



IFC

**International
Finance Corporation**
World Bank Group

IFC Indonesia Palm Oil Program

Working in partnership to create added value for
smallholders and companies

Supporting Smallholder Palm Oil Production

Jakarta, 9 June 2014

IFC and Palm Oil Sector in Indonesia

WBG Framework/IFC Strategy for Engagement in the Palm Oil Sector

Four Pillars



World Bank, IFC Investment and Advisory Solutions and Partnerships

Indonesia Palm Oil Program Logic

Goal

Enhanced livelihood and sustainability of smallholder production

Purpose

Sustainable business practices implemented by plantations and FIs that benefit smallholders in oil palm sector

Projects

Smallholder Development

Benefit Sharing

Sustainable Finance

Certified Sustainable Palm Oil Market Development

Indonesia Palm Oil Development Smallholders Project (IPODS) Overview

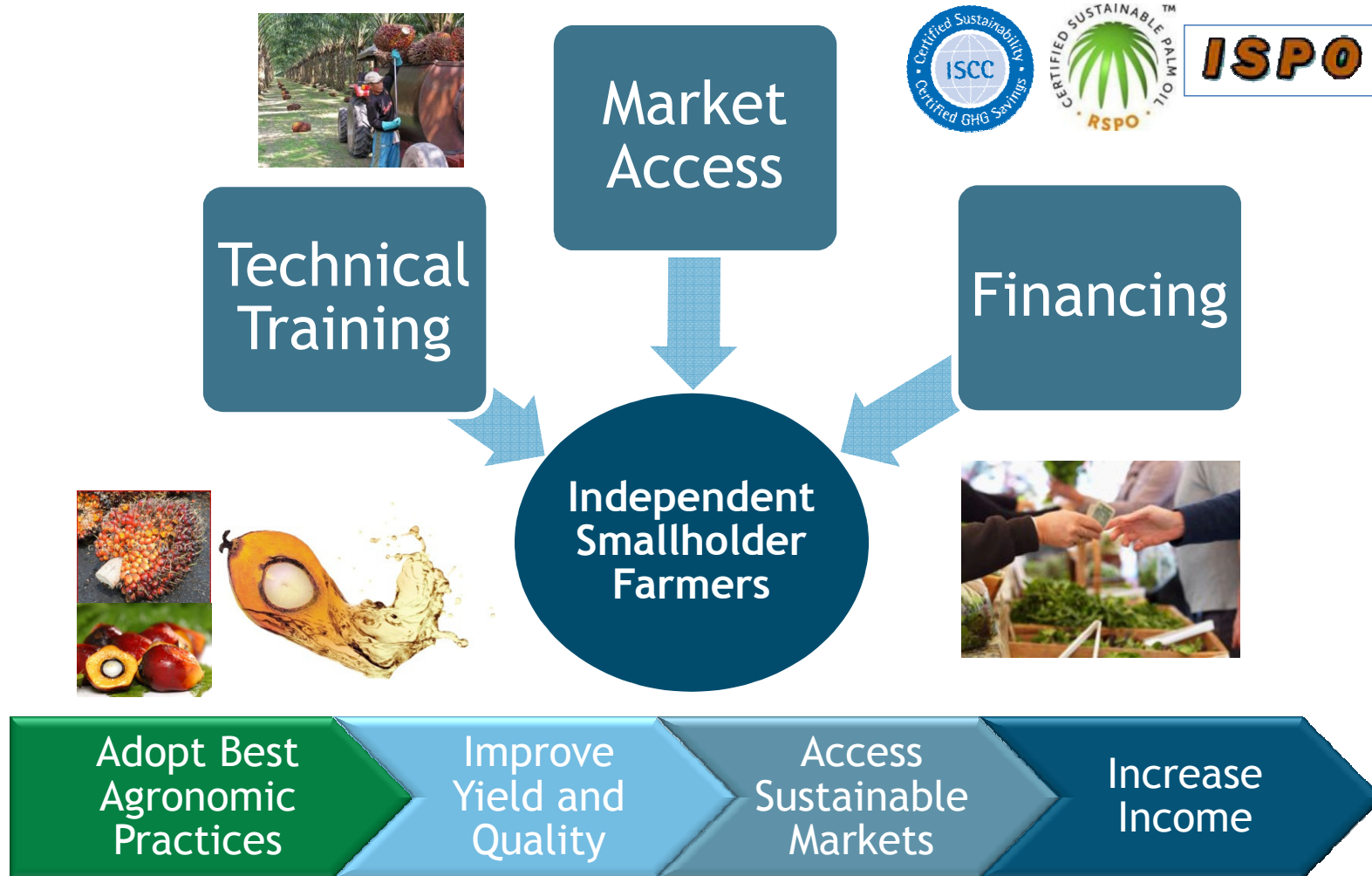
- **Background:** Key messages from the IFC Diagnostic Study on Indonesian Smallholders
- **Objective:** To develop and demonstrate a replicable and scalable business model for sustainable palm oil by independent smallholders

Indonesia Palm Oil Development Smallholders (IPODS)

- Role of IFC
 - IFC will provide overall Project coordination.
 - Provide advice and guidance on information needs and compliance with IFC Performance Standards, with a particular focus on Assessment and Management of Environment and Social Risks and Impacts.
- Role of Lead Firm
 - Lead firm will provide access to the traceable/certified market for qualified farmers.
 - Lead firm commits to preparation and implementation of internationally recognized and mandatory sustainability certification.
 - Management and monitoring plans for conservation areas for the high conservation value (HCV) areas inside the project plantations area.

For Smallholders:

IPODS will increase smallholder yields & sustainability performance



Challenges

- Identify qualified lead firms which are committed to achieve and support smallholder sustainable palm oil production
- Changing the mindset of smallholders, from subsistence farming to sustainable production. Do not assume that all smallholders are motivated to change within a given geographical area
- Cost and benefit (value) sharing among the actors of supply chain
- Misperception over price premium from certification (every actor expect higher (premium) prices, but not so keen to invest)
- Sustainability issue may add risks to smallholder in striving to adapt and comply with specific standard
- Traceability of smallholder can be extremely complex and expensive
- Takes time and resource in tackling fundamental issues of smallholder production on land, labour, capital and technology/management

Thank you

MANAGING RISK ■ CREATING SHARED VALUE

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