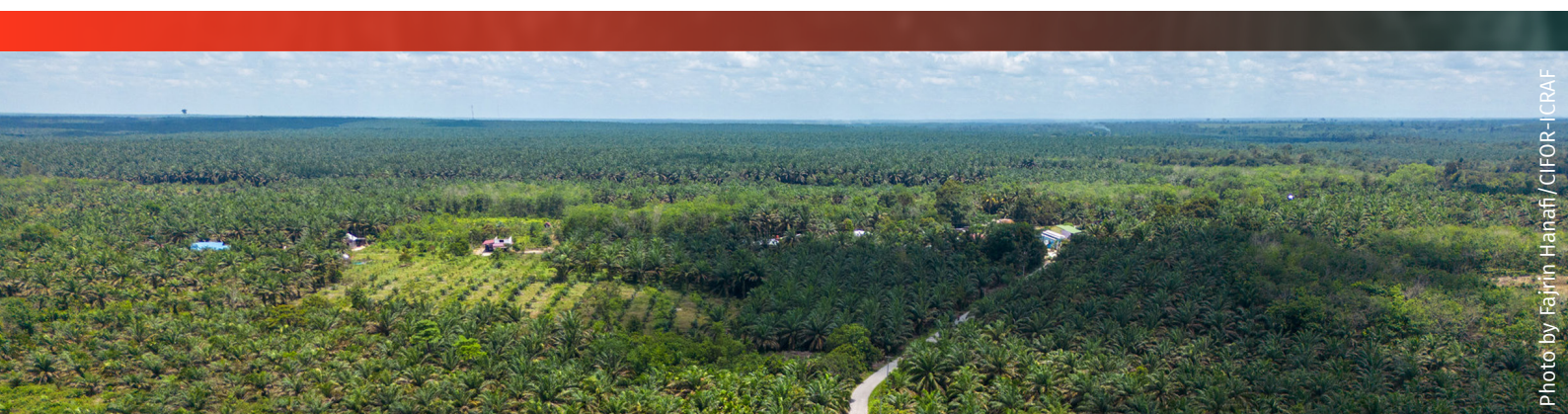




Jikalahari
Jaringan Kerja Penyelamat Hutan Riau



Strengthening the regional action plan for sustainable palm oil in Pelalawan Regency

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

Introduction

Palm oil is a major commodity for Indonesia and holds an important role in 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 Pelalawan Regency is 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 Pelalawan 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

From 2000 to 2019, Pelalawan Regency lost 80% of its natural forest. A similar trend was seen with the loss of half of Pelalawan's peat forest over the same period. This forest loss left only 23% of peat forest and natural forest remaining in 2019. Most natural and peat forests in the regency have changed to become agricultural land, plantation forests and oil palm plantations. Oil palm planted area increased rapidly in Pelalawan over those 19 years. Analysis results showed oil palm development in the southwestern part of the regency and close to Tesso Nilo National Park, where natural and peat forest had been converted to agricultural land prior to being converted to oil palm plantations.

Palm oil production

Pelalawan is one of seven important oil palm producing regencies in Indonesia. According to regency government data, the area of officially registered oil palm was 393,324 hectares (ha) in 2019, with around two thirds of palm oil produced by companies. The productivity of company plantations was higher than that of smallholder estates at 5.24 metric tons of crude palm oil (CPO) ha⁻¹ and 3.96 tons of CPO ha⁻¹, respectively. Total CPO production from companies and smallholders reached 1.9 million tons in 2019.

Palm oil trade

Most (97%) of the CPO and refined palm oil (RPO) produced in Pelalawan was destined for export, with palm oil from the regency contributing 2% of total national trade volume at a value of USD 517 million. Palm oil produced in Pelalawan is exported to 120 countries, including South Asian countries, China, the United States of America, Russia, and countries in Europe, Southeast Asia and Africa. This international trade involves six large companies and two corporate groups, which together account for more than 50% of trade volume.

Value chain and supply chain traceability

Around 77% of palm oil produced in Riau comes from large plantations, with 23% coming from smallholder estates. Fresh fruit bunches (FFBs) produced from the regency's oil palm plantations are supplied to palm oil mills to produce CPO. Around 67% of palm oil is traded to export markets in the form of RPO, while 33% goes to domestic and export markets in the form of CPO. Most trade chains in Pelalawan are from plantations to palm oil mills, with significant volumes supplied to mills outside the regency. Refineries processing palm oil from Pelalawan are centered in Dumai Municipality, Riau Province. Though parts of trade chains occur outside Pelalawan, facilities and infrastructure in Riau Province are connected and support the marketing of production yield from the regency. Several large corporations still dominate the production and marketing of palm oil from Pelalawan, as shown by the predominance of directed networks in palm oil governance.

In terms of traceability, from the trade data of certain corporate groups, mill to market affiliations could be identified in almost 97% of palm oil supply chains, though only 46% could be traced back to the plantation level. The study recorded 308 supply chains that could be traced back to 198 plantations in Pelalawan.

Risks and problems in achieving sustainable palm oil

Outcomes of a hypothetical risk analysis on achieving sustainable palm oil showed Pelalawan Regency having a medium risk score of 0.57 out of 1.00. The greatest risks for Pelalawan came from a high percentage of mills in the regency not having sustainability certification, and stagnation in jurisdictional approaches in the sustainable palm oil sector. In addition, stakeholders identified important issues during discussions. These related to strengthening data, coordination and infrastructure; capacity building and accelerated replanting for growers; environmental management and monitoring; governance and handling disputes; and Indonesia Sustainable Palm Oil (ISPO) certification implementation and market access for palm oil products.

Palm oil actors and social networks

Important actors and their network constellations were mapped for stakeholder engagement in encouraging the issue of sustainable palm oil. At least 333 actors formed 677 networks. Regency-level actors in Pelalawan had links to others at the national and Riau provincial levels. Important actors, in no particular order, were the Pelalawan Regency Government, Riau Provincial Government, the United Nations Development Programme (UNDP), independent growers, Asian Agri, the Indonesian Oil Palm Farmers Association (APKASINDO), the Pelalawan Regency Plantations and Livestock Office, the Riau Province Food Crop, Horticulture and Plantations Office, the Pelalawan Regency Environment Office, and the Ministry of Agriculture.

Gender roles

The Pelalawan Regency Government has supported gender equality efforts with Regent Decree No. 6/2020 on Gender Mainstreaming, following up on Minister of Home Affairs Regulation No. 67/2011 on General Guidelines for Implementing Gender Mainstreaming in Regions, and Presidential Instruction No. 9/2000. The decree states that women and men should have equal access to participation, control over and benefits from development planned by government and/or other institutions.

In cultural terms, the population of Pelalawan Regency comprises several indigenous and immigrant ethnic groups. Patriarchal cultures are still prevalent in Indonesia, and patriarchy in Pelalawan limits opportunities for women to voice themselves, be considered, and hold important positions in communities. Conditions during the Covid-19 pandemic also impacted community social conditions in Pelalawan, where women had heavier housework and childcare burdens. As well as doing domestic jobs in the household, women also worked outside the home as growers or farmers, including in oil palm plantations.

Policy support for sustainable palm oil

Sustainable palm oil initiatives in Pelalawan are designated through the Pelalawan Regency Action Plan for Sustainable Palm Oil (RAD KSB), which was

formulated through a multistakeholder forum called the Pelalawan Regency Indonesia Sustainable Palm Oil Forum (FOKSBI), now known as the Regional Implementation Team or *Tim Pelaksana Daerah* (TPD). The RAD KSB was formalized through Regent Decree No. 601/2017, ratified with Regent Regulation No. 73/2020, and aligned with the Regional Medium-Term Development Plan (RPJMD). The current RAD KSB is applicable from 2020 to 2024. Support for palm oil sector development is also apparent in the Pelalawan Regent's second mission, which is laid out in the RPJMD for 2021–2026 and interpreted in a variety of programs. Other policy support was realized in Riau Gubernatorial Regulation No. 77/2020, and updated through Riau Gubernatorial Regulation No. 5/2021, which regulated fresh fruit bunch prices.

Multistakeholder processes for sustainable palm oil in Pelalawan are led by the regency government with support from partners, one of which is UNDP. Jurisdictional approach processes are also supported by development partners and companies through the Siak-Pelalawan Landscape Programme (SPLP).

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 Pelalawan Regency have a shared vision to Realize reduced deforestation, increased biodiversity and enhanced sustainable and inclusive community livelihood resilience (goals or impacts). In a workshop, stakeholders formulated achievement indicators for these objectives, i.e., through the reduction of deforestation and increase in biodiversity as shown by the percentage fall in deforestation figures by 2030. Based on study results, the research team recommended progressive and specific indicators, by targeting forest protection and no deforestation on 302,819 ha; reducing deforestation by 80% in other land use or *Areal Penggunaan Lain* (APL) areas; and balancing these by increasing intensification by 30% to increase smallholder growers' incomes by 29%. These goals or impacts would be achieved in Pelalawan 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).

Under the NDP and combined NDP scenarios, oil palm plantation development would fall by 10% of the BAU scenario. These policy scenarios would reduce cumulative deforestation by 100% and emissions by 29-35% of the BAU scenario. However, action would be needed to mitigate reductions in crude palm kernel oil (CPKO) production (5–13% of the BAU scenario) and trade value (5–15% of the BAU scenario).

Key recommendations for Pelalawan 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 and accelerated replanting for growers; 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 Pelalawan Regency is to Realize reduced deforestation, increased biodiversity and enhanced sustainable and inclusive community livelihood resilience. Stakeholders in the workshop formulated achievement indicators for these objectives, i.e., through the reduction of deforestation and increase in biodiversity as shown by the percentage fall in deforestation figures by 2030. Based on research results, the research team recommended progressive and specific indicators, by targeting forest protection and no deforestation on 302,819 ha reducing deforestation by 80% in other land use or *Areal Penggunaan Lain* (APL) areas; and balancing these by increasing intensification by 30% to increase smallholder growers' incomes by 29%.

JAPOS simulations showed the scenario with an NDP policy in combination with intensification, certification and various incentive and disincentive schemes could reduce cumulative deforestation by 7,300 ha, or 100% of the BAU scenario, and annual emissions by 1.4 Mt CO₂e, or 35% of the BAU scenario. Even though implementing this scenario would result in reduced crude palm kernel oil (CPKO) production and palm oil trade value, these could be overcome by increasing intensification and incentives to achieve a balance between economic and environmental factors for the attainment of sustainable palm oil.