



THE CENTRAL KALIMANTAN ROADMAP TO LOW-DEFORESTATION RURAL DEVELOPMENT THAT INCREASES PRODUCTION AND REDUCES POVERTY¹

EXECUTIVE SUMMARY

CONTEXT: *Central Kalimantan has a vigorous, productive palm oil sector that contributes 28% of the province's GDP, generates 165,600 jobs, and that provides incomes to many smallholder families. Palm oil production is often associated with deforestation, which could become an important barrier to accessing palm oil markets, while diminishing the long-term well-being of Central Kalimantan society. Deforestation could be reduced or ended by increasing the productivity of existing palm oil plantations and by redirecting expansion of palm oil plantations onto lands that are already cleared and far below their productive potential. To achieve this transition, important obstacles must be overcome. This roadmap, developed with input and support from several Districts, palm oil companies, and civil society organizations, summarizes a plan for reducing deforestation while increasing palm oil production and elevating rural incomes of smallholder families.*

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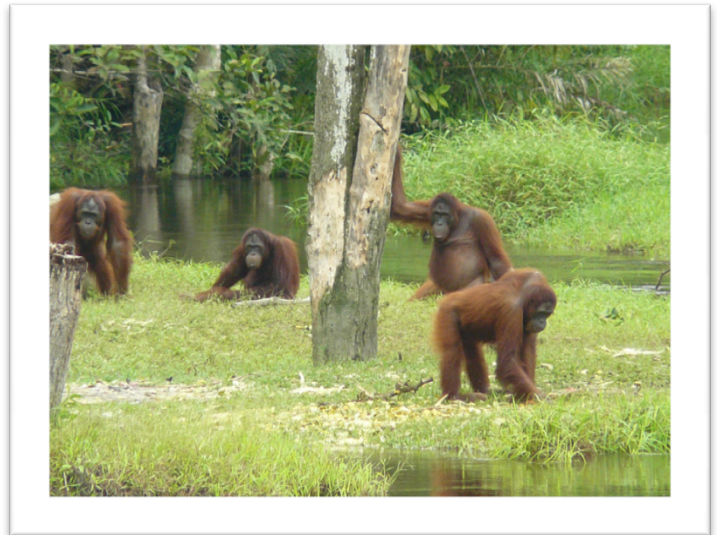
IMPORTANT FACTS:

- Total plantation areas 1,592,676 Ha:
 - ✓ Community plantation = 684,501 Ha (43%)
 - ✓ Companies = 908,175 Ha (57%), dominated by oil palm = 885,894 Ha (97%)
- Smallholder growers contribute 11% of the production
- Deforestation was 55,000 ha per year in 2009-2011, 58% lower than the rate in 2006-2009 (132,000 ha per year)
- Land conflicts exist between palm companies and Dayak communities, leaving many people landless
- The roadmap will recued 0.8 billion tons CO₂e emissions by 2020 if deforestation end by this date

Commitment of Central Kalimantan Government to sustainable plantations

Central Kalimantan's Provincial Regulation (Perda) 5/2011 on Sustainable Plantations applies to both oil palm and other plantation commodities.² Four main elements of the Regulation are:

- 1) **Environmental management:** *environmental impacts assessment, prevention and handling of fires, biodiversity conservation, and the identification and protection of high conservation value areas.*
- 2) **Development of community plantations:** *requires companies to allocate at least 20% of the total plantation area to plasma schemes; also, rules for community involvement*
- 3) **Strong emphasis on the rights of indigenous people:** *formally recognizes the rights of*
- 4) **Permits in degraded land:** *new plantation permits should utilize degraded lands.*



The Government of Central Kalimantan is committed to expediting the implementation of Perda 5/2011 and most importantly, to ensure that oil palm plantation developments will not cause deforestation and damage to the environment. The Government is also keen to improve Perda 5/2011 so that it can be compatible to standards and criteria of certifications including Round Table for Sustainable Palm Oil (RSPO) and also Indonesia Sustainable Palm Oil (ISPO).

Challenges and constraints

Conflicting spatial plans: the status of 1.6 million hectares is currently unclear (due to discrepancies between Provincial and Central Government land-use plans), including 420,000 hectares with forest cover and 1 million hectares of wetlands and peatlands.

Natural forests in areas classified “non forest”: 1.29 million hectares classified as “non-forests” (APL and conversion forests) had forest cover in 2010. In these locations, forests can be legally converted to other land use activities such as plantation, mining and infrastructure. About 0.6 million hectares of forest and 0.5 million hectares of peatlands are under plantation licenses. RSPO companies that wish to set aside high conservation value forests in areas classified as non-forests face political and regulatory obstacles.

² There are only a few clauses that specifically mention oil palm in Perda 5/2011 including: 1) plantations in peatland and 2) Plantation companies that have processing factories should allocate 5 percent of the CPO to support the downstream palm oil processing industries for Central Kalimantan.

Weak registration and monitoring system: Non-compliance remains undetected due to a weak licensing system. A monitoring system that involves a combination of remote sensing technology (digital, with satellite imagery) and detailed ground checking is urgently needed.

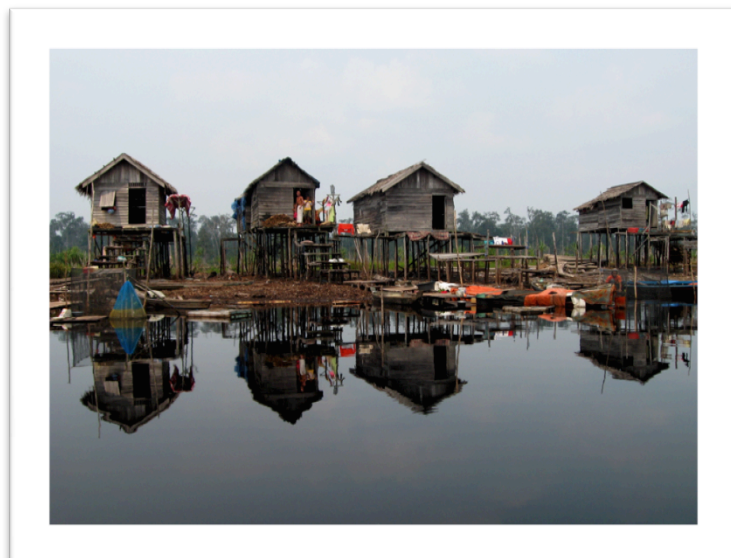
Enabling environment to support transition towards a sustainable mode of production: Strong palm oil businesses are seeking ways of avoiding deforestation and increasing yields on cleared land as markets prepare to exclude deforesting companies from their supply chains (e.g. Consumer Goods Forum³ commitment to only buy from “zero net deforestation” suppliers as of 2020). Challenges to this transition include: 1) *Insufficient positive incentives for farmers and companies*; 2) *Inadequate supply-chain infrastructure (e.g. segregated transport/storage)*; 3) *Low productivity of smallholders*; 4) *Inadequate access to affordable financing*; 5) *High cost of certification*

The Roadmap

OVERVIEW:

To achieve the commitment of District governments towards zero deforestation, several immediate actions will be implemented to rapidly reduce deforestation. The main opportunities are through good governance in the development of plantations in Central Kalimantan including an operational licensing system, monitoring program, and conservation of natural forests within “non-forest” areas. These activities will build on the existing Perda 5/2011, expediting its implementation. The Government of Central Kalimantan will monitor the implementation of these immediate actions. The impact on deforestation will be measured annually at the district level. The deforestation rate of 2001 through 2011 will be used as the reference level.

Gradually, a shift towards sustainability amongst all the actors is expected to take place. In the longer run, Central Kalimantan will strive towards: 1) increasing productivity per hectare land, particularly for smallholder farmers; 2) greening financial institutions (public and private) so that they provide financial access and resources to sustainable agribusiness; 3) shifting investment and sourcing towards sustainable, low-deforestation Districts. Companies located within a district progressing to zero deforestation should have better access to both markets and financing, facilitated by proper infrastructure.



³ There are over 400 companies in the Consumer Goods Forum with more than three trillion dollars of annual revenues.

IMMEDIATE ACTIONS

Reach agreement on land classification and forest cover. It is crucial to develop a working group consisting of the Ministry of Forestry and Central Kalimantan Government and other relevant stakeholders to agree on the land use allocation particularly for areas currently under dispute. Potential impact of this action: our initial estimates indicate 1.6 million hectares are disputed, with 0.4 million hectares currently with forest cover, ca. 1 million hectares are peatlands, and 0.02 million hectares of plantations.

Permit only in degraded lands. As mandated and instructed in Perda 5/2011, new plantation permits should be granted only in degraded areas. Two district governments, Kotawaringin Barat and Barito Selatan, have shown interest in implementing this commitment. Districts will need information/support to fulfill this commitment. Legal Working Group of the Presidential Unit is willing to convene relevant stakeholders, including the Ministry of Agriculture. Potential impact of this action: moratorium of new permits in natural forest areas can save a total of 0.56 million hectares.⁴ As an alternative, the local governments can allocate permits in degraded (suitable) lands that are currently unlicensed, which are estimated at 2.28 million hectare.

Registration and monitoring. Proper registration and monitoring systems are needed that map plantations and company details in a geographic information system to transparently evaluate/enforce compliance. The commitment of Central Kalimantan government to pilot the idea of online registration and monitoring system has also obtained support from the Ministry of Agriculture. The immediate steps to be taken are: i) designing an online permit, registration and monitoring system; ii) building capacity and installing necessary equipment (software and hardware); and iii) institutionalizing civil society involvement in the processes of registration and monitoring processes, including the Dayak Council (DAD).

⁴ Areas where forest covers can be found but have not been allocated under any licenses.



Conservation of primary forests and peat-lands in non forest areas. Actions will be taken to: i) preserve remaining natural forest cover within areas classified as non-forests; ii) swap between the “non forest” areas with forest cover and the areas classified as forest zones but that are lacking in forest cover. For the latter action, the government can also revoke the permits given to companies who do not comply and reallocate the licenses to other companies who genuinely are interested in cultivating the lands. Several companies have indicated their interests in maintaining and managing the HCV areas (particularly high carbon stock areas) within their plantation concessions. The Provincial and District governments will therefore provide the necessary

legal framework to protect these areas. Potential impact of this action: the total areas currently under plantation permits include 0.6 M hectares with forest cover and 0.5 M hectares of peat lands.

Promoting smallholder plantations and increasing their productivity level. Increase the role of smallholders, particularly Dayak farmers, as proportion of total production to address social conflicts and alleviate rural poverty. This policy will be achieved by creating support for smallholder farmers to increase their productivity through the provision of extension services, good quality seeds and fertilizers. The immediate action required is to conduct studies/analyses on the profile of smallholder farmers in Central Kalimantan.

MEDIUM TERM ACTIONS

To enable and accelerate the move towards sustainable production systems it will be important to develop market-based solutions to incentivize and reduce the risks and costs for such a transition. We need to explore how we can address the commercial challenges outlined above and create sustainable, zero deforestation supply chains that are finding better market access and commercial success.

To reach such consensus, intensive discussions will be formalized through a *province-wide working group* where a representative from the industry is expected to lead the process. The focus of this working group should include:

- 1) creating greater market access for sustainable palm oil. Discussions focused on establishing shared commitments, for example, with commodity buyers agreeing to buy preferentially from low-deforestation districts. This includes exploring non-financial incentives that can be offered by government;
- 2) support for smallholders, particularly Dayak farmers, to shift towards sustainable production mode and explore ways to unlock financing for these small-scale farmers. Financial institutions and private investors, whose programs and strategies influence the types of rural pro-

duction activities, should favor smallholders seeking greater yields and incomes. Support for agricultural inputs such as seeds and fertilizers should be increased.

2020 Goals

- Province-wide deforestation declines to 20% of 2006-2009 level
- Zero deforestation, sustainable palm oil sector
- Smallholder palm oil production reaches 20% of total

Impacts

- 1.2 million hectares of deforestation avoided
- 0.6 billion tons CO₂ emissions avoided (just counting forest biomass, not peat)
- reduced poverty among Dayak communities

Support Needed to Achieve Goals

- Commitment from buyers to buy our sustainable, zero-deforestation palm oil
- Collaboration to help overcome bureaucratic obstacles to sustainable palm oil
- Financing to build institutional capacity of provincial and district governments
- Financing and technical support for smallholders and Dayak communities to participate in palm supply chains

Political Support

This roadmap is prepared by the Provincial Government of Central Kalimantan and supported by district governments, particularly Kotawaringin Barat and Barito Selatan. The President Delivery Unit (UKP4) particularly the Legal Working Group has been engaged in developing the roadmap. The Head of the Legal Working Group is willing to facilitate the discussion between local governments and the Ministry of Agriculture to develop the registration and licensing system, including reaching the consensus on the definition of degraded lands. The Ministry of Agriculture currently also supports the initiative to develop online registration and permitting system.

Ongoing discussions with plantation companies (particularly RSPO member companies) have also been initiated. These companies are interested in actively participating in the stakeholder discussions towards sustainable plantations. Buyers, including Consumer Goods Forum companies, have also been engaged where supports on the roadmap are being mobilized.