
EXECUTIVE SUMMARY

*Joint Study on the
Similarities and Differences
of the ISPO and the RSPO
Certification Systems*



ISPO

RSPO
Roundtable on Sustainable Palm Oil



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THE PALM OIL SECTOR IN INDONESIA

Palm oil is a commonly used vegetable oil that plays a very important global role and is used widely in a great variety of applications. The global demand for palm oil has risen sharply as a result of the growing world population, the rise of per capita income, the diverse applications of the oil, and, more recently, the expansion of the application of palm oil as a raw material for biodiesel, a substitute for fossil fuel. Compared to other vegetable oils palm oil has the highest production yield per hectare at a price point that is much cheaper. Furthermore, given that it is a tropical plant, it can also be produced continuously all year round. Given all of these advantages, it is clear why palm oil is so widely sought after today.

Because of its ability to mature and produce oil rapidly, the oil palm crop has been able to respond quickly to the increasing market demand over the past 40 years. It is now the highest producing vegetable oil worldwide. In 2014, Indonesian palm oil production totaled 31.3 million tons out of 59.6 million tons globally (Oil World, 2014). Total global production is expected to reach 78 million tons in 2020.

For Indonesia, palm oil has a distinctive strategic value in supporting national development. Palm oil plantations are:

- an economic prime mover that stimulates agribusiness development from upstream rural areas to downstream export hubs and processing areas.
- able to create significant job opportunities and serve as a source of income for rural communities and farmers.
- able to produce a commodity highly sought after internationally that generates significant national revenue.

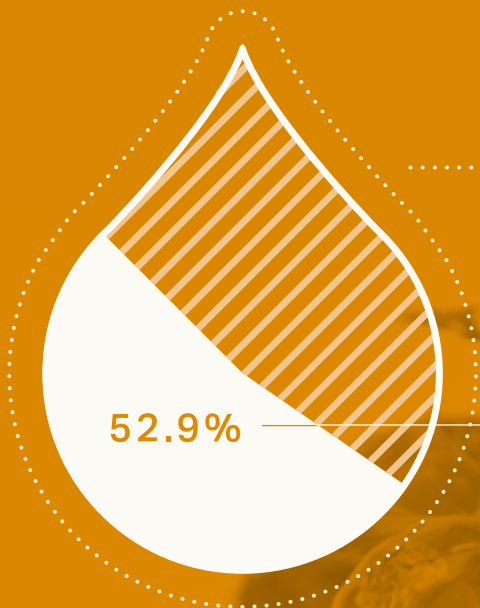
Over the last 14 years the total area of palm oil plantations in Indonesia has grown rapidly, increasing from 4.16 million hectares in 2000 to 10.9 million hectares in 2014. In line with the increase in the area delineated for palm oil plantations, the production of crude palm oil (CPO) in Indonesia grew from 7.0 million tons in 2000 more than four times to 29.3 million tons in 2014 (Preliminary Data, Director General of Estate Crops, 2014).

While in economic and livelihood terms the development of the palm oil sector has been positive, there is concern that the rapid increase of palm oil production has, at times, disregarded the principles of sustainability. This has meant that the palm oil sector has been linked to the loss of forest coverage, biodiversity loss and the disturbing of the local ecosystem balance, as well as increasing greenhouse gas (GHG) emissions, and creating social conflict for communities who live near to plantations.



Right: Palm oil worker weighing harvested Fresh Fruit Bunches (FFB) with a local government official.

(2014)

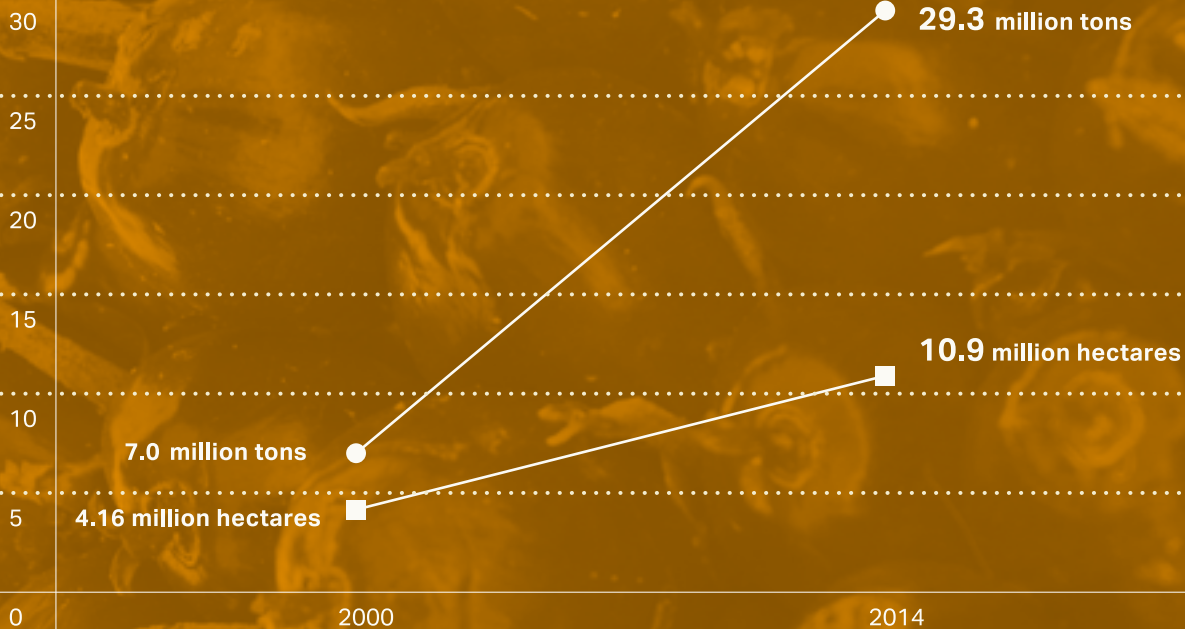


Global palm oil production:

59.6 MILLION TONS **» 78** MILLION TONS di 2020
(Oil World, 2014)

Palm oil produced in Indonesia:

31.3 MILLION TONS



- The production of crude palm oil (CPO) in Indonesia
- The area of palm oil plantations

(Preliminary Data, Director General of Estate Crops, 2014)



The production of sustainable palm oil is based on the 3Ps People, Planet and Profit – and is a concept adopted from the Millennium Development Goals (MDGs) that was signed by all United Nations member states in the year 2000, including Indonesia.

ROUNDTABLE ON SUSTAINABLE PALM OIL (RSPO)

The Roundtable on Sustainable Palm Oil (RSPO), an international multi-stakeholder organization that was established in 2004, incorporates the MDGs in its Principles and Criteria (P&C). The RSPO is a voluntary business initiative whose members agree to a process of certification and follow a set of principles and criteria (P&C) with the aim of producing and using sustainable palm oil. Plantation practices must adhere to these principles of following applicable laws and regulations that focus on environmental sustainability, planning, and implementation for the long-term socio-economic well-being and continuous improvement of the sector.

INDONESIAN SUSTAINABLE PALM OIL (ISPO)

In March 2011, the Government of Indonesia through the Ministry of Agriculture launched the Indonesian Sustainable Palm Oil (ISPO) requirement. The aim of the ISPO is to ensure the adherence to government laws and regulations relating to palm oil plantations so that sustainable palm oil is produced and to support the commitment of the President of the Republic of Indonesia to reduce national GHG emissions. Unlike the RSPO, which is voluntary, the ISPO, as an Indonesian regulation is mandatory for all palm oil plantations and mills but voluntary for smallholders. The ISPO regulation was updated in March 2015 and is now known as the Indonesian Sustainable Palm Oil Certification System.



UNDP SUPPORT FOR THIS STUDY

In 2014, the Government of Indonesia, the United Nations Development Programme (UNDP) and several multinational companies established the Sustainable Palm Oil Initiative (SPOI) to address some of the systemic barriers to increasing sustainable palm oil production. The SPOI aims to increase transparency in the palm oil sector. The SPOI supports government-led structural interventions such as policy change and institutional reform through recommendations developed by the multi-stakeholder groups within the Indonesia Palm Oil Platform (InPOP). The SPOI supports this joint study between the ISPO and the RSPO in order to create better alignment between the two certification systems as well as to reduce costs, time, and complexity for producers to comply with both systems.





STUDY ON THE SIMILARITIES AND DIFFERENCES OF THE ISPO AND THE RSPO

This study is a preliminary step in considering forms of cooperation that are beneficial for both the ISPO and the RSPO in simplifying the field auditing and certification process. There are a number of Indonesian laws and regulations concerning sustainable palm oil development that are both similar and different to the RSPO P&C standards outlined in the current Indonesian National Interpretation of the RSPO P&C 2013. It is hoped that this study can provide recommendations for more efficient field audits by combining the same requirements in one audit while different requirements will be audited separately.

Specifically, the aim of this joint study is to:

- Investigate both the similar and dissimilar elements contained in the ISPO and the RSPO P&C and their certification systems.
- Determine the possibility of achieving greater time efficiencies for audits and certification processes through a combined ISPO and RSPO audit.
- Provide recommendations for future cooperation between the ISPO and the RSPO certification systems.

The methodology used for this study is a comparison of Minister of Agriculture Regulation Number 11 of 2015 regarding the Indonesian Sustainable Palm Oil Certification System and the Indonesian National Interpretation of the RSPO P&C 2013, as well as an in-depth study of the laws and regulations on the management of palm oil plantations and the environment in Indonesia. The authors of this study have also undertaken consultations with various palm oil stakeholders in Indonesia, including with relevant government ministries and departments, RSPO certified and successful ISPO audited palm oil companies, insight from experts, palm oil associations, and non-government organizations (NGOs). In comparing the two systems, the study uses a cross-referencing approach and incorporates primary and secondary data analysis in order to arrive at a series of substantive conclusions and recommendations.

Top: Fresh Fruit Bunches (FFB) that have recently been picked from the oil palm trees are being loaded onto trucks to be brought to palm oil mills.

Bottom: Representatives of the UNDP's Sustainable Palm Oil Initiative (SPOI) are discussing about current palm oil issues with local smallholders.

The cross-referencing and comparison of the ISPO P&C system requirements with the RSPO P&C demonstrates that there are both similar and different elements contained in the requirements of the two systems. Some fundamental differences in the requirements contained in the ISPO system and RSPO standard are outlined here below:

1. HIGH CONSERVATION VALUES (HCV)

This study finds that the important values of the HCV concept are similar to many of the environmental and conservation values that are protected by Indonesian law. In general terms the Indonesian government has laws and regulations that accommodate many of the principles contained within the HCV approach, but the implementation differs, and particularly so as it relates to land that has been licensed as plantation land. Another difference is seen in the existence of Protected Areas that are outlined in Indonesian legislation, compared to areas that RSPO member plantations describe as HCV areas within plantation land license areas. Location of Protected Areas is determined and regulated by the government based on specific value criteria that are to be protected. Such areas cannot fall within areas zoned for cultivation under spatial planning processes, except along riparian and watershed or water source areas.

According to Indonesian regulations, up to 25% of an area can be tolerated as not used under a Rights to Use Land License (known as a *Hak Guna Usaha*). However, the rights holder needs to submit a revision of the land concession according to existing land regulations (Head of BPN Regulation Number 4 of Year 2010, article 20, paragraph 4). Plantation companies can also help to conserve Protected Forest outside of, but adjacent to, their HGU license, without changing the existing land license to avoid forest land encroachment within such areas.

In the RSPO certification system, HCV areas are determined based on the results of an HCV assessment process within a designated area using the 2008 HCV Toolkit issued by the HCV Network in their Revised HCV Toolkit (Indonesia Consortium - see: www.hcvnetwork.org). The HCV Network is a member based organization. The identification process extends and includes areas potentially found in land allocated for agriculture under Indonesian law. Under the RSPO application of the HCV principle, primary forest and areas with one or more HCV areas in land allocated for plantation cultivation must be conserved and managed by the plantation company to ensure the HCVs are maintained and/or enhanced.

2. FREE PRIOR AND INFORMED CONSENT (FPIC)

FPIC is a principle that a community has the right to give or withhold its consent to proposed projects that may affect the lands they customarily own, occupy, or otherwise use. It is now a key principle in international law and jurisprudence related to indigenous peoples. FPIC has been adopted and modified from the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) into procedures by the RSPO, and is used by RSPO member companies as a key part of new plantation development. The UNDRIP has been ratified by the Indonesian government, but Indonesia places emphasis on existing legal provisions that concern the importance of, and respect for, community participation. The national government retains the authority to issue land-clearing permits for the purpose of national development on state land.

The RSPO requires a map showing the extent of legal rights, customary rights, and/or use rights of recognized parties over the area of land in question through a participatory mapping process involving all parties that will be affected. As part of the FPIC procedures that are used by RSPO member companies, if there is conflict, then the development will be postponed until agreement is obtained.

Indonesian regulations refer to the importance of a participatory approach and require participatory mapping be conducted with affected parties and with involvement of the local district land office. The local government is involved because land that is controlled by a plantation remains state land. If there is conflict within the area allocated for plantation development, regulations allow for this land to be enclaved and development may proceed whilst the landowner's complaint can be addressed and resolved through a process of consultation, mediation and discussion.

3. NEW PLANTING PROCEDURES (NPP)

Procedures for new planting of oil palm is quite different between the RSPO and ISPO. As part of its commitment to protect remaining forests, the RSPO has set a cutoff date of November 2005 for no conversion of primary forest to plantations. This means that RSPO certified plantations should not have been created by the replacement of primary forest, or any area required to maintain or enhance one or more HCV areas, since November 2005. Any development of oil palm plantations that has occurred after November 2005 is considered a new planting and any clearing or use of primary forest and HCV areas for such a planting is prohibited. Further, new oil palm plantings starting January 1, 2010 must be in accordance with the RSPO Procedures for New Plantings (NPP). NPPs must be carried out before land clearing commences for oil palm plantation development which includes HCV identification, a social impact assessment (SIA), primary forest identification, community and marginal soil land identification, and identification of land areas with high carbon stocks. NPP documents are to be placed on the RSPO website for 30 days to allow stakeholders to provide comments.

The ISPO Certification System does not use the NPP of the RSPO but requires companies to undertake an AMDAL (Environmental Impact Assessment - EIA) study in which the requirements concerning environmental protection and relevant community socio-economic elements are accommodated and planned for as part of the AMDAL. Both RSPO and ISPO require the same permits related to land use laws and regulations to be obtained, including adhering to the Presidential Instruction Number 10 of 2011 concerning the Postponement of the Issuance of New Licenses and Improving Governance of Primary Forest and Peatlands.

MAIN FINDINGS

Both the ISPO and the RSPO aim to contribute to a reduction in the loss of forest coverage. The two systems require the identification and reduction of carbon stock emissions before land clearing with the aim to reduce GHG from land use change. ISPO requires oil palm plantation development in Indonesia after Presidential Instruction Number 10 of 2011 regarding the Postponement of the Issuance of New Licenses and Improving Governance of Primary Natural Forest and Peatland to follow the new indicative government Plantation License Postponement Map. Both only provide certification for plantation companies that have legally approved land (including holding the correct HGU license), and land that does not have a HGU is nominated as unsustainable.

The RSPO does not allow new plantings on converted primary forests, HCV and High Carbon Stock (HCS) areas and other areas where the developer has not obtained the FPIC of indigenous and local peoples. Both certification systems provides certification only for legally approved land and plantation companies who have complied with national and district laws and regulations. This gives a strong impetus for the two organizations to work together to further strengthen and follow all legal aspects related to oil palm plantations in Indonesia.

Both the ISPO and the RSPO aim to contribute to a reduction in the loss of forest coverage. The two systems require the identification and reduction of carbon stock emissions before land clearing with the aim to reduce GHG from land use change.

Detailed appendixes and cross comparisons for this report can be downloaded at: www.rsपो.org, www.id.undp.org and www.inpop.id

The many common elements required by both certification systems can be used as the basis to conduct a combined, more efficient ISPO and RSPO audit on plantation companies with an auditor that understands both systems' P&Cs as well as their differences. It is recommended that both organizations conduct further investigations on the differences outlined in this study, so that both organizations can issue audit guidelines along with a checklist to be used as a guide for the implementation of a combined ISPO and RSPO plantation audit.



Top: A smallholder and his family pose for a picture in front of his oil palm plot.

Right: The oil palm tree and several Fresh Fruit Bunches (FFB) before being harvested and brought to the mill.



This study on the similarities and differences of the RSPO and ISPO certification systems is a preliminary step in considering forms of cooperation, which are beneficial for both organizations in perhaps simplifying the field auditing and certification process.
