Reducing emissions from oil palm cultivation in Indonesia

A STRATEGY FOR THE DAVID AND LUCILE PACKARD FOUNDATION AND THE CLIMATE AND LAND USE ALLIANCE
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EXECUTIVE SUMMARY

The conversion of tropical forests and peatlands to oil palm plantations has emerged as a globally significant driver of greenhouse gas emissions. Growing demand for palm oil and its derivatives is driven by its multiple uses, including as a low-cost cooking oil in Asia, as an ingredient in a wide variety of processed foods and consumer products, and as a feedstock for biodiesel fuel production. Indonesia and Malaysia dominate global production, with rapid expansion of cultivated area in Indonesia and a number of other countries throughout the tropics.

The areas where oil palm is expanding most rapidly are characterized by weak regulatory environments and by poorly developed governance tools for directing oil palm expansion to appropriate landscapes and incentivizing responsible management. The slow pace of improving land use allocation has driven many actors to explore the potential efficacy of so-called demand-side approaches for leveraging change in industry practice through transformation of the markets for palm oil and other commodities associated with deforestation.

The strategy outlined in this report combines “supply-side” and “demand-side” interventions designed to reduce land-based emissions from palm oil production, with a primary focus on Indonesia. The short-term (three-year) goal of the strategy is:

*To reduce the emissions trajectory of the oil palm industry by dramatically slowing the rate of conversion of peatland and native forests to new plantations in Indonesia, while anticipating and mitigating the potential adverse consequences for longer-term goals, other geographies, and the rights and livelihoods of affected communities.*

The longer-term goal of the strategy is:

*To catalyze a transformational shift in the oil palm industry globally to one that is low-carbon, pro-smallholder, and respectful of international norms related to protection of land and labor rights and biodiversity values, and that addresses the legacy issues associated with plantations already under cultivation.*

The strategy encompasses a range of interventions spanning public and private actors throughout the supply chain, is ecumenical in its selection of tactics for sending signals to relevant decision makers, and is opportunistic in its selection of policy arenas. Such a strategy is intended to be robust and adaptable in the face of rapidly changing political and market conditions. The strategy is aligned and prospectively integrated with the strategies of the Indonesia and Global Initiatives of the Climate and Land Use Alliance (CLUA) and with the Packard Foundation strategy on bioenergy.

Efforts to influence the trajectory of land-based emissions attributable to palm oil production could focus on a variety of public policy arenas and supply chain actors. These include:

- Governments of producer countries (at national and sub-national levels), which allocate and regulate land use
- Governments of consumer countries, which set policies related to commodity trade and procurement
- International organizations, which set standards and norms relevant to the social and environmental impacts of oil palm development

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• Producer companies, which control where and how oil palm is cultivated within their concessions
• Smallholder producers, who produce a significant share of global production
• Processors and traders, who offer potential leverage points for incentivizing responsible sourcing
• Financiers, who can condition finance on managing deforestation-related risk
• Consumer-facing manufacturers and retailers, who as buyers can put pressure on “upstream” supply chain actors
• Ultimate consumers, who in turn can put pressure on manufacturers and retailers of well-known brands
• Multistakeholder standard-setting and certification bodies, which set standards and norms for production of palm oil and other globally traded commodities.

This strategy is being implemented by the CLUA partner foundations. Foundation funds will complement a significant volume of bilateral and multilateral donor funds projected to flow toward the deforestation agenda more broadly and to oil palm in particular as a driver of deforestation. An important role for CLUA is to influence how those funds are allocated and spent. Activities that are most appropriate for Foundation funding include market campaigns and other approaches that are time-sensitive and can make a significant impact at a low level of funding.

The strategy has eight components focused on oil palm that build on, amplify, or complement existing elements of the CLUA Indonesia and Global Initiatives.

• Three outcomes are designed to influence the near-term decision making of producer companies, financiers, and producer governments regarding the trajectory of oil palm expansion by sending signals of increased risk associated with expanding into forests and peatlands:
  o Market campaigns create sufficient real and perceived risk to prompt commitments to responsible practices from a critical mass of companies throughout the palm oil supply chain.
  o Increased awareness of the risks of oil palm–related investments among financiers translates into clear signals to producer companies and producer-country governments of the need to improve policies and practices.
  o Development of new demand-side policies in consumer countries is catalyzed, and existing instruments are strengthened, to a level sufficient to signal changing market preferences to producer companies and governments.

• Two outcomes are designed to provide leadership on a forward-looking agenda for market and governance transformation:
  o “Jurisdictional approach” pilots provide incentives for early movers in both the public and the private sectors and actively inform national policy reform.
  o Engagement with progressive companies produces a road map to market transformation and active corporate constituencies for policy change.

• Three outcomes are necessary to inform and to mitigate the possible adverse impacts of the first two sets of outcomes:
  o Spatial data of sufficient coverage and quality are available to support targeting and implementation of the strategy, including attention to “legacy” issues.
The implications of changes in government policies and corporate practices resulting from the strategy are monitored sufficiently to identify and respond effectively to potential unintended negative consequences for rural communities.

Communication of an “alternative narrative” emphasizing the domestic benefits of a new, diversified approach to oil palm development is sufficient to blunt an anticipated backlash to campaigns and to respond effectively to attacks.

The rapid evolution of the geographic and political landscapes of oil palm cultivation means that monitoring the strategy will be particularly important to ensure that it appropriately targets areas of threat and opportunity. In addition, because some of the approaches included in the proposed strategy are unproven (e.g., the ability of pressure on financiers to translate into effective pressure on supply chain actors), periodic evaluation will be necessary to ramp up resources to elements of the strategy that prove effective and to scale back resources to elements based on faulty assumptions.

A first (one- to two-year) phase of monitoring and evaluation will focus on establishing the strategy’s “proof of concept,” including constraints imposed by the capacity of the CLUA Indonesia team and Indonesian partners. A second (three- to four-year) phase will focus on indicators of progress toward the short-term goal of slowing deforestation and peatland conversion caused by oil palm expansion plausibly linked to strategic interventions. A third (five-year and beyond) phase will focus on indicators of progress toward the goal of market transformation.
BACKGROUND

What’s the problem?

The conversion of tropical forests and peatlands to oil palm plantations has emerged as a globally significant driver of greenhouse gas (GHG) emissions. It is estimated that the expansion of oil palm cultivation was responsible for 8% of cumulative deforestation in the period 1990–2008 (European Commission, 2013a), and it has been accelerating since then. The pace of expansion has been most rapid in Indonesia, which has now overtaken Malaysia as the world’s leading producer, with almost half of global production. This expansion has taken place at the expense of carbon-rich forests; in Kalimantan, the area planted to oil palm increased 278% from 1990 to 2010, and 90% of this expansion involved conversion of forested land (Carlson et al., 2012). Continued expansion of oil palm plantations in Kalimantan alone would constitute about one-fifth of Indonesia’s GHG emissions in 2020, with a disproportionate contribution from peatlands.

Rapid expansion of planted area globally is anticipated to continue due to rising demand (which has outpaced global growth rates in recent years) and attractive profit margins (with crude palm oil production costs often less than half the price per ton). Much of that expansion will likely take place in Indonesia; as of 2010, only one-fifth of licensed area in Kalimantan had been developed (Carlson et al., 2012), and already-licensed areas are not covered by the recently extended moratorium on new concessions. Further expansion in Malaysia is inherently limited since all but a small percentage of available forested land has already been converted, but remaining peatland areas are nevertheless of disproportionately interest from a climate protection perspective.

Expansion to new frontiers in other countries and regions is picking up steam. For example, Colombia plans a sixfold increase in production by 2020 (Garcia-Ulloa et al., 2012), and Peru is said to be poised for rapid expansion along a new road into Madre de Dios. A report by the Rainforest Foundation–UK (2013) estimates a half-million hectares of recent plantation expansion in the Congo Basin, with three times that amount in projects announced but not yet under way. While expansion in these “frontier” geographies is cause for concern, Indonesia remains disproportionately important compared with other countries in terms of absolute area projected for development, advanced stage of licensing, and relative impact on emissions due to significant peatland area.

The impact of oil palm expansion on climate emissions is only one element of a broader set of social and environmental impacts, both positive and negative (Sheil et al., 2009). Adverse environmental impacts beyond GHG emissions include the loss of biological diversity from conversion of natural habitats to monoculture plantations, contamination from use of pesticides, vulnerability to fire, and long-term subsidence and flooding of peatland areas. Adverse social impacts of oil palm development can include the loss of rights and livelihoods of local communities.

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2 Thailand, Colombia, and Nigeria round out the top five, with minor shares (USDA, 2013b).
3 Peatlands contribute about two-fifths of Indonesia’s emissions, or around 1 gigaton of carbon per year.
4 Some observers believe that the pace of expansion in Indonesia may slow, as the palm oil industry currently faces lower prices and profit margins and is entering a phase of consolidation.
5 A World Bank (2013) analysis of drivers of deforestation in the Congo Basin is somewhat less alarmist about the likely pace of oil palm expansion.
6 Nevertheless, due to the time lag of several years between land clearing for plantation establishment and palm oil production showing up in national statistics, land use trends need to be monitored for early detection of change.
where customary forests or cultivated lands are converted to plantations without adequate compensation or benefit-sharing, conflict (often violent), poor labor conditions, and adverse health and welfare effects from the environmental impacts just mentioned.

While most international attention and advocacy efforts have focused on the negative consequences of oil palm development for the climate, biodiversity, and local communities, a somewhat contrarian literature—beyond industry-funded propaganda—asserts the potential benefits to be realized from the crop under the right conditions. Environmental benefits of oil palm development can include increased carbon storage on mineral soils in areas that have already been deforested. Oil palm can also contribute to the rehabilitation of degraded lands and is a more efficient use of land than other vegetable oil crops due to its significantly higher yield per hectare.

Social benefits of oil palm development can include increased incomes and employment for smallholder producers and the availability of low-cost edible oil for poor consumers. With a focus on Sumatra, Rist et al. (2010) have documented how oil palm cultivation has generated substantial benefits for smallholders when arrangements with companies and local officials are favorable. Sayer et al. (2012) stress the potential positive contributions of oil palm development to economic development, poverty reduction, and even biodiversity conservation under conditions of good governance.

What is clear is that oil palm cultivation per se is not the problem. Rather, the locations where plantations are established and the way they are managed can have widely divergent outcomes for various stakeholders from local to global levels. Thus, a strategy to influence the environmental and social sustainability of palm oil must focus on the “where and how” of oil palm cultivation rather than the “whether.” Due to the significance of the impact of converting native forests and peatlands to oil palm cultivation, a strategy to reduce emissions must focus particularly on the “where.”

“Supply-side” versus “demand-side” approaches

As described later, the most direct approaches for influencing the environmental and social impacts of oil palm production, and, more specifically, where land is allocated for cultivation—i.e., engaging governments to improve governance conditions in landscapes where the commodity is produced on the “supply side”—have frustrated the efforts of activists, donors, and others concerned about the interests of adversely affected stakeholders.

The areas where oil palm is expanding most rapidly are characterized by weak regulatory environments and by poorly developed governance tools for directing oil palm expansion to appropriate landscapes and incentivizing responsible management. Indeed, preliminary results from a study commissioned by Forest Trends concludes that most land conversion for commercial agriculture (including oil palm) in the tropics is illegal (Lawson, 2013).

Local stakeholders attempting to influence the trajectory of oil palm expansion face incomplete and/or opaque processes for spatial planning, overlapping jurisdictions for permitting, weak rule of law and land tenure rights, corruption and violence, poor data, and weak transparency. National policy arenas tend to be dominated by strong vested interests in business-as-usual. They are also sensitive to international criticism, which is suspected as motivated by protectionist interests on the part of producers of alternative vegetable oils.
Thus, although constituencies for reducing the climate emissions and other adverse impacts of oil palm expansion have continued to engage public sector institutions across levels—not least in the context of the initiatives of REDD+ (Reducing Emissions from Deforestation and Forest Degradation)—attention has increasingly shifted to the potential efficacy of “demand-side” approaches to leveraging change in industry practice through transformation of the market. This shift builds on some positive experiences with such approaches regarding timber production—e.g., through certification of sustainability and legality, the creation of new markets for certified products, and the closing of markets for products not meeting basic standards (Brack, 2013).

Some of the most important characteristics of the palm oil supply chain are as follows:

- Global production is dominated by two countries—Indonesia and Malaysia—that together produce about 86% of the world’s palm oil (USDA, 2013b).
- Indonesia now accounts for nearly half of global palm oil exports, followed closely by Malaysia, with Papua New Guinea, Thailand, and Benin far behind (USDA, 2013b).
- Most production is on commercial-scale plantations, although smallholder production (either associated with plantations or independent) is a significant share.
- Production has high up-front capital costs for clearing and planting, but these costs are often subsidized through below-market access to land and through the revenues obtained from the sale or use of the standing timber removed.
- Fresh Fruit Bunches can be processed into a variety of products, including palm kernel oil and crude palm oil, which in turn can serve as a feedstock for biodiesel fuel.
- Consumption is primarily in Asian markets, dominated by Indonesia, India, and China, where palm oil is used as a staple cooking oil.
- The more environmentally sensitive markets of Europe and the United States have smaller shares of the global market but are disproportionately important to the industry due to higher-value derivatives and the potential for growth.
- Supply chains are extremely complex, with multiple transactions—milling, processing, shipping, trading, manufacturing, and retailing—between the producer and ultimate consumer, although a significant share of the world market flows through a limited number of traders.
- Palm oil from various suppliers and points of origin are co-mingled throughout the supply chain, and most buyers do not know the origin of the palm oil that they purchase. Compared with commodities such as timber and coffee, the infrastructure needed to keep consignments of palm oil segregated by point of origin is less logistically feasible and more financially costly.

Rising appreciation of the importance of oil palm as a driver of deforestation-based emissions and the interest in demand-side approaches have combined to fuel a proliferation of initiatives and strategic planning exercises on the part of donor agencies and civil society groups, ranging from the Department for International Development (DFID) in the United Kingdom to the Environmental Defense Fund in the United States. A focus on oil palm has also catalyzed new alliances across stakeholder groups. The Tropical Forest Alliance7 links the United States and other consumer-country governments and nongovernmental organizations (NGOs) with the Consumer Goods Forum (CGF),8 an industry network representing more than 400 retailers and manufacturers. The

Palm Oil Innovations Group (POIG)\(^9\) and the Certified Palm Oil Uptake Coalition are two nascent collaborations between corporations and NGOs on the sidelines of the Roundtable on Sustainable Palm Oil (RSPO).

The strategy outlined in this document is intended to guide an enhanced contribution to these ongoing processes through grantmaking and broader engagement by the Packard Foundation and the Climate and Land Use Alliance (CLUA).

**A STRATEGY FOCUSED ON REDUCING EMISSIONS FROM PALM OIL PRODUCTION IN INDONESIA**

The strategy described here focuses on reducing land-based emissions from palm oil production, with a primary focus on Indonesia. This choice reflects the urgency of altering the current trajectory of forest and peatland conversion to take advantage of a rapidly closing window to avoid irreversible commitments to emissions, while also initiating efforts to mitigate the most significant emissions resulting from existing plantations.

At the same time, efforts to address the impacts of oil palm development on Indonesia’s land-based emissions must be placed in the context of production systems that extend throughout the tropics and global commodity markets and their multiple impacts on communities, the environment, and political economies within and between countries.

The short-term (three-year) goal of the strategy is:

> To reduce the emissions trajectory of the oil palm industry by dramatically slowing the rate of conversion of peatland and native forests to new plantations in Indonesia, while anticipating and mitigating the potential adverse consequences for longer-term goals, other geographies, and the rights and livelihoods of affected communities.

The longer-term goal of the strategy is:

> To catalyze a transformational shift in the oil palm industry globally to one that is low-carbon, pro-smallholder, and respectful of international norms related to protection of land and labor rights and biodiversity values and that addresses the legacy issues associated with plantations already under cultivation.

Geographic priorities for both the shorter-term (Indonesia-focused) and longer-term (global) strategies are determined by:

- **Relevance**—i.e., carbon richness of the landscape
- **Threat**—i.e., stage of licensing
- **Opportunity**—i.e., potentially interested companies, jurisdictions with progressive political leadership, and/or shared interests of civil society organizations and affected communities.

Application of these filters leads to a focus on Indonesia, at least in the short term.

The selection of emissions reduction as the focus of the strategy and first filter for determining geographic priorities has significant implications for the location, nature, and sequencing of proposed interventions. As described earlier, development of the oil palm industry can have a range

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of social and environmental impacts—both positive and negative. Although there are many potential synergies among objectives to be exploited, alternative strategies that take as their entry points addressing other impacts would lead to different geographies, activities, and timelines. Support from the Packard Foundation and CLUA is intended to complement funding from other donors pursuing such alternative strategies.

For example, a strategy focused on protecting biodiversity might give more relative emphasis to lowland forests threatened by oil palm expansion in the Congo Basin, while a strategy focused on improving rural incomes would focus on raising productivity in areas with significant smallholder production. The strategy described here adopts a “no regrets” approach: seeking synergies and safeguarding against dis-synergies with other objectives while maintaining a focus on reducing emissions, as a contribution to a longer-term goal of market and governance transformation that requires changes in policies and practices to address a broad range of sustainability and rights issues.

The strategy is also nested within a complex and dynamic set of global and regional grantmaking strategies already being pursued by foundations participating in CLUA. These strategies address oil palm development issues to varying degrees in different geographies. In particular, the Strategic Focus and Priorities 2013–2016 of the CLUA Global Initiative includes as its first objective:

Substantial and measurable progress toward the elimination of forest and peatland conversion/degradation, and associated rural conflict, from commodity production of palm oil, beef, soy, biofuels and wood products.

The CLUA Indonesia Initiative articulates its long-term goal as:

Local communities, government and the plantation sector negotiate and achieve a shift to a high carbon stock, low emissions rural economy that enhances local livelihoods and results in GHG emissions from forest and peat land of at least 1 Gt below BAU in 2020.

All three CLUA Indonesia Initiative objectives related to government REDD+ institutions, community rights, and private sector practices include specific interventions focused on oil palm development, while also bringing attention to the pulp and paper industry.

Finally, the proposed strategy also relates to a Packard Foundation strategy on bioenergy (Riggs, 2014) updated in a parallel process in 2013. In light of increasing demand for palm oil as a feedstock for biodiesel production, the two strategies are mutually supportive. In particular, the bioenergy strategy’s focus on shaping biofuel mandates in consumer countries and on creating absolute limits on the use of land for bioenergy in producer countries is highly complementary to activities designed to influence national-level policy arenas related to palm oil.

OVERALL FRAMING OF THE STRATEGY: BOTH NARROW AND BROAD

As described, the strategy is narrow in the sense that it focuses on reducing the land-based emissions resulting from production of a single commodity, palm oil, in a single country, Indonesia. But in at least three other ways the strategy is broad: it encompasses a range of proposed

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10 Biological surveys conducted in the Herakles concession in Cameroon found 23 species of large mammals in the forests to be converted to oil palm, including the most endangered sub-species of chimpanzee (Mongabay, 2013).
Interventions spanning public and private actors throughout the supply chain, it is ecumenical in its selection of relevant tactics for sending signals to relevant decision makers, and it is opportunistic in its selection of policy arenas. Such a strategy is intended to be robust and adaptable in the face of changing political and market conditions.

In its initial framing, this was characterized as a demand-side strategy for reducing emissions from oil palm development. That signaled a focus on interventions targeted at supply chain actors (rather than those targeted at reforming the legal and regulatory environment faced by producers and affected communities) as a way of leveraging change in palm oil production decisions. Two considerations have prompted a reframing of the strategy with a more holistic approach, abandoning the demand-side versus supply-side dichotomy.

First, demand-side strategies alone are not sufficient to achieve the strategy’s goals over the long term. Ultimately, protecting carbon-rich landscapes from conversion will require clear land rights regimes, sound spatial planning processes, a transparent and accountable permitting process, and politically legitimate law enforcement efforts in producer countries. Private voluntary efforts can change the practices of progressive companies within areas that they control, and policies in consumer countries can provide additional incentives for change. But neither can directly address the poor governance conditions or illegal activity that allow forest and peatland conversion to continue.

Thus, despite the slow and often frustrating rate of progress in strengthening land and forest governance, abandoning that effort is not an option. Instead, demand-side approaches should be seen as having the dual objective of catalyzing change in a subset of the industry (with direct emissions reduction impacts) in the short term, as well as creating a new and potentially powerful constituency for reform of legal and regulatory environments in producer countries in the longer term.

Second, the artificial distinction between the demand side and the supply side breaks down in the context of interventions focused on particular actors and geographies. For example, financiers provide capital and banking services across the supply chain. In addition, some of the more promising strategies currently being pursued—e.g., the so-called jurisdictional approach—involve linking supply-side and demand-side interventions by public and private sector actors working in concert in particular sub-national geographies.

Another way in which the strategy is broad is that it encompasses a range of actors, targets, and policy arenas for potential engagement. While there is some degree of concentration in the supply chain (e.g., in terms of almost 90% of production now being concentrated in two countries, and a significant percentage of product passing through only a handful of traders), overall the palm oil industry is characterized by a complex supply chain—involving a large and diverse universe of producer countries and companies, buyers, and markets—and thus requires multiple points of entry and tactics. There is consensus among constituencies for change in the palm oil industry that there is no “silver bullet” intervention that will on its own transform the relevant markets or production practices.

As a result, the strategy adopts a “bundle of signals” approach, utilizing a variety of targets and tactics designed to get those poised to authorize or invest in bringing new, carbon-rich land into palm oil production to think twice due to the increased real and perceived risks of doing so.
Finally, while the strategy is focused on the goal of reducing land-based emissions from oil palm cultivation and proposes relevance to that goal as the first filter in the determination of geographic and other priorities, it is also open to providing support for the efforts of stakeholders pursuing other goals where interests are aligned. For example, although incidents of illegality and corruption in the permitting process may not necessarily correlate with the carbon richness of the landscape, highlighting such cases may be the best way to get the attention of financiers. Similarly, tactics and tools being applied to influence the pulp and paper industry may be transferable to the oil palm industry, so a combined approach could increase efficiency and possibly produce synergies.

POTENTIAL INTERVENTIONS

This section explores a range of possible strategies to influence the trajectory of oil palm expansion, organized by type of intervention.

Engagement with producer-country governments

One way to attempt to influence the trajectory of oil palm expansion is to improve the legal and regulatory environment in producer countries that is allowing, or even supporting, current patterns of forest and peatland conversion. Government agencies at various levels control the designation of land use functions through spatial planning and permitting processes, while judicial systems control the allocation and enforcement of rights. An analysis commissioned by The Nature Conservancy (TNC) and prepared by Daemeter (Paoli et al., 2013) details the complex decision-making process for oil palm licensing in Indonesia.

More than 25 years ago, the Ford Foundation pioneered direct engagement with the forestry sector in Indonesia (under the rubric of “social forestry”) in an attempt to change forest management norms in a way that would give increased recognition to the rights and livelihoods of local communities. In the intervening years, a number of other international donors and civil society organizations have invested in projects designed to improve various aspects of forest governance, including attempts to increase the transparency of forest-related information, improve spatial planning and mapping efforts at sub-national levels, and address illegal logging. While until recently few of these efforts focused explicitly on controlling the expansion of oil palm plantations, many of the proposed reforms would be relevant to that objective.

Progress in improving forest governance through constructive engagement with relevant government agencies has been slow and, until very recently, unable to overcome the structural biases that continue to drive undesirable land conversion. These biases include conceptual and ideological barriers to compromising the state’s exclusive control over the forest estate (kawasan hutan) and strong vested interests in continuing business-as-usual, with natural resource-based rents financing political actors at national and sub-national levels.\textsuperscript{11}

In 2010, the Government of Indonesia’s signing of a Letter of Intent with the Kingdom of Norway in the context of REDD+ shifted the dynamics of the forestry sector by establishing a pole of forest policy influence in the President’s Office. This development in itself has precipitated unprecedented progress in the transparency of forest information and, in combination with other gradually maturing elements of Indonesia’s democratization, has created a new environment for

\textsuperscript{11} While not focused on oil palm, a recent report by the Institute for Policy Analysis of Conflict (Jones, 2013) provides a sobering analysis of the complexity of competing claims for forestland in Indonesia.
pursuing legal and regulatory reform. The recent decision of the Constitutional Court to remove the Ministry of Forestry’s authority over indigenous land claims\(^2\) and the prosecutions of corruption cases related to illegal land allocations by provincial and district (kabupaten)-level officials\(^3\) are evidence of significant potential for improved governance.

Producer-country governments offer a wide range of possible strategies, targets, and tactics for improving the trajectory of oil palm development. In Indonesia, many of these are already found in the CLUA Indonesia Initiative, including:

- Direct engagement in support of progressive elements of government (such as the national REDD+ Task Force based in the Presidential Delivery Unit, which is now transitioning some roles to the newly established REDD+ Agency) to enhance transparency and accountability in national landuse allocation
- Support for civil society advocacy engagement on behalf of indigenous and community rights at national and sub-national levels
- Analysis and outreach to promote “alternative narratives” of national development that emphasize more diverse rural economies that will resonate with opinion leaders and policy elites.

These efforts could be broadened and enhanced with a number of activities more specifically focused on the oil palm sector. For example, the TNC-commissioned study recommends strengthening the Indonesian Sustainable Palm Oil (ISPO) initiative—a mandatory certification initiative—as a vehicle for improving industry practices. Enhanced collaboration with KADIN (the Indonesian Chamber of Commerce) could provide a vehicle for mobilizing business leaders to engage the government on a reform agenda necessary to address emissions related to oil palm.

Two large items on that agenda are to rationalize land use classification so as to free up land appropriate for oil palm cultivation that is already deforested and to address forest and peatland conversion in already licensed areas in ways that do not exacerbate social conflict or create incentives to clear more forest.\(^4\) Both of these are potentially addressed through “land swaps,” but as illuminated in the discussions of the working group on degraded land at the June 2013 meeting of the Tropical Forest Alliance in Jakarta, the political, legal, regulatory, and technical barriers to this solution are immense. The 2011 moratorium on new forest concessions was explicitly intended to provide “breathing space” for such governance improvements, but due in part to its limited scope it has only just begun to make progress. The 2013 conclusion of the Memoranda of Agreement between the Presidential Delivery Unit and a few sub-national jurisdictions to undertake a review of licensing is a promising first step.

Suspicion of the motives behind international advocacy related to oil palm means that a key component of any strategy must be ownership of the reform agenda within Indonesia. Currently, many public and private sector leaders in the country genuinely believe that international concern about oil palm is a protectionist fabrication of their competitors in the vegetable oil market. Others perceive in advocacy related to palm oil an international preference for saving orangutans rather

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\(^2\) See Forest Peoples Program (2013).
\(^3\) For example, in early 2013 a Bupati and a prominent businesswoman were fined and sentenced to jail for bribery in association with a $305,000 payment in exchange for an oil palm concession permit (Jakarta Post, 2013).
\(^4\) A third item—following up on the May 2013 Constitutional Court decision recognizing indigenous rights over forestlands—is already on the agenda of the CLUA Indonesia team.
than addressing human poverty.\textsuperscript{15} There is significant room for increasing appreciation among opinion leaders and policy elites of the social and environmental implications of oil palm expansion into forests and peatlands and of the fact that alternative approaches—such as redirecting oil palm expansion to already degraded lands—are available.

Specifically, there is a need to anticipate and mitigate backlash likely to be prompted by ramped-up international campaigning\textsuperscript{16} and the initiation or implementation of demand-side policies in consumer countries (such as the possible disqualification by the U.S. Environmental Protection Agency (EPA) of palm oil–based biodiesel’s eligibility for the Renewable Fuel Standard).

Messaging could emphasize the domestic benefits of altering the trajectory of oil palm development, including:

- The science—e.g., that development of peatlands leads to vulnerability to fire, subsidence, and flooding
- The economics—e.g., that to maintain access to global markets, illegality and deforestation need to be removed from the supply chain and that land-based conflict constrains investment
- The politics—e.g., that as a major emerging economy, Indonesia should follow through on emission reduction commitments made in international fora.

Similar messages could be tailored to government leaders and officials operating at the sub-national level, combined with incentives for improved spatial planning and law enforcement. Such incentives—awarded based on performance against metrics of “low carbon development” or “no deforestation,” in addition to REDD+ financing—could include:

- Upward adjustment of the percentage share of national revenues administered by the Ministry of Finance
- Personal recognition of Bupatis by the Office of the President
- Preferential access to sources of finance and/or better terms by private banks
- Preferential access to markets and/or better terms by commodity buyers.

This so-called jurisdictional approach is being promoted in various forms by a number of proponents, including the Earth Institute (formerly IPAM-International, with support from Norad) in Central Kalimantan in collaboration with the Governor’s Office. The Nature Conservancy’s REDD initiative in Berau, East Kalimantan (prospectively supported by German ICI), includes some elements of a jurisdictional approach, as does Conservation International’s Sustainable Landscapes Partnership (supported by the U.S. Agency for International Development and the Walton Family Foundation) in two districts in North Sumatra.

**Engagement with consumer-country governments**

Because a significant portion of palm oil is traded internationally, consumer-country governments have a number of policy tools at their discretion to influence production. A recent European Commission study of the region’s impact on deforestation across sectors identified 34 potential responses associated with the European Union’s (EU’s) Climate and Renewable Energy Policy, Common Agricultural Policy, Forestry Strategy, Biodiversity Strategy, Sustainable Production and

\textsuperscript{15} An opinion piece by economics editor Vincent Lingga of the *Jakarta Post* in November 2013 articulated both of these sets of concerns (Lingga, 2013).

\textsuperscript{16} Already, the RSPO secretariat has issued a request for proposals from communication specialists to mount an “outreach campaign” in Europe, the United States, and Australia (RSPO, 2013).
Consumption Policy, Trade Policy, Investment Policy, Development Cooperation Policy, and Research and Innovation Policy (European Commission, 2013b, 2013c). The degree to which some of those tools are World Trade Organization–compatible is a matter of dispute.

A number of demand–side policies to give preferential market access to products meeting various legality or sustainability standards have been pioneered for tropical timber imports to industrialized countries. Timber legality initiatives include the EU’s Forest Law Enforcement, Governance, and Trade (FLEGT) initiative (under which bilateral Voluntary Partnership Agreements are negotiated with timber-producing countries to ensure that all wood exported to the EU has been harvested legally), the EU Timber Regulation, the Lacey Act in the United States, and new legislation in Australia.

The potential to expand these initiatives to apply to commodities such as palm oil based on illegal deforestation is currently a matter of active discussion and analysis, as described further later. On the one hand, the relative significance of deforestation “embodied” in agricultural products imported by Western markets is greater than that attributable to tropical timber. On the other hand, designing regimes to discriminate among currently untraceable agricultural products and to capture illegality in land acquisition would be far more complex. One European Commission study (2013c) identified the promotion and strengthening of FLEGT and its expansion to other commodities as one of the top five policy options for reducing the EU’s forest footprint. At a minimum, civil society advocacy could ensure that timber generated by illegal clearing for oil palm is actively subject to the existing provisions of demand-side legality policies.

Public procurement standards giving preference to sustainably produced products are another demand-side policy option that has already been implemented for timber. Palm oil procurement standards came into force in the United Kingdom in 2014 and are in prospect in the Netherlands and Belgium (Brack, 2013). Given the significance of government purchasing, such standards could send an important signal to palm oil traders, producer companies, and countries that global market preferences are changing.

These and other demand-side policies targeting globally traded commodities that cause deforestation (including timber, beef, leather, soy, palm oil, cocoa) are already the subject of significant NGO attention (see, for example, Walker et al., 2013). A report published by Chatham House and Forest Trends details the options for expanding existing demand-side initiatives focused on timber to commodities that cause deforestation (Brack, 2013).

Another set of relevant standards in consumer countries—but one that presents downside risk to efforts to influence oil palm expansion—are those related to eligibility for participation in renewable fuels mandates. These include the renewable fuels standards in the European Union and the United States that have been the subject of recent controversy, as well as renewable fuel mandates being adopted in emerging market countries, including Indonesia. These standards are highly relevant to palm oil, which can serve as a feedstock to biodiesel, as biofuel mandates represent an important new market and profit-making opportunity. An International Institute for

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17 The European Commission (2013a) estimates that deforestation embodied in wood and wood-based products to the European Union has been “rather small” (at 0.2 million hectares over the period 1990–2008) compared with the amount embodied in agricultural products, especially oil crops, which have been “the most decisive factor.” Palm oil, second to soybeans, was responsible for 0.9 million hectares. It is likely that the relative significance of palm oil has increased in the interim (with increased imports for biofuel), while the relative significance of European markets has decreased, with the rise in consumption within Asia.
Sustainable Development study estimates that the growth in biodiesel production stimulated by EU policies was responsible for a 365% increase in palm oil use in the period 2006–2012 (Gerasimchuk and Koh, 2013). The Packard Foundation strategy on bioenergy and its support for efforts to promote science-based determinations of the eligibility of palm oil–based biodiesel for biofuel mandates are highly aligned with the objectives of this palm oil–focused strategy.

Although India and China are two of the three largest consumers of palm oil (along with Indonesia), there appears to be little scope there for inducing government action on demand-side policies, and international NGO engagement with consumer-country governments has been limited. Palm oil in these countries is consumed in large part as a food staple for poor people and is included in India’s public food distribution system. With “negligible” growth in domestic vegetable oil production, palm oil is expected to meet more than four-fifths of India’s 5% increase in consumption in 2013/14 (USDA, 2013). Some believe that the lack of a large price differential between certified and non-certified oil, and the potential revenue implications and benefits for domestic vegetable oil producers, means that it might be possible to convince the Government of India to be interested in a differential import tariff on non-certified oil.

For consumer countries that are also donors, the linkage between palm oil and environmental and social problems caused by irresponsible production in producer countries can be translated into a policy coherence message. In other words, does it make sense to support forest conservation and land and labor rights through aid budgets along with supporting emission reductions through climate policies, while at the same time supporting forest destruction, increased emissions, and social conflict through investment, trade, and biofuel policies?\footnote{This argument was used in Rainforest Foundation Norway (2012).}

The risks and limitations of strategies oriented to demand-side policies are severalfold. First, given the minority share of globally traded palm oil imported by European and North American markets, the success of demand-side policies depends on their potential to catalyze overall market transformation rather than the creation of “niche” markets, which can be catered to without affecting business-as-usual production. For example, under the RSPO Renewable Energy Directive scheme, companies can sell palm oil from specific plantations that meet the EU’s biofuels sustainability criteria while continuing to expand into forests and peatlands elsewhere (Wetlands International, 2012).

A second risk is that development of demand-side policies may further entrench already-existing perceptions in producer countries that actions limiting market access for palm oil are driven by protectionist motives. Such perceptions, and the nationalist responses they inform, can undermine the legitimacy of public interest campaigns and the willingness of producer-country governments and producer companies to engage in multistakeholder market transformation initiatives.

Finally, the processes for demand-side policy development and implementation are complex, and the timelines are long. The idea of a demand-side approach to controlling trade in illegal timber was launched in 2001; more than a decade later, the bilateral programs initiated under the first European Union Voluntary Partnership Agreements are only just now getting under way. There seems to be a consensus that developing similar initiatives for palm oil—e.g., extending the U.S. Lacey Act’s coverage to include commodities that result in illegal deforestation—would require a time horizon of 5–10 years.
Engagement with international organizations

In addition to direct engagement with governments in producer and consumer countries, a third public-sector-oriented strategy is engagement with public international institutions such as legal instruments and agencies of the United Nations. The Forest Peoples Program has been a particular champion of this approach to complement on-the-ground support for communities affected by oil palm development.

International organizations provide fora for establishing norms of public and private sector behavior relevant to palm oil production and trade and for monitoring the compliance of member states with those norms. Standards relevant to palm oil production include those related to human rights, labor standards, biodiversity conservation, and climate change, as well as norms embodied in guidelines such as the U.N. Food and Agriculture Organization’s Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries, and Forests in the Context of National Food Security and the safeguard policies of multilateral development banks. These are summarized briefly in Colchester et al. (2013).

Highlighting the divergence between current practice in palm oil production and various international commitments and norms is a potentially potent element of messaging directed at producer- and consumer-country governments. However, given the long gestation periods associated with developing new standards and the difficulty of targeting specific commodities or countries, significant investment in direct engagement in international fora is a long-term proposition rather than a short-term strategy for slowing undesirable land use change driven by oil palm today.

Engagement with producer companies

Engagement with producer companies is perhaps the most direct way to alter oil palm industry policy and practice. Producer companies, while constrained to a greater or lesser degree by the legal and regulatory framework in countries where they operate, determine the places and methods of palm oil cultivation. And while a “retail” approach of engaging individual companies does not lead directly to transformation of the sector, progressive companies can help shift norms and can become powerful voices for policy changes that would reward good practice.

Advocacy-oriented NGOs such as Greenpeace have demonstrated the efficacy of campaigns targeted at specific producer companies. These campaigns, with messaging focused on the environmental impacts of rainforest destruction—and including pressure from financiers and buyers, thereby translating reputational risk into material risk—have leveraged significant commitments to improved practice in the cases of Golden Agri Resources (GAR) in the oil palm sector and Asia Pulp and Paper (APP) in the pulp and paper sector.

A focus on illegality and corruption in the oil palm industry is a promising approach being pursued by a number of NGOs, including Global Witness (with a focus on corruption and tax evasion in land deals in Sarawak, Malaysia), the Environmental Investigation Agency (with a recent focus on illegal burning), and WWF-Indonesia’s Eyes on the Forest initiative in Riau (WWF-Indonesia, 2013). WWF’s documentation of palm fruit grown inside Tesso Nilo National Park being purchased by company mills prompted Asian Agri and Wilmar to announce commitments to refuse fruit from illegal suppliers at those mills. The reputational risk associated with illegality is also a potent message for supply chain actors further downstream, governments, and financiers.
Other NGOs and a number of private consulting firms have engaged producer companies to help them implement good practices, meet certification standards, and/or follow up on commitments undertaken in response to market campaigns. TFT (formerly Tropical Forest Trust) and Greenpeace are helping GAR and APP implement their commitments, as well as (more controversially) playing roles in assisting the companies’ communications (in the case of TFT) and monitoring (in the case of Greenpeace). Winrock International and the Rainforest Alliance have positioned themselves as lower-profile advisers to producer companies seeking to implement sustainable business models.

Incentives for producer companies to work with such groups include the desire to capture price premiums (thus far elusive) and/or market access through certification and possibly public finance (e.g., helping companies qualify for subsidies to capture methane from palm oil effluent). The Rainforest Alliance stresses that corporate investment in certification is its own reward by improving the effectiveness and efficiency of operations. So far, experience suggests that the business case for sustainable practices is stronger for better management practices and for responsible community engagement than for avoided deforestation or preservation of High Conservation Value forests.

The main limitation of strategies focused on direct engagement with producer companies is that the ability to translate individual company commitments into sector transformation has not yet been proved. As long as irresponsible companies are able to enjoy the impunity made possible by poor governance and insensitive markets, the “flipping” of specific individual companies one by one will be a long and increasingly difficult task. The lack of a second producer company to follow the lead of GAR for several years after the announcement of its Forest Conservation Policy in February 2011 casts doubt on the potential of even a large, well-connected company to catalyze sector transformation.

Further, there is not much evidence that direct engagement with producer companies has yet resulted in their mobilization as constituencies for policy change and/or improved law enforcement at national or local levels, even though current policies (such as the “use it or lose it” provisions of licensing regulations) put those companies at a disadvantage. The commitment of the Indonesian Chamber of Commerce to engage with the government in such a role, made at the June 2013 Tropical Forest Alliance in Jakarta, is a promising development to be encouraged.

As producer companies begin to make and implement commitments to reduce deforestation, they will need support for training and capacity building, as well as for compliance monitoring and auditing. A key risk associated with philanthropic support for producer company engagement is that public interest–oriented groups will find themselves subsidizing companies to do what they should be doing anyway or participating in greenwash. One role for philanthropy could be to catalyze the development of a sustainability services industry and facilitate the development of norms governing such engagement—including transparency to the public and accountability to local communities.

**Engagement with smallholders**

Another supply-side strategy is to promote an overall shift in the oil palm industry to smallholder systems and to engage directly with smallholder producers to strengthen rights, improve sustainability practices, and enhance productivity and income. For example, the Rainforest Foundation–UK report (2013) on oil palm development in the Congo Basin recommends that smallholder development be given priority in the region. Smallholder engagement provides an
attractive way to combine the sustainability agenda with poverty reduction goals; research by the Center for International Forestry Research has documented the significant potential benefits of oil palm to rural incomes (Rist et al., 2010). The large gap in yields between smallholder and commercial-scale plantations suggests an opportunity to increase production through intensification (e.g., by supplying improved planting material) to meet global demand for palm oil without clearing more forest.

Significant conflict and violence has been generated by oil palm plantation development that has not met the expectations of local communities regarding their fair share of benefits, and much civil society attention has been focused on supporting communities to assert their substantive and procedural rights in these disputes. At the same time, smallholder interests could be put at risk by sustainability initiatives targeted at the commercial plantation sector. Attempts to divert expansion onto “degraded” land could threaten local land rights; market preferences for palm oil certified as legal or sustainable could disadvantage smallholders, potentially cutting them out of segregated supply chains.

A smallholder-focused approach to influencing the palm oil industry is challenged by the size and heterogeneity of the target group. The large number of smallholders (approximately 2 million) in the oil palm sector in Indonesia suggests that integrating needed support services into national extension systems might be more appropriate than piecemeal NGO interventions. In addition, “smallholders” are a diverse group, ranging from disadvantaged local households to urban elites dabbling in land development. WWF-Indonesia’s analysis of oil palm holdings within Tesso Nilo National Park reveals an average size of 50 hectares (WWF-Indonesia, 2013).

The key limitation of a smallholder-focused approach to oil palm (in the context of this strategy) is its weak relationship to the objective of reducing emissions. A recent estimate (Lee et al., 2013) suggests that smallholders were responsible for only 11 percent of deforestation and 9 percent of emissions related to oil palm development in Sumatra over the decade 2000–2010. Yet it is reported that companies commonly attempt to meet government requirements for smallholder participation in plantation development by targeting forestlands outside (and therefore additional to) licensed concession areas, turning prospective smallholders into advocates for additional forest clearing.

Finding ways to link smallholder-focused initiatives—such as one currently being promoted by IDH (2013)—to emission reduction objectives could be an important leverage point for philanthropic engagement.

Engagement with processors and traders

While to date most early engagement of palm oil supply chain actors has been at the producer and consumer ends, the current focus is on the potential leverage offered by targeting processors and traders. Traders are the bottleneck of palm oil supply chains, with Wilmar International alone responsible for some 45% of the global market, and with Cargill a dominant supplier of the U.S. market for palm oil. The proposition is that if such significant supply chain actors could be “flipped,” their preference for responsibly sourced palm oil could have a major effect on hundreds of upstream suppliers.

The challenge is how to achieve leverage with such companies, which—almost by definition, given their intermediary role in supply chains—are a step removed from direct impacts of palm oil production on the supply side and from direct consumer pressure on the demand side. Campaigns
targeting trading companies to date have focused as much if not more on the companies’ production operations and links to consumer-facing brands as their trading activities. Further, such companies tend to be somewhat insulated from financial pressure, being either self-financed and/or privately held, although an FOE analysis illuminates Wilmar’s dependence on financiers (FOE-International, 2013).

The December 2013 announcement by Wilmar International (2013) that committed the company and its supply chain to a sweeping set of sustainable sourcing policies was no doubt the result of multiple and cumulative pressures, some more visible and others behind the scenes. Adverse publicity associated with the company’s alleged links to the June 2013 forest fires in Indonesia—which blanketed Singapore, home of the company’s corporate headquarters, in a choking haze—reportedly pushed the company into dialogue with Climate Advisers and TFT. A parallel (but still confidential) Memorandum of Understanding with Unilever, presumably providing incentives from a major buyer, was likely key to concluding the agreement on the new policies.

Another challenge of engaging processors and traders is a lack of clarity regarding the feasibility (and, if feasible, the cost implications) of establishing segregated, or at least traceable, supply chains. On the one hand, the timber industry also once claimed that tracing logs to their point of origin was not feasible, but it found a way to do this when forced to. On the other hand, palm oil supply chains are inherently more complex and opaque, due to the co-mingling of consignments from many points of origin at multiple stages of processing. Establishing responsible production at the scale of a “supply shed” or jurisdiction is one approach to making segregation more financially feasible. A risk to be managed is that as supply chains become more transparent, companies will have incentives to integrate vertically, perhaps curtail sourcing from smallholders as a way of managing risk. Further analysis of these opportunities and risks is warranted.

Engagement with financiers

Another potential strategy for influencing the trajectory of oil palm expansion is to condition producers’ access to finance on legal and sustainable practices. A strategy focused on financiers could include a number of potential approaches. One element focuses on increasing the reputational risks faced by financial institutions themselves by association with deforestation, illegality, and/or adverse social impacts of oil palm cultivation, especially when such association is at variance with the stated policies of the bank or pension fund in question. Global Witness (2012) applies this approach in its campaign focused on HSBC, “highlighting the role played by commercial finance in facilitating forest-related crime” in Sarawak, as does Friends of the Earth–International (2013) in its recent analysis of Wilmar International’s financiers. The potential of shareholder activism has also been demonstrated: Safeway, the second-largest supermarket chain in the United States, committed to a no-deforestation policy in March 2014 in response to a shareholder proposal filed by the New York State Common Retirement Fund (Mongabay, 2014).

A second approach is to raise awareness of the risks associated with palm oil production among rating agencies and financial analysts and to demand an increased level of information disclosure from companies to facilitate risk assessment. AID/Environment received positive feedback on an analysis prepared in advance of the initial public offering (IPO) of shares in the Malaysian oil palm company FELDA, and subsequent interviews with analysts in Singapore suggest an appetite for further such information. Some observers anticipate that industry consolidation will lead to more IPOs and mergers and acquisitions. The efforts of the Forest Footprint Project, now affiliated with
the Carbon Disclosure Project, have led to only modest progress (compared with other sectors) in prompting more transparency from palm oil producer companies; only five companies submitted reports in 2012, compared with the long list of companies that did not comply with a disclosure request (Forest Footprint Disclosure, 2012).

A third approach is to engage public financial institutions to exercise influence over the broader financial sector. The International Finance Corporation (IFC) of the World Bank Group is poised to re-engage in the oil palm sector in Indonesia following a multi-year saga catalyzed by a complaint filed by local and international groups against Wilmar International through the office of the Compliance Advisor/Ombudsman starting in 2007, followed by a moratorium on new financing and the announcement of a new policy framework in 2012. While the IFC’s re-engagement bears monitoring for negative consequences, there is a potential upside if the agency deploys its convening and standard-setting role to influence the policies and practices of the domestic banking industry. The development of a tool to help providers of short-term finance identify countries with problematic commodity sourcing—GMAP, being created by the IFC in collaboration with WWF—is also worth following, in case it could serve as a platform for more detailed mapping of “go/no go” areas.

Sovereign wealth funds are another potential target; Norway’s Government Pension Fund Global (GPFG) announced in 2013 its divestment from 23 palm oil companies, following questioning by the Rainforest Foundation Norway and others regarding the apparent inconsistency between the government’s support for REDD+ and the GPFG investment portfolio. Unfortunately there is no global grouping of such funds or professional association of their managers. Sovereign wealth funds of other countries are unlikely to share Norway’s sensitivity to environmental and social risk, although the recurrent haze from Indonesian forest fires could create an opportunity in Singapore.

The limitations of a finance-oriented approach are severalfold. The existing incentives of investors and lenders should already be aligned with promoting legal and sustainable practices as a way of reducing risk. However, due to the impunity enjoyed by many actors in the industry, in fact illegal and unsustainable practices have seldom translated into material risks to profits. Hence the efficacy of strategies focused on leverage through the financial sector depend not only upon raising awareness of the issues surrounding palm oil production among investors and analysts; it also depends strongly on the ability of the advocacy community to expose the material and reputational risks to operating companies of continuing such practices.

A second limitation is the availability of finance to the sector from self-finance, tycoons, and Asian banks, which have been less sensitive to social and environmental risk than their Western counterparts. Such financiers are often embedded in webs of corporate and political alliances that benefit from oil palm expansion. Thus the financial institutions with which advocacy groups have the most leverage (e.g., those that have committed to the Equator Principles) are those with the least leverage over the oil palm industry. While some advocacy networks have initiated strategies to influence Asian banks and to build the capacity of national partners to do so, the potential traction of this approach is unproven.

Finally, advocacy directed at financiers is most effective when they are willing to engage with their banking clients to leverage improved practices. While divestment can sometimes send an important signal, the availability of alternative sources of finance means that it may have no material effect on the ground.
Engagement with consumer-facing manufacturers and retailers

Engagement with consumer-facing manufacturers and retailers has been an important component of previous campaigns targeting other commodities associated with deforestation, including timber, pulp and paper, and beef. Experience with companies that use palm oil in manufacturing or retailing branded products is more nascent, but the Girl Scout Cookie campaign in the United States shows the potential to generate significant media attention and eventually prompt commitments to more-sustainable sourcing. More commitments to responsible sourcing by brands such as Kelloggs following advocacy campaigns provide further evidence.

More significantly, Greenpeace’s effective targeting of Nestle’s KitKat product and the subsequent GAR commitment, as well as Unleve’s role in prompting the previously noted Wilmar International commitment in 2013, provide proof-of-concept that downstream supply chain actors can use their purchasing power to influence the practices of producer and trader companies. Success depends on a compelling message (e.g., palm oil production hurts orangutans), a plausible link between the product and the problematic supplier, and a sufficient degree of material or reputational dependence of the supplier on the buyer.

The Board of the Consumer Goods Forum (CGF) has already committed to achieving “deforestation-free” supply chains for several commodities including palm oil by 2020, representing a collective slice of the market more likely to attract the attention of producer companies and countries than any individual company would. This commitment provides an entry point for constructive engagement with CGF member companies and for campaigning in the absence of good-faith progress toward implementation.

The barriers to implementation of such commitments are daunting. First is the long time horizon, which makes it difficult to create a sense of urgency. Second is the lack of a clear goal—i.e., continued discussion of what “deforestation-free” might mean—and the inadequacy of RSPO certification as a proxy. Third is the lack of an agreed mechanism for rewarding good performance, given the lack of segregated supply chains. Fourth (and related) is the lack of a “road map” to market transformation—in other words, how to get from the current (and contested) certificate-based system to sector-wide traceable supply chains.

Engagement with ultimate consumers

Raising the awareness of ultimate consumers of products containing palm oil complements campaigns focused on engagement with buyers and retailers and is potentially a potent source of pressure for reduced use or responsible sourcing. The Rainforest Foundation Norway’s 2012 palm oil campaign claims to have had a dramatic effect on the consumption of palm oil by Norwegian food producers, reducing consumption by almost two-thirds. However, encouraging consumers to stop purchasing products containing palm oil is impractical due to its ubiquity in processed foods and other goods. Such a message also risks being perceived as a cover for protection of domestically produced vegetable oils.

Encouraging consumers to buy products using “sustainable” palm oil is also problematic, because certification to current RSPO standards does not prevent some of the worst impacts of palm oil

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19 For a brief description, see Rosner (2012).
20 For a brief description, see Ionescu-Somers and Enders (2012).
21 For a brief description, see Greenpeace International (2011).
expansion and is thus perceived as greenwash. For example, an informal network of zoos in the United States interested in using zoos’ public education function to educate and mobilize consumers on the oil palm issue—given the link between conversion of forests and loss of habitat for charismatic species such as the orangutan and the tiger—has struggled to define a clear message for visitors. Nevertheless, activists have launched a campaign to sensitize American snack-food consumers to problems associated with palm oil as a way of putting pressure on manufacturers and retailers to in turn apply pressure on upstream supply chain actors.

The potential to mobilize consumers in India, China, and Indonesia remains untested. Greenpeace and WWF—both large global organizations with operations in all three countries—are acting on beliefs that there is potential to engage middle-class consumers and the corporations that serve them in such markets as snack foods, cosmetics, and instant noodles without touching on the politically sensitive imperative of making cheap cooking oil available to poor consumers. Their efforts bear watching not only as entry points to an important component of any market transformation strategy; in the short term, even a glimmer of prospective sensitivity in Asian markets to environmental and social concerns would provide an important signal to producer countries and companies that there will be no escape from changing societal expectations.

**Engagement with multistakeholder standard-setting bodies and certification schemes**

The development of multistakeholder standard-setting bodies and certification schemes has been an important element of demand-side approaches to market transformation for a number of forest-related commodities. The creation of the Forest Stewardship Council some two decades ago pioneered this approach with timber. Such efforts are designed to provide alternative fora for national and international norm-setting and enforcement of compliance through disclosure and auditing, along with price premiums and/or market share incentives via labeling schemes. Certification can make it easier for supply chain actors to make “yes/no” decisions to comply with their commitments to sustainable sourcing.

In the palm oil sector, the Roundtable on Sustainable Palm Oil has been the main forum of this sort since its founding in 2004. A membership-based organization, the RSPO brings together corporations from throughout the supply chain, as well as financiers and NGOs (but notably not governments). RSPO-certified palm oil (CSPO) now accounts for 14% of the global market, considered to be a relatively rapid uptake by the industry.

Over the last few years, the RSPO has become increasingly polarized due to a mismatch of the expectations of producers on the one hand and international NGOs on the other. Civil society groups have made significant investments of staff time and reputation in developing RSPO principles and criteria. While opinions are divergent, several groups have reluctantly concluded that producers have successfully used RSPO as a vehicle for delaying the imposition of more-stringent standards. NGOs have been frustrated with the glacial pace of negotiating stronger standards and compliance mechanisms, and especially with the failure to achieve agreement on including standards related to GHG emissions.

Producers for their part are frustrated that only about half of certified palm oil production has found a market, and they do not understand why they should invest in further improvements in

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22 The Rainforest Alliance/Sustainable Agriculture Network standards provide an alternative standard for palm oil certification, with implementation so far limited to Central America.
production practices when investments to date are not yet rewarded with a price premium. Although an analysis conducted by WWF, FMO, and CDC (2012) concludes that the benefits of certification typically outweigh the costs, producers expect compensation for their efforts. According to the Forest Footprint Disclosure Annual Review (2012), divergent views over who pays for sustainability, and an increasing number of disputes, are undermining the RSPO’s effectiveness.

Concern regarding the inadequacy of RSPO certification standards has resulted in a number of recent developments, including a surprising announcement from WWF in April 2013 that it no longer considers RSPO certification a sufficient proxy for responsible sourcing. The standards being developed by the POIG mentioned earlier would go beyond and complement the basic RSPO certification. In the meantime, Conservation International and others are facilitating a Certified Palm Oil Uptake Coalition as a way of addressing the lack of market demand for certified palm oil. Importantly, they are also developing a “road map” to show the way to transition from the current Green Palm Certificate “book and claim” method of connecting certification to buyers to a method offering segregated supply chains.

The future effectiveness of the RSPO in leveraging improvements in industry performance, as well as its potential to hold together an increasingly fragile alliance among the diverse interests of stakeholders, is unclear. The withdrawal of the Indonesian Palm Oil Producers Association in 2011 over the issue of GHG emission standards, the establishment of competing certification schemes by Indonesia (ISPO) and Malaysia (MSPO), the distancing of some NGOs (such as WWF), and the creation of new alliances (such as the POIG) all challenge the RSPO’s position as the main vehicle for market transformation. Perhaps most significantly, the recent announcement of Wilmar International’s new policies, which will effectively set a new and more stringent standard for a large swath of the palm oil market, calls into question the relevance of RSPO certification.

At the same time, RSPO norms continue to have some utility; for example, NGOs working in Africa report that the RSPO’s New Planting Procedure has provided a “hook” for civil society to insist on free prior and informed consent in frontier countries where oil palm companies are seeking to establish plantations. The RSPO Secretariat’s willingness to call out companies allegedly contributing to the June 2013 haze by illegal burning in Riau, following their exposure by civil society groups, could be an indicator of a willingness to increase its independence from narrowly construed producer company interests. Finely calibrated external pressure on the RSPO to remain relevant—without throwing the baby out with the bathwater (in the sense of its positive utility)—appears to be a prudent way forward.

THE NICHE OF PRIVATE PHILANTHROPY

The priorities for Packard Foundation and broader CLUA support for activities related to reducing emissions from deforestation caused by oil palm cultivation are to some degree dependent on the activities and plans of other donors. A summary of significant sources of funding currently or prospectively available for work on palm oil globally or specific to Indonesia as of late 2013 is provided in the Appendix.23 This section provides a brief discussion of the niche for private philanthropy, with explicit identification of areas not proposed for foundation support.

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23 For a sense of the volumes involved, the Climate Funds Update’s “Receipt Country: Indonesia,” at http://www.climatefundsupdate.org/country-pages/indonesia, gives totals of climate funds received by Indonesia to date.
Niche for Packard Foundation funding and CLUA engagement

Given the significant volume of donor funds projected to flow toward the REDD+ agenda more broadly and oil palm in particular, an important role for Packard Foundation and broader CLUA engagement will be to influence how those funds are allocated and spent.

Priorities for Packard Foundation and related CLUA funding are a function of:

- The intrinsic value and priority of the various approaches outlined earlier in relation to the proposed goal.
- The niche of private philanthropy in the broader context of available funding.

Attributes of private philanthropy relative to other sources of support and their relevance to the proposed palm oil strategy include the following:

- **Volume**: The amount of foundation funding available to support the proposed strategy is on the order of a few million dollars per year, compared with the tens or even hundreds of millions available from bilateral and multilateral donors. As a result, foundation funds are best targeted to approaches that can make a significant impact at a low level of funding, are less likely to be the target of public funds, and/or are highly likely to leverage other funding for “big-budget” efforts.
- **Gestation**: Compared with bilateral and multilateral funding initiatives, which can take several years to move from initial idea to disbursement, foundation funds can be quickly mobilized. As a result, foundation funds are best targeted at jump-starting new ideas and responding to time-sensitive opportunities.
- **Constraints**: Compared with public funding sources, private philanthropy is less constrained by political sensitivities.

**PROPOSED OUTCOMES FOR PACKARD FOUNDATION AND RELATED CLUA FUNDING**

The proposed strategy has eight elements:

- Three outcomes designed to influence the near-term decision making of producer companies, financiers, and producer governments regarding the trajectory of oil palm expansion by sending signals of increased risk associated with expansion into forests and peatlands.
- Two outcomes designed to provide leadership to a forward-looking agenda for market and governance transformation.
- Three outcomes necessary to find out about and to mitigate the possible adverse impacts of the first two set of outcomes.

**Signaling to land use decision makers in the near term**

The following three outcomes are designed to produce a “bundle of signals” to decision makers in producer companies and countries and their financiers to think twice about decisions to authorize or invest in new oil palm development at the expense of forests and peatlands.

**Outcome 1**: Market campaigns expose risk and prompt commitments to responsible practices from a critical mass of companies throughout the palm oil supply chain.
The successful efforts of campaigns, especially networks of international groups partnered with locally grounded civil society organizations, to expose material risk and create reputational risk on the part of companies throughout the supply chain (producers, traders, manufacturers, retailers) associated with irresponsible practices is the essential linchpin of the overall strategy. Such campaigns have arguably been responsible for all of the significant shifts in the “state of play” of the industry in the last few years and have the potential to influence the trajectory of further oil palm expansion, as well as legacy issues associated with existing plantations. Even groups pursuing constructive engagement with companies and governments acknowledge that there would be no receptivity to their efforts in the absence of these market campaigns.

Foundation support for these efforts is efficient, in the sense that effective campaigns are relatively low-cost and because they can serve multiple purposes: raising general public and consumer awareness of palm oil issues, informing financial and public sector actors of material risk, and prompting new corporate commitments and incentivizing compliance with existing commitments as ways of reducing reputational risk. While the proposed focus is on Indonesia, international advocacy can have positive spillover effects on the decision making of governments and producer companies in other countries. Such support is also a good fit for private philanthropy, as public funding sources tend to shy away from hard-edged advocacy and especially from efforts that target individual companies.

**Outcome 2: Increased awareness of the risks of oil palm–related investments among financiers translates into clear signals to producer companies and producer-country governments of the need to improve policy and practice.**

As just described, the effectiveness of advocacy targeted at financiers is contingent on the existence of material or reputational risk faced by their corporate clients and is subject to a number of other limitations and constraints. Nevertheless, the potential potency of additional signaling from the financial sector is sufficiently important to merit modest additional philanthropic investment. As a result, this element of the strategy should be seen as subsidiary to Outcome 1, with efficiencies to be captured through use of the same advocacy materials (e.g., documentation of illegality) for the financial sector as well as supply chain actor targets and with tight coordination among groups working on supply chain actors and their financiers. In addition, there are synergies to be exploited with efforts to influence the financing of other commodities that cause deforestation.

**Outcome 3: Development of new demand-side policies in consumer countries is catalyzed and existing instruments are strengthened to a level sufficient to signal changing market preferences to producer companies and governments.**

As described, demand-side policies focused on palm oil (and palm oil–based biodiesel) are likely to be more problematic than those pioneered for timber, which themselves have proved complex and time-consuming to implement. Also, as with advocacy focused on financiers, traction with consumer-country governments will to some degree depend on the success of analysis and advocacy efforts undertaken under Outcome 1 to raise awareness of the impacts of the oil palm industry and of inconsistencies with other policies related to climate change and development.

Nevertheless, the potential potency of additional signaling from consumer countries by initiating such processes is sufficiently important to merit modest investment in this approach. Objectives could include ensuring that so-called conversion timber generated by land clearing for oil palm be
explicitly addressed in the implementation of existing legality initiatives, such as FLEGT, the EU Timber Regulation, and the Lacey Act; developing procurement standards that lead to upward harmonization, e.g., to the level of practice being discussed by the POIG rather than RSPO certification; and ensuring that biofuel mandates are informed by sound science.

Providing leadership to a forward-looking agenda

The following outcomes complement the near-term “bundle of signals” approach to slowing land conversion just described by helping to articulate and initiate a positive agenda designed to accelerate progress toward the longer-term goals of market and governance transformation.

Outcome 4: “Jurisdictional approach” pilots provide incentives for early movers in both the public and private sectors and actively inform national policy reform.

The so-called jurisdictional approach to marrying supply-side and demand-side efforts to influence oil palm expansion emerged as the most energizing new idea for operationalizing public and private sector commitment to reduce deforestation. For the purposes of this strategy, a jurisdictional approach is defined as one that:

- Attempts to reduce deforestation and peatland conversion in cooperation with local leadership at the scale of a sub-national jurisdiction—i.e., a province or, more likely, a district (kabupaten).

- Structures a bundle of public and private sector incentives (and possibly disincentives) to be preferentially provided to companies/citizens of the jurisdiction that are tied to performance in reducing deforestation; incentives could include an increased share of national revenue distribution, preferential sourcing from commodity buyers, preferential financing from public and private lenders (including performance-based REDD+ funding), and reputational benefits (such as national recognition for the jurisdiction and its political leadership).

Conceptually, the notion of bundling a set of public and private sector incentives for improved land management at a sub-national level is attractive and seemingly more feasible than addressing these issues at the national scale. In particular, it creates private sector constituencies for improved forest governance, in terms of improved law enforcement (so that law-abiding companies are not penalized by the actions of those operating illegally) and facilitation of land swaps (to enable expansion on land that is already deforested within the jurisdiction). It further offers a way to address the land clearing practices of second-tier companies less vulnerable to reputational risk, and it potentially creates a “race to the top” among jurisdictions competing for limited benefits. Ideally, jurisdictional pilots would inform national-level policy reform priorities in a way that project-level initiatives have not.

Outcome 5: Engagement with progressive companies produces a road map to market transformation and active corporate constituencies for policy change.

As described, attempts to transform the palm oil market to date—centered on the RSPO—have foundered on mismatched expectations among different stakeholder groups. Further, NGO advocacy toward consumers and consumer-facing companies has been constrained by the lack of a clear vision of how to get from Point A (the inadequacy of RSPO certification as a proxy for responsible practices, lack of demand for CSPO, and lack of segregated or even traceable supply chains) to Point B (in which palm oil buyers have responsible sourcing options to meet increased demand). The increasing fragility of the RSPO, the coalescing of a POIG on the supply side, and the
new momentum created by the need of CGF companies to make progress toward getting deforestation out of their supply chains all combine to create an opportunity to map out such a vision and garner broad support.

Such a road map is an essential building block for medium-term elements of the strategy. For example, consumer-focused advocacy becomes more feasible when arrival at some Point B is in sight. In addition, by highlighting how smallholders, progressive producers, and other countries may be well positioned to take advantage of changing market preferences, the road map could itself provide an additional “signal” to producer companies and countries of the need for change. The road map could also contribute to the development of norms for NGOs and consulting firms providing services to companies in the context of implementing their commitments, such as transparency and accountability to local communities. Perhaps most significantly, the road map could identify key policy and regulatory barriers that need to be lifted, along with a commitment from participating companies to advocate for policy change.

The role of private philanthropy needed to complete this process is unclear, as most costs should be borne by the private sector companies as part of their commitments, but there may be specific convening roles or tasks, such as commissioning pieces of independent analysis, appropriate for grantmaking in the near term. In addition, there may be limited roles for philanthropy in developing an institutional ecosystem to support compliance with new standards and norms, which could include development of private service providers to assist individual companies toward better policies and practice.

**Informing the strategy and mitigating possible adverse impacts**

**Outcome 6: Spatial data of sufficient coverage and quality are available to support targeting and implementation of the palm oil strategy, including attention to “legacy” issues.**

As described, effective campaigns targeted toward supply chain actors and their financiers require spatial information linking specific companies to problematic sources of palm oil supply. While spatial information has become significantly more available and affordable in recent years, access to data and analytical activity is patchy across geographies and piecemeal across organizations, and significant data layers (including licensing information and peat depth) remain undisclosed or incomplete. Significant new developments occurred in early 2014, including the public availability of forest cover change data produced by a University of Maryland research team and the launch of WRI’s Global Forest Watch 2.0.

It is likely that existing and soon-to-be disclosed data are sufficient for the short-term needs of the advocacy community in order to set priorities and initiate campaigning. For example, information on the extent rather than the depth of peat, combined with data on forest cover, is probably “good enough” as a proxy for the “relevance” filter for geographic priority-setting.

In the longer run, more accurate and comprehensive data and mapping can and should be funded by governments and donors with a clear vision for how such data are to be generated, managed, and disclosed and, in particular, how they will align with Indonesia’s “One Map” initiative. Modest support from Packard/CLUA will be limited to the selective interventions most urgent for meeting the needs of grantees participating in the strategy in a way that is “no regrets” with respect to such a longer-term vision.
Outcome 7: The implications of changes in government policies and corporate practices resulting from the strategy are monitored sufficiently to identify and respond effectively to potential unintended negative consequences for rural communities.

Community rights and livelihoods could be put at risk as a result of pressure on palm oil producers to reduce deforestation. Specifically, urging companies and government agencies to divert expansion of oil palm to "degraded" land could result in the conversion to oil palm of lands already encumbered by local rights and livelihood activities, including food production. In addition, to the extent that companies are currently fulfilling their obligations to dedicate a portion of their concessions to smallholder cultivation by externalizing that area to forests outside their licensed concession area, more aggressive monitoring of land clearing could adversely affect local communities. Both phenomena could increase conflict. In addition, pressure on other supply chain actors to increase traceability might lead buyers to increase the vertical integration of their sourcing at the expense of smallholders.

Accordingly, a “ramped-up” strategy to change the behavior of palm oil producers and other supply chain actors must be accompanied by monitoring efforts sufficient to identify and respond to the needs of communities at risk. One approach would be to support coordination of a loose network of regional networks of NGOs, focused on the most relevant provinces and kabupaten.

Outcome 8: Communication of an “alternative narrative” emphasizing the domestic benefits of a new approach to oil palm development is sufficient to blunt an anticipated backlash to campaigns and to respond effectively to attacks.

The palm oil industry and its domestic champions in Indonesia and Malaysia are highly sensitive to external criticism and have proved extremely aggressive in challenging the motives and integrity of international NGOs and foreign governments that pose perceived threats to industry interests. Even companies that have made commitments have come under attack. As various campaigns targeting irresponsible palm oil production ramp up, coinciding with an election year in Indonesia, a backlash against proponents for change and their messages is anticipated.

In particular, conventional wisdom among private sector and government actors in the region holds that international opposition to palm oil is motivated by the protectionist interests of domestic producers of competing vegetable oils in consumer countries (such as soybean in the United States). Thus such a backlash could also be precipitated if consumer-country governments make decisions considered discriminatory against palm oil, such as the EPA’s determination regarding the eligibility of palm oil–based biodiesel under the U.S. Renewable Fuel Standard. The coincidence of such a determination with a likely record year of production for soybeans in the United States in 2013/14 and with associated lower prices and accumulating stocks (USDA, 2013) would only stoke suspicions regarding the “real” motivation behind such policies.

Messaging directed at opinion leaders and the general public could conceivably blunt the effectiveness of industry attacks by emphasizing the domestic benefits of conserving remaining forests and peatlands along with the benefits to be gained by positioning Indonesia as a market leader in responsible palm oil production.
Areas not suggested for foundation support

Implicit by omission are areas that are not suggested for foundation support, at least in the first phase of grantmaking. Some activities are excluded because they do not appear to be in the critical path for altering the trajectory of oil palm expansion in the near term or industry transformation in the long term. For example, engagement with international organizations to improve general principles or standards is less relevant than strengthening standards for palm oil production in particular.

Other activities are excluded because they are more appropriate for funding by other sources of finance:

- Some objectives, while relevant to the long-term goal of industry transformation, are not directly related to the objective of reducing emissions but are of interest to other (philanthropic) donors. Thus, while they should be the focus of pro-active coordination, activities focused exclusively on addressing the social impacts of oil palm cultivation are best supported by foundations with that focus.

- Some objectives are more credibly addressed through the large-scale financing characteristic of bilateral and multilateral donors. Thus, while intensification of smallholder palm oil production is complementary to the strategy, support for this is not proposed as an area for foundation funding.

- Some objectives are more appropriately supported through private sector finance. These include technical assistance to individual supply chain actors for improved practice (which presumably should be financed by those companies), as well as the activities of industry groupings such as the Consumer Goods Forum.

Finally, the pursuit of some objectives could be inconsistent with the strategy outlined in this document and could undermine (if inadvertently) the outcomes described in the next section. For example, consumer advocacy campaigns focused on boycotting palm oil would not be supported, nor would proposed partnerships with individual companies, roundtables, or governments without a clear strategy for accelerating reform and ensuring that such support did not in effect subsidize activities that should be funded by the beneficiary companies.

MONITORING AND EVALUATION

The rapid evolution of the geographic and political landscapes of oil palm cultivation means that the monitoring of any strategy—whether that of a single advocacy group or one encompassing the grantmaking portfolio of a foundation—will be particularly important to ensure that it appropriately targets areas of threat and opportunity. In addition, because some of the approaches included in this strategy are unproven, periodic evaluation will be necessary to ramp up resources to elements of the strategy that prove effective and to scale back resources to elements based on faulty assumptions.

Monitoring and evaluation of the strategy will take place at three levels and timescales.

During the first one to two years of implementation, monitoring will focus on progress toward the eight strategic outcomes. This phase of monitoring will give particular emphasis to establishing “proof of concept” for the elements of the strategy that are not yet proven and to identifying and building the capacity of Indonesian partners to exercise leadership in the implementation and future evolution of the strategy.
Depending on early experience across the eight outcomes and over time, the relative allocation of resources across the different outcomes can be shifted. Because the strategy rests on the assumption that it must be front-loaded with support for market campaigns, significant early progress in obtaining corporate commitments to change could imply a shift in emphasis toward the road map for industry transformation and toward mobilizing industry as a constituency for needed policy reform.

On a three- to four-year time frame, the emphasis of monitoring will be on assessing progress toward the strategy’s short-term goal. This includes observing some initial impact of the strategy (in terms of actual decrease in deforestation caused by oil palm expansion), linking this impact to actions undertaken as part of the strategy, and being alert to changes in the global context and to possible unintended consequences of the strategy.

The third phase of monitoring will focus on progress toward the long-term goal of the strategy five years out and beyond. The emphasis in this phase is on identifying evidence of shifts in the characteristics of the palm oil supply chain, including the supply of and demand for responsibly produced palm oil, and of relevant regulations and norms.

An external evaluation of the strategy focused on oil palm will be considered during the fourth year of implementation to inform the inflection point between focusing on the short-term and the long-term goals.

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APPENDIX: ACTIVITIES AND PLANS OF OTHER DONORS

- **Norway’s International Climate and Forest Initiative (NICFI):** Financing available through the bilateral agreement between the Kingdom of Norway and the Government of Indonesia for REDD+ is highly relevant to the oil palm strategy. Continued coordination between CLUA activities and those of the Presidential Delivery Unit (UPK4) and the newly established REDD+ Agency (Badan) on issues such as mapping of forests and peatlands and implementation of the moratorium on new concessions will be essential to exploit synergies between the broader REDD+ agenda and strategies specific to the oil palm industry.

- **Norwegian Agency for Development Cooperation (Norad):** “Sustainable Commodity Chains” is one of four themes being supported under the second round of Norad’s civil society grants program, and a number of grantee organizations are working specifically on palm oil issues in Indonesia and globally. A workshop hosted in Washington in March 2013 provided an initial linkage for information sharing and collaboration among these groups.

- **United Kingdom Department for International Development (DFID):** DFID is in the final stages of preparing a global project focused on bringing the private sector on board with the REDD+ agenda. Funding is expected to be on the order of $100–200 million and include a significant focus on Indonesia. The project’s proposed five components are relevant to this strategy: demand-side measures, enabling conditions, addressing constraints to sustainable investment, mitigating the impact of investment that cause deforestation, and jurisdictional approaches to tackling the drivers of deforestation.

- **United States Millennium Challenge Corporation (MCC):** The Green Prosperity Pillar (GPP) of the MCC Compact with Indonesia (constituting more than half of the $600 million total) includes $25 million allocated for Participatory Land Use Planning (PLUP) in priority districts (kabupaten), starting with two each in Jambi and West Sulawesi and eventually building out to additional districts in up to 10 provinces (including Riau, East, and West Kalimantan). The project does not include a commodity focus on oil palm, but a feasibility study on supporting methane capture for electricity generation at palm oil mills has been commissioned. Leadership of the GPP in Jakarta anticipates a 50:50 split in the portfolio between renewable energy and land management activities.

- **United States Department of State (USDoS):** USDoS has funded collaboration between the U.S. Forest Service and the National Climate Change Council (DNPI) in the form of support to an Indonesian Climate Change Center (ICCC) focused on improving the knowledge base on Indonesia’s peatlands. This effort has recently been extended beyond its initial 2013 end date and is expected to receive matching funds from Norway in 2014.

- **United States Agency for International Development (USAID):** Globally, USAID’s support to the forests and climate change agenda is handled under the agency’s Sustainable Landscapes pillar of funding related to climate change. In Indonesia, this includes support for the Sustainable Landscapes Partnership, a $20 million grants facility led by Conservation International (and co-financed by the Walton Family Foundation) focused on supporting low-
carbon business models in two districts in Sumatra, where oil palm development is one of the drivers of deforestation.

- **Forest Investment Program (FIP):** Indonesia was one of the countries selected as a pilot for the Forest Investment Program, one of the Climate Investment Funds managed by the World Bank. The World Bank, the Asian Development Bank, the International Finance Corporation, and the Ministry of Forestry are collaborating to design initiatives for use of up to $70 million in grants and subsidized loans and to leverage additional private sector support. Proposed activities include community-based land use planning, enhanced local livelihoods, and establishing forest management units (KPH), with a particular focus on West Kalimantan.

- **United Nations Development Programme (UNDP) Green Commodities Facility:** As part of a global initiative to promote sustainable commodity supply chains, UNDP has partnered with the Indonesian Ministry of Agriculture on a Sustainable Palm Oil Initiative. The initiative is designed to provide a platform to facilitate multistakeholder dialogue and piloting of good policy and practice related to ISPO implementation, increasing smallholder productivity, promoting use of degraded land, and strengthening policy and governance.

- **Global Environment Facility (GEF):** Program 11 of the proposed GEF-6 (four years, starting July 2014) is entitled “Taking Deforestation out of the Supply Chain for Global Commodities of Beef, Soy, Oil Palm, Pulp and Paper to Secure Global Biodiversity Benefits.” GEF-6 also includes a proposed crosscutting Signature Program, “Taking Deforestation out of the Commodities Supply Chain.” The two programs will address enabling conditions (policies, legislation), market mechanisms (standards, certification, and roundtables, including RSPO), and the mapping and rehabilitation of degraded lands.