



**USAID**  
FROM THE AMERICAN PEOPLE



ORANGUTAN CONSERVATION SERVICES PROGRAM  
**PRIVATE SECTOR SUSTAINABILITY FACILITY**  
**WORK PLAN**

**APRIL 1, 2009 – SEPTEMBER 30, 2010**





## ORANGUTAN CONSERVATION SERVICES PROGRAM

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*December 2009*

## ACKNOWLEDGMENTS

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USAID Contract:  
497-C-00-07-00016-00

USAID CTO: Antonius Djogo

Submitted by: DAI  
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Bethesda, MD 20814

Submitted to: Indonesian Mission  
U.S. Agency for International  
Development - Jakarta, Indonesia

This publication was produced for review by the  
United States Agency for International Development.  
It was prepared by DAI - the implementing contractor  
for the Orangutan Conservation Services Program.

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ORANGUTAN CONSERVATION SERVICES PROGRAM  
PRIVATE SECTOR SUSTAINABILITY FACILITY



*Strengthening Private Sector Partnerships  
for Forest and Biodiversity Conservation*



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# Abbreviations

ABN	Algemene Bank Nederland
AJI	Alliance of Independent Journalists
AMRO	Amsterdam-Rotterdam Bank
APTRSU	<i>Aliansi Peduli Tataruang Sumatra</i> or Alliance for North Sumatra Spatial Planning
APP	Asia Pulp and Paper
APAPI	<i>Asosiasi Pemerhati dan Ahli Primatologi Indonesia</i> or the Association of Indonesian Primatologists and Observers
APHI	<i>Asosiasi Pengusaha Hutan Indonesia</i> or Indonesian Association of Forest Concession Holders
BHS	Basic Human Services office of USAID
BKSDA	Provincial Office of the Directorate of Forest Protection and Nature Conservation with the Ministry of Forestry
BLH	<i>Badan Lingkungan Hidup</i> or Provincial Environment Department
BOS	Borneo Orangutan Survival (Foundation)
BOSF	Borneo Orangutan Survival Foundation
BPKH	<i>Balai Pemantapan Kawasan Hutan</i> or Forest Mapping Office
CI	Conservation International
CITES	Convention on International Trade in Endangered Species
CKNP	Coalition for Kutai National Park
CoP	Chief of Party
COP 13	13th Conference of the Parties to the UNFCCC
CoW	Contract of Work
CSR	Corporate Social Responsibility
CTO	USAID Cognizant Technical Officers
DAI	Development Alternatives, Inc.
DCM	Deputy Chief of Mission
DCOP	Deputy Chief of Party
DKN	<i>Dewan Kehutanan Nasional</i> or National Forestry Council
FFI	Fauna and Flora International
FIELD	Farmer Initiatives for Ecological Literacy and Democracy
FOCUS	Forum Orangutan Northern Sumatra
FSC	Forest Stewardship Council
GAPKI	<i>Gabungan Pengusaha Kelapa Sawit Indonesia</i> or Indonesian Palm Oil Association
Gol	Government of Indonesia
HCVF	High Conservation Value Forest
HPH	<i>Hak Pengusahaan Hutan</i> or Production forest)
HTI	<i>Hutan Tanaman Industri</i> or Plantation forest
ICITAP	International Criminal Investigative Training Assistance Program
IFC	International Finance Corporation
IUCN	The World Conservation Union
KPC	Kaltim Prima Coal
KPHSU	Coalition of Forest Crime Monitoring
KPSL	<i>Koalisi Perlindungan Satwa Liar Dilindungi</i> Coalition for the Protection of Protected Wild Animals
KSDA	Natural Resource Conservation Agency within the Indonesian Ministry of Forestry
KUCC	Kharisma Unggul Cendratama Cemerlang (Inc., Ltd.)

MoU	Memorandum of Understanding
NAD	Nangro Aceh Darussalam
NGO	Non-governmental Organization
OCSF	Orangutan Conservation Services Program
OES	U.S. Department of State, Bureau of Oceans, Environment, and Science
OFI	Orangutan Foundation International
OFUK	Orangutan Foundation United Kingdom
PA	Protected Area
PE	Project Element
PES	Payment for Environmental Services
PHKA	<i>Direktorat Jenderal Perlindungan Hutan dan Konservasi Alam</i> (Directorate of Forest Protection and Nature Conservation within the Indonesian Ministry of Forestry)
PHVA	Orangutan Population and Habitat Viability Assessment
PT	<i>Perseroan Terbatas</i> or Limited Company
RARE	Conservation Organisation (formally known as the Rare Animal Relief Effort)
REDD	Reduced Emissions from Deforestation and Degradation
RFA	Request for Applications
RSP0	Round Table for Sustainable Palm Oil
RTRWP	Rencana Tata Ruang Wilayah Propinsi or Provincial Land Use Plan
SHK	Sistem Hutan Kerakyatan
SHJ	Sri Hutani Jaya - Sinar Mas Plantations
SOCP	Sumatran Orangutan Conservation Programme
SOS-OIC	Sumatran Orangutan Society – Orangutan Information Centre
SPORC	<i>Satuan Khusus Polisi Kehutanan Reaksi Cepat</i> or Ranger Quick Response Unit
SUMUT	<i>Sumatra Utara</i> or North Sumatra Province
TAMIS	Technical and Administrative Management Information System
TBD	to be documented/to be determined or to be decided
TFCA	Tropical Forest Conservation Act
TNC	The Nature Conservancy
TNK	Taman Nasional Kutai or Kutai National Park
TPNP	Tanjung Puting National Park
USAID	United States Agency for International Development
U.K.	United Kingdom
U.S.	United States (of America)
USAID	United States Agency for International Development
USFS	United States Forest Service
USG	United States Government
WBTFB	West Batang Toru Forest Block
WCS	Wildlife Conservation Society
WCU	Wildlife Crime Unit
WE	World Education
WWF	World Wide Fund For Nature
YAYORIN	Yayasan Orangutan Indonesia
YEL	Yayasan Eco-system Lestari



# Introduction

Indonesian forests and their associated ecosystems are being lost and degraded at an alarming rate. Important biodiversity in these forests, including orangutan, and key forest services, such as a fertile and complete soil profiles, abundant freshwater of a high quality and high stocks of sequestered carbon, are under threat of collapse. Traditional protected area (PA) management scenarios often fail in Indonesia because of socio-economic pressures from local communities on natural resources in PAs. This fact, in concert with the knowledge that much biodiversity lies outside PA in areas managed by the private sector, speaks to the need to acknowledge the key role that business must play if we are to conserve representative biodiversity and natural ecosystems. The private sector has also begun to acknowledge that 'business-as-usual' is changing. The challenge for the **Orangutan Conservation Service Program (OCSP)** in particular is to define innovative ways to mobilize the business community to participate more fully in conservation of forest ecosystems, including orangutan habitat.

The expanding global economy has reached a point where growth can no longer be subsidized by 'free' goods and services provided by natural resources. The price associated with destroying the global commons, such as through carbon emissions, is emerging as a cost of doing business. As deforestation continues, a scarcity of forest systems is driving up their economic value and creating an environment ripe for establishing biodiversity markets that ultimately place monetary value on resource conservation. This nascent pricing trend holds some promise for biodiversity conservation, but valuation mechanisms are still unrefined. As a result, intact natural forest systems, like those found in Indonesia, continue to be seen as less valuable than the economic gains associated with converting them into oil palm and acacia.

A recent analysis of World Bank projects globally found that the key to success in conservation of biodiversity is the development of market mechanisms and new sources of sustainable financing. A critical step to attaining such success can come from linking biodiversity conservation to business prosperity. This can be done by redefining the value of forest systems as more than the sum of their parts - monetized and managed as much for forest services as for timber or non-forest products.





# Executive Summary

The **Private Sector Sustainability Facility (PSSF)** is an additional sub-component of the existing OCSP program that *“contributes to achieving the other elements of OCSP with additional focus on expanded private sector collaboration.”* PSSF will capitalize on and encourage within Indonesia the trends of sustainable sourcing, screening of investment, and reorienting business models so that they place higher value on natural resources. Elements of the recently signed mandatory **Corporate Social Responsibility (CSR)** law will also be drawn upon to strengthen PSSF strategies, as will the symbol of the orangutan as a means to communicate the fate of Indonesia’s forests. Many of the approaches proposed are relatively unexplored within an Indonesian context. This work plan develops the framework for implementation of this vanguard program with the goal of linking orangutan survival to both business prosperity and social responsibility.

PSSF is geared to facilitate rapid responses to opportunities and obstacles as they arise and allow for achievement of maximum possible impact. As such, this is an adaptive management plan that is flexible and integrates performance monitoring and evaluation. OCSP has identified focused sites in both Sumatra and Kalimantan as their pilot *‘landscape scale areas’* to implement PSSF site based activities. These are the Districts of **Dairi & Pakpak Bharat** in North Sumatra and **Kutai National Park** and surroundings in East Kalimantan.

There are three Project Elements (PEs):

## **PE1 - Improve Management of Orangutan Habitat in Concessions**

Activities will work from existing standards and tools to develop a set of **Best Management Practices (BMPs)** targeted at orangutan habitat in the various concession sectors. Once these BMPs have been developed and tested they will be applied within a multi-functional landscape so as to achieve synergy with other PSSF activities. Assistance packages and signed agreements that focus on BMPs for orangutan will be made with private sector partners and may be implemented jointly with NGOs and other contracting partners. Protocols for communicating PSSF activities in collaboration with concessionaires in the focused sites will be agreed to as an adjunct to working with concessionaires. Land Councils will be developed in the two focused sites and actors in these Land Councils will identify current and future multiple land-use conflict areas and facilitate the Councils to discuss and resolve the conflicts.

## **PE2 - Improve Financial Sector Screening Tools**

Activities will identify incentives needed to encourage local and international banks to adopt orangutan habitat conservation screening tools as a means of catalyzing financing that leads to better forest management. Developed in partnership with selected financial institutions, the screening tools will be launched to promote interest from non-member financial institutions, industry stakeholders and the general public. In addition, concessionaires who have agreements for the implementation of BMPs will, if feasible, have links made to institutions providing financing. If these institutions have adopted PSSF screening tools, then both



partners could be promoted as potential role models. Policy recommendations will be shared with relevant government institutions, business associations and private sector actors.

### **PE3 - Strengthen Conservation Constituency within the Private Sector**

Activities will assess market trends within conservation finance and identify potential CSR and **Environmental Market Mechanisms** (EMM) to assist conserve orangutan habitat. PSSF will then encourage private sector firms to adopt EMMs. A pilot program to encourage the private sector to contribute to a paper usage off-set will calculate paper usage over a predetermined period, and determine the number of trees required to produce this paper. PSSF will undertake a sophisticated approach to marketing and communications to effectively connect with private sector extractive industry players. Finally, PSSF will work with the Ministry of Forestry to develop policies in support of the EMMs in order to generate additional financing for orangutan habitat management. This engagement will draw upon recent policy developments, including the creation of ecosystem restoration and rehabilitation concessions.



# Program Description

## Private Sector Engagement in the Natural Resource Sector

The OCSF, launched in 2007, is helping Indonesians conserve some of the world's most valuable and outstanding biodiversity and orangutan forest habitat. The Private Sector Sustainability Facility (PSSF), introduced in April 2009, is an additional sub-component of the existing OCSF program that "contributes to achieving the other elements (of OCSF) with additional focus on expanded private sector collaboration".

Private sector actors are the driving force determining the pace and nature of resource use, but they also represent the largest opportunity as partners for conservation and reform of sustainable business practices. Unfortunately, many Indonesian registered firms have poor environmental records and a history of illicit acts that have resulted in large scale destruction of the environment. This fact impacts the desire of some conservation NGOs to work with business. Many such firms are now aware that poor land use practices have an immediate effect on corporate performance and shareholder value. Some are beginning to accept that their relationship to the environment needs to evolve; many are now incorporating sustainability and governance programs and are keen to partner with NGOs, international organizations and governments institutions to conserve the environment.



Increased private sector engagement is particularly important to conserve orangutans given that many reside outside of protected areas (75% in Kalimantan). As authority to manage forest lands becomes increasingly decentralized, and as new districts are created, pressure to exploit forests as an economic resource mounts. This mandates that engagement with private concession holders must also be linked with continued progress and support for essential policy reforms in the forest sector. This requires full involvement of the private sector along with multiple other actors.

Over the past few years consumer led markets (U.K., EU, Japan and now the U.S with the passage of the Lacey Act Amendments) have demanded that suppliers of natural resources introduce internationally compliant best management practices. These practices include forest certification and product chain of custody guidelines that ensure timber products and, more recently palm oil products are legally sourced. The Ministry of Forestry now actively urges private timber companies to obtain certification, and it has developed and piloted a timber legality standard to facilitate enforcement and timber administration. Indonesia's progressive new law on Corporate Social Responsibility (CSR) now requires companies to have CSR programs that recognize their role in supporting a prosperous, more equitable society. These shifting market demands and policy factors are beginning to reshape the investment calculus for private actors with respect to biodiversity conservation.

OCSF aims to identify private sectors players willing to support a level of environmental reform to protect orangutan habitat, and to implement programs that establish or strengthen best conservation management practices (BMPs).



In response to the PSSF Scope of Work, key element activities in this plan are to: i) develop a set of best management practices for orangutan in four major concession types and establish such practices in pilot concessions and landscapes; ii) stimulate adoption of stronger requirements and practices of financial institutions in relation to investments in concessionaries which have operations that impact orangutan habitat; iii) capitalizing on and encouraging within Indonesia existing trends towards reorientation of business models so that they place a higher value on natural resources; and iv) develop processes that preclude government auctioning or releasing land for conversion that is not so degraded that it cannot rehabilitate naturally to become important forest and biodiversity estate.

### *Communications*

To effectively connect with private sector extractive industry players, PSSF will undertake a broad approach to marketing and communications. Complementing the current OCSP communications program, capacity has been added to our existing team and a professional communications firm will be contracted to ensure PSSF activities are highly visible and contribute to the value of the outcomes of all the program elements.

A number of opportunities exist to develop public awareness programs that support PSSF objectives. These include the offset program such as a Paper Audit, the newly identified orangutan populations, and public – private partnerships opportunities. OCSP-PSSF aims to raise public awareness of orangutans, and the dangerous they face from habitat destruction. A communications strategy will be developed outlining branding protocols with private sector players, and including outreach programs that will support public awareness opportunities in both a national and international perspective.

### *Improving USAID & US Embassy response to private sector*

The Scope of Work states that PSSF will assist USAID and the US Embassy become “a more flexible and responsive resource to private sector referrals.” Some examples of activities listed in the PSSF additional contract are developing field-based pilots for interested, committed companies based on those implemented by PSSF in different concession types. Such activities would likely involve senior embassy and USAID officials encouraging American firms to be leaders in environmental best practices in Indonesia. Illustratively, the Contractor could facilitate stocktaking of U.S. firms’ CSR activities in Indonesia and facilitate information sharing among interested firms to assist them to adopt biodiversity conservation best practices and/or orangutan habitat conservation support as part of their CSR programs.

## **Purpose**

The included work plan is a guide to implementation of the PSSF component of OCSP. As such, it outlines activities and expected results for each PSSF Project Element (PE). PSSF is geared to facilitate rapid responses to opportunities and obstacles as they arise and allow for achievement of maximum possible impact. As such, this is an adaptive management plan that is flexible and integrates performance monitoring and evaluation.

## Program Elements

### PE 1: IMPROVE MANAGEMENT OF ORANGUTAN HABITAT IN CONCESSIONS

#### *Brief description and overall expected results*

Given that orangutans are readily identifiable throughout the world, there is increasing pressure from environmentally sensitive markets, usually mandated by shareholders of large corporations that use natural resources, to ensure that wood and agricultural products from Indonesia are “orangutan safe.” This means that companies need to be convinced that their sales would benefit if they can demonstrate that their products are produced without destroying orangutans or their habitat. Lenders similarly need to be aware that environmentally sensitive business practices and due diligence, will help ensure they have not financed such destruction and may also benefit their profit margins.



For palm oil and timber companies, orangutan has become a global symbol, which presents both a challenge and an opportunity for them. On one hand, the rapid loss of orangutan habitat through poor planning and management practices is an embarrassment and is often used by activist non-governmental organizations (NGOs) in Europe and the United States to attack local companies and their international buyers. On the other hand, alignment of a company with efforts to protect orangutan habitat through application of best management practices within their concessions – and assistance to neighbour land owners – is a forceful way for them to show their concern for the environment.

#### *Approach*

The use of third-party verification of responsible management to demonstrate private sector commitment to environmental stewardship has been increasing rapidly and is demonstrated by the number of companies that have achieved **Forest Stewardship Certification (FSC)** for their forest management, chain of custody or controlled wood, as well as by those who claim to be working toward development of sustainable palm oil through membership of the **Round Table for Sustainable Palm Oil (RSPO)**. Building on these trends, PSSF will work to improve management of orangutan habitat in concessions through the following:

#### *Prepare Best Management practices (BMPs) for each concession sector type*

The PSSF Scope of Work focuses on improved management of orangutan habitat in four different concession sector types. It proposes that initially this requires development of BMPs to conserve orangutan habitat tailored to specific sector types, then to work with selected concessionaires to map out a road map towards achieving BMPs in their concessions, including where possible, relevant certification. The existing suite of general forest management standards and tools is a base from which to develop the BMPs targeted at orangutan habitat in the various concession sectors. The BMPs represent optimum standards required to maintain natural resource values including, wildlife habitat - especially for orangutan - and key forest services, such as water quality and quantity and soil values. These standards will be applied at the same time as natural resource extraction activities are undertaken.



Once BMPs have been developed and tested within concessions from different sectors (including timber, paper and pulp, oil palm, and mining), these BMPs will be applied within their associated multi-functional landscape, so as to also achieve synergy between activities from PE 2 and PE 3.

PSSF technical advisors will cover each of the four concession types - plantation, forestry, mining palm oil - and include an orangutan expert to lay out specific ecological and management needs of the animal within the various sectors. These advisors will author best orangutan BMPs to be carried out within each of the concession types - as well as spatial planning and operational management guidelines that support landscape initiatives and long-term sustainability objectives. They will then seek to engage specific concessionaires by assisting them to put into operation these BMPs, possibly through contracting NGOs or other partners.

OCSP/PSSF will collect and analyze information on management practices for orangutan habitat within the four sectors, recognizing that such studies have been undertaken within timber concessions and mines, but generally not within oil palm and timber plantations. For example, within plantations, PSSF will study surveys of orangutan population before and after clearing of land to learn if orangutans use remnant vegetation, corridors, and other landscape elements. This will help understand effectiveness of current management practices in concessions. Using these data, PSSF will identify threats - fragmentation, fire, encroachment, hunting, road development, collateral damage from extractive activities, and conflict with humans - as they apply to each sector. BMPs developed for each of the four sectors will be communicated to concessionaires and other stakeholders.

Then OCSP/PSSF will negotiate with companies, communities, local governments, financial institutions, and investors to test BMPs in selected concession types and their landscape. These tests require reasonable time frames related to ecological cycles to determine if orangutan remain and/or flourish as a result of implementation of BMPs. Realistically, such a cycle could be two or more years. PSSF will gain much information during the period of PSSF and will establish with concessionaires future monitoring scenarios.

The outcome sought is for concessions to be managed to maximize likelihood that orangutan and their habitat will be conserved both within the concessions and the adjoining landscape.



***Sign agreements with concessionaires in each Focused Site***

PSSF will engage private sector partners through technical assistance packages and signed agreements that focus on BMPs for orangutan. In addition to concessionaires accepting BMPs, they will commit to collaborating with other stakeholders to leverage better spatial planning and management throughout the larger landscape. They will be encouraged to do that through participation in Land Councils (see below).

Outcomes of PSSF collaboration with concessionaires in these focused sites will be an improvement in integrated land-use management that will favor increased protection of orangutan and their habitat. This may include establishment of a network of conservation set-asides; enrichment of riparian forest corridors to connect production areas with contiguous and preferable locally or nationally protected forests; and sensitive production patterns, such as reduced impact logging, rationalization & reduction of logging roads, and improved fire control systems in place.

***Improve communication protocols***

Protocols for communicating PSSF activities in collaboration with concessionaires in the focused sites need to be agreed to as an adjunct to working with concessionaires. These protocols will result in reportage of activities that are transparent and fair.

***Develop functioning Land Councils***

Land Councils will be developed in the landscape-scale focused sites in both East Kalimantan and North Sumatra (a total of two Councils). These Land Councils are defined as *"A forum of like minded landholders, communities and public sector partners. Focused on supporting attainment of common objectives for land use development through consensus. Structured to incorporate all stakeholder views, opinions and needs in a transparent and equitable manner."*

Actors in Land Councils will identify current and future multiple land-use conflict areas and facilitate the Councils to discuss and resolve these conflicts; establish channels for multi-stakeholder input and discussion into landscape spatial planning scenarios and natural resource BMPs; and also function as a forum to expose and discuss EMM options and environmentally sensitive financing (see below) that could be employed to fund and assist in conservation of natural resources. The outcome will be improved, transparent and collaborative land-use scenarios developed in each of the focused sites that will plan more sensitively for conservation of orangutan habitat.

In collaboration with the Land Council management body and scientific experts, PSSF will establish criteria based on legal requirements to identify land that should not be auctioned or released for conversion or plantation development. These criteria would in some cases be mapped in such a way that areas that do not meet legal requirements for conversion can be recognized. The outcome sought is that orangutan habitat will not be released in future for auction or transferred for conversion or developmental practices that are detrimental to survival of orangutan.



**Planning Stage:** *Activity and intended results*

1. Select BMP pilot sites and priority multifunctional landscapes. A list of potential sites will be made and the criteria for site selection finalized, resulting in 8 concessions selected: 4 in Kalimantan & 4 in Sumatra.

**Action Stage:** *Activity and intended results*

1. Undertake threats analysis of multi-functional landscapes in Focused Sites in Sumatra and Kalimantan to assist in the development of action plans.
2. Develop Communication Protocol for private sector engagement that will give communication guidelines for the private sector engagement with protocol approved by USAID.
3. Review existing BMPs for orangutan. Modify existing BMPs and add criteria to produce - BMPs to protect orangutan for the 4 concession sector types.
4. Review concession management practices against BMPs for orangutan and identify management gaps. Develop management proposals for each concession and seek agreement with concessionaires for the practical implementation of orangutan BMP proposals.
5. Sign agreements with concessionaires in pilot areas and other areas where orangutans exist covering BMP implementation and participation in Land Councils, if applicable.
6. Develop and facilitate Land Councils to support orangutan BMPs at landscape levels. Two functional Land Councils engaged in rational land planning.
7. Develop a monitoring and evaluation program for orangutan BMPs for each concession that is accepted by each concessionaire.
8. Reach an agreement on implementation of management proposals by each concession that includes the level of support to concessionaires.
9. Engage Ministry of Forestry and sector partners to promote appropriate land classification of forest.



### *Selection of Focused Sites*

Since 2007, OCSP has identified orangutan populations in Kalimantan and Sumatra that are under imminent threat from commercial expansion. OCSP has identified focused sites in both Sumatra and Kalimantan as their pilot 'landscape scale areas' to implement PSSF site based activities. These are the Districts of Dairi & Pakpak Bharat in North Sumatra and Kutai National Park and surroundings in East Kalimantan. The site selection criteria used were:

1. Proof of an orangutan population in or adjoining the area with habitat suitable to maintain the population. Preference to be given to lowland forest on peat land.
2. Urgent need for conservation interventions because of the nature of threats - but with strong possibility that threats can be mitigated or eliminated.
3. Opportunities to engage at least three of the four sector types (timber plantation, logging, mining, oil palm) in one region (site).
4. A good enabling environment exists with local government and NGOs partners to support activities of PSSF.
5. Concessionaires in selected sites indicate interest in engaging in BMPs.
6. Sites include concessions owned or operated with international partners or publicly listed companies which are more likely to use international BMPs.
7. Concessionaires can pass 'due diligence' assessments that gauge their suitability as partners for a USAID funded project.
8. Opportunities exist to implement a range of conservation activities to conserve and rehabilitate orangutan habitats.
9. Concessions have areas suitable as set-asides and for rehabilitation. These areas may include high conservation value forests or have important other natural resources additional to orangutan populations.
10. Sites that have the potential to form corridor links with other important orangutan or biodiversity areas.

#### *Kalimantan Site - Kutai National Park and Surroundings*



Protected since the 1930s, Kutai National Park, or Taman Nasional Kutai (TNK), was established in 1982, in East Kalimantan Province. Located between the cities of Bontang and Sangatta, TNK has suffered from human disturbance since the beginning of its existence. In 1982/1983, fires destroyed 60% of its forests. In 1995 the park was reduced in size from ca. 300,000 ha to 198,628 ha. Currently a great deal of illegal logging, agriculture, mining and settlement occurs within the park.

In 2008, OCSP and its partner, **The Nature Conservancy** (TNC), coordinated conservation activities with the Park and its closely associated forest and mining concessions. Orangutan's surveys indicated that the Park and its surrounds may have a population of thousands of orangutans (See map on next page).

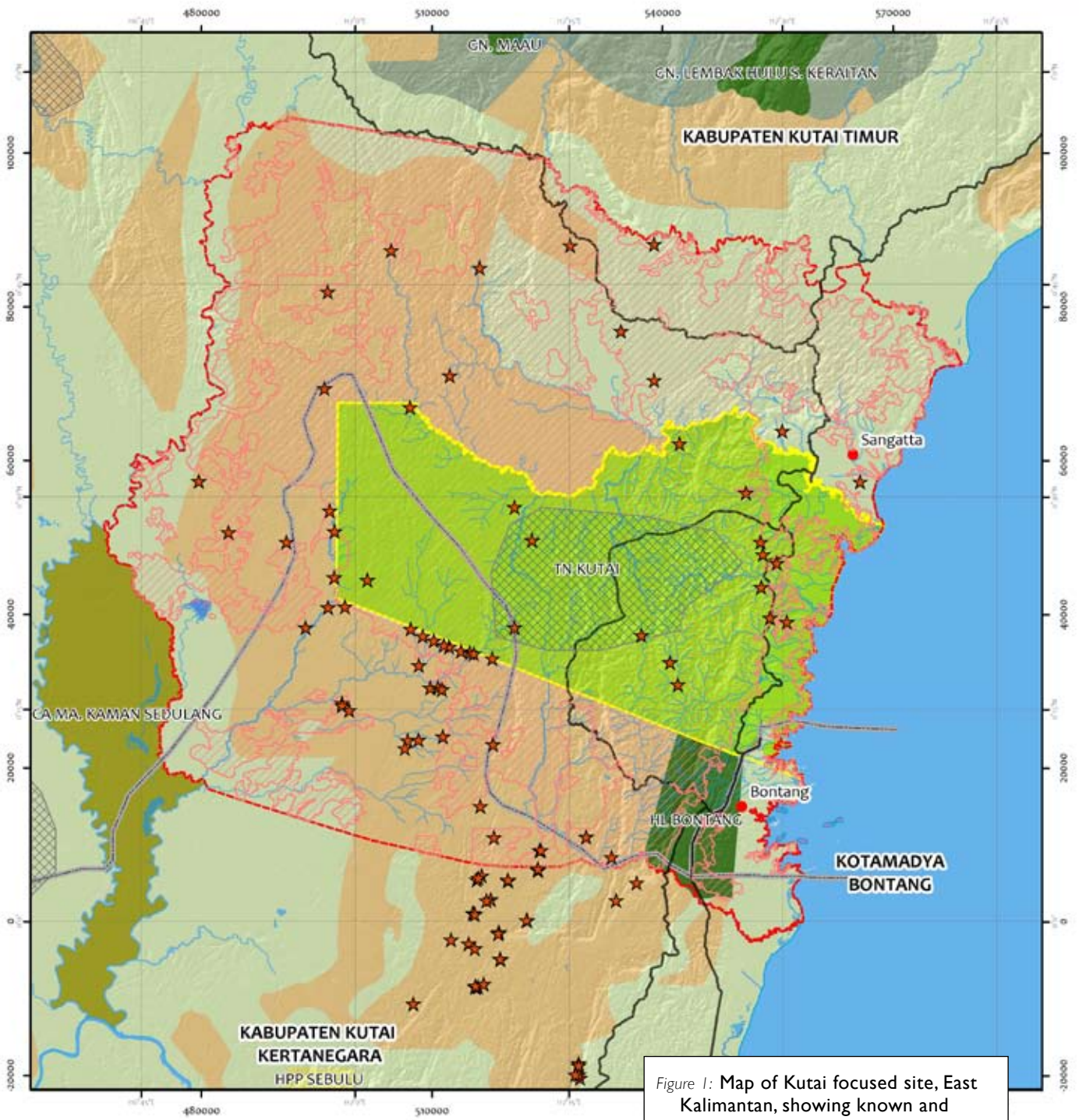


Figure 1: Map of Kutai focused site, East Kalimantan, showing known and predicted orangutan distribution and forest status.

**LEGEND**

- Regency capital city
- Administrative boundary
- River
- Kutai landscape boundary
- Kutai National Park boundary
- Road
- Orangutan Distributions**
- PHVA (2004)
- Predicted
- ★ Orangutan sighting

**Forest Status**

- Protected Forest (HL)
- Nature Reserve (HWSA)
- National Park
- Production Forest (HP)
- Research & Educational Forest (HPP)
- Limited Production Forest (HPT)
- No Forest Status (APL)

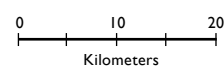


**Data Source:**

- Topographic - Digital Elevation Model Derived from Shuttle Radar Topographic Mission (SRTM-NASA)
- Rivers, Road, City, and Sub-District, BAPPEDA East Kalimantan 2005
- Forest protection status, Ministry of Forestry
- Orangutan sighting, OCSP - TNC 2008

**Geographic Coordinate System**  
 Name: GCS WGS 1984, Datum: D WGS 1984, Spheroid: WGS 1984

**Projected Coordinate System**  
 Projection: Universal Transverse Mercator (UTM) Zone 50 North, Datum: D WGS 1984, Spheroid: WGS 1984

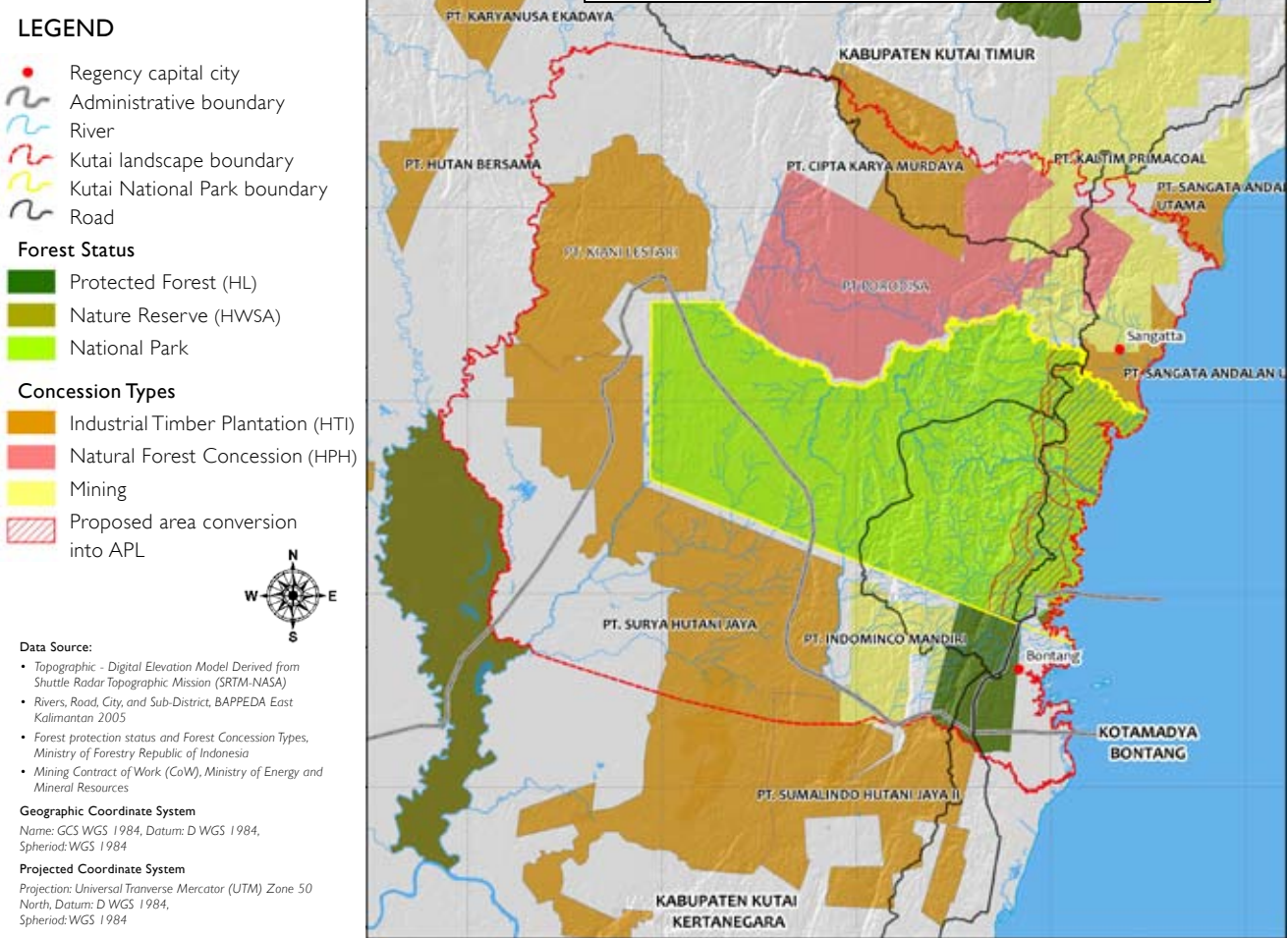


KNP is faced with very serious environmental threats, the largest of which is large scale encroachment, mainly by Sulawesi migrants, who have been there for some time. To date about 24,000 ha has been converted to agricultural farmland through encroachment. Both corporate and local government initiatives are involved in this conversion. Another perhaps larger threat to KNP's existence is the fact that it has not been legally defined. Consequently, the Park has no clearly defined boundaries or management plan (*Rencana Pengelolaan Taman Nasional - RPTN*) with defined management conservation zones. The surrounding mining, forestry, and palm oil plantation concessions also pose a potential threat for conservation of orangutan in the landscape.

Advice and recommendations to conserve orangutans, based on field surveys, was provided to two paper and pulp plantations in the area (Hutan Tanaman Industri [HTI] Sumalindo Jaya Lestari Unit II and Surya Hutan Jaya). Surya Hutan Jaya accepted these recommendations and agreed to bolster its buffer zone bordering the National Park and rehabilitate riparian areas within the plantation boundaries through mixed species "enrichment" planting.

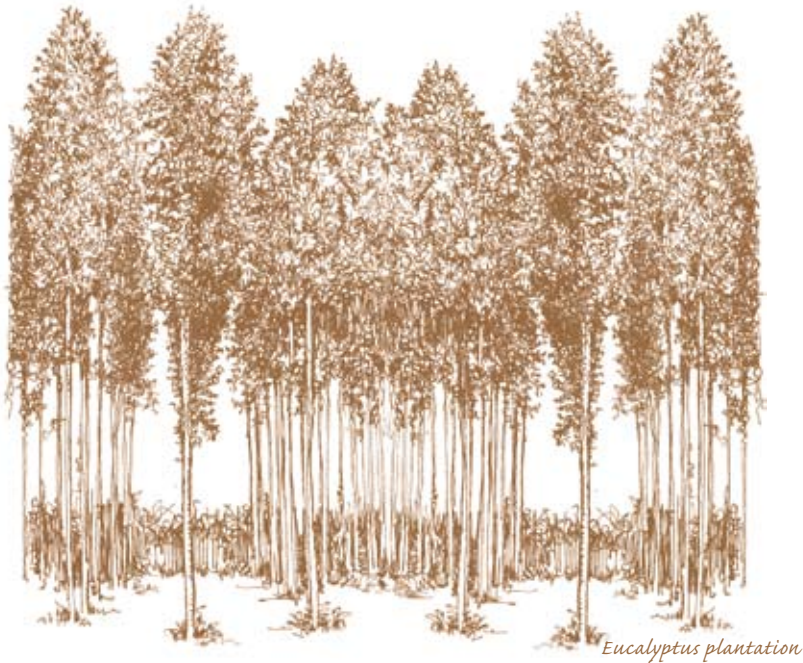
While the response of Surya Hutan Jaya is positive, conservation of orangutan in the Park, requires a much broader landscape level approach. This will involve a network of conservation set-asides and further collaboration between the various concession actors and the Park.

Figure 2: Map of concession sector types in and adjacent to the Kutai focused site, East Kalimantan.





PSSF will develop or improve existing collaborative management structures that will enable key actors to participate in the development of spatial planning and land-use management scenarios and implementation of BMPs in and around KNP.



In this way these concessions could become a force for conservation if they manage their concessions and the landscape according to BMPs. Moreover the existing collaborative institution **Mitra Kutai**, (Friends of Kutai) could be invigorated and enlarged to include other key stakeholders and be empowered to collaborate with both management of KNP and its surrounding environs. This would in many instances be beneficial to the private sector as they also suffer encroachment of their concessions by local communities which result in significant financial losses to them.

It may be possible to develop Mitra Kutai to become a Land Council that would be structured to incorporate various stakeholder views, opinions and needs in a transparent and equitable manner. The role of such a Council will be multi-faceted. By working with local government they will be able to influence development of rational spatial plans in TNK & environs. In this way, they may reduce future *ad hoc* spatial planning scenarios that may negatively impact the Park and concessions. The concessionaires and the Park Authority would be encouraged to be key actors in the Land Council.

#### ***Kalimantan Site - Wehea Protected Forest and Surroundings***

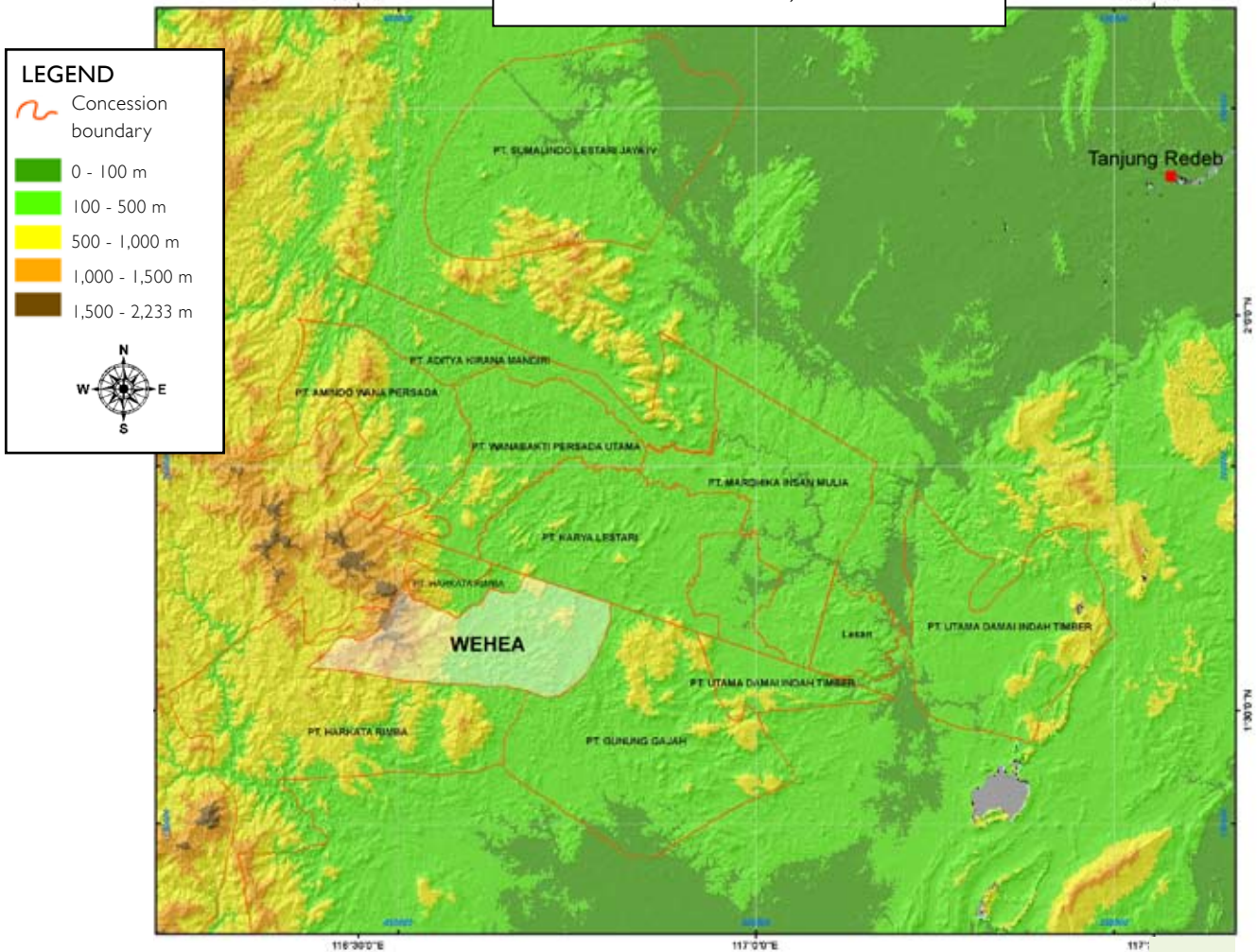
When a 38,000 hectare timber concession in East Kutai was left abandoned, the indigenous Wehea Dayak saw this as an opportunity to take back some of their traditional rights to the rainforest. They garnered support from the local government and the private sector and incorporated these stakeholders into a management body responsible for the protection and management of the area. In 2004 the local authorities recognized the rights of the Wehea people to the area by declaring Wehea as a protected forest. The community will take over full management responsibility of the Wehea Protected Forest in 2020.

The forest is home to approximately 700 Bornean orangutan, along with clouded leopard, and the rare Storm's stork. It is also an important water and medicinal plant source for the Wehea people and an integral part of their agricultural livelihood.

As a relatively new locally protected area, Wehea Protected Forest has limited support to implement conservation activities. The **Hulu Sungai Wahau Management Body** (BP Huliwa), has worked well with the East Kutai District Government, which has continually supported the conservation of Wehea. A variety of private sector actors and concessionaires have also supported orangutan conservation in Wehea Protection Forest. The challenge now is how to coordinate these commitments, and to enlarge management of the habitat outside the boundaries of Wehea Protection Forest and into the adjoining concession areas of the Hulu Sungai Wahau Landscape.

Implementing BMPs for orangutan is an important step for concessionaires around the Wehea Protected Forest to demonstrate their commitment to conservation. Land Councils will strengthen the conservation constituency by providing a public forum to discuss multiple land use scenarios in the Hulu Sungai Wahau Landscape. They will offer a means to facilitate resolution of land-use conflicts, and incorporate changes in revisions of district level spatial plans. These Land Councils could also be a clearing house for information on finance mechanisms and as a

Figure 3: Relief map and concessions adjacent to Wehea Protected Forest, East Kalimantan.



CSR/eco-system market platform to establish ways that funds flowing into this site could be honestly brokered to impact conservation needs.

OCSP will work closely with, support and strengthen the efforts of the BP HULIWA, the district government of East Kutai, and local communities in order to support orangutan conservation in the Hulu Sungai Wahau Landscape.



#### ***Sumatra Site – Dairi and Pakpak Bharat Districts***

Dairi and Pakpak Bharat districts cover a total of 320,000 ha on the western side of Lake Toba, North Sumatra. The area was formally one district but split into two in 2003. Around 75% of these two districts remains forested and are covered by protection forest, watershed forest and limited production forest. The remaining area is non-forest area (APL). OCSP has been working in the area through a grant to the Pusaka consortium of local NGOs to set up six Model Conservation Villages (MCV) in the area impacting approximately 19,000 ha.

The Population Habitat and Viability Assessment (PHVA) of 2004 indicated that orangutan in the area were distributed only in two forest areas in these districts (Batuardan and Dolok Simbelin). Community members from the MCVs provided anecdotal evidence of a population in Siranggas and recent surveys undertaken by OCSP found an unrecorded population estimated at nearly 300 orangutan.

Concession types in the area consist of mining, timber plantation and logging (see figure 5). The Dairi Prima Mining (DPM) concession contains a 27,500 ha contract of work area. The concession has been set up for lead and zinc mining.

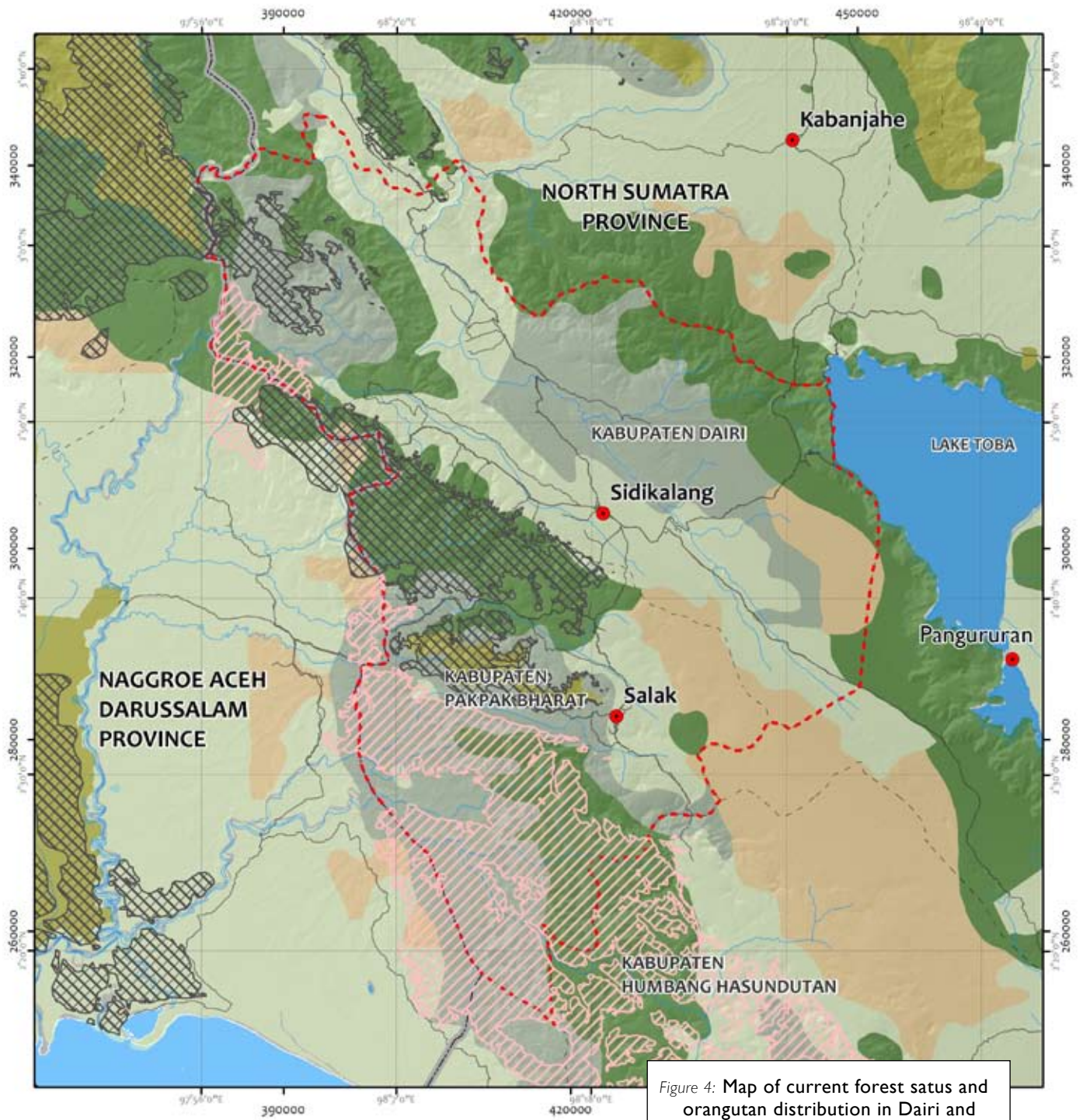


Figure 4: Map of current forest status and orangutan distribution in Dairi and Pakpak Bharat focused site, North Sumatra.

**LEGEND**

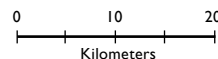
- Regency capital city
- Administrative boundary
- River
- Dairi and Pakpak Bharat landscape boundary
- Road

**Orangutan Distributions**

- PHVA 2004, updated (Suci et al., 2009)
- Predicted

**Forest Status**

- Protected Forest (HL)
- Nature Reserve (HWSA)
- Limited Production Forest (HPT)
- Production Forest (HP)
- No Forest Status (APL)



**Data Source:**

- Topographic - Digital Elevation Model Derived from Shuttle Radar Topographic Mission (SRTM-NASA)
- Rivers, Road, City, Settlement and Administrative Boundary, Indonesia Topographic Map, Scale 1:50,000 1982, BAKOSURTANAL
- Orangutan distribution update: Atmoko, S.S.U, Azwar, Gondarison, Meididit, A., Nuzuar, Sulitoyo, N. and Thoha, A.S. 2009. Survei sebaran orangutan di Blok HL Batu Ardan dan SM. Siranggas+, Kabupaten Dairi dan Pakpak Bharat, Sumatera Utara

**Geographic Coordinate System**

Name: GCS WGS 1984, Datum: D WGS 1984, Spheroid: WGS 1984

**Projected Coordinate System**

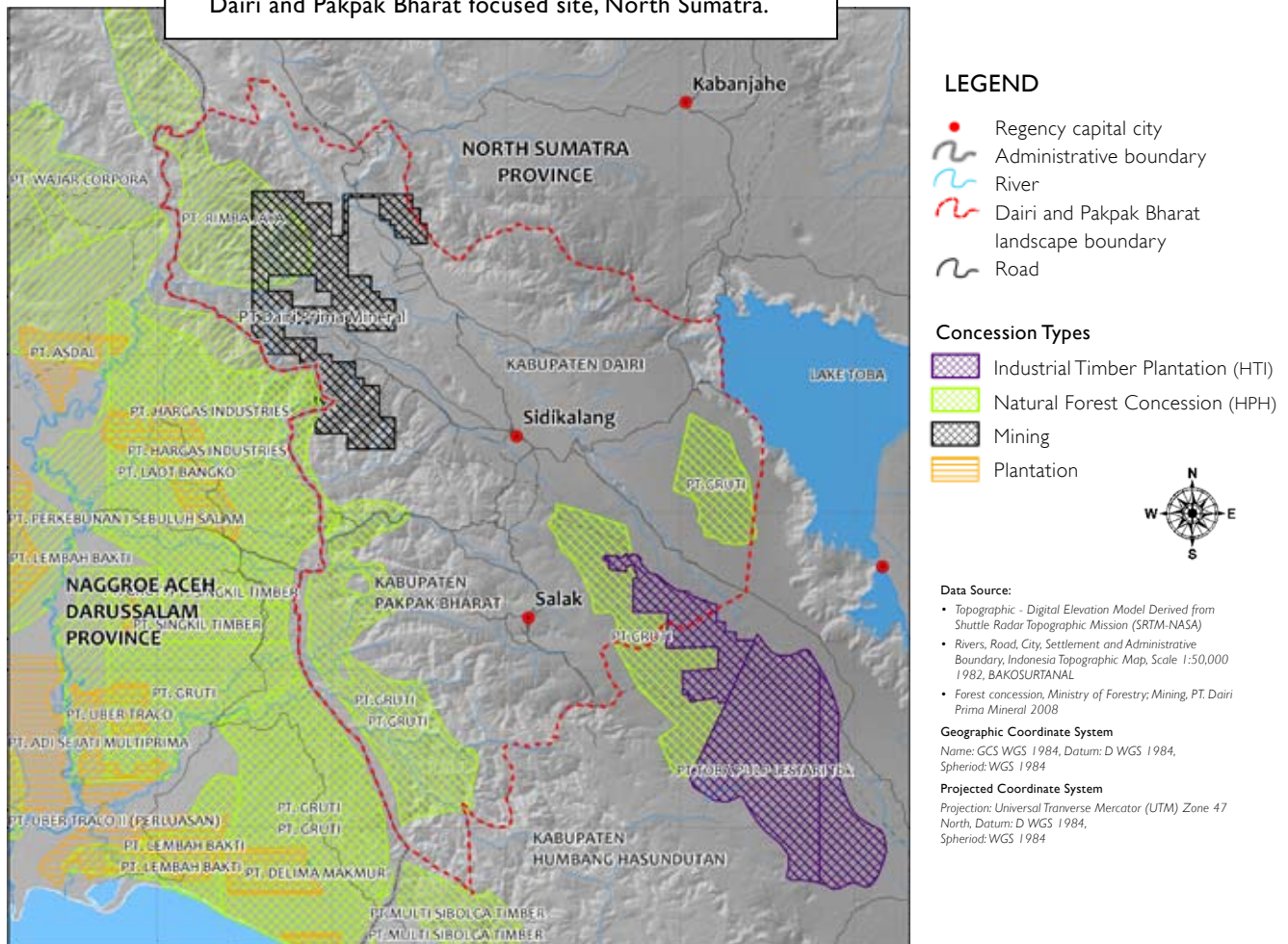
Projection: Universal Transverse Mercator (UTM) Zone 47 North, Datum: D WGS 1984, Spheroid: WGS 1984



Two abandoned logging concessions are held by PT.Gruti. That in Pakpak Bharat has an area of 50,000 ha; the other in Dairi is 10,000 ha. A large tree plantation is operated by Pt Toba Pulp Lestari. This plantation has requested an additional 5,000 ha of forest for its concession. If granted this will pose an additional threat to the forest, particularly if, as is rumored, it takes over and converts the two abandoned Gruti concessions.

A Land Council will be established in Dairi & PakPak Bharat Districts, North Sumatra that initiates processes to identify and reduce land-use conflicts that impact conservation of biological diversity values, especially orangutan and their habitat, and encourages conservation BMPs throughout the Districts. The concession sectors will be encouraged to be actors in these Land Councils because of several factors. First, by working with local government they will be able to influence development of rational spatial plans in their landscape setting that should reduce future ad hoc spatial planning scenarios that may negatively impact their concessions. Secondly, by participating in a multi-stakeholder forum that makes decisions on multiple land-uses and land management scenarios, they may reduce the level of community antagonism to some of their activities and lastly, it will enable them entry to community opinions and views, including the most appropriate way that they can commit CSR to benefit communities and the environment.

Figure 5: Map of concession sector types in or adjacent to the Dairi and Pakpak Bharat focused site, North Sumatra.





## PE 2: IMPROVE FINANCIAL SECTOR SCREENING TOOLS

### *Brief description and overall expected results*

The financial sector has become a key player in the expansion of the resource industry. It is, therefore, frequently participating in the rapid destruction of the environment. Many global financial institutions have appointed sustainability and public policy managers whom oversee compliance issues. However these issues are generally regulated by individual institutions without any industry standardization.

To overcome this concern the finance sector has established environmental and social benchmarks for managing environmental and social issues relating to **"Project finance"** globally. Known as the **"Equator Principles"** once adopted by banks and other financial institutions, it commits the adoptees to refrain from financing projects that fail to follow the processes defined by the Principles. The Equator Principles were developed by private sector banks - led by Citigroup, ABN AMRO, Barclays, and WestLB and were launched in June 2003. The banks chose to model the Equator Principles on the environmental standards of the World Bank and the social policies of the International Finance Corporation (IFC).

Recently in Indonesia, the financial sector has been undergoing key reforms to improve governance standards. This has resulted in some institutions investing in management programs that aim to raise management standards and investment protocols. OCSP will engage these institutions and assist them to develop sustainability programs related to the environment by introducing orangutan specific investment screening tools that effect the protection of wild orangutans and their habitat.

International Equity Investment Advisors are emerging players in the forest concessions market in Southeast Asia. In seeking to diversify revenue streams and create sustainable cash flows, investment funds create value by extending forest management beyond timber into carbon trading, water rights, and biodiversity conservation, both with and without the underlying forest/land asset.

### *Approach*

The PSSF Scope of Work states that activities must *"...induce a targeted set of financial institutions to adopt stronger requirements and practices in relation to investments in concessionaires... who's operations influence orangutan habitat"*. To this end, OCSP will engage institutions and assist them develop sustainability programs by introducing specific investment screening tools that effect protection of orangutan habitat and other biodiversity values.

PSSF will identify incentives needed to encourage local and international banks to adopt orangutan habitat conservation screening tools as a means of catalyzing financing that leads to better forest management. Selection criteria will be developed for choosing financial institutions and equity investors to target for support in development and implementation of screening tools and protocols. The PSSF Business Advisor, in-conjunction technical advisors, will develop a desired set of principles that can be used as an entry point for discussions, and ultimately a basis for development of a clear and concise screening protocol to assist conservation of wild orangutans and their habitat. The Team will engage a broad array of financial institutions, including both international and local brands.



Once developed in partnership with selected financial institutions the screening tools will be launched to promote interest from non member financial institutions, industry stakeholders and the general public. PSSF will continue to promote this initiative through the promotion of industry seminars and workshops.

PSSF will seek a suitable association or institution to ensure sustainability of this important initiative. In addition, concessionaires whom have agreements for the implementation of BMPs will, if feasible, have links made to institutions providing financing. If these institutions have adopted PSSF screening tools then both partners could be promoted as potential role models.

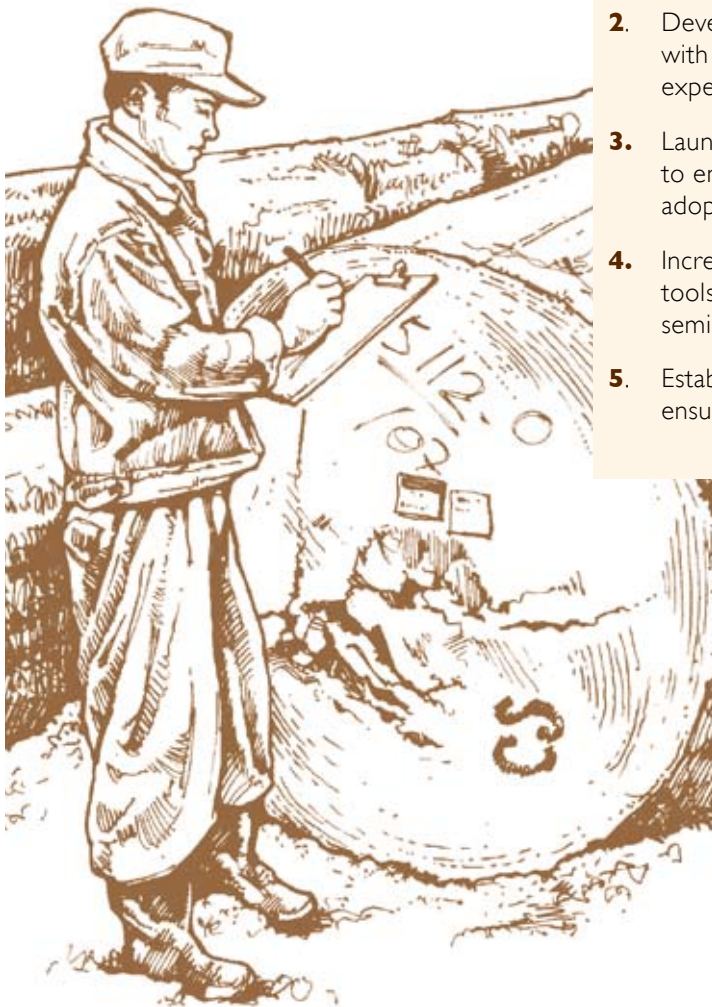
Policy recommendations will be shared with relevant government institutions, business associations and private sector actors. An investors' conference will help to identify and discuss challenges related to sustainable financing of operations in orangutan areas and help identify banks and companies interested in jointly developing screening tools and protocols.

#### **Planning Stage: Activity and intended results**

1. Undertake financial sector analysis to identify points of leverage important to adoption of screening protocols.
2. Review current regulations and financial policy trends.

#### **Action Stage: Activity and intended results**

1. Develop an analysis that lays out recommendations for engagement of financial institutions in adoption of screening tools.
2. Develop screening tools with partner institutions and with input from the financial sector and conservation experts. Screening protocol developed.
3. Launch screening tools and hold seminar(s) on them to engage financial institutions and equity investors to adopt these tools in a sustainable manner.
4. Increase understanding and acceptance of screening tools by financial institutions through trainings and seminars.
5. Establish institutional home(s) for screening protocol to ensure sustainability.



### PE 3: STRENGTHEN CONSERVATION CONSTITUENCY WITHIN THE PRIVATE SECTOR

#### *Brief description and overall expected results*

Most land managers seek to generate commercial returns from their land assets. In the case of forests, existing timber resources are often extracted by a concessionaire who then undertakes commercial reforestation, converts the land to some form of agriculture, or develops the land for human settlement. Such is the case in Indonesia where competition between conservation and development is being won handily by development; huge swaths of forests are being converted to palm oil and paper and pulp plantations. Few people, governments, or businesses are against conservation of natural resources, but in the market-driven global economy, conservation stands little chance unless biodiversity markets emerge that ultimately place value on ecosystem services that intact forests provide.

Businesses in this century can no longer operate under the assumption that resource extraction is more valuable to its long term sustainability than resource conservation. Incentives driving investment are being reoriented to include true costs of ecosystem services that have traditionally been considered a free economic good or service. Assigning a value to nature has long been a slippery slope from a purely conservation perspective, but for a business to value biodiversity it must ultimately become more profitable to conserve biodiversity than to destroy it. Business prosperity must be linked to conservation. Sustainability certification mechanisms and carbon offsets represent the first steps in this paradigm shift, but clearly, a giant leap is needed to slow loss of natural forests.

#### *Approach*

The PSSF Scope of Work states that PSSF will develop a “*strategy for providing technical services to both assist and leverage private sector actors interested in sustainable forest management and biodiversity conservation*”. To achieve this, PSSF will work with the following tools and approaches:

#### *Environmental Market Mechanisms*

By assessing market trends within conservation finance PSSF will identify potential **Environmental Market Mechanisms** (EMM) to assist conserve orangutan habitat; these will include **Corporate Social Responsibility** (CSR) programs. The team will then encourage private sector firms to adopt EMMs. Many of these firms are now under pressure from NGOs and commercial market restrictions relating to non compliance of environmental and sustainability laws. In addition, the Indonesian Government has introduced new CSR laws requiring companies to factor in a CSR component into business models. The team will assist the private sector identify solutions for CSR compliance, and adopt other related programs, such as biodiversity offsets.

Market-based mechanisms, such as regulatory compliance markets, cap-and-trade environmental markets, voluntary markets, and business-to-business or business-to-NGO **Payment for Environmental Services** (PES) deals, represent approaches to investing in the environment and services that it supplies. Recent interest in carbon markets and the role that forests play in avoiding emissions release demonstrates a positive trend in using ecosystem valuations as a means



of conserving forest habitat. Such trends can be capitalized on to value emerging biodiversity markets, with a specific focus on orangutans.

Nascent markets for biodiversity conservation are emerging and assigning economic value to various ecosystem services (carbon, soil conservation, flood control, biodiversity). The carbon market is the most advanced, but watershed and biodiversity services are not far behind in becoming universally valued tradable goods. First generation PES mechanisms are built on a zero net impact model that simply delivers monetary offsets for destruction of natural forest, resulting in conservation 'leakages'. The coming second generation PES models aim to raise the bar and create economic returns from investing in ecosystem services to eliminate leakages. If these mechanisms can be formalized, they could one day offer local resource-rich governments an alternative to income from timber concessions through continuous revenue streams from PES.

PSSF activities are set around developing opportunities for business to participate in the conservation of orangutan habitat. This goal is to be partially realized through two related activities including: *Analysis of Indonesia's CSR law; and assess market trends within conservation finance and identify potential EMMs for use in orangutan habitat conservation.* A small sample of these potential mechanisms include:

#### **Biobanking**

The Biobank model, adapted from North American and European schemes, is now emerging in SE Asia. The model is based on a buying up properties, often of degraded land, and rehabilitating the forest with the aim of selling the environmental services. While the PES scheme under biobanking traditionally entails selling offsets, new models are being explored whereby an investment trust is established with a profit-sharing agreement.

#### **Biodiversity offsets**

Biodiversity offsets are conservation activities intended to compensate for the residual, unavoidable harm to biodiversity caused by some economic development projects. The basic idea of biodiversity offsets is to achieve a zero net impact on the natural environment to compensate for the destruction or altering of ecosystem services elsewhere. In the US, regulations under the Clean Water Act of 1972 require both public and private developers to mitigate loss of wetlands, when adverse impacts are considered unavoidable, by financing the creation, restoration and /or protection of comparable wetland habitat; this is considered a 'mandatory offset'. A voluntary offset market also exists whereby companies purchase credits with a purely CSR motive.

Unlike carbon, biodiversity is a complex system and not a homogenous commodity, therefore making the development of an internationally standardized trading regime more challenging – but not impossible. The forces of climate change regulation and the growing scarcity of natural resources (and thereby increased value), will likely spur a standardized biodiversity pricing framework in the near future.

#### **Payment for Environmental Services Protection**

Natural forests provide several major "watershed functions" essential to human wellbeing and local livelihoods. They hold soil in place and help



maintain the productivity of the land. They also regulate the quantity and timing of water flows, control sediment loads and so protect water quality. Cutting down forests undermines these valued functions.

Watershed services are thus increasingly being valued by linking upstream land users to downstream water users through incentive schemes. Water users, from the private and public sectors, have taken to running the cost-benefit analysis between establishing water treatment facilities and simply offering direct payments upstream landowners to avoid degradation of water quality due to social or economic activities. Some proponents claim that watershed services protection schemes can also help to secure the land use rights of marginalized communities in upper watersheds, providing important social benefits as well as a new source of income.

A further step in the development of EMMs will occur through institutionalization of the EMM menu. This will be done through determination of an appropriate process, organization and structure to house the EMM Menu to ensure its continued use as a "flexible resource" after the conclusion of the OCSP. Engagement will also be undertaken with the Ministry of Forestry to explore development of policies in support of conservation finance options for Indonesia.

#### **Paper Audit - Offset**

To support and complement PSSF programs PSSF will develop a pilot program to encourage the private sector (focused towards financial institutions, and later resource sector firms whom are compliant to USAID conditions) to contribute to a paper usage off-set. The Paper Audit will calculate paper usage (office paper, printing, marketing materials) over a predetermined period, and then determine the number of trees required to produce this paper. Firms will be then requested

to contribute financially (formulated) into a USAID managed account. The funds would then be directed to an OCSP approved conservation activity. This program would be especially useful in attracting financial institutions to participate. This is because a partnership with USAID would show that firms are implementing good environmental corporate governance. This would be associated with public awareness campaign that would further encourage firms to be involved with the Paper Audit - Offset scheme.

#### **Establish Private Sector Links**

The PSSF Scope of Work states that PSSF will "facilitate private sector links between concessions, importer/exporters and buyers or retailers seeking sustainable produced products... to adopt verification costs for BMPs and Certification" It also supports special efforts to reach US and international business. To achieve this, PSSF will create links with other equity investors and work to improve communications between actors.

#### **Planning Stage: Activity and intended results**

1. Assess market trends within conservation finance and identify potential ecosystem market mechanisms (EMM) for use in orangutan habitat conservation.

#### **Action Stage: Activity and intended results**

1. Assess feasibility of applying the Malua Forest Biobank (Sabah) approach in an Indonesian context.
2. Determine appropriate process, organization and structure to institutionalize EMM tool to ensure its continued use after the conclusion OCSP.
3. Support the development of "paper audit" pilot program as EMM pilot to generate private sector financing in orangutan sites.
4. Promote CSR and conservation finance policy efforts in Indonesia by supporting the Forestry Research and Development Agency (FORDA) of the Ministry of Forestry.

**PSSF LOG FRAME**

A	S	Components, Activities, Subactivities	2009									2010									Resources	Outputs	Indicator					
			Q1			Q2			Q3			Q4			Q5			Q6										
			Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept								
		<b>Improved Management of Orangutan Habitat in Concessions</b>																										Number of hectares of orangutan habitat in concessions under improved management
	1	<b>Undertake threats analysis of focus sites in Sumatra and Kalimantan.</b>																								OCSA		Number of threat analyses completed
	1.1	Review existing threats reports on the areas																								OCSA	Review completed	
	1.2	Develop methodology to measure threats and determine opportunities for action																								OCSA	Methodology developed	
	1.3	Compile and analyze spatial data and input into model																								OCSA	Data compiled	
	1.4	Develop and finalize report and results disseminated																								OCSA	Report on threats and opportunities completed for two landscapes	
	2	<b>Develop and Implement Best Management Practices for Orangutan with Private Sector.</b>																									Signed agreement with 6 concessionaires for implementation of BMPs & participation in Land Councils	Number of concessionaires participating in Best Management Practices pilot programs
	2.1	Select BMP pilot sites & priority multifunctional landscapes																								Medan, Kalimantan, Partnership, MedCom	At least 6 concessions selected: 4 in Kalimantan and 2 in Sumatra	
	2.2	Develop Communication Protocol for private sector engagement																								OCSA	Plan, produce and present Communication Protocol for USAID approval	
	2.3	Produce OU - BMPs for the 4 concession sector types																								STTA	Report completed of OH-BMPs criteria for 4 concession sector types	
	2.4	Sign agreements with concessionaires covering BMP implementation																								OCSA	Concessionaires agree to the practical implementation of OH-BMP proposals	
	2.5	Review concession management practices against OU-BMPs and identify mgmt gaps & draft management proposals for each concessions																								Partner, STTA	Gap analysis completed	
	2.6	Agreement on implementation of management proposals by each concession																								Partner, STTA	Agreements reached as to level of support for management proposals provided by concessionaires	
	2.7	Concessionaires implement mgmt proposals detailing current and expected impact on operations with support of OCSA																								Partner, STTA	6 sites implementation plans accepted by PSSF & concessionaire	
	3	<b>Monitor and Evaluate Implementation of BMP by concessionaires.</b>																										Number of concessionaires demonstrating progress in implementing BMP
	3.1	Develop monitoring & evaluation system and methodology for BMPs for each concession																								Partner	Monitoring & evaluation methodology is completed	
	3.2	Assist implementation of concession monitoring plans																								Partner	Progress of concessionaires reviewed base on monitoring plan	
	4	<b>Develop Best Management in Landscape Level.</b>																										Number of multi-stakeholder 'Land Councils' developed by concessionaires and other local actors
	4.1	Facilitate development of Land Councils to support BMPs at landscape levels																								Partner, OCSA	Multiple stakeholders, including concessionaires, involved in 2 Land Councils	
	4.2	Engage Ministry of Forestry and sector partners to promote appropriate land classification of forest																								OCSA	Recommendations provided on appropriate land classification of forest (Kalimantan& Sumatra)	

A	S	Components, Activities, Subactivities	2009									2010									Resources	Outputs	Indicator								
			Q1			Q2			Q3			Q4			Q5			Q6													
			Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept											
<b>Financial Sector Improved Screening Protocol</b>																															
1		<b>Undertake financial sector analysis to identify points of leverage important to adoption of screening protocols.</b>																													Number of financial institutions adopting investor screening protocol
	1.1	Review current regulation and financial policy trends																											OCSF	Relevant regulations and policies trends identified	
	1.2	Communicate formally and informally with financial institutions																											OCSF	Meetings arranged	
	1.3	Develop analysis that lays out recommendations for engagement of financial institutions in adoption of screening tools																											OCSF	Position paper developed and distributed to financing institutions and policy makers	
2		<b>Develop screening tools with partners institutions.</b>																													Number of peer reviews that provide input into development of Screening Tools
	2.1	Produce draft protocol and distribute draft to financial institutions for comment and review																											OCSF	Draft Protocol completed and sent to Financial institutions	
	2.2	Finalize development of screening tools																												Protocol finalized through input provided through peer reviews	
3		<b>Increase understanding and acceptance of screening tools by financial institution through trainings and seminars.</b>																													Number of individuals from financial Institutions and banks trained in utilization of investment screening tools
	3.1	Launch tools to audience of financial institutions																											OCSF	Screening tool launched through seminar	
	3.2	Conduct seminars/road shows for financial institutions to generate great understanding of the need and usage of the tools																											OCSF	Road show conducted for 4 financial institutions	
	3.3	Gain formal commitment of financial institutions/equity to adopt screening tools																											OCSF	At least 4 institutions sign agreements to adopt screening protocol	
4		<b>Establish institutional home(s) for screening protocol to ensure sustainability.</b>																													Number of commitments to house screening protocol
	4.1	Identify Institutions/mechanisms where tool can be housed																											OCSF	Institution identified and discussions on housing the tool completed	
	4.2	Seek commitment and provide assistance to house screening protocol																												Commitment gained and assistance provided	

A	S	Components, Activities, Subactivities	2009									2010									Resources	Outputs	Indicator						
			Q1			Q2			Q3			Q4			Q5			Q6											
			Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept									
<b>Conservation Constituency Strengthened within the Private Sector</b>																													
																													Number of firms engaged in planning or implementation of environmental CSRI/EMM pilot activities to impact conservation of orangutan
	1	Assess market trends within conservation finance and identify potential ecosystem market mechanisms (EMM) for use in orangutan habitat conservation.																											Number of reports analyzing menu of available EMM options and framework of Indonesia's CSR law
		1.1 Conduct desk research on EMMs in Indonesia and elsewhere.																									STTA	EMM menu determined & CSR policy reviewed	
		1.2 Visit Jakarta-based government agencies, private sector offices and NGOs to collect materials and information pertaining to EMMs and CSR.																									STTA	Materials collected	
		1.3 Determine feasibility of Malua Forest Biobank to Indonesian context																									STTA	Discussions with New Forests to learn about program and determine feasibility in Indonesia	
		1.4 Draft research report analyzing suitability of EMMs within the framework of Indonesia's CSR law.																									STTA	Report on menu of options with review of CSR law	
	2	Determine appropriate process, organization and structure to institutionalize EMM tool to ensure its continued use after the conclusion OCSF																											Number of agreements made with institutions to will carry forward EMMs
		2.1 Work with private sector associations including the American Chamber of Commerce and Indonesia Business Links to identify institutional home for the Menu																									STTA	Suitable home for EMM identified	
		2.2 Create a working group to define and refine how the tool can best serve the needs of end-users (the private sector).																									STTA	working group created	
		2.3 Develop and apply an outreach strategy to generate awareness of EMM tool and how it is related to CSR law																									STTA	Communications strategy developed and implemented	
	3	Support the development of "paper audit" pilot program as EMM pilot to generate private sector financing in orangutan sites																											Number of firms that agree to support orangutan conservation through participation in paper audit and subsequently provide funds
		3.1 Review existing corporate resource audit schemes in use by the private sector to benchmark sustainability																									STTA	Review completed	
		3.2 Research elements of NGO-led efforts to encourage responsible paper purchasing, including Environmental Defense Fund's Paper Calculator, the Environmental Paper Network's paper purchasing guides, and initiatives within WWF's Pulp and Paper Program																										Responsible paper efforts researched and documented	
		3.3 Identify the primary paper categories used by corporate consumers																									STTA	Categories documented	
		3.4 Develop a methodology for firms to deploy when collecting data on paper use																									STTA	methodology to be applied developed	
		3.5 Develop and implement an outreach strategy to promote uptake of audit by private sector																									STTA	Communications strategy developed and implemented	
	4	Promote CSR and conservation finance policy efforts in Indonesia by supporting the Ministry of Forestry and other Ministries																											Number of presentations made to Ministries on conservation finance options
		4.1 Update knowledge on conservation finance policy options in Indonesia with recommendations on regulatory framework necessary to support the implementation of identified mechanisms in Indonesia																									STTA	Report completed	
		4.2 Make presentation to multiple sections of Ministries of Forestry, Environment, Agriculture, Finance, and Home Affairs on conservation finance options for Indonesia																									STTA	Presentations on options made to MoF	
		4.3 Organize joint forums between MoF and local government, communities and private sector to identify potential conservation finance options that																										Training and TA	

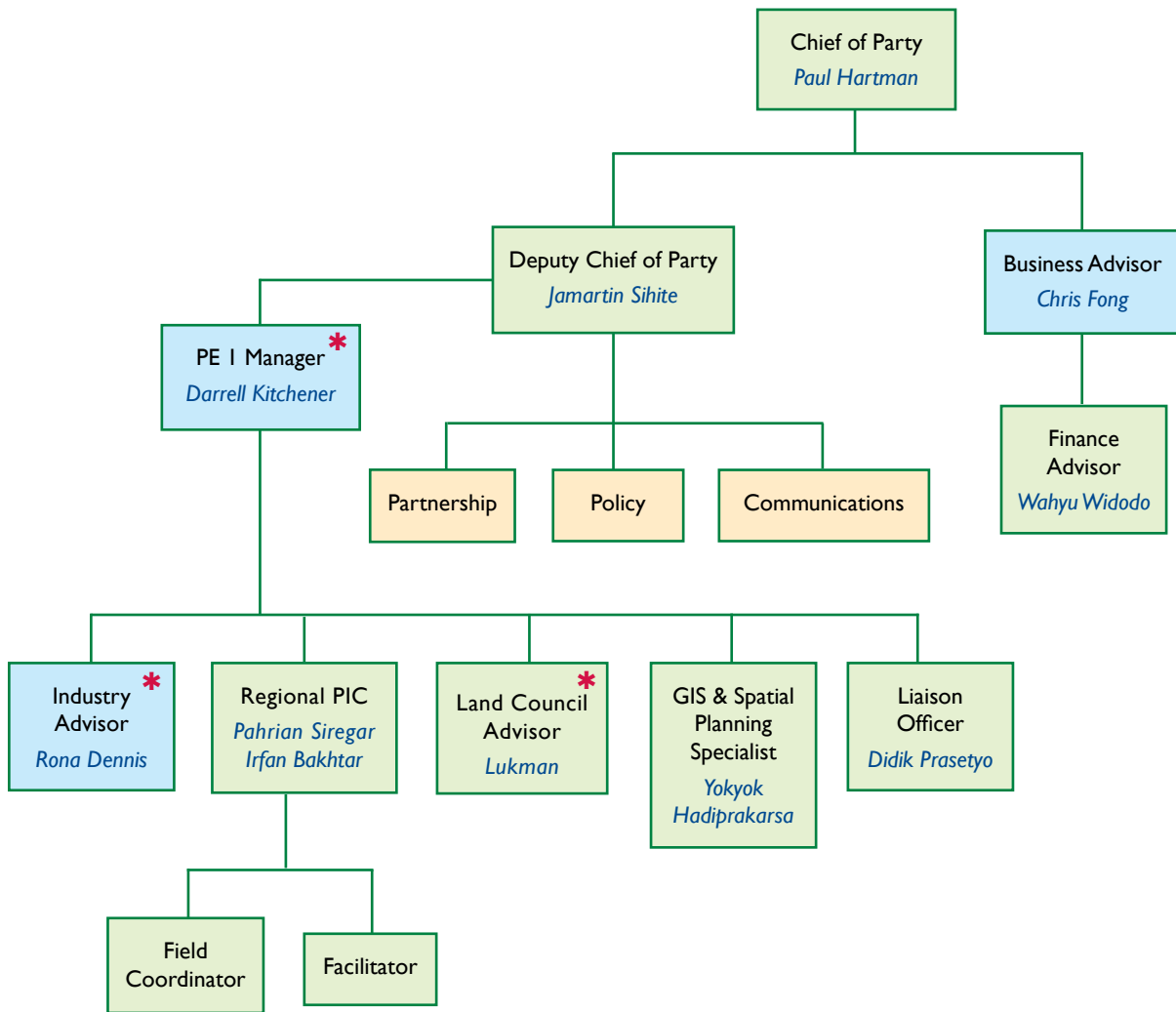




# PSSF Team

Under the direction of the DAI-OCSP Chief of Party, **Paul Hartman**, the PSSF Business Advisor, **Christopher Fong**, will oversee the design and implementation of programs to meet the work plan and performance indicators. LTTA and STTA technical advisors will provide detailed outputs covering both the natural resource sector and financial institutions. These outputs have been defined as tasks/ performance requirements within each SOW.

## Proposed Organizational Chart



### KEY

- PSSF Lead Manager
- PSSF Staff
- PSSF Supporting Staff
- \* Proposed Position

## APPENDIX I: List of Terms

<b>Biobanking:</b>	Buying up properties, often of degraded land, and rehabilitating the forest with the aim of selling the environmental services.
<b>Biodiversity:</b>	The variation of life at all levels of biological organization, usually within a given ecosystem or region. Biodiversity is often used as a measure of the health of biological systems.
<b>Biodiversity Offsets:</b>	Conservation activities intended to compensate for the residual, unavoidable harm to biodiversity caused by some economic development projects.
<b>Conservation Forest:</b>	Forest that is designated for wildlife or habitat protection, usually found within national parks and other protected areas.
<b>Conversion Forest:</b>	Forest that is designated for clearance and permanent conversion to another form of land use, typically a timber or estate crop plantation, such as oil palm.
<b>District:</b>	Local government administrative unit. This administrative level is below the province level.
<b>Deforestation:</b>	The permanent removal of forest cover and conversion of the land to other uses.
<b>Equity investment:</b>	The buying and holding of shares of stock on a stock market by individuals and funds in anticipation of income from dividends and capital gain as the value of the stock rises.
<b>Forest Degradation:</b>	May be generally defined as a reduction in tree density and/or increased disturbance to the forest that results in the loss of forest products and forest-derived ecological services. Common causes of forest degradation include selective felling, fuel wood collection, road building and shifting cultivation.
<b>Land Councils:</b>	A forum of like minded landholders, communities and public sector partners. Focused on supporting attainment of common objectives for land use development through consensus. Structured to incorporate all stakeholder views, opinions and needs in a transparent and equitable manner.
<b>Landscape:</b>	Spatially heterogeneous geographic areas characterized by diverse interacting patches or ecosystems, ranging from relatively natural terrestrial and aquatic systems such as forests, grasslands and lakes to human-dominated environments including agricultural and urban settings.
<b>Limited Production Forest:</b>	Forestry Department designation for forest that is allocated for low-intensity timber production. Typically limited production forest is found in mountainous areas where steep slopes make logging difficult and uneconomical.
<b>Logging Concession:</b>	An area of natural forest designated for selective harvest under license.
<b>Paper Audit:</b>	Calculates paper usage (office paper, printing, marketing materials) over a predetermined period, and then determines the number of trees required to produce this paper.



- Payment for Environmental Services Protection:** Payments to upstream landowners to avoid degradation of water quality due to social or economic activities.
- Production Forest:** Forestry Department designation for forest that falls within the boundaries of a timber concession. Under good management, planting and re-growth balance harvesting levels so that the forest will continue to produce wood indefinitely.
- Project Finance:** The financing of long-term infrastructure and industrial projects based upon a complex financial structure where project debt and equity are used to finance the project, rather than the balance sheets of project sponsors.
- Protection Forest:** An official designation by the Indonesian Ministry of Forestry for forest that is intended to serve environmental functions, typically to maintain vegetation cover and soil stability on steep slopes and to protect watersheds.
- Reduced Impact Logging:** Comprises harvest planning, infrastructure development and operational techniques that aim to reduce the damaging impacts of logging while improving the production efficiency of logging operations.
- Spatial planning:** An interdisciplinary and comprehensive approach that includes all levels of land use planning and is directed towards a balanced regional development and physical organization of space according to an overall strategy.



*Acacia mangium*

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