

INDEPENDENT PALM OIL SMALLHOLDERS AND REGIONAL GOVERNMENTS READINESS IN FACING THE EUROPEAN UNION DEFORESTATION REGULATION: A CASE STUDY IN FOUR DISTRICTS



KEY FINDINGS

1. Traceability and legality are the main challenges faced by independent palm oil smallholders in complying with the European Union deforestation regulation;
2. Independent palm oil smallholders' readiness index to comply with this regulation is in the range of 40.4-50.5%, which translates to "less ready" to "quite ready";
3. Three fundamental needs of regional governments to comply with the proposed regulation are: mapping and collecting smallholders data, strengthening smallholders' capacity and institutions, and increasing the number and capacity of agricultural extension officers among Regional Apparatus Organizations (OPD) at the regional level.

Authors:

Trias Fetra
Yosi Amelia
Fadli Ahmad Naufal
Dhia Fauziyah Salsabila
Intan Lestari
Salma Zakiyah
Delly Ferdian
Kukuh Sembodho

EDITOR:

Giorgio Budi Indarto
Anggalia Putri

LAYOUT

Qory Hafiz

Credit foto:

Freepik

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Yayasan Madani Berkelanjutan contact:

#TemenanLagi Creative Hub
Jl. Raya Masjid Al Hidayah No.14a, RT.6/RW.7,
Pejaten Bar., Kec. Ps. Minggu, Kota Jakarta Selatan,
Daerah Khusus Ibukota Jakarta 12510

www.madaniberkelanjutan.id

INTRODUCTION

Palm oil industry plays a strategic role in Indonesia's economic development and competitiveness at the national and subnational level. The industry absorbs around 5.3 millions workers and is a source of livelihood for more than 21 millions people, including smallholders and their families in various regions of the country.¹ Indonesia supplies 56% of the world's palm oil, and in 2020, the commodity's export value reached US\$21 billion (Rp307 trillion) or 13.5% of the total value of non-oil and gas exports.² However, the industry is still plagued with numerous challenges as the global market demands for a more sustainable governance.

The Indonesian government is aware that improving palm oil governance to increase competitiveness and to respond to the global market's demands is of paramount importance. Among the government's efforts is through Indonesian Sustainable Palm Oil (ISPO) certification scheme. Nevertheless, its implementation still needs to be accelerated. Up to the first quarter of 2020, only 35.4% of 16.3 million hectares (ha) of palm oil plantations in Indonesia are ISPO-certified.

Amidst the domestic process to improve palm oil governance, the European Union (EU) comes with a new demand in regard to

market acceptability. In November 2021, the European Commission tabled a proposal for a deforestation regulation (EUDR).³ This regulation aims to minimize the EU contribution towards deforestation and forest degradation across the world. It mandates operators that place commodities in the EU market to conduct a due diligence to ensure that they are legal and deforestation-free. This regulation will not only affect palm oil, but also other commodities, such as beef, cocoa, soybean, and wood exported from or imported to the EU.

Compared to other commodities, palm oil will be the most affected export commodity from Indonesia because the EU is the third largest export destination for Indonesian palm oil.⁴ During the 2012-2021 period, the EU's palm oil imports (HS 1511) from Indonesia were relatively stable at an average value of 3.29 million tonnes per year with a trade value of US \$2.56 billion dollars per year (UN Comtrade).

The enactment of this regulation, which requires palm oil products to fulfill legality and deforestation-free requirements proven through a due diligence process, may pose challenges for independent palm oil smallholders who are still facing a plethora of issues in the field.

- 1 GAPKI News, "Sawit Dihujat Tak Marah & Terus Berjuang! Hidupi 21 Juta Petani Beserta Keluarga," Gabungan Pengusaha Kelapa Sawit Indonesia, 20th of October 2020, <https://gapki.id/news/19033/sawit-dihujat-tak-marah-terus-berjuang-hidupi-21-juta-petani-beserta-keluarga>.
- 2 Kaleka Indonesia, "Supporting Sustainable Palm Oil: A Crucial Role for Indonesian Districts," 20th of May 2021, <https://inobu.org/id/supporting-sustainable-palm-oil-a-crucial-role-for-indonesian-districts>.
- 3 European Commission, "Proposal for a regulation on deforestation-free products." 17th of November 2021, https://ec.europa.eu/environment/publications/proposal-regulation-deforestation-free-products_en
- 4 Dihni, Vika Azkiya, "10 Negara Konsumen Minyak Sawit Terbesar, Indonesia Juaranya." Databoks, 22nd of February 2022, <https://databoks.katadata.co.id/datapublish/2022/02/22/10-negara-konsumen-minyak-sawit-terbesar-indonesia-juaranya>

This infobrief seeks to portray the readiness of independent smallholders and regional governments in four palm oil districts in complying with the EU deforestation regulation.

RESEARCH METHOD

This study was conducted in four palm oil producing districts: Rokan Hulu (Riau), Tanjung Jabung Barat (Jambi), Ketapang (West Kalimantan), and Kotawaringin Timur (Central Kalimantan). The locations were selected based on the following criteria: 1) They are indicated to be a part of the supply chain to the EU; 2) They have a relatively high number of independent palm oil smallholders; and 3) They have a relatively large area of natural forests.

The study focuses on independent palm oil smallholders and regional governments readiness. Independent smallholders are the main focus of the study considering their substantial number as well as the rapid and sporadic land clearing attributed to them, which is perceived as difficult to control due to their small-scale and scattered nature.⁵ Independent smallholders in this study are defined as palm oil smallholders with a plantation area of less than 10 ha - which they manage themselves - and who live within the vicinity of the plantation. Regional governments in this study are Regional Apparatus Organizations (*Organisasi Perangkat Daerah* or OPD) at the provincial and district level, represented by authorities whose work is related to plantation issues. OPDs at the provincial level are among others: The Regional Development Planning Agency (*Badan Perencanaan Pembangunan Daerah* or Bappeda), Estate Crops Office (*Dinas Perkebunan*), and Forestry Office (*Dinas Kehutanan*), whereas at the district level are the Regional Development Planning

Agency (*Bappeda*), Estate Crops Office (*Dinas Perkebunan*), and Environmental Office (*Dinas Lingkungan Hidup*).

The study collected primary and secondary data. Primary data were collected to assess the readiness of independent smallholders through surveys using questionnaires. Structured interviews were conducted to assess views of the regional governments. Smallholders respondents were selected based on a purposive sampling method, using Slovin's formula with a margin of error (MoE) of 8-10% with a total number of 546 respondents. Ketapang District was represented by Danau Buntar, Air Hitam Hulu, Air Hitam Besar, Bangkal Serai, Belaban, and Batu Payung Dua Villages with an MoE of 8% and 151 respondents. Kotawaringin Timur District was represented by Tumbang Ngahan and Sungai Puring Villages with an MoE of 10%, with 96 respondents. Rokan Hulu District was represented by Rokan Koto Ruang, Cipang Kanan, Cipang Kiri Hilir, Cipang Kiri Hulu, and Tibawan Villages with an MoE of 8%, resulting in 150 respondents. Tanjung Jabung Barat District was represented by Tanah Tumbuh, Lubuk Kambing, and Rantau Benar Villages with an MoE of 8%, resulting in 150 respondents.

The data were analyzed using the following methods:

1) Gap analysis, followed by an assessment of the readiness of the smallholders in complying with the EU's deforestation regulation. Gap analysis is a comparison between actual and ideal or expected performance. The readiness assessment was based on limited (four) ISPO principles and criteria, combined with the provisions of the EU deforestation regulation, as shown below:

5 Dharmawan, Arya Hadi et al. 2019. "Kesiapan Petani Kelapa Sawit Swadaya Dalam Implementasi ISPO: Persoalan Lingkungan Hidup, Legalitas Dan Keberlanjutan." *Jurnal Ilmu Lingkungan* 17(2): 304.

Table 1. Research Limitation - ISPO Principles and EUDR Provisions Assessed

Prinsip	Kriteria
Legality	- Plantation location* - Land legality* - Dispute* - Plantation legality* - Environmental permit*
Good Agricultural Practices	- Smallholder institution - Land clearing plan** - Land clearing methods - Nursery methods - Harvesting methods
Environmental, Natural Resource, and Biodiversity Management	- Fire prevention and control - Biodiversity conservation
Implementation of Transparency and Traceability	- Fresh Fruit Bunch (FFB) price agreement - FFB sales and traceability* - Employment

*The intersection of ISPO criteria and EUDR provisions

** EUDR provision

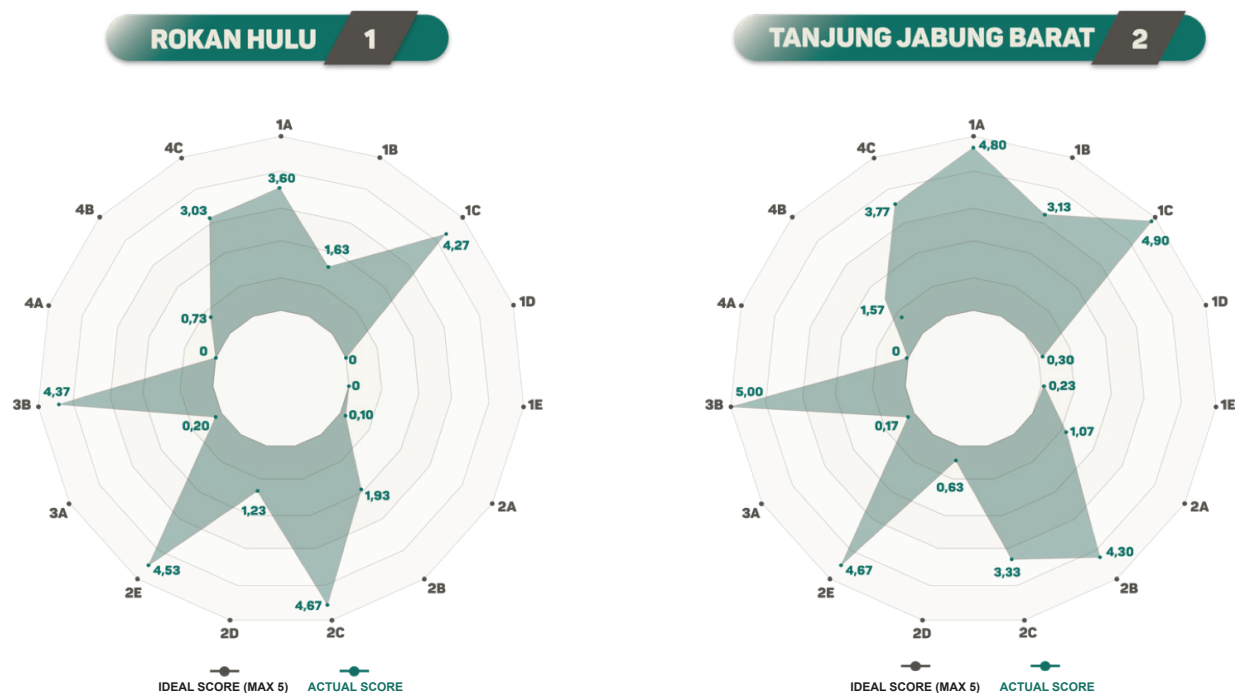
2) Analysis on regional governments' readiness covers their knowledge of the regulation, availability of regulations at the subnational level, and needs to comply with EUDR requirements.

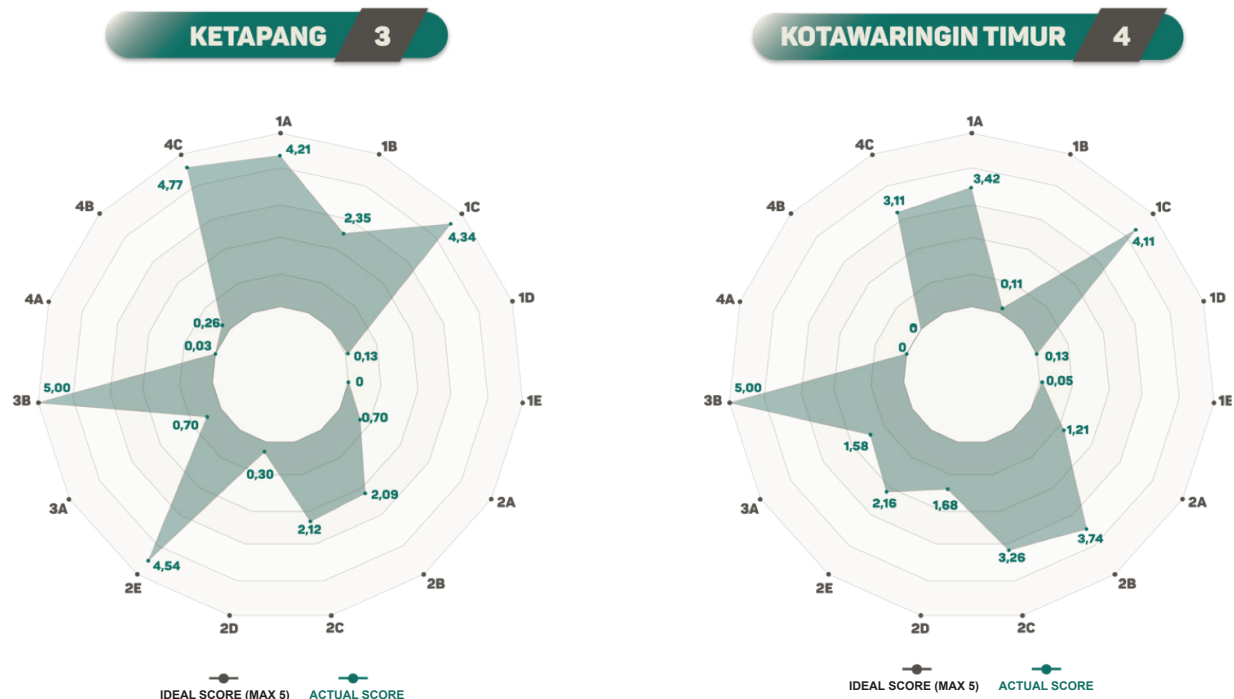
RESULTS AND DISCUSSION

1. INDEPENDENT PALM OIL SMALLHOLDERS READINESS

Traceability and legality are two of the most prominent challenges faced by independent smallholders in complying with the EU deforestation regulation. The gaps between the actual and ideal conditions among independent smallholders in four districts based on compliance with selected ISPO principles and EUDR provisions are shown in Figure 1 below.

Figure 1. Compliance Gap of Independent Palm Oil Smallholders with ISPO and EUDR in Four Districts





Legend

1a	Plantation Location	1b	Land Legality	1c	Dispute	1d	Plantation Legality	1e	Environmental Permit
2a	Smallholders Institution	2b	Plan for Land Clearing	2c	Land Clearing Method	2d	Nursery	2e	Harvesting
3a	Fire Prevention and Control	3b	Biodiversity Preservation	3c	FFB Price Agreement	3d	FFB Sales and Traceability	3e	Labor

Readiness Level of Palm Oil Smallholders in Four Districts in Facing ISPO Certification and EUDR

No	Data Calculation Type	Districts			
		Rokan Hulu	Tanjung Jabung Barat	Ketapang	Kotawaringin Timur
1	Ideal score	5	5	5	5
2	Actual score	2.02	2.52	2.10	1.96
3	Readiness index	40.4%	50.5%	42.0%	39.2%

Readiness Level of Palm Oil Smallholders in Facing ISPO Certification and EUDR Based on Each Aspect

District	LEGALITY	GOOD AGRICULTURAL PRACTICE AND DEFORESTATION-FREE	ENVIRONMENT, NATURAL RESOURCES, AND BIODIVERSITY MANAGEMENT	TRANSPARENCY AND TRACEABILITY
Rokan Hulu	1.90	2.49	2.28	1.26
Tanjung Jabung Barat	2.21	1.95	2.85	1.69
Ketapang	2.67	2.80	2.58	1.78
Kotawaringin Timur	1.54	2.41	3.29	1.04
Average	2.08	2.41	2.75	1.44

In the Figure above, the ideal score of every criterion is represented by the gray line with a maximum score of 5 (five). Scores obtained from the survey are in green. Out of the 15 criteria, 8 criteria show the largest gaps with scores ranging from 4.99-3.19. The largest compliance gaps among independent smallholders are found in the following requirements: 1)

Fresh Fruit Bunch (FFB) price agreement; 2) Environmental permit; 3) Plantation legality; 4) FFB traceability; 5) Fire prevention and control; 6) Smallholder institution; 7) Nursery, and 8) Land legality. Detailed discussions on each of the requirements are explained below.

Of the four ISPO principles assessed in this

study, the **Implementation of Traceability and Transparency** was found to have the highest compliance gap among independent smallholders in the four districts. The gap is in the interval of 3.31–3.96. Smallholders in Kotawaringin Timur District show the largest gap in compliance, followed by Rokan Hulu, Ketapang, and Tanjung Jabung Barat. It is difficult for smallholders to meet traceability and transparency principle because the supply chain is long and transactions by smallholders are largely undocumented. Only 0.17% of the respondents have access to sell their Fresh Fruit Bunches (FFBs) directly to mills or through cooperatives. The sales of FFBs are largely done through an intermediary, such as collectors, small agents, big agents, or a holder of delivery order before the FFBs are sent to the mills. The long supply chain reduces smallholders' profits because every supply point takes profits from the FFBs sales. Furthermore, only 12.82% of the respondents in the four districts keep sales records of every transaction. Keeping transaction records and receipts with all the information contained therein is crucial to trace the origin of the FFBs, which is a step to fulfill both the ISPO and EUDR due diligence requirements.

Legality is a principle with the second largest compliance gap in the four districts. The gap is in the interval of 2.33–3.46. Smallholders in Kotawaringin Timur District show the largest gap in compliance, followed by Rokan Hulu, Ketapang, and Tanjung Jabung Barat. The difficulty faced by independent smallholders to meet this principle is due to several factors. The first is related to business legality and environmental permit possession, in which only 1.80% of the smallholder respondents have applied for and obtained the Cultivation Registration Letter (*Surat Tanda Daftar Budidaya* or STD-B) and Environmental Management Statement (*Surat Pernyataan Pengelolaan Lingkungan* or SPPL). These two documents are mandatory requirements for

smallholders to apply for ISPO certification. Limited information received by smallholders from related officials and unclear authority in issuing the Environmental Management Statement might be the cause of the lack of smallholders participation in applying for those documents. Second, in terms of land legality, the difficulty faced by smallholders in fulfilling this indicator is caused by the high number of land ownership without a Freehold Title (*Surat Hak Milik* or SHM). Many smallholders in the four districts were found to merely have a sale and purchase letter, land sporadic, Land Certificate (*Surat Keterangan Tanah* or SKT), or no legal ownership proof over their lands. Unfortunately, those letters are not approved by ISPO. This can certainly be a major hurdle to comply with the legality element of the EUDR.

Good Agricultural Practices is a principle with the third largest compliance gap among smallholders in the four districts. The gap is in the interval of 2.51–3.05. Smallholders in Ketapang District show the largest gap in compliance, followed by Kotawaringin Timur, Rokan Hulu, and Tanjung Jabung Barat. The difficulty faced by the independent smallholders to meet this principle is influenced by several factors. First, in the four districts, there are many smallholders (84.64%) who have not yet joined smallholder organizations, such as farmer groups and/or cooperatives. Second, there are still many smallholders (80.76%) who use uncertified seeds. It should be noted that joining smallholder organizations or institutions and using certified seeds are required for smallholders to be ISPO-certified. Furthermore, around 39.72% of smallholders in the four districts plan to clear lands in the near future. If the land clearing is carried out, the EUDR that sets 31 December 2020 as the cut-off date for land clearing will become an issue.

Environmental, Natural Resource, and Biodiversity Management is a principle with the fourth largest compliance gap in the four

districts. The gap is in the interval of 1.71–2.72. Smallholders in Rokan Hulu District show the largest gap in compliance, followed by Tanjung Jabung Barat, Ketapang, and Kotawaringin. The difficulty faced by independent smallholders to meet this principle is influenced by land fire prevention and control aspects. Only 13.20% of the smallholders respondents in the four districts have a good understanding on mechanisms and procedures to prevent and control land fire. Such a lack of understanding causes the smallholders to think that good environmental management is not urgent for their plantations' sustainability. This indicates suboptimal communication and inadequate information from the relevant officials to the independent smallholders and vice versa.

The average actual scores among smallholder respondents in the four districts are in the interval of 1.96–2.52, from an ideal score of 5 (see Table 2). This shows that, overall, independent smallholders in the four districts currently show a relatively huge gap in complying with both ISPO and EUDR. In terms of readiness, **only Tanjung Jabung Barat is classified as 'quite ready' (50.1–65.0%), whereas Rokan Hulu, Ketapang, and Kotawaringin Timur are classified as 'less ready' (35.0–50.0%).** This indicates that serious efforts and strategic measures are highly needed to improve independent smallholders' readiness to comply with both ISPO and EUDR.

Table 2. Readiness Index of Independent Smallholders in the Four Districts

No	Calculation Data Type	District			
		Rokan Hulu	Tanjung Jabung Barat	Ketapang	Rokan Hulu
1	Ideal Score	5,00	5,00	5,00	5,00
2	Actual Score	2,02	2,52	2,10	1,96
3	Readiness Index	40,4%	50,5%	42,0%	39,2%

2. EU DEFORESTATION REGULATION SEEN FROM THE REGIONAL GOVERNMENTS' LENSES

Regional governments' understanding of EU deforestation regulation is still minimal. Many OPDs at the provincial and district level were not yet familiar with the EUDR requirements. Their perspectives on the regulation can be divided into two categories. Negative opinions or sentiments tend to be expressed by OPDs in charge of plantation whereas OPDs in charge of forestry and the environment tend to have more positive sentiments.

Riau Estate Crops Office, for example, believes that new regulations from the central government and global market will impose more burden on the regional governments.⁶ They viewed that it is still difficult for the regional government to meet the mandatory ISPO in 2025, let alone new requirements such as the EU deforestation regulation.⁷ The same notion was expressed by Jambi Estate Crops Office, which views the regulation as posing high risks for smallholders.⁸ There are still many smallholders who have not partnered with companies, which causes issues regarding smallholders' FFB traceability. Many of the

6 Interview with Dr. Ir. Sri Ambar Kusumawati, M.Si., Head of Business Development and Extension Department of Riau Estate Crops Office, 1st of July 2022.

7 Ibid.

8 Interview with ST. Khairani, S.P., Head of Infrastructure and Facility Department of Tanjung Jabung Barat Estate Crops and Livestock Office, 27th of July 2022.

smallholders are also still living below the poverty line.

On the other hand, Jambi⁹ and Central Kalimantan¹⁰ Forestry Offices view the EU initiative as a positive effort to help curb the deforestation and forest degradation rates in Indonesia. The two institutions added that it is important to ensure that the FFB exports do not come from the forest because it does not comply with the regulation. A different opinion was expressed by Ketapang Environmental Office.¹¹ They believe that the EU deforestation regulation plan is dominated by developed countries' interests. Therefore, a just mechanism such as incentives for regional governments are needed.

In terms of regulations and policy initiatives, the provincial governments show better commitment than district governments in strengthening and accelerating sustainable palm oil implementation. The four provinces already have Sustainable Palm Oil Forum (*Forum Kelapa Sawit Berkelanjutan* or Foksbi), which was further strengthened by the Regional Action Plan on Sustainable Palm Oil Plantation (*Rencana Aksi Daerah Kelapa Sawit Berkelanjutan* or RAD-KSB). Meanwhile, at the district level, only Tanjung Jabung Barat and Kotawaringin Timur have similar policy initiatives.

The RAD-KSB in the four provinces and two districts focuses on the following strategic matters: a) Strengthening Data, Coordination,

and Infrastructure; b) Increasing Smallholders' Capacity and Accelerating Replanting/Rejuvenation; c) Environmental Management and Monitoring; d) Governance and Conflict/Dispute and Mediation; e) Acceleration of ISPO; and f) Market Access Enhancement. In terms of implementation, among the seven agenda, ISPO acceleration fares better than the others. This is proven by a target to issue STD-B for 1,600 farmers in Riau and 1,500 farmers in West Kalimantan in 2022. Meanwhile, Jambi and Central Kalimantan have recorded 4,000 and 4,277 farmers with STD-B. Furthermore, Riau Estate Crops Office has an ISPO acceleration target for companies up to 70% by 2025.¹² Similarly, Jambi Estate Crops Office also targets ISPO certification to reach 70% of its total area by 2024.¹³

Moreover, there is a breakthrough in Riau and Jambi Provinces in terms of policy initiatives on palm oil commerce governance. Riau has promulgated a Governor Regulation on the Price-Setting Procedure for FFBs Produced by Smallholders.¹⁴ Not only does the regulation stipulate price-setting procedure for plasma smallholders and companies, it also regulates the price for independent smallholders. Riau Estate Crops Office states that this governor regulation is a breakthrough that serves as a role model for other palm oil producing provinces. They added that, with this governor regulation, the government intends to protect the price consistency for independent smallholders in Riau. Jambi has also promulgated a Regional Regulation on

9 Interview with Ahmad Bestari, M.H., Head of Jambi Forestry Office, 29th of July 2022.

10 Interview conducted with Dodi Prasetyo, Head of Program Development Section of Central Kalimantan Forestry Office, 4th of August 2022.

11 Interview conducted with Marta Ite XD, Head of Planning Section of Ketapang Environmental Officer, 21st of July 2022.

12 Interview with Dr. Ir. Sri Ambar Kusumawati, M.Si., Head of Business Development and Extension Department of Riau Estate Crops Office, 1st of July 2022.

13 Interview conducted with Ir. Agus Rizal, M.M., Head of Jambi Estate Crops Office, 29th of July 2022.

14 Riau Governor Regulation No. 77/2020 on the Price Setting Procedure for FFBs Produced by Smallholders.

Plantation Commerce.¹⁵ Jambi Estate Crops Office asserted that this regional regulation is vital to ensure and protect the income of smallholders as well as to avoid unhealthy competition between mills. This regulation requires mills to purchase smallholders' FFBs through smallholder organizations or groups located within a certain radius from the mills.

The regional governments expressed some crucial needs to prepare them to comply with the EU deforestation regulation. With decentralization, the roles of both provincial and district governments to accelerate sustainable palm oil are central. Therefore, support to meet their needs is important to prevent turbulence at the local level. The study revealed at least three fundamental needs of the regional governments.

First, mapping and collecting data of independent palm oil smallholders. Strengthening smallholders mapping and data collection is the first step towards obtaining basic information such as their distribution, size of their area, their number, and the presence of mills around their plantations. Without such data, it will be difficult to strengthen the legality and institutional aspects of smallholders. Moreover, data and information from the mills can solve the traceability issue of independent smallholders as suppliers.

Second, strengthening smallholders' capacity and institutions. This is essential for the regional governments, as many of the smallholders are not aware of and have yet to understand various ISPO requirements. Smallholders' capacity can be strengthened by facilitating them to implement Good Agricultural Practices

(GAP) and join smallholder organizations. Regarding GAP, many smallholders have yet to use certified seeds, rendering their productivity low. Certified seeds can increase plantations productivity by 66.34% compared to non-certified seeds¹⁶. In addition, smallholders' membership in an organization will make it easier for regional governments to distribute assistance to them.

Third, increasing the number and capacity of regional government apparatuses or OPDs. The State Civil Apparatuses (*Aparatur Sipil Negara* or ASN) who also serve as facilitators, educators, and motivators for independent smallholders on the ground are the agricultural extension officers. However, the number of agricultural extension officers in the four provinces is very low, and tends to decline over the years, being inversely proportional to the growing number of smallholders (see Table 3). Take Riau, for example, where every extension officer is responsible for 1,215 smallholders, or Central Kalimantan, in which one extension officer is responsible for 201 smallholders. According to Regional Development Planning Agency of Tanjung Jabung Barat District, the number of agricultural extension officers continues to decline as more officers are retiring without being accompanied by the appointment of new ones¹⁷.

15 Jambi Province Regulation No. 19/2019 on Jambi Province Plantation Commodity Commerce.

16 Kariyasa, I Ketut. 2015. Analisis Kelayakan Finansial Penggunaan Bibit Bersertifikat Kelapa Sawit di Provinsi Kalimantan Barat. *Jurnal Agro Ekonomi* 33(2): 141-159

17 An interview conducted with Mulyadi, S.E., Head of Economy and Human Resources of Tanjung Jabung Barat Regional Development Planning Agency, 27th of July 2022.

Table 3. The Unequal Number of Agricultural Extension Officers Compared to Palm Oil Smallholders

Province	Number of Agricultural Extension Officers (ASN)		Number of Palm Oil Smallholders (2020)	Ratio
	2016	2020		
Riau	578	539	655,033	1:1,215
Jambi	843	720	307,366	1:427
West Kalimantan	746	790	185,506	1:235
Central Kalimantan	700	650	130,806	1:201

Source: 2020 Agricultural Extension Officer Statistics (processed)

The implementation of the EU deforestation regulation can provide an opportunity for Indonesia to build a partnership with the EU to improve palm oil governance and achieve a sustainable economic development because this policy is in line with ISPO principles implemented in the country. To minimize potential negative impacts and seize upcoming opportunities, the government, especially the Ministry of Trade, can take several actions.

First, negotiating with the EU to set a special deadline and provide independent smallholders with adequate support measures taking into account good practices that have been carried out by the Indonesian government in improving palm oil governance through the mandatory ISPO in 2025.

Second, promoting certification policies that incorporate traceability. There are many lessons that can be learned from the FLEGT license for timber that recognises SVLK as a system that ensures timber traceability. This scheme also ensures that the traded commodity has complied with the applicable

laws and regulations in Indonesia. The FLEGT license entails a voluntary partnership agreement (VPA) between Indonesia and the EU. There are two ways to fulfill this traceability aspect, namely by including it in the existing standard, which is ISPO, or developing a new scheme for traceability. The government can also seek for the EU's support in strengthening the traceability aspect of smallholders, for example by building their capacity in data inventory/recording using geotagging.

Third, strengthening the coordination with the Ministry of Agriculture as the ministry responsible for ISPO implementation, Ministry of Environment and Forestry as the ministry with an authority to resolve palm oil plantations in the forest zone, Ministry of Agrarian Affairs and Spatial Planning/National Land Agency that has the authority to issue land certificates, and regional governments that directly deal with matters pertaining to independent smallholders at the regional level. The first step to complying with the EU deforestation regulation is meeting the legality principle through the acceleration of ISPO. Therefore, the achievement of the 2025 ISPO target should be supported by the EU. Among the efforts that can be carried out to achieve this is by intensifying socialisations, especially for small- and medium producers and independent smallholder groups, to encourage and facilitate them to apply for ISPO certification. Coordination between the central and regional governments must also be strengthened, such as by coordinating with the regional Working Groups (*Kelompok Kerja* or *Pokja*) established under the RAD-KSB.

Fourth, the implementation of the traceability aspect in ISPO or in a new standard/policy requires a huge amount of resources. Hence, the central government should allocate resources – both human and budget – to ensure its implementation, starting from socialization, technical guidance, up to

supervision. To increase the effectiveness of resource utilization and ensure traceability among smallholders, the Ministry of Trade should coordinate with various relevant parties, especially the Ministry of Agriculture and the Indonesian Palm Oil Plantation Fund (*Badan Pengelola Dana Perkebunan Kelapa Sawit* or BPD PKS) that also have resources to accelerate ISPO implementation.

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Appendix 1

Principle	Code	Criteria	Description	Percentage of the Respondents' Actual Conditions				
				Rokan Hulu	Ketapang	Tanjung Jabung Barat	Kotawaringin Timur	Average
Legality	1a	Plantation location	The plantation is not located within a forest area	72.00%	84.11%	96.00%	68.42%	80.13%
	1b	Land legality	The smallholder has a letter that proves the legitimacy of the "Land Ownership Status", which is a Freehold Title (SHM)	32.67%	47.02%	62.67%	2.11%	36.11%
	1c	Land dispute/conflict	The land is not in dispute, or the dispute has been settled proven with a dispute settlement document	85.33%	86.75%	98.00%	82.11%	88.05%
	1d	Plantation legality	Having a Cultivation Registration Letter (STD-B)	0.00%	2.65%	6.00%	0.00%	2.16%
	1e	Environmental permit	Having an Environmental Management Statement (SPPL)	0.00%	0.00%	4.67%	1.05%	1.43%
Good Plantation Practices	2a	Smallholder organization	The smallholder is a member of a farmer group/cooperative	2.00%	13.91%	21.33%	24.21%	15.36%
	2b	Land clearing plan	The smallholder has not done any land clearing from 2020 onwards	38.67%	41.72%	86.00%	74.74%	60.28%
	2c	Land clearing methods	The smallholder does not clear their lands using fire	93.33%	42.38%	66.67%	65.26%	66.91%
	2d	Nursery	The smallholder uses certified seeds approved by the government	24.67%	5.96%	12.67%	33.68%	19.24%
	2e	Harvesting	The smallholder harvests and sells the yields on the same day	90.67%	90.73%	93.33%	43.16%	79.47%
Environmental, Natural Resource, and Biodiversity Management	3a	Fire prevention and control	The smallholder learns about fire prevention and control, and implements measures pertaining to it	4.00%	13.91%	3.33%	31.58%	13.20%
	3b	Biodiversity conservation	The smallholder understands how to deal with the existence of animals and plants around their plantations (not catching and selling them)	87.33%	100.00%	100.00%	100.00%	96.83%
Implementation of Transparency and Traceability	4a	FFB price agreement	The smallholder sells their FFBs to the farmer groups, cooperatives, and/or companies	0.00%	0.66%	0.00%	0.00%	0.17%
	4b	FFB sales & traceability	The smallholder records the FFB prices and the sales realization	14.67%	5.30%	31.33%	0.00%	12.82%
	4c	Employment	The smallholder does not employ child labors	60.67%	95.36%	75.33%	62.11%	73.37%



Yayasan Madani Berkelanjutan (Manusia dan Alam untuk Indonesia Berkelanjutan) adalah lembaga nirlaba yang berupaya menjembatani hubungan antar pemangku kepentingan (pemerintah, sektor swasta, dan masyarakat sipil) untuk mencapai solusi inovatif terkait tata kelola hutan dan lahan.