



ANALYSIS REPORT

Based upon The Consultant Agreement Number 00101901

COMPARATIVE ANALYSIS ON OIL PALM STANDARD AND INITIATIVE TO PROMOTE SUSTAINABILITY COMMODITIES PRODUCTION



Sustainable Farming in
Tropical Asian Landscapes (SFITAL)

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CONTEXTUAL BACKGROUND

Palm Oil as A Global Concern

Palm oil is the most prospective feedstock compared to other vegetable oil, namely soybean, sunflower seed, and rapeseed. Considering that palm oil has a higher production yield, low fertiliser, water, and pesticide needed for the plantation, palm oil is seen as one of the most productive sources of biodiesel (Mekhilef, Siga, and Saidur 2011). Furthermore, the progressive growth of the palm oil market in the last few decades has represented it as a more suitable and attractive role for the source of both energy and food compared to other vegetable oils (Dey et al. 2020). Palm oil commodity also holds a strategic part for Indonesia's economy, aside from the tourism, oil and gas sector, with the total export value of USD 18,23 billion from the total export volume of 29.67 million ton in 2018 (Statistics Indonesia, 2019). Notwithstanding the positive economic advantage of palm oil commodity, years of land conversion for oil palm expansion in South East Asia had generated series of environmental and social problems, namely deforestation, which poses a threat to biodiversity, land overlap, and other social conflicts (Cattau, Marlier, & DeFries, 2016). Such impact compromises the nature of sustainability itself, as an ability of earth's natural systems and human culture sphere to survive, thrive, and adapt against several changes of environmental conditions in the long term future (Miller and Spoolman, 2016). This dilemma has become a driving force for consumer-based initiatives like sustainable palm oil certification, which not only promotes environmental protection but is also expected to increase oil palm productivity through good agricultural practices.

RSPO Certification

The voluntary market-based sustainable palm oil certification initiative had gained traction since the emergence of the Roundtable on Sustainable Palm Oil (RSPO), a non-profit organisation founded in 2004 which members include stakeholders ranging from palm oil producers, processors and traders, consumer goods manufacturers, retailers, banks or investors, along with environmental and social non-governmental organisations (NGOs). RSPO aims to promote sustainable palm oil development through a credible global standard (Roundtable on Sustainable

Palm Oil, 2020). Members firstly adopted RSPO Principles and Criteria (the RSPO Standard) in November 2005. The RSPO has also developed a traceability mechanism for its certified sustainable palm oil supply chain from upstream (plantation) to downstream (industry) up until consumer level. The traceability mechanism was adopted in November 2009 as the RSPO Supply Chain Certification System (RSPO SCCS). Such a milestone follows the notion that sustainability in terms of palm oil trade requires a global supply chain mechanism based on environmentally sound and socially acceptable production (Ayompe, Schaafsma, and Egoh 2021). To address the needs of independent smallholders' certification, the RSPO Independent Smallholder Standard (RSPO ISH Standard) was established, with its recently adopted the latest version of the standard, namely RSPO Independent Smallholder Standard for the Production of Sustainable Palm Oil 2019 (endorsed by the RSPO Board of Governors and adopted at the 16th Annual General Assembly by RSPO Members on 6 November 2019). The RSPO ISH Standard employs three impact areas using the RSPO Theory of Change framework: Eligibility, Milestone A, and Milestone B.

ISCC Certification

Another global certification scheme for palm oil is the ISCC EU which was set upon regulations mandated by the European Commission (EC) under the Renewable Energy Directive (RED 2009/28/EC) in April 2009, which then amended by Directive (2015/1513) in September 2015. The document consists of a framework for the implementation of renewable energy regulations for the transport sector in the EU until 2020, which adopts sustainability principles, i.e. Protection of Biodiverse and Carbon Rich Areas; Good Agricultural Practice; Safe Working Conditions; Compliance with Human, Labour and Land Rights; Compliance with Laws and International Treaties; Good Management Practices and Continuous Improvement. The ISCC Plus, on the other hand, is a certification scheme for a wider area outside the EU and includes a variety of products beyond renewable energy, such as food, feed, and industrial applications. The document consists of selective add-ons which could be suited against consumers' demand, i.e. Environmental Management and Biodiversity, Classified Chemicals, SAI Gold, GHG Emissions, Consumables, Non-GMO Food Feed, Non-GMO Technical Markets, Electricity and Heat from Biogas Plants. Besides

palm oil, the ISCC EU and Plus also certifies other kinds of agricultural and forestry feedstocks, for example, soy, canola, sunflower, cereals, corn, sugarcane, sugar beet, wood, cotton, shea nuts, and camelina. In addition, ISCC also conducts waste certification and residue-based supply chains, such as cooking oil, POME, palm kernel shells, crude glycerine, forestry residue, and CO₂.

ISPO Certification

In parallel with the abovementioned global traction, at the national level, the sustainable palm oil certification initiative had also gained momentum by the Government of Indonesia through the Indonesian Sustainable Palm Oil (ISPO) certification scheme, which was mandatory for oil palm plantation companies and voluntary for smallholders. The Indonesia Sustainable Palm Oil (ISPO) was first launched in 2011 through the Ministry of Agriculture Regulation Nr. 19/2011 as a form of the Indonesian Government's commitment to addressing issues related to palm oil sustainability, hence, making it the first-ever palm oil mandatory certification standard set by a government institution. Through its journey, the Government has considered several updated regulations and the palm oil business dynamics. The regulation consists of ISPO governance and sets of principles and criteria based on the existing regulations that all palm oil producers need to adhere to at the upstream level. Along with the increasing demand for the improvement of sustainable palm oil, ISPO had experienced reviews, which resulted in the revised version of the standard through the Minister of Agriculture Regulation Number 11/Permentan/OT.140/3/2015 regarding the ISPO Certification System (Gol 2015).

Notwithstanding the issuance of such mandatory certification, the production and expansion of palm oil still emerged as one of the significant and controversial issues in political and public debates in the North and the South on sustainable food and agriculture (Hospes et al. 2017). Palm oil production and expansion have almost been associated with environmental and social problems such as land use conflict, biodiversity losses and welfare (Abram et al. 2017; Cattau, Marlier, and DeFries 2016). Thus, palm oil consumption is potentially undermining Indonesia's ability to meet Sustainable Development Goals (SDG) 13, which calls for climate action, as well as SDG 15 on life on land, which requires halting biodiversity loss (Amos and Lydgate

2020). Indonesia has enacted various regulations to address these matters, including the strengthened mandatory certification in 2020, namely Indonesian Sustainable Palm Oil through Presidential Regulation Number 44 of 2020. The issuance of this Presidential Regulation Number 44 of 2020 regarding the ISPO Certification System, and its implementing regulation under the Minister of Agriculture Regulation Number 38 of 2020 regarding ISPO Administration, includes several improvements, namely the principles, criteria, and indicators of the standard which embedded several improvements to attract more extensive market acceptance (Gol 2020).

Accountability Framework Initiative

Invented by the Civil Society Organization, The Accountability Framework (AFi) was launched in June 2019. It has 12 Core Principles and Definition and Operational Guidelines (OG) through input from and co-creation with stakeholders in West and Central Africa, South America and Southeast Asia. The Accountability Framework is applicable across multiple geographies and commodity sectors and addresses upstream and downstream supply chain segments from production to consumption. The Accountability Framework is not a certification standard. Business actors who implement the Accountability Framework will not get a pass or fail status. Instead, they will be able to identify gaps in achieving specific sustainability standards.

Persistent Challenges Faced

Despite a series of certification initiatives, both market-based and regulatory, the negative impact of oil palm expansion is still being felt. Oil palm plantation still ranks highest in terms of drivers of deforestation in Indonesia, which contributes around 23 per cent of the total deforestation in Indonesia from 2001 until 2016 (Austin et al. 2019). To address the challenges faced in achieving sustainable palm oil governance, the Government of Indonesia has issued the Presidential Instruction Number 8 of 2018 regarding the Postponement and Evaluation of Oil Palm Plantation Permit and Oil Palm Plantation Productivity Improvement (Gol, 2018). This Presidential Instruction is aimed to restrict the expansion of oil palm plantation and ensure that those existing permits meet the regulation standard and sustainable palm oil management, the legality of land, settle any permits overlapping, curb the lands abandoned by permit holders and improve land productivity. Apart from being a response to halt the rate of deforestation due to palm oil, this regulation also provides

new challenges for the oil palm plantation business actors, especially independent smallholders (ISH), in implementing agricultural intensification efforts through increased productivity.

From an empirical point of view, other challenges faced, especially by smallholders, is the issuance of Presidential Regulation Number 44 of 2020 regarding the ISPO Certification System, which will also become mandatory to smallholders within five years of its enactment. Through this Presidential Regulation, Central Government and Local Governments are mandated to provide guidance and supervision over the implementation of ISPO Certification for business actors. For smallholders, the guidance provided by the Government includes the preparation and fulfilment of ISPO principles and criteria. Moreover, as part of the support for smallholders and in the effort to accelerate ISPO certification by smallholders, the Government is to provide funding for smallholders, which will be distributed through the Smallholders' group, the joint Smallholders' group, or cooperatives, and can be provided during the initial ISPO Certification period (GoI, 2020).

The abovementioned certification standards, especially requirements for ISH, despite their positive intention for smallholder inclusiveness, have somehow created more challenges to be addressed by ISH and supporting organisation or development partners. Concerning that matter, a requirement mapping through comparative analysis is required to understand how each requirement correlates to another. Henceforth, an analysis matrix has been conducted for AFi, ISPO, RSPO and ISCC through several Analysis Dimensions, i.e. Governance (Business Legality, Land title and acquisition, Smallholders Institution, Transparency, Continual Improvement); Social (Forced Labour, Workers' Right, Child Labour, Discrimination in employment); Environment (Fire handling, Conservation of biodiversity, Contamination prevention practices, Life cycle GHG emissions); Economical (Good Agricultural Practices/GAP); and Supply Chain (Traceability and Support to Suppliers). Upon such analysis, a Synthesis is drawn for each Analysis Dimension to demonstrate a perspective on how challenges (if any) are materialised and addressed. The synthesis will serve as the basis for empirical discourse narrative against the practical and regulatory reality on the ground. Based on the narrative, recommendations are then proposed to determine any potential relevant supportive measures for ISH by the Project.

GENERAL MAPPING ON PRINCIPLES AND CRITERIA

Before conducting comparative analysis and synthesis, a general mapping on the principles and criteria is conducted for ISPO, RSPO, and ISCC. This exercise is not conducted for AFi due to its nature as guidance for companies rather than a smallholder certification standard. The general mapping briefly compares the content of the certification standards at the Principles and Criteria level to gain a first-hand perspective on each standard's composition. Based on the mapping, several clusters of principles and criteria have been inferred, comprising legal requirement, GAP, ecological protection, workers' right & condition, continuous improvement, and application of transparency. It was identified that all ISPO, RSPO, and ISCC standards consist of the legal requirement, GAP, and ecological protection clusters, although stressing on each cluster differs between each principle and criteria as seen in the table below.

On the other hand, other clusters, namely workers' right & condition, continuous improvement, and application of transparency, are not respectively or entirely contained in each standard, at least not in a literal manner. The ISPO standard has a Transparency cluster and, together with ISCC, has a Continuous Improvement cluster, while the RSPO does not. Nonetheless, its requirements have been incorporated into Principle 1 of RSPO (Optimise productivity, efficiency, positive impacts and resilience). On the other hand, both RSPO and ISCC have a Workers' rights & Conditions cluster, while ISPO does not. To put them into context, those differences are the consequence of different approaches and objectives set by each certification standards. While ISPO focuses on the compliance of legal requirements in Indonesia (comprises of governance, environment, economic, and social aspects), RSPO and ISCC, on the other hand, are driven by market (and also non-state stakeholders for RSPO), thereby creating several additional *layers* of compliance beyond national regulations.

Matrix on the General Mapping on Principles and Criteria

Legend:

Legal requirements
Good Agricultural Practices
Ecological Protection
Workers' rights & Conditions
Continuous Improvement
Application of transparency

Principles and Criteria		
ISPO <i>Note: ISPO compliance also considers other relevant laws and regulations</i>	RSPO <i>Note: indicators are differed between Eligibility, Milestone A, and Milestone B.</i>	ISCC <i>Note: ISCC adopts generic P&C for both companies and smallholders, several criteria might be deemed not applicable depending on the context of the certified unit.</i>
1. Compliance with legislation <ul style="list-style-type: none"> 1.1. Legality and Smallholders Management 1.2. Location of Smallholders 1.3. Land Dispute and Compensation and Other Disputes 1.4. Legality of Plantation Business 1.5. Obligations related to Environmental Permits 	1. Optimise productivity, efficiency, positive impacts and resilience <ul style="list-style-type: none"> 1.1. Smallholders establish a legal entity which has organisational capacity to comply with the RSPO Independent Smallholder Standard. 1.2. Smallholders have capacity to effectively manage their farm. 1.3. Smallholders implement good agricultural practices (GAP) on their farms. 	1. Protection of Land with High Biodiversity Value or High Carbon Stock <ul style="list-style-type: none"> 1.1. Biomass is not produced on land with high biodiversity value 1.2. Biomass is not produced on land with high carbon stock 1.3. Biomass is not produced on peatland
2. Application of good agriculture practices <ul style="list-style-type: none"> 2.1. Smallholders Institutional Organization 2.2. Smallholder Management 2.3. Technical Application of Oil Palm Cultivation and Transportation <ul style="list-style-type: none"> 2.3.1. Land Clearing 2.3.2. Seedlings 2.3.3. Planting on Mineral Land 2.3.4. Planting on Peatlands 2.3.5. Plant Maintenance 2.3.6. Control of plant-disturbing organism 2.3.7. Harvesting 2.3.8. Fruit Transportation 	2. Ensure Legality, Respect for Land Rights, and Community Wellbeing <ul style="list-style-type: none"> 2.1. Smallholders have legal or customary rights to use the land in accordance with national and local laws and customary practices. 2.2. Smallholders have not acquired lands from indigenous peoples, local communities or other users without their free, prior and informed consent, based on a simplified FPIC approach. 2.3. The right to use the land is not disputed by indigenous peoples, local communities or other users. 2.4. Smallholder plots are located outside of areas classified as national parks or protected areas, as defined by national, regional or local law or as specified in National Interpretations. 2.5. For new plantings, smallholders do not clear or acquire any land without obtaining the free, prior and informed consent (FPIC), of local communities and indigenous people, based on a simplified FPIC approach. 	2. Environmentally Responsible Production to Protect Soil, Water and Air <ul style="list-style-type: none"> 2.1. Conservation of natural resources and biodiversity 2.2. Use of best practices to maintain and improve soil fertility 2.3. Use of best practices in fertiliser application 2.4. Restrictions on plant protection products and seeds 2.5. Avoiding plant protection products by integrated pest management 2.6. Use of best practices in plant protection product application 2.7. Use of best practices in handling and disposing plant protection products 2.8. Use of best practices storing operating resources 2.9. Use of best practices to maintain and improve water quality and quantity 2.10. Use of best practices in waste and energy management
3. Environmental management, natural resources, and biodiversity <ul style="list-style-type: none"> 3.1. Fire Prevention and Handling 3.2. Conservation of Biodiversity 	4. Respect workers' rights and conditions <ul style="list-style-type: none"> 3.1. There is no use of forced labour. 3.2. Children are not employed or exploited. Work by children is acceptable on family farms, under adult supervision and when not interfering with education programmes. Children are not exposed to hazardous working conditions. 3.3. Workers' pay complies with minimum legal requirements, mandatory industry standards as defined by national law or collective bargaining, whichever takes priority in local regulations. 	3. Safe Working Conditions <ul style="list-style-type: none"> 3.1. Training and competence 3.2. Prevention of and handling with accidents

	<p>3.4. Workers understand their rights and freedom to file a complaint to group manager or relevant third parties, including RSPO.</p> <p>3.5. Working conditions and facilities are safe and meet minimum legal requirements.</p> <p>3.6. There is no discrimination, harassment, or abuse on the farm</p>	
<p>4. Application of transparency</p> <p>4.1. Sales and Price Agreements for FFBS</p> <p>4.2. Provision of data & Information</p>	<p>5. Protect, conserve and enhance ecosystems and the environment</p> <p>4.1. High Conservation Values (HCVs) on the smallholder plot or within the managed area and High Carbon Stock (HCS) forests identified after November 2019 using the simplified combined HCV-HCS approach are managed to ensure that they are maintained and/or enhanced.</p> <p>4.2. Where the existing smallholder plot has been planted and cleared after November 2005 or is on an area identified as HCS forests after November 2019 up to the eligibility period, a remediation and compensation process appropriate for smallholders based on Land Use Change Analysis (LUCA) will be applicable (Reference preamble).</p> <p>4.3. New plantings of independent smallholders, since November 2019:</p> <ul style="list-style-type: none"> • Do not replace any HCVs • Do not replace any HCS forests as defined by the simplified combined HCV-HCS approach • Are not on steep slopes (more than 25 degrees or as in NI) • Are not on peat areas of any depth. 	<p>4. Compliance with Human, Labour and Land Rights</p> <p>4.1. Rural and social development</p> <p>4.2. Employment conditions</p>
<p>5. Continuous business improvement.</p> <p>Improve performance by developing and implementing action plans that support increased sustainable palm oil production.</p>		<p>5. Compliance with Laws and International Treaties</p> <p>5.1. Legitimacy of land use</p> <p>5.2. Compliance with applicable laws and treaties</p>
		<p>6. Good Management Practices and Continuous Improvement</p> <p>6.1. Economic stability</p> <p>6.2. Management</p>

The following exercise is a deep dive into the analytical process of ISPO, RSPO, ISCC, and AFi, which is conducted through requirements mapping through comparative analysis. Synthesis is drawn upon such analysis with a qualitative perspective based on regulatory framework and reality on the field (gained through audits and inspections).

REQUIREMENTS MAPPING THROUGH COMPARATIVE ANALYSIS

Analysis Dimension	Analysis through Mapping on Palm Oil Certification Standards/Guidance for Smallholders				Synthesis
	AFi	ISPO	RSPO	ISCC	
Governance					
Business Legality	N/A, AFi CPs are mainly addressed to producing companies.	<u>Indicator 1.4.1</u> Plantation Business Registration Certificate for Cultivation (STD-B).	<u>Section 1.3</u> The smallholder group must be part of or managed by an officially registered or a legally formed entity, as defined under the national laws of the country where the group is located <u>Criterion 1.1</u> Smallholders establish a legal entity that has the organisational capacity to comply with the RSPO ISH Standard.	<u>5.2 Compliance with applicable laws and treaties</u> There is awareness of, and compliance with, all applicable regional and national laws and ratified international treaties.	Although the ISCC Document 201_5 does not explicitly require that Central Office (CO) be of a legal entity, the fundamental challenge is regarding the lack of smallholders willingness to organise themselves in a group, hence creating a problem for the entry point of any certification. Other challenges faced by smallholders are mainly on the issuance of STD-B. Issues surrounding it include the ambiguity or multi-interpretation of which authority should issue the STD-B, the District Plantation Service (Disbun), or the Integrated Permit Service (DPMPTSP). Practices on the ground indicate a certain amount of funding required to get the STD-B and SPPL issued; meanwhile their issuance is supposed to be under the government budget.
		<u>Criterion 1.5</u> The farmer groups or farmer cooperatives are required to comply with the requirements and must have an Environmental Management and Monitoring Letter (SPPL).		<u>2.1.1 Environmental impact assessment for certain actions</u> Direct and indirect effects of a project on the following factors are assessed in an appropriate manner: a) Human beings, fauna and flora; b) Soil, water, air, climate and the landscape; c) Material assets and the cultural heritage; d) Interaction between the factors referred to in points a, b and c.	
Land title and acquisition	N/A, AFi CPs are mainly addressed to producing companies.	<u>Indicator 1.1.1</u> Have a land certificate, land sale and purchase deeds, <i>girik</i> (title of land ownership), and other legal proof of land ownership. <u>Indicator 1.1.2</u> Smallholder's land refers to spatial planning.	<u>Criteria 2.1</u> Smallholders have legal or customary rights to use the land in accordance with national and local laws, and customary practices. <u>Criteria 2.4</u> Smallholder plots are located outside of areas classified as national parks or protected areas, as defined by national, regional or local law, or as specified in National Interpretations.	<u>Criterion 5.1 Legitimacy of land use</u> The producer should be able to prove that the land is being used legitimately and that traditional land rights have been secured. Documents must show legal ownership or lease, history of land tenure and the actual legal use of the land. The producer must identify and respect existing land rights. The rights of indigenous people must be respected. The process of Free Prior and Informed Consent (FPIC) is applied in case of new land acquisitions.	In contrast to that of plantation companies, in general, a land dispute between one smallholder to another or between smallholders to indigenous people is unlikely. However, challenges occur regarding smallholders' land title uncertainty due to overlap with the forest area. This issue is multi-sectoral in nature and requires a holistic solution encompassing the Ministry of Agrarian and Spatial Planning as well as the Ministry of Environment and Forestry. Should such condition be identified during the certification
		<u>Criterion 1.3</u> Smallholders must ensure that plantation land is free from dispute status with surrounding communities or other disputes.	<u>Criteria 2.2</u> Smallholders have not acquired lands from indigenous peoples, local communities or other users without their free, prior and		

Analysis Dimension	Analysis through Mapping on Palm Oil Certification Standards/Guidance for Smallholders				Synthesis
	AFi	ISPO	RSPO	ISCC	
		When there have been land disputes and other disputes: 1. Have a deliberation progress document for dispute resolution and an available map of the location of land disputes. 2. Have a copy of the agreement that has been agreed upon.	informed consent (FPIC), based on a simplified FPIC approach. <u>Criteria 2.3</u> The right to use the land is not disputed by indigenous peoples, local communities, or other users.		audit, it is very much likely that the ISH would not get certified.
Smallholders Institution	N/A, AFi CPs are mainly addressed to producing companies.	<u>Indicator 2.1.1</u> Smallholders have institutions in the form of farmer groups or cooperatives. <u>Indicator 2.1.2</u> Have documents on the formation of farmer groups and/or cooperatives that are recognised by the authorised official. <u>Indicator 2.2.1</u> Have a plan document for the operational activities of smallholders, farmer groups and/or cooperatives. <u>Indicator 2.2.2</u> A report on the activities of smallholders, farmer groups and/or cooperatives is available.	<u>Section 1.3</u> To get certified, the independent smallholder must be a member of a group of independent smallholders seeking certification <u>C1</u> The group has a business plan prepared with the participation and contributions of all group members. <u>C2</u> The ICS of the group is integrated with the group's management plan.	<u>"ISCC 201-5: Guidance for the Certification of Independent Smallholders Version 3.0"</u> Subject to ISH group certification are the Central Office (CO), which is managed by the CO manager, and the Independent smallholders (ISH). Cooperatives or farmer groups are not subject to certification. A Central Office (CO) is the representative body of at least one group of ISH that are certified as a group and that are independent from a first gathering point or an oil mill. A CO does not receive ownership of the sustainable materials. It is responsible for ISH management (training, internal audit, certification audit), administration, certain sustainability requirements and management of funds (if applicable).	Although the ISCC Document 201_5 does not explicitly require that Central Office (CO) be of a legal entity, the fundamental challenge is regarding the lack of smallholders willingness to organise themselves in a group, hence creating a problem for the entry point of any certification. Even though the ISH has created an institution, new challenges arise regarding running such institutions, as evidenced by activity reports, management plans, book-keepings, procedures, dedicated personnel, etc.
Transparency	N/A, AFi CPs are mainly addressed to producing companies.	<u>Indicator 4.1.1</u> Have FFB price information based on the price set by the FFB Pricing Team for each sale purpose. <u>Indicator 4.1.2</u> There is a record on the price of FFBS and the realisation of purchases by the company/ mill and a source of price information for the determination of the purchase price of FFBS which is regularly monitored by the smallholders, farmer groups and/or cooperatives. <u>Indicator 4.2.1</u> SOP on Information service	<u>Indicator 1.1 MS B</u> Smallholder groups are operating in accordance to best management practices for groups, including: • Fair and transparent decision-making and governance • Sustainable financial management.	<u>Indicator 4.1.4</u> Fair and transparent contract farming arrangements are in place	Same as above. In addition, transparency regarding FFB price information set by the FFB Pricing Team as stated under the ISPO requirement is quite dilemmatic in practice, especially for ISH. The nature of ISH which sells their FFBS through intermediaries hinders the effective pricing policy implementation in each District. The set price is actually the price of FFB in mill gate; meanwhile, the existence of intermediaries (which is highly unregulated) price for smallholders becomes even lower.

Analysis Dimension	Analysis through Mapping on Palm Oil Certification Standards/Guidance for Smallholders				Synthesis
	AFi	ISPO	RSPO	ISCC	
			<u>Criterion 4.2</u> Provision of data and information to relevant agencies and other stakeholders other than information that is exempted in accordance with laws and regulations.		
Continual Improvement	N/A, AFi CPs are mainly addressed to producing companies.	<u>Principle 5</u> Have documents on the results of the implementation of sustainable business improvements / enhancements	<u>B1.1 MS B</u> The ICS is implemented, and an annual internal audit of the group is conducted for all group members and all audit findings are resolved.	Principle 6: Good Management Practices and Continuous Improvement	Based on audit practices, there should be no significant issue regarding this aspect, as long as the organisation runs effectively.
Social					
Forced Labour	N/A, AFi CPs are mainly addressed to producing companies.	N/A ISPO standard for smallholders has no specific and/or explicit requirement regarding forced labour issues	<u>Criterion 3.1</u> There is no use of forced labour. <u>Indicator 3.1 MS B</u> Workers on the farm, including their families, have unrestricted access to their identity documents, have freedom of movement and can declare that their employment is freely chosen.	ISCC's definition of independent smallholders are comprising of Family-owned, by which labour is principally provided by family and farm provides the primary source of income. Nonetheless, ISCC 202 clearly stated under indicator 4.2.1 that there shall be no forced labour at the farm or plantation	Based on audit practices, there should be no significant issue regarding this aspect. The majority of identified ISH are self-employed. Hence they manage their own farm. There has never been any identified non-conformance regarding the restriction of personal documents by the farm owner to family members assisting the work.
Workers' Right	N/A, AFi CPs are mainly addressed to producing companies.	N/A ISPO standard for smallholders has no specific and/or explicit requirement regarding workers' rights issues	<u>Indicator 3.3 MS B</u> Workers receive payments as expected and agreed in accordance with at least the legal minimum wage rate (excluding overtime premiums) and without discrimination against vulnerable groups, including women.	ISCC's definition of independent smallholders are comprising of Family-owned, by which labour is principally provided by family and farm provides the primary source of income. Nonetheless, ISCC 202 clearly stated under indicator 4.2.7 that The employment conditions of individual workers comply with legal regulations and/or collective bargaining agreements	Based on audit practices, there should be no significant issue regarding this aspect. The majority of identified ISH are self-employed. Hence they manage their own farm. Although there have been problems regarding consistency in using PPEs, this issue has never found to be a critical obstacle for ISH certification.
			<u>Criteria 3.4</u> Workers understand their rights and freedom to file a complaint/ grievance to group manager or relevant third parties, including RSPO.	ISCC's definition of independent smallholders are comprising of Family-owned, by which labour is principally provided by family and farm provides the primary source of income. Nonetheless, ISCC 202 clearly stated under indicator 4.1.8 that Workers and affected communities must be able to make a complaint	
			<u>Indicator 3.5 MS B</u> Workers, including smallholder family members, have access to safe working conditions and amenities that include:	<u>Principle 3: Safe Working Conditions</u> Compliance with national and local laws on working conditions is required. The company should be familiar with the relevant legislation and	

Analysis Dimension	Analysis through Mapping on Palm Oil Certification Standards/Guidance for Smallholders				Synthesis
	AFi	ISPO	RSPO	ISCC	
			<ul style="list-style-type: none"> • Safe and adequate housing, where applicable; • Access to basic first aid supplies; • Health and safety equipment, including minimum personal protective equipment (PPE) if appropriate for the type of work; • Adequate drinking water; • Access to toilets. 	should remain informed about changes in legislation.	
Child Labour	N/A, AFi CPs are mainly addressed to producing companies.	N/A ISPO standard for smallholders has no specific and/or explicit requirement regarding child labour issues	<u>Criterion 3.2</u> Children are not employed or exploited. Work by children is acceptable on family farms, under adult supervision and when not interfering with education programmes. Children are not exposed to hazardous working conditions.	ISCC's definition of independent smallholders comprises family-owned, by which labour is principally provided by family and farm provides the primary source of income. Nonetheless, several indicators in ISCC 202 are still relevant, i.e.: Indicator 4.2.2 The minimum age must comply with all local and national legislation as well as with ILO Convention 138 and 182. Children within the age of compulsory schooling must not be employed during school hours.	Based on audit practices, there should be no significant issue regarding this aspect. The majority of identified ISH are self-employed. Hence they manage their own farm. There has never been any identified non-conformance regarding child labour practices.
Discrimination in employment	N/A, AFi CPs are mainly addressed to producing companies.	N/A ISPO standard for smallholders has no specific and/or explicit requirement regarding discrimination issues	<u>Criterion 3.6</u> There is no discrimination, harassment, or abuse on the farm.	<u>Indicator 4.2.3</u> There is no discrimination at the farm or plantation <u>Indicator 4.2.4</u> Employment conditions comply with equality principles	Based on audit practices, there should be no significant issue regarding this aspect. The majority of identified ISH are self-employed. Hence they manage their own farm and have a strong familial bond due to their communal nature. There has never been any identified non-conformance regarding discrimination or harassment issues.
Environment					
Fire handling	N/A, AFi CPs are mainly addressed to producing companies.	<u>Indicator 3.1</u> Implement fire prevention and control jointly with local residents and closest related agencies according to the Guidelines for Fire Prevention and Management.	<u>Criterion 4.6</u> Fire is not used on the oil palm plot for preparing land or for pest control, nor open fire for waste management on the farm.	<u>Indicator 2.1.5 Restriction on burning</u> The burning of stubble or other crop residues is only allowed with the permission of a competent authority and if there are no viable alternatives. Burning as part of land clearance is prohibited. When the burning of stubble or other crop residues takes place, it is done in a responsible way (e.g. by considering influencing factors such as wind direction).	Fire in land preparation is improbable for established oil palm ISH, especially those living near the farm. However, usage for open burning for waste handling is still quite a problem although efforts to tackle it are still manageable.
Conservation of biodiversity	<u>CP 1.1.1</u>	<u>Indicator 3.2.1</u>	<u>Indicator 4.1 MS B</u>	<u>ISCC 202 Principle 1</u>	Land conversion has become a fundamental clause both for ISCC and

Analysis Dimension	Analysis through Mapping on Palm Oil Certification Standards/Guidance for Smallholders				Synthesis
	AFi	ISPO	RSPO	ISCC	
	<p>Commitments prohibit deforestation, which includes the conversion of natural forests to agriculture, tree plantations, livestock production, or other land uses, as well as severe or sustained degradation.</p>	<p>Knowing the presence of fauna and flora in the area and around the plantation and after starting the business plantation</p> <p><u>Indicator 3.2.2</u> Have a record on the presence of fauna and flora in the plantation and around the plantation.</p>	<p>Smallholders implement precautionary practices and manage and maintain RTE species, HCVs and HCS forests, where applicable.</p> <p><u>Criterion 4.2</u> Where the existing smallholder plot has been planted and cleared after November 2005 or is on an area identified as HCS forest after November 2019 up to the eligibility period, a RaCP process appropriate for smallholders based on Land Use Change Analysis (LUCA) will be applicable.</p> <p><u>Criterion 4.3</u> New planting of Independent smallholders, since November 2019:</p> <ul style="list-style-type: none"> Do not replace any HCVs Do not replace any HCS forests as defined by the simplified combined HCV-HCS approach Are not on steep slopes (more than 25 degrees or as in the National Interpretation) Are not on peat areas of any depth. 	<p><u>Protection of Land with High Biodiversity Value or High Carbon Stock</u></p> <p>1.1 Raw material shall not be obtained from land with high biodiversity value, namely land that had one of the following statuses in or after January 2008, whether or not the land continues to have that status:</p> <ol style="list-style-type: none"> Primary forests and other wooded land Areas designated by law or by the relevant competent authority for nature protection purposes Areas for the protection of rare, threatened or endangered ecosystems or species Highly biodiverse grassland <p>1.2 Raw material shall not be obtained from land with high carbon stock, namely land that had one of the following statuses in January 2008 and no longer has this status:</p> <ol style="list-style-type: none"> Wetlands Continuously forested areas Other (sparsely) forested areas <p>1.3 Raw material shall not be obtained from land that was peatland in January 2008 or thereafter and no longer had this status.</p> <p>All ISCC criteria under this issue shall be pre-assessed via Global Risk Assessment Services (GRAS) tool. https://gst-prod.gras-system.org/webui/index.html#/worldmap/show</p>	<p>RSPO certification requirements. With the defined cut-off dates, challenges occur to identify which ISH are suitable for ISCC and/or RSPO certification in the first place. Practices show that during the readiness support activity and the preliminary assessment (pre-audit), this scoping is to be addressed thoroughly. A negotiated outcome that likely arises is that not all farmers' group members (KUD) are eligible for certification.</p> <p>Nonetheless, ISPO certification does not require such a cut-off date, making its compliance more accessible for wider ISH.</p>
Contamination prevention practices	<p>N/A, AFI CPs are mainly addressed to producing companies.</p>	<p>N/A ISPO standard for smallholders has no specific and/or explicit requirement regarding soil and/or water contamination issues</p>	<p><u>Criterion 4.7</u> Riparian buffer zones are identified and managed to ensure they are maintained and/or enhanced.</p>	<p><u>Indicator 2.1.3</u> Natural vegetation areas around springs and natural watercourses are to be maintained or re-established</p> <p><u>Indicator 2.3.2</u> Soil contamination through fertilisers is minimised by adapted Management</p>	<p>Although directly affecting the ISH health and safety, proper use of agrochemicals is still a challenge faced by ISH due to habits and awareness. Besides personal health and safety, indiscriminate use of agrochemicals could potentially harm the environment, hence storing and application, especially near bodies of</p>

Analysis Dimension	Analysis through Mapping on Palm Oil Certification Standards/Guidance for Smallholders				Synthesis
	AFi	ISPO	RSPO	ISCC	
				<p><u>Indicator 2.3.4</u> Restrictions on the use of sewage sludge and other organic material</p> <p><u>Criterion 2.6</u> Use of best practices in plant protection product application</p> <p><u>Criterion 2.7</u> Use of best practices in handling and disposing plant protection Products</p> <p><u>Criterion 2.8</u> Use of best practices storing operating resources</p>	<p>water, are critical issues under RSPO and ISCC. Henceforth, outreach and awareness-raising for ISH are still needed and likely will always be needed on a regular basis due to its habitual day-to-day nature.</p>
			<p><u>Indicator 4.8 MS B</u> Smallholders implement BMPs for all pesticide use, including prohibiting use of pesticides by pregnant and breastfeeding women and young workers, and exclusion of paraquat and pesticides that are categorised as WHO Class 1A or 1B, or those listed by the Stockholm or Rotterdam Conventions, unless when authorised by relevant authorities for pest outbreaks.</p>	<p><u>Indicator 2.4.1</u> Prohibition of chemicals Chemicals listed in the</p> <ul style="list-style-type: none"> - Stockholm Convention on Persistent Organic Pollutants - WHO classes 1a & 1b - Annex III of the Rotterdam Convention (UNEP's Prior Informed Consent (PIC) Program list) <p>must not be applied on any (own and leased) land of the farm/ plantation. Alternatives should be taken into consideration where available and a phase-out shall be considered.</p> <p><u>Indicator 2.4.3</u> Local restrictions on the use of plant protection products are followed</p> <p><u>Criterion 2.10</u> Use of best practices in waste and energy management</p>	
Life cycle GHG emissions	N/A, AFi CPs are mainly addressed to producing companies.	N/A ISPO standard for smallholders has no specific and/or explicit requirement regarding GHG issues	N/A RSPO standard for smallholders has no specific and/or explicit requirement regarding GHG issues	All GHG emission calculation is conducted in accordance with the "ISCC 205 Greenhouse Gas Emissions Version 3.0" document. Based on "ISCC 201-5: Guidance for the Certification of Independent Smallholders Version 3.0" greenhouse gas emission calculation for ISH will be conducted using the disaggregated default value.	The RSPO and ISPO standard for ISH have lower attention on GHG emission calculation. However, the ISCC puts a specific emphasis on this issue due to its nature as a sustainable bioenergy certification that focuses on carbon emission reduction compared to that of fossil fuel.
Economic					

Analysis Dimension	Analysis through Mapping on Palm Oil Certification Standards/Guidance for Smallholders				Synthesis
	AFi	ISPO	RSPO	ISCC	
Good Agricultural Practices (GAP)	N/A, AFi CPs are mainly addressed to producing companies.	<u>Indicator 2.3.1</u> Have and implement SOPs and work instructions for land clearing without burning.	<u>B – ICS: Policies and management</u> The group ICS contains documented policies and procedures for operational management.	<u>Criterion 2.2</u> Use of best practices to maintain and improve soil fertility <u>Indicator 2.2.1</u> Improvement of soil fertility <u>Indicator 2.2.2</u> Avoidance of soil erosion and compaction	In general, GAP implementation by ISH is still considered lacking. This issue comprises the usage of certified seeds, planting and plant maintenance, fertilising, harvesting, and record keeping. The lack of extension service workers and at the subnational level also deteriorates the problem. Henceforth, any training for smallholders shall include the GAP aspect, both in theory and especially in practice (hands-on demonstration).
		<u>Criterion 2.3.2</u> 1. Using plant seeds from seed producers that have received certificates from agency authorised and recognised by the Ministry of Agriculture. 2. Have a record of seed origin.	<u>Indicator 1.2 MS B</u> Smallholders are managing their farms effectively and maintain records of production and transaction data of all FFB sales. <u>Indicator 1.3 MS B</u> Smallholders have adopted GAP on their farms and are tracking productivity through, but not limited to, records of FFB sales.	<u>Indicator 2.4.4</u> Seed origin is legitimised. Records shall document the seed and planting material origin (including name, variety, vendor, location, date of application and amount used per area).	
		<u>Indicator 2.3.3.1</u> Have and implement planting SOPs in accordance with GAP <u>Indicator 2.3.3.2</u> Have a record of planting implementation. <u>Criterion 2.3.4</u> Have a record for planting on peatlands which refers to the prevailing laws and regulations.	<u>Criterion 4.4</u> Where smallholder plots exist on peat, subsidence and degradation of peat soils are minimised by use of best management practices. <u>Criterion 4.5</u> Plots on peat are replanted only on areas with low risk of flooding or saline intrusion as demonstrated by a risk assessment.	<u>Indicator 2.2.2</u> <u>Avoidance of soil erosion and compaction</u> Measures and cultivation techniques are used to reduce risk of soil erosion. Maps of fragile soils and topographic characteristics must be available. A management strategy including measures should exist for plantings on slopes above a certain limit (specified in terms of soil, climate and topographical characteristics). A management strategy including identified measures should be in place for other fragile and problematic soils (e.g. sandy, low organic matter soils).	
		<u>Criterion 2.3.5</u> <u>Plant Maintenance</u> <u>Indicator 2.3.5.1</u> Have SOPs and work instructions for plant maintenance. <u>Indicator 2.3.5.2</u> Have a record regarding plant fertilisation and the implementation of plant maintenance.	<u>B – ICS: Policies and management</u> The group ICS contains documented policies and procedures for operational management.	Criterion 2.3 Use of best practices in fertiliser application Indicator 2.3.1 Fertilisers are used according to nutritional requirements Indicator 2.3.6 Complete records of all fertiliser applications are available. Indicator 2.3.7 Soil organic matter balance is compiled A soil organic matter balance is compiled (can be generic) or every six years a soil organic matter	

Analysis Dimension	Analysis through Mapping on Palm Oil Certification Standards/Guidance for Smallholders				Synthesis
	AFi	ISPO	RSPO	ISCC	
				analysis takes place. Results are kept for seven years.	
		<p><u>Indicator 2.3.6.1</u> Having and implementing Technical Guidelines for Integrated Pest Management (IPM)</p> <p><u>Indicator 2.3.6.2</u> Has pest management facilities according to technical instructions and trained control personnel (team)</p>	<p><u>Indicator 4.9 MS B</u> The group and smallholders maximise use of IPM approaches to minimise use of pesticides and herbicides on their farm.</p>	<p><u>Criterion 2.5</u> Avoiding plant protection products by integrated pest management</p>	
		<p><u>Indicator 2.3.7.1</u> Having a technical reference for harvested fruit, which is ripe fruit and done at the right time.</p> <p><u>Indicator 2.3.7.2</u> Have records/notes on harvesting implementation.</p> <p><u>Indicator 2.3.8.1</u> Have and carry out technical instructions on transporting FFBs.</p>	<p><u>B – ICS: Policies and management</u> The group ICS contains documented policies and procedures for operational management.</p>	<p>N/A ISCC standard for smallholders has no specific and/or explicit requirement regarding FFB transport issues</p>	
Supply Chain					
Traceability	<p><u>Core Principle 5.2:</u> Primary processors and first intermediary traders know the origin of raw materials to the level of the farm, estate, plantation, ranch, or forest management unit. For smallholders, origin is known at least to the level of the farmer group, with more detailed mapping conducted where necessary to assess fulfilment of commitments. If traceability to these levels is not initially available, then it is progressively improved to these levels over a pre-defined timeline, prioritising the riskiest settings.</p>	<p>Minister of Agriculture Regulation Nr. 38/2020 Part 6 Article 28 stated that ISPO CB conducts a supply chain assessment in order to ensure traceability of raw materials for fresh fruit bunches (FFBs) which are processed into Crude Palm Oil, Palm Kernel Oil and by-products.</p>	<p><u>D1</u> The group has a procedure and system in place for the tracking of FFB.</p> <p><u>D2</u> The group documents and implements a system for the tracking of FFB.</p>	<p>ISCC has developed and implemented the traceability and chain of custody system as stipulated on the “ISCC 203 Traceability and Chain of Custody version 3.1” document. Hence buyers can find out the source of its material/product.</p>	<p>The new ISPO has already adopted the traceability requirement under the Minister of Agriculture Regulation Nr. 38/2020. This provision is considered a novelty for ISPO; hence, it makes it more reliable from a consumer point of view. On the other hand, the RSPO and ISCC have previously and consistently adopted the traceability mechanism due to its market-based approach. Challenges for smallholders to implement such a mechanism is considered low once the ISH got certified.</p>

Analysis Dimension	Analysis through Mapping on Palm Oil Certification Standards/Guidance for Smallholders				Synthesis
	AFi	ISPO	RSPO	ISCC	
Support to Suppliers	<p><u>Core Principle 6.2:</u> Buyers that maintain long-term or recurring buying relationships with producers or primary processors support these suppliers to be able to fulfil commitments. Support prioritises engagement with smallholders and others who may require more assistance to avoid their exclusion from supply chains.</p>	N/A	N/A	N/A	<p>This dimension is exclusively promoted by AFi and could potentially become leverage for ISH support at the landscape and/or jurisdiction level. Support to smallholders based on AFi Operational Guidance on Smallholder Inclusion in Ethical Supply Chains that companies could give are as follow:</p> <ul style="list-style-type: none"> • Training the group manager on effective control system functions • Support for smallholder farm mapping and assessments to document the sources and attributes of the production units of origin • Additional external (second- or third-party) auditing of the group's control system • Support to improve internal traceability and minimise volume fraud and product laundering

The abovementioned Analytical Matrix was built upon cross-referencing the following documents:

- Indicators of Sustainable Development: Guidelines and Methodologies 3rd Edition, United Nations: 2007.
- Minister of Agriculture Regulation Nr. 38/2020 regarding ISPO Administration, especially Annex II.
- RSPO Independent Smallholder Standard for the Production of Sustainable Palm Oil 2019
- ISCC 202 Sustainability Requirements Version 3.1
- ISCC 201-5: Guidance for the Certification of Independent Smallholders Version 3.0
- ISCC 205 Greenhouse Gas Emissions Version 3.0
- ISCC 203 Traceability and Chain of Custody Version 3.1
- Accountability Framework Core Principles June 2019, Minor Revision May 2020
- Accountability Framework Operational Guidance on Smallholder Inclusion in Ethical Supply Chains June 2019, Minor Revision May 2020

DISCOURSE NARRATIVE ON SIGNIFICANT CHALLENGES FOR CERTIFICATION IMPLEMENTATION TO ISH

Business Legality

One of the challenges faced by ISH is the issuance of STD-B. Issues surrounding it include the ambiguity or multi-interpretation of which authority should issue the STD-B, the District Plantation Service (Disbun), or the Integrated Permit Service (DPMPTSP). Initially, regulation on STD-B issuance has been stipulated on Article 15 of Minister of Agriculture Regulation Nr. 98/Permentan/OT.140/9/2013 regarding Guidance for Plantation Business Permit. Nonetheless, STD-B issuance should be considered as a service from the Government to smallholders, as stipulated in DG of Estate Crops Decree Nr. 105/Kpts/PI.400/2/2018 on Guidance for STD-B Issuance. In the ideal condition, STD-B issuance should technically be conducted by estate crops services starting from dissemination, data collection, and mapping and then submission to the DPMPTSP for issuance. However, permit, and non-permit issuance is currently conducted through the Online Single Submission (OSS), as per Government Regulation Nr. 24/2018 regarding Integrated Electronic Business Permission Service (which has been revised by Government Regulation Nr. 5/2021 regarding Risk-Based Business Permission Administration).

Practices on the ground indicate a certain amount of “funding” required to get the STD-B (and SPPL) issued, meanwhile as per the abovementioned explanation, their issuance is supposed to be under the government budget. The STD-B is by nature a database registration mechanism conducted by the Ministry of Agriculture in cooperation with District Level Estate Crops Services. However, since the operationalisation of OSS, the STD-B, compulsory for ISPO, has become more like a permit issuance mechanism, hence creating more burden to ISH.

Land Title and Acquisition

In contrast to plantation companies, in general, a land dispute between one smallholder and another or between smallholders to indigenous people is unlikely. However, challenges occur regarding smallholders’ land title uncertainty due to overlap with the forest area appointment, which changes quite often. Forest area appointment itself is just the beginning step of the whole forest area gazettelement

process. The area appointments are usually issued through the Minister of Environment and Forestry Decree on Forest and Water Bodies Appointment in one province. Let alone ISH, whose understanding of the nature of spatial planning and tenurial administration is considerably low, even plantation companies with a legal-formal land title (HGU) faces challenges on this matter. HGU permit extension has a risk of being jeopardised due to forest area appointment, which changed quite often. This issue is indeed multi-sectoral and requires a holistic solution encompassing the Ministry of Agrarian and Spatial Planning and the Ministry of Environment and Forestry. Should such a condition be identified during the certification audit, it is likely that the ISH would not get certified.

Smallholders Institution

Although the ISCC does not explicitly require that Central Office (CO) be of a legal entity, the fundamental challenge is regarding the lack of ISH willingness to organise themselves in a group, hence creating a problem for the entry point of any certification. Even though the ISH has created an institution, new challenges arise regarding running such institutions, as evidenced by activity reports, management plans, book-keepings, procedures, dedicated personnel, etc. Attention could be given to support ISH organisation development, which is a huge task, but a fundamental one for any assistance project. Nonetheless, special consideration should also be employed on the Project's timeframe and defined outcome. Hence prioritising support to the already established ISH group could be a more effective and efficient approach.

Conservation of Biodiversity

Land conversion has become a fundamental clause both for ISCC and RSPO certification requirements for ISH. With the defined cut-off dates, challenges occur to identify which ISH are suitable for ISCC and/or RSPO certification in the first place. Practices show that during the readiness support/assistance activity and the preliminary assessment (pre-audit by certification bodies), this scoping must be addressed thoroughly. The most commonly used tool for analysis is land-use change analysis, which both RSPO and ISCC have their own respective procedures to comply with. A negotiated outcome likely arises because not all farmers' group members

(KUD, etc.) are eligible for certification. Nonetheless, ISPO certification does not require such a cut-off date, making its eligibility more accessible for wider ISH.

Contamination Prevention and Good Agricultural Practices

Although directly affecting the ISH health and safety, proper use of agrochemicals is still a challenge faced by ISH due to habits and awareness. Besides personal health and safety, indiscriminate use of agrochemicals could potentially harm the environment, hence storing and application, especially near bodies of water, are critical issues under RSPO and ISCC. Henceforth, outreach and awareness-raising for ISH are still needed and likely will always be needed on a regular basis due to its habitual day-to-day nature.

On the other hand, in general, GAP implementation by ISH is still considered lacking. This issue comprises the usage of certified seeds, planting and plant maintenance, fertilising, harvesting, and record keeping. Concerning that, statistics suggest that smallholders' plantation has the lowest Crude Palm Oil (CPO) average yield accounting for 3,369 kg/hectare in 2018, while state-owned plantation reached the yield of 4,024 kg/hectares and privately-owned plantation in around 3,840 kg/hectares (Directorate General of Estate Crops, 2019). Such a low CPO yield figure is in line with the average smallholders' Fresh Fruit Bunch (FFB) yield, which was amounted to 16 ton/hectare/year, whereas the potential yield with quality seed could reach 30 ton/hectare/year (Centre for the Study and Development of Agricultural Technology, 2008).

The lack of extension service workers at the subnational level also deteriorates the problem. Henceforth, any training for smallholders shall include the GAP aspect, both in theory and especially in practice (hands-on demonstration). Considering that smallholders produce 40% of the world palm oil supply but often lag in terms of yield, particular effort should be put into understanding all the factors that limit yield in smallholder plantations and identifying practical ways in which large numbers of smallholders can be supported to improve the sustainability and yield in their plantations (Woittiez et al. 2017). Providing access to good quality fertilisers and seeds will help smallholders comply with constantly changing global standards, which threaten to marginalise group from the markets (Astari and Lovett 2019). In the context

of improving the quality of Fresh Fruit Bunches (FFBs) production through various activities that lead to the implementation of GAP by the smallholders, technical support from related parties is also valuable (Raharja et al. 2020).

Support to Suppliers

AFi exclusively promotes this dimension and, rather than becoming challenges, it could become leverage for ISH support at the landscape and/or jurisdiction level. Support to smallholders based on AFi Operational Guidance on Smallholder Inclusion in Ethical Supply Chains that companies could give are as follow:

- Training the group manager on effective control system functions
- Support for smallholder farm mapping and assessments to document the sources and attributes of the production units of origin
- Additional external (second- or third-party) auditing of the group's control system
- Support to improve internal traceability and minimise volume fraud and product laundering

Henceforth, compared to the other documents, which function as certification standards, AFi CP, which is not a certification standard, could to some extent serve as an entry point for engaging palm oil companies (growers, manufacturers, and retailers) to galvanise support for their ISH suppliers in a jurisdiction or landscape approach.

SUMMARY

From the above comparative matrix and discourse analysis, we could infer that sustainable palm oil certification, despite their undeniable virtuous effort to create an environmentally sound, socially beneficial, and economically viable palm oil supply chain, has posed several challenges for smallholders. Those challenges include, but not limited to:

- Business Legality: in terms of STD-B issuance procedure, which still varied in practices across districts.
- Land title and acquisition: in terms of ISH risk of being indicated inside the national forest area.
- Conservation of biodiversity: Besides awareness-raising, a significant challenge is regarding certifications' requirement of cut-off dates, limiting ISH eligibility for getting certified.
- Contamination Prevention and Good Agricultural Practices: ISH lack of technical know-how on GAP leads to lower yield and lower FFB quality, hence decreases ISH price, not to mention the existence of intermediaries.

FOLLOW-UP RECOMMENDATION

1. Yield Improvement as A Leverage towards ISH Certification Acceleration

Besides several challenges identified above that relate directly to the certification standard principles and criteria, the ultimate challenges facing ISH are ironically coming from the Indonesian Government's policy, namely the New ISPO. Enacted under the Presidential Regulation Nr. 44/2020 regarding ISPO Certification System, the New ISPO requires that ISPO certification will also become mandatory for smallholders (either schemed or independent) within five years of its enactment. On the contrary, by 2020, only 14 smallholders' institutions have got ISPO certified with a total area of 12,720 hectares, or merely about 0.2 per cent of the total oil palm smallholders land in the country (Directorate General of Estate Crops, 2020). This situation also mirrors the global figures with RSPO certification for smallholders have only reached an area of 445,665 hectares worldwide, with just 27 smallholders' institutions in Indonesia (RSPO, 2020). The condition of the independent oil palm smallholder household income structure was unable to support the ISPO certification process unless fundamental improvements in the productivity aspect are carried out first (Dharmawan et al. 2019).

The Government has also previously issued the Presidential Instruction Number 8 of 2018 regarding the Postponement and Evaluation of Oil Palm Plantation Permit and Oil Palm Plantation Productivity Improvement (GoI, 2018). This Presidential Instruction is aimed to restrict the expansion of oil palm plantation and ensure that those existing permits meet the regulation standard and sustainable palm oil management, the legality of land, settle any permits overlapping, curb the lands abandoned by permit holders and improve land productivity. Apart from being a response to halt the rate of deforestation due to palm oil, this regulation also provides new challenges for the oil palm plantation business actors, especially ISH, in implementing agricultural intensification efforts through increased productivity (yield).

Henceforth, support for ISH should also be focused on ISH yield improvement through GAP training and implementation. Certification standards could also boost such practices through their audit mechanism on GAP criteria. Those two approaches

are considered complementary one to another and therefore should synergically be conducted for ISH.

2. NAP SPO as A Multi-Stakeholder Roadmap for Sustainable Palm Oil

The Presidential Instruction Nr. 6/2019 regarding National Action Plan on Sustainable Oil Palm Plantation 2019 – 2024 (NAP SPO) is a series of comprehensive efforts to improve Indonesian palm oil governance and respond to the challenges above. The NAP SPO includes five components, namely:

- A. Strengthening of data, coordination, and infrastructure
- B. Smallholders Capacity and Capability Improvement
- C. Environmental Monitoring and Management
- D. Plantation Governance and Dispute Settlement
- E. Support of ISPO Certification Acceleration and Improvement of Palm Oil Product Market Access

Of the five components referred to, there are 28 programs, 92 activities, 118 derivative outputs assigned to 14 Ministries/Agencies, and Governors and Regents/Mayors in 26 oil palm producing provinces (please refer to [https://jdih.setkab.go.id/PUUdoc/175979/Inpres Nomor 6 Tahun 2019 %28Lampiran%29.pdf](https://jdih.setkab.go.id/PUUdoc/175979/Inpres%20Nomor%206%20Tahun%202019%20Lampiran%29.pdf)). To implement them, the NAP SPO has also integrated aspects of gender mainstreaming which is more deeply contained in the Guidelines for the Preparation of Sub National Action Plans for Sustainable Oil Palm Plantations in the context of Implementing Presidential Instruction Number 6 of 2019.

Although government-led and endorsed by a legal document, in a broader perspective, the NAP SPO is expected to function as:

- reference for multi-stakeholders in the implementation of sustainable oil palm plantation development in Indonesia.
- A tool to strengthen the coordination and synergy of multi-stakeholders in achieving sustainable palm oil development goals in Indonesia.
- A tool for monitoring the achievement of the implementation of sustainable oil palm plantation development.

Given the multi-stakeholder nature of the NAP SPO, the Project's support for ISH will be very much relevant, needed, and encouraged by the Government. Henceforth, an alignment between the Project's activities and outcomes with NAP SPO should be in place. More specifically, given that NAP SPO mandates the Ministry of Home Affairs to coordinate the development of Subnational Action Plans (provinces and districts) as a follow-up of the NAP SPO, the Project could lay its support in developing multi-stakeholder forum and action plan in the pilot area. This support shall be conducted in coordination with the Ministry of Home Affairs and the Local Government. Some ideas to share are that the sub-national multi-stakeholder forum for NAP SPO implementation, could to some extent, be explored in terms of its eligibility as a Jurisdictional Entity for the RSPO Jurisdictional Certification initiative.

3. Oil Palm Extension Workers as A Spearpoint for ISH Continual Improvement

In line with the Component B of NAP SPO, the Government has issued the Ministry of Agriculture Decree Nr. 40/2020 regarding the Development of Independent and Self-Helped Extension Workers in Palm Oil Producing Area Based on Smallholders Economic Institution. The decree serves as the basis for multi-stakeholder collaboration towards the provision of oil palm extension workers, which are in the state of deficiency mainly because the extension workers were obliged to be polyvalent (one person should be able to assist multiple commodities). The self-helped extension workers development through trainer training could be a favourable entry point for the Project to lay its support for ISH.

4. Private Sector Engagement as A Catalyst for Support towards ISH

From the perspective of the broader palm oil supply chain, which comprises the farm-to-table concept, companies play a vital role in supporting the creation of a sustainable supply chain. Downstream companies collaborating with first-tier processors could galvanise their commitment through collaborative actions on the ground, especially at the district level.

One example of such private sector engagement is the Coalition for Sustainable Livelihood (CSL) that operates in South Tapanuli and Aceh Tamiang District.

Downstream companies such as Mars Wrigley, PepsiCo, Mondelez, etc. collaborates with growers in the region, such as Musim Mas and NGOs such as Conservation International, to create a multi-stakeholder forum and task force for giving support suppliers (including ISH) in creating a sustainable supply chain through jurisdictional approach in the District.

Another example is in Pelalawan District Riau Province, where the District Government, under the support of UNDP, has enacted the Regent Regulation Nr. 69/2019 regarding Oil Palm Plantation Business Partnership in Pelalawan District. The regulation aims to promote partnership between palm oil companies with smallholders beyond supplier - off-taker relationship. Instead, it emphasises companies in the region to give welfare support, GAP training and create more empowered and resilient smallholders.

Above all, with many other private sector engagement initiatives that are currently taking place, the above comparative analysis identified that AFi holds a good potential for an entry point to companies in giving their collaborative support to galvanise sustainable ISH through the landscape approach. Henceforth it is recommended that the Project could explore any potential partnership with AFi Secretariat for private sectors buy-in in supporting their ISH suppliers.

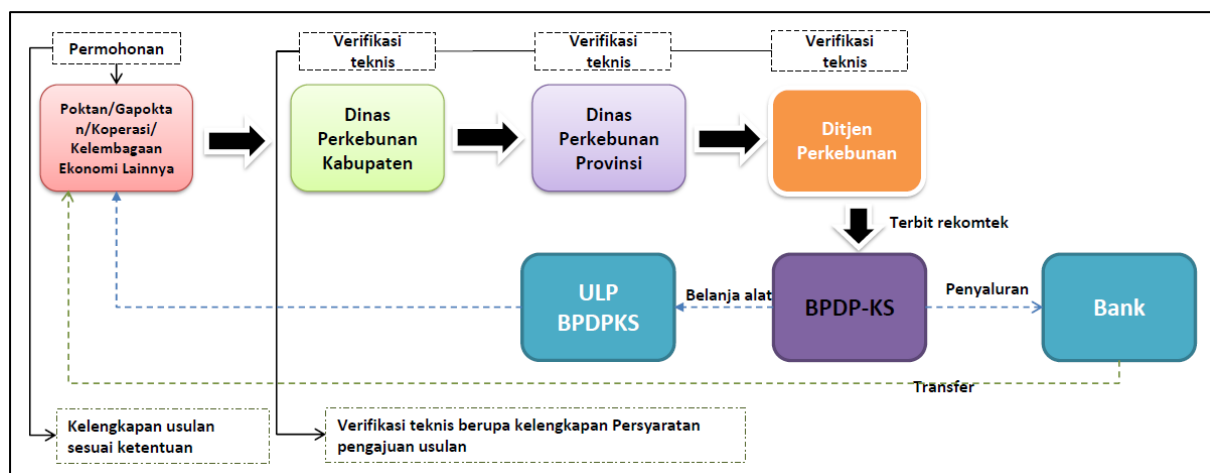
5. Financial Access for Smallholders' Certification

Apart from technical gaps in implementation, be it land legality, GAP implementation, and other issues, ISPO certification, which will become mandatory for smallholders five years after the Presidential Regulation been issued, creates a specific challenge on financing issues. MoA Regulation Nr. 38/2020 on ISPO Administration, especially on Article 53 until 57, regulates this matter, which is then accommodated by CPO Fund Agency (BPDPKS). Smallholders could propose financing from the state budget, which is available for the initial ISPO certification audit, following these prerequisites:

- The smallholders' group has a maximum land of 1000 Ha.
- Has already obtained land legality

- Has the Cultivation Registration Certificate (STD-B) in hand.
- Letter of confirmation that the land is not in dispute
- Operational activity plans and activity reports
- Environmental management statement letter (SPPL)
- Records of the number of FFB transported and the name & location of the mill
- Offer letter from the certification body

The flow of the issuance of such financial support, according to the MoA Regulation, is depicted in the figure below.



A figure of Technical Recommendation Issuance for SH Initial ISPO Certification (Source: BPD-PS)

Besides state's financing, which to many degrees could be seen as having an extended procedural framework due to its bureaucratic nature, not to mention its availability only to finance the initial ISPO certification, another alternative is currently in place. With the enactment of Minister of Agriculture Regulation Nr. 18/2021 on Facilitation of Community Estate Development, the private sector's role to support smallholder's certification support has been encouraged. Article 8 point 6 (f) of the regulation states that partnerships conducted with smallholders include sustainable plantation certifications. This statement is the entry point for public-private-people partnership towards ISPO (or any other) certifications financial assistance.

Another opportunity comes from the RSPO Smallholder Support Fund (RSSF), which makes for palm oil smallholders worldwide to achieve RSPO certification without incurring the cost. Up to 50% of the RSSF grant goes towards the activities which assist smallholders in preparing for certification, e.g. the cost of Best Management

Practices (BMP) training, the elaboration of a documentation system, or the cost of strengthening the smallholder group's management system, e.g. the internal control system. RSSF can be used for Smallholder Certification Audit Cost (one-off only), which is 100% of the audit costs for all potential certification processes of independent smallholder groups, with the option to include one surveillance audit for each applicant. The funding, however, does not include Pre-Audit Assessment. Smallholder Impact Project is also available to any project other than certification audit. RSSF also supports initiatives to develop tools that help smallholders comply with RSPO certification. These can include mapping smallholder plantations, HCV assessments in high-risk areas, smallholder participation in jurisdictional areas etc. (RSPO, 2021).

6. Certification Schemes Harmonisation and Collaboration

Although considered as beyond Project, collaboration and harmonisation between certification schemes are more relevant than ever. With each certification, schemes hold to their respective mission followed by each specific requirement, fulfilment of such by ISH have and will always remain a huge challenge. Apart from that, market demand for a sustainable product still and will likely continue to exist. Henceforth, a collaboration between scheme owners to create a common definition of sustainability is very much needed. This collaboration does not consider the joint certification audit, e.g. ISPO-RSPO-ISCC audit, which is conducted consecutively, but rather the collaboration of scheme owners. A growing body of literature demonstrates how ISH certification requirements have become a challenge, if not a burden, hence proposing actions from scheme owners. Several examples are as follow:

- Apart from limited capacity, smallholders' ability to meet certification demand might be obstructed with various certification schemes they should undertake, requiring different principles and criteria to be fulfilled. The absence of any clear net financial benefit accruing from the certification of the RSPO standard, besides its high market acceptance, still needs to be promoted (Tey et al. 2021). Hence, to increase the adoption of both certification schemes, ISPO and RSPO might need to adopt a shared set of sustainability criteria, encompassing the common elements of transparency, regulatory compliance, best agricultural practices, environmental responsibility, the livelihood of small farmers, as well

as human and local community rights. This would provide a unified, credible, and globally accepted certification program that has good chances to avoid the pressure from declining export demand and, in the long run, even to support a further expansion. It would also pave the way for oil palm producers to have a joint stance and more assertive influence in related international forums and negotiations (Jafari et al., 2017).

- If ISPO and RSPO can complement each other, it would be strategically beneficial for the Indonesian Government to expand their access to the international market and RSPO to continue their efforts to increase the demand for sustainable palm oil around the world. The lessons learned from RSPO implementation can be used to accelerate and improve ISPO standards and implementation throughout the country. However, how ISPO will address potential trade-offs between environmental and social-economic outcomes and those from overlapping certifications should be evaluated carefully (Apriani et al. 2020).
- Recognising the importance of smallholdings in sustainable palm oil development on potentially available lands, more affordable costs and fairer requirements for the certification schemes are recommended so they can be certified sustainable at the outset (Tapia, Doliente, and Samsatli 2021). Synchronised ISPO and RSPO standards may provide smallholders with a chance to obtain certificates required by the market and thus create a more considerable opportunity for smallholders to earn more. This global scale, harmonised certification scheme based on international sustainability standards might be an option to secure different direct and indirect effects of biofuels/bioenergy production (Scarlat and Dallemand 2011).

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