ALTERNATIVE IMPLEMENTATION OF NEW PARTNERSHIP PATTERNS FOR A MORE INCLUSIVE PALM OIL INDUSTRY

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RESUME

The pattern of oil palm partnership in Indonesia begins with the initiation phase of the partnership pattern and then develops and is adjusted to the current development and government policies. There are at least four development patterns of oil palm plantation partnerships, namely (1) the pattern of partnership with the Indonesian abbreviation for Nucleus Estate Smallholders (named: Perkebunan Inti Rakyat/PIR) namely the Special PIR and the Local PIR (2) the PIR Transmigration partnership pattern (3) the partnership pattern of PIR for Credit cooperative for members (named: PIR Kredit Koperasi Primer untuk para Anggotanya/PIR KKPA) and (4) the partnership pattern of PIR Plantation Revitalization (named: PIR Revitalisasi Perkebunan/Revitbun). The PIR Plantation Revitalization partnership policy ended in 2014, because the program was considered to be less successful (InfoSawit, 2018).

To continue contributing to the partnership program in order to create greater and more inclusive economic benefit, the Indonesian Government through Law No. 39/2014 concerning Plantations Article 58, that require plantation companies to facilitate the development of people's plantations covering an area of 20 percent of the total area cultivated in a Plantation Business License (IUP).

This obligation cannot yet be carried out by oil palm plantation companies given the enactment of Presidential Instruction 5/2019 concerning a moratorium on the opening of new oil palm plantations, limited land and hampered sustainable principles where the development of new plantations has the potential to cause environmental problems such as the conversion of forests, peatlands and other food/agriculture lands, biodiversity loss and social problems such as agrarian conflicts and human rights violations. This condition creates a dilemma for plantation companies and creates potential legal risks and social tensions faced by the company.

The great role of partnerships in the development of the national oil industry must continue, but alternative implementation of partnership policies are needed to solve the plantation company dilemma but still create inclusive growth and create more multiplier effect. The partnership pattern is made more varied by not only related to plasma-core replicas and involving wider community groups (not only communities with the profession of farmers). The alternative of partnership program such as realization of replanting (PSR) programme, optimization GAP, development of independent oil palm smallholders organization with its greenfuel milling, integrating the with local food/agriculture products cultivated by the surrounding community to fulfill the employee plantation’s needs and the development of local community businesses both in the creative field based on palm oil and supplying POME based bioelectricity for rural communities has the potential to cause forest and food land conversion, biodiversity loss to social conflicts.
INTRODUCTION

The development of oil palm plantations in Indonesia is unique. This is because plantation corporations (private and state) grow side by side with people's oil palm plantations. This condition can occur as part of a partnership policy that developed by the Indonesian government. The partnership policy between oil palm plantation corporations and the people has been implemented since the late 1970s.

Unlike the partnership policy (nucleus-plasma) in other commodities (poultry, shrimp, rubber, etc.), where the partnership policy was developed as a solution to the dualism conflict between the people's business with the corporation. Meanwhile, the development of partnerships in oil palm plantations was actually developed as a blue print for the development of corporate oil palm plantations to be implemented by the people (PASPI, 2017). Through this partnership scheme also succeeded in opening and facilitating the development of people's oil palm plantations.

To continue contributing to the partnership programme in order to create greater and more inclusive economic benefit, Indonesian Government through Law No. 39/2014 concerning Plantations Article 58, that require plantation companies to facilitate the development of people's plantations covering an area of 20 percent of the total area cultivated in a Plantation Business License (IUP).

Based on historical facts, the partnership is capable of bringing about a revolutionary change in the national oil palm industry so as to produce benefits that are enjoyed by the surrounding community. The big role of partnership shows that the policy must continue. Therefore, this paper aims to discuss the alternative implementation of partnership policies in the midst of the application of sustainable principles in the work culture of oil palm plantation companies while still creating inclusive growth.

PARTNERSHIP AS AN EARLY MILESTONE IN THE INDONESIAN OIL PALM PLANTATION REVOLUTION

Commercially, the first oil palm plantations that developed in Indonesia were in Pulau Raja (Asahan) and Sungai Liput (Aceh) owned by Belgian companies in 1911. Furthermore, many foreign companies from Germany, the Netherlands and the United Kingdom opened oil palm plantations in Indonesia, so the number of oil palm plantation companies increased to 19 companies in 1916 and 34 companies in 1920. Then after Indonesia’s independence, some foreign oil palm plantations were nationalized and became the property of Indonesian government, which later became known as PT. Perkebunan Nusantara (PTPN). Until 1980, Indonesia’s oil palm plantations covering an area of 294 thousand hectares were only controlled by PTPN and foreign private companies.

To increase people's participation in oil palm plantations, the Indonesian government developed a partnership policy. Starting from the initiation phase of the partnership pattern then the develop and adapt to the current development and government policies. There are at least four patterns of development of oil palm plantation partnerships, namely: , namely (1) the pattern of partnership with the Indonesian abbreviation for Nucleus Estate Smallholders (named: Perkebunan Inti Rakyat/PIR) namely the Special PIR and the Local PIR (2) the PIR Transmigration partnership pattern (3) the partnership pattern of PIR for Credit cooperative for members (named: PIR Kredit Koperasi Primer untuk para Anggotanya/PIR KKPA) and (4) the partnership pattern of PIR Plantation Revitalization (named: PIR Revitalisasi Perkebunan/Revitbun) (Figure 1).
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Initiation Phase of Partnership Pattern. The basic concept of the Indonesian abbreviation for Nucleus Estate Smallholders (PIR) partnership pattern is inspired by a biological cell model that has a cell nucleus and cell plasma where the cell nucleus is the blueprint and the overall cell growth engine. In the PIR pattern, which acts as the nucleus are state plantations (PTPN) and private plantations, while plasma is farmers. The nucleus’ duties and responsibilities include: establishing plasma prospective plantations, preparing, and developing the ability of prospective plasma, guide plasma in maintaining and managing the oil palm plantation and accommodating the results of the plasma's plantation. In this way further replication of the nucleus-plasma pattern is expected.

Considering that the nucleus’ role is very important in the success of the partnership, the government at the beginning of the PIR institutional initiation first conducted nucleus restructuring and strengthening program, through financing assistance policies (credit facilities) which began at 7 (seven) BUMN/National Large Private Plantation (1969-1978). Then proceed with the policy of credit facilities (capital with low interest rates) to the National Large Private Plantation (PBSN) I in the 1977-1981 period, followed by PBSN II in 1981-1986, and PBSN III in 1986-1990 (Badrun, 2010; Sipayung, 2012).

Simultaneously with the restructuring and strengthening policy of nucleus, in 1978 the implementation of the concept of the first nucleus-plasma partnership funded by the World Bank was known as the Nucleus Estate and Smallholders (NES) project was start, starting from NES I to NES VII. The results of the NES trial gave think out to be known as PIR.

Special PIR and Local PIR Patterns. The success of the NES gave confidence to the government to continue and expand the pattern of PIR with domestic funding (APBN) namely special PIR and local PIR in 12 provinces in Indonesia in 1980. Through the series of PIR patterns, around 231,535 ha of new oil palm plantations developed consisting of nucleus (67,754 ha) and plasma (163,781 ha). Through PIR, it is the beginning of the people entering the oil palm plantation business

PIR Transmigration Pattern. The experience of the successful implementation of the Special and Local PIRs and associated with regional economic development through the transmigration program, the government combined the PIR pattern with the transmigration program known as the PIR Transmigration (PIR-Trans) pattern since 1986. In the PIR-Trans Pattern, private companies act as the nucleus and transmigration farmers as plasma. The PIR-Trans policy was implemented in 11 provinces and succeeded in developing new
oil palm plantations of around 566 thousand hectares in which 70 percent of plasma plantations and 30 percent of nucleus estates. In addition to the PIR-Trans partnership, farmers have also begun to develop oil palm plantations independently.

**PIR KKPA Pattern.** The development of new centers of oil palm plantations through PIR-Trans, not forgetting the development of previous local PIRs that inspired PIR-Trans. Since 1996, local PIRs have been developed (upgraded) both in terms of funding and institutional terms associated with developing cooperatives known as PIR KKPA (Credit Cooperative for Members). PIR KKPA is funded by cooperative credit subsidies through 74 Village Unit Cooperatives (KUD) that are in the vicinity of existing oil palm plantations (private, state). The KKPA partnership is different from the previous PIR pattern, which is that in the KKPA scheme, the management of plasma’s plantation is largely a nucleus’ responsibility. Whereas the PIR partnership pattern is more determined by the farmers themselves.

**PIR Plantation Revitalization Partnership Pattern.** In 2006, the government provided credit facilities (interest credit subsidies) for developing vegetable energy and revitalizing plantations (Permenkeu No: 117/PMK.06/2006) for the people. The revitalization partnership model that developed is not much different from the previous PIR pattern, namely the Business Partner (nucleus) pattern with the Smallholders (plasma) and the non-partner revitalization pattern (Ditjen Perkebunan, 2014). During this period the world price of palm oil has improved, giving confidence that investment in oil palm plantations is very profitable. It also encourages private and farmer investment independently to enter the palm oil business (non-partner revitalization).

Through the PIR policy with various variations of its implementation, it has brought revolutionary changes in palm oil agribusiness in Indonesia especially oil palm plantations (Sipayung, 2012; PASPI, 2014; Sipayung and Purba, 2015). The area of oil palm plantations increased from only around 294 thousand hectares in 1980, to around 4 million hectares in 2000 and continues to increase to more than 14 million hectares in 2018. Even more revolutionary is the increase in smallholder plantations from only 6 thousand hectares (2 percent) to 1.1 million hectares (28 percent) and continued to increase to 5.8 million hectares (41 percent) in the same period (Figure 2). An increase in the share of community oil palm plantations shows the successful implementation of PIR.

![Figure 2. Changes in Smallholder Oil Palm Share in National Oil Palm Plantations (Source: Ditjebun, 2019)](image)

The partnership pattern between the plantation company and the surrounding community (plasma farmer) also provides an incentive for the smallholders to invest in an independent plantation business. Further implications of the developing plantation sector are able to attract other sectors so as to create greater economic benefits such as the creation of new economic resources in the countryside, reduction of unemployment to poverty reduction. This condition shows confirm the World Bank (2012) that the development of oil palm plantations in rural areas is able to produce inclusive economic growth.
ALTERNATIVE URGENCY OF IMPLEMENTATION A NEW PARTNERSHIP PATTERN

The partnership policy has succeeded in bringing about a very revolutionary change to the development of oil palm plantations in Indonesia so that inclusive economic and social benefits are felt not only by businesses but the wider community. The great benefits of implementing the partnership policy, so that the policy must continue to be developed by adjusting to the existing dynamics.

After the end of the Plantation Revitalization Partnership policy pattern in 2014, there is no other partnership program has had a major impact on strengthening the national oil industry. Law no. 39/2014 concerning Plantations Article 58, mandates that plantation companies can improve the welfare of the communities surrounding the company through the obligation of plantation companies to facilitate the development of community plantations covering 20 percent of the total area of plantation business license (namely: Izin Usaha Perkebunan/IUP). The policy is considered as another form of partnership program that aims to increase the inclusiveness of oil palm plantation companies.

The limitations of new land and the enactment of Presidential Instruction 5/2019 concerning a moratorium on the opening of new oil palm plantations are one of the factors causing plantation companies to not be able to carry out partnerships through the construction of new oil palm plantations for the surrounding community. In addition, the opening of new oil palm plantations also has the potential to cause environmental problems such as forest conversion, peatlands and other food/agriculture lands, biodiversity loss and social problems such as agrarian conflicts and human rights violations. If the palm oil company continues to carry out its obligation to facilitate the development of community oil palm plantations by converting the forest/food lands of local communities or causing agrarian conflicts, then the palm oil company break the principle of sustainability and has the potential to be ‘criticized’ by consumers.

These two conditions create a dilemma for oil palm plantation companies. On the one hand, companies must carry out the obligations mandated in the Plantation Law and also contribute to the achievement of SDGs through increased inclusiveness. On the other hand, the obligation to develop new plantations has the potential to cause problems that are contrary to the principle of sustainable. The implication is that many oil palm plantation companies do not fulfill the obligations contained in the Plantation Law. However, other implications such as potential legal risks and social tensions will be faced by plantation companies.

Besides the dilemmas faced by the oil palm company above, there are several issues that indicate the urgency for reformulation of alternative implementation of partnership policies in the form of requiring oil palm plantation companies to develop 20 percent of the estate for the community, the issues are as follows:

First, the development of new oil palm plantations for the community is considered irrational while there is a lot of independent smallholders around the company. Independent smallholders have developed around plantation companies facing various conditions such as management of plantation that are below technical culture standards and dependence on middlemen in marketing of FFB so that the income received by independent smallholders is relatively small.

Second, there are also local people around the palm oil plantation company who work as farmers of food products or other agricultural products where the potential for food/agricultural product production is large enough to be able to fulfill the needs of oil palm plantation company employees. This potential can be used as an effort to increase the integration and inclusiveness of palm oil plantation companies that still fulfill the food needs of companies from outside the region.

Third, to develop the competitiveness of the national palm oil industry going forward, it will focus on increasing oil productivity per hectare, efficiency of production costs (cost minimization), and
sustainable downstreaming. Therefore, partnership patterns/schemes developed should contribute to these four aspects, namely productivity, efficiency, downstreaming and sustainability.

**Fourth,** Indonesia has an Indonesian Sustainable Palm Oil (ISPO) certification system that applies the principle of sustainable development in the palm oil industry. Oil palm plantations in Indonesia are required to immediately have ISPO certification. However, one of the obstacles in achieving the ISPO certification target is the environmental and social aspects. Therefore, the partnership policy should be able to resolve environmental and social problems that still occur, prevent new environmental and social problems, and improve environmental and social aspects in an increasingly quality direction.

**Fifth,** Issues of Law of Legality. The legal basis for the development of community oil palm plantation by companies is regulated in Law No. 39 of 2014 article 58, published in 2014. However, further provisions regarding the development of oil palm plantation community which are regulated at the level of Government Regulation (PP) have not been issued to date. The issuance of the PP has caused different regulations across ministries such as: (1) Minister of Agriculture Regulation No. 98/2013 concerning the facilitation of community garden development of at least 20 percent of the Plantation Business License (IUP); (2) Minister Regulation ATR/BPN No.7/2017 concerning the construction of community plantations of at least 20 percent of the Land Cultivation Permit (namely: Hak Guna Usaha/HGU); and (3) Minister Regulation LHK No.51/2016 concerning the development of community plantations of at least 20 percent of the area released. This condition creates uncertainty, legal risk and the potential for social conflict for plantation companies, local governments and communities.

With the above conditions, an alternative implementation of partnership is needed as an adjustment to the policy of oil palm plantation company obligations to develop 20 percent of oil palm plantations for the community, the alternatives are as follows:

1. Partnership of oil palm plantation companies with surrounding communities through the obligation to develop 20 percent of community oil palm plantations in areas where land is still available according to the spatial plan and is excluded in Presidential Instruction No. 5 of 2019.
2. Partnership of oil palm plantation companies with overlapping independent farmers to: (a) increase farm productivity through the implementation of the Smallholders’ Palm Oil Replanting (namely: Peremajaan Sawit Rakyat/PSR) program for independent oil palm plantations in the same area and technical culture development (including procurement of inputs such as seeds, fertilizers, pesticides, tools and machines) and optimization of Good Agricultural Practices (GAP); (b) management and marketing of FFB and its processed products, for example the development of smallholders’ palm oil-based palm oil greenfuel milling to produce greenfuel products (palm oil, palm diesel, palm oil fuel); and (c) facilitating the improvement of farmer’s plantation infrastructure such as roads.
3. Partnership of oil palm plantation companies with surrounding food farming communities through a focus on helping to increase local food/agriculture production both for the needs of employees of oil palm plantation companies and for the general public.
4. Partnership of oil palm plantation companies with surrounding communities in non-palm activities such as the development of creative industries based on palm oil by-products (palm brown sugar, palm oil craft such as plaited plate, palm leaf rib, etc.) and the supplying of bioelectricity for the surrounding community from palm oil mill effluent (POME) processing.

Various alternative implementations of the partnership that have been presented above show that the partnership pattern between oil palm plantation companies and surrounding communities is more varied by not only relating to the cultivation and production of palm oil and involving wider community groups (not only communities
with the profession of farmers). This means that the alternative partnership is a form of big push strategy (PASPI, 2016) which can produce a larger and more comprehensive multiplier effect with a broad impact on all economic sectors in the countryside. In addition, by continuing to create inclusive growth and empowerment for the surrounding community, oil palm plantation companies also maintain sustainable principles so as to strengthen the national oil industry.

CONCLUSION

Partnership policies between oil palm plantation companies and surrounding communities such as Special PIR and Local PIR, PIR-Trans; PIR KKPA and PIR Revit-Bun, have brought about changes in the national oil industry that are revolutionary enough to be able to develop new centre economic based on oil palm plantation in the remote area. In order to create more economic benefits and more inclusive, the government through Law No. 39/2014 concerning Plantations Article 58, where mandates oil palm plantation companies are must to facilitate the development of community plantations covering 20 percent of the total area of IUP.

This obligation cannot yet be carried out by oil palm plantation companies given the enactment of Presidential Instruction 5/2019 concerning a moratorium on the opening of new oil palm plantations, limited land and hampered sustainable principles where the development of new plantations has the potential to cause environmental problems such as the conversion of forests, peatlands and other food/agriculture lands, biodiversity loss and social problems such as agrarian conflicts and human rights violations. This condition creates a dilemma for plantation companies and creates potential legal risks and social tensions faced by the company.

The great role of partnerships in the development of the national oil industry must continue, but alternative implementation of partnership policies are needed to solve the plantation company dilemma but still create inclusive growth.

The partnership pattern is made more varied by not only related to plasma-core replicas, but related to realization of replanting (PSR) programme, optimization GAP, development of independent oil palm smallholders organization with its greenfuel milling, integrating the with local food/agriculture products cultivated by the surrounding community to fulfill the employee plantation's needs and the development of local community businesses both in the creative field based on palm oil and supplying POME based bioelectricity for rural communities.

REFERENCES


