Expansion of sustainable palm oil production:

Exclude palm oil plantation firms whose operations should be halted according to the BPK RI!

<table>
<thead>
<tr>
<th>No</th>
<th>Nama Perusahaan</th>
<th>Ijin Lokasi</th>
<th>UP</th>
<th>Kawasan</th>
<th>Luas (ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>PT. Agro Karya Prima Lestari</td>
<td>No. 186.44/130/2007</td>
<td>-</td>
<td>HP</td>
<td>6.087</td>
</tr>
<tr>
<td>3</td>
<td>PT. Buana Artha Sejahtera</td>
<td>No. 176.460.421/2004</td>
<td>-</td>
<td>HP</td>
<td>7.156</td>
</tr>
</tbody>
</table>

22 February 2012
The Third International Conference on Oil Palm and Environment (ICOPE), co-organized by PT Smart Tbk (the oil palm group of Sinarmas), WWF-Indonesia and CIRAD, held on 22-24 February 2012 in Bali, with the theme of the conference being “Conserving Forests, Expanding Sustainable Palm Oil Production.”

While there is nothing wrong with the theme of the conference, it is nevertheless worth questioning whether the organizers were actually serious about it given that five palm oil plantation companies owned by PT Smart Tbk (Golden Agri Resources/GAR) that operate in Seruyan District, Central Kalimantan Province, were the subject of a recommendation by the BPK RI that their operations be halted. The said recommendation, which was contained in an audit report issued by the BPK-RI on 23 February 2009, was based on the BPK-RI’s findings that the five companies operations needed to be halted in order to prevent the infliction of further losses on the state and the environment.

Thus, whatever one cares to call it – sustainable palm oil production or not – if the production of that palm oil takes place in palm concessions that should have been frozen according to a recommendation of the BPK-RI, the expansion of production in these areas would clearly amount to the ignoring of the BPK-RI’s recommendations, especially when that recommendation was made in order to prevent the infliction of further losses on the state and the environment.

As a public conference, obviously other palm oil producers are free to participate, and it is not inconceivable that the names of such other palm oil producers will also be found on the list of companies which should have their operations frozen. For example, two companies owned by the Wilmar Group which also operate in Seruyan District, Central Kalimantan Province.

WWF-Indonesia and CIRAD need to highlight the fact that the expansion of palm oil production in concessions that should be frozen, according to the BPK-RI, clearly does not constitute sustainable palm oil production, but rather an “expansion” of state and environment losses.

The reason that Indonesia Corruption Watch (ICW) and Greenomics Indonesia have written this paper is that there are facts that show the recommendation contained in the BPK-RI audit report is being ignored. Not only that, but the BPK-RI report is also being ignored in the RSPO (Roundtable on Sustainable Palm Oil) certification process. Thus, ICW and Greenomics feel more than justified in reminding WWF-Indonesia, including CIRAD, that the recommendations of the BPK-RI need to be heeded in connection with the extension of sustainable palm oil production.

This ICW and Greenomics report is intended to provide a substantive explanation to WWF-Indonesia and CIRAD regarding the relationship between the expansion of sustainable palm oil production and the BPK-RI recommendations so that the said expansion of palm oil production does not come at the cost of sidelining the BPK-RI recommendations.

This report also discusses the need for greater public participation so that the sustainable palm oil expansion scheme heeds the recommendations of the BPK-RI. In addition, the report highlights the consistency between the BPK-RI findings and an analysis by the US Environmental Protection Agency (EPA) in connection with the sustainable palm oil production expansion scheme.
If WWF-Indonesia and CIRAD do not openly state – whether in a press conference or in the final recommendations of the conference – that the expansion of sustainable palm oil production must not take place in concessions that should be frozen, according to the BPK-RI audit report, then such expansion of sustainable palm oil production will amount to nothing more than an expansion of the losses already inflicted on the state and the environment.

WWF-Indonesia and CIRAD should be aware that the audit methodology employed by the BPK-RI used a risk-based approach, particularly the risk of non-compliance, risk of loss of ecosystems and biological diversity, risk of illegal logging, risk of unlawful use of land, and economic risk. The audit also used geographic information system (GIS) technology to map out deforestation locations, overlapping land, and the unlawful use of land. The legal basis for the audit was provided by 19 different statutes and regulations.

Using this methodology, the BPK-RI drew up a list of palm oil plantation companies that showed have their operations halted (see the three tables that have been scanned from the BPK-RI audit report of 23 February 2009). The list contains the names of five companies belonging to PT Smart Tbk (marked in red).
According to the BPK-RI audit report, this has resulted in the loss of forest hydrology functions, which has the potential to give rise to flooding and drought. In addition, the destruction of forest has eliminated the role of the forest as a producer of oxygen and released carbon dioxide into the atmosphere, thereby contributing to global warming.

**This means that the five companies owned by PT Smart Tbk (GAR/Sinarmas Group) – remember that PT Smart Tbk is one of the organizers of the ICOPE – have contributed to the conclusions reached by the BPK-RI in its audit report.**

WWF-Indonesia and CIRAD also need to stress that one of the components of the environmental destruction highlighted in the BPK-RI report is the “elimination of the role of the forest as a producer of oxygen and the releasing of carbon dioxide into the atmosphere, which has the potential to contribute to global warming.”

In addition, bearing in mind that the BPK-RI audit did not involve any testing based on population data, but instead focused on random sampling, the reality is that there are many palm oil companies whose characteristics resemble those of the companies whose operations were recommended to be halted by the BPK-RI.

WWF-Indonesia and CIRAD can find out the names and locations of these companies from the report of the *Integrated Study on Changes in Forest Status and Functions*, such as in the case of Central Kalimantan and South Kalimantan.
WWF-Indonesia and CIRAD also should be aware that the abovementioned report is a binding legal document that was prepared in accordance with the Forestry Law (No. 41 of 1999), and that the Minister of Forestry uses the said report as the basis for the issuance of decisions on changes in forest status and functions.

The said study also contains a list of companies whose operations are recommended to be halted.

In fact, it shows that there are palm oil plantation concession blocks owned by PT Smart Tbk (GAR/Sinarmas Group) that are operating in conservation zones.

Thus, it is reasonable to ask how sustainable palm oil production can be expanded in palm oil plantation concessions that have blocks located in conservation areas.

In addition to the BPK-RI report, WWF-Indonesia and CIRAD also need to heed the reports of the Integrated Studies on a number of other provinces as regards the development of palm oil plantations so that the promotion of sustainable palm oil production expansion does not serve to legitimize the operations of palm oil plantation companies whose operations should be halted by the BPK-RI, and whose operations must be halted, according to the Integrated Study.

Greater public participation required to ensure BPK-RI’s recommendations are acted upon

The expansion of sustainable palm oil production in palm oil plantation concessions whose operations should be halted, according to the BPK-RI, may be said to be tantamount to ignoring the recommendations contained in the BPK-RI audit report. In the Elucidation on Law Number 15 of 2004 on Auditing Management and Accountability in the State Finances, it is stated that for the purposes of transparency and improving public participation, all audit findings of the BPK-RI shall be made public.

On this basis, ICW and Greenomics have obtained and studied a BPK-RI audit report titled: “Forest Management in relation to Forest Inventorying, Forest Consolidation, Mitigation Climate Change, Licensing of Forest Exploitation and the Use of Forest Areas, Logging and Reporting of Logging, Management of Non-Tax State Revenues, and the Guarding and Protecting of Forests under the jurisdiction of the Ministry of Forestry, including Technical Implementation Units, Provincial and District/Municipal Forestry Agencies, and Forestry-Related Companies and Other Relevant Entities in Central Kalimantan Province” (23 February 2009).
At the end of this BPK-RI report, the following statement appears: “The BPK recommends that the Minister of Forestry request the Regents of Barito Utara, Katingan and Seruyan to freeze plantation operations in forest areas in order to prevent the infliction of further losses on the state and the environment.”

As part of the effort to increase public participation – as mandated by the Elucidation on Law No. 15 of 2004 – ICW and Greenomics have invited WWF-Indonesia, as a conservation organization incorporated in Indonesia, to jointly work towards increased public participation by having regard to the BPK-RI audit report as it relates to the expansion of sustainable palm oil production. This would clearly be very relevant as part of the effort to improve public participation in the implementation of good governance -- as recognized in the preamble to Law No. 15 of 2004.

For example, while the implementation of the BPK-RI recommendations of 23 February 2009 is primarily the responsibility of the Minister of Forestry and the Regents of Barito Utara, Katingan and Seruyan, the participation of civil society organizations could play an important role in encouraging respect for the BPK-RI’s recommendations.

ICW and Greenomics are of the opinion that as part of the sustainable palm oil production expansion scheme, WWF-Indonesia could play a major role in ensuring that firms are excluded from the scheme whose operations should be halted, according to the BPK-RI. Other firms which the BPK-RI suspected of having committed legal violations should also be excluded.

They would constitute public participation in ensuring that the recommendations of the BPK-RI are heeded.

The five companies belonging to PT Smart Tbk (GAR/Sinarmas Group) are included on the list of companies that should have their operations halted, according to the BPK-RI.
An analysis by the United States Environmental Protection Agency (EPA) published on 27 January 2012 reveals that the dominant source of emissions resulting from the development of palm oil plantations in Indonesia comes from the drying out of peatland and forest conversion.

Meanwhile, in its report of 23 February 2009, the BPK-RI stated that approximately 267,346 hectares of forest had been converted into palm oil plantations in Barito Utara, Katingan and Seruyan Districts in Central Kalimantan Province, which, the report stated, had eliminated the role of the forest as a producer of oxygen and released carbon dioxide into the atmosphere, thereby contributing to global warming.

Thus, there is a clear consistency between the BPK-RI report and the EPA analysis. This consistency is reinforced by the period that was analyzed, namely, 2000-2009, when palm oil plantation development in Indonesia was booming.

ICW and Greenomics take the view that not all palm oil plantation concessionaires in Indonesia act in the same way as reported by the BPK-RI and the EPA. Nevertheless, the development of palm oil plantations in Indonesia during the 2000-2009 period – the period covered by the BPK-RI audit report and the EPA analysis – is quite representative of how the palm oil plantation sector has developed in Indonesia.

In order to differentiate between the good companies and the bad companies, at the very least WWF-Indonesia must insist that those companies whose operations should be halted, according to the BPK-RI, should be excluded from the sustainable palm oil production expansion scheme.

In addition, WWF-Indonesia should also insist on the exclusion of palm oil plantation companies which, according to a number of BPK-RI audit reports, are strongly suspected of having committed legal violations, such as illegal logging, the takeover of conservation zones and protection forests, and so forth.

Furthermore, the exclusion of such companies will highlight the fact that not all palm oil plantation companies in Indonesia are the same. This is important so that the impact of the EPA analysis does not result in all Indonesian palm oil plantation companies being tarred with the same brush.
Conclusions

- The expansion of sustainable palm oil production must not be allowed to take place on concessions whose operations should be halted based on recommendations by the BPK-RI.

- Palm oil plantation companies that are on the list of companies whose operations should be halted according to the BPK-RI must be excluded from the sustainable palm oil production expansion scheme as to include them would only inflict further losses on the state and the environment.

- The exclusion of companies whose operations should be halted according to the BPK-RI would constitute part of increased public participation in supporting the application of good governance.

- The BPK-RI audit reports are quite consistent with the EPA analysis. However, as not all Indonesian palm oil plantation companies are the same, the EPA analysis should not be allowed to result in all Indonesian palm oil plantation companies being tarred with the same brush.

- The exclusion of palm oil plantation companies whose operations should be halted according to the BPK-RI and companies which are strongly suspected of breaking the law should be treated as part of an initial selection designed to highlight the fact that the EPA analysis is not applicable to all Indonesian palm oil plantation companies.

Recommendations

- WWF-Indonesia and CIRAD should require the exclusion of palm oil plantation companies whose operations should be halted and companies that are strongly suspected of breaking the law, according to the BPK-RI.

- In promoting the sustainable palm oil production expansion scheme, WWF-Indonesia should encourage other relevant parties to respect, and not ignore, the BPK-RI recommendations as part of the effort to improve public participation in upholding the principles of good governance.

- With regard to companies that have been acted upon in accordance with the recommendations of the BPK-RI, WWF-Indonesia may consider revoking their exclusion. In this regard, however, the BPK-RI audit report of 23 February 2009, which has been discussed in this report, has yet to be acted upon by the Minister of Forestry and the three regents concerned. Such action will assuredly be taken, as all of the officials involved are required to do so. It is therefore only a matter of time.

For further information please contact:

Danang Widoyoko
Coordinator of Indonesia Corruption Watch (ICW)
email: danang@antikorupsi.org

Elfian Effendi
Executive Director of Greenomics Indonesia
email: elfian@greenomics.org