

DRAFT 4.1 | October 6, 2025



Benefit Sharing Plan

East Kalimantan - Jurisdictional Emissions Reduction
Program, INDONESIA

Benefit Sharing Plan

East Kalimantan Jurisdictional Emissions Reduction, INDONESIA

The Ministry of Environment

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 th , 2019
Draft 0.1	:	Incorporated written input from DDPI and the World Bank Incorporated discussion results with KLHK (May 27 th , 2019) Incorporated discussion results with World Bank (May 29 th , 2019) Incorporated discussion results with DDPI (June 13 th , 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 rd , 2019 Incorporated inputs from East Kalimantan BSM Team received on September 25, 2019 Incorporated inputs from the Ministry of Home Affairs, September 27 th , 2019
Draft 1.2	:	Incorporated written inputs from the World Bank, October 8 th , 2019 Incorporated inputs from the discussion between the World Bank and BLI at the FCPF meeting, November 13 th , 2019 Incorporated inputs from the discussion between the World Bank and BSP team at the WB office, Jakarta, December 3 rd , 2019
Draft 1.2 Dec.	:	Incorporated written inputs from the World Bank, December 9 th , 2019
Draft 1.3	:	Incorporated written inputs from the FCPF Appraisal Mission, February 10 th – 13 th , 2020 Incorporated written inputs from the East Kalimantan Government, February 21 st , 2020
Draft 1.4	:	Incorporated written inputs from the World Bank received on March 18 th , 2020 Incorporated written inputs from the East Kalimantan Government received on March 27 th , 2020
Draft 1.5	:	Incorporated discussion results on April 17 th , 2020 Incorporated written inputs from the East Kalimantan Government received on April 17 th , 2020 Incorporated discussion between MoEF and the World Bank on April 23 rd , 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. IEF 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.
Final Draft 1.4	:	Funds flow revised.
Final Draft 1.5	:	Comments from WB addressed.
Revision 2.0	:	February 2025, added explanations about beneficiaries, and revise of fund flow management, and benefit allocation.
Revision 2.1	:	April 2025, added details of revised performance and rewards allocations channeling mechanisms, and beneficiary descriptions.
Revision 3.0	:	Revisions in preparation for public consultations, and in response to discussions between WB and Government agencies; including: a) Updated allocation criteria and a change in the formula on calculation of performance allocation (forested area: from 30% to 57%, and annual rate of reduction in deforestation from 70% to 43%). b) Revised funds flow mechanism. c) Agreed 2% from allocated responsibility fund for LEMTARA/Intermediary Agency for village and community groups (SIA), and is taken from IEF, MoE, MoFor, Province, and District (or 0.5% for each entity) d) Revised eligible use of funds by village and community level beneficiaries. e) Added information on application of safeguards within the BSP. f) Updates to structure and editorial aspects to improve readability for a wide audience
Revision 4.0	:	Revisions integrating feedback and inputs from public consultations, including: - Updated consultation dates in Chapters 1 and 5 - Added the option for IEF to channel benefits directly to the Ministry of Environment and the Ministry of Forestry, in addition to IA-1 - Clarified IA-2 roles to include one agency for villages and community groups, and another for Adat communities - Added one academic representative to the technical team established by the IEF to represent Adat communities - Included the Ministry of Forestry in the institutional arrangement - Added information on the Recognition, Protection, and Empowerment of Adat Communities (WG-P3MA) - Included IA-2 under responsibility allocation - Replaced the term "proposals" with "workplans" - Clarified that subnational working groups include CSOs, Adat communities, and academia throughout decision-making and implementation - Added the Fisheries and Marine Agency as a subnational oversight body - Included the MMR working group as an additional reporting channel to the Governor, alongside the safeguards working group - Expanded the positive list for performance allocation (villages) and rewards allocation (MA, MHA, and other community groups) - Added Annex 4 detailing Intermediary Agencies' roles, responsibilities, and selection criteria - Added a workplan template in Annex 5
Revision 4.1	:	Revisions after the two-week public review period after the second provincial consultation include: - Updated the legal basis - Changed IA-1 to National Intermediary Agency (NIA), and IA-2 to Subnational Intermediary Agency (SIA) - Added further information on WG-P3MA - Updated BSP working group - Added information on IEF Technical Team, allowing DPPI to recommend members

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| | <ul style="list-style-type: none">- Updated the timeline for fund distribution- Updated the consultation section |
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Abbreviations

APBD	:	<i>Anggaran Pendapatan dan Belanja Daerah</i> , Regional Revenue and Expenditure Budget
BAPPEDA	:	<i>Badan Perencanaan Pembangunan Daerah</i> , Provincial Planning Agency
BAPPENAS	:	<i>Kementerian Perencanaan Pembangunan Nasional/Badan Perencanaan Pembangunan Nasional</i> , National Planning Agency
BKSDA	:	<i>Balai Konservasi Sumber Daya Alam</i> , Natural Resources Conservation Center
BLU	:	<i>Badan Layanan Umum</i> , Public Service Agency
BPKAD	:	<i>Badan pengelola keuangan dan aset daerah</i> , Subnational government's finance and asset management agency
BTNK	:	<i>Balai Taman Nasional Kutai</i> , Kutai National Park Center
IA	:	Intermediary Agency, <i>Lembaga Perantara (LEMTARA)</i>
IEF	:	<i>Badan Pengelolaan Dana Lingkungan Hidup</i> , Indonesia Environment Fund
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
CSOs	:	Civil Society Organizations
DGCC	:	Deputy of Climate Change and Carbon Economic Value Governance, Ministry of Environment
DG CNRE	:	Directorate General of Conservation of Natural Resources and Ecosystem
DKP	:	<i>Dinas Kelautan dan Perikanan</i> , Marine and Fisheries Agency
DPRD	:	<i>Dewan Perwakilan Rakyat Daerah</i> , Regional House of Representatives
DPMPD	:	<i>Dinas Pemberdayaan Masyarakat dan Pemerintahan Desa</i> , Community Empowerment and Village Government Agency
ER	:	Emissions Reduction
ERPA	:	Emissions Reduction Payment Agreement
ERPD	:	Emissions Reduction Program Document
FCPF	:	Forest Carbon Partnership Facility
FMU	:	Forest Management Unit, <i>Kesatuan Pengelolaan Hutan</i>
FGRM	:	Feedback and Grievance Redress Mechanism
FPIC	:	Free, Prior, and Informed Consent
GHG	:	Green House Gasses
HCV	:	High Conservation Value
ISPO	:	Indonesian Sustainable Palm Oil (ISPO)
IUPJL	:	<i>Izin Usaha Pemanfaatan Jasa Lingkungan</i> , Environmental Services license
KTH	:	<i>Kelompok Tani Hutan</i> , Forest Farmers Group
KTPA	:	<i>Kelompok Tani Peduli Api</i> , Farmers Group for Land Fire Prevention Groups
KUPS	:	<i>Kelompok Usaha Perhutanan Sosial</i> , Social Forestry Business Units
MMP	:	<i>Masyarakat Mitra Polisi Kehutanan</i> , Forest Rangers Partner Community
MMR	:	Measurement, Monitoring, and Reporting
MoE	:	Ministry of Environment
MoF	:	Ministry of Finance
MoFor	:	Ministry of Forestry
MPA	:	<i>Masyarakat Peduli Api</i> , Community Group for Forest Fire Prevention
MRV	:	Monitoring, Reporting, and Verification
NFMS	:	National Forest Monitoring System

NIA	: National Intermediary Agency
NGOs	: Non-Governmental Organizations
OPD	: <i>Organisasi Perangkat Daerah</i> , sub-national technical-unit organization
PBPH	: <i>Perijinan Berusaha Pemanfaatan Hutan</i> , Forestry license
Pokja	: <i>Kelompok kerja</i> , Working Group
PNBP	: <i>Penerimaan Negara Bukan Pajak</i> , non-tax revenue
POM	: Project Operation Manual
ProKlim	: <i>Program Kampung Iklim</i> , Climate Village Program
RBP	: Result-Based Payment
REDD+	: Reduced Emissions from Deforestation and Forest Degradation
RIL	: Reduced Impact Logging
SF	: Social Forestry
SIA	: Subnational Intermediary Agency
SPMU	: Subnational Program Management Unit
WB	: World Bank
	<i>Kelompok Kerja Pengakuan, Perlindungan, dan Pemberdayaan Masyarakat</i>
WG-P3MA	: <i>Adat</i> , Working Group for the Recognition, Protection and Empowerment of Adat Communities

1 INTRODUCTION

1.1 Background of ER Program

The East Kalimantan Jurisdictional Emissions Reduction Program (ER Program) is a national program to reduce deforestation and forest degradation. This program covers 12.7 million hectares of East Kalimantan Province of which 6.5 million hectares (54 percent) are still covered by tropical rainforests that are home to a wealth of globally significant biodiversity, supporting local and customary (*adat*) communities. Between 2006 and 2016, about 15 percent of that forest was lost, mainly due to the expansion of oil palm areas, timber plantations, and mining. The program addresses these issues by improving land governance, enhancing the livelihoods of local communities, developing and implementing policies that support habitat and species protection, and enabling active participation by stakeholders in reducing deforestation and forest degradation in their areas. The ER Program's focus on a combination of enabling conditions and promotion of sustainable management practices aims to address the underlying drivers of emissions. The program aimed to reduce as much as 22 million tCO₂e of emissions over a five-and-a-half-year period (2019–2024). The Accounting Area for the program covers the entire boundary of East Kalimantan Province, comprising seven districts and three cities, 103 sub-districts, and 1,038 villages (BPS, 2020), and extends beyond the state forest in East Kalimantan Province.

The ER Program involves a wide range of stakeholders across the province and is led by the Ministry of Environment (MoE), Ministry of Forestry (MoFor), Indonesia Environment Fund (*Badan Layanan Umum - Badan Pengelola Dana Lingkungan Hidup/IEF*) and the East Kalimantan Provincial Government. Relevant agencies in the central, provincial and the East Kalimantan Provincial Government. Relevant agencies in the central, provincial, district, and village governments are involved in project implementation, following the directions of the MoE and East Kalimantan Provincial Government. Local and *adat* communities in East Kalimantan, along with non-governmental institutions, are recognized as key partners and stakeholders in the program, supporting the government's efforts and commitment to reducing deforestation in East Kalimantan.

Within Indonesia, Villages are the lowest administrative level of Government and play an important role in both representing their local populations and administering development funds¹. Forest dependent people, mostly residing in villages, are on the frontlines of sustainable forest management and emissions reduction.

Villages are key partners to government institutions managing forest and forest landscapes such as National Parks and Forest Management Units (FMUs). The FMUs supervise the management of forest concessions operated by the private sector in the province. The FMUs play key roles in protecting forest areas from encroachment, conducting forest monitoring and patrols, and adopting sustainable fire management and control practices, as well as supporting sustainable livelihood activities. Within villages, community members also participate in these important initiatives. The role village administrations play in coordination of and supply of funds to communities for these initiatives is expected to be a driver of performance in sustainable forest management. Funds can be directed via village planning processes to initiatives such as strengthening the management of village forests, or facilitating the involvement of *adat* communities in participatory land use planning, for example. These initiatives can promote traditional knowledge and land management traditions, while improved involvement of women in participatory planning can enhance their voice on activities affecting critical livelihoods. Considering their key roles, administrative management functions of village governments are a foundation for future funds channeling and coordination of sustainable forest management initiatives.

¹ Elected Village governments (there are 75,000 across Indonesia, and 841 in East Kalimantan) are responsible for allocation and execution of annual budgets of over \$4bn per year across the country. Studies have documented that many parts of the system function well – fiscal transfers are delivered reliably, village development budgets are well utilized, and village governments deliver basic infrastructure and services.

Most of East Kalimantan's local communities, including customary (*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 customary tenure systems. Two hundred four *adat* Community Groups have been identified across eight districts, representing a diverse mix of ethnic and sub-ethnic groups, primarily from the Dayak, Kutai, Berau, Paser, and Banjar peoples. These communities, comprising 39 sub-ethnic groups, are deeply connected to their ancestral territories and natural resources, with most relying on subsistence farming, forest use, and customary land systems. They are organized based on customary rules and norms to manage land and forest resources within their customary territories, often through collective ownership and management. Among the identified groups, seven have received formal legal recognition, 27 are verified and awaiting recognition, and 170 continue to receive support to submit claims for legal recognition. *Adat* communities are found in both remote and accessible areas, and their traditional knowledge and practices remain central to local land use and conservation efforts².

In addition, community-based forestry and fire prevention efforts involve several key groups. There are 262 social forestry license holders managing over 327,773 hectares of forest. Social Forestry Business Units (KUPS) have been established under this program, with several in the province reaching platinum, gold, or silver status based on business maturity. Community Forest Protection Groups (MMP) assist forest rangers in safeguarding forest areas, while Community Forest Fire Prevention Groups (MPA) play a key role in early detection and firefighting across fire-prone zones. Additionally, Community Land Fire Prevention Groups (KTPA) focus on reducing fire risks in agricultural areas, with ongoing training and support provided to strengthen their capacity. These groups collectively support East Kalimantan's goals for sustainable forest management and fire prevention.

In accordance with the Emissions Reductions Purchase Agreement (ERPA), between the Government of Indonesia and the World Bank Forest Carbon Partnership Facility (FCPF) Carbon Fund, ER Payments are intended to reward results in the form of verified ER achieved in each reporting period. Three reporting periods followed by three ER payments and two interim progress reporting periods³ were planned. The benefits from the ER Program will come from payments for verified emission reductions, expected to total up to US\$110 million for 22 million tons of CO₂ reduced, at an estimated price of US\$5 per ton.⁴

The first reporting period was from June 18th, 2019, until December 31st, 2020.⁵ The result of the first reporting period was 35 million verified emission reductions, of which 22 million were purchased under the ERPA at a price of US\$5 per ton of CO₂e. Therefore, a full payment equivalent to US\$110 million could be made from the first reporting period alone.

In November 2022, an advance payment of US\$20.9 million was made to test the benefits-sharing approach and mechanisms as agreed in the EK-ERP's Benefits Sharing Plan (BSP) adopted in October 2021. The remaining payment of US\$89.1 million is planned to be distributed based on this updated BSP.

This BSP was revised during 2024 – 2025 following receipt and distribution of the advance payment, and before receipt of the final payment. The revision was undertaken following a detailed review by

² Based on Indigenous Peoples Plan document, referenced in October 2025.

³ <https://www.forestcarbonpartnership.org/system/files/documents/FCPF%20Carbon%20Fund%20ERPA%20Tranche%20A%20%26%20B.pdf>

⁴ The volume of ER contract under ERPA is 22m tCO₂e with the additional contract for another 20 m tCO₂e (maximum option volume). The commercial terms (volume of ERs and price) are subject to ERPA negotiations.

⁵ the ER Monitoring Report has been submitted by May 17, 2022.

the Government and World Bank of the implementation of the advance payment, to improve a number of operational and safeguards aspects of the plan, most importantly related to eligibility for benefits, efficiency of funds channeling mechanisms, and quality of community engagement.

The review was informed by feedback directly from affected stakeholders, by a Third-Party Monitoring report commissioned by the World Bank in February 2025, a BSP Implementation Report submitted by the MoE, complemented with a Financial Report on the use of the Advance Payment by the IEF, and by a process of public consultations that were held as follows: a) August 7, 2025 (Province level); b) August 26 and 28, 2025 (District Level); and c) September 18, 2025 (a closing workshop at Province level). There are four clusters for district public consultations as follows:

- 1) Cluster 1: Balikpapan, Paser, and Pasir Penajam Utara;
- 2) Cluster 2: Berau and Kutai Timur;
- 3) Cluster 3: Kutai Barat and Mahakam Ulu;
- 4) Cluster 4: Kutai Kartanegara, Kutai Timur, Bontang, and Samarinda.

Version 3 of this BSP document, disclosed on September 17, 2025 and finalized on September 30, 2025.

1.2 General Principles of BSP

The BSP is a plan to distribute funds from the RBP in the form of 'monetary' and 'non-monetary' benefits⁶ to stakeholders in the ER Program. It follows the FCPF Carbon Fund Methodological Framework (2020)⁷ and is aligned with and supports the ER Program.

It is expected that the BSP will improve the material well-being of people living in and around forested areas, while supporting improved forest management and helping to address the drivers of deforestation and forest degradation.

The general principles of the BSP are transparency, effectiveness, inclusiveness, and respect for customary rights to lands and territories. The legal framework (i.e. key regulations) governing the BSP can be found in section 1.4.

These principles are consistent with the safeguards system which applies to this BSP. The distribution of funds under the BSP (i.e., delivery of monetary and non-monetary benefits) will be subject to environmental and social safeguards requirements as stipulated in the ERP's Environmental and Social Management Framework (ESMF), Indigenous Peoples Planning Framework (IPPF), the Indigenous Peoples Plan (IPP), Resettlement Planning Framework (RPF), Process Framework (PF) and FGRM. The BSP should be read in conjunction with these environmental and social safeguard instruments.

1.3 Overview of this BSP

The Results-Based Payment will be distributed by the Indonesia Environment Fund (*Badan Layanan Umum - Badan Pengelola Dana Lingkungan Hidup/IEF*) in accordance with the mechanisms outlined

⁶ Monetary benefits are cash received by beneficiaries funded by ERPA payments, non-monetary benefits are goods or services received in kind, funded by ERPA payments, such as training, agricultural inputs, or equipment.

⁷

https://www.forestcarbonpartnership.org/system/files/documents/fcpf_carbon_fund_methodological_framework_revised_2020_final_posted.pdf

in this document. The total time to implement the BSP is expected to be 2.5-3 years, depending on when the IEF receives the payment. The majority of funds are allocated to local communities living in East Kalimantan, and the remainder to the various Government agencies who support ongoing ER Program activities, and implementation of this BSP itself.

The BSP has three funding allocations – Responsibility, Performance, and Rewards – which reflect the need to, respectively, i) finance operational overheads and program implementation; ii) recognize actual performance in the implementation of sustainable forest management principles (through balancing ecological, economic, and social aspects of forests to ensure their long-term health and productivity), and iii) provide direct support to local communities as a complement to funds channeled through local governments, in support of their own institutions and traditions. See Figure 1.

Figure 1. Fund Allocation in BSP

ER PAYMENT	RESPONSIBILITY ALLOCATION [25,00%]	• To finance operational overheads and program implementation • To support entities in implementing ER policies and programs that potentially reduce the risk of reversals
	PERFORMANCE ALLOCATION [65,00%]	• Given to beneficiaries that have shown both historical protection of forests and reduction in emissions from deforestation and forest degradation within the reporting period • recognize actual performance in the implementation of sustainable forest management principles (balancing ecological, economic, and social aspects of forests to ensure their long-term health and productivity)
	REWARD ALLOCATION [10,00%]	• to directly recognize and reward local community groups, especially including <i>adat</i> communities, who have demonstrated initiatives to support sustainable forest management and/or have historically protected/conserved forests

Use of funds to support meaningful impacts for their recipients is a priority of this BSP. The complex geographical and social context of East Kalimantan has informed the decision to utilize several funds channeling mechanisms to best achieve this goal and suit the varied needs of different recipient groups. The funds received by government agencies will be re-invested into implementation of ER Program activities. Local communities will receive funds via both government and non-governmental channels to support both inclusion and efficiency, and are able to allocate their funds to a range of forest management and community development projects of their choice, consistent with the ER-Program's safeguards framework.

This document is structured as follows to describe and guide the distributions of funds in accordance with the above principles and the Indonesian legal and administrative systems:

- The legal foundation for implementation in accordance with Indonesian law and administrative systems is found in section 1.4.
- The overall institutional arrangements for the BSP are in Section 1.5. Specific roles and responsibilities, such as for monitoring, are elaborated further in the relevant sections.

- Section 2 provides a description of beneficiaries (the recipients of funds in the form of monetary or non-monetary benefits), and the breakdown in allocations across these beneficiaries. This section describes the rationale for beneficiaries and allocations, and the eligibility criteria. It also has a summary of the eligible uses of funds and the funds channelling mechanisms.
- Section 3 provides a description of how benefits are distributed, including funds channelling procedures, and associated planning, community support, and safeguards actions.
- Section 4 provides a description of monitoring, reporting and safeguards requirements of this BSP, as a complement to and elaboration on previous sections.
- Section 5 outlines the processes of consultation undertaken in support of the design of this BSP, in accordance with the requirements of the ER-Program's ESMF.
- Annexes to this plan include supporting analysis and implementation guidance, as referenced throughout the previous sections.

1.4 Legal Framework for BSP

Key regulations related to the BSP are as follows:

- The Republic of Indonesia Constitution 1945, Article 33, Point 3, stipulates that all natural resources should be managed by the country and will be used for the well-being of Indonesians. The benefits from this ER Program are also subject to this constitution and thus should be managed by the government.
- Law No. 41/1999 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 managing land, which defines the ER Program's actors and beneficiaries. However, since the Job Creation Law No. 6/2023 was issued, the government regulations related to forestry were amended.
- Law No. 17/2003 on State Finance. This law forms the country's financial procedures, regulations, and 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. 32/2009 on the Protection and Management of the Environment includes the mandate to establish the economic instrument, which ultimately creates the IEF that plays important roles in managing the benefits from this ER Program. On the other hand, since the Job Creation Law No. 6/2023 was issued, the government regulations related to environmental management were amended.
- Law No. 12/2011 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 to develop policies that support the implementation of the ER Program.
- Law No 23/2014 on Local Government shifts the authority for issuing mining and logging permits from districts to the provincial government. Therefore, any benefit-sharing implementation for the mining industry will be regulated at the provincial level. This law also distinguishes the roles and responsibilities of sub-national governments with the national government. However, since the Job Creation Law No. 6/2023 was issued, the government regulations related to the authority of local governments were amended.
- Law No. 6/2014 on Village Government, including village governance, village development, and community development. This law enables the community to directly receive monetary transfers (benefit sharing) from the national government through the village government, as partially amended by Law No. 3/2024.
- Law No. 6/2023 on Job Creation, which amended several laws, including the Law on Environmental Protection and Management and the Law on Forestry.

- Government Regulation No. 23/2005 on Public Finance Service (BLU), which regulates the establishment of the IEF that manages the ER payment at the national level.
- Government Regulation No. 74/2012 amends Government Regulation No. 23 year 2005 on BLU, which regulates the establishment of the IEF that manages ER payments at the national level.
- Government Regulation No. 45/2013 on Implementation Procedure for Regional Revenue and Expenditure Budget, including the budget arrangement for ER Program implementation at the regional level.
- Government Regulation No. 46/2017 on Environmental Economic Instrument that supports the establishment of IEF that manages the ER payment at the national level.
- Government Regulation No. 12/2019 on Local Fund Management.
- Government Regulation No. 22/2021 on the Implementation of Environmental Protection and Management.
- Government Regulation No. 23/2021 on Forestry Implementation.
- Presidential Regulation No. 16/2018 on Procurement of Goods and Services, which regulates the procurement process and budget arrangement for ER Program implementation.
- Presidential Regulation No. 77/2018 on Management of Environmental Funds that support the establishment of IEF that manages the ER payment at the national level.
- Presidential Regulation No. 98/2021 on the Implementation of Carbon Economic Value for Achieving Nationally Determined Contribution Targets and Control of Greenhouse Gas Emissions in National Development.
- Minister of the National Development Planning/Head of Bappenas No. 4/2011 on the Procedures for Planning, Workplan 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. 191/2011 on the Procedure for Grant Management, which provides more detailed procedures on managing foreign grants, including the ER payment.
- Minister of Finance Regulation No. 137/2019 on organizational and governance of the IEF (*Badan Pengelolaan Dana Lingkungan Hidup*).
- Ministry of Finance Decree No. 779/2019 on the IEF as a work unit of BLU.
- Minister of Home Affairs Regulation No. 39/2012 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 the sub-national level.
- Minister of Home Affairs Regulation No. 52/2014 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. 113/2014 on the Village Income, which enables the community to directly receive monetary transfer (benefit sharing) from the national government through the village government.
- Minister of Environment and Forestry Regulation No. P.32/2015 on the State Forests, which defines the procedures for local communities for registering land as a titled forest (*hutan adat*).
- Minister of Agrarian Affairs and Spatial Planning Regulation No. 14/2024 on the Implementation of Land Administration and Registration of Customary Land Rights of Customary Law Communities.
- Minister of Finance Regulation No. 224/2017 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.70/2017 on the Procedure for REDD+ Financing, which provides financing procedures for this ER Program.
- Minister of Home Affairs Regulation No. 20/2018 on the amendment of Minister of Home Affairs No. 113/2014 on village financial management.
- Minister of Environment and Forestry Regulation No. 21/2022 on Guidelines of Carbon Economic Value Implementation.
- Minister of Environment and Forestry Regulation No 12/2024 on Implementation of Nationally Determined Contributions in Addressing Climate Change.
- Governor of East Kalimantan Provincial Regulation No. 1/2015 on the recognition and protection of “masyarakat hukum adat”, as a community basis to be an ER Program beneficiary.
- Governor of East Kalimantan Provincial Regulation No. 1/2023 on the spatial planning in East Kalimantan for the period of 2023 to 2042, 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. 7/2019 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, which is partly amended by Governor of East Kalimantan Provincial Regulation No. 7/2023 on the Benefit Sharing Mechanism from the GHG Emissions Reduction Program in East Kalimantan Province; which specifies the eligible activities under the ER Program and the mechanism to distribute the benefit.
- Governor of East Kalimantan Provincial Regulation No. 25/2024 on Guidelines for Carbon Economic Value Implementation.
- IEF Director regulation No. 3/2024 on Guidelines for Distribution of Environmental Program Funds.
- IEF President Director regulation on IEF Standard Operating Procedure (SOP), which regulates the SOP for the FCPF ER payments.

1.5 BSP Institutional Arrangements

Governance of the BSP will follow this document, which will be elaborated further in the Program Operations Manual (POM) and supporting guidelines, regulations and contracts. This will include:

- Governor’s Decree (*SK Gubernur*) will detail eligible beneficiaries and uses of funds.
- Payment contracts signed between the IEF and Provincial Government of East Kalimantan.
- Payment contracts signed between the IEF and all District and City Governments.
- Payment contracts signed between the IEF and Intermediary Agencies.
- Coordination agreements signed between the Ministry of Environment and the Ministry of Forestry with the Intermediary Agency (NIA).
- Coordination agreements signed between the Provincial Government and the Intermediary Agency (SIA).
- Updating/Amending the period of the Memorandum of Understanding between the IEF, Ministry of Environment, East Kalimantan Provincial Government on implementation and monitoring of BSP.

Overall management by the Indonesian Environment Fund (IEF)

The IEF will manage ER Payments from the Carbon Fund at the national level. The required regulations to establish the IEF 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 IEF, as Fund Agency, has adopted international standards for fund management and distribution and has demonstrated its ability to manage carbon funds, including through the test payment of US\$20.9 million. The Agency will continue to use a selected trustee bank as trustee.

The IEF will have the following responsibilities as part of their overall management of the BSP:

- Overall funds management
- Signing of payment contracts with other subnational government agencies designated as beneficiaries Benefit Manager to govern the transfer and use of funds.
- Contracting Intermediary Agencies for the following functions:
 - o National Intermediary Agency (NIA): Channelling both monetary and non-monetary benefits to national agencies, namely the Ministry of Environment and the Ministry of Forestry, if needed. During the implementation of the Advance Payment of BSP, the NIA was required to channel the non-monetary benefits (procurement of goods and services) to Ministry of Environment, Ministry of Forestry, and national agencies. However, the NIA might not be required if the IEF transfers the direct funds to the national agencies' technical units as IEF's beneficiaries from REDD+ Funds⁸.
 - o Subnational Intermediary Agencies (SIA) for Village and Community Groups: Programmatic support (communications, outreach, technical assistance) and channelling of benefits to local communities, including facilitating budget submission by village governments and transferring benefits to community groups and *kelurahan* (urban wards/villages). For those villages which are *kelurahan* or community groups who have limited financial management capacity to receive direct transfers of funds from IEF, the SIAs will provide assistance and facilitation. Given the remote and dispersed nature of each district and to enhance the IAs efficiency in facilitating and transferring benefits to community groups, it is expected that three IAs will support villages and community groups based on geographical location, as well as one dedicated IA will be assigned to support *adat* communities. However, the number of SIA may be adjusted according to the needs and final list of eligible beneficiaries during the implementation process.
- Funds transfer to village. The IEF will directly transfer the funds to the bank accounts of beneficiaries with appropriate financial management systems, including rural villages (*desa*), which have bank accounts and existing protocols on planning and budgeting.
- Consolidated financial reports by Benefit Manager and Intermediary Agency and its submission to World Bank, supporting the MoE for monitoring and reporting on BSP implementation reports, and preparing the annual financial statement subject to audit by the Supreme Audit Agency (BPK).

IEF will establish a technical team to assess budgets and annual work plans submitted by government agencies and the intermediary agencies, experience and capacity of the intermediary agencies, and other tasks in accordance with the IEF President Director's regulation. The input from this technical team will be considered during the performance review of selected SIAs by IEF, NPMU,

⁸ According to IEF President Director Regulation Number 7/2020, Article 5, Point 1c, the Ministry/National Agency is one of the beneficiaries that can receive the benefits from REDD+ Funds from IEF. The IEF has experience in transferring such funds under the Global Climate Fund (GCF) Output 1 to the Ministry's technical units.

and SPMU. The technical team will be established in accordance with the IEF President Director's regulation⁹. For the EK-JERP Program, the technical team will include representatives from:

- The Ministry of Environment
- The Ministry of Forestry
- The East Kalimantan Provincial Government
- Indonesian Environment Fund
- A recognized expert in *adat* communities of East Kalimantan recommended by Regional Climate Change Council (DDPI), and endorsed by the East Kalimantan Provincial Government.
- A civil society organization (CSO) representative, recommended by DDPI, and endorsed by the East Kalimantan Provincial Government).

The operational costs for the technical team's work will be covered by the portion of the Responsibility allocation retained by the IEF.

Ministry of Environment

The MoE is responsible at the national level for implementing the government's EK-JERP and can utilize funds from the Responsibility allocation of the RBP for this purpose. According to Presidential Regulation No.182 of 2024 on Ministry of Environment, Article 6, the Ministry is mandated to formulate, determine policies, and ensure coordination and synchronization of policies relevant to environment and sustainable natural resources management, control of pollution and environmental degradation, management of waste, toxic and hazardous waste and materials, climate change control, carbon economic value, and environmental law enforcement. Additionally, the Presidential Regulation No. 98/2021 on Carbon Economic Value (NEK), mandated the MoE to issue derivative regulations for the NEK implementation, including the NDC road map, climate change mitigation and adaptation organization, carbon market implementation, and results-based payment implementation.

The MoE will be the primary agency to implement the EK-JERP, including in alignment with the national policy framework. Within the MoE, the Deputy of Climate Change and Carbon Economic Value Governance will work in close coordination with other relevant ministries/agencies that will provide guidance during implementation. The Deputy also has primary responsibility for communication and coordination with donors.

Key responsibilities of the Ministry include monitoring and supervising social and environmental safeguards, adjustment and registry of SRN as needed by the program, MRV processes, benefit-sharing implementation, and monitoring and evaluation of the overall program. Alongside IEF, they are responsible for the consolidated BSP implementation reports to the World Bank (as they will also be signed by the Secretary General of the MoE). Additional duties involve managing the Feedback and Grievance Redress Mechanism (FGRM), operationalizing knowledge management and communication, and providing project management and oversight across national and subnational committees and secretariats. For example, the Ministry is responsible for facilitating the MRV (Measurement, Reporting, and Verification) requirements for the program through necessary adjustments in the National Registry System (SRN), capacity building, and GHG inventory data.

Ministry of Forestry

The MoFor plays an important role at the national level to oversee the management, conservation, and rehabilitation of Indonesia's forests—aligned with the objectives of the EK-JERP and the broader REDD+ commitments. According to Presidential Regulation no. 175 of 2024 on

⁹ IEF President Director regulation No 7/2020 on guidance disbursement of REDD+'s Funds at IEF and President Director Regulation No. 3/2024 on Guidelines for Distribution of Environmental Program Funds.

Ministry of Forestry, the Ministry is mandated to: formulate, implement, and supervise the implementation of policies for forest area management (including demarcation of forest boundaries and resolving tenurial conflicts in forest areas), sustainable forest management, social forestry, and natural resources conservation, among others.

Key responsibilities of the Ministry of Forestry in relations to EK-JERP include monitoring and supervising social and environmental safeguards, providing national-level oversight and policy alignment on the aforementioned issues, and conducting multi-level government coordination (particularly with the subnational Forestry Agency, FMUs, Social Forestry Centers, National Parks, and technical units/UPT). The Forestry Agency and FMUs are responsible for the Social Forestry Groups (KPS), Social Forestry Business Groups (KUPS), MPA, and MMP.

Provincial Government

At the provincial level, the Governor of East Kalimantan oversees decisions, funds, and reporting, working through the Provincial Secretary (Sekda Provinsi Kaltim). At the District/City level, this responsibility falls to the Head of District/City (Bupati/Walikota) through the District/City Secretary (Sekda Kabupaten/Kota).

To implement the BSP, the Provincial Secretary is supported by the Provincial Economic Bureau, which coordinates the Provincial Benefit Sharing Working Group. The Government Agencies (Sub-national Technical-unit Organization, *Perangkat Daerah*) will be required to provide an annual work plan (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, Estate Crops Agency, private company associations (forestry and estate crops), academics and development partners.

Government agencies (*Perangkat Daerah*) must submit an annual work plan to the Provincial Planning Agency (BAPPEDA) and the Provincial Finance and Asset Management Agency (BPKAD).

The Provincial DPMPD and DLH, as well as development partners, through field officers (village facilitators), are responsible for community outreach and facilitation activities consistent with their mandates for community development and sustainable forest governance.

The multistakeholder BSP working group¹⁰ is led by the Provincial Economic Bureau. The Bureau will open a call for BSP working group membership, with the intention to include national government, East Kalimantan Provincial government, academia representatives, and CSOs, including CSOs with proven experience in working with/representing *adat* communities. Throughout its implementation, the BSP working group is responsible for:

- Coordination of ER Program Implementation via provincial agencies (OPDs)
- BSP-related community and stakeholder engagement activities
- BSP implementation and monitoring coordination

Intermediary Agencies

The main function of the Intermediary Agencies is to facilitate fund distribution to beneficiaries based on payment contracts with the IEF.

The IEF will contract intermediary agencies for the following responsibilities:

¹⁰ Governor Regulation No.522/K.28/2022 amended by Governor Regulation No.7/2023

1. National IA: Channel monetary and non-monetary benefits to National agencies. Delivery of non-monetary benefits is based on approved Annual Work Plans submitted by the Ministries. This will include the procurement and delivery of goods and services on behalf of the Ministries, if the national government agencies choose to receive fund through intermediary agencies.
2. Subnational IAs: Implementation of Performance and Rewards allocation activities for villages and community groups. This includes:
 - Support to the Subnational Project Management Unit (SPMU) for implementation of communications and community outreach in support of preparation to disburse the Performance and Rewards allocations to villages and community groups.
 - Support to implementation of the Rewards allocation, including outreach to *adat* groups.
 - Fund disbursement to eligible *Kelurahan* through appointed community groups by *Kelurahan* (for their Performance allocations) and community groups (for their Rewards allocations).
 - Technical assistance to Provincial and District government agencies and staff to channel funds to villages and community groups for the Performance and Rewards allocations, including support and capacity building for workplan development, safeguarding processes, and program implementation.
 - Reporting to IEF and the SPMU on fund use and progress.
 - Compliance with audit and safeguard requirements.
 - Activities may be subject for BPK audit samplings.

NIA and SIA will also play a role in supporting monitoring and reporting, including providing financial reports to the IEF and with copies to NPMU and SPMU.

Given the huge number of target villages (indicative 480 villages¹¹) in East Kalimantan, the SIA can be more than one agency contracted to IEF. SIA may collaborate with local CSOs based in East Kalimantan, where needed. The arrangements must ensure a strong team of District and Village-level staff who have experience working in the target geographies and can communicate in local languages and understand local customs.

Details of these arrangements will be in the POM and associated Terms of Reference for the IAs. Given the wide distribution of *adat* communities throughout East Kalimantan, the Intermediary Agencies should have experience assisting *adat* communities.

More details about the roles and responsibilities of intermediary agencies and the selection process are found in Annex 4.

2 BENEFICIARIES & BENEFITS

Allocation of payments from the RBP prioritizes i) local communities, including *adat* communities; ii) community and private sector actors engaged in forestry-related activities; and ii) government agencies. This section outlines the rationale for various allocations and the eligible recipients of these funds.

2.1 Overview of Beneficiaries and Benefits

¹¹ There are 480 villages estimated (441 forested village and 39 proklam village) to be eligible for performance funds, for example.

2.1.1 Allocations and Beneficiaries

Funds will be allocated based on the following allocation rationale (see also Figure 2 below):

- **Responsibility (25 percent)** – An allocation for government agencies responsible for ERP implementation at national, provincial, and district/city levels based on their responsibilities in implementing the program activities as described in the [ERPD](#) (version May 2019, section 6.1, pp 123-128). This allocation will also cover operating costs¹² related to ER Program and BSP implementation, including safeguards systems. This also includes 2% for intermediary agencies for village and community groups (SIA).
- **Performance (65 percent)** – An allocation which is designed to provide incentives for sustainable forest management for local populations and government agencies (National Park agencies and Conservation Areas, Forest Management Units, provincial, city, and district government institutions) which contribute directly to non-monetary benefits for local communities and private sector actors, and contribute to emissions reduction across the province. The rationale for this large allocation, which covers several types of beneficiaries, is as follows:
 - Allocations of funds across the province will be broadly proportionate to performance in reducing ERs and areas of forest managed.
 - Provincial and District Governments are eligible for Responsibility and Performance allocations because they have core operational responsibilities for ER Program and BSP implementation and will receive additional funds based on levels of performance. The government institutions eligible for these funds will use them to implement priority activities under the ER Program, including forest and peatland protection, fire prevention, community livelihood development, and land use planning, which support local populations and private sector actors while encouraging more sustainable forest management practices.
 - Local populations are eligible when they live in villages which are within districts that have both forest cover and verified performance in reducing emissions during the reporting period. It is anticipated that about 40% of the overall BSP allocation will benefit 480 villages across seven districts and three cities. Funds will be channelled via village governments for use on community development projects that are consistent with Annex 3¹³.
- **Rewards (10 percent)** – This allocation provides dedicated funds for *adat* communities and other community groups across the province in recognition of their contributions to sustainable forest management and forest protection. The reward allocation provides funds directly to community groups, including *adat* communities, using a community-driven mechanism that aligns with community groups' existing governance structures. Legal MHA recognition is not a requirement to access this allocation. This is complementary to the performance allocation, which channels funds to village governments for participatory planning and implementation of community development activities that benefit the general village population. These additional funds are intended to provide a channel for customary and forest management groups to access and manage funds in accordance with their own

¹² Operational costs include program administration, staff salaries, travel to remote areas, coordination across government levels, monitoring and reporting, contracting of intermediary agencies, community engagement, participatory planning, and safeguards compliance.

¹³ Village Governments routinely administer substantial annual development budgets for community development actions, and there are established financial reporting and audit procedures in place to handle central-to-village government fiscal transfers. Elected village governments are required (per Village Law 3/2024) to undertake participatory planning and budgeting processes each year and administer village development budgets, which for East Kalimantan in 2025 is approximately US\$47,818.35/village per year. (Based on Law 62/2024 on the 2025 APBN, Annex on Dana Desa Details). This fiscal transfer system has established participatory planning and budget monitoring, reporting, and audit functions and is an efficient way to channel funds to local public goods without the cost of establishing parallel systems.

customary governance structures, irrespective of their legal recognition, or prior registration with government agencies or programs, and without requiring approval from village or district government. Eligible community groups, including *adat* groups, will receive allocations of rewards via intermediary agencies (SIA). It is estimated that over 400 groups will be eligible and many of their members will also reside in villages eligible for performance allocations (above).

Figure 2 Benefit Sharing Allocations for Beneficiaries

ER PAYMENT	RESPONSIBILITY ALLOCATION [25,00%]	BPD LH/IEF [5.40%-0.50%=4.90%]	Lemtara /Intermediary Agency for village and community group [2%] 0.5% from each IEF, MoE-MoFor, Province/District
		KLH/MoE – Kemenhut/MoFor [8.51%-0.50%=8.01%]	
		Provincial/District/City Government [11.09-0.50%=10.09%]	
	PERFORMANCE ALLOCATION [65,00%]	Provincial Agency, DG-CNRE (Supervision Agency) [6.50%]	• Performance Village (>=500 ha forested area within the Village • Non-Performance Village/Restoration village (< 500 ha forested area within village) with forest-based mitigation action
		UPTD FMU, District/City Agency, UPT MoFor (BKSDA, BTNK) [17.55%]	
		Village Allocation within Performing District [40.95%]	
	REWARD ALLOCATION [10,00%]	Adat Community Groups [6.50%]	
		Other Community Groups [3.50%]	

The Performance and Reward allocations overlap geographically, aiming to channel funds to the local population living in forested areas via village governments, as well as directly to community groups within these broader communities. This arrangement recognizes that community groups, including adat communities who has strong and direct relationships with forest management. Individuals within villages who are members of adat communities or eligible community groups can benefit both from general development investments in their village (via the performance allocation through village governments), as well as having direct control over resources allocated to their group (via the Rewards allocation).

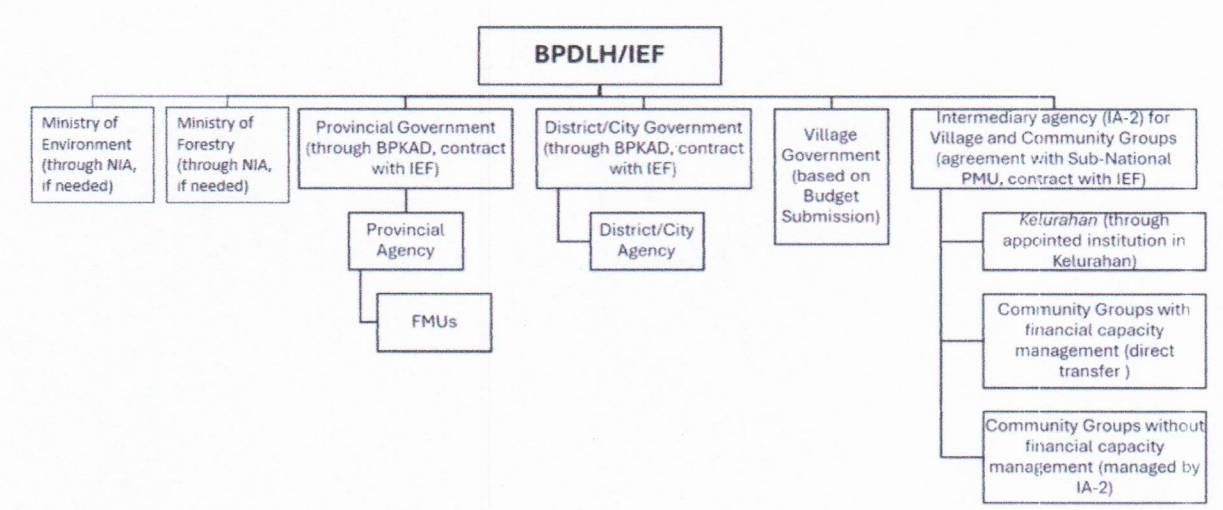
2.1.2 Flow of funds

Funds will be channelled from the IEF to recipients outlined in this BSP through four main mechanisms (see Figure 3), which were chosen for their efficiency and to suit the needs of the recipients;

- i) funds allocated to national government agencies will be channelled via an intermediary agency to a program of activities developed by the Government agencies, or directly to national Government agencies.
- ii) funds to subnational government agencies will be channelled via existing government budgeting and funds transfer systems;

- iii) funds to local populations in administrative areas are channelled as monetary benefits to village government accounts, once consultations have been conducted using village-level annual participatory planning and budgeting mechanisms; and
- iv) funds to community groups, including *adat* groups and community groups appointed by Kelurahan, are channelled as monetary benefits¹⁴ via intermediary agencies.

Figure 3. Summary of Funds Flow and Institutional Arrangements



A summary of the funds flow processes and conditions for the various allocations and beneficiaries is provided in Table 2.1 below. Further details on each allocation, including eligibility conditions, funds’ use rules, and funds’ channeling mechanisms are in sections 2.2–2.4.

Table 2.1: Summary of funds flow arrangements

Beneficiary	Funds Channeling	Eligibility conditions	Remarks
Responsibility (25% of total)			
IEF (4.90%)	World Bank will transfer FCPF funding to IEF; IEF retains 4.90%.	Providing service as Fund Manager.	2.00% of the allocated responsibility fund is dedicated to LEMENTARA/ Intermediary Agency for village and community groups (SIA), and is taken from IEF, MoE/MoFor, Province, and District.
Ministry of Environment & Ministry of Forestry (8.01%)	<i>Benefit Manager:</i> NIA ¹⁵ <i>Modality:</i> IEF will channel the funds directly to the national government agencies or through the NIA, who deliver monetary and non-monetary benefits to MoE and MoFor. The amount of funds disbursed at a time is determined based on the approved AWP.	Submission of the approved Ministry of Forestry's and the Ministry of Environment's Annual Work Plans to IEF	
1 Provincial, 7 District & 3 City Governments (10.09%)	<i>Benefit Manager:</i> BPKAD <i>Modality:</i> Transferred as monetary benefits through the Indonesian budgeting system (APBD) via BPKAD.	Submission of approved each agency's Annual Work Plans to IEF.	
Performance (65% of total)			

¹⁴ Monetary transfers will be used where groups have bank accounts, and intermediary agencies will support groups to set up bank accounts to receive transfers of monetary benefits where necessary.

¹⁵ There is still ongoing discussion whether the IEF might directly transfer both monetary and non-monetary benefits to the Ministry’s technical units (BKSDA, BTNK). The IEF has experience in transferring the funds under the Global Climate Fund (GCF) Output-1 to the Ministry’s technical units.

Local community in eligible villages through village government (40.95%)	<i>Benefit Manager:</i> SIA <i>Modality:</i> <u>Desa</u> : Funds are channeled to village government accounts aligned with the annual Government budget cycle as miscellaneous village revenues ¹⁶ . <u>Kelurahan</u> : For Kelurahan, the fund from IEF will be disbursed through the Intermediary Agency, who will transfer the fund to the appointed community groups account.	Villages must be within performing districts and have <i>either</i> 500 ha or more of forest cover; <i>or</i> have implemented forest and land-based mitigation actions. They must submit a workplan to the SPMU through MMR portal, which includes budget plan that is integrated into the Village Budget (APBDes) under the category “Other Legitimate Village Revenues.”	
DG-KSDAE BKSDA and BTNK	<i>Benefit Manager:</i> NIA <i>Modality:</i> Transferred as monetary benefits directly or via the NIA. The amount of funds disbursed is determined based on the approved AWP, with two payments made each year.	Submission of approved Annual Work Plans to IEF via the Benefit Manager.	
Provincial Government	<i>Benefit Manager:</i> BPKAD <i>Modality:</i> Transferred as monetary benefits through the APBD via BPKAD. Non-monetary benefits then accrue to private sector and communities who benefit from the ER Program activities.	Submission of approved Provincial Government’s Annual Work Plans to the IEF.	
District/City Governments	<i>Benefit Manager:</i> BPKAD <i>Modality:</i> Transferred as monetary benefits through the APBD via BPKAD. Non-monetary benefits then accrue to private sector and communities who benefit from the ER Program activities.	Verified performance in reducing ERs, as determined through the MRV system. Submission of approved Annual Work plans.	
FMUs	<i>Benefit Manager:</i> BPKAD <i>Modality:</i> Transferred as monetary benefits through the APBD via BPKAD. Non-monetary benefits then accrue to private sector and communities who benefit from the ER Program activities.	Verified performance in reducing ERs, as determined through the MRV system. Submission of Annual Work plans via the Benefit Manager.	
Rewards (10% of total)			
Adat communities (6.5%)	<i>Benefit Manager:</i> SIA <i>Modality:</i> <u>Monetary benefits</u> : channeled directly to community group accounts through the intermediary agency, who received funds from the IEF through a trustee bank.	The group will be validated as a community group with special initiatives or identity related to forest management by DPMPD, supported by a Provincial-level working group for the recognition.	For beneficiaries with limited financial management capacity, the SIA will be responsible for providing assistance to channel monetary and non-monetary benefits. The SIA might

¹⁶ or in Bahasa Indonesia, "lain-lain pendapatan daerah yang sah".

		protection, and empowerment of <i>adat</i> community (WG-P3MA). Community groups submit a simple workplan to the SPMU.	collaborate with the local NGOs that are used to working with these community groups
Other forest-related community groups (3.5%)	<i>Benefit Manager:</i> SIA <i>Modality:</i> <u>Monetary benefits:</u> channeled directly to community group accounts through the intermediary agency, which received funds from the IEF through a trustee bank.	The group has been recognized by their relevant government agency (see Section 2.4.2 below.)	

Note: APBD = Regional Revenue and Expenditure Budget; AWP = Annual Work Plan; BPKAD = Subnational government’s finance and asset management agency; BKSDA = Natural Resources Conservation Center; BTNK = Kutai National Park Center; DG-CNRE= Directorate General of Conservation of Natural Resources and Ecosystem, Ministry of Forestry; FMUs = Forest Management Units; IEF = Indonesian Environment Fund, MoE = Ministry of Environment; MoFor = Ministry of Forestry; MMR = Measurement, Monitoring, and Reporting; SPMU = Subnational Project Management Unit.

2.2 Responsibility Allocation

The **Responsibility** allocation is 25 percent of the total RBP and will be given to the National Government (IEF, MoE, and MoFor), the Provincial Government, and District/City Governments, based on their roles and responsibilities related to the ER Program. This allocation will also cover some of the operating costs of BSP implementation itself, including the hiring of the intermediary agency for village and community groups (SIA). The allocation of funds to various activities – such as BSP monitoring, interministerial coordination, and implementation of ER Program activities – will be based on the annual workplans of the recipient agencies and are expected to differ year-on-year based on needs.

2.2.1 Rationale

The Responsibility Allocation is for government institutions to support their roles in implementing ER policies, including this BSP, that contribute to program success and 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.” (See pages 81-92 of the ERPD, linked above)

In addition, there are costs related to the management of the ER Program and implementation of this BSP, 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), and the opportunity cost of maintaining policies that support ER activities (related to the policy development role).

2.2.2 Beneficiaries & Allocations

Table 2.2: Responsibility Allocation Summary (25%)

Beneficiary	Funds Channeling	Eligibility conditions	Funds Utilization
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	(see Section 3 for details)		(see Annex 3 for details)
IEF (4.90%)	IEF will retain its allocation of 4.90% of the total RBP.	No additional conditions.	IEF fees.
Ministry of Environment & Ministry of Forestry (8.01%)	Transferred by IEF as monetary and non-monetary benefits directly to the ministries or via NIA.	Annual work plan reflects the expected allocation of funds towards ER Program activities.	- Operational costs of BSP implementation. - Contracting Intermediary Agency 1 (NIA) to support BSP administration responsibilities.
1 Provincial, 7 District & 3 City Governments (10.09%)	Transferred as monetary benefits through the Indonesian budgeting system via BPKAD.	Annual work plan of the Provincial Government reflects the expected allocation of funds towards ER Program activities.	- Operational costs of BSP implementation. - ER Program Activities.
Intermediary Agency-2 (SIA) (2.00%)	Transferred as monetary benefit and contract with IEF	See annex 4	- Funds channeling to Kelurahan, MA and Community Groups - Village government, community groups, and MA engagement activities - Support to prepare and build capacity for budgets and workplans formulation and management to villages, community groups, and MA - Work in coordination with NPMU and SPMU to provide support in outreach and facilitation to village governments and community groups (including Adat communities) - Report to IEF, NPMU, and SPMU - Other safeguards implementation, including FGRM - Activities may be subject for BPK audit samplings.

Note: BPKAD = Subnational government's finance and asset management agency; BSP = Benefit Sharing Plan; ER = Emission Reduction; IEF = Indonesia Environment Fund; RBP = Result-Based Payment.

2.3 Performance Allocation

The **Performance Allocation** is 65 percent of the total RBP and will be allocated to both government agencies and local populations.

2.3.1 Rationale

In the context of achievement of Emissions Reductions across 10 districts/cities of East Kalimantan, this allocation aims to distribute benefits across people living near the forested areas of East Kalimantan, private sector, and to the agencies which have supported forest management towards the achievement of ERs. The Performance Allocation recognizes both historical protection of forests and reduction in emissions from deforestation and forest degradation within the reporting period. National Park Management and Sub-national government agencies and their village residents are eligible based on i) remaining forested area (i.e., historical protection), ii) verified performance in emissions reduction during the reporting period, and iii) reforestation initiatives. Funds allocated to

National, Provincial and District agencies will be distributed as non-monetary benefits to the private sector and communities who benefit from the ER Program activities implemented by these agencies. Key aspects of 'performance' across the different beneficiaries are as follows:

- The Provincial Government plays a significant role in spatial planning and regulations.
- National Park Agency/Conservation Management Unit, FMUs, and District Governments contribute significantly to the achievement of emissions reductions within their areas of governance.
- Residents within villages, which includes *adat* communities, and other community groups, contribute to sustainable forest management and bear the trade-offs of daily dependence for their livelihoods on forested ecosystems.

2.3.2 Beneficiaries & Allocations

Funds flow arrangements utilize existing Government systems where possible and most efficient and rely on non-governmental agencies to provide supporting services, such as facilitation, accounting, and reporting.

Table 2.3 Beneficiaries Performance Summary (65%)

Beneficiary	Funds Channeling (see Section 3 for details)	Eligibility conditions	Funds Utilization
National Level			
DG – CNRE & National Park Agency / Conservation Management Unit	Transferred as non-monetary benefits directly or via NIA.	Annual work plan of the Ministry of Forestry reflects the expected allocation of funds towards ER Program activities supervised by the National Parks Agency.	• Operational costs of ER Program implementation • ER Program Activities
Technical implementation Unit CNRE, Ministry of Forestry (BKSDA, BNTK)	Transferred as monetary and non-monetary benefits directly or via NIA.	Annual work plan of the agency reflects the expected allocation of funds towards ER Program activities.	• Operational costs of ER Program implementation • ER Program Activities
Subnational Level			
Provincial Government - Forestry Agency, DKP, DPMPD, and Estate Crops Agency	Transferred as monetary benefits through the Indonesian budgeting system, via BPKAD.	Annual work plan of the Provincial Government agencies reflects the expected allocation of funds towards ER Program activities.	• Operational costs of ER Program implementation • ER Program Activities
10 District/City Governments	Transferred as monetary benefits through the Indonesian budgeting system, via BPKAD.	Verified performance in reducing ERs, as determined through the MRV system.	• Operational costs of ER Program implementation • ER Program Activities
FMUs	Transferred as monetary benefits through the Indonesian budgeting system, via BPKAD.	Verified performance in reducing ERs, as determined through the MRV system.	• Operational costs of ER Program implementation • ER Program Activities
Community Level			

Local community in eligible villages through village government	In villages (<i>desa/kampung</i>), funds are channeled to village government accounts aligned with the annual budget cycle. Village Governments will administer allocated funds for the benefit of village residents who are beneficiaries. In <i>Kelurahan</i>, funds are channeled to community groups appointed by <i>Kelurahan</i> via the SIA in the form of monetary or non-monetary benefits.	Villages must be within performing districts, and have <i>either</i> 500ha or more of forest cover; <i>or</i> have implemented forest and land-based mitigation actions.	• Operational costs and procurement of good • Eligible community development activities, consistent with the village annual budgeting process A more detailed list of eligible activities is available in Annex 3.
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Note: BKSDA = Natural Resources Conservation Center; BPKAD = Subnational government’s finance and asset management agency; BTNK = Kutai National Park Center; DG CNRE= Directorate General of Conservation of Natural Resources and Ecosystem, Ministry of Forestry; DKP = Marine and Fisheries Agency; DPMPD = Community Empowerment Agency; ER = Emission Reduction; FMU = Forest Management Units; IA = Intermediary Agency; MRV = Monitoring, Reporting, and Verification; ProKlim = *Program Kampung Iklim*, Climate Village Program.

2.3.2.1 Performance Allocation Formula for Districts, FMUs, and villages within them

A weighted index is used to calculate the proportion of the Performance allocation to beneficiaries within the accounting area – i.e. FMUs, Districts, and conservation areas, and to the villages within them. The detailed formula and simulation can be found in Annex 2.

- The formula identifies which districts, FMUs and conservation areas contributed the most to historical forest protection (measured using forest cover remaining, and weighted at 57%), and which ones contributed to reducing emissions from deforestation and forest degradation within the reporting period compared to the program’s 2006-2016 reference level (weighted at 43%)¹⁷.
- Within the eligible administrative areas which ‘performed’, villages qualify based on having *either* 500ha or more in forest cover *or* verified mitigation actions through the ‘ProKlim program’¹⁸. Based on these criteria, approximately 480 villages will be eligible to receive funds from the performance allocation.
 - a. Funds are allocated between villages within districts by splitting 70% of the district’s total allocation evenly across villages as a ‘base rate’ (this ensures no villages’ allocation is too small to be meaningful), and the remaining 30% is allocated between villages proportionately based on hectares of forest cover – the more forest there is, the higher the allocation. In other words, all villages within districts which have reduced ERs will receive funds, and villages with larger areas of forests will receive proportionately more than those who have less.
 - b. *Desa* village administrators must allocate the funds in their annual work plan and budget, based on participatory planning processes conducted in accordance with the

¹⁷ Multiple simulations were tested for this formula once MRV processes were complete and performance against contracted ERs was known, and this weighted formula represented the most equitable way to calculate performance based both on historic forest protection, as well as performance within the reporting period, and without skewing allocation amounts too heavily towards underpopulated areas or away from historically protected *adat* forests.

¹⁸ Climate villages program, or Program Kampung Iklim (ProKlim) is introduced by Minister of Environment and Forestry Regulation Number 84 of 2016 as a community-based climate adaptation and mitigation program. Creation of climate villages communities/villages is not mandatory. The communities and/or villages may receive financial support or award prizes when they are registered in the districts and are meeting certain criteria. The East Kalimantan province intends to provide incentives to communities and/or villages who have been actively participating in the program.

requirements of the Village Law (which includes a series of inclusive and consultative meetings¹⁹). *Kelurahan* villages will be facilitated to prepare workplan by the SIA.

Calculation for village performance can be seen in Annex 2.

2.4 Rewards Allocation

This allocation provides access to funds for *adat* communities and forest-related community groups across the province, through a community-driven funding mechanism. It is estimated that over 500 groups will be eligible, and that many of the members of these groups will also reside in villages eligible for performance allocations (above)²⁰. Recipient groups will receive support via SIA to design and implement their workplans for small grants. Eligible groups include, among others:

- *Adat* communities (regardless of legal status).
- Social Forestry Licence holders
- Social Forestry Business Units (KUPS) which are platinum and gold status
- Forest Rangers Partner Community (MMP)
- Community Group for Forest Fire Prevention (MPA)
- Farmers Group for Land Fire Prevention groups (KTPA)
- Forest farmers groups (*Kelompok Tani Hutan*, KTH)
- Adiwiyata Schools

2.4.1 Rationale

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. In addition to *adat* groups, a range of other community groups warrant recognition for their direct support to sustainable forest management, including (but not limited to) social forestry business groups (KUPS) with platinum and gold grading and Social Forestry Management Institutions, Forest Protection Community (MMP), and Forest Fire Prevention Community (MPA).

The Rewards allocation for *adat* communities to directly support *adat* groups to access and utilize benefits consistent with their traditional customs and practices, and based on funds management capacity. This allocation reflects *adat* groups' traditional relationship with forested lands and their active role in promoting sustainable forest management, as well as their preference and capacity to manage funds directly in line with their governance structures and identities. Moreover, during consultations on the BSP, *adat* groups expressed a clear preference for its implementation to align with ongoing efforts to strengthen the recognition of their status and rights as *adat* communities. Eligible community groups, including *adat* groups, will receive allocations of monetary or non-monetary benefits via SIA.

¹⁹ The Village Law mandates that elected village governments lead an annual process of consultation and participatory planning and budgeting. Consultative meetings are required to be conducted at both village (*desa*) and hamlet (*dusun*) level, and to include a broad range of community members and their representatives, and explicitly including *adat* communities, women's groups, and religious leaders. Elected Village Heads report to the Ministry of Home Affairs. Village Facilitators are appointed by the Ministry of Villages to support consultation and planning processes, alongside other community development responsibilities.

²⁰ Overlaps in beneficiaries between Performance and Rewards is built into the design of this BSP intentionally, to maximize meaningful community benefits.

While several groups are considered preliminarily eligible based on their registration with relevant agencies, there remains a risk that some groups may still be excluded. Some ethnic, social, and natural resources management groups that meet the conceptual descriptions above may not yet be identified, or may not have had applications (such as for recognition as Masyarakat Hukum Adat) verified and approved yet. To address this risk and provide avenues for groups not yet registered and validated in Government systems to participate and access benefits, community groups will be validated²¹ as follows:

- The East Kalimantan DPMPD, in carrying out its mandate, is supported by a multi-stakeholder Working Group for Recognition, Protection and Empowerment of *Adat* Communities (WG-P3MA). The WG-P3MA is governed by a Decree, which outlines its legal and operational mandate, membership, and working processes, among others. The WG-P3MA has a broad range of responsibilities, including in supporting DPMPD's work in facilitating and strengthening *adat* communities. This decree is developed through a participatory process, led by the East Kalimantan DPMPD
- For the purpose of this BSP, for *adat* Groups, DPMPD is supported by WG-P3MA, consisting of representatives from civil society organization, relevant government agencies, academia, and development partners, in reviewing and validating *Adat* community groups eligible for reward allocation. The list of eligible *adat* community groups will be publicly disclosed, and an appeal period will be opened for two weeks. The appeal process will be managed by DPMPD, with the support of WG-P3MA.
- Transparency and accountability procedures: Other community groups will be validated by the relevant Government Agency which has the mandate for their forest-related activities (see table 2.6 below).

Eligible community groups will be informed of the eligibility criteria through communications campaigns in their districts/villages and will be able to register as beneficiaries by the SIA. Those who do so undergo a rapid validation process (see above) supported by the *Pokja* members, which will follow the principles of equity, transparency, and respect for customary rights to lands and territories. They are not required to be formally recognized or registered, and for this reason, intermediary agencies will be used to ensure inclusive outreach and coverage of communities in targeted accounting areas. In some cases, there might be several eligible groups in one area – such as a village which has an *adat* community, a social forestry license, and a forest fire protection group – and the groups may have some overlap in membership. To avoid risks of elite capture or unfair concentrations of benefits accruing to the same people, the validation process to be conducted by the *Pokja* and relevant government agencies will include protocols to assess and reduce excessive cases of overlap, in the interests of equity.

2.4.2 Beneficiaries & Allocations

Table 2.4 Rewards Allocation Summary, among others:

Beneficiary	Funds Channeling (see Section 3 for	Eligibility conditions	Funds Utilization
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²¹ The validation process for *adat* communities aims to confirm that i) the group exists, and is not a duplicate or inaccurately reported entity; and ii) determine whether the group has an existing bank account and institutional structure that would allow them to receive direct transfers of monetary benefits, or whether support to establish bank accounts will be provided by the intermediary agencies. Validation processes will not use as a criteria past budgets related to forest management activities, as suggested in earlier BSP drafts, to avoid excluding groups that have undertaken such efforts voluntarily or without external or documented funding.

	details)		
Adat communities (regardless of legal status)	Funds are channeled directly to community group accounts through an appointed intermediary agency, who receive funds from the IEF through a trustee bank. Recipients who do not meet basic funds management capacities (such as having bank accounts) will be supported by SIA to access monetary or non-monetary benefits.	The group will be validated as an <i>adat</i> community by DPMPD, supported by the WG-P3MA.	- Operational and procurement costs - Community development activities - Forest management activities - Sustainable livelihood activities supporting communities resilience in adapting and mitigating climate change. <i>Further detailed guidance on eligible and ineligible activities is available in Annex 3.</i>
Other community groups:	Funds are channeled directly to group accounts through an appointed intermediary agency, who receive funds from the IEF through a trustee bank. Recipients who do not meet basic funds management capacities (such as having bank accounts) will be supported by SIA to access monetary or non-monetary benefits.	The group is registered or validated as follows: - Social Forestry license holders: Registered with the East Kalimantan Forest Agency - Social forestry business groups (KUPS): - KTPA & MPA: Provincial Forest Service - KPH: National Parks - KTH: recognized by village - Adiwiyata schools: validated by DLH They have submitted a workplan for how funds will be used, and have had this workplan validated for either monetary support by the SPMU	- Operational costs and procurement of good related to implementation of their mandates (e.g. firefighting equipment, agroforestry inputs, wages). - Sustainable livelihood activities supporting communities' resilience in adapting and mitigating climate change.

Grant sizes of approximately USD27,922 for *adat* groups and USD 9,740 for other community groups will be available to eligible recipients (refer to Annex 2). Depending on the number of groups who apply and are validated, adjustments can be made to promote fairness. One eligible group can receive up to two grants. More than one grant per group will only be available where there are additional funds remaining after all eligible groups receive their first grants.

3 BENEFIT DISTRIBUTION

3.1 Timeline

The total time to implement the BSP is expected to be approximately 3 years, depending on when the payment is received by the IEF. This includes a preparation phase, where agencies prepare workplans, contracts, and implementations systems, followed by two sequential years of implementation (it is expected that at least two years will be required, based on the funding amounts and absorptive capacity of beneficiaries, and the need for comprehensive community engagement in order to equitably and fairly distribute the Performance and Rewards allocations in accordance with the safeguards requirements of the Program). Thirdly, funds monitoring will be completed. This timeline estimate includes the following considerations, and builds on the experience of the advance payment:

- Contracting of intermediary agencies and set-up of staff, including training on safeguards instruments is expected to take 4-6 months. It is a requirement that all implementation arrangements are established – including contracting of intermediary agencies, passing of decrees, operationalization of the safeguards working group, and signing of MoUs, before funds are disbursed to Government agencies to finance their work programs of ER Program activities, or to villages or community groups.
- Funds channeling for national government agencies annually, based on the absorptive capacity of each beneficiary.
- Funds channelling aligns with government budget cycles, which typically begin in April of the preceding year, but can be adjusted mid-cycle. If subnational government agencies and village allocations are only available mid-cycle for a 6-month implementation period, fund amounts will need to be reduced to reflect absorptive capacity and spread over up to 2 years.
- Funds channelling to villages and community groups involves prior community engagement and workplan development activities, which are predicted to take 3-6 months. Therefore, Intermediary agencies should ideally begin work by the first quarter of the prior year.
- Funds disbursed at the beginning of the year will be allocated to annual budgets, and then executed over the course of the year, until December.
- In some villages with larger allocations where absorptive capacity is a barrier to rapid spending within one year, funds may be spread over two consecutive budget cycles irrespective of when the first tranche is ready.
- Reports on funds use must be submitted within 6 months, or 3 months if required for the formulation of financial statement to BPK, of the end of each annual budget cycle within which funds are utilised.
- For intermediary agencies, reports on funds use are prepared and submitted quarterly to IEF, and copy to NPMU and SPMU, once the fund is received by the intermediary agencies.

The following table gives an indicative timeline of BSP implementation:

Table 3.1 Indicative implementation timeline

	0-6 months	7-12 months	13-18 months	19-24 months	25-36 months	37-42 months
Signing of working agreements (PKS) between Government agencies						
IA Contracts signing and staff onboarding						
Working Groups operational (safeguards, MA, BSP)						

Responsibility + Performance Allocation for Government Agencies						
Govt agencies submit AWP and budgets for Responsibility and Performance allocations						
MoFor and MoE, or through NIA, submits workplan for Responsibility and Performance allocations						
Sub-national agency budgets transferred in alignment with budget cycle						
ER Activity implementation						
Reporting						
Performance Allocation for Villages						
SIA & Govt staff trained on community engagement & BSP implementation						
SIA undertakes community engagement						
Village budgets submitted, reviewed, & approved						
Funds transfer & activity implementation						
Reporting						
Rewards allocation for Community Groups						
Pokja established (Rewards allocation)						
SIA undertakes community engagement (community identification, FPIC, and proposal development)						
Community outreach activities						
Eligible beneficiary groups identified & verified, and submit workplans						
Workplan review/screening process, preparation for funds transfer						
Funds transfer						
Reporting						

3.2 Key steps

Implementation of the BSP follows the following process, which has 5 key steps, some of which are sequential (see table 3.1 above)

Step 1: Funds flow to the Indonesia Environment Fund

The World Bank will transfer the ER Payment to a custodian account set up by the IEF. Following MoF regulation, the IEF will retain 5.4% of the RBP to cover management and trustee bank fees, and some operational costs of implementation, including 0.5% towards contracting of intermediary agency for village and community groups (SIA).

This BSP will be the basis for ER Payment contracts which will be signed between IEF and four parties, namely a) BPKAD Province, b) BPKAD District, and; c) Intermediary Agencies.

Step 2: Signing legal agreements and Partnership Contracts, working groups

Operationalization

Funds flow arrangement utilizes existing Government systems where possible and most efficient and relies on non-governmental agencies to serve as intermediary agencies to provide supporting services, such as facilitation, accounting, and reporting.

Funds flow will be governed by the following legal agreements which will be drafted/updated and adopted based on this BSP:

- Governor's decree, outlining eligible beneficiaries, funds channelling mechanisms, eligible uses of funds for various beneficiary groups, and BSP monitoring and reporting requirements.
- Cooperation agreement (PKS) between the intermediary agency (NIA) for national government groups and the IEF, designating responsibilities for funds channelling to MoE and MoFor.
- Cooperation agreement (PKS) between the intermediary agency for village and community groups (SIA) and the IEF, designating responsibilities for funds channelling to villages and community groups.
- Cooperation agreement (PKS) between the intermediary agency for village and community groups (SIA) and the East Kalimantan Provincial Government, outlining coordination and reporting roles for the performance and rewards allocations.
- Updated Memorandum of Understanding between the IEF, Ministry of Environment, Ministry of Forestry, East Kalimantan Provincial Government on implementation and monitoring of BSP.

It is a requirement that all implementation arrangements are established – including contracting of intermediary agencies, passing of decrees, ensuring safeguards working group is operational, and signing of MoUs, before funds are disbursed to Government agencies to finance their work programs of ER Program activities, or to villages or community groups.

Step 3a: Flow of Funds via Intermediary Agencies to MoE and MoFor

The IEF will transfer funds to a contracted intermediary agency (NIA) through the trustee bank for allocation to MoE and MoFor as non-monetary benefits²² (i.e. executed by an intermediary agency, NIA) based on their approved work plans.

The financial allocations associated with the Responsibility and Performance Allocations for the national government will be administered by an intermediary agency (NIA) to support the Ministry of Environment's and Ministry of Forestry's mandates within the EK-JERP program, except for 0.5% which is allocated towards contracting of intermediary agencies for village and community groups (SIA). This arrangement was chosen by these national government agencies to avoid bottlenecks related to budget alignment. The substance of the activities to be implemented and policy development and supervision roles will be undertaken by the agencies' existing staff.

The MoE and MoFor will need to submit workplans to be validated by the IEF to access the ER payment, based on the respective agencies Annual Work Plan as approved by NPMU. Further details of eligible expenditures are provided in Annex 3. The ER payment for MoE and MoFor will be categorized as IEF expenditures. IEF will then transfer funds to the intermediary agency (NIA), which will execute the workplan under the supervision of MoE and MoFor, or directly to the beneficiaries. Funds for activities which are related to BSP implementation and Program management may be transferred as soon as workplans are approved. Funds for ER Program activities at the field level may only be transferred once all implementation arrangements are in place, including the operationalization of working groups, contracting of all implementation agencies, and signing of MoUs. This sequencing is intended to ensure that sufficient resources are available for government agencies to carry out their responsibilities in managing safeguards and supporting the roll-out of funds disbursed to village and community-level beneficiaries.

²² There is still ongoing discussion whether the IEF might directly transfer both monetary and non-monetary benefits to the Ministry's technical units (BKSDA, BTNK). The IEF has experience in transferring the funds under the Global Climate Fund (GCF) Output-1 to the Ministry's technical units.

Step 3b: Transfers to Province, District, and City Governments

Monetary benefits to subnational government agencies will be channeled through the subnational government's finance bureau (BPKAD) regular budget systems, which incur no additional administrative costs, are well managed, and regularly audited. Non-monetary benefits then flow to the private sector and communities who benefit from the ER Program activities implemented by these agencies. The agencies will update their annual work plans to reflect the expected funds, and submit them to the IEF, which will validate the plans and arrange for the funds transfer accordingly. 0.5% each from Province and District allocations will be allocated to contracting of intermediary agencies (SIA) by IEF.

The IEF will transfer funds to the Sub-national Governments (Provincial and District) through the BPKAD, and using existing processes for funds transfer and approval, and existing bank accounts. 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 agency in the implementation of the ER Program²³.

Box 1: Alignment with the budget cycle

1. IEF can transfer to subnational governments (SNGs) any time once contracts are signed.
2. SNGs should include proposed activities in their local government budgets by latest June of the previous year (6-9 months in advance).
3. For 2026, since the budget preparation cycle is already ongoing, single budget line item with generic activities aligned with the BSP is to be allocated. Revision to the SNG's budget to be conducted in the first semester of 2026 to include proposed activities when ER funds are available in IEF account.
4. For 2027 onwards, the proposed activities can be included following the regular budget cycle whereby it will be included in the proposed budget to local parliament in June/July of the previous year.

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 IEF 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 workplans and validate by SPMU and Working Group of Planning and Budgeting (beginning in March until November 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) must 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. Further details of eligible expenditures are provided in Annex 3. The use of these funds on ER

²³ While the National Park Agency/Conservation Management Unit and FMUs are administered under the National Government and Provincial Government respectively, they directly manage forested areas and implement policies which contribute to production of ERs. Thus, they qualify for the Performance Allocation.

Program activities is expected to benefit private sector and local communities across the province, such as companies who have support to gain certifications, or communities who are targeted for training or support to improve land tenure security.

Funds for activities which are related to BSP implementation and Program management may be transferred as soon as workplans are approved. Funds for ER Program activities at the field level may only be transferred once all implementation arrangements are in place, including the operationalization of working groups, contracting of all implementation agencies, and signing of MoUs. This sequencing is intended to ensure that sufficient resources are available for government agencies to carry out their responsibilities in managing safeguards and supporting the roll-out of funds disbursed to village and community-level beneficiaries.

Step 3c: Transfers to Villages and Community Groups

This step involves two key processes. Firstly, community outreach & implementation preparation activities, and secondly channeling of funds to beneficiaries.

Once the SIA is contracted by IEF, it will have the responsibility to support i) implementation of communications and awareness activities (with provincial and district government teams) so that beneficiaries of performance and rewards allocations are informed of their eligibility and the process to follow to agree to access and allocate funds; ii) tracking submission of village budgets; iii) providing recommendations to IEF to release the funds as budget are received; and iv) supporting monitoring of funds use, by coordinating with the responsible agencies (e.g. District/City inspectorate).

The Performance allocation to *desa* villages is channeled via Indonesia's village fiscal transfer system, which builds on a legacy of community-driven development programming. *Kelurahan* village allocations are channeled directly from IEF to the nominated accounts of community groups within the *kelurahan*.

The Rewards allocation is channelled via an Intermediary Agency (SIA), which will work closely with local CSOs in East Kalimantan. The CSOs should be familiar with *adat* customs and governance systems and the sensitivities and risks faced by forest-dependent communities. The following sub-steps are required:

1. Hire / train / contract experienced village facilitators (Performance and Rewards allocations).

The SIA will be responsible for ensuring adequate community outreach to eligible villages through a combination of existing government extension staff and networks of local CSOs, who may be engaged to support implementation.

The Provincial DPMPD and DLH, as well as development partners, through field officers (village facilitators), will support outreach and facilitation activities consistent with their mandates for community development and sustainable forest governance. The Forestry Agency and FMUs are responsible for the Social Forestry Institution, Social Forestry Business Groups, MPA and MMP. The Estate Crops Agency are responsible for the KTPA. The SIA will coordinate the efforts of these government front line agencies in implementation of the BSP (including FPIC related processes), and will provide direct staff and support where there are critical gaps in government agencies capacities or outreach networks.

Facilitators will be trained on i) the FCPF and BSP; ii) safeguards, including the IPP and FPIC principles, the FGRM procedures, and eligible and ineligible activities; iii) soft skills, including how to address risks of exclusion or elite capture; and iv) key processes, including on the roll-out of communications campaigns and how and when to provide communities with

support for village budget preparation (for the Performance allocation), and how community groups within villages may collaborate with local NGOs to support their applications for Rewards allocation grants.

In addition, SIA may collaborate with local CSOs/NGOs to support the implementation of the Rewards allocation. Further details are available in Section 3.3.

2. Develop and launch an effective communications and community engagement strategy, which reaches every eligible village.

Effective communications and outreach activities will be financed through the Responsibility allocation and led by the SIA and SPMU. Activities are required to ensure village populations – especially including *adat* groups and forest-dependent peoples – are aware of the BSP and their rights to participate in planning. This strategy should have the following objectives:

- a. **Inform community members** of their eligibility for benefits, and of how to navigate the BSP process. This includes the volume of funds and the process to access them, and the criteria for both villages and community groups;
- b. **Inform village government officials** of their roles in channelling funds, and in facilitating community members participation in the allocation of their funds to local development projects (i.e. village planning);
- c. **Provide effective channels for feedback and questions**, including the option to decline to participate in the BSP if desired;
- d. **Link potentially eligible community groups to local CSOs who are involved in BSP implementation through SIA, to support preparation of grant workplans;**
- e. Communicate using appropriate language and tailored messages and outreach options for marginalized and *adat* communities in particular, such as translation into local languages.

3. Secure the consent of eligible groups to participate in the BSP through a written commitment, wherein they agree to receive funds from the program.

For villages, facilitators need to secure written commitments to participate in the BSP, wherein eligible recipients of funds confirm that they are fully informed about the program and willing to receive their allocation of funds, and to allocate it responsibly within their communities in accordance with the requirements of this BSP and consistent with the principles of Free, Prior and Informed Consent (FPIC). See Section 6 for further details on the requirements of FPIC. Consent forms may be submitted alongside budget submissions, to limit document review processes.

For community groups, the submission of a grant workplan by an eligible group will be considered a signal of consent, and additional written forms will not be required.

4. Facilitate participatory planning, resulting in submission of budgets.

Village facilitators will support Village Governments to promote inclusive village-level planning processes. The Village Law mandates an inclusive approach to participatory planning, including requiring village governments to ensure that women representatives, *adat* leaders, and religious leaders are invited to a series of planning meetings. Stakeholders are given the opportunity to discuss and deliberate through *Musyawarah Desa* and *Musyawarah Perencanaan dan Pembangunan (Musrenbang) Desa* meetings.

The support facilitators provide to develop workplans, once communities have agreed to participate, will i) aim to support a participatory process, including community members in decision-making, not only village governments; and ii) lead to the submission of activity budgets (through the SISKEUDES system for villages, and in the form of simple workplans for community groups), which are accompanied by signed agreement or consent forms.

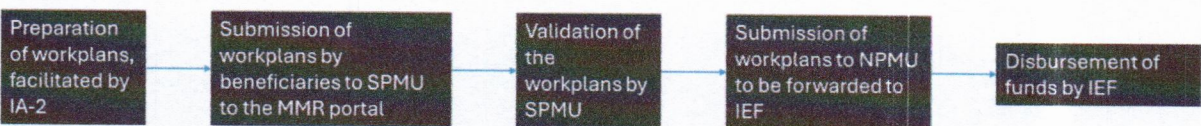
There are options for recipients to decline to receive transfers of funds or participate in funds allocation or use. In a case where beneficiaries do not wish to participate and/or to receive funds, the following steps should be followed:

- I. Reported to the SPMU, who will assign a member of the safeguards working group to review the case.
- II. The assigned specialist will contact beneficiaries to confirm that they have been properly consulted, understand the payments and conditions, and address any misunderstandings. Beneficiaries will be reassured they have additional time to consider their decision and can voluntarily share their reasons for not agreeing. The specialist should also explain how to rejoin the program if desired. The specialist should verify and document the reason for declining and highlight any issues that might constitute gaps in the consultation processes – such as incomplete access to information, or misunderstandings about the process.
- III. After 6 months, if the beneficiary has not reconsidered their position, their funds will be reallocated to other beneficiaries within the same beneficiary category. Details of reallocation SOPs will be detailed in the POM.

NGOs will support community groups to submit workplans, see more details in Section 3.3.

5. Village Budget submission and appraisal

Village Governments will submit their completed budgets, which are reviewed by the District DPMPD office, per the usual Village Law process. District staff will verify compliance with the spending guidance issued in the PerGub. Below is the diagram illustrating the process from preparation of workplans to disbursement by IEF.



The utilization of unused funds (SiLPA) follows the financial accountability mechanisms of each beneficiary. For Government entities, the use of SiLPA is governed by prevailing laws and regulations. SiLPA may be carried forward to the following year and can only be used after audit results are issued by the authorized agency. For community groups, activity planning is not bound by the government fiscal year and instead responds directly to group needs.

The utilization of SiLPA must follow the approved workplan, and any changes to workplans or SiLPA utilization must be promptly reported to the PMU and IEF, validated, and reflected in an adjusted Annual Work Plan (AWP). If program targets are achieved before the full budget is disbursed (resulting in positive SiLPA from efficient fund use) the remaining balance may be reallocated to other eligible activities as determined by the implementing entity through an inclusive consultation process (e.g., village meetings).

6. Transfers to villages – Performance allocation

The ER Payment from IEF to village-level beneficiaries is channeled to *desa* villages via Indonesia's village fiscal transfer system, and to *kelurahan* villages via transfers to the bank accounts of designated community groups within those villages by the local communities. Funds used will be consistent with existing village development spending guidance, with a negative list of high-risk, non-permitted activities (See the ESMF Annex 1). The transfer will be made by IEF directly from the trustee account to the *desa* village government's account, or to designated account holders nominated by *kelurahan* villages via SIA.

7. Transfers to Community Groups – Rewards allocation

The following steps apply for the implementation of the Rewards allocation, complementary to and in parallel with the roll-out of sub-step 1-5 above. This process is expected to take 18-24 months. It does not need to align with the budget cycle, and is flexible on timing throughout the calendar year.

- I. The intermediary agency SIA works with the *Pokja* to implement communications and outreach campaigns, utilizing the networks, skills and coverage of local CSOs. Because most eligible groups will overlap geographically with the Performance allocation geographies, it is expected that communications and outreach activities will be combined, with local community members informed about their entitlements via both allocations through socialisation events and consultations.
- II. The SPMU determines a preliminary list of eligible *adat* communities and community groups, based on submissions either directly from groups or via the CSOs.
- III. The *pokja*, via networks of CSOs, will verify the list of eligible *adat* groups, and solicit simple budget workplans for use of funds by the groups. Relevant government agencies will verify the other community groups. To receive benefits, community groups need to submit very simple budget workplans outlining the planned use of funds. The purpose of these workplans is not to control the groups' spending, but rather to ensure that they have – as a group – made a collective decision on how to allocate the funds. Workplans are screened by the SIA against the spending guidance in Annex 3. Any groups that have limited financial management capacity will be supported by the SIA to establish them.
- IV. Validated workplans are submitted to the SPMU for approval.
- V. SIA disburses the funds to community group accounts after getting SPMU approval.
- VI. SPMU and working groups monitors the use of benefits and reports on this to the Governor and IEF.

4 MONITORING, REPORTING & SAFEGUARDS

Monitoring of BSP implementation and use of funds is required throughout implementation of the BSP, including after the ERPA has closed. Financial Reporting is required annually and upon completion of the BSP.

Monitoring

At various levels of BSP implementation, multi-stakeholder engagement and participation are in place. At the national level, the technical committee has non-government representatives who provide guidance on overall use of benefits and provide implementation oversight. At the sub-national level, various working groups (Planning and budgeting, Benefit Sharing, S&E Safeguards, and MMR), will involve CSOs and academia representatives throughout their decision-making and implementation processes.

All relevant program reports, including monitoring reports, are available on the Program Portal (<https://mrv.kaltimprov.go.id>), and are widely accessible to the public.

Monitoring distribution of funds in accordance with this plan. It is expected to take approximately 3 years (depending on budget cycles and the timing of payments) for benefits to be distributed to beneficiaries. The monitoring reports on the use of the benefits will be ready for submission to IEF 3-6 months after the end of the calendar year within which benefits have been disbursed to Government beneficiaries, and within 6 months of disbursements of payments to community groups.

Monitoring quality of safeguards implementation: ER Program entities and benefit recipients are required to monitor and report safeguards compliance, along with reporting to the Registry System. Beneficiaries, including adat community, can provide feedback through survey conducted by PMU.

Consistent with the benefit distribution process under the BSP, respective agencies who are responsible for oversight (DPMPD, Fisheries and Marine Agency, Forestry and Estate Crops Agency as well as Provincial Forestry Agency) will report to the Governor through the MMR working group and safeguards working group (*Pokja Safeguards* - Governor Regulation No.522/K.28/2022 amended by Governor Regulation No.7/2023) for the overall implementation of safeguards.

4.1 Reporting

4.1.1 Financial reporting

The IEF will consolidate the financial reports and submit the report to the Deputy of Climate Change and Carbon Economic Value Governance, Ministry of Environment (DGCC). The BSP report that includes the financial report will be submitted by the DGCC to the World Bank. Submission of consolidated reports to the World Bank will be done a maximum of 6 months after the first payment and annually thereafter.

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.

The financial aspects (the use of fund, etc.) of the ER Program implementation will be subject to an audit by BPK as Supreme Audit Institution in Indonesia after the receipt of ER payment. The audit will provide an opinion on whether the BSP financial report is presented accurately. The IEF is responsible for preparing the annual financial statement subject to audit by BPK. The format of the financial statement is provided in the Project Operations Manual (POM). The report on the use of fund will be disclosed publicly as specified by the ERPA.

Financial reporting for villages will follow the existing Government procedures. The IEF is responsible for preparing the annual financial statement subject to audit by Supreme Audit Agency (BPK).

4.1.2 Activity Reporting

At the field level, 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 MoFor 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 4.1) and then consolidated by IEF, and reported to the World Bank using the BSP report template.

Table 4.1. Type of Reports provided by Beneficiaries

Beneficiaries	Supervisor	Type of Reports
Community groups	Intermediary Agency	Report submitted by intermediary agency confirming disbursement of funds to community groups.
Village Government	DPMPD/Appointed Third Party at Province Level	Budget execution report as submitted to SISKEUDES
FMU	Forestry Service	ER Implementation Report (Activity and Finance Reports)
National Park/BKSDA (Conservation Management Unit)	MoFor	ER Implementation Report (Activity and Finance Reports)
Ministry of Forestry	MoFor	ER Implementation Report (Activity and Finance Reports)
Provincial Government	MoE	ER Implementation Report (Activity and Finance Reports)
District Governments	MoE	ER Implementation Report (Activity and Finance Reports)
Ministry of Environment	MoE	ER Implementation Report (Activity and Finance Reports)

4.2 Third-Party Monitoring

The World Bank as a Trustee to the FCPF reserves the right to request and/or commission a separate monitoring in the form of Third-Party Monitoring (TPM) at a regular or ad hoc basis, including after closure of the ERPA.

A TPM is conducted to monitor and report on whether the BSP is implemented in accordance with its terms and relevant safeguard plans.

The TPM (firms or individual) should be an independent entity, not be affiliated with the implementation of Emission Reduction Programs and should have adequate knowledge of World Bank Safeguards.

The Terms of Reference (ToR) of the TPM, which includes general scope, timing, and budget will be consulted between the Government of Indonesia, the World Bank and the Facility Management Team (FMT) of the FCPF. The findings of the TPM will be reported to these entities.

4.3 Safeguards

4.3.1 Key Environmental and Social Risks

The BSP is anticipated to deliver positive environmental and social benefits to local communities. However, some environmental and social risks are anticipated during BSP implementation associated with the use of the benefits.

The risks associated with the implementation of BSP could be divided into two groups, namely (i) upstream risk associated in relation to the design of the Benefit Sharing, including on 'eligibility criteria'; and (ii) downstream risk in relation to 'the use of the fund' by the beneficiaries. These are explained below:

The upstream risk includes potential social exclusion risks, where eligibility criteria may exclude *adat* and other community groups in accessing the benefits due to legal and/or administrative barriers and disputes or lack of consensus over benefit sharing mechanism. This risk has been mitigated during benefit sharing design through meaningful consultation processes with various stakeholders, including local governments, representatives of local communities and community groups, including *adat* communities. Such consultations discussed, clarified, and agreed on the eligibility criteria of each type of benefit allocation and arrangement for the benefits distribution.

Downstream risks particularly related to the use of funds by beneficiaries will be mitigated through several safeguards' actions, including:

- a. Supported activities must not include activities included in the negative list (found in section Annex 1 of the ESMF).
- b. Activities financed by villages and community groups under Performance and Rewards allocations will be discussed and determined by the communities themselves through participatory forums, including existing village forum or community groups' decision-making processes.
- c. The Program will ensure adequate community outreach to eligible villages and beneficiaries through a combination of existing government extension staff, networks of local CSOs and village facilitators (trained staff either from existing government agencies or recruited by the intermediary agencies) to help village and community groups beneficiaries to screen the activities to avoid risks and to promote inclusive decision-making.

4.3.2 Safeguards Mitigation Measures

Since benefit-sharing involves making decisions about access to and distribution of financial or non-financial incentives derived from the Program's activities on lands that are customarily owned, managed, or used by Indigenous Peoples and Local Communities (IPLCs), it is essential to ensure robust stakeholder engagement and consultations.

Safeguards measures for this BSP includes two main processes: Stakeholder engagement and consultations leading to consent activities and participatory planning to support workplan development, ineligible activities, budgets, both to address social and environmental risks.

4.3.2.1 Stakeholder engagement and consultation leading to consent

The FCPF methodological framework requires that the benefit-sharing arrangements are designed in a consultative, transparent, and participatory manner and reflects inputs by relevant stakeholders. To ensure achievement of these principles and consistent with the ESMF and IPP and given the nature, scope and scale of the Program and the BSP, stakeholder engagement and consultation can be broad-based and inclusive, including district governments, representatives of Indigenous Peoples and Local Communities (IPLCs), community leaders (including *Adat* leaders), and relevant NGOs.

In the cases of potential negative impacts to IPLCs, the BSP will follow FPIC principles and guidelines prepared for this purpose. The Program is subject to the World Bank Operational Policy 4.10.

Consultation leading to consent has been adopted to ensure broad community support and avoid any potential negative impact on adat communities. Activities that may potentially affect IPLC include adverse impacts on traditionally owned or used lands and natural resources, potential relocation, or significant effects on cultural heritage. This includes any impacts on access, use, or cultural significance of these areas, as well as relocation, which must be avoided where possible. However, relocation, resettlement and impact on cultural heritage are already part of the negative list of the Program as described in the ESMF and below. In addition, beneficiary groups will be given the chance to agree or disagree to receive funds or participate in activities in the areas where they live.

To support this process, the following stakeholder engagement actions will be (or have been) undertaken for this BSP:

- a. *Consultations on BSP design.* Given the Program's nature, scope and scale and the challenges these represent, consultations are not required at village level but rather broad participatory processes with different stakeholders, including government agencies, IPLCs representatives, particularly adat representatives and community leaders and NGOs.
- b. *Effective Community Outreach and community engagement strategy.* Implementation of the BSP will follow principles of Free, Prior and Informed Consultation and Consent (FPIC) for target communities (including village populations and community groups) as the BSP is rolled out, and before funds reach communities to implement activities. This is to ensure i) that beneficiaries of performance and rewards allocations are informed of their eligibility and the process to follow to either agree to access and allocate funds, volume of funds and the process to access them; ii) that village government officials are informed of their roles in channelling funds; iii) community members are consulted and given the option to participate in the allocation of their funds to local development projects (i.e. village planning); iv) provision of effective channels for feedback and questions, including the option to decline to participate in the BSP if desired; and v) tailored messages and outreach options for marginalized and *adat* communities in particular, such as translation into local languages.
- c. *Participation and Consent.* Based on the requirement to conduct consultations (point b. above) leading to consent, beneficiary groups will be given the opportunity to consent by agreeing or declining to receive funds or participate in activities in the areas where they live. This approach will be applied uniformly across all recipient villages and community groups, as the widespread presence of *adat* communities and IPLCs requires a standardized process, in order to avoid potential exclusion risks. The consent mechanism will apply to receipt and allocation of the funds and will be integrated into the workplans/budgets submitted by participants. Consent forms may be submitted alongside budget submissions, to limit document review processes. For community groups, the submission of a grant workplan by an eligible group will be considered a signal of consent, and additional written forms will not be required.
- d. *Feedback and grievance redress.* A feedback and grievance redress mechanisms will always be available to stakeholders.

4.3.2.2 Participatory Planning and Implementation Support to Beneficiaries

Participatory planning processes are outlined in section 3.2 of this BSP. They are required to adhere to the following procedural requirements:

- o The BSP will provide support to promote inclusive village-level planning processes, information sharing and training.

- Participatory planning systems will incorporate principles of Free, Prior, and Informed Consent.
- In case where beneficiaries do not wish to receive funds or to participate in the BSP, they must not be intimidated or coerced.
- Sufficient staff and resources should be allocated to ensure quality implementation of FPIC processes.
- Existing staff and facilitators hired by the intermediary agency, will be trained in the following activities: i) strategies for community outreach and information sharing, specially about the Program, BSP and operational procedures such as eligibility, workplan and budget preparation and submission; ii) protocols for conducting consultations with governments and beneficiaries, including FPIC guidelines and FGRM mechanism; iii) options for beneficiaries to agree or disagree to receive funds transfers, and protocols for supporting informed decision-making at the community level; iv) soft skills, including techniques and protocols to reduce risks of intimidation or retaliation in the case of conflicts.

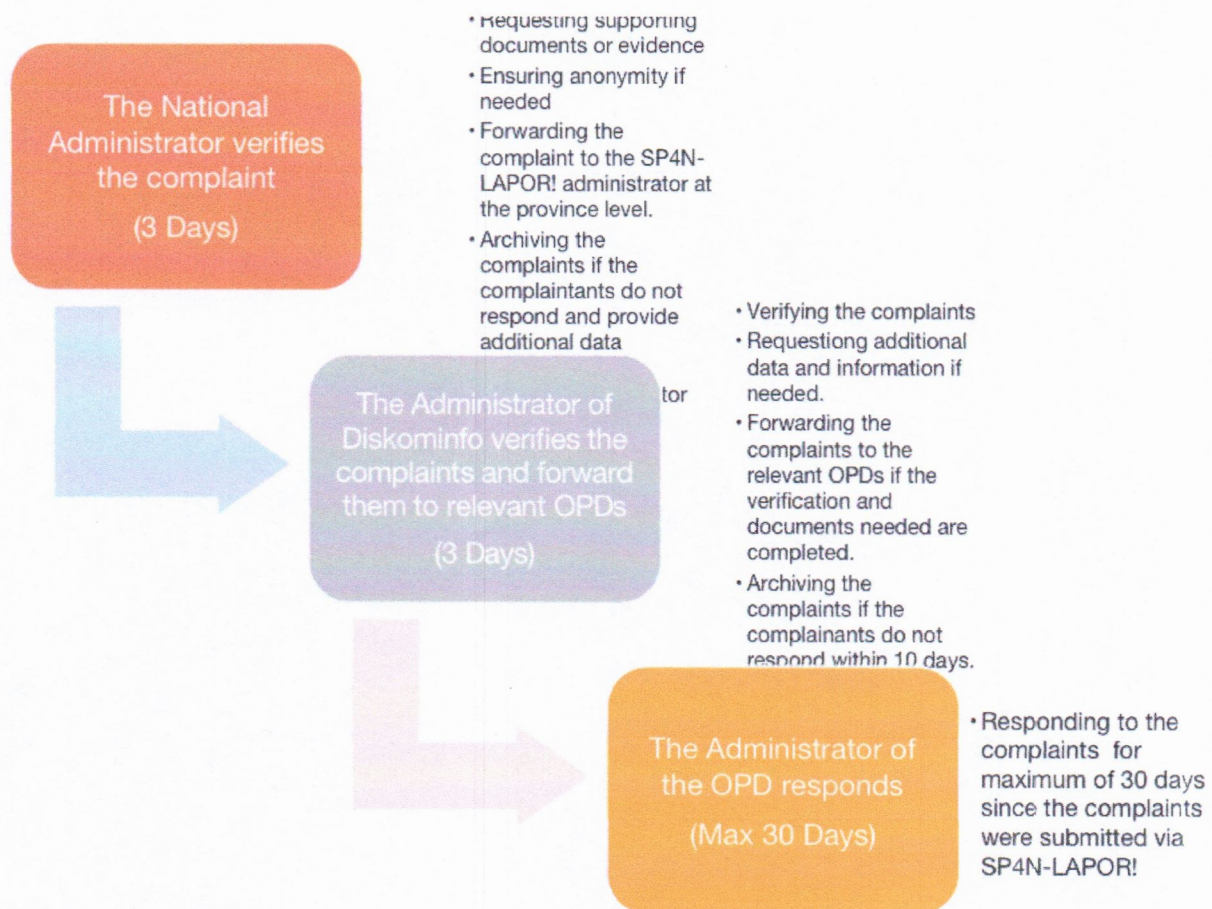
4.3.2.3 Feedback and Grievance Redress Mechanism

To ensure transparency, accountability, and inclusive participation, a **Feedback and Grievance Redress Mechanism (FGRM)** has been designed explicitly for the Emission Reduction (ER) Program, including the implementation of the Benefit Sharing Plan (BSP). The FGRM serves as a vital safeguard instrument to address concerns, complaints, or suggestions from stakeholders, including Indigenous Peoples and Local Communities (IPLCs), who may be affected by the program's implementation.

The design of the FGRM adopts a **dual-channel approach**, integrating both **web-based** and **manual mechanisms**. This dual system ensures flexibility and accessibility, particularly for stakeholders in remote or underserved areas.

The **web-based system** leverages the **national SP4N-LAPOR! platform** (<https://www.lapor.go.id/instansi/pemerintah-provinsi-kalimantan-timur/>), which is accessible through multiple channels, including the website, mobile application (available on App Store and Google Play), Twitter/X /X account (@lapor1708), and SMS to 1708. To support transparency, the Provincial Government of East Kalimantan has provided official guidance for the public on how to file complaints through SP4N-LAPOR!, available at: <https://lapor.go.id/tutorial-video>

To institutionalize the management of this system, the Provincial Government of East Kalimantan issued SOP No. 067/276/Diskominfo on January 3, 2022, which regulates the complaint handling process submitted through SP4N-LAPOR. This SOP ensures that all complaints are processed in a timely and structured manner, beginning with a review by the national administrator within three days. Following this, the provincial administrator is responsible for verifying and forwarding the complaint to the relevant implementing agencies (OPDs) within the next three days. Finally, the OPDs are required to provide an official response and take necessary action within 30 calendar days from the date the complaint was submitted.



In addition to the digital platform, the FGRM accommodates **manual and community-based mechanisms** to address access barriers faced by remote or adat communities. These include submitting complaints via postal mail, in-person visits to government offices, written letters, or direct consultations with government officials at the village, district, or provincial level.

Complainants—including individuals, groups, or community representatives—can submit their grievances directly to the implementing agencies responsible for the ER Program, or through the following institutions:

- **Subnational Project Management Unit (SPMU)** of the FCPF-CF Program, Jalan Gajah Mada No.2, Kelurahan Jawa, Samarinda Ulu, Samarinda City, East Kalimantan 75242.
- **East Kalimantan Provincial Environmental Agency**, Jalan MT Haryono No.18, Air Putih, Samarinda City 75124, Phone: +62 541 760304. (Pokja MRV).
- **Provincial Forestry Agency East Kalimantan Timur**, Jl. Kesuma Bangsa, Sungai Pinang Luar, Kec. Samarinda Ulu, Kota Samarinda, Kalimantan Timur 75124. (Pokja Safeguard).
- **Relevant implementing OPDs** at the provincial or district/municipality level.

All feedback and grievances received through these channels are recorded and coordinated by the SPMU at the provincial level. The SPMU brings the issues into discussion within the appropriate working groups—namely, the Safeguard Working Group, the Planning and Budgeting Working Group, the Monitoring, Measurement, and Reporting (MMR) Working Group, and the Benefit Sharing Working Group—to develop responsive solutions and ensure compliance with safeguard frameworks.

This integrated grievance mechanism promotes responsiveness, inclusivity, and accountability, ensuring that the implementation of the ER Program and BSP adheres to both national safeguard systems and the World Bank's Environmental and Social Standards.

4.3.3 Roles and responsibilities for safeguards

Consistent with the benefit distribution process under the BSP, respective agencies responsible for safeguards oversight - namely the Provincial Village Empowerment Agency (DPMPD), the Forestry and Estate Crops Agency, and the Provincial Environmental Agency (DLH)- report to the Governor through the Provincial Forestry Service for the overall coordination and implementation of safeguard measures. Program-level oversight for safeguards implementation and grievance management is coordinated by the **SPMU** at the national and provincial levels.

At the technical level, a **Safeguards Working Group (*Pokja Safeguards*)** plays a pivotal role in ensuring that the program implementation, including the Benefit Sharing Plan (BSP), adheres to the requirements and principles outlined in the **Environmental and Social Management Framework (ESMF)**. This working group is tasked with ensuring adequate screening of activity workplans submitted by benefit recipients and conducting verification and validation in collaboration with other thematic working groups—such as the Planning and Budgeting Working Group, the Benefit Sharing Mechanism (BSM) Working Group, and the MMR Working Group.

Pokja Safeguards also assesses the compliance of proposed activities with established environmental and social safeguards standards. This includes ensuring the integration of risk identification and mitigation measures, meaningful stakeholder engagement, and the inclusion of vulnerable groups in all phases of program implementation. Each safeguard process is expected to be well-documented and traceable.

Furthermore, *Pokja Safeguards* conducts ongoing **monitoring and evaluation** of safeguard implementation by benefit recipients, including at the field level. Monitoring results are compiled into periodic reports and submitted to the SPMU. These reports are prepared in alignment with the structure and procedures of the ESMF and contribute to the integration of safeguard data into the national safeguard reporting systems.

This multi-layered arrangement—combining institutional oversight and technical coordination—ensures that safeguards are not only compliant in principle but are also implemented effectively and transparently on the ground.

5 CONSULTATION & COMMUNICATION

5.1 Summary of consultations process reflected in BSP 2015-2025

This revised Benefit Sharing Plan (BSP) for East Kalimantan was developed following an advance payment made in 2022, which tested the funds distribution mechanism. Based on lessons learned from the advance payment benefit sharing distribution, it was agreed the BSP would undergo adjustments and revisions before the final ER payment will be made. The revised BSP underwent a comprehensive revision process during 2024 and 2025, which included a process of public consultation on a draft revision from August 7 to September 18, 2025. The objective of the revision was to improve inclusion, particularly for *adat* communities, and to clarify eligibility, enhance cost-effectiveness, and strengthen the environmental and social safeguard systems. The public consultation process began with technical meetings between the Provincial Management Unit and local NGOs and CSOs in late May to prepare the consultation format and materials.

The public consultation process then involved the following outreach and actions to gather broad-based input from communities and their representatives in East Kalimantan, as well as from Government representatives.

- Public disclosure of draft BSP and accessible summaries of the draft.
- An online feedback option, which included submission of inputs by email, or by google form, with options for anonymous feedback. A total of 149 submissions were received, all of which were reviewed by the PMU and informed the revision of the BSP.
- A series of in-person consultation workshops to gather verbal feedback and discuss revisions needed. In total, approximately more than 900 people attended the five consultation events, including representatives from communities and adat groups in all Districts, as well as representatives of women's groups, youth groups, and persons with disabilities.
 - A provincial workshop was held on August 7, 2025, bringing together representatives from government agencies, civil society, and *Adat* community representatives. This workshop presented the rationale for revising the BSP, lessons learned from previous implementations, and key proposed changes. The main topics were eligibility criteria, fund allocation mechanisms, the role of intermediary agencies (LEMTARA), the working group for BSP concerning community and Adat groups (*Pokja BSP khusus Komunitas dan Masyarakat Adat*), and community engagement strategies.
 - Four district-level consultations took place on **August 26th and 28th, 2025**, covering all seven districts in East Kalimantan. These consultations were attended by more than 800 people, including adat leaders, village heads, women's groups, youth representatives, and local NGOs. Discussions were structured to ensure inclusive participation and allow different stakeholder groups to express their views openly. At the same time, national and provincial government agencies were consulted on institutional roles, implementation responsibilities, and operational mechanisms related to the revised BSP, including fund channeling, grievance redress, and monitoring systems.
 - The process **was concluded with a Provincial Workshop on September 18, 2025**, inviting more than 200 participants.
- Re-disclosure period. The feedback were all collected, the BSP was revised accordingly and posted online for a **two-week public review period**. This final event presented the outline of revised BSP, explained how stakeholder inputs were addressed, and provided an opportunity for any remaining questions or feedback.

Overall, the 2025 consultation process is designed to ensure that the revised BSP is more inclusive, equitable, and responsive to the needs of local communities, while reinforcing safeguards and accountability in the implementation of the Emission Reduction Program.

Annex 1. Key Roles and Responsibilities of Stakeholders in the ER Program

The key roles and responsibility of various stakeholders in the ER Program are described in the following **Error! Reference source not found.**

Table A.1. The list and rationale of beneficiaries.

Beneficiaries	Key ER Roles
GOVERNMENT INSTITUTIONS	
National Level	
National Government	- Issuance, implementation, and enforcement of relevant national policies - Administration of the national REDD+ system - Administration of the IEF - ER Program administration, including national registry, national forest monitoring system, social & environmental safeguards information system, Monitoring, Reporting, and Verification (MRV), coordination of ER interventions at National level (with relevant Ministries). - 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) - Tenurial Conflict Management and Customary Forests
National Park Agency/Conservation Management Unit ²⁴	- Responsible for conservation areas in East Kalimantan Province - Development of conservation partnerships with local communities - Forest and Wildlife Protection and Monitoring - Fire Management and Prevention - Partnerships with local communities on Sustainable Livelihood in buffer zone areas.
Sub-national Level	
East Kalimantan Government	- 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 - Facilitating coordination of ER interventions initiated by relevant provincial government services (Forestry Service, Plantation Service, Mining Agency, Environmental Service, Marine & Fisheries Agency, - Responsible to conduct MMR (Measurement, Monitoring, and Reporting), FGRM, sub-national registry system, and social &

²⁴ 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.

Beneficiaries	Key ER Roles
	- environmental safeguards at provincial level including the web-based platform - 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 - Facilitating the process of proposing or permitting social forestry in the Working Group on the Acceleration of Social Forestry (Pokja PPS). - Facilitating FMUs in improving management capacity, technical capacity in implementing sustainable forest management (including RIL), community empowerment, and business plan development. - Sustainable livelihood activities supporting communities resilience in adapting and mitigating climate change.
FMUs ⁵	- Conflict resolution - Support for social forestry - Forest management, protection, and monitoring - Fire management and prevention - Coordination with communities and other entities in the FMU
District Governments	- 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 sustainable alternatives program plans and support activities for emissions reduction. - Implementation of ER interventions related to capacity building for fire prevention and control, facilitation of sustainable agriculture and estate crops, climate/green villages. - Conflict resolution - Sustainable livelihood activities supporting communities resilience in adapting and mitigating climate change.
Village Governments	- Develop ER activity plans with communities and land rights holder groups
LOCAL COMMUNITIES INCLUDING ADAT COMMUNITIES	
Community groups	- Reduction of deforestation - Adoption of alternative livelihoods - Adoption of fire management and control practices - Continuation of sustainable management practices
INTERMEDIARY AGENCY	
NIA: Intermediary agency for National Government	- Manage financial benefit for National Government (MoE, MoFor) - Monitoring and reporting of financial benefit for national government
SIA: Intermediary agency for Village and Community Groups	- Manage and distribute of financial benefit for village and community groups - Monitoring and reporting of used of financial benefit for village and community groups - Capacity building for village government and community groups

Annex 2. Benefit allocation formula and summary simulation of allocations

Performance Allocation

Detailed formula:

The weighted index used to calculate the spread of funds across the provincial accounting area **for FMUs/non-state forest area (districts)/conservation areas** according to authority is calculated based on the following two factors:

- 1) the proportion of forested area (weight: 57%); and,
- 2) the decrease in the size of deforestation area compared to the average size of deforestation area in the reference period (weight: 43%).

Allocation for each Supervision (DGKSDAE, Provincial Agency =

$$[6,5\% * ((57\% * \frac{\text{Forested area in unit}}{\sum \text{forested area}}) + (43\% * \frac{\text{annual deforestation reduction in unit}}{\sum \text{annual deforestation reduction}}))]]$$

Allocation for each agency:

Allocation for each Benefit Manager (TIU MoFor, FMUs, District/City)
=

$$[17,55\% * ((57\% * \frac{\text{Forested area in unit}}{\sum \text{forested area}}) + (43\% * \frac{\text{annual deforestation reduction in unit}}{\sum \text{annual deforestation reduction}}))]]$$

Similar calculations are carried out again based on district/city administrative boundaries, to calculate allocations for villages.

Allocation for village in each District/City =

$$[40,95\% * ((57\% * \frac{\text{Forested area in unit}}{\sum \text{forested area}}) + (43\% * \frac{\text{annual deforestation reduction in unit}}{\sum \text{annual deforestation reduction}}))]]$$

Based on the allocation of each district/city, calculations are carried out for each village (desa/kampung/kelurahan) with the following steps:

- 1) 70% of the total allocation for the district/city is split evenly across all villages which have 500ha or more of forest cover, or are ProKlim villages which have carried out mitigation actions.

Initial allocation each district

$$= \frac{40,95\% * RBP}{\sum \text{validated village under performance allocation}}$$

- 2) Additional allocations for villages that have forests of more than 500 hectare in each district/city is converted into an index using the formula:

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

where: Min D is the smallest forested area of all villages within the District/City and Max D is the largest forested area of all villages within the Districts/city. Di is village forested area

- 3) Based on the index figures for each village in each district, converted into the proportion of allocation for each village within the district/city.

$$\text{Allocation addDi} = \left[\frac{\text{Index ADi}}{\sum \text{Index AD}} * 100\% \right] \text{ allocation each district/city}$$

- 4) The allocation of each village is calculated:

$$\text{Allocation Di} = \text{initial allocation} + \text{Allocation addDi}$$

Payment (USD)	89.100.000
USD to IDR	15.400
Payment (IDR)	1.372.140.000.000

[THIS IS MERELY A SIMULATION; ALLOCATION AMOUNTS ARE SUBJECT TO CHANGE BASED ON CONDITIONS AT THE TIME OF PAYMENT RECEIPT / INI HANYALAH SIMULASI, AKAN ADA PERUBAHAN BESARAN ALOKASI BERDASARKAN KONDISI SAAT PEMBAYARAN TELAH DITERIMA]

Parameters used:

- a) Forested and Deforestation Area: ER-MR #1 shapefile, 2021
- b) Village boundary: BIG, 2022

Allocation / Institution	Allocation (%)	USD	IDR
(1 USD = IDR 15.400)			
PAYMENT	100,00%	89.100.000	1.372.140.000.000
Responsibility Allocation	25,00%	22.275.000	343.035.000.000

Allocation / Institution	Allocation (%)	USD	IDR
(1 USD = IDR 15.400)			
Ministry of Environment	8,01%	7.136.910	109.908.414.000
Indonesia Environmental Fund	4,90%	4.365.900	67.234.860.000
Provincial and District	10,09%	8.990.190	138.448.926.000
a) EK Government	3,02%	2.689.522	41.418.634.000
b) Kota Balikpapan	1,09%	974.113	15.001.339.000
c) Kota Bontang	0,38%	340.856	5.249.181.000
d) Kota Samarinda	0,38%	337.368	5.195.474.000
e) Berau	0,38%	336.639	5.184.238.000
f) Kutai Barat	0,64%	574.101	8.841.159.000
g) Kutai Kartanegara	0,85%	760.119	11.705.830.000
h) Kutai Timur	1,23%	1.096.116	16.880.193.000
i) Mahakam Ulu	1,14%	1.013.506	15.607.996.000
j) Paser	0,58%	512.510	7.892.655.000
k) Penajam Paser Utara	0,40%	355.339	5.472.227.000
Allocation of intermediary agency (SIA) for village and community groups	2,00%	1.782.000	27.442.800.000
Performance Allocation	65,00%	57.915.000	891.891.000.000
Supervising institution	6,50%	5.791.500	89.189.100.000
DG-CNRE	0,19%	167.702	2.582.613.000
Provincial	6,31%	5.623.798	86.606.487.000
Beneficiary Manager	17,55%	15.637.050	240.810.570.000
Technical Implementation Unit CNRE, Ministry of Forestry	0,51%	452.796	6.973.055.000
Forest Management Unit	10,56%	9.406.728	144.863.619.000
Kota Balikpapan	0,31%	276.074	4.251.536.000
Kota Bontang	0,32%	281.853	4.340.539.000
Kota Samarinda	0,31%	274.611	4.229.003.000
Berau	1,15%	1.024.614	15.779.062.000

Allocation / Institution	Allocation (%)	USD	IDR
(1 USD = IDR 15.400)			
Kutai Barat	0,98%	874.852	13.472.716.000
Kutai Kartanegara	0,51%	454.037	6.992.174.000
Kutai Timur	1,08%	958.830	14.765.976.000
Mahakam Ulu	0,85%	754.346	11.616.925.000
Paser	0,65%	578.852	8.914.325.000
Penajam Paser Utara	0,34%	299.457	4.611.640.000
Village	40,95%	36.486.450	561.891.330.000

Reward Allocation	10%	8.910.000	137.214.000.000
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Performance Allocation for Village

Parameter:

- Initial allocation: 70% of Performance Allocation for Village
- Initial allocation for each village: IDR 814.335.261
- Number of reward villages: 39 villages
- Maximum disbursement per village each year: IDR 2.500.000.000,-
- Number of villages distributed multi-yearly: 8 village

District/City	Village n	Allocati on (%)	Allocation each village			
			Minimum	Maximum	Average	Median
Berau	81	22,22	1.049.987.661	3.170.859.261	1.276.808.720	1.161.155.018
Kota Balikpapan	2	0,08	826.379.748	934.780.132	880.579.940	880.579.940
Kota Bontang	1	0,10	985.368.804	985.368.804	985.368.804	985.368.804
Kota Samarinda	0	0,00	0	0	0	0
Kutai Barat	81	11,54	929.337.280	1.964.355.457	1.054.588.959	973.015.220
Kutai Kartanegara	68	10,47	970.745.279	2.378.435.447	1.073.815.124	992.858.022
Kutai Timur	82	31,60	1.202.211.789	4.693.100.542	1.463.959.803	1.258.331.125
Mahakam Ulu	47	16,89	1.084.990.839	3.520.891.041	1.419.926.822	1.249.022.907
Paser	68	6,41	891.407.425	1.585.056.900	973.196.285	916.897.222
Penajam Paser Utara	14	0,69	840.612.046	1.077.103.111	897.462.415	859.127.922
Reward village	39		814.335.261	814.335.261	814.335.261	814.335.261
East Kalimantan	483	40,95	826.379.748	4.693.100.542	1.193.991.565	1.101.111.814

Reward Allocation Indicative Grant Sizes

These allocations are indicative, and may differ, especially if a higher number of eligible groups is identified than expected.

Community Groups	Identification and Validation Process	Each group (IDR)	Each group (USD)	Total (USD)	% of total RBP
Adat Community and Adat Law Community	Identified and validated by DPMPD/WG-P3MA, proposed by district governments, NGOs, and academics	est. 430.000.000	est. 27.922	5.791.500	6,5%
Social Forestry	Decree of SF and validated by the Forestry Agency (<i>Dishut</i>) & FMU (KPH)	est. from 140.000.000 up to 150.000.000	Est. from 9.091 to 9.740	3.118.500	3,5%
Social Forestry Business Unit (KUPS) - <i>platinum, gold (option - silver)</i>	Decree of KUPS and validated by the Forestry Agency (<i>Dishut</i>) & FMU (KPH)				
Community for Protection Forest (MMP)	Identified and validated by the Forestry agency (<i>Dishut</i>) & FMU (KPH)				
Community for Forest Fire Prevention (MPA)	Identified and validated by the Forestry agency (<i>Dishut</i>) & FMU (KPH)				
Community for Land Fire Prevention (KTPA)	Identified and validated by the Estate Crops agency/ <i>Disbun</i> (prov & district/city)				
Young Environmental (ADIWIYATA)	Identified and validated by the Environment Agency (DLH)				

Annex 3. Eligible activities

A summary of the eligible activities beneficiary groups are able to allocate funds towards is provided below, and will be elaborated further in the POM and Governor's regulation (PerGub).

Beneficiary group	Eligible activities	Comments
Government Agencies (national, provincial, district, FMU)	National, Provincial, District/City governments and Forest Management Units may spend their funds on both ER activity implementation and the operational costs of implementing this BSP. As much as 13% from the total 25% Responsibility Allocation will be the ceiling for operational costs, while 12% will be allocated to ER Program activities consistent with ESMF for this program, including activities which will support subnational government institutions to continue supporting ER policies that contribute to program sustainability and reduce the risk of reversals. The operational costs will cover following activities, and may be contracted to intermediary agencies by the IEF: • Monitoring and supervising social and environmental safeguards • Monitoring and supervising SRN • Monitoring and supervising MMR and MRV • Feedback and Grievance Redress Mechanism (FGRM; improving/developing, reporting and follow up actions the FGRM • Knowledge management operationalization (including communication) • Project management and oversight: a) National REDD+ Secretariat b) National Steering Committee (MoE, MoF, BAPPENAS, Ministry of Agriculture) c) Provincial REDD+ Secretariat d) Provincial Steering Committee e) District Government • IEF Fees (including finance administration) • Communications, training and outreach materials, including to support translation into local languages. • Monitoring and supervising benefit sharing implementation, including but not limited to: a) Community consultations and outreach on the BSP to eligible communities. b) BSP implementation support, including hiring and training of community facilitators and liaison teams, administration of the Pokja, payments transfer, and reporting. c) Monitoring of use of funds where required. d) Safeguards management, including operation of a functional FGRM mechanism, and implementation of procedures to support communities to understand the benefits sharing mechanisms and agree to participate in benefits sharing, consistent with principles of Free, Prior and Informed consultation/consent.	Same as for advance payment

	○ Developing an integrated system of safeguards data management in the provincial and district levels.	
Villages (desa and Kelurahan)	● Establishment and preparation of low-carbon Village Medium Term Development Plans (RPJMDes) ● Formation and preparation of low-carbon village spatial planning/land use (RTRWDes) ● Strengthening and recognition of <i>Masyarakat Hukum Adat</i> (MHA) ● Development of village information systems ● Implementation of sustainable agricultural system ● Prevention and control of forest and land fires (through the formation of MPA or KTPA, procurement of facilities and infrastructure for the prevention and control of forest and land fires, and forest and land fire prevention patrols) ● Forest patrol, which can be done through the formation of MMP ● Development of village economic businesses, both through business groups and BUMDes ● Capacity building for financial management and small-scale grant programs ● Capacity building of Village Forest Management Units, Forest Farmers Groups, Community Forest Groups, or other forest management institutions at the village level ● Development of forestry businesses, both timber and non-timber, based on Social Forestry management plans ● Ecotourism development ● Utilization of non-timber products ● Biodiversity conservation (including the protection of endemic flora and fauna species) ● Sustainable livelihood activities supporting communities' resilience in adapting and mitigating climate change. ● Community economic development activities (such as small-scale livelihoods and agroforestry activities)	Guidance to be embedded in PerGub and consistent in format with documents used for reviewing village budgets at district level.
MA and MHA groups	● Sustainable livelihood activities supporting communities' resilience in adapting and mitigating climate change ● Community economic development activities (such as small-scale livelihoods and agroforestry activities) ● Forest management activities (e.g. conservation patrols, biodiversity monitoring, reforestation; water supply management, etc.) ● Cultural heritage activities (e.g. education in local languages and customs, documenting or performing local knowledge, activities to promote customs and language, activities to support increased tenure security or legal recognition, etc.)	Guidance to be embedded in PerGub and consistent with simplified template for community groups workplans.
Other community groups	● Operational costs and procurement of good related to implementation of their mandates (e.g. firefighting equipment, agroforestry inputs, wages). ● Sustainable livelihood activities supporting communities' resilience in adapting and mitigating climate change.	Guidance to be embedded in PerGub and consistent with simplified template for community groups

	• Community economic development activities (such as small-scale livelihoods and agroforestry activities)	workplans.
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The action must also be considered:

- a) It is not permitted to purchase land*
- b) It is not permitted to buy vehicles (car, motorcycle, boat) and/or buildings construction that are not related to commodity productivity.*
- c) Every activity must implement environmental approval provisions in accordance with applicable laws and regulations.*

Annex 4: Intermediary Agencies Roles, Responsibilities, and Selection Criteria

Intermediary Agency 1 – MoE & MoFor Benefits Channeling (if required)	
Key tasks:	• Distributing monetary and non-monetary benefits to ministries of Environment and Forestry, based on Annual Work Plans submitted by the ministries that have been approved. This may include the procurement and distribution of goods and services on behalf of the ministries. • Activities may be subject for BPK audit samplings.
Contract Manager:	IEF
Selection process:	Call for proposal and selected by NPMU, per the applicable IEF Director Regulation
Required qualifications:	• Registered in Indonesia • At least 5 years in the forestry sector, implementing community development, and REDD+ programs • Have been audited by independent auditors for the past 3 years. • Meet the requirements of IA per the applicable IEF Director Regulation

Intermediary Agency 2 – Village Government, Community Groups, and MA Engagement	
Key tasks:	• Funds channeling to <i>Kelurahan</i>, MA and Community Groups • Village government, community groups, and MA engagement activities • Support to prepare and build capacity for budgets and workplans formulation and management to villages, community groups, and MA • Work in coordination with NPMU and SPMU to provide support in outreach and facilitation to village governments and community groups (including <i>Adat</i> communities) • Work in collaboration with local CSOs • Report to IEF, NPMU, and SPMU • Other safeguards implementation, including FGRM • Activities may be subject for BPK audit samplings.
Contract Manager:	IEF

Selection process:	Request for proposal and selected by NPMU and SPMU, per the applicable IEF Director Regulation
Required qualifications:	• Registered in Indonesia • At least 5 years in implementing forestry, community development, and REDD+ programs in East Kalimantan • At least 3 years in community facilitation • For SIA who channels funds to <i>Adat</i> communities, proven experience in facilitating <i>Adat</i> communities for at least 3 years. • Have been audited by independent auditors for the past 3 years. • Must be based in East Kalimantan. • Meet the requirements of IA per the applicable IEF Director Regulation

Annex 5: Workplan/Proposal Form Template

GENERAL INFORMATION

Village code (based on MOHA regulation), optional :
 Name of village (desa/kampung) :
 District :
 Regency/City :
 Village/Administrative area :
 Village map (sketch/polygon shapefile), optional :

PERSON IN CHARGE

Name of Village Head/Village/Lurah :
 Address (street, postal code, sub-district, district/city/province) :
 Contact number :
 Email address (optional) :
 Website (optional) :

IMPLEMENTING ENTITY

Name :
 Address (street, postal code, sub-district, district/city/province) :
 Contact number :
 Email address (optional) :
 Website (optional) :

WORKPLAN

Title :
 Activity Type : [selected in MMR Portal]
 Component (EK-JERP) : [selected in MMR Portal, or "Others"]
 Nomenclature (SIPD, Siskeudes, Pergub) : [selected in MMR Portal]
 Activity Description :
 Activity location (polygon/point) :
 Activity location (location name/RT/etc) :
 Activity implementation period : (MM/YYYY) to (MM/YYYY)
 Volume (area, quantity) :
 Budget plan :

SAFEGUARDS

Self-assessment based on Annex 1 ESMF