

OXFAM FAIR COMPANY- COMMUNITY PARTNERSHIPS

Mission team report from Jakarta (1/10)

During the first FAIR co-creation workshop in Amsterdam, on 21st January 2016, a number of priority areas were identified which shaped the roadmap towards FAIR demonstration projects. These priority areas were translated into building blocks that defined the scope of our co-creation activities in 2016. For more explanation about the roadmap and the building blocks read [Summary Co-Creation Day and Way Forward](#)

In order to convene and design the FAIR company-community partnerships, and for the further engagement with palm oil stakeholders, we defined ten key questions which need in-depth thinking. To address these questions we will gather small groups of experts, our mission teams. These mission teams will, for example, specify the business case for a specific location and project coalition or design the monitoring system. See annex 1.

Organizing Communities, Jakarta 15.03.2016

A key moment with civil society organizations has been the workshop last March in Kemang, Jakarta, which validated Oxfam's FAIR company-community partnership model in the local reality of civil society and specific field-level cases. Moreover, the role of governments at the central and decentralised level was further discussed. A power mapping exercise for two specific locations, Sekadau in West-Kalimantan and Labuhanbatu Utara in North Sumatra, made clear who could be possible allies at the local level for pilot locations (some specific companies, local government officials and target groups with specific interest or power), and at the national level for subsequent policy review to mainstream the results from the envisioned demonstration projects (e.g. financial sector and specific supportive ministries). Three other potential locations for the pilot projects - Seluma District (Bengkulu Province), Tanjung Jabung Barat and Tanjung Jabung Timur (Jambi Province) - were identified during the workshop as worth to be assessed.

Mission team participants were:

Thirty-nine participants of fourteen civil society organizations, including KPA (Consortium for Agrarian Reform), SPKS (Independent Smallholders Union), SP (Solidaritas Perempuan/Women Solidarity), IRE (Institute for Research and Empowerment), Walhi (Friends of the Earth Indonesia), JKPP (Participatory Mapping Network).



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RE-CONTEXTUALISING THE MODEL

The discussions with the mission team built upon the scoping work done by Oxfam in Indonesia with its partner organisations, notably KPA (the consortium for agrarian reform) and LIPI (research institute). Their report re-contextualised Oxfam's model. Nine principles were identified and allocated to the four clusters of principles in Oxfam's FAIR partnership model, reconfirming its fit in the larger local context. Furthermore, the research team assessed its relevance in two test locations (Sekadau in West-Kalimantan and Labuhanbatu Utara in North Sumatra) that are on the long-list for FAIR partnership pilot projects. The summary of the report can be found in annex 1. Specific recommendations were formulated for the two locations Sekadau and Labuhanbatu Utara; recommendations related to complaint mechanisms, (local) government involvement in the FAIR partnerships, financial literacy capacity strengthening were formulated.

TOWARDS EXEMPLARY PILOT LOCATIONS

The two test locations, Labuhanbatu Utara in North Sumatra and Sekadau in West Kalimantan province are considered exemplary pilot locations and allowed the development of a more generic list of criteria to assess relevance and feasibility of other possible pilot locations. The report and the following criteria emphasise the need to identify a pilot with a sufficiently challenging "emerging crisis" that triggers the sense of urgency for a fundamental long-term change rather than going for the low hanging fruit on the short term only. A preliminary set of criteria mainly in the field of smallholder group characteristics, willingness of mills, land tenure and land use were identified.

ROLES OF INDONESIAN PARTNER ORGANISATIONS

Last but not least, the Kemang workshop identified possible roles of Indonesian partner organisations in the pilots, with a map of their specific focus ("motivators"), strengths and capacity building needs for each of the organisations. In particular, the position of women related to palm oil production as workers, as smallholders, as wives of smallholders was discussed and how the strengthening of their position could be taken up as an important motivator in the FAIR pilots.

NEXT STEPS

Next steps include the completion of the assessments of the locations focussng on the identification of interest of grower companies and local authorities. In addition, the preliminary set of selection criteria needs to be trimmed down to a small number of key selection criteria.

Annex 1:

Summary of KPA/LIPI report

In the Indonesian palm oil development model, the partnership concept known as 'kemitraan', has gone through an extraordinary reduction of meaning for the communities. In many places farmers in the plantation system fell into a situation of exploited land and labour. It should be possible though to address different kinds of local crises generated through palm plantation when the existing and institutionalized partnership concept is reinterpreted and re-elaborated. This would make the partnership concept not the objective but a means for a change in the agrarian basis of land tenure, land use and employment relations.

The departure of the partner-“ship” is the start a new journey, with the sail set to reformulating the partnership concept as well as the practice.

The originally intended development course

To boost maximum benefits for the Indonesian people, in the past decades the Indonesian government had promoted various partnership strategies through several regulations and laws, including the Law no. 39 of 2014 on Plantation and in particular no. 44 of 1997 on Partnerships. In Law no. 18 of 2004, the plantation companies should conduct the partnership scheme on the basis of mutually benefit, mutual respect, mutual responsibility, mutually reinforcement and interdependency between companies with farmers, employees, and communities around the plantations. The objectives to be achieved from implementing partnerships are: a) to increase revenue of small-scale farming and community business, b) equality and empowerment, c) to increase added-value for all partnership stakeholders, d) to enlarge employment opportunities, e) to promote economic growth in rural, regional and national levels, and f) to enhance resilience of the national economy.

Since 1977 Indonesia began to develop plantation schemes in various forms, including Nucleus-Plasma Plantation (PIR: Perkebunan Inti Rakyat or Perusahaan Inti Rakyat), Primary Credit Cooperatives Members (KKPA) or Nucleus-Plasma Plantation Revitalization (PIR Revitalisasi, also known as Revitalization of Independent Partnership (Revitalisasi Kemitraan Mandiri), since 2006 practiced as a centralized (one-roof) management model. Ideally, these partnership concepts were to bring together the advantages of a large plantation with the resilience of smallholder plantations¹. Several local banks were designated as financing providers. Most recently the Crude Palm Oil Fund (CPO Fund) was established in the larger context of the Master Plan for the Acceleration and Expansion of Indonesian Economic Development (MP3EI) which translates into the Long Term National Development Plan (RPJMN) and into Medium Term Regional Development Plans (RPJMD).

The troublesome departure

However, literature studies and field assessments by researchers, academics as well as civil society organizations have demonstrated that the relations in partnership schemes are not equitable. The fundamental problem that often leads to conflict is the competing claim over ownership and control of land².

¹ The Business Competition Supervisory Commission (KPPU) has the role of Partnership Controller but the effectiveness of this authority is actually unknown.

² In 2015, KPA noted the most intense agrarian conflicts in the plantation sector, documenting about 127 land conflicts.

Conflicts result from different phases of the palm oil development cycle:

in the *administrative phase* frequently companies have obtained concessions under non-procedural processes expropriating land from the people; in the *development phase* plantation companies have invited the communities to hand over their land to be used as plasma by the company, leading to the loss of access and control of local communities to their lands; in the *conversion phase* many farmers have received plasma plots located on infertile soils, with lesser and low quality seedlings than agreed, doubling the credit amounts and far away from their houses; in the *production phase* companies apply different deductions over the prices paid to plasma farmers - in the distribution of benefits the contribution of their land and labour assets gets undervalued.

In addition to agrarian conflicts, there are cases of ecological crisis, food crisis etc. For instance, in areas that are changed into monoculture, food needs are now imported with poor infrastructure leading to price hikes of food commodities.

The new journey

Despite these development models, in practice the economic policy has prioritized investors and big corporation for a long time and has proven to be ineffective in improving the wealth of society locally. This report has been able to provide alternatives, reformulating several principles and indicators in the spirit of a more equitable partnership in the plantation sector. Principally, the team argues that the government, in the long term, has to promote smallholder plantations. Since several issues in the provision of capital, especially in the form of land, usually derive from whether the farmer's land becomes part of the company's capital or not, it is time to consider giving concessions only to collectively owned farmer cooperatives or farmers-owned or village-owned enterprises. Corporations in the long or medium term would focus on the post-harvest industry, distribution and marketing. Companies would give smallholders assistance for enhancing the efficiency and productivity. Instead of considering smallholders as weak and unproductive in a superior – subordinate relation, the principles of mutuality and reciprocity in the relationship would provide empowerment on one hand and continuity of plantation business on the other hand. These renewed principles should be tested in the field in a next phase.

For the partnership approach in Indonesia the team recommends short term adjustments by national government, local government, companies and local people on the basis of nine principles (which must be formulated in a greater detail into indicators congruent with the concept of FAIR partnerships as formulated by Oxfam):

1. Equality: partnerships are based on equal positions for community and company;
2. Communities' rights to land: partnerships are not intended to accumulate land but control and use are in the hands of the community;
3. Downstreaming: partnerships encourage plantation companies' focus on processing;
4. Independent smallholders: partnerships encourage community based plantations;
5. Community empowerment: partnerships promote autonomy and sovereignty;
6. Local natural resources: partnerships ensure management of land, water and forests;
7. Economic stability: diversity of commodities is important to guarantee economic independence and stability both on local and national level;
8. Food sovereignty: diversity of land use and access to agriculture land are the preconditions to food security, autonomy and sovereignty;
9. Government's control: partnership agreements are not a private nor bilateral agreement between company and community but involve local authorities.

FAIR Partnership Principles Oxfam	Problems in current plantation partnerships	Recommendations from this study ³
Freedom of Choice	Lack of balanced knowledge and information Lack of understanding the right to refuse or accept a development plan Lack of information related to risks	Communities must be able to select their own advisor to represent their interest and inform them about the benefits and risks (advisors could be notary, legal aid, university legal aid centre etc.)
Accountability	Use of corruptive procedures Lack of transparency to the community e.g. on quality controls, cost sharing etc. Bank and plantation credit proposal not feasible	Tighten the control from the government Community must be able to be shareholders Credit payment must be in line with the harvest cycle
Improvement of Benefits	The company accumulates land instead of focussing on processing (downstreaming) Transaction uses exploitative practices	Control over land, ownership and management must be in the communities' hands Selling and buying in accordance to agreed market mechanisms
Respect for Rights	Violation of communities' rights to land, identity and inherited domains Plantation workers' rights ignored No protection of animals, plants and forest ecology	Honour the rights from the planning phase to agreement Government control

Reality checks

In an assessment in the field these recommendations were tested, hoping to enable the identification of two potential pilot locations for FAIR partnerships there or elsewhere.

The first locations assessed in *Labuhanbatu Utara District* (North Sumatra province) are two villages in the Subdistrict of Kuala Hulu and in Subdistrict Aek Kuo (two out of eight subdistricts with a total of 82 villages). The most important plantation commodity in Labuhanbatu Utara is oil palm with a total land cover of 63,061 hectares and twelve oil palm mills. There are twenty-four companies who hold palm oil concessions in the district (out of thirty-one agriculture concessions), one of them belongs to PTPN⁴ IV, while the rest belong to private companies. The number of farmers is 15,924⁵. In addition to the assessment against all criteria, there is a noteworthy specific finding, one village cooperative (KUD: Koperasi Unit Desa) was established in relation with the dissolution of a company. But slowly, the company had replaced the workers who were local people with people from other villages. Small farmers, however, were not treated as partners and not given the knowledge on managing oil palm farm. The establishment of the KUD had only been a mode for the ex-plantation company to continue running its business by using the old partnership scheme with "a new packaging".

The second assessment was in two villages in Sekadau District, West Kalimantan Province. Oil palm development started there in 1990s under the PIR TRANS program (Perusahaan Inti Rakyat Transmigrasi). The area is controlled by twelve companies, with 55,701 hectares controlled by big plantations and 30,857 hectares controlled by smallholders. Generally, the partnerships in the two locations are facing many problems related to the land status and the credit term in the partnership. Detailed findings can be found in the full report.

³ The Kemang workshop with CSO partners identified more elaborate lists of practical recommendations.

⁴ PTPN is short for Perseoran Terbatas Perkebunan Negara, a state-owned company on plantation.

⁵ Plantation Department of Labuhanbatu Utara, 2015.

Conclusions

Based on the assessment findings in both locations we can see there are several general symptoms, among others, plantation development planning and partnership has not involved the communities, the information and knowledge are unequally shared, dominated by public figures and the companies, government's role in plantation development is minimum, cooperatives tend to be an extension of company interests and communities are not considered as shareholders in policy determination. Moreover, there have never been efforts to strengthen peoples' land rights, indicated by the long term credits that consider communities not as equal partners but as economic objects.

The environmental damage in both locations is also evident and the mono-culture plantation model has undermined the regional ecosystem and increased food insecurity. PIR is a concept which has used partnership as a pretext, but actually has been preserving an unfair process systematically making communities, especially plasma farmers, dependent on plantation companies.

Knowledge about and recognition of crises on the ground are providing an entrance into renewed partnership development. FAIR partnerships are a way towards transformation. The principles can be used to guide the development of better practices and resolve historical agrarian conflicts such as a social relation crisis, ecological crisis, and food insecurity. To address these different crises on the ground the government, private companies and communities have to take an active role in implementing fair partnerships. The findings of this study indicate the need for a FAIR partnership implementation model with pilot projects.

Annex 2:

co-creation workshops overview

BUILDING BLOCK	HOST(S)	FOCUS; KEY QUESTIONS TO BE ADDRESSED	WHEN (2016); WHERE
VALIDATING FAIR MODEL <i>MULTI-STAKEHOLDER</i>	Oxfam Novib	Towards building blocks and a roadmap for FAIR. Which key priority areas will need to be addressed? Which further engagements are necessary?	21 st January; Amsterdam
1. ORGANIZING COMMUNITIES <i>CIVIL SOCIETY ORGANISATIONS</i>	Oxfam Indonesia; Oxfam Novib	Towards partner identification and local capacity building. Which local partners can support the demonstration projects? How can FAIR leverage other projects? Which roles can women have?	15 th March; Jakarta
2. MOBILIZING PALM OIL PRODUCERS <i>GROWERS, CIVIL SOCIETY ORGANISATIONS</i>	Oxfam Indonesia; Oxfam Novib; IPOP	Designing pathways towards applied FAIR pilot projects. Back-casting from shared vision to today's challenging starting points. What are the motivators for progressive change? Which criteria should be used for the selection of project locations?	19 th May; Jakarta
3. LOCATING DEMONSTRATION LANDSCAPES <i>CIVIL SOCIETY AND FARMER ORGANISATIONS</i>	Oxfam Indonesia; CSO partners	Towards locating demonstration landscapes & local actors. Which are the local emerging crises that create the trigger to act? How to assign roles and responsibilities?	8 th June; Indonesia; follow up workshop to be planned
4. CONVENING MARKET SUPPORT <i>PRIVATE SECTOR MANUFACTURERS & RETAILERS, GROWERS, CIVIL SOCIETY ORGANISATIONS</i>	Oxfam Novib; co-host	Towards a solid business case for buyers, growers and smallholders. How to build a strong coalition for the demonstration projects? Which additional coalition partners will have to come on board to make the business case?	September; Europe
5. IMPLEMENTATION STRATEGY	Oxfam Novib; co-host	Towards an effective implementation strategy. How do upscaling goals determine pilot designs? How to arrange a fair distribution of responsibilities, risks and costs?	September; Europe
6. FUNDRAISING <i>DONORS, PRIVATE SECTOR PARTNERS</i>	Oxfam Novib; co-host	Towards securing resources. How to create joint-funding routes, aligning multiple donors?	September; TBD
7. MODELING FINANCIAL SUPPORT <i>FINANCIAL SECTOR</i>	Oxfam Novib; co-host	Towards solid investment models. How can large-scale aspirations be matched with the diversity of farmer needs? Which rural finance mechanism works?	October; virtual
8. DESIGNING MONITORING SYSTEM <i>RESEARCH INSTITUTES, SERVICE PROVIDERS</i>	Oxfam Novib; co-host	Towards monitoring systems design. How to ensure a good and effective MEL/impact measurement system? Which KPIs need to be monitored?	November; TBD
9. DESIGNING PROJECT GOVERNANCE <i>PROJECT PARTNERS, DONORS, OXFAM</i>	Oxfam International; Oxfam Novib; co-host	Towards ensuring quality of the project for all stakeholders. How to best and most effectively design project governance?	December; virtual