BENEFIT SHARING PLAN
DRAFT 0.2

By: Joseph Adiguna Hutabarat, MSES
Date: July 5th, 2019
**Document Control**

<table>
<thead>
<tr>
<th>Draft 0</th>
<th>Preliminary scratch draft, circulated informally within KLHK, DDPI, and World Bank, dated May 19th, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Draft 0.1</td>
<td>Incorporated written input from DDPI and the World Bank</td>
</tr>
<tr>
<td></td>
<td>Incorporated discussion results with KLHK (May 27th, 2019)</td>
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<td>Incorporated discussion results with World Bank (May 29th, 2019)</td>
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<td>Incorporated discussion results with DDPI (June 13th, 2019)</td>
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<tr>
<td>Draft 0.2</td>
<td>Incorporated inputs from the Aide Memoire Joint Mission in Jakarta, June 24-28, 2019.</td>
</tr>
</tbody>
</table>
1 INTRODUCTION

1.1 Background of ER Program

The East Kalimantan Jurisdictional Emission Reductions Program (ER Program) is a national project to reduce deforestation and forest degradation in an area that covers the entire 12.7 million hectares of East Kalimantan Province. Around half of that area is covered by tropical rainforests which are home to a wealth of globally significant biodiversity, and that support indigenous and other local communities. In the ten-year period from 2006 to 2016 around 15% of that forest was lost mainly due to the expansion of oil palm areas, timber plantations and mining. It is expected that those drivers will be addressed in this ER Program by improving land governance, improving livelihood of local communities, developing & implementing policy that supports habitat and species protection, and enabling active participation by stakeholders in reducing deforestation and forest degradation in their areas. The ER program will support a combination of enabling conditions and promotion of sustainable management practices to address the underlying drivers of emissions. As much as 86.3 million tCO$_2$ e of (gross) emission will be reduced over a five-year period (2020-2024) in this ER program.

The ER Program will be implemented by all beneficiaries with the Ministry of Environment and Forestry (MoEF) and the East Kalimantan Provincial Government as the responsible bodies for managing the proposed ER Program. Relevant agencies in the central, provincial, and districts governments will be involved in the project implementation following the directions of the MoEF and East Kalimantan Provincial Government. Private sectors and local communities within the East Kalimantan Province jurisdiction are also the beneficiaries to the project and will implement the ER Program according to the specific roles and responsibilities agreed in the ERPD (Emission Reductions Program Document). The non-government institutions will be involved and become the government’s partners in implementing the ER Program. The benefits from the emissions reduction (ER) Program will come from the ER payments. The ER Payments are the entire volume of ER paid to Indonesia in a given reporting period. The first reporting period will be in 2022 followed by the first payment in 2023, and the second reporting period will be in 2024 followed by the payment in 2025. The mechanism in distributing the benefit was designed in this Benefit Sharing Plan (BSP) document.

The ER Program’s benefit sharing plan was designed to reach a diverse group of beneficiaries, which includes four levels of government (National, Provincial, District, and Village), wide range of private sectors (palm oil, forestry, mining), and local communities that often located in remote villages and may not have official titles to their land. The eligibility criteria for beneficiaries have been designed to ensure that all relevant contributors to emission reductions can receive benefit from the program, with the village governments playing a central role in channeling benefits to local community. To further ensure that the benefits flow to these beneficiaries in a way that avoids bureaucratic delays, while fulfilling principles of good financial governance, ERPA funding at the central level will be managed by the Environmental Fund Management Agency (BLU-BPDLH) while key decisions for disbursement at the subnational level will be made by the provincial government. Furthermore, benefits will not be allocated merely on the amount of reduced emissions but also on the past-sustainable practices by local communities (especially adat communities) who have managed their forests sustainably for centuries. Hence, this BSP document was designed in a transparent and participative manners to intensify stakeholder’s involvement and facilitate beneficiaries’ interest and needs.
1.2 General Principles of BSP
Benefit sharing plan (BSP) is a plan developed by the ER Program Entity in accordance with the ER Program Document (latest ERPD version, May 2019) and the FCPF Carbon Fund Methodological Framework (2016) and submitted to the Trustee on how the ER Program Entity will share the Monetary and Non-Monetary Benefits with the Beneficiaries (FCPF Carbon Fund Methodological Framework, 2016). It is expected that BSP will encourage improved forest management and help address the drivers of deforestation and forest degradation (Denier et al. 2014). The general principles of BSP are transparent, effective, respect customary rights to lands and territories and reflect broad community support, and have clear legal status on rights to carbon and relevant lands. The BSP is aligned with and support the ER Program. It is designed that the BSP development was based on the transparency and participation work of relevant stakeholders.

1.3 Legal Framework for BSP
Key regulations related to the benefit sharing plan are as follows:

- Republic of Indonesia Constitution 1945, Article 33 Point 3 which constitute that all natural resource should be managed by the country and will be used for the wellbeing of Indonesian
- Law No 41 year 1999 on Forestry Law. This law forms the basis for forestry schemes in Indonesia, including the distribution of state forest and non-state forest.
- Law No 17 year 2003 on State Finance. This law forms the countries financial procedures, regulations, terms, including the correlation between central, sub-national, and foreign institutions.
- Law No 32 year 2009 on the Protection and Management of the Environment which includes the mandates to establish the economic instrument.
- Law No 12 year 2011 on the Establishment of Laws and Regulations including the procedures to establish the Governor and District regulations.
- Law No 23 year 2014 on Local Government which shifts the authority for issuing mining and logging permits from districts to provincial government.
- Law No 6 year 2014 on Village Government including the village governance, village development, and community development.
- Government Regulation No 2 year 2012 on Regional Grant which regulates grants for and to regional governments including Governor, District Head, and local government organisations.
- Government Regulation No 74 year 2012 on Public Finance Service (BLU), which regulate the establishment of BLU
- Government Regulation No 45 year 2013 on Implementation Procedure for Regional Revenue and Expenditure Budget
- Government Regulation No 46 year 2017 on Environmental Economic Instrument
- Presidential Regulation No 16 year 2018 on Procurement of Goods and Services
- Presidential Regulation No 77 year 2018 on Management of Environmental Funds
- Minister of Forestry Regulation No P.36 year 2009 on the Procedures for Carbon Sequestration and Storage on Production Forest and Protection Forest
- Minister of the National Development Planning/Head of Bappenas No 4 year 2011 on the Procedures for Planning, Proposal Submission, Assessment, Monitoring and Evaluation of activities financed by Foreign Loans and Grants
Beneficiaries are the recipients of Monetary and Non-monetary Benefits which may include sub-entities and other relevant stakeholder (FCPF Carbon Fund Methodological Framework, 2013). The categories of beneficiaries are considering the key roles and responsibilities in (i) policy development, implementation and administration by government institutions; (ii) the implementation of activities under the ER Program on the ground; and (iii) the rights to benefits due to rights to land where emission reductions take place. Thus, the following beneficiaries are identified:

- **Government institutions** involved in policy development, and program management at the central government level, and at the subnational levels. It is also includes the conservation agencies who manage the conservation areas in the sub-national level which are the MoEF Technical Implementation Unit in the sub-national level; the FMUs whom administered forest land under the subnational government; and village governments that are more directly involved in implementing ER activities.

- **Private Sector.** Companies that implement ER activities are estate crop companies, and owners of mining concessions, and of the various types of forestry concessions (IUPHHK-HA, IUPHHK-HT, IUPHHK-RE, IUPHBBK, IUPJL).
- **Local communities including Adat Communities** who lives inside or close to the areas where ER activities happened, or who implement activities that lead to ERs such as alternative livelihoods, fire protection, or forest monitoring. Local communities might be in the form of community groups (such as adat communities and farmers groups) or individual. The benefit for community groups might go directly to the groups institution whenever the eligibility criteria applies, whilst the individual will receive the benefit through the village government according to the program activities.

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

**Table 2.1. The list and rationale of beneficiaries.**

<table>
<thead>
<tr>
<th>Beneficiaries</th>
<th>Key ER Roles</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GOVERNMENT INSTITUTIONS</strong></td>
<td></td>
</tr>
<tr>
<td>National Level</td>
<td></td>
</tr>
</tbody>
</table>
| National Government | - Issuance, implementation, and enforcement of relevant national policies  
- Administration of the national REDD+ system  
- Administration of the BLU-BPDLH (see more information below)  
- 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) |
| Conservation Agencies (National Parks, Nature Reserves) | - Responsibility for conservation areas in East Kalimantan  
- 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 emission reduction  
- Facilitating coordination of ER interventions initiated by relevant |

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1. See Section 4.4 for further information on Adat Communities.
2. MoEF technical units and FMUs are under the national and Provincial Government respectively but given their roles in the ER program they are considered beneficiaries in their own right.
<table>
<thead>
<tr>
<th>Beneficiaries</th>
<th>Key ER Roles</th>
</tr>
</thead>
</table>
| **provincial government services (Forestry Service, Plantation Service, Mining Agency, Environmental Service, Marine & Fisheries Agency, etc.)** | - Responsibility to conduct MMR (Measurement, Monitoring, and Reporting), FGRM, sub-national registry system, and social & 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. |
| **FMUs** |  
- 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 emission reduction.  
- Implementation of ER interventions related to capacity building for fire prevention and control, facilitation of sustainable agriculture and estate crops, climate/green villages. |
| **Village Governments** |  
- Develop ER activity plans with communities and land rights holder groups  
- Develop benefit sharing plans and agreements for community and land rights holder groups |
| **PRIVATE SECTOR** |  
| **Estate crop concessions** |  
- Implementation of HCV policies  
- Partnerships with local communities  
- Fire management and control |
| **Timber plantation concessions** |  
- Implementation of SFM and HCV policies  
- Partnerships with local communities  
- Fire management programs |
| **Forest management concessions (natural forest)** |  
- Implementation of SFM, HCV, and RIL policies  
- Partnerships with local communities  
- Fire management programs |
| **LOCAL COMMUNITIES INCLUDING ADAT COMMUNITIES** |  
- |
2.2 Eligibility Criteria

Fund distribution from the BLU-BPDLH will require that the beneficiaries have a significant role in Emissions Reduction (ER) Program implementation. Private companies and government institutions must have legal status in order to receive benefits. The legal status is conferred to government agencies through laws and decrees, while companies qualify through possessing valid land use licenses. Local communities, including adat communities, need to be recognized by the village government but not necessarily to have a formal land titles issued by BPN or to have their adat claims recognized by the district. As the procedure for formal land titles is a lengthy process, and one of the activities under this ER program is securing land tenure for adat communities (see Section 4.4. for details).

Table 2.2. The list of beneficiaries and eligibility criteria.

<table>
<thead>
<tr>
<th>Beneficiaries</th>
<th>Eligibility Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GOVERNMENT INSTITUTIONS</strong></td>
<td></td>
</tr>
<tr>
<td><strong>National Level</strong></td>
<td></td>
</tr>
</tbody>
</table>
| National Government         | - Significant role in ER program implementation, validated against the role and responsibilities arrangements  
- Have a legal status in program implementation  
- Will not violate any regulation in receiving, using, and/or channeling the benefit from the program |
| Conservation Agencies (National Parks, Nature Reserves) | - Significant role in ER program implementation, validated against the role and responsibilities arrangements  
- Have a legal status in program implementation  
- Will not violate any regulation in receiving, using, and/or channeling the benefit from the program |
| **Sub-national Level**      |                                                                                      |
| East Kalimantan Government  | - Significant role in ER program implementation, validated against the role and responsibilities arrangements  
- Have a legal status in program implementation  
- Will not violate any regulation in receiving, using, and/or channeling the benefit from the program |
| FMUs                         | - Significant role in ER program implementation, validated against the role and responsibilities arrangements  
- Have a legal status in program implementation  
- Will not violate any regulation in receiving, using, and/or channeling the benefit from the program |
| District Governments         | - Significant role in ER program implementation, validated against the role and responsibilities arrangements  
- Have a legal status in program implementation  
- Will not violate any regulation in receiving, using, and/or channeling the benefit from the program |
<table>
<thead>
<tr>
<th>Beneficiaries</th>
<th>Eligibility Criteria</th>
</tr>
</thead>
</table>
| Village Governments                              | - Significant role in ER program implementation, validated against the role and responsibilities arrangements  
- Have a legal status in program implementation  
- Will not violate any regulation in receiving, using, and/or channeling the benefit from the program                                                                                                                                                                                                                           |
| PRIVATE SECTOR                                    |                                                                                                                                                                                                                                                                                                                                                           |
| Estate crop concessions                          | - Significant role in ER program implementation, validated against the role and responsibilities arrangements  
- Have a legal status from the government through laws and decrees  
- Have a valid land use licenses from the government                                                                                                                                                                                                                                         |
| Timber plantation concessions                    | - Significant role in ER program implementation, validated against the role and responsibilities arrangements  
- Have a legal status from the government through laws and decrees  
- Have a valid land use licenses from the government                                                                                                                                                                                                                                         |
| Forest management concessions (natural forest)   | - Significant role in ER program implementation, validated against the role and responsibilities arrangements  
- Have a legal status from the government through laws and decrees  
- Have a valid land use licenses from the government                                                                                                                                                                                                                                         |
| LOCAL COMMUNITIES INCLUDING ADAT COMMUNITIES     |                                                                                                                                                                                                                                                                                                                                                           |
| Community groups                                 | - Significant role in ER program implementation, validated against the role and responsibilities arrangements  
- May have a legal status from the government through laws and decrees. In the absent of legal status, the community groups need to be recognized by the village government but not necessarily to have a formal land title issued by BPN or to have their adat claims recognized by the district (See Section 4.4. for details)  
- Community groups who demonstrate legal basis and financial capability may receive the benefit directly through the group’s institution (details will be included in the POM)  
- In the absent of community groups or whenever the community groups do not have legal basis and financial capability, the benefit will be channeled through the village government                                                                                                                                 |

2.3 Condition for Payment

The conditions for payment to all beneficiaries are based on the performance in reducing emission within their areas, and the participation of beneficiaries in ER activities. The performance will be assessed using the monitoring procedures described in Section 9 ERPD, which requires the use of independent verifiers and national registration system. The ER program reports from the Sub-national Government are set to complete on December 2021 for period 2020-2021 and on December 2023 for period 2022-2023, followed by a verification process by the MoEF MRV team in 2022 and 2024, for a complete verified ER program reports in December 2022 and December 2024. It is expected the first
payment will occur in 2023 for performance in 2020-2021 and the second payment will occur in 2025 for performance in 2022-2023.

The payment will be managed at national level by the Environmental Fund Management Agency (BLU-BPDLH) to avoid possible bureaucratic delays. BLU-BPDLH will release payment to the national and subnational government based on the ER Contracts. Two ER contracts will be made, the first will be between BLU-BPDLH with the national government which cover the MoEF and conservation agencies in East Kalimantan, and the second will be between BLU-BPDLH with the sub-national government which cover the East Kalimantan Government, FMU, District Government, Village Government, Private Sector, and Local Community. The contracts will describe that payment will be ordered by the MoEF to the BLU-BPDLH according to the verified Emission Reduction at the sub-national level, which will be reported by the East Kalimantan Provincial Government. The ER program report will include, but not limited to, the number of reduced emissions based on the monitoring procedures in Section 9 ERPD, and the budget spend related to the ER program. No payment will be made to the national government if the sub-national government do not perform in the ER Program, as the national government is part of the ER Program beneficiaries. It is expected that 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 the laws and regulations. In summary, the requirement process and documents needed to transfer funds from BLU-BPDLH to the National & Sub-national Governments are shown in table 2.3 below. The flow of fund disbursement (monetary and non-monetary) from ERPA Payment can be seen figure below.

**Table 2.3. The requirement process and documents needed to transfer funds to beneficiaries.**

<table>
<thead>
<tr>
<th>Beneficiaries</th>
<th>Type of Benefit</th>
<th>Benefit From</th>
<th>Requirement</th>
<th>Supporting Documents</th>
</tr>
</thead>
</table>

![Diagram of fund disbursement flow](image-url)
<table>
<thead>
<tr>
<th>Beneficiaries</th>
<th>Type of Benefit</th>
<th>Benefit From</th>
<th>Requirement</th>
<th>Supporting Documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Government</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MoEF</td>
<td>Monetary</td>
<td>BLU-BPDLH</td>
<td>Verification by the MoEF MRV Team</td>
<td>Subnational ER Report &amp; Expenditure Budget</td>
</tr>
<tr>
<td>Conservation Agencies</td>
<td>Monetary</td>
<td>MoEF</td>
<td>Approval from the Minister of MoEF</td>
<td>Conservation Agencies Activity Report &amp; Expenditure Budget</td>
</tr>
<tr>
<td>Sub-national Government</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provincial Government</td>
<td>Monetary</td>
<td>BLU-BPDLH</td>
<td>Verification by the MoEF MRV Team</td>
<td>Subnational ER Report &amp; Expenditure Budget</td>
</tr>
<tr>
<td>FMU</td>
<td>Monetary</td>
<td>Provincial Government</td>
<td>Approval from Governor</td>
<td>FMU Activity Report &amp; Expenditure Budget</td>
</tr>
<tr>
<td>District Government</td>
<td>Monetary</td>
<td>Provincial Government</td>
<td>Approval from Governor</td>
<td>District Activity Report &amp; Expenditure Budget</td>
</tr>
<tr>
<td>Village Government</td>
<td>Monetary</td>
<td>Provincial Government</td>
<td>Approval from Governor</td>
<td>Village Activity Report &amp; Expenditure Budget</td>
</tr>
<tr>
<td>Private Sector</td>
<td>Non-monetary</td>
<td>Sub-national Government</td>
<td>Approval from Governor</td>
<td>OPD’s Activity Report &amp; Expenditure Budget</td>
</tr>
<tr>
<td>Community</td>
<td>Monetary</td>
<td>Provincial Government</td>
<td>Approval from Governor</td>
<td>Community Activity Report &amp; Expenditure Budget</td>
</tr>
<tr>
<td></td>
<td>Non-monetary</td>
<td>Sub-national Government</td>
<td>Approval from Governor</td>
<td>OPD’s Activity Report &amp; Expenditure Budget</td>
</tr>
</tbody>
</table>

**Sub-national Governments**

For the provincial and district governments, these funds will be recorded as ‘Earmarked Miscellaneous Revenue’. The access to this Earmarked Miscellaneous Revenue will have to follow regular budgeting processes. The OPD (Sub-national Technical-unit Organization, Organisasi Perangkat Daerah) will have to present budget proposals (beginning in January of every year) to the Provincial Planning Agency (BAPPEDA) for allocation in the budget prior to parliamentary (DPRD) budget review. The draft budget (RAPBD) will have to be approved in December of every year for disbursement the following year. The process may take from three months to one year, depending on the timing of the received payment.

In order to receive the ER payments, the East Kalimantan Provincial Government will develop and submit reports every two years, describing the performance in implementing the ER Program activities planned in the ERPD. The first report will be in 2022 while the second will be in 2024. The report will be submitted by the Provincial Government to the MoEF for further verification. On the number of emissions reduced, the amount of ER will be verified by the MoEF and independent teams as part of the registration mechanism in the national registration system (SRN). Both technical and financial aspects on the ER Program implementation will be included in the report.

**Private Sector & Communities**

Benefits for private sector companies will be provided through the Forestry or Estate Crop Service. BLU-BPDLH will transfer funding directly to the sub-national government for this purpose as no monetary
benefit will be transferred to the private sector. Private sector must hold valid land use licenses to receive the benefit from this program.

Communities can directly receive funds from BLU-BPDLH whenever the local institutional capacities (such as Masyarakat Adat or Social Forestry Institution) is in place, or through village government if no local-institutional capacity in place. The fund allocation for private sector will be administered by the supervising sub-national government agency. This is because private sector will receive non-monetary benefit\(^3\) from this ER Program.

In order to receive the benefit, the private sector and communities will need to submit Concept Notes\(^4\) that report on performance and include proposals for the use of benefits. The condition for payment for communities will follow the process as below:

- Village governments, on behalf communities, must be recorded in both the Sub-National Registry Systems.
- Village governments, on behalf of communities, submit Report to Community Empowerment Services (DPMPD). This submission will be at the district level.
- The DPMPD report to the Governor through the Provincial Environment Service (DLH), which coordinates the data for the ER Program and validates the report (in coordination with the national government and the Provincial Climate Change Council (DDPI), which includes representatives of relevant local government organizations, professional staff, and ad hoc technical specialists) and determines the level of funding for each report.
- The Governor send the report to MoEF and request payment from BLU-BPDLH.
- Communities will receive benefits directly from BLU-BPDLH through a custodian bank.
- ER Contracts will be signed between the BLU-BPDLH and the communities, with the DPMPD as witness, specifying the plan for use of benefits.
- DLH monitors the use of these benefits and reports on this to the Governor.

3 BENEFITS

3.1 Description of Benefits

The benefits from the emissions reduction (ER) Program come from ER payments and categorized as monetary and non-monetary benefits. The ER Payments are the entire volume of ER paid to Indonesia in a given reporting period. The first reporting period will be in 2022 followed by the first ER Purchase Agreement (ERPA) in 2023, and the second reporting period will be in 2024 followed by the second ERPA in 2025. The monetary and non-monetary benefits are any monetary or non-monetary goods, services or other benefits related to payments received by beneficiaries. The benefits could be directly related or provide a direct incentive to the implementation and operation of the ER Program, which can be monitored in an objective manner (FCPF Carbon Fund Methodological Framework, 2016).

\(^3\) There was an opinion on the Stakeholder Consultation (May 2019) to include monetary benefit for private sector.

\(^4\) There was an opinion to change the concept note term into report. The KLHK suggest concept note as it is regulated in the BLU regulation, while the DDPI suggest report as it is result based, thus no concept note is needed, only report.
The value of benefits from the ER Program will be from the sale of verified ERs to the Carbon Fund, which is anticipated to be up to USD 110 million with 22 MtCO\textsubscript{2}e for a price of USD5/tCO\textsubscript{2}e\textsuperscript{5}. This is a conservative estimation compare to the 61.3 MtCO\textsubscript{2}e available net Emissions Reduction (ER) estimated during the ERPA period\textsuperscript{6}. Funding for the Program’s ER activities will be covered by the GoI’s budget, private sector, and by development partners leaving the entire value of the ER payments for distribution as monetary and non-monetary benefits. Thus, monetary benefits are defined as cash, funded with ER payments, that is received by beneficiaries; and non-monetary benefits are goods, services, or other benefits funded with ER payments.

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

All beneficiaries will be eligible to receive monetary benefits. Specifically in East Kalimantan, the private sector expressed their preference through stakeholder consultations to the sub-national government, to only receive non-monetary benefits as part of the BSP\textsuperscript{7}. The private sector interest more on the ease of business, and the enabling condition to maintain business in the areas. The use of monetary benefits will be determined through ER contracts\textsuperscript{8}. The National and Sub-national Governments will channel the ER payments to the beneficiaries.

### 3.2 Specific Benefits by Beneficiary Group

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

<table>
<thead>
<tr>
<th>Beneficiaries</th>
<th>Types of benefits</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Government</td>
<td>Monetary benefits for covering operational costs, defined as expenditures related to the technical support (e.g., MRV, safeguards) and administrative and financial management of the ER Program</td>
<td>The monetary benefit is given to compensate the roles and responsibilities taken under the ER Program implementation.</td>
</tr>
</tbody>
</table>

\textsuperscript{5} The price is still subject for discussion during the ERPA negotiation.

\textsuperscript{6} ERPD Section 13, Table 13.9. Total expected net emission reduction (tCO\textsubscript{2}e).

\textsuperscript{7} The minutes of meetings (MoM) of the stakeholder consultations will be provided by the Provincial Government.

\textsuperscript{8} Still under discussion where the national government requires the fund-spending be determined, in contrast with the sub-national government.
<table>
<thead>
<tr>
<th>Beneficiaries</th>
<th>Types of benefits</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Non-monetary benefits in capacity building in financial management system for ER program, strengthening institution for ER project management and coordination across sectors</td>
<td>The non-monetary benefit is given as a support for activities to ensure the implementation of the ER Program at the national level.</td>
</tr>
<tr>
<td>Conservation Agencies</td>
<td>Monetary benefits for covering operational costs</td>
<td>The monetary benefit is given to compensate the operational cost under the ER Program implementation.</td>
</tr>
<tr>
<td></td>
<td>Non-monetary benefits for support on conflict identification and resolution, joint protection and fire prevention control in conservation areas</td>
<td>The non-monetary benefit is given as a support for activities to improve the conservation agencies support in sub-national level.</td>
</tr>
<tr>
<td>East Kalimantan Government</td>
<td>Monetary benefits for covering operational costs</td>
<td>The monetary benefit is given to compensate the roles and responsibilities taken under the ER Program implementation.</td>
</tr>
<tr>
<td></td>
<td>Non-monetary benefits for support on capacity development on monitoring ER, improving data through groundtruthing, developing HCV monitoring system, training on SESA and ESMF</td>
<td>The non-monetary benefit is given as a support for activities to improve the ER Program management and implementation at the sub-national level.</td>
</tr>
<tr>
<td>District Governments</td>
<td>Monetary benefits for covering operational costs</td>
<td>The monetary benefit is given to compensate the operational cost under the ER Program implementation which was different with the allocation to the community (for performance). In some cases, the monetary benefit for the community might channeled through the village government.</td>
</tr>
<tr>
<td></td>
<td>Non-monetary benefits for support on enhancing sustainable mangrove practices, sustainable peat land agriculture, training on RIL and HCV management</td>
<td>The non-monetary benefit is given as a support for activities to ensure the implementation of the ER Program at the district level.</td>
</tr>
<tr>
<td>Village Governments</td>
<td>Monetary benefits for covering operational costs</td>
<td>The monetary benefit is given to compensate the operational cost under the ER Program implementation.</td>
</tr>
<tr>
<td></td>
<td>Non-monetary benefits for capacity development training in managing funding for community, supervising the ER program implementation on village level</td>
<td>The non-monetary benefit is given as a support for activities to improve the capabilities in managing and implementing the ER program on the ground in village level.</td>
</tr>
</tbody>
</table>

9 Despite the conservation agencies are in sub-national level, the operational cost will be separated with the sub-national and categorized as national government.
## Benefit Sharing Plan

<table>
<thead>
<tr>
<th>Beneficiaries</th>
<th>Types of benefits</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FMUs</strong></td>
<td>Monetary benefits for covering operational costs</td>
<td>The monetary benefit is given to compensate the operational cost under the ER Program implementation.</td>
</tr>
<tr>
<td></td>
<td>Non-monetary benefits for capacity building, including for facilitation with</td>
<td>The non-monetary benefit is given as a support for activities to improve the FMUs capabilities in managing and implementing the ER program regarding the collaboration with stakeholders on forest-land status.</td>
</tr>
<tr>
<td></td>
<td>communities (e.g., awareness, conflict resolution, etc.); capacity building/training</td>
<td></td>
</tr>
<tr>
<td></td>
<td>and equipment for SFM, RIL, HCV, forest and fire management, social forestry, and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>livelihoods opportunities for communities</td>
<td></td>
</tr>
<tr>
<td><strong>Private Companies</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Estate crop concessions;</strong></td>
<td>Non-monetary benefits in the form of capacity building/training on sustainable</td>
<td>The non-monetary benefit is given to improve the private companies capabilities in managing their land regarding to the achievement of the ER Program objectives.</td>
</tr>
<tr>
<td><strong>Timber plantation concessions;</strong></td>
<td>plantations, HCV protection, certifications (e.g., FSC/PHPL, RSPO/ISPO), sustainable</td>
<td></td>
</tr>
<tr>
<td><strong>Forest management concessions</strong></td>
<td>forest management (e.g., RIL-C), fire management, and tenure conflicts/public</td>
<td></td>
</tr>
<tr>
<td></td>
<td>complaints; Non-monetary benefits for equipment and inputs (e.g., planting stock)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>to support sustainable practices</td>
<td></td>
</tr>
<tr>
<td><strong>Local Communities Including Adat Communities</strong></td>
<td>Monetary benefits ¹⁰ will not be in the form of cash for the community, instead in a long-term investment to provide long-term impact under the poverty alleviation and environmental sustainability framework such as seeds for farm, agroforestry, livestock, and similar investment which will incentives the village than individual community.</td>
<td>The monetary benefit is given to reward the community achievement in reducing emissions and to implement long-term strategy in protecting forest and improving community livelihood, as community is the key actor in environmental protection.</td>
</tr>
</tbody>
</table>

¹⁰ Still under community consultations
### Beneficiaries | Types of benefits | Rationale
--- | --- | ---
 | Non-monetary benefits for forest and fire management, including patrolling, equipment, and capacity building/training; Development projects (e.g., health, education, public facilities) that do not contribute to deforestation and forest degradation; Additional livelihood support for community businesses, including capacity building/training, equipment, market access, or agricultural inputs | The non-monetary benefit is given as a support for activities to improve the community capabilities not only in implementing the ER Program, but also in improving livelihood to avoid any potential reversal risk of deforestation and forest degradation.

### 4 BENEFIT DISTRIBUTION

#### 4.1 Proportion and Criteria of Benefits

The benefits from the emissions reduction (ER) Program come from ER payments. The ER Payments are the entire volume of ER paid to Indonesia in a given reporting period. The first reporting period will be in 2022 followed by the first payment in 2023, and the second reporting period will be in 2024 followed by the second payment in 2025. It is expected that the ER Program will generate USD 110 million in performance-based payments through the sale of Emission Reductions to the Carbon Fund.

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

The implementation of the ER Program involves a wide range of considerations, from the strategy to implement ER activities, the needs to strengthen actor’s capabilities in implementing ER activities, the necessity to secure policies and regulations in ER program, the needs to improve community livelihood and increase sub-national economic growth, up to the potential gain (or loss) of investment and opportunity cost by implementing the ER Program. Thus, for the ER Program and the benefits sharing system to be viable, all those considerations should be properly covered throughout the implementation of the ER Program. Hence, three main allocation were agreed in this benefit sharing mechanism, namely Responsibility Allocation to incentives governments in governing the ER Program, Performance

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11 Discussed in October 2018, agreed in Mission in December 2018. The responsibility allocation comes up in April 2019 Stakeholder Consultation (SC) which then agreed to replace the operational cost (in ERPD) in May 2019 SC.
Allocation to incentives beneficiaries in reducing emissions, and Reward Allocation to incentives communities who have demonstrated continued protection of forest.

Figure 1. The benefit sharing distributions.

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

In addition, high costs of accessing sites in the ER Program Area (some areas can take two days to reach from the province capital involving land & water transportation), the size of the jurisdiction (related to the hectares of forest to be monitored and the monitoring of program implementation), the large number of stakeholders in the ER Program (related to the program management and engagement process), the costs of facilitating between different levels of government (i.e. national and sub-national), the costs supporting communities in preparing Concept Notes\(^\text{12}\) (higher cost on communities with limited understanding of the project concept notes and/or communities that hard to reach a consensus), and the opportunity cost of maintaining policies that support ER activities (related to the policy development role). Thus, as much as 25% from the total gross ERPA Payments is budgeted in this

\(^{12}\) There was a suggestion on Stakeholder Consultation (May 2019) to change the name into repot as it is to report what have been achieved, instead of proposing what will be achieved.
allocation to compensate the government institutions for their roles in policy development, program development, program management, and monitoring. Other than the monetary benefit, the governments will also receive non-monetary benefit (in the form of training, equipment, etc.) as part of the ER Program implementation beyond this Responsibility Allocation.

The 25% allocation under Responsibility Allocation will be distributed into National Government and the Sub-national Government. The proportion of each government will be based on criteria namely: the operationalization costs in implementing the program management and monitoring systems, the initiatives in policy developments in to support the ER program, and the roles and responsibility of each government to be accountable in supporting the ER program. Those criteria are somewhat reflected on the financing strategy in the ERPD Section 6.2.2, where the National Government was allocated 55% and the Sub-national Government was allocated 45% of the total Government source of funding\(^\text{13}\). It is also expected that the programs under the National Government (i.e. MoEF and the Ministry of Agriculture) will be funded by the respective ministry budgets. Thus, converting to the 25% Responsibility Allocation, the National Government has 14% proportion of the allocation and the Sub-national Government has 11% proportion of the allocation\(^\text{14}\).

### 4.1.2 Performance

Performance allocation was made to incentivize beneficiaries’ performance in reducing emissions. This portion of funding will provide monetary benefit to all beneficiaries except the government (National, Provincial, District, and Village), and will be used to provide non-monetary benefit to all beneficiaries including the government as the government will have received their monetary benefit through the Responsibility Allocation.

In ERPD, emissions will be reduced by implementing ER activities. These activities are mostly reflected on “Component 3: Reducing Deforestation and Degradation within Licensed Areas” and “Component 4: Sustainable Alternatives for Communities” that sum up to 81% of the budget cost which was the largest cost in implementing the ER Program. Corresponding to the cost, the allocation from ER Payment to incentives performance in reducing emissions should also be the largest. Thus, around 65% of the gross ERPA Payments is budgeted for Performance Allocation. The justification for the 65% proportion is due to the amount of financial need in performing activities to reduce emissions (see section 6 ERPD). This allocation will be purely performance-based. The performance of beneficiaries will be measured against historical emission baselines using appropriate proxy\(^\text{15}\) approaches, where full accounting of emissions is not feasible.

The 65% allocation under Performance Allocation will be distributed into five beneficiaries that contribute to the emission reductions, namely community groups (including adat communities) which have capable community institutions, village governments for communities which have no capable community institutions, FMUs, Conservation Units (in addition to the Responsibility Allocation), and the

\(^{13}\) Village budget was excluded because it was formed by both National Government Budget Allocation (APBN) and Sub-national Government Budget Allocation (APBD).

\(^{14}\) Under consultation, no agreement was made yet.

\(^{15}\) Forest cover will be used as a proxy for emissions from deforestation, and logging data will be used as a proxy for emissions from degradation in logging concessions (Section 9 ERPD).
private sectors. It is expected that communities will receive higher share of benefits than the private sector given their respective roles in managing forests and ER Program implementation. Private companies are obligate to implement good practices; therefore, they will be rewarded only if they perform beyond compliance and do more than their business-as-usual. Nevertheless, private companies in East Kalimantan expressed their preference through stakeholder consultations to the sub-national government, to only receive non-monetary benefits as part of the BSP. Thus, the monetary benefit from Performance Allocation will be managed by the supervising Sub-national Technical-unit Organization (OPD, Organisasi Perangkat Daerah)\(^\text{16}\). The proportion of each beneficiaries will be mainly based on performance in emission reductions within their management areas. Thus, unit management with areas that reduce emissions the most by implementing activities in the ERPD, will also reward the most without neglecting the equitable principle in benefit sharing.

Based on the criteria, the appropriate proportions for beneficiaries under Performance Allocation will follow the ex-ante calculation in the ERPD (Table 4.4) which was design to address the drivers of deforestation. Despite the private-estate crops received the highest proportion, the use of funding will be targeted more to the community that lives around the private-estate crops for improving smallholder management, training on fire prevention, providing equipment, and assisting community and smallholder to comply with the HCV and sustainable palm oil standards. The Sub-national Government’s OPD will manage the fund allocation and implementation of monetary benefit for the private sector. For the conservation agencies, the monetary benefit will be distributed directly through the National Government and managed by the conservation agencies. For the FMU, the benefit will be transferred through the Provincial Government, and managed by the FMU. For communities who have sufficient institution capability (for receiving, managing, and reporting), the funding can go directly to and managed by the community groups. For communities who possess no institutional capability, the funding can be channeled through the village government institution. This Performance Allocation through the village government is different with the Responsibility Allocation for the Village Government.

<table>
<thead>
<tr>
<th>Beneficiaries</th>
<th>Percentage</th>
<th>FCPF Proportion (65%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conservation Agencies</td>
<td>0.20%</td>
<td>0.13%</td>
</tr>
<tr>
<td>Private Companies (Private-estate crops)</td>
<td>41.11%</td>
<td>26.72%</td>
</tr>
<tr>
<td>FMU</td>
<td>40.96%</td>
<td>26.62%</td>
</tr>
<tr>
<td>Communities Group</td>
<td>2.75%</td>
<td>1.79%</td>
</tr>
<tr>
<td>Village government (communities)</td>
<td>14.98%</td>
<td>9.74%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td><strong>65%</strong></td>
</tr>
</tbody>
</table>

4.1.3 Reward

Reward allocation was made to reward communities who have had net-zero or low deforestation rates in the past\(^\text{17}\) and who can demonstrate continued protection of forest. This portion of funding will be allocated for communities, to recognize their past-good practices and to ensure they are continuing such good practices. This could also encourage other communities to adopt good practices. This funding

\(^{16}\) Stakeholder Discussion in April 2019.

\(^{17}\) Land cover maps are available since 2006, which will be the basis of this measurement.
4.2 Processes and Timelines for the Benefit Distribution

4.2.1 Process for the distribution of benefits

Funding from the Carbon Fund will be managed by the Environmental Fund Management Agency (Badan Layanan Umum - Badan Pengelola Dana Lingkungan Hidup/BLU-BPDLH). The BLU-BPDLH is still under development but is expected to be operational at least by the time of the first ERPA payment. It will adopt international standards for fund management and distribution, and it will use a custodian bank as trustee.

ERPA funding will be managed at national level by the Environmental Fund Management Agency (BLU-BPDLH) to avoid possible bureaucratic delays. BLU-BPDLH will release payment to the sub-national level based on the ER Contract which describes that the payment will be ordered by the MoEF according to the number of reduced emissions in the sub-national level. Transfer to beneficiaries will be based on the performance of roles and responsibilities of each party related to the emission reduction program.

At the national level, BLU-BPDLH will transfer funds to MoEF’s Directorate Generals that are involved in the ER Program, including the DG of Climate Change, and the Research Development and Innovation Agency (FORDIA). The transfer mechanism to central government institutions will be through non-tax revenue (PNBP) and its utilization will be included in MoEF’s budget (DIPA) in accordance with activities in the Benefit Sharing Plan. Transfers will be regulated through Ministry of Finance Regulations (PMK).

As noted above, the scale of funding that will be allocated to the central government institutions will be a fixed percentage of the total funding available under the Responsibility Allocation. This percentage will be determined prior to the signing of the ERPA and is expected to be around 5-10% of total ERPA payments.

At the subnational level, BLU-BPDLH will transfer the funds to Provincial treasury. Transfer can also be made directly to the communities whenever the local institutional capacities (such as Masyarakat Adat or Social Forestry Institution) is in place or through village government if no local-institutional capacity in place. The provincial treasury then distributes the funds to other beneficiaries (FMU, OPD, and village government) according to the performance of each beneficiaries the roles and responsibilities of each beneficiaries in ER program. For the private-estate crops, the fund allocation for private sector will be administered by the supervising sub-national government agency. This is because private sector will receive non-monetary benefit\(^{18}\) from this ER Program.

The fund flow will be based on contracts (that details the roles and responsibility of each party in ER Program) between BLU-BPDLH and the East Kalimantan Provincial Government. The funds will flow directly from BLU-BPDLH to the recipient’s bank account. The recipients will utilize the funds in

\(^{18}\) There was an opinion on the Stakeholder Consultation (May 2019) to include monetary benefit for private sector.
accordance with the activities planned in the ERPD. The province and district governments will detail the intended use of their funds in their budget documents (DPA). The scale of funding that will be allocated to the subnational level is the fixed percentage from the Responsibility Allocation, Performance Allocation, and the Reward Allocation with expected percentage of 25%, 65%, and 10% respectively.

**Figure 2. The schematic design for benefit sharing distribution**

The procedures in Figure 3 is described as follow:

1. The Subnational Government register the ER Program in SRN. By 2022, the Subnational Government report the activities implementation (monitoring) to the National Government (MoEF).
2. Verification teams both at sub-national (independent party) and national level (MoEF MRV) verify the submitted report.
3. The MoEF MRV submit the approval on the submitted report and on the amount of emission reduced to the Subnational Government through the Governor.
4. The Subnational Government request for RBP to the BLU-BPDLH with supporting documents of Sub-national ER report and expenditure budget.
5. BLU-BPDLH request MoEF to assess the Sub-national ER report and expenditure budget.
6. The MoEF provides approval to the MoEF.
7. BLU-BPDLH order the custodian bank to transfer the RBP to both National Government and the Sub-national Government.
8. The custodian bank transfers the RBP to the Sub-national Government through Regional Treasury.
9. The funding earmarked as REDD+ funding.
10. On Governor order the Regional Treasury to distribute the incentive to all beneficiaries following the Benefit Sharing Plan and based on DDPI/Environmental Agency recommendation.

**Benefit distribution process for communities and private sector companies**

Benefits for private sector companies will be provided through the Forestry or Estate Crop Service. BLU-BPDLH will transfer funding directly to the sub-national government for this purpose as no monetary
benefit will be transferred to the private sector. Private sector must hold valid land use licenses to receive the benefit from this program.

Communities can directly receive funds from BLU-BPDLH whenever the local institutional capacities (such as Masyarakat Adat or Social Forestry Institution) is in place, or through village government if no local-institutional capacity in place. The fund allocation for private sector will be administered by the supervising sub-national government agency. This is because private sector will receive non-monetary benefit\textsuperscript{19} from this ER Program.

In order to receive the benefit, the private sector and communities will need to submit Concept Notes\textsuperscript{20} that report on performance and include proposals for the use of benefits. The condition for payment for communities will follow the process as below:

- Village governments, on behalf communities, must be recorded in both the Sub-National Registry Systems.
- Village governments, on behalf of communities, submit Report to Community Empowerment Services (DPMPD). This submission will be at the district level.
- The DPMPD report to the Governor through the Provincial Environment Service (DLH), which coordinates the data for the ER Program and validates the report (in coordination with the national government and the Provincial Climate Change Council (DDPI), which includes representatives of relevant local government organizations, professional staff, and ad hoc technical specialists and determines the level of funding for each report.
- The Governor send the report to MoEF and request payment from BLU-BPDLH.
- Communities will receive benefits directly from BLU-BPDLH through a custodian bank.
- ER Contracts will be signed between the BLU-BPDLH and the communities, with the DPMPD as witness, specifying the plan for use of benefits.
- DLH monitors the use of these benefits and reports on this to the Governor.

Intermediaries will be used to support communities that lack technical capacity to develop Concept Notes. Intermediaries could include NGOs, government institutions and universities. These intermediaries will be funded by the provincial government under their operational costs.

4.2.2 Timelines for the distribution of benefits
The ER Program will have two reporting periods (2022 and 2024), each followed by an ER payment from the Carbon Fund roughly one-year after (2023 and 2025).

The flow of funds (and process for the government for receiving benefits) begins with the ER payment being received by the BLU-BPDLH and transferred to the sub-national governments. These funds will be recorded as ‘Earmarked Miscellaneous Revenue’ – this will ensure that revenue will be reallocated as benefits as specified in the Benefit Sharing Plan. The access to this Earmarked Miscellaneous Revenue

\textsuperscript{19} There was an opinion on the Stakeholder Consultation (May 2019) to include monetary benefit for private sector.

\textsuperscript{20} There was an opinion to change the concept note term into report. The KLHK suggest concept note as it is regulated in the BLU regulation, while the DDPI suggest report as it is result based, thus no concept note is needed, only report.
will have to follow regular budgeting processes. The OPD will have to present budget proposals (beginning in January of every year) to the Provincial Planning Agency (BAPPEDA) for allocation in the budget prior to parliamentary (DPRD) budget review. The draft budget (RAPBD) will have to be approved in December of every year for disbursement the following year. The process may take from three months to one year, depending on the timing of the received payment.

The fund will be utilized in accordance to the ERPD document (Table 15.2 version May 2019) with activities that contribute to the reduction of emissions. The activities will then be adjusted following the priority and policy direction for sub-national development plan, which will be described in Governor Regulation. The evaluation of the activity’s implementation will follow the multi-stage monitoring mechanism as directed in regulations and legislations.

To summarize the timeline, the Government of Indonesia will report on ERs to the World Bank and it may take up to one year to verify these ERs and make payment. Following this, it may take three months to one year, depending on budget cycles, for benefits to be distributed to beneficiaries.

5  MONITORING
5.1  Implementation of BSP
The ER payments will be based on results (ex-post), according to the resulted emissions reduction (ER) due to the implementation of the ER Program. The Government of Indonesia will report on the implementation of the Benefit Sharing Plan in the ER monitoring reports. All transfers will be verified by the Ministry of Environment and Forestry to ensure that the payments are based on performance and comply with the principles and criteria of REDD+ and the Carbon Fund. Monetary benefits received by the governments and implementers will be monitored by the DG for Climate Change of the MoEF and by the Environment Agency. The fund spending by the beneficiaries will be regulated through the ER Contracts, or through the budgetary process for government institutions, and will be reported on in the ER monitoring report. Any grievances regarding the carbon fund payment transfer and its mechanism will be addressed through the FGRM (see Section 14.3 ERPD).

The implementation and monitoring of performance of the ER Program will follow the Ministry of Environment and Forestry regulation No.70/2017 which includes guidance on MRV for REDD+. For example, the regulation states that measurement should take place at least twice a year (Article 10), that an independent verifier shall be used (Article 12), and that the system shall include a registry (Article 13). The ER Program’s MRV design will comply to the regulation and involve an independent verifier in addition to the verification by the Ministry of Environment and Forestry (see details on Chapter 9 ERPD).

5.2  Safeguards
The use of benefits under the BSP (both monetary and non-monetary) will be subject to safeguards requirements as stipulated in the ERP’s ESMF, IPPF, RPF, PF and FGRM. This was discussed further on the safeguards chapter in the ERPD. Consistent with the benefit distribution process under the BSM, respective agencies who are responsible for oversight (DPMPD, Forestry and Estate Crop Services as well
as Provincial Forestry Service) will report to the Governor through the Provincial Environmental Service (DLH) for the overall implementation of safeguards under the BSP. Such reporting will complement the ERP’s FGRM, which is being developed to address future BSP implementation. Program-level oversight for this oversight and grievance management will be under coordination from a Program Management Unit (PMU) at the national level and provincial government.

ER Program entities and benefit recipients are required to monitor and report safeguards compliance over the duration of the ER Program unless agreed otherwise or there is a dedicated resource allocation for such monitoring and reporting to continue following the Program’s closure.

6 CONSULTATION & COMMUNICATION

6.1 Summary of consultations and incorporation in BSP

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

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

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

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

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

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

The most recent consultation was held in May 9th-10th, 2019 discussing about the fiscal transfer mechanism for the ER payments, and the detail proportion for each beneficiary in within the ER Payment allocation. Stakeholder from the Ministry of Finance and the Ministry of Interior attended the consultation. Thus, a clear mechanism on transfer from BLU-BPDLH to the Sub-national Government and the Village Government are confirmed and agreed. The proportion for each beneficiary was also consulted based on the parameters and criteria discussed in the earlier stakeholder consultation (April 25th, 2019) albeit no agreements were made. All possible options were provided in this BSP_draft0 document.

6.2 Consultation Plan

Further benefit sharing arrangements will be designed through a consultative process involving the key stakeholders in finalizing the BSP as part of the FPIC process. As a part of FPIC process, ER program will be introduced to relevant stakeholders at district level. The process will be continually extended to village levels.

The roadmap for the completion of the Benefit Sharing Mechanism is envisioned as follows:

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td>GOI submits BSP draft 0.2 to WB and they exchange on BSP until advanced draft (see milestone 4)</td>
<td>July 5, 2019</td>
</tr>
<tr>
<td>FPIC process initiated and BSP draft 0.2 is consulted</td>
<td>July 8, 2019</td>
</tr>
<tr>
<td>National consultation on BSP</td>
<td>August 7, 2019</td>
</tr>
<tr>
<td>GOI submits draft BSP to WB for formal review</td>
<td>August 15, 2019</td>
</tr>
<tr>
<td>WB holds Quality Enhancement Review</td>
<td>~August 22, 2019</td>
</tr>
<tr>
<td>WB holds Decision Meeting on ERPA</td>
<td>~Week of September 9, 2019</td>
</tr>
<tr>
<td>WB Appraisal of the Program</td>
<td>~Week of September 16, 2019</td>
</tr>
<tr>
<td>FPIC process concludes</td>
<td>first week October 2019</td>
</tr>
<tr>
<td>GOI submits advanced (‘near-final’) draft BSP to WB for formal review</td>
<td>October 15, 2019</td>
</tr>
</tbody>
</table>
### 6.3 Feedback and Grievance Redress Mechanism (FGRM)

The FGRM is currently being developed to coordinate across existing mechanisms to address grievances and disputes. Under the ERP, a Program Management Unit (PMU) at the national level and provincial government, with extension units at the district level will be established to monitor and report grievances and conflicts to relevant stakeholders in a coordinated and timely manner. The FGRM institutional arrangements will be nested in the ERP institutional arrangements, which are currently being finalized. Specific coordination mechanisms, including definition roles and responsibilities are currently being developed and will be finalized as part of the development of ERP institutional arrangements. Any grievances regarding the carbon fund payment transfer and its mechanism will be addressed through the FGRM (see Section 14.3).