

FINAL DRAFT 1.5 | October 25<sup>th</sup>, 2021



# Benefit Sharing Plan

East Kalimantan - Jurisdictional Emissions Reduction Program, INDONESIA

# Benefit Sharing Plan

## East Kalimantan Jurisdictional Emissions Reduction, INDONESIA

The Ministry of Environmental and Forestry

and

The Provincial Government of East Kalimantan

### Document Control

Draft 0	:	Preliminary scratch draft, circulated informally within KLHK, DDPI, and World Bank, dated May 19 <sup>th</sup> , 2019
Draft 0.1	:	Incorporated written input from DDPI and the World Bank Incorporated discussion results with KLHK (May 27 <sup>th</sup> , 2019) Incorporated discussion results with World Bank (May 29 <sup>th</sup> , 2019) Incorporated discussion results with DDPI (June 13 <sup>th</sup> , 2019)
Draft 0.2	:	Incorporated inputs from the Aide Memoire Joint Mission in Jakarta, June 24-28, 2019.
Draft 0.3	:	Incorporated inputs from the conference call on June 12, 2019.
Draft 0.4	:	Incorporated unsolved inputs from the Aide Memoire Joint Mission Jakarta, June 2019.
Draft 1.0	:	Incorporated inputs from WB Mission in Samarinda, September 9-13, 2019
Draft 1.1	:	Incorporated inputs from discussion with the Ministry of Finance, September 23 <sup>rd</sup> , 2019 Incorporated inputs from East Kalimantan BSM Team received on September 25, 2019 Incorporated inputs from the Ministry of Home Affairs, September 27 <sup>th</sup> , 2019
Draft 1.2	:	Incorporated written inputs from the World Bank, October 8 <sup>th</sup> , 2019 Incorporated inputs from the discussion between the World Bank and BLI at the FCPF meeting, November 13 <sup>th</sup> , 2019 Incorporated inputs from the discussion between the World Bank and BSP team at the WB office, Jakarta, December 3 <sup>rd</sup> , 2019
Draft 1.2 Dec.	:	Incorporated written inputs from the World Bank, December 9 <sup>th</sup> , 2019
Draft 1.3	:	Incorporated written inputs from the FCPF Appraisal Mission, February 10 <sup>th</sup> – 13 <sup>th</sup> , 2020 Incorporated written inputs from the East Kalimantan Government, February 21 <sup>st</sup> , 2020
Draft 1.4	:	Incorporated written inputs from the World Bank received on March 18 <sup>th</sup> , 2020 Incorporated written inputs from the East Kalimantan Government received on March 27 <sup>th</sup> , 2020
Draft 1.5	:	Incorporated discussion results on April 17 <sup>th</sup> , 2020 Incorporated written inputs from the East Kalimantan Government received on April 17 <sup>th</sup> , 2020 Incorporated discussion between MoEF and the World Bank on April 23 <sup>rd</sup> , 2020
Draft 1.6	:	The FPIC process timeline was updated Accepted by the World Bank as the advance draft BSP
Final Draft 1.0	:	Result of FPIC adopted in document and revised based comment from the World Bank

Final Draft. 1.1	:	Figure fund flow and timeline BSP revised.
Final Draft 1.2	:	Funds Flow revised. BLU-BPDLH is only to make two contracts, namely MoEF and Provincial Government of East Kalimantan
Final Draft 1.3	:	Roles and Responsibility of Benefit Managers and supervisors revised. The terms of benefit manager and supervisor defined.
Draft 1.4	:	Funds flow revised.
Draft 1.5	:	Comments from WB addressed.

## Contents

Abbreviation .....	5
1 INTRODUCTION .....	6
1.1 Background of ER Program.....	6
1.2 General Principles of BSP.....	7
1.3 Legal Framework for BSP .....	7
2 BENEFICIARIES.....	9
2.1 Categories and Rationale of Beneficiaries.....	9
2.2 Eligibility Criteria.....	12
2.3 Condition for Payment .....	13
3 BENEFITS .....	13
3.1 Description of Benefits .....	13
3.2 Specific Benefits by Beneficiary Group.....	14
4 BENEFIT DISTRIBUTION .....	17
4.1 Criteria and Proportion of Benefits .....	17
4.1.1 Responsibility .....	21
4.1.2 Performance.....	22
4.1.3 Reward .....	25
4.2 Processes and Timelines for the Benefit Distribution .....	26
4.2.1 Process for the distribution of benefits (Flow of Funds).....	26
4.2.2 Timelines for the distribution of benefits .....	30
5 MONITORING .....	31
5.1 Institutional Arrangements .....	31
5.2 Reporting .....	31
5.3 Safeguards .....	35
6 CONSULTATION & COMMUNICATION.....	35
6.1 Summary of consultations and incorporation in BSP .....	35
6.2 Feedback and Grievance Redress Mechanism (FGRM).....	41
Annex 1. Simulation of calculating performance.....	43

## Abbreviation

BAPPEDA	: <i>Badan Perencanaan Pembangunan Daerah</i> , Provincial Planning Agency
BLU	: <i>Badan Layanan Umum</i> , Public Service Agency
BPD LH	: <i>Badan Pengelolaan Dana Lingkungan Hidup</i> , Environmental Fund Management Agency
BPKAD	: <i>Badan Pengelolaan Keuangan dan Aset Daerah</i> , Finance and Assets Management Agency
BPN	: <i>Badan Pertanahan Nasional</i> , National Land Agency
BPS	: <i>Badan Pusat Statistik</i> , Central Bureau of Statistics
BSP	: Benefit Sharing Plan
DGCC	: Directorate General of Climate Change
DPMPD	: <i>Dinas Pemberdayaan Masyarakat dan Pemerintahan Desa</i> , Community Empowerment Services
ER	: Emissions Reduction
ERPA	: Emissions Reduction Purchase Agreement
ERPD	: Emissions Reduction Program Document
FCPF	: Forest Carbon Partnership Facility
FMU	: Forest Management Unit, Kesatuan Pengelolaan Hutan
GHG	: Green House Gasses
HCV	: High Conservation Value
ISPO	: Indonesian Sustainable Palm Oil (ISPO)
IUPHHBK	: <i>Izin Usaha Pemanfaatan Hasil Hutan Bukan Kayu</i> , Non-Timber Forest Product license
IUPHHK-HA	: <i>Izin Usaha Pemanfaatan Hasil Hutan Kayu - Hutan Alam</i> , logging concession
IUPHHK-HT	: <i>Izin Usaha Pemanfaatan Hasil Hutan Kayu - Hutan Tanaman</i> , timber plantation
IUPHHK-RE	: <i>Izin Usaha Pemanfaatan Hasil Hutan Kayu - Restorasi Ekosistem</i> , restoration ecosystem concession
IUPJL	: <i>Izin Usaha Pemanfaatan Jasa Lingkungan</i> , Environmental Services license
MMR	: Measurement, Monitoring, and Reporting
MoEF	: Ministry of Environment and Forestry
MRV	: Monitoring, Reporting, and Verification
NFMS	: National Forest Monitoring System
OPD	: <i>Organisasi Perangkat Daerah</i> , sub-national technical-unit organization
PNBP	: <i>Penerimaan Negara Bukan Pajak</i> , non-tax revenue
POM	: Project Operation Manual
REDD+	: Reduced Emissions from Deforestation and forest Degradation
RIL	: Reduced Impact Logging
SF	: Social Forestry
WB	: World Bank

# 1 INTRODUCTION

## 1.1 Background of ER Program

The East Kalimantan Jurisdictional Emissions Reduction Program (ER Program) is a national project to reduce deforestation and forest degradation. This program covers 12.7 million ha of East Kalimantan Province of which 6.5 million ha (54%) is still covered by tropical rainforests which are home to a wealth of globally significant biodiversity, and that support indigenous and other local communities. Between year 2006 and 2016, around 15% of that forest was lost mainly due to the expansion of oil palm areas, timber plantations and mining. It is expected that those drivers will be addressed in this ER Program by improving land governance, improving livelihood of local communities, developing & implementing policy that supports habitat and species protection, and enabling active participation by stakeholders in reducing deforestation and forest degradation in their areas. The ER Program will support a combination of enabling conditions and promotion of sustainable management practices to address the underlying drivers of emissions. As much as 86.3 million tCO<sub>2</sub>e of (gross) emission will be reduced over a five and a half-year period (2019-2024) by this ER Program. The Accounting Area for the ER Program covers the entire boundary of the East Kalimantan Province, covering seven districts and three cities, 103 sub-districts, and 1,032 villages (BPS, 2017), and is not only limited to the state forest in the East Kalimantan Province.

The ER Program will be implemented by all beneficiaries with the Ministry of Environment and Forestry (MoEF) and the East Kalimantan Provincial Government as the responsible bodies for managing the proposed ER Program. Relevant agencies in the central, provincial, districts and village governments will be involved in the project implementation following the directions of the MoEF and East Kalimantan Provincial Government. Private sectors, as well as local and adat communities within the East Kalimantan Province jurisdiction will also implement the ER Program according to the specific roles and responsibilities agreed and written in the Emissions Reduction Program Document (ERPD). The non-government institutions will be involved and become the government's partners in implementing the ER Program.

The ER Program will generate benefits to the beneficiaries from the ER payments. The ER Payments are the entire volume of ER paid to Indonesia in a given reporting period. There will be three reporting period followed by three ER payments and two interim progress reporting period<sup>1</sup>. The first reporting period is from June 18<sup>th</sup>, 2019, when Indonesia's program was unconditionally selected into the portfolio until December 31<sup>st</sup>, 2020 which will then be followed by the first payment in mid-year 2022<sup>2</sup>. There will be an interim progress reporting period 1 (January 1 – December 31, 2021). The second reporting period will be from January 1<sup>st</sup>, 2021 until December 31<sup>st</sup>, 2022 which will then be followed by the second payment in year 2023. There will be an interim progress reporting period 2 (January 1 – December 31, 2023). The third reporting period will be from January 1<sup>st</sup>, 2023 until December 31<sup>st</sup>, 2024 which will then be followed by the third payment in year 2025. The mechanism in distributing the ER Program benefit is described in this Benefit Sharing Plan (BSP) document.

This BSP was built on the description in the ERPD, designed to elaborate the benefit-sharing mechanism for monetary and non-monetary benefits, and prepared as part of the consultative, transparent and participatory process for the ER Program. This BSP is designed to reach a diverse group of beneficiaries including four levels of government (National, Provincial, District, and Village),

---

<sup>1</sup><https://www.forestcarbonpartnership.org/system/files/documents/FCPF%20Carbon%20Fund%20ERPA%20Tranche%20A%20%26%20B.pdf>

<sup>2</sup> Based on virtual meeting with WB 10 September 2021, the ER Monitoring Report might be completed by end 2021. So, the payment might happen in mid-year 2022.

private sectors (palm oil and timber/forestry), and local communities that are often located in remote villages and may not have official titles to their land. The eligibility criteria for beneficiaries are designed to ensure all relevant contributors to emissions reduction receive benefits from the program.

The ER Program benefit will be transferred to all beneficiaries by the newly formed Environmental Fund Management Agency (*Badan Layanan Umum - Badan Pengelola Dana Lingkungan Hidup/BLU-BPDLH*) at the national level based on the beneficiaries' performance in implementing the ER Program. The provincial government will report to the national government on the ER Program implementation performance, and consequently make the key decisions for benefit disbursement at the sub-national level. Furthermore, benefits will not be allocated merely on the amount of reduced emissions during the ERPA term but also on the past-sustainable practices by local communities as rewards (especially for *adat* communities) who have managed their forests sustainably for decades. Hence, this BSP document is designed in a transparent and participative manners to intensify stakeholder's involvement and facilitate beneficiaries' interest and needs.

## 1.2 General Principles of BSP

The BSP is a plan to distribute monetary and non-monetary benefits to beneficiaries in the ER Program (FCPF Carbon Fund Methodological Framework, 2016). The BSP is developed based on the ERPD version May 2019 and follows the FCPF Carbon Fund Methodological Framework (2016), thus it is aligned with and supports the ER Program. It is expected that the BSP will encourage improved forest management and help address the drivers of deforestation and forest degradation (Denier et al. 2014). The general principles of the BSP are transparency, effectiveness, respect for customary rights to lands and territories, reflecting broad community support, and consistency with clear legal status on rights to carbon and relevant lands. This BSP was developed through transparent and participative work of relevant stakeholders.

## 1.3 Legal Framework for BSP

Key regulations related to the BSP are as follows:

- Republic of Indonesia Constitution 1945, Article 33 Point 3 which constitutes that all natural resources should be managed by the country and will be used for the wellbeing of Indonesians. The benefit from this ER Program is also a subject to this constitution, thus should be managed by the government.
- Law No 41 year 1999 on Forestry Law. This law forms the basis for forestry schemes in Indonesia, regulates the distribution of state forest and non-state forest land, and describes the authority for the management of land which defines the ER Program actors and beneficiaries. However, since the Job Creation Law No 11/2020 was issued, the government regulations related to forestry were amended.
- Law No 17 year 2003 on State Finance. This law forms the country's financial procedures, regulations, terms, including the correlation between central, sub-national, and foreign institutions. The benefit sharing distribution from the national until the sub-national follows this law.
- Law No 32 year 2009 on the Protection and Management of the Environment which includes the mandates to establish the economic instrument, which ultimately creates the BLU-BPDLH that plays important roles in managing the benefit from this ER Program. On the other hand, since the Job Creation Law No 11/2020 was issued, the government regulations related to environmental management were amended.

- Law No 12 year 2011 on the Establishment of Laws and Regulations including the procedures to establish the Governor and District regulations. This law forms the foundation for sub-national governments in developing policies that support the ER Program implementation.
- Law No 23 year 2014 on Local Government which shifts the authority for issuing mining and logging permits from districts to provincial government, thus any benefit sharing implementation to the mining industry will be regulated at the province level. This law also distinguishes the roles and responsibilities of sub-national government with the national government. However, since the Job Creation Law No 11/2020 was issued, the government regulations related to authority of local governments were amended.
- Law No 6 year 2014 on Village Government including the village governance, village development, and community development. This law enables community to directly receive monetary transfer (benefit sharing) from the national government through the village government.
- Law No 11 year 2020 on Job Creation. which amended several laws, including the Law on Environmental Protection and Management and the Law on Forestry.
- Government Regulation No. 23 year 2005 on Public Finance Service (BLU) which regulates the establishment of the BLU-BPDLH that manages the ER payment at the national level.
- Government Regulation No 2 year 2012 on Regional Grant which regulates grants for and to regional governments including Governor, District Head, and local government organisations, including how to categorize the payment from this ER Program.
- Government Regulation No 74 year 2012 on the amendment of Government Regulation No. 23 year 2005 on BLU which regulates the establishment of the BLU-BPDLH that manages the ER payment at the national level.
- Government Regulation No 45 year 2013 on Implementation Procedure for Regional Revenue and Expenditure Budget including the budget arrangement for ER Program implementation at the regional level.
- Government Regulation No 46 year 2017 on Environmental Economic Instrument that support the establishment of BLU-BPDLH that manages the ER payment at the national level.
- Government Regulation No 28 year 2018 on Regional Cooperation which regulates the procedures in making agreements between regional governments and other parties.
- Government Regulation No. 12 year 2019 on Local Fund Management.
- Government Regulation No. 22 of 2021 on the Implementation of Environmental Protection and Management
- Government Regulation No. 23 of 2021 on Forestry Implementation
- Presidential Regulation No 16 year 2018 on Procurement of Goods and Services which regulates the procurement process and budget arrangement for ER Program implementation.
- Presidential Regulation No 77 year 2018 on Management of Environmental Funds that support the establishment of BLU-BPDLH that manages the ER payment at the national level.
- Minister of the National Development Planning/Head of Bappenas No 4 year 2011 on the Procedures for Planning, Proposal Submission, Assessment, Monitoring and Evaluation of activities financed by Foreign Loans and Grants which regulates the financial process in using ER payment.
- Minister of Finance Regulation No 191 year 2011 on the Procedure for Grant Management which provides more detailed procedures on managing foreign grants including the ER payment.
- Minister of Finance Regulation No 137 year 2019 on organisational and governance of BPDLH (*Badan Pengelolaan Dana Lingkungan Hidup*).
- Ministry of Finance Decree No 779 year 2019 on BPDLH as a work unit of BLU.
- Minister of Home Affairs Regulation No 39 year 2012 on the Guidelines for Grants and Social Aid from Regional Revenue and Expenditure Budget that regulates the financial arrangement from ER payment for beneficiaries at sub-national level.



- Minister of Home Affairs Regulation No 52 year 2014 on the Recognition and Protection of *Adat* Community. This regulation recognizes *adat* community and protects their land tenure rights which will enable them to participate in the program and receive the ER Program benefit legally.
- Minister of Home Affairs Regulation No 113 year 2014 on the Village Income which enables community to directly receive monetary transfer (benefit sharing) from the national government through the village government.
- Minister of Environment and Forestry Regulation No P.32 year 2015 on the State Forests which defines the procedures for local communities for registering land as a titled forest (*hutan adat*).
- Minister of Agraria and Spatial Planning Regulation No 10 year 2016 on Registration of Land Rights which regulates the registration of communal *adat* land rights on *adat* law community land within the state forest area.
- Minister of Finance Regulation No 224 year 2017 on the Grants from the National Government to the Regional Governments including the financial arrangement of the ER Payment from the national to sub-national governments.
- Minister of Environment and Forestry No P.70 year 2017 on the Procedure for REDD+ Financing which provides financing procedures for this ER Program.
- Minister of Home Affairs Regulation No 20 year 2018 on the amendment of Minister of Home Affairs No. 113 year 2014 on village financial management.
- Governor of East Kalimantan Provincial Regulation No 1 year 2015 on the recognition and protection of indigenous peoples, as community basis to be an ER Program beneficiary.
- Governor of East Kalimantan Provincial Regulation No 1 year 2016 on the spatial planning in East Kalimantan for the period of 2016 to 2036, and the resolution of communal rights and land claims within the state forest area. This regulation serves as the foundation in preparing the ER Program activities which will be used to identify beneficiaries in this ER Program.
- Governor of East Kalimantan Provincial Regulation No 7 year 2019 on Climate Change Mitigation and Adaptation which regulates the ER Program implementation in East Kalimantan Province.
- Governor of East Kalimantan Provincial Regulation No. 33/2021 on Benefit Sharing Mechanism from GHG Emissions Reduction Program in East Kalimantan Province which specifies the eligible activities under the ER Program and the mechanism to distribute the benefit.
- BPD LH President Director regulation No 7/2020 on guidance disbursement of REDD+'s Funds at BPD LH.
- BPD LH President Director regulation No 9/2020 on Monitoring and Evaluation of the disbursement of ER Program's Funds at BPD LH
- Forthcoming BPD LH President Director regulation on BPD LH Standard Operating Procedure (SOP) which will regulate the SOP for the FCPF ER payments.

## 2 BENEFICIARIES

### 2.1 Categories and Rationale of Beneficiaries

Beneficiaries are the recipients of monetary and non-monetary benefits which may include sub-entities and other relevant stakeholder (FCPF Carbon Fund Methodological Framework, 2016). The categories of beneficiaries are consistent with the key roles and responsibilities in (i) policy development, implementation and administration by government institutions; (ii) the implementation of activities under the ER Program on the ground; and (iii) the rights to benefits due to rights to land where ERs take place. Thus, the following beneficiaries are identified:

- **Government institutions** involved in policy development, and program management at the central government level, and at the subnational levels. This also includes the National Park Agency/Conservation Management Unit who manage the conservation areas at the sub-national level (MoEF Technical Implementation Unit at the sub-national level); the Forest Management Units (FMUs) who administer forest land under the sub-national government; and village governments that are more directly involved in implementing ER activities. The roles and responsibilities of the different levels of government follow the existing laws and regulations in Indonesia that distinguish the authority of national and sub-national governments. The national government will engage in memorandum of agreements with the sub-national governments to describe the roles and responsibilities of each government entity.
- **Private sector** includes those stakeholders that implement ER activities, including estate crop companies, and various types of forestry concessions such as logging concession (IUPHHK-HA), timber plantation concession (IUPHHK-HT), restoration ecosystem concession (IUPHHK-RE), Non Timber Forest Product concession (IUPHHBK), and Ecosystem Service concession (IUPJL). Private sector companies and stakeholders will only be rewarded if they perform beyond compliance and do more than their business-as-usual activities. Mining companies are not included as beneficiaries as they will not implement any ER activities<sup>3</sup>. The benefits for private sectors are compensated into programs provided and facilitated by relevant local governments. The programs are based on the private sectors' needs in relation to ER programs. See section 3.
- **Local communities including Adat<sup>4</sup> Community** who live inside or close to areas where ER activities are implemented, or who implement activities that lead to ERs such as alternative livelihoods, fire protection, or forest monitoring. Local communities can be in the form of community groups such as *adat* communities, farmers groups, social forestry and smallholders. The benefit for community groups might go directly to the group's institution (if they meet eligibility criteria) or through the village government according to the program activities. All communities are under village governments, so there is no gap in geographic coverage.

Furthermore, the key roles and responsibility of each beneficiary in ER Program are described in the following Table 2.1.

Table 2.1. The list and rationale of beneficiaries.

Beneficiaries	Key ER Roles
<b>GOVERNMENT INSTITUTIONS</b>	
<b>National Level</b>	
National Government	<ul style="list-style-type: none"> <li>- Issuance, implementation, and enforcement of relevant national policies</li> <li>- Administration of the national REDD+ system</li> <li>- Administration of the BLU-BPDLH</li> <li>- ER Program administration, including national registry, national forest monitoring system, social &amp; environmental safeguards information system, Monitoring, Reporting, and Verification (MRV), coordination of ER interventions at National level (with relevant Ministries).</li> </ul>

<sup>3</sup> The Governor Regulation No 1 year 2018 (replacing the Governor Regulation no. 17/2015), suspends new coal mining permits, and adds additional requirements for companies who want to extend their permits.

<sup>4</sup> See Section 4.4 of the ERPD (version May 2019) for further information on *Adat* Communities.

Beneficiaries	Key ER Roles
	<ul style="list-style-type: none"> <li>- Implementation of ER interventions related to capacity building for licensing management (forest certification, plantation certification, forest and ecosystem restoration, fire prevention and control, facilitation of social forestry)</li> </ul>
National Park Agency/Conservation Management Unit <sup>5</sup>	<ul style="list-style-type: none"> <li>- Responsible for conservation areas in East Kalimantan Province</li> <li>- Development of conservation partnerships with local communities</li> <li>- Forest and Wildlife Protection and Monitoring</li> <li>- Fire Management and Prevention</li> <li>- Partnerships with local communities on Sustainable Livelihood in buffer zone areas.</li> </ul>
<b>Sub-national Level</b>	
East Kalimantan Government	<ul style="list-style-type: none"> <li>- Prepare, implement, and enforce regional regulations (and enforcement of national regulations, where appropriate), improve land management plans, increase forestry administration capacity, reduce deforestation related to overlogging and timber plantation, reduce deforestation related to mining, and support activities for emissions reduction</li> <li>- Facilitating coordination of ER interventions initiated by relevant provincial government services (Forestry Service, Plantation Service, Mining Agency, Environmental Service, Marine &amp; Fisheries Agency, etc.)</li> <li>- Responsible to conduct MMR (Measurement, Monitoring, and Reporting), FGRM, sub-national registry system, and social &amp; environmental safeguards at provincial level including the web-based platform</li> <li>- Implementation of ER interventions related to capacity building through FMUs and estate crops agency for fire prevention and control, facilitation of social forestry, and climate/green villages</li> <li>- Facilitating the process of proposing or permitting social forestry in the Working Group on the Acceleration of Social Forestry (Pokja PPS).</li> <li>- Facilitating FMUs in improving management capacity, technical capacity in implementing sustainable forest management (including RIL), community empowerment, and business plan development.</li> </ul>
FMUs <sup>5</sup>	<ul style="list-style-type: none"> <li>- Conflict resolution</li> <li>- Support for social forestry</li> <li>- Forest management, protection, and monitoring</li> <li>- Fire management and prevention</li> <li>- Coordination with communities and other entities in the FMU</li> </ul>
District Governments	<ul style="list-style-type: none"> <li>- Prepare, implement, and enforce regional regulations (and enforcement of national regulations, where appropriate), improve land management reduce deforestation related to oil palm plantation expansion, reduce encroachment with</li> </ul>

<sup>5</sup> National Park Agency/Conservation Management Unit and FMUs are under the national and Provincial Government respectively but given their roles in the ER Program they are considered beneficiaries in their own right.

Beneficiaries	Key ER Roles
	<ul style="list-style-type: none"> <li>sustainable alternatives program plans and support activities for emissions reduction.</li> <li>- Implementation of ER interventions related to capacity building for fire prevention and control, facilitation of sustainable agriculture and estate crops, climate/green villages.</li> </ul>
Village Governments	<ul style="list-style-type: none"> <li>- Develop ER activity plans with communities and land rights holder groups</li> <li>- Develop benefit sharing plans and agreements for community and land rights holder groups</li> </ul>
<b>PRIVATE SECTOR</b>	
Estate crop concessions	<ul style="list-style-type: none"> <li>- Implementation of HCV policies</li> <li>- Partnerships with local communities</li> <li>- Fire management and control</li> </ul>
Timber plantation concessions	<ul style="list-style-type: none"> <li>- Implementation of SFM and HCV policies</li> <li>- Partnerships with local communities</li> <li>- Fire management programs</li> </ul>
Forest management concessions (natural forest)	<ul style="list-style-type: none"> <li>- Implementation of SFM, HCV, and RIL policies</li> <li>- Partnerships with local communities</li> <li>- Fire management programs</li> </ul>
<b>LOCAL COMMUNITIES INCLUDING ADAT COMMUNITIES</b>	
Community groups	<ul style="list-style-type: none"> <li>- Reduction of land clearing</li> <li>- Adoption of alternative livelihoods</li> <li>- Adoption of fire management and control practices</li> <li>- Continuation of sustainable management practices</li> </ul>

## 2.2 Eligibility Criteria

To be eligible to receive benefits from the ER program, beneficiaries are required to play their roles and deliver their responsibilities (Table 2.1) in implementing the program activities as described in the ERPD (version May 2019). Beneficiaries' performance in implementing the activities will be validated using the Measurement, Monitoring, and Reporting (MMR) system at the sub-national level, and will be verified using the Monitoring, Reporting, and Verification (MRV) system at the national level to ensure the benefits are distributed to the eligible beneficiaries. These eligibility criteria are applied to all beneficiaries including all levels of government, private sectors, and community groups. Thus, these criteria are prerequisite for beneficiaries.

In addition, all levels of **government** are eligible to receive the benefit from the ER Program, according to the applicable rules and regulations, as the country's authority. ER benefit for the government will be transferred directly to the government institution. **Private sector** must have a legal status to allow contractual agreements with the government agencies who administer the companies. Companies who possess valid land use licenses may obtain their legal status from the government agencies through laws and decrees. The license will be validated against the government registry. Benefits for the private sector will be managed by the supervising government agencies who administer the companies. To be eligible in receiving the benefit from the ER Program, **local communities**, including *adat* communities, need to be recognized by the village government or to have their *adat* claims recognized by the district. It is not necessary for local communities to have formal land title due to the lengthy process and procedures in obtaining titles from the BPN (for details see ERPD version May 2019, p.255). However, securing land tenure for local and *adat* communities is one of the activities in this ER Program. Community groups may receive benefits directly through the group's institution or

through the village government in the absence of community groups. All communities fall under a village's jurisdiction. In a case where individuals migrate from outside to the villages inside East Kalimantan Province, the individuals need to register themselves with the village administration to be recorded as part of the village's community. Communities and village governments must be registered under the registry system in order to be eligible to access benefits.

### 2.3 Condition for Payment

The conditions for payment to all beneficiaries are based on the performance in reducing emission within their management areas, and the participation in ER Program activities. Prior to the ER Payment, the funding needed to implement the ER Program activities will be covered by the Gol's budget, private sector, and development partners (see Section 6.2. ERPD for more detail).

The payment will be managed at the national level by the Environmental Fund Management Agency (BLU-BPDLH) through a custodian bank to avoid possible bureaucratic delays. Referring to Finance Ministerial Decree No. 82/2018 on Cash and Investment Management of Public Service Agency (BLU), the selection of the custodian bank will be conducted by the BLU. In this FCPF Project, the custodian bank will be selected by the BLU-BPDLH and approved by the World Bank. BLU-BPDLH will release payment to the beneficiaries based on the ER contracts that will be drafted in accordance with this BSP.

ER contracts will be made between the BLU-BPDLH and beneficiaries (represented by a benefit manager to ease the reporting and benefit transfer processes – see section 4 and table 4.1 for more information). At national level, benefit manager will be MoEF or accredited intermediary agency appointed by MoEF through bidding process, whereas at sub-national level the manager will be as follows: a) at Provincial level, it will be Government of East Kalimantan (BPKAD), b) at District level, it will districts/cities (BPKAD District/City Level), and c) Village and Adat Community level, it will be accredited intermediary agency appointed by Provincial Government through bidding process. ER contracts will refer to the MoU between the Provincial Government and MoEF on GHG ER Program through REDD+ Implementation in East Kalimantan.

## 3 BENEFITS

### 3.1 Description of Benefits

The benefits from the ER Program are funded from ER payments and categorized as monetary and non-monetary benefits. The ER Payments are made against the entire volume of ERs and are paid to Indonesia in each reporting period<sup>6</sup>.

The value of benefits from the ER Program will be from payments for verified ERs from the Carbon Fund, which is anticipated to be up to USD 110 million (anticipated payment for 22 MtCO<sub>2</sub>e at an expected price of USD 5/tCO<sub>2</sub>e<sup>7</sup>). In the event the ER Program generates Additional ERs (ERs in excess of the Contract ER Volume in a Reporting Period) the Parties agreed to grant a Call Option for up to 20 MtCO<sub>2</sub>e such additional volumes of ERs (the Maximum Option Volume). The Exercise Price per transferred Additional ER shall be negotiated.

---

<sup>6</sup><https://www.forestcarbonpartnership.org/system/files/documents/FCPF%20Carbon%20Fund%20ERPA%20Tranche%20A%20%26%20B.pdf>

<sup>7</sup> The volume of ER contract under ERPA is 22m tCO<sub>2</sub>e with the additional contract for another 20 m tCO<sub>2</sub>e (maximum option volume). The commercial terms (volume of ERs and price) are subject to ERPA negotiations

Funding for the Program’s ER activities will be covered by the GoI’s budget, private sector, and by development partners leaving the entire value of the ER payments for distribution as monetary and non-monetary benefits. Thus, monetary benefits are defined as cash, funded with ER payments, that is received by beneficiaries; and non-monetary benefits are goods, services, or other benefits funded with ER payments. Benefits will be culturally appropriate and socially inclusive, and the specific strategies to deliver them will be included in the final BSP. This will be accomplished primarily through the selection of benefits by each beneficiary group (based on Table 3.1). Through the FPIC processes from July to November 2020 covering 99 villages, these benefits have been socialized with beneficiaries including adat communities. Inputs from FPIC process are outlined in the section 6 below.

All beneficiaries will be eligible to receive monetary benefits, except, the private sector in East Kalimantan which expressed their preference through stakeholder consultations with the sub-national government to only receive non-monetary benefits as part of the BSP<sup>8</sup>. The private sector’s interest is more on the ease of business, and the enabling conditions to maintain business in their areas. For other beneficiaries, the use of monetary benefits will be determined through ER Implementation report consisting activity and finance expenses. The National and Sub-national Governments will channel benefits to the beneficiaries. In addition, a reward scheme is provided for villages and *adat* communities who have practiced avoiding deforestation. The reward will trigger them to maintain and manage the forested areas in a sustainable way.

It is expected that the ER Program will generate significant levels of benefits that will be directly received by the beneficiaries. Not only the monetary and non-monetary benefits funded by ER payments, but also non-carbon benefits from participating in ER activities, such as increased capacity, and improved livelihoods; and benefits derived from improvements in governance, such as greater legal certainty, and reduced costs associated with conflict.

### 3.2 Specific Benefits by Beneficiary Group

The monetary and non-monetary benefits for all beneficiaries will be implemented under the ER Program and are aligned with the medium term development plan to demonstrate the coherence between sub-national development program and the activities of the ER Program. The types of benefits for each category of beneficiaries are outlined in Table 3.1 below.

*Table 3.1. The types of benefits for each category of beneficiaries.*

Beneficiaries	Types of benefits	Rationale
<b>Government institutions</b>		
<i>National Government</i>	Monetary benefits for covering operational costs, defined as expenditures related to the technical support (e.g., MRV, safeguards) and administrative and financial management of the ER Program including the BLU-BPDLH	The monetary benefit is given to incentivize the roles and responsibilities taken under the ER Program implementation.
	Non-monetary benefits for capacity building in financial management system for ER Program, strengthening institution for ER project management, coordination across sectors and support	The non-monetary benefit is given as a support for activities to ensure the implementation of the ER Program at the national level.

<sup>8</sup> The minutes of meetings (MoM) of the stakeholder consultations are prepared by the East Kalimantan Provincial Government

<b>Beneficiaries</b>	<b>Types of benefits</b>	<b>Rationale</b>
	for implementation of ER Program activities.	
<i>National Park Agency/Conservation Management Unit</i>	Monetary benefits for covering operational costs <sup>9</sup>	The monetary benefit is given as an incentive for the operational cost under the ER Program implementation.
	Non-monetary benefits for support on conflict identification and resolution, joint protection and fire prevention control in conservation areas	The non-monetary benefit is given as support for activities to improve the National Park Agency/Conservation Management Unit implementation at the sub-national level.
<i>East Kalimantan Government</i>	Monetary benefits for covering operational costs, strengthening policy and support for implementation of ER Program activities	The monetary benefit is given to incentivize the roles and responsibilities taken under the ER Program implementation.
	Non-monetary benefits for support on capacity development on monitoring ER, improving data through groundtruthing, developing HCV monitoring system, training on SESA and ESMF	The non-monetary benefit is given as support for activities to improve the ER Program management and implementation at the sub-national level.
<i>District Governments</i>	Monetary benefits for covering operational costs, strengthening policy and support for implementation of ER Program activities	The monetary benefit is given as an incentive for the operational cost under the ER Program implementation.
	Non-monetary benefits for support on enhancing sustainable mangrove practices, sustainable peat land agriculture, training on RIL and HCV management	The non-monetary benefit is given as a support for activities to ensure the implementation of the ER Program at the district level.
<i>Village Governments</i>	Monetary benefits for covering operational costs, strengthening policy and support for implementation of ER Program activities	The monetary benefit is given as an incentive for the operational cost under the ER Program implementation which is different from the Allocations to communities (for performance and reward).
	Non-monetary benefits for capacity development training in managing funding for community, supervising the ER Program implementation on village level	The non-monetary benefit is given as support for activities to improve the capabilities in managing and implementing the ER Program on the ground in village level.
<i>FMUs</i>	Monetary benefits for covering operational costs and support for implementation of ER Program activities	The monetary benefit is given as an incentive for the operational cost under the ER Program implementation.

<sup>9</sup> While the National Park Agency/Conservation Management Unit are in sub-national level, the operational cost will be separated with the sub-national and categorized as national government.

Beneficiaries	Types of benefits	Rationale
	<p>Non-monetary benefits for capacity building, including for facilitation with communities (e.g., awareness, conflict resolution, etc.); capacity building/training and equipment for SFM, RIL, HCV, forest and fire management, social forestry, and livelihoods opportunities for communities</p>	<p>The non-monetary benefit is given as support for activities to improve the FMUs' capabilities in managing and implementing the ER Program regarding the collaboration with stakeholders on forest-land status.</p>
<b>Private Companies</b>		
<p><i>Estate crop concessions; Timber plantation concessions; Forest management concessions</i></p>	<p>Non-monetary benefits in the form of capacity building/training on sustainable plantations, HCV protection, certifications (e.g., FSC/PHPL, RSPO/ISPO), sustainable forest management (e.g., RIL), fire management, and tenure conflicts/public complaints; Non-monetary benefits for equipment and inputs (e.g., planting stock) to support sustainable practices</p>	<p>The non-monetary benefit is given to improve the private companies' capabilities in managing their land for the achievement of the ER Program's objectives.</p>
<b>Local Communities Including Adat Communities</b>		
<p><i>Community groups, including Adat Communities</i></p>	<p>Monetary benefits will be in the form of cash for the community for forest management activities such as wages for community patrols and monitoring.</p>	<p>The monetary benefit is given to reward the community achievement in reducing emissions and to implement long-term strategies for protecting forests and improving community livelihoods, as community is the key actor in environmental protection.</p>
	<p>Non-monetary benefits for forest and fire management, including equipment and capacity building/training; investment to provide long-term impact under the poverty alleviation and environmental sustainability framework such as seeds for farm, agroforestry, livestock, and similar investment which will incentives the village than individual community; Development projects (e.g., health, education, public facilities) that do not contribute to deforestation and forest degradation; Additional livelihood support for community businesses, including capacity building/training, equipment, market access, or agricultural inputs</p>	<p>The non-monetary benefit is given as support for activities to improve the communities' capabilities not only in implementing the ER Program, but also in improving livelihoods to avoid any potential reversal risk of deforestation and forest degradation.</p>



## 4 BENEFIT DISTRIBUTION

### 4.1 Criteria and Proportion of Benefits

The total program cost over the period 2019-2025 is estimated at USD 90,701,740 with annual costs respectively totaling USD 7,872,514 (in 2019-2020), USD 5,434,036 (in 2021), USD 16,475,394 (in 2022), USD 9,375,949 (in 2023), USD 23,825,171 (in 2024), and USD 27,718,675 (in 2025). The main source of funding will come from the government budget of USD 69,518,306, where the second largest source is the private sector which has committed a total of USD 3,528,590 to the program. The ER payments from the FCPF are not included in the financing strategy for the ER Program and will be categorized as a reward for Indonesia in achieving ERs. Nevertheless, the ER payment might further be used to continue and increase ER program implementation on the ground to deliver more ERs.

The implementation of the ER Program involves a wide range of considerations, from the strategy to implement ER activities, the needs to strengthen actor's capabilities in implementing ER activities, the necessity to secure policies and regulations in ER Program, the needs to improve community livelihoods and increase sub-national economic growth, and the potential gain (or loss) of investment and opportunity cost associated with implementing the ER Program. Thus, for the ER Program and the BSP to be viable, all these considerations should be properly considered in the implementation of the ER Program. Hence, three main allocations of benefits are agreed<sup>10</sup> in this BSP: a) Responsibility Allocation to incentivize governments in governing the ER Program; b) Performance Allocation to incentivize beneficiaries in reducing emissions; and c) Reward Allocation to incentivize communities who have demonstrated continued protection of forests.

Benefits for responsibility allocation are proportionally distributed to Central Government (including MoEF, BPDH and Custodian Bank) and Provincial Government (including Districts and City). The proportions of benefits are based on the roles and responsibilities for each government level related to implementation of ER programs in the fields.

---

<sup>10</sup> Discussed in October 2018, agreed in Mission in December 2018. The Responsibility Allocation comes up in April 2019 Stakeholder Consultation (SC) which then agreed to replace the operational cost (in ERPD) in May 2019 SC.

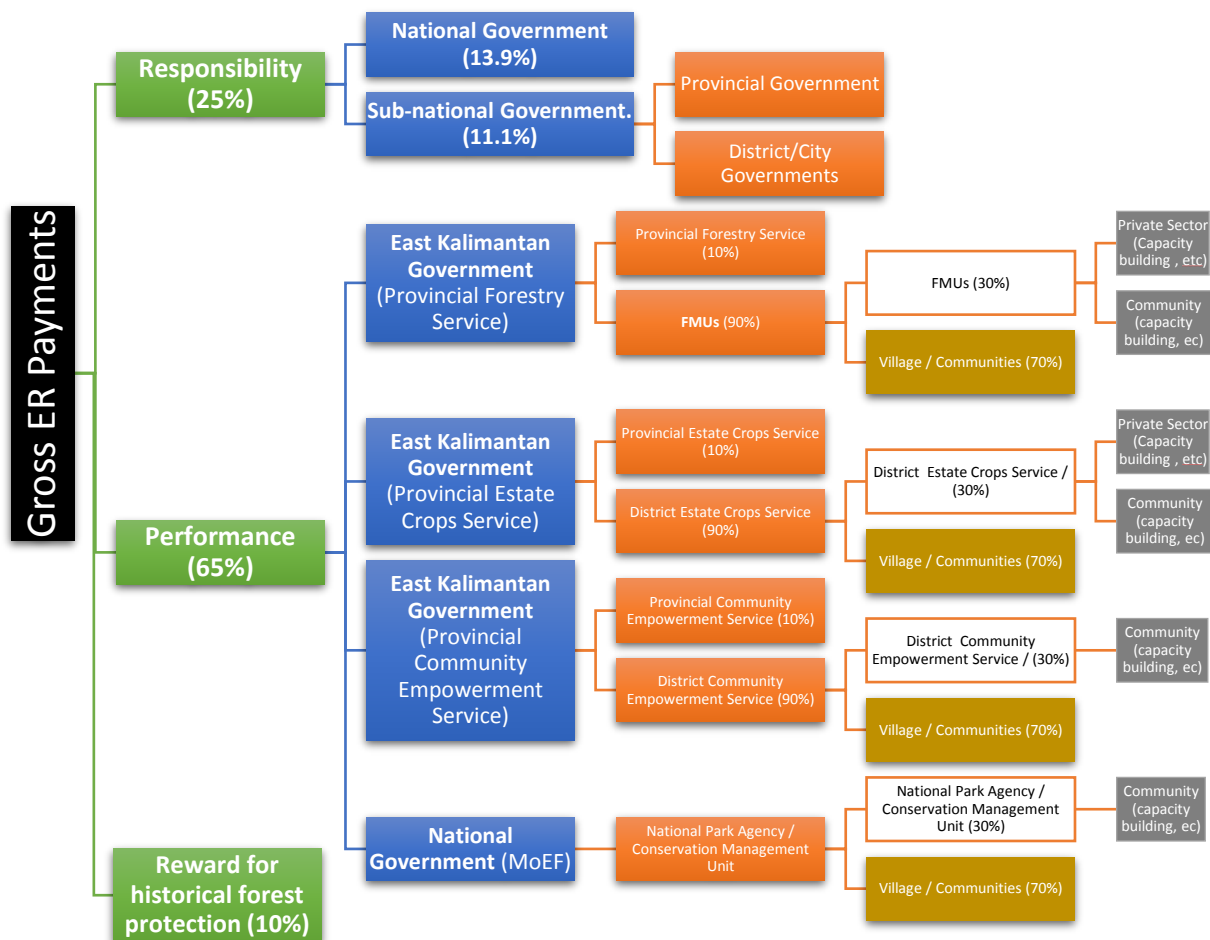


Figure 4.1. The benefit sharing proportion.

The World Bank will transfer the ER Payment through BLU-BPDLH to a custodian bank. BLU-BPDLH will transfer the payments to national, sub-national, and village/adat community level in tranches and/or full payment. The amount of ER payments is based on proportion of benefits from the verified ER calculation. To ease the administration requirements, there will be three parties involved in the benefit distribution process, namely: a) the beneficiaries (see section 2.1) who receive the benefit, b) benefit managers who sign the ER Payment contract with BLU-BPDLH and channel the funds to beneficiaries, and c) supervisors who supervise benefits to and implement benefits on behalf of beneficiaries (**Error! Reference source not found.**). Supervisors will be responsible for implementing and supervising the implementation of benefits on behalf of and to beneficiaries and also consolidating the Activity and Financing Reports from the beneficiaries. However, for Village Government and Adat Communities, the supervision is from the Community Empowerment Services (*Dinas Pemberdayaan Masyarakat dan Pemerintahan Desa/DPMPD*) at province and district level, whereas facilitation and reporting is responsibility of the appointed intermediary agency at province level. In order to ensure the effective use of benefit by beneficiaries, supervisors will make the ER implementation contract with beneficiaries. The contract will consist of roles and responsibilities of each party in implementing the ER Program, reporting processes, and benefit distribution processes. The benefit managers' and supervisors' operational costs are covered by the Responsibility Allocation and Performance Allocation. MoEF and the Provincial and District/City Governments (BPKAD) including the appointed intermediary agency will sign ER Payment contracts with BLU-BPDLH. For distribution of monetary benefits, transfer will be through banking system. So, all beneficiary groups will need to have a bank account.

It is not expected that the ER Program will under-perform in any reporting period. However, in the case of under-performance, the proportions for benefit distribution will remain the same where the ER Payment will be distributed as: 25% for Responsibility Allocation, 65% for Performance Allocation, and 10% for Reward Allocation.

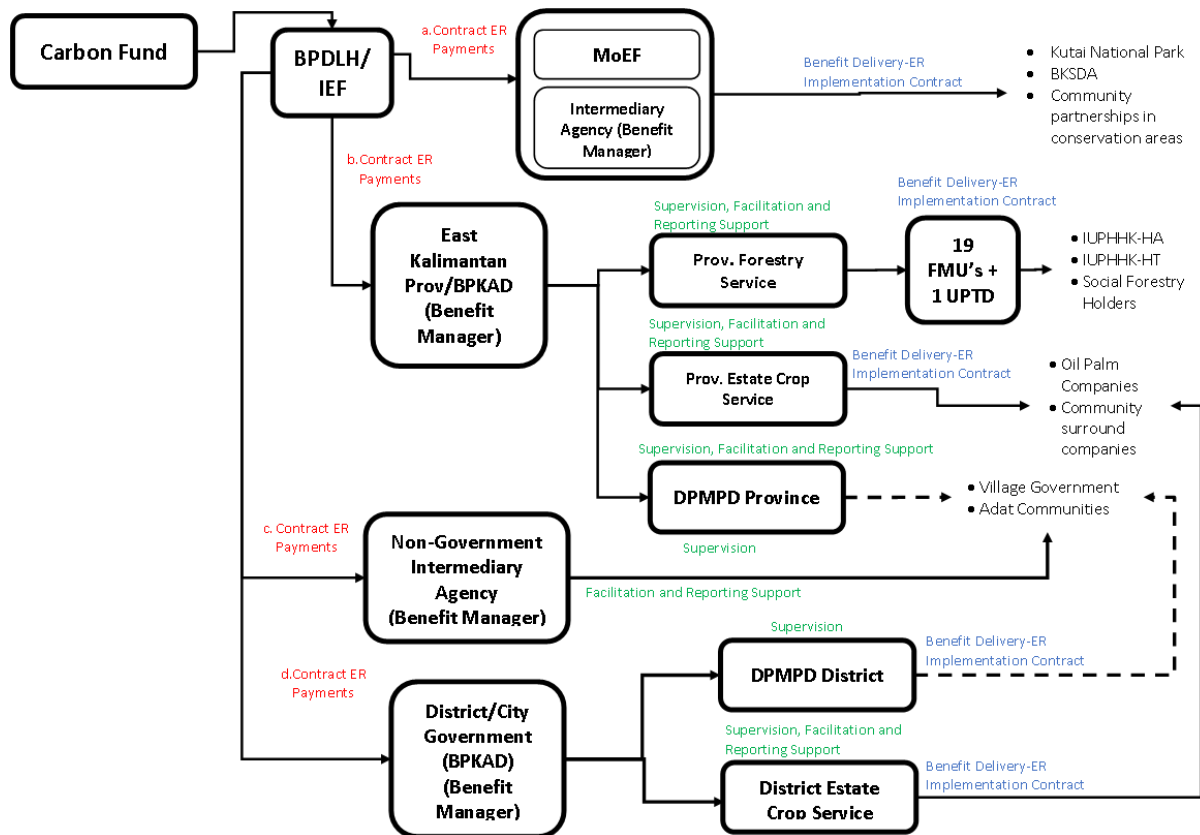


Figure 4.2 Funds Flow and Roles and Responsibilities parties involved

For **village government and community** (including Adat communities) beneficiaries, the benefit manager is appointed intermediary agency through bidding process. However, supervision will be provided by DPMPD at the provincial and districts level. Village government and community beneficiaries will sign ER implementation contracts with the intermediary agency at province level. The contracts will describe roles and responsibilities in implementing the ER Program, reporting processes, and benefit distribution processes (the contract's detail will be in the Project Operational Manual (POM) for the ER Program). The performance of community groups in implementing ER Program will be monitored at the level of community groups' managed areas, and the performance of village government will be monitored at the village boundary level. The intermediary agency will regularly assist the village government and communities in implementing the ER Program, which can be helped by intermediaries (see section 4.2.1). Benefits for village governments and communities will be funded by the ER Payments under the Reward or Performance Allocations. The financial management arrangement at the community level must include financial staff arrangement, access to their bank account, filing of supporting documents, etc. These requirements will be specified in the POM.

For oil palm smallholders (**community**) and estate crop companies (**private sector**), the benefit manager is Provincial and District government, through BPKAD Province/District level, whereas supervisors are from Provincial and District Estate Crops Services. The performance of estate crop companies in implementing the ER Program will be monitored at the level of the estate crop concessions' areas. The ER Implementation contracts will be agreed between the relevant Estate

Crops Services and the estate crop companies as the direct beneficiaries. Estate crop companies will receive benefits in the form of capacity building for conducting inventories of HCV forests and other natural remaining forests within their concession boundaries. Smallholders will receive benefits in the form of technical assistance from the Provincial and District Estate Crops Service to improve their capacity in meeting the principles of the Indonesian Sustainable Palm Oil (ISPO) certification (see p.90 of the ERPD version May 2019). The Provincial Estate Crops Service will manage HCV inventory data and monitor program implementation progress. No monetary benefits will be transferred to the oil palm smallholders or estate crop companies. Benefits for smallholders and estate crop companies will be funded by the ER Payments under the Performance Allocation.

For **FMUs** and Social Forestry Groups (**community**), the benefit manager is Provincial government through BPKAD Province level, whereas the supervisors are from the Forestry Service at Provincial Level and FMU at field level. FMU areas can also include timber concessions and forest management concessions. The performance of FMUs and Social Forestry Groups (SFs) in implementing the ER Program will be monitored at the FMU administrative areas. So, the activity agreement for ER implementation will be between SF groups and FMU with the supervision from the Forestry Service. Benefits from ER Payments will be received through provincial treasury account. FMUs will use benefits from the ER payments following local government budgeting and treasure system, that is local government budgeting and treasure mechanism. The Forestry Service will monitor the implementation of benefits. Such benefits will be used by FMUs for ER Program implementation activities such as forest protection and patrolling, monitoring the implementation of Fire Prevention and Control activities carried out by concessions (IUPHHK-HA and IUPHHK-HT), and local communities including social forestry activities and supporting concessions to comply SFM certification. Similarly, SF groups will use benefits for implementing ER activities that were designed to reduce tenure conflicts in existing concession areas, providing regulated access rights and livelihood opportunities. Benefits for FMUs and SFs will come from the ER Payments under the Performance Allocation.

For **National Park Agency/Conservation Management Units**), which are the MoEF's technical implementation units at the field level, the benefit manager is the MoEF at the National Level. The performance of National Park Agency/Conservation Management Unit in implementing the ER Program will be monitored at the level of conservation areas. Each National Park Agency/Conservation Management Unit will sign the ER Implementation. contracts with MoEF, and MoEF will sign a ER Payment contract with BLU-BPDLH. If MoEF prefers to use intermediary agency as benefit manager (through bidding process), then BLU-BPDLH will transfer the benefit to the appointed intermediary agency through a custodian bank. The intermediary agency will pass the benefit to the National Park Agency/Conservation Management Unit. As benefit manager, the intermediary agency will be responsible to consolidate the activity and financing reports from National Park Agency/Conservation Management Unit in ER implementation. Benefits will be used for conservation activities such as forest and wildlife protection and monitoring, fire management and prevention, and partnership with local communities at the conservation areas' buffer zone. **Communities living in buffer zones** will also received benefit from the implementation of benefits by the National Park Agency/Conservation Management Unit.

Overall, the ultimate beneficiary from this ER Program is communities (Figure 4.1 and Figure 4.2) because they are the key actor in protecting forest, preventing fire, and the main target for poverty alleviation and wellbeing improvement. Community groups will receive benefits through the Reward Allocation (for community only), and Performance Allocation through provincial government service (DPMPD, Estate Crops Service, and Forestry Services). Most of the Performance Allocation will benefit communities through various approaches and efforts from other beneficiaries in implementing the ER

Program such as FMU activities in implementing social forestry (for community), estate crop companies in promoting oil palm smallholder (for community), National Park Agency/Conservation Management Unit in developing conservation partnerships with communities, and especially village governments in assisting local communities to implement the ER Program.

The government agencies, including the benefit managers and supervisors, receive benefits from the Responsibility Allocation and Performance Allocation. The **Responsibility** allocation will go to three parties, namely the National Government (MoEF), the Provincial Government, and Districts/City Governments. The BLU BPDH will transfer the responsibility allocation fund directly to those parties through custodian bank.

The **Performance** Allocation will go to beneficiaries who are registered both in the National Registry System (SRN) and sub-National Registry System (Portal MMR East Kalimantan). As part of functions to provide financial support and carry out coordination, planning, and supervision of ER Program implementation, the National, Provincial, District Governments, including FMUs will receive proportion of benefits to provide financial support and carry out the functions of coordination, planning, and supervision of ER Program implementation. Based on the East Kalimantan Government's justifications, Supervisors at Province level will utilize 10% of allocation, whereas supervisors from District and FMUs will utilize 27% of such allocation for a group of beneficiaries to implement non-monetary benefits on their behalf. In case for supervisors for FMUs, the District DPMPD and District Estate Crops, such 27% proportion will be used to implement non-monetary benefit for communities and private sector stakeholders. The remaining 63% will be available as monetary benefits to village government and community.

The **Reward** Allocation will go only to the community groups (include *adat* communities) or villages that are eligible to receive the payment. Community groups (include *adat* communities) or villages will receive the Reward Allocation if their managed areas are still forested, and neither deforestation nor forest degradation happened during the reference period. This reward allocation is channeled through the appointed intermediary agency and transferred through a custodian bank.

#### 4.1.1 Responsibility

The Responsibility Allocation is made to provide an incentive for government institutions to continue supporting ER policies that contribute to program sustainability and reduce the risk of reversals. This portion of funding will be allocated to government institutions based on their roles in policy development, program development, program management, and monitoring. In the ERPD (version May 2019), most of those roles are reflected in "Component 1: Forest and Land Governance", "Component 2: Government Capacity for Forest Administration", and "Component 5: Program Management and Monitoring and Evaluation" which sum up to 19% budget allocation.

In addition, there are high costs related to the management of the ER Program, including accessing sites in the ER Program Area (some areas can take two days to reach from the province capital involving land and water transportation), the size of the jurisdiction (related to the hectares of forest to be monitored and the monitoring of program implementation), the large number of stakeholders in the ER Program (related to the program management and engagement process), the costs of facilitating between different levels of government (i.e. national and sub-national), the costs supporting communities in preparing reports (higher cost on communities with limited understanding of the project concept notes and/or communities that hard to reach a consensus), and the opportunity cost of maintaining policies that support ER activities (related to the policy development role). Thus, as much as 25% from the total gross ER Payments will be distributed for the Responsibility Allocation, which not only includes operational costs, but also benefits to incentivize the government institutions

for their roles in policy development, program development, program management, and monitoring. Other than monetary benefits for operational costs, the governments will also receive non-monetary benefits (in the form of training, equipment, etc.) as part of the ER Program implementation under this Responsibility Allocation.

The 25% Responsibility Allocation will be distributed to the National Government (MoEF) and the Sub-national Government (Provincial and District) through appointed intermediary agency. The proportion distributed to each government entity will be based on criteria, namely: the operationalization costs in implementing the program management and monitoring systems, the initiatives in policy developments to support the ER Program, and the roles and responsibility of each government to be accountable in supporting the ER Program. While the National Park Agency/Conservation Management Unit and FMUs are administered under the National Government and Provincial Government respectively, they have different roles in the government level especially in policy development and are considered as independent beneficiaries. Thus, they will not receive benefit from the Responsibility Allocation but from the Performance Allocation.

As much as 13% from the total 25% Responsibility Allocation will be the ceiling for operational costs, while 12% will be used as non-monetary benefits to incentivize government institutions to continue supporting ER policies that contribute to program sustainability and reduce the risk of reversals. The operational cost will cover following components:

1. Monitoring and supervising social and environmental safeguards
2. Monitoring and supervising SRN
3. Monitoring and supervising MMR and MRV
4. Monitoring and supervising benefit sharing implementation
5. Feedback and Grievance Redress Mechanism (FGRM; reporting and follow up actions)
6. Knowledge management operationalization (including communication)
7. Project management and oversight:
  - a. National REDD+ Secretariat
  - b. National Steering Committee (MoEF, MoF, BAPPENAS, Ministry of Agriculture)
  - c. Provincial REDD+ Secretariat
  - d. Provincial Steering Committee
  - e. District Government
8. BLU-BPDLH Fees (including finance administration)

#### 4.1.2 Performance

The Performance Allocation is made to incentivize beneficiaries' performance in reducing emissions. This portion of funding will provide benefits to National Park Agency/Conservation Management Unit, FMUs, private sector, community groups, and village governments. The benefits under the Performance Allocation will provide resources to further invest in ER Program activities based on the ERPD and Governor Regulation No. 33 on 2021 on Benefit Sharing Mechanism of Land-based GHG Emission Reduction Program. The private sector will get non-monetary benefits in the form of capacity building, improvement in utilization management, and other activities that can achieve ERs, through the relevant supervisors.<sup>11</sup> The National, Provincial, and District Governments including the appointed intermediary agency at province level are benefit managers (who deliver benefits to the beneficiaries) and will receive not only benefit from the Responsibility Allocation but also from the Performance Allocation. In addition, village governments will receive benefits under the Performance Allocation

---

<sup>11</sup> Stakeholder Discussion in April 2019.

due to their roles in assisting communities and reducing emissions from their village boundary. The proportion of benefits distributed to each beneficiary under the Performance Allocation will be based on the beneficiary's contribution to reducing emissions from their managed areas by implementing ER Program activities at the FMU or District/City level, and based on several assessment criteria developed by the Provincial Benefit Sharing Working Group<sup>12</sup> that will use information contained in reports (ER Activities) sent by beneficiaries to the registry system.

The ER Program activities under the Performance Allocation are mostly reflected on "Component 3: Reducing Deforestation and Degradation within Licensed Areas" and "Component 4: Sustainable Alternatives for Communities" that sum up to 81% of the budget cost which was the largest cost in implementing the ER Program (see section 6 ERPD). Corresponding to the cost, the allocation from ER Payment to incentivize performance in reducing emissions should also be the largest. Thus, 65% of the ER Payments is allocated for the Performance Allocation. This Allocation will be purely performance-based.

**Proportion of Performance Allocation for FMUs/districts/conservation areas** is estimated based on as follows:

- 1) the proportion of forested area (weight: 30%), and
- 2) the decrease in the size of deforestation area compared to the average size of deforestation area in the reference year (weight:70%).

After the estimation within the FMUs/districts/conservation areas is complete, the proportion for each village (as beneficiaries) within the FMUs/districts/conservation areas is calculated using data derived from villages' reports in the sub-national MMR System in the form of as follows:

- 1) Activity and Financing Report;
- 2) Village Spatial Planning Document;
- 3) Decree of the Village Forest/Natural Resource Management Institution, and
- 4) Village Medium Term Development Plan Document.

Based on these data, the Provincial Benefit Sharing Working Group will provide an assessment of the activities that have been carried out, on a scale of 1-5.

**The proportion of Deforestation and Forested Area** is calculated based on the proportion of forested area, and the proportion of a decrease in the area of deforestation compared to the average area of deforestation in the reference year by each responsible agency, based on the border (area) of each agency (FMUs/districts/conservation areas). Conservation areas are managed by the National Park/Conservation Management Unit, state forest areas are managed by FMUs, and non-state forest areas are managed by District Government. The forested area and deforestation rate calculation is divided into 37 polygons - in East Kalimantan, there are 10 districts/cities, 6 National Park/Conservation Management Unit, and 21 FMUs unit. The weighting calculation for forested areas is 30%, and the decrease in the size of deforestation area compared to the average size of deforestation area in the reference year is 70%.

**Proportions for communities** are calculated after the benefits received by each FMU/district/conservation area. Amount of budget allocation for each village in each FMUs/districts/conservation areas is determined with the following criteria as follows (see Table 4.1)

---

<sup>12</sup> The Provincial Benefit Sharing Working Group was formed by the Provincial Government to help implementing benefit sharing plan in East Kalimantan Province, consist of stakeholder selected by the East Kalimantan Government.

- 1) Program financing (weighting 40%),
- 2) Village Spatial Planning Document (weighting 30%),
- 3) The existence of Forest/Natural Resource Management Institutions in the Village (weighting 20%), and
- 4) Village Medium Term Development Plan Document (weighting 10%).

Once the calculation of the benefits is completed, as stated above, the 30% of the benefit allocation will be implemented by the supervisor on behalf of beneficiaries and 70% will be distributed to beneficiaries as monetary benefits (Figure 4.1). Based on such criteria, there will be at least 618 villages that would be potential to receive benefits under performance allocation. These villages have remaining forested areas.

Table 4.1. The criteria and indicators for Performance Allocation for villages.

	Criteria	Weight	Score	Indicator	Verifier
P1	Program financing	40	1	There is an emissions reduction program, but it is not related to the FCPF-CF component	Activity and Financing Report
			2	One program in one FCPF-CF component has been funded	
			3	More than one program in one FCPF-CF component has been funded	
			4	More than one program in more than one FCPF component has been funded	
			5	Emissions reduction programs, safeguards, FGRM, and reporting have been funded	
P2	Village Spatial Planning	30	1	Does not have a village spatial plan	Village Spatial Planning Document
			3	Has a Village RTRW, but does not contain climate change issues and or avoided deforestation programs	
			5	Has a Village RTRW, and contain climate change issues and / or avoided deforestation programs	
P3	Forest/Natural Resource Management Institutions	20	1	There are no institutions that deal with issues of climate change, village forest management, and/or sustainable development programs	Decree of the Village Forest Natural Resource Management Institution
			3	There are institutions that deal with climate change issues, forest management in villages, and or sustainable	



	Criteria	Weight	Score	Indicator	Verifier
				economic programs, and have been determined by decree	
			5	There are institutions that deal with climate change issues, forest management in villages, and/or sustainable economic programs, and have been determined by decree, and have financing	
P4	Village Medium Term Development Plan	10	1	Does not have a village medium term development plan	Village Medium Term Development Plan Document
			3	Has a village medium term development plan, but does not contain climate change issues and/or avoided deforestation programs	
			5	Has a village medium term development plan, and includes climate change issues and/or avoided deforestation programs	

The score of each village in FMUs/districts/conservation areas is calculated based on the sum of all criteria from the weight and value multiplication.

$$Di = P_1 + P_2 + P_3 + P_4$$

The calculation of the proportionate performance of each village in FMUs/districts/conservation areas is carried out using the maximum-minimum index.

$$Indeks ADi = 0,9 \times \frac{Di - Min D}{Max D - Min D} + 0,1$$

*Min D is the smallest value of all villages within the FMUs/districts/conservation unit and Max D is the largest value of all villages within the FMUs/Districts/conservation unit. For villages that have not submitted reports, a score of 1 is given on each criteria.*

Based on village performance index within FMUs/Districts/conservation unit, the benefits for each village within each supervisor will be divided using the percentage of value index. Simulation of performance calculation can be seen in Annex 1.

#### 4.1.3 Reward

The Reward Allocation is made to reward communities who have managed forested area and had net-zero or low deforestation rates in the past<sup>13</sup> and who can demonstrate continued protection of forests. This portion of benefits will be allocated for communities, to recognize their past-good practices and

<sup>13</sup> Land cover maps will be the basis of this measurement and available since 2006.

to ensure they are continuing such good practices. This could also encourage other communities to adopt good practices.

Most of East Kalimantan's local communities, including *Adat* communities, live within the area designated as State Forest Area. Communities in remote areas often practice traditional lifestyles, governed by customary law and customs. *Adat* communities have been managing land and forest resources for centuries, using their own customary tenure systems. These systems include customary rules and norms to manage the land and forest resources within their customary territories, often through collective ownership and management.

The East Kalimantan Forestry Agency also continues to carry out the process of identifying existing customary forests in East Kalimantan as part of implementing the social forestry program. The East Kalimantan Forestry Agency has formed a Working Group for the Acceleration of the Recognition of *Adat* Communities with members consisting of the provincial government, district governments, academics and non-governmental organizations.

The Reward Allocation will apply only to communities, including *Adat* communities, whose forests have remained protected. The rewarded communities will be processed based on the land cover maps since 2006 until 2016, and the selection will follow the principles of equitable, transparent, effective, respect customary rights to lands and territories and reflect broad community support, and their *Adat* territory lands have been acknowledged by local authority (District Government). The main criteria for communities to receive this Allocation is that the communities have to show net-zero or low deforestation rates<sup>14</sup> in periods the 2006-2016 (reference period) and have large forested on their area<sup>15</sup>. From the initial calculation and based on those criteria, there are 89 villages and *Adat* communities from 7 districts that have the potential to receive Rewards, but this will be validated again by East Kalimantan Benefit Sharing Working Group, which is chaired by Bureau Economy of East Kalimantan Government.

The 10% of the ER payments will be allocated for the Reward Allocation. This proportion was considered sufficient to reward good performance and recognize local role model (without external incentives) and champion villages to inspire other villages.

## 4.2 Processes and Timelines for the Benefit Distribution

### 4.2.1 Process for the distribution of benefits (Flow of Funds)

The World Bank will transfer the ER Payment to a custodian account set up by the BLU-BPDLH. Following MoF regulation, the BLU-BPDLH will charge management and custodian bank fees. The remainder of the ER payment will be distributed to the three Allocations: Responsibility, Performance, and Reward.

ER Payment from the Carbon Fund will be managed by the BLU-BPDLH at national level to avoid possible bureaucratic delays. The required regulations to establish the BLU-BPDLH are all in place, including the Government Regulation, the Presidential Regulation, the Coordinating Ministry Regulation, the Ministry of Administrative and Bureaucratic Reform (MenPAN/RB) regulation, and the Ministry of Finance Regulation. The BLU-BPDLH is not dependent on the funding stream from the ER Payment, as it has already secured its own operational budget. The BLU-BPDLH was launched in

---

<sup>14</sup> Low deforestation refers to village that in the reference year (2006-2016) experienced deforestation lower than 1,209 hectares (calculated based on area of deforestation in the baseline year divided by the number of villages experiencing deforestation).

<sup>15</sup> A village with a large forested area refers to a village with a forested area of more than 10,695 hectares (calculated based on the forested area in the province in 2016 divided by the number of forested villages).

October 2019, the acting President Director was appointed in December 2019, and the personnel (i.e. staffs and directors) has been operational since October 2020. The BLU-BPDLH President Director and the personnel has been selected through procurement (bidding) process and authorized by the Minister of Finance Decree as the responsible entity. For the decision making process for the distribution of benefits, the BLU-BPDLH will form an *ad hoc* technical team as mandated in the MoF regulation. The technical team composition will be decided by the BLU-BPDLH President Director<sup>16</sup>. The technical team composition for FCPF project will be represented by MoEF Directorate General of Climate Change (DGCC), the East Kalimantan Provincial Government, a non-governmental organization representative (NGO) (criteria: (1) endorsed by the East Kalimantan Provincial Government, (2) has been involved with the FCPF project,) and private sector representative (criteria: (1) endorsed by the East Kalimantan Provincial Government, (2) endorsed by the business association in forestry/oil palm sector). The technical team will be covered by the BLU-BPDLH operational cost.

The BLU-BPDLH as Fund Agency has adopted international standards for fund management and distribution. The financial management of BLU-BPDLH has been assessed by Pricewaterhouse Coopers (PwC). The result is a low risk of finance investments to BLU-BPDLH<sup>17</sup>. It implies that BLU-BPDLH is ready to receive ER Payments from Carbon Fund. The Agency will use a custodian bank as trustee. The selection of the custodian bank will be conducted by BLU-BPDLH and agreed by the World Bank.

The funds flow will be based on the ER implementation contracts (that details the roles and responsibility of each party in ER Program) (See Figure 4.2). The contract will include plans on how the ER fund will be utilized, and the reporting requirement of the use of fund using reporting format provided in the POM. This BSP will be the basis for the ER Payment contracts between BLU-BPDLH and benefit managers (four parties, namely a) MoEF, b) BPKAD Province, c) BPKAD District, and d) Appointed Third Party at province level). The BSP also will be basis for the ER Implementation contracts between supervisors and beneficiaries. No payment will be made to the beneficiaries including the national government if the sub-national entities do not perform in the ER Program (reducing emissions) since this is the basis of the ER payments. All budget related to the ER Program will be earmarked on the program level in the sub-national government, but not on the activities level to avoid unnecessary burden in project reports. The budget monitoring and evaluation will follow the legal procedures set by applicable laws and regulations.

---

<sup>16</sup> BPDLH President Director regulation No 7/2020 on guidance disbursement of REDD+'s Funds at BPDLH.

<sup>17</sup> Personal. comm. with Ms. Kurniawati - Director of Fund Management and Development – BLU-BPDLH, 17 September 2021.

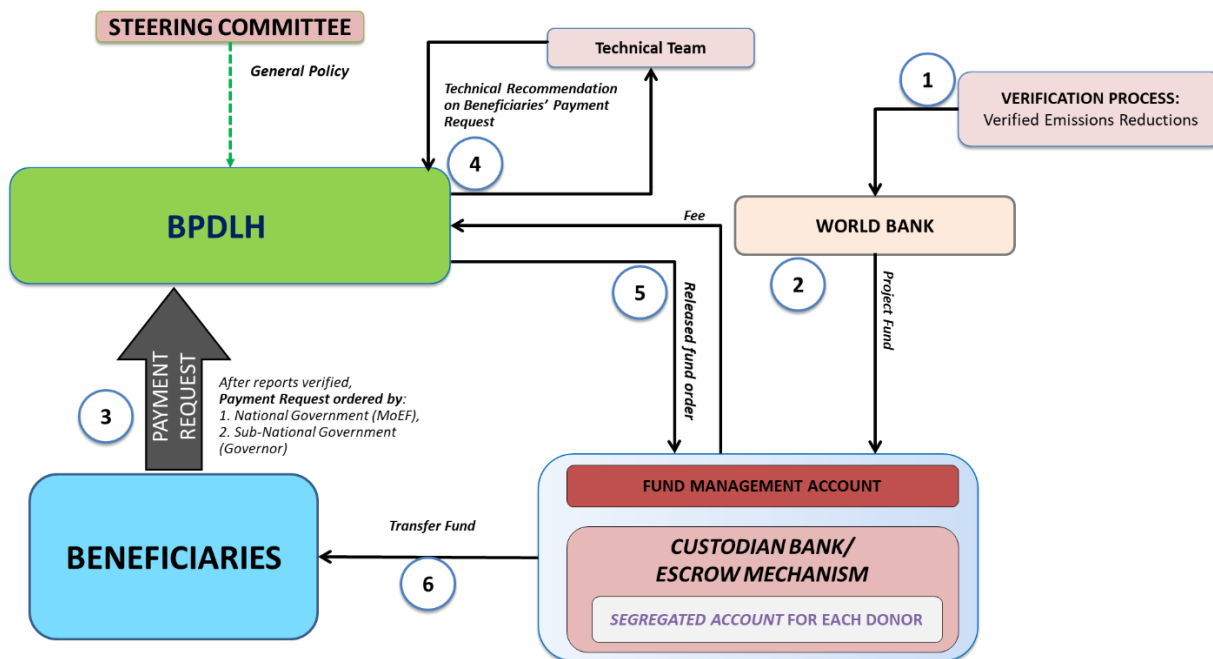


Figure 4.3. The schematic diagram of requesting payment in ER Program implementation.

**[Step 1:]** After the ER verification process is completed and the ERs are verified, **[Step 2:]** The World Bank will transfer the ER payment to an account set up by BLU-BPDH in the custodian bank and the BLU-BPDH's management fee and custodian bank's fees will be charged following MoF regulation<sup>18</sup>(as part of the operational costs). The BPDH Fee will be transferred by the custodian bank afterward. **[Step 3:]** The MoEF on behalf of the National Government and the East Kalimantan Governor on behalf of the Sub-national Governments will request payments (benefit distributions) from the BLU-BPDH. **[Step 4:]** BLU-BPDH will request a recommendation from the technical team on the payment requests as mandated in the MoF regulation. The technical team's recommendation will inform the decision on whether the payment will be released or not. The decision for released fund order is made by the President Director of BLU-BPDH. **[Step 5:]** If the technical team gives a recommendation to transfer the payment, then BLU-BPDH will enter into a contract with the benefit managers. After the contract is signed, the BLU-BPDH will release the fund order to the Custodian Bank. Finally, **[Step 6:]** the Custodian Bank will transfer the fund to the benefit managers as appropriate. The payment from the BLU-BPDH to sub-national will be in tranches and/or full payment based on terms and requirements. The BLU-BPDH has developed a regulation on the terms and requirements for fund release to all beneficiaries<sup>19</sup>.

#### National Government

Within the national government, the entities involved in funds flow include the BLU-BPDH and the MoEF which also administers the National Park Agency/Conservation Management Unit at the sub-national. The BLU-BPDH will split the ER Payment from the World Bank, one part will be transferred to the BLU-BPDH for the BLU and the custodian bank's fees (following MoF regulation), and the rest will be transferred to the Custodian Bank for distribution to beneficiaries. The fee for the BLU-BPDH will be categorized as a non-tax revenue (*Penerimaan Negara Bukan Pajak*, PNBP) and will be charged whenever transactions occur from the World Bank. The MoEF will need to submit proposals to and validated by the BLU-BPDH to access the ER payment. The ER payment for MoEF will be categorized

<sup>18</sup> The proportion is still under negotiation between national, donors, and sub-national. Maximum of 7%.

<sup>19</sup> BPDH President Director regulation No 7/2020 on guidance disbursement of REDD+'s Funds at BPDH.

as BLU-BPDLH expenditures. MoEF will access the fund following the Government's treasury mechanism.

### *Sub-national Governments*

Within the provincial and district/city governments, the ER payment will be recorded as 'Earmarked Miscellaneous Revenue'. The ER Payment for the Provincial Government will be transferred by BLU-BPDLH to the Provincial treasury (BPKAD Province), and for the Districts/City will be separately transferred to the Districts/City treasuries (BPKAD District/City). The access to this Earmarked Miscellaneous Revenue will have to follow regular government budgeting processes. The Government agencies (Sub-national Technical-unit Organization, *Perangkat Daerah*) will have to present budget proposals (beginning in January of every year) to the Provincial/District/City Planning Agency (BAPPEDA) for allocation in the budget prior to parliamentary (DPRD) budget review. The proposed budget (RAPBD) has to be approved by the latest in December of every year prior to disbursement for the following year. The process may take from three to six months, depending on the timing of the received payment.

### *Private Sector*

The ER payment to be used as benefits for the private sector will be administered by the supervising sub-national government agency. This is because private sector will receive non-monetary benefit<sup>20</sup> from this ER Program. The BLU-BPDLH will transfer funding directly to the sub-national government for this purpose. Private sector companies will submit reports to their respective supervisors at the district and/or provincial levels as appropriate. The funding request will follow the sub-national government process.

### *Communities & Village Governments*

In general, the ER Payment from BLU-BPDLH for Communities and Village governments will be transferred through the appointed intermediary agency acting as benefit managers whenever the local institutional capacities of communities (such as *Lembaga Adat* or Social Forestry Institution) is in place, or through village government if no local-institutional capacity in place. The intermediary agency will facilitate and strengthen capacity of village and *adat* community for finance management in the use of the benefits. On the other hand, the implementation of ER program will be supervised by DPMPD as supervisor.

For communities living surround forest concessions or oil palm plantations, the benefit is disbursed through EK Forestry Service or EK Estate Crops Service as supervisor, respectively under provincial/district treasury system (managed by BPKAD Province/District). See **Error! Reference source not found.** In order to avoid double payments to village governments and communities, those registered beneficiaries have to be validated by WG Benefit Sharing team prior to fund transferred.

The Provincial DPMPD and DLH, as well as development partners, through field officers (village facilitators), have committed to ensure that village governments and community groups can submit the report consisting of their activities related to ER program. For Social Forestry Institution, capacity building will be held by Forestry Agency and FMUs. Training has been carried out in some villages and just completed by the end of the first reporting period (December 2020).

In order to receive benefits, communities need to submit reports on their activities related to ER program implemented and proposals to use the benefits. The condition for payment for communities will follow the process as below:

---

<sup>20</sup> Specifically in East Kalimantan, the private sector expressed their preference through stakeholder consultations to the sub-national government, to only receive non-monetary benefits as part of the BSP.

- Village governments, on behalf communities and adat communities, must be recorded in both the Sub-National and National Registry Systems.
- Report from villages at least contain, subject to availability: 1) Activity and Financing Report, 2) Village Spatial Planning Document, 3) Decree of the Village Forest Natural Resource Management Institution; 4) Village Medium Term Development Plan Document.
- Village governments, on behalf of communities, submit their ER activity reports to the registry system and/or to Provincial Village and Community Empowerment Services (DPMPD). The appointed intermediary agency will support and facilitate village governments to develop and provide such reports to the provincial government (DPMPD).
- Based on village reports, the DPMPD brings the reports to the Governor through the Provincial Environment Service (DLH), which coordinates the data for the ER Program and validates the report (in coordination with the national government and the Provincial Climate Change Council (DDPI), which includes representatives of relevant local government organizations, professional staff, and *ad hoc* technical specialists) and calculates the Performance Allocation (in accordance with section 4.1.2).
- The Governor send the report to MoEF and request ER payment from the BLU-BPDLH.
- BLU-BPLDH disburses the funds to benefit managers after gets MoEF approval.
- REDD+ Provincial Secretariat and working groups monitors the use of these benefits and reports on this to the Governor.

If in any case beneficiaries (i.e., local community, FMU, private sector, village government, and National Park Agency/Conservation Management Unit) are not able to submit the reports, then the next benefits will be kept and utilized by their supervisors for facilitation and supervision of the ER programs in the field including development of reports. However, the supervisors can request intermediaries such as local NGOs to support beneficiaries in order to develop ER activity reports.

#### 4.2.2 Timelines for the distribution of benefits

The Government of Indonesia will report on ERs to the World Bank and it may take up to 6-9 months at most for the independent third-party to verify these ERs and the World Bank to make payment. Following this, it may take up to 3-6 months, depending on budget cycles, for benefits to be distributed to beneficiaries. The monitoring reports on the use of the benefits will be ready for submission to BPDHL after 3-6 months benefits received by beneficiaries, whereas submission of the report as a part of BSP report to the World Bank will be done maximum 6 months after the first payment and annually thereafter. See Figure 4.4.

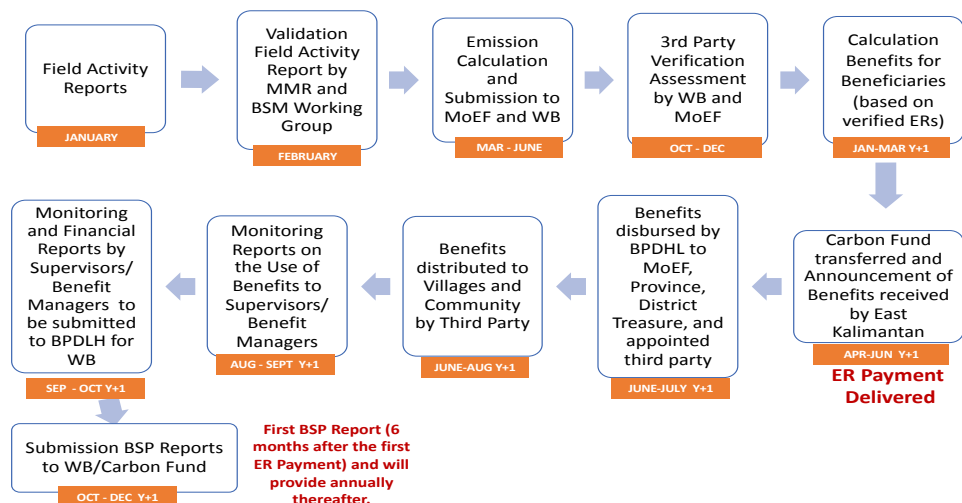


Figure 4.4. Timeline Distribution of Benefits to Beneficiaries

## 5 MONITORING

### 5.1 Institutional Arrangements

At the Province level, the responsible party for decisions, funds flow, and reporting will be the Governor of East Kalimantan Province through the Provincial Secretary (*Sekda Provinsi Kaltim*), whereas at District level, it will be responsibility of *Bupati/Walikota* (Head of District/City) through District/City Secretary (*Sekda Kabupaten/Kota*). In the implementation of BSP, Provincial *Sekda* will be supported by the Provincial Economic Bureau as the coordinator of the Provincial Benefit Sharing Working Group. The access to the ER Payment will have to follow regular budgeting processes. The Government Agencies (Sub-national Technical-unit Organization, *Perangkat Daerah*) will have to provide an annual workplan (beginning in January of every year) to the Provincial Planning Agency (BAPPEDA). The Provincial Benefit Sharing Working Group is chaired by the Head of the Economic Bureau, and consists of Provincial Agencies (Bappeda, Forestry Agency, Environmental Agency, DPMPD, Plantation Agency, private company associations (forestry and estate crops), academics and development partners. The membership of the working group is determined by the Governor, based on recommendations from each stakeholder.

Specifically for communities and village governments, the responsible party for the decision on benefit allocations will be the Governor of East Kalimantan Province through the Provincial Secretary, based on calculation by Provincial Benefit Sharing Working Group. The details on activities for communities have been captured the EK Governor Regulation No 33/2021 on Benefit Sharing Mechanism. The flow of funds will be directly from the BLU-BPDLH to the benefit managers as appropriate. Thus, the benefit manager with the supports from supervisors will be responsible to report the use of fund (based on the ER implementation contract and using format provided in the POM) to the BLU-BPDLH, which will then be submitted to the DGCC for reporting the BSP Implementation to the World Bank.

At the national level, the MoEF will be responsible for consolidating the reports to the World Bank as they will also be signed by the Secretary General of the MoEF. The BLU-BPDLH is responsible for preparing the annual financial statement subject to audit by BPK. The format of the financial statement will be provided in the POM. The report on the use of fund will be disclosed publicly as specified by the ERPA.

### 5.2 Reporting

In accessing and reporting the fund to the World Bank, there are two types of reporting needed, the first report is the ER Monitoring Report to trigger the payments from the World Bank, and second is the report on the BSP Implementation and the use of fund. **The ER Monitoring Report** will be delivered in three given reporting periods to trigger three ER Payments. The first reporting period is from June 18<sup>th</sup>, 2019, when Indonesia's program was unconditionally selected into the portfolio until December 31<sup>st</sup>, 2020<sup>21</sup>. The ER Monitoring Reports from the Sub-national Government was completed in June 2021, and validated by the National Government (MoEF MRV team), followed by a further verification by an independent third-party beginning in Q4, 2021. The second reporting period will be from January 1<sup>st</sup>, 2021 until December 31<sup>st</sup>, 2022. The ER Monitoring Reports from the Sub-national Government are set to be completed in Q1 2023, to be validated by the National Government (MoEF MRV team), followed by a further verification by an independent third-party in Q3, 2023. The third reporting period will be from January 1<sup>st</sup>, 2023 until December 31<sup>st</sup>, 2024. The ER Monitoring Reports from the Sub-

---

<sup>21</sup> A due diligence report has been submitted by the Government of Indonesia to the World Bank, to determine safeguards compliance for ERs generated prior to ERPA signature

national Government are set to be completed in Q2 2025, to be validated by the National Government (MoEF MRV team), followed by a further verification by an independent third-party in Q3, 2025.

On the other hand, the **BSP Report** on the BSP Implementation and the use of fund will be delivered. For the first BSP report, it will be submitted within 6 months after ER Payment is delivered to BLU-BPDLH. The second and third BSP Reports will be submitted annually after delivery of ER Payments is transferred to BLU-BPDLH. Thus, beneficiaries from field to provincial level must prepare the report 3-6 months after the receipt of fund and submit it to the national level, whereas the MoEF/BPDLH will then submit the BSP report to WB maximum 6 months after the first ER Payment and annually thereafter. See Figure 5.1

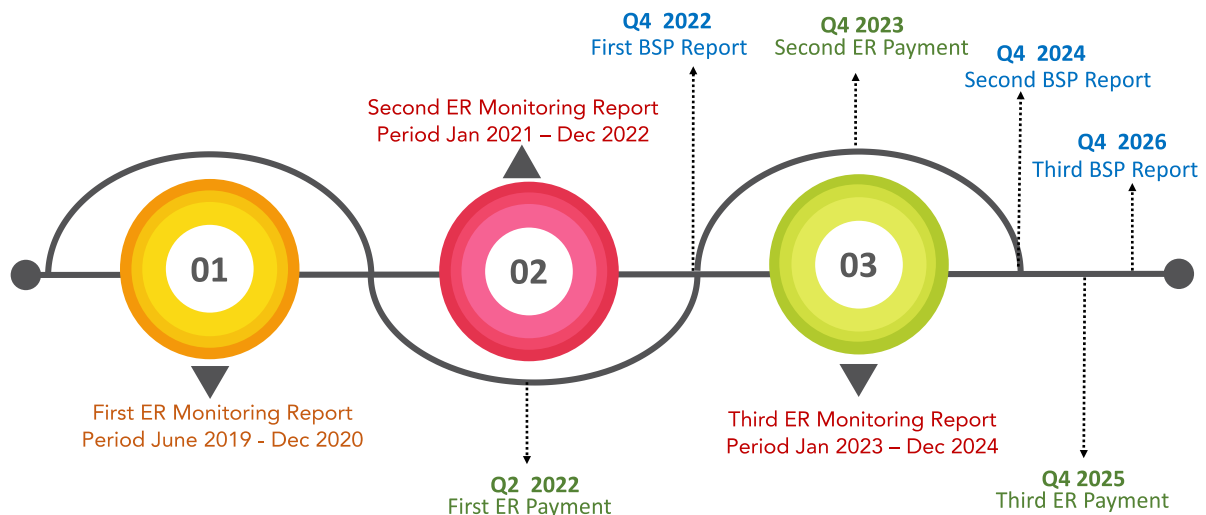


Figure 5.1. Timeline Reports

There will be no ER Performance calculation in BSP Report. The BLU-BPDLH will consolidate the financial reports and submit the report to the DGCC. The BSP report that includes the financial report will be submitted by the DGCC to the World Bank. In general, the reporting process to enable condition for payment is shown on Figure 5.2 where only the ER Monitoring Report will include ER Performance calculation while the BSP Report will include BSP Implementation and the use of fund.

The financial aspect (the use of fund, etc.) of the ER Program implementation will be subject to an audit by BPK as Supreme Audit Institution in Indonesia annually after the first receipt of ER payments. The audit will provide an opinion on whether the BSP financial report is presented accurately. The BLU-BPDLH is responsible for preparing the annual financial statement subject to audit by BPK. The format of the financial statement is provided in the POM. The report on the use of fund will be disclosed publicly as specified by the ERPA.



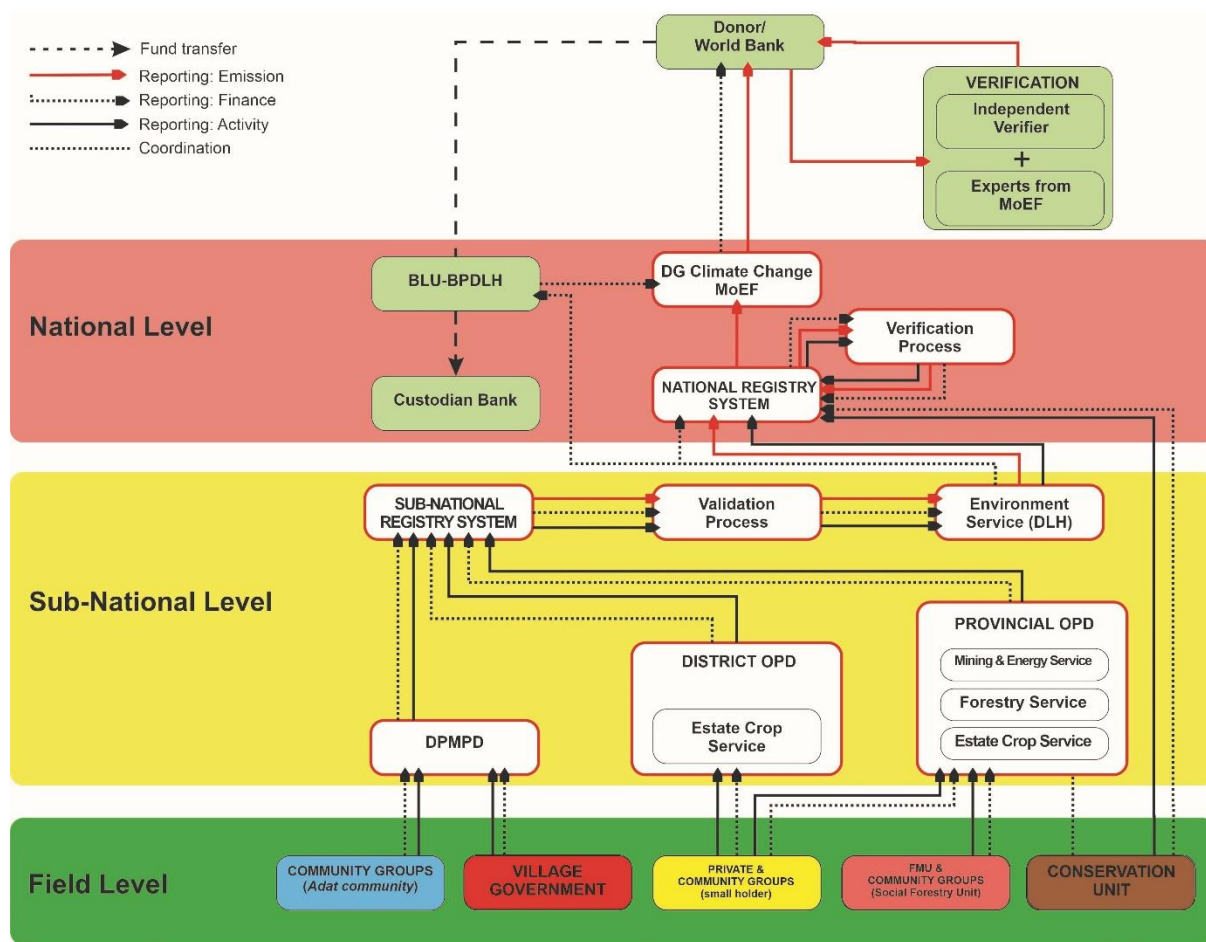


Figure 5.2. The schematic diagram of reporting process to enable condition for payment in ER Program implementation.

**At the field level**, community groups will deliver ER implementation reports based on their types of group (i.e. Social Forestry Units report to FMU, smallholders report to Estate Crops Service, *adat* communities report to DPMPD), whilst village governments will deliver reports to the supervising government agencies (DPMPD) through the registry system. Private sector stakeholders, depending on the type of license, will report to the District Service (Estate Crops Service) or Provincial Service (Forestry, Estate Crop Service). FMUs will deliver reports to the Provincial Forestry Agency. National Park Agency/Conservation Management Unit will submit reports directly to the National Registry System as part of the MoEF technical unit at field level. The National Park Agency/Conservation Management Unit shall coordinate with the Provincial Forestry Service on their performance. All reports at field level are reporting the activities in implementing the ER Program and the budget spent. (See Table 5.1)

Table 5.1. Type of Reports provided by Beneficiaries

Beneficiaries	Supervisor	Type of Reports
Social Forestry Holders	FMU/Forestry Service	ER Implementation Report (Activity and Finance Reports)
Small Holders (Estate Crops)	Estate Crop Service (Province/District)	ER Implementation Report (Activity and Finance Reports)
<i>Adat</i> Communities	DPMPD/Appointed Third Party at Province Level	ER Implementation Report (Activity and Finance Reports)
Village Government	DPMPD/Appointed Third Party at Province Level	ER Implementation Report (Activity and Finance Reports)

Beneficiaries	Supervisor	Type of Reports
Estate Crop Companies (Province/District level)	Estate Crop Services (Province/District Level)	ER Implementation Report (Activity and Finance Reports)
IUPHHK – HA	FMU/Forestry Service	ER Implementation Report (Activity and Finance Reports)
IUPHHK – HT	FMU/Forestry Service	ER Implementation Report (Activity and Finance Reports)
FMU	Forestry Service	ER Implementation Report (Activity and Finance Reports)
National Park/BKSDA (Conservation Management Unit)	MoEF	ER Implementation Report (Activity and Finance Reports)

**At the sub-national level,** all the supervising government agencies will register the activities and budget spent in the sub-national registry system which is managed by the Environment Service (DLH). The sub-national registry system will estimate the number of ERs and will use the reports (activities and financial/Table 5.1) as cross-references for the estimated ER figure. The ERs will be estimated using methods that are aligned with Indonesia’s FREL and National Standard (SNI 8033:2014). The methods to be used include monitoring of the activity data (AD) and emission factors (EF) within the province during the ERPA term (2019-2024).<sup>22</sup> The monitoring procedures will follow the National Forest Monitoring System (NFMS) and the East Kalimantan forest inventory. The monitored parameters are forest cover change resulting in deforestation or forest degradation for all land that was still forested in 2016 and burned forest land in secondary forest since 2016 (see Section 9 ERPD for details). DLH is responsible in calculating the sub-national performance on ERs. The reports (activity, budget, and ER) will go through a validation process, before the Environment Service (DLH) delivers the reports (activity, budget, and ER) to the National Registry System (SRN), which is managed by the MoEF. In addition, the East Kalimantan Government (Province and District governments including the appointed intermediary agency at province level) will also send the required report to the BLU-BPDLH as part of BLU-BPDLH accountability to compile and consolidate financial report to the MoEF DGCC.

The validation process will be incorporated in the MMR system. Beneficiaries will participate in monitoring deforestation by conducting ground checking and reporting the occurrence of deforestation in the accounting area to the Working Group. The mobile application for this has been developed which is connected to the MMR web-portal. The MMR system of the ER Program will be institutionally integrated with the NFMS as described in Regulation of Director General of Forest Planology Number P.1/VII-IPSDH/2015 and SRN. The generation of national forest and land cover change data from satellite images is conducted by the Regional Office for the Management of Forest Area (BPKH) in East Kalimantan Province under the direction of the Directorate of Forest Resources Inventory and Monitoring (IPSDH), which is under the Directorate General of Forestry Planning and Environmental Arrangement (BAPLAN). The ER Program (through the Working Group) will analyze the data from the BPKH to estimate emissions from deforestation and degradation, peat decomposition, and loss of mangrove soil from the conversion of mangrove to aquaculture. Results of the estimation are then submitted to the Environmental Agency for internal verification. The Environmental Agency will then submit the results of the verified estimation to the national registry and verification system.

<sup>22</sup> Standar Nasional Indonesia (Indonesia National Standard) No. 8033 year 2014 regarding Method for Estimation of Forest Cover Changes based on Result of Visual Interpretation of Optical Remote Sensing Imagery.

**At the national level**, the reports from the sub-national (activity, financial, and ER) will be verified by the MoEF MRV team, particularly on the amount of ERs. MoEF will also send their financial report to the BLU-BPDLH to consolidate with the sub-national financial report. Afterward, the MoEF DGCC will report the verified ERs and the consolidated financial report (from the BLU-BPDLH) to the World Bank. The World Bank will assign an independent third-party verifier to verify the ERs, which will be working with the experts from MoEF. This independent verification will be an iterative consultative process which might take six months at most. After the verification is complete, the Carbon Fund will transfer ER payments to one account set up by the BLU-BPDLH in the custodian bank according to the amount of verified ERs.

### 5.3 Safeguards

The benefit recipients under the BSP (both monetary and non-monetary) will be subject to social and environmental safeguards requirements as stipulated in the ERP's Environmental and Social Management Framework (ESMF), Indigenous Peoples Planning Framework (IPPF), Resettlement Planning Framework (RPF), Process Framework (PF) and FGRM. Any activities financed through the BSP will undergo screening and apply environmental and social mitigation measures required under these safeguard instruments. Consistent with the benefit distribution process under the BSP, respective agencies who are responsible for oversight (DPMPD, Forestry and Estate Crops Agency as well as Provincial Forestry Agency) will report to the Governor through the Provincial Environmental Service (DLH) for the overall implementation of safeguards. Such reporting will complement the ERP's FGRM, which is being developed to address future BSP implementation. Program-level oversight for this oversight and grievance management will be under coordination from a Program Management Unit (PMU) at the national level and provincial government.

ER Program entities and benefit recipients are required to monitor and report safeguards compliance, along with reporting to the Registry System, over the duration of the ER Program unless agreed otherwise or there is a dedicated resource allocated for such monitoring and reporting to continue following the Program's closure.

## 6 CONSULTATION & COMMUNICATION

### 6.1 Summary of consultations and incorporation in BSP

An initial workshop was held in December 2015 in Jakarta to discuss the channeling of funding from the Ministry of Finance to the province. This workshop included representatives from MoEF, Ministry of Finance, the East Kalimantan Government, development partners and national NGOs. The meeting helped to identify the on-granting mechanism as a potential component of the benefit-sharing arrangements. A study on the Benefit Sharing Mechanism in East Kalimantan was conducted in 2016.

Benefit sharing arrangements were discussed further between the MoEF and the Provincial Treasury Agency (BPKAD). In November 2017, the BPKAD and provincial development planning agency (BAPPEDA) discussed the appropriate benefit sharing arrangement for East Kalimantan. It was suggested that the FCPF might use the on-budget off-treasury mechanism for benefit-sharing arrangements so that it will avoid bureaucratic procedures from the central to province and/or district governments. However, Presidential Decree No. 77/2018 for the establishment of BLU-BPDLH, stipulated an on-budget on-treasury system, but with a number of provisions to reduce the bureaucracy associated with this process.

As mandated in Act No 32/2009 on Environmental Protection and Management, the Government should provide a policy for an environmental economic instrument. Referring to this mandate, the Government issued Government Regulation No. 46/2017 which regulates development planning and economic activities, environmental funding, and incentives/disincentives. As an umbrella regulation, PP 46/2017 regulates that the government applies the public service agency (BLU) approach to managing the environmental fund. The development of Government Regulation no 46/2017 involved discussions with stakeholders, including other line ministries, local governments, NGOs, the private sector, and academia. Further, a public consultation process was held in selected areas to gain input from local government and other local stakeholders.

A consultation between the national and provincial government was held in October 2018 and the discussion included:

- A proposal that the Provincial Government would have exclusive authority to manage and disburse the ER payments from the provincial level to the field level (village level).
- A discussion of the allocation of benefits between central and provincial governments with a proposal that the majority of the funds will be disbursed to the province.
- The BLU-BPDLH was confirmed as the national agency for channeling benefits to the Provincial Government once ER performance reports have been verified by the MoEF.

A follow-up consultation was held on April 25<sup>th</sup>, 2019 to discuss the BSP outline, the beneficiaries criteria, and the parameters used to allocate each beneficiaries' proportions within the ER Payment allocations. In this stakeholder consultation, the outline was agreed, the beneficiaries' criteria were re-emphasized in order to design the beneficiary proportions. There was also a discussion to change the ER Payment allocation's name from the Operational Cost into the Responsibility Allocation. The reason for the change is to provide a clear description where the Responsibility Allocation covers not only operational cost but also incentivizes the good initiatives in policy developments in to support the ER Program. This coverage was not reflected when the allocation was called Operational Cost.

Another consultation was held on May 9<sup>th</sup>-10<sup>th</sup>, 2019 discussing the transfer mechanism for the ER payments, and the detailed benefit allocation proportion for each beneficiary. Stakeholders from the Ministry of Finance and the Ministry of Interior attended the consultation. Thus, a clear mechanism on transfer from the BLU-BPDLH to the Sub-national Government and the Village Government were confirmed and agreed. The proportion for each beneficiary was also consulted based on the parameters and criteria discussed in the earlier stakeholder consultation (April 25<sup>th</sup>, 2019) albeit no agreements were made. The private sectors were represented by Associations such APhi (Forest Concessionaires Association) and GAPKI (Oil Palm Association).

In July 2019, public consultations as part of the Free Prior Informed Consent (FPIC) Mechanism of the East Kalimantan FCPF ER Program were held in East Kalimantan. Information delivered to participants included:

- a) Presentation on the implementation of FPIC  
An explanation of what FPIC is, why it is important to be carried out, how the process will be carried out, and the mechanism for expressing consent.
- b) ER Program  
A discussion of what the drivers of deforestation and degradation are, what the actions are to address them, how the program will be implemented, where the program will be carried out, and who will implement it.
- c) Social and Environmental Safeguards

An discussion of the social and environmental safeguards, standards from the UNFCCC and the World Bank, important East Kalimantan issues related to social and environmental issues, impacts that may be caused, how to mitigate impacts, and monitoring frameworks.

d) Benefit Sharing Mechanism

A discussion of what benefits will be received, who are the beneficiaries, how financial benefits will be distributed, how to obtain financial benefits, as well as the proportion of benefits and how to calculate in general.

e) Measurement, Monitoring and Reporting

A discussion on how to measure emissions, how monitoring will be carried out, what needs to be reported, and reporting mechanisms and report validation.

f) FGRM

A discussion on the mechanism for feedback and complaint handling, the FGRM channel, the grievance channel at the village level, and the institution that receives complaints.

The summary of public consultation is shown below:

Table 6.1. Public Consultation during the FPIC

Location / Date	Participant	Response from participant
Kutai Kartanegara and Kutai Timur <i>Tenggarong</i> , 18 July 2019	109 participants (90 men, 19 women) <ul style="list-style-type: none"> <li>• Provincial Government: 16 persons</li> <li>• District Government: 8 persons</li> <li>• Village Government: 61 persons</li> <li>• Adat Institutions: 1 person</li> <li>• Development Partners: 11 persons</li> <li>• University: 3 persons</li> <li>• Village Technical Assistance: 4 persons</li> </ul>	<ul style="list-style-type: none"> <li>• To achieve this target, what steps will the government take, especially in the province of East Kalimantan, even if the district head has the authority to issue permits in his area? The provincial government is mainstreaming into the district, and building agreements with the district government.</li> <li>• What can be implemented by the emissions reduction program directly at the village level? Protection and security of forests and peatlands, agriculture and fishing without burning, increasing the economy based on sustainable natural resources, and those in the MoEF Regulation on Climate Village.</li> <li>• What activities should be budgeted or implemented at the village level that will use village funds? Forestry, environment, climate change and disaster prevention activities can use village funds, and there is a Village Ministerial Regulation.</li> <li>• Participants from villages that have mangrove forests said that there were ponds that were not productive and not yet involved in mangrove planting activities. They want ponds that are not productive to be operated and directed in carrying out activities to reduce emissions and economic benefits for the village</li> <li>• Will there be synchronization at the district level related to this program so that it is at the location level and optimally implemented? Program synchronization is carried out by the District and Provincial Bappeda.</li> <li>• This program is expected to be complete up to the site level and can provide benefits to the community in a more tangible form</li> <li>• Clear legal legality is needed in the budgeting of this activity to use village funds, because it is not easy if there are no rules on it</li> </ul>
Kutai Barat and Mahakam Ulu <i>Sendawar</i> , 21 August 2019	100 participants (86 men, 14 women)	<ul style="list-style-type: none"> <li>• Our village is in the forest, this program is still very good. Our village, according to information, is a production forest or limited production forest, can we participate in a program like this? Considering the dry season, we have</li> </ul>

Location / Date	Participant	Response from participant
	<ul style="list-style-type: none"> <li>• Provincial Government: 15 persons</li> <li>• District Government: 16 persons</li> <li>• Village Government: 57 people</li> <li>• Adat Institutions: 2 persons</li> <li>• Development Partners: 6 persons</li> <li>• Village Technical Assistance: 4 persons</li> </ul>	<p>taken the initiative to issue village regulations related to land clearing procedures around the village. The response to this question is that each village can participate in an emissions reduction program and can report its activities into the registry system. Dinas and FMUs will assist villages in program development and reporting.</p> <ul style="list-style-type: none"> <li>• Our hope is that we can also benefit from this program.</li> <li>• In the distribution of incentives, is it only for villages that have been registered or can it be for other villages as well? Only registered villages will receive financial benefits, for those not registered, will benefit through the implementation of the program by the Office / FMUs.</li> <li>• How do you socialize to the community so as not to cut down the forest? Field facilitators and extension workers will come to the village to plan together with the community in sustainable forest management.</li> <li>• Annual activities that receive compensation, protect forests for 15 hectares, 3 months later damage occurs 5 hectares and do not get compensation, will this program guarantee that nothing similar will happen? This program is carried out together with the parties, government, community, private sector and development partners, and this is the commitment of the East Kalimantan government in reducing GHG emissions.</li> <li>• How are the actual actions on the ground related to the implementation of environmental conservation, how to report it, and where to report it? Implementers of emissions reduction activities can report to the online registry system, or report to the District Office or FMUs.</li> </ul>
<p>Berau Tanjung Redeb, 27 August 2019</p>	<p>95 participants (85 men, 10 women)</p> <ul style="list-style-type: none"> <li>• Provincial Government: 13 persons</li> <li>• District Government: 19 persons</li> <li>• Village Government: 54 people</li> <li>• Adat Institutions: 2 persons</li> <li>• Development Partners: 5 persons</li> <li>• Village Technical Assistance: 2 persons</li> </ul>	<ul style="list-style-type: none"> <li>• How do you analyse, so you get 150 Climate Villages, do you also see conflicts in the villages in the process of determination? The analysis was carried out using spatial data and based on expert opinion, including conflict related matters.</li> <li>• What are the criteria for participating in an emissions reduction program? Implement the program and report to the system registry.</li> <li>• Has the proportion been determined to be obtained by the district and what are the planning activities in the area to be able to benefit? Emissions reduction activities that exist in the Regional Action Plan for GHG Emissions Reduction can be done.</li> <li>• How many benefits will be obtained by the community because the value of the benefits obtained will affect the interest of the community to participate and not receive benefits that are smaller than the investment incurred? The program seeks to provide greater benefits to community groups through villages, and the size of the benefits depends on the extent of forested areas and reduced deforestation.</li> <li>• The activities described in this program have actually been carried out by us, but sometimes we cannot do anything when permission is entered. The resource person responded that in the planned program, there was a program to improve forest and land governance, which</li> </ul>

Location / Date	Participant	Response from participant
		<p>was expected to strengthen community commitment in forest protection..</p> <ul style="list-style-type: none"> <li>• I am very happy with this program because of the community involvement in it.</li> <li>• How the incentive mechanism will go to the village. we want to immediately do socialization in our village? Benefits will be obtained after verification of the calculation of emissions reduction in East Kalimantan. Then the proportion of benefits to be obtained by the beneficiaries will be calculated and submitted to the MoEF, so that benefits can be distributed. FCPF makes two payments, namely in 2023 and 2025.</li> <li>• How can villages be involved in reducing emissions? Protect and protect forests, plant, develop sustainable land management, and prevent forest fires.</li> <li>• The challenge we face is that there are currently 3 investors doing activities in our village area? Can be conveyed by investors who carry out activities to the district or FMUs, so that it can be directed in contributing to reducing emissions.</li> <li>• How are these activities aligned with investors so that cooperation can be built to achieve goals? The program is directed so that investors and companies can apply sustainable principles, both forest and estate management, including the declaration of joint commitments.</li> </ul>
Balikpapan, Penajam Paser Utara, Paser Tanah Grogot, 30 August 2019	<p>95 participants (86 men, 14 women)</p> <ul style="list-style-type: none"> <li>• Provincial Government: 13 persons</li> <li>• District Government: 28 persons</li> <li>• Village Government: 37 people</li> <li>• Adat Institutions: 2 persons</li> <li>• Development Partners: 7 persons</li> <li>• Village Technical Assistance: 3 persons</li> </ul>	<ul style="list-style-type: none"> <li>• I am very happy with this program because it will protect the forest but I am also sad why this program only appeared when the forest area began to run out. The response given is that the program has just begun processing and is expected to not be too late to be implemented, so there is no need to be sad anymore.</li> <li>• Our hope with this program can stop illegal logging activities</li> <li>• When this program is rolled out it must be synchronized with adat.</li> <li>• When the capital is moved to East Kalimantan, will the selected village become a climate village? Yes, because the concept of the new capital is also Forest City, which of course supports forest sustainability.</li> <li>• Why aren't incentives given in 2020? With the activities carried out so far, I think we are eligible for early incentives, DDPI might be able to help collect the data needed. The response given is that currently the negotiation process for the payment agreement is underway, and it is likely that it will only be able to be obtained next year, so that it cannot provide incentives more quickly.</li> <li>• Do district governments need to draw up derivative regulations? It is better to develop derivative regulations, so that they can strengthen implementation at the village level.</li> <li>• If we support this program, what will we get? In addition to financial benefits, other non-carbon benefits are also</li> </ul>

Location / Date	Participant	Response from participant
		<p>obtained, such as policy improvements, capacity building, and the associated economic impact</p> <ul style="list-style-type: none"> <li>• What is the spatial planning process? It needs to be coordinated with the district, provincial and national levels, because we are in the IUP and APL regions. Responses given, information will be analyzed and acted upon.</li> <li>• What are the indicators for getting incentives? Forested areas are maintained and deforestation is declining, and ensures that reports are well provided.</li> <li>• Further meetings need to be held at the village level to provide understanding to the village community as a whole. The response is that the FPIC process will be carried out in priority villages, hopefully it can go according to plan.</li> </ul>

FPIC was implemented in 6 districts/cities and 99 villages between July and November 2020. The implementation of the Phase I FPIC was carried out in 99 villages, consisting of 1 city (Balikpapan) and 5 districts (Kutai Barat, Kutai Timur, Berau, Paser and Penajam Paser Utara) in East Kalimantan Province within 1 month (1 October - 30 October 2020) which was carried out by 13 teams of 52 people. In two districts, Kutai Kartanegara and Mahakam Ulu, FPIC activities were not able to be carried out due to the COVID-19 pandemic conditions in the district area. The other five districts and one city, meetings and consultations as part of the FPIC processes were carried out in accordance with COVID-19 health protocols.

Participants who attended FPIC activities totaled 3,447 people, with a total of 2,283 men (66%) and 1,164 (34%) women. Based on the attendance target to be achieved (100%), attendance of participants reached 85%. FPIC socialization activities were done by delivering information on the ER Program, its supporting systems (including Safeguards, FGRM and Benefit Sharing Mechanism) and Climate Village Plus/*Kampung Iklim-plus*<sup>23</sup>, followed by a question and answer session with the village community and ending with the signing of a report of socialization by participant representatives (officials village government), community leaders and community group representatives.

Questions regarding the benefit distribution mechanism included:

1. How many benefits will the village get and what are the mechanisms to receive these benefits?

*Answer: the incentive is calculated based on the emission reduction performance and the proportion of forested area in the village area. To get incentives, the implementer must send a report to the DPMPD or DLH District, or can submit it to the Provincial DLH. After that, the East Kalimantan Benefit Sharing Working Group will calculate incentives, and it will be determined through a Governor's Decree. Distribution will be through village financial assistance from province to village. For community groups or indigenous peoples, it is distributed through FMU or District DPMPD.*

2. How will the benefits be calculated and will one village get the same benefit as another?

*Answer: Each village may get different incentives, and it really depends on the area of forested area and emission reduction at the district level, as well as the investment that the village has made for emission reduction programs.*

<sup>23</sup> Climate Village Plus is a government program to encourage villages to reduce emissions in their village area such as community patrolling to prevent fires.



3. What activities, tools and equipment can be funded from the benefits received by the village? Is it okay to buy a patrol car to protect the forest?  
*Answer: Activities that can be funded are related to activities that can mitigate deforestation and forest degradation. In more detail, it is stated in the guidelines presented.*
4. Are there any sanctions and are there any requirements that benefits be returned by the community in the event of a forest and land fire in the village?  
*Answer: There will be no sanctions in case of fire, but it is possible that the village will no longer be able to get incentives in the next payment period.*

In the second phase of FPIC implementation, a process of taking approval and signing minutes of approval for involvement in the implementation of emission reduction programs was carried out by 99 villages through discussions in 4 regions attended by 322 participants, 276 men (85.7%) and 46 women (14.3%). The 99 villages have signed an agreement to participate in the ER program and are aware of program implementation, including safeguards, FGRM, benefit sharing mechanisms, and reporting mechanisms.

## 6.2 Feedback and Grievance Redress Mechanism (FGRM)

The FGRM is currently being developed to coordinate across existing mechanisms to address grievances and disputes. Under the ERP, a Program Management Unit (PMU) at the national level and provincial government, with extension units at the district level will be established to monitor and report grievances and conflicts to relevant stakeholders in a coordinated and timely manner. The proposed institutional structure for ER Program has been developed. The PMU at provincial level has been proposed (See Figure 6.1).

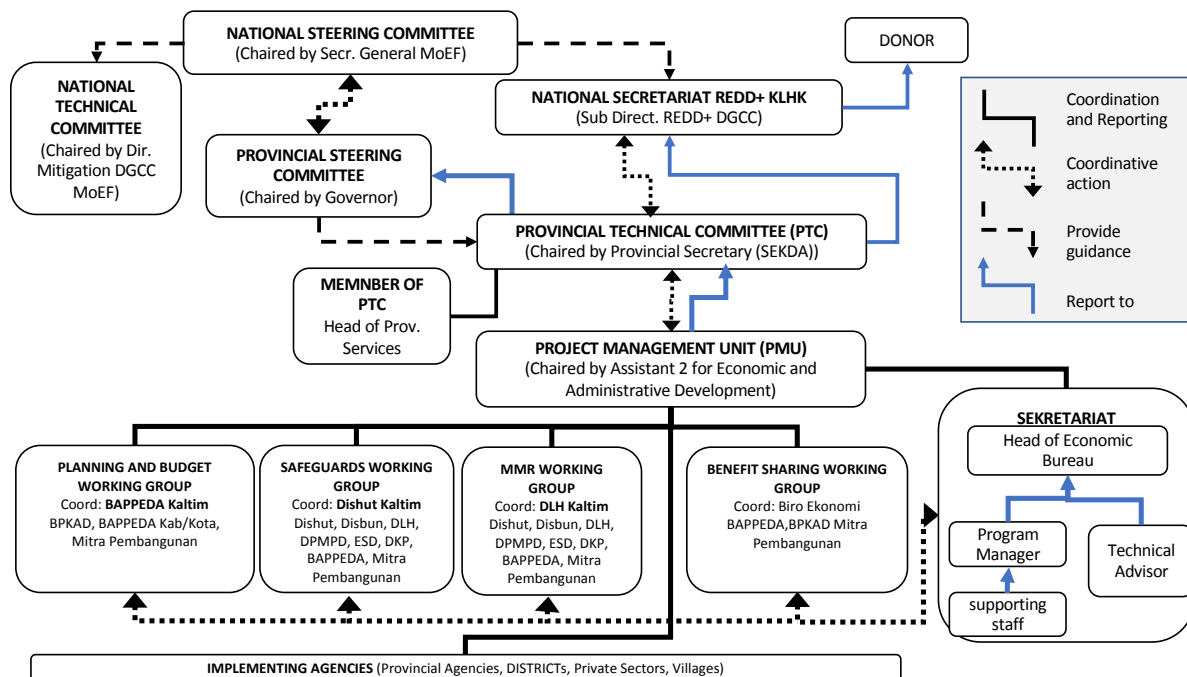


Figure 6.1. Proposed ER Program Institutional Arrangements

The FGRM institutional arrangements will be nested in the ER Program’s institutional arrangements and will include specific coordination mechanisms, including definitions of roles and responsibilities. Any grievances regarding the ER payment transfer and its benefit sharing arrangements will be addressed through the FGRM (see ERPD Section 14.3).

Currently, an existing web-based public feedback platform, namely ASPIRASI ETAM (<https://aspirasi.kaltimprov.go.id/>), is being utilized to support public participation and promote accountability in government affairs in East Kalimantan, including green growth activities. The same platform is adopted for the ER Program to handle feedback and grievances, including those related to the BSP and benefit sharing more generally. Any feedback and grievances will be linked to PMU at provincial level. The PMU will bring those concerns into the working groups in order to find solutions (Planning and Budget working group, safeguard working group, MMR working group, and Benefit Sharing working group). The Governor's Regulation on ASPIRASI ETAM (East Kalimantan Governor Regulation No. 69/2019) has been issued, and is a guideline for the implementation of receiving and handling complaints. In meantime, PMU at Provincial level will use the ASPIRASI ETAM's guideline for ER Program to handle feedback and grievances.

The ASPIRASI ETAM is being administered under the Vice Governor's Office with day-to-day management under the Provincial Communication and Informatics Agency. The ER Program consists of multiple activities across several sectors and administration levels (i.e., province, district and village) and hence, the intention is to have a streamlined and coordinated approach to obtain feedback and grievance redress. While the ASPIRASI ETAM is functional, improvements to capacity, response, accessibility and coordination are ongoing efforts that will also continue during the ER Program's implementation.

Broader submission of feedback and grievances pertaining to the ER Program management and performance will continue to be administered by MoEF through its existing national platforms ([www.pskl.menlhk.go.id/pktha/](http://www.pskl.menlhk.go.id/pktha/); and <http://gakkum.menlhk.go.id/>). The mechanism for handling complaints at national level is based on the MoEF Regulation No. P.22/MENLHK/SETJEN/SET.1/3/2017.

## Annex 1. Simulation of calculating performance

*Disclaimer: The following data are for simulations only, not actual figures, not to be quoted or used.*

Forested area : 6.564.769,82 hectares

Deforestation on payment period : 59.286,66 hectares

Payment received : IDR 227.500.000.000

### 1. Performance allocation for Provincial Government Service and MoEF

Province /LHK	IDR - 10%
Estate Crops Agency	5.488.108.563
DPMPD	2.908.696.286
Forestry Agency	13.804.451.690
MoEF Technical Unit	548.743.462

### 2. Performance allocation for FMUs and District Government Service

			30%	70%		Supervisor	Community
Supervisor	Forested	Deforestation	%Forested	%Def	Total	27%	63%
A-Des	2.503,29	1,60	0,0004	0,0000	0,0001	8.185.318	19.099.076
A-Kbn	95,29	4,75	0,0000	0,0001	0,0001	3.715.389	8.669.241
B-Des	85.023,38	1.331,75	0,0130	0,0225	0,0196	1.204.512.580	2.810.529.353
B-Kbn	169.914,87	1.639,20	0,0259	0,0276	0,0271	1.665.785.061	3.886.831.810
C-Des	1.685,12	2.222,71	0,0003	0,0375	0,0263	1.616.746.641	3.772.408.830
C-Kbn	0,00	0,00	0,0000	0,0000	0,0000	0	0
D-Des	20.348,20	481,30	0,0031	0,0081	0,0066	406.182.795	947.759.855
D-Kbn	65.157,63	3.576,64	0,0099	0,0603	0,0452	2.776.845.156	6.479.305.364
E-Des	6.093,97	83,14	0,0009	0,0014	0,0013	77.403.196	180.607.457
E-Kbn	59.858,09	1.042,57	0,0091	0,0176	0,0150	924.142.112	2.156.331.594
F-Des	8.557,90	5.352,63	0,0013	0,0903	0,0636	3.906.001.992	9.114.004.647
F-Kbn	84.454,86	946,40	0,0129	0,0160	0,0150	923.438.839	2.154.690.623
G-Des	36.066,23	72,91	0,0055	0,0012	0,0025	154.118.299	359.609.365
G-Kbn	180.166,83	3.755,86	0,0274	0,0634	0,0526	3.229.664.410	7.535.883.623
H-Des	2.812,34	216,75	0,0004	0,0037	0,0027	165.094.143	385.219.666
H-Kbn	53.276,87	6.771,28	0,0081	0,1142	0,0824	5.060.403.440	11.807.608.027
I-Des	5.043,88	415,03	0,0008	0,0070	0,0051	315.154.940	735.361.526
I-Kbn	6.563,31	297,10	0,0010	0,0050	0,0038	233.893.772	545.752.134
J-Des	28,47	0,00	0,0000	0,0000	0,0000	80.069	186.828
J-Kbn	1,71	0,00	0,0000	0,0000	0,0000	4.941	11.528
KPH-1	6.660,34	104,93	0,0010	0,0018	0,0015	94.793.645	221.185.172
KPH-2	207.397,83	5.553,36	0,0316	0,0937	0,0750	4.609.733.415	10.756.044.636
KPH-3	697.394,21	1.565,24	0,1062	0,0264	0,0504	3.092.795.303	7.216.522.374
KPH-4	340.761,04	2.235,91	0,0519	0,0377	0,0420	2.578.113.747	6.015.598.742
KPH-5	722.464,47	599,97	0,1101	0,0101	0,0401	2.463.103.771	5.747.242.132
KPH-6	118.248,95	386,31	0,0180	0,0065	0,0100	612.099.581	1.428.232.356
KPH-7	262.615,00	1.997,81	0,0400	0,0337	0,0356	2.186.072.756	5.100.836.431
KPH-8	192.766,16	163,26	0,0294	0,0028	0,0107	659.505.958	1.538.847.236

			30%	70%		Supervisor	Community
Supervisor	Forested	Deforestation	%Forested	%Def	Total	27%	63%
KPH-9	243.126,32	3.533,03	0,0370	0,0596	0,0528	3.244.783.964	7.571.162.584
KPH-10	457.348,88	3.091,68	0,0697	0,0521	0,0574	3.526.022.261	8.227.385.276
KPH-11	25.880,19	115,71	0,0039	0,0020	0,0025	156.566.870	365.322.696
KPH-12	637.906,26	369,27	0,0972	0,0062	0,0335	2.058.436.707	4.803.018.984
KPH-13	92.648,84	1.400,07	0,0141	0,0236	0,0208	1.275.464.614	2.976.084.100
KPH-14	186.846,95	284,41	0,0285	0,0048	0,0119	730.752.317	1.705.088.739
KPH-15	80.920,68	311,46	0,0123	0,0053	0,0074	453.032.639	1.057.076.158
KPH-16	324.040,09	2.874,75	0,0494	0,0485	0,0488	2.994.494.178	6.987.153.081
KPH-17	274,18	1,41	0,0000	0,0000	0,0000	1.794.939	4.188.190
KPH-18	22.981,10	1.208,38	0,0035	0,0204	0,0153	940.884.840	2.195.397.961
KPH-19	787.019,59	2.837,13	0,1199	0,0479	0,0695	4.266.805.355	9.955.879.162
KPH-20	222.248,40	963,25	0,0339	0,0162	0,0215	1.322.451.588	3.085.720.372
KPH-21	1.346,68	0,73	0,0002	0,0000	0,0001	4.311.112	10.059.262
KK-Kab	0,00	0,00	0,0000	0,0000	0,0000	0	0
KK-A	0,00	0,00	0,0000	0,0000	0,0000	0	0
KK-B	3.248,03	0,00	0,0005	0,0000	0,0001	9.118.194	21.275.785
KK-C	9.285,00	238,21	0,0014	0,0040	0,0032	198.824.081	463.922.856
KK-D	3.255,47	242,37	0,0005	0,0041	0,0030	184.916.167	431.471.056
KK-E	130.432,91	996,38	0,0199	0,0168	0,0177	1.088.748.905	2.540.414.112

### 3. Performance allocation for villages

#### District A

Allocation for villages: IDR 27.768.318

Manage by Supervisor Agency: IDR 5.989.245

Village	P1	P2	P3	P4	Total	Fi	IDR	Send Report
A-1	5	3	3	1	3,6	0,81	3.461.317	Yes
A-2	5	4	2	1	3,7	0,84	3.577.990	Yes
A-3	3	3	3	3	3	0,65	2.761.275	Yes
A-4	5	4	3	5	4,3	1,00	4.278.032	Yes
A-5	2	3	1	5	2,4	0,48	2.061.234	Yes
A-6	3	2	5	2	3	0,65	2.761.275	Yes
A-7	3	4	1	5	3,1	0,67	2.877.949	Yes
A-8	1	1	1	1	1	0,10	427.803	No
A-9	1	1	1	1	1	0,10	427.803	No
A-10	1	1	1	1	1	0,10	427.803	No
A-11	1	1	1	1	1	0,10	427.803	No
A-12	1	1	1	1	1	0,10	427.803	No
A-13	1	1	1	1	1	0,10	427.803	No
A-14	1	1	1	1	1	0,10	427.803	No
A-15	1	1	1	1	1	0,10	427.803	No
A-16	1	1	1	1	1	0,10	427.803	No
A-17	1	1	1	1	1	0,10	427.803	Not Reporting

Village	P1	P2	P3	P4	Total	Fi	IDR	Send Report
A-18	1	1	1	1	1	0,10	427.803	Not Reporting
A-19	1	1	1	1	1	0,10	427.803	Not Reporting
A-20	1	1	1	1	1	0,10	427.803	Not Reporting
A-21	1	1	1	1	1	0,10	427.803	Not Reporting

District B

Allocation for villages: IDR 5.225.497.583

Manage by Supervisor Agency: IDR 306.399.112

Village	P1	P2	P3	P4	Total	Fi	IDR	Send Report?
B-1	3	3	3	3	3	0,65	395.533.399	Yes
B-2	5	4	3	5	4,3	1,00	612.798.224	Yes
B-3	5	3	3	1	3,6	0,81	495.809.472	Yes
B-4	3	2	5	2	3	0,65	395.533.399	Yes
B-5	1	1	1	1	1	0,10	61.279.822	No
B-6	1	1	1	1	1	0,10	61.279.822	No
B-7	1	1	1	1	1	0,10	61.279.822	No
B-8	3	2	5	2	3	0,65	395.533.399	Yes
B-9	3	4	1	5	3,1	0,67	412.246.078	YEs
B-10	1	1	1	1	1	0,10	61.279.822	No
B-11	1	1	1	1	1	0,10	61.279.822	No
B-12	3	2	5	2	3	0,65	395.533.399	Yes
B-13	3	4	1	5	3,1	0,67	412.246.078	Yes
B-14	5	3	3	1	3,6	0,81	495.809.472	Yes
B-15	5	4	2	1	3,7	0,84	512.522.151	Yes
B-16	3	3	3	3	3	0,65	395.533.399	Yes