

Overcoming Barriers to Effective Implementation of HCV in RSPO

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Executive Summary

To address growing concern by High Conservation Value (HCV) assessors, palm oil producers and other stakeholders on challenges to interpret and implement the HCV concept in oil palm plantations, the Roundtable on Sustainable Palm Oil (RSPO) commissioned a study by Daemeter Consulting to identify barriers to effective implementation of HCV and solutions to overcome them. Challenges to implementing HCV in oil palm commonly discussed include:

- Inconsistent application of HCV definitions and goals by different assessors
- Ambiguity on the legal status of HCV set-aside areas within plantations
- Lack of recognition of HCV criteria within Indonesian regulations governing oil palm development, and spatial planning in general
- The limited 3-year time frame of oil palm plantation permits for development make it difficult to comply with HCV requirements fully
- Identifying and managing social and cultural HCVs (HCV 5 and 6), where community aspirations are dynamic and local economies are rapidly changing
- Conflict between local community traditions, especially hunting, and other HCVs
- Poor integration between Environmental Impact Assessment (AMDAL) and HCV

Study Aims and Approach

The study sought to obtain broadest possible inputs from RSPO members and other stakeholders through a combination of questionnaire-based survey, direct in-person interviews, on-line consultations and workshops. Consultations began with distribution of the questionnaire at the HCV-Network Indonesia 1st General Assembly in May 2011, for which responses were received from 23 participants. Over the weeks that followed, structured interviews were performed individually or in small groups with HCV assessors (10 people), NGOs (10), auditors (4), and growers (7). The interviews followed a structured set of questions prepared beforehand and reviewed in order. (The list of interview questions is provided in Annex 1.)

An interim summary report of main findings was prepared and distributed for review among stakeholders experienced in HCV and oil palm to obtain input either in person during a one-day meeting in Bogor on Monday, 4 July 2011, or in writing. Public consultation on the draft report ran from 27 June to 21 July 2011 and was announced in the home page of Daemeter's website (www.daemeter.org) and the HCV Resource Network website (www.hcvnetwork.org) during the period; the interim report was also made available for download from these sites. Invitation to the one-day workshop on 4 July was sent to 40 individuals and e-mail blast invitation for online submission of inputs was performed three times during the consultation period. The workshop on 4 July was attended by 13 people from NGOs (3), producer (3), certification body (1), HCV assessor (4) and other groups (2). The online comment portal drew comments from auditors (1), sustainability managers for OP (1), NGO observers (2) and from other groups (1). This draft final report submitted to the RSPO for review incorporates inputs obtained during these consultations, highlighting key points on which opinion was divided.

Challenges to HCV in oil palm

The study reports diverse challenges in applying HCV to oil palm in Indonesia. These include divergent interpretation of basic concepts among RSPO approved HCV assessors; indications that the HCV concept is being 'overburdened' due to lack of clarity of its relationship to other safeguards within the P&C; lack of guidance for determining HCV

management areas that must be avoided and managed in accordance with Criterion 7.3 for new plantings; widely varying capacity among assessors; confusion applying Toolkits designed for natural habitats to established plantations (under Criterion 5.2); and inadequate use of public consultation to obtain meaningful stakeholder inputs on interim findings. In part, these complications reflect inherent complexities of translating a tool designed for use in logging of (semi) natural forest areas across large scales to be applied in a conversion context across smaller areas dominated by mono-culture plantation of limited habitat value for resident wildlife and for connectivity with the broader landscape.

A highlight of key challenges discussed in the report includes:

(i) HCV concept and definitions

Over the past decade, HCV has undergone a fundamental shift from its original focus on ‘forest areas supporting exceptional values’ (HCVF) to a current focus on the value itself (HCV) and actions to be taken to maintain it. This shift changes the basic goal from protecting forest supporting the HCV to assuring persistence of the value across a specified area using a wide variety of management methods. This shift has many implications for how HCV is applied, among them questions concerning whether locally managed non-natural forest areas such as rubber garden (*kebun karet*) or swidden agricultural fields (*ladang*) can be identified as HCV areas, and if so, what are the requirements for a company to ‘manage’ them? According to the HCV Toolkit for Indonesia, the only non-natural ecosystems that can potentially be delineated as HCV areas are those with hydrological function of cultural value. Because agricultural areas are clearly important for HCV5 and potentially HCV6, some assessors label them HCV out of concern that if they are not labeled HCV, then they might be converted to oil palm without community consent. These contrasting viewpoints on how to treat non-forest illustrates the need for greater clarity on the role of HCV vis-à-vis other safeguards within the RSPO standard to ensure HCV is not treated as a safeguard for too many issues.

(ii) On translating the HCVA to HCVMA

RSPO Criterion 7.3 for new plantings requires that after 2005 no plantations may be developed in areas of primary forest or required to maintain one or more HCV. One frequent point of confusion over this requirement concerns the difference between HCV areas where the value is documented to occur (HCVA) and the HCV management area where management must be implemented to maintain the value (HCVMA). Criterion 7.3 requires maintenance of areas required to maintain or enhance one or more HCV, or in other words the HCVMA delineated by the assessment team. However, the current Indonesian Toolkit (2008) was developed for identification purposes only, and does not detailed guidance on management requirements. This is because it was envisaged that once the identification Toolkit was completed, then sector specific guidelines for detailing management and monitoring requirements in oil palm would be developed through a coordinated multi-stakeholder process. To date, however, **no detailed guidance for HCV management and monitoring in oil palm has been produced**. Assessors must therefore develop their own logic for delineating HCVMA and associated management actions considered adequate to meet management objectives outlined in the Toolkit. To address this, during 2009 and 2010, RSPO members in Indonesia convened a working group named the RSPO HCV-NIWG (HCV National Interpretation Working Group) to develop formal guidelines for HCV management in oil palm. Draft guidelines were completed during 2010 and have undergone a series of field trials to pilot test them, but to date, they remain in Draft form. As they stand, most respondents agreed that the Draft Guidelines are helpful, but fall short of meeting the most urgent need, which is a clear framework for developing

a context-specific HCV management plan for a given plantation with a given suite of HCVs. This problem must be addressed.

(iii) Existing plantations: Criteria 5.2 vs. 7.3

According to many assessors and some companies, the current HCV Toolkit does not provide sufficient guidance for HCV assessment in existing plantations. This is because the Toolkit definitions emphasize natural ecosystems in the criteria for most HCVs, but natural areas are rare in existing plantations. Also, the Toolkit does not address how the future potential for an area to support HCV through restoration or succession should be assessed, especially sensitive areas that were destroyed in the past during plantation development. Additional guidance tailored to existing plantations is considered urgently needed.

(iv) Improving capacity among HCV assessors

Companies and auditors note that standards of practice vary widely among RSPO approved assessors, and that effort must be made to deepen their knowledge base and sharpen skill sets to raise capacity overall. Structured training to improve logic of decision making and quality of reporting, will, of course, be key to improve standards, but training efforts should also target companies in order to raise awareness and enable them to judge assessor quality and track progress more effectively. Respondents also recommend development of a binding Code of Conduct for RSPO approved HCV assessors that details expectations for how the HCV process shall be implemented; stakeholders to be consulted; decisions made, mapped and defended regarding the HCVMA; reporting template to be used; and peer review to be required; among other possibilities. Finally, respondents also agree that while standard datasets and geospatial information sources required for HCV assessment are widely available, quality is often poor, and up-to-date forms can be quite difficult to obtain. Efforts to improve data availability either through development of an on-line clearinghouse or data sharing network would improve quality by ensuring minimum standards of data.

(v) Retaining the HCVMA in the plantation

HCV requirements under RSPO Criterion 7.3 are that new plantings may not convert areas deemed necessary for management to maintain one or more HCV. This wording makes clear that RSPO member companies cannot clear HCVMA deemed necessary to maintain HCVs but leaves open the question, to what extent are growers required to retain HCVMA and manage them? This topic has received much attention, since retaining HCV set asides for management has proven difficult from a legal point of view in many places. Most respondents (including growers) agree that HCVMA should be maintained within the plantation and actively managed and monitored. In practice, however, this is very expensive because companies much continue to pay land tax on undeveloped areas, and costs of active management are even higher. If HCV area is too big, for example more than 50% of the original location permit (*Ijin Lokasi*), this cost burden can be too much for most growers to bear, leaving no choice but to opt for excluding the undeveloped HCVMA from the plantation. In such cases, the areas can be relicensed to other companies and cleared for oil palm. The RSPO has commissioned a Working Group to address challenges concerning the legality and cost of retaining HCV set-asides in plantations. The working group is expected to complete its work during early 2012.

(vi) Combining HCV and other processes

One means to strengthen the legal basis for HCVMA set-asides in oil palm would be to combine HCV with legally mandated Environmental Impact Assessments (AMDAL). According to this logic, if (HCVMA) set asides were recommended for conservation in the latter, then this would create a legal basis for retaining HCVMA within the plantation and preventing conversion. This proposal is strongly supported by growers. Others, however, caution that doing so would be difficult in practice and carry significant risk to HCV over the long term. The potential merits of combining HCV with AMDAL are discussed in the report, and deserve further study, subject to a need for preserving the independence and voluntary spirit of HCV as distinct from legal requirements under AMDAL.

Combining HCV with Free Prior and Informed Consent (FPIC) procedures has also received much attention. Discussions of this subject were almost uniformly negative, however, with combining HCV and FPIC seen as unfeasible, unnecessary and potentially counter-productive. FPIC is seen as vitally important, but most respondents agreed that effort would be better spent strengthening and mainstreaming FPIC procedures distinct from HCV.

Potential Solutions

Numerous recommendations for follow up action by the RSPO to overcome these challenges are discussed in the report. A selection includes the following:

- ✓ Convene a multi-stakeholder forum to discuss and agree upon what exactly HCV is supposed to deliver on the ground, vis-a-vis other safeguards within the RSPO standard.
- ✓ Engage with the HCV Resource Network (HCVRN) and HCV Network Indonesia (HCVNI) to facilitate a structured dialogue among assessors to clarify divergent interpretations concerning the role of non-forest habitats (especially agricultural lands) in HCV; this could potentially include a revision of the HCV Toolkit for Indonesia.
- ✓ Commission a working group to develop detailed management and monitoring guidelines for oil palm, potentially treating the Draft Guidelines for HCV management created by HCV-NIWG as a starting point. The goal should be a clear and user-friendly framework to translate HCVA to HCVMA in the oil palm context.
- ✓ Commission a project to develop an addendum to the HCV Toolkit for Indonesia to provide more detailed guidance for HCV identification in existing oil palm plantations.
- ✓ Tighten the screening process for RSPO approved assessor and create a monitoring mechanism to track and make available to the public selections of assessors' work.
- ✓ Augment the RSPO screening process by developing a binding Code of Conduct for RSPO approved HCV assessors that outlines expectations concerning a wide range of professional activities performed during HCV assessment.
- ✓ Institute an immediate requirement for independent peer review by RSPO approved assessors of all HCV assessment reports, summaries of which should be made public, perhaps as part of the NPP.
- ✓ Support efforts to develop a well managed, maintained and updated clearing house for shared common data resources required for HCV assessment
- ✓ Continue efforts to explore means for combining HCV and AMDAL, subject to a need for preserving the independence and voluntary spirit of HCV as distinct from legal requirements under AMDAL.
- ✓ Support efforts to lobby the Indonesian government to allow retention of HCV set-asides within plantations and create tax or other fiscal incentives to reward RSPO member companies who succeed in efforts to manage them.

1 Introduction

1.1 Background

To address growing concern by High Conservation Value (HCV) assessors and oil palm (OP) companies regarding difficulties to interpret and implement the HCV concept in OP plantations in Indonesia, the Roundtable on Sustainable Palm Oil (RSPO) commissioned a study by Daemeter Consulting to identify barriers to effective implementation of HCV and solutions to overcome them. The investigation focuses mainly on HCV assessment in the context of RSPO Criterion 7.3, which provides that “New plantings since November 2005, have not replaced primary forest or any area required to maintain or enhance one or more High Conservation Values”.

The HCV concept was originally developed for application in forests as part of the Forest Stewardship Council (FSC) standard for certified responsible timber production. Today, HCV is used widely outside timber certification as a tool for land-use planning, conservation priority setting and as a provision of numerous agriculture commodity certification schemes. The RSPO adopted HCV in 2005 as a multi-stakeholder planning tool to reduce negative environmental and social impacts of mono-culture oil palm plantation development. Compliance with the HCV criterion of RSPO is a key requirement to achieve certification for sustainable palm oil (CSPO).

The HCV Toolkit for Indonesia was revised in 2008 involving inputs from a wide variety of stakeholders with diverse backgrounds and priorities. The Toolkit defines criteria for HCVs in Indonesia and serves as a reference for their identification in diverse sectors such as logging, fiber plantation forestry, mining and oil palm. The Toolkit does not, however, provide detailed guidance on how HCVs should be managed and monitored. Applied in the oil palm context, where conversion of natural forest might be involved, assessors and companies have found it difficult to implement HCV in Indonesia without more detailed guidance on management. Leading challenges often discussed include:

- Inconsistent application of HCV definitions and goals by different assessors
- Ambiguity on the legal status of HCV set-aside areas within plantations
- Lack of recognition of HCV criteria within Indonesian regulations governing oil palm development, and spatial planning in general
- The limited 3-year time frame of oil palm plantation permits for development make it difficult to comply with HCV requirements fully
- Identifying and managing social and cultural HCVs (HCV 5 and 6), where community aspirations are dynamic and local economies are rapidly changing
- Conflict between local community traditions, especially hunting, and other HCVs
- Poor integration between Environmental Impact Assessment (AMDAL) and HCV

1.2 Purpose of the study

The purpose of this study is to highlight key barriers to effective HCV implementation in oil palm and discuss potential solutions to overcome them. The investigation focuses on HCV assessment in the context new planting, treated under RSPO Criterion 7.3 of the RSPO standard. The geographic focus is on Indonesia, but many of the challenges identified transcend national boundaries and thus will be shared in common with other countries.

1.3 Methods

This study sought to obtain broadest possible inputs from a wide range of RSPO stakeholders through a combination of questionnaire-based inputs, direct in-person interviews, on-line consultations and workshops in Bogor, Indonesia to launch the study and review a draft interim report.

Consultations began with distribution of a questionnaire among attendees of the HCV-Network Indonesia 1st General Assembly in May 2011. The questionnaire sought to elicit inputs for ranking issues according to their perceived importance by allowing respondents to score each issue and the need for solutions. The questionnaire also collected descriptive answers for what each respondent would hope to be clarified in a future potential revision of the HCV Toolkit for Indonesia. A total of 23 respondents returned the questionnaire. Over the weeks that followed, interviews were performed individually or in small groups with a total of 10 HCV assessors from four different affiliations; 10 individuals from two major NGOs; four auditors from three different affiliations; and seven growers from seven different companies. The interviews followed a structured set of questions prepared beforehand and reviewed in order. (The list of interview questions is provided in Annex 1.)

An interim summary report was prepared and distributed for review among stakeholders experienced in HCV and oil palm to obtain input either (a) during one-day meeting held for this purpose on Monday, 4 July 2011, or (b) in writing. Public consultation on the draft report ran from 27 June to 21 July 2011 and was announced in the home page of Daemeter's website (www.daemeter.org) and the HCV Resource Network website (www.hcvnetwork.org) during the period; the interim report was also made available for download from these sites. Invitation to the one-day workshop on 4 July was sent to 40 individuals and e-mail blast invitation for online submission of inputs was performed three times during the consultation period. The workshop on 4 July was attended by 13 people from NGOs (3), producer (3), certification body (1), HCV assessor (4) and other groups (2). The online comment portal drew comments from auditors (1), sustainability managers for OP (1), NGO observers (2) and from other groups (1). This draft final report submitted to the RSPO for review incorporates inputs obtained during these consultations, highlighting key points on which opinion was divided.

1.4 Anticipated outputs

Anticipated outputs from the study include:

- Description of problematic issues for identification and management of HCVs
- Description of challenges in applying HCV definitions and criteria of the Toolkit for Identification of HCV in Indonesia (2008), with focus on OP
Brief review of draft guidelines on "Management and Monitoring of HCV for Sustainable Palm Oil production in Indonesia" prepared by the HCV RSPO Indonesian Working Group, noting consistency with RSPO criteria and the Toolkit (2008)
- Analysis of gaps in the availability of guidance, expertise, training, peer review and other forms of support for HCV assessment
- Recommendation of a suite of potential solutions that could be pursued by the RSPO and other stakeholders to improve HCV applications in OP.

1.5 Report structure

The report is divided into five main parts:

- (i) Introduction
- (ii) Background to HCV and RSPO
- (iii) Findings and analysis
- (iv) Recommendations to the RSPO
- (v) Annexes to the main report

2 Background

2.1 HCV concept

The High Conservation Value Forest (HCVF) concept emerged in 1999 as Principle 9 of the Forest Stewardship Council (FSC) standard for certified well-managed forest. It was designed to help forest managers improve the social and environmental sustainability of wood production through identifying areas inside or near forest management unit with social, cultural, or environmental attributes of exceptional importance and to implement management and monitoring adequate to maintain or enhance these values across the operational area (Consortium for Revision of the HCV Toolkit for Indonesia 2008: 1).

The FSC originally defined four attributes of HCVF in Principle 9 of the FSC standard:

- a) Forest areas containing globally, regionally or nationally significant concentrations of biodiversity values (e.g. endemism, endangered species, refugia); and/or large landscape level forests, contained within, or containing the management unit, where viable populations of most if not all naturally occurring species exist in natural patterns of distribution and abundance
- b) Forest areas that are in or contain rare, threatened or endangered ecosystems
- c) Forest areas that provide basic services of nature in critical situations (e.g. watershed protection, erosion control)
- d) Forest areas fundamental to meeting basic needs of local communities (e.g. subsistence, health) and/or critical to local communities' traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in cooperation with such local communities).
(FSC 2002: 11)

In response to calls for assistance to implement Principle 9, in 2003 the UK-based consultancy Proforest was commissioned to develop practical guidance for implementing HCV in forestry, called "High Conservation Value Forest: A Global Toolkit". The resulting document, known today as the "Global Toolkit", was designed in a generic fashion for application globally. It recommended 'downstream' creation of national interpretations or Toolkits for country-specific use. A national interpretation process for Indonesia was then organized by Rainforest Alliance and Proforest in that same year, resulting in a draft HCVF Toolkit for Indonesia published in August 2003.

2.2 Development of HCV

The HCV concept rapidly gained popularity over the ensuing decade. It has grown from a tool designed to improve the sustainability of wood production into a concept with far reaching implications for society. HCV is used by private companies as a benchmark for implementing Best Practice to managing social and environmental concerns; by governments and advocacy groups to integrate conservation priorities in spatial planning; by progressive lenders to screen loans that promote environmental destruction or social dislocation; and of course expanding agricultural commodity certification schemes covering not only palm oil, but also soy and a range of biofuel feedstocks.

To accommodate rapidly growing application of HCV outside FSC in Indonesia, in late 2006 a consortium of HCV users in Indonesia set out to revise and update the Toolkit through a

public and multi-stakeholder process. Major goals of the update were to provide a Toolkit suitable for application in different sectors, to describe the HCV assessment process in greater detail to support the broadest possible range of users, and to make available supporting geospatial and other data in the form of Digital Appendices published together with the Toolkit. At the time, a consensus decision was made to limit scope of the revised Toolkit to identification and delineation of HCV areas only - i.e. not include detailed HCV management and monitoring requirements - since the nature and impact of operations, as well as scope for managing them, differs so widely among sectors. It was envisaged, and detailed in the revised Toolkit, that individual, sector-specific detailed guidelines for HCV management and monitoring would be created to detail management and monitoring requirement for different sectors, including traditional forestry (logging), oil palm and wood fiber plantations (The Consortium for Revision of the HCV Toolkit for Indonesia 2008: 1-5). To date, however, no such guidance documents have been produced, a point discussed in greater detail below.

2.3 Adaptation of HCV for RSPO

Inclusion of HCV in the RSPO standard traces back to preparations for the first roundtable in 2003, held in Kuala Lumpur in August 2003. A document entitled 'Discussion Paper for the Round Table on Sustainable Palm Oil', prepared by Proforest, served as the basis for discussion by the Roundtable Working Group in preparation for the meeting, and later formed the basis of a keynote presentation at the first Roundtable focusing on environmental and social aspects of sustainability in oil palm. The HCVF concept was introduced at this time as one potential framework for assessing the significance of a given area in terms of the biodiversity it supports, the ecosystem services it provides, and importance to local people (Proforest 2003: 16).

The focus of HCV on values of exceptional importance, rather than definitions of *forest* or *deforestation* per se, carried appeal as a means to move forward constructively to define social and environmental safeguards within the broader context of RSPOs emerging certification framework. The participative approach for defining HCV thresholds and management requirements through development of a National Interpretation or Toolkit for each producer country also carried appeal for its consistency with RSPOs commitment to promoting transparency and stakeholder involvement in developing principles for certified sustainable palm oil. Within the 'Draft criteria for Sustainable Palm Oil' dated 29 October 2004, pre-circulated among the Criteria Working Group members in RSPO, the HCV concept was included as a provision to protect 'forest' from conversion to oil palm plantation, with explicit reference to HCVF and its origins within the FSC standard. A year later in November 2005, the Draft RSPO P&C were endorsed by its members for a two-year trial period, including a provision under Principle 7 (New Plantings) that stipulated HCVF areas may not be converted for new plantations (RSPO 2004; RSPO 2005). Notably, the HCV provision was not included in Principle 5 at this time (see below).

Over the next two years (Nov 2005-2007), the RSPO standard was revised on the basis of field trials and other multi-stakeholder inputs. In November 2007 at RT5, the revised RSPO standard was endorsed, defining the RSPO P&C for sustainable palm oil that remain in force today. Under the standard, HCV is included in Criterion 5.2 on existing plantations and Criterion 7.3 on new planting. The criteria state:

Criterion 5.2

"The status of rare, threatened or endangered species and high conservation value habitats, if any, that exist in the plantation or that could be affected by plantation or mill management, shall be identified and their conservation taken into account in management plans and operations."

(RSPO 2007: 22)

Criterion 7.3

“New plantings since November 2005, have not replaced primary forest or any area required to maintain or enhance one or more High Conservation Values.”

(RSPO 2007: 40)

In Indonesia, the RSPO P&C came into full effect in early 2008, when the Indonesian National Interpretation of the global RSPO P&C was approved by the RSPO Executive Board (RSPO INA-NIWG 2008). Since this time, the HCV concept has been applied with vigor for in the oil palm, with at least 50 (and possibly more) HCV assessments performed by RSPO member producers.

To support efforts to improve quality and rigor of HCV assessments in oil palm, in 2010 the RSPO set up an approval process for HCV assessors, to ensure a minimum standard for qualifications. The HCV Resource Network (www.hcvnetwork.org) provided guidance to the RSPO for setting criteria and preferred qualifications of approved assessors. Requirements are summarized in a checklist format for interested parties to apply, and a list of approved assessors is available online (see www.rspo.org).

2.4 HCV and its application in oil palm

HCV assessment is carried out as a three step process: (i) To identify areas where high conservation values are present, (ii) Evaluate threats to these values, including threats originating from the proposed operations, and (iii) implement a system of management and monitoring to ensure HCVs are maintained or enhanced. A fundamental principle of the HCV concept is that areas found to support HCVs are not immediately designated no-go protection zones where development of any kind is forbidden. Rather, the HCV concept requires that if development occurs, then it must be in a manner that ensures HCVs present are maintained (The Consortium for Revision of the HCV Toolkit for Indonesia 2008: 1). In conversion settings such as oil palm, in practice many areas found to support HCVs will require the set aside and management of no-go areas, but this is determined on a case-by-case basis driven by local circumstances, presence of the HCV in the wider landscape and threats. In some cases, the HCV areas might be recommended as “Go With Caution” zones, where development is permitted, but only with strict application of modified operational procedures to mitigate impacts.

This distinctive feature of HCV is reflected in the wording of Criterion 7.3 of RSPO (2007: 40), which requires: *‘New plantings since November 2005, have not replaced primary forest or any area required to maintain or enhance one or more High Conservation Values’*

This means areas delineated as the HCV Management Area (HCVMA), where management must be implemented to maintain the value, must be treated with special care. The HCVMA may be larger or smaller than the High Conservation Value Area (HCVA) where the value is found, again depending on the HCV, its spatial extent and configuration, and specific threats. As noted above, the Indonesian HCV Toolkit (2008) provides clear guidance to identify HCVs and delineate the HCVA, but not the HCVMA required to maintain it. As a result, HCV assessors have relied largely on their own judgment to delineate required HCVMA and describe required management actions to maintain HCVs

identified.¹ Much is at stake in the translation of HCVA to HCVMA for oil palm, where non-HCVMA areas might be converted. Credibility therefore requires that procedures be well documented with data and logic to support and defend decisions. At present, this is not the case for all assessments. It is widely believed that lack of formal guidance on HCV management causes unnecessary complications, disagreement and generally sub-optimal outcomes overall. It is a common theme of this report.

¹ In some cases, the absence of guidance has even lead some assessors only identified HCV area and provide general management prescriptions, leaving details of management to be decided by the company.

3 Findings and analysis

In Section 3 we present the main findings of the study, noting challenges HCV in RSPO and potential solutions to overcome them. We discuss 13 topics grouped under five main subject areas, summarized in Table 1.

Table 1. Summary of topics addressed in Section 3.

Subject Area	Sub-topic
HCV Interpretation	Adapting HCV concept to oil palm
	Non-natural forest areas - should they be included?
	HCV Identification, Management and Monitoring
HCV Toolkit and Management & Monitoring Guidelines	Weakness of the HCV Identification Toolkit (2008)
	Guideline of HCV Management and Monitoring produced by HCV-RIWG
HCV Assessment and Assessor	Quality and quantity of assessor
	Time spent for assessment
	Cost of HCV assessment
	Datasets
HCV Management	HCV Set aside
	Community dynamics and HCV 5&6
	Conflict between HCVs
	State regulation to accommodate HCV
Combining HCV with other processes	Combining HCV with AMDAL
	Combining HCV with FPIC

3.1 HCV Interpretation

3.1.1 Adapting HCV to oil palm: General observations

HCV in forestry vs oil palm

The main difference between application of HCV in forestry where the concept originated and OP is that the latter involves conversion of forest and other land cover types to monoculture plantation, causing radical ecosystem change. In selective logging where conversion will not take place, there is less urgency to know exactly where HCVs occur and how much natural habitat will be required to maintain them, since the forest will remain forest. But in OP, mapping the distribution of HCVs and figuring out how much area is required is a primary task of HCV assessors, since areas delineated as non-essential for management will likely be cleared. This task is further complicated by the fact that (i) OP plantations are far less effective at providing habitat connectivity than forest, thus

necessitating delineation and protection of corridors for biodiversity HCVs, and (ii) off-site impacts of plantations (e.g. hydrology) can impact ecosystems outside the plantation boundaries that may impact HCVs in the broader landscape.

Challenges of spatial scale

Another factor that complicates HCV in OP compared to forestry is that individual OP licenses in Indonesia are much smaller (<20,000 ha in Indonesia) than forestry licenses (100,000 ha or more). Consequently, in OP it is common that HCV areas extend beyond borders of one location permit into that of a neighboring company who may or may not be a RSPO member committed to managing HCVs.

In this context, many respondents argue that HCV management should be coordinated between neighboring plantations and (where necessary) with other parties such as government to overcome challenges related to cross-boundary issues of HCV. What can be done to promote collaborative management between companies? This is not easy, since there is no tradition of companies working together, especially not for conservation goals? If the RSPO could support mapping projects for 'large scale' HCVs identified within member estates, this could help to encourage engaging a collaborative management of those HCVs.

Focus on 'values' versus 'forest' in HCV

HCV application in OP is also complicated by a general trend in HCV application globally (including FSC), which has seen elimination of the word 'forest' and thus the 'F' from the original formulation of the HCV concept for defining HCVF. Losing the word 'forest' has shifted the main focus from the forest area supporting the value to the value itself, changing the main goal of protecting forest with HCVs into protecting persistence of the value within a specified area. This has opened the door for widely divergent interpretations among assessors. For example, some assessors interpret the focus on values (not forest) to mean that locally managed agricultural areas should be considered HCV given their importance to livelihoods, whereas others restrict HCV identification mainly to ecosystems that are natural. A position statement regarding the value of secondary (logged) forest issued by RSPO in 2011 as follow up to resolution 6H from the 7th General Assembly² is seen by some to further widen differences of interpretation between HCV as applied within RSPO and the original concept in FSC. Some respondents disagree with this point of view, however, noting that even FSC itself has changed its definition of HCVF, opening the possibility for HCV to be present in a non-forest (including 'non-natural' ?) ecosystems as shown in its latest draft of HCV guidance documents.

HCV in new versus existing plantations

Some respondents commented that the HCV concept is appropriate for application in OP only for new plantings described under Criterion 7.3 (i.e. not existing plantations). Adapting a tool meant for (semi-) natural ecosystems or habitats to be applied in a man-made plantation environment is challenging, to say the least, without well developed, explicit guidance, developed and refined via extensive field testing. However, other comment that, while the above is true, application of HCV in OP may still be useful for mitigating the impact of existing OP operations on remnant ecosystems either on-site or

² [Insert url](#)

off-site. To do so, however, requires simplifying or streamlining HCV for use in existing plantations, something which requires ‘downgrading’ from an ‘ideal’ concept to a ‘practical’ form of HCV.

Socio-political milieu of HCV in oil palm in Indonesia

The RSPO Criterion 7.3 requires OP producers to maintain ‘no-go areas’ for HCV. This objective is straightforward in principle, but complex in practice, because conversion to oil palm is at stake. This has placed unfair burden on HCV to resolve too many social and conservation problems in OP, many of which require legal reform and state recognition of indigenous rights to resolve them. Strictly speaking, dimensions of these and many other issues are outside the scope of HCV. This tendency to ‘overburden’ HCV as a safeguard to hedge against undesired outcomes has made HCV increasingly difficult to implement in oil palm in Indonesia.

Potential Solutions

Potential solutions to most of the points raised above are addressed in greater detail below. Meanwhile, to address some of the underlying cross-cutting issues concerning basic definitions and aims of HCV in RSPO, respondents agreed there is an urgent need to convene a well managed multi-stakeholder forum (possibly the BHCV WG) to discuss and agree upon answers to the elementary question:

What, at a minimum, do we expect HCV can deliver in oil palm settings, and what social or environmental dimensions of sustainability are better addressed by other safeguards within the RSPO standard, such as better enforcement of legal requirements, promotion of Best Management Practices and the RSPO New Plantings Procedure.

In this context, another respondent stressed the need for a parallel dialogue concerning thresholds for HCV that address the flip side, namely: What attributes do we consider low conservation value that should not be granted special management status under HCV criteria of RSPO?

Finally, related to such ‘high level’ discussions regarding apparent disagreement about basic aims of HCV in oil palm, respondents also emphasized the need for greater specification in the HCV Toolkit regarding limits of the concept. Some respondents observed that while the Toolkit is quite clear on its scope for many HCVs (e.g. natural ecosystems under HCV 5), in practice the Toolkit is interpreted more broadly to cover many other things. Greater specification is needed, perhaps as part of an “Oil Palm” addendum to the current Toolkit.

3.1.2 Non-natural forest areas - should they be included?

As noted above, one major consequence of shifting focus of HCV from forest to values (i.e. dropping the ‘F’ from HCVF) is that it allows for different interpretation among assessors regarding whether or not non-natural forest areas should be considered for identification and/or management of HCV. Some respondents argue that (in theory) any type of area should be considered HCV as long as it contains values defined as HCV, hence non-natural forest such as kebun karet (rubber gardens) or ladang (fallow swidden fields) could be considered HCV given their importance to meeting basic needs. While others argue that the Indonesian Toolkit (2008) makes clear that while kebun karet or ladang are clearly important for livelihoods, they are not HCV areas, because (a) they are already managed

by people, so it is unfair (and inappropriate) to say this should become a company responsibility, and (b) they are not natural ecosystems. According to this reasoning, since such land is currently managed by communities, it is the right of community members to continue managing the area and decide what they want to do with it, irrespective of company desires within the context of HCV and RSPO.

Almost without exception, respondents agree that the question of whether or not (and how) to incorporate non-natural land use types within HCV is an urgent issue that requires broader consensus among HCV assessors, and, to this end, clarity from the RSPO. One or more workshops must be convened immediately to achieve this. One concrete proposal to accommodate different viewpoints is that non-natural land cover types (e.g. rubber gardens) are not considered HCV for purposes of HCV identification and delineation of HCVA, but could be included in delineation of management areas (HCVMA) and recommendations, subject to community participation and support, if they are deemed necessary for management to maintain a value (e.g. to provide habitat connectivity under HCV 1). This complex issue requires in depth discussion among practitioners and RSPO technical representatives.

3.1.3 HCV Identification, Management and Monitoring

HCV in existing plantations (Criterion 5.2)

As noted above, divergent interpretations about the role of natural forest versus managed (non-forest) areas in HCV has lead assessors to approach HCV identification in oil palm very differently. This is clearly evident in HCV assessment of existing plantations, required under Criterion 5.2 of RSPO. In this context, assessors who place emphasis on the identification of values per se (i.e. the HCV) distinct from the ‘forest’ or ‘natural ecosystems’ where they might be found consider the revised Toolkit for Indonesia (2008) too restrictive to provide useful guidance in existing plantations, because the Toolkit emphasizes ‘natural ecosystem’ in its criteria for most (though not all) HCVs. Such areas are rarely found in existing oil palm plantations, even though other HCVs as defined in the Toolkit might still be present (e.g. peat lands, IUCN listed species, or cultural sites).

Another challenge for HCV assessment in existing plantations identified during this study is the question of whether consideration must be given to the *future potential* for an area to support HCV, especially if it had been destroyed in the past when cleared for plantation. In some cases, if there is potential for an area to be restored, then it would be appropriate for the area to be delineated as “future potential HCV” during identification, in order for this to be flagged for future action when the plantation is replanted. Many respondents agree with the above in principle, but cautioned that (i) there must be clear limits to how we infer ‘future potential conservation value’, and (ii) in some cases rehabilitation efforts may cause even greater short term damage to the ecosystem than existing operations, especially in riparian buffer zones. This latter point especially is of concern to growers, because some assessors (and auditors) recommend immediate restoration of damaged riparian buffers currently planted to oil palm, even though under Criterion 4.4 the RSPO requires restoration *either before or during replanting* (presumably depending on local conditions and other factors to be considered). Growers and some practitioners emphasized it is critical for auditors to have sufficient competence to judge whether the long term management plan for restoration is consistent with RSPO

requirements given the reality of local social and ecological conditions, including trade-offs between short term impacts and long term benefits of restoration.

Potential solutions for assisting with Criterion 5.2

To address these challenges, it is recommended that the RSPO commission an effort to draft RSPO endorsed HCV identification and management guidance for existing oil palm plantations. The goal is not to define HCVs differently from the Indonesian Toolkit (2008), but to provide guidance for how to identify them in plantation environments and what to recommend for their management (e.g. riparian buffers, water management for peatlands, application of chemicals to reduce run-off into rivers used by communities, buffer zones for remnant fragments, and collaborative management for protecting cultural sites, among many others).

It is also recommended that RSPO commission production of a technical guidance manual for rehabilitation of HCV areas, where deemed necessary, to ensure efforts are effective in the long term and do not cause not excessive damage to local ecosystems in the short term. Such guidance is considered necessary not only for rehabilitation of riparian buffers, but also wildlife corridors and damaged cultural sites, where needed.

HCV in new plantations (Criterion 7.3)

Concerning guidance for HCV identification and management in the context of new plantations (Criterion 7.3), most participants agree that:

- (a) HCV identification should be the same for all sectors where it is applied, because HCV thresholds are defined nationally during Toolkit development, and there's no reason these should differ across sectors; and
- (b) HCV management and monitoring requirements, however, should be tailored to each sector, since operational impacts and size of license areas are different for each sector.

As noted above, the current Indonesian Toolkit (2008) was developed for identification purposes only, with an expectation that sector specific guidelines for management and monitoring would be developed through a coordinated multi-stakeholder process, tailored to oil palm, logging, plantation forestry and mining. To date, however, ***no detailed guidance for HCV management and monitoring*** for oil palm has been produced.

As a result, each time an assessment is done, assessors must 'create their own management principles' during the identification stage, and this leads to differences among assessors in recommended management for the same HCVs. This is problematic. For an RSPO member grower, the most important output from HCV assessment is delineation of go and no-go areas (i.e. the HCVMA that must be retained), but at present this is defined subjectively by assessors without reference to accepted guidelines. This means minimum requirements for management of an HCVA are not defined, a fact that exacerbates confusion more broadly among stakeholders concerning the difference between delineating the area supporting a value (HCVA), and the areas required for management to maintain it (HCVMA).

Potential solutions for assisting with Criterion 7.3

Three things are needed to overcome these challenges: (1) Clarification among assessors and companies on the conceptual difference between HCVA and HCVMA; (2) Development of standard principles for making credible decisions to translate the HCVA to HCVMA in the oil palm context, including specific management activities for supporting the HCVMA; and (3) Further review and socialization of the "Guidelines for HCV management and monitoring in oil palm" that were produced by the HCV-RIWG in 2010 to ascertain how far this document goes to meet needs outlined above, and to what extent it enjoys broad stakeholder support.

3.2 HCV Toolkit and Management & Monitoring Guidelines

3.2.1 Weakness of the HCV Identification Toolkit (2008)

Respondents drew attention to several issues of concern related to applying the current Toolkit for HCV Identification in Indonesia (2008) in the oil palm context. At a high level, it was noted that the Toolkit's greatest weakness is that it is developed for identification only, whereas detailed guidance is badly needed for HCV management and monitoring in oil palm. More specific weakness of the Toolkit highlighted during consultations include:

- More guidance is needed for HCV in existing plantations (Criterion 5.2), since the current Toolkit is focused mainly on natural ecosystems (Criterion 7.3);
- The definition of peat land (relevant to HCV 3 & 4) is not sufficiently clear, leaves room for disagreement among assessors and between assessors and companies, especially in relation to required management;
- The Toolkit is too heavy in biodiversity, more guidance is needed for HCV 6 identification, specifically grave sites;
- The Toolkit places significant emphasis on the use of secondary and other forms of spatial data for preparation, and this has been misinterpreted by some to mean that primary data collection in the field is of lesser importance; the importance of field data to ground check GIS and remote sensing analysis needs to be clarified;
- More guidance is needed on landscape dimensions of HCV, including how are they mapped and managed, especially when they extend beyond plantation borders.
- There is a partial contradiction between (a) the requirement for disclosure during public consultation and peer review and (b) non-disclosure agreement between the consultant and company. How much can assessors disclose and to whom?
- Some argue that the riparian buffer zone criteria in the Toolkit are different from national regulation in Indonesia, and allowing companies and assessors to set an "ideal size" as a function of river width is open to interpretation.

Potential solutions

Many respondents argue that to address these weaknesses, a revision of the current Toolkit should be performed. This could take the form of either an overall revision or, in the short term, production of supplementary documents tailored to oil palm to provide detailed guidance on definitions for identification (where needed) and especially HCV management decisions within both existing (discussed above) and new oil palm plantations. A subsequent round of revision is considered justified because the Toolkit is now three years old, and circumstances have changed considerably, including significant gains of 'learning by doing' through experience of applying HCV in oil palm .

3.2.2 Guideline of HCV Management and Monitoring produced by HCV-RIWG

During 2009 and 2010, the RSPO membership in Indonesia convened a working group to develop detailed guidelines for HCV management and monitoring within oil palm plantations. This group was named the RSPO HCV-NIWG (HCV National Interpretation Working Group). The guidelines developed by HCV-NIWG make formal reference to the HCV Toolkit for Indonesia (2008) as its framework for HCV identification, and thus are designed to “pick up” where the Toolkit left off, i.e. at the point of HCV identification.

The draft guidelines developed by the HCV-NIWG were completed during 2010 and have undergone a series of field trials to pilot test the guidelines in order to revise and refine them. To date, the guidelines remain in a Draft form and available for download via the RSPO website.

Respondents found it difficult to provide detailed commentary on the Draft Guidelines since, in general, they are not widely known outside the circle of individuals and organizations directly involved in their development.³ Also, their status has been ‘pending’ for a very long time, creating an impression among some respondents that the guidelines might have been abandoned or undergoing significant revision as a result of field trials.

Respondents familiar with the guidelines provided the following comments:

Some consider it quite useful and applicable in the oil palm context, since it makes clear what an auditor will be looking for during a certification audit. In contrast, others consider it too technical and detailed, leaving no room for interpretation to tailor management recommendations to local conditions in the field. Most respondents agreed however that it falls short of meeting the most urgent needs, which is a clear framework for developing a context-specific HCV management plan for a given plantation with a given suite of HCVs.

As a supplement to comments provided by respondents, the authors of this report also conducted a short review of the Draft Guidelines. The full report is included in Annex 3. The report highlights four issues: (i) Overall consistency of the Guidelines with the HCV Toolkit, (ii) Consistency in use of HCV Definitions, (iii) clarity of HCV Management objectives, and (iv) to what extent the Guidelines help companies to manage HCV’s with greater assurance of meeting the goal to maintain them. In general the Draft Guidelines were found to be consistent with the Toolkit including definitions for HCVs and management objectives, with a few exceptions that can be easily corrected. The Guidelines require more detailed work in relation to management, however, to serve as a reference document for plantation managers (or assessors) to develop a management plan that would ensure maintenance of the HCVs deemed present. This, admittedly, is a very difficult task for a written document, but effort must be made to improve the Guidelines in this regard.

Potential solutions

Recommendations concerning the Draft Guidelines focus primarily on the need for (1) prompt revision of the current draft taking into consideration results of field testing, (2) cross referencing biodiversity elements of the Draft Guidelines with the recently released draft version “Practical Handbook on conserving HCV species and habitats in oil palm landscapes” developed by Zoological Society of London (ZSL) to ensure consistency between documents where possible and appropriate, (3) peer review of the revised Draft Guidelines by the Technical Panel of the HCV Resource Network, once revisions of the current version are complete, and (4) followed by careful review by the BHCVWG

³ It should be emphasized, this is not because the document has not been placed in the public domain; it has been available for download at the RSPO website for many months.

(Biodiversity and High Conservation Value Working Group) convened by the RSPO in early 2011 to ensure the revised Guidelines remain consistent with Toolkit definitions and recommend management actions that are both practical in the oil palm setting and have a reasonable chance of meeting the objective to maintain or enhance HCVs. Ideally, a revised form of the Draft Guidelines would serve the much-needed function of providing stakeholder endorsed, sector specific management and monitoring guidelines for HCV in oil palm, as envisaged in 2008 when the Toolkit for HCV identification was completed (see above discussion). Toward this end, it was recommended that once a revised document is completed and endorsed by the BHCVWG, the document should be circulated through a series of one-day workshops held in Jakarta and major oil palm producing regions of Indonesia to ensure broadest possible uptake (e.g. Riau, North Sumatra, Jambi, and West and Central Kalimantan among others).

3.3 HCV Assessment and Assessors

3.3.1 Quality and quantity of assessor

Company viewpoints on needs for improvement

During consultations, examples of company dissatisfaction with HCV assessors were numerous and diverse. A selection is highlighted here.

(i) The occurrence of divergent interpretations of HCV among assessors has been emphasized already as a source of frustration for companies. Variation among assessors concerns not only interpretation of HCV definitions themselves (e.g. inclusion of natural vs non-natural areas in the delineation of HCVA), but also divergent interpretations of the same primary and secondary data as well as management actions that are required to maintain a given HCV. This is because levels of understanding, reliance on data as opposed to doctrine, and application of science varies among assessors. For companies, what happens when peer reviewers of a report have very different ideas of how data in a report should be interpreted? What happens when the peer review says the assessment is invalid? The company itself has insufficient knowledge and experience to judge an assessor's capacity or quality of work until an assessment is completed; should they be penalized for a bad choice of assessor?

(ii) Some companies report experiences where assessors do very limited amounts of primary data collection in the field, limited (if any) ground checking of secondary data for accuracy, and poorly defended interpretation of the primary data collected from the field. Some cases were found where a consultant copy pasted large parts of an HCV report from another company.

(iii) Some companies also reported negative experiences with HCV assessors on site, including unwillingness of assessors to coordinate with company staff regarding logistics, a tendency to come and go for no clear reason, and unwillingness to do awareness raising or other outreach with company staff regarding goals and background for HCV assessment, even though awareness raising among staff is a required part of RSPO.

Auditor viewpoints on needs for improvement

From auditor viewpoints, one leading deficiency in HCV assessment and reports concerns the public consultation process. On the whole, consultations include local communities and government participants, but appear not to include qualified NGOs, university researchers or other outside experts that could potentially comment on the content and interpretation of reported findings. In such cases, public consultation process does not fulfill one of its intended purposes, namely screening and improving the rigor and logic of assessments before they are finalized by assessors. Attendees and the issues raised during consultations frequently are not presented in reports, making it impossible to judge what information was obtained and how the input was incorporated in revisions. Auditors also reported cases where representation of community viewpoints during public consultation was biased. For example, there have been cases where people with legitimate concerns were not invited to attend. This is inconsistent with the spirit of HCV and the RSPO. It not only erodes credibility in the HCV tool in general, but also can lead to conflict when plantation development moves forward on the basis of HCV recommendations that, some parties feel, did not accommodate their concerns. This situation is more likely to occur when companies are responsible for organizing the public consultation, and company officials aim to simplify the process by not inviting people who may cause dispute. Organizing the invitation list and drafting invitation letters should, therefore, be the responsibility of the assessment team.

Another concern raised by auditors is evidence that some assessors rely too much on secondary data that is inadequately verified. In one extreme case reported by an auditor, such reliance was so extreme that no primary data was collected at all; the assessment of HCV 1-4 was completed on the basis of maps and information obtained from other sources. This is considered unacceptable. Secondary data (especially geospatial data) serves the valuable purpose of helping teams to define the landscape context, assess potential HCVs present and thus prepare for field surveys. But they are a means to inform methods of primary data collection to ensure the efficiency and effectiveness; rarely are they an end in their own right. Correcting misperceptions among assessors about proper use of secondary data in HCV assessment is considered crucial to improve HCV assessment.

Expanding capacity versus number of assessors

Respondents agree that, in Indonesia, the current pool of qualified assessors needs to be expanded to meet rising demand for high quality assessments in oil palm. However, respondents warn that 'growing the pool of qualified assessors' does not necessarily mean increasing the numbers of assessors recognized by RSPO, but rather taking concrete steps to strengthen skills and increase commitment to Best Practice by current RSPO approved assessors. In this way, efforts to build capacity should be done very carefully to ensure that raising assessor quality is equal priority to raising assessor quantity. Respondents recommend developing training programs to deepen skill sets, increase rigor and improve reporting practices of existing RSPO approved assessors to bring skill levels in line with expectations to meet future needs.

External peer review of HCV reports

Peer review is seen as an effective means to improve quality of assessment work and promote greater uniformity among assessors in relation to application of concepts, definitions, decision-making, mapping and reporting. Currently the RSPO does not require third party peer review for HCV assessment, even though it has become an accepted part of Best Practice. Peer review should be required.

RSPO recognized assessors

The screening process for becoming an RSPO approved assessor is considered a positive step forward, but it is inadequate to ensure minimum standards of quality among assessors, and therefore must be made more strict, especially for Team Leaders. Also, in the future it is recommended RSPO require HCV assessments for RPSO certification to use an approved Team Leader, and for the Team Leader to be responsible for quality of data and defense of decisions made by his or her team. Once the Team Leader signs off on the report, any questions raised by auditors or other concerned stakeholders, especially in connection with stakeholder consultation, must be the responsibility of the Team Leader to address, even if the assessment report is final and the contract supporting it has been closed. Further to this, it is recommended that activity of RSPO recognized assessors be tracked and made public, including a list assessment reports, role of the assessor in each assessment, and reference to satisfaction level of past clients and, where possible, outside stakeholders involved. A binding and strictly enforced professional Code of Conduct for RSPO approved HCV assessors should be developed, and infractions of the Code should carry risk of suspension or expulsion as an approved assessor.

Resolving disputes and disagreement

Disagreement on HCV findings and recommendations, especially between assessors and companies on the one hand and outside stakeholders on the other hand, sometimes results from different parties using different datasets. This applies especially to forest cover and ecosystem maps, especially peatlands. Shared common database made available for assessors and the public may help to resolve some of these disagreements by eliminating the risk that different parties are using different datasets. This would, at least, ensure that differences of opinion reflect difference of interpretation.

Related to the above, one peculiar feature of HCV is that while origins of the concept are clearly tied to FSC, it is not directly managed by a single institution with authority to police proper use of the tool or adjudicate cases of misuse, abuse or dispute. The HCV Resource Network plays an important role in this regard, through peer review, production of guidance documents and training, but the Network does not have authority or an established mechanism to resolve disagreements. The RSPO dispute resolution panel could play a role here, but ideally disagreements over technical or procedural aspects of HCV assessment should be resolved at a local level rather than being elevated to the RSPO grievance panel. Some respondents therefore urged that RSPO support development of an expert ad hoc panel in Indonesia to resolve disagreement between assessors, companies and auditors or other third parties, especially concerning questions of interpretation, where objective independent advice might be required.

Increasing capacity of companies

Another 'enabling factor' contributing to problems of capacity among assessors is that levels of understanding about HCV among companies remains low. This means they do not know what to expect or demand of HCV assessors, and this creates possibility for poor quality assessments to go undetected, even by the companies that commission and pay for

them. Training to increase capacity of assessors should also target companies so that too can push for improvement and higher standards among consultants they hire. Training conducted in Indonesia for companies operating in Indonesia should also be done in Bahasa Indonesia to ensure effective communication of material.

Potential solutions

1. To support efforts for improving capacity of HCV assessors the following potential solutions were recommended during consultations:
2. The RSPO should clarify the role of public consultation in the HCV assessment process and specify in greater detail how results of the consultation must be documented and included within the final HCV report.
3. The RSPO should require independent peer review of HCV assessment reports by RSPO approved HCV assessors, and a summary of the peer review report should be made public domain, ideally as part of the New Plantings Procedure.
4. The RSPO should support steps to enlarge the pool of quality HCV assessors, first by deepening capacity of existing assessors, and second by increasing their numbers.
5. The process for evaluating assessors for approval under RSPO must be made more strict, especially for Team Leaders, who should bear ultimate responsibility for quality of the assessment report. As part of the approval process, it is also recommended that activity of approved assessors be tracked and made available to the public, including a list assessment reports, role of the assessor in each report, and any document complaints.
6. A binding and strictly enforced professional Code of Conduct for RSPO approved HCV assessors should be developed. Approved assessors must be required to sign the Code and adhere to it, with proven infractions carrying risk of suspension or termination as an approved assessor.
7. Conduct structured training programs for RSPO approved HCV assessors and RSPO member producers. Training must deliver a basic understanding of the HCV concept and assessment process, techniques of data collection, methods of analysis to support decision-making about identification and management, and requirements for reporting. Content of materials and structure of training will differ between companies and assessors, with training for the latter focused on practical application, not theory. For assessors, the proper role of secondary data should be clarified and the need for primary data collection tailored to make HCV identification and management decisions should be emphasized. Training conducted in Indonesia should be done in Bahasa Indonesia to ensure effective communication of material.

3.3.2 Time required for HCV assessment

The typical timeframe for completing HCV assessment seems to be from three to five months. However, in some cases, companies report HCV assessment has taken up to two years to complete. Respondents report that time required for HCV assessment is determined by several factors, but three main issues were highlighted:

- a) Commitment from the company. A HCV assessment cannot be performed well without company assistance and commitment to quality and genuine stakeholder engagement. Company commitment is required to schedule meetings, organize supporting logistics, raise awareness among communities that an assessment will happen and what it means, organizing and supporting public consultation, providing timely and detailed feedback on the report, and making payments on time to consultants.

- b) **Report writing.** Putting together a report from data gathered by an assessment team can be a challenging task given that not all team members have the same ability to reason and to communicate in writing. Companies and auditors report that some reports are far too lengthy, with too much irrelevant background making it hard to understand the main point. Also, reports from different team members often do not have the same format. Even some team members find it challenging to organize their finding into a report. All this combines to increase the time required to put together the first complete draft of the HCV assessment report and to revise it once feedback from the company is provided.
- c) **Discussion of the HCV delineation between assessor and company.** Some interviewees describe a long and drawn out process whereby the assessor and company have negotiations for determining final delineation of HCV management areas. Other assessors say that they never do this because it is the job of assessor to make independent recommendations that are adequate to maintain HCVs and practical within a plantation setting. In the latter case, assessors rely on input from companies to understand operational challenges, but not negotiation *per se* of what a company will accept for management. In some cases, this ‘negotiation’ happens due, in part, to the lack of an agreed upon guidance document for management and monitoring which should serve as the shared common basis for delineating HCVMA.

Potential solutions

Proposed solutions recommended during this study to expedite and improve quality of HCV assessment include:

1. The RSPO should create a standardized reporting template outlining minimum required report elements, supplemented with guidance on how to use it.
2. The RSPO should set a recommended timeframe for when HCV assessment should be initiated and how long it should take to complete specified steps. This would function not necessarily as a requirement, but rather as a target for promoting efficient completion of work. Suggested normal timeframe for completion of full HCV assessment is within 3-5 months.
3. For low risk assessments,⁴ develop a systematic procedure by which companies are allowed to prepare a draft HCV report on their own, which is then subject to formal peer review by at least one RSPO recognized HCV consultant and includes (where deemed necessary) a brief site visit to verify ground conditions. An HCV pre-assessment is also known to reduce time and cost for HCV full assessment.
4. Formalizing a list of basic data required for HCV assessment might help companies to prepare for HCV assessment before engaging a consultant.
5. A physical meeting between the assessors and company is strongly recommended to finalize report and ensure main messages are well understood by operational management; it is far more effective than email correspondence.

3.3.3 Cost of HCV assessment

According to companies and HCV assessors, reported cost for full HCV assessment ranges from \$US 1-4 USD per hectare. Generally, this is considered affordable for large companies, but expensive for smaller ones. Respondents agree that such cost could be reduced by making available a wide array of high quality spatial datasets (see below) through an on-line clearinghouse. Some respondents note, however, that while this might

⁴ Low risk is to be defined, but mature existing plantations are a good example.

help to simplify preparation and reporting, it will not significantly reduce cost, since much time and therefore cost is tied to preparation and planning for field work with the company and the nuts and bolts of reporting.

An issue of greater concern in relation to cost according to many respondents was the cost of HCV assessment for smallholders.

Potential solutions

The Indonesian RSPO Smallholder Working Group has developed a draft checklist for simplified HCV assessment for small holders. This checklist provides a valuable starting point and will benefit from further development and refinement. Field testing should form a valuable

3.3.4 Datasets

Overall, most assessors reported that they manage to acquire the spatial and other datasets required for assessment without too much time and cost. Others report that while standard datasets and information sources are indeed widely available, quality is often poor, and some kinds of geospatial data are actually quite difficult to obtain.

A clearing house or database where accurate and up to date spatial data are stored and made available to assessors and companies would therefore be useful, especially for spatial data (including landscape HCV mapping results such as those completed recently for East Kalimantan)⁵ and species lists. Examples of spatial data of greatest utility would be regularly updated land cover maps, refined ecosystem maps, HCV1 species distribution maps, results of landscape HCV mapping studies, as well as spatial aspects of previous research in social sciences. However, for this to be useful, respondents emphasized that the dataset must be maintained and carefully managed to screen data that do not meet minimum standards for geographic accuracy or contain too many attribute or other forms of error or uncertainty.

Potential solutions

Two recommendations were provided on this topic: (1) further discussion concerning how to structure and populate such an online clearinghouse should be assigned to managers of the newly founded HCV Network Indonesia (HCVNI) and (2) a proposal for its development and management should be developed by the HCVNI and circulated for funding, potentially supported by the RSPO.

3.4 HCV Management

3.4.1 HCV Set aside

Should HCVMA be retained in the plantation?

⁵ For example <http://www.daemeter.org/news/landscape-level-hcv-mapping-across-east-kalimantan-indonesia-is-now-published/> and others available on www.hcvnetwork.org

The HCV requirements under RSPO Criterion 7.3 are that new plantings may not convert areas deemed necessary for management to maintain one or more HCV. On the one hand this wording makes clear that RSPO member companies cannot clear HCV management areas (HCVMA) deemed necessary to maintain HCVs as defined in the HCV report. On the other hand, it leaves open the question to what extent are growers required to retain HCVMA within their plantations and actively manage them to maintain HCVs. This topic has received much discussion within RSPO, since retaining HCV set asides within plantations has proven very difficult from a legal point of view in some areas.

During discussions of this topic, most respondents (including growers) agree that HCV management areas should be maintained within the plantation and actively managed and monitored to maintain HCVs. It is not sufficient for such area to be set aside as No-Go Zones for oil palm but not managed, nor should they be excluded from formal plantation license boundary. A small number of respondents argue further that when areas delineated as HCVMA are owned or managed by communities, companies fully committed to management could, in theory, compensate communities to acquire the land, then take over management of the areas.

Cost of maintaining and managing HCVMA

While growers interviewed for this study agree that, in principle, HCVMA should be retained within the plantation, in practice this is very expensive because companies much continue to pay land tax on the area and the costs of active management are even higher. If HCV area is too big, for example more than 50% of the original location permit (Ijin Lokasi), this cost burden will be too much for most growers to handle, unless creative finance mechanisms can be implemented (e.g. reduced land tax by local government or REDD+ finance, among other options). In such cases, most companies will therefore have no choice but to opt for excluding the undeveloped HCVMA from the plantation.

Potential solutions

Many respondents agree that there should be a maximum threshold of HCVMA, expressed as a percentage of the plantation area, that can be managed by growers and still remain economically viable. To explore this, respondents suggested that a multi-stakeholder survey, supported by legal study, should be conducted to decide if such a maximum threshold would be acceptable, and if so at what level this threshold should be set. There was disagreement on this point, however. Some respondents note that rigid criteria such as % threshold cannot be applied in all cases for all HCV. In some cases, it might be required for 75% or more of the plantation area to be managed HCV, if e.g. a license were issued on heavily forested peat swamp with large populations of tiger or orangutan. In such cases, RSPO member growers (and credibility of the RSPO standard) would be better served to abandon the license area than to convert too much and therefore risk damaging the HCV. Rather than accommodating the “need to convert” mentality in order to remain financially viable, some respondents argue that support should instead be provided to improve RSPO member due diligence to help companies avoid buying ‘wrong’ licenses in the first place. At present, no consensus could be reached on this point, but it merits further discussion.

Separately, it was recommended by growers for the RSPO and its members to assist with developing ways for HCV set-aside areas to become productive assets from a financial

point of view, using e.g. REDD or ecotourism to provide novel revenue streams that will partially offset costs and help to create persuasive arguments with local government for maintaining the areas within RSPO member plantations, rather than relicensing them to others for oil palm. In this context, growers also recommended the RSPO work with supportive elements of civil society and industry in Indonesia to lobby government to provide tax incentives for HCV management areas, for example, in the form of reduced land taxes.

3.4.2 Community dynamics on HCV5 and HCV6

Many respondents raise the issue of how to deal with the highly dynamic nature of culture and livelihoods for identifying HCV 5 and 6 in rapidly modernizing societies such as Indonesia. This creates challenges not only for identification, but also for management. What happens when at the time of assessment, HCV 5 and 6 areas are delineated in consultation with communities, but soon afterward community aspirations change and they no longer wish to preserve natural areas for basic needs, or wish for parts of such areas to be converted to oil palm in pursuit of a mixed livelihood strategy that incorporates oil palm?

Some respondents report that while this could be a problem in theory, in practice, communities do not change so rapidly, and therefore HCV 5 and 6 areas must be maintained. Others disagree on this point, however, and say that in their experience, communities can, in fact, change very rapidly when they see benefits produced by oil palm in neighboring villages. This fact can also create conflict with other HCVs, e.g. if areas that lose their HCV 5 or 6 status due to change in community attitudes, what happens if such areas also overlap with HCV 1 due to high levels of biodiversity? This point is discussed further below.

Potential solutions

Dealing with changes in HCV 5 and 6 status overtime was deemed a matter of high priority for growers. It was recommended that RSPO consider making a position statement on this issue to clarify that HCV 5 and 6 status can change, and that the RSPO standard does not aim to ‘lock down livelihoods’ of rural populations to what they were at the time of HCV assessment. Auditors must be required to understand and incorporate the RSPO viewpoint on this issue during certification audits. If HCV 5 and 6 status changes, and communities wish for HCV 5 and 6 management areas to be converted to oil palm, then this should not be problematical from an HCV point of view, provided communities support this decision and proper FPIC procedures have been documented. If this is the RSPO viewpoint, then it must be articulated in a formal RSPO position statement.

In this context, companies were strongly encouraged to make monitoring of HCV 5 and 6 a matter of high priority, and for any observed (or reported) changes to be well documented as part of the justification for future potential conversion of HCV 5 and 6 areas to oil palm, should communities opt for this decision.

3.4.3 Conflict between HCVs

What “should” happen when there is conflict between different HCVs, especially social dimensions of HCV 5 and 6 versus biodiversity aspects of HCVs 1 and 3? Respondents

agreed that a win-win compromise solution should be sought, but they disagreed on what to do if this fails.

It's clear that when HCVs are in conflict, a priority ranking must be made, but different people hold different views on which HCV should be prioritize. Do we give greater importance to the interest of humans or HCV1 species survival when communities hunt and kill protected species to meet their basic needs? Should community rights to opt for converting their traditional forest to oil palm be given higher priority than maintaining habitat of a protected species?

The majority opinion among respondents was that priority should be granted for HCV 1. This is for two reasons: (1) Protection for some species is required by law, and (2) Species extinction is irreversible. Even though local communities often harvest animals or plant for subsistence needs, as populations grow and habitat is reduced, even low hunting levels may cause local extinction of rare species. Others disagreed with this viewpoint, arguing that local community rights must be accommodated, including traditional livelihoods that put biodiversity HCVs at risk, unless such activities are against national law.

Potential solutions

Few practical solutions were identified beyond recommendation for discussion of this topic in an appropriate RSPO forum, preferably at national and sub-national levels where the problem is most acute. In the short term, it is recommended that RSPO develop a position paper on this point to describe what forms of conflict auditors might be expected to observe in the field and what the RSPO expects of its members if and when conflicts between social and biodiversity HCVs arise. Of greatest concern to growers is the need for RSPO to clarify expectations for how growers should deal with conflict, and what thus how auditors should evaluate compliance with Criterion 7.3 in situations where the objective to maintain all HCVs is not achieved due to inherent conflict between them.

3.4.4 The legal basis for maintaining HCV set asides in oil palm

One major challenge to implementing HCV in oil palm is that in Indonesia, there is limited legal basis (if any, according to some) for maintaining conservation set-asides within oil palm plantations. This is because in Indonesia, oil palm plantations are licensed on land that is allocated for conversion purposes such as agricultural, not conservation. This has lead to a mindset among some government authorities that undeveloped land within an oil palm license is 'unproductive' and therefore, at the discretion of local authorities, can be excised from the plantation and relicensed to third parties for conversion. Much has been written about this topic already, e.g. see Colchester et al. (2009) for a full account of investigations into this subject in West and Central Kalimantan, where portions of HCV set aside areas delineated by Wilmar Plantations International were confiscated by local authorities and then relicensed to third party companies.

Respondents consulted for this study hold different viewpoints concerning the existing legal basis for conservation set-asides under Indonesian law. Some argue there is adequate room to accommodate HCV under two existing instruments - namely *Keppres No. 32/1990* (Presidential Decree on Protected Areas) and *UU No. 32/2009* (Law on the Environment) - and that RSPO growers could use these laws as the basis for enlisting support for HCV set asides from relevant government bodies under these laws (i.e. Regional Office of the National Land Agency and Tata Ruang Kabupaten).

Others argue while it “might it be true in theory” that legal arguments can be made to accommodate HCV under existing regulations, in practice this does not hold. In fact, there are regulations that work explicitly to the contrary, e.g. the recent *PP No. 11/2010* (Government Regulation on Use of Idle Lands), that gives local authorities authority to confiscate lands that are not being developed and relicense these to other parties. In effect, this means RSPO producers must work on case-by-case basis to lobby local authorities for permission to retain HCV set-asides within their HGU, especially at the local Regency level.

Potential solutions

A separate RSPO working group has been formed to examine multiple dimensions of this issue and will report on its main findings and recommendations over the coming months. Meanwhile, respondents consulted in the present study identified the following potential solutions:

Arguments should be made to government that while oil palm plantations are indeed licensed on lands allocated for production, not conservation, this should not preclude following principles of sustainability and responsible land management in pursuit of production goals. Indeed, there is precedent for requiring conservation set asides within production landscapes in forestry, where current regulations governing fiber plantation forestry (so-called Makro- and Mikro-delineation) require maintenance of at least 20% of the total license area under a mix of natural vegetation and other non-tree crops. This model adopted for plantation forestry could be adopted as a model for oil palm.

Concerning ways in which companies can protect themselves from the risk of land being confiscated under Government Regulation *PP No. 11/2010* on the Use of Idle Lands, it was recommended by one respondent that government authorities can not consider an HCV set aside as “idle” if the set aside has already been accepted as part of the plantation area formalized in the long term Business Use Permit (*Hak Guna Usaha, HGU*) and a corresponding work plan for its management has been submitted to government. In this scenario, government will refer to the company’s work plan to determine whether land is idle or not, and therefore whether it can be confiscated (revoked) from the HGU area. In other words, once the area becomes approved as part of the HGU and a work plan for the set aside has been approved, then the producer is safe.

Given the above, one could argue the problem thus reduces to: *How to get the HCV set aside approved as part of the HGU?*

Options identified include: (1) Getting the HCVMA registered with local government as ‘Local Protection Area’ (*Kawasan Lindung Setempat*) under *Keppres No. 32/1990* and *UU No. 32/2009* described above, with management responsibility assigned to the RSPO member company; (2) Getting the area recognized formally by MoF as *Hutan Desa* (Village Forest) and then managing it collaboratively with local communities. (3) Integrating (or at least coordinating) the Environmental Impact Assessment (AMDAL) process together with the HCV assessment so that HCV assessment results are incorporated into the AMDAL findings and thus recommended in the AMDAL report for conservation. If the HCV set aside is recommended for protection in the AMDAL, then there is legal basis for protecting it as unplanted area within the HGU.

Finally, respondents seemed to agree without exception that while it is valuable to seek recognition of HCV concepts within Indonesian law, it is not recommended for HCV become a strict legal requirement with procedures defined in government regulations. There is concern that if this were pursued, the HCV concept would become too rigid and will be at risk of deviating too far from the original voluntary spirit of the concept as part of third party certification schemes.

3.5 Combining HCV with other processes

3.5.1 Combining HCV with AMDAL

During the course of this study, significant discussion was held concerning scope for combining HCV and AMDAL procedures during plantation development.

In principle, companies consider this ideal for at least two reasons: (1) it will be far more efficient (and potentially less expensive) to perform both studies at the same time, and (2) there is potential for HCV results to be incorporated into the AMDAL recommendations and thus for HCVMA to be retained as part of the plantation HGU more easily since there will be a legal basis for its inclusion. In practice, however, other respondents cautioned, and companies acknowledged, that combining the two could be difficult and carry long term risk for both the flexibility and credibility of HCV.

Reasons identified during this study for why combining HCV and AMDAL might be difficult include the following:

1. AMDAL must be performed by government-accredited consultants, whereas HCV must be performed by RSPO recognized assessors, and few consultants (or even organizations) hold qualification for both types of study. This means AMDAL and HCV would not be performed by the same people or even the same organization.
2. One respondent observed, and others agreed, that even though some of the data collected for AMDAL and HCV are the same, HCV and AMDAL have very different aims. The purpose of AMDAL is to determine the environmental and social aspects that will be impacted by planned operations and provide advice for how to reduce these impacts, including only under extreme situations the possibility of no development zones such as conservation set-asides within the area of operations. HCV, on the other hand, has an explicit aim of delineating HCVMA that, in an oil palm context, will almost certainly become no-go zones that must be retained and managed (i.e. not converted) in order to maintain the HCVs present. This opposing logic results in opposite ways of thinking that might be hard to reconcile, namely that the AMDAL allows you to open a land for plantations with requirement that effort is made to minimize impacts, whereas HCV 'takes away' (reallocates) land from development purposes to conservation. It might be difficult to reconcile these contrasting traditions.⁶
3. Under Indonesian law, AMDAL consultants have authority to collect data and present recommendations, but not power to decide on approval or required management action; this is the purview of local government authorities. Similarly, if HCV became formally combined with AMDAL, then HCV management decisions would, by default, be transferred from HCV assessors and concerned stakeholders to government officials

⁶ A counter-argument was put forward that this opposing logic could actually serve as a natural basis for combining them. AMDAL is a tool for balancing development and environmental or social concerns, but does not clearly define limits of acceptable impact to allow development, or detailed provisions for how to manage them. The HCV process to identify, manage and monitor exceptional social and environmental attributes could become the framework for analysis used to quantify likely impacts, set limits of acceptable change and define required management and monitoring.

who might not necessarily have capacity or experience to make judgment on the issues.

4. AMDAL is a legal process, and the law is rigid. This means if HCV became legally defined, then its modification and improvement would become far more difficult. HCV needs to retain its flexibility to evolve as a key provision of voluntary initiatives. (5) Finally, in its current form, the AMDAL process is seen as unreliable and vulnerable to corruption and various forms of influence. If HCV were combined with AMDAL, this may degrade perceived value of HCV especially to outside stakeholders.

Given the above, combining AMDAL and HCV should be pursued only after careful, thoughtful consideration.

Two possible approaches were suggested for coordinating HCV and AMDAL processes to take advantage of stronger legal basis for HCVMA protection if it formed part of the AMDAL recommendation, yet still retain the independence of HCV as a voluntary tool. (i) First, respondents suggested that HCV findings and summary HCVMA maps could be included as a voluntary supplement to the AMDAL, conducted independently to maintain its flexibility and credibility. This would require a Ministry of Environmental Decree (relatively easy) merely introducing HCV assessment as a voluntary supplement that AMDAL Commissions must consider in making their judgment. (ii) Second, and far more simply, the HCV and AMDAL processes could be synchronized and coordinated, especially data collection, analysis and write up, to enable HCV results and HCVMA recommendation to be incorporated by the AMDAL team in their own report. On this second point, one respondent cautioned that this type of coordination is more easily said than done, and in practice can be inefficient, complicated and time consuming, resulting in unwanted delays and increased costs.

3.5.2 Combining HCV with FPIC

Potential for combining FPIC procedures with HCV assessment were also discussed. The general consensus was that FPIC must be supported and the process strengthened in law and in practice on the ground, but FPIC and HCV as activities are better treated as separate processes.

The following main points were raised. (1) Most interviewees reported that HCV assessment and FPIC have different timelines and different goals. Regarding timing, according to law, aspects of the FPIC process are actually supposed to begin even before the *Ijin Lokasi* (Location Permit) for a plantation is issued, whereas HCV assessment is done afterward. If rules are followed, then FPIC could, in theory, be done or at least initiated, long before HCV assessment is started. In practice, however, many companies start consultation with communities only after they obtain the *Ijin Lokasi*, which makes communities suspicious, and thus the time required for completing FPIC much longer than process for HCV assessment. (2) Involving HCV assessors in the FPIC process would compromise independence of the assessment team, and complicate an already challenging task to consult effectively and efficiently with communities regarding HCV 5 and 6 attributes. This should be avoided. (3) Socialization of HCV assessment and HCV assessment results can enrich the FPIC process, especially if conducted in parallel by different parties, but not the reverse. (4) The HCV Toolkit for Indonesia (2008) clearly states that 'privately owned' land managed by local community members for agriculture is not considered HCV 5, but local communities clearly have rights to decide whether and on what terms it will be planted to oil palm through a legitimate FPIC procedure. This separation is local and should be maintained, lest completion of the HCV process become over-burdened.

No concrete recommendations were made for how to combine FPIC and HCV. On the contrary, the consensus viewpoint was that combining them is too complicated and unnecessary. They should remain separate and FPIC should be strengthened. It started before issuance of the *Ijin Lokasi*, as required by law and it should be completed before development is initiated (as required under the NPP of RSPO).

There was, however a recommendation on ordering of FPIC, land release and HCV assessment, however, namely that: (1) FPIC should start first, followed by onset of HCV assessment; (2) FPIC should continue in background running in parallel with HCV assessment activities, but FPIC should not be directed toward land release and negotiation of compensation (GRTT) until after HCV assessment is completed, or at least non-HCV areas have been confidently identified; (3) this will help ensure that areas recommended for HCVMA are not released by communities to the company on agreement they will be planted, when in the end, the company will seek to retain and manage them for HCV, not oil palm. Confusion arising from land released prior to delineation of HCVMA can, and often does, create conflict when companies later decide not to plant areas that were already released by communities for planting.

4 Recommendations to the RSPO

Based on the input obtained during consultations to identify ways to overcome the challenges highlighted above, the following recommendations are provided for consideration by the RSPO as follow up action. Many of these are already mentioned above in the relevant sub-sections of Section 4; they are highlighted again here for convenience.

1. Convene a multi-stakeholder forum to discuss and seek consensus on the basic question:

What do we expect HCV to deliver within oil palm settings, and what objectives are better met by strengthening other safeguards within the RSPO standard, such as enforcement of legal requirements, promotion of best management practices, and implementation of FPIC.

Consensus on these questions is needed so that HCV does not become overburdened. The forum should be facilitated by two or more experts in HCV with experience in oil palm (including Indonesia and another region), and involve members of the BHCV WG and high-level governance members in RSPO covering all different interest groups. The discussions must be well moderated and intended outcomes well defined in advance. Results of the forum should be made public in a RSPO position statement that becomes an RSPO reference document for HCV related policies and activities. The statement could be included as addendum or Annex to the RSPO P&C. It should clearly specify the aims and goals of HCV as part of the RSPO standard, most importantly to clarify which concerns are addressed under HCV and which are dealt with more effectively (and easily) by other facets of the standard.

2. Engage with the HCV Resource Network (HCVRN) and HCV Network Indonesia (HCVNI) to facilitate a structured dialogue among assessors to clarify divergent interpretations concerning the role of non-forest habitats (especially agricultural lands) in HCV; this could potentially include a revision of the HCV Toolkit for Indonesia.
3. Commission a working group to develop detailed management and monitoring guidelines for oil palm, potentially treating the Draft Guidelines for HCV management created by HCV-NIWG as a starting point. The goal should be a clear and user-friendly framework to translate HCVA to HCVMA in the oil palm context. The project should be sufficiently well funded to engage a leader professionally (i.e. contracted) and to commission outside expertise as needed to address specific topics (e.g. how to manage water levels in peat lands under HCV4, approaches to collaborative management for HCV5, among others).
4. Create RSPO endorsed guidance for HCV identification and management in existing oil palm plantations to meet requirements under Criterion 5.2. A separate companion document should also be prepared providing technical guidance for rehabilitation of degraded HCV areas when deemed necessary, especially riparian buffer zones or wildlife corridors to restore connectivity. In connection with this, refinement of the requirement for riparian buffer zone restoration in the INA-NI RSPO P&C criterion 4.4 is also recommended to resolve confusion in relation to timing for when restoration can (or must) take place, i.e. immediately or later at the time of planting and who decides?

5. Coordinate with the HCV Resource Network and HCV Network Indonesia to develop a required Code of Conduct for RSPO approved assessors governing implementation of HCV within the RSPO framework. The Code of Conduct should include:
 - Clear division of responsibilities and rights between assessors and company
 - Clarification on stages of HCV identification and development of management recommendations (i.e. the relationship between HCVA and HCVMA and justification for how the latter is defined, mapped and managed, especially if partial conversion of natural habitat is allowed)
 - Mandatory requirement for peer review
 - Recommended timeframe and sequencing of steps for HCV assessment
 - Strong recommendation for pre-assessment where time permits to prepare for field work and targeted primary data collection
 - Requirement for ground verification of secondary (especially geospatial) data vital to delineation of HCVMA
 - Requirement for assessor (not the company) to organize invitations to public consultation to review draft HCV findings and management recommendations (noting that logistics and other aspects of planning must, of course, be done together with the company)
 - Formally register HCV assessment results with RSPO, ideally with a public summary of the assessment result made available as part of the NPP
 - Requirement for the assessment team to conduct at least one physical meeting with the company to present final results of the HCV assessment report to ensure clear understanding of what's required to move forward
 - Report template with guidance for using it, with specification of minimum required reporting elements (noting that assessors are permitted to add more, at their own discretion)

6. Tighten the screening process for RSPO approved assessor and develop a public database for tracking and displaying HCV assessor work and activity, respecting limits of confidentiality, as well as reference to previous clients to monitor performance.

7. Continue exploring potential for combining HCV and AMDAL with the following considerations: (i) strengthen the legal basis for HCVMA protection; (ii) taking advantage of potential for cost savings and information sharing to improve rigor of both HCV and AMDAL; and (iii) maintaining independence and voluntary spirit of HCV as distinct from the legal requirement of AMDAL. Possible approaches to achieve this include:
 - For HCV assessment to be included only as a voluntary supplement in the AMDAL.
 - For HCV to be adopted as an analytical framework for identifying impacts that must be managed and monitored under the AMDAL requirement.
 - For HCV to be conducted first, and then for HCV assessment results to serve as a reference document for the AMDAL team, in hopes that HCVMA delineation can be adopted (at least in part) by the AMDAL consultants in their official recommendations for government approval. To this end, training provided to AMDAL consultants on the basics of HCV would facilitate coordination of the two processes through building shared common understanding of the concepts and goal of HCV.

8. Support efforts to lobby the Indonesian government to allow retention of HCV set-asides within plantations and create tax or other fiscal incentives to reward RSPO member companies who succeed in efforts to manage them.

9. Support efforts to develop a well managed, maintained and updated clearing house for shared common data resources required for HCV assessment.
10. RSPO should draft a Good Practice guidance document for RSPO producers covering plantation development procedures to facilitate compliance with NPP requirements in a timely and practical fashion. The document should adopt a straight forward “Order of Operations” approach outlining what procedures should start when and where synergy between requirements can be taken advantage if properly planned and coordinated. In particular, the document should emphasize importance of initiating community engagement and FPIC procedures prior to license acquisition and onset of HCV assessment.
11. Maintain a map of all HCVA and HCVMA identified within RSPO member areas for the purpose of recommending and perhaps facilitating cross-boundary collaborative management.
12. Task the BHCV WG with responsibility to (a) consider whether it would be tenable to set a desired proportion (%) of license areas that can be designated as HCVMA that ensures a plantation remains financially viable, and (b) facilitate efforts to create novel finance mechanisms to encourage and assist growers to manage HCV set asides as revenue generating assets through REDD, ecotourism or other.

5 References

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- The Consortium for Revision of the HCV Toolkit for Indonesia. 2008. *Guidelines for the Identification of High Conservation Values in Indonesia (HCV Toolkit Indonesia)*. The Consortium for Revision of the HCV Toolkit for Indonesia, Jakarta: 125 pages.

6 Annex 1: Stakeholders consulted

6.1.1 Direct interview

HCV Assessors

1. Mr. Ganip Gunawan (Aksenta)
2. Mr. Nana Mulyana (Aksenta)
3. Mr. Yoki Hadiprakarsa (Aksenta)
4. Mr. Bambang Sutrisno (Aksenta)
5. Mr. Nyoto Santoso (IPB)
6. Mr. Harnios Arief (IPB)
7. Mr. Sayidina Ali (IPB)
8. Mr. Siswoyo (IPB)
9. Mr. Purwo Susanto (YASBI)
10. Ms. Dewi Rizki (Pollito)

Growers

1. Mr. Indra Pangasian (PT Sampoerna Agro)
2. Mr. Olivier Tichit (PT Tolan Tiga Indonesia)
3. Mr. Bambang Dwi Laksono (First Resources)
4. Mr. Donald Ginting (PT PP London Sumatra Indonesia)
5. Mr. Mohamad Pirabaharan (Minamas Plantation)
6. Mr. Satrio Wirawan (PT Cipta Usaha Sejati)
7. Mr. Stephen Tiong Mee Ing (Kuala Lumpur Kepong Bhd)

Auditor

1. Mr. Aryo Gustomo (Mutuagung)
2. Mr. Iman Nawireja (BSi)
3. Mr. Jarwadi Hernowo (BSi)
4. Mr. Bart W. van Assen (Gaia Commoditas)

NGO

1. Mr. Frank Momberg (FFI)
2. Mr. Cahyo Nugroho (FFI)
3. Mr. Andjar Rafianstanto (FFI)
4. Mr. Anwar Purwoto (WWF Indonesia)
5. Mr. Wiwin Effendy (WWF Indonesia)
6. Mr. Dani Rahadian (WWF Indonesia)
7. Mr. Iswanda Hasibuan (WWF Indonesia)
8. Ms. Amalia Prameswari (WWF Indonesia)
9. Mr. Thomas Barano (WWF Indonesia)
10. Mr. Arif Budiman (WWF Indonesia)

Observer

1. Mr. Asril Darussamin (RSPO Indonesia Liaison Office)

6.1.2 Other sources:

1. Calley Beamish's (Wilmar) presentation at the 1st General Assembly of HCV-NI

6.1.3 Public consultation physical meeting

1. Mr. Abrar Ramlan (PT Agro Harapan Lestari)
2. Ms. Sophie Persey (ZSL Indonesia)
3. Mr. Ganda Situmorang (PT Credent Teknologi)
4. Mr. Aryo Gustomo (Mutuagung)
5. Mr. Asril Darussamin (RSPO Indonesia Liaison Office)
6. Mr. Richard Kan (Golden Agri Resources)
7. Ms. Amalia Prameswari (WWF Indonesia)
8. Mr. Haryono Sadikin (WWF Indonesia)
9. Mr. Yoki Hadiprakasa (Aksenta)
10. Mr. Gary Paoli (Daemeter - facilitator)
11. Ms. Rahayu Siti Harjanthi (Daemeter - facilitator)

6.1.4 Online comment submission

1. Mr. Bart W van Assen (Gaia Commoditas)
2. Mr. Olivier Tichit (PT Tolan Tiga)
3. Mr. Ganda Situmorang (PT Credent Teknologi)
4. Mr. Daru Asycarya (IDEAS Consultancy Service)
5. Mr. Joko Arif (Greenpeace Southeast Asia)
6. Mr. Haryono Sadikin (WWF Indonesia)

7 Annex 2: Public consultation

The 1st public consultation presenting an interim result of the study is held from 27 June 2011 to 21 July 2011. An interim report is prepared and distributed and a one day workshop took place in Bogor, 4 July 2011 to collect direct input from stakeholder. An online comment portal is provided as an option to provide input and e-mail blast to invite comments is sent 3 times during the period of consultation.

The one day workshop was attended by 13 people from NGOs (3), producer (3), certification body (1), and HCV assessor (4) and other (2). The online comment portal attracts 6 comments from 1 auditor, 1 sustainability manager, 2 NGO observers and 2 from other category.

7.1 Summary of key themes and inputs

7.1.1 Adapting HCV concept to Oil Palm

- Since HCV must be set aside in oil palm plantation, legal recognition becomes very important.
- There is a shifting of definition in the FSC. The new definition in FSC in the latest draft is now no longer limited as HCVF.
- The toolkit must be more explicit in saying that the area need to be managed is HCVMA not HCVA. The terminology used by assessor also differs in this area.
- We must also note that areas that will bear impact of the oil palm plantation operation also must be managed. This may be a collaborative management with other parties.
- Should we narrow down what that we expect HCV to do in oil palm?
- Must return to the definition of HCV, don't confuse with the RSPO P&C and government regulation.
- It is quite clear in the toolkit what is HCV suppose to do.
- All social problems are supposed to be resolve prior to doing HCV assessment.
- Complication comes because HCV assessment, AMDAL, FPIC is done after plantation development. But this is the majority of the case and solution must be brought for this case.
- To make a more effective socialization done by company after getting ijin lokasi before HCV assessment that enables the assessor team to do their job well.
- Smallholder partnership is offered by companies during HCV socialization stage when in fact community land with low economic value often contains HCV 1-4. This creates problem.
- Adapting a tool meant for (semi-)natural ecosystems/habitats for a man-made environment is challenging, to say the least, and can only be done after extensive field testing. Observations indicate that HCV is only effective when done prior to land clearing to safeguard conversion of ecosystems/habitats. When done after oil palm is established, the exercise becomes theoretical and meaningless. The root of the discussion lies deeper: what is HCV and what is LCV? Not in what it can deliver in oil palm. Don't adapt HCV for oil palm but develop a separate tool for managing RTEs in oil palm.

- The HCV concept should not be modified to suit oil palm, but we need guidance on identification/management that is applicable to oil palm. The F in HCVF is the actual cause of confusion as it gives the impression that only forests can contain HCV. Wildlife using the plantations as fringe areas of their habitat should be identified and management of the areas should be modified. In the current context, it is practical to use the term HCV to immediately attract attention of the managers in the field. Over time, the concept can be refined and new denominations introduced, other than HCV.
- HCV Concept in the beginning is a principles of FSC applied in the forest. But now, it has been adopted and adapted by RSPO scheme and it is suitable to apply the concept in oil palm management unit. However, the auditor of HCV should have professional judgment to value the presence or absence of HCV area in the plantation/estate and how to monitor the existing HCV. HCV concept, somehow, is needed to avoid the wide range of negative impacts emerged by Estates especially grown from conversion process. Without applying HCV concept, the palm oil Estate will face more difficulties in managing the area and challenging from stakeholders.
- Agree on the potential solution offered related to the multi-stakeholder platform to further discuss this matter. It seems that the government is also acknowledging the HCV concept as part of ISPO P&C. This can be entry point.
- HCV is important point in RSPO and this idea is close relation with all P&C RSPO. The problem is how we can downgrade from the ideal idea of HCV for palm oil. Currently all the decision of HCV delineation is bear by the assessor. Based on observation to some HCV identification report, the assessor state that the habitat is not on a viable condition and recommend making a "trade off" between the areas. Then the question is "how is to the wildlife move" into trade off area defined? This case is not happening in FSC (FMU) context.

7.1.2 Non-natural forest area - Should they be included?

- Non-natural forest area more potentially to be found as HCV 5 or 6 (social).
- In existing plantation there aren't many natural areas left, however value may be present and an area will need to be conserve to maintain the value.
- For HCV 5&6 if the person using the land wants to convert to oil palm then it means the land is not essential for their basic needs so it's no longer HCV.
- Some auditing questions on whether there are guidelines for auditor when encounter this problem.
- There is a lack of knowledge in company's field manager on how to manage HCV and lack of socialization to the community about HCV.
- HCV should not be confused with government regulation such as the riparian buffer zone.
- Guideline for management and monitoring does not exist and there is no guidance for auditing.
- Growers have to make management plan in line with company's vision and integrated with the company's general management plan. This management plan has to be endorsed by the company's top management.
- If by non-natural forest area is meant timber plantations, these should NOT be included. The FSC is very clear about this when it states that conversion of HCV for timber plantations is not allowed. If by non-natural forest areas is meant community woodlands (agro-forestry lands, shifting cultivation lands, etc), these might be included, but with severe caution. These lands are privately managed lands with little actual central control by either government or concessionaire. A top-down identification of such lands leads to further entrenching the govt/industry versus local community. Also, some of these lands are actually plantations/estates, like the small rubber (an exotic) estates and now HCV-ed.

These estates contain mainly exotic species mixed with local utility trees (e.g., fruit and timber) that are planted. If logged-over (public!) forests are meant, these should definitely be included in an HCV assessment. Public lands should be managed for the public good, and identifying HCVs is part of the triple bottom line in responsible management. Again, the root of the problem lies in the definition of HCV(F). The FSC intended it to cover (semi-)natural forests, but is now in line with the HCV-RN on (semi-) natural ecosystems/habitats. The experts will need to identify as natural an obvious boundary between man-made and semi-natural ecosystems/habitats (or LCV and HCV).

- They might hold HCV and should be managed appropriately, as long as they are within the company licensed area. Efforts can be made for better management by smallholders in plasma areas, over time and with sufficient resources. Outreach to surrounding land owners is desirable but difficult to implement.
- If you look at it on the ecosystem approach, it's fair to say that these areas should not be included as HCV. But if you look at it from the social approach, these areas are important for the local community.
- Before the RSPO become popular, plantation almost does not consider conservation. Palm oil tree is the only thing that is important. Even when they want to register for HGU, National Land Agency only takes account areas with palm oil trees and community enclave considered outside of their HGU. Related to non natural forest area, is it possible to manage the area when the ownership is on the local community? If the ownership is on the local community then the company does not have the right to manage the area. If HCV identification includes it as HCV it should be follow with agreement with the local community to maintain its value.

7.1.3 HCV identification, management and monitoring

- Rehabilitation effort may cause more severe damage to the ecosystem. A detailed management recommendation for rehabilitation of HCV in existing plantation is required. It is possible that rehabilitation cannot be done all at once. Note that this may be considered conflicting with RSPO P&C criterion 4.4 that requires rehabilitation of riparian buffer zone before or during replanting.
- Certification body must have basic competence to judge whether management plan is in accordance with local condition but still comply with the P&C.
- During HCV identification, there's little to no concern for management and monitoring. The latter are mostly an issue addressed behind the desk after the assessment. For instance, one HCV report suggests a pilot project on helicopter logging in East-Kalimantan. The suggestion is so far from the reality, that it is absurd. The logistics of getting aviation fuel are very challenging in East Kalimantan, while the Chinook needed to safely lift trees would blow the fur and leaves of any animal in the remaining stand. In another case, the HCV "expert" suggested the rehabilitation of a well-managed oil palm stand into a riparian forest 50 m left and right of a river. The "expert" ignored the long-term agricultural practices on this land, and didn't realize a 100 m wide "forest" isn't viable in that area. Identification and management **MUST** become an integral part of HCV to ensure practical and realistic management of HCVs.
- Specific guidelines for HCV management are necessary, and should cover re-establishment of areas than should be HCV, typically riparian areas, and sometimes wildlife corridors. HCV5/6 is usually far easier to identify.
- It is needed to thoroughly identify the HCV areas and how to manage and monitor them. However we should be realistic to stipulate a particular area is to be HCV area or not HCV area. For instance: When we find an HCV area located in peatland, it must be clarified: the range of location against the dome of peatland, how the

company manage the land, is there any water managements such as canalling and water table monitoring? it is important to refer the scientific judgment related to peatland characteristics.

- Maybe an addendum to identification Toolkit could be created that provides specific guidance on how to identify HCV areas in existing oil palm plantation (e.g. riparian buffer zones, drainage of flood plains, etc). For management and monitoring riparian should be stressed for restore if already convert on initial planting guidance of "trade off" HCV area should be clearly defined on identification toolkit.

7.1.4 Weakness of identification toolkit

- Weaknesses of the Toolkit are severe, and include:
 - differences in text between Bahasa and English versions
 - differences in definitions, and more area being classified as HCV than necessary
 - poor presentation of stakeholder consultation, failing to follow FSC requirements on this.
 - it is more focussed on legal compliance (covered under other principles) than realistic identification of areas. (50 m KIKASU is NOT a single ecosystem.)
- Gravesites are NOT an ecosystem/habitat and thus NOT HCV. (They should fall under FPIC.) It is the ecosystem/habitat necessary to maintain the gravesite that is HCV. This is yet but another example of how far removed the concept is from its roots...
- There is NO contradiction between consultation and an NDA. HCV is by nature a social and public exercise, not a technocratic formula for experts. An NDA violates key requirements of HCV and therefore voids the nature of "the beast".
- HCV must be brought down from "the clouds" (an etheric theory for "experts") back to the (forest) floor (a practical tool for managers)!
- Specific guidance for plantations must be made available, if possible through joint work by the RSPO, RI HCV network, and HCV RN. Specific attention should be given to contradictions between requirements already detailed in regulations and HCV toolkit requirements.
- Field verification on land encroachment. Compare HCV land-cover to satellite images might be obsolete. Its need to triple check with fast, accurate and cheap airborne LiDAR technology.
- Lacking of information/ guidelines for Palm oil HCV identification
- In the context of emission and biodiversity, all peatland regardless depth need to be protected.
- There is no code of conduct that regulate step of identification (many case that company not agree with the assessors or assessors being not independent while decided HCV areas.
- There is no local/international body that takes responsibility for the result of identification. (peer reviewer and CB during audit is not enough)
- there is no trade off guidance (some assessors is using this idea)

7.1.5 Guideline of HCV Management and Monitoring

- The guideline is a technocratic approach to a social issue, and will thus fail to work. It is merely a list of possible actions to be taken, not a document providing comprehensive management of HCVs. It is full of reverse logic (swine which is provided by nature as food for Sumatran tigers) and general statements. More elaborate documents on management of specific species are available from

numerous sources and an online portal in Bahasa would be more practical for managers.

- Agree that the guideline is too detailed and leaves too little room for adaptability.
- The guideline is very clear and can be a guideline for oil palm

7.1.6 Quality and quantity of assessor

- Code of conduct must be established not only for assessor but also for defining relationship between assessor and companies.
- Common database must be carefully considered to ensure that disclosure will not bring harm.
- Auditor often finds un-finalized draft report in audit. This draft report is not yet brought to public consultation.
- HCV identification report sometimes is disputed by field managers after the report finalized and during the audit because there lack of socialization during the process of identification.
- Growers must be trained and involved during the identification to avoid mis-communication.
- Closing meeting is important to agree on the timeframe for company to revert on the draft report, discuss and finalize the report.
- Because there are no guideline in management and monitoring, there are assessors who only do indicative map of HCV and say that the job will be finish when the guideline is published, while there are other assessors who finish delineate HCVMA in their assessment.
- During the discussion in the INA-NI, it was agreed that delineation of HCVMA must be done on based on scientific rationale.
- Team leader sometimes doesn't go to all of the estates and might not know everything that happens during the assessment. But it is important for team leader to be competent and put together a competent team, if not the growers will become the victim. This must be included in the Code of Conduct.
- References (past clients) can be made as a public track record for each HCV assessors.
- Independent peer review should be made mandatory.
- Clarification on which parties to consult in public consultation is needed.
- Training for stakeholders outside assessor and companies may be required but with different depth of details.
- The quality of HCV (full) assessments is very poor. Our independent review on 6 FSC and 6 RSPO assessments - as well as several peer reviews - identifies a systematic lack of (documented) primary data collection, in 11 out of 12 reports. Most reports are a cut-and-paste of secondary data without any cross-reference against field observations. Consequently, HCV remains a concept alien to the manager, that (s)he cannot implement practically in the field. The current pool of (approved) assessors needs to be reviewed, not expanded. No test is needed, but assessors need to present their reports for public consultation and peer review. Especially the libel and terrorizing phone calls by a leading "expert" must be further investigated and decisively dealt with by the RSPO! There are already some training/workshops on the requirements set by FSC and RSPO on HCV(F), and companies indicate that they find this training very useful to better understand the concept. Training modules are now fully in Bahasa as opposed to many "english-only" presentations. Assessors in particularly need training in understanding how

auditors work (triangulation of key requirements) in order to write a proper report. Even experienced auditors write very poor HCV reports.

- Time being, it is difficult to have both. The RSPO must keep reasonable standards for the HCV assessors.
- Standardisation of interpretations must be ensured through 1/ workshops, 2/ reviews of HCV assessments. The RSPO is working on both.
- Agree with the potential solution offered
- as part of transparency assessors and company should make public notification on each company assessed. can be on assessor web site and also on company website.

7.1.7 Time spent for assessment

- Assessor should make requirement of a basic data needs to be provided by the company before the assessment starts (before signing work agreement). It is better if company provide these data rather than the consultant to cut cost.
- HCV Pre-Assessment cuts cost and timeframe of HCV assessment.
- A physical meeting with the company (2-3 days) to finalize the report is considered more effective rather than mail correspondence which may take longer time.
- Public consultation cannot be done by companies because they tend to invite “easy” people. This may causes problems in the future if the “difficult” people come up later after the report is finalize.
- The quality of the report needs to monitor. Some cases found where a consultant copy paste from a report of another company. HCV-NI may be able to take task to monitor HCV assessment report.
- Time spent can be drastically reduced if the company has detailed primary data. Verifying the available primary data from a company (AMDAL, ITT, IHMB, etc) should be a key requirement for an HCV assessment, falling in line with the auditing regimes by FSC and RSPO.
- It seems unlikely that work by professional assessors should take more than four months, including reporting and discussion of the report with the company. Companies should also have the opportunity to find guidance on what to expect from the HCV assessment.
- In several HCV maps from some concessions, we found areas that have been identified as HCVs, but marked as 'HCV not recommended for conservation'. In relation with the case of negotiation between company and HCV assessor on delineation, is this common?
- Time spent for assessment should be noted on "code of conduct of HCV identification". suggest for 3 - 5 month

7.1.8 Cost of HCV assessment

- How to identify HCV for smallholders? INA-SWG have provided a checklist for this. This checklist should be further developed to help HCV assessment for smallholders.
- Costs of an assessment are far too high. Up to 80,000 USD for a poor report and an additional USD 5,000 for peer review (direct costs) is simply over the top and unacceptable, especially given poor documentation of primary data. This amount is equivalent to up to USD 1,500 per (cut-and-pasted) page in HCV reports.
- Cost should be 1 - 2 USD, to raise more interest for HCV implementation.

7.1.9 Datasets

- Datasets are meaningless unless they are well-based in primary data (stakeholder consultation and field verification). They are being used to legitimize a lack of primary data through claims that these datasets are 'the best available information'. Focus must lie on primary data collection: stakeholder consultation and field verification.
- Datasets are appealing but could create an "off-the-shelf" mentality detrimental to the quality of the assessments.
- Datasets should be complete to make effective time for verification (save time in process)

7.1.10 HCV Set-aside

- The 20% for plasma should be calculated from an area that has already excluded as the set-aside area.
- A study needs to be conducted to decide the maximum threshold of HCVMA in HGU that is still economically viable for growers.
- Managing HCV set aside from the threat of local people is also a problem. The solution may be similar which is to legalize the HCV set aside area.
- HCV 1-4 is not replaceable while HCV 5&6 can and people may be able to compromise.
- The HCV must be protected legally so if the company is sold or if the HGU expired, the HCV still be maintained.
- Bad idea, difficult to implement and audit. HCVs should not be managed by oil palm managers.
- There cannot be an arbitrary limit of the size of HCV areas in a management unit. Securing the HCV areas is a serious matter, and even with close relations with community, leaving "idle" land is attracting encroachment.
- Management of large HCV areas is expensive for companies and requires skills not usually linked to plantation management. It would be desirable to see a "consortium" of NGO to support the management of HCV areas.
- Agree on point a and b. On the potential solutions, my suggestion is to lobby the government to acknowledge some kind of a land swap for HCV areas. It's a long way ahead, especially considering it will deal with many government regulations, but worth to scope.
- The bigger the HCV area in an HGU, the smaller the planting area. This is also meant that smallholders on the plasma scheme will receive smaller area. In some concessions that we know, this is creating a problem. In this context, socialization on the need of HCV assessment and HCV set aside area, need to be incorporated in the FPIC process.
- HCV set aside should be follow with "collaborative management" nice word but hard to implement, better HCV not set aside by management of plantation, or management have more than 50% of competency to manage and make decision

7.1.11 Community dynamics

- The issues described are real, in real time and happening now. Communities change rapidly. Problems with FPIC during HCV assessments are real and becoming an increasing issue with CBs. With the arrival of ASI, this will significantly increase

during the coming years. Public consultation MUST follow requirements set by FSC and RSPO.

- If the HCV 5/6 areas are within the company licensed area, it seems difficult to understand how local communities can change the land use on their own. For plasma, and in particular HCV5, change of land use, in particular towards oil palm (but why not towards rubber at the moment ?), should be treated as new plantings, hence subject to NPP. On HCV6, the change of mentalities should be slower.
- It is difficult to identify the presence of HCV 5 and 6 in palm oil estate due to changes of social and cultural of communities living inside or adjacent to areas. Most of people living there have modern lifestyles and parts of them are workers of plantation company. However, HCV 5&6 can be a tool to help the people mostly in under the poverty line recommending the company to support the communities. Sometimes, the proposed management action will come up negative impacts. For instance, proposing to enhance communities livelihood especially with growing livestocks or fishing to some extent cause a security problem and compacting the land. The solutions should be comprehensive interconnecting each other with management and other HCV.
- Agree with the potential solution offered, especially in the context of applying FPIC if the case happens.
- if 100 % value is from HCV 5 & 6 only agree with the social dynamic

7.1.12 Conflict between HCVs

- The implementation of “win-win solution” is not that easy in the field, as the community may have their own law and their own need.
- The burden of socialization should not be bear by company alone, but have to cooperate with the local government.
- Hunting was allowed as long as it is done in subsistence way. But as population is highly decreasing then even subsistence hunting would still may extinct the species.
- Need a significant effort from growers to ensure that even though hunting is allowed, but the species must be kept from extinction. Perhaps ex-situ conservation should be considered.
- The CB would judge whether the effort undertaken by grower is maximum is not. If it has and it is properly documented, then they would be considered comply even though the objective is not achieved.
- HCV must separate itself from legal compliance and legal requirements. These are different issues. Legal requirements were not made to support HCV and consequently, identification may conflict with legal requirements or go beyond them. When bringing the concept back to its roots, managing HCV ecosystems/habitats, there will be no conflicts between HCVs. If an area is indeed critical to local communities, they are well aware of these values and maintaining them will only require socialization of best management practices. Thus, selective hunting of orangutan would maintain HCV status but contravenes legal requirements. Management will have to find practical solutions for this dilemma.
- Compliance to laws and regulations is an absolute.
- Agree that this issue needs to be discussed further in the appropriate forum.
- if conflicting with other HCV, companies and local community should in one table to discuss avoid the conversion of HCV identified

7.1.13 State regulation to accommodate HCV

- Again, linking HCV to legality is bad idea. HCV is something different from legality and the concept can only get further deviated from its origin through a top-down set of legislation. Where legislation seriously threatens HCV, there is a case to be made to lobby for revision, but not pursue a legal recognition for HCV.
- The government of Indonesia, through the ISPO regulation in 2011, has made clear that the HCV concept is currently not recognised in the oil palm context.
- Regarding HCVA within the HGU, most local governments seem to accept the idea. The main areas are usually riparian areas, which are already regulated. HCV5/6 are usually not disputed.
- There might be some regulations that already accommodate HCV. But technically, not all part of the government have the same understanding on this matter. Lobby work still needs to be done to address this issue, especially to the provincial and local level.
- State regulation only accommodates several issues such as riparian, high steep, and peatland. Beyond that, HCV should be endorsed by local authority (eg. Bupati).

7.1.14 Combining HCV with AMDAL

- The practice of AMDAL currently is different with what is required by the regulation.
 - The high conservation value is actually included in AMDAL but the research methodology is different.
 - SIA is actually already included in AMDAL. But the depth of analysis is different.
 - We should pursue the government at the Ministry level to accept HCV definition.
 - In AMDAL is not clear on what is the limit of acceptable impact to continue the project and have an abstract recommendation on managing these impacts. HCV can be used as a tool to manage these impacts.
 - AMDAL experts only collect and provide data to the government and the government will make the decision. If HCV is included then, HCV will be handed to government for decision on how to manage it when they might not have the capacity to do so.
 - RSPO or HCV assessment should recognize parts of work done in AMDAL to make the HCV process easier and shorter and also recognize legally.
 - The timeline of assessment should be synchronized to enable the combination.
 - HCV team and AMDAL team should communicate each other to enable HCV to be recognize in AMDAL so it is more possible for HCV to be 'registered' to the government.
 - Consider the possibility to train AMDAL assessor to do HCV assessment but keep note that the qualification for HCV and AMDAL is different.
 - HCV report needs to stay independent; however it should be included as supplement in the AMDAL report.
 - An ad-hoc working group set up by RSPO has already started to lobby the government for combining the two and so for it seems that the government is quite happy to discuss this.

- A study is needed to map which RSPO P&C relates to certain regulation, so whenever legal compliance has been reached, some of the RSPO P&C can be ticked off.
- Consider fiber plantation's macro-micro delineation model for oil palm.
- It is a bad idea as both have different purposes and templates. Don't waste time trying to combine them. However, a single entity doing both may save costs.
- Currently inapplicable as the HCV concept is not legally recognized and the AMDAL methodology fixed. Combining might create "super consultants" extracting high fees from companies. Or the quality of work will suffer.
- The philosophical backgrounds of these two assessments are different. But agree that AMDAL can feed in to HCV assessments, in term of recommendation for the assessor.

7.1.15 Combining HCV with FPIC

- It is a bad idea as HCV is already too "fat" with issues. In fact, various issues - like privately managed lands - should be moved to FPIC. Multi-tooling nature (and HCV) will result in the Leatherman Dilemma: a fashionable toy for emergencies but far less effective than the professional tools.
 - FPIC is a longer process than HCV. It is beneficial to have the HCV results before the FPIC is finished, to inform populations of the areas which should be left intact. HCV areas are sometimes damaged during the FPIC process as local population clear land to claim possession and benefit from the land acquisition process.
 - FPIC starts way before HCV and in this sense it's a bit awkward to combine these two. What needs to be put out in the FPIC process is to incorporate what's the meaning of HCV assessment and why is necessary. This is also important to make sure that the communities as well as the smallholders do not have any grudge upon it, which may cause problem on management and monitoring of HCV.

8 Annex 3: Draft Management & Monitoring Guidelines for HCV in Oil Palm by HCV NIWG: A brief review

A Review of ‘Guidelines on Management and Monitoring of High Conservation Values for Sustainable Palm Oil Production in Indonesia’ By HCV-RIWG - Draft September 2009

27 June 2011

Introduction

The HCV Toolkit to Identify High Conservation Values (HCV) in Indonesia was revised through a public, multi-stakeholder process during 2007-2008. During this process, it was recognized by participants that identification of HCVs could be done using a single generic Toolkit whether the proposed operations of a management unit is selective logging, oil palm, fiber plantation or other. Because challenges and opportunities for HCV management differ widely among these sectors, however, it was also recognized industry specific and detailed management guidelines will be required. A decision was therefore taken during Toolkit revision to limit its scope to HCV identification only, with a plan to convene working groups to develop specific HCV management and monitoring guidelines for three different sectors: logging (HPH), plantation forestry (HTI) and oil palm (sawit).

During 2008, the RSPO Indonesian Liaison Office (RILO) formed a working group to prepare such HCV management guidelines for oil palm. The process to develop guidelines took place between mid 2008 to September 2009, and produced a draft set of guidelines that were pilot tested in several established plantations. The initial document was revised on the basis of pilot test plus stakeholder inputs. The resulting document is entitled: *Guidelines on Management and Monitoring of High Conservation Values for Sustainable Palm Oil Production in Indonesia*. Today, these draft guidelines remains in draft form as guidance for consideration by RSPO and/or other stakeholders.

The RSPO has commissioned Daemeter Consulting to evaluate barriers to effective HCV application in oil palm (for more information see www.daemeter.org). As part of this project, the RSPO requested a review and evaluation of the draft (hereafter referred to as the “Guidelines”) with the following objectives:

1. Highlight any inconsistencies, if present, on definitions of HCV’s and management objectives between the Toolkit and the Guidelines.

2. Form an opinion on whether the guidelines:
 - a. Are sufficient to achieve the management objectives;
 - b. Provide sufficient detail and clarity to enable estate managers to implement them both in terms of:
 - i. Delineating the HCV Management Area (HCVMA)
 - ii. The management prescriptions required within the HCVMA (this will be necessary to be auditable).
3. Do the guidelines provide guidance on other known challenges relating to HCV management in oil palm?

The summary report presented here and in Table 1 is intended as a concise highlight to stimulate discussion during an upcoming workshop planned for 4 July 2011 in Bogor to discuss results of the study to date, and to obtain feedback from participants.

The reviewer wishes to emphasize the following as context for this review:

- *The task of developing HCV management prescriptions is very complex, far more so than the task of developing criteria to identify HCVs.*
- *The guidelines were written at a time (2008-2009) when few formal HCV assessments had been conducted in oil palm in Indonesia for the purpose of RSPO certification.*
- *At the time, there was even less experience with practical implementation of HCV management and monitoring in oil palm.*

The review presented here therefore enjoys the benefit of hindsight, from the perspective of three years after the process to draft the Guidelines was initiated in 2008. The review therefore benefits from much more practical experience to implement HCV management and monitoring in oil palm than participants who drafted the Guidelines enjoyed at that time. When viewed from today's perspective, therefore, weaknesses will be apparent that were unavoidable at the time was drafted.

Our aim is to highlight these weaknesses in a constructive fashion. We highlight four issues here: (i) Overall consistency with the HCV Toolkit, (ii) HCV Definitions, (iii) HCV Management Objectives, and (iv) Enabling Companies to Manage HCV's. Additional detail is provided in Table 1.

1. Consistency with the HCV Toolkit for Indonesia.

The Guidance was found to be consistent with some, but not all, of the Toolkit concepts, definitions for HCV's and management objectives.

2. HCV Definitions

Some HCV definitions were inconsistent with the Toolkit, including HCV 1.2 and HCV 2.2. For HCV 1.2, the Guidance includes CITES Appendix 1 species as HCV 1.2, whereas the Toolkit does not. Under HCV 2.2, the Guidance fails to mention kerangas/non-kerangas as a form of ecosystem transition that must be considered under this value.

3. HCV Management Objectives

On the whole, management objectives in the Guidelines were found to be consistent with those outlined in the Toolkit, but for some HCV's there was lack of clarity that could be misleading. For example, HCV 1.2 (*Critically Endangered Species*) failed to make clear that, with the exception of plants, each individual must considered important - i.e. the

objective is to maximize survival of each individual within the population, not viability of the population as a whole. Under HCV 2.1 (*Large Landscapes*), the objective outlined in the Guidance goes beyond that of the Toolkit by stating that no conversion of core areas or their buffer zones can be carried out. In other words, the entire HCVA delineated under HCV 2.1 should be maintained. Also, under HCV 4.2 (*Areas or Ecosystems Critical for Water Provision or Prevention of Floods*), management in the Toolkit considers management practices other than just maintaining forest cover could be acceptable. Under HCV 5 (*Areas Important for Basic Needs*), there is a missed opportunity where the guidance fails to define whether the company must merely avoiding clearing HCV 5 areas (i.e. no-cut policy) or actively manage them. This is a major management challenge identified by companies.

4. Enabling Companies to Manage HCV's

While the Guidelines offer many useful suggestions, they do not, on the whole, provide sufficient guidance for a company to succeed in managing and maintaining HCV's. This is because:

1. Guidance is not provided in most cases on how to delineate the area over which the management prescriptions should be applied (HCVMA).
2. Much of the guidance is just as general as objective outlined in the Toolkit, and therefore fails to assist in developing specific management actions that are practical within an oil palm context and sufficient to maintain HCV.
3. Specific actions recommended represent good practices that will assist in managing HCV's, but by themselves would unlikely be sufficient to maintain HCV's in an oil palm context. A more comprehensive approach is required.
4. The direct link between threats to an HCV and management required to reduce that threat is not dealt with in sufficient detail. Local management must always be tailored to local threats.

Table 1 (See attached Excel file)

9 Annex 4: Interview Questionnaire

Insert the complete list of questions.