INDONESIAN SUSTAINABLE PALM OIL CERTIFICATION SYSTEM: A SOUND POLICY FOR A SUSTAINABLE FUTURE

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Key Messages

- Indonesia is faced with a dilemma regarding palm oil. On one hand, it is a strategic advantage, amounting to 11.3% total national export and supporting the lives of millions, while on the other hand, palm oil is under many allegations related to its perceived unsustainability.
- Indonesia's respond to the dilemma is to devise a sustainability certification system, the Indonesian Sustainable Palm Oil certification system (ISPO), a mandatory policy with 7 principles to be met by all plantations in Indonesia, regardless of size.
- There is evidence that the ISPO is a sound public policy as it conforms to the Fischer's Logic of Policy Evaluation. ISPO has been found in instances to improve the sustainability condition of palm oil and has a lasting and profound positive effect in the society at a local, national, regional, and global levels.
- It is important for the Indonesian government to take actions to support the smallholders to be able to be ISPO-certified, through detailed policy roadmap and capacity building efforts.

Palm oil the wonder crop

Palm oil is a strategic commodity for Indonesia. Palm oil and its derivatives are the number one non-oil and gas export commodity at a value USD 18.44 billion in 2020. This amount is equivalent to 11.3% of total national export (Kusnandar, 2021). Palm oil accounts for the livelihood of 16 million Indonesian, including smallholders and their families, thus its growth and development has become one of the priorities of Indonesia, including in its foreign policy (CNN Indonesia, 2019).

However, the expansion of palm oil plantation give rise to issues of unsustainability. Von Geibler (2013) identified the following sustainability concerns regarding palm oil: palm oil plantation requires fertile tropical land, thus giving rise to land use change from forests/food crop to palm oil; labor welfare as the production involves manual labor; indirect land use change from additional requirements of land for production purposes; environmental impacts from biodiversity loss to stratospheric ozone depletion.

Recognizing both palm oil's strategic position in Indonesia's economy and the impact of palm oil plantation on the environment, especially in deforestation and land use change, its production and expansion, the Indonesian government is placed at a crossroad. The Indonesian Government believed that the answer to this dilemma is sustainable production of palm oil, in the form of sustainability certification. Indonesia established the Indonesian Sustainable Palm Oil certification system (ISPO) through the *Minister of Agriculture Regulation Number 19 Year 2011*.

Photo 1 Hauling the bountiful yield. Image credit: Wisnu Yudowibowo (https://sawitfest.infosawit.com/news/37/lomba-fotografi---juara-2--wisnu-yudowibowo--judul--membawa-hasil-panen)

The ISPO, new standard on the block

The ISPO started as *Minister of Agriculture Regulation Number 19 Year 2011*, to provide a single sustainability standard on an integrated palm oil plantation (Ministry of Agriculture, 2011). It was upgraded in 2015 to include separate standards for palm oil plantations and factories; plantations; biodiesel factories; plasma plantations; smallholders' plantations with *Minister of Agriculture Regulation Number 11 Year 2015* (Ministry of Agriculture, 2015). President Joko Widodo issued the *Instruction of the President of the Republic of Indonesia No 6 of 2019* on the National Action Plan on Sustainable Palm Oil Plantation, followed by the *Regulation of the President of the Republic of Indonesia No. 44 of 2020 regarding Indonesian Sustainable Palm Oil Plantation Certification System* (BPDPKS, 2021). Based on the *Presidential Regulation No. 44 Year 2020*, the Minister of Agriculture issued the latest operational version of ISPO in the form of *Minister of Agriculture Regulation No. 38 Year 2020 on the Implementation of Sustainable Palm Oil Plantation* (Ministry of Agriculture, 2020). The latest version of ISPO is an attempt to rectify the shortcoming of previous system, to provide better governance on palm oil plantation business linked with social, economic, and environmental aspects as well as to increase the sustainability to better adapt to changes in the international scene (*Regulation of the President of the Republic of Indonesia No. 44 of 2020).*

Photo 2 Going home. Image credit: Sofyan Efendi.

(https://sawitfest.infosawit.com/news/36/lomba-fotografi---juara-1-sofyan-efendi--judul--pulang-sekolah)

For a palm oil plantation to be regarded as ISPO-compliant, it needs to comply to a set of principles and criteria as seen is table 1. Each of these criteria has a set of detailed indicators that need to be verified regularly by certification bodies recognized by the ISPO committee. ISPO committee is chaired by the Director General of Estate Crops of the Ministry of Agriculture.

Table 1 ISPO Principles and Criteria

Principle	Criteria
Compliance with laws and regulations	• Land legality • Plantation business legality
Application of good agriculture practices	• Plantation planning • Technical implementation of cultivation and yield management
Environment, natural resources, and biodiversity management	• Environmental permits • Waste management • Interference from stationary source • Waste utilization • Toxic and dangerous waste management • Disaster and fire control • Protected areas and areas of high conservation value • Greenhouse gas emission mitigation • Protection of natural forests and peatlands
Labor responsibilities (applicable only for plantation companies)	• Occupational health and safety • administrative requirements related to work relations • improving the welfare and capabilities of workers • the use of child labor and discrimination in employment • facilitation of the formation of trade unions • facilitation of the formation of workers' and employees' cooperatives.
Social responsibility and community economic empowerment (applicable only for plantation companies)	• social responsibility • empowerment of indigenous communities • local business development

Is ISPO a good policy?

Is ISPO the right answer to the sustainability issue facing the wonder crop? For comprehensive evaluation of a public policy such as ISPO, one with various nuances and context, and to delve deeper into the discourses itself, it is apt to employ the analytical lens introduced by Fischer (1995). Fischer (1995) introduced the "logic of policy evaluation" based on how people make arguments for the policy. Fischer's logic of policy evaluation consists of four interrelated phases of deliberation, each attempting to answer how efficient a policy is, what is the context of the policy, what is the impact of the policy to the society, and what are the values and principles of the society itself. In short, this framework attempts to combine the empirical nature of policy research and connect it with the more abstract concepts of norms and values (Fischer, 1995).

Using this framework, the study has found evidence that Indonesian Sustainable Palm Oil certification system is a sound public policy as it conforms to the Fischer's Logic of Policy Evaluation (technical verification, situational validation, systems vindication, and social choice). The ISPO as a policy has been found to conform to Fischer's logic of policy evaluation. There are evidence of improved sustainability conditions in an ISPO-certified plantation (technical verification) (Sari et al., 2019; Apriyanto et al., 2020; Watts et al., 2021,; Hasnah et al., 2021); ISPO principles contribute positively in-favor of palm oil in the sustainability discourse (situational validation) (Astari & Lovett, 2019; Brandi et al., 2012; Lambin and Thorlakson, 2018; Pacheco et al., 2020, Choiruzzad et al., 2021; Jong, 2020; Aisyah, 2019); ISPO-certified palm oil plantation is contributing to the attainment of the 7 out of 17 United Nations' Sustainable Development Goals (systems vindication) (Jong, 2020; Sianturi, 2021; Machmud, 2021; Hutabarat, 2017; Mardiharini et al., 2021); and finally the path to sustainability development contributes to climate change mitigation efforts at a local, national, regional, and global levels (Harsono et al., 2012; antaranews, 2021; Mardiharini et al., 2021; Widodo, 2021), (social choice).

Photo 3 Morning Rhythm. Image credit: Andi Kurniawan Lubis. (https://sawitfest.infosawit.com/news/38/lomba-fotografi---juara-3--andi-kurniawan-lubis--judul--ritme-pagi)

Recommendations

Having a good sustainability policy is not enough. For the ISPO to give maximum benefit for the people of Indonesia it needs maximum coverage. This means the government needs to give full support to the smallholders for ISPO implementation. Within the four levels of Fischer's logic of policy evaluation, discourses about challenges and the urgency of participation of smallholders in the certification scheme is paramount. The allocated five years grace period for smallholders, and the decision by the government to fund the certification process notwithstanding, challenges exist that have the possibility to reduce the effectiveness of the ISPO for smallholders.

To address these challenges, the government of the Republic of Indonesia needs to do the following:

1. Fine tune the inclusivity of Indonesian Sustainable Palm Oil Certification system by strengthening public participation including the smallholders and community leaders. This course of action will ensure that implementation problems faced by the smallholders can be anticipated and addressed.
2. Design a detailed policy roadmap to enable smallholders to comply to the principles of the ISPO. Issues regarding land ownership and plantation located inside the designated forest areas should be resolved first, followed by intensive and extensive training in sustainable farming.
3. Promote ISPO as a sound sustainability standard alongside RSPO, while at the same time exploring options for a globally recognized sustainability standard and principles for all vegetable oils based not only on the environmental aspects, but also on the economic and social aspects.

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