

A photograph of a tractor pulling a trailer full of palm oil fruit through a palm plantation. The tractor is moving away from the camera on a dirt road. The palm trees are tall and dense, creating a canopy over the road. The ground is reddish-brown soil.

# **Jurisdictional Approaches to Reducing Palm Oil Driven Deforestation in Indonesia**

**Scoping Study of Design Considerations  
and Geographic Priorities**

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## Extended Summary

This report describes a Scoping Study by Daemeter on the feasibility of applying the Jurisdictional Approach (JA) to eliminating deforestation and promoting wider sustainability in Indonesia's palm oil sector. Recent revisions to the legal framework for land, forest, peat, and plantation management in Indonesia followed a wave of pledges by major companies in the palm oil industry to eliminate deforestation, peat land conversion, and exploitation from their supply chains. These pledges hold potential to transform industry practices faster and more comprehensively than efforts in the past, but recent experience makes clear that corporate ability to implement commitments will require pro-active engagement with government at multiple levels to overcome governance challenges and to promote new models of palm oil development.

The willingness and ability of Indonesia's sub-national government leaders to work with industry and other stakeholders toward deforestation free palm oil will depend largely on how Indonesia's national government pursues its renewed commitment to sustainability. The JA is widely viewed as a promising means to support government action at local levels, by facilitating collaboration among sub-national leaders, palm oil companies, and other stakeholders committed to work toward reducing deforestation and peat conversion. Depending on its mode of implementation, the JA holds tremendous potential to democratize land use planning through greater transparency, accountability and inclusive modes of local decision-making. But what is the Jurisdictional Approach, how does it work, and where should it be pursued?

This Scoping Study addresses these questions. We contribute to a broader understanding of the opportunities and challenges for jurisdictional approaches to palm oil reform, through: defining distinctive features of the JA and its goals; by road mapping a more systematic approach to program design, development, and implementation; by highlighting areas where work is needed to build a more compelling value proposition for local support; and by identifying priority geographies for experimentation in Indonesia. The full report describes (i) the evolving governance, political, and commercial context of palm oil in Indonesia; (ii) the key actors and stakeholders involved in a jurisdictional approach and their incentives for participation; (iii) how a palm oil focused Jurisdictional Program (JP) might be designed and implemented over time; (iv) experience to date implementing JPs and related programs in Indonesia; and (v) candidate geographies for piloting the JA in Indonesia. Here, we summarize the main findings, conclusions and recommendations of the study.

## 1 What is a Jurisdictional Approach to Sustainable Palm Oil?

The JA encompasses a range of program types applied at sub-national levels to achieve lasting, jurisdiction wide-improvements to natural resource management. Jurisdictional Programs (JP) are designed to catalyze collaborative action by a group of stakeholders working with local government to institutionalize improved land governance and land use practices. The broad goal of JPs centered on palm oil is to create and formalize a framework of incentives, policies, laws, and practices for (a) reducing palm oil driven deforestation and peat land conversion rates below BAU levels, and eventually to zero, while (b) achieving lasting social and economic co-benefits alongside forest and peat protection goals. JPs designed to achieve these ambitious goals are necessarily complex, because they require multiple stakeholders to work creatively and to collaborate in innovative ways to address difficult issues grounded in law, politics, governance, culture, and business practice.

There are numerous challenges to implementing JPs successfully in Indonesia. These include: weak law enforcement; entrenched politico-business alliances at all levels of government in the palm oil sector; mistrust among key stakeholder groups; and the need to create a more compelling value proposition for local leaders to support JP objectives, which is absolutely crucial for success. The JA is in its infancy, with only a few pilots underway and a need to rapidly accelerate the learning phase. We suggest that while the JA has a promising future, a comprehensive framework of new legal, commercial and financial

incentives, together with stronger law enforcement, is needed to enhance the value proposition for local authorities to pro-actively support program goals.

## 2 Changing Context of Palm Oil Development

Recent changes in Indonesian politics, policies and law are shifting rules of the game for land use decision-making. At the same time, growing market demands for sustainable palm oil have altered the incentives of industry leaders to tackle deforestation. Potentially positive outcomes from these changes are constrained by the fact that politicians and government officials strongly support expansion of the palm oil industry because of the economic benefits it brings. Yet, there is growing recognition among some leaders, particularly at the national level, that deforestation from palm oil must be slowed to re-brand Indonesian palm oil and to build a more inclusive rural development model. How aggressively and in what form these goals will be pursued remains an open question.

Early in President Joko Widodo's first term, his commitment to deforestation reduction was unclear, judging from his program priorities and institutional restructuring. More recent policy pronouncements by the President – including tougher law enforcement on fires, establishment of the



Peatland Restoration Agency, and an impending moratorium on new palm oil development in forests or peat lands – are all signs that his commitment is clearly strengthening. Yet, our field surveys show that most governors and the vast majority of district heads are either non-committal or opposed to action that could threaten industry expansion. The recent dissolution of the Indonesian Palm Oil Pledge (IPOP), an effort by large palm oil companies to cooperate on overcoming shared challenges to meet no deforestation commitments, exposes a fundamental disagreement between progressive versus status-quo factions of government over what sustainability means in the Indonesian context and who has the right to establish and enforce rules for achieving it. This high profile legal and policy disagreement highlights the need to grow Indonesia's domestic constituency for sustainable palm oil, reinforcing market incentives for change and broadening political pressure for reform.<sup>1</sup>



Palm oil governance is legally and institutionally complex, involving multiple bodies of law and government agencies related to land, forests, plantations, spatial planning, environmental management, and regional government. Reform measures to date have been largely piecemeal, without a comprehensive road map for the sector built upon understanding the inter-relationships among relevant bodies of law and regulatory tools for reducing deforestation. Capitalizing on emerging

policy opportunities will require concerted effort on multiple fronts, combining research, advocacy, on-the-ground pilots, expanded cooperation with private sector, national level policy dialogue on reform, and scaled up experimentation with sub-national jurisdictional programs.

<sup>1</sup> See e.g. the *Hutan Itu Indonesia* campaign (<http://hutanitu.id/siapa-kita>), and recent studies on Indonesian consumer awareness on palm oil at <http://daemeter.org>.

### 3 Jurisdictional Program Design Options

Palm oil JPs should be designed to meet agreed objectives, and tailored to local needs and opportunities. An effective design requires selecting the right focal points in government, effective convening authorities and proponent(s) to lead program activities, and the right blend of formal and informal institutional structures for implementation. Among sub-national levels of government in Indonesia, provinces and districts hold the greatest legal authority, access to funding, and in some cases technical capacity to support a JP. Compared with districts, provinces tend to have greater technical capacity, a more diverse economic and political landscape, and following recent changes to the decentralization law enjoy greater power to supervise district governments. Even so, districts still hold legal authority to make key land use, licensing and enforcement decisions related to palm oil, and responsibility for most regulatory functions of plantations and mills. We therefore suggest that JPs designed to pursue a nested, multi-level approach for engaging both provincial and district level officials to coordinate policy and actions at both levels will produce the greatest impact.

A JP may be either convened by local government or by a proponent from outside government, such as an NGO, an industry actor, a donor, or some combination of these. The few JPs currently under development in Indonesia are led by non-government proponents, providing initial leadership, program development, technical support, national and international networking, and funding. A government-convened model has the obvious advantage of putting government at the center of the action, in theory facilitating coordination across government programs, procedures and new policies designed to eliminate or reduce deforestation. Disadvantages are that local governments have no financial incentives and weak legal pressure to take a leading role, lack financial and technical resources to do so, and may be less flexible in their approach to program design and implementation than non-government proponents. JPs led by an outside proponent will have more flexibility in program design and access to technical and financial resources, but lack the formal power of government, and could lack credibility in the eyes of some partners. We believe that establishing a Multi-Stakeholder Forum (MSF) of some kind is extremely valuable and could be essential for a proponent to maintain support among a broad constituency of stakeholders, meet civil society expectations of transparency, and provide a credible accountability mechanism. The MSF could vary greatly in terms of formality, purpose, and powers, and could evolve over time during implementation of the JP.

### 4 Value Propositions of Key JP Actors and Stakeholders

The JA could provide multiple benefits and rewards for key government and private sector actors, but it also entails significant costs and risk. Each actor must eventually believe that potential benefits to them outweigh the costs and risks, making their overall value proposition (VP) to participate a positive one. The JP value propositions of core actors are affected by external factors such as requirements of law, effectiveness of enforcement, political pressure from above, and market demands, as well as incentives created by the JP itself, such as prestige, political gain, preferential investment or commodity sourcing for the region, faster resolution of spatial planning conflicts, donor funding, or performance based non-tax incentives (e.g., fiscal transfers) from government, bilateral partners or downstream supply chain actors.

**District Heads** (*Bupati*) face the most complex VP calculation, involving multiple variables including fiscal impacts, administrative costs, possibility of performance-based financial incentives, economic growth implications, satisfaction of multiple constituency groups, personal gain (or that of family or political allies) and political career aspirations. Participating in a JP could raise a leader's national profile and offer some personal legal protection as governance accountability increases. A successful JP could also attract investment from more progressive firms. Realizing these positive effects would depend on being able to objectively



measure and communicate to key audiences the relative performance of jurisdictions. **Provincial Governors** will likely have a more positive JP value proposition than their district heads. Provinces have a much larger land area and more diverse economic base from which to derive development benefits, providing greater flexibility in balancing development against sustainability than individual districts. They also interact more intensively with national or international political actors where the sustainability agenda is more openly discussed and promoted, potentially making them more likely to support JA objectives.

### Large Palm Oil and Agribusiness Companies

highly value their brand reputation and would likely see participation in a JP as a very public way to demonstrate their commitment to deforestation free palm oil, although the level of commitment to sustainability and action supporting it varies substantially among firms. The most progressive are likely to perceive a positive VP on the basis of reputation alone, and secondarily in the expectation that if the JP succeeds, it will support their own work on responsible sourcing. Palm oil companies can potentially realize financial benefit in the forms of: (1) facilitated access to preferred markets; (2) reduced costs of compliance with voluntary certification schemes and/or verified deforestation free supply chains; and (3) reduction in cost of government regulatory compliance. The major risks for them would be that participation in the JP would potentially slow their own efforts to clean up their supply chains, in some way delay or complicate the plantation licensing and development process, or expose them to an increase in opportunistic claims from communities and 'conflict entrepreneurs,' a downside risk of higher profile.



**Small Firms** may be initially distrustful of a JP, fearing it would usher in a tighter regulatory environment that would disadvantage them with respect to large companies. These fears are believed to have motivated some prominent Indonesian businessmen to lobby government for the dissolution of IPOP. To allay these concerns under a JP, both local government and larger companies would need to provide assurances this would not be the case (at least with respect to legal plantations), and pledge technical support and possibly guarantee access to credit or markets for their product. The participation of these groups is important because deforestation eliminated from large company operations could easily be displaced to these less visible producers.



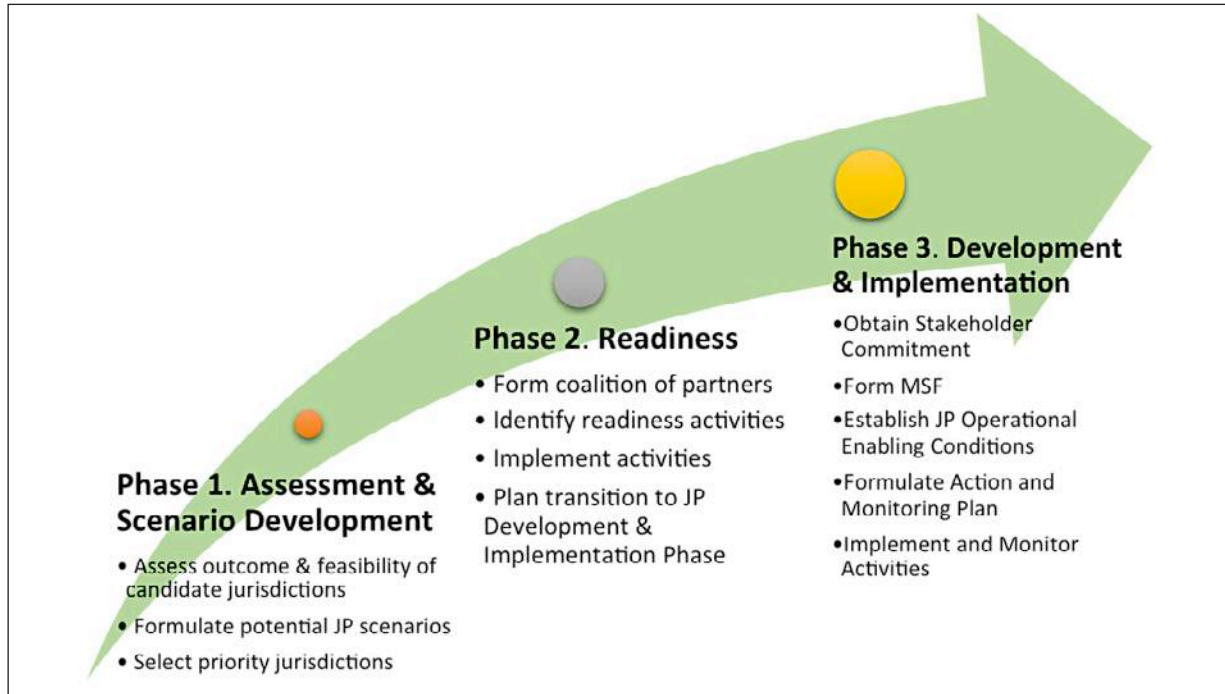
**Smallholder oil palm farmers** are extremely heterogeneous in their organizational models; the VP they perceive would likely vary accordingly. Some activities under a "farmer friendly" JP would create a positive VP, e.g. support for land registration and formal land title, farmer extension and support programs, and improved access to credit. Conversely, farmer perceptions that JP success could place them at risk of tougher law enforcement, increased likelihood of paying land or income

taxes, and limitations on opening new farms would contribute to a negative VP. **Forest communities** would likely value JP participation if it provided a means for recognition of their land rights more quickly, or to settle land disputes with companies.



## 5 Jurisdictional Program Development Process

JA program development will take different forms in different places. Here, we propose a three-phase process for JP design, development and implementation to organize and sequence complex workflows into more tractable pieces. The process we envisage would be incremental, building stakeholder support over time, and tied to achievement of milestones within agreed time limits.



**Figure 1. Proposed three phase approach to JA selection, planning, and implementation.**

**Phase 1 - Jurisdictional Assessment and Scenario Development.** In this phase the project proponent would assess opportunities and challenges for JP development in candidate jurisdictions, including consideration of: (a) forest and peat land at risk; (b) current status and future trends of the palm oil industry; (c) governance and political economy of land use; (d) scope for developing *preconditions* and *enabling conditions* for JP success; and (e) alternative scenarios for JP development. Certain Preconditions must be met for a JP to take root and succeed, so the feasibility of achieving this should be examined during the Assessment phase. Preconditions include: a sufficient level of mutual understanding and trust for core actors to work together effectively; one or more multi-stakeholder initiatives around which JP activities can be organized; a sufficiently strong value proposition for key actors in government and industry to make and fulfill initial commitments; and sufficient near and medium term funding. Alongside preconditions, Enabling Conditions are needed for a JP to be effective. These include: a forest cover monitoring system; approved Forest Zone boundaries; political will and capacity to implement and/or revise the spatial plan; substantial presence of one or more large companies with progressive supply chain commitments; and a public-facing land governance reporting system. The assessment phase should also develop 'scenarios' for building the JP in a candidate jurisdiction, defined as entry points for commencing initial activities that over time can be broadened to involve more stakeholders and wider program scope. For convenience, scenarios can be divided into three types: (i) building on existing NGO programs; (ii) supporting initial action by one or more companies pursuing supply chain programs; or (iii) working with local government to support existing priority programs relevant to a JP, such as recognition of customary land rights, fire prevention, license reviews or improved forest management. The goal of the Assessment phase is to make a decision of where to invest based on the forest and peat protection 'rewards' if a JP were successful versus the feasibility of building the pre-conditions and enabling conditions required for success.

**Phase 2 – Readiness.** We argue that a Readiness phase is necessary to build the foundation for a successful JP. This is because: (i) current willingness of most local political leaders to support JPs is inadequate; (ii) most industry commitments are defined to prioritize their own supply chains, not wider jurisdictions; (iii) getting multiple stakeholders to work collaboratively to address complex issues is challenging and takes time to build trust; and (iv) technical and governance tools to support improved land allocation and regulation are lacking and must be built over time. A proponent would work with *core partners* and *supporting actors* to address these issues by initiating activities aimed at building the *preconditions* and *enabling conditions* for a successful program. This would be pursued alongside near term actions to reduce deforestation and peat conversion. One of the most difficult decisions during current and future JP trials will be when and how to transition from Readiness Phase activities to more structured JP development and implementation. In theory, the transition should only begin when preconditions and enabling conditions are in place or well on their way to becoming so. Proponents should place an initial time limit on the Readiness Phase of a pilot (e.g. three years) at which point a decision would be made either to: (i) proceed with transition to JP development and implementation; (ii) postpone the transition for a specified period to allow more time for meeting preconditions; (iii) decline transitioning to a formal JP but continue supporting successful readiness activities; or (iv) terminate the pilot due to insufficient commitment or progress.

**Phase 3 - Development and Implementation.** Once the Readiness phase is completed, we suggest three-stage approach to a Development & Implementation phase: (i) establishment, (ii) development, and (iii) implementation. Transitioning from one sub-stage to the next is envisaged to require a higher level of commitment and support from stakeholders, proponents, and donors – and an increasing VP associated with it. Advancement would require setting and meeting critical milestones of JP success, predicated on growth in the VP for participants to justify the additional commitment and associated costs and risks of an expanded program. The Program Establishment Stage of this phase is focused on commitment and organization. Core actors must make firm commitments to the JP and consensus must be reached on the JP purpose, vision, goals, structure, and leadership. A Multi-Stakeholder Forum (MSF) of some sort could be established or local government could manage the program under legal and financial incentives that might exist in the future. The Program Development Stage is focused on establishing enabling conditions for JP operations and developing an Action and Monitoring Plan for activities. Operational enabling conditions include: (i) securing operational and incentive funding for the plan period; (ii) forming an Implementation Group to provide technical support and manage implementation; (iii) capacity building for government and other actors; and (iv) developing capacity to access and use legal and other governance tools to guide reforms. Developing an Action Plan and reaching agreement on exactly what the JP will do, how it will do it, and who will be responsible are the key tasks of this phase. The Program Implementation Stage is when the Action Plan is implemented and progress is monitored and reported. Maintaining momentum would require some combination of: (i) a strong and growing VP for government actors; (ii) monitoring by a third party (e.g. provincial or central government, or parties delivering payment for performance); (iii) increasing market demands; and (iv) substantive civil society participation.

**JP Success – a nuanced view.** Initiatives to establish a JP will meet with varying degrees of success; many (possibly most) will reach intermediate levels of development but not achieve full JP functionality, with all of the enabling and operational conditions in place. This is because the JA is still experimental, but even partial success at establishing a JP could provide (a) design insights to be applied elsewhere, (b) progress towards governance reform in the jurisdiction, and (c) concrete results toward reducing deforestation. Key to ensuring some level of success is that proponents (and donors supporting them) must adopt a ‘no regrets’ mindset based on identifying thresholds of performance at specified intervals, and maintaining a willingness to withdraw or modify support when benefits no longer justify costs. Performance milestones, indicators, and timelines should be communicated to stakeholders during the Readiness Phase, so that everyone understands the program vision is long term but ongoing support will be conditional. Ideally, this would include explanation of how and when funding decisions will be made, what is expected of participants in terms of performance, and likely rewards for meeting milestones.

## 6 Current Jurisdictional and Landscape Programs in Indonesia

We assessed a handful of established and early stage JPs in Indonesia, and a larger selection of landscape programs through proponent interviews, review of available literature, and insights gained from feasibility assessments on the ground in candidate priority jurisdictions (see below). We distilled from this the following implementation challenges on the ground, and lessons learned to date.

**JP Implementation Challenges.** Foremost among challenges are:

- The absence of strong central government deforestation reduction laws and enforcement;<sup>2</sup>
- Weak incentives for long-term buy-in from government political leaders;
- Limited means to prevent displacement of avoided palm oil deforestation to other sectors, until a cross-sectoral approach is pursued;
- Unproven commitment by palm oil traders and downstream supply chain actors to preferential sourcing or investment in jurisdictions that successfully reduce deforestation;
- Securing funding and incentives to cover opportunity and management costs for 'convertible' forests and peat lands allocated instead to protection;
- Building transparent, robust, accepted systems of forest, peat, fires and license monitoring;
- Current lack of a system to assess and publicize jurisdiction wide land management performance;
- Maintaining continuity of political and industry commitment through changes in political leadership, national economic cycles, and palm oil market fluctuations;
- Overcoming ODA funding restrictions, including inflexible program design; and
- Developing strategies to capitalize on legal rights of indigenous communities over forests.

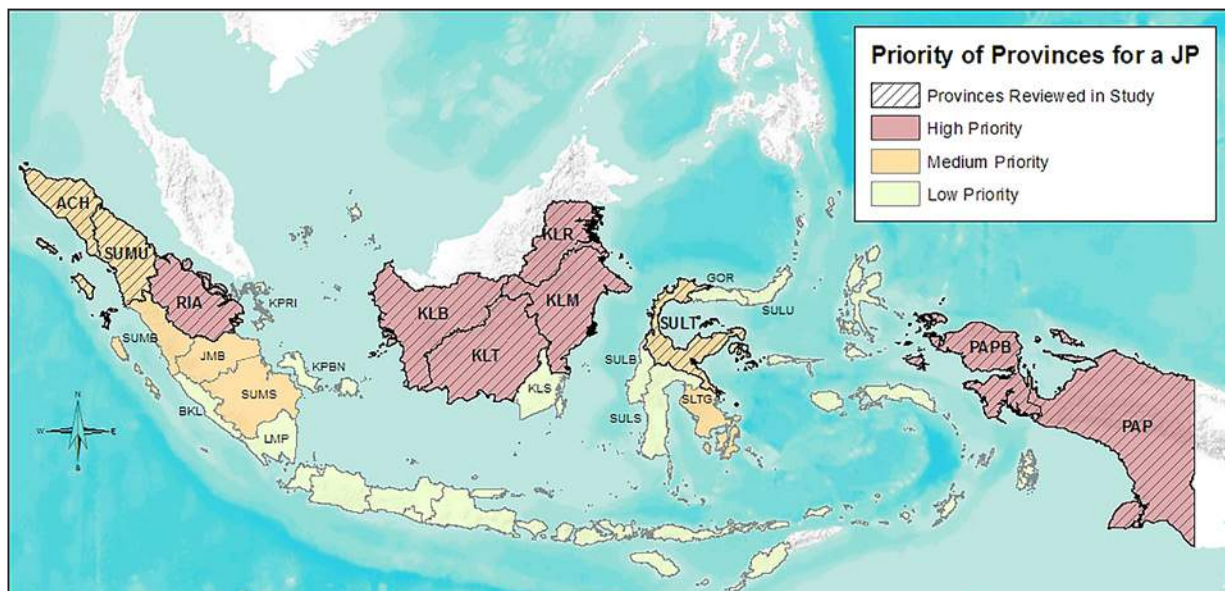
**Lessons Learned.** We distilled the following early lessons learned:

- Proponents should build a JP flexibly from the ground up, focusing on activities designed to meet preconditions, to establish enabling conditions, and to take advantage of emerging opportunities at local, regional and national levels.
- Proponents and donors should have a 'no-regrets' mindset, with flexible expectations of program success, withdrawing support if milestones are not met and/or stakeholder buy-in is not obtained or weakens.
- Formulate (and grow) the value proposition for participants over time through on-going assessment of what matters to key actors. The JP's local staff must understand the local political landscape, make insightful VP assessments and identify opportunities and challenges for meeting them. JP partners should build partnerships with central government, donors and private sector actors to deliver elements of a VP tailored to local expectations.
- Local buy-in to reform oriented JPs would be greatly improved by changes in national level policy that mandate deforestation reduction and peat land protection, especially where combined with national and/or international funding mechanisms to reward success.

<sup>2</sup> Note this is changing with establishment of the Peatland Restoration Agency (BRG) and anticipated new regulations for operationalizing President Jokowi's recent policy commitments on deforestation.

## 7 Candidate Priorities for Jurisdictional Programs

As part of the Scoping Study we conducted a jurisdiction feasibility assessment to identify candidate jurisdictions for JP experimentation (Figure 2). We developed a simple analytical approach to assess jurisdictions against feasibility criteria. The criteria emphasized: (i) deforestation trends; (ii) forest and peatlands at risk of conversion; (iii) palm oil sector characteristics; (iv) indicators of local governance, local politics, and local stakeholders; and (v) considerations related to JP entry points and opportunities for broadening the program over time. We developed recommendations about where and how to undertake JP readiness activities in priority provinces and districts, and identified areas where more information would be needed to make programming decisions. Data were collected and analyzed through a combination of fieldwork, interviews, focal group discussions, literature review, media research and diverse secondary and primary data sources. As a basis for developing a biophysical profile of each province, we measured forest and peatland extent, recent land use change dynamics, palm oil trends and projected conversion risk using primary and secondary data sources. We developed a simple framework and supporting indices for comparing the magnitude of forest/peat at risk and the importance of oil palm as a driver of loss. Comparisons were made among provinces, and then among districts within a selection of priority provinces.



**Figure 2. Palm oil producing provinces in Indonesia with >10,000 ha of planted oil palm.** Provinces shaded red were considered highest priority for consideration of JP feasibility. These include Riau, West, Central, North and East Kalimantan, as well as Papua and West Papua. Provinces shaded orange are considered medium priority, and include Aceh, North Sumatra, West Sumatra, Jambi, South Sumatra, Central Sulawesi and Southeast Sulawesi. The ten provinces that received more in-depth assessment in the study are denoted by cross-hatching. These include all seven of the High Priority provinces and three Medium Priority provinces.

### Key findings include:

- Oil palm is well established in 23 provinces (>10,000 ha planted area). More than 50% is concentrated in three provinces – Riau, North Sumatra and Central Kalimantan – with substantial areas planted in West and East Kalimantan, South Sumatra and Jambi, where oil palm expansion rates are also high
- Remaining forest is concentrated in six large provinces – Papua and West Papua; and East, West, Central and North Kalimantan. Substantial areas of forest are also present in Riau, Jambi, Central Sulawesi and Aceh, among others.
- Peatlands are concentrated in many of the same provinces where remaining forest is highest – Riau; West, Central and East Kalimantan; and Papua. South Sumatra and Central Sulawesi also

support extensive peat lands. More than 50% of Indonesia’s peatlands have been deforested, with remaining forested peat concentrated in Papua and West Papua; West and Central Kalimantan; and Riau.

- Recent deforestation is highest (and often accelerating) in the same provinces where remaining forest is largest. Spatial planning, deforestation trends and oil palm expansion dynamics suggest future risk of forest loss and/or peat conversion is highest in many of the same provinces where remaining forest is greatest (including forested peat lands).

Taking into account extent of forest and peat, land use change dynamics, and features of the oil palm sector, we classified Indonesia’s 23 palm oil producing provinces into three priority levels:

Higher Priority	Medium Priority	Lower Priority
Riau Central Kalimantan West Kalimantan East Kalimantan North Kalimantan Papua West Papua	Aceh Jambi North Sumatra South Sumatra West Sumatra Central Sulawesi Southeast Sulawesi	South Kalimantan West Sulawesi South Sulawesi North Sulawesi Gorontalo Bengkulu Lampung Bangka Islands Riau Islands

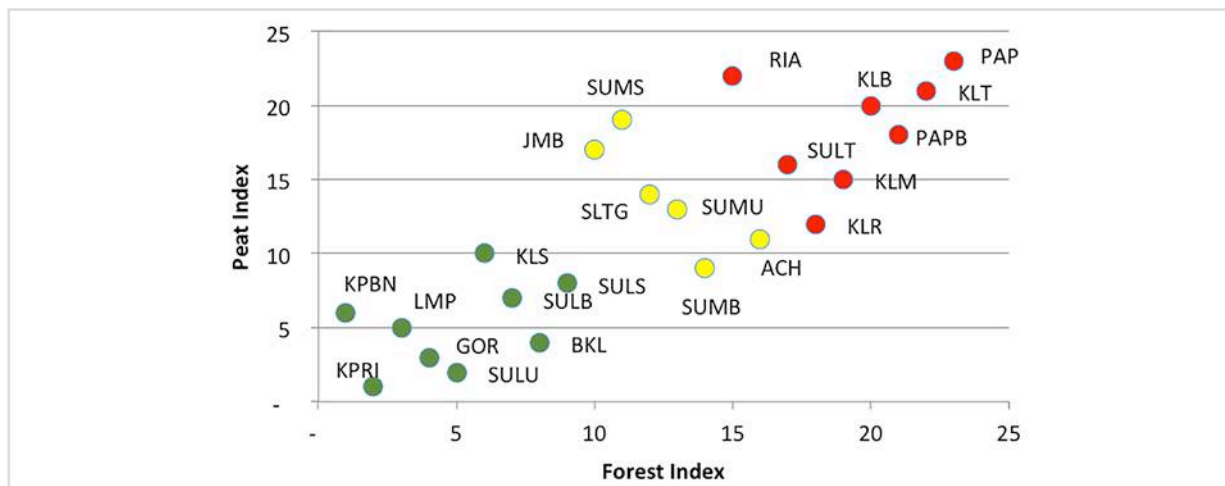
We then grouped the 14 High and Medium priority provinces into three tiers, taking into account biophysical considerations; preliminary indicators of social/political feasibility and other engagement opportunities; and difficulty of programming (Figure 3).

**Tier 1** provinces are at high risk for deforestation and peat conversion by oil palm, and were deemed amenable to partnership in one or more ways. They include Riau and West, Central, and East Kalimantan.

**Tier 2** provinces have somewhat lower risks of deforestation or peat conversion and/or perceived amenability to JP partnerships. They include North Kalimantan; North, South & West Sumatra; Jambi; Central & Southeast Sulawesi.

**Tier 3** provinces are rated high risk from a biophysical point of view, but present unique social, political and governance challenges that require special consideration for tailoring program approaches. These include Papua, West Papua, and Aceh.

We conducted more in-depth studies for 10 of these 14 provinces to assess feasibility for JP intervention at provincial or district levels and identified possible entry points and scenarios for building JPs. Short profiles of the 10 provinces are provided in Annex A of the Scoping Study full report. An example for Riau province is included in Annex 1 of this Summary.



**Figure 3. Scatter plot of deforestation and peat risk indices across the 23 palm oil producing provinces in the study.** Provinces are ranked based on deforestation risk (x axis) and peat conversion risk (y axis) and classified into three risk categories (high = red, medium = yellow, low = green). Highest risk for potential environmental impacts of oil palm are East, West, Central and North Kalimantan; Riau; Central Sulawesi; and Papua and West Papua.

## 8 Study Conclusions and Priorities

We end with conclusions of the feasibility study, and recommended priorities for future work:

- Three ingredients are needed for JP success: (1) positive rewards (incentives); (2) effective sticks (enforcement, declining investment or embarrassment); and (3) broad based buy-in from diverse actors ready and willing to cooperate to leverage individual actions and together create momentum for change.
- We found limited evidence of support among local political leaders for measures that would significantly change BAU practices in the palm oil sector to reduce deforestation. In general, governors and district heads (apart from a few progressive leaders) have limited knowledge of emerging industry sustainability efforts or new legal provisions designed to improve governance in the sector. Most leaders view such efforts with indifference or see them as threatening to the political and economic status quo.
- Our discussions with experts inside and outside government lead us to believe it's unlikely that genuine support from a political leader for a comprehensive JP could be obtained solely by offering extra-governmental financial incentives (such as through REDD+ or improved access to markets). Such incentives would probably not be large enough or sufficiently dependable over time to outweigh political and other benefits generated by current palm oil driven economic development models. Formal legal carrots and sticks, backed by transparent accountability mechanisms and enforcement, would be needed to augment such incentives.
- Despite challenges, we believe there is significant potential for progress through creative engagement at sub national levels. Yet, we consider it unlikely that a fully functional JP can be achieved in Indonesia until such time that a balanced and compelling value proposition moves local political leaders to make meaningful commitments and act on them.
- Until financial and legal incentives are put into place that create a compelling value proposition for local government leaders, JAs to palm oil deforestation must necessarily rely on catalyzing, coordinating, and supporting activities by industry, NGO and local community actors who already have a positive VP for deforestation reduction, and where feasible, supporting local governments to implement governance improvements. Market forces and associated industry supply chain commitments, as well as increasingly progressive national policies and programs on matters such as fire prevention and customary land rights, provide new opportunities for

collaborative action. President Jokowi's recent commitments to forest and peat land protection, and expected moratorium on new licenses, are further positive signs.

- The initial objective of catalyzing on-going activities should be viewed in the context of our definition of a fully functioning JP that requires government support and active involvement, with the ultimate goal of institutionalizing change within law and practice.
- We believe that in the Indonesian context, a MSF of some kind is extremely valuable, and perhaps indispensable. It would be nearly impossible for the proponent to maintain support among a broad constituency of stakeholders, meet civil society expectations of transparency, and provide an accountability mechanism without the active involvement of relevant groups in some type of multi-stakeholder body. We do not assert that a formal MSF with decision-making and management authority is required for JP success, or even desirable in all situations, but some form will be required.
- A country program designed to experiment with JA to transformation should support a variety of readiness activities in multiple jurisdictions because different approaches will be more suited to specific contexts, and because a diversified portfolio of approaches will be more likely to provide some early successes to guide programming and build momentum.
- It is vital to continue to advocate for improved incentives from the national government for provincial and district governments to undertake deforestation reduction and peatland protection. This could include fiscal incentives for deforestation reduction, national regulations requiring deforestation reduction, and improved law enforcement for illegal activities leading to deforestation, especially use of fire.

### **Priorities**

- Riau, West Kalimantan, East Kalimantan, and possibly Central Kalimantan are highest priority for JP readiness activities, given the risk and feasibility profiles of these provinces.
- In Riau, fire prevention could be a focal point for developing a JP. A palm oil supply-shed based approach could be considered in Riau North Sumatra and parts of West Kalimantan, given scale of the oil palm sector and the mix of supply chain actors. Supporting implementation of a provincial sustainable plantations by-law is a good approach to consider in Central, East and West Kalimantan (Ketapang district) and Central Sulawesi.
- JPs can be initiated at either the provincial or district levels, and are likely to be most effective when engagement at both levels is coordinated. Given governance arrangements, district level engagement is where success or failure will be achieved, and should be pursued using multiple entry points such as supporting corporate supply chain programs, forest monitoring and enforcement, conflict resolution, social forestry, capacity building, fire prevention, smallholder empowerment, or mapping of indigenous lands. Discussing options with district leaders and other stakeholders is vital to inform which of these or others are most suitable.
- Local elections were held in hundreds of districts in December 2015, and still more are taking place this December 2016. Further study is needed to determine where election winners are open to collaboration on deforestation reduction, and to assess changes in the local political economy of land use arising from the 2015 elections and those happening this year.
- Forest and peat land monitoring and land tenure mapping are key JP enabling conditions, and will be vital tools for creating pressure for change and rewarding progress. Systems for doing so should be assessed, designed, piloted and improved as a matter of priority.
- Assess possibilities for undertaking JAs in collaboration with companies that have made sustainability pledges by identifying their priority geographies; willingness to work along or with other companies to support a JP; and priorities for tailoring readiness activities that support supply chain commitments, address governance weaknesses, and protect livelihoods.

## Acronyms

APKASINDO	Indonesian Association of Oil Palm Farmers
APL	Land for other uses (a spatial planning category)
<i>Bappeda</i>	<i>Planning Board</i>
<i>BAU</i>	<i>Business As Usual</i>
<i>BFCP</i>	<i>Berau Forest Carbon Program</i>
<i>BKPM</i>	<i>Investment Coordination Board</i>
<i>CI</i>	<i>Conservation International</i>
<i>CIFOR</i>	<i>Center for International Forest Research</i>
<i>CPI</i>	<i>Climate Policy Initiative</i>
<i>CPO</i>	<i>Crude Palm Oil</i>
<i>CSO</i>	<i>Civil Society Organization</i>
<i>Disbun</i>	<i>Plantations Agency</i>
<i>Dishut</i>	<i>Forestry Agency</i>
<i>EC</i>	<i>Executive Committee</i>
<i>eCBA</i>	<i>Extended Cost Benefit Analysis</i>
<i>EG</i>	<i>Economic Growth</i>
<i>EII</i>	<i>Earth Innovation Institute</i>
FFB	Fresh Fruit Bunches
FFI	Flora and Fauna International
FMU	Forest Management Unit
FPIC	Free, Prior, and Informed Consent
GGGI	Global Green Growth Initiative
GIZ	<i>Deutsche Gesellschaft für Internationale Zusammenarbeit (German Society for International Cooperation)</i>
<i>Ha</i>	<i>Hectare</i>
<i>HCS</i>	<i>High Conservation Stock</i>
<i>HCV</i>	<i>High Conservation Value</i>
<i>HGU</i>	<i>Agricultural Business License</i>
<i>HPK</i>	<i>Conversion Forest (a land category in the national forest estate)</i>
<i>IG</i>	<i>Implementation Group</i>
IP4T	<i>Inventarisasi Penguasaan, Pemilikan, Penggunaan dan Pemanfaatan Tanah (Inventory Control, Ownership, Use and Utilization of Land)</i>
IPOP	Indonesia Palm Oil Pledge
ISPO	Indonesia Sustainable Palm Oil certification standard



JA	Jurisdictional Approach
JP	Jurisdictional Program
KADIN	Indonesia Chamber of Commerce and Industry
KPK	Corruption Eradication Commission
LA	Landscape Approach
LED	Low Emissions Development
LOC	Letter of Commitment
M	Million
MASP	Ministry of Agriculture and Spatial Planning
MK35	Constitutional Court Decision No. 35
MoEF	Ministry of Environment and Forestry
MSF	Multi-Stakeholder Forum
NDEP	No Deforestation, No Exploitation, No Peatland development
NGO	Nongovernmental Organization
O&C	Opportunities and Challenges
ODA	Official Development Assistance
OP	Oil Palm
RCA	Responsible Conservation Areas
REDD+	Reducing Emissions from Deforestation and Forest Degradation, including conservation, sustainable management of forests, and enhancement of forest carbon stocks
RSPO	Roundtable on Sustainable Palm Oil
SCC	Supply Chain Commitments
SEA	Strategic Environmental Assessment
SLP	Sustainable Lands Program
SPKS	Smallholder Oil Palm Farmers Union
TNC	The Nature Conservancy
UNPAR	University of Palangkaraya (Central Kalimantan)
USAID	United States Agency for International Development
VCS	Voluntary Carbon Standard
VP	Value Proposition
WRI	World Resources Institute
WWF	World Wildlife Fund
ZD	Zero Deforestation
ZSL	Zoological Society of London

# 1

## Purpose and Approach

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## 1.1 Purpose

This report describes a scoping study by Daemeter to assess the feasibility of applying the Jurisdictional Approach (JA) to eliminating deforestation and promoting wider sustainability in Indonesia's palm oil sector. Recent revisions in the Indonesian legal framework for land, forest, peat, and plantation management follow a wave of pledges by key players in the international palm oil industry to reduce the impact of palm oil production on forests, peatlands, and local communities. These pledges hold potential to transform industry practices faster and more comprehensively than efforts in the past, but experience to date shows that corporate ability to implement sustainability commitments will require pro-active engagement with government at multiple levels to overcome governance challenges and promote new development models for palm oil. The JA is widely seen as a promising mechanism to achieve this, by facilitating collaboration among sub-national governments, palm oil industry players, and other stakeholders to take local, coordinated action over extended time periods to reduce deforestation and peat conversion. Depending on its mode of implementation, the JA holds tremendous potential to democratize land use planning through greater transparency, accountability and inclusive modes of decision-making at local levels.

Jurisdictional Programs (JPs) designed to achieve these ambitious goals are necessarily complex, requiring multiple stakeholders to work creatively to address difficult issues grounded in law, politics, governance, culture, and business practice. Successful JPs must overcome numerous challenges including weak law enforcement, entrenched politico-business alliances at all levels of government, mistrust among key stakeholder groups, and the need to create a more compelling value proposition for local leaders to support JA objectives. This report, and the field studies behind it, contribute to a broader understanding of the opportunities and challenges for jurisdictional approaches to palm oil reform, through suggesting a more systematic approach to program design, development, and implementation; by highlighting areas where work is needed to build a more compelling value proposition for local support; and by identifying priority geographies for experimentation in Indonesia.

## 1.2 Approach

The broad goal of a JP centered on palm oil, as we conceptualize it, is to create and formalize a framework of incentives, policies, laws, and practices for (a) reducing palm oil driven deforestation and peat land conversion rates below business as usual (BAU) levels, and eventually to zero, while (b) achieving social<sup>3</sup> and economic<sup>4</sup> co-benefits that complement deforestation reduction goals. Despite surging enthusiasm for its potential, there is a limited body of experience applying the JA in Indonesia, or indeed elsewhere in the Tropics. It has been applied to a small group of REDD+ programs in Indonesia, with some nascent efforts in the palm oil sector, although none yet approaches a fully functioning JP. These initial efforts provide valuable lessons but are difficult to compare because they vary widely in purpose and design, and their success to date is difficult to judge because most are at an early stage of development.

Our study, therefore, is less an evaluation of JA programs to date, and more an examination of the JA concept applied in the Indonesian context, with the aim of stimulating discussion on the approach and to assist would-be proponents in making decisions about how and where to focus their efforts. We began the study in 2015 with the broad tasks of: (i) assessing the feasibility of applying the JA to oil palm in Indonesia, specifically opportunities and challenges presented by the current political, legal, and business environment; (ii) mapping an indicative process for developing a JP; and (iii) through interviews and desk studies, identifying candidate jurisdictions where a JP centered on palm oil would be likely to produce a

<sup>3</sup> Examples of social co-benefits are support to: smallholder farmers through technical and marketing support and strengthening land tenure; and communities through recognition of customary land rights and land-related conflict resolution.

<sup>4</sup> An example of an economic co-benefit is the attraction of more responsible palm oil investment to jurisdictions with successful JPs, especially downstream processors.

positive impact on oil deforestation and peat conversion. We developed an initial approach to these tasks in consultation with the Packard Foundation, who commissioned the study to help inform their own programming decisions, as well as to expand wider knowledge and awareness about the JA in Indonesia. We began with the premise that much of the conceptual basis of our work would be an informed thought experiment, informed by lessons learned to date from on-going JPs and related activities, our team's programmatic and policy experience related to land governance, and preliminary fieldwork to ground our ideas in reality.

We began by simultaneously reviewing and assessing: (i) recent changes in Indonesian politics, policy, law, and institutions that could affect how future oil palm expansion will impact forests; (ii) the substance of recent palm oil industry commitments and status of efforts to implement them; (iii) how key stakeholders in government, industry, and civil society view prospects for reducing deforestation in the sector; (iv) the available mechanisms to manage impacts on forests and peat at large spatial scales; and (v) experience to date implementing jurisdictional and related landscape programs.

Based on these findings, we explored the value propositions for key stakeholders in government, industry, and civil society to participate in and support the development and implementation of a JP. We then conducted a thought experiment to map out a suggested process for developing a JP from initial stakeholder engagement through implementation, focusing on who should be involved, the options for organization, the sequence of activities for building a program incrementally, and to the extent possible, how to approach the planning and implementation of steps in the process. We then sought to identify the most promising jurisdictions for implementing a JP based on the amount and quality of forest and peat at risk, a profile of the palm oil industry in the jurisdiction, the local political economy of the palm oil sector, and opportunities for building on existing activities by government, industry, or civil society. We accomplished this through interviews with knowledgeable informants, geo-spatial analysis, field visits to the most promising jurisdictions, and our internal knowledge from past experience. Based on this work, we offer a preliminary assessment and prioritization of candidate geographies for JP experimentation, taking into account biophysical, governance, and industry aspects of priority geographies. We highlight possible entry points for building JPs in select provinces, and draw attention to areas where further study would be needed to inform program planning.



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Our field visits proved to be informative in a number of ways, providing valuable insights into the assumptions we initially made about the feasibility of implementing a fully operational JP and the path to achieving it. Interviews with key informants and government officials at the district and province levels made it clear that enthusiasm for supporting a JP was lower than anticipated, with insufficient positive incentives or legal sanctions to make committed JP participation attractive for most political leaders in the light of significant political and financial risk. In view of these insights, we revised our initial thinking, emphasizing the need to build value propositions over time and to make the JP development process more incremental and performance dependent, with a more nuanced definition of success. We also identify needs for policy assessment and advocacy, study of the rapidly changing palm oil governance environment and how it might be used to further JP development, and field experimentation with JP precursor activities. We also encourage JA proponents to support pragmatic activities by government, industry, and civil society to reduce the deforestation and social impacts of palm oil by whatever means possible in the near term, not waiting for feasibility of the JA to be proven.

The report is lengthy, a reflection of the range and complexity of topics covered. Some readers will be interested in reading the whole document, while others may wish to treat it as a reference, reading

selected parts as the need arises. **Section 1** provides an overview of the study's objectives, approach and structure of the report. **Section 2** summarizes the evolving political, social, and legal climate for governance of forests, land, and palm oil in Indonesia, drawing attention to changes in politics, policy, law, society, and market forces that create opportunities and challenges for reducing palm oil driven deforestation. Readers already familiar with these topics might wish to skip this and start the report at Section 3. Distinctive characteristics of the JA, its relationship to other approaches (e.g., Landscape Approaches), and the rationale and options for designing a JP focused on palm oil are described in **Section 3**, including institutional arrangements and the value propositions of core actors. In **Section 4** we propose and elaborate a three-phased process for pursuing a JP: (i) an *Assessment Phase* to select the most promising jurisdiction(s); (ii) a *Readiness Phase* to put in place *pre-conditions* for launching a comprehensive JP and establish the *enabling conditions* required for a successful JP to take root; and (iii) a *Development and Implementation Phase* when coordinated JP efforts are launched and implemented. We offer this as one potential model, rather than a fixed roadmap to success. In this section, we also identify and discuss some of the most critical, sensitive decisions for JP development, and offer a nuanced view of how JP success should be judged. **Section 5** profiles a selection of jurisdictional and landscape programs already being implemented in Indonesia to identify implementation challenges and draw lessons learned to the extent possible. This is followed in **Section 6** with a preliminary analysis to identify priority jurisdictions for JP experimentation, taking into account biophysical, business, social and political considerations. We end the report in **Section 7** with conclusions and recommendations.



# 2

## The Evolving Context of Palm Oil Development

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The political, social, and legal climate for governance of forests, land, and palm oil is evolving rapidly in Indonesia. This creates opportunities and challenges for reducing the rate of deforestation linked to palm oil. We provide a brief overview of Indonesia's palm oil sector and its governance, highlighting changes in politics, policy, law, society, and market forces and their influence on reduced deforestation goals for the sector.<sup>5</sup> The purpose of this section is to provide background context for later discussions of the jurisdictional approach. Readers already familiar with Indonesia's palm oil sector and recent developments might skip directly to Section 3.

## 2.1 Palm Oil in Indonesia

Indonesia's palm oil industry contributes approximately 3% to national GDP. It is an important source of foreign exchange earnings, and in some regions an important driver of economic development. The sector creates much needed jobs in rural areas<sup>6</sup>, accelerates local economic and infrastructure development, provides an important component of national food security, and has the potential to support diversified approaches to energy independence through development of a biodiesel sub-sector built upon palm oil feedstock. Palm oil exports have grown rapidly in recent years in response to accelerating global demand, further increasing its macro-economic importance to Indonesia given sustained downward pressure on the Rupiah over the past two years. Indonesia's oil palm industry is dominated by several large domestic and multi-national agribusinesses, often with fully-integrated operations that encompass growing fruit, extracting and refining oil, shipping, processing, manufacturing, and marketing of consumer products. Smallholder producers are said to account for approximately 40% of planted area, working independently or in partnership with nearby commercial plantations. Their importance, and the local predominance of different partnership types, varies widely across provinces.<sup>7</sup> Smaller plantation companies work at a variety of scales, many restricted to specific geographic regions, where they form a rapidly growing part of the local palm oil supply chain.

The palm oil industry has attracted growing domestic and international criticism for its environmental and social practices and impacts, especially deforestation and peat land conversion. An estimated 80% of the nation's greenhouse gas emissions are generated by land use and land cover change, some of it linked to oil palm expansion. Consumers in some markets have pressured supply chain actors to trade only in products that contain palm oil from plantations with no links to deforestation, peat land conversion, or social conflict. Some industry leading palm oil producers and traders have pledged to meet this goal by creating deforestation-free supply chains, supply sheds, or jurisdictions (see Section 3).

Politicians and government officials at every level strongly support expansion of the palm oil industry and the economic development it brings, but there is growing recognition among leaders that deforestation from palm oil must be slowed to re-brand Indonesian palm oil, to reduce deforestation and peat conversion, and to build a more inclusive rural development model. Yet, achieving this goal will be challenging. Palm oil governance is legally and institutionally complex, involving multiple bodies of law and government agencies related to land, forests, plantations, spatial planning, environmental management, and regional government. Provisions of various laws are not harmonized, officials in relevant sectors and levels of government do not coordinate regulatory approaches, and perhaps most importantly, there is no overarching national policy guiding palm oil development and deforestation reduction.

<sup>5</sup> The information in this section draws partly from the publication Daemeter (2015) *Indonesia's Evolving Governance Framework for Palm Oil: Implications for a No Deforestation, No Peat Palm Oil Sector*, Daemeter Consulting: Bogor, Indonesia. 2015. It can be downloaded at [www.daemeter.org](http://www.daemeter.org).

<sup>6</sup> At least three million people in Indonesia (more than 1% of the population) are directly employed by the sector, and double that number benefit from economic activities linked to it, according to industry estimates.

<sup>7</sup> See for example Daemeter (2016) *Indonesian oil palm smallholder farmers: A Typology of organizational models, needs and investment opportunities*. Daemeter, Bogor, Indonesia. Available at [www.daemeter.org](http://www.daemeter.org)

## 2.2 Politics and Society

President Joko Widodo (known as Jokowi) was elected in mid-2014 on a reform platform that included pledges to improve environmental management and land governance. Since taking office, he has articulated a range of policies likely to affect forests and peatlands in various ways, largely as by-products of pursuing other development and land reform goals. Early in his administration, the nature of Jokowi's commitment to deforestation reduction was unclear judging by his policies, public statements, and institutional restructuring. On the one hand, he stated intent to conserve peat lands and forests, including targets to rehabilitate 5.5 million ha of degraded forest and bring 12.7 million ha under community management by 2019, but on the other hand he took limited direct action and introduced few programs to pursue this. Some became concerned that Jokowi was showing less support than his predecessor Susilo Bambang Yudhoyono for reducing forest-related GHG emissions, reflected in his dissolution of the National REDD+ Agency<sup>8</sup>, provisions of the medium term development plan, and stated support for large scale, mechanized agriculture<sup>9</sup> in pursuit of his food security initiatives. In May 2015 Jokowi extended the two-year Moratorium on New Licenses in Primary Forest and Peatlands, enacted by SBY in 2011, but environmental activists continued to criticize the Moratorium as ineffective, providing limited additional protection to at-risk forest, and plagued by widespread non-compliance and illegalities.

President Jokowi's public position on forests and peat lands changed markedly in the aftermath of severe fires in late 2015. He announced a 'moratorium' on any further development in peat lands, even where licenses had already been issued, and in early 2016 established the Peatland Restoration Agency to rehabilitate millions of hectares of degraded peat. In July 2016, news broke of government plans to extend and broaden the 2015 moratorium to ban all new oil palm permits, which soon became referred to as the new 'oil palm moratorium'. Jokowi's Coordinating Minister for the Economy Darmin Nasution described the policy as part of government's new focus on growing the industry by increasing productivity rather than planted area.<sup>10</sup> The expanded moratorium is expected not only to prevent the issuing of new oil palm licenses in forests and peat lands, but also to ban clearing forests and developing peat lands within existing concessions. It may also mandate a review of existing oil palm permits, and potentially peat land protection and rehabilitation. It will be announced any day, likely in the form of a Presidential Instruction.



Despite these positive signs at the top, some senior officials in Jokowi's administration continue to push back against zero deforestation commitments, branding them an infringement on national sovereignty and impediment to economic development (see discussion of IPOP in Section 2.4). Indonesian political parties and their members serving in the national parliament generally support palm oil and have not shown consistent or sustained interest in passing legislation to reduce its environmental footprint. On the whole, provincial and district political leaders in areas suitable for palm oil strongly support expansion of the industry to drive economic development, increase public revenues, and generate personal financial benefits. Local parliamentarians and their constituents generally support the pro-development stance of their leaders, and growing numbers have a direct interest in the industry. There are, however, growing numbers of civil society organizations (CSOs) working from village to national levels to raise public

<sup>8</sup> BP REDD+ was established in 2014 and reported directly to the President. The agency has been credited with spearheading Indonesia's REDD+ Action Plan, the One Map Initiative, monitoring of forest fires, implementing the moratorium on new licenses, and developing a REDD+ financing mechanism.

<sup>9</sup> The President has vowed to make one million ha of new agricultural lands available for rice and other food crop production. The controversial MIFFE project in Papua is potentially a centerpiece of this plan, despite its deforestation and peat land conversion footprint.

<sup>10</sup> <https://m.tempo.co/read/news/2016/07/16/090787984/moratorium-sawit-akan-diperpanjang-lima-tahun>



awareness about deforestation and other environmental and social impacts of palm oil. This movement reflects a major trend in Indonesian public life to demand greater transparency and participation in governance, especially as it relates to management of natural resources. CSOs are making increasingly sophisticated use of social and other media to influence public opinion, though public awareness among consumers remains low.<sup>11</sup>

## 2.3 Laws, Institutions, and Initiatives

In early 2013, Daemeter published a comprehensive review<sup>12</sup> of how environmental and social outcomes from Indonesia's palm oil sector are shaped by the legal and regulatory framework governing how key actors make decisions. In the two years that followed, numerous legal and institutional changes have occurred that potentially affect deforestation linked to palm oil. Here, we briefly summarize important changes with respect to: (i) land and spatial planning; (ii) forests; (iii) peatlands; (iv) plantations; (v) ISPO; (vi) biofuels; (vii) distribution of government powers; and (viii) enforcement programs. We also review cross-cutting initiatives that could impact governance of palm oil.

New legal provisions and re-organized government institutions are only part of the governance equation. Regulatory outcomes depend on how provisions are implemented, which in turn depends on how implementing regulations are written, the mindset and capacity of officials assigned to implement them, and the extent of monitoring by government and civil society. Reform measures to date have been largely piecemeal, without a comprehensive road map for the sector built upon a firm understanding of inter-relationships among different bodies of law and regulatory tools for reducing palm oil-driven deforestation. There is considerable scope to improve regulatory efficiency and effectiveness by consolidating related legal requirements into a set of coordinated activities, especially with respect to palm oil plantation licensing, environmental impact assessment and enforcement of environmental management requirements as well as community consultations prior to issuing development licenses. It is unclear if recent changes signal the beginning of a paradigm shift towards coordinated land and forest governance, or simply an *ad hoc* effort to align laws with emerging trends and growing demands for land reform. The recent haze crisis and new pressures created by it should reinforce and bring sharper focus to Jokowi's governance reform agenda, but details of new programs or institutions related to fires remain few.

### 2.3.1 Land Licensing and Spatial Planning

There are emerging opportunities to rationalize land allocation by reinforcing steps toward greater licensing transparency, strengthening tenure, and readjusting Forest Zone boundaries. This will be aided by renewed government commitment to maintaining the One Map Initiative<sup>13</sup> and planned efforts to pilot its use at sub-national levels (e.g. in Riau). The increasing number and variety of tools and legal instruments for recognizing customary land rights on a communal or individual basis will reinforce the above trend. Under President Jokowi's plan for land reform, large areas of land will be transferred from state controlled Forest Zone to communities, placing them in a stronger position to negotiate with companies and decide whether and where to retain forests as forest.

<sup>11</sup> See recent study on Indonesian consumer perceptions of palm oil at <http://daemeter.org/en/publication/detail/47/seeing-palm-oil-through-indonesian-consumers-eyes-baseline-study-on-consumers-perception-#.VnL3rMrvdTM>

<sup>12</sup> Paoli G.D., P. Gillespie, P.L. Wells, L. Hovani, A.E. Sileuw, N. Franklin and J. Schweithelm (2013) *Oil Palm in Indonesia: Governance, Decision Making and Implications for Sustainable Development*. The Nature Conservancy, Jakarta, Indonesia.

<sup>13</sup> Under this initiative, five ministries that oversee major industrial land uses are collaborating to reconcile conflicting spatial plans and land classification and licensing maps to create a shared, public-facing reference database to be used in licensing and environmental monitoring. This provides a powerful tool to increase transparency, predictability, and participation in land allocation and licensing decisions.

Pervasive inconsistencies among spatial plans at different levels of government, particularly with respect to Forest Zone boundaries, continue to present a serious challenge to sustainable land use. Jurisdictional development plans are not well coordinated with spatial plans, often resulting in oil palm planting targets larger than the unlicensed area zoned for agriculture. A newly formed Ministry of Agrarian and Spatial Planning (MASP) partially addresses these issues. MASP oversees land reform, supports conflict resolution and revision to and approval of spatial plans. The Ministry is at the forefront of important Presidential initiatives including: (i) issuing land certificates to *adat* communities; (ii) allocating 9 million ha of land to small farmers; (iii) identifying at least 4.1 million ha of the Forest Zone to reclassify as non-forest land; (iv) creating a centralized land registration system; (v) expanding the national base map; (vi) expediting gazettal of Forest Zone boundaries; and (vii) accelerating delineation of customary land boundaries. These tasks are critical for introducing greater transparency into land allocation and licensing, basic requirements for avoiding poor and/or illegal palm oil licensing that contributes to deforestation.

### 2.3.2 Forests

There is a growing trend toward involving a wider range of actors in forest management, especially at local levels, including communities.<sup>14</sup> This holds the potential to reduce the pace and scale of palm oil-driven deforestation by increasing transparency and broadening participation. A supporting policy is the transition to Forest Management Units (FMU) under regional control as the primary mechanism for managing State forest. The MoEF could affect palm oil deforestation via its central role in defining boundaries of the Forest Zone and control over (i) the release of Production Forest for Conversion Purposes (*HPK*) from the Forest Zone; (ii) oversight of implementation of the Moratorium<sup>15</sup>; and (iii)



oversight of environmental assessment and management. MoEF has a newly-formed Directorate General (DG) for Climate Change Mitigation whose core tasks include many of the emissions monitoring and reduction functions previously assigned to the BP REDD+ before it was dissolved. MoEF also plays a critical role convening and overseeing implementation of the new peatland regulation described below and is responsible for implementing ambitious programs in social forestry<sup>16</sup> and environmental partnerships. Given the scope and complexity of MoEF's tasks, recently completed reorganization, and obstructionist stance of Ministers in the past, it's difficult to predict whether these broad powers will be used to reduce palm oil deforestation. However, recent indications of the Minister Siti Nurbaya's administrative action in support of President Jokowi's initiatives for peat and forest protection are a positive sign.

<sup>14</sup> Customary communities will benefit from recent legal provisions and administrative actions designed to facilitate implementation of the 2012 Constitutional Court Decision No. 35, which declared that 'customary forest' shall no longer be considered State forest, but rather shall be managed by customary communities. Law No. 6/2014 on Villages opens the way for the formation of customary (*adat*) villages and Ministry of Home Affairs Regulation No. 52/2014 offers guidelines on how to recognize community rights. MoEF Regulation No. 32/2015 specifies that customary forests will be re-designated as 'forest with rights' and remain within the Forest Zone.

<sup>15</sup> A moratorium on new licenses in primary forests and peatlands was extended for another two years on 13 May 2015, extending opportunities to review and resolve overlapping claims and licenses.

<sup>16</sup> In the national medium-term development plan for 2015-2019, MoEF is assigned responsibility to increase community participation and authority to manage forests through a mix of social forestry governance arrangements, including community forests (*hutan kemasyarakatan*), village forests (*hutan desa*), and customary forests (*hutan adat*). The ministry aims to bring 12.7 million ha of forests under community control by 2019.

### 2.3.3 Peatlands

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A new peatlands regulation (*Government Regulation No. 71/2014*) establishes a process for mapping and surveying peatland hydrological units, zoning protection and production areas within them, and developing management, protection and monitoring plans for each peat land unit. The regulation defines procedures for re-allocating zones from production to protection, including areas where palm oil would be prohibited, even if currently zoned for agriculture in spatial plans. Local authorities are granted a major role in defining areas allocated for protection, creating an obvious entry point for sub-national leadership in districts where peat is extensive.<sup>17</sup> President Jokowi's more recent announcements to prohibit further industrial development on peatlands will open new doors for peatland protection, and potentially reinforce the importance of local engagement for implementing the 2014 peatland regulation. This trend is strongly reinforced by Jokowi's recent establishment of the Peatland Restoration Agency (BRG), and appointment of conservationist Nazir Foead to lead its activities. The agency's remit is to restore two million ha of degraded peatland within five years. The anticipated Presidential Instruction to curtail (and possibly ban) further development on peat will add a further boost to peat land protection efforts under BRG's leadership.

### 2.3.4 Indonesia Sustainable Palm Oil (ISPO) Standard

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ISPO is a government-mandated palm oil plantation certification standard, first enacted in 2011. A newly-revised ISPO regulation (Minister of Agriculture Regulation No.11/2015) has several provisions that will potentially affect plantation impacts on forests and peatlands: (i) smallholder farmers and producers selling into biodiesel supply chains are exempted from ISPO certification, fueling concerns that ISPO will reach only a portion of Indonesia's producers; (ii) the earlier ISPO requirement to retain High Conservation Value (HCV) forests has been dropped from the 2015 version, and a new criterion has been added making it difficult for companies to protect them voluntarily; (iii) a new principle in support of the Moratorium on new licenses in primary forest or peat has been added; and (iv) a new criterion requires that companies identify and map "protection areas" in their plantations, which seems aimed at protecting steep slopes, hydrologically sensitive areas, and peat (but not HCVs). The exemption from ISPO for smallholders and especially Crude Palm Oil (CPO) producers selling into biofuel supply chains raises concerns over emergence of a two-tiered market for palm oil that meets different standards of practice, one that is legally compliant (ISPO certified) and one that is not. On the other hand, in response Jokowi's recent policy initiatives related to forests and peat lands, high ranking officials in government have stated readiness to support efforts to revise and strengthen ISPO's requirements as well its legal status, as a means of better aligning Indonesia's palm oil governance with Jokowi's environmental aims.

### 2.3.5 Plantations

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A new Plantations Law (*Law No. 39/2014*) contains three provisions that could affect palm oil-related deforestation: (i) companies must operate/manage 100% of areas suitable for palm oil in their license area or risk revocation of the license for unplanted areas, making it even more difficult to protect HCV or High Carbon Stock (HCS) areas within a plantation; (ii) local authorities are prohibited from *issuing permits* on land where communities have customary rights, except in cases where companies have obtained community consent and reached agreement on compensation (this relates to FPIC); and (iii) central government appears to have authority for setting limits on areas that can be developed for plantations, potentially creating opportunities for central authorities to direct development toward less forested regions.

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<sup>17</sup> For example, Bengkalis, Siak, Pelalawan and Indragiri Hulu district in Riau; Ketapang, Kapuas Hulu and Bengkayang in West Kalimantan; Kapuas, Katingan and Kobar/Kotim in Central Kalimantan.

### 2.3.6 Biofuels

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Ambitious government targets for biodiesel use in the coming years will increase domestic demand for palm oil, and risks driving expansion for the domestic market. As noted, producers selling into Indonesia's biodiesel supply chain are exempt from meeting the ISPO certification standard, raising concern biofuels demand could offset progress made by cleaning up palm oil supply chains linked to more discriminating markets.

### 2.3.7 Government Powers

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Major adjustments to the distribution of power among levels of government have re-centralized authority for many types of licensing from districts to provinces, while at the same time empowering villages. Under a new Regional Government Law (*Law No. 23/2014*), provinces have been assigned powers to oversee and monitor performance of district level officials, including management of the palm oil sector. District Heads retain their central role in palm oil governance under the law, including licensing, monitoring, enforcement, and oversight of company-community agreements and land negotiations. These powers, together with authority over spatial and development planning, mean district heads remain the most important local decision maker affecting where and how much oil palm is planted. A new Village Law (*Law No. 6/2014*) recognizes villages as political entities with significant new governance rights and responsibilities, including those related to development and spatial planning. It's too early to discern how villages will affect decisions related to palm oil.

### 2.3.8 Oversight, Enforcement, and Accountability

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The palm oil sector has been plagued by illegality and collusion, but efforts are being made to bring transparency to regulatory procedures and reduce illegal practices. Examples include:

- The Corruption Eradication Commission (KPK) is undertaking a palm oil license legality audit initiative under the National Movement to Rescue Indonesia's Natural Resources, covering 19 provinces. This review is on-going.
- The Indonesia Sustainable Palm Oil (ISPO) plantation certification scheme applies common performance standards nationwide. Though the pace of industry wide compliance to ISPO has been slow, and many consider its forest-related provisions to be weak, ISPO requirements are likely to be strengthened in the months to align more closely with Jokowi's planned moratorium.
- The (MoEF) Directorate General on Environment and Forestry Law Enforcement could help to reduce illegal palm oil development within the Forest Zone. Minister Siti Nurbaya has also indicated she will discontinue processing Forest Zone release permit requests, in line with Jokowi's new policy.
- A newly created Environment and Forestry Case Handling Team comprised of MoEF officials and highly regarded civil society figures will handle cases of land conflict and environmental destruction.
- Jokowi has stated that permits of companies unable to control fires in their concessions will be revoked. Some permits have, and company Directors have been tried, convicted and fined.
- The Ministry of Law and Human Rights launched a Roadmap for Legal Reform on Natural Resources and Environment with special attention on the process of establishing the Forest Zone, issuing agricultural business licenses (HGU), and the rights and responsibilities of communities. The Road Map will recommend legal reform measures to improve the effectiveness and equity of natural resource management.

## 2.4 Palm Oil Industry Response

Alongside governance changes, international campaigns have stimulated a new level of corporate commitment to transform palm oil production practices, fostering an alliance of private sector and civil society actors to end palm oil-driven deforestation. Aspirationally, this has taken sustainability a quantum leap forward, but implementing corporate commitments on the ground has proven extremely difficult, with conflicting government regulations that, for example, oblige companies to avoid impacts on protected species on the one hand but prevent them from retaining forest inside their plantations on the other. Also, the level of commitment to sustainable oil palm is thought to vary considerably among large producers and traders, and even within individual companies.

Most domestic producers in Indonesia, especially medium and small producers and smallholders, do not espouse a sustainability ideology. Smaller firms typically lack the financial and technical resources necessary, and indeed market incentives to reduce their deforestation footprint. They're also less susceptible to global pressure and often use local political connections to minimize enforcement. Certification by ISPO could help ensure some level of sustainability in most plantations, but as mentioned, unaffiliated smallholders with plantations < 25 ha fall outside the requirement. In some regions, these smallholders contribute to deforestation and encroach into state Forest Zone, including protected areas (especially in established palm oil producing regions of Sumatra and Kalimantan). Regulating land use practices of millions of individual farmers is challenging, and is rarely attempted by local governments, due to resource and political considerations.



The Indonesian Chamber of Commerce and Industry (KADIN) and major palm oil companies<sup>18</sup> signed the Indonesia Palm Oil Pledge (IPOP) in December 2014, which included a commitment to eliminating deforestation, peat conversion and human exploitation from palm oil supply chains. The vision and mission of IPOP centered on improving environmental stewardship, strengthening policy and regulations, expanding social benefits, and improving competitiveness of Indonesian palm oil. Its three main work programs were farmer empowerment, land tenure reform, and stakeholder engagement. The IPOP Secretariat became operational in late-2015, and quickly came under fire from some senior government officials and prominent Indonesian businessmen who view the sustainability movement as a threat to Indonesia's economic competitiveness and right to self-government. They accused IPOP of (i) representing 'foreign interests' trying to undermine Indonesia's palm oil industry; (ii) being a threat to Indonesian smallholders and economic development in general; (iii) usurping government authority by establishing sustainability standards that go beyond Indonesian law; and (iv) acting as a cartel. Criticism of IPOP waxed and waned throughout 2015 into 2016, until opposition solidified, with Indonesia's Ministry of Agriculture calling for its dissolution, and Indonesia's Business Competition Supervisory Commission (KPPU) threatening to fine IPOP member companies millions of dollars for violation of anti-collusion laws. IPOP members voted in July 2016 to disband. Opposition to IPOP and its ultimate demise hold important lessons for future palm oil sustainability initiatives, whether focused at national or jurisdiction levels.

Moving on from the IPOP experience, progressive elements of business and government recognize the need to build a domestic constituency for sustainable palm oil, thereby creating market incentives and political pressure to make regulatory changes. Future efforts with similar aims should be Indonesian-led, multi-stakeholder alliances in support of government efforts to improve standards and strengthen access to foreign markets. Civil society and industry groups such as Indonesia's InPOP (Indonesia Palm Oil

<sup>18</sup> The original private sector signatories were Wilmar, GAR, Asian Agri and Cargill. Musim Mas joined later in early 2015, followed by Astra Agro Lestari in mid 2016.

Platform)<sup>19</sup> and the international RSPO are working toward this goal. Attitudes towards sustainable palm oil are likely to shift over time as policy changes and officials are replaced, requiring an on-going effort to take advantage of opportunities in the evolving political landscape. Putting smallholders and communities at the forefront of reform efforts will be an important way to reduce opposition to environmental reforms.

## 2.5 Opportunities and Challenges

The evolving social, political, legal, and business climate for palm oil in Indonesia affords opportunities to support positive change in government and industry, but also presents challenges to fostering change fast enough to reduce deforestation and peat conversion in the near term. Capitalizing on opportunities to reform palm oil will require concerted effort on multiple fronts, combining research, advocacy, on-the-ground pilots, expanded cooperation with private sector, national level policy reform, and especially scaled up experimentation with sub-national jurisdictional programs.

Linked to developments outlined above, and tailored to the theme of this report, the following key opportunities and challenges affecting jurisdictional program success are highlighted. Most of these are discussed in more detail later in the report, where applicable to certain geographies.

- **Land licensing.** Conduct a thorough and transparent review of oil palm concession permits to eliminate illegalities and revoke licenses where justified. The Corruption Eradication Commission has already begun this process, and some national leaders (e.g. Minister Siti Nurbaya) as well as local parliamentary leaders have stated support for this, but broader political and civil society support will be needed to make this successful at scale.
- **Spatial planning – (a) Boundary revisions.** Support local implementation of spatial planning tasks under the leadership of the newly formed Ministry of Agrarian and Spatial Planning (MASP), especially: (i) reclassification of at least 4.1 million ha of the Forest Zone as non-forest land; (ii) issuing land certificates to adat communities; (iii) allocating 9 million ha of land to small farmers; and (iv) accelerating delineation of customary land boundaries.
- **Spatial planning – (b) Law enforcement.** Support local efforts to strengthen law enforcement to punish and prevent forest crimes causing deforestation and fires, including egregious ongoing violations to spatial planning in some regions. A strong mandate for this has come from the President in the wake of 2015 fires, and is being implemented by the MoEF with support of the courts and local administrations, as well as local communities and their leaders. It should be a viable point of entry in select districts in Riau, Jambi, South Sumatra.
- **Spatial Planning – (c) Community land tenure.** Support implementation of the Joint Ministerial Regulation No.79 on Procedures for Settling Land Tenure in the Forest Zone, by forming IP4T teams<sup>20</sup> to register claims, map land parcels, process land claims and issue decisions. These teams are to be formed by District Heads or Governors and include members from relevant district or provincial agencies.
- **Forest Governance – (a) Community based forest management.** Support and accelerate implementation of MOEF's initiative to promote community control over forests, through existing social forestry schemes (e.g. hutan desa), implementation of the Village Law, and official recognition of customary forests (hutan adat). This effort would require cooperative effort by the MoEF, the Ministry of Home Affairs, and local governments, with NGOs providing technical and legal support to communities. It's another entry point for local engagement.
- **Forest Governance – (b) Customary land rights.** Accelerate development of district-level procedures to legally recognize customary lands. This would require leadership by the District

<sup>19</sup> <http://www.inpop.id/en/home/>

<sup>20</sup> <http://tentangtanah.blogspot.com/2013/12/ip4t-iventarisasi-penguasaan-pemilikan.html>

Head and action by the local parliament to draft supporting legislation, which could be expedited by outside assistance with legal drafting and mapping customary territories.

- **Forest Governance – (c) Local authorities.** Accelerate implementation of decentralized landscape forest management models under the FMU (KPH) system, along with promotion of performance standards and design of provincial or national systems of oversight. MoEF must work closely with local governments to create and strengthen FMUs, with NGO and civil society support.
- **Peatlands.** Pilot implementation of mapping, zoning, management, monitoring and protection of peatland hydrological units under Government Regulation No. 71/2014 on peatlands. This will require a collaborative effort of local government with NGO, university, or research institution support, as well as the MOEF and the new Peatland Restoration Agency. Better understanding the feasibility of this entry point in select regions of Riau, South Sumatra, Jambi, and West and Central Kalimantan, where peat lands are extensive, should be a priority.
- **Plantation practices.** The new Plantations law further reduces legal scope for voluntary protection of HCV or HCS set asides within plantations, yet there are clear movements at sub-national levels to create a legal basis for protection through provincial or district regulations. Such efforts are growing, and present entry point for JA engagement and should be supported. The principles of FPIC referenced in the new Plantations law also create opportunity for implementation support at local levels, offering an entry point for social NGO involvement in FPIC oriented JP efforts.
- **Local Governance Reform – (a) Provincial oversight.** Under the new Regional Government Law district heads remain the most important local decision maker affecting where and how much oil palm is planted, managed and monitored, but provincial authorities are granted new powers to oversee and monitor performance of district level officials, including management of the palm oil sector. Supporting engagement with provincial authorities to utilize this authority in support of JP aims could offer an entry point for provincial level engagement, especially in provinces where provincial authorities are under pressure to reduce illegal land conversion and fire impacts (especially in Sumatra and Kalimantan).
- **Local Governance Reform – (b) License, land cover, peat and fires monitoring.** As a means of supporting provincial governments to exercise their new oversight authorities, as well as implementation of Jokowi's policy commitments on preventing further peat land conversion, another entry point for JP engagement at the provincial level could be to support creation of a transparent, public facing, online license registry system, potentially coupled with deforestation or fire monitoring within concession boundaries, especially on peat. This could be linked to the One Map Initiative, especially where it's being trialed at sub-national levels (see Section 5).
- **Local Governance Reform – (c) Jurisdictional performance monitoring.** Building on the above, a more comprehensive monitoring platform could be developed, offering a jurisdictional performance monitoring system that tracks changes in licensing, land use and fires in real time, as well as policy and enforcement developments. This would be a complex task, requiring agreement on what performance indicators to measure and how to measure them, as well as designing the architecture and implementing the system. But it could be a future priority for one or more JP that has secured buy-in from provincial authorities to implement reform commitments.



# 3

## Jurisdictional Approach to Palm Oil Development

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## 3.1 Jurisdictional Approach Characteristics and Rationale

Jurisdictional Approach (JA) programs are designed to achieve outcomes related to forests or other natural resources across the spatial extent of a sub-national administrative jurisdiction, such as a province or district. Jurisdictional Programs (JP) being piloted in Indonesia are typically guided by multi-stakeholder bodies convened by local government or by another party in collaboration with government, with a structure, function and level of formality that varies widely. In theory, one way to launch a JP focused on palm oil would be to coordinate with a large progressive company implementing its supply chain commitments across a target jurisdiction, or a large supply shed within it. Another is to work proactively with local governments committed to REDD+ or Green Growth, offering technical support and facilitation for palm oil development planning consistent with low emissions development. Still a third entry point is to work in support of civil society lead efforts in strategic geographies to promote recognition of customary land rights and community based forest management. While each of these (and others) offer entry points to commence activities around JP themes, achieving meaningful, lasting reductions in deforestation rates over time requires integrating all of these efforts (and more), under a coordinated program with government to ensure project based activities are integrated into government policy, planning, implementation and enforcement. In its most comprehensive form, the JA provides a collaborative forum to achieve programmatic integration across these areas.

The JA is at an early stage of development and trialing in Indonesia and globally.<sup>21</sup> Important prerequisites of JA success, as indicated from early trials and related efforts such as the Landscape Approach, are that key stakeholders must:

1. See a compelling value proposition for participating
2. Have a shared, or at least compatible, vision of desired outcomes
3. Have a motivated, capable, and experienced proponent and/or catalyst organization
4. Agree on institutional mechanisms, decision making, and methods for achieving outcomes
5. Have access to sufficient financial and technical resources, policy support, and time to pursue objectives effectively.

In this section, we describe characteristics of the JA, its relationship to other approaches (e.g., Landscape Approach), and the rationale and options for designing a JP focused on palm oil related deforestation, including possible institutional arrangements and the value propositions of core actors. This is followed in Section 4 by description of a suggested three-phased approach to JP development and implementation; and in Section 5 by short profiles of existing JP and landscape level efforts in Indonesia, and initial lessons drawn from them.

### 3.1.1 What Distinguishes JA from other Landscape Approaches

Landscape approaches (LA) have been applied globally for a wide variety of purposes, typically related to biodiversity conservation or sustainable agriculture. They were developed initially as a means to scale up conventional site based, protected area conservation efforts to encompass adjacent multi-use landscapes and the ecological processes connecting them. Landscape approaches are usually applied in ecologically or hydrologically defined spatial units, typically with an NGO proponent, and guided by a multi-stakeholder body that may or may not include government and industry representatives. The authors of a recent paper (Sayer et al. 2014<sup>22</sup>) conclude that landscape scale programs are effective mechanisms for communication

<sup>21</sup> Brazil is the exception, having successfully applied JAs to dramatically reduce deforestation and improve land governance in two jurisdictions starting in the late 1990s.

<sup>22</sup> Sayer, J et al (2014) Landscape approaches; what are the pre-conditions for success? Sustainability Science 10:345

and coordination among stakeholders, but rarely result in changes in spatial plans, laws, and regulatory procedures needed to ensure long-term land use results and outcomes at the landscape scale. The “supply shed” approach, described in section 3.1.2, could be considered as a special purpose form of the landscape approach, especially in landscapes dominated by palm oil plantations or other commodities.

The JA seeks to overcome weaknesses of the LA to institutionalize changes in land use rules and incentives by working within formal governance frameworks. Institutionalizing change requires the active and committed involvement of government and industry leaders who are in a position to facilitate changes in laws, plans, regulatory procedures, law enforcement and industry practices, especially at sub-national levels. In addition, as key government development partners, leading palm oil companies must also be willing to (a) support changes in basic rules of the game, (b) change their own practices accordingly, and (c) assist smaller firms and smallholders to improve their practices. Working within the boundary of a jurisdiction, rather than an ecologically-defined landscape, is a prerequisite for improving land use governance, as opposed to catalyzing voluntary changes in the practices of individual groups of land users dispersed across the landscape. Yet, it must be recognized that institutionalization of the JA as part of government is therefore necessarily going to be a much longer, more costly, more political, and somewhat less flexible process than a traditional landscape approach, or a private sector led supply chain/supply shed program. Action will happen at a slower pace more typical for government than for private sector or civil society, and bridge building will be fundamental to align the interests and incentives of powerful actors to make real progress. The IPOP experience, described in Section 2, highlights the importance of building communication, support, and understanding among stakeholder groups before taking action that changes the status quo.

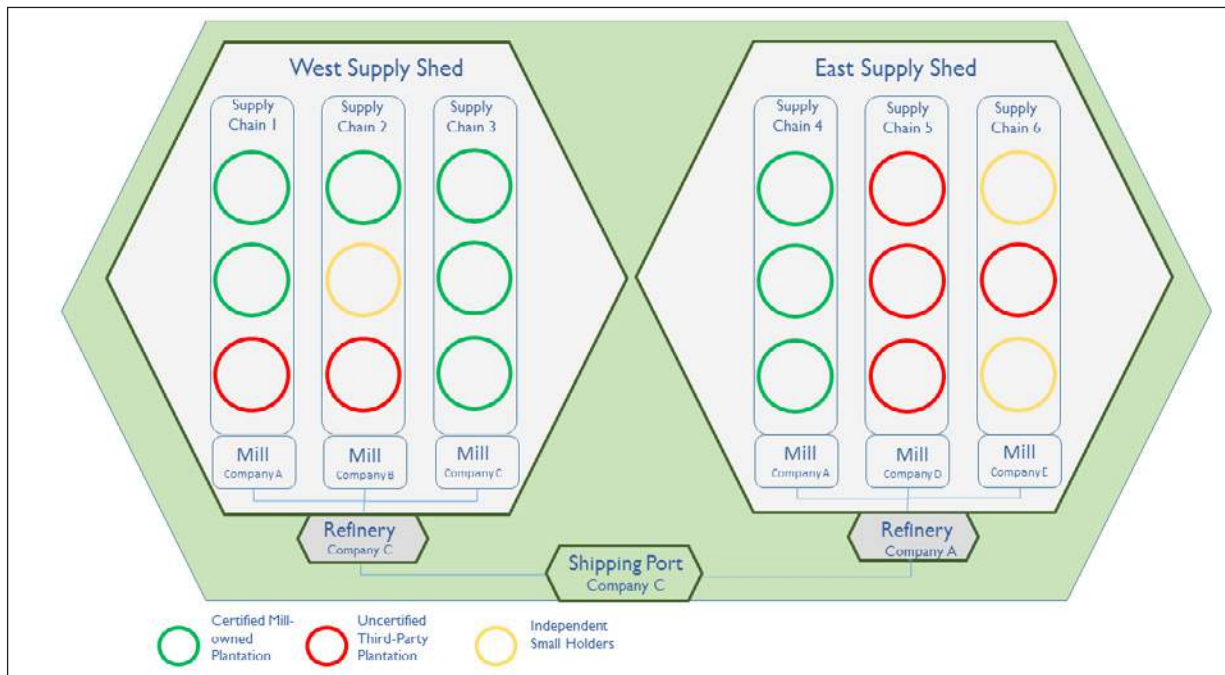
### 3.1.2 Relationship to Supply Chain and Supply Shed Approaches

It's useful to describe the relationship between the JA and emerging Supply Chain or Supply Shed approaches to transformation. In response to market demand from vocal segments of the international palm oil market, a number of prominent palm oil supply chain actors have committed to making their supply chains deforestation free (see section 4.3.1). Achieving this goal will be challenging given that multiple types of producers<sup>23</sup> typically supply fresh fruit bunches (FFB) to mills that supply crude palm oil (CPO) to refineries, shipping ports and manufacturers. Deforestation free supply chains are difficult and costly to maintain because procedures must be in place at every link in the chain to exclude non-compliant products. Procedures must be developed and vigorously followed to trace: (i) FFBs from point of harvest in certified plantations to the mill; (ii) CPO to the refinery; and (iii) refined oil to the shipping point, maintaining strict segregation at every node in the chain. Supply chain monitoring costs can be reduced significantly if all FFB producers selling into a supply chain are verified to be compliant with deforestation criteria. Plantation certification under voluntary schemes such as RSPO or mandatory schemes such as ISPO is an important step to ensure sustainable supply chains, but does not necessarily: (1) guarantee that deforestation and peat conversion criteria meet market demands;<sup>24</sup> (2) prevent mixing of certified CPO with non-compliant oil after it leaves the mill; (3) lead to landscape level forest results;<sup>25</sup> and (4) change the planning and regulatory incentives related to deforestation and peat conversion.

<sup>23</sup> Mills that sell CPO to refineries buy FFB from producers of various types including: certified plantations owned by the refinery operator; certified and uncertified plantations owned by third parties; smallholders working in partnership with a commercial plantation; and independent smallholders.

<sup>24</sup> The several certification schemes currently available for palm oil vary significantly in their forest protection criteria and typically do not require protection of partially degraded forests that retain important biodiversity and carbon values. ISPO does not require the protection of HCV forest.

<sup>25</sup> Large landscapes in palm oil producing regions are typically a mosaic of plantations owned by various types of producers with differing levels of incentive to comply with ZD requirements.



**Figure 3.1 - Spatial Nesting of Plantations, Supply Sheds and Jurisdictions.\***

\* The Jurisdiction is represented as the green polygon, in which refineries, their suppliers (mills) and component plantations/supply base are nested. Mills are depicted as having their own supply chains/ supply base (FFB growers), and the two refineries have their own supply sheds (west and east). Together, these form the supply shed of the port, which sources palm oil from the jurisdiction in question.

**Supply Chain Approaches.** A number of prominent global agri-business brands and large regional palm oil trading firms<sup>26</sup> have made supply chain commitments (SCC) to ensure their supply chains are free of products linked to destruction of high conservation value (HCV), high carbon stock (HCS) or peatland areas. Some of these firms are well-advanced in developing and testing procedures to meet their SCCs, including methods to: (i) identify forests worthy of protection; (ii) monitor the status of these forests in and around all plantations in the supply chain; and (iii) develop methods to trace palm products from harvest, through processing in mills, refineries, and shipping. Some firms report progress towards ZD on ‘dashboards’ that allow public tracking of their efforts on quarterly basis. Satellite images are being used by civil society organizations to monitor forest status, providing a tool for independent verification of forest protection. Ground surveys by civil society to investigate alleged abuse of community rights are also helping to ensure that companies make demonstrable progress on their social commitments as well. Achieving ZD supply chains is a very complex process, requiring an extended transition period during which inflows of non-compliant oil are identified and means are developed to minimize these, and either rectify causes of non-compliance through engagement or to exclude them.

Traceability systems are relatively straightforward to apply to plantations owned by the supply chain operator or by other large, technically advanced companies, but they are very difficult to design and implement for tracking and potentially excluding FFB or CPO from smaller producers, especially smallholders, whose individual plantations cover only a few to 10s of hectares and may be scattered across the landscape. Efforts to eliminate deforestation has encourage the ‘formalization’ of supply chains, with downstream actors developing much closer working relationships with their suppliers in order to encourage, support, and monitor their efforts to meet no deforestation requirements. As supply chain operators focus on building these relationships with their core suppliers, this could affect markets for small commercial plantations and smallholders to sell their fruit, forcing them to sell into non-compliant

<sup>26</sup> Among the prominent global brands committing to ZD in their supply chains are: Nestlé, Kellogg, Hershey and Unilever. Two prominent trading and refining companies who took the ZD pledge are Wilmar and Golden Agri-Resources.

supply chains, thereby eliminating pressure and incentives for them to work toward compliant practices.<sup>27</sup> Initial attempts by some large firms to exclude non-compliant oil from their supply chains caused a major political backlash that contributed to the demise of IPOP.

**Supply Shed Approach.** The supply shed approach differs from the supply chain approach in that it is spatially grounded, requiring that all plantation and mill operators supplying a major supply node (or hub), such as a refinery or shipping port, to work with the facility operator to ensure that all palm oil produced in the region and entering the facility is policy compliant, or at least moving toward that goal. This requires working simultaneously on multiple supply chains to put in place the traceability and monitoring systems described above. A coordinated supply shed approach allows collaborating firms to lower compliance costs through economies of scale derived from coordinated action, shared risk assessment of supplier mills, and combined supply chain audits. In principle, a refinery or port has the buying power to refuse oil from areas known to be problematic for deforestation until the plantations there can prove they are compliant, thereby creating more pressure to improve than one company supply chain could. This is the argument behind proponents of the 'supply shed' approach to supply chain transformation.



A fully compliant supply shed creates significant potential benefits for actors throughout the value chain. It is more efficient for global food brands to buy from a refinery that produces large quantities of no deforestation palm oil rather than having to make multiple purchases, with multiple investigations further up the supply chain to be assured of the source of the oil. This could lower marketing expenses for plantation companies selling into the supply shed and could possibly result in a price premium for their palm oil. Once in place, a ZD supply shed would make it easier for local suppliers to prove compliance with other market demands. The larger spatial scale of the supply shed approach better supports landscape level forest conservation objectives and provides a platform for industry actors to participate in multi-stakeholder landscape or jurisdictional approaches.

### 3.1.3 Benefits and Challenges of the Jurisdictional Approach

The supply shed approach offers the potential to work at landscape scales, but cannot prevent continued production of non-compliant oil by third parties in the same landscape who sell into other supply chains destined for non-discriminating markets. This problem cannot be addressed by large palm oil companies without the active involvement of a government jurisdiction, working with private sector and other stakeholders to use its planning and regulatory authority to control deforestation in a coordinated manner throughout the jurisdiction.<sup>28</sup>

Applying the JA to palm oil could provide important advantages over the supply shed or supply chain approaches, including:

- Ability to plan, make trade-offs, and resolve conflicts within the palm oil sector and between the sector and other land users;

<sup>27</sup> To avoid this, large firms and local governments could provide technical support and other incentives to support smallholders to adopt ZD. See also recent working paper on this topic by Daemeter ([www.daemeter.org](http://www.daemeter.org)).

<sup>28</sup> Local government's ability to bring all producers into compliance with market deforestation demands are undermined somewhat by recent legal revisions that define ISPO certification as voluntary for smallholders and bioenergy producers and the fact that ISPO, like RSPO, does not prohibit deforestation.

- Ability to engage small companies and smallholders who might not be part of major supply chains controlled by large, progressive private sector actors;
- Attracting a broader range of stakeholders than might be possible without government involvement;
- Harnessing the convening, legal, and regulatory powers of local government;
- Potential to align government planning and regulatory procedures with more holistic forest management objectives such as biodiversity conservation and carbon retention, as well as growing market demands for Zero Deforestation palm oil; and
- Ability to apply lessons learned in other jurisdictions.

At the same time, establishing and implementing the JA presents significant challenges, including:

- Creating and maintaining compelling value propositions for key stakeholder groups to ensure their commitment through increasingly more demanding phases of JP development and implementation;
- Building enough mutual understanding and trust among stakeholders for coordination and decision-making to function effectively;
- Forming institutional arrangements for JP management that are binding but flexible, and appropriate for local conditions, enabling adaptation to changing circumstances, and eventual absorption into formal governance institutions;
- Attracting sufficient technical and financial resources;
- Building and maintaining momentum over the extended timeframe typically required to see results of interventions;
- Maintaining continuity during changes in political and bureaucratic leadership;
- Overcoming sector-specific focus of legislation and government institutions to look more inclusively at forest and land use issues;
- Ensuring participation of less powerful stakeholders, especially smallholders, small firms, and communities; and
- Providing space for innovative actions by business and civil society to develop and flourish while the process of JP establishment is underway.

## 3.2 Options for Jurisdictional Program Design

### 3.2.1 Purpose and Scope

A Jurisdictional Program is established to pursue objectives that core participants could not or would not pursue independently and/or that are not yet legally mandated. This study explores application of the JA to reducing palm oil driven deforestation. Going beyond BAU sector governance requires that participants in the JP have the ability to agree upon, develop, coordinate, implement, and monitor actions designed to reduce deforestation. A palm oil JP could be broadened in scope over time to include other sectors or be combined with climate-related initiatives such as REDD+ or Green Growth. A broader JP would potentially achieve economies of scale through sharing resources and incentives, as well as reduced costs of monitoring, but management and decision making complexity would increase with addition of new objectives and stakeholder groups. An extremely important consideration in defining the scope of a JP in Indonesia is that local governments have a broad set of legally mandated responsibilities but limited human and other resources to meet them. This constrains their ability to lead and/or participate in special purpose programs such as JPs to reduce palm oil linked deforestation. JP design should, therefore, strike a balance between scope and government capacity, with the understanding that existing capacity can and should be augmented over time with additional financial and technical resources, likely provided

by the program proponent itself until other sources of secure funding can be found. This is discussed further in section 3.3.

### 3.2.2 Level of Government

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In Indonesia, provinces and districts are the sub-national government authorities that hold the greatest legal authority, access to funding, and in some cases technical capacity to support a JP. These levels of government have the following strengths relative to each other.

#### Provincial Strengths:

- Greater technical capacity, especially compared with newly formed or remote districts;
- Often greater transparency and accountability in governance;
- More diverse economy, less dependent on palm oil;
- More direct relationship with the international community;
- More direct relationship with central government sectoral agencies;
- Greater control over related programs such as REDD+ and Green Growth;
- More likely to match up spatially with (and fully encompass) important supply sheds and/or ecologically defined landscapes; and
- Greater diversity/capacity of nongovernment stakeholders;

#### District Strengths:

- Legal authority to make key land use, licensing and enforcement decisions related to oil palm, and responsibility for most regulatory functions of plantations and mills;
- More limited spatial scale could facilitate faster and less costly problem assessment, planning, and action; and
- Potential for one or more large palm oil company to play a positive role in influencing land use and licensing decisions as well as practices of smaller firms and smallholders.

A JP established at province level would enjoy more 'degrees of freedom' in shaping a program, but would need district cooperation to align licensing and spatial planning decisions with provincial policies. A JP established at district level carries the advantage of working with local authorities that control decision-making, but faces more immediate trade-offs and thus constraints on reform efforts. A nested multi-level approach operating at both levels, such as that required for REDD+ carbon accounting, could produce the greatest impact if both levels coordinated policy and actions. Changes to the regional governance law in 2014 broadened the mandate of provincial authorities to supervise district government, further strengthening the case for a nested approach. Over time, nesting could be taken a step further to include key forest sub-districts or even village (*desa*) level authorities.

### 3.2.3 Convening Authority and Leadership

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We describe three potential models for implementing a palm oil JP, differing in terms of (a) the actor taking a leadership role, and (b) the function of local government leaders and officials in the program. Since a comprehensive, palm oil specific JP has not yet been formally applied in Indonesia, it's not immediately clear how a single sector focus (e.g. compared to cross sectoral approaches of REDD+) might affect the choice of a model. This will become more clear through experimentation.

**Government Convened Model.** This is the most common model for JPs in REDD+ and Green Growth, and in many cases the most desirable in terms of durability and potential impact. Local government takes the leadership role in forming and running a multi-stakeholder body, typically with support and encouragement from a non-governmental proponent. This model makes particular sense if the JP is wholly or partially intended to support development of REDD+<sup>29</sup> governance and monitoring of enabling conditions, or if the program is ultimately intended to embrace a holistic Green Growth paradigm. The government convened model has the obvious advantage of putting government at the center of the action, in theory facilitating coordination and harmonization with government programs, procedures and especially new policies designed to eliminate or reduce deforestation. The major disadvantages are threefold: (1) there is currently no central government law or policy that requires or encourages local government to take on this additional responsibility, beyond its legally mandated duties (which are extensive); (2) there are currently no tangible financial incentives for government leaders to play this role, such as the near-term prospect of payments for carbon credits or other reward payments for responsible land management; and (3) initial experience indicates that a nongovernment proponent is essential to catalyze the formation of a government-run stakeholder body and must actively support its operation for an indefinite time period.

**Proponent Convened Model.** An external proponent, which could be an NGO, donor, or industry actor (or some combination of these), could play the leading role in convening the multi-stakeholder body, although government would still have to be a committed participant for it to function as a true JP. An example of this model would be palm oil companies operating in a province or district joining together to address sector-related deforestation in collaboration with government and other stakeholders. This approach would be most effective if combined with an industry supply chain or supply shed approach. It could potentially make initial progress much more quickly than a government convened body, but would have limited cross-sectoral impact, and potentially greater difficulty in translating policy dialogue into regulatory change. Alternatively, a conservation or governance focused NGO experienced in public sector engagement, with strong links to local government, could convene the multi-stakeholder body, but would need strong buy-in and participation from government and industry to make real progress towards deforestation reduction. Preferably, the body would be at least nominally in the hands of a government actor, sharing leadership responsibilities with the proponent, with the goal of shifting all leadership responsibility to one or more government officials over time.

**Dual Track Model.** Progressive companies are already working in a number of jurisdictions to reduce or eliminate deforestation-related palm oil from their supply chains or have intentions to join with other companies to work to reduce deforestation in shared supply sheds.<sup>30</sup> These industry initiatives could reduce deforestation entering their supply chains in the near to medium term, while working with government and other stakeholders to improve palm oil governance and reform policy to eliminate deforestation in the sector over the longer term, thereby vastly reducing the cost of maintaining clean supply chains.

### 3.3 Key Components of a Jurisdictional Program

As mentioned, a JP is established to pursue objectives that core participants could not or would not pursue independently. Going beyond BAU sector governance requires the ability to develop, coordinate, implement, and monitor actions designed to reduce deforestation and peat conversion. The JP must have its own financial and human resources to reach this level of functionality or be integrated into a government institution that has been augmented with enough additional resources to be able to perform JP management functions. Relying on borrowing already overcommitted resources from government

<sup>29</sup>This model is being used in the Berau Forest Carbon Program (BFCP), the longest running JP in Indonesia, although the multi-stakeholder body has yet to reach planned levels of functionality. See <http://www.cifor.org/redd-case-book/case-reports/indonesia/tncs-initiative-within-berau-forest-carbon-program-east-kalimantan-indonesia/>

<sup>30</sup>For example, company collaboration to develop strategies for coordinated action to eliminate deforestation from their supply chains affecting the Leuser Ecosystem in Aceh.

agencies will not be an effective strategy, and a JP without resources for action runs the risk of becoming a 'talk shop', eventually losing momentum and the engagement of its members.

### 3.3.1 Core Actors and Other Stakeholders

A range of stakeholders outside government would be involved in all JP models, including indigenous communities (whose importance will likely increase over time in Indonesia as provisions of MK35 and the new Village Law are implemented), civil society groups, universities, and perhaps representatives of competing land use industries (especially mining and forestry).

**Government.** The most important decision maker is the head of the jurisdiction (Governor or *Bupati*), who must ultimately endorse and use political capital to support meaningful governance changes. The decisions of these leaders are driven by a complex value proposition within the context of a five-year election cycle (see Section 3.4). The heads of key government departments, especially Plantations (*Disbun*) and Forestry (*Dishut*) agencies, are also key to the governance change process in their dual capacities as advisors to political leaders and implementers of laws and regulations.

**Palm Oil Industry.** Each established palm oil producing district or province has one or more **major palm oil company** that have prominent roles in growing, milling, refining, and transporting/shipping oil. These major producers, processors, and traders have supply chains extending into international markets that increasingly demand deforestation free, no peat, no exploitation palm oil. They therefore have the commercial incentive, as well as the financial and technical resources (and possibly political connections), to act as a core supporter of JP, or even as a co-proponent. **Small to medium sized plantation firms** selling into domestic or non-discriminating international markets have little commercial incentive to participate in a JP unless given some type of financial, ISPO-compliance, or marketing incentive and/or are pressured to do so by a progressive buyer or by government through passage and enforcement of new legal instruments. Finally, **smallholder oil palm growers** are important decision makers in some geographies given their large numbers (e.g., Riau, Jambi, North Sumatra, West Kalimantan, parts of East Kalimantan). As a stakeholder group, they present logistical challenges to engage in a decision-making forum unless represented by well-organized and widely supported cooperatives, farmer groups or farmer organizations (e.g. SPKS).



**Indigenous and Other Forest Communities.** These communities are already important decision makers in the plantation siting and development process (at least in principle), and they will become more important over time as land rights accorded under MK 35 and the new Village Law are better defined.<sup>31</sup> Indigenous communities will not only have a greater say in commercial licensing but also in deciding whether to plant oil palm on their lands. These groups are also increasingly effective at mobilizing organized demonstrations to protest current conditions and demand change or redress for past transgressions, making them increasingly important actors in the post-licensing stages of palm oil governance.

**Civil Society Groups.** These groups can be of considerable importance in palm oil decision making if they represent a politically important constituency group such as indigenous people or smallholder farmers. They can also be effective at holding companies accountable for their policy commitments to sustainability,

<sup>31</sup> See further discussion of this topic in a recent report published by Daemeter on Indonesia's evolving governance framework for palm oil ([www.daemeter.org](http://www.daemeter.org))



e.g. when companies are members of the RSPO and/or have committed to no deforestation. Some national level CSOs have demonstrated capacity to facilitate and provide technical support to the process of improving palm oil and land governance, including assisting in formation of multi-stakeholder platforms and promoting progressive sub-national policy leadership (e.g. FFI and partners in West Kalimantan). International CSOs have been instrumental in creating pressure for change embodied in the responsible sourcing commitments described above; they could also play an important role in future decision making via their influence on private sector.

**Universities and Research Institutions.** Faculty of provincial universities can play an important role in providing technical support, advising local authorities on policy initiatives, as well as lending greater local credibility and visibility to a JP. A notable example is faculty at Universitas Palangkaraya (UNPAR) in Central Kalimantan, which has been a key player in efforts to improve provincial regulations affecting palm oil sustainability, peatlands management and land use aspects of climate change through a variety of channels. National and international research institutions can provide technical insights and specific methodologies for aspects of land assessment and land use monitoring, among other areas.

### 3.3.2 Proponent

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As discussed in section 3.2.3, a proponent organization, which could be an industry actor, donor, or NGO (or some combination of these), could, and typically does, play the leading role in conceptualizing and developing a rationale to form a JP; convincing core actors of the value of the program; obtaining initial funding; and supporting development of preconditions and enabling conditions (described below) for JP development, including some form of multi-stakeholder body. The role of the proponent in later phases of JP development could vary widely from minimal support to remaining the primary force driving the program forward, depending on how strong the value proposition is for political leaders and their readiness to take action. It is important that the proponent have a strategy for reducing its role over time, and eventually exiting the program to ensure long term sustainability.

### 3.3.3 Leader

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JP leadership could be vested in one of the following: the elected leader of the jurisdiction; a senior government official; an industry executive; a representative of the proponent organization; or a committee comprising members of two or more of these. An elected leader brings the most power to the leadership role and can achieve the greatest results if they perceive the value proposition to be compelling enough to commit fully to the program vision and objectives. If a multi-stakeholder forum (MSF) is formed, its structure, decision making processes, and supervisory responsibility depend largely on who leads/convenes the body and the purpose and scope of the JP. We explore this below.

### 3.3.4 Multi-stakeholder Body

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A multi-stakeholder forum provide an extra-governmental mechanism for groups with a stake in palm oil development to discuss issues, set goals and objectives, and design actions to achieve desired results and outcomes<sup>32</sup>. Currently, government and industry actors make decisions that determine palm oil outcomes independently of each other and typically without genuine participation of other actors affected by these decisions. MSF established to support landscape conservation and REDD+ or landscape conservation programs in Indonesia have generally not reached desired levels of functionality and effectiveness,

<sup>32</sup>The Centre for Development Innovation in the Netherlands consider multi-stakeholder processes as “a form of governance – in other words, a way in which a group of people can make decisions and take action for the collective good...”

largely due to insufficient incentives, design flaws, insufficient trust and/or unity of purpose among actors, unbalanced power dynamics, and limited resources. Despite this record, it seems (a) that a multi-stakeholder body of some form has a role to play in an oil palm focused JP, and (b) flexibility of the MSF requires that its form, function and degree of formality be tailored to circumstances specific to a jurisdiction, program participants, and the structure and objectives of the JP. For example, a MSF could be designed to serve one of three purposes, with the possibility (but not necessity) of transitioning from one model (and level of functionality) to the next over time:

- **Communication & Dialogue:** Established early to allow stakeholders to begin talking informally to understand each other's objectives and activities. These could start as periodic round table meetings and gain more structure over time if needed. The proponent could use this forum to communicate information about its own activities, to discuss the value of collaboration, and to seek input for coordinated program design.
- **Coordination:** Stakeholders meet on a regular basis in a semi-structured manner to exchange substantive information about their deforestation reduction activities and coordinate these activities in a non-binding way. Funding and programming decisions continue to be made by individual stakeholders and/or with support of the proponent.
- **Decision making & management:** This type of MSF would be necessary to support a transition to a formal JP, only in situations where no existing government institution is available or willing to play this role. In this type of MSF, the forum's membership, operating rules and powers would be agreed by all parties, including the proponent. The body would likely be responsible for managing program funds and supervising activities, thereby shifting significant control from the proponent to the forum.

In our view, establishment of the MSF itself will not deliver success, nor should pursuit of deforestation reduction efforts be delayed until an MSF is in place. However, the MSF can be extremely valuable as a communications and coordination mechanism, to leverage the impact of multiple, independent project activities, and to manage the risk of stakeholder conflict and/or opposition to reform objectives in which they feel they have no role. Merely establishing an MSF will not bring results – skillful support and management by the proponent is required, and stakeholders must be committed to participate. Further, the design of a MSF<sup>33</sup> to support JP progress may require trade offs among inclusiveness, consensus, and accomplishment. At one end of the spectrum, there is a danger of total capture of the forum by one powerful stakeholder, and at the other, a very inclusive, egalitarian body that accomplishes little.

While the evidence base for MSF delivering program success is relatively weak, the evidence base that poor stakeholder interaction can lead to program failure is very large. We therefore argue that the odds of program success when addressing deforestation at a jurisdictional level, a complex issue involving many actors, are improved by investing in the formation of a functional MSF. When effective, the MSF can create conditions conducive to the development of five functions critical to JP success. These functions are necessary to achieve programmatic integration between public, private and civil society actors, and to institutionalize changes in land use rules and incentives within formal governance frameworks. The five critical functions are:

- **(i) Trust and Cooperation.** JP program success requires different stakeholder groups to cooperate, and cooperation requires building a foundation of trust and constructive attitudes. The MSF helps to build trust among core actors in government, civil society and industry by creating a forum for periodic meeting, discussion and most importantly exploring the contours of multi-stakeholder collaboration in a format tailored to social and cultural norms.

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<sup>33</sup>Brouwer et al (2015) recommend beginning the design process with stakeholder and power analyses as a way to optimize the effectiveness of the MSF by building stakeholder trust and avoiding conflict (The MSP Guide: How to Design and Facilitate Multi-stakeholder Partnerships. Practical Action Publishing. 97pp.)

- **(ii) Stakeholder Buy-in and Management.** JP success requires building a constituency and consolidating a base of support for changes. The MSF can be a venue for achieving this, through building knowledge and broadening the base of supportive stakeholders, thereby facilitating program implementation and shielding JP participants from charges of outside intervention in local affairs. NGOs and community institutions must be actively engaged as part of a JP to ensure wider support and manage the risk of misperceptions leading to local opposition, such as happened with REDD+ projects in numerous places. The MSF also partially insulates the program from shocks inherent to political leadership changes, another critical feature for long-term success.
- **(iii) Program Coordination.** JP success requires coordinating activities led by multiple parties, dispersed across large areas and often operating in isolation. The MSF can provide a work space for designing/coordinating/implementing/monitoring activities to maximize synergies and, in the aggregate, build momentum for catalyzing change. Today's lack of carrots and sticks sufficient to compel local officials to support JP reform objectives increases the importance of this function to build the VP of key stakeholders.
- **(iv) Participation & Accountability.** Once stakeholders commit to coordinating activities, the need to maintain trust and ensure that participants fulfill their commitments to action requires a transparent mechanism for discussion (and possibly decision-making) on program priorities, monitoring and debottlenecking progress, exchanging views on program challenges, and improving accountability, especially for government and business actors. The MSF can be a venue for achieving this, and allows for flexibility in balancing priorities across these objectives. The proponent can also play an important role in creating space for all actors to participate, lessening the risk of powerful individuals wielding unfair influence over the JP.
- **(v) Institutionalizing Change.** Ensuring longevity of the reform measures sought by participants in the JP requires institutionalizing these changes within formal governance structures of provincial and/or district governments, including enacting new regulations. The MSF provides an 'institutional bridge' between (a) externally funded programs/project activities executed by members of the JP, and (b) formal decision makers in government who will determine how/whether reform measures are enacted and maintained.

### 3.3.5 Technical Support Group

Special purpose programs created for management of protected areas, landscapes, and watersheds often include a technical support group to provide technical input to decision-making, manage and monitor action plan implementation, liaise with government agencies and industry groups, build capacity of stakeholder staff, and communicate with secondary stakeholders and external audiences. Such a body would typically be led by a manager/stakeholder liaison officer, supported by key staff possessing complementary technical skills. If the purpose of the JP is deforestation reduction in the palm oil sector, staff and/or program partners will be needed with expertise in geo-spatial information analysis, supply chain mapping, community engagement, law, forest ecology, carbon stock assessment, communications, and in-service training. To manage costs, some staff could be borrowed (seconded) from other organizations, others hired under short-term contract. Some functions and tasks could also be contracted out to universities, NGOs, or consulting firms. The JP should work toward the goal of developing local government capacity to perform these technical and management functions independently as the program becomes institutionalized in the agencies of government.



### 3.3.6 Purpose and Scope Statement

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The purpose and scope statement of a JP established to reduce palm oil related deforestation should define 'sector' and 'forests' and specify the ultimate goal and intermediate objectives with respect to deforestation reduction. The sector may be defined as: (1) only operations of large companies that are core JP members; (2) all commercial plantations; or (3) all segments of the producer market, including small independent farmers. The threshold between forest and non-forest should be defined empirically and in a manner that key stakeholders accept, e.g. based on carbon content, forest condition and/or reliably diagnosed using satellite platforms. Ultimately, agreed upon reference maps depicting forest and peat lands will need to be produced, establishing a baseline and describing methods for monitoring and reporting deforestation. If reduced peat land conservation is a goal of the JP, thresholds of depth and condition should be addressed, again allowing for credible mapping and monitoring.

### 3.3.7 Action Plan

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A well-crafted action plan developed through stakeholder participation is critical for long term success and will require considerable time to formulate. Actions should be prioritized and sequenced; some quick wins with obvious impact and value for building trust among partners should be prioritized to galvanize support of stakeholders and (ideally) the market. Actions will likely fall into four categories differentiated on the basis of whether delivery will be led by: (1) government; (2) industry; (3) JP implementing group; or (4) outside actor, such as a donor or NGO.

### 3.3.8 Funding

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Two kinds of funding would be needed to initiate and sustain a JP. Operational funds are needed for: (1) program start-up and Readiness Phase activities (described below); (2) on a continuing basis to cover core program operational expenses; and (3) to implement the Action Program activities not self-funded by industry, government, or third parties such as NGOs. In most JPs, the proponent would likely provide or arrange for initial operational funding for planning and other readiness activities, with the possibility of additional donor or incentive funding once the full program is up and running and progress becomes evident. Incentive funds might be pledged by downstream supply chain actors, third parties, or central government entities, such as the Ministry of Finance or a national REDD+ Fund, to reward JP performance with respect to deforestation reduction or other specified targets, but these would not be disbursed until pre-defined actions are taken and/or results are achieved.<sup>34</sup> Ideally, the need for operational funding would be steadily reduced over time as program results become institutionalized within government and/or new institutions are formed. In a best-case scenario, the JP would eventually be funded through a well-designed and transparent system of performance payments.

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<sup>34</sup> Initial experience with REDD+ indicates that ground rules and procedures for allocation and disbursement of incentive funds must be carefully designed to work efficiently and avoid creating tension among recipients. Such funds are typically held in a trust account administered by a board.

## 3.4 Stakeholder Value Proposition for Participation, Commitment, and Action

### 3.4.1 Stakeholder Perspectives on the JA Value Proposition

From the point of view of key government and private sector actors, the JA could provide multiple benefits and rewards, but it also entails significant costs and risk. Each actor must eventually believe that potential benefits to them outweigh the costs and risks, making their overall value proposition (VP) to join a positive one. The JP value propositions of core actors are affected by external factors such as requirements of law, effectiveness of enforcement, and market demands, as well as incentives created by the JP itself. The latter might include prestige, political gain, preferential investment or sourcing, faster resolution of spatial planning conflicts, approval for on-granting via central government, donor funding or performance based non-tax incentives (e.g., fiscal transfers) from central government, REDD+, or downstream supply chain actors. VP decision factors for political leaders likely fall into the categories of governance/fiscal, politics, and personal (see Table 3.1), while for large palm oil companies core VP categories would be operations/financial, external relations, and reputation and marketing (see Table 3.2).

Conceptually and functionally, integrated government policies and related enforcement that provide carrots and sticks to reduce deforestation, such as those developed in Brazil in the 1990s and 2000s, would provide a powerful enabling condition for JP establishment by shifting the VP of all parties toward sustainability. In Indonesia, financial carrots and legal sticks are not sufficiently strong at present to motivate local political leaders to change their attitudes and behavior towards forest management. Both political leaders and the industry would react favorably if participation in a JP provided greater clarity about which land is available for development, although this in itself would not create the kind of shift in thinking that would be needed to pursue zero deforestation as a policy and practical goal. For instance, a JP that facilitated local government to access deforested land within the Forest Zone (currently unavailable for agriculture), or more generally to clarify which land is actually available for plantation development by reconciling conflicting spatial plans and cancelling undeveloped plantation licenses held by speculators, would be favorably received by government and private sector. Closely related to this would be improved clarity around legality of third party FFB suppliers, especially smallholders, an issue of growing concern among large progressive companies. Two related legal impediments to progress on these fronts are that: (i) the spatial plans of key forest provinces have not been finalized, largely because the boundaries of the national Forest Zone remain contested between MoEF and local government; and (ii) indigenous land rights, granted in theory but not yet in practice, will require further adjustment of the Forest Zone boundary going forward.



Legal, political, societal factors and especially market demands are evolving rapidly (see Section 2), making it difficult to predict how the external factors shaping VPs might change over even short time periods. This highlights the need for JP proponents to be adaptive and responsive to new opportunities for building and cementing the VP in the light of changing circumstances, which largely depends on continuous analysis of the changing VPs of each actor group at each stage, and application of that information to develop the best strategy for obtaining and then deepening support throughout subsequent phases (from participation to commitment to action).

### 3.4.2 Core Actors and Stakeholders Value Proposition

**Jurisdiction Political Leaders.** The Bupati faces the most complex value proposition calculation, involving multiple variables including fiscal impacts, administrative costs, economic growth, satisfaction of multiple constituency groups, personal gain (or that of family) and political career aspirations. Their own constituents and supporters are unlikely to see zero deforestation as an important political issue compared with business objectives and broader economic growth. Political supporters in the business community may perceive a JP as a threat to their interests by bringing unwanted transparency to land governance. Balanced against these negative factors, participating in a JP could raise a leader's profile nationally should they aspire to hold national office, attract private sector investment, and offer some legal protection as governance accountability and transparency rise. Realizing these positive effects would depend on being able to objectively measure and publicize the relative performance of jurisdictions. A system for monitoring and scoring jurisdiction performance towards eliminating deforestation would help markedly to strengthen incentives for all parties to work diligently toward positive scoring against performance criteria, and eventually achieving results. This would be especially true if higher levels of performance were rewarded financially and/or through positive publicity, future investment, preferential palm oil sourcing, or access to capital.<sup>35</sup> Our interviews at district level indicate that District Heads currently have a neutral or negative attitude towards palm oil sustainability, which would have to be improved to raise their VP.

Provincial **Governors** will likely have a more positive JP value proposition than their district heads. Provinces have a larger land area to derive development benefits from as well as a more diverse economy, providing governors more flexibility in balancing development against sustainability throughout their jurisdiction. Specifically, governors have been given forest management authority under the revised Regional Government Law, making it easier for them to balance the use of forests in different land classifications. The political and financial costs of running a JP would also be proportionately smaller at provincial level, with governors having larger staffs and budgets and broader political constituencies, including progressive elements inside and outside the business community. Governors can also more easily attract national attention than a *Bupati* and may be more interested in rising to national level politics.

Financial considerations related to a JP are complex and uncertain at both levels of government, especially trade-offs faced by political leaders among personal gain, public finances, and economic development. Leaders would certainly experience an erosion of rent seeking opportunities in a JP that involves more participative decision-making and transparent licensing. Losses in personal income would have to be weighed against uncertainty over whether performance or results-based payments, on-granting, or budget enhancements may eventually be forthcoming (experience to date with REDD+ may lead most *Bupati* to discount these payments in their calculations). Market demands reflected in the ever-growing list of companies making SCCs could confer a competitive advantage to jurisdictions that facilitate compliance through joint government/industry action, potentially attracting greater investment in the jurisdiction, especially as the industry moves away from plantation expansion and towards intensification and value added processing. Potential for these private sector based elements of a VP to materialize would seem a critical area



<sup>35</sup> See, e.g., a framework for territorial performance tracking, proposed by Nepstad et al. (2013). The RSPO and partners are also exploring this subject, as are the Voluntary Carbon Standard (VCS) group.

to explore in JP planning, and possibly informing selection of priority geographies based on current and future investments of progressive actors, and locations of their key supply sheds.

The promise of donor or international NGO funding and technical assistance to establish and run the JP could be an important consideration in a political leader's initial decision to support JP establishment, but would not likely be a deciding factor in committing to subsequent phases of development and implementation. Early evidence in Indonesia indicates that the few progressive governors and *Bupati* who have agreed to allow and/or participate in a JP related to REDD+ have generally stopped short of using political capital and taking political risks to use these initiatives as platforms for making hard decisions about land use. We believe that most jurisdiction leaders would see JP development as a multi-phase process, with each phase having a different value proposition as described below in Section 4. Simply agreeing to establish a JP can bring reputational benefits at little cost, with no real commitment *per se* to using the JP to seriously address complex deforestation issues. New laws and initiatives related to land, especially peat land restoration and protection and forests, are likely to alter the value proposition over the next year or two. Serious corruption eradication efforts focused on rent seeking behavior by local political leaders in allocation of land use permits could provide an incentive to support a JP as a means to introduce (and showcase) transparency into the process. Three key incentives that need to come from national level are increased monitoring of land use permits, increased deforestation monitoring, and a fiscal incentive mechanism for reduced deforestation. The Corruption Eradication Commission (KPK) has already launched a review of plantation permits covering 24 provinces in 2015, paralleling an ongoing effort for mining permits.



**Table 3.1 - Jurisdictional Approach Value Proposition for Political Leaders.**

Decision Factor Category	Potential Reward	Risk
<b>Governance</b>		
Administrative and operational costs	Donor funding results in net positive finances.	Outside funding not sufficient to cover costs or ends prematurely.
Legal/regulatory compliance	JP provides efficient mechanism for legal compliance.	Transparency created by MSF makes regulatory failures difficult to conceal, thereby reducing rent-seeking opportunities.
Government revenues	Payments for performance	Payments for performance do not materialize or are meagre compared with compliance costs.
Government planning and regulatory capacity	JP resources, planning tools, and tech support improve agency capacity.	Government agencies are not integrated into JP implementation and receive little benefit. Rent seeking not reduced.
Land use planning reform	Forest Estate boundary is rationalized, the spatial plan is finalized, and degraded land becomes available for development.	JP unable to assist in breaking the current deadlock over land allocation.
Stakeholder relations, participation, and transparency	Conflicts are resolved and trade-offs made after an initial period of confrontation. Civil society accusations subsequently decrease	JP fails to become a functional decision-making forum. Cost of handling conflicts and other stakeholder input proves to be much higher than anticipated, government investment in the process too low, and thus the process fails to solve issues and instead generates acrimony rather than positive change
<b>Politics</b>		
Local reputation	JP seen by key constituents as supporting local development.	JP either does not gain political visibility or is seen as impeding development.
Next Election Cycle	JP is positive or neutral in terms of attracting votes.	JP results in loss of votes or campaign financial support.
Political power	The power of the governor or Bupati is enhanced through use of JP to tackle difficult issues.	The leader loses power by being forced to compromise with other stakeholders.



Decision Factor Category	Potential Reward	Risk
National reputation	Local JP leadership is recognized nationally through efforts of the media; civil society; central government; or the palm oil industry.	Local JP leadership does not rise to a national audience.
Alignment with progressive national government players	High profile national players politically align with the local leader and support the jurisdiction.	Private backlash against JP leader by national political player aligned with business interests which are experiencing difficulties because of JP
Market access and industry attractiveness	Jurisdiction becomes preferred sourcing area for discriminating markets and becomes more attractive to progressive companies.	Market does not recognize improvements and/or does not reward them. Progressive companies look elsewhere to expand.
Personal		
Political career aspirations	Career is boosted locally and/or opens a path for national office.	Political reputation is harmed locally.
Illegal profit from BAU palm oil licensing practices.	JP either does not affect rent seeking or opens a path to transition to legal profits for JP leader and associates.	JP reduces or eliminates opportunities for illegal profit and does not provide alternatives.

**Other Local Government Officials.** The cooperation and support of the heads of the *Disbun*, *Dishut*, *Bappeda* (the Plantations, Forestry, and Planning agencies, respectively) would be critical for JP establishment and future effectiveness because of their authority with respect to land use decisions and the fact that their careers tend to cover longer time periods than elected leaders. These officials might see the establishment of a JP as a threat to their authority, because of its potential to change the *status quo* with respect to land use decision-making by shifting power among stakeholders and introducing new decision-making criteria. They could also take the opposite view and anticipate that a successful JP could make land use decision making more transparent and predictable, lowering risks of corruption charges and/or allegations of illegality. Discussions with *Disbun* heads in candidate jurisdictions indicate that most would welcome a JP that provides a mechanism to resolve land-related conflicts. Both they and *Bappeda* heads would favor an institution that facilitates enforcement. Local officials may need concrete incentives or assurances before making real commitments to take action. Conversely, in some jurisdictions leaders of these technical agencies might be more readily persuaded to support a JP than a *Bupati*, given local political economic conditions and patronage networks of a particular leader.<sup>36</sup>

**National Government Officials.** The public criticism of IPOP that eventually led to its dissolution revealed that some senior national officials, especially those charged with agriculture and economic development, are opposed to action perceived to impede growth of the palm oil sector. However, President Jokowi and top officials in ministries such as MoEF are clearly more supportive. We believe that JAs directed at district levels could make progress without attracting strong national level criticism, especially where the

<sup>36</sup>This would be an important area for local study in the Readiness Phase of JP planning.

base of local support is broad. In fact, where direct links can be established to priority programs of the Peatland Restoration Agency and the Jokowi administration, sub-national JAs could draw strong positive attention from central government. This will both increase perceived reputational and possibly other benefits to local authorities and reduce the likelihood of opposition by elements of central government critical of no deforestation commitments.

**Large Palm Oil and Agribusiness Companies.** These actors highly value their brand reputation and would likely see participation in a JP as a very public way to demonstrate their commitment to support industry transformation at a scale that directly supports their own commitments to deforestation free palm oil. Major palm oil actors working in a jurisdiction could pressure (or at least encourage) a reluctant local government to reduce deforestation using the JP as a forum to do so, potentially avoiding criticism for taking unilateral action against non-compliant producers. They are likely to perceive a positive value proposition on the basis of reputation alone, and secondarily in the expectation that if the JP succeeds, this will support their own work on responsible sourcing. Palm oil companies can potentially realize financial benefit in the forms of: (1) facilitated access to preferred markets; (2) reduced costs of compliance with voluntary certification schemes and/or establishing ZD supply chains; and (3) reduction in cost of regulatory compliance (as well as ability to influence the nature of future regulation via the MSF). Easing of regulatory burdens or direct cost reductions are added benefits that would be uncertain at the time of initial commitment, but represent a future potential benefit to stress and work toward. Large firms would be especially responsive to streamlining and rationalizing licensing and regulatory requirements, especially if this resulted in reducing illegal licensing of unscrupulous operators and reduction of smallholder encroachment on public lands. Companies would also welcome regulatory changes that would clarify: (i) their responsibilities with respect to communities and facilitate community relations; (ii) legality of third party sourcing; and (iii) company rights and responsibilities with respect to setting aside and protecting forests within their plantations. The major risks for them would be that participation in the JP would: slow their own efforts to clean up their supply chains; in some way delay or complicate the plantation licensing and development process; or open them up to an increase in opportunistic claims from communities and 'conflict entrepreneurs.'



**Table 3.2 - Jurisdictional Approach Value Proposition for Palm Oil Companies.**

Decision Factor	Potential Reward	Risk
<b>Operations</b>		
Land for plantation expansion	JP makes degraded land more available and acquisition costs do not rise from current levels	Plantation land becomes more difficult to acquire or more costly.
Regulatory compliance	Compliance becomes more straightforward and/or outcomes more predictable	Additional procedures are introduced that are more costly to comply with and/or their results are unpredictable
Certified product flows in supply chain	Flows of certified products increase through coordinated efforts to reduce deforestation.	Actions by the JP complicate private sector efforts to ensure supplier compliance and/or segregate non-compliant products.
Commercial infrastructure expansion	Mills and roads become easier to plan and license after agreement on jurisdiction-wide sector development.	Infrastructure development becomes 'frozen' during lengthy deliberations on sector development.
Financial reward for performance	Efforts to avoid deforestation are rewarded in a predictable way.	System of financial rewards is either not established or is not predictable.
Influence on government palm oil decisions	Being a key player in the MSF provides greater opportunity for influencing decisions.	The JP restricts informal industry access to key government decision makers without providing an guaranteed alternative means of influence.
Speed of results	JP moves rapidly to lay groundwork for addressing deforestation	Process of forming MSF and creating enabling conditions is much slower than market expectations (years rather than months).
Predictability of results	Decisions and actions of the JP are in line with initial agreements and actions are implemented in a predictable way, magnifying the impact of our own actions.	MSF does not work as intended; government leaders use it to make unpredictable and often counter-productive decisions that embarrass other stakeholders.

Decision Factor	Potential Reward	Risk
<b>External relations</b>		
Palm oil industry actors	JP provides a platform for greater industry collaboration.	JP creates obstacles to business-based collaboration such as supply sheds.
Civil society relations	JP transforms adversarial relations into productive problem solving relations between business and civil society.	Civil society groups use the JP as a platform to make opportunistic attacks on industry rather than using the forum to discuss real grievances.
Forest community relations	The JP provides a forum to negotiate land and other disputes and could eventually create an institutionalized process for community/company interactions and conflict management.	Community groups use the JP to make opportunistic attacks on industry with the intent of forcing concession rather than engaging in honest dialogue.
Relations with other sectors	The JP provides a forum to negotiate land disputes and coordinate deforestation reduction actions.	The JP engages other sectors in a way that raises rather than lowers barriers to collaboration.
<b>Reputation &amp; Marketing</b>		
Certification and SCC compliance	The JP achieves reforms in spatial planning and licensing that facilitate compliance with voluntary measures.	The JP creates short to mid-term uncertainty about land use that complicates compliance efforts.
Brand image and product demand	Participation in the JP, combined with voluntary efforts, enhances brand image in discriminating markets and results in greater market share for the company.	The JP takes controversial actions or exposes poor practices by companies, attracting negative publicity that hurts the brand image of participating companies.
Stature in industry	Participating companies are recognized industry-wide for taking aggressive action to initiate or support a JP.	Industry is skeptical of the JA and privately criticize companies participating in it.

**Small and Medium Firms.** These groups may be initially distrustful of a JP, as they might fear it would usher in a tighter regulatory environment that would disadvantage them with respect to large companies that have made SCCs. For such firms, their initial VP for joining a JP could be very weak if not negative. The political power of such producers was evident in their vocal and effective opposition to IPOP. Both local government and the larger companies would likely have to provide assurances that smaller operators would be afforded legal protection (at least with respect to legal plantations), and to pledge technical support and possibly guarantee access to a market for their fruit. The participation of these groups would be very important because deforestation that is eliminated from large company operations could easily be displaced to these segments of the industry.

**Smallholder Farmers.** Smallholder farmers are extremely heterogeneous in their organizational models, roles played in the local supply chain, access to finance and impacts on the environment.<sup>37</sup> The VP for farmers would likely vary accordingly, and must therefore be given careful consideration during JP development stages of the JP. Activities that might create a positive VP under a farmer friendly JP include support for land registration and formal title, farmer extension and support programs, institutional capacity building, facilitating access to credit, and increased legal certainty. Conversely, perceptions that JP success could put smallholders at risk by strengthening law enforcement, increasing the likelihood of future tax liabilities, and prevent opening new farms in forested area would contribute to a negative VP.

**Forest Communities.** The VP for forest communities would likely revolve around the potential to clarify and recognize their land rights more quickly by participating in the JP. An NGO may be needed to explain the benefits and possible costs of participation and to facilitate forest communities' involvement in decision-making. Given the rapidly evolving nature of legal mechanisms designed to implement MK 35 and the community land rights provisions of the Village Law, predicting how forest communities might calculate their initial VP for JP participation is difficult. It is likely to change in the next one to two years as it becomes more clear what communities might gain or lose from governance improvements concerning land tenure and their forest use options. Livelihood impacts of the JP would also have to be neutral or positive, supporting profitable palm oil or other alternatives to offset deforestation restrictions.

**Civil Society.** Civil society groups would generally see a positive VP in being part a decision making forum with powerful decision makers, although it is likely that for key decisions impacting the VP of government and business, they would play a secondary, less powerful role compared with other core actors. A possible exception would be a province with robust civil society groups capable of independently monitoring legal compliance and JP implementation, and/or customary institutions with political influence (e.g., where these groups are allies of important political leaders).

**Other Industrial Land Using Sectors.** Larger players in the mining and forestry sectors would no doubt see value in observing (though not necessarily supporting) activities of a JP focused on palm oil as its decisions could potentially influence future land use decisions affecting them. They may see more active participation as a means to improve their reputations in their own markets, or to shape outcomes. Smaller players would probably not have the resources to participate and may see a JP as a threat to their ability to access land.

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<sup>37</sup> See [www.daemeter.org](http://www.daemeter.org) for a recent series of Working Papers on smallholder oil palm farmers in Indonesia.

# 4

## Strategic Planning and Development

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The broad goal of a JP centered on palm oil, as we see it, is to create and formalize a framework of incentives, policies, laws, and practice for (a) reducing palm oil driven deforestation and peat land conversion rates below BAU levels, and eventually to or approaching zero, while (b) achieving social<sup>38</sup> and economic<sup>39</sup> co-benefits that complement the primary goal of deforestation reduction and peat land conservation. JPs designed to achieve these ambitious goals are necessarily complex because they require multiple stakeholders to work collaboratively in innovative ways to address difficult issues grounded in law, politics, governance, culture, and business. Such a complex initiative must be sub-divided into manageable, component pieces to have realistic chances of success. It must also be viewed as a multi-year process, requiring significant upfront investment in time, resources and personnel, without guarantees of successfully creating a formal, comprehensive JP (see discussion of success in Section 4.3.4).

This section provides a brief overview of the activities we consider integral to jurisdiction selection and JP planning, preparation, development and implementation. For convenience, we group the activities into three phases:

- **Phase 1.** Assessment and Scenario Development
- **Phase 2.** Readiness
- **Phase 3.** Development and Implementation

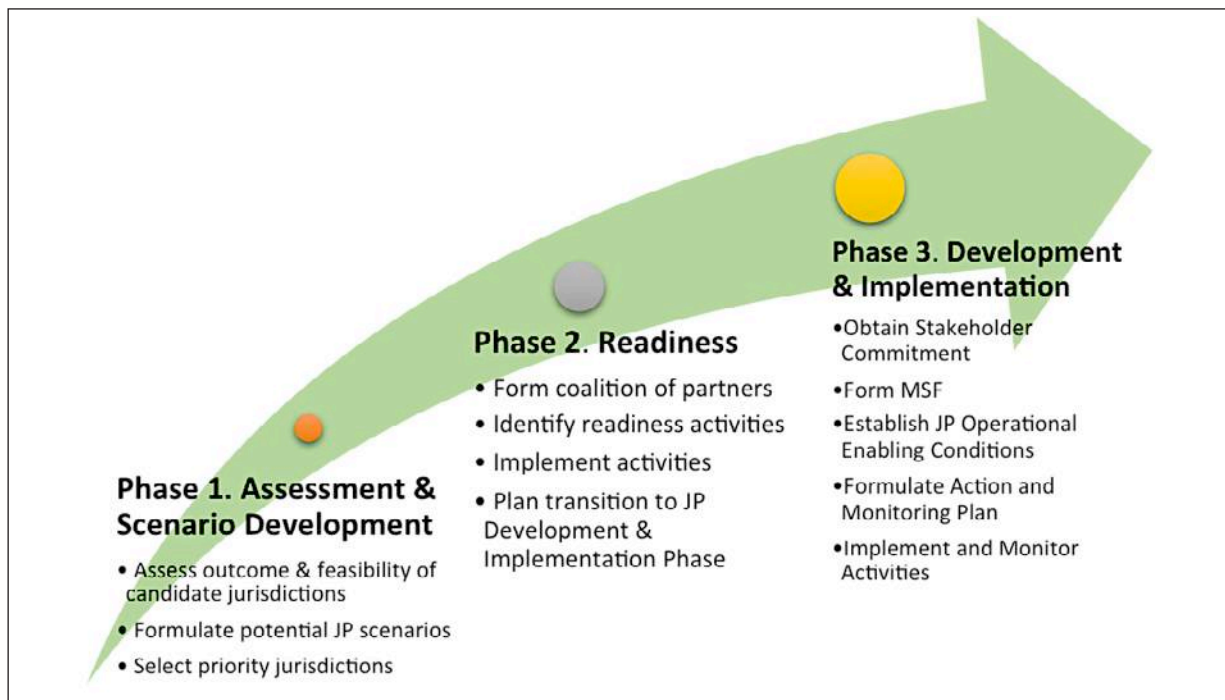
The major tasks associated with each phase are depicted in Figure 4.1. The purpose of the *Assessment Phase* is to select the most promising jurisdictions from among a list of candidates and formulate one or more potential JP development scenarios for each. The goal of the *Readiness Phase* is to put in JP *pre-conditions* for launching a viable program and to work towards establishing *enabling conditions* required for long-term success (explained below). In the *Development and Implementation Phase*, the program would obtain stakeholder commitment, form the MSF, formulate an Action and Monitoring Plan, and implement JP activities at scale. Obviously, such phasing is not a rigid, one-size-fits-all sequencing that must be followed by all JPs in all places. Rather, we present it as a working model for how programming could be developed and rolled out over time, with later stages of activity and investment dependent on preceding stages of success and achievement.

One important finding of our preliminary assessment of jurisdictions is that current conditions in the provinces and districts reviewed are not conducive to initiating, in the near term, a comprehensive *Development and Implementation Phase* of a formal JP. Instead, we believe a *Readiness Phase* will be required first, during which existing initiatives that could support JP development in the jurisdiction of interest are strengthened and expanded, or new initiatives begun, that contribute to meeting what we refer to as the *preconditions* and *enabling conditions* of a successful JP (defined below in section 4.1.1).

The *Assessment and Scenario Development Phase* of a JP could be completed in months, while the *Readiness* and *Development & Implementation* phases are multi-year activities, depending on: (i) how legal and financial incentives develop over time; (ii) opportunities and challenges in a given jurisdiction; (iii) commitment of core stakeholders; (iv) available financial, technical, and management resources; and (v) the nature of JP objectives. In the following sections, we describe each of these phases in more detail.

<sup>38</sup> Examples of social co-benefits are support to: smallholder farmers through technical and marketing support and strengthening land tenure; and communities through recognition of customary land rights and land-related conflict resolution.

<sup>39</sup> An example of an economic co-benefit is the attraction of more responsible palm oil investment to jurisdictions with successful JPs, especially downstream processors.



**Figure 4.1 - Suggested JP phases and key tasks to achieve in each phase.**

## 4.1 Assessment and Scenario Development

The goal of this phase is to identify provinces and districts that are promising candidates for a JP. This is achieved by assessing their suitability against multiple criteria, then developing a short list of the most suitable jurisdictions, along with or more scenarios for initiating (or expanding) readiness activities with potential to create the *enabling conditions* needed to justify investment in formal JP development. In this scoping study, we carried out a preliminary assessment and prioritization of 23 candidate provinces in Indonesia (summarized briefly in Section 6).

### 4.1.1 Jurisdiction Assessment

Assess Opportunities and Challenges (O&C) for JP development of each jurisdiction along multiple dimensions, including: (a) forest and peat land at risk; (b) current status and future trends of the palm oil industry; (c) political and socioeconomic conditions (especially political economy of land use); (d) occurrence of other landscape level initiatives, especially REDD+ and/or Green Growth oriented programs, and (e) scope for developing JP preconditions and enabling conditions.

Certain Preconditions must be met before commencing with development of a comprehensive JP. Consequently, judging the feasibility of meeting these preconditions in the future would be one aim of the assessment process. Example preconditions include:

- A sufficient level of mutual understanding and trust among core actors to work together;
- One or more multi-stakeholder initiatives upon which a MSF for the JP could be built (this could be pre-existing or feasibly developed as an early activity);
- At least a moderate level of involvement of government (Bupati, technical agencies, or both) in readiness activities, building a foundation for active government participation in the Development Phase;
- Reaching the point where core actors are prepared to make specific commitments regarding jurisdiction-wide deforestation reduction and their role in the effort; and



- Sufficient near and medium term funding to carry Readiness activities into JP establishment and development activities.

In addition, certain Enabling Conditions are needed for a JP to be effective, and the apparent feasibility for achieving these in the Readiness Phase could also be considered in comparing jurisdictions during the Assessment Phase. Examples include:

- Forest cover monitoring system;
- Public-facing land governance performance reporting system;
- Approved spatial plan;
- Political will and capacity to revise the spatial plan in support of Green Growth (if needed); and
- Substantial presence of one or more large companies with a SCC.

A third set of factors worthy of consideration is the presence and strength of **current initiatives or project activities** in a jurisdiction that could support JP objectives, that hold potential to help build preconditions and enabling conditions, and that could be incorporated into a JP over time. Examples include:

- Industry supply shed or supply chain programs;
- Sustainability initiatives, e.g. smallholder mapping or traceability pilots;
- Robust CSOs willing and able to work on monitoring or capacity building in the sector;
- Landscape level High Conservation Value or High Carbon Stock mapping projects;
- High profile conservation or cultural heritage site(s) placed at risk by palm oil development that rally formation of a landscape conservation initiative;
- System for recognizing and demarcating customary land;
- Land conflict grievance reporting mechanism;
- A local regulation (Perda) regarding palm oil industry performance standards; or
- A REDD+ or Green Growth initiative.

The most promising jurisdictions would be prioritized for experimentation based on their O&C profiles, which could be very dissimilar, offering different opportunities for JP scenario development and JP design. For example, one jurisdiction might have a well-developed and expanding palm oil sector with several firms working to clean up their supply chains (e.g. Ketapang district in West Kalimantan), while another might be early in the palm oil development process, with limited supply chain efforts, but with capable civil society groups doing work contributing to the enabling conditions for JP development (e.g. Berau district in East Kalimantan). Based on the jurisdiction assessments and follow-up information gathered for candidate jurisdictions, one or more scenarios should then be identified to identify entry point for activity that could help build over time the preconditions and enabling conditions required for a fully functional JP.

#### 4.1.2 Scenario Development

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Multiple scenarios might be pursued in a jurisdiction in the expectation they will eventually merge, or at least one will over time provide a foundation for building out the JP. A scenario could be built around one or more on-going initiatives, such as: an industry-driven supply chain/supply shed program; an NGO-driven landscape conservation program; or a newly established Forest Management Unit (KPH). The proponent would work to coordinate project activities by other actors and facilitate their incorporation into the scenario as a means of building a critical mass of activities and stakeholders around the JP concept. Related activities might already be underway in a target jurisdiction, requiring more development to reach a threshold of effectiveness, or may be in incipient stages, requiring encouragement and support to grow. Multiple alternative pathways and end points might be envisaged for each JP scenario (e.g. developing options for either government or a proponent-convened JP, with different technical scope or MSF configurations).

### 4.1.3 Needs Assessment

Each potential scenario may have limitations in providing a foundation for comprehensive JP development. A first step in pursuing a scenario would, therefore, be to identify weaknesses that must be addressed to achieve pre-conditions and enabling conditions, and to reach a level of functionality required to transition from the Readiness to Development and Implementation Phases of a JP. Needs are likely to fall into the categories of: (i) stakeholder capacity, knowledge, and attitudes; (ii) value proposition for deviating from BAU; and (iii) technical and financial resources to achieve the goals. At the needs assessment stage, it's also important to identify actor(s) in the best position to meet each need. For example, the JP proponent may be able to provide technical and financial support directly or through partners, while some needs would require other actors (e.g. industry actors for strengthening commitments; local NGOs to work on community empowerment; central government for legal or policy changes; a consortium of NGOs to develop a forest monitoring system).

## 4.2 Readiness Phase

JP development must begin with a Readiness Phase during which a proponent, working with core partners and supporting actors, would support or initiate activities designed to meet preconditions and create enabling conditions for a successful program. Commencing a pilot JP with a structured Readiness Phase carries the advantage of achieving concrete results on important issues while enabling conditions for the JP are being developed, thereby creating a legacy of practical accomplishments<sup>40</sup> even if the JP fails to become fully functional. The Readiness Phase aims not only to establish JP preconditions and enabling conditions, but also to achieve rapid deforestation reduction results through coordinating on-going efforts by other actors and by supporting new activities that could have a near-term impact on deforestation. Any possibility of achieving deforestation reduction should be pursued alongside (and should not be considered secondary to) longer-term JP development goals, given urgency of the situation and uncertainty of future incentives.

### 4.2.1 Readiness Activity Types

Once a jurisdiction is chosen for JP readiness investments, activities should be selected based on their likelihood to strengthen weaknesses and fill voids related to preconditions and enabling conditions identified in jurisdiction assessments. Much of the effort related to preconditions would be devoted to engaging government and other stakeholders and creating or strengthening some form of collaborative decision-making body as a means of building stakeholder trust and confidence, and ultimately to form a conceptual or actual basis for the MSF of the JP. Activities related to enabling conditions might include:

- Support efforts to finalize the Forest Zone boundaries and rationalize the spatial plan;
- Work with partners to develop a real-time deforestation monitoring system;
- Support improvements in law enforcement related to deforestation;
- Support smallholder mapping, tenure regularization and productivity enhancements;
- Seek ways to reward local government action to reduce deforestation;
- Encourage and support a plantation license review; and
- Contribute to efforts for regional governments to reduce deforestation.

<sup>40</sup> For example, a forest monitoring system or grievance filing clearinghouse

## 4.2.2 Readiness Phase Strategic Planning and Implementation

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A strategic plan must be developed to guide the proponent and its core partners during the readiness phase, specifying a vision, objectives, milestones, timelines, methods, and resource requirements. Partners joining the proponent in this initial planning effort may include proponents of relevant industry or NGO initiatives and possibly other stakeholders who are likely to become core members of a future JP. This initial planning group should be relatively small and its structure simple and flexible to allow it to complete a strategic plan as quickly as possible. The proponent may wish to take the lead role in setting objectives, selecting scenarios and activities to be supported, and designing (informal) governance and monitoring for readiness activity implementation. The proponent works with core members to design and implement readiness activities in accordance with the plan. Organizations being supported to implement specific aspects of the plan could be invited to attend coordination meetings, provide inputs, and decide whether to opt in fully if/when the program begins to formalize. The Readiness Phase is a sensitive period that could determine the long-term success of the JP. Relationships with and among core stakeholders should be built carefully, anticipating and addressing sources of competition, opposition or conflict as they arise.

A more comprehensive and inclusive JP Action Plan would be formulated later, after JP establishment to guide JP implementation, as described below in section 4.3. It must be emphasized that a readiness plan is not set in stone. Uncertainty about how scenarios will play out over time is very high, so periodic stock-taking and plan adjustment/course-correction is imperative, and should include assessment of implementers' performance and changes in perceived O&Cs. The Readiness phase plan should contain time-bound decision points and provide criteria for deciding whether to continue supporting a struggling scenario or activity, and whether overall trends call into question the logic of continued investment (see section 4.2.4 for discussion of support options).

## 4.2.3 Readiness Tasks for the JP Proponent

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During the readiness phase, in addition to working on activities explicitly related to preconditions and enabling conditions, proponent staff should work to build social and political capital to underpin the JP by: (i) working with stakeholders to reach consensus on deforestation causes and reduction measures (e.g. through workshops and focus group meetings); (ii) building trust and communications channels among stakeholders; and (iii) working toward a shared vision of sustainability in the palm oil sector. This should be done with an eye toward creating conditions that will facilitate transition from the Readiness Phase to the Development and Implementation Phase. The proponent should also work to gain a deeper understanding of the value propositions of key stakeholders, while keeping abreast of changes that affect JP opportunities and constraints on building VPs for key actors. Proponent staff should also support the creation of critical enabling conditions, such as forest monitoring systems and facilitating dialogue around local legislation that might be needed. These on-site staff must be technically knowledgeable and politically savvy, as well as familiar with the jurisdiction and its stakeholders.

## 4.2.4 Transition to JP Development

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Perhaps the most critical and sensitive decisions in JP creation are whether, when and how to transition from Readiness Phase activities to a formal, structured JP. These decisions are very context-specific but it seems clear that transition could only begin after preconditions and enabling conditions are either in place or well on their way to becoming so. Strengthening legal and financial incentives should be a key priority of national government and donors seeking to support the feasibility of jurisdictional approaches.

The proponent should place an initial time limit on the Readiness Phase (e.g. three years, possibly more) at which point a decision would be made to do one of the following: (i) proceed with the JP transition to a (semi-)formal body; (ii) postpone the transition for a specified period to allow more time to meet

preconditions; (iii) decline to transition to a more structured JP but continue to support successful readiness activities; or (iv) terminate support to the jurisdiction because of insufficient commitment or progress. As noted above, some readiness activities will continue through the transition and well into the Development Phase to maintain momentum (e.g., smallholder mapping; supporting spatial plan revisions; improved law enforcement). In this sense, transition can be viewed more as a milestone of on-going JP organizational development than as an end-point in itself.

## 4.3 JP Development and Implementation

We emphasize above that the VP of local political leaders to champion a reform-oriented JP is currently too low to incentivize genuine local government commitment in most places. For this reason, the development pathway that a JP might take is highly speculative at present. For illustrative purposes, we describe a five-step JP Development and Implementation Phase, divided into Establishment, Development, and Implementation sub-stages, each with associated value propositions, commitments, activities, incentives, and expected results. This step-wise approach follows a progression of activities typical of donor-funded projects. Different JP development scenarios could also be envisaged under conditions different from those today, where powerful financial carrots and legal sticks would compel jurisdictions to take necessary governance steps within existing government institutions, while proactively coordinating with industry and other actors to work towards zero deforestation. This scenario is attractive in that it could bring deforestation reduction relatively rapidly, while institutionalizing the regulatory tools needed to continue making progress. However, this scenario would require a large paradigm shift in Indonesian government policy and political culture.

Each successive sub-phase is envisaged to require a higher level of commitment and support from core actors, stakeholders, proponents, and donors – and thus, an increasing VP associated with it. ‘Graduating’ from one phase to the next would require setting and meeting milestones of JP success, predicated on a compelling change in the value proposition for core actors and supporters to justify the additional commitment, associated costs and risks inherent to more ambitious commitments. Critical to building and maintaining momentum and cohesion for advancement from one sub-phase to the next will be a minimum set of results in the previous phase, such as demonstrable achievements, detailed plans for the next sub-phase, stakeholder commitments, agreed modes of monitoring and evaluation, rewards for good performance and secure funding. Ideally, the framework of phased graduations should be laid out during Step 1 to ensure that a shared ‘rough vision’ of the future is created, enabling establishment and development work to be carried out with a clear sense for where the effort is leading and what the rewards might be. This would need to include meaningful discussion around incentives, partnerships and funding that could come on stream as progression is made along this schedule. The proponent and core stakeholders should also decide what action should be taken if the JP development process falls behind schedule, including the possibility of terminating the process if major milestones cannot be achieved.



### 4.3.1 Program Establishment

The key tasks of this sub-phase are focused on commitment and organization. Core actors must make firm commitments to the JP and consensus must be reached among them on the JP purpose, vision, goals, structure, and leadership. Some form of MSF must then be formed or modified from the readiness phase version, including reaching agreement on purpose, roles, responsibilities, and operating rules.

The MSF would necessarily have to include decision-making and management functions at this stage unless those functions were assumed by local government. As discussed in Section 3, the design of the MSF requires trade-offs among inclusiveness, consensus, and accomplishment. At one end of the spectrum, there is a danger of total capture of the forum by one dominant stakeholder, and at the other, a very inclusive, egalitarian body that accomplishes little. The type of MSF leadership could affect how the body is formed and operates, with government leadership introducing considerations that might not be as important in a proponent or other stakeholder-led body (e.g., reconciling the government role in the MSF with its regulatory and development functions).

### 4.3.2 Program Development

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This phase is focused on establishing JP **operational enabling conditions** (as opposed to enabling conditions for program effectiveness described in section 4.1.1) and developing **JP Action and Monitoring Plans**. A JP can be considered to be in place once partners are committed to a credible, jurisdiction-wide plan of action to address deforestation, and all forms of enabling conditions are in place. Developing an Action Plan and reaching agreement on exactly what the JP will do, how it will do it, and who will be responsible is the crux of the JP development process. Operational enabling conditions of the JP include: (i) securing operational and incentive funding for the plan period; (ii) establishing governance tools; (iii) forming an Implementation Group (IG) to provide technical support and manage day-to-day operations; (iv) plans for capacity building for government and other stakeholder staff; and (v) ability to access and use legal tools to enforce regulations.

### 4.3.3 Program Implementation

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Implementation of a comprehensive JP would be challenging for an MSF or local government to manage on its own, even assuming assistance from the proponent. Multiple groups<sup>41</sup> would undertake the tasks called for in the Action Plan, while others monitor their work, and the MSF core actors take necessary actions to support and adjust activities. Maintaining momentum required to implement the plan and avoid backsliding would require some combination of: (i) a strong VP for government actors, ideally including pressure from the central government; (ii) supervision from a third party (e.g. provincial or central government officials); (iii) increasing market demands; and (iv) civil society monitoring. The proponent and the MSF leadership should agree on a process and timeline for the proponent to step away progressively from active involvement in JP activities over time, handing off management tasks as the MSF gains capacity and/or as deforestation prevention efforts are institutionalized in government and industry procedures.

### 4.3.4 JP Success – A Nuanced View

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Based on interviews, preliminary assessment of other JP activities in Indonesia (see section 5), and experiences of our team members, we believe that initiatives designed to establish a JP will meet with varying degrees of success, and that many (possibly most) will reach intermediate levels of development but not achieve full JP functionality. This view acknowledges that the JA is still very much experimental, so even partial success at establishing a JP could provide (a) design insights to be applied elsewhere, (b) progress towards establishing preconditions and enabling conditions in the jurisdiction, and (c) concrete results with respect to building partnerships and reducing deforestation. If a fully functional JP is the gold standard of JA success, examples of partial success could include: (i) catalyzing jurisdiction-wide, multi-stakeholder deforestation action that achieves significant deforestation reduction but does not win full government buy-in and therefore cannot achieve zero deforestation; or (ii) a program that fails to transition

<sup>41</sup> A JP would probably support activities implemented by NGOs, government agencies, private sector actors, and the JP itself through the Implementation Group.

from the Readiness Phase but helps to develop important enabling conditions for deforestation reduction and inspires some stakeholders to work collaboratively to reduce deforestation in the palm oil sector.

Key to ensuring that some level of success is achieved is that proponents (and donors supporting them) adopt a 'no regrets' mindset based on identifying expected benefits and thresholds of performance at each JP phase, and maintaining a willingness to withdraw or modify support when benefits no longer justify investment costs. Political economic conditions in most districts may prevent broad-based, genuine government buy-in to a JP, especially where a multi-stakeholder reform agenda comes at too great a cost with too few rewards. At the point this becomes clear, a proponent and donors must be willing to terminate support, or to continue successful project activities, without aspirations of this leading to a genuine JP.

Program risk related to the level of success that an individual jurisdiction might attain in JP development can be reduced if a proponent and donors support readiness activities in multiple jurisdictions, in the expectation that some will fail to reach required thresholds of stakeholder commitment or other pre-conditions. Performance milestones, indicators, and timelines should be communicated to stakeholders at the outset of the Readiness Phase, so that everyone understands support is long-term but conditional, how and when funding decisions will be made, what is expected of them in terms of performance, and what rewards they might receive for meeting milestones. For investment to be effective, proponents and donors must be prepared to make difficult funding decisions at critical points, including reducing or terminating support to underperforming jurisdictions based on a critical examination of the performance of all actors, including the proponent, and extracting lessons learned. Terminating support in a jurisdiction with low chances of success will enable experimentation in other, potentially more conducive jurisdictions to begin.



# 5

## Overview of Jurisdictional and Landscape Programs in Indonesia

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This section of the report provides an overview of on-going jurisdictional and landscape programs in Indonesia. We describe the scope and design of these initiatives, highlight shared challenges, and draw preliminary lessons learned affecting key design and implementation factors. As emphasized above, experimentation with jurisdictional approaches to sustainable palm oil is in its infancy in Indonesia, which necessarily limits the evidence base for what works and what doesn't. At the same time, there is a long history of pursuing landscape approaches to conservation and/or sustainable development, elements of which are shared in common with the JA. Considering both together broadens the palette of experiences we can draw upon to assess generality of lessons learned to date from the small number of jurisdictional programs currently underway or getting started.

## 5.1 Jurisdictional Programs

Five JPs are profiled below (Table 5.1). They differ in purpose and design but share in common a deliberate focus on proactive engagement with government and other stakeholders within a jurisdictional boundary to reform policy, reduce deforestation and improve palm oil governance. The first program (BFCP) was initially designed as a REDD+ readiness program and added an ambitious, multi-year initiative focusing on jurisdiction wide sustainable palm oil. The others are focused on improving palm oil practices and reducing palm oil driven deforestation, while building inclusive, sustainable supply chains that benefit smallholder farmers.

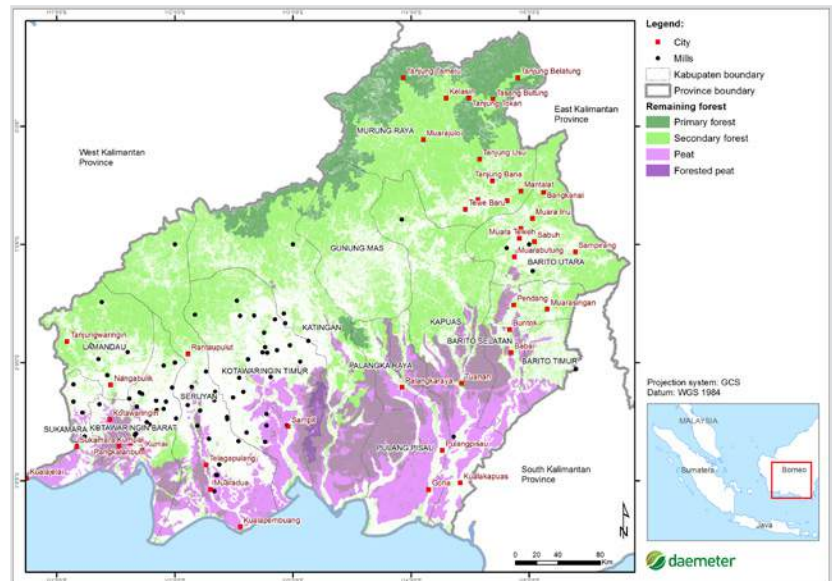
**Berau Forest Carbon Program (BFCP).**<sup>42</sup> This pioneering JP was designed to demonstrate a jurisdictional approach to REDD+ readiness in Berau District of East Kalimantan province. The program was scoped in 2008 and a multi-stakeholder Joint Working Group was formed in 2009 under the chairmanship of the district head, with members from district, provincial, and national level governments, the private sector, and civil society. BFCP is a program of Berau District government with The Nature Conservancy (TNC) acting as proponent and technical advisor. Financial support has been provided by several sources, including charitable foundations, bilateral donors, and others, with TNC operating as the lead fund raiser. The program developed strategies and activities to reduce deforestation and degradation, analyzed legal issues, developed a deforestation monitoring system, built stakeholder support, and created a business plan (equivalent to an action plan). In 2011, the program began to test site-based strategies (e.g., improved forest management, community green growth models, performance based incentive payments), which are now beginning to scale across the district. Other actions designed to decrease deforestation include: (i) testing performance incentives for timber concessions to implement reduced impact logging practices; (ii) establishing a Forest Management Unit (*KPH*) with three more in planning; (iii) establishing several new protected areas; and (iv) designing a payment for performance incentive scheme to reward community based forest conservation. In parallel with BFCP, TNC commenced in 2015 a multi-year, jurisdictional sustainable palm oil program focused on: (i) increasing transparency and improving due diligence review of palm oil licensing; (ii) improving rigor of the District review and approval system for social and environmental impact assessments; (iii) strengthening government oversight and support programs for Free Prior and Informed Consent (FPIC), smallholder partnership implementation, and dispute resolution; (iv) supporting district wide ISPO and RSPO certification; and (v) building a multi-level, multi-stakeholder platform for learning exchange, debate and consensus building around policy reform to promote jurisdiction wide palm oil sustainability efforts. The palm oil program is being implemented in partnership with the Climate Policy Initiative (CPI), the German International Development Corporation (GIZ) and a range of partners at both provincial and district levels.

<sup>42</sup> <http://www.cifor.org/redd-case-book/case-reports/indonesia/tncs-initiative-within-berau-forest-carbon-program-east-kalimantan-indonesia/>



**Central Kalimantan Sustainable Palm Oil Production and Protection Program.**<sup>43</sup> The **Climate Policy Initiative (CPI)** and the **University of Palangka Raya (UNPAR)** are joint proponents working to implement a “Production and Protection” program as part of a provincial government-endorsed Sustainable Palm Oil Project in Central Kalimantan province. CPI and UNPAR are working in partnership with communities, businesses, and government decision makers to conduct research, outreach and support policy reform to advance Central Kalimantan’s vision for strong green growth underpinned by a high-yield, low impact palm oil sector. An official provincial government convened working group and steering committee have been formed, and meet periodically to provide guidance and discuss results of research carried out by the program under auspices of a sustainable agriculture policy research and training institute called PILAR (Palangkaraya Institute for Land and Agricultural Research), hosted by UNPAR. The program will identify options to increase agricultural productivity, expand the use of degraded lands for agriculture, and protect high conservation value areas. The initiative’s first three-year phase focused on a pilot project to build robust evidence and technical capacity to support government-led efforts to implement its plans for a sustainable oil palm sector. The program builds from a foundation that includes: (i) Central Kalimantan’s action plan for greenhouse gasses; (ii) the provincial REDD+ strategy; (iii) the province’s groundbreaking 2011 regulation on sustainable palm oil; and (iv) the Governor’s roadmap to achieve sustainable palm oil. Supported by PILAR, the Governor created an official working group consisting of government, business, academia, and civil society representatives who will use results of the research to advise local government on policy to achieve sustainable palm oil growth.

**Central Kalimantan Deforestation Reduction Roadmap.**<sup>44</sup> The governments of Central Kalimantan Province and Kotawaringan Barat District<sup>45</sup> are working with palm oil companies and civil society organizations, with support from the **Earth Innovation Institute (EII)** and its sister organization in **Inovasi Bumi (INOBU)** in Indonesia, to implement a “roadmap” to reduce or end deforestation in the province. A major objective of the program is to increase the productivity of existing palm oil plantations and redirect new plantations onto lands that are already cleared and below their productive potential. The multi-stakeholder institutional structure of the program is being developed. The roadmap’s objectives are to: (i) transition to a zero deforestation palm oil industry; (ii) reduce deforestation 80% below the historical average; and (iii) increase smallholder palm oil production from 11% to 20% of the province total by 2020. Some elements of the strategy to achieve this include seeking to: (a) obtain commitment from buyers to recognize the province’s progress through preferential sourcing; (b) obtain financing and technical support for smallholders and indigenous Dayak communities to expand participation in palm oil supply chains; (c) overcome bureaucratic obstacles to sustainable palm oil; and (d) secure financing to build institutional capacity of provincial and district governments. In the near term, the program aims to improve palm oil sector governance by: (i) reconciling Forest Zone boundaries with actual forest cover; (ii) trying to ensure new licenses are issued only on degraded land; (iii) promoting a ‘jurisdictional’ approach to certification, (iv) conserving primary forest and peatlands in areas zoned for conversion; (v) promoting the growth and sustainability of smallholder plantations; and (vi) establishing a



<sup>43</sup> <http://climatepolicyinitiative.org/publication/fact-sheet-the-production-protection-strategy-in-indonesia/>

<sup>44</sup> <http://earthinnovation.org/our-work/regional-initiatives/indonesia/central-kalimantan/>

<sup>45</sup> Seruyan District will soon join the program formally.

government-backed monitoring team.<sup>46</sup> In the medium to long term, the program aims to ensure adequate segregated supply chain infrastructure, increase technical and financial support for smallholders, and work towards district-wide RSPO certification. Program activities of the EII/INOBU program are a good example of JP readiness activities, laying the groundwork and making progress toward formalizing a large scale JP for sustainable palm oil operating at district and/or provincial scales.

**Sustainable Lands Program, North Sumatra.**<sup>47</sup> In North Sumatra, **Conservation International** is working in partnership with the Ministry of Environment and Forestry, local government, private sector and local communities to implement pilot projects through their Sustainable Lands Program (SLP, which is funded by USAID and the Walton Family Foundation). The SLP pursues dual objectives of tackling global climate challenges while simultaneously improving economies. In the North Sumatra regencies of Mandailing Natal (Madina), South Tapanuli (Tapsel), and North Tapanuli (Taptara), CI is working to foster green development through promotion of economic activities that offer alternatives to deforestation. In all three districts, corporate plantation and farmer deforestation for oil palm are major drivers of forest loss. Two major pillars of the SLP are (i) support to smallholder agriculture and (ii) direct engagement with local government to inform district level spatial planning and development programming aligned to green development trajectory. A centerpiece of the effort is support for district level Strategic Environmental Assessments (SEA), which have been completed and are now being used for development planning, including the design and location of agricultural support programs and setting priorities for protection of critical forest areas. The program has shown early signs of success, including results of the SEA illuminating a development pathway that could grow the economy and reduce BAU emissions from land use by 13% by 2035, and through improved forest management possibly increase forest carbon stocks by 27% in the same time frame. District governments have committed support for the plan. SLP farmer education programs have increased rubber farmer yields by 30%, and marketing programs are helping coffee, rubber, and oil palm farmers to access more transparent markets demanding more sustainable products. In Mandailing Natal, local government and MOEF are working to strengthen management of about 68,000 ha of critical lowland forest in the Batang Gadis National Park.

Beginning in 2009, WWF Indonesia launched a program in Kutai Barat district (East Kalimantan) to map and direct future agricultural expansion especially oil palm, into so-called “responsible cultivation areas” (RCA) outside remaining forested landscapes. The program combined technical mapping with government engagement and advocacy to try and build consensus around the use of RCA as a tool for license decision-making and broader sustainable development planning. Private sector engagement was also carried out during the development phase of RCA in hopes of building palm oil company support for use of the maps. The program was jurisdictional in scope, with a target impact zone and focus of government engagement covering the entire district, but it was not organized around formal JP elements described above. Technical aspects of the project goals were achieved, and adoption of these technical outputs by local government remains a work in progress.

**In addition to these five programs, four others are in design or early implementation stages,** with an explicit intention to promote palm oil sustainability and/or green growth at jurisdictional scales. One further project appears to be winding down. For all five, multi-stakeholder engagement and local government participation are a core focus. These include:

- **CIFOR** is leading a three-year partnership to pilot a JA to sustainable palm oil in two districts of East Kalimantan: Kutai Kartanegara and Mahakam Hulu.<sup>48</sup> The objective of this program is to

<sup>46</sup> Both CPI and Earth Innovation Institute carry out programs in the same province, pursuing broadly similar goals, but with slightly different priorities, approaches and geographic focus. The two programs work with many of the same local partners, but do not have formal collaborative relationships.

<sup>47</sup> [http://www.conservation.org/publications/Documents/CI\\_SLP\\_Sustainable-Landscapes-Partnership\\_Factsheet.pdf](http://www.conservation.org/publications/Documents/CI_SLP_Sustainable-Landscapes-Partnership_Factsheet.pdf)

<sup>48</sup> <https://ccafs.cgiar.org/reducing-emissions-oil-palm-development-east-kalimantan-indonesia#.VmtE18rvdTM>

reduce emissions from oil palm development through collaboration among district government, local NGOs and the private sector. In Kutai Kartanegara the program is supporting more effective implementation of a district regulation on peatland protection, especially those associated with the Mahakam Lakes, and conducting smallholder surveys to understand challenges and opportunities for engagement in this sector. In the newly established Mahakam Hulu district, the program is building relationships with the interim district government and plans to support a review of palm oil licenses issued by the Kutai Barat government prior to establishment of the new district. In both districts, CIFOR and partners will collaborate with the private sector to identify HCV/HCS areas, lobby companies and government to manage these areas as forest, and support establishment of a legal basis for their protection through local regulation. The project is framed as a pilot to reduce emissions from palm oil agriculture, with site-based project activities nested within a jurisdiction-wide government engagement plan.

- **Zoological Society of London (ZSL)** and partners are launching a landscape scale forest and wildlife conservation program in South Sumatra, termed the Kelola Serdang.<sup>49</sup> The partnership will focus on issues of deforestation, peatland degradation, wildfires and associated climate change impacts in the Sembilang-Dangku landscape of South Sumatra. It aims to put in place a mechanism for collaborative management of a complex forestry, peat land and agricultural landscape that supports critically important wildlife and ecosystem values. Beginning in 2005, ZSL initially pursued a conventional protected areas management and landscape conservation program in the area, together with district and provincial forest conservation authorities. The program later broadened in scope to include engagement with palm oil companies in areas of strategic importance to ZSLs landscape objectives. The program is now expanding further to engage formally with local and provincial government, as well private sector forestry operators (especially plantations owned by Asia Pulp and Paper) to develop a more inclusive, multi-party platform for collaborative management. The program aims to: (i) forge a common vision for landscape objectives, (ii) promote expansion of forestry and agricultural sectors through productivity gains on established plantations, (iii) build a supportive regulatory and institutional framework aligned to these objectives, and (iv) strengthen protection of identified high value, vulnerable forest and peat land areas. Though not classified as a formal JP in this report, as the ZSL-lead program moves into an implementation phase, it is being structured more formally around JA principles.
- **World Resources Institute (WRI)** is developing a jurisdictional program focused on sustainable land use, palm oil and fires in Riau province. It is often referred to as the “Mini OneMap for Riau” initiative, since it aims to build upon/make use of the cadastral mapping for Riau completed as part of the national One Map initiative. This name is somewhat misleading, however, as the project aims are broader and more ambitious than the original One Map program, and may include the following, among other sub-programs: (i) developing a centralized, amnesty-style clearinghouse for land based conflict resolution; (ii) building a government endorsed, province-wide forest, peat and fire monitoring system; (iii) piloting multi-stakeholder models to land governance reform in a selection of districts; (iv) strengthening law enforcement related to land use; and (v) supporting efforts to build inclusive, sustainable supply chains. The program is in planning stages, and given its jurisdictional aspirations will likely become as a multi-level JP operating at both provincial and district levels.
- The South Korea-based **Global Green Growth Institute (GGGI)** launched in 2013 a major country program in Indonesia to promote inclusive, sustainable economic development. Central Kalimantan is a major program focus of the GGGI’s work in Indonesia. This includes a three-year engagement with the provincial government of Central Kalimantan and a selection of districts to undertake structured green growth development visioning and planning.<sup>50</sup> The program included formation of working groups with core representation of relevant government agencies and

<sup>49</sup> <https://www.zsl.org/conservation/news/major-partnership-launched-to-save-precious-peatlands>

<sup>50</sup> <http://gggi.org/central-kalimantan-green-growth-strategy-documents/>

a mix of other stakeholder groups. Sub committees undertook iterative visioning meetings, prepared planning documents, and held broader consultations with multi-stakeholder audiences resulting in five major outputs. The first is a Green Growth strategy for the province, including the palm oil sector. The next two are district level Green Growth strategies developed with Murung Raya and Pulang Pisau districts, with palm oil featuring prominently in Pulang Pisau. The fourth is an extended cost benefit analysis (eCBA) of restoring degraded peat lands in Katingan district, and the fifth a regional eCBA of alternative renewable energy investments to reduce fossil fuel dependence. It's envisaged that GGGI and partners will continue working with provincial and district governments on implementation of these jurisdictional development plans from 2016 onward, which will require putting in place many elements of a formal JP. While GGGI's jurisdictional work is at the inception stage, the program has the advantage of working proactively with local government from the outset of developing green growth plans, which should imply a higher level of potential buy-in for implementation.

**Table 5.1 - Jurisdictional Program Comparison.**

<b>Subject</b>	<b>Berau Forest Carbon Program (initiated 2008)</b>	<b>Central Kalimantan Sustainable Palm Oil Production and Protection Program (initiated 2013)</b>	<b>Central Kalimantan Palm Oil Roadmap (initiated 2013)</b>	<b>Sustainable Lands Program, North Sumatra (initiated 2013)</b>
<b>Jurisdiction</b>	District (adding province for palm oil component)	Province (& district)	Province & district	District
<b>Focus</b>	REDD+, community based forest management, community mapping, deforestation reduction, sustainable palm oil	Palm oil sector deforestation, palm oil productivity	Palm oil sector deforestation, smallholder empowerment, jurisdictional certification	Commodity driven deforestation (rubber, coffee, oil palm); development planning; smallholder livelihoods; protected area management.

<b>Subject</b>	<b>Berau Forest Carbon Program (initiated 2008)</b>	<b>Central Kalimantan Sustainable Palm Oil Production and Protection Program (initiated 2013)</b>	<b>Central Kalimantan Palm Oil Roadmap (initiated 2013)</b>	<b>Sustainable Lands Program, North Sumatra (initiated 2013)</b>
<b>Institutions</b>	District government convened multi-stakeholder Joint Working Group and government-only steering committee. Proponent = The Nature Conservancy	Provincial government convened Working Group, local university research center (PILAR); Ministry of Finance (Fiscal policy Agency). Proponent = Climate Policy Initiative	Provincial and district government convened working group (in establishment); Provincial government supported dialogues; recent private sector partners. Proponent = Earth Innovation Institute.	District governments, MOEF, BAPPEDA. Proponent = Conservation International.
<b>Objectives</b>	REDD+ Readiness; deforestation reduction; village level green growth; jurisdiction wide sustainable palm oil	Develop palm oil green growth policy and capacity through research and training, increased agricultural productivity, expanded use of degraded lands, and protecting high conservation value areas.	Reduce or end palm oil related deforestation; promote higher agricultural productivity; build performance based reward platforms;	Reduce commodity driven deforestation, aligned spatial plans and development programs to a green growth trajectory, increase smallholder productivity, livelihoods and integration into sustainable supply chains.

<b>Subject</b>	<b>Berau Forest Carbon Program (initiated 2008)</b>	<b>Central Kalimantan Sustainable Palm Oil Production and Protection Program (initiated 2013)</b>	<b>Central Kalimantan Palm Oil Roadmap (initiated 2013)</b>	<b>Sustainable Lands Program, North Sumatra (initiated 2013)</b>
<b>Methods</b>	Multi-stakeholder body; MRV system; Forest Management Units; community green growth; reduced impact logging; local protected areas; private sector partnerships	Research, training, outreach, policy dialogue; multi-level, multi-sector government engagement; learning by doing through a pilot project approach to de-couple agricultural growth from deforestation and de-risk investments in sustainable oil palm across entire landscapes.	Project activities to reconcile land zoning with land cover; directing palm oil to degraded land; conserve forest and peat lands outside the forest estate; provincial monitoring system; promoting jurisdictional certification.	Project activities closely integrated with government partners; Management Council oversees entire program, Steering Committee in each district oversees local activities, establish local Multi-stakeholder Forum on ad hoc basis for specific issues.

<b>Subject</b>	<b>Berau Forest Carbon Program (initiated 2008)</b>	<b>Central Kalimantan Sustainable Palm Oil Production and Protection Program (initiated 2013)</b>	<b>Central Kalimantan Palm Oil Roadmap (initiated 2013)</b>	<b>Sustainable Lands Program, North Sumatra (initiated 2013)</b>
<b>Results</b>	<p>Established multi-stakeholder forum; established private sector partnerships (especially forestry); Forest monitoring system; FMU establishment; village based development planning; community-based payment for performance trials to reward environmental stewardship.</p>	<p>Published reports and invited multi-stakeholder dialogues around landscape natural capital mapping, productivity investment opportunities, business model mapping, and smallholder investment needs; established provincial working groups and policy research center embedded in local institutions; established collaborative research programs with central government Ministry of Finance on delivery of performance based fiscal incentives to promote improved land management.</p>	<p>District wide palm oil licensing monitoring system; smallholder farmer boundary mapping pilot project; developing a jurisdictional forest cover and peat land monitoring system, coupled with licensing database; piloting development of district wide certification.</p>	<p>Completed ESA for Madina, Tapsel and Taptara districts; elucidate development pathway that allows growth while reducing emissions; increased farmer yields in target areas, improving farmer access to markets; strengthening management of protected areas.</p>

## 5.2 Landscape Programs

Landscape programs are commonly pursued in Indonesia to achieve objectives related to forest conservation, wildlife management, fire prevention and forest carbon management. Such programs are usually described as deploying “landscape approaches”, including use of multi-stakeholder platforms for dialogue and ad hoc working groups to engage with government on specific issues that require government buy-in or support. These landscape efforts are not “jurisdictional programs” as defined above, but they adopt approaches and pursue objectives similar to one or more of the JP elements described, and potentially offer insights applicable to JP design and implementation. The landscape programs featured here is a non-exhaustive list of such efforts across Indonesia, but rather a sample of projects on which we had opportunistic discussions with proponents to understand scope, challenges, opportunities and lessons learned that might be applicable to JP design and implementation.

- **Fauna and Flora International**<sup>51</sup> and **AidEnvironment** are collaborating in a biodiversity rich, peat dominated landscape in Ketapang district, West Kalimantan to combine site-based conservation activities with (a) palm oil company collaboration and (b) district government engagement to improve forest governance and reduce palm oil impacts in the target landscape. The program builds upon FFIs nearly 10 years of project based conservation initiatives in Ketapang, with intentions to scale up and where necessary formalize multi-stakeholder modes of collaboration, especially between public and private sector actors. The program is supported by IDH.
- **WWF and partners** work in the Kampar Peninsula in Riau<sup>52</sup> to secure and maintain the core area of the enormous Kampar Peninsula peat land hydrological unit. The program involves collaboration with a wide range of public and private sector actors, including two of Indonesia’s largest industrial land users (Sinar Mas Group and Raja Garuda Emas Group), as well as local community and regional NGO groups.
- **Leuser Ecosystem Alliance in Aceh**. An increasingly well-coordinated alliance of local, national and international NGOs have become organized around protection of the Leuser Ecosystem in Aceh from encroachment by oil palm companies and farmers into forested tiger, elephant and orangutan habitat.<sup>53</sup> To date, the alliance has used a combination of local awareness raising, community organizing, advocacy, international campaigns, private sector pressure and government engagement to revoke licenses in areas of deep peat, to pressure for revisions of the provincial spatial plan (which puts large areas of Leuser at risk for conversion) and to hold accountable supply chain actors sourcing palm oil originating from the area. The alliance aims to formalize and scale up engagement with government and local community groups to formulate a vision and plan for future expansion of the sector in a manner that does not place Leuser at risk or jeopardize the livelihoods of communities dependent on services derived from its ecosystems. The initiative has a de facto landscape scale focus in that Leuser is very large, but activities are focused mainly in its low lying areas. The program is not organized as a formal JA to advance these objectives, but would seem a good candidate for experimenting with organized Readiness Phase activities in priority districts where local government is open to collaboration. The initiative is also noteworthy, because the cause celebre represented by Leuser could help deliver a compelling value proposition for its protection, as a centerpiece of a future JP. That said, regional social, political and business conditions in Aceh present unique challenges to JP efforts, and would need to be considered carefully in design of viable approach.
- Beyond the Ketapang project described above, **Fauna Flora International** works in multiple locations throughout Indonesia pursuing a cross-sectoral landscape approach to forest

<sup>51</sup> <http://www.landscapesinitiative.com/en/west-kalimantan--indonesia>

<sup>52</sup> [http://www.wwf.or.id/en/about\\_wwf/whatwedo/forest\\_species/where\\_we\\_work/kampar.cfm](http://www.wwf.or.id/en/about_wwf/whatwedo/forest_species/where_we_work/kampar.cfm)

<sup>53</sup> <http://www.ran.org/lastplaceonearth>



conservation.<sup>54</sup> One innovative aspect of these efforts is investigating the potential for carbon credit revenue under REDD+ to finance protection of high conservation areas in oil palm dominated landscapes, especially where forest areas are managed by communities, in the districts of Ketapang and Kapuas Hulu in West Kalimantan.

## 5.3 Challenges to JP Implementation

Based on our discussion with proponents of the above JP and landscape programs, jurisdiction assessments, and results of research conducted by others on jurisdictional programs in Indonesia and elsewhere, several key challenges to JP implementation in Indonesia can be identified. We organize these around five major themes.

### (i) Regional Government Buy-in to the Program

- It's not easy to obtain strong, long-term buy-in from government political leaders for a program that potentially places at risk their own political and/or business interests, or those of their supporters. Positive rewards are few, and negative incentives for inaction are weak.
- It's also difficult to get private sector producers and especially downstream supply chain actors to commit to and implement preferential sourcing or investment as part of building the VP for local government. Companies consider this too risky in the current situation of weak law enforcement and poor governance. Government commitments are important, but they are only a first step.
- Securing funding, or other fiscal or financial benefits, to offset the opportunity and management costs of conserving forests and peat lands will be necessary to incentivize voluntary conservation. Such funding is not forthcoming.
- Another critical component will be building transparent, robust systems of forest, peatland and license monitoring that governments endorse and wider stakeholder groups accept as credible, especially civil society and business.

### (ii) Regulatory Environment

- It is difficult to implement a comprehensive, reform oriented JP in the absence of strong central government policy, pressure or support (as might have been achieved by an independent REDD+ Agency), or a long-term stream of financing (as might be afforded by carbon credits).
- Where private sector led supply chain approaches form the entry point for a JP, incremental tightening of deforestation rules by local administration will be necessary to prevent displacement of avoided deforestation by responsible companies to other oil palm firms or, ultimately, to other land uses.

### (iii) Government Planning & Processes

- In the absence of compelling incentives for government to endorse JP activities, it will take time and creative engagement to embed deforestation reduction and inclusive supply chain aims into a broader program of development planning oriented toward green growth.
- Assuming JP implementation will be incremental, it's not immediately clear how (and when) to expand a sectoral focus on palm oil into other sectors if/when there is indication of sufficient progress and buy-in to the palm oil focused initiative.

<sup>54</sup> <http://www.sustainablepalmoil.org/ngos-policy/ngos/case-studies/development-of-carbon-finance-mechanisms-for-high-conservation-value-forests-and-peatlands-in-oil-palm-dominated-landscapes-of-kalimantan/>

#### (iv) Institutional Aspects

- Maintaining continuity of local commitment through changes in political leadership, national economic cycles, and (to a lesser extent) palm oil market fluctuations presents a risk to longevity of JP efforts.
- To maximize the value of future JP trials where funding is made conditional on performance, it will be necessary to figure out ways to overcoming restrictions that accompany ODA funding, especially the lack of flexibility in adjusting program design and ability to drop underperforming jurisdictions.

#### (v) JP Operational Aspects

- Defining the structure, function, and formal vs informal powers of a MSF is key.
- Under the local government lead model for the JA, it can be challenging to convince government officials to allow other stakeholders to participate meaningfully in decision-making of the JP planning itself and, ultimately, broader development planning in relevant sectors.
- Developing strategies to accommodate and capitalize on the increasing power of indigenous communities over forests will be increasingly important over time.
- It is necessary, but not easy, to accommodate the objectives and time scale of large palm oil companies participating in the JP, who may work quickly to comply with market demands, and could feel constrained by the complex, slow moving and often uncertain objectives of other MSF partners.
- A financing mechanism that is transparent and acceptable to all actors and donors must be developed.
- Creating and funding a locally based Implementation Group to oversee and technically support JA program activities on a day-to-day basis is necessary, allowing the proponent to step back over time.
- In projects that require partner coordination, such as a comprehensive JP, it can be challenging to develop management systems that are flexible enough to allow deforestation prevention activities by the private sector or NGOs to move forward at their own pace and with their own funding, yet provide adequate coordination with all other jurisdiction level activities under the program.

## 5.4 Lessons Learned

Experimentation with formal JP initiatives is extremely limited in Indonesia, with only five formal JA programs, one of which has been operating more than four years. Yet, interim lessons learned can be derived from experiences of these programs to date, as well as from the much longer history of landscape approach initiatives adopted by other groups. It should be noted that these lessons are tentative and based on uneven knowledge of program implementation challenges, rather than a systematic study. Continued analysis of on-going JP and landscape programs will enable a more evidence-based approach to deriving lessons learned. In the meantime, we offer the following interim conclusions based on our best interpretation of the information in hand.

- Proponents should not start with a blue print for JP development. The form of a multi-stakeholder body and details of the action plan it puts forward must be decided through formal or informal collaborative decision making among stakeholders, and must be rooted in a solid understanding of the challenges and opportunities presented by different development scenarios.

- Build the program from the ground up, starting with a variety of field and governance activities during a Readiness Phase, rather than trying to build from the top down, by first creating the institutional structure of a JP.
- Don't assume what the value propositions will be for key stakeholders but rather dig into the details over time through initial and on-going VP assessments.
- The proponent's local, in-jurisdiction staff must be politically savvy and able to understand the local political landscape to make good VP assessments and identify opportunities and challenges. A staff member with local political stature and credibility is necessary to facilitate early discussions and negotiations.
- A Readiness Phase is required to work on achieving the preconditions and enabling conditions required for comprehensive JP success, and to decide when or if to move on to a more formalized Development Phase
- Proponents and donors must have a 'no-regrets' mind-set, with flexible expectations of program success during the Readiness Phase
- Proponents and donors must be prepared to withdraw support from jurisdictions where progress milestones are not being met, and where realistic expectations for success appear to be low. Continuing to push the program forward in jurisdictions where political support is lacking risks offering a technical solution to a political problem. This must be avoided.

The following lessons highlighted in a global study of REDD+ and Low Emissions Development (LED) jurisdictional programs seem relevant to the Indonesian context.<sup>55</sup> These are worth bearing in mind as guiding objectives for informing a policy reform agenda, and high-level multi-stakeholder engagement in the years ahead:

- Supportive national and jurisdiction level policies coupled with strong enforcement have been the primary drivers of success in Brazil.
- Empowering communities to manage natural resources consistent with their own long-term development visions has helped to slow deforestation in many locations, including places where community land tenure remains unclear. Key to success of this approach, however, is that communities have ownership over the vision and local institutions for implementation, including capacity to enforce agreed upon rules.
- Donor assistance can only be a short-term solution. In-country finance and incentives such as domestic subsidies and rural assistance programs should, over time, become one of the most important drivers of change. Governments must be open to reforming in-country funding, budgetary procedures and policies to align with and reward progress toward sustainable development goals. Aligning such programs with objectives of JA to sustainable palm oil should be a major focus of policy reform efforts in Indonesia.
- Site-level activities should be implemented in parallel with strategies to build jurisdiction-wide enabling conditions to offer opportunities for early progress to maintain stakeholder interest and enthusiasm.

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<sup>55</sup> Fishbein, Greg and Donna Lee. (2015) Early Lessons from Jurisdictional REDD+ and Low Emissions Development Programs. Rep. Arlington: n.p., 2015. Print.

# 6

## Jurisdiction prioritization

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## 6.1 Assessment Process and Methods

We conducted a jurisdiction feasibility assessment during May – August 2015 with the aim of identifying candidate jurisdictions for pursuing a JP. This involved deciding on a set of feasibility criteria, and then developing an approach to assess jurisdictions against those criteria. The criteria centered around forest and peat lands at risk of conversion, developments in the palm oil sector, and socio-political considerations. Twenty-three provinces were included in the assessment, representing all of Indonesia's palm oil producing provinces with >10,000 ha of planted oil palm.

The initial assessment was undertaken through desktop study, interviews and consultations in Jakarta/Bogor and select provinces. A subset of geographies was chosen based on forest, peat and oil palm, while sampling a reasonable geographic/socio-cultural breadth of Indonesia's provinces.

**Interviews and consultations** with key stakeholders in Jakarta and Bogor provided input into the process of criteria selection, and preliminary information on dynamics in particular provinces and districts. Interviewees included representatives from palm oil companies, partners working with companies on implementing their sustainability commitments, NGOs, researchers and smallholder groups. A one-day Focus Group Discussion was held in May 2015, including invited participants from Kalimantan and Sumatra. Through these steps, an initial list of feasibility criteria and indicators were developed and refined. Criteria relating to the extent of forests, peat land and oil palm concessions and planted area were amenable to quantitative and geospatial data analysis, while those related to governance and political economy required qualitative investigation. Field visits were made to select geographies in Sumatra, Kalimantan and Sulawesi, and telephone interviews were conducted with experts on (and in) Papua and West Papua provinces, as well as Aceh. Overall, ten provinces received in-depth reviews as part of the study (discussed further below).

## 6.2 Prioritization criteria

Criteria selected for comparison to inform priorities among provinces and districts included: (i) forest and peatlands at risk of conversion; (ii) palm oil sector characteristics; (iii) aspects of local governance, local politics, local stakeholders; and (iv) other considerations related to JP feasibility such as on-going relevant project activities, history of REDD+ or Green Growth programming, occurrence of multi-stakeholder programs or working groups focused on palm oil or related landscape conservation goals. A preliminary list of criteria and approach to comparison was developed, and then refined through consultation. An initial prioritization exercise was then carried out, with results described below.

### 6.2.1 Forest and Peatland at Risk of Conversion

There is a strong argument that JP efforts should focus on regions where the largest area of forest and peat land is threatened with conversion, especially by oil palm. Yet, it may be that where the scale and risk of conversion is higher, so too are incentives for conversion, and thus JPs will face greater challenges in reducing deforestation and peat land damage. This suggests it's also worth considering less threatened jurisdictions where resistance may be lower and a program may achieve success more quickly, thereby providing a 'demonstration effect' that might help implementation in more difficult areas. A simple, informative method was developed for comparing forest and peat land potentially at risk of conversion in the different provinces/districts, and the relative importance of oil palm as a driver of conversion risk. We compared (a) the extent of forest, recent patterns of deforestation, and extent of forest zoned for conversion; (b) the extent of peat and forested peat, recent patterns of deforestation on peat, and extent of forested peat zoned for conversion; and (c) the extent of planted oil palm and recent spatio-temporal patterns of expansion. Areas of forest and peat within the Forest Zone classified as 'conversion forest' (*Hutan Produksi yang dapat Dikonversi, HPK*) as well as any such land outside of the Forest Zone (*Areal*

*Penggunaan Lain, APL) were considered 'at risk' of conversion. We developed simple, multi-factor indices of forest and peat describing both the extent of forest/peat and relative severity of conversion risk in each province. The comparison enabled classification of provinces into groups, and the identification of priority districts within provinces. The following indicators were used in prioritization:*

- Extent of forests - data from Daemeter GIS team
- Extent of peatlands - data from Daemeter GIS team
- Extent of forested peatlands - data from Daemeter GIS team
- Provincial deforestation rates - data from Daemeter GIS team
- District level deforestation rates - data from GIS analysis conducted by Forest Watch Indonesia for the period 2009-2013
- 'Forests at risk', defined as forested area zoned as either 'conversion forest' or 'land for other uses', which allow oil palm concessions - data from Daemeter GIS team
- 'Forested peatland at risk', defined as forested peatland zoned as either 'conversion forest' or 'land for other uses', which allow oil palm concessions - data from Daemeter GIS team
- 'Deforested land in the Forest Zone' – data from Daemeter GIS team

### 6.2.2 Oil Palm Sector Characteristics

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Characteristics of the oil palm industry are another key determinant of priorities for JP experimentation, and for identification of opportunities for engagement. Logically, a JP should be directed towards jurisdictions where there is a well-established oil palm industry. Yet, other factors should be considered as well. A JP will have larger impact where there is imminent risk of oil palm expansion, which can be gauged by indicators such as the area of concessions not yet planted, the number and size of 'location permits' already issued, or local government targets for oil palm expansion. Given the potential importance of zero deforestation commitments by industry players as one key entry point for convening private sector stakeholders under a JP, the presence of companies with such commitments in a jurisdiction is also an important criterion. Based on these and other considerations, the following oil palm indicators were used in prioritization:

- Extent of planted palm oil - data from a combination of official government statistics
- Recent expansion of planted oil palm - data from a combination of official government statistics
- Oil palm expansion plans - data from available information on number and size of location permits issued, as well as qualitative information from field work
- Number of progressive palm oil mills in the jurisdiction - data from company information and Daemeter datasets
- Presence of processing facilities owned by companies committed to ZD
- Nature of the local palm oil sector / presence of smallholders / presence and attitude of organizations representing palm oil producers - data from interviews/fieldwork

### 6.2.3 Land and Forest Governance

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The quality of land governance in a jurisdiction level is a key criterion for assessing feasibility, since poor governance enables many of the dynamics that lead to deforestation, peatland damage, illegal conversion and negative social impacts. We reviewed local governance quality indices published previously in Indonesia, including those focused specifically on land and forest issues. We also assessed quality of land governance indirectly by examining the extent to which particular local governments have taken steps to implement recent land governance reforms, for example on recognition of customary land, establishment of Forest Management Units (KPH), support for social forestry licenses, or initiatives for

conflict resolution. We also surveyed any local government initiatives leading to new policies on matters related to land and forest governance, for example by-laws on sustainable plantations, High Conservation Values, etc. We then developed our qualitative assessments of district level feasibility, and identified governance initiatives that could potentially be used as an entry points for JP readiness. The following is a list of indicators considered:

- Forest and Land Governance Index, produced by ICEL and Seknas Fitra 2014
- UNDP Forest Governance Index 2014
- Whether the district and province have an approved spatial plan in place (which establishes Forest Zone and protected area boundaries)
- Frequency of resource-related conflicts (from the National Violence Monitoring System database)
- Implementation of recent land governance reforms, including Village Law stipulations on recognizing customary villages, recognition of customary forest land, resolving problems of villages located within the Forest Zone through the formation of IP4T teams, establishment and funding of Forest Management Units (KPH), new social forestry national targets of 12.7 million hectares.
- Performance on the Corruption Eradication Commissions review of mining permits
- Any new by-laws or policies on forest management or sustainable palm oil, at district or province level

#### 6.2.4 Local Politics

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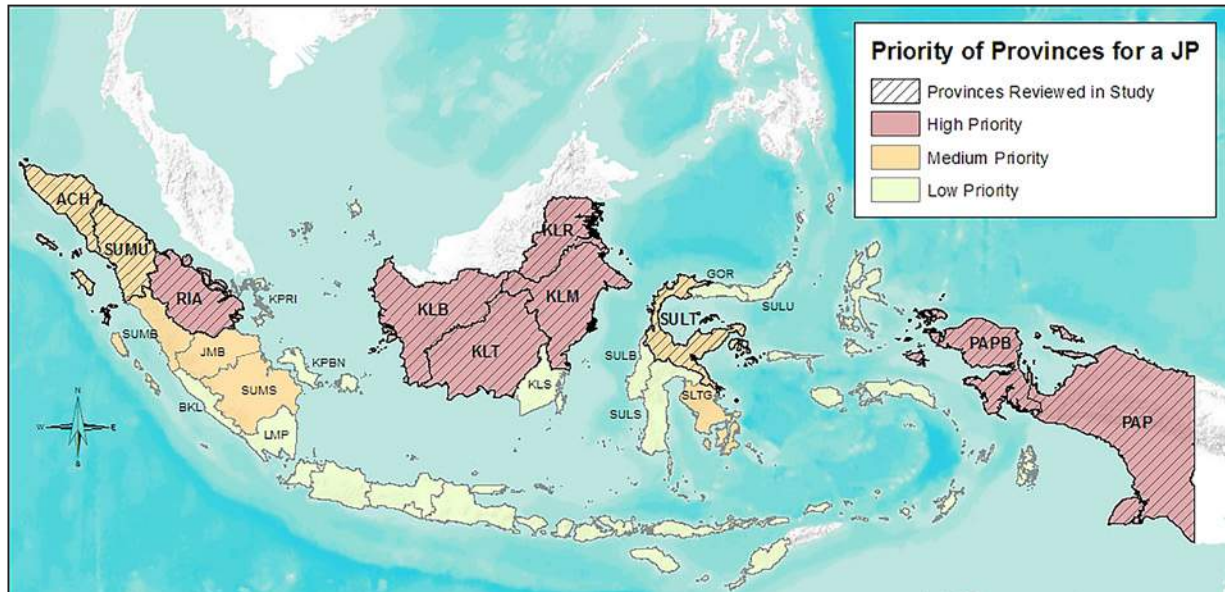
Local political leaders have extensive formal authority over governance and private sector development in their regions, often with extremely weak accountability. The feasibility of a JP program will depend heavily upon the commitment and support of the *Bupati* or Governor. Assessing the likely support of a *Bupati* for a JP is extremely difficult because policy priorities are often vague, contradictory, or unimplemented, and many local leaders (or their supporters) are themselves implicated in the land use activities causing negative social and environmental impacts. We assessed political feasibility in three main ways: (i) election cycles and the likelihood of the *Bupati* remaining in power over the next year or two; (ii) the achievements, current political agenda and political affiliations of the *Bupati* to identify agendas that might support JP goals; and (iii) evidence of *Bupati* involvement in personal, political or economic networks that could undermine commitments to reducing deforestation, improving law enforcement, and preventing exploitation of communities by companies. The programmatic goals and attitudes of certain key district and provincial government agencies (e.g. plantations, forestry, planning, environment) were also considered during fieldwork.

#### 6.2.5 Other Factors

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During interviews we assessed additional factors that might tend to facilitate JP establishment, including: (i) the presence of other international donors or JP-like programs; (ii) degree of 'aid fatigue' on the part of local stakeholders; (iii) local civil society capacity and cohesion, and potential interest in a JP; and (iv) the nature of the local economy including the balance among sectors and role of sectors such as mining in driving deforestation.

## 6.3 Preliminary Findings



**Figure 6.1 - Priority classification of provinces.** Provinces shaded red were considered highest priority for consideration of JP feasibility. These include Riau, West, Central, North and East Kalimantan, as well as Papua and West Papua. Provinces shaded orange are considered medium priority, and include Aceh, North Sumatra, West Sumatra, Jambi, South Sumatra, Central Sulawesi and Southeast Sulawesi. The ten provinces that received more in-depth assessment in the study are denoted by cross-hatching. These include all seven of the High Priority provinces and three Medium Priority provinces.

### Key initial findings included:

- Palm oil is grown in 23 provinces in Indonesia (>10,000 ha planted area). More than 50% is concentrated in just three provinces - Riau, North Sumatra and Central Kalimantan – but substantial areas are also planted in West and East Kalimantan, South Sumatra and Jambi, where oil palm expansion rates are also high.
- The 23 provinces vary nearly 20-fold in size, with corresponding variation in forest cover, peat, planted oil palm and land cover change dynamics
- Remaining forest is mainly in six large provinces – Papua and West Papua; East, West, Central and North Kalimantan – but substantial areas of forest are also present in Riau, Jambi, Central Sulawesi and Aceh, among others.
- Peatlands are concentrated in the same provinces where remaining forest is greatest – Riau; West, Central and East Kalimantan; and Papua – but South Sumatra and Central Sulawesi also support extensive peat lands. Overall, more than 50% of Indonesia's peat lands have been deforested, with most forested peat in Papua and West Papua; West and Central Kalimantan; and Riau.
- Spatial planning, deforestation trends and oil palm expansion dynamics suggest future risk of forest loss and/or peat conversion is highest in many of the provinces where remaining forest (including forested peat lands) is also highest.
- At 35M hectares, Papua is a “mega province” more than twice the size of the next largest province. Papua is followed by four ‘large provinces’ covering c 11-17M ha each: West Papua and East, West, and Central Kalimantan. These five provinces of Papua and Kalimantan merit special consideration for jurisdictional interventions not only because of their large size but also patterns of forest cover, peat, oil palm and land cover dynamics (elaborated below).



### 6.3.1 Forest

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These five largest provinces support the five largest areas of remaining forest, with Papua at c 25M ha, followed by West Papua, and East, West and Central Kalimantan (with 7.5-9.5M ha each; Table 6.1, Figure 6.2). North Kalimantan is Indonesia's sixth most forested province, with 6.8M ha of forest, or 82% of the province. Together, these six provinces support nearly 70% of Indonesia's remaining forest (69.6M of 96.7M ha). Other provinces supporting smaller but still substantial areas of forest (2.3-4.3M ha each) include Aceh, Central and Southeast Sulawesi, West and North Sumatra, and Riau.

### 6.3.2 Peat

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Indonesia's c 26M ha of peat is patchily distributed, with more than 82% of the nation's total in just six provinces (Table 6.1). Papua, Riau and Central Kalimantan support the largest areas of peat by far, with 7.8M, 4.7M and 3.7M ha, respectively; West Kalimantan, South Sumatra and West Papua support 1-2.6M ha each. Peat is also present in Jambi, North Sumatra, Aceh, and East Kalimantan, though to a much lesser extent, with c 400,000-800,000 ha each.

Overall, roughly 50% of Indonesia's peat lands have been deforested (Table 6.1). Most are in Papua, Riau and Central Kalimantan, all of which were major sources of fire this past year. The majority of remaining intact peat is in Papua, Riau, Central and West Kalimantan.

### 6.3.3 Oil Palm

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The extent of planted oil palm also varies widely among provinces, with the islands of Sumatra (5.7M ha total) and Kalimantan (3.3M ha total) together accounting for more than 95% of Indonesia's total planted area (Table 6.1). Riau supports by far the largest area of oil palm, with an estimated c 2.4M ha as of 2013, more than 25% of the national total. Riau has >1M ha more oil palm than the second largest producer (Central Kalimantan at 1.4M ha) and more than twice the area of North Sumatra, Indonesia's third largest planter (1.1M ha). These three provinces also show among the highest rates of oil palm expansion (Table 6.1, Fig. 6.2).

Also supporting large areas of oil palm are the provinces of South Sumatra, Jambi and East and West Kalimantan, with >600,000 to 850,000 ha each. South Sumatra and East Kalimantan are expanding most rapidly (Fig. 6.1). Together with Riau, Central Kalimantan and North Sumatra, these seven provinces account for >80% of Indonesia's planted oil palm, and nearly 70% of recent new plantings. Smaller, but non trivial areas are planted in Aceh, Bengkulu, Lampung, Bangka, West Sumatra, Central Sulawesi and North Kalimantan, with >100,000-300,000 ha each and moderate to high rates of expansion (Table 6.1). As of 2013, much less oil palm had been planted in Papua and West Papua; the same is true in most of Sulawesi (Table 6.1). Of concern, however, is that very large areas have been licensed in Papua and West Papua, suggesting the next 5-10 years could see rapid expansion in Papua, mostly at the expense of forest (discussed further below).

### 6.3.4 Deforestation

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Overall, the amount of recent deforestation (2011-2013) mirrors province size and remaining forest, with some notable exceptions (Table 6.1; Fig. 6.3). Four of the five largest, most forested provinces also have the highest rates of forest loss: Papua and West, Central and East Kalimantan (Table 6.1). The province with highest deforestation overall was Riau, with annual losses of >200,000 ha over the period. Several other provinces had forest losses of 30,000 ha per annum or more, including Aceh, Jambi, North and South Sumatra, West Papua and North Kalimantan.

Four of the five provinces with highest deforestation rates also showed accelerating trends of forest loss (East and West Kalimantan, Papua and Riau), whereas rates in some high forest loss provinces declined, e.g. Central Kalimantan and Jambi (Table 6.1). Most provinces showed little change. Rising trends in forest loss were especially high in Papua and Riau, where rates increased by >50% over the period 2010-2012 compared to the previous three years.

### 6.3.5 Oil Palm as a Driver of Forest Loss

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To what extent is oil palm planting driving deforestation across these provinces? We didn't investigate this question in a spatially explicit sense, using remote sensing to track forest loss and oil palm expansion, but Fig. 6.3 allows for a correlational test of association. Figure 6.3 (upper panel) shows a strong positive relationship between total planted oil palm and annualized recent deforestation rates (2011-2013). Deforestation was highest in Riau, Central, East and West Kalimantan, Indonesia's largest palm oil producers. Also, annual forest loss is positively related to rates of oil palm expansion, albeit with significant scatter (Fig. 6.3). This representation of land use dynamics suggests oil palm is (in the aggregate) a major contributor to deforestation in Riau, West Kalimantan, East Kalimantan and Jambi, and also contributes to forest loss in Central Kalimantan, and North and South Sumatra. In the graph, Papua is a notable outlier, with very high rates of forest loss but low rates of oil palm expansion. This suggests alternative drivers of recent forest loss (or lag times between clearing and oil palm planting).

### 6.3.6 Spatial Planning, Deforestation and Peatland Conversion

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Spatial planning places significant areas of remaining forest and intact peat lands at risk of conversion in the future (Table 6.2). Forest zoned for conversion is highest in the most heavily forested provinces of West Kalimantan, East Kalimantan and Papua. Peat zoned for conversion is highest where peat lands are more extensive – e.g. Riau, South Sumatra, and West and Central Kalimantan. In the provinces of Aceh, Central Sulawesi and East Kalimantan, peat lands are less extensive, but a relatively high percentage has been zoned for conversion, placing 200,000-400,000 ha at risk for planned conversion. Areas of forested (intact) peat zoned for conversion are largest in West Kalimantan, Riau, North Kalimantan, Papua and Central Sulawesi. Drawing from Table 6.2, the top five provinces with largest areas of forest, peat, and forested peat zoned for conversion are shown below (highlighted in bold red font).

While spatial planning creates threats to forest and peat, it also creates opportunities for optimizing development planning. For example, very large areas of deforested land are currently allocated as permanent forest (Forest Zone) unavailable for agriculture, especially in Papua, South Sumatra, Riau, and Central, West and East Kalimantan (Table 6.2; inset below). Of these, Papua, Riau, East and West Kalimantan also have among the largest areas of forest and/or peat zoned for conversion. This highlights opportunities to revise spatial planning by re-zoning deforested land for agriculture and at-risk forests and/or peatlands for protection.<sup>56</sup> In fact, such an optimization would produce significant net gains in land available for agriculture in South Sumatra, Riau, West, East and Central Kalimantan, and especially Papua, while securing millions of ha of forest currently at risk (right hand column). In principle, such a re-zoning exercise should appeal to local authorities, who would gain authority over larger areas.

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<sup>56</sup> In Section 3 we provide similar district level analyses of land use and spatial planning for each province.

Province	Zoned as State Forest ('000 ha)		Zoned for Conversion ('000 ha)			Net Gain/Loss of 'swapping' deforested Forest Zone and forested areas zoned for conversion ('000 ha)
	Non-forest	Forest	Forest	Peat	Forested Peat	
West Kalimantan	3,605	6,710	1,462	1,050	408	+2,143
East Kalimantan	3,219	6,378	1,191	417	54	+ 2,028
Papua	9,716	24,353	1,149	213	155	+ 8,567
Central Kalimantan	5,455	9,189	528	451	61	+ 4,927
South Sumatra	3,015	1,176	663	348	24	+ 2,352
Riau	2,785	2,141	648	1,836	338	+ 2,137
North Kalimantan	826	5,944	835	229	163	- 9
Central Sulawesi	1,354	3,485	759	223	103	+ 595

**Note:** Red font indicates Top 5 provinces in each category.

### 6.3.7 Comparison of Forest Cover, Peat and Oil Palm

To compare the risk of oil palm driven deforestation and peat conversion across provinces more directly, we developed a simple, index-based approach, taking into account multiple indicators of deforestation, peat and oil palm expansion risk. We then compared these graphically to understand how risk factors vary across provinces in two-dimensional scatter plots of forest, peat and oil palm expansion. The indices are based on unweighted sums of ranks across a selection of risk indicators for deforestation, peat, and oil palm, with higher rank scores indicating higher risk. The risk indicators for each index were:

- **Forest Index** = Sum of ranks for (*total forest*) + (*forest zoned for conversion*) + (*recent deforestation*) + (*deforestation trend*)
- **Peat Index** = Sum of ranks for (*total peat*) + (*total forested peat zoned for conversion*)
- **Oil Palm Index** = Sum of ranks for (*total planted area*) + (*recent oil palm expansion*)

Using this approach, East, West and Central Kalimantan, Papua and West Papua clearly present the greatest risk for deforestation, while West and Central Kalimantan, Papua, Riau and South Sumatra are highest risk for peat (Figure 6.4). East, West and Central Kalimantan, Riau and North Sumatra are highest risk for oil palm.

**Table 6.1 - Land cover, peat and land use change in 23 main palm oil producing provinces.**

Province		Size (M ha)	Land Cover			Peat ('000 ha)		Land Use Change (ha)		
Name	CODE		Forest (M ha)	Non Forest (M ha)	Oil palm ('000 ha)	Total Peat	Forested Peat	Recent Oil Palm Expansion <sup>1</sup>	Recent Forest loss <sup>2</sup>	Defor Trend <sup>3</sup>
<b>Kalimantan</b>										
W Kalimantan	KLB	16.33	8.17	8.16	844	2,594	1,403	77,186	426,390	1.20
S Kalimantan	KLS	2.95	0.97	1.98	86	264	10	40,672	47,364	1.29
N Kalimantan	KLR	8.21	6.78	1.43	168	369	276	34,167	110,148	1.09
C Kalimantan	KLT	17.02	9.72	7.30	1,361	3,733	1,866	62,750	619,438	0.83
E Kalimantan	KLM	13.98	7.57	6.41	850	606	85	123,388	338,320	1.42
<b>Papua</b>										
Papua	PAP	35.86	25.50	10.36	51	7,758	4,912	13,112	490,620	1.66
W Papua	PAPB	10.99	9.54	1.45	39	1,093	858	9,287	102,355	1.25
<b>Sulawesi</b>										
Gorontalo	GOR	1.15	0.83	0.32	-	8	1	0	nd	nd
W Sulawesi	SULB	1.77	1.04	0.73	96	101	15	16,107	nd	1.13
S Sulawesi	SULS	3.37	1.46	1.91	36	135	66	8,452	nd	0.92
N Sulawesi	SULU	1.52	0.90	0.62	-	7	4	0	nd	nd
C Sulawesi	SULT	6.68	4.24	2.44	112	729	442	41,141	nd	0.89
SE Sulawesi	SLTG	3.68	2.31	1.38	46	559	434	13,927	nd	0.97

Province		Size (M ha)	Land Cover			Peat ('000 ha)		Land Use Change (ha)		
Name	CODE		Forest (M ha)	Non Forest (M ha)	Oil palm ('000 ha)	Total Peat	Forested Peat	Recent Oil Palm Expansion <sup>1</sup>	Recent Forest loss <sup>2</sup>	Defor Trend <sup>3</sup>
<b>Sumatra</b>										
Aceh	ACH	5.89	3.49	2.40	363	337	145	22,361	127,209	0.90
Bengkulu	BKL	2.13	1.08	1.05	376	20	2	11,665	65,378	1.16
Jambi	JMB	5.27	1.81	3.47	660	802	284	56,339	225,974	0.63
Bangka Isle.	KPBN	1.48	0.34	1.15	171	81	24	52,141	nd	nd
Riau Islands	KPRI	0.70	0.36	0.35	37	-	-	11,506	nd	nd
Lampung	LMP	2.02	0.62	1.39	154	24	1	13,457	nd	0.82
Riau	RIA	9.07	2.79	6.29	2,372	4,659	1,667	93,904	687,547	1.54
W Sumatera	SUMB	4.51	2.72	1.79	353	169	44	70,601	nd	1.00
S Sumatera	SUMS	8.27	1.84	6.43	941	1,472	216	94,286	164,054	1.15
N Sumatera	SUMU	6.70	2.59	4.11	1,100	385	56	95,166	148,549	1.04
TOTALS		169.5	96.7	72.9	9.4	25.9	12.8	961,615	3,553,346	1.18

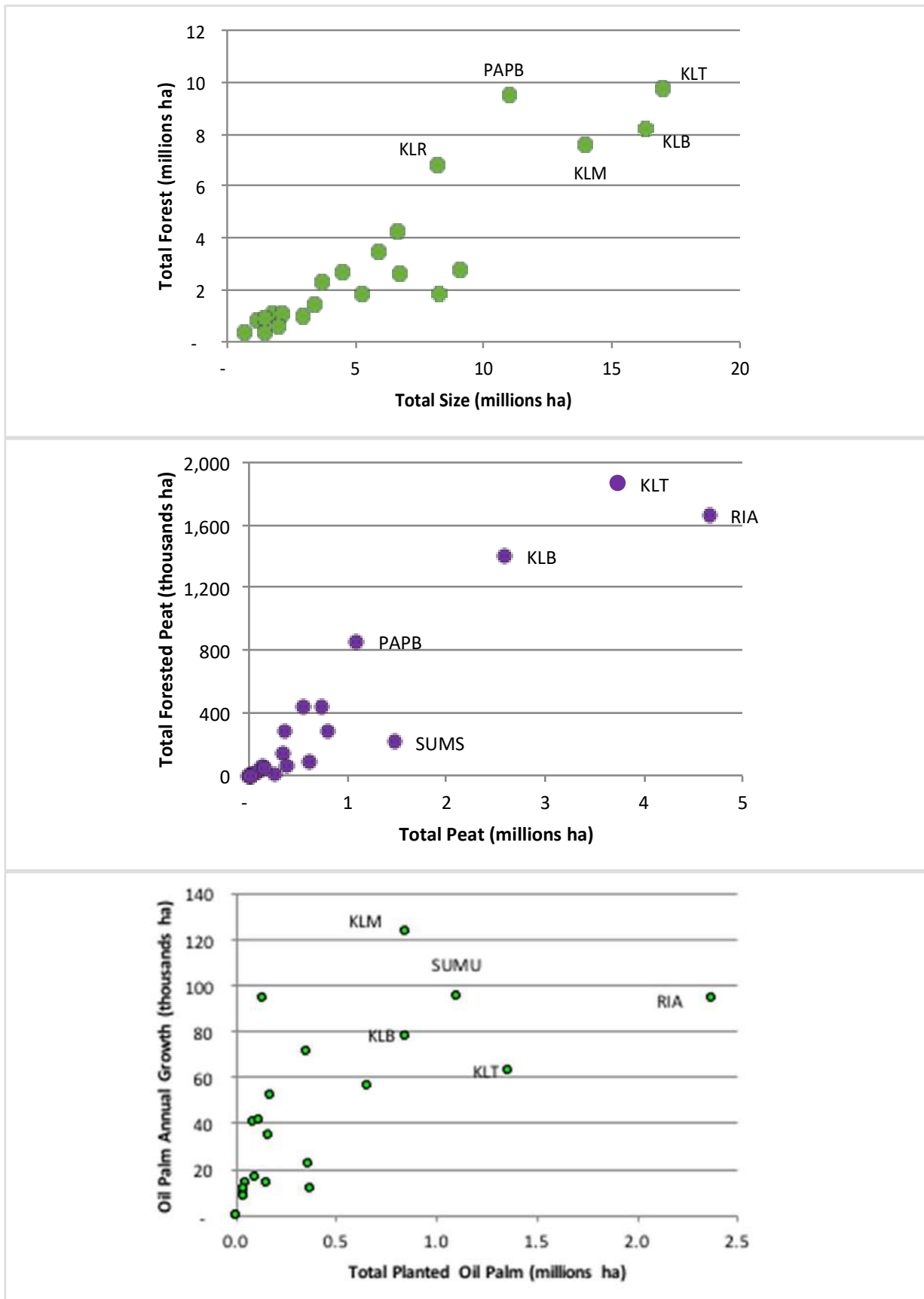
<sup>1</sup> Oil palm expansion is summed over 2009-2013 (Source BPS 2014 and various provincial data sources)

<sup>2</sup> Recent deforestation is summed over 2011-2013 (Source: FWI 2015)

<sup>3</sup> Deforestation Trend is ratio of forest loss during years (2010-2012) divided by (2007-2009). (Source: Daemeter 2015, derived from Hansen et al 2012 with modifications)

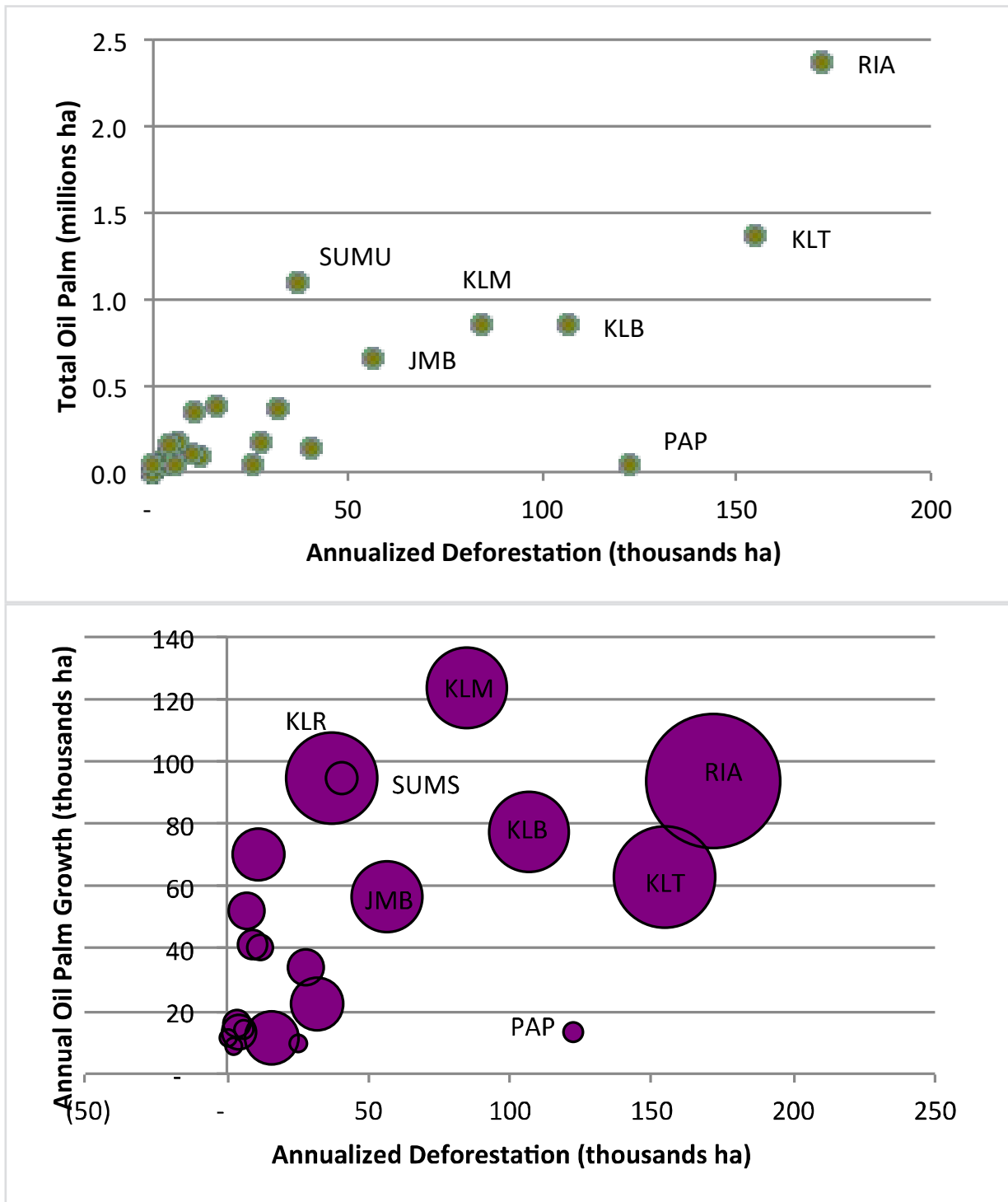
**Table 6.2 - Forest, deforested land and peat zoned as permanent forest or agriculture across the 23 provinces.**

Province	Forest Zone ('000 ha)		Other Use Zone ('000 ha)		
	Forest	Deforested Land	Forest	Peat	Forested peat
<b>Kalimantan</b>					
W Kalimantan	6,710	3,605	1,46	1,051	408
S Kalimantan	804	866	169	201	6
N Kalimantan	5,944	826	836	229	163
C Kalimantan	9,189	5,456	528	451	67
E Kalimantan	6,378	3,219	1,191	417	58
<b>Papua</b>					
Papua	24,352	9,708	1,149	213	155
W Papua	9,365	1,372	175	21	16
<b>Sulawesi</b>					
Gorontalo	773	177	62	5	1
W Sulawesi	893	422	145	59	6
S Sulawesi	1,196	1,039	266	25	6
N Sulawesi	625	219	275	4	2
C Sulawesi	3,485	1,354	760	223	104
SE Sulawesi	2,043	791	264	41	18
<b>Sumatera</b>					
Aceh	2,880	1,068	609	218	53
Bengkulu	823	252	254	19	2
Jambi	1,358	1,237	448	321	35
Bangka Isle.	198	458	137	7	1
Riau Islands	107	93	250	0	0
Lampung	372	516	252	14	460
Riau	2,141	2,785	648	1,836	339
W Sumatera	2,226	736	495	116	15
S Sumatera	1,176	3,015	667	348	25
N Sumatera	2,188	2,356	402	67	10
<b>TOTALS</b>	<b>88,224</b>	<b>41,567</b>	<b>11,445</b>	<b>5,867</b>	<b>1,484</b>



**Figure 6.2 - Forest, peat and palm oil across 23 provinces.**

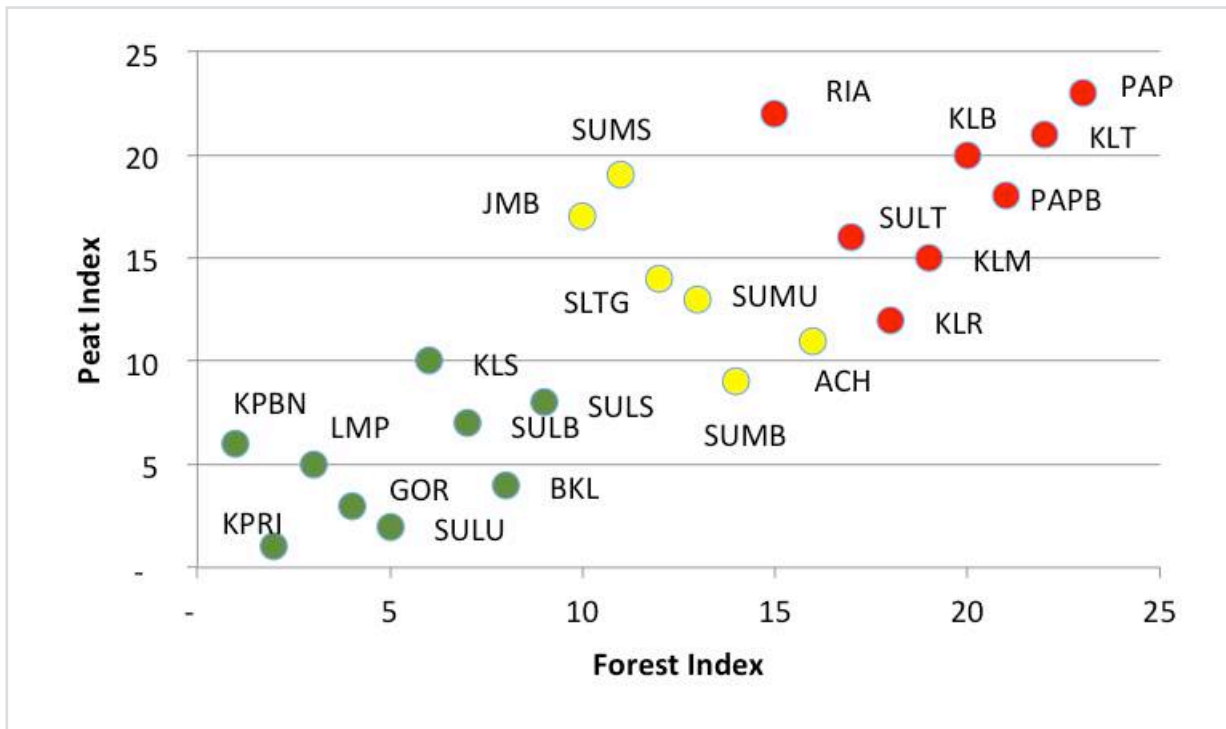
Upper panel shows remaining forest vs province size (excluding Papua, to allow greater differentiation among all other provinces). Middle panel shows relationship between total peat and total forested peat (excluding Papua). Lower panel shows planted oil palm (2013) versus annualized rates of recent oil palm expansion (2009-2013). Province codes follow Table 3.1.



**Figure 6.3 - Deforestation and oil palm across the provinces.**

Upper panel shows strong positive relationship between annualized deforestation and total planted oil palm. Deforestation is highest and oil palm is most extensive in Riau and Central Kalimantan. Lower panel shows annual deforestation versus annual oil palm expansion (with bubble size proportionate to total planted area of oil palm in each province).





**Figure 6.4 - Scatter plots of deforestation and peat risk indices across the 23 Palm Oil Producing provinces.**

Lower panel ranks provinces based on deforestation risk (x axis) and peat conversion risk (y axis), classifying provinces into three groups based on their peat and/or deforestation risk (high = red, medium = yellow, low = green). Upper panel same as above, with bubble size indicating planted area of oil palm. Provinces considered highest risk for environmental impact are East, West, Central and North Kalimantan; Riau; Central Sulawesi; and Papua and West Papua. Oil palm threat level varies across these priority provinces. For example, in Papua and West Papua, environmental impact risk is very high, but indicators of near term threats are lower than other provinces, where planted oil palm and recent expansion is much higher.

## 6.4 Priority Provinces and Districts

Initial prioritization of Indonesia's 23 palm oil producing provinces resulted in three priority classes, taking into account forest, peat, land use change and features of the oil palm sector:

Higher Priority	Medium Priority	Lower Priority
Riau Central Kalimantan West Kalimantan East Kalimantan North Kalimantan Papua West Papua	Aceh Jambi North Sumatra South Sumatra West Sumatra Central Sulawesi Southeast Sulawesi	South Kalimantan West Sulawesi South Sulawesi North Sulawesi Gorontalo Bengkulu Lampung Bangka Islands Riau Islands

The 14 High and Medium priority provinces were further classified into three tiers, taking into account biophysical considerations, and preliminary indicators of social/political feasibility, difficulty of programming, political sensitivities, and other engagement opportunities. These are:

- **Tier 1** – Riau; Central, West and East Kalimantan
- **Tier 2** – North, South and West Sumatra; Jambi; North Kalimantan; Central and Southeast Sulawesi
- **Tier 3** – Aceh, Papua and West Papua

**Tier 1** provinces are high risk for deforestation/peat conversion, and considered relatively amenable to intervention in one or more ways (at provincial and/or district levels). **Tier 2** provinces are slightly lower priority for deforestation and/or peat land conversion risks or (in the case of North Kalimantan) lower perceived amenability to engagement. **Tier 3** provinces of Aceh, Papua and West Papua, are high priority from biophysical and social viewpoints, but present challenging social, political and governance issues that demand special consideration for tailoring engagement strategies and partnership arrangements to local conditions. Tier groupings are not a strict, rank order of importance, but rather a logical grouping of provinces into categories with similar levels of risk and/or potential for engagement. One-page summaries of each province are presented in Annex A, with brief summaries offered here.

**Riau** is a Tier 1, high priority province for JA engagement. It has the largest area of planted oil palm of any province, significant areas of forest and peat under threat, and serious environmental problems linked to oil palm. The concentration of progressive supply chain actors with significant downstream processing interests in Riau makes a supply shed approach to multi-party engagement a good entry point for jurisdictional programming. A second entry point is linked to district and provincial government programs for fire prevention and reduction in illegal land conversion, often with use of fire. The latter will grow in importance over time with BRG supported action, and will present new opportunities for engagement, likely in combination with license reviews for legal compliance.

**West Kalimantan** is another Tier 1 province, with over 1M ha of planted oil palm, and planned expansion that could affect 1.4M ha of forest and 1M ha of peat. Ketapang district has extensive peat and forest at risk, a high deforestation rate, a high concentration of progressive supply chain actors, and a district regulation to protect High Conservation Value (HCV) set-asides. West Kalimantan has a long history of civil society activism especially on indigenous peoples' rights and environmental issues, with support from domestic and international organizations. Leading options for JP readiness activities are to work with companies, NGOs and district governments to build on current initiatives for RSPO certification and

HCV set asides (e.g. Ketapang), and oil palm linked conflict resolution in several districts where projects are underway (e.g. Sanggau, Kapuas Hulu, Sintang).

**Central Kalimantan** is another priority Tier 1 province, with large areas of forest and peat, a well-established oil palm sector (c 1.3M ha planted), and a high concentration of progressive companies in some districts. As a REDD+ pilot province, the provincial government has experience with deforestation reduction activities and is currently collaborating with proponents and stakeholders on two early-stage oil palm JPs that could form the basis of a more comprehensive JP at provincial and district scales. The Governor promulgated a regulation enabling recognition of customary land rights and another that establishes plantation sustainability requirements more stringent than national laws. Scenarios for engagement, aside from those currently pursued by existing programs, include supply shed efforts in coordination with one or more large trader(s), smallholder support programs, support for implementation of progressive government regulations on palm oil, and promotion of community based forest management in the province's extensive customary forest lands.

**East Kalimantan** is the fourth Tier 1 province, with >7.5M ha of forest and 600,000 ha of peat, including large areas of forest (1.2M ha) and peat (420,000 ha) zoned for conversion. Growth in oil palm over the past decade has been rapid, making the province Indonesia's fourth largest palm oil producer. The governor is relatively progressive and open to engagement on sustainability issues, and will remain in office until the end of 2018. Provincial capacity is relatively high, including a competent NGO community focused on sustainable land use, land rights and engagement with private sector. Indigenous territory mapping has also been a priority, though progress toward formal recognition has been slow. To date, few districts leaders have shown interest in sustainability, but recent changes in leadership were significant, following elections last December in five of the province's six districts, including four districts where the *Bupati* finished their second and final term. Progressive growers are numerous but do not predominate in any one district. Potential entry points for JA engagement include support to the process for drafting and then implementing a provincial regulation on sustainable plantations, support for implementation of a local regulation in peat land protection (Kutai Kartanegara), calls for license review at provincial (GAPKI) and district levels (e.g. in newly established Mahulu district) and broader capacity building for monitoring and implementation of best management practices.

**North Sumatra** is a medium priority, Tier 2 province. It has a well-established palm oil industry, including >1M ha planted oil palm, and potential for expansion that could affect >400,000 ha of forest and peat. Unilever recently constructed a refinery and is shaping landscape level interventions to secure a sustainable supply base for this. This includes a pilot project targeting state-owned and smallholder oil palm operations in five districts. Other possible entry points include collaboration with multiple NGOs supporting: (a) protection of the Leuser ecosystem from palm oil encroachment, which extends into northern parts of the province, in Langkat district, and (b) regularization of tenure, support for resolution of land conflicts, and promotion of community based forestry, especially in the provinces forested districts of the west coast (e.g. Mandaling Natal).

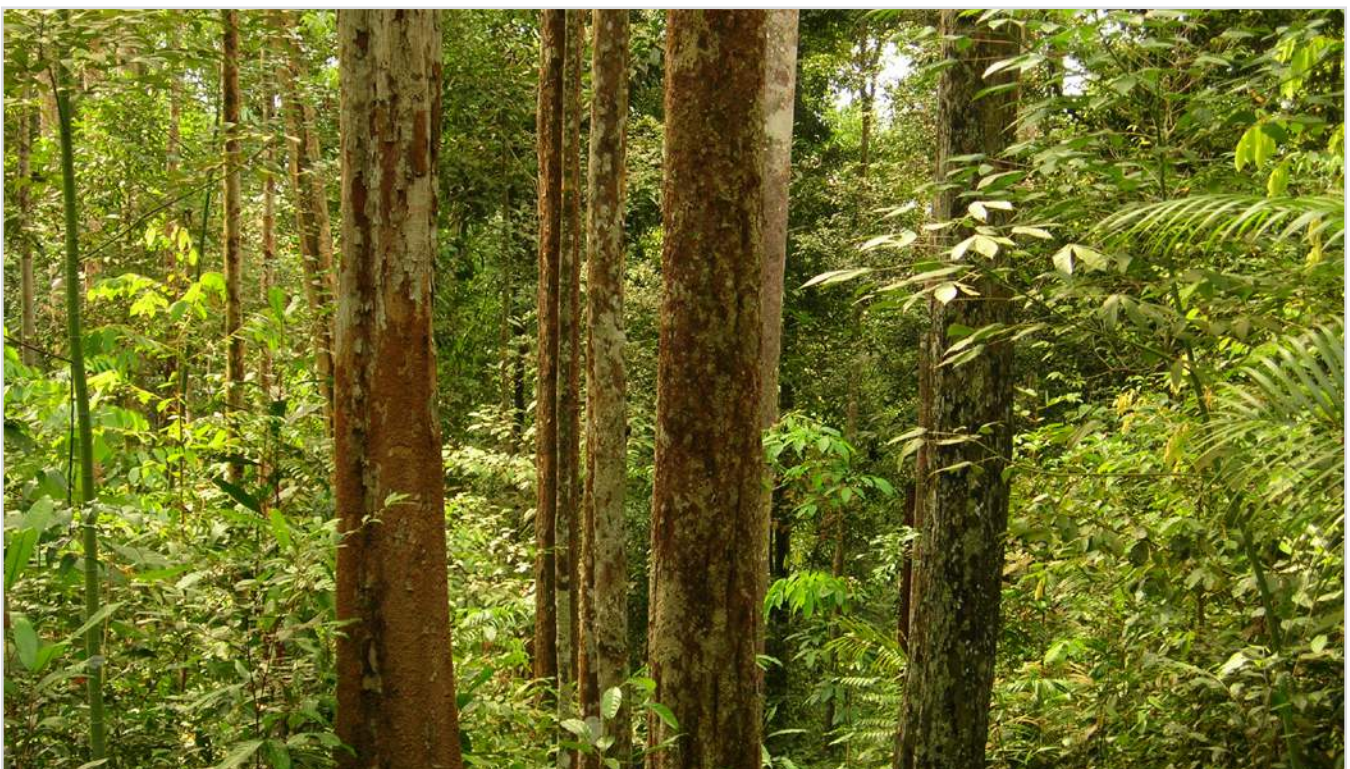
**North Kalimantan** is another medium priority, Tier 2 province. It became a province in 2012, has large tracks of primary forest, but due to its mountainous terrain economic development has been slow and limited to coastal areas. Oil palm development has been limited to Nunukan and Bulungan districts, but oil palm is seen as an important economic driver in the future. A number of international programs have concentrated on the interior forested areas focusing on conservation, sustainable forest management and community empowerment. Though important from a forest and peat lands point of view, the province presents serious challenges linked to entrenched politico-business alliances likely to resist reform efforts. Nunukan and/or Bulungan Districts would provide the best options for a JP focused on oil palm, possibly linked to local community lead forest conservation efforts.

**Central Sulawesi** is also a medium priority province. It has a lower rate of deforestation than other provinces featured in the study, and the oil palm sector is relatively small. Yet, it has >4M ha of forest and

650,000 ha of planned oil palm expansion; a relatively good record of engaging on sustainability issues, including early REDD+ initiatives; signs of better forest governance; and other initiatives on the recognition of customary land rights. Engagement at provincial level could be pursued through a multi-stakeholder forum centered around the new by-laws on sustainable plantations and customary land recognition, FMU/ KPH support (including social forestry), and forest monitoring and permit reviews.

**Papua and West Papua** are both Tier 3 provinces that merit special consideration. They support the largest areas of remaining forest in the country, the most extensive peat lands and together are seen as the next great frontier for oil palm development. This makes them high priority for consideration in JA type programming. However, the challenges of working in Papua are great, including: poor infrastructure and geographic challenges making travel and communication difficult; low government capacity and high levels of corruption; weak civil society; and a population suffering from poverty, low education levels, and widespread health problems. An initial list of priority districts can be identified (e.g. Jayapura, Merauke), keeping in mind that government capacity weakness is particularly extreme in the many new districts, which have been split off from older 'parent' districts in the last ten years. The need for immediate intervention to prevent oil palm driven impacts is less severe in Papua than other forested provinces, but threats will intensify in the next 3-5 years, suggesting pre-emptive action should be taken now.

**Aceh** is the third of three Tier 3 provinces that merit special consideration. It's not a major producer of palm oil, and deforestation rates have been low compared to other provinces. Yet, Aceh hosts the 2.6M ha Leuser Ecosystem, one of the world's most biologically diverse and threatened tropical forest landscapes. Palm oil encroachment into peat and forested areas of Leuser is a real and on-going threat, enabled by weakened protections in the 2013 Aceh spatial plan. Given pressures of an international advocacy campaign to save Leuser, a well-organized alliance of local and other NGOs, interest on the part of western governments and aid agencies to assist, and the commitment of IPOP companies with supply chain exposure in Leuser to investigate collaborative solutions, we view Aceh as a special case for piloting a JA to eliminate palm oil linked deforestation. That said, no provincial and few district leaders embrace a sustainability agenda, and Aceh's current political dynamics, following three decades of separatist conflict, present real challenges to outside involvement in a reform agenda. These factors must be accounted for in considering whether and how a JP could be supported by outside parties.



# 7

## Conclusions & recommendations

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This Study was designed to explore the scope & goals, feasibility, staged implementation and potential benefits of pursuing a Jurisdictional Approach to reducing palm oil driven deforestation and peat conversion in Indonesia. A successful JA would achieve this goal through coordinated effort of local government, business actors, local communities and civil society, all of this led and supported by a program proponent. Insights gained in the study allowed us to draw broad conclusions about challenges and opportunities that will affect JA feasibility, benefits, and design considerations. Here, we summarize the main conclusions and recommendations of the study.

## 7.1 Overarching Conclusions

The feasibility and effectiveness of the JA as a tool to reduce palm oil driven deforestation is unproven in Indonesia. Ongoing efforts to experiment with the approach are off to a good start, but have not yet delivered measureable reductions in deforestation or improvements to governance. Since most are at an early stage of development, lessons learned to date are more relevant to design and approach considerations, rather than implementation. One important finding in this context is that central government policies and political and economic conditions in Indonesia provide weak incentives for local government authorities and political leaders to embrace reform goals of the JA. The study confirmed that jurisdictional leaders generally perceive a weak, if not negative, value proposition to support deforestation reduction in the light of legal, political, economic, fiscal, and personal incentives to maintain BAU land use practices that drive deforestation. A few local political leaders have made commitments and taken early steps towards supporting deforestation reduction and/or activities aimed at building JPs focused on REDD+ or sustainable palm oil, but it's not yet clear if this support will be sufficiently strong and durable to make meaningful improvements to governance and enforcement. This will depend on how government commitments are implemented.

During our work, we observed attitudes, capacity, and actions among business, government and civil society leaders in some jurisdictions that could be built upon as entry points for JP development, with or without formal government support. Market demands for sustainable palm oil, expanding land rights for indigenous communities, and intensified efforts to reduce corruption in land use licensing could strengthen incentives for cooperation among local actors and create new opportunities for intervention.

We conclude that the JA clearly merits investment, but should be pursued in a purposeful, phased manner in a range of geographies, with partners capable of tracking, assessing and reacting quickly to opportunities for further investment as they emerge. Fostering a 'community of practice' for JA proponents to exchange lessons and learn from experiences should also be pursued. Experimenting with the JA in this way could deliver near term benefits of interim reductions to deforestation, strengthening of enabling conditions conducive to reform, and capacity building in key areas, even without formalization of the JA as a MSF or other formal body. The degree of success ultimately achieved will be closely linked to the nature and timing of changes in national policy in Indonesia, ability of the market and civil society to maintain pressure on the industry, and availability of dependable fiscal and financial incentives for public and private sector actors that take action.

## 7.2 Strategic approach

The weak value proposition for political leaders to support and participate in a JP has important implications for donor strategy and JP experimentation, suggesting the following conclusions:

- It seems premature to pursue full blown, comprehensive JP development on the ground in any jurisdictions until changes occur that positively alter the VP of political leaders
- Working to improve the VP of political leaders is a top priority for investment

- While work is being done to improve the VP of political leaders, it is still worthwhile to work pro-actively now with other stakeholders to reduce deforestation and support development of JP pre-conditions and enabling conditions.

The likelihood for improvement to the VP for local political leaders to support JP objectives depends on whether central government deforestation, peat land protection, and palm oil sector policies evolve to provide compelling carrots and sticks, and when/whether performance-based payments become more widely available in the form of fiscal transfers, on-granting and/or private sector rewards (such as preferential sourcing or investment in green jurisdictions). In this scenario, Indonesian forest and land use policy would be revised to make deforestation reduction a core objective, supported by coordinated implementation regulations, increased enforcement capacity, greater transparency in licensing and transparent monitoring and reporting. Uncertainty over how legal and fiscal incentives will develop over time presents a dilemma for donors and proponents trying to decide whether, how and where to support JA development or otherwise work on deforestation reduction. Possible options for donors considering JA investment include:

- 1) Wait and see what progress is made at the policy level and how other organizations fare in implementing JP programs. In the meantime, consider investments in other mechanisms to reduce deforestation in the palm oil sector (or supporting existing JPs);
- 2) Support policy changes that improve the value proposition for key political actors to support JA, awaiting positive results before working at the jurisdiction level;<sup>57</sup> or
- 3) Support policy changes that improve the JA value proposition for key political actors while also undertaking investments in jurisdiction level readiness activities that lay foundations for future JPs, through a cautious strategy involving phased, benchmarked investments in carefully selected jurisdictions.

We argue the third strategy is most likely to yield results that contribute to JA development and deforestation progress in the near term. We acknowledge that results of a strategy designed to work at the policy and jurisdiction levels are uncertain at either level given the current political and economic environment, but we believe that working at both levels simultaneously could provide mutually beneficial insights and impacts. Some organizations may wish to avoid policy engagement and JA experimentation, preferring instead to support other types of field based approaches, such as supply shed interventions, community land mapping, or conservation of ecologically defined landscapes, in the hope of achieving concrete deforestation results more quickly. As discussed in Section 3, these approaches are institutionally less complex than a formal JA initiative, but also more limited in their potential to institutionalize progress in government policy and prevent deforestation leakage. The two approaches are not mutually exclusive, and ideally would be pursued in parallel in the same geography, with support from different sources.

### 7.3 Approach to JA investment

Given the urgent need to reduce deforestation, we propose that carefully planned and monitored jurisdiction level efforts have the potential to yield important near and mid-term results, both for institutional development and deforestation reduction. Initial JA efforts could lead to a better understanding of the conditions necessary and the program design features that will promote success in the future. Additionally, it is a high priority to achieve some near term success in one or more jurisdictions (measured by actions and rewards) to create a positive example to motivate other jurisdiction leaders to action. Finally, initial JA activities can also establish working relationships with stakeholders to expand collaboration and expand program objectives as the VP strengthens, especially due to changes in national policies and enforcement.

<sup>57</sup> See Section 2.5 for more detail on this.

Yet, given the challenges associated with weak VPs, variations in local contexts and stakeholders, and strong disincentives for deforestation reduction linked to weak governance and vested economic interests, we feel a cautious approach to investment is needed. The approach described in this report is designed with these cautions in mind, prioritizing select regions based on political (as well as technical) feasibility, with minimal investments upfront and a phased approach whereby investments are increased over time as milestones of success are met and program activities are scaled up accordingly. We envisage a trial period with pilots being launched in multiple jurisdictions by one or more proponent(s) to build JP preconditions and enabling conditions, and pursuing an incremental approach that begins with coordinating and supporting actions by multiple stakeholders in government, industry, and civil society. Such an approach could potentially make important practical and conceptual contributions right away, laying groundwork to foster the deeper levels of support from political leaders that is needed to achieve reduced deforestation objectives. Viewed from the opposite perspective, we are skeptical that even strongly incentivized district heads and governors could unilaterally reduce deforestation in the palm oil sector without active collaboration of industry and other actors and external technical support to improve their capacity to plan, monitor, and enforce land use decisions. For this reason, we believe that investing in building this capacity through JP readiness activities in key geographies will benefit current deforestation reduction efforts and provide technical and institutional foundations for government-convened JPs in the future.

We see proponent-guided jurisdictional initiatives as the most effective interim measure to coordinate the efforts of willing partners to reduce deforestation and to lay the groundwork for a more comprehensive government-driven effort in the future. Our findings regarding attitudes and incentives of jurisdictional political leaders and weakness of critical regulatory tools and capacity, leads us to conclude that a Readiness Phase will be required to foster the preconditions and enabling conditions described in this report, and that an external proponent will be needed to provide technical support and financing during this phase. We also conclude that some form of multi-stakeholder forum is required to facilitate participation and coordination of other stakeholders. The MSF is a valuable program feature even though MSF performance in NRM programs in Indonesia has been uneven at best. The form, purpose, membership, and powers of such a forum will vary widely based on local conditions, but some type of forum is required.

As noted, initiatives designed to establish a JP will meet with varying degrees of success, and many (possibly most) will reach intermediate levels of development but not achieve full JP functionality. Even so, partial success at establishing a JP provides: (i) design insights to be applied elsewhere; (ii) progress toward building enabling conditions; (iii) concrete results with respect to building capacity and alliances, as well as actual progress in reducing deforestation. It will also help provide insights regarding policy development needs, which can feed into national level reform efforts.

## 7.4 Priority jurisdictions and scenarios

We recommend undertaking a variety of readiness activities in a variety of contexts, coordinating provincial and district level engagements where feasible. This is because different approaches will be more suited to particular contexts, and because a diversified portfolio of approaches will be more likely to provide some early successes that can then be built upon over time. This iterated program investment approach is considered wise given risks associated with the political economy of land use, Indonesia's evolving governance framework and policy priorities, and the unpredictability of multi-stakeholder processes. We also strongly recommend further investigation into stakeholder interests, technical approaches, and local political economies in select geographies (especially the Tier 1 provinces), in order to guide further development of approaches and final selection of focal jurisdictions, especially at district levels. Highest priority provinces identified in this study are Riau, and West, East and Central Kalimantan.<sup>58</sup> In addition,

<sup>58</sup> One-page overviews for each of the ten provinces reviewed in the scoping study are provided in Annex A.



Aceh, Papua and West Papua are considered priority provinces for JA programming, but with social, political and governance challenges that require careful tailoring of engagement strategies likely to deliver success.

## 7.5 Recommended next steps

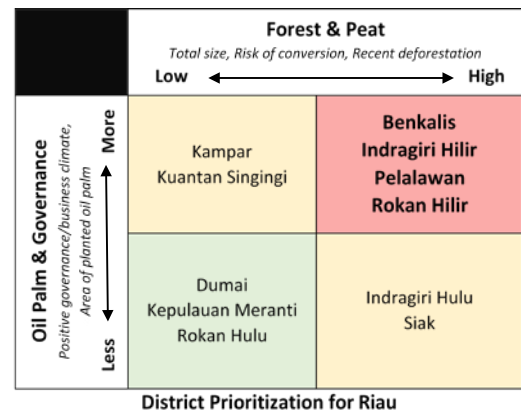
We highlight the following priority next steps for advancing JA programming in the year ahead.

- 1) JA success will hinge on the ability of stakeholders to engage with national level policy makers to strengthen the incentives for regional authorities to support JP objectives. This requires assessing efforts already undertaken to date and challenges met, as well as considering how recently established (or emerging) institutions under the current government can be engaged to support critical policy reforms. Recent developments related to fires and formation of the Peatland Restoration Agency creates new opportunities for engagement at the national level.
- 2) It is important to better understand segments of the oil palm industry bitterly and vocally opposed to land governance reforms perceived to threaten future growth of the palm oil sector. Recent developments related to IPOP suggest the need for a more effective, informed strategy of engagement with these actors to better understand their views and how these can shape the scope, objectives and phasing of JPs where these actors have influence.
- 3) Additional fieldwork in select districts of high priority provinces not included in this study should be prioritized. In addition, given the number of districts that had elections in December 2015, including many provinces identified as high priority in the study, it will be vital to reassess potential interventions, since our field work took place prior to the elections. This should include visits to meet new *Bupatis* in priority jurisdictions to gauge their interest in cooperation around JP themes.
- 4) An assessment should be carried out of current implementation strategies, geographic priorities and progress of companies committed to no deforestation, to understand whether, how and where collaboration could offer powerful entry points for building out a JP. This can be achieved via direct interviews, as well as desktop spatial analysis of supplier locations, their overlap among different members, and geographic priorities that emerge.
- 5) A more structured assessment of ongoing work by local, national and international NGOs would deepen our understanding of NGO entry-points for JP engagement. The study would seek to understand not only project objectives and impacts to date, but also the nature of relationships the programs have built with government and other local stakeholders.

## Annex A – Provincial summaries

### Riau

Riau is top priority in our study. It has the largest area of planted oil palm of any province (2.4 million ha), including 1.3 million ha of smallholder farmers. It has significant areas of forest (>600,000 ha) and peat (>1.8 million ha) zoned for agriculture and at risk of conversion. Riau had the country's highest deforestation rate during 2009-2013 (700,000 ha), partly linked to the province's contested spatial plan. Riau has a high concentration of former IPOP members (and other zero deforestation companies) in the province, with a commitment to cooperate on strengthening land governance. It also has an active, well networked civil society, and is coming under growing national pressure to take firm action against fires and other forms of illegal development.



Riau is by far Indonesia's largest producer of CPO and derivatives. Oil palm is well established in nearly all districts of the province, and over half the production base is reported to be managed by smallholders. Most major producers, including all of the largest, vertically integrated players, have operations in Riau. All six former IPOP members have a significant upstream footprint in the province, and most districts host more than 10 CPO mills (several have more than 20) owned directly by former IPOP members or linked to their supply chains.

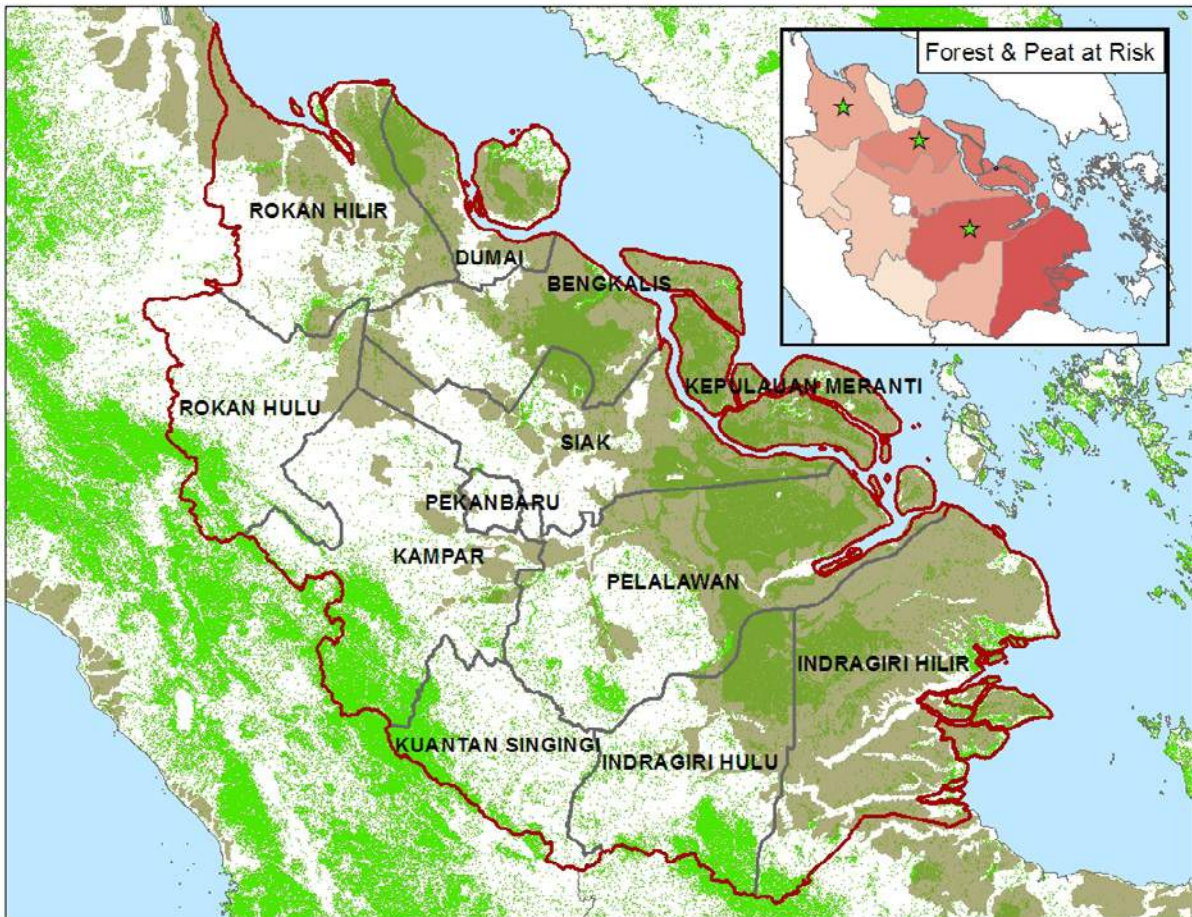
In considering a JP for Riau, four districts emerged as higher priorities. Bengkalis, Indragiri Hilir, Pelalawan and Rokan Hilir support larger areas of forest (300-500,000 ha) and peat (550,000 to 1M ha); experienced among the highest rates of recent deforestation; and have the largest areas of forest and/or peat zoned for conversion to agriculture. The districts also have large areas of deforested land zoned as state forest unavailable for agriculture (totaling c 1.5M ha). All four districts have established oil palm industries with >200,000 ha of planted oil palm.

Indragiri Hilir (Inhil) is a district of immediate concern that could hold great potential. It supports c. 25% of threatened forest and more than one-third of threatened peat province wide. It has an established plantation infrastructure that could expand rapidly into available areas, but Inhil district government has indicated a willingness to support sustainability initiatives and alternative crops (e.g. coconut). The term for the *Bupati* does not end until 2018, and he can run for re-election, offering a chance for long-term engagement. In addition, adjacent Indragiri Hulu warrants attention as a potential priority together with Inhil, as the plantation base in these two districts form part of the same peatland hydrological unit, with substantial forested areas remaining.

At least three scenarios offer entry points for building out a JP in Riau. A supply shed approach seems necessary for former IPOP members to secure deforestation free supply chains at reasonable cost, and could be an effective entry point for collaboration with diverse stakeholder groups. All six former IPOP members have significant upstream and downstream operations, and have already identified Riau as a priority for cooperative action to support improved land governance. Many districts would offer suitable locations, but a combined Inhil plus Inhil district approach could be especially interesting given alleged plans for a new refinery in the area, an approachable *Bupati* in Inhil, and the large areas of forest and peat at risk in both districts.

A second possible entry point is to work collaboratively with provincial government and one or more districts to support implementation of Riau government's multi-faceted KARHUTLA initiative to address

fires. KARHUTLA offers a ready platform for working constructively with government on land governance, monitoring and enforcement programs that over time could be expanded in scope to include other priority components of a successful JP on palm oil. A third scenario would be to work with former IPOP members and local NGO partners in select geographies on a strategy to address legality and deforestation risk of smallholder production. Companies with operations in a region or supply shed targeted for the program could provide technical and material assistance, local NGOs can help engage with farmers, and local government could provide assistance with mapping, land registration and subsequent monitoring.

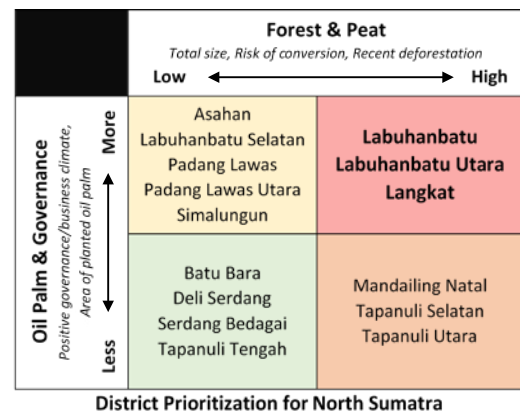


**Figure A.1 - Distribution of forest and peat In Riau.**

Remaining forest totals 2.8M ha, the majority of this on peat (1.7M ha). Nearly two-thirds of Riau's 4.7M ha of peat have been deforested, with the largest blocks of remaining forest mainly in Bengkalis, Pelalawan, Inhil and Inhul districts. Inset depicts relative size (ha) of forest and peat at risk of conversion from spatial planning. Inhil and Pelalawan are highest risk (darkest red). Inset also highlights districts with largest areas of deforested land in the Forest Zone that could potentially be rezoned for agriculture. Pelalawan, Rokan Hilir and Bengkalis are highest for this parameter (green star).

## North Sumatera

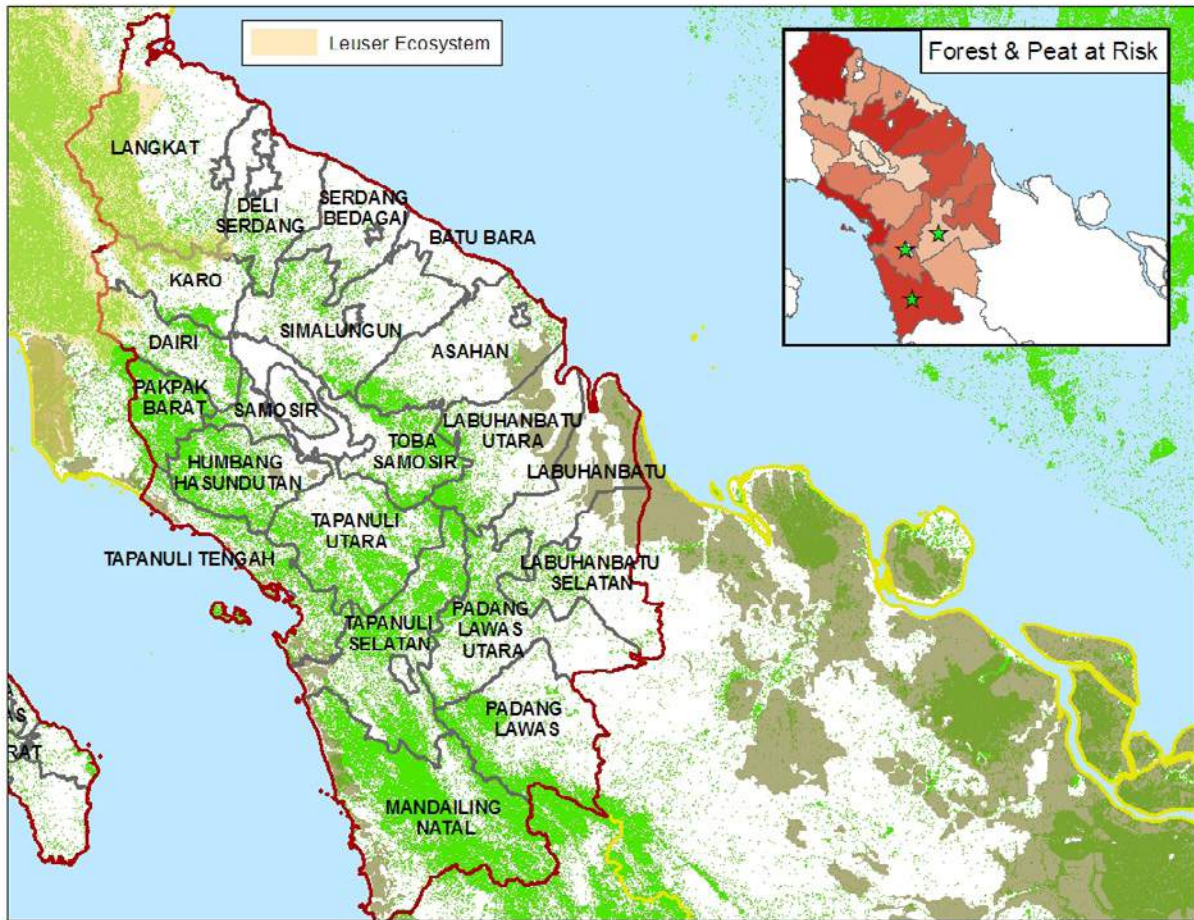
North Sumatera is a priority province in the study for a unique mix of reasons. The province has >2.5M ha of forest and 385,000 ha of peat, with significant areas of both zoned for agricultural use (more than 400,000 ha of forest and 67,000 ha of peat). Conversely, nearly 2.3M ha of deforested land is zoned as state forest unavailable for agriculture. Like Riau, the provincial spatial plan for North Sumatera is still not approved, creating uncertainty on the boundary of state forest and thus legality of smallholder farms and large scale oil palm licensing. The province also hosts a very large smallholder production base, with significant investment needs for replanting in the near future. All of former IPOP members have mills, downstream processing units, and significant supply chain exposure in the province, as do many other consumer goods manufacturers that have made no deforestation, no peat sourcing commitments (e.g. Unilever).



Oil palm has a long history in the province (>100 years) and is planted in nearly all districts of the province, especially along the east coast. Today >1.1 million ha are planted, including >430,000 ha of smallholder managed farms. Eight districts each have >50,000 ha of planted oil palm, and five have >100,000 ha each. Though land is more limited in the province than elsewhere, there is still potential for oil palm expansion that could affect large areas of forest and peat. Compared to other provinces, government policies focus more on expansion of downstream processing, manufacturing and distribution than plantation expansion. This is reflected in the large presence of downstream supply chain actors in the province, including Unilever's PKO processing facility in Sei Mangkei.

Three districts emerged as top candidates for JP initiatives in our study: Langkat, Labuhanbatu and Labuhanbatu Utara. Langkat has the third largest area of forest in the province, >15% of which is at risk of conversion, and much of that forming part the Leuser Ecosystem in Aceh. A full one-third of North Sumatera's peat lands are concentrated in the district of Labuhanbatu, of which ~20% is zoned for conversion. Labuhanbatu has nine progressive mills while Langkat has 23. These two districts have large areas of deforested land zoned as state forest that could be rezoned for agriculture. Labuhanbatu Utara deserves special mention as it has large areas of forest and peat, and the fourth largest area of deforested land zoned as state forest that could be rezoned for agriculture. More than 150,000 ha of oil palm are planted in the district (13% of the provincial total), including roughly 64,000 ha managed by smallholder farmers. The district has 16 progressive mills, and is an important supply base for Unilever's Sei Mangkei facility.

Three scenarios for a possible JP entry points in North Sumatera include the following. One option is to support Unilever's planned supply shed transformation initiative, which aims to accelerate certification of large scale and smallholder producers, and to improve smallholder farmer yields through replanting and better farming practices. Unilever's commitment to building a deforestation-free supply chain for its new PKO refinery in Simalungun district means the approach could potentially be replicated and scaled across priority districts forming part of their supply chain, e.g. Labuhanbatu and Labuhanbatu Utara among others. A second possible entry point is in Langkat, where there's opportunity to support enacting a district regulation on the recognition of indigenous people and to support mapping of customary land, both with the goal of strengthening land tenure for sustainable land use. Because Langkat falls within the Leuser Ecosystem, this could be an important approach to manage oil palm encroachment. A third possible entry point is to work with select local governments that have communicated a desire to assert control over small to medium scale illegal conversion of forest zone areas into oil palm, especially along the east coast in mangrove forest areas.



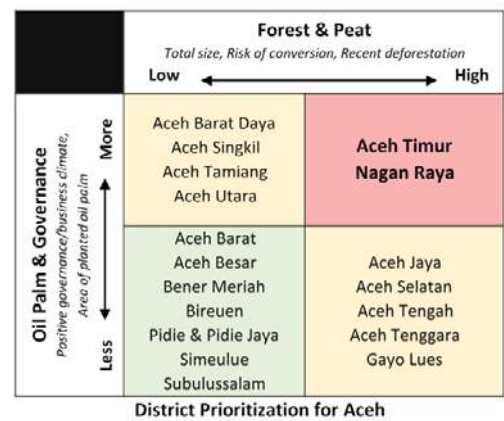
**Figure A.2 - Distribution of forest and peat in North Sumatera.**

Remaining forest totals 2.6 M ha, with the vast majority on mineral soils in districts along the province's western coast. Remaining forest in Langkat district in the north forms part of the Leuser Ecosystem (orange overlay extending into Aceh). Nearly two-thirds of North Sumatra's 385,000 ha of peat have been deforested, with remaining forested peat concentrated in Labuhan Batu and Mandailing Natal districts. Inset depicts relative size (ha) of forest and peat at risk of conversion from spatial planning. Langkat, Simalungun and Tapanuli Selatan are highest risk (darkest red). Inset also highlights districts with large areas of deforested land classified as Forest Zone that could be rezoned for agriculture in a revised spatial plan (green star). Mandailing Natal, Tapanuli Selatan and Padan Lawas Utara are highest for this parameter.

## Aceh

Aceh is considered a medium priority province in the study. It's not a major producer of palm oil, and deforestation rates have been low compared to other provinces. Yet, Aceh is home to the 2.6M ha Leuser Ecosystem, one of the world's most biologically diverse and threatened tropical forest landscapes. Palm oil encroachment into peat and forested areas of Leuser is a real, on-going threat, enabled by weakened protections for Leuser in the 2013 Aceh spatial plan. Given combined pressures of an international advocacy campaign to save Leuser, interest on the part of western governments and aid agencies to assist, and commitments from former IPOP member companies sourcing from Leuser to explore collaborative solutions, Aceh is viewed

as a special case that merits consideration for jurisdictional approaches to sustainable palm oil. However, Aceh's current political dynamics, following three decades of violent separatist conflict, present real challenges to promoting a reform agenda, and must be taken into account when considering how and whether a JP could be supported. For this reason, Aceh is placed in Tier 3.



Oil palm is concentrated on the west coast of Aceh and districts in the south bordering North Sumatra. Oil palm growers in the province sell CPO to many traders committed to zero deforestation, e.g. Wilmar, Musim Mas and GAR source from approximately 30 mills in Aceh, including some with plantation in the Leuser Ecosystem. For this reason, the companies are cooperating with each other and other groups to find solutions for securing long term protection of Leuser and contributing to a deforestation free supply chain in Aceh.

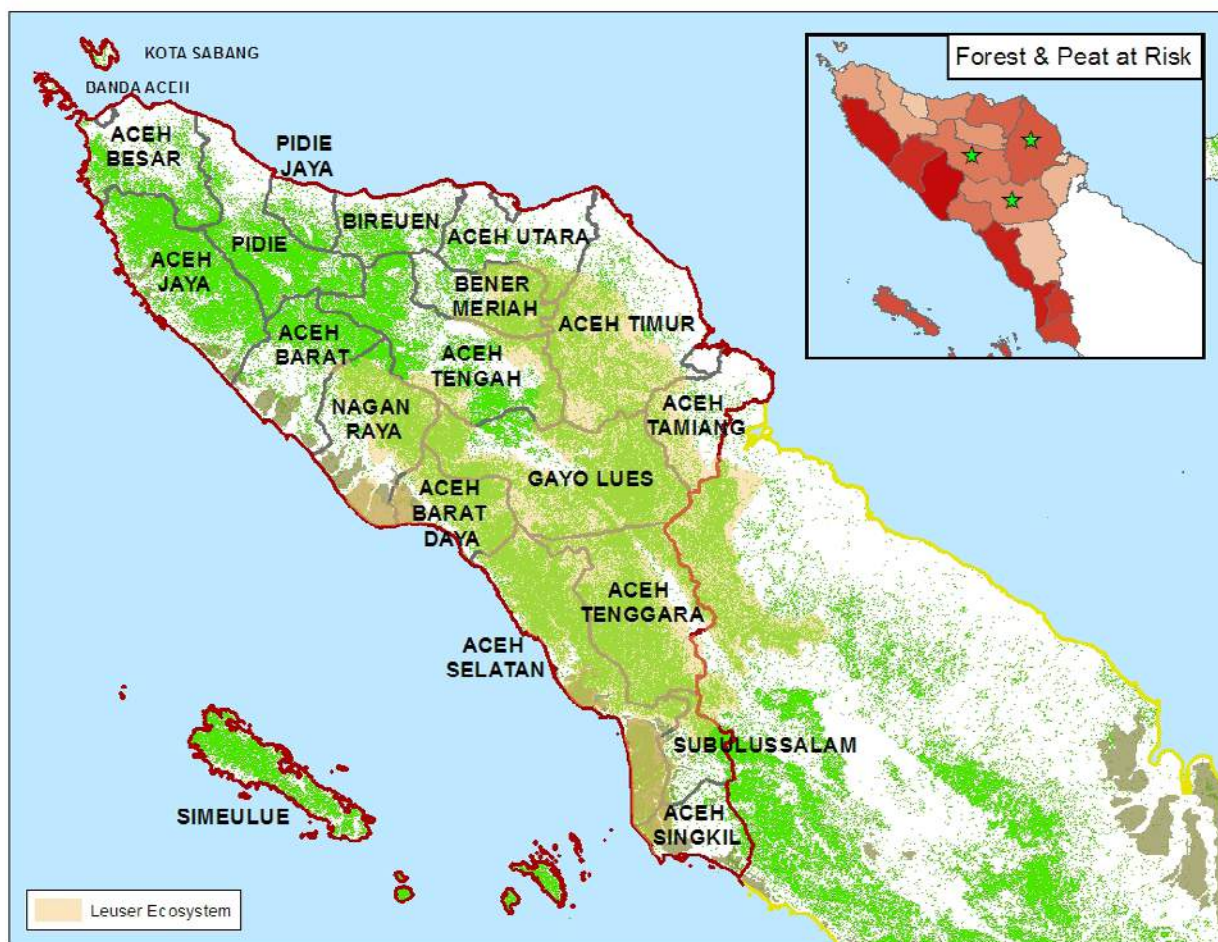
From a biophysical perspective, Aceh Timur and Nagan Raya districts are high priority candidates for possible JP engagement in Aceh. Together they support vast areas of forest (c 432,000 ha), and Nagan Raya has the 2nd largest area of peat in the province (including one-quarter of province-wide peat zoned for conversion). Aceh Timur has >130,000 ha of deforested land zoned as state forest, and the 4th largest area of forest zoned for conversion (48,000 ha). These districts also support the largest areas of planted oil palm, with >150,00 ha (40% of the provincial total).

One option for establishing a JP focused on sustainable palm oil in Aceh is to support a collaborative supply shed with multiple companies, leveraging their need to secure a no deforestation, no peat supply chain to obtain support for broader protections of Leuser. A second entry point is to support coordinated NGO efforts to protect Leuser, with national and international NGOs partnering with them. Working in districts with significant forest and/or peat and where oil palm is more established, such as Aceh Timur and Nagan Raya, would seem strategic for mobilizing support of companies committed to no deforestation, but a measure of government support is necessary to gain traction.

Despite Aceh's clear importance, there are challenges to establishing a JP here. These include a history of low interest in sustainability among regional authorities, though this might be changing.<sup>59</sup> In addition, controversy surrounding the new spatial plan and tension it has created, a history of militarized conflict, and a relatively volatile political situation within provincial and district governments present further challenges. Politico-business networks behind illegal, small to medium scale oil palm expansion are pervasive and appear to be growing, presenting real challenges to engagement on the ground. These social and political challenges are compounded by a lack of capacity and functional accountability mechanisms, especially in some districts that form key parts of Leuser. Ultimate success will depend on obtaining movement

59 <https://news.mongabay.com/2016/04/palm-oil-mining-moratorium-declared-indonesias-leuser-ecosystem/>

from the Governor to revise Aceh's spatial plan or restore protected status to large parts of Leuser in some other way.

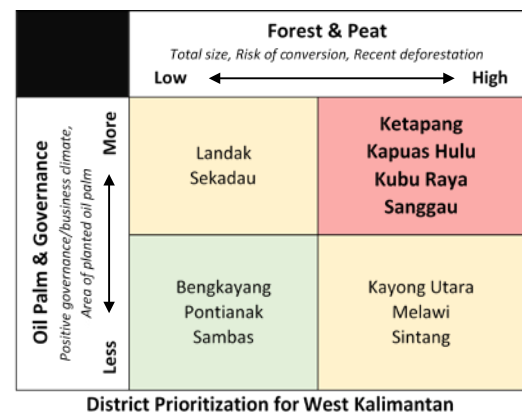


**Figure A.3 - Distribution of forest and peat in Aceh.**

Remaining forest totals 3.5M ha, more than half of which is contained in districts forming part of the Gunung Leuser Ecosystem (orange overlay). Peat lands covers 600,000 ha along the western coastline, especially in Aceh Selatan, Nagan Raya and Aceh Singkil. Inset depicts relative extent of forest and peat at risk of conversion from spatial planning (darker shades = larger area). Aceh Selatan, Aceh Barat and Aceh Jaya are highest risk for conversion (darkest red), but many others are also of concern. Inset also highlights districts where the largest areas of deforested land zoned as state forest are found. Gayo Lues, Aceh Tengah and Aceh Timur are highest for this parameter (green star).

## West Kalimantan

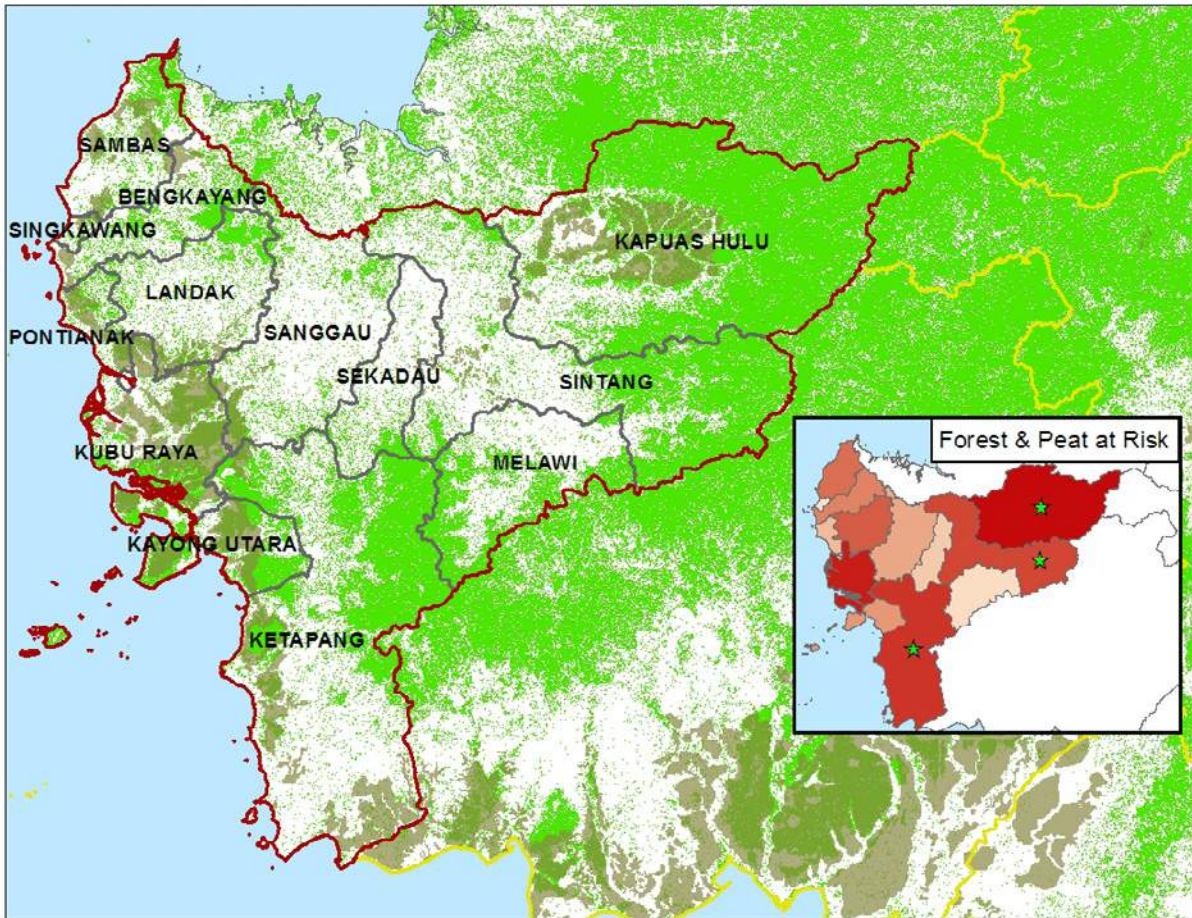
West Kalimantan is also a high priority in our study. One-half the province remains forested (>8 M ha), and nearly 1.5M ha of this is zoned for conversion. Coastal peat lands are extensive, covering >2.5 M ha (4th largest in the country), with more than 40% of this (>1 M ha) zoned for agriculture and potentially at risk. West Kalimantan has the 4th largest area of planted oil palm in the country (1.2 M ha) and is expanding rapidly. Smallholder farmers manage 16% of planted area in the province. Deforestation rates are high and appear to be accelerating, and the province faces serious social and environmental challenges related to oil palm. Encouraging signs for engagement in the province include: (i) a high concentration of No Deforestation companies, (ii) signs of progressive policy making in some districts, (iii) an increasingly well organized and networked civil society, and (iv) several landscape conservation initiatives, some with a focus on oil palm. Potential impediments include a Governor in office until at least 2018 that until recently observers considered unsupportive of sustainability initiatives;<sup>60</sup> deeply entrenched patronage networks affecting oil palm licensing, monitoring and enforcement; and widespread land disputes.



The districts of Kapuas Hulu, Ketapang, Kubu Raya and Sanggau emerged as highest priority in our study. From an oil palm perspective, Ketapang and Sanggau are most noteworthy because (i) combined they have approximately 50% (597,000 ha) of total planted oil palm in the province, (ii) they have large areas of remaining forest and peat zoned for conversion (especially Ketapang), (iii) enormous areas of deforested land are zoned as state forest unavailable for oil palm, and (iv) numerous progressive mills are present. Ketapang is arguably highest priority given higher deforestation rates, higher concentration of former IPOP member and current RSPO members, large amounts of forest at risk, and government willingness to engage on sustainability. Kapuas Hulu and Kubu Raya districts also merit special attention, with large areas of forest and peat at risk, and large areas of deforested land zoned as state Forest Zone. Planted oil palm and recent expansion is lower in these districts, creating a window for engagement before deforestation pressures intensify.

Three JP scenarios in West Kalimantan with perceived chances of success are described. First, all six former IPOP members have operations in West Kalimantan, and other major producers with zero deforestation commitments are also present. A “supply shed” approach targeting a subset of the province important to one or more companies willing to participate offers an entry point to commence private sector focused activities, e.g. in Ketapang where the concentration of former IPOP members and progressive companies is high. Second, supporting ongoing NGO-led initiatives also hold promise, especially those focused on (i) compliance monitoring for operators that have made no deforestation, no exploitation commitments, (ii) social forestry in Sanggau or Ketapang, and (iii) recognition of land rights and improved tenure security as a foundation for village planning and community based forest management. A third entry point could be offering support to strengthen and expand current landscape conservation initiatives underway in the province, e.g. in Ketapang by FFI and partners, or in Kapuas Hulu by WWF and partners.



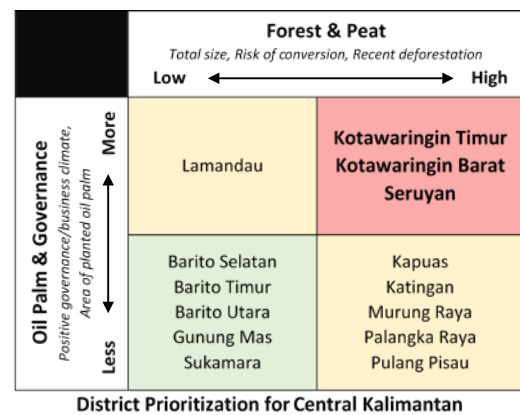


**Figure A.4 - Distribution of forest and peat in West Kalimantan.**

Remaining forest totals 8.2M ha, with largest blocks of remaining forest mainly in Ketapang, Kayong Utara, Sintang and Kapuas Hulu districts. Nearly 45% of the province's 2.6M ha of peat have been deforested. Inset depicts relative extent of forest and peat at risk of conversion from spatial planning (darker shades = larger area). Kapuas Hulu, Kubu Raya and Ketapang are highest risk (darkest red). Inset also highlights districts where largest areas of deforested land zoned as state Forest Zone are found. Ketapang, Kapuas Hulu and Sintang are highest for this parameter (green star).

## Central Kalimantan

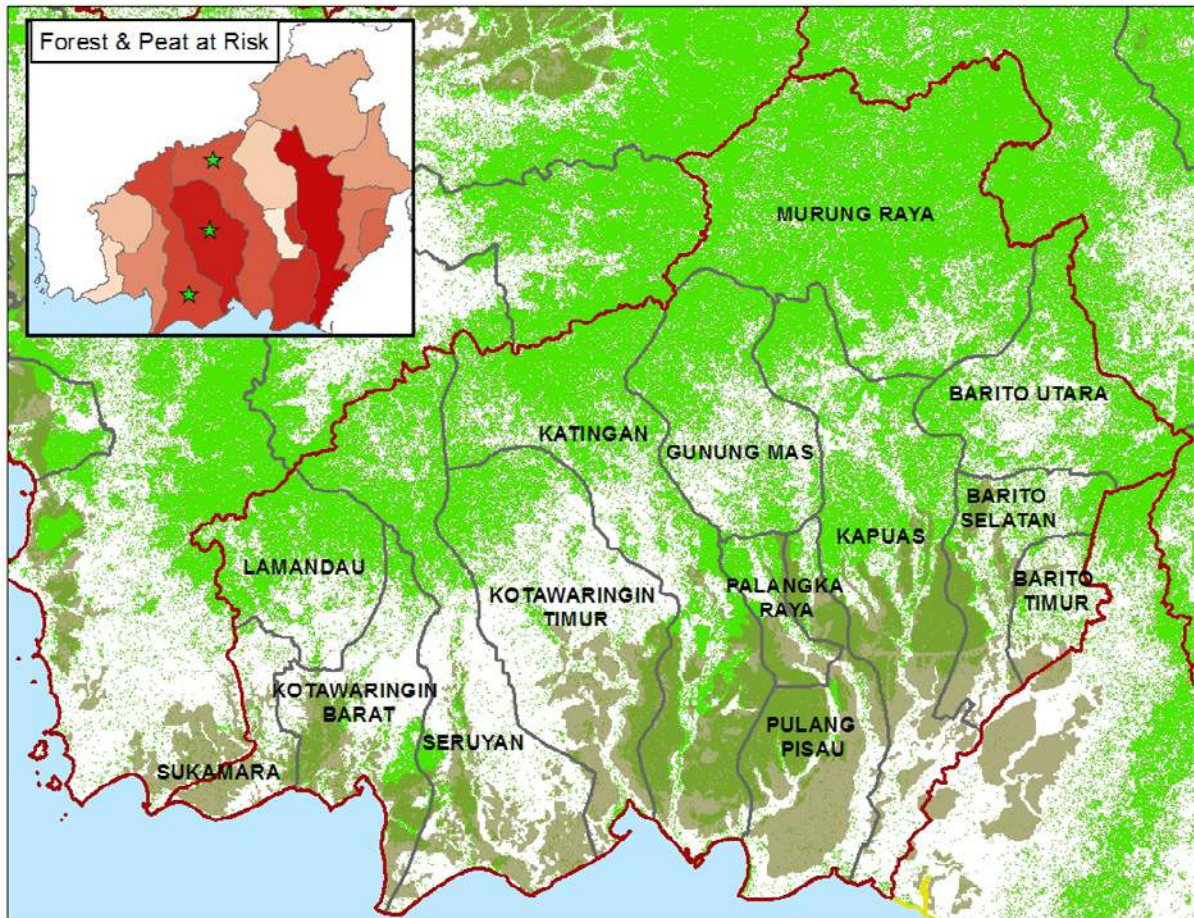
Central Kalimantan is a top priority in our study because it supports the 2nd largest area of remaining forest in the country (9.7M ha); 3rd largest area of peat (3.7M ha), more than half of which remains forested (1.9M ha); and 2nd largest area of planted oil palm (1.3M ha), including ~200,000 ha managed by smallholder farmers. The province also had the 2nd highest deforestation rate in the country during 2010-2013 (620,000 ha), with large areas of remaining forest (>500,000 ha) and peat (400,000 ha) zoned for conversion and potentially at risk in the future. Crucially, well over 5M ha of land classified as state Forest Zone is actually deforested, signaling massive potential for revised spatial planning to support more sustainable land use.



Central Kalimantan has a high concentration of former IPOP members, a number of progressive provincial regulations, and a provincial government nominally committed to policy reform to advance a low emissions rural development agenda. It also has an increasingly active civil society, numerous long-term donor funded programs, and two established JA-oriented initiatives. Oil palm is grown in all districts of the province, and in the past has been a major driver of forest loss and peat conversion in the province. In total, more than 3.4M ha have been licensed for oil palm, of which >1.3 M ha was planted as of 2013. Recent expansion (2011-2013) is 7th highest in the country (62,000 ha per annum).

Priority districts for JP in Central Kalimantan include Kotawaringin Barat (Kobar), Kotawaringin Timur (Kotim), and Seruyan. Kotim and Seruyan are the largest producers of oil palm in the province with nearly 730,000 ha combined (>>50% province total) with Kobar adding another 200,000 ha. The districts host 24-29 progressive mills, far more than any other in the province, with vast areas of remaining forest (>1.6M ha) and peat (1.1M ha), some of which is zoned for conversion. Together these districts have more than 1.8M ha of deforested land zoned as state forest unavailable for agriculture. The combination of established industries with large areas of remaining forest and peat, much of it at risk, makes these districts priorities for intervention.

Four JP scenarios are highlighted, in addition to early stage jurisdictional efforts already underway, lead by Climate Policy Initiative/PILAR and Earth Innovation Institute/INOBU. First, a supply shed initiative holds potential considering the large volumes of CPO sourced from the region (>70% from the three priority districts), and the high concentration of no deforestation companies. Other options that merit consideration include: (i) an NGO-led approach supporting the recognition of customary land in line with governor regulations on *adat* and the constitutional court decision on customary forest; (ii) a government-led approach to implement the governor's Sustainable Palm Oil Roadmap, focused on improvements to permit allocation, implementation of required HCV assessments, and action for implementing the Governor's commitment to 100% RSPO certification for the province; or (iii) a collaborative, large-scale, multi-stakeholder effort to support implementation of the 2011 provincial regulation on sustainable plantations (which to date has been weak).

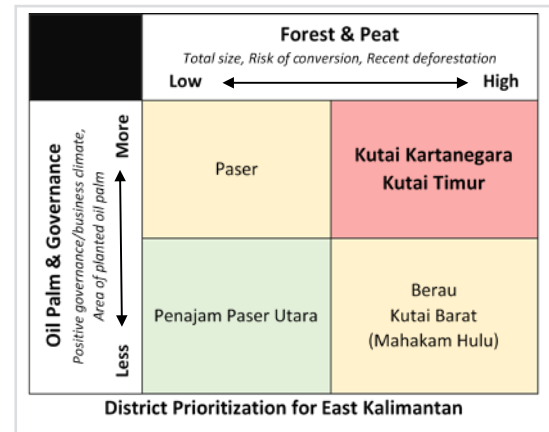


**Figure A.5 - Distribution of forest and peat in Central Kalimantan.**

Remaining forest totals 9.7M ha, with 1.9M of this on peat. Nearly half of Central Kalimantan’s original 3.8M ha of peat has been deforested, with largest blocks of remaining forested peat mainly in Katingan, Pulang Pisau and Kapuas districts. Inset depicts relative size (ha) of forest and peat at risk of conversion from spatial planning (darker shading indicates larger areas). Kotawaringin Timur, Pulang Pisau and Kapuas are highest risk (darkest red). Inset also highlights districts with larger areas of deforested land that could be rezoned for agriculture. Seruyan, Kotawaringin Timur and Katingan are highest for this parameter (green star).

## East Kalimantan

East Kalimantan is also a high priority province in the study, because it has >7.5M ha of forest and 600,000 ha of peat, with large areas of forest (1.2M ha) and most natural peat lands (420,000 ha) zoned for conversion. Oil palm expanded rapidly over the past decade, making the province Indonesia's 4th largest palm oil producer (~900,000 ha planted as of 2013). Smallholder farmers manage 20% of the provincial total overall but in some districts manage up to 40% or more of the planted area (e.g. Paser in the south). Former IPOP member-owned mills are fewer in number than in other provinces, but companies committed to RSPO and/or no deforestation are numerous, especially in the districts of Kutai Kartanegara and Kutai Timur.



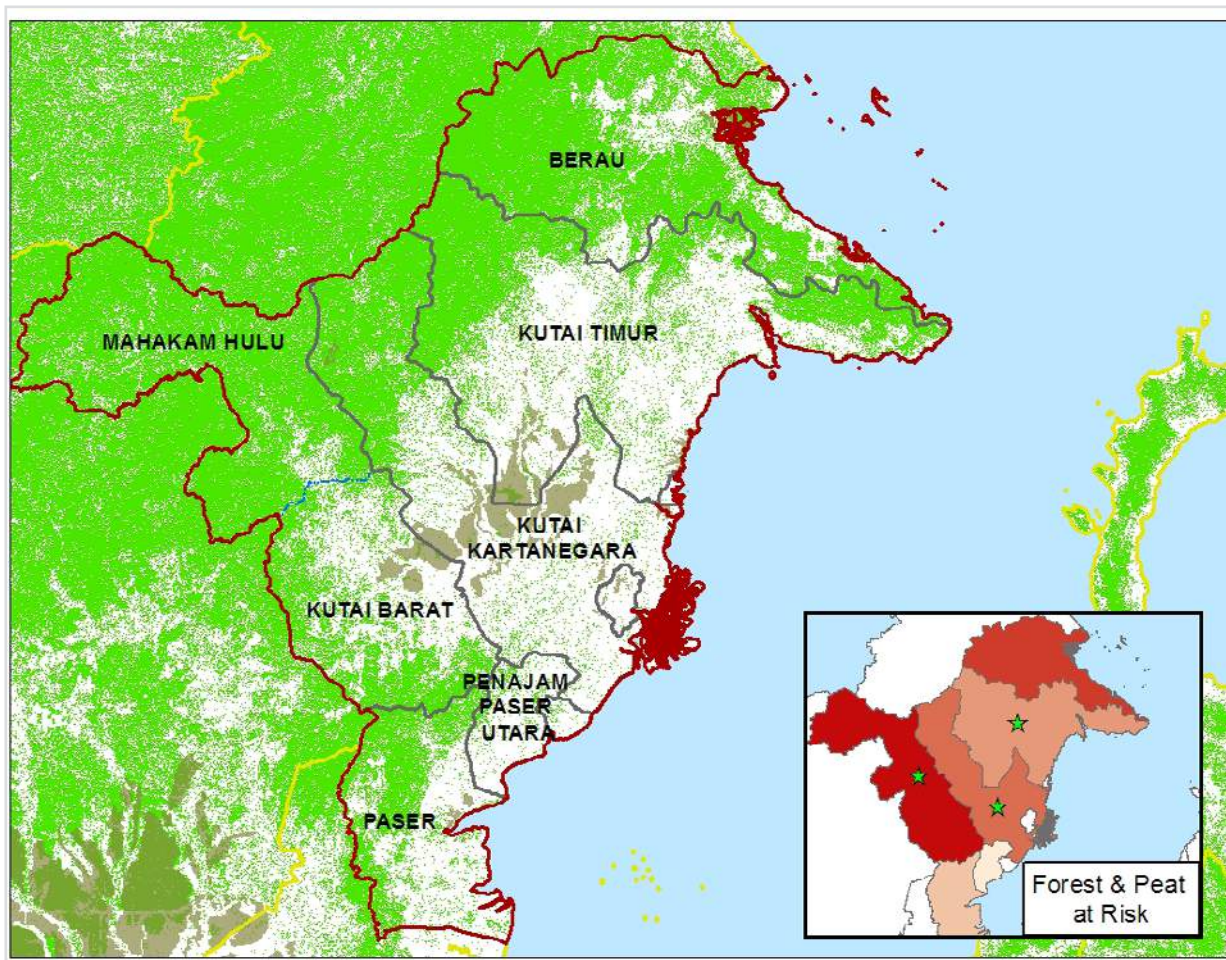
International NGO and donor involvement in the province has helped build provincial capacity, including a competent NGO community focused on sustainable land use, land rights and engagement with private sector. The Governor is relatively progressive, open to engagement on sustainability issues, and will remain in office until the end of 2018. Few districts have shown the same interest in sustainability, with policies, licensing and enforcement that favored rapid oil palm expansion, including growth of independent mills without a plantation base (e.g. Paser). District level changes in leadership occurred during recent elections in December, but currently there are few clear signals of what this will mean for sustainability. A post election update on political conditions is needed to understand engagement options in the days ahead.

Two districts emerge as highest priorities for intervention in East Kalimantan: Kutai Kartanegara (Kukar) and Kutai Timur (Kutim). Together they support over one-third of the forest (2.3M ha) and three quarters of the peat (~470,000 ha) in the province, with significant amounts zoned for conversion to agriculture (>240,000 ha of forest, >300,000 ha of peat). These districts also have two-thirds of the deforested land zoned as state forest (~2M ha) that could be rezoned for agriculture, and host the largest areas of planted oil palm (480,000 ha combined), with high rates of recent expansion. *Bupati* Kutim is not sustainability oriented, but the sector has been relatively well regulated in regards to agricultural practices. *Bupati* Kukar is more progressive, and shows clear signs of readiness to engage on sustainability. These districts host larger numbers of progressive mills (14-17) than other provinces, though Kukar has numerous companies with large holdings and few if any sustainability commitments.

The new district of Mahakam Hulu, formed by the sub-division of Kutai Barat, is unique in the province for its very large areas of forest (>90% of the district) and near absence of oil palm. Large areas are licensed for development, however, and plantations are being established, suggesting a window of time to engage now on capacity building, permit reviews, and rational development planning for the sector before planting accelerates. Berau district also holds strong potential, where TNC and partners are launching a multi-year, multi-stakeholder JP focused on sustainable palm oil. Paser district presents opportunities for smallholder oriented programming, with >40% of the plantation base owned and managed by smallholders, many of them independent.

East Kalimantan scores relatively high in JP readiness, considering general social, political, and business conditions, and the occurrence of several ongoing and planned landscape initiatives. Several entry points with potential for building a larger JP include: (i) systematic support to the provincial working group formed around developing a provincial regulation (*perda*) on sustainable palm oil, both to ensure longevity of the working group after the *perda* is enacted, and support implementation through collaboration with government; (ii) expanding initiatives aimed at providing district level support to *Bupati* Kukar to advance her sustainability objectives for the sector, especially enhanced peat land protections; (iii) smallholder oriented programs in Paser district, where smallholders are numerous, rapidly expanding, and a driver of

recent forest loss; (iv) there is appetite at the provincial level, and especially in some districts (e.g. Mahulu), for a government-led oil palm permit review to evaluate suitability, legality and dormancy of permits; such a process could be supported on technical, transparency and engagement fronts to help ensure it advances sustainability outcomes; (v) local NGO partners (e.g. STABIL) could be supported to expand their HCV oriented support networks to focus on Best Management Practices more broadly, tailored to comprehensive implementation of the regulatory framework being improved through development of the *perda* on sustainable plantations; and (vi) comprehensive district level support could be offered to the new government and local NGOs of Mahulu district, especially over the next 12-24 months as the new government and key agencies establish their priorities. A related, lower risk opportunity for engagement is to support shaping and expanding aspects of the TNC-lead, collaborative, multi-year sustainable palm oil program commencing this year at provincial and sub-provincial levels (e.g. Berau).

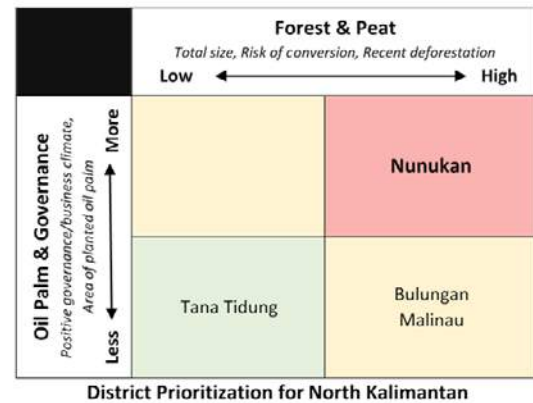


**Figure A.6 - Distribution of forest and peat in East Kalimantan.**

Remaining forest totals 7.5M ha, with largest blocks of remaining forest in Berau, Kutai Timur and the newly established Mahakam Hulu district. Peat covers 600,000 ha, mainly in Kutai Kartanegara and Kutai Timur. Inset depicts relative extent of forest and peat at risk of conversion from spatial planning (darker shades = larger area). Kutai Barat (Mahakam Hulu) and Berau are highest risk for conversion (darkest red). Inset also highlights districts where the largest areas of deforested land zoned as state forest are found. Kutai Kartanegara, Kutai Timur and Kutai Barat (Mahakam Hulu) are highest for this parameter (green star). (Note: the inset treats Kutai Barat as one entity due to data constraints that prevent separating the two. This will be revised in later versions of this report).

## North Kalimantan

In 2012, North Kalimantan was established as Indonesia's newest province. As the sixth largest province (8.5M ha), North Kalimantan supports 6.8M ha of forest – most of it in good condition – including the 1.3M ha Kayan Mentarang National Park. The province also has c 370,000 ha of peat. Province wide, more than 837,000 ha of forest and nearly 230,000 ha of peat are potentially at risk of conversion in current spatial plans. Conversely, >800,000 ha of deforested land is zoned as state Forest Zone unavailable for agriculture. This could be rationalized.

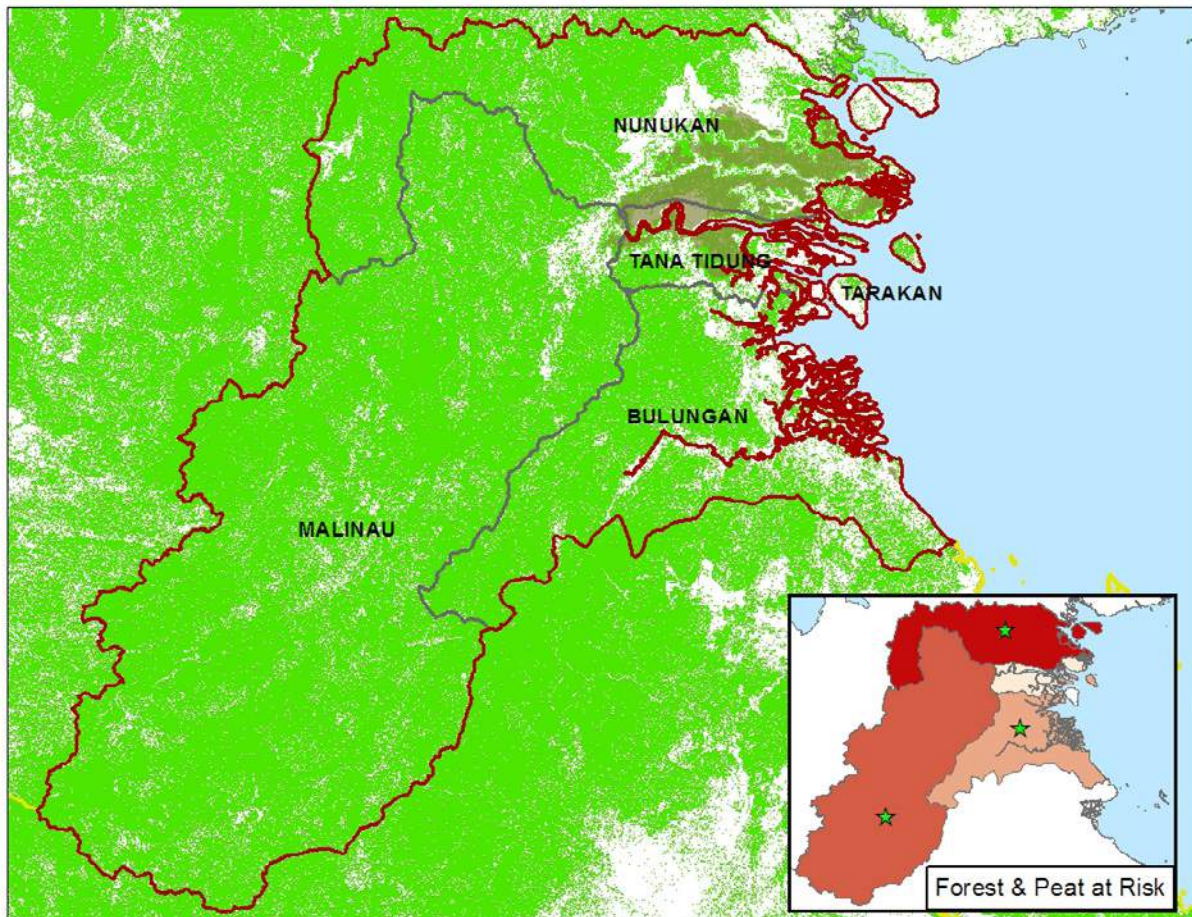


Most of the population is concentrated in coastal areas, and due to rugged terrain in the province's interior, land based development is costly and difficult. Most economic activities occur in coastal areas, including logging, fisheries, agriculture (cocoa), and more recently oil palm and coal mining. For a long time, North Kalimantan has been on the fringes of Indonesian government control, receiving little attention and even less supervision. There is also a long history of cross border illicit trade, creating powerful politico-business networks that are deeply entrenched. Offsetting this somewhat is a long history of research and community empowerment in the interior, especially in Malinau district. To date, oil palm development has been concentrated in Nunukan and Bulungan, and this will likely continue into the future due to access and suitability.

There are few progressive companies operating in North Kalimantan, with possible exception of a First Resources affiliate (Fangiono Agro Plantations), which holds a significant undeveloped land bank in Nunukan (most of it forested). Nunukan is identified as the primary target for a JP focused on oil palm in North Kalimantan. It has over 1.2M ha of remaining forest, and the largest area of forest zoned for conversion to agriculture (just under 300,000 ha). It holds the vast majority of the province's peatlands (237,000 ha), and nearly 70% of the peat at risk for conversion (157,000 ha). Nunukan has, by far, the largest planted oil palm at 95,000 ha, and most rapid rates of recent oil palm expansion. Together, these factors make it highest priority, but existing opportunities for engagement are relatively few given the district's current business and political environment. *Bupati* election results in Dec 2015 should be reviewed. Bulungan and Malinau are secondary priorities, but the former presents significant political challenges, and rugged terrain makes the latter unlikely to face significant threats from oil palm in the near future.

In theory, North Kalimantan presents an opportunity for engagement with a new government in a heavily forested province before norms are established and the province's development trajectory is codified in policy and programs. In practice, however, the province doesn't offer many compelling entry points for a JP focused on palm oil. Nunukan is highest priority from a land use perspective, but has almost no NGOs (or international programs) active in the district; local government does not view sustainable development as a priority; and BAU politico-business networks are firmly entrenched. The only 'progressive' company is First Resources, a company with a checkered history and only recently committed to no deforestation, no peat, no exploitation. The planned food estate in Bulungan could offer a platform to engage with government on sustainability, providing technical support with the aim of building trust then broadening discussions to encompass wider issues of sustainable land use, but this has no guarantee of success and requires further consideration. In Malinau, the *perda* for recognizing *adat* communities and customary land rights could form an entry point for supporting community based forest conservation, but the path for broadening this to address wider sustainability concerns is not immediately clear. The presence of the Bornean pygmy elephant and overlap of its habitat with planned oil palm and fiber plantations could offer a conservation oriented entry point at a provincial level, but this would require significant effort to build a critical mass of actors committed to implementing activities in Nunukan or Malinau.

Wholesale political changes were expected in the Dec 2015 elections, with *Bupati* elections in all five districts, and a Governor election. One candidate for governor (Yusuf S.K.) was considered 'clean' and avowedly supportive of good governance reform, but he was not successful. Election of the new Governor (Irianto Lambrie) drew violent protests, but this seems to have subsided. Election outcomes could affect opportunities for engagement, especially in Nunukan and Bulungan, and merit update.

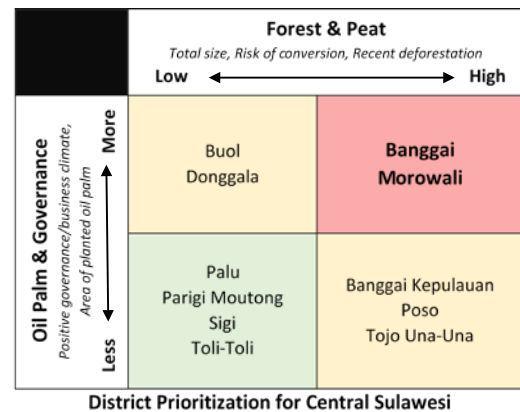


**Figure A.7 - Distribution of forest and peat in North Kalimantan.**

Remaining forest totals 6.8M ha, widely distributed across the province except in coastal areas of Bulungan, Tana Tidung and Nunukan. Peat covers 370,000 ha mainly in Nunukan and Tana Tidung. Inset depicts relative extent of forest and peat at risk of conversion from spatial planning (darker shades = larger area). Nunukan is highest risk for conversion (darkest red); Malinau is moderate. Inset also highlights districts where largest areas of deforested land are zoned as state forest (green star). Malinau is highest for this parameter (443,000 ha), and to a lesser extent Nunukan and Bulungan.

## Central Sulawesi

Central Sulawesi is viewed as a medium priority province in this study. It does not have exceedingly high rates of deforestation nor significant peat lands compared to other provinces in the report. The oil palm sector is relatively small, with c. 110,000 ha planted, and companies with zero deforestation commitments are relatively few. Yet, Central Sulawesi has over 4M ha of forest, a relatively advanced civil society, and a solid record of engaging on sustainability issues related to forests and communities. Developers are also considering investments to expand downstream processing on the island, which could drive future oil palm expansion. We therefore view it as a province of interest for engagement as oil palm expands into new areas outside of Sumatra and Kalimantan, and pressures to convert forest rise over time.

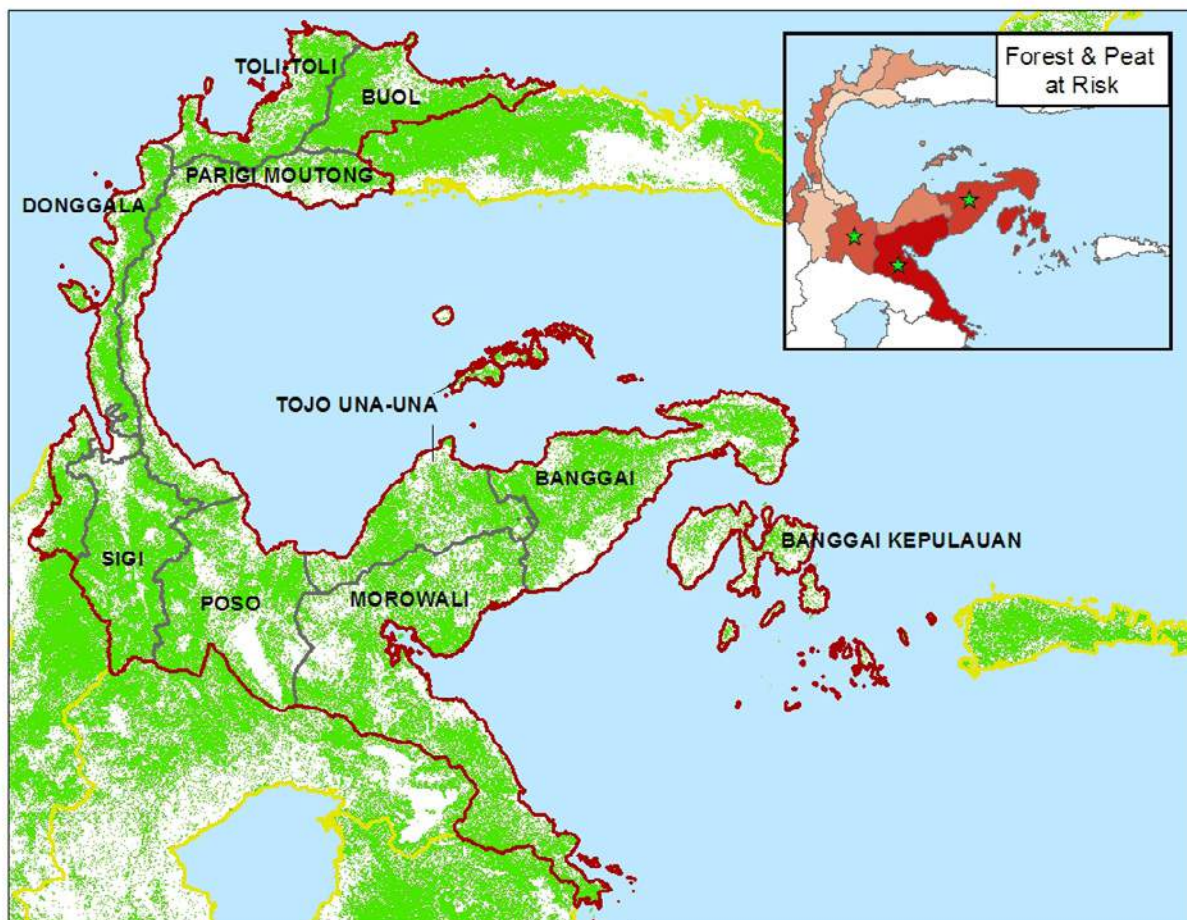


Operating licenses for oil palm plantations have been issued for at least 430,000 ha, with location permits for an additional 220,000 hectares (other estimates put these numbers at 700,000 ha and 250,000 ha, respectively). Morowali district hosts four CPO mills that are owned directly by former IPOP members or linked to their supply chains. The majority of districts have one or no progressive mills. From a biophysical perspective, Banggai and Morowali were identified as highest priority for possible engagement. Over one-third of Central Sulawesi's remaining forest is found in these two districts (>1.4 M ha), as well as two-thirds of peat and three-quarters of forested peat. Together, these districts have >220,000 ha of forest zoned for conversion (one-third of provincial total).

Morowali is the district of greatest concern, with the largest amount of forest at risk (135,000 ha), one-third of peat at risk (>65,000 ha) and two-thirds of planted oil palm in the province. Morowali also has 380,000 ha of deforested land zoned as state forest (nearly one-third of the provincial total) that could be rezoned for agriculture. Morowali district was recently split into two, with the creation of Morowali Utara district, and both have significant planted oil palm and forest at risk.

Several JP scenarios could potentially be pursued here. It's worth investigating possibilities of working with Astra (and possibly SMART) in Morowali Utara, on cooperation aimed at helping these companies fulfill their upstream and downstream sustainability commitments. Another possibility might be convening a multi-stakeholder forum to engage the provincial government on a series of NGO recommended initiatives (e.g. supporting finalization and implementation of draft bylaws on sustainable oil palm and recognition of customary land rights; conducting a permit review and identifying suitable land for development; developing a forest monitoring system; among others). Though Banggai and Morowali are priorities from a biophysical viewpoint, current political dynamics are not supportive of JP implementation. Outcomes of the December elections could change this, suggesting a post-election update is needed. Additional scenarios might be considered for other districts, pending the outcome of elections.



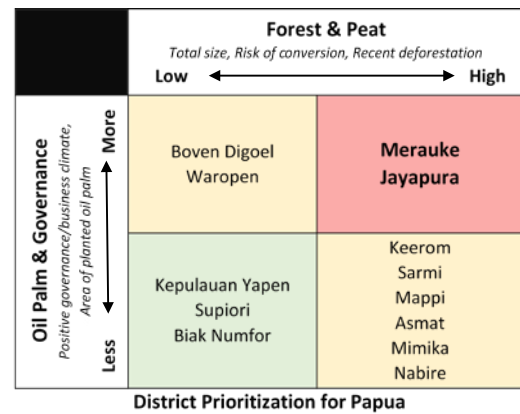


**Figure A.8 - Distribution of forest and peat in Central Sulawesi.**

The province supports 4.2M ha of forest, and >700,000 ha of peat. Districts with largest areas of forest and peat are Morowali, Banggai and Poso. Inset depicts relative size (ha) of forest and peat at risk of conversion from spatial planning (darker shade = larger areas). Morowali and Banggai are highest risk. Inset also indicates districts with largest areas of deforested land zoned as state Forest Zone that could be rezoned for agriculture. Poso, Morowali and Banggai score highest for this parameter (green star). (Note: Morowali was recently separated into two districts, Morowali and North Morowali. This map can be updated once shape files for official administrative boundaries are obtained.)

## Papua and West Papua

Papua and West Papua provinces, often referred to as 'Papua', were viewed as a Tier 3 region that merits special consideration due to (i) obvious importance from environmental and social viewpoints, (ii) special difficulty of implementing projects there, and (iii) low levels of oil palm development. Papua has the largest area of remaining forests (>25M ha), with ~ 1.5M ha zoned for conversion, and among the highest gross rates of deforestation during 2009-2013. It also has the most extensive peatlands at 7.7M ha, though most of this peat is shallow compared to Riau or Kalimantan.

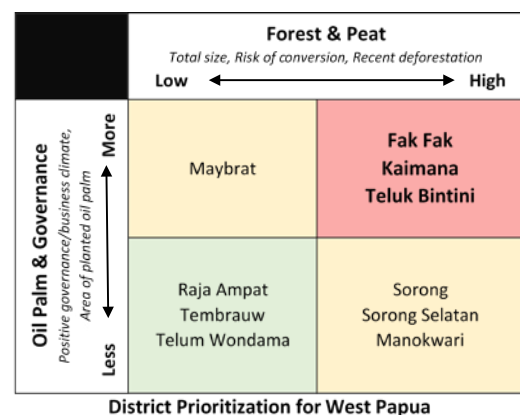


West Papua province has similar conditions, with just under 10M ha of forest and 1M ha of peat. The spatial plan in both provinces was passed in 2013, and in Papua was lauded for significantly reducing the amount of forest zoned for conversion. Papua is seen as the next great frontier for oil palm development in Indonesia, making it a potential 'pre-emptive' target for JP development. Oil palm is concentrated in the coastal regions of the provinces, since in general the mountainous interior is not suitable for oil palm. Data on oil palm concession areas, planted areas, and planned expansion are hard to obtain. Districts that appear to have more activity than others include those identified as priority districts below.

The best options in Papua province seem to be **Jayapura** and **Merauke**, where (i) the government functions well and generally supports sustainability initiatives, (ii) the *Bupati* has a good reputation, (iii) there are various supportive stakeholders including former IPOP member companies and NGOs, (iv) there is some oil palm and plans for significant expansion, and (v) the districts are accessible. These districts support 2.8M ha of forest (with relatively small areas zoned for conversion) but some of the highest rates of forest loss in the country. They also host two-thirds of total planted oil palm in the province (185,000 and 40,000 ha, respectively).

Merauke has 1.4M ha of peat and an astonishing 2.4M ha of deforested land zoned as state forest unavailable for agriculture (some of this non-forest could be other natural, non forest ecosystems such as native *Acacia* savannah or marshlands). Jayapura has ~28,000 ha of peat (with 11,000 ha zoned for conversion) and 143,000 ha of deforested land classified as state forest. The Merauke *Bupati* faces an election in December while the Jayapura *Bupati* will remain in office until 2017, and can stand for re-election at that time.

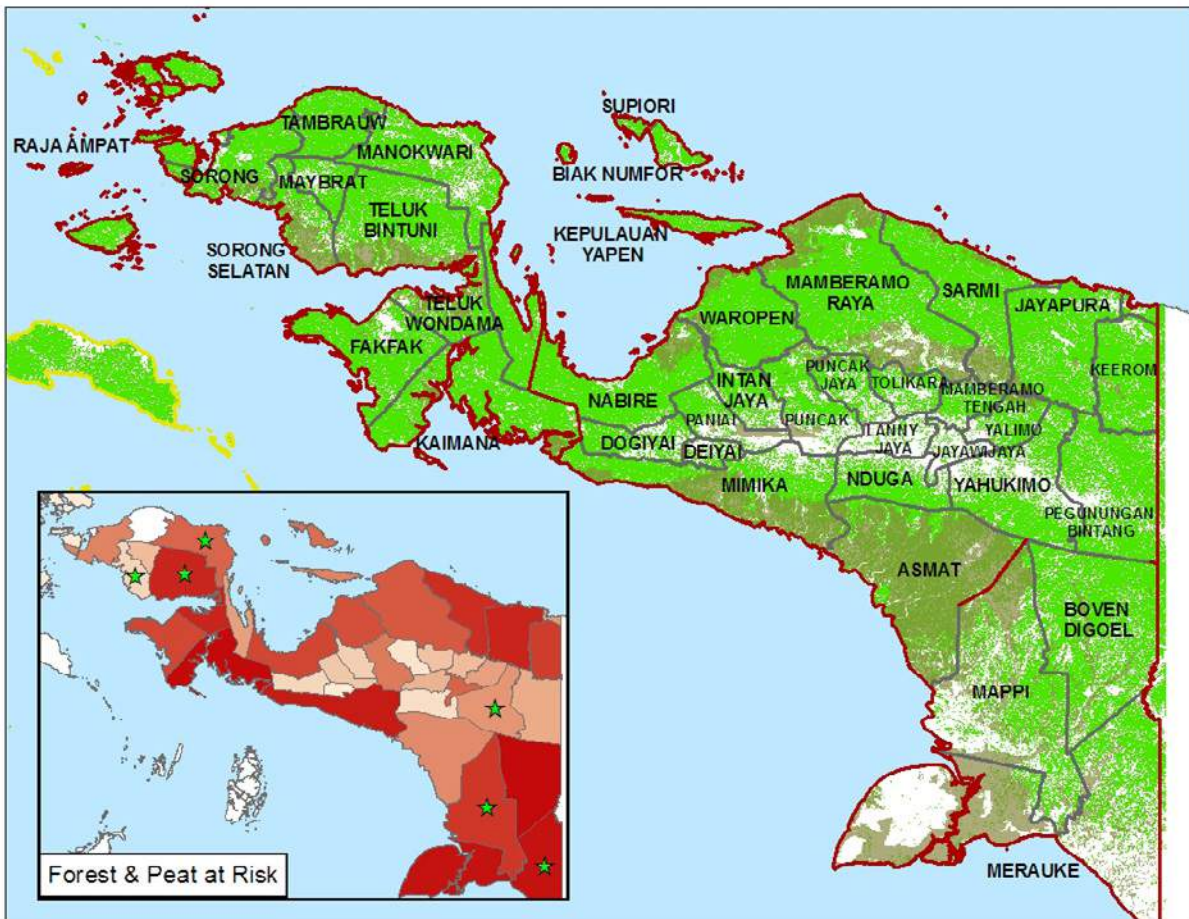
In West Papua, **Fak Fak** is a high functioning district with a great *Bupati*, less planned oil palm expansion than some other areas, and perhaps the best option in the province if the *Bupati* wins re-election in December. Fak Fak supports >1.1M ha of forest, and moderate amounts of peat (38,000 ha) with modest areas of forest (38,000 ha) and peat (1,400 ha) zoned for conversion. Fak fak has almost no planted oil palm, but a 30,000 ha expansion is planned, and suitable land is extensive. Fak Fak is an option for a pre-emptive engagement.



Kaimana is of interest mostly as a new, small, heavily forested district that split off from Fak Fak in 2002, and is led by a reformist *Bupati*. The district does not currently have much oil palm, but there have been attempts to obtain permits. The district supports >1.5M ha of forest, and >115,000 ha of peat, with moderate areas zones for conversion. Assuming the current *Bupati* is re-elected and he maintains his reformist agenda, Kaimana presents an opportunity to engage proactively with a progressive *Bupati*

before palm oil becomes established, in order to lay groundwork for a more sustainable approach. Teluk Bintuni deserves special mention because it holds the most forest (1.9M ha) and peat (>530,000 ha) of any other province in West Papua, with significant areas of each zoned for conversion. The district also has the highest recent deforestation rates, and over 300,000 ha of deforested land zoned as state forest. Teluk Bintuni has >50,000 ha of planted oil palm, expected to expand in the future.

The challenges of working in Papua are great, but so are the potential pay-offs. Difficulties include a legacy of social challenges related to integration with Indonesia, it's rugged geography, and the challenging political, social and economic conditions in the province. A successful JP, however, has the potential to 'do things better' in Papua than in Sumatra or Kalimantan, and prevent significant negative impacts of large scale forest and peat conversion to oil palm. In the Papua environment, it seems best to pursue local government-led JP readiness options, due to the sensitivity of NGO-driven work on land use and land rights in Papua, and the need for outside programs not to be seen as meddling in domestic social affairs. Alongside this, a company led JA readiness option could be appropriate in some districts, if e.g. former IPOP members or other progressive companies began to prioritize particular jurisdictions for oil palm expansion or palm oil sourcing.



**Figure A.9 - Distribution of forest and peat in Papua and West Papua provinces.**

Remaining forest totals 25.5M ha in Papua and 9.5M ha in W Papua, with peat covering 7.8M ha in Papua and 1.1M ha in W Papua. Inset depicts relative size (ha) of forest and peat at risk of conversion from spatial planning (darker shade = larger area), with e.g. Merauke, Boven Digoel and Mimika highest risk (darkest red). Inset also highlights districts with largest areas of deforested land zoned as Forest Zone that could be rezoned for agriculture. The top six districts for this parameter are Merauke, Mappi, Yahukmo, Teluk Bintuni, Manokwari and Sorong Selatan (green star).

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