

Indonesia's Sustainable Palm Oil Initiative – inclusive development results for small-holder farmers

Context:

Indonesia, represented through Armida Alisjahbana, Minister for National Development Planning, co-chairs the Global Partnership for Effective Development Cooperation (GPEDC) together with the UK and Nigeria. Also, Indonesia champions the thematic work stream on knowledge sharing in the run-up to the 2014 ministerial level meeting hosted by Mexico. At the opening of the Second Steering Committee Meeting of the Global Partnership organized by Indonesia on March 2013 in Bali, Armida Alisjahbana, the Indonesian State Minister for National Development Planning (BAPPENAS) emphasized that “If the Millennium Development Goals and a post-2015 development framework are the ‘what’ of global development, the Global Partnership should be the ‘how’.” She also highlighted how the Global Partnership could help to reduce aid dependency through its focus on development effectiveness.

Minister Alisjahbana identified the ministerial-level meeting as instrumental in showing concrete deliverables on, for example, inclusive development and financing for development, including private sector resources.

Embedded into this greater role that Indonesia assumes in the effective development cooperation architecture, the following specific example on sustainable palm oil in Indonesia demonstrates how the country implements the Global Partnership through inclusive development initiatives with the private sector and civil society.

Indonesia is the world's top palm oil producer with an estimated 23 million tons of Crude Palm Oil production in 2012. For the last decade, palm oil has been Indonesia's most significant agricultural export, and the area of cultivated land used for palm oil production has been expanding at an average annual rate of 300,000 hectares over the past 10 years. While the palm oil industry has contributed substantially to job creation and the growth of Indonesia's economy, there are concerns that, if not properly managed, it can also lead to environmental hazards such as deforestation, loss of biodiversity and rising greenhouse gas emissions. Furthermore, small-scale palm oil farmers often lack the capacity, knowledge and resources to adopt sustainable production practices and gain meaningful livelihoods. This puts them at risk of not being included in the benefit generated through palm oil production in Indonesia.



A farmworker in Berau, Indonesia, loading oil palm bunches.
Photograph by Kumal Jufri (Bloomberg Business Week – Global)

Despite various international and national initiatives working on sustainable palm oil¹, coordination amongst these initiatives and with the Government is still lacking. Without full coordination, many of the activities and findings are at risk of not being officially recognized by the Government, and therefore not mainstreamed into policy. In addition, lack of coordination leads to misunderstanding between stakeholders resulting in unnecessary tension and conflict. For example, there are numerous reports on various local conflicts between palm oil operators and local or traditional communities, including an undermining of the rights of traditional or local communities. Although the Constitution of Indonesia is intended to protect the rights of the indigenous peoples, actual protection is limited because of the ambiguity in the scope of rights provided therein including land rights, accompanied by weak enforcement. Lack of clarity of land titles and low capacity of local government mediation task forces are two key issues that need to be addressed.

The objective:

Indonesia aims to promote inclusive, sustainable palm oil production by reducing deforestation and facilitating structural change in the palm oil sector. There are opportunities for production increases through productivity gains and use of degraded lands. The need to balance growth and economic potential with maintaining healthy ecosystems and communities is fundamental to secure the future of both forests in Indonesia and improved livelihoods through economic growth.

¹ For example by the World Wildlife Fund (WWF), Sawit Watch, World Resources Institute, Sekala, the Nature Conservancy, International Finance Corporation (IFC) and the European Union.

The Sustainable Palm Oil initiative works with the Ministry of Agriculture and sub-national governments to support smallholder farmers towards better productivity, management and sustainability. This is key to increased income and the prevention of land conversion/sales due to high levels of vulnerability. The initiative helps by creating partnerships with companies and strengthening the local government extension worker system.



Based on a baseline assessment and extensive stakeholder consultations carried out in 2011-2012, the programme contributes to sustainable palm oil production through a focus on the following strategic areas:

- Ensure palm oil stakeholders in Indonesia are **well coordinated** through National Palm Oil Platform:
 - Government involvement to drive institutionalization and sustainability
 - Private sector engagement
 - Involvement of NGO, local communities, smallholder organizations
 - providing access to government policy making
- **Strengthen smallholders** to improve sustainable livelihoods and agricultural practices
 - Provide training to smallholders on productivity, environment, fairer prices, management and certification for sustainable palm oil production (ISPO)
 - Strengthen local government agricultural extension worker systems to ensure sustainability and scaling up of successful solutions
 - Work with smallholder cooperatives and larger plantations to reduce expansion into forests
- Reduce deforestation:
 - Accelerate land swaps and use of degraded land for palm oil production through legal/policy development, leading to reduced use of fertile forest lands.
 - Measure/Manage Green House Gas emissions
- Improve land tenure and **mediation mechanisms**:
 - Provide support to independent palm oil smallholders to obtain legal land status, which is key to sustainable palm oil certification
 - Strengthen local conflict mediation systems – leading to more effective use of land in the area
- Operationalize the **national certification scheme** to foster a sustainable palm oil sector
 - Support the operationalization of the certification of sustainable palm oil production, and optimize its guidelines so that it can effectively address socio-economic and environmental problems .
 - Support the development of a third party auditing system for the certification of sustainable palm oil production to ensure international credibility

Approach & Results so far:

The Sustainable Palm Oil Initiative (SPO) is a major public private partnership that supports the sustainable production of palm oil while minimizing adverse social and environmental impacts. The project aims at promoting sustainable palm oil by reducing deforestation and providing support to a structural change in the sector. The five year programme is active from 2013 until 2018. Even though the initiative is still in its first year of implementation, there are some positive results visible so far:

- Buy-in and ownership of the Indonesian government for supporting sustainable palm oil production
- Inter-ministerial coordination strengthened
- Policy reforms identified to address the root causes of deforestation from palm
- Steady preparation of Indonesia's National Palm Oil Platform since 2011, which brings together stakeholders from private sector, government and civil society and allows for sustainable business model in the palm oil sector. The platform was socialized by the Minister of Agriculture in 2012, and is going to be operationalized in 2013.

How this example reflects successful implementation of the Global Partnership:

The sustainable Palm Oil initiative relates the spirit of the Global Partnership in two specific ways:

- **Inclusive Development Solutions, and Ownership:** The sustainable palm oil platform demonstrates how *'ownership of stakeholders, from government civil society and the private sector is strengthened in the palm oil production* in Indonesia.
- **Inter-governmental coordination:** With a view at inter-governmental coordination, the results achieved so far, speak for themselves: Four ministries are involved in decision making around this initiative. Together they have identified a way in which domestic resources are being mobilised in a sustainable manner.
- **Public-private partnership for sustainable development results:** The government recently *established a national certification scheme* for sustainable palm oil production, which requires producers to comply with existing regulations for palm oil production, environmental management, responsibility to workers and social communities. A large multi-lateral organization supports the operationalization and optimization of this certification scheme, as it covers all producers in Indonesia to ensure compliance with the Indonesian legal system. Indonesia's Roundtable for Sustainable Palm Oil which has been created serves as an important platform for best practice standards.
- **A joint focus on development results:** It is very clear that within the project, there is a *strong focus on achieving development result*. This applies not only by definition of a framework of strategic areas and goals but also because roles and responsibilities are defined clearly to ensure that the palm oil initiative is properly coordinated.



In light of the principle of the Global Partnership to make governments, private sector and stakeholders from non-governmental organizations work better together to fight poverty, the palm oil initiative in Indonesia is a tangible example of how inclusive and sustainable results in the agricultural sector can be achieved through effective multi-stakeholder coordination and inclusive development approaches. In relation to the inclusive development spirit of the GP, the Sustainable Palm Oil Initiative (SPO) represents a major public private partnership with stakeholder representation from national and local governments such as the Ministry of Agriculture (MoA), Ministry of Forestry, Ministry of cooperation and SMEs, National Land Agency, (BPN), Ministry of Environment, Ministry of Trade, local NGO's and multi-lateral organizations such as RSPO (Roundtable for Sustainable Palm Oil), GAPKI, the Global Compact, smallholder and environment associations/initiatives, SAWIT WATCH/SPKS, IFC, WWF, ZSL. Private sector participation is ensured through the participation of multi-nationals such as IKEA, Johnson & Johnson, Mondeléz who are also partially funding the initiative.

Conditions for smallholder farmers working in the palm oil sector in Indonesia are bound to improve through the sustainable palm oil initiative. By enhancing productivity and hence income, improving land tenure and therefore securing land, and strengthening cooperatives to improve selling prices, small-holder farmers are able to take part in the benefits created for Indonesia through production of palm oil.

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