

# SUSTAINABILITY BRIEF

Update from the field

August 2017

## Plasma Obligation versus Conservation Objectives – How do We Strike a Balance?

Oil palm plantation development in Central Kalimantan began in the 1990s. Since then, the palm sector has become the province’s strategic driver of economic growth, rural development and local livelihood support.

Many of Wilmar’s plantation business licenses (Izin Usaha Perkebunan or IUP) for estates in Central Kalimantan were obtained in the early 2000s. As part of land-use planning, High Conservation Value (HCV) assessments were conducted and areas identified to be HCV within our allocated concession areas were set aside for conservation prior to plantation development.



*HCV area in Wilmar’s Central Kalimantan Project*

### **Introduction of the Plasma Obligation**

In 2007, the Indonesian Central Government issued regulations<sup>1</sup> (replaced in 2013<sup>2</sup>) requiring companies to provide “community plantations” with an area of at least 20% of the total concession area allocated to the company as stated in its IUP. The Provincial Government of Central Kalimantan issued similar regulations in 2011<sup>3</sup>. Known as the Plasma Cooperation Scheme, the community plantations are meant to improve the livelihoods of local farmers through capacity building and business ownership.

<sup>1</sup>Regulation of the Indonesian Minister of Agriculture No. 26/Permentan/OT.140/2/2007 concerning Plantation Business License Guidelines

<sup>2</sup>Regulation of the Indonesian Minister of Agriculture No. 98/Permentan/OT.140/9/2013 concerning Plantation Business License

<sup>3</sup>Provincial Regulation of the Governor of Central Kalimantan No. 5 / 2011 concerning Sustainable Business Management

Since then, local communities have come to expect companies to fulfil their plasma obligations, and the Provincial Government of Central Kalimantan would not issue Business Use Right (Hak Guna Usaha or HGU) licenses to companies who have yet to fulfil their plasma obligations.

### **Finding Suitable Land for Plasma Estates**

Wilmar is fully committed to ensuring the communities share in the benefits of oil palm development in their vicinity. We support the communities' rights to their plasma plots, and have been endeavouring to meet our plasma obligations since the retroactive regulations were issued.

However, fulfilling the plasma obligation for all our estates in Central Kalimantan has been an uphill task, as much of the land area in the province has already been allocated to various plantations or other land uses prior to the plasma scheme requirement. Plasma estates are required to be **located outside the company's IUP area**<sup>4</sup>, and derived from the **community's own land**, or other **land with clear ownership status**<sup>5</sup>. The demand for land for plasma is further exacerbated as all the plantations surrounding our IUP area are similarly looking for land for their own plasma obligations, and communities themselves may not have sufficient land to meet the 20% requirement.



*Surveying land for possible plasma allocation*

For Wilmar, our No Deforestation, No Peat and No Exploitation commitment<sup>6</sup> also precludes areas classified as High Conservation Value (HCV), High Carbon Stock (HCS) or peat. The areas to be selected must not have conflicting community claims or existing land claims. In addition, our other consideration is proximity to villages so that communities have an easy access to their plasma estates.

<sup>4</sup>Article 15 paragraph (2) of the Regulation of the Indonesian Minister of Agriculture No. 98/Permentan/OT.140/9/2013 concerning Plantation Business License Guidelines ("Permantan No. 98/2013")

<sup>5</sup>Article 18 paragraph (5) of the Peraturan Daerah Provisi Kalimantan Tengah No. 5 / 2011

<sup>6</sup><http://www.wilmar-international.com/sustainability/integrated-policies/no-deforestation/>

## Case Study: PT Mentaya Sawit Mas – Save Orangutans, or Meet Communities’ Requests for Oil Palm?

The unavailability of suitable areas for plasma estates has inevitably resulted in conflicts with local communities. Central Kalimantan provides a habitat to approximately half of the world’s remaining wild orangutans. Approximately 4,000 hectares (ha) of conservation area in Wilmar’s PT Mentaya Sawit Mas (MSM) estate in Central Kalimantan that has been identified as orangutan habitat is under pressure from local communities to be converted to plasma estates.

As part of our efforts to safeguard this important habitat, Wilmar initiated a tripartite partnership with the government of Central Kalimantan and the Borneo Orangutan Survival Foundation in 2013. Part of the project includes a participatory mapping exercise with the five villages adjacent to PT MSM estate, as a basis in formulating joint agreements with the project partners to manage and conserve this HCV area.



*Orangutan in PT MSM*

However, an external evaluation<sup>7</sup> in 2016 by an NGO, Borneo Futures, has found the conservation project to be ineffective because of the lack of recognition from local communities. The HCV area is threatened by burning and land clearing by local communities who continue to clear 50 to 60 ha every year. One of the critical factors hindering the success of this conservation project is the local communities’ refusal to relinquish their claim on the conservation area until the plasma scheme is fully implemented. However, as there is insufficient suitable land for plasma development, communities feel that the only option is to convert the HCV area to oil palm cultivation.

Despite the deadlock, Wilmar is currently working with the local communities to look for other non-palm development options outside the HCV area (e.g. paddy fields), in an attempt to balance socio-economic obligations to the communities with our conservation objectives.

<sup>7</sup>Darmawan, L, Dennis, R., Meijaard, E. 2016. Review of best management practices and collaboration between BOSF, MSM, and local government in PT MSM. *Unpublished*.

## Where We Have Succeeded in Developing Plasma Estates

Notwithstanding the above, we have had some success in developing plasma estates for communities' in Central Kalimantan. However, the process of developing plasma is lengthy as it often involves difficult discussions, governmental bureaucracy and active engagement to identify suitable areas (as described earlier). The plasma in PT Mustika Sembuluh took four years while the plasma development in PT Kerry Sawit Indonesia started in 2012. Nevertheless, the development process has resulted in a cordial relationship and benefit sharing with local communities.



*Joint boundary mapping in progress for PT KSI's plasma.*



*Meeting with the cooperative members from PT KSI's cooperatives (Kosudra Village Coop)*

## Examples of established plasma estates:

<b>E s t a t e Name</b>	<b>Details</b>
PT Mustika Sembuluh	<p>IUP obtained in 2003                      HGU obtained in 2005</p> <p>No plasma obligation, as HGU was obtained prior to 2007.                      Nevertheless, a plasma estate of 182.01ha was established for the Pondok Damar Village Community, in cooperation with the Bitu Maju Bersama Cooperative since 2006.</p>
PT Kerry Sawit Indonesia	<p>IUP obtained in 2005                      HGU obtained in 2017</p> <p>Plasma obligation fulfilled in 2016:</p> <ul style="list-style-type: none"> <li>• Plasma estates totaling 3,554.45ha (26% of total HGU area, exceeding requirement of 20%) established in cooperation with four cooperatives:                             <ol style="list-style-type: none"> <li>1. Kosudra Village Coop – 1,064.45 ha</li> <li>2. Sejahtera Bersama Coop – 956.57 ha</li> <li>3. Tabiku Makmur Coop – 568.19 ha</li> <li>4. Karya Bersama Coop – 965.19 ha</li> </ol> </li> </ul>

## **We Need Collective Action to Find Sustainable Solutions in Central Kalimantan**

We see an opportunity for greater sustainable impact in Central Kalimantan with the collective action of NGOs, industry and the government. In particular, the support of the provincial and local government agencies in looking at land allocations at the landscape level is urgently needed.

Only by looking at the larger landscape outside specific concessions would it be possible to address the requirements of land allocation for community plasma estates and also take into consideration of existing land areas allocated for conservation. Collective action is needed to ensure that the Provincial Government's target of reaching 3.5 million ha of planted oil palm in Central Kalimantan by 2020 is met in the most sustainable way.

Meanwhile, Wilmar will continue our commitment to finding a solution that is beneficial for both wildlife species like the orangutans, and local communities.