



Term of Reference

Developing the “KHG Typology Tool” to Explore Options and Pathways for Blended Financing in Peat Hydrological Unit Landscapes

Duration	4 months
Project ID	YKAN Borneo Focal Place – Peatlands Phase II (P121403/-/111776)
Project Type	Contract for Service (CFS)

A. Background

Indonesia's peatlands hold vast carbon stocks and play a crucial role in mitigating CO₂ emissions. However, decades of land conversion and drainage for agriculture and other uses have transformed them into significant CO₂ emitters. As a result, protecting and restoring peatlands has become a cornerstone of Natural Climate Solutions (NCS) in Indonesia's 2030 Nationally Determined Contributions (NDCs), aligned with the Forestry and Other Land Use (FOLU) Net Sink agenda to limit global warming to 1.5°C.

The Government of Indonesia has adopted the Peatland Hydrological Unit (*Kesatuan Hidrologis Gambut* or KHG) as the framework for landscape-level peatland protection and restoration, as outlined in Government Regulation No. 57 of 2016. A KHG, defined as a peatland area bordered by two rivers, is considered an integrated landscape where changes in the water balance affect the entire unit. Due to their vast size and diverse land status, KHGs often involve multiple stakeholders, including local communities, who play vital roles in implementing NCS strategies. Examples include community-led patrols in village forests and collaborative efforts between communities and concession holders. However, limited funding and poor communication among stakeholders often hinder the implementation of peatland protection and restoration activities. More critically, within each KHG, funding is typically concentrated in specific villages, leaving others neglected. This situation contrasts sharply with the concept of multistakeholder management in KHGs.

YKAN (Yayasan Konservasi Alam Nusantara), an NGO focused on peatland conservation and restoration, has developed the “KHG Multistakeholder Forum” framework to promote collaborative management at the KHG level. Analyses of two prototype KHGs in West and East Kalimantan revealed challenges such as poor coordination, degraded peatlands, and limited financing. To address these issues, YKAN proposed creating a blended financing typology at the KHG level to provide accessible, needs-based financial solutions through KHG forums. For example, to reduce dependence on NGOs, stakeholders need access to blended financing sources such as carbon projects, private entities, international donors, and the Indonesia Environmental Fund (BPD LH). Some KHGs may be able to cover protection costs through carbon projects, while others may not require such projects due to land tenure status or other factors, depending on their typology or selection criteria. Unfortunately, the development of a typology framework to identify the most suitable funding options for each KHG in Indonesia remains limited. Such a framework is essential for exploring and prioritizing financing mechanisms within KHGs.



Once blended financing options are defined and prioritized in a specific KHG, establishing pathways to access these funds becomes critical. For instance, identifying potential loans from BPDH to support specific commodity groups requires clear, practical processes. These pathways should be well-documented and accessible to all stakeholders in a KHG or KHG forum. For example, to access revolving funds from BPDH, stakeholders need a clear roadmap outlining who the ideal executing actors are and which institutions should be engaged at each phase. Addressing these gaps by exploring sustainable financing options and access pathways is crucial for catalyzing a "Green Peatland Economy" through collaborative and equitable financing aligned with the unique needs of each KHG.

B. Objectives

YKAN seeks a consultant to help realize this vision by developing a strategic framework for sustainable peatland financing within the KHG. Specifically, the consultant will:

1. Develop a "KHG Typology Tool" to Explore the Most Suitable Financing Options for Different KHGs in Indonesia

The consultant will analyze the factors that characterize and categorize financing mechanisms linked to the unique needs of different KHGs. For example, do land status, peat function, and the proportion of restoration and protection areas determine the financing types suitable for each KHG in Indonesia? The typology tool will be essential for identifying options for sustainable financing mechanisms. The consultant will provide recommendations for the typology to ensure it can be applied to identify blended financing options in any KHG in Indonesia.

2. Develop Financing Options Based on the "KHG Typology Tool"

Once the typology is defined, blended financing options should be synthesized or developed. We expect that different typologies will influence different blended financing options. For instance, some KHGs with clear land status (e.g., concessions not under moratorium) might be eligible for carbon projects as the primary financing option, while KHGs under extensive moratorium status might be better suited for government-based funding or community-based commodity support, depending on specific landscape requirements. We expected each typology might have 3-5 blended financing options.

3. Test the KHG Typology Tool within YKAN's Two KHGs in West and East Kalimantan with Pathways Described

The selected KHGs represent two distinct peat degradation rates with extensive intact peatland forests: KHG Sungai Belatung–Sungai Kapuas in Kapuas Hulu, West Kalimantan, and KHG Sungai Belayan–Sungai Kelinjau in Kutai Kartanegara, East Kalimantan. Based on the newly developed KHG Typology Tool, the consultant will create a prototype test to categorize the two KHGs. Once the typology is defined, the consultant should identify at least 3-5 financing mechanisms for the two KHGs available based on the recommendations from the KHG Typology Tool. For the selected options, the consultant should provide a methodology for accessing these options or an assessment of pathways for stakeholders. For example, the tool should



address scenarios such as: “If KHG XX has three options, with one being an Ecological Fiscal Transfer (EFT), the steps to access the grants would start with provincial government advocacy...”

C. Study Period

This work would be expected to start from 1 March - 30 June 2025 (4 months)

D. Deliverables and Activities

1. *Deliverable 1 - KHG Typology Tool:*

The consultant will develop a practical tool for characterizing and categorizing KHGs to define the most suitable financing mechanisms tailored to their specific needs, referred to as the typology. The foundation could be based on land status, peat restoration or protection potential areas, or other subjects recommended by the consultant. The tool is expected to provide various options for blended financing mechanisms depending on the typology of each KHG. It will include a framework identifying the conditions under which carbon or non-carbon financing mechanisms are most appropriate in a KHG. Additionally, the consultant will provide example scenarios and recommendations for 5–10 blended financing options for each typology and suggest three priority options for each. The tool should be adaptable for testing across different KHGs in Indonesia.

2. *Deliverable 2 - Prototype Testing Reports:*

The consultant will produce detailed analysis reports on the prototype testing conducted for the two KHGs: KHG Sungai Belatung-Sungai Kapuas and KHG Sungai Belayan-Sungai Kelinjau, YKAN’s project sites. These reports will include a comprehensive selection of typologies and an exploration of financing options and pathways for each KHG based on the results from the KHG Typology Tool. Additionally, the consultant will prioritize three financing mechanisms specific to each KHG and provide step-by-step pathways recommendations for accessing these options. For example, if one mechanism is an Ecological Fiscal Transfer and another is a Carbon Project from concessions, the report will outline the necessary steps for YKAN to engage with stakeholders and communities to initiate the actions.

3. *Deliverable 3 - Final Report:*

The consultant will deliver a consolidated report integrating the typology tool and options and prototype testing findings. This report will include actionable recommendations for scaling up blended financing strategies across other KHGs, ensuring broader applicability and impact. Additionally, the consultant will provide an executive summary highlighting key findings, proposed strategies, and next steps for advancing sustainable peatland conservation financing. The report will incorporate a conceptual framework, graphs, tables, and other relevant visual elements.

E. Deliverable dan timeline

This consultancy work will be delivered as below:

No	Activity	Deadlines	Payment
1	Initial Report and Preparation <ul style="list-style-type: none"> Methodology and work plan Aligning with YKAN’s needs 	10 March 2025	20%
2	Progress Report 1 (Online Presentation)	21 April 2025	30%



		<ul style="list-style-type: none"> Progresses 1 - on the development of a typology tool for KHG blended financing 		
3	Progress Report 2 (Online Presentation)	<ul style="list-style-type: none"> Progresses 2 - on the development of a typology tool for KHG blended financing Detailed analysis reports from prototype testing of two KHGs with clear typology, blended financing options recommended by the tool, and pathways 	30 May 2025	30%
4	Final Report and Handover	<ul style="list-style-type: none"> Consolidated report integrating KHG typology tool and options and prototype findings in the 2 KHGs Executive summary highlighting key findings, proposed strategies, and next steps 	30 June 2025	20%

F. How to Apply

Interested parties can contact Rasis Putra Ritonga at Outlook (rasis.ritonga@ykan.or.id) to clarify any unclear matters, if needed, before submitting a 3–5-page proposal with proposed design theme and concept addressing the following topics. The proposal should include a detailed budget to conduct the activity from March until June 2025. The proposal should be submitted no later than **11 February 2025**.