Consulting Study 16:
Indonesian oil palm smallholders and High Carbon Stock: Considerations to avoid errors of the past

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Executive Summary

High Carbon Stock (HCS) measurement is an effort to break the link between agricultural and plantation development and deforestation in tropical forests. As part of HCS, there is a need to understand the potential effects of HCS on Indonesian oil palm smallholders. This paper provides a multi-sited analysis of plantation development and the palm oil supply chain to consider the effects of HCS on smallholders.

The paper argues that if HCS is to improve environmental and smallholder outcomes, an invigorated mode of collaboration is required amongst all sustainable palm oil stakeholders. Specifically, this means sustainable palm oil stakeholders to become more aware of the local political economy challenges where oil palm is grown; to extend any current HCS commitments to explicitly and immediately not disregard smallholders and communities as part of marketing, production and sourcing strategies and to work with key state and district stakeholders in new ways, by focusing on rural poverty reduction and biodiversity conservation.

As part of the insight on upstream complexity, it provides background on past efforts to create and manage protected areas and why protected areas are as much about politics and people as they are about conservation. It cautions against HCS falling prey to the discursive framing of environmental issues which leads to narrow and specific ways in which environmental problems are addressed. Such a framing sees ecological modernisation as intrinsic to sustainable development and asserts a techno-centric and interventionist form of environmentalism that highlights the application of science whilst downplaying the socio-political.

The paper looks at a number of issues that will affect outcome with smallholders, including poverty, fragile states and the consequences of Indonesia’s recent decentralisation. It concludes by providing a series of interim recommendations for moving forward with HCS. HCS is an important development to help reduce deforestation in equatorial regions, but focusing on technical carbon and emissions questions in lieu of equity and livelihood considerations for key local stakeholders will result in limited successful outcomes.
Section 1: Introduction - Contextualising High Carbon Stock (HCS) within Multiple Geographies

1.1 The challenge

Daunting social and biophysical challenges for achieving a sustainable future demand that the global change research community provide underpinnings for workable solutions at multiple scales of governance. Global change research must reorient itself from a focus on biophysically oriented, global-scale analysis of humanity’s negative impact on the earth to consider the needs of decision makers from household to global scales. - DeFries et al. 2012:603

"...You need to understand something,... you and I are on the opposite scale. You see a forest and think sustainability and I see it and think about how I can convert it into a profit... we are not natural partners and I don't know if we ever will be." - Plantation Director, North Sumatra, June 2015

It is of more than a passing concern that for over 45 years now that humanity has been talking about the concept of sustainable development and the need to address serious environmental problems. Since that time, when the term 'sustainable development' first arose, modern global environmental problems have become more pressing and complex.

One example of a complex environmental problem linked to sustainable development is how to balance conservation and benefit sharing in tropical landscapes with equitable rural development. The problem is complex, as it comprises issues relating to deforestation and the environment, land ownership and property rights, wealth, poverty and inequality, governance and development: complex terms whose definitions themselves are often questioned. Because HCS relates to the protection of particular areas within tropical landscapes, it sits squarely within such complexity. HCS stratifies above ground vegetation into different classes, providing a definition of HCS forests based on potential greenhouse gas (GHG) emissions.6

This paper uses a sociological lens on HCS to provide input on how HCS will affect Indonesian oil palm communities. It provides background to the potential effects of HCS on smallholders by using what DeFries (2012) calls ‘multiple scales of governance’ and by looking at the tensions and disconnects that exist between the local (household) and global (international supply chain) level.

By providing multi-sited observations - from smallholder farmer plots through to the boardrooms of consumer goods companies - this paper argues that if HCS is to improve environmental and smallholder outcomes, a new and invigorated mode of collaboration and involvement is required amongst all players along the sustainable palm oil supply chain. This includes governments of both producing and purchasing countries and plantations and end user companies, including those who are currently requiring HCS and ‘zero deforestation’ palm oil products. For these stakeholders, it means:

1. Becoming far more cognisant of local political economy challenges where oil palm is grown and the direct politico-environmental nature of their involvement in the palm supply chain;
2. Extending any HCS commitments to explicitly not disregard smallholders and communities as part of any marketing, production and sourcing strategies; and
3. Working with the state and district stakeholders in varied and novel ways, taking into account the history and modern reality of the importance of oil palm to Indonesia.

1 The concept of equity in relation to benefit sharing in biodiversity conservation is also a complex one. Concrete benefits to be shared include both monetary and non-monetary aspects; revenue, information, commercial cooperation, management of natural resources and technical support: Sikor, T (2014). For this paper, equitable benefit-sharing is a benefit that differs from top down flows of compensation and encompasses key stakeholders developing an understanding of what are the benefits and how they should be shared (Special Rapporteur on the Rights of Indigenous Peoples (2009)).

2 This paper is part of a broader study into HCS (http://www.carbonstockstudy.com); as such it will not re-explain the HCS process here.
The paper begins by providing background to recent plantation expansion and the normative plantation narrative used by government and business. The background is necessary to reinforce that although the goal of conservation may be biological, the means to obtain the goal are socio-economic and local in nature (Polasky, 2008: 6505). Discussions of the technical considerations of HCS without adequately taking into account the local motivations to further develop oil palm plantations and rural farmer plots will fail to produce changes in current land use change (LUC) trajectories.

As HCS encompasses a form of protection of a given area of land from incursion, it is useful to look at some of the previous experiences with protected areas management. Discussion on protected areas throughout the paper links directly to the task facing HCS as an iteration of a protected area. How protected lands come about – how they are created, mapped and under whose authority – are as important as where they are sited in terms of local acceptance and legitimacy.

The three issues of participation, access and rural poverty relate closely to protected area management. Participation can be discursively framed as a way to sweeten LUC decisions that have already been made elsewhere, by others and without adequate local involvement. Despite consensus on how important local participation is in biodiversity conservation (Ahern, Leduc, & York, 2006), many observers believe there has been little on-the-ground change in land use and conservation planning and even less focus on local social realities (Gagne et al. 2015:13). Examples are provided throughout of how plantations, communities and smallholders currently engage in rural areas.

Two central points of the paper are of the need for a new approach of negotiation, generative listening and compromise in managing HCS/protected areas and of the importance of creating genuine local incentives to protect key biodiversity areas. Neither of these are simple. To maximise chances of success, HCS will require a new approach to managing environmental complexity collaboratively. It requires a shift from a transactional approach, to a far more collaborative one at both the community and global supply chain level (Gattorna, 2008:41). Locally, the approach must take into account the previous local plantation-community ‘sosialisasi’ (community engagement) processes and encompass genuine participatory engagement based on building a social licence to operate. Globally, such collaboration is the opposite of how international agri-supply chains traditionally operate: a difficult paradigm change for trading companies especially to consider. Whilst such an approach does not guarantee success, costs to improve production in environmentally sensitive areas are high and will deter many landowners from changing practices unless adequately compensated (Bateman et al. 2015:7409).

The use of incentives for selected key biodiversity areas is also key. Recent research on successful conservation management argues that commercial landowners-and by default, indigenous peoples and long term immigrants to an area, as well as the state-will need incentives to engage in conservation and that considering both the biodiversity and economic aspects of conservation can enable effective targeting of key biodiversity areas (Bateman et al. 2015:7409). Conservation incentives that are at least holistically commensurable with the business-as-usual counterfactual approach, are an essential part of achieving HCS goals.

From the outset, it is notable that HCS will face tremendous obstacles wherever there is a lack of funding support to improve governance and oversight. Indonesia’s southern neighbour, Australia, has a poor record in reducing deforestation, with a recent report concluding that the negligible results are probably “due to under-investment in deforestation control, a lack of capacity in regional and rural areas and poor design and administration” (MacIntosh 2010, in Karsenty 2012:4). The lack of support to reduce deforestation seen in both Australia and Indonesia is further complicated by the lack of awareness that regardless of what term is used to describe a protected area-HCS, HCV, national park-the delineation of its boundaries is always political (Adams and Hutton, 2007).

For brevity, the paper shall use the term HCS as both a noun and HCS as a stratification and protected area methodology.

Gattorna’s work on relationships within supply chains is useful here. Transactional behaviours in a supply chain encompass multiple sources of supply; little sharing of information; they are more adversarial; power is often imposed; price sensitive. Collaborative supply chains include predictability; regular delivery; mature or augmented products being developed; trusting relationships; partnership focused; more information sharing; joint development; more forgiving; and price is not the dominant issue.
It is extremely difficult for the government to balance the interests and goals of many parties when determining whether and where to issue plantation licences and whether and where to delineate boundaries for biodiversity areas. The government must weigh up the impact of any one intervention or development with trade-offs between the: (1) economic, environmental and social outcomes, (2) the extent of those outcomes on different spatial and temporal scales, (3) the extent to which those outcomes are felt by different actor groups and (4) the relative influence on effectiveness, efficiency and equitability that the government wishes to pursue (Newton et al. 2013: 1770). Given such a task, it is incumbent upon those advocating HCS as a land use strategy to assist the district government in this task as much as possible in a variety of different ways.

Taking a broader approach than one confined by HCS primarily as a carbon problem would see the implementation of a number of parallel programmes and incentive-based approaches, many of which are already underway in Indonesia in natural resource management. To some, the approaches suggested in this paper may seem all too obvious, yet the authors are convinced that the complexity of participation within protected area management is consistently glossed over and downplayed. Accordingly, the paper will combine experiences on protected areas with insights from how plantations and communities interact to consider which interventions could support HCS goals. A series of open-ended recommendations provided at multiple scales conclude the paper. For ecosystem protection to be successful, it needs to be integrated within its wider socio-economic context if it is to change current resource use practices (Bateman et al 2015: 7412). Any less of an approach by concerned palm oil stakeholders will result in a limited HCS intervention, in a minority of plantations, with minimal protected areas, across a landscape mosaic of dwindling forest and ongoing plantation development.

1.1.1 Research approach

The research approach combines the authors’ experiences working in the plantation sector and in upstream and downstream palm oil supply chain sourcing and traceability, with relevant academic research on natural resource management, protected areas and political ecology. It incorporates the authors’ experiences as Roundtable on Sustainable Palm Oil (RSPO), High Conservation Value (HCV) and Forest Stewardship Council (FSC) auditors and researchers with a political economy approach to consider the effects of HCS on communities and smallholders. The approach enables the development of recommendations grounded in the experiences of smallholders, communities and estate managers at plantations.

1.2 Overview of plantation expansion and national and district narratives in Indonesia

Over the past forty years across South and Southeast Asia, millions of people have been lifted out of poverty at previously unexperienced speed. Agricultural development has been responsible for much of this and LUC has been closely linked to such development (Scott, 1976; Rigg, 2006).

In such an environment, global demand for vegetable oils has also risen and is predicted to top 240 million tons by 2050 (Corley, 2009). Palm oil’s unique versatility and yield has hastened the crop’s tremendous growth: two types of vegetable oil can be extracted from oil palm with different fatty acid profiles, which increases its product application and use.

Because of its narrow equatorial planting width, it is little wonder that Southeast Asian nations have embraced the crop as ‘a gift from God’ (Wahid et al. 2008; Badrun, 2010). It is difficult to overemphasise this point, which whilst often cursorily acknowledged in international forums, remains patronisingly misunderstood. The industry is a critical export commodity for Indonesia: total export value exceeded $USD29.3 billion in 2014 (GAPKI; Ministry of Agriculture) and production is targeted to be 40 million tons by 2020 (Miettinen and Lieuw, 2012). Nationally over 25 million people are employed in palm oil production (Murphy, 2014).

The relationship between LUC occurring for plantation development in Indonesia is bruising. One of the major causes of LUC deforestation has been agricultural expansion (Naeen et al. 2012; Hansen et al. 2010:5–6; Foley et al. 2005) and some of the most dramatic changes have occurred within

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5 Such interventions can be defined as novel or modified institutions and policies, incentives designed to influence the behaviour of individuals or groups – in this case, in relation to agricultural commodity production (Agrawal and Ribot, 2012). They are discussed in the recommendations section.

6 Interventions can be broadly defined as novel or modified institutions and policies, incentives and information and technology designed to influence the behaviour of individuals or groups (Agrawal and Ribot, 1999). Interventions based on information are those involving the creation and or adoption of new or moderated information (Newton et al. 2013:1766).
Southeast Asian forests where the annual overall rate of deforestation between 2000 and 2010 was one percent (Miettinen and Lieuw, 2012). Annual peak losses of greater than five percent in the biodiverse lowlands of Sumatra have occurred as a result of logging, mining and the rapid development of pulp and paper and palm plantations (Barnes et al. 2014). Across Indonesia’s oil palm producing districts it remains the rural crop of choice for many farmers with access to land; like the steady march of the *Triffids*, millions of the little green soldiers seedlings of unknown genealogy remain lined up on the side of the road, ready for planting as soon as more land is found.7

One way to achieve the plantation development has been by an expansion into frontier areas in need of investment and 17.92 million hectares from the forest estate can still be converted to oil palm (Bisnis, 2013). Key export markets remain India, China and the EU markets, with an increased focus on domestic use and on Pakistan, South Korea and relatively newer markets including Turkey, Poland and Russia (Kenmendag, 2015).

Like most nations, Indonesia’s record of managing forest biodiversity is poor: the palm oil boom has played a role. Indonesia lost 15.8 million hectares of forests between 2000 and 2012, six million hectares of which were in intact and degraded natural forests (Margono et al. 2014).8 Government support of the palm oil industry, even during the environmental exhortations of the previous Government, has never been in question.9 The national *Masterplan for the Acceleration and Expansion of Indonesia’s Economic Development* specifically highlights the role of palm oil and timber in provincial development and recently, the chief of Staff of the President’s office Bapak Luhut Pandjaitan outlined the government’s protection of the industry, explaining that ‘the industry needs to grow bigger… if any ministries attempt to hold back growth of the palm oil industry, we will “bulldoze” them’ (Redaktur, 2015).10

Indonesian research has backed up such a position for many years (Susila, 1998, 2004). The balance between private cost ratio (PCR) and domestic resource cost ratio (DCR) of oil palm production is low, meaning crude palm oil (CPO) only requires US$0.50 of domestic resource in order to gain US$1 of foreign exchange (Susila, 2004). Further depreciation of the Rupiah in international markets increases CPO competitiveness and increases foreign exchange earnings during weaker economic times. Micro-level benefits of oil palm have also been assessed positively. Depending on particular schemes, palm plantation development contributes to equity outcomes and a more equal gini coefficient compared to alternative crops (Susila, 2004). In many situations, oil palm cultivation alleviates rural poverty and with the right governmental policies can transform the livelihoods of millions.

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8 The Forestry Ministry recently reported that deforestation of primary and secondary forests was estimated to be about 628,000 hectares, similar to the intact and degraded primary forests definitions used by Margono.

9 The economic crisis shaped the government’s awareness of the value of oil palm. In 1999 at an international conference, Deputy Minister for Economic Affairs stated that ‘the world ought to be thankful to palm oil for saving millions of Indonesians from the valleys of poverty.’

10 In 2015, the national government had already doubled the biofuels subsidy to 4,000 rupiah from 1,500 rupiah a litre to absorb global supplies of palm oil and raised mandated blending levels for diesel twice in the two years to the new 20 percent level (Bloomberg, 2015).
The emergence of biofuel mandates in Indonesian politics stimulates expansion plans and HCS outcomes. Supporting biofuel as an alternative fuel insulates Indonesia from increases in gasoline prices and reduces fossil fuel dependence. It is also aimed to reduce the reliance on what is perceived as unreasonable anti-competition demands on the palm industry by EU and US markets. The Director of Bioenergy in the Ministry of Energy and Mineral Resources forecasts that biodiesel demand will double again in 2016 and will be 1.5 times that by 2020 (Bisnis Indonesia, 2015).

Despite new environmental regulations on land and plantation management, oil palm’s position in the national narrative and amongst many millions of farmers as the ‘golden crop’ remains unequalled (Andoko and Widodoro, 2013). Continued LUC for plantations will occur in West, South and Central Kalimantan (Sumarga and Hein 2015:9), Papua and in North Sumatra, where the Governor recently stated that his province alone has 10 million hectares and that palm will be the province’s future economic driver (SumutProv, 2015). The development and expansion will come less from large scale development and more from incursion, expansion and conversion by medium size smallholders, local businessmen in regional capitals (‘petani berdasi’) and local communities who are seeking to get on board the oil palm train before it leaves the station. All of these players are pertinent to HCS outcomes.

Diagram 3: Local community members planting palm in protected areas, Sumatra.
1.3 HCS: An overview

Tropical undisturbed forests have significant carbon stores due to their intact nature. The amount of stored carbon within a given area in part depends on the extent and type of vegetation. In relation to reducing carbon emissions and protecting biodiversity, it is beneficial for land developments to occur on areas with low carbon stock. HCS stratifies vegetation in a given area into different classes and in doing so provides a definition of HCS forest based on potential GHG emissions from above ground biomass and soils (Greenpeace, 2014). This process can determine a threshold figure between natural forest and degraded land which can then be used in identifying 'forest' that should not be converted (SPOM 2014: 3).
Section 2: Protected Areas, Access and Participation - The need for HCS projects to reject discursive framing and incorporate multi-sited political economy realities

2.1 What can HCS learn from previous ‘protected area’ experiences?

A protected area is a geographical space with associated ecosystem services and cultural values that are managed through legal or other means to achieve long term conservation (IUCN, 2008). Their historical construction and management influences how protected areas are seen and managed today.

Protected areas are not conceptually new. Different countries have had different reasons for protecting areas resulting in diverse experiences. In North America, protected areas were about safeguarding dramatic scenery; in Africa, the concern was with game parks; in Europe, landscape protection was more common (Phillips, 2007). Despite mixed results, protected areas are looked upon favourably in terms of conservation. International NGO WWF believes that protected areas are the most secure way to save habitat; a statement seemingly at odds with how oil palm continues to spread into national parks and other protected areas in Indonesia (WWF, 2015).

One reason for the complexity of protected areas is its construction as places where people are generally absent. Yet, people are almost always within protected areas. Individual surveys show occupation rates of 56-72 percent for national parks and sanctuaries in India (Kothari et al. 1989 in West 2006:259); 85 percent for national parks in South America (Amend & Amend 1995 in West, 2006:259); 70 percent for protected areas in well-populated tropical areas (Bruner et al. 2001 in West, 2006:259); and 70-100 percent for protected areas in Myanmar, Mongolia and East Kalimantan (Bedunah & Schmidt, 2004; Jepson et al. 2002; Rao et al. 2002, in West, 2006:259). Remote sensing of agricultural activities inside protected areas illustrates that agriculture is practiced in 29 percent of known protected areas (McNeely & Scherr, 2003, in West, 2006:259).

Most tropical landscapes are inhabited by a wide diversity of people. Protected areas in general assume a split between nature and people (West and Carrier 2004) which, although rarely uncontested, has imposed a nature/culture dichotomy on places where such a distinction did not previously exist (Strathern, 1980, in West, 2006:255). The process is described as gentrification; making people fit into already existing categories and then an ecomplexification; simplifying people’s social practices and realities so they fit within certain policy structures (West, 2006; Harmon, 2003).

This dichotomy is often seen in the oil palm debate in various countries. In South America, social and environmental NGOs have often opposed oil palm expansion, but have had very limited success because of the same favourable beliefs held by smallholders and the state about oil palm development. A detailed understanding of the local LUC drivers is essential, given that neither the ‘environmentalism of the poor’ nor the ‘corporate green grabbing’ thesis can explain why small farmers engage in oil palm expansion (Castellanos-Navette and Jansen, 2015: 791).

HCS initiatives will need to guard against assuming a natural alignment between frontier communities and HCS protection where plantation expansion occurs. In reality, the alignment is often simply not there and such alignment will not occur without a concerted and far more intensive engagement involving the entire supply chain working to create it.

Because protected areas often designate an exclusion of farmers and communities, social effects reverberate. In the past, land was often taken from customary owners on the premise of protecting the environment, when it was actually more about state land consolidation (Cavanagh and Bejaminsen, 2015; Corson and MacDonald 2012). As a result, protected areas are

11 There remains a material separation of people and their surroundings into the categories of nature, culture, environment and society in much of protected area literature: see Wilshusen et al. 2002.
frequently linked to violence occurring to indigenous peoples due to the policing and control of particular areas: mines, plantations, national parks (Neumann 2004; Peluso 1993; Colchester and Erni 1999).

At current plantations, conflict and violence due to exclusion is multifaceted: it is now (generally, but not always) less blunt and instead, involves patronage, manipulation and a variety of other strategies. Allen’s description of power is suitable here when he explains that ‘power does not always involve blatant practices based on domination and resistance… but can also include interactions based on seduction, persuasion, manipulation, coercion, authority and co-option’ (Allen, 2003).

The following example is illustrative. In 1997, a Kalimantan plantation PT GAP (not the real name) was taken over by another plantation company, PT BMP, a common enough occurrence in the wake of the Asian economic crisis. The initial sosialisasi and most of the land clearing was undertaken by PT GAP throughout 1995-96. One smallholder described the excitement at the beginning, explaining that: “The first time I received the compensation payment I was so happy and satisfied with what was happening. I thought I would be rich! People in our village were so happy with 200,000 rupiah and we thought the future would be so good. That is why we joined. Who wouldn’t join after hearing the promises that were given by GAP? (smallholder, West Kalimantan, 2009).”

As part of the takeover in 1997, a new form of land division was created and smallholders were not to be relocated into new homes, which many in the community believed was the initial agreement. The example is common in the wake of the 1997 economic crisis: one company taking over another company that had run an over-promising sosialisasi and then deciding to ‘change the rules’. For communities, it is viewed as a betrayal. To this day, the plantation and community above remain in sporadic conflict which has seen violence and threats, property damage, police intimidation and imprisonment for farmers.

Such violence often remains absent from the conventional histories of plantations and protected areas. Instead, ‘win-win’ representations of protected area management seem to dominate conventional academic, donor and policy-based discussion (Corson and MacDonald 2012; Büscher et al. 2012). For some NGOs working in certification and agribusiness, the narrative of ‘win-win’ (between plantation and smallholder) is often heard, with the misnomer of ‘low-hanging fruit’ thrown in to describe smallholder training programmes. Such slogans hide the tensions and complex relations that exist between communities and mills and between plantation development and the environment.

Finally, the realities of fragile states and struggling governance systems add difficulty to effective protected area coalitions (see below). Oil palm is planted in countries that struggle with governance and corruption. Even when benefits from conservation do exist, access to these is often highly asymmetrical and reproductive of existing socio-economic inequalities (Cavanagh 2015:729). HCS must anticipate such uncomfortable socio-political realities when designing local arrangements.

2.2 Access, power and participation: critical aspects to an HCS methodology

The above section indicates that controlling access to a given area, how this area is obtained and how local communities, the state and the local plantation engage and participate are significant in determining LUC options and local HCS support. Local perceptions of equity and livelihood options will also determine to what extent communities will open or conserve land. Having an understanding of access and power relations within a community nearby to a plantation is thus critical.

12 This plantation has four separate documents outlining the land division between the plantation and the smallholders: the EIA at the provincial government office, the District head regulation, the socialisation documents and the Cooperative MOU (withheld, with author).

13 More recently, arguments for an increase in protected areas for carbon emissions reductions use a ‘win-win-win’ narrative, in which conservation contributes to the simultaneous realization of positive outcomes for biodiversity protection, carbon emission reduction and economic growth (Büscher et al. 2012). A number of observers worry that REDD will be nothing more than an instrument to protect the lucrative stocks of carbon that forests may represent in the future to the exclusion of local people (Phelps et al. 2010).

14 NGOs rely heavily on the western division between nature and culture. By extension, they present the ecological effects of human activities as unnatural; in other cases, they may present indigenous peoples as ecologically noble savages, whose cultures are somehow closer to nature. See 15
Access refers to the ability of individuals to derive benefits from natural resources (Ribot and Peluso, 2003). In rural Indonesia, access is a critical part of avoiding poverty. At the oil palm frontier, with the switch to partnership-styled (*kemitraan*) plantation land division arrangements in the post-1997 economic crisis, farmers who joined a plantation have had their access to land considerably reduced. Whilst there remains a variety of plantation schemes available (see Permentan No.98/2013, UU No. 39/2014) the trend towards large company land area and smaller smallholder plots, shareholdings and one-roof plantation arrangements (*satu atap*) has been dominant. Diagram four below captures one plantation land division arrangement, where smallholder shareholders give up 80 percent of their land to the plantation (diagram 4) and in return receive 30 percent of the shareholding results from their own land planted with oil palm (diagram 5).

In terms of return from this land division, smallholders will then pay off the initial set-up costs for their palm-planted land and have relevant plantation costs such as fresh fruit bunch (FFB) transport to the mill deducted from their monthly share or income. Once this debt is paid, smallholders then receive the full amount from their planted land - the 20 percent remaining - minus the plantation operating costs for their plot.

Diagram 4: Plantation land division arrangement: Plantation Company to manage entire concession

With such arrangements, land-based livelihood options for communities choosing to opt-in with plantations are reduced as their access to alternative land becomes limited. As local actors struggle to benefit from the productive use of resources, they begin to use a range of mechanisms to assist them in accessing land for productive use which depend on an actor’s ability to dominate or influence other actors (Ribot and Peluso, 2003). This is played out at the community level in a variety of ways, both positive and negative, for the smallholder and plantation company.

How local stakeholders interact influences how land is used and the extent to which conservation areas are protected. Power – the ‘probability that one actor within a social relationship would be in a position to carry out his own will despite resistance’ (Weber, 1947, cited in Cahill, 2008) – is thus directly linked to participation, because whoever benefits most from the participative process is largely in control of local power relations. It is a great lens to use to understand land use outcomes because:

A power analysis is critical to understand the extent to which new spaces for participatory governance can be used for transformative engagement or whether they are more likely to be instruments for reinforcing domination and control (Gaventa, 2004).

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13 For more on this topic, see Rigg J (1998) and Ribot J (1998).
At remote plantations where the presence of police is often limited, the nurturing of key patronage-based relationships or in arranging material benefits to key individuals is a vital plantation business strategy. The unequal power relations often between plantation and community influence key relationships. Power is thus exercised through the strategic manipulation of the options of the other: it is less of a confrontation between two adversaries and more a question of government, in which to govern is to structure the field of possible actions of others (Ferguson, 1993).

Because of the presence of poverty and the lack of genuine alternative opportunities for many local community members as promising, locals are interested in what is offered by a plantation - a job as a security guard; regular payments for arranging community compliance and engagement; training for one’s son as a mechanic in the mill. Foucault suggests that if ‘power is to be effective, those subject to it must also be rendered susceptible to its effects’: this is repeatedly observed in Indonesian plantations (Foucault 2002, in Gillespie, 2012).

The risk for HCS are clear: if HCS focuses more on using government and village or customary (adat) leaders in a patrimonial fashion intended to ‘control’ communities in the shortest amount of time, the risks for incursion into HCS areas remain high. One smallholder from the above plantation example explains:

When I see BMP I think of other bad plantations in the district. BMP only tried to work through the village heads. They were more interested in getting the village head onside as an important figure before the actual farmers. All they did was control the head, but they were not looking at the rest of the animal… (smallholder, West Kalimantan, 2009).

The initial land division process that occurs between communities and plantations is remembered by communities and explains the negative feelings many smallholders have towards a plantation, even where outcomes have been beneficial. One Kalimantan village leader explains that:

...at first glance locals may appear to be happy, but on closer examination they are not. They have too many concerns and questions that for too long have not been answered properly by the plantation. The foremost problem for the Dayaks is the local land and the plantation land permit. Land is a key for Dayaks and this issue cuts right through our beliefs with the plantation land licence.

Given such a common foundation for HCS, the amount of two-way engagement between plantation companies and communities is underestimated. For HCS and other efforts to safeguard biodiversity areas in rural areas, implementation success is obviously more likely when stakeholder perspectives are considered. Community values play a particularly important conservation role by providing the broad support required for conservation initiatives (Stokes et al. 2010, in Gagnea et al. 2015: 21).

Despite this, environmental interventions have approached participation in a managerial sense, skirting around political issues such as the lack of access to land that led to the marginalisation of disadvantaged groups (Li 2007). Participation in such projects are almost uniformly undervalued and the amount of time and engagement that must be set aside is always underrated. Further, many plantation companies, having believed that they have already followed the law and received rights to the land to develop, further feel ‘put out’ by them having to re-engage and participate more with local communities.

Because of this, participation at the oil palm plantation-community interface is widely misunderstood, simplified and normalised. Kapoor (2004, 2005) has written much about the ‘trojan horse’ effect of participation in development. He suggests that far from being inclusive and bottom-up, normative participation can actually function to reconfigure power and value systems in a way which may end up being fundamentally exclusionary. Whilst the desire for working together to make decisions is commendable, assumptions about consensus and equal rights being given to individual stakeholder groups only hold if all the actors involved have approximate equal bargaining power and a commonality of motivation.

However, getting the ‘participation right’ is even more complex. When it is acknowledged that there is a unequal balance of power between stakeholders, many participatory approaches then view the structural inequalities between stakeholders as a technical matter, so that the main challenge then becomes ensuring that correct procedures are formulated for bringing the parties into contact and giving more chance to select groups to voice their view of the world. As part of the process, there may be some technical training implemented for some stakeholders to bring them ‘up to scratch’. However, the underlining messy issues of unequal power relations structures are inevitably glossed over. Where those being given the chance to provide their views move outside set agendas, or disagree outright with future land development plans, participation often appears to be effectively truncated.  

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14 It is important to acknowledge that this is not a blanket inequality and that on some plantations communities and smallholders control resources (e.g. land, FFB, roads) over plantation companies. Diversity is the norm in plantation-community relations and outcomes.
a way to ‘get people to do what we want’, rather than a means fundamentally to change a project idea or construction (Goebel, 1998).

When this occurs, the structural power inequalities between parties remain unaddressed and participation can become a well-honed method for engineering consent. One village leader specifically employed by a plantation to explain the plantation to the community explained that:

   even now... I still don't know enough about the plantation credit system. I ask for information about it, but I have never got this... the first harvest is about to start—you can see it from the trees—and I still don't even know or understand the system (village leader, Kalimantan, 2009, withheld).

Where plantations have already begun or been developed, the need to ‘retro fit’ HCS to the existing plantation and community occurs (HCS, 2015). Such a term belies the complex, drawn out and time consuming process this entails. The process must acknowledge any shortcomings of the initial land division and be aware of the ‘spagettied’ and counter-intuitive linkages that span between local stakeholders, their motivations and within individual villages and communities (Gillespie, 2012). These connections push and pull in different and overlapping ways, sometimes in sync, more often in opposition. One here is reminded of Peluso’s writings on forests rangers and how they can wear as many as ‘three hats’ during the course of a day as their loyalties ebb and flow; as committed forestry official, local community member and a family leader (Peluso, 1992).17

To overcome this at the time of retrofitting, a HCS methodology will need to develop a new social pact or social licence to operate at the community-plantation company level. The social licence is based on the demands and expectations a business faces from stakeholders, environmental groups and community members (Bice, 2014). In working with the district government and obtaining their social licence, there needs to be an understanding that district governments are more likely to prefer plantation expansion over other forest uses. Anticipating this at multiple scales is part of the HCS responsibility.

This new social licence, independent of a regulatory licence, cannot be based on a normative participation. It needs to explicitly acknowledge any ‘sins of the past’ that may have occurred previously. Any such issues or misunderstandings cannot have a line drawn through them as part of the desire to ‘move on’. Attempting to set up HCS areas without addressing the reality that in many areas communities are at a systemic disadvantage due to the narrative of state development and the power of the plantation-state nexus is setting up a participatory structure on a weak social pact.

2.3 How the framing of environmental issues can pre-empt process: Learning from the past

The above sections have looked at how protected areas and participation have often been framed and how they can gloss over community complexity. A number of other narratives exist in managing environmental problems, enabling a focus on particular aspects and the avoiding of discussion of others, which creates a struggle over the definition and meaning of the environmental problem itself (Hajer, 1995). When this occurs, environmental debates turn into a conflict of interpretation that posits opposites (plantation versus community, palm oil is good, versus palm oil is bad). In reality, local environmental issues are far more fragmented.

An example relevant to HCS is the process of ‘green grabbing’, which sees the use of environmental narratives to justify selected interventions (Cárdenas 2012; Fairhead et al 2012). ‘Green grabbing’ relates to the appropriation of natural capital for the purposes of environmental protection. In this way, environmental protection and climate objectives serve as ‘green’ legitimisation strategies for a process of gaining control over land and access to land. The process is often supported by alignment between the private sector and NGOs. Such discursive framing of environmental issues lead to specific outcomes for the land and for the way in which the environmental issue is to be ‘solved’.

The process of alignment between the private sector and NGOs can be seen with the growing links between conservation and capitalism (Brockington and Duffy 2011:11). Many modern corporations embrace such an approach via efforts in fair trade and sustainable sourcing, product certification, go-green marketing, supply chain linkages to farmers and corporate social responsibility. Whilst some multi-stakeholder alignment is needed for these efforts, the strategy is over-faithful if there is a belief that such market solutions will be able to address complex environmental problems.

17 Hajer describes this in his discourse analysis of coalitions formed in managing modern ecological problems: “A person might be a perfect father in the family but a tough businessmen in the boardroom or even a serial killer after he has put the children to bed” (Hajer 1995:70). The plantation-community-government relationship is no different.
The main criticism of such an approach is the idea that by using such approaches, corporations can develop a solution proposed largely by themselves (or in conjunction with selected NGOs) to resolve a crisis by conceptualising the problem as a set of environmental challenges while continuing undisturbed the exploitative activity and business-as-usual approach that created the problems in the first place (Skilair 2001: 205). While the root environmental issues behind ‘green grabbing’ are often important, those attempting a new environmental intervention need the self-reflection to not conflate diverse stakeholder interests when alignment is simply not there (Castellanos-Navette and Jansen 2015: 799) and the commitment to work through such complexity beyond such approaches.

This process of alignment sees ecological modernisation as a key part of sustainable development. It asserts a techno-centric and interventionist form of environmentalism that highlights science and technology (satellite imagery, drones and handheld devices for traceability), market forces (certification) and managerial ingenuity (roundtables and individual company environmental and supply chain pledges) to address ecological crises (Igoe et al. 2007:31). Such approaches are ‘rendering technical’ in the world of development: they steer discussion of a problem towards being an intervention-based technical solution that largely excludes political-economic relations and structure (Li 2007). Rendering technical here is described as ‘a set of practices concerned with specifying the domain to be covered as an intelligible field, with specific fields and particular characteristics... rendering only that within them visible’ (Li, 2011).

The approach is often seen when addressing environmental problems, where issues rendered technical are simultaneously rendered non-political and in doing so, largely exclude the questions of political economic relations (Li 2007:277). Issues of equity, access and power - issues critical to smallholder and communities remain largely off the table and instead the focus remains on the economic growth and sustainable development narrative and how to insure that FFB supply to a mill can continue unabated.
Section 3: Smallholders and HCS - Four further issues affecting outcomes

3.1 Fragile states

Most of the jurisdictions where HCS projects are to be implemented are within fragile states. Fragile states are where the state remains as an existing entity, but is able to be manipulated by vested interests so as to largely ensure the private accumulation of wealth and its limited redistribution (Karsenty et al 2012:4). In considering efforts at forest conservation, given that all forms of law enforcement are undermined in fragile states, there is an incapacity to reinforce even rudimentary harvest limits, silvicultural prescriptions, or park protections (Irland 2008:206). Rapid crop expansion that leads to forest loss is particularly frequent in states with weak land-tenure regimes (Hall 2011).

There are substantial limitations in what companies and the state are able to achieve in protecting conservation areas in fragile states. It is difficult to believe that Brazil, which is not a fragile state, could suddenly break with its development model; it is far more unlikely that Indonesia would be able to enforce a forest law in provinces that have been empowered since the late 1990s (Karsenty et al 2012:2). The implication is that district and national government and local communities will have to be compensated in new ways as part of HCS if it is to be both long term and at scale.

The implementation of certification processes in fragile states provide an early indication for HCS. Certification can often be opposite to the thrust of existing district practices, so automatically the local political will to police certified supply chains and HCS areas can be lacking. Further, whilst certification of forest related products can support selected farmers, the limited reach of fair and sustainable trade will not be the engine to stop deforestation nor improve smallholder livelihoods at scale, especially as alternative markets exist which pay (slightly) less than a smallholder or company would receive for a certified sustainable palm oil product. An HCS methodology must improve this lack of differentiation for any chance of success: a critical responsibility for international companies in the certified palm oil supply chain.

REDD preparation projects in fragile states also provide an excellent learning for HCS. Recent research on REDD has concluded that when existing socio-ecological histories are not integrated into planning, REDD initiatives will face stiff opposition (McGregor et al. 2015). In relation to fragile states and poverty, two assumptions are thus critical for an HCS methodology to avoid: (a) the assumption that the government is in a position to make a decision to shift its development pathway on the basis of a cost–benefit analysis that anticipates financial rewards and; (b) the idea that, once such a decision has been made, the fragile state is actually capable of enforcing appropriate policies and measures (Karsenty 2011). Any analysis that seeks to improve biodiversity management which fails to understand that a state would be able to choose a policy of breaking with the past simply because of the collective benefits provided by the reform in question, is misunderstanding the realities of the past and the present (Karsenty 2011).

3.2 Poverty

Poverty is interlinked with fragile states and it influences conservation efforts. In some sub-districts, the emergence of ‘new poverty’ is occurring, where recent engagement with the market and the state is either increasing poverty or will do so in the future (Rigg 2012). This can be created as a result of the way in which communities engage with plantations (see above); in plantation legislation (Gillespie 2011, 2012); in the pricing of smallholder FFB; and the lack of transformative opportunities being provided by engagement with a plantation.

Fragile states and poverty are not simply the ‘fault’ of the state; it is far more complicated. One district politician in Kalimantan describes the challenge of ‘doing development’ without oil palm investment, explaining that:

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18 Fair trade coffee reaches 3% of the world’s 25 million coffee farmer families, accounting for around 1% of coffee exports.
We have a lack of funds to do anything to really help the community, which underlines our reliance on plantation investment. The annual budget of the Anggaran Pendapatan Belajar Daerah (APBD) is around 635 billion rupiah. From this, nearly 60 per cent, or 390 billion, is spent on salaries, electricity, water, telephones, uniforms, travel, contractors and basic village assistance, which is over 160 villages at 120 million each a year. So with the rest of the money annually - 245 billion [US$25 million] - we are meant to undertake development for improvement. Frankly, it is impossible to do so (source withheld with author).

Borner et al’s work considering how poverty affects deforestation decisions is useful here because he uses a decision tree based on local economic motivations. The analysis is useful to help consider a minimal level of compensation that would be needed to increase success at a HCS protected area. By using Becker’s standard model of enforcement where the decision to engage in a profitable illegal deforestation activity depends on the expected return and cost of punishment, Borner et al develop a (disaggregated) equation on the decision to deforest or not (Borner et al. 2015:3).

The use of such analysis for HCS is that the standard enforcement model will be strengthened by adding payment for environmental services (PES) or similar component. Land users who would encompass both community and the local government would need to receive a full hectare payment or percentage of the avoided economic share of baseline deforestation. Risk neutral land users will deforest up to a point where the marginal return to deforestation is equal to the expected cost of punishment. Borner et al develop a (disaggregated) equation on the decision to deforest or not (Borner et al. 2015:3). 19

Decentralisation and land tenure

Decentralisation assumes that local governments will be more responsible to the needs of citizens in providing services and delivery. In Indonesia, decentralisation has pushed districts towards pro-oil palm development as districts take on new responsibilities in attracting investment. One senior district government economist explained that:

...if we don’t agree with this new scheme, or do not offer generous support, then we have to accept that there might not be any development at all and the investor will refuse to come. This will lead us nowhere...so in many ways, we at the local government level are in an impossible position. We don’t have other investment options, no one else is coming to our door... (source withheld with author, West Kalimantan, 2010).

In Indonesia, decentralisation reform has failed to transform relations between the state and companies and misallocation of state resources continues (Hadiz, 2003). Research from the Indonesia Corruption Watch organisation suggests decentralisation has made corruption worse, suggesting that that 98 percent of corruption cases occur regionally (ICW Tren Pemberantasan Korupsi, 2014). Predictably, the outcome in terms of forest management has been poor, despite recent national legal victories concerning indigenous rights within the forest estate. District government engagement has become a far more difficult and time consuming process than before.

Decentralisation has also not supported greater clarity of land tenure. Limited legal acknowledgement of adat has benefitted plantation companies. In oil palm districts, the disappointment of decentralisation and the cursory acknowledgement of adat in land tenure has resulted in an anger that many communities feel towards the state and plantation company – even when livelihood outcomes have improved. Asking communities to forgo development into forested areas as part of HCS is fraught. One smallholder explains that:

When they (the plantation company) did the sosialisasi process, the phrase they used was meminjam tanah (borrowing the land). We did not know that this is not how it would be, that this was not what was meant... I am sure there will be violence here sooner or later, it’s just a matter of time... (smallholder, Kalimantan, 2009, withheld).

19 Decreasing returns to deforestation imply that the marginal return to forest clearing decreases with each additional plot cleared as in a classical land rent model, due to for example, increasing costs of access to remote production sites.

20 In the absence of incentives, the optimal deforestation level corresponds to the point where the marginal return to deforestation equals zero. There are (at least) two key caveats to this: one is to not assume that there are only economic motivations that determine a land user’s decision to deforest an area and second, that deterrence is a key component and can only be achieved when there is a visible demonstration that illegal deforestation has ‘economic consequences’ (Borner et al 2015:4).
Section 4: Discussion and Recommendations - Considerations to give an HCS methodology the best chance of success in including smallholders and maintaining HCS areas

As a result of the substantial LUC brought about by agricultural crop expansion and with new demands for ‘green’ set asides within landscapes, many rural communities find themselves with reduced access to land (Fairhead et al. 2012; Cavanagh et al. 2015:741). The consequences of reduced access for rural communities has been well documented. As Angelsen pointed out as early as 1995, increased rubber expansion into primary forest is a response to increased rubber profitability, expected land scarcity and a race for property rights (Angelsen 1995). In keeping with the multi-level analysis of this paper, this concluding section provides a partial list of recommendations and thoughts. All levels influence community and environmental outcomes on the ground.21

4.1 Local

HCS must not underestimate the amount of engagement and communication with communities required to maximise the chance for local alignment. HCS discussion to date acknowledges the effect that new protected areas will have on communities. Nevertheless, the authors believe that the amount of participation required with key local stakeholders to make HCS successful is very much underestimated. If open participation and adequate compensatory mechanisms are not implemented, the chances of success are minimised.

Related to this is a warning to not underestimate the inherent complexity of realigning ‘no-go’ areas. Where HCS is to be ‘retro fitted’, more engagement and community communication will be required than at the time of the original plantation sosialisasi. Because complexity and confusion imbues many of the previous land division arrangements at plantations, community engagement will be time consuming, relentless, expensive and repetitive. It will requires an understanding of what land means to adat communities, what was the original land division process, who stands to gain from such a change in access to land and what can be offered to local communities to support the protection of the HCS area.

Improve the preconditions for the discussion and negotiation of the HCS area by understanding the motivations of the local community and smallholders, their relationship with the plantation and what would compel a community to accept reduced access. Intrinsic to this is developing a detailed understanding of affected communities in relation to livelihoods, relationships with the plantation and the local government and the epistemic authority of local adat leaders. Community mapping is a key part of this. Where long standing conflict and disagreements have occurred, acknowledge and address these as part of the HCS process. Rather than try to eliminate political differences within negotiations, HCS practitioners should use negotiations to build alliances with the explicit goal of increasing the decision-making power of disadvantaged groups (Edmunds and Wollenberg, 2001:232).

The influence of local poverty is not to be underestimated. It needs to be included as part of any HCS conservation attempt. Adding a policy instrument by mixing regulatory disincentives with incentive-based instruments provides greater potential to improve the provision of environmental public goods and the income of land users (Borner et al. 2015:2). The potential for better outcomes from this is considerable in frontier areas because of poverty and limited alternative opportunities. Addressing poverty in conjunction with the district government and the plantation company as part of HCS is integral. End-user consumer facing companies who use palm products and are demanding traceability, zero deforestation, or other marketing campaigns, must support such approaches. HCS will always struggle if it focuses on the environmental to the detriment of the local development imperative.

21 Recommendations are not disaggregated from support for the general reduction of deforestation initiatives; to do so would be artificial.
Related to the above, stakeholders supporting HCS initiatives that work with a plantation and mill cannot ignore smallholders adjacent to the existing user rights (HGU) plantation business licence. Companies supporting HCS must engage and work with adjacent smallholders in undertaking training programmes that focus on ISPO smallholder criteria and GAP and better environmental practices.

Given its reverberating impact, it is not enough for a mill to stop work at the boundary of the HGU, particularly if they are near forested areas. Such companies must engage surrounding communities and sub-district governments to address FFB coming into a mill from forested areas—and this includes working with smallholders not tied to a mill. It is equally not enough for downstream companies who have demanded ‘zero deforestation’ and/or traceability supply chains to feel satisfied at this step. These companies need to become more involved by supporting government and NGO initiatives that focus on poverty reduction and environmental protection. This is not to suggest that buyers and end user companies in the international palm oil supply chain must throw money around wildly, putting as one observer noted, ‘a few drops of dollars into an ocean of a problem’. To be clear: it is only the Indonesian district and national governments who can police and provide the oversight essential to protect remaining areas of high lowland biodiversity. Supporting this task directly would be a good start.

The role of incentives for relevant local stakeholders is key. Incentives to trigger change and payments for environmental services (PES) are essential tools in the fight against deforestation. In the case of HCS, applied to producer organisations and FFB agents, incentives can be helpful, although challenging to implement in the case of middlemen, local politicians and district governments. The most successful incentive based investments involve combining the use of PES and other approaches with integrated rural development programmes and the regulatory redrafting and alignments recommended below.

Related to incentives, situate the foundation of HCS on multiple factors with multiple stakeholders. In other words, instead of having a single goal approach such as reducing incursions into protected areas, have other livelihood, poverty and alternative income training goals, as well as government related goals as part of HCS initiatives. In this way, HCS is a critical but interlinked component to a broader framework.

If a HCS methodology is to be retro-fitted, frame the participation and engagement using a social licence to operate methodology which will incorporate a sharing of power and joint ownership of the participation process. Do not assume any sort of natural alignment between communities and HCS exists. A social licence to operate is a local community approval that is ‘granted’ when a diverse spread of local community members have the power to transparently inform and change development planning. It is entirely different from a regulatory licence and distinct from a CSR approach and requires substantially more work with both the community and the local government.

The plantation company involved in HCS will need extensive training for all plantation staff in community engagement. The role of the plantation company in engaging with the local community is vital. The quality of personal contact, its quantity, the support for improving important local infrastructure and local interpretations of procedural fairness will determine the success in maintaining HCS boundaries (Moffat and Zhang, 2013). How respectfully all staff engage with the community is fundamental to success.

Engagement with and buy-in from the district and sub-district levels of government is key: work with departments such as the Ministry of Cooperatives and Small and Medium Enterprises to increase their capacity while increasing their role in supporting smallholder farmers. This relates to smallholder training programmes on good agricultural practices and better environmental awareness, but also in developing training skills for the district government staff and in office management training to improve smallholder Cooperative management in rural Indonesia and replanting planning as an incentive to minimise future extensification. Having the district government supportive of the project is key, which means having them enthusiastic and benefitting from the process.

Anticipate disagreements and misunderstanding as part of the HCS process and have a community and sub-district government-approved process ready. This can be an extension of regional regulations or as a part of existing government plantation management teams (TP3K), but the process must be transparent and professional. The National Land Board has a department responsible for managing plantation conflict: extensive support and training in mediation and conflict resolution is required, supported by the HCS/sustainable palm oil supply chain. The national government standard - Indonesia Sustainable Palm Oil (ISPO) can support here with regional training, with additional funding to help plantations with the skills required to accept the need to mediate. None of this is simple, inexpensive, or rapid.

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22 See UU No.18/2013, art 92, 93; Permentan No.11/2015; Surat Edaran Menteri Agraria dan Tata Ruang No.15/2015.
4.2 National

The role of the Indonesian government is critical and will require vastly improved approaches to engagement than to date in addressing deforestation and sustainable palm oil supply chains. Other efforts are underway to integrate the approaches, such as looking to incorporate HCS/HCV into national legislation via the environmental impact assessment and strategic district environmental assessment (KLHS) process. There is scope for policy analysis and technical support to improve licensing and AMDAL processes as well as removing legal impediments and providing stronger incentives for companies and communities to avoid forested areas.

National and international collaboration and alignment on HCS is an imperative. This is a central theme of the paper. Working with the international supply chain and with the Indonesian government on making ISPO a valuable and internationally recognised part of Indonesia’s green growth strategy and working together in a manner that addresses the low base of sustainability that exists in remote areas with intact forest nearby, is a vital and related component. Part of this is having the RSPO and ISPO work closely together on the landscape wide challenges. Part of it will be supporting NGOs and reformist district governments who are struggling with land management in forested areas.

Work together with district government and interested parties at the district level to reduce corruption. This effort relates to working with the government to reduce corruption in land use, spatial planning, licence granting and on the ground policing of new plantations. Support for the district-level Ministry of Forestry and forestry police with additional finance, staffing, infrastructure and tools, training, governance of forestry management units, all undertaken in a transparent fashion as a matter of urgency in particular where company mills are nearby to national parks and protected areas.

HCS methodologies have an opportunity to learn from HCV and REDD complications. Many of the same legal and practical difficulties currently relating to land use within and outside an agricultural licence will also be faced by HCS. Despite these difficulties, the 2015 ISPO Regulation enables some protected area management within and outside of existing plantation licences and lessons from how some plantations have managed HCV areas within and adjacent to their concessions can be shared. At the district level, it is critical to work with the district government to reach an acceptable position that respects the existing legislation but provides enough room to ensure some surety for HCS areas. This is an ongoing and challenging task to be considered case by case.

4.3 International

Global agricultural subsidies dwarf current climate finance; these subsidies have a far more significant impact on private investment in activities that drive deforestation than previously considered (McFarland, 2015:33). An estimated 80 per cent of global deforestation occurs as a direct result of agricultural practices. Government subsidies, estimated at $200 billion annually, are often the key underlying drivers of forest loss worldwide, with policy makers rarely recognising their impact (UN, 2015).

As part of the multiple levels of influence, international subsidies mitigate against the protection of HCS areas. Although Indonesia, some EU countries and some palm oil-using multinational companies have pledged to reduce forest loss, their direct and indirect support to the agriculture sector either as a government supporting subsidies, or as companies operating in an industry following conventional supply chain purchasing, leads to greater GHG emissions and forest losses. In such an environment, it must be considered whether changing some of the agricultural subsidies that exist so as to be spent more in encouraging sustainably certified, HCS/HCV area protection would be a better environmental outcome than the green grabbing and marketing strategies currently being employed. The same applies to Indonesia with its biofuel subsidies, accepting that the development imperative and reality of poverty complicates this.23

RSPO member companies—particularly buyers and consumer goods manufacturers within the RSPO CSPO supply chain—must support at the producing level to assist HCS and the broader deforestation and reputational challenges linked to palm oil. Recent international campaigning has prompted many US buyers and users of CPO/CSPO to place new sourcing demands on selected palm products purchased from plantation companies. To date, this has seen a large reduction in the number of mills and refineries providing CPO/CSPO to select end-user companies, which in turn benefits the largest vertically integrated companies. Deforestation adjacent to many other mills with 30-60 tonnes per hour capacity in key biodiversity areas, continues.

23 National Indonesian subsidy support for biofuel production, exempting biofuels from transport fuel sales tax, covering financial losses resulting from Pertamina (the national government petroleum company) sales of biofuels at less than production costs, all increase demand for further plantation development.
On their own, without immediate larger and varied incentives introduced, such supply chain decisions are unlikely to be effective in reducing overall deforestation or in supporting HCS initiatives. Supporting plantation companies, governments and civil society organisations with their programmes that focus on these issues must now be a compulsory part of their engagement.

The goal of the sustainable palm oil supply chain must be how it can support the Indonesian government, plantations and communities with interventions that will lead to the best environmental and equitable social outcomes.

More broadly, as part of supporting HCS initiatives, the CSPO supply chain support could include helping with actions by producer country governments to tackle both the immediate locale and broader governance problems at the district and national level; working on the resolution of legal uncertainties, conflicting regulations and unclear tenure; supporting the protection of the legal rights of forest communities; providing technical and financial support to civil society organisations who are struggling with these issues; supporting research to better understand the upstream complexity and drivers for a business-as-usual approach; providing far greater funding support for efforts focusing on strengthen standards and assessment, monitoring and compliance mechanisms for ISPO; creating real demand-driven incentives for plantations to produce certified products; supporting programmes in Indonesia that international NGOs and multilaterals currently undertake that focus on LUC, better spatial planning, legal and governance reform; increasing smallholder farmer livelihood support in tandem with education on the local effects of poor environmental management; funding initiatives to increase transparency of plantation land selection and licencing procedures and district level dispute resolution.

Such support could be undertaken via a mix of the many current global initiatives on offer, but the fundamental point is that if we are serious about reducing deforestation in key biodiversity areas, far more must be undertaken through direct support to plantations and communities attempting HCS and other environmental initiatives. Such support must retain conditionality and be clearly linked to the environmental outcome that is the goal. What is apparent is that current business-as-usual approaches across both the sustainable palm oil and palm oil supply chain do not assist in reaching the goals of HCS. This is an indictment on our inability to look beyond how modern and complex environmental problems are framed and therefore addressed through the idea of sustainable development and all of us involved in international agricultural supply chains are responsible for the consequences.
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