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**Impact Brief**

# Building Strong Shared Visions of Success

## The SECO-UNDP Journey for Sustainable Palm Oil in Indonesia



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**“We have an opportunity to build stronger shared visions for the success of sustainable palm oil in Indonesia, now and in the long term.”**

– Musdhalifah Machmud, former Deputy Minister at the Indonesian Coordinating Ministry for Economic Affairs, speaking at a SECO-funded UNDP Effective Collaborative Action workshop in August 2023

## About this document

This Impact Brief shows how the collaboration between the United Nations Development Programme (UNDP) and the [Switzerland State Secretariat for Economic Affairs \(SECO\)](#) helped ignite change in the palm oil sector in Indonesia, starting from a challenging environment and despite persisting issues. The embedding of effective collaborative and participatory mechanisms, through inclusive multi-stakeholder processes, participatory governance and coordination in government structures involved in palm oil policy, planning and investment, have nurtured results and learnings at both national and subnational level in the country.

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# The Background

UNDP launched the global [Green Commodities Programme](#) in 2010 in recognition of agricultural commodities' influence on economic, social and environmental sustainability. To promote **sustainable palm oil production in Indonesia** – the world's largest producer of this commodity – the Indonesian Ministry of Agriculture, UNDP and several multinational companies launched the [Sustainable Palm Oil Initiative](#) (SPOI) in 2012, aiming to improve the capacity of palm oil smallholders and protect natural resources.

Building on these efforts, in 2016 UNDP and SECO initiated a collaboration on sustainable palm oil in Indonesia through the "National Commodity Platforms to support Sectoral Transformation" project. The second phase of this collaboration ended in August 2023. The new third phase, entitled "Effective Collaborative Action for Sustainable Commodity Production and Trade" will continue to consolidate and institutionalize systemic change for sustainable production in the country until 2026, in alignment with the priorities set out in SECO's 2021-2024 [Economic Development Cooperation Programme](#) with Indonesia.



# The National Context

## Before SECO-UNDP Interventions

Indonesia is home to [10-17 percent of all known plants, mammals and birds on the planet](#). Tropical rainforest ecosystems are scattered across the country, housing an extraordinary array of biodiversity and wildlife. Indigenous groups practice sacred rituals in these forests that are central to their societies.

Yet, Indonesia is the world's largest producer of palm oil with [over 45 million tons in 2022](#), representing [3.5% of the country's GDP](#) and a source of livelihood for [2.6 million farmers](#). In response to an enormous increase in global demand for palm oil, the expansion of palm oil plantations in Indonesia threatens tropical forests.

In 2015, prior to the start of SECO-UNDP work, palm oil production was responsible for a **dramatic rate of primary forest loss**<sup>1</sup>, carbon emissions and peat loss in Indonesia, with significant consequences for biodiversity and ecosystem services. Given the growing market appeal for the commodity, Indonesia was projected to clear an estimated 16 million additional hectares of forest and peatlands by 2020, with an increasing number of illegally planted oil palm plantations [outside of concession areas](#).

Public and private actors involved in palm oil **lacked a unified vision** on how to sustainably develop the sector. In addition to the 1.5 million palm oil smallholders facing minimal access to support services and finance, low productivity, uncertain land tenure rights and limited knowledge on good agricultural practices, the illegal expansion of production area, the concession moratorium (see below), and the [lack of a land bank](#) made it difficult to achieve a shared **common plan**.

Relationships between stakeholders were often difficult, with **diverging views on palm oil** as a driver of economic development versus its impact on environment and biodiversity. Indonesia was under heavy international criticism for environmental costs of palm oil production and workers' rights. Inherent conflicts between national economic interests and environmental protection undermined participatory dialogue and meaningful collaborative action.

The country lacked participatory and coordinated **governance tools for the palm oil sector**, with responsibilities distributed among many different government agencies and Ministries with diverging interests and agendas, making it **challenging to orchestrate a coherent transformation** of the sector. The Government of Indonesia established the [Indonesian Sustainable Palm Oil certification system](#) (ISPO) in 2011, requiring palm oil producers to comply with existing government regulations on efficient production, focusing on environmental conservation, workers' rights safeguard and community development. However, ISPO was sometimes criticized by international observers for weakness of its standards and for unfair competition with [RSPO](#). In the same year, Indonesia introduced a first national moratorium (then extended indefinitely in 2019) on developing oil palm plantations in primary forests, but engaging, getting commitment from, and coordinating multiple government agencies and stakeholders remained a challenge amid the rapid expansion of the sector.

Finally, the traditionally **heavily male-dominated** palm oil sector (both farm ownership and workers), saw women – representing around 20% of the farmer population – being routinely marginalized and discriminated in terms of inequality of wages, conditions, and access to resources.

<sup>1</sup> As the land is often cleared by burning for making space for plantations, a series of fires in the country destroyed [approximately 24 million hectares of rainforest](#) between 1990 and 2015. Between January and October 2015, eight provinces in

the islands of Sumatra and Kalimantan burned [more than 100,000 hectares each](#), where most of the country's fragile peatlands are located. As a consequence, [an estimated 1.75 billion tons of Green House Gas emissions](#) were released.

# Shared Visions of Success

## Multi-Stakeholder Collaboration for Systemic Change at the heart of SECO-UNDP interventions

The complexity of the issues confronting Indonesia's palm oil sector, and the need to address multiple issues simultaneously and at different levels, far exceeded what any one stakeholder could do alone. Inclusive and **multi-stakeholder collaborative action was needed** to prompt systemic change. The SECO-UNDP approach focused on addressing root causes, rather than just symptoms, by shifting and transforming relationships, governance structures, mindsets and power dynamics. By bringing together actors with distinct interests, and facilitating effective dialogue on a variety of aspects of palm oil sustainability, **SECO and UNDP have facilitated co-created solutions and helped build shared visions, with the potential to effectively spark transformation.** Key milestones in this process are:

First, the Government of Indonesia and UNDP-led [Sustainable Palm Oil Initiative \(SPOI\)](#) started to address key issues in Indonesia's palm oil. This was the first broad alliance that included both the private sector and other non-government partners. SPOI put forward a **managed growth of the sector** as a driver for sustainable development.



Second, in 2014 the Initiative launched the Indonesia Sustainable Palm Oil Platform (Bahasa Indonesian acronym: FoKSBI), providing a neutral space for stakeholders – smallholders, traders, buyers, government, civil society, and including marginalized groups (such as women and Indigenous communities) – to come together, **build trust**, and address essential challenges in the development of sustainable palm oil in the country.

Third, this multi-stakeholder collaboration led to the development of the [National Action Plan for Sustainable Palm Oil \(NAP SPO\)](#), legalized through Presidential Instruction in late 2019 to **prioritize and coordinate activities aimed at improving the sector's governance, environmental management and smallholder conditions.**

And fourth, with NAP SPO legalization, FoKSBI evolved into a **governance mechanism.** The government established the NAP Implementation Team (NAP IT), with its Secretariat, and the mandate to coordinate and monitor the implementation of the Action Plan among the 14 participating national Ministries and agencies. Integrating the national level with provincial and district level solutions, government-led multi-stakeholder action plans and Implementation Teams are being established at the provincial and district levels, too. UNDP has supported the formulation/implementation of sub-national action plans in 4 provinces (Jambi, North Sumatera, Riau and West Kalimantan) and 4 districts (Tebo, Pelalawan, South Tapanuli and Sintang). In total, the country counts with 26 palm oil producing provinces, consisting of 217 districts. Currently as many as eight provinces (covering 50 percent of the total palm oil production areas of Indonesia) and 15 districts have designed and are **implementing their own action plan**, replicating initial SECO-UNDP catalyst role.

# The Impact

## of SECO-UNDP Work on the Route to a Sustainable and Collaborative Palm Oil Sector

The World Resources Institute's [recent data on global deforestation](#) shows that **Indonesia has reduced its deforestation rate** in primary forests by 65 per cent in the last decade. Despite a variety of factors affecting this outcome – unusually wet weather, fluctuating palm oil prices, the COVID-19 pandemic – the NAP SPO contributed to a transformation of the sector, too, particularly by helping prevent encroachment from smallholder farmers.

Using UNDP's experience and the [Effective Collaborative Action](#) methodology, the participatory process supported by SECO and UNDP improved **dialogue**, confirmed **trust**, strengthened **relationships** and new **collaborations** for public and private palm oil sector's stakeholders. It also strengthened the ability to address power dynamics and adapt in response to changing and complex realities – all factors measurable through UNDP's [Signals of Change Self-Assessment Tool](#).

The multi-stakeholder dialogue was a new approach in the country, opening room for discussion on sometimes sensitive topics around development priorities, environmental conservation and climate change. Now, the NAP SPO Implementation Team and its Secretariat represent **governance mechanisms** that help coordinate action between the many involved Ministries and non-state actors, help secure budget allocation to NAP SPO activities, and support open multi-stakeholder dialogue around policy improvements for sustainable palm oil, which remains one of the key governmental priorities. Likewise, ISPO has been significantly strengthened through the transition into a Presidential Regulation recognizing the role of several Ministries - and not only the Ministry of Agriculture - in its implementation, as well as enhancing compliance requirements for smallholders and the private sector. Currently, the certification scheme is being revised to also cover the upstream side and include traceability



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### SECO-UNDP work's results:

- Providing a new approach in the country by facilitating dialogue between government and non-governmental counterparts and a space to discuss even sensitive topics related to palm oil.
- Facilitating participatory governance for palm oil sector's sustainable management.
- Promoting a national process that is resulting in improved palm oil planning at subnational level, too.

The above is allowing for tangible improvements, such as: advanced national palm oil cover database, with a re-activation of smallholder registration process; plans to improve road quality in palm oil producing districts; regulatory and policy support of smallholders with a [ministerial regulation](#) encouraging smallholder plantation development and a [national decree](#) improving extension services by mandating palm oil companies and independent extension service workers to assist smallholders; improved tools for conflict resolution on plantation management, labor risk reduction and GHG emission tracking; a new [Oil Palm Profit Sharing Fund](#) supporting the sustainable development of oil palm plantations and subnational action plans.

requirements, in alignment with the new [European Union Deforestation Regulation](#). Therefore, ISPO is now positioned as a governance tool that effectively complements international certification mechanisms, particularly RSPO.

*"Transforming a vital economic sector like palm oil in Indonesia is a hugely complex task. Not only did we have to bring together stakeholders at the national level from government, the private sector, smallholder farmers and civil society, we had to do the same at every geographical level – regional and local ... [In addition] all the government departments and Ministries ... had been working in isolation from one another, even though they all have a part to play in transforming palm oil ... [SECO supported] UNDP's skill in making inter-ministerial connections was essential here."* - Musdhalifah Machmud, former Deputy Minister at the Coordinating Ministry for Economic Affairs.

As a result, NAP SPO remains Indonesia's official **policy framework for sustainable palm oil development**, proving and reiterating stakeholders' willingness to change the sector. Private sector companies <sup>2</sup> and Non Governmental Organizations directly support the implementation of NAP SPO activities such as smallholder capacity building, further promoting sectoral transformation through the dialogue spaces and the improved rules and tools of this Indonesian palm oil governance mechanism.

At the subnational level, all palm oil producing **provinces and districts are required to allocate a part of their budgets to action plans implementation and multistakeholder processes** (NAP SPO requirements). Local SPO action plans are thus providing an opportunity for subnational jurisdictions to *"be acknowledged and listened to by the national level"*, as stated by Errafiq Erfianli, representative of the Tebo district's Estate Crop, Livestock, and Fisheries Office and Secretary of the SECO-UNDP supported Tebo Implementation Team (Tebo is a district of Jambi Province in Indonesia, located on the island of Sumatra). Subnational Implementation Teams are also leading concerted public-private action to strengthen farmer extension systems and, as in

the case of Tebo district, supporting smallholder training on good agricultural practices and ISPO certification readiness that provide *"a replicable pilot, an example to be scaled up in other parts of Indonesia"*, as shared by Agus Rizal, Head of Jambi Plantation Office and Chair of the SECO-UNDP supported Jambi Implementation Team.

*"We can see that we [national, provincial and district levels] have the same dream: our ultimate goal is a sustainable palm oil sector for prosperous smallholders, land use conflict management, data availability. Well, this has been achieved through collaboration, and the same plan continues for the future."*– Bakhroin Siregar, Executive Director of Green Tebo Committee and member of the SECO-UNDP supported Tebo Sustainable Palm Oil Action Plan's Implementation Team.



Finally, efforts have been put forward to promote the [mainstreaming of gender issues](#) in sustainable palm oil action plans, as well as to raise public awareness on the topic, in particular through strengthened collaboration with the Ministry of Women Empowerment and Child Protection.

<sup>2</sup> Please read more in the related Impact Brief on private sector engagement.

Despite considerable progress, many issues do remain. Full national ownership to ensure adequate institutional and financial sustainability of these results represents a key challenge. On the one hand stakeholders need to fill the existing gap between commitments and delivery, including robust planning and budgeting. On the other, the NAP SPO Presidential Instruction requires an extension, as it currently provides the legal umbrella for institutional sustainability only until 2024. Similarly, resource gaps exist at NAP IT at all geographic levels, with financing and staff still limited. Budgets need to be allocated to allow the operations, coordination, facilitation, implementation, and monitoring to be scaled up independently of any project funds. And capacity of NAP IT members strengthened so they can fully lead on the operations of the body and ensure adequate participation from state and

non-state actors. Similarly, the Secretariat functions, providing backbone support to the NAP IT, are still not fully owned by the Government. That palm oil sustainability in Indonesia is still a work in progress is perhaps not surprising, but that should not diminish achievements already made.

As former Deputy Minister Musdhalifah Machmud noted in her quote above, **UNDP's collaboration with SECO in Indonesia**, complemented by the Global Environment Facility-funded [Good Growth Partnership](#) (2017-2022), **allowed for a narrative shift in the country**, where mechanisms and spaces are now in place to promote open dialogue and awareness among stakeholders around palm oil issues and strengthen the enabling environment for sustainability of the sector.





# The Way Forward

## Building on SECO-UNDP success for the future

As of September 2023, the third phase of SECO-UNDP's collaboration, the "Effective Collaborative Action for Sustainable Commodity Production and Trade" project is starting to consolidate national leadership of the change process, continue to deepen genuine multi-stakeholder collaboration, build trust and address power dynamics to transform the sector.

Even with competing political priorities (2024 is election year in Indonesia) the Government of Indonesia remains committed to palm oil as a driver of inclusive and sustainable growth, and the NAP SPO and the NAP SPO IT's participatory dialogue continue to play a pivotal role.

As institutional and financial sustainability of these multi-stakeholder collaboration spaces remain essential, SECO-UNDP technical advisory and advocacy in the country will continue to explore and secure suitable business models and public funding<sup>3</sup>, promote continued NAP implementation and extension post-2024, securing its participatory nature, and strengthen stakeholders' capacity. In particular, in order to speed up the government's adoption of governance and coordination functions around NAP SPO, Phase III of the project will **focus on strengthening and institutionalizing the government's coordination and decision-making mechanisms**, including those of the NAP Implementation Team, the NAP SPO Secretariat, and on coordination mechanisms between national and subnational-level interventions. This will be done in synergy with another SECO-funded initiative, the [Sustainable Landscape Program Indonesia](#) (SLPI) which promotes good governance and sustainable management in selected landscapes in Kalimantan and Sumatra islands.



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Despite the hard challenges faced on the ground to bring together a multitude of actors to build up legal and policy frameworks, financing, practices, and recognition for sustainable agricultural production, the change trajectory in Indonesia is positive: NAP SPO and overall SECO-UNDP work is proving its potential to improve palm oil governance, break silos between the involved actors and come ready to future circumstances, such as the EU Deforestation Regulation. Both SECO and UNDP have earned a place at the table and can help shape discussions going forward. It therefore remains important for SECO and UNDP to continue working together in driving this transformation.

<sup>2</sup> Such as through the use of Indonesia's Crude Palm Oil (CPO) fund, funded through a collection of palm oil export levies.