

Journal of Indonesian Economy and Business
Volume 26, Number 1, 2011, 129 – 138

THE IMPACT OF REDDI ON INSTITUTIONS INCOME: A SOCIAL ACCOUNTING MATRIX APPROACH¹

Nur Arifatul Ulya

Ministry of Forestry Republic of Indonesia
(nur_arifa@yahoo.com)

ABSTRACT

Indonesia is one of the three largest tropical forest countries. Indonesia's forest area is about 120.35 million hectares or about 60% of Indonesia's land area. Indonesia's forest is not only important for the people of Indonesia both in terms of its ecologic and economic role, but also important for the global environment, particularly in relation to climate change. Forests could become carbon storage in large quantities, but also can be a source of carbon emissions.

Indonesia's forests currently facing problems of deforestation and degradation, which contributed approximately 20% of global CO₂ emissions, so that the Indonesian government put a high attention on the issue of REDD (Reducing Emissions from Deforestation and Forest Degradation). REDD schemes is expected to assist Indonesia in reducing deforestation and forest degradation for forest sustainability and provide economic income from carbon trading.

This paper aims to identify the impact of carbon trading under Reducing Emissions from Deforestation and Forest Degradation in Indonesia (REDDI) scheme on income of institutions that consist of households, companies and government using the Social Accounting Matrix (SAM) approach. Accounting multiplier is used to calculate the impact of REDDI scheme on institutions income in the year 2005.

The results indicate that the impact of REDDI on institution income for the minimum scenario is U.S.\$ 0.68 billion whereas for the maximum scenario is U.S. \$. 28.86 billion REDDI give the greatest impact on households' income (59.66%) than followed companies (28.17%) and government (12.17%).

Keywords: carbon trading, deforestation, degradation, forest

¹ This article has been awarded as the 3rd best paper of JIEB's Best Paper Awards 2010. This article has been presented also at the 10th IRSA International Conference held on 28-29 July 2010 at Airlangga University, Surabaya