



**Uptake of certification and sustainability commitments in Indonesia: **who and why?****



Center for International Forestry Research    Sophia Gnych

### Key messages

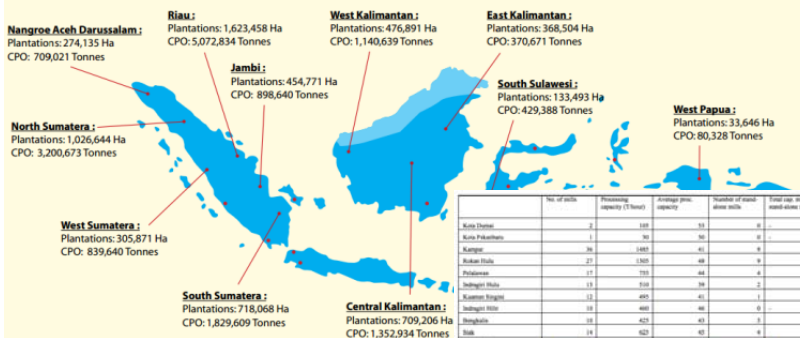
1. Indonesian growers: **diverse and poorly understood**
2. Diversity affects **motivations driving sustainability**
3. Stimulating RSPO uptake / impact requires mechanisms to **adapt to diverse motivations** (perceptions of risk, relationships, profit expectations etc)



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## Production and milling differences in Indonesia

### Indonesia Palm Oil Plantations

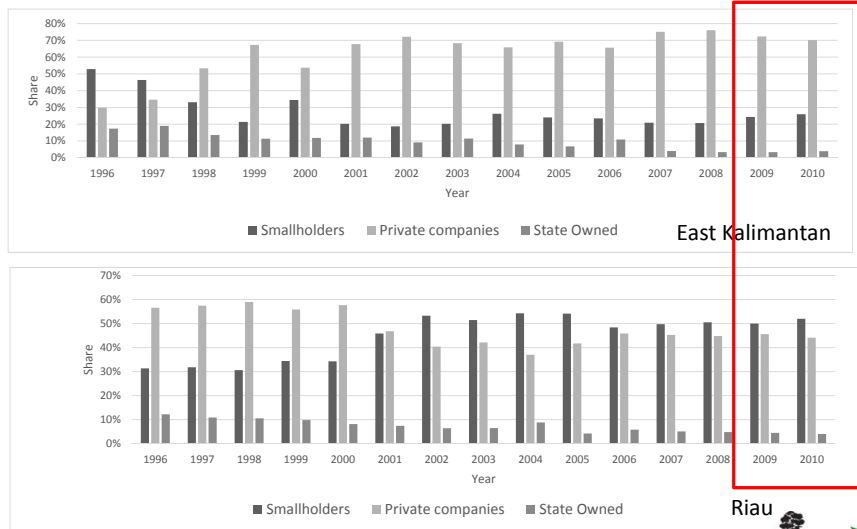


	No. of mills	Processing capacity (T/hrs)	Average processing capacity	Number of stand-alone mills	Total cap. mills stand-alone mills	Av. Cap. Mills without plantation	% Capacity mills without plantation
North Sumatra	2	188	94	0	-	-	-
North Kalimantan	1	30	30	0	-	-	-
Kalimantan	36	1485	41	6	320	35.6	22%
Bukit Liris	27	1305	48	6	313	35	24%
Pangkalan	17	755	44	4	115	26.6	17%
Indragiri Hilir	13	510	39	2	68	30	17%
Kuningan Tengah	12	495	41	1	30	30	37%
Indragiri Utara	18	480	26	0	-	-	-
Shangahi	18	425	23	0	170	34	40%
Siak	18	420	23	4	117	43.9	25%
Bukit Meru	22	960	43	10	380	39	41%
<b>Total in Riau (2010)</b>	<b>104</b>	<b>7195</b>	<b>69</b>	<b>44</b>	<b>1878</b>	<b>34.5</b>	
Plant	14	445	31	N/A	N/A	N/A	
Program Plant Users	2	120	60	N/A	N/A	N/A	
Kuala Nerus	1	45	45	N/A	N/A	N/A	
Bukit Tinggi	14	590	42	N/A	N/A	N/A	
Siemp	3	300	100	N/A	N/A	N/A	
Kajar	6	485	80	12	-	-	
<b>Total in East Kalimantan (2010)</b>	<b>58</b>	<b>2820</b>	<b>48</b>	<b>16</b>	<b>1000</b>	<b>20.8</b>	

Map, presented at International Conference and Exhibition on Palm Oil by Prof Donald Siahaan, Jakarta, 26-28 May 2014  
Mills data: DIS-BUN Riau and DIS-BUN East Kalimantan



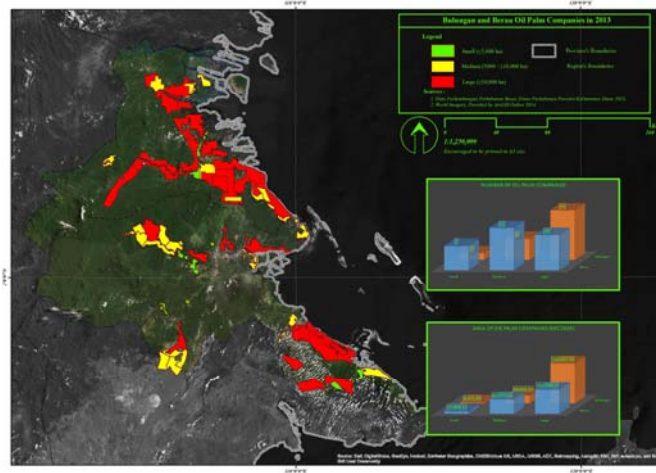
## Expansion trends of smallholders and companies



Source: World Bank, DAPOER database

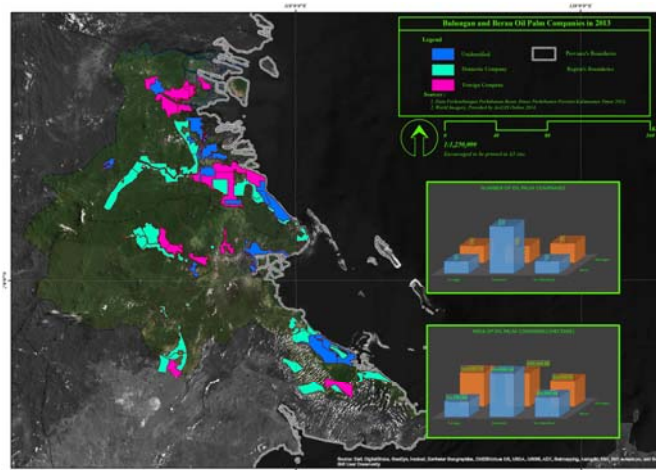


### Estimates of small, Medium and large growers in East Kalimantan: 2013



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### Estimates of domestic and foreign firms in East Kalimantan: 2013



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## Existing standards: Conflicting standards, moving targets and limited uptake

### Legally mandated standards

- Production: e.g. ISPO - **62 ISPO certified, 72 in process**
- Consumption: e.g. ISCC certification for EU market

### Market based certification

- e.g. RSPO July 2014 - **34 companies, roughly 116 certified mills, 18% of market**
- e.g. RA/SAN

### Voluntary commitments

- e.g. "No deforestation, no peat, no exploitation" – **4 major traders committed, 75% of supply base**
- e.g. Sustainable Palm Oil Manifesto – **6 companies**



## Motivations

Three categories of motivations behind firms engagement in CSR and sustainability (Aguilera et al, 2007)

1. **Ethical** - concerned with ethical standards and moral principles)
2. **Instrumental** - self-interest driven and divided in to
  - **Benefits**
  - **Risks**
3. **Relational** - concerned with relationships among group members
  - For example, relational motives at the firm level may ensure the well being of groups related to the firm (developing a loyal relationship with one bank)
  - Different actors demonstrate different types of motivations





### Motivating sustainable oil palm

- **Ethical motivations:** Not consistent or strong
- **Instrumental benefit** motivations (e.g., price premium): Limited influence
- **Instrumental risk** motivations: dominant factor in decision making
  - Very variable - takes many forms
  - Reflected by grower accountability to:
    - **Shareholders**
    - **Local communities**
    - **Government**






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### Examples of risk: Conflicts in East Kalimantan

Growers face diverse risks:

- **Insecure licenses and permits**, overlapping tenure.
- Changing **government policies** and taxation.
- **Operational limitations** e.g. human resources, training, good planting material.

Cause	Media reported conflicts
Land disputes	44
Environmental problems	14
Plasma	9
Labour problems	5
Permit (overlap)	2

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## CSR programmes of major oil palm companies in East Kalimantan: a review of annual reports

Top programmes:	
Community development	22
Health & Safety	16
Certification	15
Education	15
Environment	14
BMP	12
Emission reduction	9



### Motivating sustainable oil palm

- **Relational motivations:** key in decision making and in mitigating risks
  - Relationships with **government**
  - **Industry associations**
  - **Internal** relationships
  - **Multi-stakeholder** groups





## Ability to act and adapt

- **Internal firm capacity:**
  - Access to knowledge and information
  - Understanding of concepts and markets
  - Skills and training
  - Management structures and protocols
- **Ability to act:**
  - Legal and policy framework
  - Perverse incentives to adopt unsustainable practices
  - Limited financing
  - Infrastructure – e.g. cooperative structures to coordinate certification or access to certified mills



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## Recommendations

- **Diversity is important for uptake and impact.** Efforts to increase uptake and impact must recognize and adapt different motivations (incentives and disincentives) for different growers.
- **Leverage private sector-research collaborations** to study motivations along the supply chain, including smaller growers and traders.
- **RSPO should build on its existing strengths** of facilitating multi-stakeholder relationships, in order share information with, and bring on board, stakeholders it has not yet succeeded in engaging.



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# Thank you

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