



Forest Carbon Partnership Facility (FCPF)

Carbon Fund

Due Diligence for Retroactive Emission Reductions (ERS)

ER Program Name and Country:

East Kalimantan - Jurisdictional Emission Reductions Program (EK-JERP), INDONESIA

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ACRONYMS AND ABBREVIATIONS

| | |
|-------------|---|
| BAPPEDA | : Badan Perencanaan Pembangunan Daerah/Development Planning Agency |
| BSM | : Benefit Sharing Mechanism |
| BSP | : Benefit Sharing Plan |
| CSO | : Civil Society Organization |
| DDPI Kaltim | : Dewan Daerah Perubahan Iklim Kalimantan Timur/East Kalimantan Climate Change Council |
| DGCC | : Director General of Climate Change |
| DISBUN | : <i>Dinas Perkebunan</i> /Estate Crops Agency |
| DISHUT | : <i>Dinas Kehutanan</i> /Forestry Agency |
| DKP | : <i>Dinas Kelautan dan Perikanan</i> /Marine and Fisheries Agency |
| DLH | : Dinas Lingkungan Hidup/Environmental Agency |
| DPMPD | : <i>Dinas Pemberdayaan Masyarakat dan Pemerintahan Desa</i> /Community Empowerment and Village Governance Agency |
| E&S | : Environment and Social |
| ER | : Emission reduction |
| ER Program | : Emission Reduction Program |
| ERPA | : Emission Reduction Payment Agreement |
| ERP | : Emission Reduction Program Document |
| ESMF | : Environmental and Social Methodological Framework |
| FCPF-CF | : Forest Carbon Partnership Facility-Carbon Fund |
| FGRM | : Feedback and Grievance Redress Mechanism |
| FMU/KPH | : Forest Management Unit/Kesatuan Pengelolaan Hutan |
| FORDIA | : Forest Research Development and Innovation Agency |
| FPIC | : Free, Prior and Informed Consent |
| GGGI | : Global Green Growth Institute |
| Gol | : Government of Indonesia |
| HCVFs | : High Conservation Value Forests |
| IPPF | : Indigenous People Plan Framework |
| M&E | : Monitoring and Evaluation |
| MMR | : Measurement, Monitoring and Reporting |

| | | |
|-----------|---|---|
| MoEF | : | Ministry of Environment and Forestry |
| OHS | : | Occupational, Health and Safety |
| OPD | : | Organisasi Perangkat Daerah /Government Agency |
| PF | : | Process Framework |
| PMU | : | Project Management Unit |
| Pokja PS | : | Kelompok Kerja Percepatan Perhutanan Sosial/Social Forestry Working Group |
| RIL/RIL-C | : | Reduced Impact Logging/ Reduced Impact Logging-Carbon |
| RPF | : | Resettlement Planning Framework |
| SESA | : | Social and Environmental Safeguards |
| SEKDA | : | <i>Sekretaris Daerah</i> /Provincial Secretary |
| SFM | : | Sustainable Forest Management |
| SIS | : | <i>Sistem Informasi Safeguards</i> /Safeguards Information System |
| SRN | : | <i>Sistem Registri Nasional</i> /National Registry System |
| WG MMR | : | Working Group on Measurement, Monitoring and Reporting |

EXECUTIVE SUMMARY

The East Kalimantan Jurisdictional Emission Reductions Program (ER Program) is a globally important project for addressing deforestation and climate change. The ER Program aims to reduce deforestation and forest degradation in an area that covers the entire 12.7 million hectares that comprise the East Kalimantan provincial jurisdiction. The ER program supports a combination of enabling conditions and promotion of sustainable management practices that will directly address the underlying drivers of emissions.

Gol has mainstreamed environmental and social risk mitigation measures into the ER program development. The SESA, ESMF, IPPF, RPF, and PF as well as FGRM documents have been prepared in line with the World Bank's safeguards policy requirements. Using the available information and consensus generated through the SESA and earlier safeguards processes, MoEF in close collaboration with the East Kalimantan Government has developed an ESMF to manage environmental and social risks under the ER Program.

As stated in the Term of Reference that in anticipation of a potential retroactive payment for ERs generated before the forthcoming ERPA signature (initially planned in August 2020), the Social and Environmental Due Diligence is expected to assess to what extent relevant safeguards measures under the Government's ER Program are aligned with the Environmental and Social Management Framework (ESMF). The Due Diligence focuses on a system capacity assessment for the management of environmental and social aspects across program activities which were implemented over the period of July 2019 until November 2020. Over this period, implementation of all the program components had commenced, with a total of 47 relevant ER activities that are the subject of this due diligence.

An eSurvey and in-depth interviews were conducted with 24 institutions, covering government agencies and non-government organizations. Specific aspects of due diligence focused on the presence or absence of a system for screening and assessing risks for activities carried out under the ER Program, provision of resources for monitoring/supervision, technical support, coordination, and capacity development, and the availability and operation of Feedback and Mechanisms Complaints Handling (FGRM).

While the activities of the ERP, including those carried out prior to the signing of the ERPA, are designed to mitigate environmental and social risks, there is some risk in the medium/ long term associated with suboptimal implementation or through unintended impacts. The activities include strengthening regulations and standard operating procedures, capacity building for activity implementers, identification, supervision, facilitation of social forestry licensing, including accelerating the recognition of customary forests, as well as forest and land fire prevention and suppression activities, and forest protection patrols. In the medium/ long term, however, such capacity building focusing on institutional system strengthening for the purpose of conflict settlements, recognition and/or protection of tenurial rights, and/or conservation of areas of biodiversity importance, may not be properly implemented due partially to factors beyond the control of the implementing agencies with potential adverse implications. Therefore, inclusive consultations and participatory decision-making processes, combined with robust monitoring and mobilization of technical support are warranted to minimize such potential risks going forward.

Overall, the results showed adequate institutional capacity for identifying and managing environmental and social risks, although some gaps and areas for strengthening remain. The assessment of system capacity identified a number of areas where environmental and social risks management could be improved. Particular attention needs to be given to the social risks associated with improving land governance conducted in areas under existing and potential conflicts and/or disputes or areas with overlapping boundaries and/or claims, between customary and common/formal laws and processes, and in areas with competing claims especially with concession areas.

In spite of the COVID-19 pandemic, significant progress was made in the development of safeguards mechanisms in 2020. This included an extensive FPIC process covering 99 villages in East Kalimantan and the launch of an online complaint platform, the "*Aspirasi Etam*". Further actions and gap-filling measures include further improvements in the policy framework for managing E&S risks, budget reviews, and capacity building.

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CHAPTER I. INTRODUCTION

1.1. Program Description

The East Kalimantan Jurisdictional Emission Reductions Program (ER Program) is a globally important project for addressing deforestation and climate change. The ER Program aims to reduce deforestation and forest degradation in an area that covers the entire 12.7 million hectares that comprise the East Kalimantan provincial jurisdiction. East Kalimantan is Indonesia's third largest province, covering 6.6% of the total country area. The area consists of seven districts and three cities (Figure 1), 103 sub-districts, and 1,032 villages (BPS, 2017). East Kalimantan is geographically located at 4° 24' North Latitude (NL) and 2° 25' South Latitude (SL), 113° 44' East Longitude (EL) and 119° 00' East Longitude (EL).

The total area of East Kalimantan is 12.7 million ha, of which 6.5 million ha (54%) is still covered by forests. Most of the tropical forests are found within areas allocated to 20 discrete Forest Management Units (FMU or KPH) and in 6 conservation areas, 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 and timber plantations and mining. The ER Program is also an important step toward the establishment of a national REDD+ mechanism in Indonesia, which will provide incentives for protecting one of the world's largest and most biodiverse tropical rainforests.

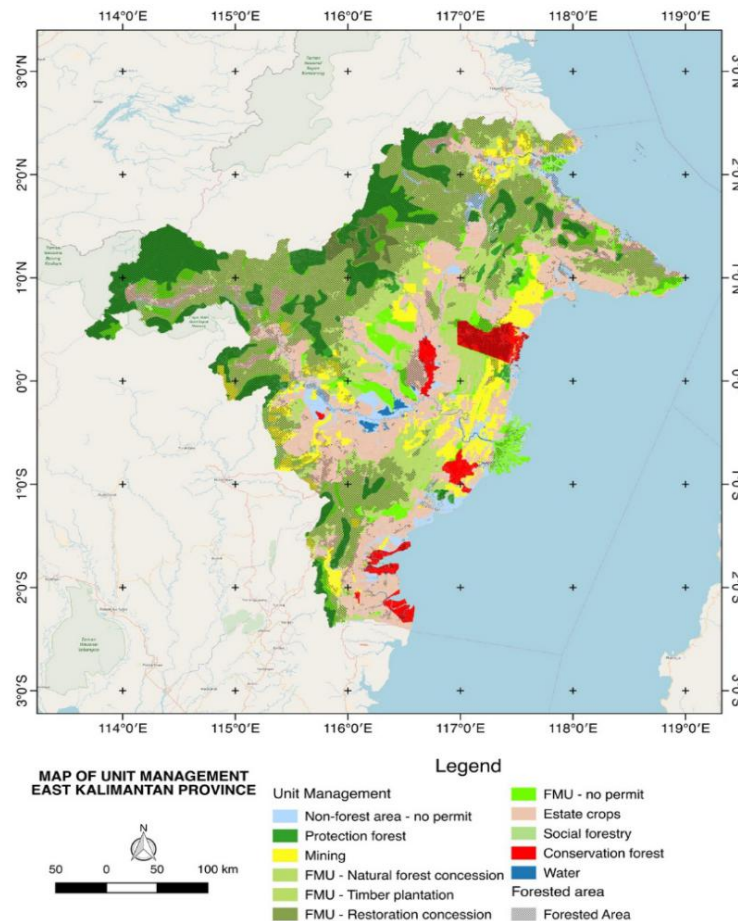


Figure 1. Map of accounting area for ER program

East Kalimantan's forests are under serious pressure from the expansion of oil palm estates, timber plantations, and mining. The Government of Indonesia (GoI) has tracked land cover changes in East Kalimantan over the period 2006 to 2016 to establish a reference level for emission reductions, and the analysis found that more than 1 million hectares of forests were lost over that period. Up to 51% of forest loss was associated with the expansion of oil palm plantations, 14% with timber plantations, 10% with mining, 8% with overlogging and poor concession management, 7% with illegal logging, and 6% with agricultural expansion. Other drivers of deforestation and forest degradation include encroachment, fires, and aquaculture. Besides loss of habitat and other key ecosystem services, deforestation and degradation have led to emissions of CO₂ averaging 68 million tons per year.

The ER Program will reduce deforestation by addressing underlying governance issues through policy reforms, by engaging with oil palm and forestry companies, and by engaging with local communities. The ER program supports a combination of enabling conditions and promotion of sustainable management practices that will directly address the underlying drivers of emissions. In addition to reducing emissions from deforestation and forest degradation, the ER Program supports improved land governance, improved livelihoods of local communities, and the protection of the habitat of numerous vulnerable and endangered species. The program design considers the distribution of remaining forests, the threats to those forests, and the key stakeholders involved. The program has five main components:

- Components 1 and 2 address weak land governance and weak forest management respectively. Component 1 addresses weakness in the licensing regime, seeks to accelerate the recognition of indigenous land claims, and addresses conflict over land access. Component 2 strengthens the capacity of the government to protect remaining forests by strengthening FMU to oversee State Forest Areas, strengthening sustainable development planning at the village level, and strengthening the role of government agencies in supporting sustainable estate crop plantations.
- Component 3 supports more sustainable management practices of oil palm and forestry companies and will protect remaining High Conservation Value Forests (HCVF) within their licensed areas. The ER Program will work with key actors to support them in adopting and implementing sustainability approaches, focused around the recently developed HCV and SFM policies. In addition, the component will address the underlying drivers of fire through technical assistance for fire prevention and support for Community Based Fire Management and Monitoring Systems.
- Component 4 addresses deforestation linked to encroachment and agriculture mainly by providing alternative livelihood opportunities. The component will support the government's social forestry programs, as well as partnerships around conservation areas, and will provide sustainable livelihood opportunities to local communities, including through village development programs.
- Component 5 is a component for program management, monitoring and evaluation, as well as knowledge management and information dissemination.

The ER Program is expected to lead to (gross) emission reductions of 86.3 million tCO₂e over a five-year period (2020-2024). Close to half of this is expected to come from reduced deforestation within areas allocated to estate crops. All emission reductions will be registered with the National Registry System which is managed together with the national MRV system by

the Climate Change DG of the MoEF. In addition to emission reductions, the Monitoring Measuring and Reporting system will also cover the key non-carbon benefits generated by the program.

The ER program is being implemented by the Provincial Government with the guidance of the Ministry of Environment and Forestry. The overall cost of the program is expected to be USD 90.7 million. Funding will come mainly from government sources (74.5%), with the remainder coming from the private sector (21.7%) and development partners (3.8%). 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.

1.2. Safeguard requirements as per the ESMF (including the scope of the ESMF and associated frameworks, i.e. RPF/PF, IPPF, FGRM)

GoI has mainstreamed environmental and social risk mitigation measures into the ER program development. The document of a SESA¹, ESMF², IPPF³, RPF⁴, and PF as well as FGRM have been prepared in line with the World Bank's safeguards policy requirements. Using the available information and consensus generated through the SESA and earlier safeguards processes, MoEF in close collaboration with the East Kalimantan Government has developed an ESMF to manage environmental and social risks under the ER Program. The safeguards instruments, supported with analytical processes through the SESA, are expected to enhance the existing country systems for the management of environmental and social aspects of the ER Program.

The SESA, ESMF, IPPF, RPF, and PF as well as FGRM⁵ have been designed to be in line with the World Bank's safeguards policies. These instruments are summarized as follows:

- a) Strategic Environmental and Social Assessment (SESA): The SESA is intended to provide further context-specific information on environmental and social risks and impacts in East Kalimantan. The assessment has also considered local institutional capacity to address the identified risks and will inform the preparation of the ESMF to ensure the risks are minimized and impacts avoided or mitigated appropriately. Furthermore, the SESA is also expected to support further refinement as well as operationalization of the existing safeguards instruments that Indonesia has developed.⁶

¹ SESA document, <http://documents.worldbank.org/curated/en/229201576142774993/Strategic-Environmental-and-Social-Assessment>

² ESMF document, <http://documents.worldbank.org/curated/en/517731576143673500/Environmental-and-Social-Management-Framework>

³ IPPF document, <http://documents.worldbank.org/curated/en/611641576148952432/Indigenous-Peoples-Planning-Framework>

⁴ RPF and PF document <http://documents.worldbank.org/curated/en/288081576156358170/Resettlement-Planning-Framework-and-Process-Framework>

⁵ FGMR document, <http://documents.worldbank.org/curated/en/819611576220304136/Feedback-and-Grievance-Redress-Mechanism>

⁶ The SIS-REDD+ consultation process, as an example, was intensively carried out from 2011 to 2012. Prior to this, two influential analytical works were carried out by Daemeter Consulting, which were further consulted in the stakeholders meeting for further feedback (Centre for Standardization and Environment. 2013. Principles, Criteria, and Indicators for a System for Providing Information on REDD+ Safeguards Implementation (SIS-REDD+) in Indonesia. Centre for Standardization and Environment, Ministry of Forestry, and Forest and Climate Change Programmed, Deutsche Gesellschaft für Internationale Zusammenarbeit.)

- b) Environmental and Social Management Framework (ESMF): An ESMF has been prepared under the ERP as an instrument to assess potential E&S risks and impacts under the ER Program operation. The ESMF sets out the principles, rules, guidelines, and procedures for screening, assessment, and follow-up on the anticipated environmental and social impacts of program activities.
- c) Indigenous Peoples Planning Framework (IPPF): An IPPF has been prepared to provide operational guidance in line with OP 4.10 to the ERP implementing agencies to engage in an inclusive and participatory process to ensure that the rights and aspirations of Indigenous Peoples affected by the ERP implementation are respected. In conjunction with the PF, the IPPF has also been prepared to address risks associated with access restrictions and claims on land and natural resources as a result of improved forest management.
- d) Resettlement Planning Framework (RPF) and Process Framework (PF): The RPF serves as a precautionary measure to address resettlement risks associated with the Program implementation. The RPF also includes a PF. The purpose of the PF is to establish a process by which communities including but not limited to IP communities who are potentially affected by restrictions on land and natural resources for conservation and protection purposes can engage in informed and meaningful consultations and negotiations to identify and implement means to mitigate impacts resulting from access restrictions. These frameworks have been developed to address the key requirements under the World Bank's OP 4.12 on Involuntary Resettlement and OP 4.10 on Indigenous Peoples
- e) Feedback and Grievance Redress Mechanism (FGRM): a FGRM has been prepared for the ERP with the objective to provide a clear institutional set-up and coordination platform for receiving, recording, screening, investigating, verifying, and resolving grievances. The FGRM also sets out measures in the event of impasse and/or unresolved cases (i.e. mediation, court appeal, etc.)

1.3. List of activities and/or interventions being reported for retroactive ER

For the purpose of the due diligence, the following screening criteria were used for the identification of activities:

- a) Activities for the retroactive ERs shall directly contribute to the objectives of the project (i.e. to reduce emissions) and were included in the ER Program Design (i.e. as in the ERPD section 4.3 and the basis for the SG instruments), i.e. activities that fall outside the program design are not relevant;
- b) be implemented in East Kalimantan (not elsewhere) and
- c) be implemented during the period between June 2019 (not before) and forthcoming ERPA signature

In total, 12 activities across the 4 main program components, were identified as meeting the above criteria.

Component 1: Forest and Land Governance

Indonesia is undergoing critical reforms related to land governance and the ER Program is supporting on-the-ground practical processes that complement wider policy developments. The ER Program focuses on four key aspects that support improved land governance: improvements

to the licensing regime, dispute resolution, the recognition of customary land, and village planning. Preliminary activities were commenced in the four areas. In addition to leading to significant emissions reductions, it is expected that this component will provide important non-carbon benefits to local stakeholders, including concession companies and local and customary communities.

Activity 1.1: Strengthening the licensing regime

The drafting of a Governor Regulation on HCVA management in plantation areas in East Kalimantan was initiated. The new regulation is expected to support the implementation of the HCVA components that are included in East Kalimantan Regional Regulation No. 7/2018, which mandates that plantation business actors are responsible for environmental, biodiversity and socio-cultural management. The regulation is expected to lead to the protection of remaining forest areas that are within areas licensed for plantation development, leading to positive impacts on forests, biodiversity, and on local communities for whom the areas may have cultural value.

Work also commenced on strengthening the licensing of the plantation sector in Berau District. The activity involved the development and strengthening of spatial databases, as well as improvement to the review of plantation applications. It is expected that this will lead to improved transparency in plantation licensing and management, promoting improved governance.

Activity 1.2: Dispute settlement

The sub-activities included work on the identification and verification of tenure claims in the forest zone as a preliminary step for addressing land use claims, the preparation of SOPs for conflict resolution, the identification of customary areas, the development of Governor Regulation 69 of 2019 on the province level FGRM (Aspriasi Etam), and the identification of land within the Forest Area that can be reallocated under the GOI's land reform program (TORA).

Activity 1.3: Support for the recognition of adat land

Work was carried out to promote the recognition of customary (adat) land through validating applications for customary forests, identifying and validating the existence of customary communities, building the capacity of customary law institutions, and supporting the development of adat sustainable forest management enterprises.

Activity 1.4: Strengthening village development and spatial planning

Regional and village spatial plans were prepared in a number of areas including for 6 villages in the Mahakam Peat area, a village in Kongbeng district and around the Mesangat-Suwi Wetlands.

Component 2: Strengthening Government Capacity for Forest Administration

The ER Program is addressing institutional weaknesses to improve forest supervision and administration. Within the State Forest Area, the focus is on strengthening East Kalimantan's FMUs, which cover the entire production forest and protection forest areas. To improve the governance of forests outside the State Forest Area, in particular remaining forests within estate crop areas, the Program will strengthen relevant non-forestry institutions.

Activity 2.1: Strengthening management capacity within the State Forest Area: FMU development

Sub-activities carried out after ERPD acceptance were the preparation of FMU long-term management plans, the implementation of patrols for fire prevention and suppression and for forest protection, capacity building for FMU business plan development, and a pre-assessment of a PES scheme in a protection forest.

Activity 2.2: Strengthening provincial and district governments to supervise and monitor the implementation of sustainable Estate Crops

Under this activity, data on HCVA areas was collected and mapped in Berau Regency, with a focus on areas that are licensed to plantation estates. Maps of areas with high conservation value were agreed upon at the district level and strengthened through a Berau District Head Decree.

Component 3: Reducing deforestation and degradation within licensed areas

Component 3 aims to protect forests that are located within oil palm estates and within forestry concessions by supporting the finalization and implementation of HCV, and RIL-C policies. These activities directly engage the concession and estate crops companies, and thereby complement the broader policy improvements related to the licensing regime that are covered under Component 1. To further support the adoption of RIL and HCV policies, the ER Program will develop a mechanism to provide nonmonetary incentives. This will be developed through a consultative process with private and public-sector stakeholders and will be linked to the REDD+ Benefit Sharing Mechanism.

Activity 3.1: Implementation of HCV policies for Oil Palm Estates

A plantation database was developed for recording the distribution and licensing reports of plantation areas in East Kalimantan. Initial work was carried out to provide guidance to plantation companies in HCVA management. In Kutai Timur Regency capacity building was carried out for companies to manage HCVA, and a study on strengthening HCVA management was developed. Also collaboration with other conservation activities was sought. To further promote sustainable plantation management, companies were encouraged to obtain ISPO certification.

Activity 3.2: Support for smallholders and Community Based Fire Management and Monitoring Systems (CBFMMS)

Capacity building for smallholder oil palm farmers was carried out to support them in receiving ISPO and RSPO certification. This involved Training of Trainers, field school activities, establishment of a demonstration plot, and assistance to farmer groups. A database of independent smallholder farms was developed.

The development of facilities for the prevention of land fires within plantation areas was supported, and related training was carried out. Farmer and community fire prevention groups were established.

Activity 3.3: Implementation of HCV and RIL policies for Forestry Concessions

This activity involved assessment of technical personnel, supervision and control of the management systems of FMU's and of timber concession companies, and supporting cooperation and partnerships between FMU's and concession companies for the implementation of HCV and RIL policies.

Component 4: Sustainable Alternative Livelihoods for Communities

Activity 4.1: Support for sustainable livelihoods

The activity focused on building the capacity of Village-Owned Enterprises (BUMDesa) through mentoring. Capacity building also included the development of demonstration plots for mud crab fattening and for sustainable agriculture in mangrove areas.

Activity 4.2: Conservation partnerships

This activity included the development of conservation partnerships with communities for managing an area of 100,000 ha within Managed Traditional Zones. In addition, capacity building for community empowerment was carried out in 10 villages.

Activity 4.3: Social forestry

This activity involved the strengthening of social forestry groups in support of social forestry license proposals, as well as the preparation of a village forest management plan

The list of activities below is a grouping of all activities reported in the East Kalimantan MMR Portal for implementation from June 2019 to November 2020.

Table 1: .List of Activities and sub-activities

| | |
|-----|---|
| | Component 1: Forest and Land Governance |
| 1.1 | Strengthening the licensing regime |
| | Formulation of Governor Regulation on Management of High Conservation Value Areas in Plantation |
| | Strengthening the licensing of the Plantation sector in District |
| 1.2 | Dispute Settlement |
| | Data collection and identification of tenure conflicts in FMU areas |
| | Identification and verification of land tenure in forest areas |
| | Preparation of SOP for forestry sector conflicts resolution |
| | Identification and tenurial conflict resolution, and identification of customary areas. |
| | Establish Governor Regulation, No. 69 Year 2019 on Aspirasi Etam Services. |
| | Inventory and verification of TORA objects within forest area |
| 1.3 | Support for the recognition of adat land |
| | Validation of Customary Forest Applications |
| | Customary Forest Development |
| | Identification, verification, and validation as well as recognition of the existence of customary communities related to environmental protection and management |
| | Program of Customary Law Community (MHA) and ICCA/IKKM. Strengthening capacity and institutions as well as developing economic enterprises from sustainable forest management by communities, empirical studies to collect data and all information relating to indigenous peoples. |
| 1.4 | Strengthening village development and spatial planning |
| | Facilitation of Village Spatial Plan (RTRWDes) in 6 Villages in Peatland Areas |
| | Village Spatial Plan in Kongbeng District |
| | Map of Village Spatial Plan |
| | SIGAP Sejahtera Preparation of Village Spatial Plan |

| | |
|-----|--|
| | Preparation of Village Spatial Plan around Mesangat-Suwi Wetland |
| | Regional and Village Spatial Plans |
| | Component 2: Strengthening Government Capacity for Forest Administration |
| 2.1 | Strengthening management capacity within the State Forest Area: FMU development |
| | Preparation of long-term management plan for FMU |
| | Patrols for prevention and suppression of forest and land fire |
| | Patrols for forest protection and security |
| | Establish a forest fire post |
| | Early detection of forest and land fires |
| | Socialization and routine patrols, resort-based security, forming the fire control brigade within Conservation Areas. |
| | Development of FMU Business Plans- Coaching Clinic |
| | Pre-assessment of PES Business Model on Manggar Protection Forest |
| 2.2 | Strengthening provincial and district governments to supervise and monitor the implementation of sustainable Estate Crops |
| | Identification and the mapping of HCVA in Berau Regency |
| | Component 3: Reducing deforestation and degradation within licensed areas |
| 3.1 | Implementation of HCV policies for Oil Palm Estates |
| | Development, Supervision and Evaluation of Plantation Business |
| | Protection of High Conservation Land in Plantation Area |
| | Management of HCVA in Other Use Area in Kutai Timur Regency |
| | Fostering a plantation business that meets the principles of sustainability and legal order by encouraging companies to obtain ISPO certification. |
| 3.2 | Support for smallholders and Community Based Fire Management and Monitoring Systems (CBFMMS) |
| | Capacity building for Oil Palm Smallholders Towards Sustainability (ISPO & RSPO Certification) |
| | Capacity Building for Palm Oil Farmers: ToT, field schools, demonstration plot, assistance to Farmers Groups/Cooperatives in the Context of ISPO Certification for Independent Oil Palm Smallholders, Mapping and Compilation of Independent Smallholder Farm Database |
| | Establishment of Plantation Land Fire Control (KTPA), support for facilities and training. |
| | Establishment of a communications tool for early fire detection. |
| | Establishment of community fire prevention groups (MPA), support for facilities and infrastructure for land fire prevention, training |
| | Fire fighting on community land |
| 3.3 | Implementation of HCV and RIL policies for Forestry Concessions |
| | Monitoring, Evaluation, and Performance Assessment of forestry concessions for implementation of HCV and RIL policies |
| | RIL/RIL-C Mentoring Training in IUPHHK-HA is intended to improve knowledge, skills and work attitudes in support of RIL/RIL-C implementation in permit areas |
| | Component 4: Sustainable Alternative Livelihoods for Communities |
| 4.1 | Sustainable livelihoods |

| | |
|-----|--|
| | Improvement of Community Economic Independence through capacity building of village-owned enterprises. |
| | Management of fishery products and non-timber forest products from mangrove ecosystem through the development of demonstration plots for mud crab fattening and for sustainable agriculture. |
| 4.2 | Conservation partnerships |
| | Development of partnerships with communities for conservation of 100,000 hectares of Managed Traditional Zones. |
| | Counselling on Community Empowerment in 10 Villages On Management of Conservation Areas and for livelihood development |
| 4.3 | Social forestry |
| | Strengthening of Social Forestry groups, Licensing Proposal |
| | Training and preparation of Village Forest Management Plan |
| | Capacity building of Forest Farmer Groups |
| | Capacity building for Hemaq Beniung Customary Forest managers |
| | Capacity building for Business Development of Social Forestry |

Source: Official Documents and East Kalimantan MMR Portal (2020)

CHAPTER 2: APPROACH

2. 1. Assessment methodology

The Social and Environmental Due Diligence focuses on a system capacity assessment for the management of environmental and social aspects across Program activities which were implemented over the period of the ERPD acceptance to the forthcoming ERPA signature, as discussed in the previous section. Specific aspects of due diligence focused on the presence or absence of a system for screening and assessing risks for activities carried out under the ER Program, provision of resources for monitoring/supervision, technical support, coordination, and capacity development, and the availability and operation of a Feedback and Grievance Redress Mechanism (FGRM). Supporting evidence and documentation can be found in the annexes.

A staged approach was carried out for collecting information and reviewing various activities that are subject to due diligence:

1. **Identification of Program Activities and/or Interventions contributing to ERs prior to ERPA signing:** Information was collected including a list of activities and/or interventions, location of activities, time of implementation, and contact persons of the identified activities and/or interventions.
2. **Stocktaking of relevant documents and design of interviews and E-survey platform:** The assessment focuses on relevant aspects related to system performance for the management of environment and social aspects both at the program and activity levels. These include amongst others: institutional implementation capacities for environmental and social management and oversight, availability of structures and legal frameworks, budget allocation, grievance handling, information dissemination, etc. At this stage an electronic survey was developed.
3. **Interviews/Virtual Consultations and Dissemination of E-Survey.** A series of interviews was conducted to assess system performance in view of environmental and social management. These interviews were conducted with relevant representatives from KLHK and the PMU, with relevant coordinating agencies at the provincial level, particularly SEKDA and/or BAPPEDA. DDPI had an advisory role in this process. The e-survey was conducted using the Kobo toolbox (URL: <https://ee.kobotoolbox.org/x/SQvcwRgf>) containing 161 questions. The list of questions is provided in Annex 3.
4. **Report Drafting.** Based on the information generated, an initial draft was produced. This was used in another round of consultations prior to finalization.

2. 2. Stakeholder selection

In total 30 key institutions with significant roles in implementing ER activities were identified. Of the 30 institutions, the following 23 participated in the e-Survey⁷:

⁷ 7 organizations were not able to participate in the survey, due to the density of activities in the field, technical constraints related to communication networks and the internet connectivity and also the rather short e-survey time. These were: DPMPD Kaltim, KPH Berau Barat, KPH Berau Pantai, KPH Kendilo, Department of Plantation Berau, GIZ FORCLIME and the Kutai National Park Agency.

A. (Central and Local) Governmental Institutions

1. *Balai Pengelolaan Hutan Produksi/BPHP* Kalimantan Timur (Office for Management of Production Forests of East Kalimantan);
2. *Balai Konservasi Sumber Daya Alam/BKSDA* Kalimantan Timur (Office for Conservation of Natural Resources of East Kalimantan);
3. *Balai Pemantapan Kawasan Hutan/BPKH* Kalimantan Timur (Office for Forest Consolidation of East Kalimantan);
4. *Direktorat Inventarisasi dan Pemantauan Sumber Daya Hutan/IPSDH* (Directorate of Forest Resources Inventory and Monitoring) *Planologi Kehutanan dan Tata Lingkungan/PKTL* (Forestry Planning and Environmental Management)
5. *Biro Ekonomi Setda Provinsi Kalimantan Timur* (Bureau for Economy Affairs of the Regional Secretariate of East Kalimantan);
6. *Dinas Kehutanan Provinsi Kalimantan Timur* (Forest Services of East Kalimantan);
7. *Dinas Perkebunan Provinsi Kalimantan Timur* (Crop Estate Services of East Kalimantan);
8. *Dinas Lingkungan Hidup Provinsi Kalimantan Timur* (Environmental Services of East Kalimantan);
9. *KPH Delta Mahakam* (FMU Delta Mahakam);
10. *KPH Damai* (FMU Damai)
11. *Pokja Perhutanan Sosial* (Social Forestry Working Group)
12. *Dewan Daerah Perubahan Iklim Kalimantan Timur* (Regional Council of Climate Changes East Kalimantan)

B. Non-Governmental Institutions

13. *GIZ LEOPALD* (German International Cooperation – Low Emissions Oil Palm Development)
14. *GIZ SCPOPP* (GIZ – Sustainable and Climate-Friendly Palm Oil Production and Procurement)
15. *Yayasan Bumi* (Bumi Foundation)
16. *Yayasan Bioma* (Bioma Foundation)
17. *GGGI Kaltim* (Global Green Growth Institute, East Kalimantan)
18. *Yayasan Konservasi Alam Nusantara/YKAN* (Nusantara Nature Conservation Foundation)
19. *Kalfor-KLHK/UNDP Regional Kalimantan* (Kalimantan Regional Kalfor-Ministry of Environment and Forestry/UNDP)
20. *Yayasan Konservasi Khatulistiwa Indonesia* (Indonesia Equator Conservation Foundation)
21. *Planete Urgence*
22. *Solidaridad Indonesia*
23. *WWF Indonesia* (World Wide Fund for Nature Indonesia)

It should be noted that the assessed period of July 2019-November 2020 overlapped with the COVID-19 pandemic which impacted budget allocations and with the issuance of an Omnibus Law (Law No. 11/2020 concerning Job Creation) which led to changes in environmental and forestry regulations. The Omnibus law is still continuing with the issuance of its derivative regulations, so there is no assessment and analysis related to the Omnibus law in this report. Restrictions related to the pandemic meant that the social and environmental due diligence activities mostly had to be carried out through on-line communication.

CHAPTER 3: FINDINGS

3.1. Assessment of environmental and social risks of the activities and/or interventions being reported for retroactive ERs

The ER Program is addressing a baseline that is characterized by negative environmental and social impacts, including: rapid loss of forests and biodiversity; insecure tenure and access rights for local communities; and significant greenhouse gas emissions. The ER Activities, including those implemented before the signing of the ERPA, seek to address this situation through better forest and land governance, improved government capacity for forest administration, reducing deforestation and degradation within licensed areas, and supporting sustainable livelihoods for local communities. As discussed above, since the acceptance of the ERPD, preliminary activities have been carried out across the four program components.

While the overall activities are designed to have positive environmental impacts, going forward, there remains risks related to poor implementation and/or other factors beyond the control of the implementing agencies that could have unintended consequences or where poor implementation could have adverse effects. Impacts due to activities outside the program have been mitigated and provided for in the ESMF and ESMP, and program implementation is led by the Provincial Secretary, so that coordination and synchronization of programs between sectors can mitigate negative impacts. Specifically, these are activities related to spatial planning, where unintended mismatches between land cover and land use could lead to loss of habitat or to deforestation (Activities 1.4 and 4.3). Also, for activities related to HCVA (Activities 1.1, 2.2, 3.1), an unintended consequence could be that communities living around and inside oil palm concessions have the potential to regard HCV areas as land that is not used by concessions, which encourages them to carry out land clearing, illegal logging and mining.

There are also social risks associated with unintended consequences beyond the control of the implementing agencies and/or with poor implementation that may negatively affect local communities in the medium/long term, specifically in the areas of conflict resolution (1.2), recognition of *Adat* land (1.3), spatial planning (1.4), conservation (1.1, 2., 2.2, 3.1) and social forestry (4.3). While the activities are designed to address ongoing conflict, past efforts have sometimes led to dissatisfaction of some groups, including loss of access. With spatial planning activities, it is important that affected communities are consulted to avoid dissatisfaction. Also, there is a risk of conflicts over village boundaries. The conservation activities have revolved around the implementation of HCVA policies, which take into account cultural values, but given the current situation of overlapping land claims, there is some risk that enforcement will lead to dissatisfaction and loss of access for some stakeholders.

Table 2: Assessment of environmental and social risks of ER activities

| No | PROGRAM, ACTIVITY | ASSESSMENT OF E&S RISKS |
|-----|--|-------------------------|
| 1 | Component: Forest and Land Governance | |
| 1.1 | Strengthening the licensing regime | |
| 1. | Formulation of Governor Regulation on Management | |

| No | PROGRAM, ACTIVITY | ASSESSMENT OF E&S RISKS | |
|-----|--|--|--|
| | of High Conservation Value Areas in Plantation | Environmental and social impacts of HCVA management are expected to be positive, with minor social risk related to possible access restrictions. Improved transparency and better management of licensing is expected to improve land governance, leading to environmental and social benefits. | |
| 2. | Strengthening the licensing of the Plantation sector in Berau District | | |
| 1.2 | Dispute Settlement | | |
| 3. | Data collection and identification of tenure conflicts in FMU areas | The activity is designed to address ongoing conflicts related to overlapping land-uses, land claims, and customary rights. While overall impacts are expected to be positive, other unintended social risks would stem from poor implementation, including lack of transparency or inadequate consultation, leading to lack of representation and/or inequitable outcomes. | |
| 4. | Identification and verification of land tenure in forest areas | | |
| 5. | Preparation of SOP for forestry sector conflicts resolution | | |
| 6. | Identification and tenorial conflict resolution, and identification of customary areas. | | |
| 7. | Establish EK Governor Regulation, No. 69 Year 2019 on Aspirasi Etam Services. | | |
| 8. | Inventory and verification of TORA objects within forest area | | |
| 1.3 | Support for the recognition of adat land | | |
| 9. | Validation of Customary Forest Applications | | The activity is designed to support the recognition of adat land, leading to positive social outcomes. While overall impacts are expected to be positive, unintended social risks would stem from poor implementation, including for example lack of transparency or inadequate consultation, leading to lack of representation and/or inequitable outcomes. |
| 10. | Customary Forest Development | | |
| 11. | Identification, verification, and validation as well as recognition of the existence of customary communities related to environmental protection and management | | |
| 12. | Program of Customary Law Community (MHA) and ICCA/IKKM. Strengthening capacity and institutions as well as developing economic | | |

| No | PROGRAM, ACTIVITY | ASSESSMENT OF E&S RISKS |
|-----|--|---|
| | enterprises from sustainable forest management by communities, empirical studies to collect data and all information relating to indigenous peoples. | |
| 1.4 | Strengthening village development and spatial planning | |
| 13. | Facilitation of Village Spatial Plan (RTRWDes) in 6 Villages in Peatland Areas | Improved village spatial planning is an important component of improved land governance, leading to positive social and environmental outcomes. Unintended risks could stem from poor implementation such as land misclassifications, leading to inappropriate land uses or to conflict with land claimants and/or misclassifying areas of biodiversity importance. |
| 14. | Village Spatial Plan in Kongbeng District | |
| 15. | Map of Village Spatial Plan | |
| 16. | SIGAP Sejahtera Preparation of Village Spatial Plan | |
| 17. | Preparation of Village Spatial Plan around Mesangat-Suwi Wetlands | |
| 18. | Regional and Village Spatial Plans | |
| 2 | Component: Strengthening Government Capacity for Forest Administration | |
| 2.1 | Strengthening management capacity within the State Forest Area: FMU development | |
| 19. | Preparation of long-term management plan for FMU | The activities are addressing weak forest governance by strengthening FMU institutions. To avoid social risks it is important that local, affected communities are consulted on management and business plans. Patrols for fire management and for forest protection, while necessary for protecting forests, present some risk of conflict with local communities. |
| 20. | Patrols for prevention and suppression of forest and land fire | |
| 21. | Patrols for forest protection and security | |
| 22. | Establish a forest fire post | |
| 23. | Early detection of forest and land fires | |
| 24. | Socialization and routine patrols, resort-based security, forming the fire control brigade within Conservation Areas. | |

| No | PROGRAM, ACTIVITY | ASSESSMENT OF E&S RISKS |
|-----|--|--|
| 25. | Development of FMU Business Plans- Coaching Clinic | |
| 26. | Pre-assessment of PES Business Model on Manggar Protection Forest | |
| 2.2 | Strengthening provincial and district governments to supervise and monitor the implementation of sustainable Estate Crops | |
| 27. | Identification and the mapping of HCVA in Berau Regency | Environmental and social impacts are expected to be positive, with minor social risk related to possible access restrictions. |
| 3 | Component: Reducing deforestation and degradation within licensed areas | |
| 3.1 | Implementation of HCV policies for Oil Palm Estates | |
| 28. | Development, Supervision and Evaluation of Plantation Business | Environmental and social impacts are expected to be positive, with unintended social risk related to possible access restrictions. |
| 29. | Protection of High Conservation Land in Plantation Area | |
| 30. | Management of HCVA in Other Use Area in Kutai Timur Regency | |
| 31. | Fostering a plantation business that meets the principles of sustainability and legal order by encouraging companies to obtain ISPO certification. | |
| 3.2 | Support for smallholders and Community Based Fire Management and Monitoring Systems (CBFMMS) | |
| 32. | Capacity building for Oil Palm Smallholders Towards Sustainability (ISPO & RSPO Certification) | Activities centered on capacity building for smallholders and communities towards sustainability certification, and on support for the development of community-based fire management systems. No significant environmental and social risks are associated with these activities. |
| 33. | Capacity Building for Palm Oil Farmers: ToT, field schools, demonstration plot, | |

| No | PROGRAM, ACTIVITY | ASSESSMENT OF E&S RISKS |
|-----|--|---|
| | assistance to Farmers Groups/Cooperatives in the Context of ISPO Certification for Independent Oil Palm Smallholders, Mapping and Compilation of Independent Smallholder Farm Database | |
| 34. | Establishment of Plantation Land Fire Control (KTPA), support for facilities and training. Establishment of a communications tool for early fire detection. | |
| 35. | Establishment of community fire prevention groups (MPA), support for facilities and infrastructure for land fire prevention, training | |
| 36. | Fire fighting on community land | |
| 3.3 | Implementation of HCV and RIL policies for Forestry Concessions | |
| 37. | Monitoring, Evaluation, and Performance Assessment of forestry concessions for implementation of HCV and RIL policies | Environmental and social impacts are expected to be positive, with unintended social risk related to possible access restrictions. |
| 38. | RIL/RIL-C Mentoring Training in IUPHHK-HA is intended to improve knowledge, skills and work attitudes in support of RIL/RIL-C implementation in permit areas | |
| 4 | Component: Sustainable Alternatives Livelihood for Communities | |
| 4.1 | Sustainable livelihoods | |
| 39. | Improvement of Community Economic Independence through capacity building of village-owned enterprises. | Activities revolved around capacity building for communities for improving sustainable livelihood alternatives. There is some risk that traditional wisdom of the Dayak people would be replaced by new approaches. |
| 40. | Management of fishery products and non-timber forest products from | |

| No | PROGRAM, ACTIVITY | ASSESSMENT OF E&S RISKS |
|-----|---|--|
| | mangrove ecosystem through the development of demonstration plots for mud crab fattening and for sustainable agriculture. | |
| 4.2 | Conservation partnerships | |
| 41. | Development of partnerships with communities for conservation of 100,000 hectares of Managed Traditional Zones. | The activities sought to improve partnerships with local communities within existing managed conservation zones. No significant E&S risks were associated with these activities. |
| 42. | Counselling on Community Empowerment in 10 Villages On Management of Conservation Areas and for livelihood development | |
| 4.3 | Social forestry | |
| 43. | Strengthening of Social Forestry groups, Licensing Proposal | Social forestry activities address issues of access and land rights within the forest estate and form part of the safeguards strategy of the ERP. Some environmental risk may be associated with the development of forest management plans if there are inadequate protections for natural forests. Conflict could arise if the process lacks transparency or is not sufficiently participative. |
| 44. | Training and preparation of Village Forest Management Plan | |
| 45. | Capacity building of Forest Farmer Groups | |
| 46. | Capacity building for Hemaq Beniung Customary Forest managers | |
| 47. | Capacity building for Business Development of Social Forestry | |

3.2. Assessments of environmental and social compliance, addressing environmental and social management requirements

The following assessment is based on the results of the e-survey as well as on an analysis of progress in the development of safeguard mechanisms. Progress on development of the FCPF safeguard mechanisms was slow at the beginning of the COVID-19 pandemic, but significant progress was achieved from August to December 2020. The safeguard working group at the provincial level was established with the East Kalimantan Forestry Service as the coordinator. Besides provincial government institutions, non-governmental institutions such as TNC/YKAN, Yayasan Bumi, Yayasan Bioma, AMAN (Indigenous People Alliance), universities, the East Kalimantan Working Group on gender, and representatives of palm oil and forestry industries

are also members of the safeguard working group. The Governor decree on the safeguard working group is in process. Standard Operational Procedures (SOP) for safeguard implementation have been discussed with stakeholders, including the national and provincial governments, AMAN, university, the private sector, and NGOs. Significant progress was achieved in FPIC as well as in a provincial FGRM.

The e-survey targeted 24 institutions involved in ER activities and focused on institutional capacity in the following areas:

- Resource allocation
- Technical capacity
- Identification and Management of Environmental and Social Risks
- Stakeholder engagement and consultations
- Feedback and Grievance Redress Management
- Availability of supporting documentation for the above, including ESMPs and consultation records

Overall, the results showed adequate institutional capacity for identifying and managing environmental and social risks, although some gaps and areas for strengthening remain.

Detailed results of the e-Survey are provided in Annex 1.

Resource Allocation

For government agencies the main sources of funding for managing E&S risks are the Regional Revenue and Expenditure Budget (Provincial APBD), regional transfer funds, the National Revenue and Expenditure Budget/APBN and to a lesser degree grant funds. For government partners (NGOs and CSOs), funding for environmental and social management mainly came from donors and from the government. Of 19 surveyed institutions that had ER field activities, 12 reported they had a budget for public consultations, 4 reported they had a budget for handling complaints, and 10 reported they had a budget for monitoring and evaluation for the management of E&S risks. Nonetheless, of the surveyed institutions, only 6 institutions reported that the existing budget mechanisms ensured that the budget for medium-term environmental and social management (two to three years) would be sufficient. Some of this uncertainty can be tied to the COVID-19 pandemic, which has led to the diversion of some government funding.

As long as the long-term government plans reflect awareness of environmental and social issues, budgets for environmental and social risk management are expected to be available at the implementing level. Regional and national long-term planning (20 years) serves as a reference for regional and national medium-term planning (5 years) which for government implementing institutions (OPD) is reflected in strategic planning (*Rencana Strategis/Renstra*) and short-term planning (annual) or sectoral work plans. However, changes in regional leadership in several districts/cities in East Kalimantan are expected, and East Kalimantan's long-term plans are up for renewal in 2025. Impacts however, are expected to be minimal, given the national commitment to addressing climate change until 2030.

Both the government and government partners were optimistic about opportunities for other sources of funding in the future; for example through the APBN, regional transfer funds and grants, as well as funds from donors and partnerships and/or funds from private parties (government partners).

Technical capacity

Of the 24 e-Survey respondents, 19 self-assessed the technical capacity of their institution for supporting E&S risk management as good or quite good. Around half the institutions reported having internal staff for E&S risk management. Institutions without internal capacity reported that they rely on external support from for example universities, research institutions, or NGOs. For government institutions, tasks were often assigned to field personnel, while for government partners the E&S tasks tended to be integrated into work or program units.

While the survey identified a relatively high degree of reliance by government agencies on external support, there are ongoing capacity building efforts that should increase independence and solidify structural capacity going forward. Since the issuance of Law No. 23 of 2014 on regional government and the ensuing delegation of district forestry staff, there has been an ongoing process of institutional strengthening. More than half of the surveyed institutions reported that, since June 2019, there have been efforts to increase the capacity of E&S risk management staff. In the latter half of 2020, after the period covered by the e-survey, capacity building activities were carried out with broad range of safeguard topics including gender and climate change, reversal and leakage and SIS REDD+.

The Forestry Agency, the Environment Agency and the Estate Crops Agency have had Standard Operating Procedures for conflict handling and complaint handling mechanisms and placing the Head of Section of Agency and staff, to manage complaints.. Each complaint received, will be submitted to the agency directly related and processed according to the mechanism in each agency. If it cannot be completed in each service, it will be brought to a higher level at the Provincial Secretariat.

Identification and Management of Environmental and Social Risks

Of the 19 institutions with ER activities in the field, 13 reported that they have mechanisms for the identification and management of E&S risks (screening and mitigation mechanisms). Screening is carried out through reporting, project reviews, and through studies. This includes the identification of risks, sources, impacts and mitigation options. All the 13 institutions carried out studies that consider E&S impacts. Environmental impacts looked at include deforestation, biodiversity, wetland/peatland management, forest and land fires, water management, pollution, waste management, pest control, climate change and air pollution. Social aspects that were considered in the studies were social inclusion, community access to natural resources, indigenous peoples, availability of public information, gender, human rights, complaint system and complaint handling, institutions and agencies, disability status, and market access for farmers. Most of the institutions with risk identification and management mechanisms carried out screening prior to implementation of activities, but others noted that screening was not always carried out prior to implementation due to limited expertise, limited human resources or time constraints.

Most of the institutions surveyed reported having M&E systems for E&S risk management, which consist of field reviews supported by analysis of related documents, and discussions and interviews with affected parties. In terms of reporting, most respondents reported that field officers or consultants periodically write reports and submit them to the relevant unit at the district or provincial level. Most respondents stated that they have coordination mechanisms, both horizontal (between OPD or work partners) and vertical (with the leadership down to the

regional heads), across and/or between units/institutions to ensure the implementation of environmental and social management of carbon emission reduction activities. Coordination was conducted through, for example, regular coordination meetings/forums between agencies and/or work units, periodic reporting, as well as through less formal online communications.

Stakeholder engagement and consultations

All activities, especially investments conducted by private companies and state-owned enterprises (BUMN), which are required to prepare Environmental Impact Analysis (AMDAL) documents (along with Environmental Management and Monitoring Plan – *Rencana Pengelolaan dan Pemantauan Lingkungan/RKL* and RPL), are preceded by public outreach/consultations. Government-partner activities are often preceded by orientation and communication communities at the activities' locations.

Efforts to involve affected communities, local governments, and government partners in the context of environmental and social risk management from carbon emission reduction activities have been quite good, although with variations of approaches and outcomes of involvement. Most of the institutions surveyed reported involving stakeholders in determining the locations of activities, identifying environmental and social risks, and in public general consultations. Community involvement was achieved through inviting representatives of village governments to meetings and consultations; through involving potentially affected communities/parties in discussion forums; and through interviews with community representatives. Involvement of stakeholders was slightly less at more advanced stages such as during preparations for mitigation plans on identified risks. In general, most of the respondents also claimed to have involved vulnerable groups of people in public consultations. For ER activities related to policy and regulatory reforms, almost all institutions reported having involved stakeholders in policy formulation. About half of the respondents overall reported that consultations led to a change in program design.

In the latter half of 2020, after the period covered by the e-survey, an FPIC process was implemented for 99 villages in East Kalimantan. The first phase of FPIC aimed to socialize the FCPF-Carbon Fund and Kampung Iklim plus programs, as well as safeguards and benefit sharing, and was implemented in October 2020. The second phase aimed to seek village consent for involvement in FCPF-Carbon Fund activities and was implemented in November 2020. As part of the ER Program implementation, in October 2020, activities were carried out with the aim of disseminating information related to the ER program to villages and of improving community awareness and understanding of the ER Program. This was followed up by discussions with village representatives in November 2020. The safeguards documents such as SESA, ESMF, IPPF, RPF, PF, FGRM were socialized to FCPF-Carbon Fund stakeholders at the provincial level. The draft retroactive due diligence report including the key findings and recommendations of the report was presented to the key stakeholders in November 2020.

Feedback and Grievance Redress Management

While many institutions have complaints handling mechanisms in place, these tended to be not well developed, without clear rules for complaint handling and reporting; and only a few reported having SOPs and/or guidelines for handling complaints.

However, currently several supporting systems related to FGRM are being prepared which include a complaint handling mechanism namely in the form of the *Layanan Aspirasi Etam*,

which has been regulated in the Governor Regulation No. 69 of 2019. This governor regulation regulates the handling of complaints in all sectors, including the implementation of effective and transparent complaint handling. *Aspirasi Etam* (our aspirations) is an online portal for reporting complaints. The policy development of Governor Regulation No 69 of 2019 on “*Aspirasi Etam*” was facilitated by the East Kalimantan Economic Bureau. The activities included series of formal and informal discussion with stakeholders from government and non-government actors. The regulation was issued in November 2019. For FCPF-Carbon Fund, this *Aspirasi Etam* will be used for EK community to give feedback and grievances related FCPF-Carbon Fund activities. The *Layanan Aspirasi Etam* services are being disseminated at the provincial and district/city levels of East Kalimantan. As of September 2020, there were 42 complaints that were recorded in *Layanan Aspirasi Etam*, from various sectors in East Kalimantan, 37 have been completed and 5 are in the process of completion.

Availability of supporting documentation for the above, including consultation records

The documents used as evidence of the answers to the e-survey questions are provided in Annex 2. Meanwhile, the ESMP document is still in the process of being drafted by the East Kalimantan Social and Environmental Safeguard Working Group.

3.3. Identified gaps

Resource allocation. Although the available budget for implementation of E&S risk management was adequate, institutions reported some concern regarding medium- to long-term stability of funding, especially as public budgets are linked to policy priorities and to regional budget availability. For example, the COVID-19 pandemic as well as a recent decline in coal exports led to some budget tightening, though this does not appear to have considerably impacted implementation. The main tasks of public institutions and associated budget allocations are linked to the legal mandate, and the survey found that for about half the institutions the legal mandates for E&S risk management were not clear.

Technical Capacity. The survey identified a heavy reliance on external parties for E&S risk management activities, with a number of government institutions lacking relevant internal expertise. However, there are ongoing capacity building efforts that should increase independence and solidify structural capacity going forward. Since the issuance of Law No. 23 of 2014 on regional government and the ensuing delegation of district forestry staff, there has been an ongoing process of institutional strengthening. More than half of the surveyed institutions reported that, since June 2019, there have been efforts to increase the capacity of E&S risk management staff.

Risk Identification and Management. While most of the respondents reported that they have mechanisms for E&S risk identification and management in place, screening and risk management were not always consistently conducted and several respondents had no relevant mechanisms in place. The regulatory framework for requiring E&S risk screening for smaller activities is currently not clear, leading to some gaps and to a lack of consistency in identifying and managing E&S risks. Large projects involving construction works that have the potential to cause significant environmental and/or social impacts, are required to obtain business license and for that, they must prepare an Environmental Impact Analysis (*Analisis Mengenai Dampak Lingkungan/Amdal*), an Environmental Management Plan (*Rencana Pengelolaan Lingkungan*

Hidup/RKL) and an Environmental Monitoring Plan (*Rencana Pemantauan Lingkungan Hidup/RPL*), while medium scale construction type projects require the preparation of an Environmental Management and Monitoring Efforts (*Usaha Pengelolaan Lingkungan – Usaha Pemantauan Lingkungan/UKL-UPL*). For smaller activities, such as the preliminary ER activities, the identification and management of environmental and social risks depends somewhat on mechanisms that are specific to projects or to the implementing institutions.

Stakeholder Engagement, including Community Consultations. Several surveyed institutions reported facing challenges specific to stakeholder outreach and consultation. These include the following: (1) limited communication and information technology networks, (2) pandemic that prevented face-to-face meetings, (3) cultural issues (for limited female participation in public discussions, (4) limited expertise, (5) budget constraints, (6) lack of public interest to be involved, (7) remoteness of some locations, and (8) language limitations.

Not all the institutions surveyed had performed public consultations, and overall, there appears to be scope to improve the consistency and inclusiveness of consultations. Most respondents claimed to have involved vulnerable groups, but the survey also indicated that apart from women's groups, the Indigenous Law Communities (*Masyarakat Hukum Adat/MHA*) group and especially groups of people with disabilities were not optimally engaged. Regarding gender inclusion, most institutions did not report gender-differentiated data on participants in their reports and there is scope to improve the involvement of women, though this is challenging, especially in traditional environments where men tend to act as household representatives. The underlying issue for sub-optimal stakeholder engagement, appears to be a lack of a clear legal mandate for all government institutions, including a lack of guidelines or SOPs to ensure optimal representation by potentially affected parties.

Compliance and Feedback and Grievance Redress Management (FGRM). The FGRM system is currently under development with significant progress in terms of the regulatory framework, that needs to be followed up with further implementation and dissemination. Of the institutions surveyed, only one third had their own complaint/grievance mechanisms, and overall, there was a lack of SOPs for receiving and following up on complaints from affected communities. The East Kalimantan Governor Regulation No.69 of 2019 provides the framework for a complaint handling mechanism through an Online Service for the Delivery of Aspirations/Public Complaints of the Province of East Kalimantan (*Aspirasi Etam Service Application*).

CHAPTER 4: RECOMMENDATIONS

4.1. Remedial measures to address environmental and social impacts

While the activities of the ERP, including those carried out prior to the signing of the ERPA, are designed to mitigate environmental and social risks, there are risks associated with suboptimal implementation and/or through unintended impacts beyond the control of the implementing agencies. With the focus on capacity building, negative social or environmental impacts are unlikely, and none have been recorded. Nonetheless the assessment of the system capacity did identify a number of areas where E&S risk management could be improved, as discussed below. Particular attention needs to be given to the social risks associated with improving land governance conducted in areas under existing and potential conflicts and/or disputes or areas with overlapping boundaries and/or claims, between customary and common/formal laws and processes, and in areas with competing claims especially with concession areas.

4.2. Gap-filling measures to address system capacities and performance to strengthen environmental and social management for the Program

Improving the policy framework for managing E&S Risks. The gaps in identifying and managing E&S risks can largely be attributed to a lack of legal mandate and guidelines for implementing institutions to carry out the relevant tasks. Thus, a large share of survey respondents reported that they had no legal mandate to carry out activities such as E&S risk identification, management, or stakeholder engagement. Improving this situation calls for the development and socialization of policies and Standar Operational Procedure that make E&S risk management obligatory for the relevant institutions. While this is a long-term goal, progress in the short to medium term can be achieved through further implementation of the current safeguards mechanisms.

Clearer regulations at the regional level, requiring E&S risk screening and management, as well as the development of SOPs would help improve the situation. Improving technical capacity and HR resources are other key areas for strengthening. The survey also identified a need for improved coordination and sharing of information between agencies involved in ER activities. This should become a key role for the newly formed safeguard working group. Existing SOP and guidelines should be disseminated further. At the time of the survey the FGRM regulation had not yet been adopted by most of the Regional Apparatus Organizations (OPD) and there is a need for following up the regulation with implementation guidelines, dissemination activities, and training.

Budget reviews and capacity building. Where institutions were tasked with activities related to managing E&S risks, common concerns were budget availability, especially over the medium- to long-term as well as lack of availability of technical expertise. Options for improving the budget availability and technical capacity should be explored in tandem with improvements in the policy framework. In addition to clarifying the legal mandates, there is an opportunity pursue partnerships in implementing E&S risk management activities with non-government partners or to pursue grants to supplement budgetary finance. Further, to ensure long term funding, it will be critical that E&S concerns continue to be reflected in national and regional planning documents.

ANNEXES

Annex 1. Consultation records for the Social and Environmental Due Diligence, including a list of stakeholders consulted and summary of consultations

1. Consultation records can be accessed at: jerp2020_fin.xlsx (<https://1drv.ms/x/s!ApxFBBsaVYWCgsYUiaM9p7ZwB12C7A?e=HqMRHY>)

Annex 2. List of relevant documents for verification

2. Documents submitted by respondents can found at the URL: <https://1drv.ms/u/s!ApxFBBsaVYWCgsYXGPqOPHxnrxki-g?e=aog5f0>
3. Report and work plan Government Organization and government partners <https://drive.google.com/drive/u/1/folders/1rPIosdqm-IR71Q7IFIR5QdthzD5o1gbX>

4. Retroactive material

https://drive.google.com/drive/folders/1L6gzP-CQv1ltgGLEijaB3NmRqAdOL_I0

Annex 3. Assessment tools, including interview questions and survey questionnaires

5. An assessment tool and a list of questions can be found at the URL: <https://ee.kobotoolbox.org/x/SQvcwRgf>

6. Tools and attachment electronics survey

<https://drive.google.com/drive/u/1/folders/1RVuGn8IUVS1Ed0DgDZGpzb0LUtnzg8Ic>