

Proposal

Conservation Beyond Plantation Borders: RSPO Compensation in Community-based Conservation

v 3.0. May 2020

Submitted for Wilmar Group
by PT Gaia Eko Daya Buana

Background

Wilmar International is one of the largest oil palm owners with a total planted area of 230,409 ha (Dec, 2018) in the world (Wilmar, 2019). Wilmar has become RSPO member since 2005 and in 2013 adopts the NDPE (No Deforestation, No Peat, No Exploitation Policy) policy that applies in Wilmar own operation and also Wilmar's suppliers.

Currently, three of Wilmar's palm oil companies have an RSPO liability with a total of 138.8 ha in Central Kalimantan. PT Mentaya Sawit Mas (MSM) has 79.13 ha liability, PT Karunia Kencana Permai Sejati (KKP) has 58.8 ha liability, and PT Wilmar Nabati Indonesia (WINA) has 0.87 ha liability. Wilmar planned to compensate the liabilities in a hectare to dollar scenario, which sum up to USD344,825. Wilmar plans to channel the liability through CFES for Telaga Village Forest in Central Kalimantan. Thus, Wilmar is inviting parties including PT Gaia Eko Daya Buana (Gaia) to deliver the task.

Gaia is a consulting company that focuses on assisting partners in the certification of sustainable commodities in the forestry and plantation industries. Gaia has a value in work, which seeks to build high idealism and integrity in realizing the world with the equality and sustainable environmental management (www.gaia.id). Our scientific approach that combines spatial analysis, ecological modeling, social development, and valuing climate services, is supported with experienced human resources including anthropologist, forester, biologist, soil scientist, and GIS & Remote Sensing experts. With our expertise and experience, we are confident to help Wilmar in delivering conservation beyond plantation border to Telaga Village Forest, Central Kalimantan. This document will describe the steps needed to fulfil RSPO's requirements under RACP mechanism.

Deliverables

The expected deliverable of this proposal is (1) an approved RSPO RACP concept note, and 2) an approved RSPO RACP Compensation Plan Proposal.

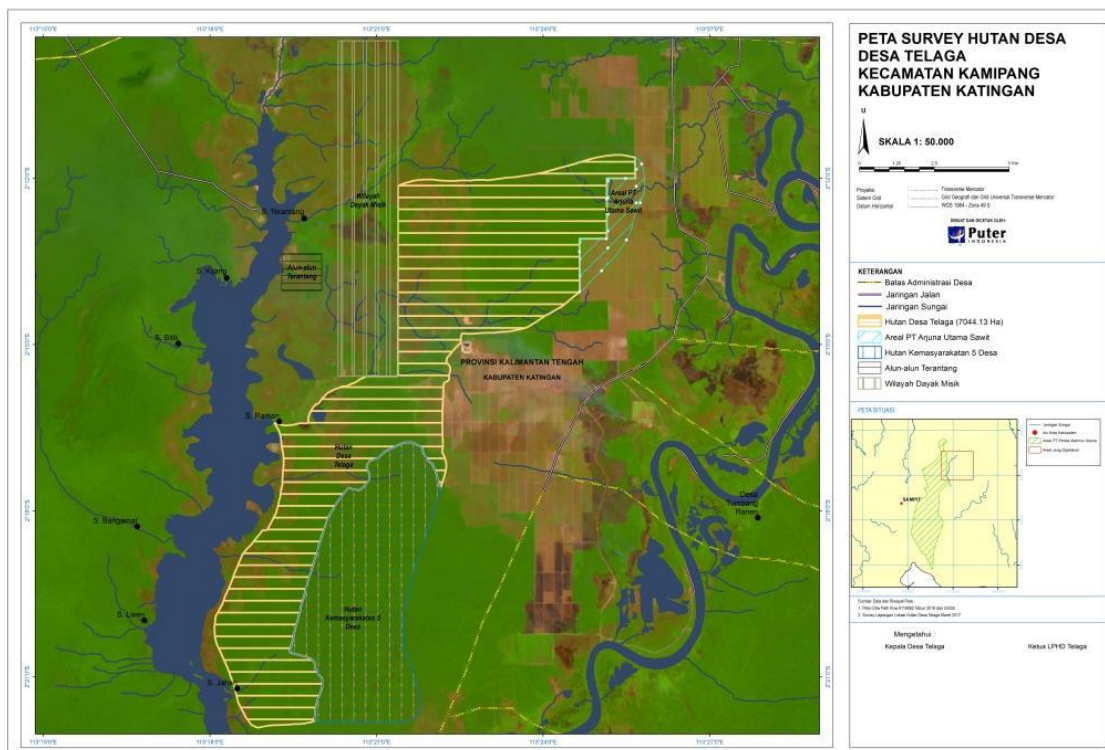
Project Description

The total liabilities of Wilmar International Ltd. group under the RSPO compensation mechanism are 138.8 ha or equal to USD 347,000. These liabilities cover three companies, which are:

1. PT Mentaya Sawit Mas (79.13 ha)
2. PT Kurnia Kencana Permaisejati (58.8 ha)
3. PT Wilmar Nabati Indonesia (0.87 ha)

The proposed compensation area is Telaga Village Forest or HD (*Hutan Desa*) Telaga that holds permit from the Government under the K.1228/MENLHKPSKL/PKPS/PSL.0/3/2018 with a total size of 2,758 ha. HD Telaga located on Telaga Village, Kamipang Sub-district, Katingan District, Central Kalimantan Province. The forest cover is secondary peat swamp forest with an average of 7m peat depth with a mix of heath forest on the edge of the peat land. The project will contribute to the protection of 2,195 ha of peat swamp forest, and rehabilitation of 563 ha degraded areas in Telaga Village Forest.

To access HD Telaga, mix of transportation means are used. It takes 1.5 hours' drive from the District Capital to the Sub-district Capital, and another two hours using boat to get to the Telaga Village. From the village, it takes one hour to reach the nearest village forest border or two hours to reach the farthest village forest border.



The goal for the compensation actions is to contribute in the development of an effective conservation and livelihood improvement in HD Telaga, Central Kalimantan. Two objectives are targeted in achieving the goal: (1) The protection of high conservation and carbon dense areas through sustainable community-based forest management in Telaga Village Forest, and (2) The improvement of community livelihoods through sustainable agriculture and

NTFP in Telaga Village Forest. This project is not a stand-alone compensation project, but a joint project where the compensation from PT MSM, PT KKP, and PT WINA adds a significant value to the achievement of conservation goal in the area.

The scope of compensation plan is collectively for the total conservation liabilities. The compensation will contribute to the protection of 2,758 ha of deep-peat forest, rehabilitation of 563 ha areas, livelihood improvement of 229 community (68 women) through sustainable agriculture and NTFP improvement, and institutional capacity development in fire prevention and forest patrol through SMART (Spatially Monitoring and Reporting Tools). This is aligned with the HD management plan but the activities have not secured funding support.

The management unit bears the responsibilities in the project implementation. The management unit will provide ongoing support for LPHD in capacity development, project management, and monitoring & evaluating the project during the project period.

The compensation fund will be used to fund trainings on community patrol, trainings on fire prevention and SMART patrol, monitoring patrols, rehabilitation activities, and trainings on sustainable agriculture and NTFP improvement (i.e. honey).

- Additionally

HD Telaga is a peat swamp forest within palm oil plantations landscape, and continuous conservation effort in such fragile ecosystem is vital. This project is additional due to the urgently needed funding for the peat forest protection. This project will capitalize the past conservation efforts whom secured the land tenure and granted the HD permit, therefore remove the legal threats of land conversion into oil palm plantation albeit the smallholder oil palm threat remains. The planned conservation actions beyond the legal permit are strengthening the HD institution, supports on forest protection, and livelihood improvement activities. The compensation plan is aligned with but beyond than the HD plan, thus no funding is secured to support the activities as it is designed to reduce the deforestation threats from illegal logging, and forest degradation from illegal mining. This compensation plan is also designed to avoid the risk of reversal from the Village Forest land use into other land use. This is possible due to the common practice in the area, where the forest threats (i.e. illegal mining, logging, palm oil) will be happened to an area with no management activities. Imagine a conservation area (that should have been conserved) is still experiencing illegal logging activities. HD Telaga can be protected, if only we can demonstrate that HD is a better way in forest conservation, as it also adds benefit to the community. Other donor (US Fish and Wildlife Services) support already secured to strengthen the HD institution, while this project is expected to support the other conservation actions like forest protection and livelihood improvement.

- Long-lasting

With the available compensation fund, the project will not able to fund conservation activities to protect the fragile ecosystem for 25 years or more. However, the project might provide an assurance and set a foundation that entice potential buyers/donors in the future (including the government), which demonstrate social forestry as an effective and sustainable scheme in conservation and livelihood improvement. Only by then, the project impact will able to last for 25 years or even more.

This project will be implemented on a 35 years (renewable) community-based forest management under the social forestry scheme. By demonstrating this, the long-term conservation actions planned in HD Telaga can be implemented and budgeted on the village budget (APBDes) which will receive continuous budget-support from the national budget (APBN) and ensure the long-lasting project impact.

This project will help community to demonstrate their capabilities in protecting their forest and simultaneously improving their livelihood through better governance and natural resource management. This project will provide 5 years support to demonstrate the HD capabilities, afterwards the HD will receive further support from the village budget as the HD will have proven their track record in forest management

- **Equitable**

We are targeting an international certification from Plan Vivo Standard for acknowledging community performance in managing their forest. Consequently, in implementing this project, we followed the IFC Performance Standard (2012) which requires the use of FPIC process in every process including project planning, monitoring, reporting, benefit sharing, and decision-making. Moreover, there will be a consultative meeting between Wilmar groups with the community to ensure that the community willing to work with the company, and afterward to design the development of the full compensation plan. Furthermore, we will encourage women participation in decision-making process, and targeting vulnerable people in accessing potential benefit from the project.

- **Knowledge-based**

As one of the strategies for long-term sustainable financing is to access global and national ecosystem-service markets, we will register this HD Telaga in the Indonesia National Registry System (SRN) and certify HD performance under the Plan Vivo Standard. We will apply a robust yet implementable methodology in registering and certifying HD Telaga in SRN (using Indonesian National Standard) and Plan Vivo (using Plan Vivo Methodology Framework). We will also provide annual reports to both SRN and Plan Vivo to update information on community performance in reducing deforestation (against baseline), hectares of rehabilitated peatland, numbers of positively impacted communities and the use of received funding. Once approve, that information will be posted on the SRN and Plan Vivo websites to demonstrate community management transparency in HD Telaga.

Period

This project has been started since October 2019, the concept not has been submitted in December 2019 and approved in January 2020. Currently, the compensation plan has being developed pending for approval from RSPO. During those period, there have been several meetings, coordination, and expert consultation to develop the concept note and proposal.

The compensation plan is planned to start in Q3 2020 until 2027. The payment for compensation activities to the village forest and the project manager is designed for 8 year-contract to bind their commitment to protect the village forest for 35 years. The first three years will be focused in strengthening the local institution and implementing forest protection activities, and the other five years will test the local institution capabilities in managing their forest independently, with result-based payments provided whenever the indicators of forest protection and livelihood improvement are delivered. The compensation fund will be used to fund trainings on

community patrol, trainings on fire prevention and SMART patrol, monitoring patrols, rehabilitation activities, and trainings on sustainable agriculture and NTFP improvement. In general, the timeframe for project outcomes and output is below:

No	Outcome/output	Year																								
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
1). The protection of high conservation and carbon dense areas through sustainable community-based forest management in Telaga Village Forest.																										
1	Community-based forest management is strengthened																									
2	High conservation value (HCV) forest area is protected																									
2). The improvement of community livelihoods through sustainable agriculture and NTFP in Telaga Village Forest.																										
1	Sustainable agriculture practices is improved																									
2	NTFP values are improved and sustainably utilized																									
3	Payment on Ecosystem Services (PES) is generated																									
Longterm project impact through:																										
1	Strong community forest management institution																									
2	Community livelihood activities																									
3	Sustainable finance through proven track record in forest management (biodiversity, social, and carbon)																									

Budget

Summary of the indicative budget is provided below. **Table 1** shows the budget for Gaia to help Wilmar in preparing the concept note and compensation plan proposal, which will be paid in two terms (50% at contract signed, 50% when the Compensation Plan Proposal approved by RSPO); **Table 2** shows the budget for CFES in facilitating the compensation fund from Wilmar, the terms of payment is showed in **Table 3**.

Table 1. Budget for compensation plan preparation

No	Activities	Unit Cost (IDR)	# Unit	Total
1	Compensation Concept Note Development	3,530,000	9	31,770,000
2	Compensation Plan Proposal Development	3,530,000	21	74,130,000
3	Expert Consultation	9,100,000	3	27,300,000
4	RSPO Review*	25,200,000	1	25,200,000
5	Overhead (10%)	133,200,000	10%	13,320,000
6	Tax (2%)	171,720,000	2%	3,434,400
TOTAL				175,154,400

Table 2. Budget arrangement for compensation fund

No	Fund Arrangement	Unit Cost	# Unit	Total	Notes
1	Funding from Compensation Fund (USD)	347,000	14,000	4,858,000,000	Expected on Jun 2020
2	Preparation Cost for RaCP proposal			175,154,400	
3	PES for LPHD Talaga (Jan 2022 - Dec 2027)			1,100,000,000	PES every April (2023-2027); upfront
4	Operational Cost for Project Implementation (2020-2027)			2,492,785,600	
5	Verification Cost for Annual Reporting to the Standard			625,000,000	
6	Financial Audit (2023-2027)	25,000,000	5	125,000,000	December 2023 - 2027
7	CFES Management Cost (5%)	4,858,000,000	5%	242,900,000	Project oversight, report to Wilmar
8	Tax (2%)	4,858,000,000	2%	97,160,000	PPH Badan (2%) of total funding
TOTAL				4,860,060,000	

Table 3. Proposed terms of payment

No	Terms	Indicators	Amount	Year	Notes
1	Payment 1	Contract Signed	2,635,000,000	2020	Upfront PES payment, 50% Operational Cost
2	Payment 2	Activities Report	1,760,000,000	2022	50% Operational Cost, verification Cost
3	Payment 3	Activities Report	465,060,000	2024	Financial Audit, CFES Management Cost, Tax
TOTAL			4,860,060,000		

* If there is a difference in fees charged by the RSPO, Gaia only pays what is stated in this proposal.

