



Notes of the Workshop

Supporting Smallholder Palm Oil Production Workshop in Indonesia

Date	9 th June 2014
Venue	Sari Pan Pacific, Jakarta, Indonesia

1. Background

The Smallholder Acceleration and REDD+ Programme (or better known as SHARP) has been developed by a multi-stakeholder partnership of organisations who all share an interest in supporting smallholders globally and produce commodity crops sustainably. SHARP works with the private sector to support sustainable smallholder development, while improving livelihoods, minimising deforestation and improving food security.

There are challenges in achieving more sustainable production by smallholders' production. In order to find solutions to these challenges, many stakeholder groups need to be involved, ranging from governments to the smallholders themselves.

SHARP focuses on working with production and supply chain companies globally to support responsible smallholder development across agricultural commodity sectors, in collaboration with other stakeholders including financial institutions, governments, NGOs and the smallholders themselves.

The objective of this workshop held in Jakarta on 9th June 2014 was to obtain an overview among all existing organisations, programmes and initiatives involved in supporting smallholder palm oil production in Indonesia. The identified key areas discussed during the workshop were:

- barriers and challenges;
- gaps based on the identified challenges and issues covered in existing programmes;
- solutions and lessons learned; and
- next steps

The presentations of the workshop can be accessed at this site: <http://www.sharp-partnership.org/sharp-programmes>

2. Participants of the Workshop

A total of 17 participants from 12 organisations supporting smallholder palm oil production participated in the workshop (as shown in the table below).

Organisation		Representative
1	Aidenviroment	Jan Willem Molenaar Jonas Dallinger
2	Center for International Forestry Research (CIFOR)	Ahmad Dermawan Heru Komarudin
3	Daemeter Consulting	Aisyah Sileuw
4	Earth Innovation Institute (EII)	Evita F.L. Guntur Prabowo
5	Fauna & Flora International (FFI)	Darmawan Liswanto

6	International Finance Corporation (IFC)	Triyanto Fitriyardi
7	IDH Sustainable Trade	Joko Arif
8	Proforest Southeast Asia (acting as SHARP focal point)	Jayashree Kanniah Surin Sukswan
9	SNV Netherlands Development	Hans Harmen Smit
10	Solidbhumi/Solidaridad Indonesia	Hendry Yang Juanita Mandagi
11	United Nations Development Programme (UNDP)	Tomoyuki Uno
12	WWF – Indonesia	Dani Rahadian P. Hidayat

3. Welcome Remarks and Overview of SHARP Programme

- The workshop was opened by Mr Surin Sukswan, Regional Manager of Proforest Southeast Asia regional office which is the interim focal point of SHARP. Mr Sukswan welcomed all the participants to the workshop. He then presented the agenda and gave an introduction on the aims of this meeting. The participants also gave a short introduction about themselves.
- Ms Jayashree Kanniah, Project Manager of Proforest Southeast Asia, presented an overview of the SHARP programme.
- SHARP is in the process of developing an alternative approach for smallholders to define responsible production by smallholders (the approach referred to as CSS but now known as Responsible Sourcing from Smallholders - RSS). It was clarified that SHARP welcomes any certification scheme, including national certification schemes such as ISPO, to adopt the RSS as a stepwise approach for smallholders' certification.

4. Overview of Smallholders Programmes by the Participants

Participants from WWF-Indonesia, Solidaridad, Aidenvironment, UNDP, SNV, IFC, Earth Innovation Institute (EII), CIFOR and IDH presented on their activities and programmes related to smallholder palm oil production. The highlights of their presentations and key points from the subsequent discussions are captured below while a summary of the smallholder-related activities undertaken by the relevant organisations in Indonesia is presented in Annex 1.

4.1. WWF-Indonesia (Mr Dani Rahadian)

- WWF-Indonesia have conducted various activities to support smallholders, such as: trained 40 extension officers and over 1000 smallholders; conducted baseline surveys to find prospective independent farmers towards certification; conducted business plans for smallholders; and worked with external parties like funding organisations, and relevant government institutions. WWF have identified that the independent smallholder are divided into three categories: beginner, intermediate and advanced-level. He indicated that WWF would like to focus on those in the beginner-level within WWF's priority landscape, which is Riau and West, East and Central Kalimantan.
- Before confirming the groups of smallholders to work with under their project, WWF-Indonesia conducted baseline study on several aspects such as legality, environment and social-economy. A SWOT analysis is carried out to determine the capability level of the prospective smallholder group to comply with sustainability principles.

4.2. Solidaridad (Ms Juanita Mandagi and Mr Hendry Yang)

- Solidaridad reported on their five independent smallholder models/projects:
 - Indonesia: CUKK, Sintang model highlighted farmers' field school
 - Indonesia: the Setara model benefited from government support
 - Malaysia: Perak site (supported by Cargill) shared the benefits and support from the involvement of the middleman
 - Malaysia: Sabah site (supported by Nestle) presented best practices in dealing with land conflicts.
 - Papua New Guinea: Focused on replanting with the smallholders.
- For 2014, RSPO certification is planned for 20 smallholders supported by Cargill. Whereas, the other models still have challenges with regards to administrative and land status.
- Solidaridad is in full support of RSPO and would like to support the smallholders until they obtain certification. They have been providing various types of support with different model set-ups and a lot of the work has to do with building trust and coming up with mechanisms that would fit that particular structure.

4.3. Aidenvironment (Mr Jan Willem Molenaar & Mr Jonas Dallinger)

- Aidenvironment is a sustainability consultancy based in the Netherlands and Indonesia. Its oil palm smallholder related work focuses on sustainable market transformation, responsible sourcing, smallholder development and sustainability standards. Key projects have been, a diagnostic survey of 1000+ Indonesian smallholders (partnering with IFC), development of the business case behind smallholder investments (IDH) and the development of a FAIR partnership model for company community oil palm development (Oxfam).
- Aidenvironment latest initiative on the palm oil sector is developing a market transformation model for sustainable agro-commodity production. This is an IFC commissioned study conducted by Aidenvironment, NewForesight and IIED. The model focuses on a sector (national/ provincial) approach based upon a shared vision of the transformation in each sector such as regulation support measures from the public sector, setting up cost efficient models in the service sector, the organisation of the production base and strengthening of role of the market in rewarding sustainability. Key principles in the model are:
 - It is based upon an intrinsic business case at farm and sector level for sustainability;
 - Promotes continuous improvement and removes worst practices;
 - Retains enough value at the production end to re-invest in the sector with reduced external assistance.

The assignment has made an inventory of good practices and critical success factors (different commodities, different countries) on sector governance, organising producers, developing the service sector and procurement strategies. Currently, it is in the stage of assessing the applicability of this model in the Indonesian palm oil sector. The IFC project could result in an implementation phase from 2015 onwards.

4.4. UNDP (Mr Tomoyuki Uno)

- The UNDP SPO Initiative aims to support the Indonesian Government to create mechanisms for addressing structural challenges in terms of policy, regulations, extension systems, infrastructure and capacity. UNDP has been working with the Ministry of Agriculture (MoA) on palm oil smallholders for three years on the initiation stage for setting up a National Sustainable Oil Palm Platform.
- This platform would focus on four main areas, which are (1) Strengthening independent smallholders; (2) Environment management and monitoring; (3) Governance and mediation; and (4) Recognition of ISPO certification. With regards to focus area no. (1), the team are targeting smallholders in Riau, South Sumatera and West Kalimantan.

- With regard to reducing deforestation, the SPO is working with the Ministry of Forestry and will be looking at issues relating to land swaps, High Conservation Value (HCV) areas, High Carbon Stock (HCS) areas as well as GHG emissions. UNDP is also conducting a study on comparing the P&C of ISPO and RSPO, for which the study report will be launched soon.
- The Ministry of Forestry considers several factors before approving land for oil palm development, these are specifically on condition of the land (level of degradation), spatial planning, smallholder claims, benefits of using the land and legal provisions.
- SPO plans to use the Greenpeace definition of HCS, while noting that major producers are looking at alternative definitions of HCS and that the current policies do not necessarily acknowledge HCS.
- In advocating ISPO amongst smallholders, there is a need to support the government to create minimum conditions (legal, productivity, environment etc.) for all smallholders to comply as well as placing mechanisms for mills to jointly incorporate their interventions.
- The recent spate of company manifestos/pledges related to a no-deforestation policy present challenges for the Indonesian government as it requires conserving forests within the plantation concessions. If in reality the companies are making beyond-business-as-usual-commitment (which is beyond the legally mandated areas such as on steep slopes and near rivers), then it contravenes with the principle of the business permit (HGU) and companies risk of having land taken under the 'abandoned land' law. This will be a good topic to discuss via the Indonesian National Sustainable Oil Palm Platform that UNDP is facilitating, together with the issue related to assessing the legal rights or claims of smallholders associated to HCV.

4.5. SNV Netherlands Development (Mr Hans Smit)

- SNV's initiative is focused on the need for understanding the agriculture-forest interface through a phased-based approach:
 - Phase 1 introduced a 'Siting Tool' to determine suitable areas for sustainable agricultural production based on four risk classes;
 - Phase 2 talked about understanding the factors for driving deforestation through field verification and stakeholder consultation; and
 - Phase 3 looks into the implementing stage.
- The tools/modules that have been developed by SNV (which were shared with the workshop participants) are to be used as a trainer's guide tailored for the local condition in Indonesia and specifically for independent smallholders. There are plans to replicate these modules for the Congo. SNV is currently working in the West Kalimantan (with 2000 smallholders) and Jambi area (with 7000 smallholders). Their current partners are Wageningen University and a company.
- SNV are looking out for potential partners to test the modules in various areas, to obtain an impact scaled support. The testing phase is 2 years and that they have just completed a year.

4.6. IFC (Mr Triyanto)

- IFC has four main focus areas that benefits the smallholders in the oil palm sector: smallholder development; benefit sharing; sustainable financing; and the development of certified palm oil market.
- The Indonesian Palm Oil Development Smallholders Project (IPODS) is based on the outcomes of the IFC's Diagnostic Study in Indonesia. IFC's role is to provide overall coordination, and its aims is to develop scalable business models for independent smallholders in Indonesia.
- With regard to financing mechanisms provided by IFC to support the independent smallholder, a platform was created that formed an inter-link with the bank, learning from the failure in providing direct funds to the smallholders.

4.7. EII (Mr Guntur Prabowo and Ms Evita F.L.)

- Earth Innovation Institute (EII) is a new organisation in Indonesia, established one and a half years ago. The organisation promotes sustainable supply chain initiatives at the jurisdictional level.
- EII is currently carrying out baseline surveys on independent smallholders from Kumai district, Central Kalimantan. The purpose of this survey is to identify challenges and opportunities when participating in sustainable palm oil production (RSPO and ISPO certification).
- There are discrepancies between the three levels of government (district, province and central), which lead to overlapping land claims, different maps and conflicts. Therefore, EII recognises the importance of having representative from these three levels of government in their meetings.
- The next phase of EII's project prioritises the development of a database, to store the compiled information from the survey. The baseline information will be used at the district level and ISPO, for monitoring purposes.

4.8. CIFOR (Mr Heru Komarudin & Mr Ahmad Dermawan)

- CIFOR conducts research on oil palm and smallholders are under the theme of 'impacts of trade and investment on forest and people', which is the CGIAR Research Program on Forests, Trees and Agroforestry. In Indonesia, CIFOR has conducted a number of research projects assessing the impacts of oil palm development on forests and local livelihoods (including smallholders) in various provinces such as Jambi, West Kalimantan and Papua. Research on oil palm development are currently being implemented in at least three different projects: (1) Oil palm sentinel landscape, (2) Sustainable Palm Oil Production (SPOP) and (3) Economic choices and trade-offs of REDD+ in the Asian region.
- CIFOR scientists have also recently published papers on land-sparing and -sharing of approaches on oil palm expansion and environmental impacts. These papers highlights the implications on the environment and the need for further study on oil palm smallholders. CIFOR scientists are also developing an analysis of the RSPO/ISPO nexus to demonstrate the benefits of sustainability standards to the oil palm smallholders.
- CIFOR is currently working on a project related to the green transition in land based sector, to assess the socio-economic and environmental implications of oil palm development in Berau (East Kalimantan), Bulungan (North Kalimantan) and Merauke (Papua). This project involves different groups of stakeholders including smallholders.
- CIFOR is currently preparing a proposal on advancing sustainability in large-scale oil palm as well as smallholder plantations. This work will target the smallholders in East Kalimantan, to explore possible options for improving legality (i.e. formalising land titles, encouraging the use of degraded lands, etc.) and sustainability in smallholders' operations (i.e. providing training, technical advice, and access to microfinance).

4.9. IDH Sustainable Trade (Mr Joko Arif)

- IDH has a project with PTPN III (mill) in collaboration with RSPO and Unilever in North Sumatra. However, project implementation is being postponed to September 2014, while waiting for the baseline mapping to be completed mid of August.
- IDH also has a joint project with Wilmar and Wild Asia in Sabah, Malaysia; while also scoping 2 project sites in South Sumatra with one of the biggest Indonesian palm oil producers involving 10,000 smallholders (20,000 ha) and another one with a big producer along with the Dutch Development Bank on innovative financing for replanting, involving 5,000 smallholders (10,000 ha).
- The objective of the IDH programme is focused on avoiding potential expansion and deforestation through the improvement of productivity and quality of the smallholders, by training on GAP and building better organisations, while also opening their access to finance.

5. Next Steps

The group discussed what issues and activities would be useful with regards to smallholder development in the palm oil sector. The following has been recommended based on the discussion session after the presentations that identified gaps.

- Promote mentoring of smallholders instead of training. The current ways include training the trainers and farm field school.
- Creating a platform for sharing information and creating alignment. This platform should be neutral and not linked to any certification body.
- Forming a working group (through a network approach) to promote appropriate tools, drive certain decision-making through the group and to avoid duplication of work.
- Working together in forming a self-assessment tool for the smallholders in fulfilling continuous improvement.
- Having the right representative/officer in the government sector that understands the smallholder palm oil.
- Review the models from the Cocoa sector to understand the lessons learned.

Gaps identified for further studies (organisations are encouraged to undertake these studies):

- How to compensate the smallholders for their opportunity lost when their land is identified as HCV?
- What are the incentives for mills to engage with independent smallholders?

Before the closing, the participants were assured that SHARP will share the meeting outputs as well as aim to keeping everybody informed on potential upcoming meetings.

6. Closing

Mr Suksuwan thanked all the participants for their active participation. The participants also thanked SHARP for this opportunity and look forward for a continuous collaboration.



Annex 1: An Overview of the Smallholder- related activities undertaken by the relevant organisations in Indonesia

No.	Organisations	Mandate	Past and current activities	Priority Area(s)	Strategies	Solutions	Additional notes
1.	UNDP (Aid Agency)	Working closely with the government to create enabling conditions for the smallholders.	<u>Current:</u> Initiating a National Sustainable Oil Palm platform.	Riau, South Sumatra and West Kalimantan	Accelerate land swaps and use of degraded land through legal/policy development	Need mechanism for Government to convene and coordinate stakeholders to address structural challenges in (1) Policy and regulation, (2) Extension systems, (3) Social services and education, (4) Infrastructure and (5) Institutional capacity Need for an officer in the government sector that understands smallholder work	
2.	IDH (Aid Agency)	Increasing yields, reducing deforestation and improving sustainability & reducing GHG emissions	<u>Current:</u> Involved in the PTPNIII project with RSPO and Unilever to develop a programme in North Sumatra; another project with Wilmar & Wild Asia in Sabah	North and South Sumatra; Central Kalimantan & Riau; and Sabah, East Malaysia	Avoid deforestation and reduce carbon emissions Improve productivity & quality of smallholders through GAP Improve smallholder livelihoods Deliver sustainability & traceability by leveraging on with	Work together with the mills and off takers in developing a set of incentives that can be offered to the smallholders Analyze and develop technical & organizational capacities for the smallholders supported by the mill Create a tailor-made program that address specific issues in different locations, i.e. increasing access to finance	Constantly thinking about innovative mechanisms i.e. traceability and financing, etc, for the smallholder models

No.	Organisations	Mandate	Past and current activities	Priority Area(s)	Strategies	Solutions	Additional notes
					relevant actors throughout the supply chain		
3.	IFC (Financial Institution)	Creating added value for smallholders and companies	<p><u>Past:</u> Conducted diagnostic study</p> <p><u>Current:</u> Creating business models</p>	Not site specific yet	Develop and demonstrate a replicable and scalable business model	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	Constantly thinking about traceability mechanisms for the smallholder models
4.	Solidaridad (NGO)	Creating enabling conditions for the smallholders through working with various stakeholders.	<p><u>Current:</u> Testing various models, creating market links, providing training, creating training materials, developed business models, provide seed funding and good planting materials</p>	Sintang (West Kalimantan), Merlung (Jambi area), Perak and Sabah (Malaysia); and PNG	<p>Support smallholder and worker participation in setting RSPO standards and in governance</p> <p>Develop supply chain partnerships (buyers, mills, plantations, smallholders) to strengthen farmers' organisations and improve productivity, efficiency and market access</p> <p>Improve efficiency and productivity of palm oil smallholdings by increased access to knowledge, technology and credit</p>	<p>Organise trainings related to organizational skills, financial literacy, GAP, business skills and RSPO preparation</p> <p>Create market links</p> <p>Develop manuals</p> <p>Develop business plan</p> <p>Provide seed funding</p> <p>Provide planting material</p>	Working on on-going various models.

No.	Organisations	Mandate	Past and current activities	Priority Area(s)	Strategies	Solutions	Additional notes
5.	SNV (Aid Agency)	Creating enabling conditions to better understand the agriculture-forest interface	<u>Current:</u> Determine suitable areas for agricultural production, carry out stakeholder consultation, field verification to understand deforestation, develop training manuals to be tested out	West Kalimantan and Jambi area	Landscape approach to be able to address leakage effects Putting in place safeguards before implementing a certain tool Preparing the government on the palm oil boom	Develop a land-use planning tool, (initiating with WWF). Test the 'Siting tool' to determine suitable areas for sustainable agricultural production. Test the modules on 'Better management practices for oil palm farming'. Test the handbook for trainers which is a reference guidebook and trainers guide, explaining to the trainers on how to train. Test the flip-files, a step by step approach on the things to be trained	Sourcing potential partners to test the modules in various areas, to obtain an impact scaled support
6.	CIFOR (Research Agency)	Conduct research on the impact of trade and investment on forest and people.	<u>Current:</u> Developing ways to formalise land titles, providing training, technical advice and microfinance	East Kalimantan	Exploring possible options for improving legality Mechanism to reinforce transparency, accountability and monitoring Empower the weak and diffuse smallholder groups	Explore BPN/BRI programmes to formalise land titles in exchange for compliance with sustainability standards Use programmes as incentives to reduce forest encroachment and encourage people to seek degraded lands for oil palm Provides technical advice, facilitate and train smallholders	As a research agency, CIFOR has its limitations

No.	Organisations	Mandate	Past and current activities	Priority Area(s)	Strategies	Solutions	Additional notes
7.	WWF – Indonesia (NGO)	Creating enabling conditions for the smallholders through working with various stakeholders.	<u>Past and current:</u> Train smallholders and extension workers, conduct baseline surveys, and develop business models	Riau, East, West and Central Kalimantan	Sourcing for prospective smallholders to pursue RSPO certification Attracting the funding organisation support the cost towards certification	Need to develop training guides for trainers (current version is not published yet) Test the formulas to understand the transformation cost for the smallholders	Highlight the importance of mentoring the smallholders
8.	EII (NGO)	Promotes sustainable supply chain initiatives at the jurisdictional level	<u>Current:</u> Conducting baseline surveys	Central Kalimantan	Building a monitoring system (jurisdictional performance system platform) in Central Kalimantan Facilitating the partnership between companies and farmers to achieve district wide certification	Conduct baseline surveys on independent smallholders Develop a smallholder database, to be used for monitoring and land use planning	Highlighted the importance of having the three level of government (district, province and central) in government related meetings especially related to land issues.
9.	Aidenvironment (Consultants – non for profit)	Helping commodity sectors towards sustainability	<u>Past:</u> Conducted baseline surveys, diagnostic study, facilitated RSPO workshops,	Not site specific?	Testing a market transformation model for sustainable agro-commodity production	Test out the joint vision on market transformation	Focuses on beyond certification to obtain the desired impact

No.	Organisations	Mandate	Past and current activities	Priority Area(s)	Strategies	Solutions	Additional notes
			develop business case <u>Current:</u> Testing the market transformation model				