal transfers, as well as the early results of this research. This protocol is based on a mix of robust qualitative and quantitative methods for causal inference using quasi-experimental methods and process tracing, and which share common prerequisites, to produce a sound theory of change. We further emphasize three scientifically-sound and policy-relevant questions: (1) To what extent and under what conditions do EFTs create an incentive effect that is strong enough to change the behaviors of local policy makers and to overcome the effect of business-as-usual incentives promoting deforestation (e.g. the general elections that will occur in 2024 in Indonesia)?; (2) Using quasi-experimental approaches, how do we measure the additional impact of a policy that is implemented nation-wide and whose implementation is not staggered?; (3) Through which mechanisms do such collective incentives influence the individual decisions of land users and contribute to overcoming the typical challenges faced in collective action settings, such as free-riding and elite capture?