

VILLAGE AGREEMENT

Between

Kalimantan Forests Climate Partnership

and

Tumbang Mangkutup Village

September 2013

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Parties

Agreement Number:	VA011KFCP-TUMBANG MANGKUTUP130905
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The Parties to this agreement are:

- 1 The Kalimantan Forests and Climate Partnership [KFCP], managed under the legal entity PT Aurecon Indonesia
- 2 Tumbang Mangkutup Village

The Kalimantan Forests and Climate Partnership [KFCP] (managed under the legal entity PT. AURECON INDONESIA)

Address and Contact Details of the PT. AURECON INDONESIA:

Address:	
Telephone:	
Fax:	

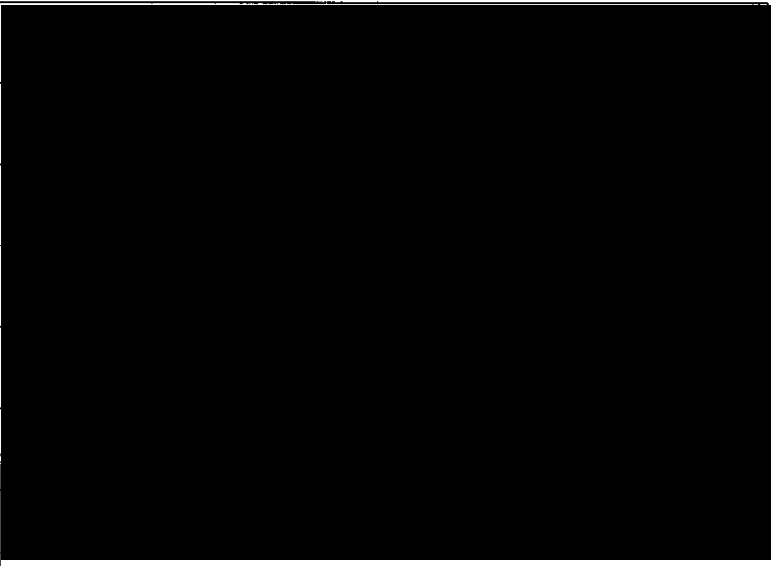
The Authorised Representative of PT. AURECON INDONESIA:

Name:	
Position:	
Address:	
Telephone:	
Fax:	
Email:	

The Village is:

Name of Desa:	Tumbang Mangkutup
Subdistrict:	Mantangai
District:	Kapuas
Province:	Kalimantan Tengah

The Authorised Representative for the Village is:

Name:	
Position:	
Street Address:	
Mailing Address:	
Telephone:	
Fax:	
Email:	

A. Preamble

1 Interpretation

This agreement is will be made in 2 languages in separate document. Where there is a conflict between the English and Bahasa Indonesia versions of this Agreement, the Bahasa Indonesia version will take precedence.

2 Abbreviations

AusAID Australian Agency for International Development

GHG Greenhouse gas

IAFCP Indonesia Australia Forest Carbon Partnership

KFCP Kalimantan Forests and Climate Partnership

TP Monitoring Committee

TPK Project Management Committee

BPD Village Consultative Council

REDD+ Reducing Emissions from Deforestation and Forest Degradation (REDD) plus reforestation and sustainable forest management

Novation and amendment addition or change of clauses

3 Intentions and Principles

3.a Governing Law

The Service Agreement is to be construed according to the laws of the Republic of Indonesia, and the parties submitting themselves to the Service Agreement must have regard to and comply with relevant and applicable laws, regulations and policies in Indonesia (including tax) in fulfilling this Service Agreement.

3.b The KFCP

The Kalimantan Forests and Climate Partnership (KFCP) is a cooperative activity of the Indonesian and Australian governments, managed under the legal entity PT Aurecon.

In cooperation with local communities and the Kapuas district government, the KFCP is developing and testing ways to better manage peat swamp forests and peatlands while providing benefits for the local communities and others in the form of incentives and technical assistance. KFCP is one activity of the Indonesia Australia Forest Carbon Partnership (IAFCP). This activity is based on an agreement between the President of the Republic of Indonesia and the Prime Minister of Australian signed on 13 June 2008.

The Kapuas Regional Development Planning Board (Badan Perencanaan Pembangunan Daerah – Bappeda) is the implementing unit of KFCP for the government of Indonesia. Kesatuan Pengelolaan Hutan (KPH) has been established by the Ministry of Forestry under the authority of the district government to be responsible for the forest in the KFCP area.

3.c KFCP Partnership with the Local Community

The partnership between KFCP and the village is based on these principles:

- 3 KFCP will never to try to claim land or change the legal status and customary rights of land and village areas in any form without the consent of the entire village. After the agreement expires, land and results of activities will be fully managed and owned by the community
- 4 KFCP will respect and acknowledge customary laws including those governing natural resources.
- 5 Benefits of KFCP activities should be equitably shared among all rights-holders, including women and marginalized groups.
- 6 KFCP activities should support sustainable livelihoods in accordance with the village development plan.
- 7 All members of the village have the right to full and effective participation in the program.
- 8 Village members have the right to obtain accurate information about KFCP activities to ensure good governance of the program.
- 9 Implementation of the program must comply with local and national laws and regulations (including customary laws), as well as international conventions.

3.d Climate Change

Throughout the world there is concern about the increase of carbon dioxide and other gases in the air. Carbon dioxide is one of the so-called “greenhouse gases”

(GHG) which trap the heat of the sun and so cause the earth to become warmer. Over time this will change the climate, which could cause changes in rainfall patterns such as more frequent floods and droughts. All of the world's countries are working together to combat this threat.

GHG comes from many sources including factories, cities and vehicles, and forest clearing. Large amounts of GHG are produced when peatlands are drained, their forest cover is removed, and they are burned.

The peatlands of Kalimantan are among the most important storehouses of carbon in the world. When the peat is dried out or burned, much of it goes into the air as GHG.

In addition, the clearing, draining and burning of the peatlands also create negative impacts for the local communities, for instance:

- 1 Loss of traditional forest, non-forest products, and wildlife
- 1 Bad air and water quality and bad health
- 2 More flooding
- 3 Difficulties in navigation caused by smoke.

One approach to reducing GHG emissions is called REDD, short for 'reducing emissions from deforestation and forest degradation.' Together with good forest management, rehabilitation of degraded forests, and protection of forests plants and animals, this approach is called REDD+.

3.e KFCP Goal

The goal of KFCP is to demonstrate a credible, equitable, and effective approach to reducing greenhouse gas emissions from deforestation and forest degradation, including from the degradation of peatlands that can inform a post-2012 global climate change agreement and enable Indonesia's meaningful participation in future international carbon markets. As part of this, the KFCP aims to trial a range of approaches to show how investment in REDD+ can achieve emissions reductions while providing forest dependent communities with livelihoods and promoting sustainable resource management.

Activities conducted by KFCP to improve forest and peatland management will cover several technical interventions including fire prevention and control, monitoring of vegetation and hydrology, and development of economically viable and low carbon alternative livelihoods. KFCP will also develop institutional

capacity and technical readiness of local government and villages to conduct sustainable REDD+.

3.f Helping the Village

A village (desa) is a legal community entity with certain rights and authority to regulate its affairs according to local customs and manage the natural resources for the welfare of the community.

Sustainable development aims to fulfil people's present day needs and aspirations without sacrificing those of future generations. One challenge is to avoid environmental damage while fulfilling the needs of economic development and social justice.

The KFCP recognises that some of these changes may have an impact on the livelihoods of the village. The KFCP commits to:

- 1 working with the village to identify and understand these impacts;
- 2 developing and helping to implement alternative forms of livelihood to replace any that may be affected;
- 3 helping ensure that benefits of the project are spread throughout the whole of the village;
- 4 ensuring that work is done in such a way as to minimise any conflict within the village; and
- 5 In making these changes, the KFCP is committed not to undertake actions where the community is not agreeable to such actions.

Decisions to carry out activities under this agreement will be based on the Village Development Plan (Rencana Pembangunan Desa - RPJMDes). Thus KFCP's activities will be in line with village development planning and responsive to the needs and aspirations of the village.

3.g Equitability Between Villages

This Village Agreement only applies to activities in one village. However, KFCP acknowledges the importance of sharing the benefits of KFCP activities equitably among all participating villages, while recognising that different communities may advance at different rates and that good performance will be rewarded with greater benefits. KFCP will provide information routinely to every village about activities, payments, and benefits in all participating villages. The information will

be provided through the Inter-Village Communication Forum (Forum Komunikasi Antar Desa - FKAD). This forum will also conduct monitoring and evaluation of KFCP activities in the nine villages where KFCP works.

3.h Equitability Within Each Villages

The KFCP is also committed to ensuring that the benefits from its work are spread equally within each village. To that end, this Agreement contains a section called “Joint Safeguards”, which describes how this will be achieved. **Please see Part B. section 2.e.**

3.i World Bank Trust Fund

The IAFCP has placed funds with the World Bank to set up and manage a Trust Fund for KFCP. The Trust Fund will be the source of most incentive payments to the Village under this agreement. The World Bank may designate an agent to manage the payments.

3.j After KFCP

The KFCP is a four year project of the IAFCP currently scheduled to end in June 2014. This Agreement covers only the work of the KFCP and valid up to end of April 2014. However, in future, the KFCP expects that the funding role of the KFCP will be taken over by others, and KFCP expects that future agreements will be based on the outcome we have achieved with this agreement.

These arrangements for future funding are not yet finalised. The KFCP will keep the Village informed of future arrangements as they are finalised, and any future funder will consult the Village regarding arrangements for future work.

4 The Village

4.a Improved Livelihoods

The Village recognises that for its people to develop and increase their quality of life, they must be constantly exploring and developing new forms of livelihood for its people according to the Village Development Plant. It also recognises that:

- 1 The destruction of the forest by the Mega Rice Project has done enormous damage to the forests, which are an important part of the heritage of its people.
- 2 Illegal logging is not a sustainable practice, and will need to be replaced by other activities that comply with environmental norms and laws.
- 3 Fire can get out of hand, and have very serious impacts on the forests peatlands, the quality of life, and people's health.

4.b Environmental Services and Sustainable Development

The people of the village understand the concept of environment services, and are familiar with previous initiatives in ecotourism, biodiversity conservation, and watershed protection. They are interested in developing sustainable livelihoods, which promise to improve people's income and lives and create a better environment for people.

Insofar as the people of the Village are willing to change the ways they use peatland and peat swamp forest and protect them from destructive exploitation, they can be actively involved in and benefit from their sustainable management. KFCP will provide incentives for actions by the people of the village that help protect the forest and peatlands and support changes in farming practices and other livelihoods which help reduce greenhouse gas emissions. These incentives will be provided in the form of funds for work and technical assistance according to the procedures contained in this agreement.

4.c Both Parties

Both parties agree to:

- 1 Mutual ownership of goals: recognise each others' goals, and commit to assist each other in achieving both sets of goals
- 2 Open dialogue: discuss issues before taking any action that might negatively affect the other; discuss conflicts or concerns through agreed mechanisms before they become serious
- 3 Sharing information: keep the other party informed of anything that happens or might happen which might negatively affect the other
- 4 Patience: recognise that this is a new and experimental process in which both sides may make mistakes and to put their best efforts to correcting their own mistakes and assisting the other to correct theirs.

5 Roles

5.a The role of the KFCP is to:

- 1 Provide funds for work that will achieve the targets agreed by both parties as set out in this Agreement.
- 2 Work with the World Bank Trust Fund and its designated agent to ensure payments are made in accordance with this agreement.
- 3 Provide technical assistance in the form of:
 - a). Training;
 - b). Documents;
 - c). Advice;
 - d). Access to information.
- 4 Conduct regular verification of the agreed work packages before payments are made.
- 5 Inspect and monitor the work and the conditions of the Agreement.
- 6 Enforce the conditions of the Agreement.

5.b The role of the Village is to:

- 1 Manage the work being funded by the Agreement to deliver agreed results.
- 2 Procure all labour and materials required to do the work.
- 3 Attend KFCP workshops to further develop both technical capacity and financial management to reach the goal that the activity run smoothly and is managed transparently.
- 4 Ensure that the work is of good quality and follows all sections of the Agreement.
- 5 Manage the funds effectively and honestly, and with accurate and complete proper finance and administration to avoid Collusion, Corruption and Nepotism.
- 6 Ensure that all conditions in this agreement are followed.
- 7 Conduct active and intensive communication with the KFCP during the period of the Agreement.

B. General Conditions of Agreement

1 Management Arrangements

1.a KFCP

1.a.1 Contract Manager

- 1 KFCP will appoint a Contract Manager to administer this Agreement on behalf of the KFCP.
- 2 The KFCP shall fully authorize the Contract Manager to undertake the duties listed in this Agreement. All other KFCP staff will work on this Agreement only with the knowledge and authorization of the Contract Manager.
- 3 All communications to the Village under this Agreement will come from the Contract Manager.
- 4 No other person is authorised to make representations to the Village, or give directions to the Village, except as authorised by the Contract Manager

1.a.2 Technical Assistance

- 1 The KFCP will establish a Technical Assistance Team to provide Technical Assistance to the Village
- 2 The Team will provide training, documents, and advice, but will not direct the work or be responsible for it. Direction and responsibility of the work remain with the Village.

1.a.3 Village Facilitator

The KFCP will provide a full time Village Facilitator during the life of the Agreement, who will:

- 1 Assist in the communications between the TPK and the Contract Manager
- 2 Monitor the conformance of the Village with the conditions of this Agreement

1.b Village

1.b.1 Activity Management Team (TPK or Tim Pengelola Kegiatan)

- 1 The Village will establish an activity management team, or TPK, to manage the work under this Agreement.

- 2 The TPK will consist of at least three people and can be expanded according to needs.
- 3 Minimum 30% female representation within the TPK.
- 4 The TPK will have a Chair, Treasurer and Secretary.
- 5 The Village Meeting will elect the members of the TPK. The Chairship will be decided directly by the Village Meeting. The Chair will then appoint the other positions from among the other elected members of the TPK. In order to meet the gender balance requirements:
 - a). All members will be voted by the whole of the Village Meeting (i.e. men and women together will vote for all meetings.)
 - b). However, if at any time the maximum number of one gender is met, then subsequent candidates will be only of the other gender.
- 6 Members of the TPK may not hold office in the Village Government. They are the Village head along with the staff and Head of BPD along with the staff
- 7 Details of TPK are attached in **Annex 1: TPK Structure**
- 8 TPK members must be:
 - a). Residents of the village;
 - b). Literate and able to communicate effectively;
 - c). Sociable;
 - d). Responsible;
 - e). Able to work in a team;
 - f). Honest, fair; and
 - g). Willing to spend time to manage the work and the institution.
- 9 The work of the TPK includes, but is not limited to:
 - a). Socialisation;
 - b). Planning the work;
 - c). Procuring labour in fair way;
 - d). Procuring materials;
 - e). Procuring transport and other services;
 - f). Financial management;
 - g). Payments;
 - h). Record keeping;
 - i). Ensuring that all work is done to the quality required by this Agreement;
 - j). Ensuring that all of the requirements of this Agreement are met;
 - k). Ensuring that work is as much as possible distributed equitably within the Village.
 - l). Ensuring that all work is done safely;
 - m). Mediating disputes among the people of the Village.

1.b.2 Activity Monitoring Team (TP or Tim Pengawas)

- 1 The Village will establish an Activity Monitoring Team (or TP) to monitor the work under this Agreement.
- 2 Based on Village Meeting, the membership of the TP will be authorized by the Head of Village through Decree/ Letter, and will consist of people respected and trusted by the Village.
- 3 All members of the TP must be confirmed by a vote of consent of the Village Meeting prior to taking up their post.
- 4 The TP will consist of at least three people, but may contain as many people as considered by the Village as necessary.
- 5 Minimum 30% female representation within the board of TP
- 6 Representation from hamlets (dusun/RT) is needed
- 7 The work of the TP is to independently monitor the work of the TPK in the following four areas:
 - a). Socialisation
 - b). Procurement
 - c). Acceptance (of work, materials and services procured)
 - d). Finance
- 8 The TP will report directly and in writing to the Village Forum and to the Head of Village.
- 9 The remuneration for the members of the TPK and operating budget for the TPK will be as set out in **Part C1 Basic Work Package**
- 10 Detail of TPK is attached in **Annex 2: TP Structure**

1.c Removal of TPK and TP

- 1 The Village Meeting may remove any member of the TPK at any time, if the member is in breach of this Agreement.
- 2 The Village Head may remove any member of the TP at any time with reasonable cause. The reason must be announced publically to the Village.
- 3 The KFCP may advise the Village to remove a particular member of the TPK or the TP who is deemed unsuitable to be involved in managing funds.
- 4 Where any member of the TPK or TP has been removed, the Village will appoint as soon as possible a replacement, by the same process as was used for the original appointment.
- 5 The members of the TPK and TP are entitled to resign for any reason with one month's notice.

1.d The Village Meeting

The Village Meeting is a governance institution established by the Government of Indonesia. The process for a village meeting must meet the safeguards and principles of sound community engagement. For Village Meetings held to decide matters under this Agreement, the following additional rules will apply:

- 1 The TPK will provide two weeks written Notice of the Village Meeting, nominating date, time and place.
- 2 The Notice will include an agenda of what matters under the Agreement will be discussed.
- 3 The Notice will be delivered to every household in the Village.
- 4 The Notice will be posted on the Agreement notice board.
- 5 Village Meeting must be attended by representatives of interest groups in the Village who hold the authority to speak for their groups.
- 6 Agreements reached by the Village Meeting must be documented in the Village Meeting Records that includes attendance list, which binds all attendees of the meeting including all groups that are represented in the meeting.

2 Safeguards

2.a Grievance procedure

If there is a complaint from the community, they can contact any of the following people who they feel comfortable lodging their grievance with:

- 1 Chair of the TPK and Sub Kelola TPK
- 2 TP
- 3 KFCP Contract Manager
- 4 KFCP Village Facilitator
- 5 BPD (Badan Permusyawaratan Desa)
- 6 Mantir Adat

Grievances will be dealt with according to the Grievance Procedure that was developed and agreed by community representatives and KFCP. Grievance mechanism attached in **Annex 3**

2.b Gender and equal opportunity for disabled

As part of planning the Work, and before beginning, the TPK will:

- 1 Analyse all work opportunities, and identify those that are most accessible to women and disabled people.
- 2 List those opportunities in a Women and Difable's (Different Ability) Opportunities List.
- 3 Advertise this list widely.
- 4 Ensure equal salary for men and women for similar work

In addition, the TPK will make it widely known that:

- 1 All jobs are available to persons of both genders, and
- 2 The TPK will not discriminate by gender, in assigning work.

2.c Asbestos

The Village may not use any material that might contain asbestos in work funded by the Agreement. This means the Village cannot use any fibre cement material, since many of these contain asbestos even when labelled otherwise.

2.d Legal Timber

The Village may only use timber procured from legal sources.

Prior to commencement of the work, the Contract Manager will advise the TPK in writing:

- 1 A list of legal suppliers of timber, acceptable to the KFCP
- 2 If possible, any process by which the Village itself could legally supply some of the timber or timber legally sourced from the gardens / community land (waste) with letter/ acknowledgement from the Village Head, BPD, Mantir, authorized by the Dinas Kehutanan and pay wood fine regulated by Gol.

The TPK will advise the Contract Manager in writing how it intends to procure timber, prior to commencing timber procurement.

2.e Equity within the Village

The TPK will use its best endeavours to spread the benefits of employment offered under the Agreement to all members of the Village. The TPK will consult closely with the TP in the best methods of doing so. The TPK will pay particular attention to including both men and women, and to including vulnerable groups such as the poor, disabled, widows, and those in poor health at the time of the Project.

The purpose of these projects is to ensure that the Village as a whole—not just those involved in employment—benefit from the activities.

3 Scope of Work

The scope of work will be coherent with Village Development Plan, which in general may include:

- 1 Peatlands rehabilitation that includes reforestation through the planting of local species, creation of village tree nursery, release, trees maintenance, tatas and canal blocking.
- 2 Training of village authorities, TPK and TP, and community groups based on TPK work plan.
- 3 Improvement of livelihoods that includes Field School for Rubber Farmers , rubber, beje, animal husbandry and other livelihoods alternatives that all should appropriate and potential for land management and inline with the principles of sustainable forest
- 4 Strengthening village institutions and developing village management policies on the environmental service of carbon sequestration.
- 5 Fire management, and the monitoring of vegetation and hydrology.

The Village, through the TPK and the TP, will undertake all the work listed in PART C Work Packages:

Section C1. Basic Package

Section C2. Livelihood Development Package

Each work package will be signed by both parties separately after both parties understanding the process, guide the work, budget and payment terms completely.

3.a Work Packages

Work packages will be prepared by the KFCP Technical Units. Each Work Package will consist of:

- 1 Scope, which describes the work to be done
- 2 Design, which describes how it is to be done
- 3 Specifications, which describes the quality of workmanship and materials
- 4 Costed Quantities, which lists all of the items of labour, materials, services and other payments required to do the work, with the Price for each of those items.
- 5 Special Conditions, which is a list of any Conditions of Agreement that apply solely to this package, including a list of items of the General Conditions of Agreement that are waived for this package.

Work Packages may be added or subtracted from Schedule 1 and other schedules may follow by mutual agreement in writing of both Parties.

The Work Package is meant to be a flexible instrument and can be used not just for inputs to REDD, but also for other purposes such as community improvements, or REDD payments.

3.b Basic Work Package for Operational and Management Cost

In addition to the direct costs involved in each Work Package, the Agreement will have Basic Work Package that includes:

- 1 Incentive: For members of the TPK and the TP
- 2 Operational costs: Of the TPK and the TP
- 3 Meeting costs: For Village Meetings
- 4 Training costs: For hosting and/or attending training workshops
- 5 Contingency/ Margin: 5% to allow for any and all unexpected costs.

These are outlined in **Part C1. Basic Package.**

3.c Fixed Lump Sum

The Village understands and agrees that the payment is a Fixed Lump Sum to cover all cost associated with completing the Scope of Work, and the KFCP will not provide any additional funds over and above the total value agreed to this agreement.

The Village has carefully considered the Costed Quantities of the Work Packages, and the Operational and Management Cost, and agrees to complete the Work with budget shown in **Part C** for each Work Package.

3.d Use of Surplus

If the Agreement is well managed, the Village may be able to retain all or part of the Margin, and even increase it by making savings in other parts of the Agreement.

Where, at the end of the Project, there remains a Surplus after all the Work is done, the KFCP agrees that the Village may use this Surplus for community projects that have been identified in the Village Development Plan, which will be of benefit to the people of the Village. This work will be done through the mechanisms of this Agreement.

Prior to commencement of disbursement, the Village will develop a prioritised list of works to which it will apply any surplus. This list must:

- 1 be consistent with the Village Development Plan
- 2 be approved at a Village Meeting
- 3 be inclusive of women and vulnerable groups who have not been able to benefit from the activities under this agreement.

4 Time Program

Once Work Packages have been agreed, the KFCP and the Village will agree on a program of work for the year. The schedule of Work Packages over the year is summarised in **Part C**.

5 Conditions for Disbursement/ Payment

Disbursement of fund for each Work Package will be done in tranches, in accordance with the required work progress. Details on payment tranches for each agreed Work Package are shown in **Part C**. Further explain in **Part B Clause 7: Payment**.

5.a TPK and TP

The TPK and TP must be established through the endorsement of village head decree, as attached in Annex 4.

5.b Bank Account

The Village must open a Bank Account to be used only for this Agreement. (After the Work is completed, the Account can be used for other activities.)

The Account should be in the name of the Village and only used for the purposes of this Village Agreement.

The Bank Account must be set up so that money can be withdrawn only with all signatures from three authorized persons:

- 1 two from the TPK
- 2 one from the TP

For each signature, an alternate from the same body should be also nominated.

All payments will be made by third party authorized in writing by KFCP via bank transfer to:

Account Name:	
Account No:	
Bank Name:	
Bank Address:	

5.c Notice Board

The TPK must erect a Public Notice Board in a prominent position, protected from the weather, and big enough to take all of the information nominated in this Agreement.

5.d Work Plan

With the assistance of KFCP Government & Finance Team, the TPK must prepare an implementation plan for the work. The plan should show how it will handle:

- 1 Procurement of services and materials
- 2 Selection of workers
- 3 Logistics
- 4 Coordination of work with other demands on village life
- 5 Timing of management meetings and Village Meetings
- 6 Meeting the conditions of the Agreement
- 7 Cash flow
- 8 As well as any other planning issues which may arise in discussions with KFCP Technical Team

5.e Plans for Social projects and Surplus

The TPK must develop a prioritised list of work from which social projects will be selected and on which it will spend any surplus from the Agreement. This list must conform to the requirements listed elsewhere in this Agreement.

5.f Insurances

The KFCP will take out Workers Compensation insurance for the Work Package that requires Insurance, as indicated in each Work Package. Insurance will be managed by TPK.

Prior to commencement of the work, the Contract Manager will advise the TKP in writing:

- 1 Why the KFCP is required to take out insurance
- 2 The name of the insurer
- 3 The cost of the insurance, which will be included in Schedule 3: Basis of Payment

6 Progress Inspections

6.a Inspections

During the progress of the Work, KFCP Technical Teams will regularly inspect the Projects for:

- 1 Quality
- 2 Progress
- 3 Compliance with Safeguards

Inspection will be conducted jointly with the TP; KFCP Technical Teams will provide advice to the Village on how to improve on progress and quality.

6.b Assessment

KFCP Technical Teams will also prepare a formal assessment of progress and quality for the Contract Manager.

6.c Corrections

The KFCP Technical Teams will inspect the work to determine whether the work is being performed according to the specifications and to the required quality. If based on the inspections, any of the Work is of too low quality as determined by the KFCP Technical Teams; the KFCP Representative may decide that the Village must fix the Work before approving payment for that Work. If so, this direction will come from the KFCP Representative to the Chair of the TPK through Contract Manager.

The Village will correct the work nominated at its own expense, or using the Contingency/ Margin.

7 Payments

7.a Tranches

The KFCP will disburse payments in tranches for each Work Package that will be adjusted to Schedule C3: **Basis of Payment for each Work Package.**

Tranches will be paid within 10 (ten) working days by IAFCP/ KFCP or The Third Party (appointed organization by KFCP) after the KFCP accepts through Contract Manager the output funded from the previous tranches as satisfactory by issuing a Project Certificate from previous payment tranches based on agreed indicator under the Basis Payment for each Payment Tranches as agreed in the Work Package. (Or estimated 3 weeks, calculated from the process of verification process by KFCP Team).

7.b Method of payment

Disbursement will be directly to the Village Bank Account by KFCP or appointed organisation by KFCP.

KFCP staff will be barred from handling any funds once the tranche has reached the Village Bank Account. At the point, the integrity and safety of the funds are 100% the responsibility of the TPK.

7.c Withholdings

The progress of work will be inspected and value of work completed to date will be calculated by the KFCP Technical Teams.

From each tranche, the KFCP will withhold 5% (equal to the Margin) of the value of all Work Packages that are not 100% completed. This 5% will be paid only after final inspection and acceptance of the Work Package.

- 1 Contract Manager will inform the Desa the result of Verification
- 2 If the TA inspection report reveals any shortfalls in progress, then the KFCP will withhold from the next tranche:

a proportion of that tranche, equivalent to the work not yet completed. This amount will be calculated by the KFCP Technical Teams.
- 3 If the TA inspection report reveals any shortfalls in quality, then the KFCP will withhold from the next tranche:

a proportion of that tranche, equivalent to the work not yet fixed. This amount will be calculated by the KFCP Technical Teams.
- 4 If the TA inspection report reveals any problems with performance of the Village according to the conditions of the Agreement, then the KFCP Representative will withhold from the next tranche

an amount which the KFCP Representative determines at his or her sole discretion as proportionate to the seriousness of the non-conformance.
- 5 These withheld amounts will be released once the problems in progress, quality or conformance are corrected.

8 Tax

The Village agreement is subject to tax according to the Gol tax law no. 36 In 2008 specific to Income Tax article 23 for the management services (management fee) at the rate of 2% (for those who have Tax Number) or 4% (for not having Tax Number) which will be borne by the payee.

Party payer will withhold tax on management fees and deposit it into the tax office. Proof of tax cuts (sheet-3) will be given to TPK. The amount transferred to TPK is net from Tax (Has been deducted for Tax).

9 Procurement

The following conditions apply to all procurement under the Agreement:

9.a TPK

- 1 All procurement opportunities under the Agreement will be widely advertised within the Village, with sufficient notice that interested parties have time to prepare an offer.
- 2 In the case of labour, the TPK will make efforts to ensure that labour opportunities are distributed to all the groups within the village, including to women, poor and vulnerable families, and the disabled.
- 3 No member of the TPK may act as a supplier to work undertaken under the Agreement, except with the explicit, minuted permission of the Village Meeting.
- 4 Only the TPK will be involved in procurement. No one else may select suppliers.

9.b TP

- 1 Members of the TP will attend:
 - a). All meetings of the TPK at which procurement decisions are made
 - b). Acceptance of materials
 - c). Preparation of payments to suppliers, before payments are made.
 - d). Payments, where they are made in cash.
- 2 If the TP decides at any point that any of the following is not being carried out in a competent, honest, open or transparent manner, they have the power to halt the process:
 - a). Advertising

- b). Selection of Suppliers
 - c). Acceptance of delivery
 - d). Payments
 - e). Safeguards
- 3 If the TP halts the process, they shall report it immediately to the Kepala Desa, who will consider the problem, and instruct corrective action.
 - 4 The TPK may accept the instruction, or refer the matter to the Village Meeting for final consideration and judgement.
 - 5 The reason for the stopping of works and the corrective action taken will be reported to the next Village Meeting, which may accept or overrule the corrective action.

9.c No hidden payments

The only benefits that TPK and TP members may receive are payments agreed by the Village Meeting for their services to the Project. These may be the amounts that have been budgeted for in the Management Costs, or such other amounts as have been agreed.

Members of the TPK and TP or their friends or relatives are barred from receiving any money, gifts or favours from suppliers to the Project, or from workers on the Project.

9.d Public notice board

The TPK will post following information on a Public Notice Board:

- 1 This Agreement, including Part A Preamble, Part B General Conditions and Part C Work Packages
- 2 Grievance procedure (see Safeguards section)
- 3 Fees and salaries paid to the TPK and TP
- 4 All procurement: what was bought, from whom, and for how much
- 5 Labour lists
- 6 Any other information requested by the Head of Village, the TP, or the Village Meeting.

10 Records

The TPK is required to keep in good order Agreement records, in a form approved by the Agreement Manager. Required records include:

- 1 Financial records
- 2 Procurement records
- 3 Work records
- 4 Correspondence
- 5 Minutes of meetings
- 6 Complaints register
- 7 Women's Opportunities List
- 8 Plan for Surplus

The Contract Manager can instruct reasonable additional requirements for record keeping, at any time.

11 Suspension and Termination by either party

11.a Suspension

The KFCP may at any time suspend the Agreement, if it finds any of the following:

- 1 Serious complaints from within or outside the Village, if the investigation finds that a breach has been proven,
- 2 Progress too slow to finish in time,
- 3 Evidence giving rise to the suspicion of corruption.

The Village may at any time suspend the Agreement, if it finds any of the following:

- 1 The KFCP is not fulfilling its obligations under the Agreement,
- 2 Evidence giving rise to the suspicion of corruption.

11.b Opportunity to correct

On suspension of the Agreement by either party, the party who has suspended will inform the other, in writing, of the problem at the same time as issuing the notice of suspension. The Notice will be delivered to the Authorized Representative of the other party.

On issuance of a notice to suspend, the Representatives of both parties will meet as quickly as possible, to discuss the problems. At that meeting, the parties will agree:

- 1 what needs to be done in order to correct the problem
- 2 the time frame within which the problem must be corrected
- 3 On reaching such Agreement, the parties may agree to lift the suspension, or to wait until the matters have been corrected before lifting the suspension.

11.c Termination

- 1 If the problem is not corrected in time, the party who issued the notice of suspension may terminate the Agreement.
- 2 If the Agreement is terminated by either party, the Village will:
 - a). stop work immediately
 - b). make no further payments from the Bank Account
- 3 With the KFCP's approval, the Village will then pay outstanding commitments to labour and suppliers, from the rest of available funds in the bank account, for materials already delivered.
- 4 The Village will then:
 - a). Return any unspent funds,
 - b). Assist the KFCP to remove any unfixed materials, if it wishes to do so.

12 Novation & Amendment

This Agreement may be amended from time to time with the concurrence of both parties. Any amendment shall be signed by the authorized representatives of the parties and attached as an addendum to the Agreement. Amendments shall form an integral part of the Agreement.

Village Agreement Signatures Sheet between Tumbang Mangkutup and KFCP

Both Parties

Kalimantan Forest and Climate Partnership
(under authorised representative for PT.
AURECON)

Tumbang Mangkutup Village’s Authorised
Representative

Signature

Signature

Name :

Position :

Date :

Position :

Date :

Village Agreement Signature Sheet between Tumbang Mangkutup & KFCP

Witnesses

Witness Signature

1

Name :

Position :

Date :

Witness Signature

2

Name :

Position :

Date :

Witness Signature

3

Name :

Position :

Date :

Witness Signature

4

Name :

Position :

Date :

Witness Tanda Tangan

5

Name :

Position :

Date :

Witness Signature

6

Name :

Position :

Date :

Witness Signature

7

Name :

Position :

Date :

Witness Signature

8

Name :

Position :

Date :

Witness Signature

9

Name :

Position :

Date :

Witness Signature

10

Name :

Position :

Date :

C. **Work Packages and Activities**

Work packages will be signed by both parties separately after both parties understanding the process, guide the work, budget and payment terms completely.

1. Livelihood activity is the continuation of the previous Livelihood Work Package. KFCP will provide the remaining 70% for the household that participated in the previous work package. 100% of the package will be given to the household that has not participated in the previous Livelihood Work package.

The design of the package will provide greater choice to the households according to the village and community conditions.

In addition to the above work package, KFCP will provide support to the village for the following activities:

2. Preparation of adaptive management zone in a participatory manner as a basis for proper utilization of agricultural land and village land for community economic development and preservation of natural resources. KFCP will provide technical support for these activities and excersize the community local wisdom in relation with land usege and natural resources. The status of customary land can also be included in the village management zone in an effort to ensure community's rights to land and access to the land located in forest areas.
3. Strengthening the village institutions, especially TPK, TP, as well as the villages communication forum (FKAD), to manage activities, encouraging sustainable village's economy and manage the natural resources and peatlands.
4. Support for the development of community-based forest management, such as village forests, community forests, and so forth.
5. Assessment and examination of the results of village and KFCP team in order to develop an effort to reduce fires, peat land and forest rehabilitation and community economic development in the context of REDD+.

D. Annexes

Annex 1. TPK Structure

Chairperson	: Suriato S. E
Secretary	: Meluh
Treasurer	: Endang
Ketua Sub Kelola TPK	: Samsi

Annex 2. TP Structure

Coordinator	: M Yusuf
Member	: Mawardi
	Ardiansah
	Ilawansi
	Suminah

Annex 3 : Grievance Mechanism

Annex 4 : Village SK for TPK and TP