

SUPPORTING INDONESIA'S CLIMATE CHANGE AGENDA BY HARNESSING THE POWER OF GLOBAL SUPPLY CHAINS

A briefing for policy makers

EXECUTIVE SUMMARY

Indonesia accounts for 6% of global tropical rainforests. However, for many years, these vital forests have been subject to high rates of deforestation, with the associated carbon emissions making the country the world's fifth largest emitter.

Recent policy initiatives in the country have had some success in slowing deforestation. However, in light of the recent Paris Agreement and ongoing UN Sustainable Development Goals (SDGs), pressure is growing on public and private sector actors in Indonesia – not least from major international consumers of its palm oil – to do more to halt forest loss.

We propose that the national approach to avoiding further deforestation in Indonesia should include a range of measures including:

1 Strengthening existing regulations

The government of Indonesia has been addressing deforestation through various policy frameworks and initiatives. Among those initiatives, land-use policy, including a moratorium on licenses for forest clearing, peatland restoration, land and forest restoration, social forestry and the postponement of palm oil development have delivered positive impacts. However, the latter policy (the postponement of palm oil development) needs to be strengthened by improving transparency through monitoring and evaluation during its implementation, involving all stakeholders, including among related government agencies, the private sector, and NGOs. Meanwhile, the One Map Project, which aims to synchronize maps used within government, should be completed as scheduled by the end of 2019, enabling better planning, resource allocation, and the resolution of ongoing and future land-use conflicts.

2 Improving the credibility of national certification

Currently, palm oil companies certify their products using both the mandatory Indonesia Sustainable Palm Oil (ISPO) standard and, for exporters, the Roundtable on Sustainable Palm Oil (RSPO) standard. As ISPO is in line with the Presidential Instruction on postponing palm oil development, it is important to enhance the credibility of ISPO by improving how it addresses social issues, such as ensuring free, prior and informed consent (FPIC), and providing more detailed treatment of environmental concerns. The ongoing modification of ISPO should incorporate stakeholder inputs, including on the new proposed criteria, standards and monitoring methodology complaints system. The improved version should be issued through presidential regulation as planned and scheduled (in mid 2019).

3 Increasing supply chain transparency

The complexity of palm oil supply chains creates challenges in ensuring that the palm oil consumed is from legal sources and produced in an environmentally managed area. Around 45% of companies responding to CDP's 2018 forests questionnaire agreed that supply chain complexity is the main challenge in removing deforestation from company supply chains. It is therefore important for companies involved in forest-risk commodities such as palm oil to provide clear information regarding their policies and performance relating to deforestation. In order to improve their transparency, purchasing companies need to work with their suppliers to encourage certification and improved practices, providing financial and technical support as required.

Companies can take advantage of available global environmental reporting and data dissemination platforms, such as CDP. By tracking and disclosing their performance on various environmental issues, and reviewing the performance of their supply chains, they can reduce the environmental risks they face. The government also needs to improve its transparency and accountability on its forest protection policies, involving related stakeholders, such as through public-private dialogue. **Similarly, disclosure through CDP can also be used by companies to highlight the opportunity for government to foster a policy environment that encourages transparency.**

4 Facilitating the implementation of jurisdictional approaches to enable sustainable palm oil production

In its contribution to the goals of the Paris Agreement, Indonesia has committed to reduce its greenhouse gas (GHG) emissions by at least 29% by 2030 compared with a business-as-usual scenario. To achieve this goal, the country is relying on several primary sectors, and on its land-use sector policy, including policies relating to forest moratorium, peat restoration, land and forests restoration, and forestry more broadly. While some policies are targeted to reduce emissions from the deforestation caused by palm oil development, it is important that the government employs a range of measures to improve sustainable palm oil production, including the implementation of a jurisdictional approach.

The jurisdictional approach is an integrated approach to address social, economic, ecological and political issues through synergies at the landscape scale, creating partnerships among actors on the ground including governments, businesses, NGOs, and other stakeholders. It involves policy intervention beginning with land-use planning and certification at the sub-national or district level, where agricultural commodities, such as palm oil, make a major contribution to economic development but are also associated with deforestation. Properly managed palm oil development can help Indonesia meet its 2030 Sustainable Development Goals by reducing rural poverty, providing direct and indirect employment, enhancing food security, and improving economic development.



DEFORESTATION IN INDONESIA AND ITS IMPLICATIONS FOR SUPPLY CHAINS

Indonesia is comprised of over 17,000 islands, totaling more than 180 million hectares of land. More than 63% of its total land area – or 120.6 million hectares – is covered by forests, which account for 6% of global tropical rainforests. This includes approximately 15 million hectares of peatlands.¹ Indonesia boasts the world's third largest tropical rainforest, after the Amazon and the Congo rainforests, with some of the world's most extensive and biodiverse rainforests, ranging from evergreen lowland dipterocarp forests in Sumatra and Kalimantan, to seasonal monsoon forests and savanna grasslands in Nusa Tenggara, and dipterocarp lowland forests and alpine areas in Papua².

The country's rainforests also provide resources and livelihoods for tens of millions of people, whether forest products for their daily needs, or employment in the wood-processing sectors of the economy. The rich biodiversity of Indonesia's forests plays a major role in food security and human health, providing clean water, timber, medicinal plants and other important services. Its forests also contribute to carbon sequestration and climate change mitigation as well as enhancing community resilience to the impacts of climate change.

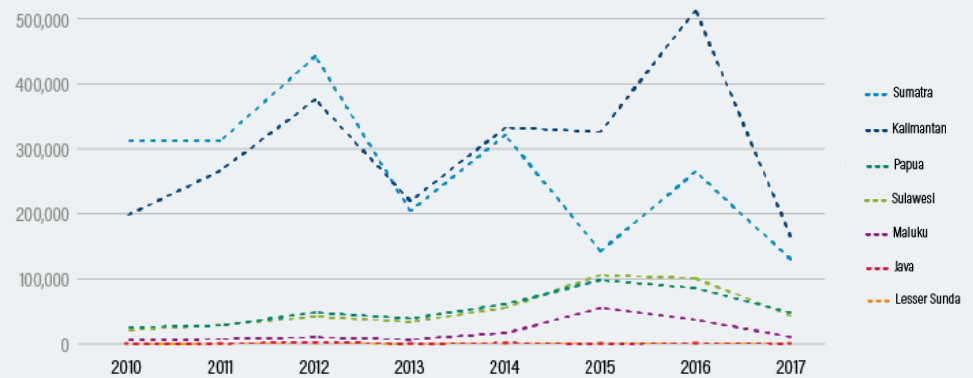


1. Kementerian Lingkungan Hidup dan Kehutanan, 2018. The State of Indonesia's Forests 2018

2. FWI/GFW, 2002, The state of the forest Indonesia. Bogor, Indonesia: Forest Watch Indonesia, and Washington DC: Global Forest Watch. p.118

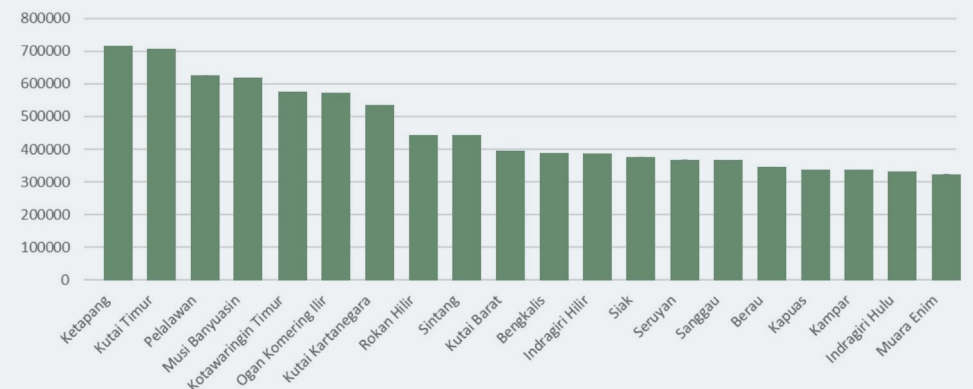
For a number of years, Indonesia has experienced high rates of deforestation, particularly on the large islands of Sumatra and Kalimantan between 2010 and 2017 (See Figure 1).³

Figure 1. Deforestation in primary forests in Indonesia, 2010-2017



According to Global Forest Watch data, the deforestation in districts on those two islands is mainly located in Ketapang, Sintang, and Sanggau of West Kalimantan, Pelalawan, Rokan Hilir, Siak, Indragiri Hilir, Indragiri Hulu, Bengkalis, and Kampar of Riau provinces (See Figure 2).⁴ Deforestation is mainly caused by logging extraction, fire, infrastructure extension, and land conversion for agricultural expansion.⁵

Figure 2. Accumulated deforestation in 20 districts in Indonesia, 2010-2017



3. WRI, "Indonesia's Deforestation Dropped 60 Percent in 2017, but There's More to Do," blog post 14 August 2018.

4. Global Forest Watch, "Tree cover stats 2017 Indonesia," 20 April, 2019

5. WRI, "Drivers of Deforestation in Indonesia, Inside and Outside Concessions Areas," blog post 19 July, 2017.

One of the key reasons for land use changes is palm oil cultivation. A recent study found that palm oil contributed to more than 14% of forest loss over 2005-2015, totalling 117,000 hectares annually.⁶ Another study estimated that the amount of land given over to oil palm plantations has increased by an average of approximately 600,000 hectares annually since 2005.⁷ According to the Indonesian Ministry of Agriculture, there were more than 12.3 million hectares under palm oil cultivation in 2017; this figure increased by 393,000 hectares in 2017, and 654,000 hectares in 2016.

Palm oil is very important to Indonesia's economy. Its cultivation and processing generates approximately 1.54% of the nation's GDP and provides over six million jobs.⁸ Since 2000, the palm oil sector has lifted 10 million people from poverty as result of palm oil expansion, according to Badan Pengelola Dana Perkebunan, the Indonesian Oil Palm Estate Fund Agency.⁹



6. K.G. Austin et al., "Shifting patterns of oil palm driven deforestation in Indonesia and implications for zero-deforestation commitments", *Land Use Policy*, Volume 69, August 2017.

7. *ibid*

8. Meijaard, E., Garcia-Ulloa, J., Sheil, D., Wich, S.A., Carlson, K.M., Juffe-Bignoli, D., dan Brooks, T.M. *Kelapa sawit dan keanekaragaman hayati: Analisis situasi oleh Satuan Tugas Kelapa Sawit*, IUCN 2018.

9. Tempo News, "Kontribusi Sektor Sawit bagi Perekonomian Nasional", 23 August 2018.

Most palm oil is exported, generating foreign exchange. **In 2017, Indonesia exported 29.07 million tons of palm oil, worth US\$20.72 billion¹⁰ (See Figure 3).** India is the largest importer of palm oil, followed by Europe and China, with many large global companies increasingly dependent on the Indonesian palm oil sector. Clearly, palm oil has a significant role in promoting Indonesia's social and economic development, and it is important for the country to maintain its exports of palm oil into global markets.

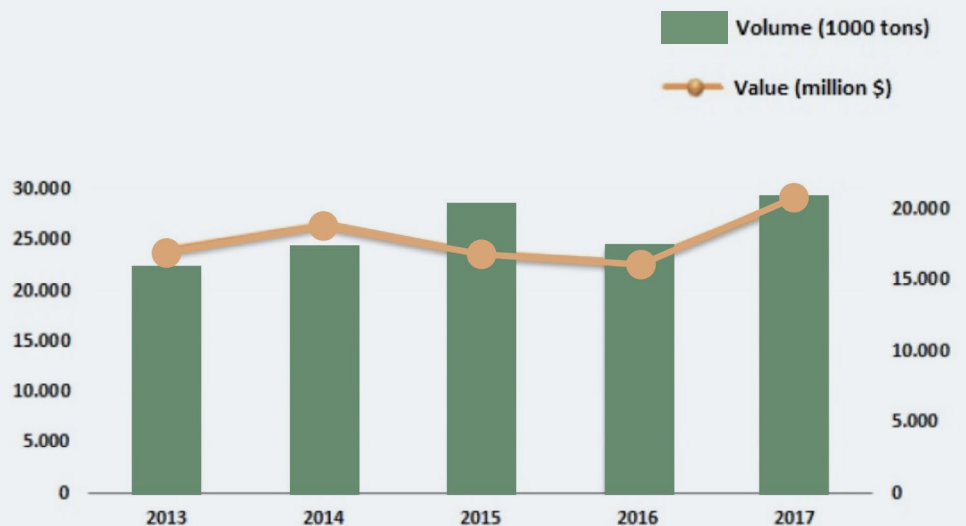
However, as noted above, palm oil is among the main drivers of deforestation in Indonesia, with significant implications for global supply chains.

To address deforestation, the Indonesian government has produced a number of policy frameworks, including a forest licensing moratorium policy and policies promoting peat and forest restoration, as well as supporting

private-sector zero-deforestation initiatives. A number of large multinationals have committed to remove deforestation from their supply chains by 2020. Some of them have been working to integrate their supply chains, with a view to not only improving procurement efficiency but also reduce environmental and social impacts, for example through responsible sourcing and green supply chains.

Government initiatives and private sector responses have complemented each other, with private sector actions to reduce deforestation contributing to government targets under its Nationally Determined Contribution (NDC) to the Paris Agreement on climate change. However, many of these goals are expected to be missed.¹¹ Therefore more needs to be done by both private and public sectors to preserve tropical rainforests in Indonesia and elsewhere.

Figure 3. Volume and value of exported crude palm oil, 2013–2017



10. Badan Pusat Statistik (BPS) Indonesia, 2018. Indonesia Oil Palm Statistics 2017

11. Global Canopy, Annual Report 2018: The Countdown to 2020.

WHAT IS IN PLACE AND HOW IS IT WORKING?

The government's policies to address deforestation include its forest moratorium policy, policies on peat restoration, land and forest restoration, and social forestry, and the Presidential Instruction (INPRES) on postponement of palm oil development. The government is also updating its Indonesia Sustainable Palm Oil (ISPO) certification standard, which is expected to be issued mid 2019. While the government can claim some successes, such as with a land use policy that includes a moratorium on issuing land-use change licenses, and its promotion of peat restoration and land and forest restoration,¹² other initiatives, such as the ISPO, need some improvement.

The Forest Moratorium

The Forest Moratorium was first issued in 2011 and has been extended in 2013, 2015 and 2017. It is a regulation that prohibits clearing primary forests and peatlands inside forest estates and in other specified land-use areas. In 2018, the government announced postponements to and evaluation of licensing of oil palm plantations, as well as requiring increased productivity from plantations. The moratorium is considered to have been successful: it has contributed to an 88% decrease in the area of primary forest lost in protected peat areas between 2016 and 2017.³

The Peat Restoration Agency

In 2016, the Peat Restoration Agency (Badan Restorasi Gambut, or BRG) was established with a mandate to restore 2.1 million hectares of peatlands by 2020 in seven priority provinces (Riau, Jambi, South Sumatra, West Kalimantan, Central Kalimantan, South Kalimantan, and Papua). By the end of 2017, BRG had restored more than 1.2 million hectares of peatlands in those provinces.¹³ Similarly, in 2018 3.1 million hectares of peatlands were restored and/or re-wetted, consisting of 2.2 million hectares in industrial forest plantation areas, 884,000 hectares in agricultural plantation areas, and 8,382 hectares on local community land, according to figures from the Ministry of Environment and Forestry (MoEF).¹⁴ The success of peatland restoration is important in reducing deforestation. **According to BRG, it has reduced forest and scrubland fires by 80% following its establishment.**¹⁵

The One Map Policy

A major challenge in addressing deforestation

in Indonesia has been the lack of consistent geospatial information, including base maps for land cover and land allocation, on which to base land-use decisions. In the past, each ministry has used its own maps, which often do not agree and frequently overlap, fueling potential conflict among agencies making land-use decisions, such as issuing permits or designating protected areas.

In response, in 2010 the government introduced its One Map Policy, to create an official central database of geospatial information. One of its strategic objectives is to resolve the land conflicts that often lead to uncontrolled deforestation. This policy provides a legal basis for government reform. For example, in 2018 MoEF updated and integrated various forest maps, including concession areas, community plantation forests, and national parks (see Figure 4).¹ By the end of 2019 it is expected that thematic geospatial information will be synchronized between Indonesia's different ministries and government institutions. **However, this synchronization process has not included public participation, potentially storing up problems for the future.**¹⁶

ISPO

The Indonesian government established ISPO in 2011 as a mandatory certification standard for palm oil production, intended to minimize the palm oil sector's environmental impacts. ISPO has been presented by the government as a sustainability standard similar to other emerging international standards and commitments such as the Roundtable on Sustainable Palm Oil (RSPO).

ISPO promotes the use of sustainable practices for oil palm grown in Indonesia. As of early 2019, there were 15 bodies that offer ISPO certification, of which seven come from abroad, and 1,559 ISPO auditors. ISPO certification is supported by eight consulting institutions and three ISPO training institutions, ensuring that the certification process is independent. Receipt of ISPO certificates is monitored by the European Sustainable Palm Oil (ESPO) project and is reported annually by the European Palm Oil Alliance (EPOA).¹⁷

Overall, ISPO provides less detailed guidance than other comparable standards, raising challenges for its consistent application across Indonesia's

12. WRI, "How Can Indonesia Achieve Its Climate Change Mitigation Goal? An Analysis of Potential Emissions Reduction from Energy and Land-Use Policies," Working Paper September 2017.

13. Tirta News, "BRG: 1,2 juta hektar lebih lahan gambut sudah direstorasi pada 2017," 29 December 2017.

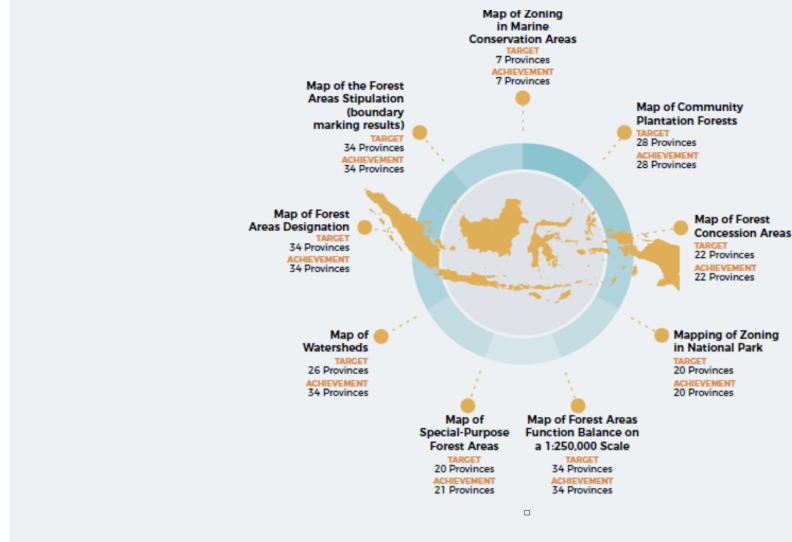
14. Antara News, "KLHK: 3,1 juta ha gambut di area konsesi telah direstorasi," 29 January, 2019.

15. Sindo News, "Restorasi gambut sukses kurangi 80% kebakaran hutan dan lahan," 30 January, 2019.

16. WRI, "Tiga Hal yang Perlu Dilakukan Pemerintah Pasca Peluncuran Geoportal Satu Peta," blog post, 14 December 2018.

17. KataData, "Tepis Kritik, Komisi ISPO Sebut Sertifikasi Kebun Sawit Terpercaya," 28 March, 2019.

Figure 4. Targets and achievements of the One Map Policy implementation, as of 2017



diverse geographies.¹⁸ For example, ISPO does not address social issues comprehensively as it does not include key requirements, such as the need to obtain free, prior and informed consent from local communities, and has less detailed explanation of requirements for compliance compared with other standards.

It is widely acknowledged by NGOs that a number of improvements are needed in its implementation for the ISPO standard to deliver tangible results in terms of improving the environmental practices of Indonesia's oil palm sector. The Coordinating Ministry on Economic Affairs, which oversees ISPO, began a process to strengthen the standard in mid-2016. Some NGOs have suggested that ISPO should accommodate stakeholder inputs, including new principles on human rights and traceability, an independent monitoring and complaints system, and a target for all smallholders to become ISPO-certified.¹⁹ As part of the government's strategy to reorganize palm oil management, ISPO is cited by the INPRES regarding postponements to and evaluation of licensing of oil palm plantations, as well as requiring increased productivity from oil palm plantations. An updated version of ISPO is expected to be issued in mid 2019 by presidential regulation.

Policy reforms

It is important to note that not all reforms to policy are producing the expected results. Some palm oil companies have suggested that the INPRES on the postponement and evaluation of palm oil should be supported by technical regulations to provide clarity on how to implement it. For example, the INPRES requires that palm oil companies allocate 20% of their total area under cultivation to smallholder farmers. However, there are differences in opinion, between the Ministry of Environment and Forestry, the Ministry of Agriculture, and the Ministry of Agrarian and Spatial Planning/National Land Agency as to how that obligation should be discharged.

Nonetheless, the policy reform process provides an enormous opportunity to reorganize and improve land use allocation and utilization by the forestry and agricultural sectors through the implementation of the moratorium, One Map policy, land tenure/conflict resolution, and forest management and certification.

18. Daemeter, 2014. A Comparison of Leading Palm Oil Certification Standards Applied in Indonesia

19. Environmental Investigation Agency, "Backtracking on reform: how Indonesia's Government is weakening its palm oil standards," 8 February, 2018.

HOW SUPPLY CHAIN TRANSPARENCY CAN CONTRIBUTE TO REDUCING DEFORESTATION

CDP data shows that over 80% of reporting companies that produce and/or source palm oil from Indonesia identified inherent forests-related risks in both 2017 and 2018. These include reputational risks (cited by 72% of respondents), regulatory risks (30%) and physical risks (25%) in 2018. Regulatory risks include, for example, changes to land tenure regulations, national regulation, international law or bilateral agreements, moratoria or voluntary agreements, and changes to product standards. Brand damage was the most frequently identified potential impact, followed by reduced demand for products and services, and increased operating costs.

Global environmental reporting and dissemination platforms, such as CDP, enable companies to demonstrate their own performance on various environmental issues including water use, GHG emissions, and deforestation, as well as allowing an analysis of how their supply chains are managing environmental risks and opportunities. Such environmental disclosure is the result of pressure from investors and other stakeholders, who recognize that collecting, disclosing and acting on this information can improve corporate and financial performance. Companies disclosing environmental information through CDP are reporting growing interest in the impacts of their supply chains on deforestation. Similarly, the CDP disclosure platform can also be used by companies to highlight the opportunity for a government role in fostering a policy environment that encourages transparency.

It can be difficult to identify whether a source of palm oil is from deforestation-free plantations. Palm oil supply chains are complex, often involving several individual processes and trades between cultivation and consumption, making it challenging to trace palm oil back to its origin. **Indeed, according to 2018 CDP data, 45% of responding companies who produced and/or sourced palm oil in and from Indonesia cited supply chain complexity as the main challenge to removing deforestation from company supply chains.**

It is therefore important that companies committed to eliminate deforestation and forest degradation from their supply chains provide clear information related to their operating procedures, the third-party verification they use, and the progress they have made. As well as encouraging certification by their suppliers, purchasing companies need to help suppliers build capacity through the provision of financial and technical support.

A growing number of companies have taken steps to reduce their impacts on deforestation and forest degradation; 700 companies have pledged through the New York Declaration on Forests to remove deforestation from their supply chains. Major producing or purchasing companies, aiming to meet the demands of their investors and customers, have an important role to play in making 'zero deforestation' pledges. However, disclosure at greater scale is now required within domestic and international supply chains to demonstrate what progress is being made.²⁰ Supply chain transparency enables participation and dialogue between stakeholders, helping them to better engage with measures to conserve and regenerate forests.

Palm oil-consuming companies that responded to CDP's Forests questionnaire, such as **Unilever** and **Firmenich SA**, identified a number of risks related to producing, selling and supplying palm oil which have the potential to lead to substantial impacts on companies' operations, income and expenditure. **In 2018, of the 69 companies who produced and/or sourced palm oil in and from Indonesia that responded to questions on palm oil, 34 had already experienced detrimental impacts, while six identified regulatory issues as the primary driver.** Meanwhile, 59 companies had sustainability policies in place for their products, including 43 who had zero-deforestation or zero net-deforestation policies in place. By only sourcing palm oil from sustainable sources, companies can mitigate risks they face from buying from producers with harmful practices, as well as avoid the costs of adapting to sustainable practices over the longer term.



Indonesia's ability to maintain its position as a primary supplier to the global palm oil market will depend upon its palm oil sector adopting the environmental and social practices that these buyers expect. For its part, the government can support Indonesian companies and those operating in the country to position themselves as leaders in sustainable practice within both internal and overseas markets.

FORESTS IN THE CDP SUPPLY CHAIN PROGRAM

Tackling tropical forest loss is the latest addition to the CDP supply chain program. With support from the Norwegian government, we were able to launch our forests supply chain work in 2017 with eight members. In 2018, the program grew to 14 members, each of whom are engaging with their suppliers by requesting information on the production and use of commodities linked to deforestation. At present, the focus is on five of these commodities: timber, palm oil, cattle products, soy, and rubber.

Our aim is to drive greater action and urgency in halting deforestation. By applying CDP's tried and trusted approach of engaging with the private sector, and supporting companies in the process of responding to our questionnaire, we provide a framework for investors and companies to better understand the risks and impacts of business practices, and to improve the mitigation response to the sustainability challenges we face.

In 2018, forest supply chain members requested disclosure on forests from 519 suppliers, receiving 305 responses. This is a substantial increase from the 2017 pilot year, where 244 requests were made and 88 responses received. Encouragingly, many of these respondents were from high deforestation-risk regions: 68 suppliers responded from Brazil and, in Indonesia, 50 suppliers sourcing palm oil responded.

Despite this progress, corporate action to halt deforestation has not yet reached a tipping point, as shown by the low number of companies recognized by CDP as leaders in addressing deforestation. CDP's forests score grades companies on their efforts to remove commodity-driven deforestation from

their supply chains. With only seven companies recognized as leaders in 2018, a step change in corporate behaviour is needed.

Nonetheless, some companies are making progress in addressing deforestation, showing what can be done when companies commit to action. For example, in Indonesia, Singapore-based **Golden Agri-Resources** (GAR) has committed to transparency. Since 2015, the company has achieved 100% traceability to the mill, meaning it tracks the relevant details of over 400 palm oil mills (third-party and GAR-owned) that supply crude palm oil and palm kernel to its eight downstream locations. Additionally, in 2017 the company achieved traceability to the plantation for all GAR-owned mills. It is expected that this will be extended to its 400 third-party supplier mills by the end of 2020.²¹

Similarly, **Unilever**, the world's largest end-user of traceable certified palm oil, is bringing forward its target for achieving 100% physically certified palm oil to the end of 2019.²² The company is also engaging with stakeholders, including civil society, governments, and local communities, to promote sustainability within the palm oil industry. It is using multi-stakeholder landscape management approaches to align smallholder interventions with 'produce and protect' models. These include a plan to support and empower smallholder farmers who supply to the Sei Mangkei palm oil facility in North Sumatra. Thus far, Unilever has worked with 600 smallholder farmers to improve farm management practices and productivity, support smallholders in demonstrating legal ownership of their land, and increase earnings per hectare through market facilitation and certification. It is expected the program can be scaled up to benefit around 25,000 farmers.

21. Golden Agri website, "Sustainability", accessed 1 May 2019.

22. Unilever, Palm Oil Position Paper, 2016.



LOCAL GOVERNMENTS SHOULD

Promote the implementation of the jurisdictional approach through intensive coordination with national sectoral agencies, parliaments and other stakeholders for further institutionalization and support. This includes identifying windows for streamlining jurisdictional approaches into formal decision-making structures. For example, local governments should initiate discussions with the Ministry of Home Affairs for the latter to provide formal regulation that facilitates and enables local governments to implement jurisdictional approaches and further allocate budgets generated from local government income.

BRIDGING GAPS BETWEEN THE PRIVATE SECTOR AND PUBLIC POLICY

Implementing its land-use policy has been key for Indonesia in addressing deforestation. At the same time, it is important for the government to set clear and measurable action plans and to establish monitoring of an evaluation system that involves all stakeholders. Indeed, public transparency and participation are key components of the success of monitoring and evaluation. Based on our experience working with private sector and institutional actors around the world, our recommendations include:

1 Strengthening regulation and monitoring

The new extended moratorium provides a huge opportunity to improve forest governance with a view to reducing deforestation and GHG emissions. CDP data indicates that private companies consider reputational and market pressures as more important drivers of detrimental impacts than regulation. Private sector firms also tend to consider negative media coverage as more important than poor enforcement of regulation as a driver of substantive risk. This suggests governments need to work harder to draw up effective regulation – and ensure it is enforced. Indonesia's government can provide further support to encourage private sector engagement. It could consider:

- ▼ Promoting the development of monitoring and evaluation systems that can be used by private actors and local government to monitor and enforce the moratorium.
- ▼ Improving coordination with all interested stakeholders, including private companies and NGOs, in collecting data used to support the implementation of the moratorium.

2 Strengthening existing certification systems

Although ISPO is mandatory in Indonesia, producers tend to use RSPO for export certification. This suggests that the credibility of ISPO needs to be strengthened so that both certifications can complement each other to improve the sustainability of palm oil in Indonesia. Our recommendations are that the government should:

- ▼ Accelerate the issuance of an improved ISPO standard through presidential regulation. The new ISPO should incorporate stakeholder inputs, including on its new proposed criteria, standards, and monitoring methodology. This will address the current perception that ISPO is used merely for legal compliance as it does not adequately address environmental issues.
- ▼ Promote public awareness regarding the importance of sustainability, through the involvement of all interested stakeholders, and through joint activities at regular meetings regarding the implementation of ISPO and RSPO certifications and monitoring. This awareness raising should involve independent certification bodies, consulting institutions and the three ISPO training institutions.
- ▼ **Improve penetration of certification and traceability among Indonesian palm oil producers, given that CDP data shows that only 13% of companies (producers, processors and traders) can fully track all of their production or consumption to the plantation, and less than 23% to the mill.**
- ▼ Promote improvement of the new Universal Mill List (UML), created by the World Resources Institute (WRI), the Rainforest Alliance, Proforest and Daemeter, that identifies and maps mills in different countries, including Indonesia. The list offers a better framework than the individual unit mapping method for companies looking to monitor and report on their commitments to sustainable palm oil.
- ▼ Accelerate the implementation of the One Map Policy, to provide synchronized maps showing the geographical locations of both plantations and mills for further spatial planning and development, facilitating traceability by certification systems.

3 Increasing supply chain transparency

Avoiding deforestation from palm oil produced in Indonesia requires transparent supply chains. Voluntary actions such as participation in CDP disclosure to customers can be helpful, but the government should provide further support to encourage private sector action. Our recommendations include that the government should:

- ▼ Improve the technical capacity of actors in commodity supply chains, thus supporting responsible production and consumption and enhancing Indonesia's ability to satisfy market demand for zero-deforestation commodities.
- ▼ Promote social monitoring (by NGOs, grassroots organizations, and others) and communal processes (involving organized indigenous peoples) through supporting systems of monitoring and verification that are adjusted to local conditions.
- ▼ Socialize, interpret, and facilitate the sharing of information provided by various institutions and organizations, including Indonesia Statistics, Forest Monitoring, WRI, and others, for users and actors involved in commodity supply chains.
- ▼ Promote procedures and systems that allow transparency and access to information in relation to the control and traceability of commodities.
- ▼ Generate spaces for participation and dialogue with decision makers (producers, traders, industry and investors) linked to the degradation, deforestation, conservation and regeneration of forests to create synergies and to provide alternative solutions to existing problems.
- ▼ **Improve transparency and accountability by encouraging public participation in policy decision-making processes related to land use, such as providing opportunities for stakeholders to input into the process of synchronizing thematic geospatial information (One Map) as it is being validated nationally and harmonized among national agencies.**

4 Transitioning to sustainable palm oil through jurisdictional approaches

Several studies have shown that jurisdictions in Indonesia are in the early stages of adopting jurisdictional approaches to sustainability. The direct involvement of government in jurisdictional approaches has resulted in the institutionalization of the process, with potentially positive effects on spatial planning and the enforcement of existing laws and regulations, such as the issuance of provincial regulations. It has been recognized that the level of institutionalization varies depending on different factors, leadership, and political agendas. Thus, it is still not streamlined into formal decision-making structures beyond the initiative, such as the Midterm Development Planning regulation (**Rencana Pembangunan Jangka Menengah, or RPJM**) and other regulations. Challenges including ensuring inclusive processes, involving related stakeholders, securing trust from key stakeholders to incorporate the approach into the political agenda, and improvements to the monitoring, reporting and verification system, and funding could all be addressed through national policy. Our recommendations are that government:

- ▼ Actively engages in the jurisdictional approach process to share lessons learnt and move forward as the opportunity arises. For private sector actors, jurisdictional approaches provide a great opportunity to identify different ways to implement commitments to sustainable sourcing. For example, **Unilever** has supported developing sustainable jurisdictions for palm oil in Central Kalimantan Indonesia in partnership with The Packard Foundation, NORAD, IKI-Germany, and the Earth Innovation Institute (INOBU).

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