



# Developing the regional action plan for sustainable palm oil in Kutai Kartanegara Regency

This document is part of the research project “Strengthening Jurisdictional Approaches in the Indonesian Palm Oil Sector” by CIFOR-ICRAF and University of Palangka Raya in Kutai Kartanegara Regency, with support of Walmart Foundation

## Introduction

Palm oil is Indonesia’s main commodity in both international trade and industry. It contributes significantly, with oil palm smallholders playing an important role. Oil palm plantation development contributes to deforestation, and is a major cause of biodiversity loss, greenhouse gas emissions, land degradation, forest and land fires, and other impacts.

Palm oil is also relevant to, and has huge implications for women, allowing them to play important roles in cultivation and post-harvest processes. However, there are a variety of gender challenges in the sector, one of which is a lack of women’s representation in oil palm farmer group organizations. Efforts have been made to encourage the realization of a sustainable and inclusive palm oil sector, for instance through certification and the formulation of national and regional action plans for sustainable palm oil (RAN KSB and RAD KSB, respectively).

Strong intersectoral links in the palm oil sector make synchronization and collaboration between sectors important in developing a shared vision for achieving sustainability. These are made possible and encouraged in Jurisdictional Approaches (JAs), which are increasingly seen as pathways for achieving a sustainability transformation. An example of a palm oil sector JA in Kutai Kartanegara Regency was the multistakeholder process used for developing the region’s RAD KSB.

This contributory document is part of research to facilitate the development of a shared vision for strengthening jurisdictional sustainable palm oil initiatives in Kutai Kartanegara Regency. It contains the results of trade, supply chain, value chain, risk and deforestation analyses, and is supplemented with a Theory of Change, a Theory of Action and a Monitoring and Evaluation Framework. We also model sustainable palm oil policy scenarios through the Jurisdictional Approach for Palm Oil Sustainability (JAPOS) simulation tool.

## Forest and land cover change dynamics and palm oil developments

During the period from 2000 to 2019, Kutai Kartanegara Regency lost 50,000 hectares (ha) of natural forest, but gained an additional 18,000 ha of peat forest. In 2019, remaining natural forest and peat forest cover made up 40% of the regency's total area. Over the nineteen years, significant expanses of natural forest cover, including mangroves, were converted to agricultural land, scrub, plantation forests and oil palm plantations. Natural forests converted for agricultural land, later became scrub, plantation forest and oil palm plantation land. A similar land-use change dynamic occurred in peat forests, with significant losses of forest cover associated with oil palm plantation and plantation forest development.

## Palm oil production

Registered oil palm plantations in Kutai Kartanegara Regency cover a total area of 196,116 ha, 82% of which is owned by companies. The regency also has plantations belonging to 95,632 smallholders. Total crude palm oil (CPO) production from company and smallholder plantations reached 592,909 metric tons in 2017, with productivity being slightly higher in company than smallholder plantations at 3.41 tons of CPO ha<sup>-1</sup>.

## Palm oil trade

Kutai Kartanegara Regency contributes almost 1% of total national palm oil trade volume. Of the 702,547 tons of palm oil from the regency traded in 2020, 71% was sold in domestic markets and the remainder was exported. Records show 114 countries importing palm oil from the regency, with 28% being sold to China. Total trade value for Kutai Kartanegara reached USD 317 million in 2020.

## Value chain and supply chain traceability

Most palm oil produced in Kutai Kartanegara Regency comes from large plantations, from which fresh fruit bunches (FFBs) are supplied to palm oil mills to produce CPO. Around 70% of produce from Kutai Kartanegara

is traded in the form of CPO, with 54% sold to domestic markets and industries. Around 30% of CPO produced in the regency is processed in domestic refineries and exported. Analysis results showed most CPO still being traded around Kutai Kartanegara Regency, though further CPO processing does occur in East Kalimantan Province and also on Java. A supply chain governance analysis showed several large companies still dominating upstream production and marketing of palm oil from Kutai Kartanegara to a variety of corporate groups and importers. Further traceability analyses failed to identify trade affiliations for 41% of palm oil supply chains in Kutai Kartanegara from trade data of certain corporate groups. Of the 56% where upstream trade affiliations could be identified, 66% were traceable to the plantation level.

## Risks and problems in achieving sustainable palm oil

Outcomes of a hypothetical risk analysis showed Kutai Kartanegara Regency having a medium risk score of 0.68 out of 1.00. Indicators showed Kutai Kartanegara Regency's greatest risks coming from stagnation in jurisdictional approaches in the sustainable palm oil sector, and palm oil mills not having sustainability certification. In addition to identifying these hypothetical risks, we also held discussions with stakeholders to identify the main problems with sustainable palm oil, which were then grouped into four categories: social, environmental, legality and productivity. These included supply chain issues, land conflicts, land legality and overlapping licenses.

## Palm oil actors and social networks

At least 288 actors were identified forming 569 networks in the palm oil sector in Kutai Kartanegara Regency. These actors had links to others at the national and East Kalimantan provincial levels. Important actors were, in no particular order, the central government, the National Resilience Institute (Lemhanas), the Ministry of Agriculture, the Directorate General of Plantations, the East Kalimantan Provincial Government, the Governor of East Kalimantan, the East Kalimantan Provincial Plantations Office, the East Kalimantan Indonesian Palm Oil Association (GAPKI), local palm oil companies, the Kutai Kartanegara Legislative Assembly (DPRD),

the Kutai Kartanegara Regency Plantations Office, independent smallholders, plasma estate smallholders and communities. These stakeholders and their functions were studied further in a Theory of Change, Theory of Action and a Monitoring and Evaluation Framework.

## Gender roles

The Kutai Kartanegara Regency Government's commitment to support central government policy on gender mainstreaming began in 2016 with the passing of Regional Regulation No. 22/2016, which was later amended by Regional Regulation No. 1/2021 to conduct more applicative gender mainstreaming. The Kutai Kartanegara Regency Government's seriousness was evidenced with its achievement of the Anugerah Parahita Ekapraya award. However, a patriarchal culture is still very apparent in all aspects of life in the regency.

The population of Kutai Kartanegara comprises several ethnicities, which generally fall into four groups: ethnic Melayu and subethnicities; ethnic Dayak and subethnicities, other Indonesian ethnicities; and those of foreign descent. Women working in oil palm plantations in the regency generally have dual work burdens as housewives and plantation laborers. In plantations they play roles in crop maintenance, fertilizer application, spraying and clearing grasses from around oil palm stems.

## Policy support for sustainable palm oil

Policy support and collaboration for sustainable palm oil were formulated at the provincial level with the passing of East Kalimantan Gubernatorial Regulation No. 7/2018 on Sustainable Plantation Development, which contained a directive to establish a Sustainable Plantation Communication Forum (FKPB). This directive was later reinforced with Gubernatorial Regulation No. 52/2018 on Establishment of the East Kalimantan FKPB and the appointment of a forum chair and members for 2019–2022 through East Kalimantan Gubernatorial Decree No. 525/2019. Regulation No. 52/2018 was later amended through Gubernatorial Regulation No. 11/2023.

Sustainability initiatives have also been strengthened through Gubernatorial Regulation No. 9/2017 on Establishment of the East Kalimantan Regional Climate Change Council (DDPI); Gubernatorial Regulation

No. 12/2021 on Criteria for High Conservation Value (HCV) Areas; and Gubernatorial Regulation No. 43/2021 on Management of HCV Areas in Plantations.

## Strengthening the sustainable palm oil vision and RAD KSB through TTM

The Theory of Change (ToC), Theory of Action (ToA) and Monitoring and Evaluation Framework (MEF), referred to collectively as TTM, are tools for determining shared visions in a participatory manner. Stakeholders in Kutai Kartanegara Regency have a vision to Realize reduced deforestation, increased biodiversity and enhanced community livelihood resilience in Kutai Kartanegara Regency. During a regional workshop, stakeholders determined that this shared vision could be achieved by targeting a 50% reduction in deforestation and the protection of 201,646 ha of protection forests with nature reserves in forest estates; nature conservation on 134,284 ha; and the development of three alternative livelihood sources. Based on research results, the research team recommended more progressive indicators, by targeting forest protection and no deforestation on 1,018,044 ha; reducing deforestation by 80% in other land use or *Areal Penggunaan Lain* (APL) areas; and balancing these by increasing intensification by 25% to increase smallholder growers' incomes by 25%; and developing three alternative livelihood sources. These goals or impacts in Kutai Kartanegara Regency would be achieved through three change pathways: data, regulation and legal compliance; biodiversity and ecosystem conservation; and economic empowerment and enhancement of sustainable enterprises. Already developed change pathways also have the potential to encourage gender transformation.

## Modelling sustainable palm oil policy impacts through JAPOS

JAPOS, or Jurisdictional Approach for Palm Oil Sustainability, is a tool for modelling impacts of sustainable oil palm policy scenarios, which policymakers can use to understand synergies and trade-offs between economic, social and environmental factors. It models policy interventions elaborated in the RAD KSB, where models project future impacts of implementing interventions to achieve sustainable palm oil. In this

study we developed three scenarios: Business As Usual (BAU); No Deforestation and No Peat (NDP); and a scenario combining NDP with intensification, certification and incentives (premium prices, a carbon tax and ecological fiscal transfers).

The NDP and combined NDP scenarios would reduce cumulative deforestation by 100% and emissions by 60–63% of the BAU scenario.

## Key recommendations for Kutai Kartanegara Regency's RAD KSB

Key recommendations generated from TTM and JAPOS formulae were a shared vision and recommendation points, which were then outlined in a matrix comprising five components: strengthening data, coordination and infrastructure; capacity building for growers and accelerated replanting; environmental management and monitoring; governance and handling

disputes; and Indonesia Sustainable Palm Oil (ISPO) certification implementation and market access for palm oil products.

The shared vision established for Kutai Kartanegara Regency is to realize reduced deforestation, increased biodiversity and enhanced community livelihood resilience in Kutai Kartanegara Regency. Stakeholders in the regional workshop determined that this shared vision could be achieved by targeting a 50% reduction in deforestation and the protection of 201,646 ha of protection forests with nature reserves in forest estates; nature conservation on 134,284 ha; and the development of three alternative livelihood sources. Based on research results, the research team recommended more progressive indicators, by targeting forest protection and no deforestation on 1,018,044 ha; reducing deforestation by 80% in other land use or *Areal Penggunaan Lain* (APL) areas; balancing these by increasing intensification by 25% to increase smallholder growers' incomes by 25%; and developing three alternative livelihood sources.