

# MEASURING THE IMPLICATION OF RSPO CERTIFICATION

Lesson Learned from Independent Palm  
Oil Smallholder in Riau Province, Indonesia



# **MEASURING THE IMPLICATION OF RSPO CERTIFICATION**

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WWF Central Sumatera



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# LIST OF ABBREVIATIONS

## A

APL : Areal for Other Land Uses

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## B

BUMDes : Village-Owned Enterprise

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## C

CARs : Correction Action Requests

CPO : Crude Palm Oil

CIFOR : Center for International Forestry Research

CSPO : Certified Sustainable Palm Oil

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## D

Ditjenbun : Direktorat Jenderal Perkebunan, Kementerian Pertanian/  
Directorate General of Plantation

DO : Delivery Order

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## F

FFB : Fresh Fruit Bunch

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## G

GDP : Gross Domestic Product

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## H

HGU : Hak Guna Usaha/Right to Cultivate

HPH : Hak Pengusahaan Hutan/Forest Concessionaires System

HTI : Hutan Tanaman Industri/Industrial Plantation Forest

## I

ICS	: Internal Control System
ISPO	: Indonesia Sustainable Palm Oil
IUPHHK	: Izin Usaha Pemungutan Hasil Hutan Kayu/Permit for Timber Forest Product Utilization
IUPHHK-HA	:Izin Usaha Pemungutan Hasil Hutan Kayu - Hutan Alam/Permit for Timber Forest Product Utilization – Natural Forest

---

## K

KLHK	: Kementrian Lingkungan Hidup dan Kehutanan/Ministry of Environment Forestry
KPA	:Konsorsium Pembaruan Agraria/Consortium for Agrarian Reform
KPK	:Komisi Pemberantasan Korupsi/Corruption Eradication Commission
KUD	:Koperasi Unit Desa/Village Cooperation Unit

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## N

NES	:Nucleus Estate Smallholders
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## P

PKO	: Palm Kernel Oil
PIR	:Perkebunan Inti Rakyat/Plasma Transmigration Program

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## R

RSPO	:Roundtable on Sustainable Palm Oil
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## S

SPKS	:Serikat Pekebun Kelapa Sawit/Palm Oil Farmer Union
SKT	:Surat Keterangan Tanah/Land Registration Certificate
STDB	:Surat Tanda Daftar Usaha Budidaya/Letter of Registered Agriculture Business
SPPL	:Surat Pernyataan Pengelolaan Lingkungan/Commitment Letter of Environmental Management and Monitoring

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Pekanbaru, December 2022

The Authors



# PREFACE

All gratitude goes to God Almighty for giving us His Mercy and Grace to complete the book entitled Measuring the Implication of RSPO Certification Implementation (Lesson Learned from Independent Palm Oil Smallholders in Riau Province, Indonesia).

We would like to thank multiple parties who assisted with this publication, starting from collecting data preparation, publication writing, and peer-review.

Based on the data of the Ministry of Agroforestry (Kementan), currently, at least 40 – 42% of 16.37 million Ha of palm oil is administered by smallholders (palm oil smallholders). Independent palm oil smallholders have a big role in the palm oil supply chain. Statistical data from the Directorate General of Plantation, the Ministry of Agriculture indicate that in 2020, Riau is the biggest province of palm oil plantation area in Indonesia with 2.7 million hectares or 30.36%. Of the palm oil plantation total area in Riau Province, 70.8% or 1.7 million hectares are owned by community smallholders.

Considering the strategic role of palm oil smallholders, since 2009 WWF Indonesia has been working to facilitate independent palm oil smallholders in Riau and West Kalimantan. In Riau, since September 2011 WWF Indonesia has begun the facilitation process for the independent palm oil smallholders' community for the development of the sustainable palm oil programme through the scheme of RSPO certification in Pelalawan (Amanah Independent Palm Oil Smallholders Association), and subsequently replicated to other independent palm oil smallholders' community locations in 2014 in Kuantan Singingi (Mandiri Independent Palm Oil Smallholders Association). Through this facilitation process, we certainly obtained a number of points as lesson learned and experience for developing another program. Moreover, it rebuilds the governance structure of independent palm oil plantations in Indonesia, especially in Riau Province.

Synergy and integration from various entities are the key factors to guide palm oil smallholders to implement sustainable palm oil plantations. Various entities can

contribute to collecting the data, STDB legality, accelerated ISPO/RSPO certification, and synergy of the sustainable palm oil national action plan that has been authorized by the central and regional governments.

This book is still far from perfect, therefore, suggestions from the readers are literally needed for improvement. Despite the shortages, we hope this book can be a reference for the parties as supporting efforts for the improvement of governance structure and facilitation process of palm oil smallholders.

Pekanbaru, December 2022

**Joko Sarjito**

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# EXECUTIVE SUMMARY

In a few decades, the palm oil industry has been growing rapidly and provided a positive contribution to the national economy of Indonesia (3.5% of the national GDB). Since 1980, the extent of palm oil plantation area has increased promptly to 14.32 million hectares (48.6-fold) in 2018. Due to its rapid development, palm oil has become the most contentious commodity that is traded globally, especially in terms of land expansion from natural forests and peatland ecosystems, tenurial conflicts, climate changes, and social impacts.

Increased interest in environmental issues and global market pressure towards the company and government has brought up a standard and certification scheme for palm oil to ensure “sustainability” and to minimize social and environmental impacts. In 2004, Roundtable on Sustainable Palm Oil (RSPO) certification, which is voluntary, was enacted as a global standard for the supply chain and palm oil industry. The scheme of RSPO certification, basically, was oriented toward large-scale manufacturers (companies). However, a specific standard for small-scale manufacturers like independent smallholders has been developed. The independent smallholders’ involvement in the RSPO scheme is crucial because the breadth of community palm oil plantations in Indonesia is up to 5.82 million hectares or 40.5% of the national palm oil plantations.

This book was originally designed due to the lack of palm oil certification lesson learned documentation for independent smallholders. It is barely found the publication regarding process and stages of RSPO, benefits and impacts after obtaining RSPO certification. Data collection and information were conducted from November 2020 until January 2021 and focused on the Riau Province, especially for Pelalawan and Kuantan Singingi Districts. WWF Indonesia along with Amanah Independent Palm Oil Smallholders Association, Mandiri Independent Palm Oil Smallholders Association, and the associated partnership have worked and had ups and down journey on the implementation of RSPO certification process from 2011 until 2019.

Several findings in the two locations are RSPO certifications that provided significant development on the implementation of sustainable agriculture patterns. Nowadays,

the gradual upsurge in Fresh Fruit Bunch (FFB) productivity was found in Amanah Association at 20% (annual average production before getting RSPO certification that was 20 tons increased to 24 tons/ha) and Mandiri Association amounted to 17% (annual average production that was 17 tons/ha increased to 20 tons/ha) after implementing RSPO standards. Other changes come from decreased herbicide operational costs and fertilizer use efficiency that influence the increased revenue of independent palm oil smallholders.

In terms of economic aspects, the credit incentive of RSPO certification through Palmtrace has funded the certification audit every year autonomously, supported financially operational management of the Internal Control System (ICS), and provided benefits in economic for the organizational members. However, the benefits for the organizational members depend on the certified RSPO plantation area. Another economic aspect is seen from FFB's purchase certainty, either through cooperation with the company or through DO own by BUMDes.

Furthermore, on the social aspects, there are smallholders' organization reinforcements in the form of association (ICS Group-Internal Control System), built solid market partnerships, better information, knowledge, and skill transfers. On environmental aspects, the changes are the implementation of soil and water conservation, including chemical waste management that is set separately with the adequate and safe installation. In addition, having owls in the field that are released wildly is to control bio-pests. For the conservation purpose, protection area allocation is based on the High Conservation Value (HCV) guidelines that need to be increased, concerned, and monitored intensely.

Essential lesson learned from the two certified RSPO independent palm oil smallholders are described as follows:

*Firstly*, a systematic facilitation process is needed to achieve the self-sufficiency of independent palm oil smallholders in implementing the sustainability standard that refers to community empowerment. Three crucial empowerment stages that should be followed, at least, are 1) independent smallholders' organizing, 2) intensive

facilitation, and 3) self-sufficiency reinforcement. Those three stages need 2 until 3 years to make the smallholders understand comprehensively the essence of RSPO

certification and be able to implement technically the sustainable principle and criteria, as well as being independent in managing the organization.

*Secondly*, the number of initial funds for RSPO certification for the two independent palm oil smallholders, in this study, is varied based on the breadth of the area, scope, and total of members. Yet, the broader and more independent palm oil smallholders' members are facilitated in a nutshell, the initial fund of certification will be more efficient (affordable). Initial fund planning needs to be prepared at the beginning in order to make the facilitation process run well.

*Thirdly*, the lessons from two locations in Riau indicated the importance of support and collaboration with stakeholders in initiating, beginning, and ensuring RSPO principles are applied sustainably. The encouragement of the government, companies, universities, NGOs, and financial organizations at the sub-district level (Bank, Credit Union, BUMDes) is required for reactivating communities, strengthening smallholders' participation, and ensuring self-sufficiency of independent palm oil associations in implementing the sustainability standards based on their competencies and authorities.

Based on the field facts and lessons learned in two locations in Riau Province, a lot of recommendations to accelerate the RSPO certification of independent palm oil smallholders and rebuild the palm oil governance, either in Riau province or nationwide scale can be described as follows:

*Firstly*, the facilitation process, at least, can be optimized in 2 years by involving 3 trained facilitators. Also, the competency support of relevant partners and smallholders who are involved in the community are needed. In addition, the solid support of the initial fund (philanthropy, RSPO, trader, buyer, grower companies, and government) is required to encourage and facilitate smallholders in achieving RSPO certification.

*Secondly*, it is crucial to sustaining the collaboration with the stakeholders in initiating, mentoring, and ensuring that independent smallholders apply the criteria and principles of RSPO. The institutions need to be involved actively to develop innovation in technology in case of supporting the best practices for the cultivation of palm oil plantations. In addition, funding partners' contribution is needed to

encourage the organization and business unit that has been built by the independent smallholder community.

*Thirdly*, related to the preservation of deforestation issues, the central and Riau province governments need to control palm oil plantations expanded by the companies or smallholders by not releasing forest area for palm oil plantation and to monitor as well as evaluate the existing palm oil plantation licenses and or postpone new licenses. Law enforcement of plantation land use, which is clear and clean from land area conflict (forest) and encourages intensification of land area with sustainable plantation practices will decrease deforestation in that province. Hence, RSPO needs to increase smallholder plantation and company certification as well as palm oil factories in Riau province so that the business climate, market access, and FFB supply chain of independent smallholders. Expanding the RSPO certification is substantial because a lot of community palm oil plantations and companies did not apply the implementation of sustainable plantations. Furthermore, it is important for enhancing traceability and implementing NDPE (No Deforestation, No Peat, and No Exploitation) for the big companies (Grower and Buyer).

Fourthly, regarding audit mechanisms, RSPO needs to design a funding concept for smallholder clusters with a small land area and fewer members. RSPO is required to improve audit mechanisms to check a whole land owned by independent smallholders (including uncertified land) to ensure the implementation of clear and clean regulations regarding the tenurial issues. In addition, the audit process should also be focused on the improvement of High Conservation Value (NKT) area conservation, including river boundaries in smallholder plantations. Thus, an incentive scheme for independent smallholders who acknowledged preserving the NKT area conservation. Incentive schemes (tangible and intangible) can be built up and developed by the government, company, and RSPO.



CHAPTER I

# Palm Oil Industry Profile



# Development of Palm Oil Plantation in Indonesia and Riau Province

The history of palm oil in Indonesia began with the Dutch Colonization around 1848. Four seedling stems of palm oil that were brought from Mauritius and Amsterdam, previously, were planted in Kebun Raya Bogor (Bogor Botanical Garden). Palm oil plants were tried to be planted and cultivated commercially in 1911 (Wahyono, 2008). The first palm oil plantation is located in Pantai Timur Sumatra (Deli) and Aceh, which is approximately 5,123 ha wide. Indonesia began with Crude Palm Oil (CPO) exports in 1919 with a 575-ton weight exported to Europe countries and in 1923 started to export Palm Kernel Oil (PKO) with an 850-ton weight.

Entering the era of the new order government in 1970, palm oil development was a teacher's pillar at that time. This policy was taken in terms of creating job opportunities, increasing community well-being, and making palm oil as the country's exchange earning sector and political stability (Jelsma et al., 2017). With the World Bank's support, the Indonesian government consistently promotes palm oil plantations through Plasma Transmigration Program (PIR) or Nucleus Estate Smallholders (NES). This scheme directs large plantations as the nucleus to nurture and accommodate the production of surrounding community palm oil plantations that become plasma (Molenaar et al., 2013). The development of palm oil was rapidly developed after the government developed the sustainable program, namely PIR-Trans in 1986. The spread of palm oil plantations, nowadays, includes the entire province of Indonesia (Figure 1).

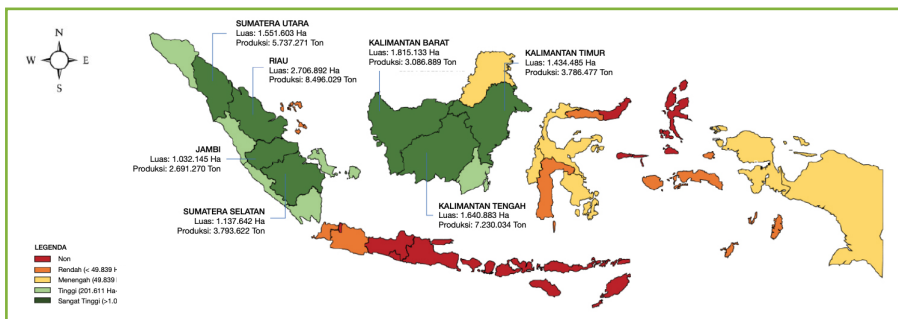
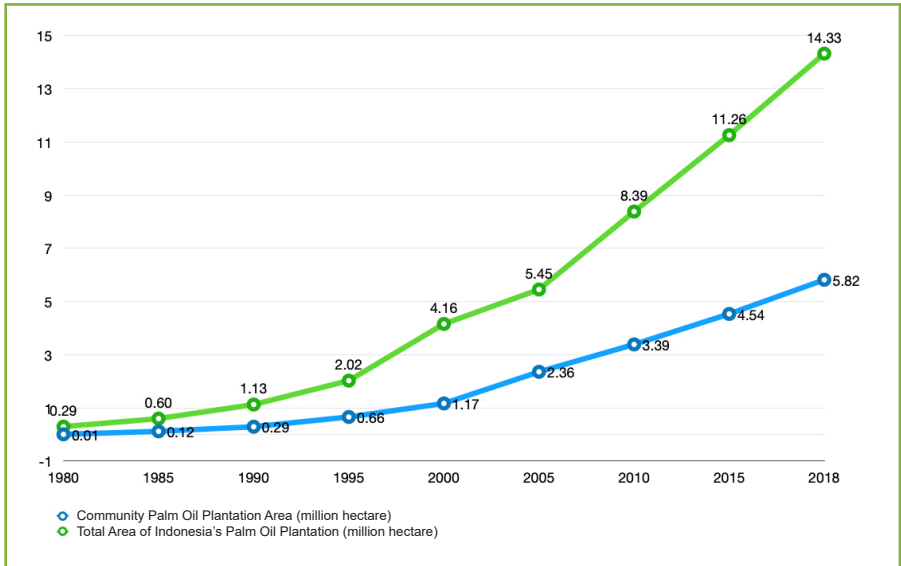


Figure 1 The Distribution of Indonesian Palm Oil Plantation Area in 2018



In contrast, the broad of Indonesia's palm oil in 1980 is 294.560 ha with a CPO production of 721.172 tons. The development of palm oil area broad rapidly increased to 14.32 million hectares or 48.6-fold in 2018 (Figure 2).



Source: Ditjenbun, 2019

**Figure 2 Development of Indonesian Palm Oil Plantation Area in 1980-2018**

CPO production level in 2018 achieves 42,88 million tons or increases to 59.5-fold compared to 1980. Of Indonesia's palm oil plantation area in 2018 (table 1), the total is 40,5% or 5.82 million hectares, which are community plantations (Ditjenbun, 2019).

**Table 1 Indonesian Palm Oil Plantation Area in 2015 and 2018**

Description	Palm Oil Plantation in 2015				Palm Oil Plantation in 2018			
	PR	PBN	PBS	Total	PR	PBN	PBS	Total
Concession Area (per million hectares)	4,54	0,74	5,98	11,26	<b>5,82</b>	0,61	7,89	<b>14,32</b>
Productivity (per million tons)								
Crude Palm Oil	10,53	2,35	18,19	31,07	<b>15,29</b>	2,15	25,44	<b>42,88</b>
Palm Kernel Oil	2,10	0,47	3,64	6,21	<b>3,06</b>	0,43	5,09	<b>8,58</b>

PR: Smallholder Plantation, PBN: Large State Plantation; PBS: Large Independent Plantation  
Source: Indonesia's Statistical Plantation in 2018-2020, Ditjenbun, 2019.

In Indonesia, small palm oil plantations include 4.3 million hectares. 3.1 million hectares are administered by independent smallholders. Conversely, the rest has a cooperative scheme with the large plantation company. Smallholders, according to the government, are farmers who administer palm oil plantation areas that are less than 25 hectares. In fact, they commonly administer about 2 hectares per Households (KK) index (SPKS, 2013).

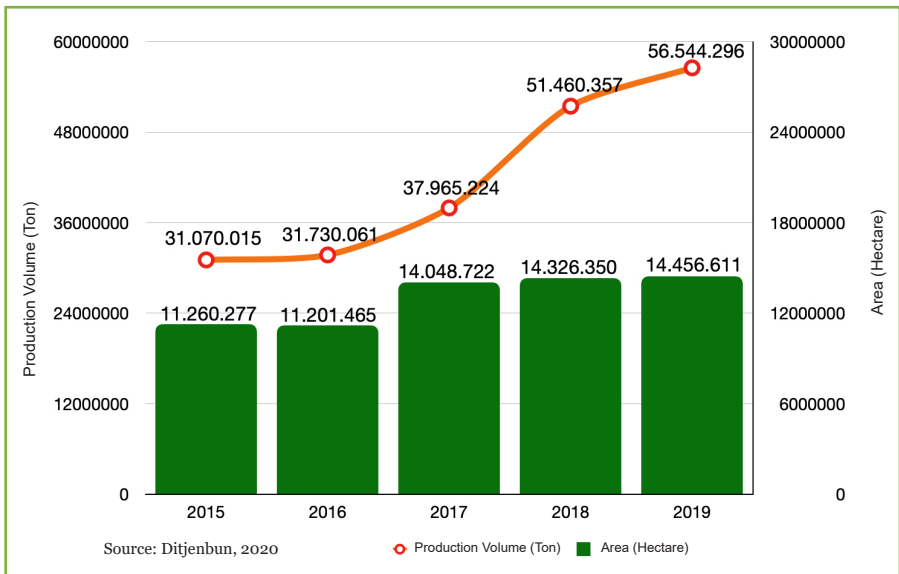
Pertaining to BPS Data of Riau province in 2020, Riau province is a province that has the largest palm oil plantation in Indonesia with 2.86 million hectares or 32.87% of the total area of that province. Of the total area in that province, 61.6% or 1.76 million hectares are owned by community smallholders. CPO average production in this province reached 3.49 tons/hectare (BPS of Riau province, 2020).

Palm oil production capacity in Riau province in 2019 enacted 9.5 million tons, of which 4.79 million tons are based on the smallholder plantation contribution (BPS of Riau province, 2020). In addition, about 842.409 smallholder households rely on the palm oil sector in the same year (Disbun of Riau province, 2019).

# Palm Oil Contribution Towards Economic Development

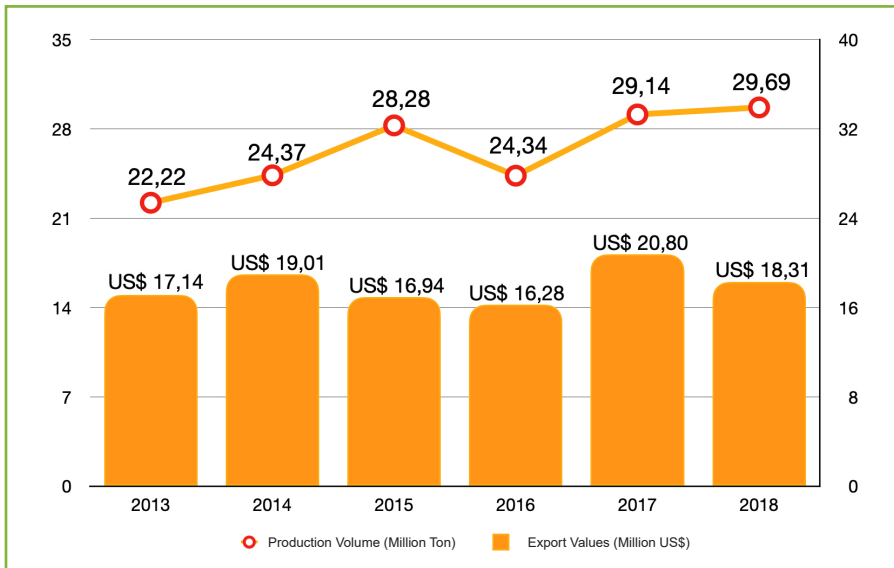
It is stated that the palm oil industry has provided essential benefits for the national economy. Export values of palm oil in 2018 reached US\$ 18.31 billion (Ditjenbun, 2019), contributing to 3.5% of the National Gross Domestic Product (GDP). In 2019, this industry involved 2.5 million smallholder households by selecting laborers directly from about 4.2 million people (Ditjenbun, 2020). Of the palm oil plantation administered by independent smallholders, the selection process of laborers reached 4.6 million people.

Over the last 5 years, the production rate of palm oil in Indonesia consistently increased, along with the development of the national palm oil plantation broad area (Figure 3).



**Figure 3 Development of Plantation Areas and Palm Oil Production in Indonesia from 2015 to 2019**

In 2017, the export value of palm oil reached the highest rate of US\$ 20.8 billion with a total of 29.14 million tons. Even though the total export of palm oil increased to 1.89% in 2018, the export value of the year only reached US\$ 18.31, which was not as good as in 2017 (Figure 4). It is influenced by the fluctuation of palm oil prices in the global market.



Source: Ditjenbun, 2019

**Figure 4 Volume and Export Value of Indonesian Palm Oil in 2013-2018**

In 2018, the total export value of Crude Palm Oil (CPO) in Indonesia reaches US\$ 3.58 billion, which consists of India (60%), Netherlands (10%), Singapore (7%), Malaysia (6%), Italy (6%), and another country (11%).

## Challenges for Palm Oil Business

Palm oil is one of the most highlighted commodities traded globally, especially for social and environmental aspects as well as the overlapping of palm oil plantations with forests that have varied carbon and biodiversity (Pacheco et al., 2020). FAO data indicate that forest reduction in Indonesia reaches 0.52% each year from 1997 to 2017, and from 2009 to 2018 Indonesia, conversely, has lost 4.76 million hectares of forests (Rustiadi and Veriasa, 2022). In the case of licenses published by the regional government, for instance in Central Kalimantan, hundreds of licenses totaling nearly 4 million hectares were granted to the investors without no releasing the status of the forest area that is authorized by central forestry (Setiawan et al., 2016).

The impact of deforestation on wildlife and forest sustainability in Indonesia increased significantly. The population of Sumatran elephants in Riau, in the last quarter-century, was predicted to have dwindled by nearly 84%, from about 1067-1617 in 1984 to 210 elephants in 2007. 85% of the Sumatran elephants' distribution in Riau, currently, is out of conservation area and not its natural habitat (Sukmantoro et al., 2019). For Sumatran tiger populations, based on the Population Viability Analysis (PVA), wild Sumatran tigers are approximately 603 tigers that are spread out over 23 landscapes in Sumatra, which are in the range from 1 to 185 elephants per each. Deforestation and habitat fragmentation are the biggest impacts of population decrease for any wild habitats that lived within the forest (Geldmann et al., 2019). Furthermore, diminishing habitats, currently, caused conflicts between humans and wildlife, for example, the intense conflicts between elephants and tigers.

Corruption Eradication Commission (KPK) in 2016, hereafter, reports that overlapping between Right to Cultivate (HGU) licenses of palm oil plantations and another license has occurred. Overlaying palm oil HGU with mining licenses were 3 million hectares; 534 thousand hectares were palm oil HGU with Permit for Timber Forest Product Utilization (IUPHHK) and Industrial Plantation Forest (HTI); 349 thousand hectares were palm oil HGU with Permit for Timber Forest Product Utilization-Natural Forest (IUPHHK-HA); and 801 thousand hectares palm oil HGU were included in the peat dome area (KPK, 2016).

The overlaying results of actual palm oil and palm oil plantation maps based on the Riau Province Forest Area Decree conducted by the Sumatra Ecoregion Development Control Centre (P3ES-KLHK) indicate that the proportion area of palm oil plantation within the forest area was 1.896.662 (45.5%), while out of the forest area was 2.273.696 (54.5%). 96.6% of palm oil plantations within the forest area were smallholder plantations that could be found in almost all types of forest areas. In addition, there were 1.798.665 ha of palm oil plantations in Hydrological Peat Land Area (KHG) with a proportion of 1.035.226 ha in the cultivation area and 763.459 ha in the protected area. Palm oil plantation on the KHG was dominated by smallholder plantations (P3ES-KLHK, 2020).

Until 2018, palm oil plantation issues were still going on, especially regarding license overlapping, conflicts, and forest fire issues. Of 8 provinces studied by Forest Watch Indonesia (FWI), there were 8.9 million hectares of overlapping licenses between HPH, HTI, HGU of palm oil plantations, and mining where palm oil plantations provided 45% of the area (FWI, 2017). Meanwhile, overlapping between indigenous territories and palm oil plantations occurred with an area of 277 thousand hectares.

Another governance structure conflict, which was dominated by palm oil plantations, is agrarian issue. Of 279 agrarian conflicts during 2019, 87 conflicts were based on agriculture conflicts, which were 69 conflicts toward palm oil plantations. The extent of the conflict area was up to 195.354 hectares. In Riau province, there were 14 cases of agrarian conflicts, which involved 4 palm oil plantation companies (KPA, 2019). Palm oil plantation conflicts against the community were caused by a lack of transparency, no free, prior, and informed consent (FPIC) as well as unequal benefit-sharing and worsened by the absence of clear land titles (Rist et al., 2010).

A fundamental question related to these issues is 'Does the palm oil industry expansion mobilize the economy in Indonesia?'. Research conducted by Krishna & Kubitza (2021), during 2005-2014 using Village Potential Data Collection (PODES) from Statistics Indonesia, reveals that palm oil expansion has more significant and positive impact on individual interests (facility ownership and expediency to individual households), than communal interests and provides benefits for other households.

The lack of access to public items in palm oil plantation boundary can cause increasing inequality between richer and poorer people. The poor depend on communal resource

stocks to maintain their livelihood, not only on infrastructure but also on resource and ecosystem services.

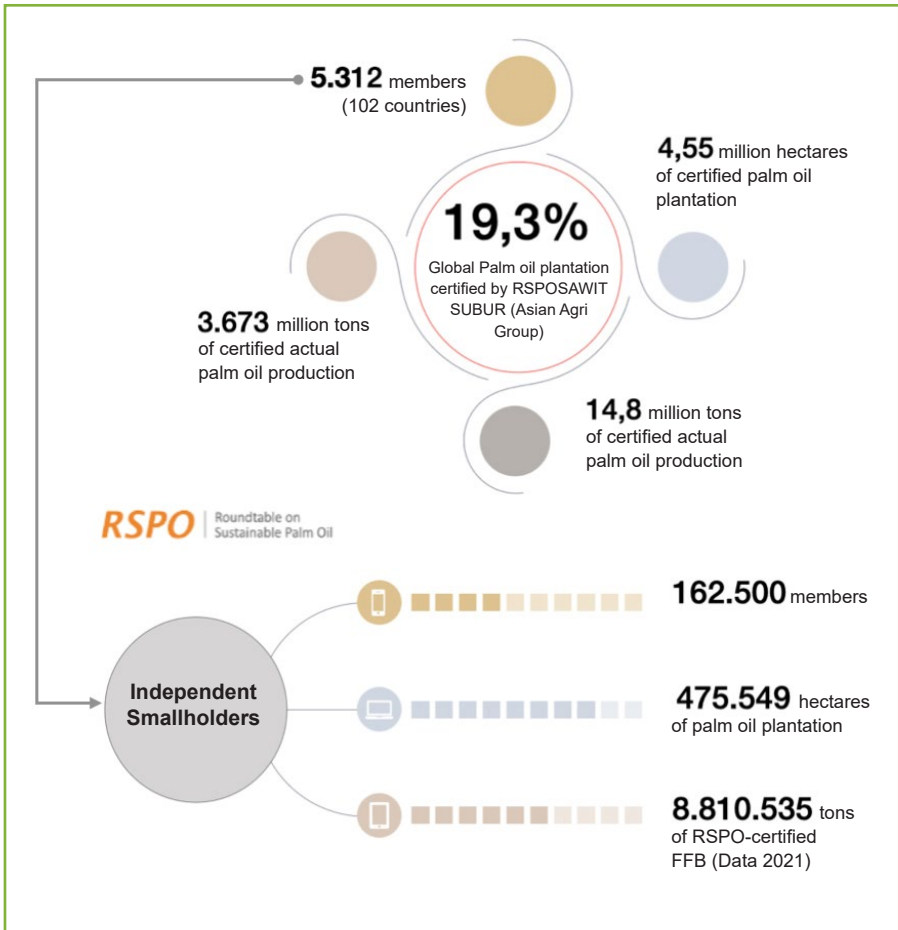
## Certification System for Palm Oil Plantations in Indonesia

Considering the potential utilization of palm oil and its large derivatives (verified products), either for refined foods, biodiesel, or chemical products, palm oil production will be further increased. Hence, the expansion of palm oil production is one of the Indonesian government's targets nowadays. Increasing productivity can be conducted through intensification because Indonesia's palm oil productivity rate is still below Malaysia as the neighborhood country.

Production that increased through extensification must be avoided or discontinued as it will cause environmental destruction and influence palm oil export value, especially related to the FFB issue from deforestation. Of many commodities (rubber, wood, cocoa, coffee, etc.), palm oil only has the most certification system and scheme. It indicates that concerns about environmental issues and global market stress on the palm oil industry have led to the emergence of standards and schemes for certification (Brandi et al., 2015).

Government policy, standards, and schemes for certification of palm oil aim to overcome 3 main gaps that have been unresolved in this sector, which are (i) conflict about soil and benefit streams related to farm industry area; (ii) significant result gaps between smallholders and companies; and (iii) detrimental environmental impacts (Pacheco et al., 2020). There are two palm oil certifications in Indonesia, which are commonly used, are voluntary Roundtable on Sustainable Palm Oil (RSPO) and the mandatory Indonesian Sustainable Palm Oil (ISPO).

RSPO was established in 2004 and is a non-profit international organization that unifies stakeholders from 7 major sectors of palm oil industry, namely manufacturers, processors or palm oil merchants, distributors, retailers, investors, and social and environmental non-profit organizations (NGO), to promote the enhancement and utilization of sustainable palm oil products through the implementation of credible global standards.



**Figure 5 RSPO Certification Global Outcome Data on 30 April 2022**



As the initial focus on an oriented certification scheme for large-scale commodities, specific production units and standards for small manufacturers are developed thereafter. Experience regarding any smallholder certifications, initially, is almost non-existent, including RSPO. At the same time, the participation of smallholders in the RSPO certification scheme is crucial as smallholders are a part of supply chain systems of global palm oil commodity. (Brandi et al., 2015; Pacheco et al., 2020).

Until 30 April 2022, 19.3% of the world's palm oil plantations or 4.55 million hectares has been certified by RSPO of which 475.549 hectares were owned by independent smallholders. Total of organizations (smallholder associations and companies), who joined RSPO as members, was 5.312 organizations. Today, the membership of independent smallholder associations certified by RSPO reaches 162,500 independent smallholders (Figure 5). In Indonesia, 2.33 million hectares of palm oil plantations have been certified RSPO with the potential of CSPO production at 11.16 million tons.

Indonesian Sustainable Palm Oil (ISPO) is a palm oil farm management standard administered by the Indonesian government. ISPO aims to encourage palm oil farm business in order to fulfill its obligation based on the laws and regulations, sustain and promote sustainable palm oil farm business based on the market needs, as well as to support an attempt for greenhouse gas emission reduction.

ISPO-related rule was established since Agriculture Ministry's Regulation (Permentan) number 19/Permentan/OT.140/3/2011 about Indonesian Sustainable Palm Oil (ISPO). Hereafter, the Permentan of 2011 was no longer applied and changed into Permentan Number 11/Permentan/OT.140/3/2015. In 2019, accelerated and reinforced attempts at sustainable palm oil management for smallholders were subsequently administered through the Instruction of President (Inpres) no. 6 of 2019 regarding the National Action Plan for Sustainable Palm Oil (RAN-KSB).

ISPO is an indicator for sustainable palm oil plantations in Indonesia, which is mandatory for plantation companies and originally 'voluntary' for small farm business. As Presidential Regulation number 44 of 2020 About the Certification System for Sustainable Palm Oil Plantation in Indonesia was released, every smallholder's palm oil plantation business, including independent smallholders that

have small businesses “must have” ISPO certification. Independent smallholders might propose ISPO certification individually or by the group. The implementation of the ISPO certification has been established through Permentan No. 38 of 2020 about Certification Implementation for Sustainable Palm Oil Plantation.

By 31 March 2021, 755 plantations already have ISPO certification. Total area of palm oil plantations that have ISPO certification was 5.8 million hectares, which are Large Private Palm Oil Plantation (PBS) at 5.45 million hectares, National Large Estate (PBN) at 320 thousand hectares, and smallholder plantations at 12.77 thousand hectares.

In addition to RSPO and ISPO, which were commonly used in Indonesia, there are other certification programs for palm oil plantations, namely Rainforest Alliance (RA) Certification Program, Roundtable on Sustainable Biomaterials (RSB), and International Sustainability and Carbon Certification (ISCC).

RA certification program collaborated with UTZ Certification to support sustainable plantation production and responsible supply chain. RA certification was named as 2020 Certification Program based on the standard for sustainable plantations, warranty system related to audit and certification, and digital data system for tracking transparency of supply chain.

Roundtable on Sustainable Biomaterials (RSB) was first established in 2007 with an initial name, Roundtable on Sustainable Biofuels, and used to promote sustainable renewable energy (bioenergy). Along with increasing demand for biomaterial, its name was finally changed to the current RSB in 2013. The products certified by RSB were classified as biomaterial, for example, renewable energy (bioenergy) in the liquid form, biomass and biogas, bioplastic, biocosmetic, and natural food preservatives. In 2011, RSB established 12 principles and 39 criteria for its certification.

International Sustainability and Carbon Certification (ISCC) was retrieved from the European Union (EU) investigation, which is the third largest union of palm oil, that investigated the negative impact of palm oil. ISCC enacted 6 principles: zero

deforestation, Good Agricultural Practice (GAP), safe working area, well-maintained labor area conditions and social environment, following national and regulation rules, and Good Management Practice (GMP).

## About this Book

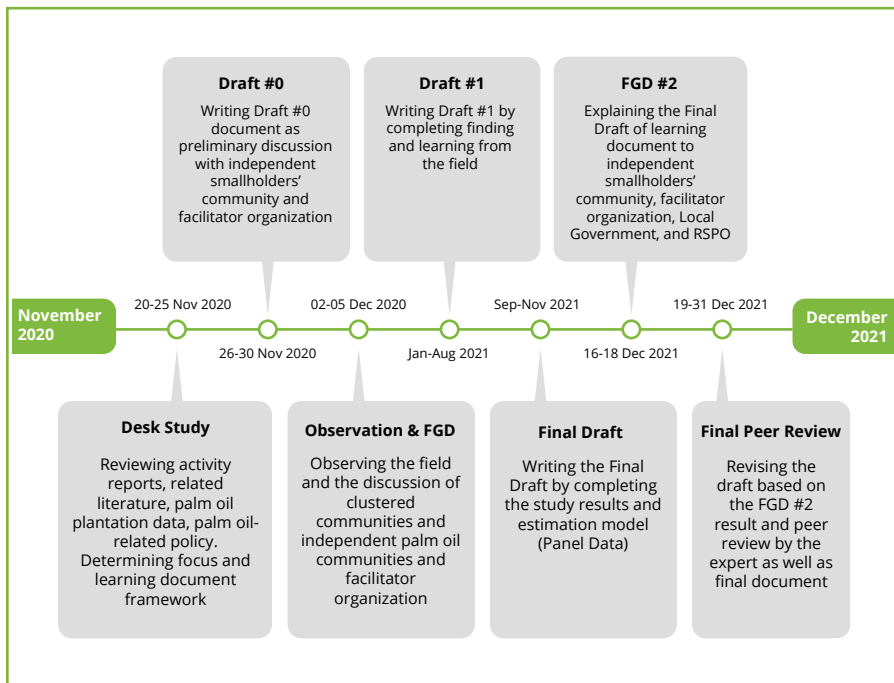
Original idea of making this book is based on the lack of lesson-learned documentation regarding RSPO certification for independent smallholders, either related to the process and stages to have certification or the impact and benefits for independent smallholders “after” getting RSPO certification.

We decided to focus on Riau province like Pelalawan and Kuantan Singingi Districts. Riau province is a province that has the largest palm oil plantations in Indonesia and landforms with Sumatran Tiger and Elephant as its main habitat. The two animals have been national strategic animals, which require multi-party involvement to protect their habitat.

WWF Indonesia and independent smallholders in the 2 (two) districts have co-operated and carried out the RSPO certification stages. Independent palm oil smallholder facilitation in Pelalawan was conducted in 2011-2013 financially sponsored Carrefour Foundation. Otherwise, independent palm oil smallholder facilitator in Kuantan Singingi was carried out in 2014-2019 and supported by various parties like WWF France, MCAI-Rimba Program, dan WWF Japan. Facilitating in the two districts also co-operated with the Agriculture Office of Pelalawan, Kuantan Singingi, and the Agriculture Office of Riau province.

Generally, the motivation against this documentation/book is to “share experience regarding RSPO certification implemented by independent smallholders and invite the community to determine how far the benefits of RSPO certification for independent smallholders”. This book is arranged with transparency, positivity, and self-improvement so that every story described in this book/document will be responded to open-mindedly as a mutual lesson learned in order to improve environmental sustainability and independent palm oil smallholder condition.

To complete information regarding the progress of RSPO certification, we carried out clustered interviews and group discussions, which involved the representatives of the independent palm oil plantation association and a number of WWF Indonesia staff who intensively facilitated the smallholder community (Figure 6).



**Figure 6 Stages of Developing Lesson Learned Documentation**

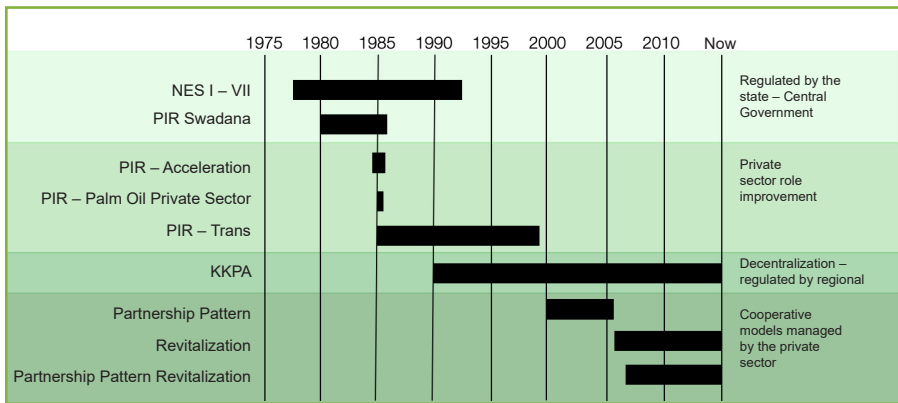


## CHAPTER II

# Independent Palm Oil Smallholders: Opportunities and Its Challenges

# The Condition of the Indonesian Palm Oil Community

In Indonesia, community palm oil is generally categorized as plasma farmer and smallholder farmer. In terms of commodities supply chain, plasma farmer is a farmer who resides in oil palm growing areas of a company and manages their farm based on company’s pattern which includes guidance, technical assistance, and financial support. It is also called inti. The scheme of plasma farming was established from a government program known as Plasma Transmigration Program (PIR) (Jelsma et al., 2017).



**Figure 7 Management Policy of Community Palm Oil Plantation in Indonesia**

The scheme was initially introduced by the government in 1970s. in the mid of 1980s, the government role was reduced while the private sector (company and fabric) was encouraged to increase more involvement in this scheme. Later, in 1990s, the Credit for Member of Primary Cooperation KKPA schema (KKPA) was socialized in order to support farmer organization’s involvement in the coordination of community farmer association. In 1999, “partnership pattern” scheme was launched as a new relationship model between plasma farmer and its inti company. It declines plasma farmer’s autonomy in farm management. (Gambar 7).

Contrast to plasma farmer, palm oil independent smallholder is known as a farmer whose main income comes from his own palm oil farm and manage it with his family

members. Commonly, the palm oil trees in the plantation go beyond Minimum Limit of Land area (Batas Minimum Usaha, also known BMU). RSPO defines independent smallholders as a farmer whose farm is under 50 hectares area. It identifies the smallholders by setting the limit of land area. However, the definition is different to what the government has already specified which is under 25 hectares area.

## Challenges for Independent Palm Oil Smallholders

Palm oil is extremely productive as it produces 10 times more vegetable oil per hectare than soybean does (Zimmer, 2010). Having high quality oil and multi-purpose, palm oil is utilized as a primer ingredient of various cosmetic, lubricating oil and edible products such as ice cream, cooking oil, margarine, and lipstick,

The growth of palm oil seems to contribute to substantive benefit towards high return of land investment and workforce. In this respect, regency government and Village Unit Cooperation (KUD) have pivotal role to achieve it (Rist et al., 2010). Nevertheless, a few important issues on the ground level such as lack of technical knowledge (the implementation of Good Agriculture Practices) and high qualified seeds remain to be faced by smallholders (Feintrenie et al., 2010).

Although regulation supports are available, for example, the policy of Community's Palm oil Rejuvenation, the scope is still limited. Furthermore, funding access to independent palm oil smallholders' business is a bumpy road to get through. The lack of modality results in low productivities, barely have access for subsidized fertilizer, good seedlings and conducting activities without legitimate land status. Illegal status of land (Yutika et al., 2019).

## Development of Community's Palm Oil Plantation in Riau Province

The Data of Directorate General of Plantation (Ditjenbun, 2019) mentions in 2018, at the national level, the number of palm oil households is 2.110.402 or equal to 3.231.471 smallholders. Meanwhile, the area of plantation is 11.201.465 hectares. The average land tenure of palm oil smallholders is approximately 3 hectares/ households (SPKS, 2013).



At the national level, the average productivity of community's palm oil plantation is desperately lower (3.238 kg CPO/hectare) among government's (4.417 kg CPO/hectare) dan private sector's palm oil plantation (4.445 kg CPO/hectare) (Ditjenbun, 2020). While, in Riau Province, the average productivity of community's palm oil plantation in 2018 is 3.070 kg CPO per hectare. Comparing to government and private sector's plantation, it is farther under the average (Table 2).

In 2019, the community's Smallholder Plantation covered 63,2% of areas of palm oil plantation in Riau (2.706.892 hectares). The condition of productivity was relatively depleted and tended to decline (see Figure 8). It is linear to the increasing of plantation area in Riau province (Figure 9). The average growth of community palm oil plantation during 2011-2019 is 4,8% per year.

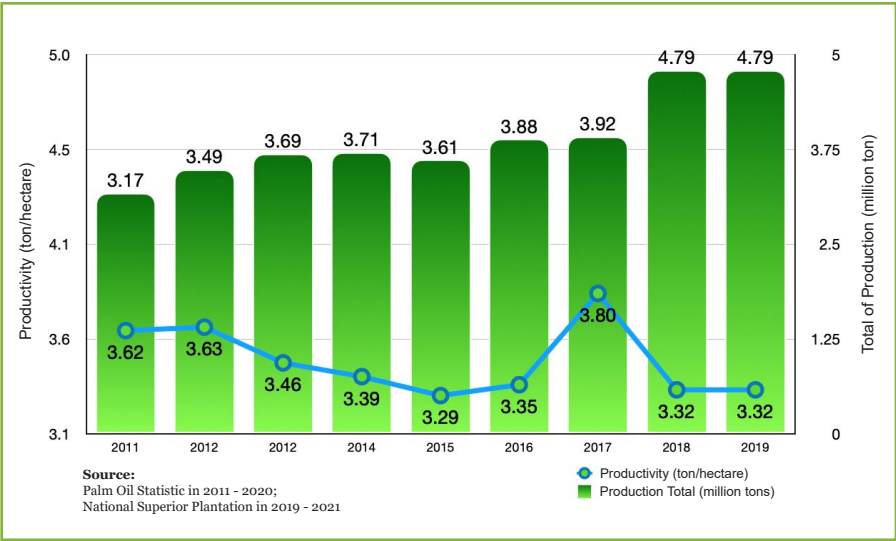
**Table 2 Land Area, Production, and Productivity of Community Smallholders Palm Oil in Riau Province in 2018**

No.	Districts	Total Area				Production (ton)	Product (Kg/Ha)
		TBM	TM	TTR	Total		
Smallholders Palm Oil							
1	Kampar	23.895	248.454	782	273.131	644.402	2.594
2	Rokan Hulu	55.157	196.573	3.215	254.945	779.643	3.966
3	Pelalawan	2.451	163.027	452	165.930	656.953	4.030
4	Indragiri Hulu	3.438	65.154	181	68.774	269.249	4.132
5	Kuantan Singingi	15.431	76.675	1.320	93.425	211.156	2.754
6	Bengkalis	42.461	136.022	790	179.273	264.501	1.945
7	Rokan Hilir	26.042	190.422	17.817	234.281	622.986	3.272
8	Dumai	14.689	30.777	898	46.364	99.285	3.226
9	Siak	25.095	256.124	91	281.310	905.734	3.536
10	Indragiri Hilir	27.548	99.012	4.951	131.511	331.808	3.351
11	Pekanbaru	4.082	935	-	5.016	3.474	3.718
12	Kepulauan Meranti	-	-	-	-	-	-
<b>Total</b>		<b>240.288</b>	<b>1.463.175</b>	<b>30.496</b>	<b>1.733.959</b>	<b>4.789.191</b>	<b>3.070<sup>1</sup></b>
National Large Palm Oil Plantation		10.609	58.590	806	70.004	284.513	4.856
Private Large Palm Oil Plantation		69.730	761.913	71.286	902.929	3.422.325	4.492
Private Large Palm Oil Plantation					2.706.892	8.496.029	3.720 <sup>2</sup>

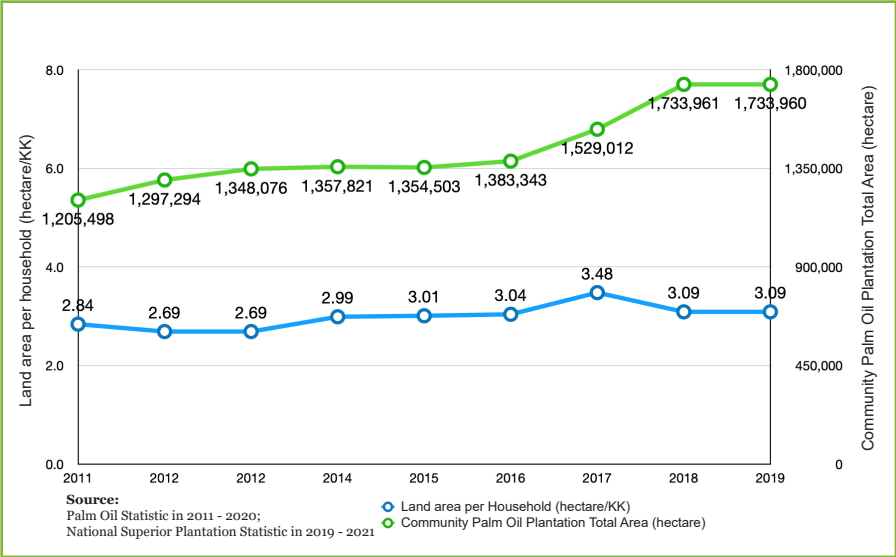
1 the average productivity of community plantation in province scale

2 the average total productivity of community palm oil plantation in Riau Province (Ditjenbun: 2019)





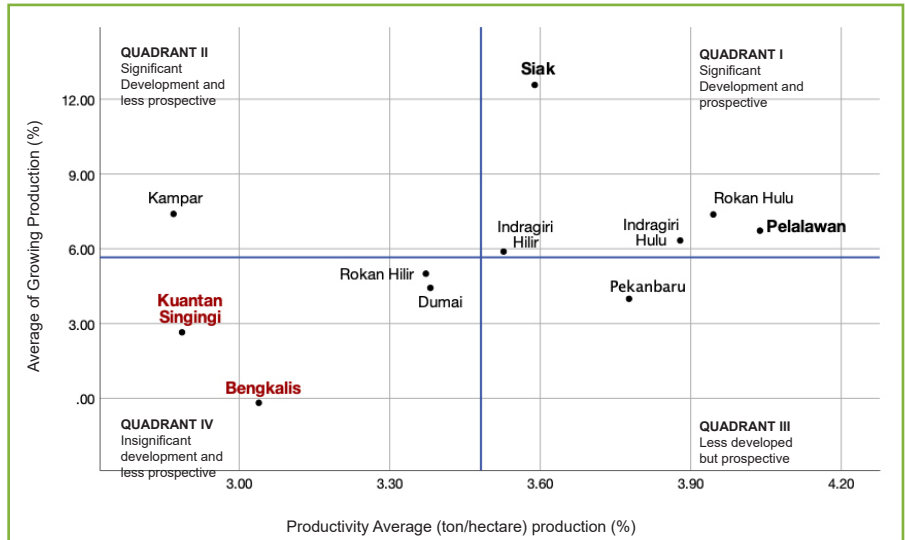
**Figure 8 Production Development and Community Palm Oil Plantation Productivity in Riau Province during 2011-2019.**



**Figure 9 Plantation Area Development of Community Palm Oil and Plantation Area per Households in Riau Province during 2011-2019**

The result analysis of Klassen typology (Munandar & Wardoyo, 2015) using the average of productivity and production growth periode 2011-2019 explains the development of community palm oil management in Riau Province (Figure 10). 5 jurisdictions that have significant development and prospect (quadrant I) are Siak Indragiri Hilir, Indragiri Hulu, Rokan Hulu and Pelalawan. In the opposite site, 4 jurisdictions grow slowly and less prospective which are Rokan Hilir, Dumai, Bengkalis and Kuantan Singingi (Quadrant IV).

Kampar jurisdiction's production growth (7.4%) is higher than Riau province's production average (5,65%). Nonetheless, the average productivity of Kampar (2.87 Ton CPO/ hectare) is far lower than Riau province's productivity average (3,48-tons CPO/hectare). Reputedly, the higher production's growth the more palm oil farm needed. Today, the area of community smallholder's palm oil plantation in Kampar is 273.131 hectares, the second larger palm oil farm, in Riau Province Riau after Siak jurisdiction. Meanwhile Pekanbaru experienced slow progress yet prospective due productivity average remains above Riau Province' average. It is 3,78 Ton CPO/ hectare.



**Figure 10 Community Palm Oil Plantation Condition in Riau Province During 2011-2019 based on the Klassen Typology**

**Table 3 Community's Palm Oil Plantation in Pelalawan and Kuantan Singingi in 2018**

Description	Riau Province*	Pelalawan Distric	%**	Kuantan Singingi Distric	%**
Plantation areal (hectare)	2.706.892	165.930	6,13	93.425	3,45
Production (ton)	8.496.029	656.953	7,73	211.156	2,49
Productivity (kg/ha)	3.720	4.030	-	2.754	-
Number of Smallholders (KK)	642.412	48.683	7,58	58281	9,07

\* The total number domination of Community Palm oil plantation, National Large Palm oil Plantation and Private Large Palm Oil plantation

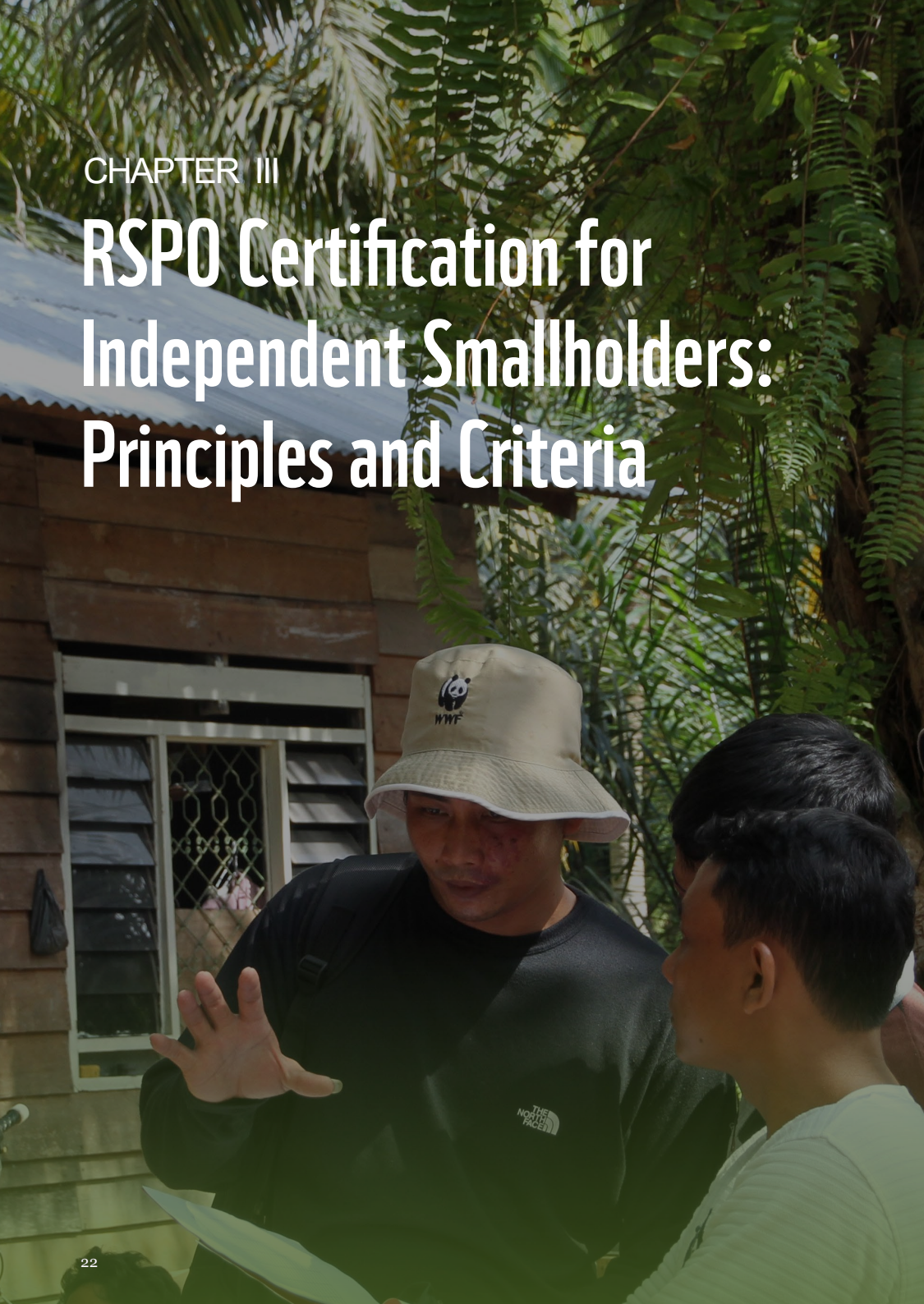
\*\* The percentage of district community palm oil towards total palm oil plantation domination in Riau. (Ditjenbun: 2019)

The research area of the study is a community's palm oil plantation in Pelalawan jurisdiction. It has the highest average productivity, which is 4,03 Ton CPO/hectare in Riau. While, the other jurisdiction, Kuantan Singingi has the average productivity under the average of province which is 2,89 Ton CPO/hectare.

Palm oil business absorbs 642,412 workers from smallholder households in Riau Province. Pelalawan jurisdictions contributes 7,58% and Kuantan Singingi regency imports 9,07% from the total of workers from smallholder households in the province. (Table 3).

CHAPTER III

# RSPO Certification for Independent Smallholders: Principles and Criteria



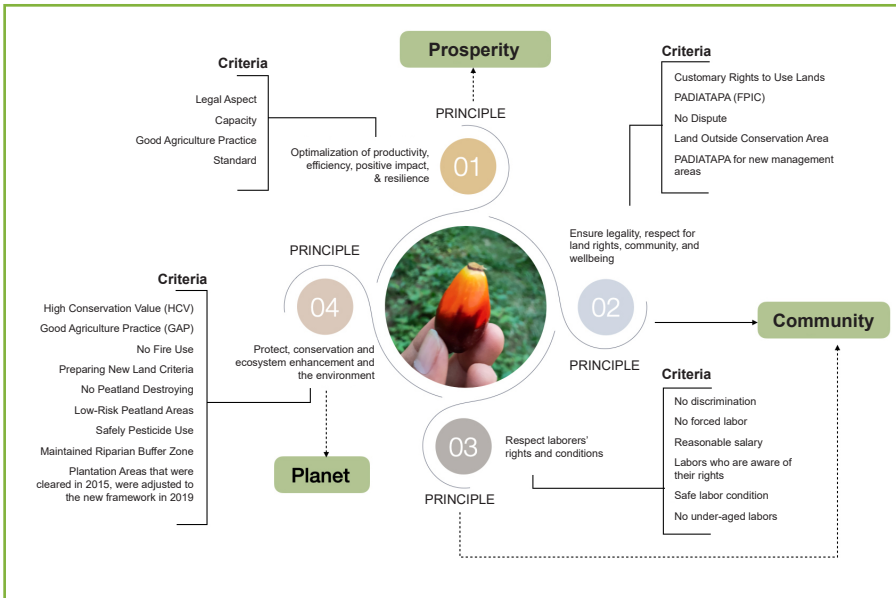
## RSPO's Principles and Criteria for Independent Smallholders

RSPO certification apparently becomes one of the ways to convince the international market. It implies the entire palm oil plantation's governance has been conducted based on sustainable and environment friendly principles (Carlson et al., 2018). Initially, the certification mechanism was developed for palm oil companies. In spite of that, the massive growth of the community's palm oil plantation also increases threats for the environment and biodiversity. Consequently, adoption and implementation of RSPO principles become crucial for independent palm oil smallholders. (RSPO, 2019).

As a part of palm oil commodities supply chains, independent smallholders have major involvement to assure sustainable palm oil management. RSPO Independent Smallholder Certification concept or certification for palm oil smallholders mainly focused on sustainable production in the plantation. It can be accomplished through outstanding harvest productivity, reasonable price mechanism, minimized negative impact and highly attention to social and environment aspect.

Referring to RSPO's Independent Smallholder Standard (ISH) 2019, there are 3 expected impacts from the implementation of the standard namely: (1) prosperity which includes competitiveness, resilience, and sustainable sector. (2) People which consists of sustainable livelihoods, poverty reduction, human rights protection, respected and remedied; (3) planet or environment viability which consists of conservation and protection and development of ecosystem for future generations. (RSPO, 2019).

Comprehensively, the framework comprises 4 principles, 23 criteria and 58 indicators (Figure 11) that need to be carried out by independent smallholders in order to achieve sustainable palm oil production.



Source: RSPO, 2019

**Figure 11 Principles and Criteria of RSPO ISH 2019**

The four principles of RSPO's ISH 2019 are 1) optimization of productivities, efficiency, positive impact and resilience. 2) ensure legality, respect for land rights, community and wellbeing; (3) respect workers' right and conditions; (4) protect and conserve and enhance ecosystem and the environment.

The first principles are achieved by following few criteria: legal aspects fulfillment, capacity building for independent palm oil smallholders, the implementation of Good Agriculture Practices (GAP) and standards.

Afterwards, the criteria of second principles are customary right to use land, FPIC (Free, Prior, Inform, Consent), there is no dispute to use land outside conservation area and FPIC.

Furthermore, the third principles emphasis few criteria such as no discrimination, no use of forced labor, reasonable salary, workers are aware with their rights and industry standard as defined by national law, and no use of children labor.

Lastly, the criteria of four principle are High Conservation Value-HCV, Good Agriculture Practices (GAP), no use of fire for preparing land and pest control, protect peatland, low risk peatland areas, safely pesticide use, riparian buffer zone are maintained, smallholders' plantation opened and cleared in 2005 are adjusted to the new framework in 2019.

## RSPO ISH 2019 Certification Process

In certification process, RSPO categorizes independent smallholders to 3 levels based on their achievements to meet the standard: entry level, progress, and full compliance. (Figure 12).

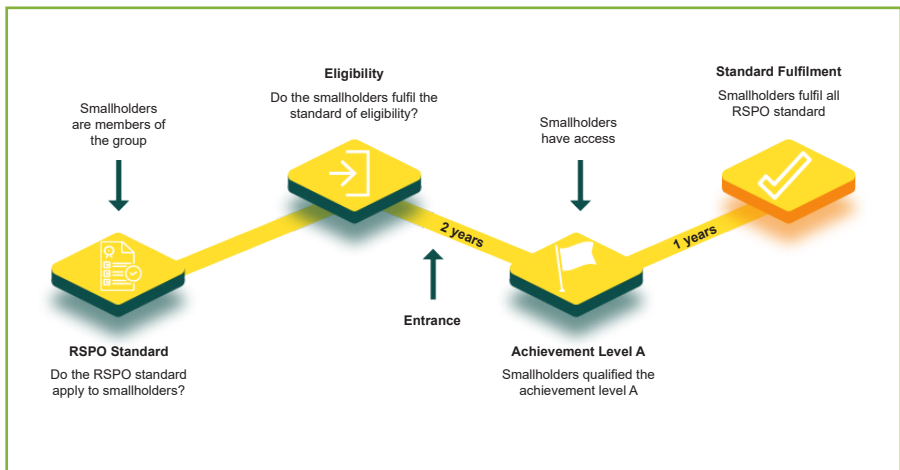


Figure 12 Stages of RSPO ISH 2019 Certification



At the entry level, smallholders establish an entity or join another smallholder group and register their group for certification. The smallholder group should meet the bare minimum requirement of certification framework of RSPO ISH 2019.

Thereafter, the group should meet the indicator of Achievement A within 2 years, after completing the bare minimum requirement of certification framework. At this level, the smallholder group that completes all the indicators is categorized in the progress level. Afterwards, within 1 year the group should meet all the indicators of Achievements B. Finally, after redeeming all the indicators from the previous levels, the group has reached full compliance level. (Figure 12).

## **RSPO's Certification Development in Riau Province**

Until May 2022, 1.963,38 hectares of palm oil independent smallholder has been RSPO certified. The total number of smallholder group's members is 3.137 households, which disperse in 6 regencies in Riau (Table 4). The remaining area is 343,12 hectares and the smallholder member is 102 households of Tambusai Sejahtera Independent Smallholder association. That association is in the RSPO certification process.

The number of smallholders' palm oil plantation that has been RSPO certified has been growing since 2013, However the percentage is too small, less than 1 % from the total area of palm oil community smallholder in Riau Province. The fast-moving development of RSPO certification for independent smallholders has been initiated since 2019 until today.



**Table 4 Total Area of Community's Palm Oil Plantation, Spread Area, and the Number of Member Smallholders Certified by RSPO until May 2022**

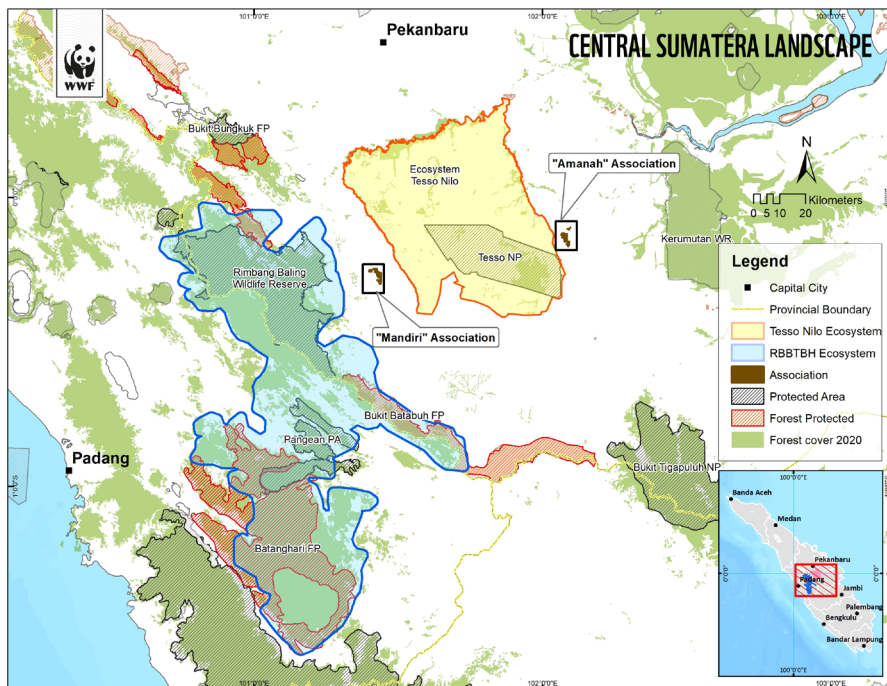
No.	District/City	Independent Smallholders and Plasma Group	Total of Certified Member (KK)	RSPO Certified Plantation Area (hektar)	First Certification
1	Kampar	-	-	-	-
2	Rokan Hulu	Rohul Independent Palm Oil Smallholder Association	717	1.328	2019
	Rokan Hulu	PPKSS-Tayo Barokah	151	327	2021
		Semarak Mudo Independent Palm Oil Smallholder Forum (FPSS-Semarak Mudo)	294	620	2021
		Tambusai Sejahtera Independent Palm Oil Smallholders Association	102	343,12	2020*
3	Pelalawan	Amanah Association	411	1.048	2013
	Pelalawan	Pelalawan – siak Independent Palm Oil Smallholders Association	318	1.172	2020
4	Indragiri Hulu	Karya Serumpun Independent Palm Oil Smallholders Association	304	584	2021
5	Kuantan Singingi	Mandiri Association	91	151	2019
6	Bengkalis	-	-	-	-
7	Rokan Hilir	Negeri Seribu Kubah Independent Palm Oil Smallholders Association	540	1.950	2020
8	Dumai	-	-	-	-
9	Siak	KUD Beringin Jaya	197	373	2021
	Siak	Koperasi Sawit Jaya	114	245	2021
10	Indragiri Hilir	-	-	-	-
11	Pekanbaru	-	-	-	-
	<b>Total</b>	<b>11 Smallholders Organization</b>	<b>3.239</b>	<b>2.305,5</b>	

\* In the communication and Certification Process

Resource: RSPO Indonesia

CHAPTER IV

# Facilitating RSPO Certification for Independent Palm Oil Smallholders: The Field Stories



**Figure 13 Location of Amanah and Mandiri Associations**

WWF Indonesia with funding from Carrefour Foundation facilitate independent palm oil smallholders in Pelalawan Regency for RSPO certification from 2011 to 2013. Whereas, in Kuantan Singingi jurisdiction, facilitation program was done from 2014 to 2019 it was supported by multiple stakeholders WWF France, MCAI- Rimba Program dan WWF Japan (Figure 13),

WWF Indonesia faced at least 3 major challenges in initiating facilitation processes for independent palm oil smallholders, (1) lack of smallholder organization and management (including farm's legality), (2) insufficient good agriculture practice including environment issues and (3) no access for market.

## Amanah Association in Pelalawan

Amanah association with the help of multi-party became first palm oil independent smallholder who successfully got RSPO certification in 2013. The association is in Pelalawan, Riau Province. Furthermore, the smallholder association is part of the Internal Control System (ICS) certified group. ICS is a group certification standard that should be utilized by palm oil independent smallholders in terms of agricultural management in for getting RSPO certification.

At the early stage, Amanah association had 10 smaller groups which consists of 349 smallholders (Table 5) and 763 ha palm oil plot area (Figure 14) which are in 3 different villages namely Trimulya Jaya, Bukit Jaya and Air Mas.

**Table 5. List of KUD (Entities that Organize Smallholders' Groups Before the Establishment of Amanah Association's ICS)**

No.	KT <sup>1</sup>	Village	KUD <sup>2</sup>	Smallholder group	Planting year	Area (Ha)	Number of KK
1	311	Trimulya Jaya	Bakti	Bersatu Maju	2000	53	25
2	312	Trimulya Jaya	Bakti	Jadi Mulya	2000	123	56
3	313	Trimulya Jaya	Bakti	Usaha Tani	2000	83	59
4	314	Trimulya Jaya	Bakti	Sumber Rezeki	2000	89	37
5	415	Trimulya Jaya	Bakti	Rezeki Mulya	2000	84	36
6	316	Trimulya Jaya	Bakti	Bina Eka	2000	81	40
7	317	Bukit Jaya	Bina Usaha Baru	Karya Mandiri	2001	63	31
8	318	Bukit Jaya	Bina Usaha Baru	Usaha Mandiri	2001	62	28
9	319	Air Mas	Karya Bersama	Riski Abadi	1997	62	29
10	320	Trimulya Jaya	Bakti	Setia Mandiri	2001	63	28
Total						763	349

<sup>1</sup> Smallholders' Community Plot Number (KT)

<sup>2</sup> Village Unit Cooperation

Amanah Association's office is situated in Trimulya Jaya Village, Ukui sub-district, Pelalawan regency, Riau Province. Before becoming member of Amanah association, the group is part of Village Unit Cooperation (KUD) which dispersed in 3 villages. The plantations which are in Trimulya Jaya village were managed by KUD Bakti, the plantations in Bukit Jaya villages are handled by KUD Bina Usaha Baru and the plantations in Air Mas were managed by KUD Karya Bersama.

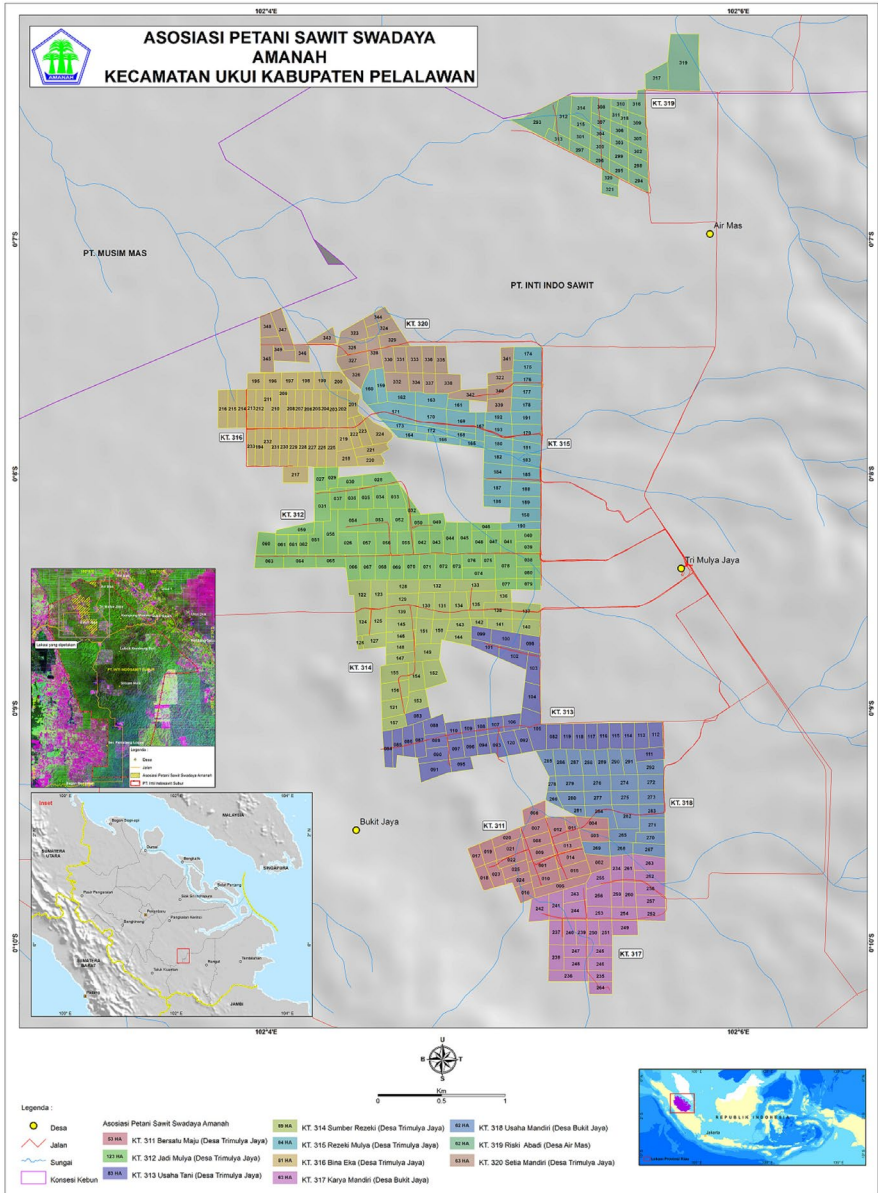


Figure 14 Map of Amanah Association's Palm Oil Plantation Management



The purpose of facilitating activity for palm oil independent smallholders through RSPO certification scheme is to slow encroachment and deforestation activities around Tesso Nilo National Park in Pelalawan, Riau. The implementation of sustainable agriculture (certification mechanism) by palm oil independent smallholders is expected to control land used transfer from conservation and forest area to become palm oil plantation. Transformation of cultivation pattern and access for broader market (global market) becomes one of the targets in RSPO certification form palm oil independent smallholders.

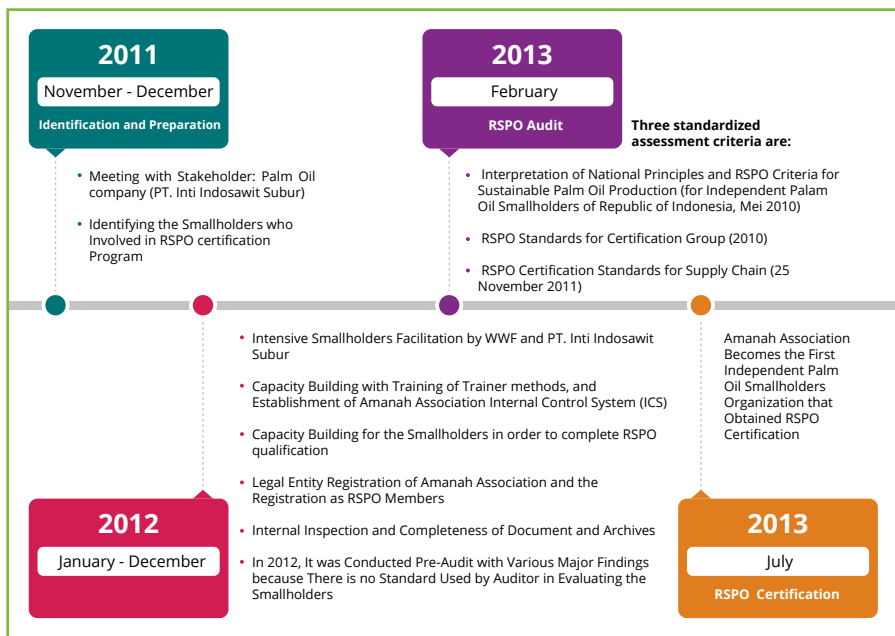
Several crucial activities had been implemented to support independent palm oil smallholders for earning RSPO certification: (1) identification, (2) facilitation and certification preparation, (3) pre-audit dan certification audit (Gambar 15).

## **Identification**

There are three aspects that had been identified during November-December. Firstly, the smallholders and the farm location, secondly, the availability of facilities and the last is stakeholders' identification. The entire identification process will be explained thoroughly in the following sub sections:

1. Identification of the smallholders and farm location; Few important situations need to be considered in identifying smallholder and farm location.
  - The farm location is not inside of protected forest area.
  - The farm location is not around High Conservation Value areas.
  - There is no dispute to use land.
  - The smallholders in palm oil association have motivation to participating in whole activities that lead to RSPO Certification.
2. Identification of the availability of facilities

It is highly significant to know and to ensure the facilities in order to have smooth data management process and to facilitate RSPO certificate along with Good Agriculture Practices (GAP) related training for farmers. The facilities can be room, desk, chair, computer and printer as the main tools for data management. Meanwhile, the complementary tools for meetings and discussions are a comfortable room, electricity, projector (if needed), chairs and table. Amanah Association used KUD Bakti's building before they own office.



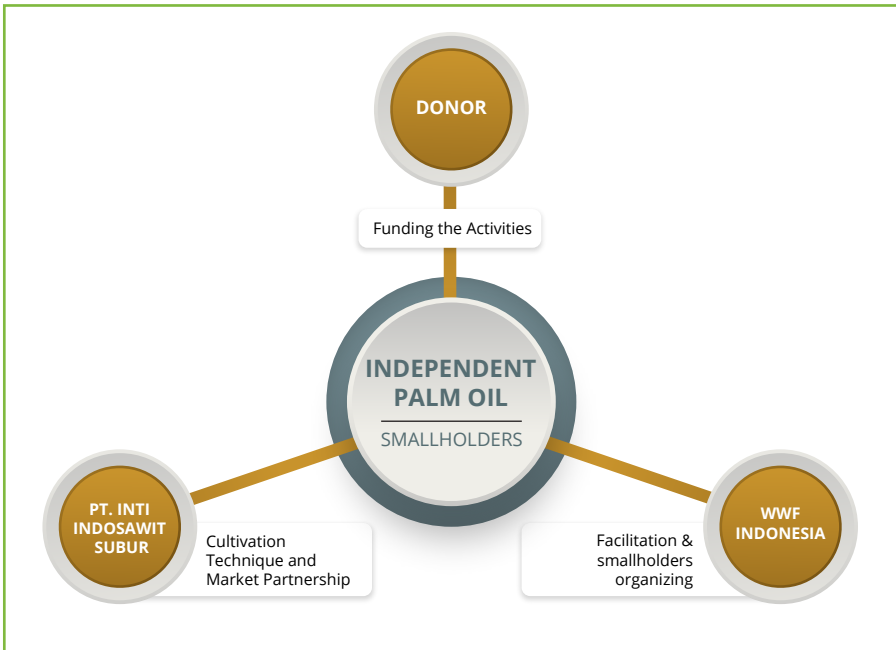
**Figure 15 Activity Flow and Important Stages in RSPO Certification's Facilitation for Amanah Association in Pelalawan**

### 3. Identification of the Stakeholders

Identifying important stakeholders at the very first stage process of RSPO certification is extremely pivotal. The stakeholders involved in the process may be an expert for facilitating independent smallholders such as company or Ngo. In Amanah Association case, WWF Indonesia had support from PT. Inti Indosawit Subur for information and technical helps related palm oil.

### **Facilitation and Certification Preparation**

After smallholder identification process, intensive facilitation for smallholders was done in the entire 2012. The scheme of facilitation is partnership with sharing responsibility and roles as explained in figure 16. In this context, the role and functions of each parties complements one another and sustainable.



**Figure 16 Partnership in Facilitating Amanah Association**

In terms of donor's role, they contribute the fund for helping with the operational cost for the process. It is a huge help since from the preparation until RSPO certification, it consumed a relatively big amount of budget. Overall, the fund was spent for training, legality arrangement (legitimate business, STDB, SPPL), archive budget, documentation even the pre-audit and audit certification. The certification facilitation of Amanah association was funded by Carrefour Foundation.

WWF Indonesia, the initiator activities, took a role in facilitating and training the smallholders. It sent 3 staffs in order to facilitate and organize the smallholders' association. They had 3 different functions: the first staff were responsible to make sure filing system followed the principles and criteria of RSPO. The second staff were the bridge to multiple stakeholders in regency and provincial level especially for completing the legality requirement such as Letter of registered agriculture business (STDB) and Commitment Letter of Environmental Management and Monitoring (SPPL).



Besides, the second staff also facilitated smallholder group in arranging Standard Operational Procedure (SOP), Internal Control system (ICS) and monitoring the implementation on the field. The last staff had function to do internally inspection and to ensure all the requirement as well as the procedures had been conducted based on RSPO's standard and criteria. He also connected the group and multiple stakeholders at national and international level.

In terms of the technical side, PT. Inti Indosawit Subur assisted palm oil cultivation technique and Good Agricultural Practices (GAP). The company then sent 1 supervisor and an assistant to deliver knowledge and technical guidance regarding Good Agricultural Practices (GAP) (box 1) and to monitor the implementation process done by farmers (harvesting, fertilizing, pest controlling and so forth). Monitoring was done to secure and ensure the SOP that had been arranged by Amanah Association could be implemented by its member.

As a beneficiary of the program, Amanah Association had 349 households' famer group. They spread their understanding about RSPO to their member in order to build the comprehension regarding RSPO certification, to strengthen internal collaboration among the units and to ensure all the activities run smoothly based on the outcomes and approved timeline.

## **Box 1. Thematic Training for Amanah Association**

Diverse trainings related RSPO's guidance and SOP which had been arranged by Amanah Association were provided sustainably for smallholders. The trainings were delivered by competent experts in their field such as:

- “Internal Control System” training from BIOCert.
- “The dynamic of organization” training from Riau Province government’s agriculture facilitator
- “RSPO Principle and criteria” RSPO Indonesia Liaison Office dan WWF Indonesia.
- “Limited pesticide Use and Health and Safety work (K3)” training from Facilitator and Limited Pesticide Use Monitoring commission
- “First Aid for Safe Work” training by a nurse of Efarina Hospital in Pelalawan
- “Self -protection kit” Training Riau Province government’s agriculture facilitator
- “Integrated Pest Control” Training by PT. Inti Indosawit Subur’s Staff.
- “Land and Water Conservation” Training by PT. Inti Indosawit Subur’s Staff.
- “Purchasing and Marketing FFB” Training by PT. Inti Indosawit Subur’s Staff
- “Green Palm” Use Training by WWF Indonesia and Carrefour Foundation.
- “Fire Management” Training by PT. Riau Andalan Pulp & Paper (RAPP)’s Staff
- “High Conservation Value-HCV” Training by WWF Indonesia

## Pre-Audit and RSPO's Audit Certification

The original goal for establishing Amanah association is to introduce sustainable palm oil agriculture through RSPO scheme for independence palm oil smallholders and encourage them to implement the practices. Hence, the pre-audit activities conducted in December 2012 was meant to prepare smallholders for RSPO audit certification. Pre-audit is a simulation of audit process that is done by external auditor for investigating the progress of good agriculture practices based on RSPO's criteria and its documentation. From the result of audit certification, the findings and weaknesses were fixed by Amanah association.



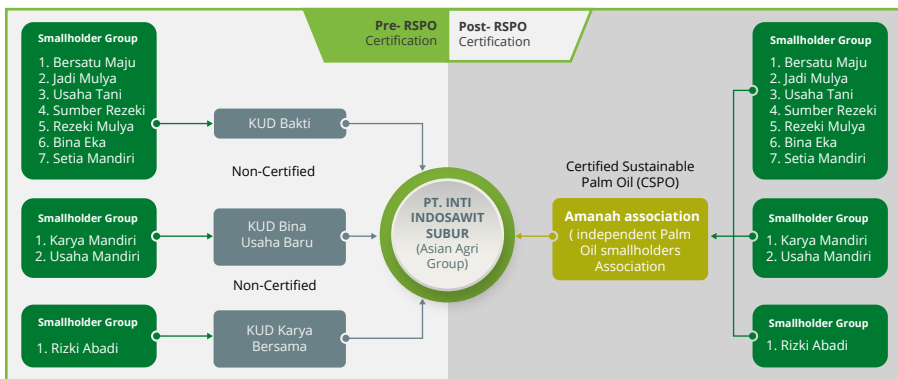
**Figure 17. RSPO's Certification Audit Process of Amanah Association**

RSPO Audit certification was done after Amanah Association had corrected all findings from external auditor in pre-audit process. Refer to RSPO assessment criteria for independent palm oil smallholders in 2012, there are 3 standards applied, namely:

1. The Interpretation of National Principle and RSPO criteria for Producing Sustainable Palm Oil, particularly Independent Palm Oil Smallholders of Republic Indonesia, May 2010.
2. RSPO Standard for Certification Group in 2010
3. RSPO Standard for Supply Chain in 2011.

The audit certification process had been conducted around 4 days in February 2013 at the Amanah Association’s office. Audit activities covered ICS and farmer’s interview and ground investigation. It was purposed to see the relevancy between ground implementation and RSPO’s standard and criteria (Figure 17). After the audit, Amanah Association corrected all the findings from audit external. After the findings were settled, on July 2013, Amanah association earned RSPO Certification.

At post certification process, the change happened in supply chain of FFB. It was shorter and clearer (the partnership between association and company). The FFBs were collected and recorded in Amanah Association then sent to PT Inti Indosawit Subur (Figure 18).



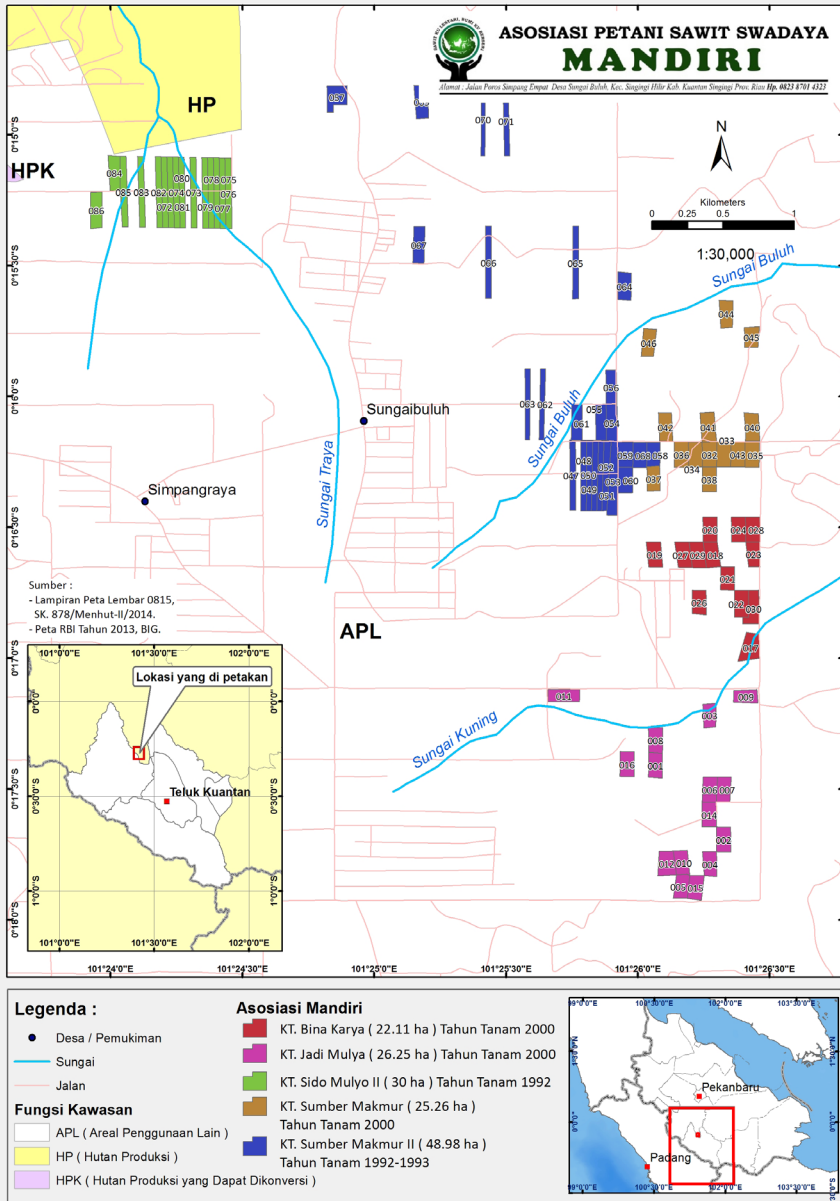
**Figure 18. Smallholders' FFB Supply Chain Change After RSPO Certification**

## Mandiri Association in Kuantan Singingi

Mandiri palm oil independent smallholder association (Mandiri Association / APKSSM) is the second independent palm oil smallholder in Riau that is facilitated by WWF Indonesia in implementing sustainable palm oil cultivation with RSPO scheme. Before Mandiri association was established, there were 5 independent smallholder groups such as Jadi Mulya, Bina Karya, Sumber Makmur I, Sumber Makmur II and Sidomulyo II (Table 6).

**Table 6 List of Smallholders' Group Before the Establishment of Amanah Association's ICS**

No.	Village	Smallholder Groups	Planting Year	Area (Ha)
1	Sungai Buluh	Jadi Mulya	2000	26,25
2	Sungai Buluh	Bina Karya	2000	22,11
3	Sungai Buluh	Sumber makmur I	2000	23,59
4	Sungai Buluh	Sumber makmur II	1993	48,98
5	Sungai Buluh	Sidomulyo	1992	30
			Total	150,93



**Figure 19 Map of Mandiri Association's Palm Oil Plantation Management**

Mandiri Association office is in Sungai Buluh Village, Singingi Hilir Regency, Kuantan Singingi Jurisdiction. Today, the smallholder that belongs to association is 75 people and the area plantation is 150,93 ha (Figure 19). Unlike Amanah Association, it has fewer members, a smaller area and had no partnership with palm oil company.

Having no partnership with near palm oil company and big distant between smallholder's plantation and bio refinery arose collaboration challenge especially the effective distribution and efficiency cost for transportation.

The facilitation of Mandiri Association was started by Kuantan Singingi Agriculture agency's staff. He recommended the group to join RSPO certification process. The facilitation process was conducted since 2014 by using the similar designs and stages of Amanah Association in Pelalawan, namely 1) identification, 2) facilitating and certification preparation, and 3) pre-audit and audit RSPO certification.

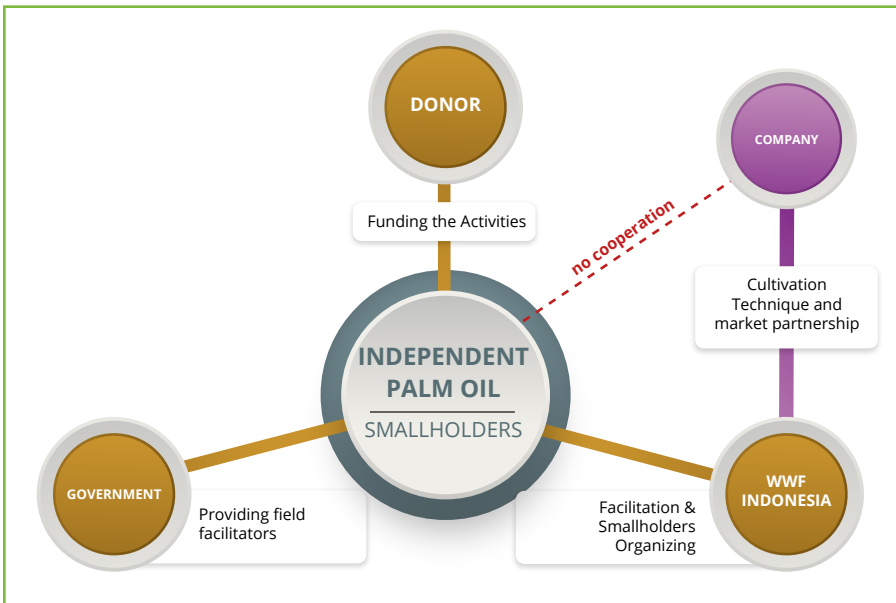
In the journey, the facilitation process of Mandiri Association runs slow because the lack of funding. WWF Indonesia fundraises few times within five years with WWF France, MCAI-Rimba Program, and WWF Japan.

## **Identification Process**

Identification process was done in 2014, it began with socialization to farmer/smallholders, association establishment, facilitation activities and training for farmers. similar to Amanah, Mandiri association identified 3 major components which are smallholders, farm location and facilities, and stakeholders. The establishment of smallholder association is registered legitimately in a notary office.

## Facilitation Step and Certification Preparation

Diagram 20 explains multi-stakeholders involved in RSPO certification process between both associations. The significant difference is Mandiri association has no connection and support from palm oil company. By directly connected to market / company through cooperation commitment (PKS), Mandiri association has role in determine FFB qualities that should be harvested by farmers. While company functions to monitor the Good Agriculture practices gradually. The absence of company is one of the main obstacles in the process and post of certification. Although WWF Indonesia attempted to took over the role, the progress was slow due to limited technical capacity and human resources.



**Figure 20 Partnership in Strengthening Mandiri Association**

Mandiri association had done RSPO certification pre-audit on 16th-17th December 2015 for identifying the gaps before facing main audit from external auditor. After pre-audit, in the entire 2016, the facilitation activities for Mandiri Association were difficult at that time, WWF Indonesia had funding support issues and lack of field facilitator.



## RSPO Certification's Pre-Audit and Audit

In 2017, WWF Indonesia successfully gained support funding from WWF Global Network. The facilitation process of Mandiri Association was continued by revitalizing the process and the data for the period 2015. In September 2018, RSPO Certification audit was conducted in Mandiri Association Office. The audit activities consist of interviewing Mandiri Association's ICS Staffs and members in the palm oil plot, investigating the appropriateness between ground implementation and standard and criteria of RSPO (Figure 21).

After correcting the external audit findings and entirely meeting the RSPO requirements criteria, on September 2019, Mandiri Association successfully obtained RSPO Certification.



Figure 21 Audit Process of RSPO Certification in Mandiri Association

At post certification process, the change happened in supply chain of FFB. It was shorter and clearer (the partnership between association and company). The product of palm oil plantation is collected and recorded by Mandidiri association and Amanah Sejahtera Village Unit Businesses (BUMDes). Afterwards, it is sent to PT Sinar Utama Nabati or PT Wanasari Nusantara (Figure 22). Amanah Sejahtera Village Unit Businesses (BUMDes) has role as a DO holder and as a village's economy entity that assists financing of farmer groups which belong to Mandiri Association.

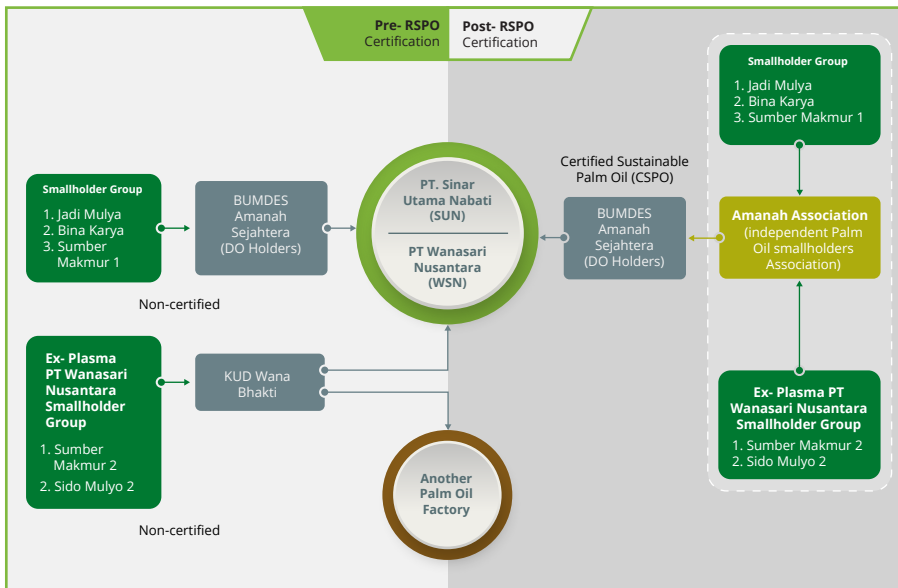


Figure 22 Audit Process of RSPO Certification in Mandiri Association

CHAPTER V

# Implication of RSPO Certification on Independent Palm Oil Smallholders



# Occurring Changes

## The Field Findings

In assessing post-RSPO certification outcomes and changes that occurred for the two independent palm oil smallholder associations in Riau province, several data collection and verification processes were conducted. Data were collected through interviews with the association boards, group discussions collocated with independent smallholders, and field visits for verifying data.

The outcomes and changes are categorized into several aspects, namely the implementation of sustainable agriculture practices (plantation governance), economic benefits, social benefits, and environment (Table 7).

**Table 7. Post-RSPO Certification Outcomes and Changes**

No.	Outcomes/Changes	Amanah Association	Mandiri Association
<b>1</b>	<b>Implementation of sustainable agriculture practices</b>		
	- Integrated pest control	Spraying team use to control pests with health and safety working operational standard Tim Unit	Spraying team use to control pests with health and safety working operational standard Tim Unit
	- Declining Herbicide Cost	Herbicide costs decline from IDR 900.000/ha/year to IDR 400.000/ha/year	30% of herbicide cost reduction per year
	- Fertilizer Use Efficiency	Fertilization is regulated by the schedule with the adjusted composition of soil and leaf testing recommendation results	Fertilization is regulated by the schedule with the adjusted composition of soil and leaf testing recommendation results
	- Productivity Enhancement	FFB production is increased by 20% from an average of 20 tons/ha/year to 24 tons/ha/year	FFB production is increased at 20% from an average of 20 tons/ha/year to 24 tons/ha/year
<b>2</b>	<b>Economic Benefits</b>		
	RSPO Certificate Credit Incentives (Palmtrace)	RSPO certificate credit incentives can fund audit certification every year independently,	RSPO certificate credit incentives can fund audit certification and ICS management operational



No.	Outcomes/Changes	Amanah Association	Mandiri Association
		purchase assets, equipment, tools, and construct an association office. The remaining credit certificate is given to CSI management and members.	The benefits of certificate selling to the member do not significantly increase. The remaining certificate selling is for the grocery purchases distributed to smallholder members and local Dhuafa Community
	FFB Purchase Certainty	DO FFB and cost certainty from PT. Inti Indosawit Subur certainty and costs. As a partnership, the association gets ease of fertilizer supply from the company	FFB smallholders purchase through DO FFB owned by BUMDES
<b>3</b>	<b>Social Benefits</b>		
	FFB Purchase Certainty	- Organizing smallholders is carried out by association (Internal Control System Group) as main organization of smallholder groups.	- Organizing smallholders is carried out by association (Internal Control System Group) as main organization of smallholder groups.
		- Transferring skill and knowledge among the smallholders is more effective.	- Transfer pengetahuan dan ketrampilan antar pekebun lebih efektif.
		- Market and information networking	- Jejaring informasi
<b>4</b>	<b>Environmental Social</b>		
	- Integrated chemical waste management	Chemical waste management is carried out by specialized units with adequate installation	Chemical waste management is carried out by specialized units with sufficient installation
	- Pest control	Pest control is carried out by having owls in the plantation wildy	Pest control is carried out by having owls in the plantation wildy
	- High Conservation Value (HCV) area	High Conservation Value (HCV) is carried out independently by using HCV guideline simplified by RSPO. Moreover, the planning of HCV management is arranged	High Conservation Value (HCV) is carried out independently by using HCV guideline simplified by RSPO. Moreover, the planning of HCV management is arranged
	- Riparian river conservation	Riparian river conservation is carried out by planting forest plants and bamboo, as well not spraying/doing chemical fertilization in the riparian river	Riparian river conservation is carried out by planting forest plants and bamboo, as well not spraying/doing chemical fertilization in the riparian river

Source: Primary Data, 2020; Observation results, depth interview and FGD with Management and Independent Smallholder Member

As regards sustainable practical implementation, significant change is pest control using Spraying Team (TUS) with an operational standard that qualifies safety and occupational health (Figure 23).



**Figure 23 Maintenance for Plantation by Spraying Team (TUS)**

Further change was the cost decrease of herbicide and efficiency of fertilizer as the measurable use (dosage-related use) based on the survey of pests and weeds. Fertilizer was set by the schedule and the composition that is based on the recommendation of soil and leaf testing. In addition, sustainable agricultural practices implemented the activities of soil and water conservation (Figure 24). The impact of sustainable agricultural practices implementation was an increase of independent palm oil smallholders' productivity.

In terms of economics wise, the credit incentive of RSPO certification (Palmtrace) has been able to fund the certification audit every year independently, fund SPI management operations, and produce benefits in the economy for the members. Nevertheless, the benefits of RSPO certification selling to the members of the Mandiri association, have not significantly increased yet (table 7). It is because the certified plantation area is minimal. Another economic aspect is the certainty of FFB purchasing, either in cooperating with companies or DO own by BUMDES.



**Figure 24 Sustainable Agriculture Practices by Implementing Soil and Water Conservation, namely (a) Providing Cover Crops and Organizing Fronds Regularly (in the Form of 'U'); (b) Empty Fruit Bunch (EFB) Nest Application; (c) Making Drainages.**

Thereafter, changes in social aspects occurred on the institutional reinforcement. Organized smallholders in the ICS group Association are the organizational head of the smallholder. Through association, knowledge and skill among the smallholders are more effective. Association becomes a networking and marketplace for smallholder members alike. Smallholders, previously, only sold FFB to KUD as DO holders of palm oil factories without quality concerns. Meanwhile, the low productivity of low

palm oil plantations are induced by the lack of good agriculture practice skills and no facilitation process from KUD (business only).

Pertaining to the environmental aspect, the notable change refers to the implementation of soil and water conservation, including chemical waste management by self-conducted with sufficient installation. Furthermore, pest control was also applied by having the free-ranging owls on the farm.

Assessment of areas with High Conservation Value (HCV) was carried out by smallholder association independently through HCV guideline simplified by RSPO where it included riparian river protection within by planting forest and bamboo and did not carry out spray and chemical fertilization in the riparian river.

### **Productivity of Independent Palm Oil Smallholder's Plantation**

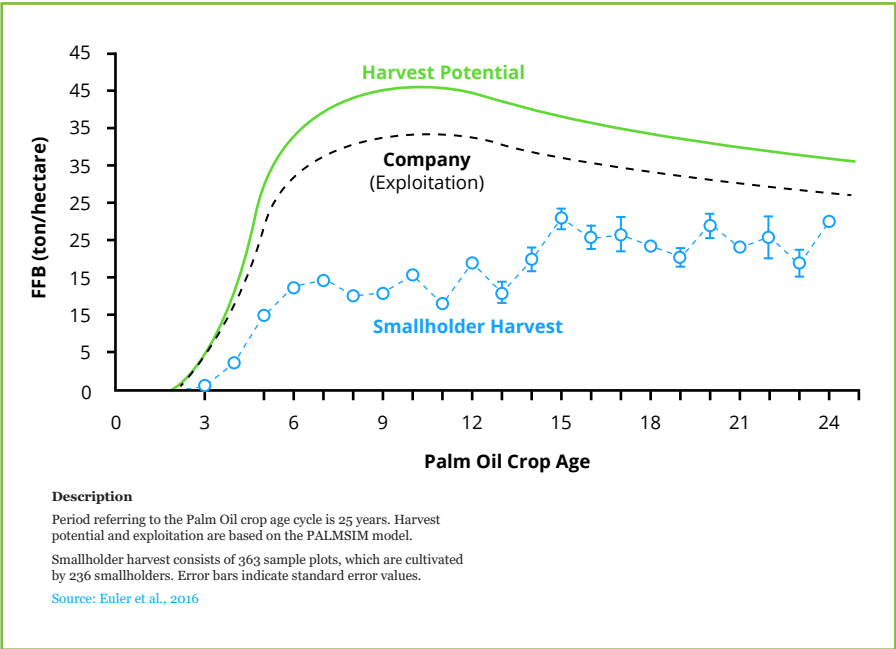
If it is examined from RSPO certification purposes for independent smallholders, the main concern is to achieve sustainable production for smallholders. There are three concerning aspects of sustainable palm oil production, namely the optimal harvest productivity sold, the mechanism of reasonable price, and the negative impact minimizing as well as positive impact enhancement on the environmental and social aspects.

The key question of documenting the lesson learned in this book is “Does palm oil productivity for independent smallholders post-RSPO certification increase significantly?”. To answer the question, we reviewed the literature by comparing the field findings with preliminary studies.

An agronomy empirical study conducted by Euler et al. (2016) in East Sumatra found that the productivity average of independent smallholders was 15,4-ton FFB/hectare/year. The harvesting potential average was 33,3-ton FFB/hectare/year on palm oil aged 3 to 25 years and the harvesting peak was able to reach 40,4-ton FFB/hectare/year after the 10th year.

If the exploitation of production is carried out as commonly applied by palm oil plantation companies, the results indicate 27,9-ton FFB/ha/year, and the period of harvesting peak increases to 34,3ton FFB/ha/year (Figure 25).





**Figure 25 Palm Oil Productivity Graphic**

The biggest gap that occurred in the harvesting peak period is palm oil crops aged 8 to 16 years where independent smallholders can achieve 50% of the exploited production results (companies). This tendency occurred among independent smallholders for the whole palm oil producing districts.

Related to Mandiri and Amanah Association cases, since RSPO was implemented, the productivity of independent palm oil smallholders increased to 17% - 20% regularly. For the plantation administered by Amanah Association, productivity enhancement of FFB every hectare began at 20 tons/year. For Mandiri Association, otherwise, reveals an enhancement of FFB productivity per hectare from 17 tons/year to 20 tons/year.

Both associations have endeavored to attain potential productivity at 24 tons/hectare. Potential productivity is optimal production that can be achieved by applying good agriculture practices, strengthened by biophysical and chemical land suitability. These levels have reached the average of independent smallholder productivity certified by RSPO at 20 tons FFB/hectare/year.

## **Box 2. Receipts and Costs (R/C Ratio) of Community Palm Oil Plantations Industry**

Illustration of the palm oil plantation industry used data in 2012 with Amanah Association plantation members in Pelalawan as the sample. Land units used were plots or 2 hectares. The productivity level of every plot per year was 33,15 tons FFB or 16,57 tons FFB/hectare/year. Cash or fee paid consisted of seedlings, fertilizations, Spraying Team (TUS), administrative cost for smallholder community, truck hire fee, and non-family labor wages.

Total business costs of independent palm oil plantations in 2012 per plot were IDR 20.155.321,93/year. Its palm oil industry revenue was IDR 55.268.556,75/year. Furthermore, industry income reached IDR 36.185.367,03/year with the palm oil plantation profit of IDR 35.113.234,82/year.

Receipts and Costs Ratio (R/C Ratio) of community palm oil plantations were IDR 2,6. The value of R/C Ratio was 2,6, which means that the plantation industry was profitable to implement because every investment of IDR 1,00 would provide income at IDR 2,59.

As a note, the data were analyzed when smallholder members of Amanah Association were improving farm governance and preparing for RSPO certification. It implies that farm/plantation business for certified independent smallholders has potential for providing significant benefits, especially with FFB enhancement productivity level per hectare.

# Essential Lesson Learned

## Effective Facilitating Design

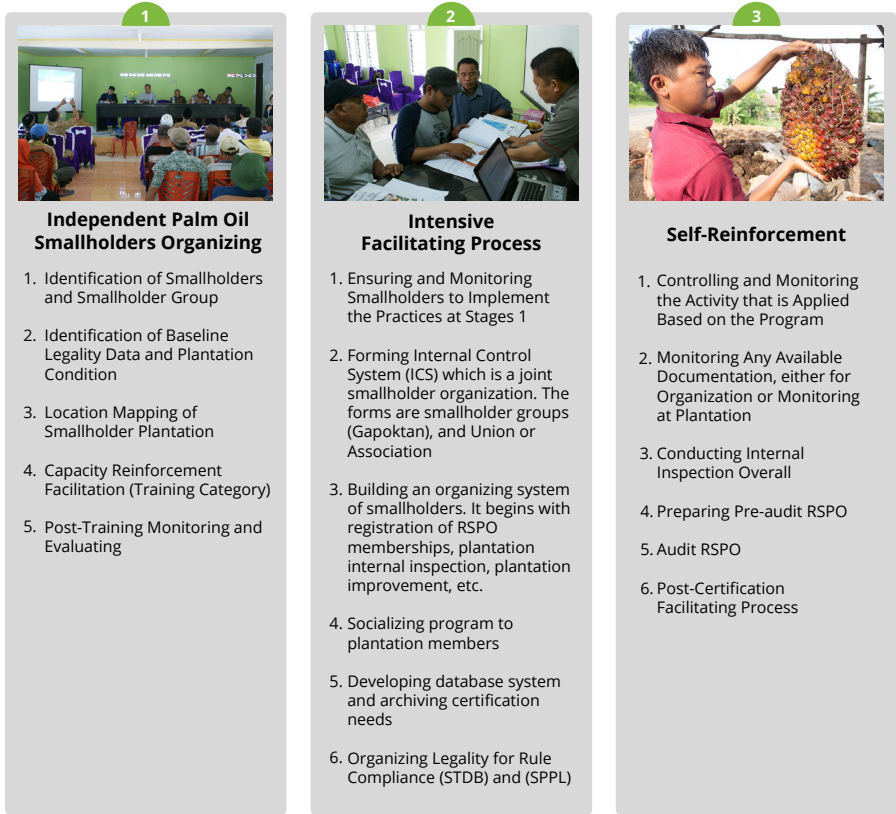
Of the two WWF Indonesia's experience in facilitating independent palm oil smallholder plantations to get RSPO certification, basically, the facilitating process for smallholders, at least, has three main stages (Figure 26), namely 1) independent palm oil smallholders organizing, 2) intensive facilitating, and 3) self-reinforcement. The three stages were applied for, at least 2 (two) until 3 (three) years to make the smallholders understand comprehensively the essence of RSPO certification, be able to apply the principles technically and sustainable criteria and be independent in managing the organization.

Organization stages of independent smallholders include the identification process, gap analysis, and capacity reinforcement. Capacity reinforcement activities depend on the identification process and gap analysis toward the major principle that was needed by the smallholders in order to accomplish the RSPO standards. The whole activities of capacity reinforcement and independent smallholder organizing must be monitored and evaluated mutually in their accomplishment outcomes.

Intensive facilitating process, subsequently, is quite draining, in time, and resource stages. It refers to constructing the mechanism (procedure), applying the procedure, monitoring the mechanism whether it works or not, and documenting the implementation of the applied procedure. The interaction with the smallholders will be prominent, which makes a lot of meeting processes, counseling for smallholders and smallholder groups, making discussions, overseeing implementation and follow-up, and documenting activities.

Self-reinforcement, as the last stage, is ensuring independent smallholders are ready for following pre-audit and RSPO certification audit processes, and self-reinforcement preparation for further RSPO audits. At this stage, a whole document and procedure have been available at independent smallholder organizations and implemented and documented well. After getting RSPO certification, an independent smallholder association is required to sustain the process and re-carrying out RSPO audits in the further decades independently.

It is noted that the above process will be more effective if the smallholders have prepared the organization and had good organizational leadership. Moreover, this process also needs competent companion resources and funding support from an sufficient donor.



Source: Interview and FGD, 2020

**Figure 26 Stages of Independent Palm Oil Smallholder Reinforcement**

Regarding WWF cases in facilitating Mandiri Association, in Kuantan Singingi, the process is slow as the sufficiency obstacles of facilitator resources (the amount and competency) and assistance funding. A similar case also occurred in Thailand where the competent assistance funding sufficiency and financial support from a number of parties are still challenges in accelerating the RSPO certification process for independent smallholders.

## To Fund the Facilitation

A difficult question being answered in the context of RSPO certification companion is how much the cost will be required to prepare the smallholders starting from the organizing stage until self-reinforcement (certified RSPO)

RSPO certification, in general, has two main stages, namely Internal Control System group) and certification audit preparation. Community preparation is intended to increase the capacity of group management in order to administer the group based on the managerial standards required by RSPO. Certification Audit preparation is aimed to prepare the board and smallholders in order to meet the criteria and RSPO indicators, especially in fulfilling the compliance standards.

According to Hutabarat et al. (2018), the RSPO certification initiation cost of Amanah Association reaches €65.550 or IDR 950,5 million (Table 8), which includes group and audit preparation costs. The analysis result examined by Hutabarat et al. (2018) is not significantly different from this study analysis on the Amanah Association.

**Table 8. Arrangement Cost Structure of RSPO Certification**

Stages	Activities	Cost	%
Group Preparation	SPI Group Forming <sup>1</sup>	8.917.500	0,9
	Smallholder Training	44.500.500	4,7
	Document Completeness	335.225.500	<b>35,3</b>
	SPI Group	30.305.000	3,2
	Smallholder Document Completeness	365.777.000	<b>38,5</b>
	Internal Inspection I	8.497.000	0,9
	Internal Inspection II	1.000.500	0,1
Questionnaire was Applied through Email with the independent Smallholder Companion from GIZ Thailand			
Audit Preparation	RSPO Membership Registration	3.755.500	0,4
	Pre-audit	70.006.000	<b>7,4</b>
	Remedial CARs2 (audit revision)	2.494.000	<b>0,3</b>
	Audit RSPO	79.996.500	<b>8,4</b>
	Total	<b>950.475.000</b>	100

SPI: Internal Controlling System; 2 CARs: Correction Action Requests (audit revision)

Source: Hutabarat et al., 2018

**Table 9. Arrangement Cost Structure of RSPO Certification on Amanah and Mandiri Association**

	Stages	Activities	Cost (Rp)	
			Amanah	Mandiri
P e n y i a p a n	Community Organizing	Identification of Smallholder and Smallholder Group	15.000.000	10.000.000
		Identification of baseline legality data and Plantation Condition	5.000.000	5.000.000
		Location Mapping of Smallholder Plantation	4.000.000	3.000.000
		Capacity Reinforcement Facilitation (Training Category)	210.000.000	193.200.000
		Post-Training Monitoring and Evaluating	50.000.000	42.000.000
K e l o m p o k	Intensive Facilitating Process	Ensuring and Monitoring Smallholders to Implement the Practices at Stages 1	100.000.000	90.000.000
		Forming Internal Control System (ICS) (Organizational registration fee for notarial deeds)	5.000.000	5.000.000
		Building an Organizing System for Smallholders (ICS)		
		- Socializing program to plantation members	10.000.000	10.000.000
		- ICS Training and Establishment	64.500.000	79.730.000
		- RSPO Membership Registration	5.000.000	5.000.000
		- Developing database system and archiving certification needs	15.000.000	10.000.000
		- Organizing Legality for Rule Compliance (STDB) and (SPPL)	30.000.000	20.000.000
- Plantation Internal Inspection and farm governance improvement (Stage 1)	18.000.000	10.000.000		
	Self-Reinforcement	- Facilitation and mentoring ICS and smallholders' activity	80.000.000	60.000.000
		Monitoring Any Available Documentation, either for Organization or Monitoring at Plantation	12.000.000	15.000.000
		Soil and Leaf Analysis Cost*	50.000.000	7.450.000
		The Whole Internal Inspection (Stage 2)	12.500.000	12.500.000
		Pre-audit RSPOS Preparation	13.000.000	15.928.000
		Remedial CARs (audit revision)	10.000.000	12.000.000
		Audit RSPO	230.000.000	130.220.000
		Post-Certification Facilitating Process	12.000.000	36.000.000
	Total	951.000.000	772.028.000	

\* Soil and leaf analysis cost depending on the land area and the amount of taken sample points. Source: Primary Data, 2020

In terms of certification funding analysis of Amanah and Mandiri associations, there were different costs of both certification facilitating processes because of distance, cooperation support, total plantation area, and the total number of independent smallholders' members. Hence, it refers to the main stages of financing (group and audit preparations), which consist of 1) Community Organizing, 2) Intensive Facilitating Process, and 3) Independent Reinforcement. The three stages are described in terms of activities to achieve the target for its stages (Table 9).

The cost structure in this context can, at least, provide an intact description of RSPO certification process so that it makes every party provide RSPO certification initial funds for independent palm oil smallholders. As noted in this context, the total cost is highly determined by cost sharing, the total plantation area, and the total of facilitated independent smallholders' members.

## **Support and Collaboration of Stakeholders**

The lesson learned from the two locations in Riau province implies the importance of support and collaboration of stakeholders in initiating, facilitating, and ensuring RSPO certification that is implemented sustainably. Support from the government, company, and NGOs are needed to re-activate groups, encourage smallholders' participation, and ensure the independence of association for the long-term sustainability of the RSPO certification process (Apriani et al., 2020).

In terms of the Amanah and Mandiri Association, the government's support and involvement in the facilitating process of smallholders are influential in motivating smallholders to apply sustainable palm oil cultivation practices and collect the legal document completeness (SKT, STDB dan SPPL).

Technical facilitating processes applied by companies that are competent in identifying the ins and outs of sustainable agriculture would assist in the accelerated improvement of palm oil plantation supply chain administered by the smallholders. For the Mandiri association that does not receive a technical facilitating process from the surrounding companies, it would be an obstacle to repairing the supply chain of independent palm oil smallholders. In addition, company support in terms of marketing through the partnership with smallholder associations is needed to ensure FFB uptake.

An intriguing lesson learned of Mandiri Association is the role of BUMDes as the funding organization for smallholder and FFB marketing intermediary (DO-holders) with palm oil factories like PT Sinar Utama Nabati (PT SUN) and PT Wanasari Nusantara (PT WSN), which comprehensively assisted the smallholders develop to thrive. For the local area that is far from the range of palm oil processing plant factories, the role and involvement of sub-district economic organization is essential in the palm oil market and supply chains.

Non-Governmental Organization (NGOs) role as facilitator in the community organizing is also required to be competent and resilient in managing the smallholders' group dynamics in the field. Furthermore, NGOs should bridge the smallholders' communication and networking with another stakeholders.



The role of donor organization in providing initial fund is essential as facilitating process of RSPO certification needs big cost. In another case in Thailand, the local authorities provide funding support for the independent palm oil smallholders in the RSPO certification management process, even if the amount of funding is not sufficient.

**Box 3. Lesson Learned from Unsuccessful RSPO Certification for Independent Smallholders Union of Bunga Tanjung, Dosan, Siak**

Facilitating Process

In 2012, the Elang Foundation began to facilitate Dosan's independent smallholders to rebuild the palm oil plantations. The governance improvement, especially this GAP, was facilitated by WWF Indonesia and Wageningen University in the technical training activity regarding palm oil management on peatland. In 2013, pilot projects and training were applied to smallholders. The whole plantation development was conducted by the smallholders as there was no financial support for RSPO certification at that time.

In 2014, the Elang Foundation strengthened independent palm oil smallholders' organizations in order to encroach on the forest area and High Conservation Value and High Carbon Stock areas. In 2015, facilitating process against Bungo Tanjung Union was carried out by strengthening the technical capacity of smallholders (GAP), work plan preparation, group repair, and plantation development.

During 2015-2017, plantation management improved and plantation governance on peatland was continuously carried out. The facilitating process, on that occasion, was reinforcement for the farmer group about forest protection. The facilitators were provided by the Elang Foundation, but GAP practical competency was still lacking. In 2015,

the Village Cooperative (KUD) of Bungo Tanjung registered as RSPO member. Farmers' cohesiveness in groups, at that time, was quite good and the union spirit to repair the plantation was also high. The certification was not implemented yet because there was no financial support to audit the funding of RSPO certification in particular.

Hereupon, the development in 2018 in Dosan village improved increasingly. Electricity, roads, and other infrastructures encouraged the village economy. Economic development, unfortunately, provides an unfavorable impact on KUD Bungo Tanjung. The people became more consumptive and did not administer their plantations independently (using laborers. In a similar year, there was an organizational problem at KUD Bungo Tanjung. The smallholders demanded plantation administration administered individually without the union's intervention. In addition, the harvest labor shortage occurred. Hence, a lot of smallholders brought in the harvest labor from outside the village. It makes plenty of plantation areas sold to external parties. The union only collected the data and directed FFB sales. Furthermore, many middlemen began to be interested to provide loans and a lot of FFBs sold directly to middlemen.

#### The Causing Failure Factor

Factors that led to the failure are 1) there is no particular financial support for RSPO certification for independent smallholders. The Elang Foundation, which carried out the facilitating activity for independent smallholders, utilized subsidies from campaign funds for the forest area. 2) The qualified resources carried out in the facilitating process technically are still lacking. 3) The collaboration with related parties is not optimal yet (company and donor organization).

Nevertheless, of the facilitating process during 2012-2017, a number of improvements could be obtained, either it could be seen from a smallholder scale like GAP implementation on palm oil cultivation, more well-maintained plantation, and increasing production or not.

#### Challenges for RSPO Certification Facilitation

In facilitating independent smallholders in Dosan village to obtain RSPO certification, the challenges are:

1. Sufficient funding for RSPO certification activities.
2. Human resources being a competent facilitator in terms of palm oil GAP technically and understanding RSPO certification.
3. External village parties (Middleman and Investor) who influenced the smallholders to sell their FFB individually (not by a group through the union) and the investor who preferred to buy palm oil owned by smallholders who are KUD members.
4. Road infrastructures to give access to harvest damaged/untreated FFBs.

#### Essential Lesson Learned and Recommendation

Essential factors and aspects that must be achieved in advance in the facilitating process in order to ease further processes are 1) the importance of effective facilitating design and facilitating resource support that is competent about GAP technicalities and RSPO certification, 2) support from local authorities and companies, and 3) sufficient funding for the activities.

In order to obtain the outcome and acceleration of RSPO certification, several essential recommendations are described as follows:

1. Responsible for facilitating independent smallholders by 3 (three) parties like NGOs, government, and independent parties (companies). The government and companies have a big role. RSPO could encourage creating direct partnerships with the smallholders by buying and selling FFB and controlling community plantation area ownership access.
2. RSPO and the company encourage the role of government in terms of plantation area legality and STDB.
3. RSPO is required to develop an accelerated strategy of RSPO certification for independent smallholders, especially during the fixed-term programme as an attempt for controlling the palms expansion in the forest area.
4. The partnership of palm oil factories with independent smallholders must be built sustainably.

Source: The Elang Foundation, 2022, Interview.



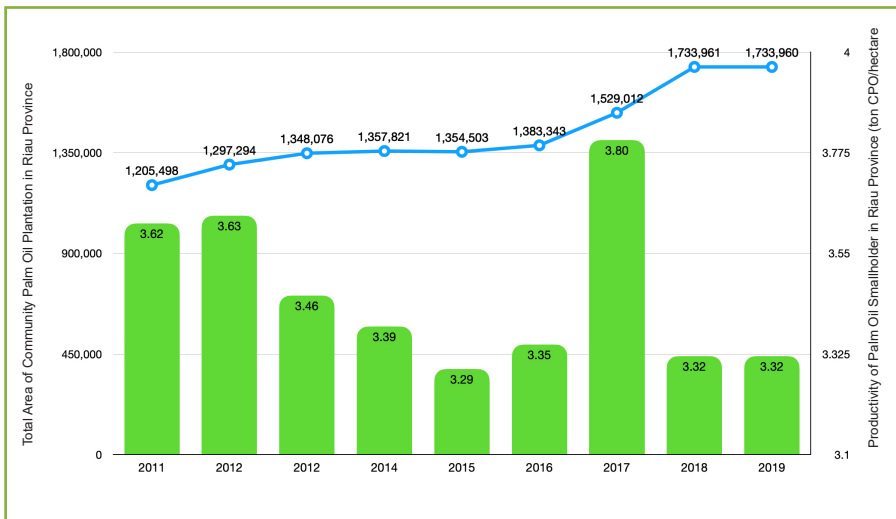
CHAPTER VI

# RSPO and Future Challenges

Besides the outcomes and positive change as impact of RSPO certification, this study found important issues that needs to be handled seriously by all stakeholders such as:

## Land Expansion VS Intensification (Good Agriculture Practices)

These days, community palm oil has covered 63,2% from the area of palm oil agriculture in Riau Province. The area grows year by year, but the average productivity tends to decline (Figure 27). In 2019, the land area of community palm oil agriculture has covered 1.793.960 with the productivity of 3,32ton CPO/hectare.



**Figure 27 Development of Plantation Area vs Community's Palm Oil Plantation Productivity**

It is important to remember that the land area of Riau Province has a limit to be planted for agricultural purposes. Today, the palm oil plantation's area in Riau is 2,86 million hectares or 32,87% of the total area of the province (BPS Riau, 2020). However, the actual result of palm oil delineation shows a higher ratio which is 47% (4,170,482 ha) from the total area of Riau province which is palm oil plantation (P3ES-KLHK, 2020).

In regional development context, Riau Province has maximum limit area that can be managed for agriculture purpose. It means with fixed agriculture area, land expansion contributes to the future problem regarding land and space for Riau Province such as, land for settlement conservation and protection, as well as cultivation other commodity purposes.

One of the strategies to empower independent palm oil in order to achieve economic standard while the area already reached maximum limit is land intensification. Land intensification with GAP implementation. Land intensification assist smallholders to get maximum harvest by optimizing their land. Besides that, land intensification and clear management of land use with RSPO scheme will slow down the deforestation in Riau. Palm oil expansion seems to be a major related caused towards deforestation (Pacheco et al., 2020; Tacconi et al., 2019).

The result of the study from 2 independent palm oil associations in Riau shows that intensification with sustainable agriculture enable to incline productivity of palm oil up to 17-20 %. The implementation of sustainable agriculture not only impacts on productivity but also increases the efficiency of production cost, strengthen the organization and positive benefit for environment.

However, in this present time the total certified plantation of independent palm oil smallholders is extremely low which is under 1 % from the total palm oil plantation in Riau. Therefore, the comprehensive effort from multi stakeholders is required in order to facilitate RSPO certification for independent palm oil smallholders. One of the ways to accelerate RSPO certification is by increasing company involvement to facilitate independent smallholders which are part of their supply chain for RSPO certification.

## Funding Support

First, RSPO certification as a standard to achieve sustainable palm oil management implement sustainable principle and criteria. It also has indicators that need good management of smallholders' association. In order to achieve it, in the early stage of RSPO preparation, smallholder groups need to be facilitated by a skilled institution and to be funded.

Reflecting from WWF experience in facilitating palm oil smallholders which has to hibernate several times, initial fund support is a major factor to empower independent smallholders with RSPO scheme. Smallholder groups need assistance from competent body in terms of fund and knowledge to prepare RSPO certification. It costs approximately € 65,550 or IDR 950,5 million. The biggest spending is mostly for smallholders' capacity building, strengthening the groups, issuing land legality (STDB and SPPL), and audit costs.

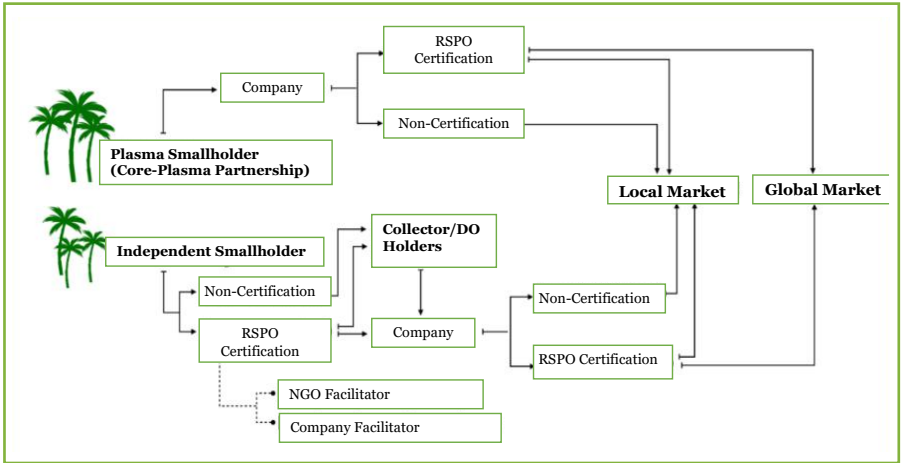
Although RSPO has fund support for initiating the certification, to accelerate the process and to increase certified smallholders need a bigger amount of money. Initial fund is a tough challenge that needs great attention from RSPO and other stakeholders in the future. Government and company support is highly expected to support independent smallholders in Riau province.

Second, today many old palm oils need to be replanted and for smallholders, it is not easy in many ways. Relating to financial access, they need to borrow money for 3 years and then at the first harvest they are able to return the money slowly. Government support in this regard is not much, it is still burdensome to the smallholders. Financial access in the future should have capable and accessible guarantor organizations for the smallholders like banks and financial organizations/institutions. For instance, the role of Amanah BUMdes at the Sungai Buluh village in Kuantan Singingi (Mandiri Association) that administer the community's loan funds at IDR 16 million through savings and loans only helps the independent smallholders to access the funding for capitalization.

## Market Access

The issue related to market access is about fixed purchasing of FFB. Generally, FFB can be marketed to anyone including RSPO uncertified company (Figure 28). Some of the palm oil productions are sold to middle person due to the company has reached its quota. The major problem is unstable price of fresh fruit bunch (FFB) in the market (SPKS, 2013).

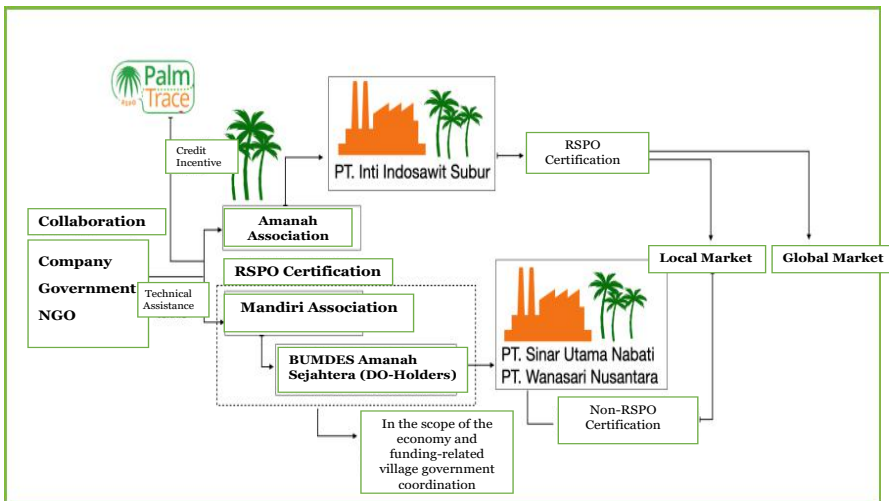




Source: Primary Data, 2020; Adopsi Apriani, et al. (2020)

**Figure 28 Commodity Supply Chain of Community's Palm Oil Plantation**

In this sense, one of the strategies is to accelerate RSPO certification for palm oil companies. The more certified the company the more CSPO needed indeed. It will contribute to a positive impact for FFB marketing of RSPO certified independent smallholders. Scheme 29 explains that Mandiri association remains sell their FFB to the uncertified palm oil.



**Figure 29 Commodity Supply Chain of Independent Palm Oil Plantation After RSPO Certification**

Learning from Thailand experience, some factors to increase RSPO certified independent smallholders is CSPO demand from upstream to certified palm oil company. Afterwards, company needs to establish and support independent palm oil smallholder group for RSPO certification (company needs RSPO certified). Besides that, certified independent smallholders had experienced the benefit such as exclusively gaining technical support, getting premium price from company (selling real FFB to certified company) and getting bonus / incentives for RSPO credit if they don't sell certified FFB completely to the company or they need 100 % credit. Policy support from Thailand government in budget allocation for supporting independent palm oil smallholders group certification accelerates the process although there is still a lot of things can be improved.

## RSPO Certification Audit Mechanism

First, regarding the budget for audit, especially surveillance audit budget, it becomes prominent to reconsider it. Why? Because the audit budget that uses budget per 1000/hectare caused small association which has fewer members and plantation much money. For example, the annual audit budget for Mandiri Association which has 152 hectares plantation and Amanah Association that has 1048 hectares are almost similar. It cost around 120-125 million IDR. Therefore, it is necessary for RSPO to reconsider payment schemes for smaller palm oil smallholder associations.

Second, RSPO conduct audit only to examine area that is purposed to get RSPO certification. Until today, there is no scheme/ mechanism to manage if smallholders have other plantation which is conflicted outside his purposed plantation for RSPO. Ideally all the plantation that belongs to smallholders (including non-certified area) are audited if sustainable concept and practices are meant to improve smallholders' way of agriculture. Therefore, the clean and clear tenurial aspect expectedly achieved.

Third, related to an area with High Conservation Value (HCV) and the protection of river riparian needs to get serious attention and intense monitoring.



CHAPTER VII

# Conclusion and Recommendation

## Conclusion

RSPO certification has a great change on sustainable agriculture implementation. The productivity of Amanah and Mandiri Association has grown 17-20% after the RSPO certification. Furthermore, the cost of herbicide utilization has decreased, and the utilization of fertilizer becomes more efficient. Both are impactful for the raise of independent palm oil smallholders' income.

Economic wise, the credit incentive of RSPO's certificate (Palmtree) were sufficient to pay the annual audit certification independently, the ICS' operational, and providing economy benefit for the members. However, the amount of economic benefit for members depends on the RSPO certified area. Another economic aspect is fixed FFB purchase order either through company or the DO owned by BUMdes.

Furthermore, in terms of social aspect, there is a change in strengthening smallholder's organization under the ICS group. In general, the relationship between group and market are more intense. The knowledge and information transfer becomes more effective.

Moreover, the change in environment aspect also occurs. For example, land and water conservation are implemented and the chemical waste was managed independently with sufficient installation. Besides that, the use of owl in the plantation for pest control also were executed. However, regarding the area with High Conservation Value (HCV), it remains require improvement and serious awareness.

Several lessoned learn from 2 different RSPO certified Independent Palm Oil Smallholders are:

Firstly, to be fully independent in implementing sustainability standard, it takes systematic facilitation that leads to community empowerment concepts. Then, it takes 2-3 years until the smallholders completely understand the essence of RSPO certification, technical knowledge about sustainable agriculture and management of organization.

Secondly, in this study, the total budget for RSPO certification facilitation (initial fund) for both of associations depend on the plantation area, distance and the number of members. Nevertheless, the point is the wider plantation area and the more member of independent smallholders' group, the more effective the facilitation cost. The facilitation cost needs to be prepared from early so that the facilitation process will run smoothly.

Thirdly, the support and collaboration with diverse stakeholders such as government, university, BUMdes, NGO and company are pivotal. They can assist based on their expertise such as in initiation process and monitoring than ensuring the continuity of RSPO's principles implementation. Therefore, the palm oil smallholder can be strong and prepared.

## Recommendation

Based on the findings and lesson learnt from 2 locations in Riau Province, a few recommendations to accelerate RSPO certification for palm oil smallholder and to improve community palm oil agriculture management either in Riau province or national level are:

First. RSPO Certification for smallholder independent needs effective facilitation scheme and relevant competence from other stakeholders. Besides, it needs initial budget support (RSPO, company and government).

Second, it is important to sustain the collaboration with stakeholders in terms of initiating, monitoring and ensuring the implementation of RSPO's principle by smallholders. Higher education is also demanded for sharing technology innovation, palm oil best practices and preparing qualified human resources for a filed facilitator.

Central government and provincial government are required to provide program and budget for accelerating STDB, SPPL publishing. Besides they need to promote sustainable palm oil management through RSPO or ISPO. Companies are expected to give incentive for FFB that comes from certified independent smallholders and provide GAP program for independent for them. While RSPO and donors are expected

to provide budget for certification so it will be easier for the smallholders. The last but not least, the banking sector can play their parts in term of modality to support the operational running cost and independent smallholder groups' business unit.

Third, regarding the deforestation management, the central government and Riau government are demanded to monitor the palm oil expansion by not allowing companies or smallholders to manage the protected area. Then, they are expected to monitor and evaluate the existence companies' palm oil license and to call off the new license. The law of enforcement about land dispute and to support land intensification by sustainable palm oil will definitely help the acceleration of deforestation. Therefore, RSPO needs to improve the certification for independent smallholders' plantation and company's plantation in Riau in order to sustained business climate, market access and FFB supply chains. It is highly important since the uncertified palm oil plantation remains plentiful and there is a lot of companies that has not performed sustainable agriculture. Moreover, to improve the traceability and to implement NDPE (No Deforestation, No Peat and No Exploitation) for big companies (Grower and Buyer) are necessary.

Fourth, RSPO needs to consider funding schemes for independent palm oil association which has smaller plantation area and lesser member. Afterwards it requires to improve "audit mechanism" which investigate the whole plantation area that belongs to independent smallholder (including non-legitimate land). Ensuring the implementation of clean and clear regulation about tenurial issues and improving protection for High Conservation Value (HCV) including riparian area should be the focus of audit mechanism



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