

Multi Stakeholders Partnership in the Sustainable Indonesian Palm Oil Industry: Study Case Multi Stakeholders Partnership FOKSBI

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Abstract: *As a major palm oil producer in the world, Indonesia has the duty to improve and upgrade the sustainably operational standards and pro-environment palm oil industry in accordance with the global sustainable development agenda. This is important, considering the strategic economic value of the Indonesian palm oil industry for national development and its potential strength of political economy at the international level. Critics from the international community regarding unsustainable palm oil practices, environmental degradation, deforestation, and the lack of regulation, become motivation for all stakeholders to improve Indonesian palm oil industry in all sectors and to strengthen its position at the global level. In order to move towards the spirit and ideals, the Indonesian palm oil industry adopted a governance model through a multi stakeholder partnership (MSP) FOKSBI and Indonesia Sustainable Palm Oil (ISPO). The way this Governance model provide solutions to problems and challenges of the Indonesian palm oil industry is analyzed by understanding the concept of Multi Stakeholders Partnership. Multi stakeholders partnership is able to figure out a complicated issue in the Indonesian palm oil industry since it has a characteristic of involving various actors such as government, private sectors, civil society, and international organization which can strengthen commitment and modalities of all the stakeholders in achieving common goals. Thus, coordination and sharing burden will be more directed, equal, and in accordance with their respective advantages. This study uses a qualitative method with the MSP FOKSBI case study in the Indonesian palm oil industry. The result of the study indicates that the MSP FOKSBI and ISPO have a significant part in improving the Indonesian palm oil industry, especially the fundamental transformational change towards a sustainable Indonesian palm oil industry.*

Keywords: *Indonesia palm oil industry, governance, multi stakeholders partnership, sustainable development.*

Introduction

Palm oil, which has many benefits in food, energy, and other industries, is an important global commodity for Indonesia. Indonesia is the largest palm oil producing and exporting country in the world which controls 37% of the

world palm oil market (Ferrianta, 2017). Based on the data by statista.com, Indonesia ranks first in the world palm oil producer with a total of 41.5 million metric tons in 2018/2019, then followed by Malaysia, Thailand, Colombia, and Nigeria.

The distribution area of Indonesian palm oil plantations is 63% on the island of Sumatra, 34% on the island of Borneo, and the rest are spread on the islands of Sulawesi, Java, Maluku, and Papua (Wigena, Sudrajat, & Siregar, 2018). Thus, the area of Indonesian palm oil plantations can be said to spread in almost all regions of Indonesia.

In terms of national economy, the palm oil industry has high strategic value. Data from FOKSBI in 2015 showed that this industry contributed 8% of GDP, which was around IDR 18.1 billion, equivalent to 13.7% of total exports. Based on Indonesia's export data in 2015, the palm oil industry was ranked the third highest export after coal and petroleum gas. In addition, in the same year palm oil contributed IDR 22.27 trillion to state revenues in the form of taxes (FOKSBI, 2017). In fact, the government of Indonesia is planning to increase its palm oil production target by 40 million tons of CPO in 2020 as an effort to meet the increasing global demand. Based on Government Regulation No. 28 of 2008, Indonesia has a vision of becoming a strong industrial country in 2025, and the palm oil industry is the first rank of the National Industrial Policy to be achieved from the agribusiness industry sector (Ministry of Industry, 2017).

Despite having a high strategic value for the economy and national development, the Indonesian palm oil industry in fact contributes to alarming environmental problems, including deforestation, threats to biodiversity, and air pollution (Blotiere, Grouillet, & Renard, 2017). Time magazine, on 1 July 2015, reported that there was a large forest fire in Tesso Nila National Park,

Riau, Indonesia, involving 45 fire spots burning around 100 hectares land. Smoke from these forest fires causes air pollution to several neighboring countries such as Singapore and Malaysia. It was indicated that the fire was caused by encroachers who burned the forest to open an palm oil plantation area. (Time Magazine, 2015).

Referring to the CIFOR's 2015 research, the burning of forests and peat land that occurred during 2015 was the largest deforestation in the last five years in Indonesia and had the largest contribution of carbon emissions since 1997. Based on LAPAN data from 1 July - 20 October 2015 the burning of peatlands reached out of 618,574 hectares, and 1,471,337 hectares for non-peat land. The burning happened in Sumatra at 832.99 hectares, Kalimantan at 806,817 hectares, and Papua at 353,191 hectares (Mongabay, 2015). In addition, a joint scientific report written by the Royal Netherlands Meteorological Institute, King's Collage London and the NERC Earth Observation Data Center in 2015 recorded estimates of carbon dioxide emissions from deforestation in Indonesia reaching 11.3 million tons / day in September and October 2015, exceeding EU daily average of 8.9 million tons (Pardamean, 2017). One Greenpeace report entitled "A Deadly Trade-Off" emphasized that the expansion of Indonesian palm oil plantations in the period 1989-2013 was responsible for 54% of deforestation in Indonesia (Greenpeace, 2016).

In terms of global politics, the problem of forest fires in Indonesia became one of the environmental issues highlighted at the 2015 UNFCCC Summit in France. The plan to clear the peat area

for the palm oil industry in relations to the framework of the national industrial plan in 2025 further squint international eyes to Indonesia's seriousness and participation in efforts to reduce greenhouse gases (Wulansari, 2017). The increasing of negative perceptions in Western media regarding Indonesia's unsustainable palm oil practices, lack of regulations, and damaging the environment, have a major impact on the attitude of the European Union which led to the ban of using the palm oil for fuel in the European region (Blenkinsop, 2019). This of course will reduce Indonesia's economic and political power in that region.

Looking at the two sides of the Indonesian palm oil industry which are in one side a vital commodity in economic growth and at the same time a controversy for the global environment, a comprehensive approach is needed to reduce environmental impacts and ensure the sustainability of the Indonesian palm oil industry in the global arena. The overall and sustainable Governance of the palm oil industry is the best solution believed by the doers of the Indonesian palm oil industry. This is needed towards a sustainable Indonesian palm oil industry in accordance with the global and pro-environment development agenda.

Governance is one of the strategic agendas in building a new world civilization. Globalization encourages the emergence of a new frame of mind that is no longer centered on the state. This is because the post-war and developed problems of the world are very complicated and difficult to deal with, even by the most powerful state. A

country is 'forced' to be able to adapt to the demands of the global market (Isnaeni, et al., 2016). The complexity of the overlapping problems between territory of the countries and ecological regions not only refracts the boundaries of the jurisdiction of nation-states, but also presents challenges for the ability of the state and non-state actors in global politics (Heywood, 2016). Referring to these conditions, the Indonesian palm oil industry also adopted several important governance within it as an effort to overcome problems and lead to a sustainable Indonesian palm oil, namely the Multi stakeholders partnership Forum for Indonesian Sustainable Palm Oil (MSP FOKSBI) and Indonesia Sustainable Palm Oil (ISPO).

Method

The complexity of the environmental problems and the economy advantages of the Indonesian palm oil industry is not only cross-border and multidimensional, but also is very technical and scientific. The variety of interests brought by each stakeholder makes this industry one of the complex cases that cannot be overcome by the country itself. Therefore, how the MSP FOKSBI and ISPO is able to play a role in improving the Indonesian palm oil industry, will be analyzed using qualitative methods with MSP FOKSBI case studies in the Indonesian palm oil industry.

In gathering the data, the author uses the interview method as a source of primary data and gathers literature data such as documentation of reports and official archives of related institutions for the secondary data. The interviewees

value-based foundation for collaborative action; (4) collaborative action based on volunteerism, mutual rescue commitment, and shared responsibility of all actors to be able to serve the public interest and interests private sector, (5) collective action can be commercial; market mechanisms can further promote sustainability practices through leverage and spin-off from private sector investment (Glasbergen, 2007; Isnaeni, 2016).

The MSP has several advantages, among others are, the stakeholders jointly are more able to deal with complex issues than to deal them alone. The stakeholders can access each other's resources and knowledge held by other stakeholders. Its achievements have more sustainable characteristics. Learning and collaboration increases the likelihood of systemic change. Willingness to invest in MSP can be the only way to achieve success, and requires the care of all parties in the long term. Long-term profits will outweigh the investments made by all parties. MSP governance is claimed to be the solution to several problems: (i) lack of regulation in sustainable governance; (ii) lack of implementation; and (iii) lack of participation in global governance (Biermann, Chan, Mert, & Pattberg, 2007).

The complexity of the problems, schemes and diverse interests in the palm oil industry in Indonesia requires a comprehensive and significant solution that are able to overcome the real root causes. In addition, in order to achieve sustainability the government should not only involve one stakeholder but also requires the involvement of all stakeholders in the Indonesian palm oil

industry. Thus, to strengthen policy and achieve multi stakeholder consensus for long-term sustainable palm oil solutions, in October 2014, initiated by the Ministry of Agriculture, a multi stakeholder partnership governance was formed that collaborated with all stakeholders in the Indonesian palm oil industry, called Forum Sustainable Palm Oil Indonesia (FOKSBI). Before it was called FOKSBI, this partnership was first known as InPOP (Indonesia Palm Oil Platform).

The FOKSBI MSP is basically a forum to bring together and coordinate the joint efforts of stakeholders within the Indonesian palm oil industry towards a transformational change in Indonesia's sustainable palm oil production. The vision of the FOKSBI multi-party partnership is to produce a joint agreement on systemic and sustainable solutions for Indonesian palm oil production that continues to respect the environment, increase the social benefits, and upgrade the competitiveness of the Indonesian palm oil market on the international scene.

The FOKSBI partnership brings the spirit of shared goals towards improving the Indonesian palm oil industry that is sustainable and recognized both nationally and internationally. The FOKSBI's mission is to develop a national action plan for sustainable palm oil, monitor and adapt the implementation of sustainable palm oil action plans, and build partnerships and coordinate efforts in relation to the sustainable palm oil in Indonesia.

One of the characteristics of multi-stakeholders partnership governance in the sustainable development agenda is the collaboration between state actors

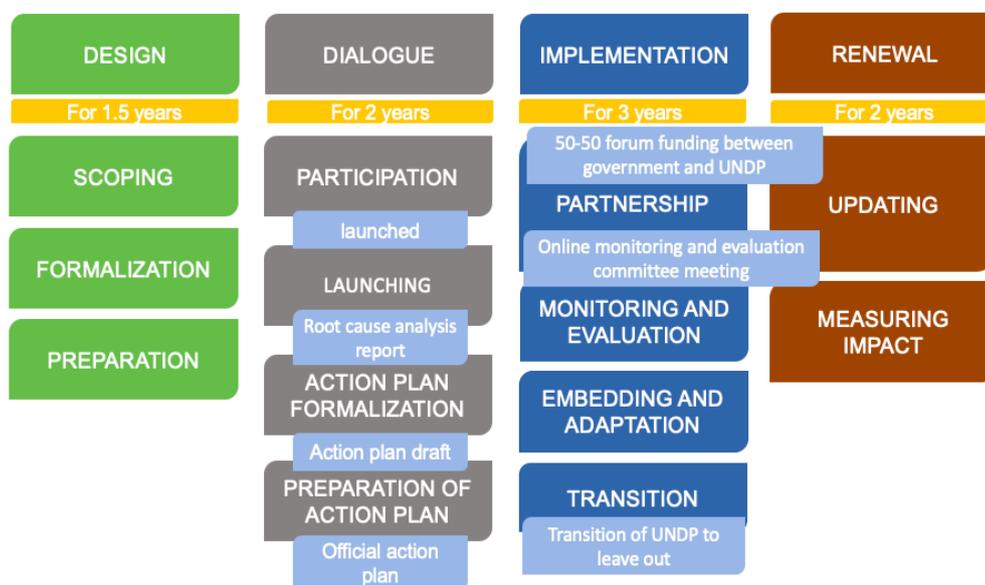
through a draft of the Indonesian Sustainable Palm Oil National Action Plan (RAN). RAN is a reference for all stakeholders in managing the Indonesian palm oil industry. RAN is designed and aimed to support the achievement of sustainable palm oil development. At present, RAN of Indonesia's sustainable palm oil is in the process of being approved in the Presidential Decree.

In MSP FOSKBI, stakeholders provide input and views, and together develop national action plans that result in the implementation and development of long-term sustainable palm oil. There are four multi stakeholder working groups (WG) in the preparation of the RAN focusing on four main topics, namely: (1) Strengthening the capacity of palm oil planters; (2) managing and monitoring environmental practices; (3) conducting

governance and conflict mediation; (4) strengthening ISPO and increasing market access.

The drafting of the RAN by FOKSBI members starting with the design process in 2014, was ratified in mid 2017, and began to be implemented in 2018. The long process of RAN consists of four stages, namely (1) the design process for 1.5 years starting from scoping, formalization, and preparation, (2) dialogue process for two years. In this stage, they conducted participant collection, published the root cause analysis report, formulated an action plan, and ratified the draft of national action plan. Continued by process (3) of implementation and (4) renewal, which will be carried out within a period of five years. Broadly speaking, the following are the step in the RAN proces.

Figure 1. Flow of the Stages Indonesian National Palm Oil Sustainable Action plan



Source: RAN Sustainable Palm Oil 2018-2023 Draft 6.0 FOKSBI 2017

Some of the important roles of the FOKSBI RAN in improving the Indonesian palm oil industry are: (1) increasing capability, building the capacity of

planters to use certified seeds. Real activities are carried out by providing training in using the certified seeds, developing seed franchise programs,

supporting regulations of the Minister of Agriculture regarding the sale of certified seeds, and increasing supervision of the circulation of certified seeds. (2) Increasing training for planters regarding good agricultural practices, by increasing the participation and resources of large-scale private companies in the implementation of Good Agriculture Practices (GAP) activities, establishing sustainable palm oil training centers in several districts of the palm oil plantation centers, and implementing the GAP training model through collaboration between the private sector and local government at the district level. (3) Increasing access to funding for plant rejuvenation for planters. These efforts include accelerating the realization of the distribution of rejuvenation funds from the government and other sources for planters, conducting training related to technical and financial planning capacity for planters, increasing rejuvenation fund allocations, and preparing government policies in the form of program loans from banks in order to fund the rejuvenation of coconut plants palm oil. (4) Establishment and strengthening of planters' institutions, and (5) revitalization of the extension of sustainable palm oil plantations.

In terms of environmental management and monitoring, RAN FOKSBI conducted: (1) enhancing biodiversity conservation efforts in the plantation landscape. (2) Reduction of greenhouse gas emissions due to forest and peatland fires, (3) Improving the regulations to reduce GHG emissions related to palm oil plantations, (4) Using critical land in reducing GHG emissions, (5) Providing alternative energy from

palm oil liquid waste products, and (6) Improving the protection of environmental services (water management and ecosystems).

In terms of governance and conflict management, RAN FOKSBI applied: (1) Implementing one map policy for resolving land conflicts, (2) accelerating the realization of community palm oil plantation development, (3) accelerating the effective and efficient resolution of land conflicts by using existing facilities and infrastructure.

The last strategic effort undertaken by RAN FOKSBI was strengthening ISPO and market access. Indonesia Sustainable Palm Oil (ISPO) is a governance policy issued by the Indonesian Ministry of Agriculture PP No. 19 / PERMENTAN / OT.140 / 3/2011 related to certification of management of palm oil plantations in Indonesia. ISPO is compulsory to be obeyed by all large and small scale business actors. The ISPO was officially enacted in March 2012, and aims to improve Indonesia's palm oil plantation production standards that are in line with the demands of the global community (Wigena, Sudrajat, and Siregar, 2018). Efforts to strengthen and accelerate ISPO certification for planters and companies are able to increase the productivity of sustainable Indonesian palm oil development. The partnership model of the government and companies in FOKSBI is able to become a strategy for accelerating ISPO certification for planters.

In addition, the role of the RAN FOKSBI in strengthening ISPO is to expand the recognition of Indonesia's sustainable palm oil certification among national and international stakeholders.

Diplomatic efforts and cooperation with the users of palm oil abroad are also carried out to promote the acceptability of ISPO at the global level. Thus, the access to the Indonesian palm oil export market, especially in Western countries, becomes increasingly open. In order to support the promotion of ISPO on the international market, the FAN FOKSBI also carried out institutional strengthening and governance of ISPO. This is done to increase the credibility of the ISPO system and the international community's trust in ISPO governance standards.

Conclusion

The multi stakeholder partnership of FOKSBI and Indonesia Sustainable Palm Oil (ISPO) is one of the important governance models adopted by the Indonesian palm oil industry as an effort to improve the sustainable and pro-environment transformational Indonesian palm oil industry. The multi stakeholder partnership model is a network of solutions for global cooperation, complex problem solving, and governance. MSP has the power of complete modalities ranging from the legitimacy of the government, the financial resources, and technology of the private sector and corporations, civil society mobilization networks, and the influence of community leaders.

Multi stakeholder partnerships are able to be the solution to the problems and challenges of the palm oil industry in Indonesia because firstly, the awareness that no party is independently able to overcome the complex challenges of sustainable development. For example, overlapping the interests of each

stakeholder within the Indonesian palm oil industry. Second, there is an aggregation of resources and the division of the number of work between various stakeholders with their respective modalities and characteristics. That way, the modalities owned become more numerous, and the effort that is spent to overcome environmental issues can be distributed proportionally between the actors involved. Third, the complexity of Indonesia's palm oil challenges encourages the effectiveness of programs proclaimed as effective solutions from various parties, starting from the formulation process, implementation, and follow-up of the program. Fourth, development programs become more effective with a check and balance mechanism, so that supervision of performance and transparency becomes a major demand that must be fulfilled by each party.

The FOKSBI MSP plays an important role in providing real solutions to the development of the Indonesian palm oil industry through the sustainable Indonesian palm oil National Action Plan. The roles and efforts made by RAN FOKSBI are: (1) Developing basic data on palm oil planters for better governance and support to the plantation; (2) Increasing socialization for palm oil planters and other stakeholders at the provincial and district levels; (3) Providing the improvement of law enforcement in palm oil sector; (4) Increasing capability, building capacity of planters to use certified seeds; (5) Improving training in good and international standard agricultural practices; (6) Improving access to plant rejuvenation funding for planters; (7)

Forming and strengthening the institution of planters; (8) Revitalizing the competency of palm oil plantation instructors; (9) Increasing efforts to conserve biodiversity in the plantation landscape; (10) Reducing greenhouse gas emissions due to forest and land fires; (11) Improving government regulations on the commitments in decreasing greenhouse gas emissions, (12) optimizing the use of critical land in reducing greenhouse gas emissions, (13) improving the protection of water systems and ecosystems, (14) implementing a one-map policy, (15) Realizing the development of local communities palm oil plantation, (16) Assisting to accelerate the settlement of land conflicts effectively and efficiently using facilities and existing stakeholder infrastructure, (17) Accelerating ISPO certification for planters and palm oil companies in Indonesia, (18) Conducting ISPO acceptance diplomacy and global collaboration with international market stakeholders, and (19) Increasing ISPO institutional and governance credibility.

The magnitude of the role and efforts of the MSP FOKSBI and ISPO in improving the Indonesian palm oil industry shows the genuine commitment of all interested stakeholders in the industry to improve the standards, quality, and credibility of Indonesian palm oil both at the national and international levels. However, improving the palm oil industry in Indonesia is not an easy matter yet requires a long process. Therefore, a method or effort is needed to continue maintaining commitment and enthusiasm together with the stakeholders of Indonesian palm oil.

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