THE PROGRESS OF ISPO SYSTEM AND OUTLOOK

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Chairman of the Secretariat ISPO Commission
I. INTRODUCTION

A. THE IMPORTANCE OF PALM OIL

• Palm Oil is an important commodity and a versatile raw material for both food and non-food industries. Driven by international demands, the past few decades have seen a rapid expansion of palm oil cultivation and production, generating improvements in livelihoods for millions of Indonesians, also the state income from devisa.

• As the global leader of palm oil production, Indonesia plays an importance role in mitigating environmental impacts and ensuring a sustainable product for consumers around the world.

• For Indonesia, palm oil has a distinctive strategic value in supporting national development, such as: 1) an economic primemover that stimulate agribusiness development from upstream rural areas to downstream export hubs and processing areas; 2) able to create significant job opportunities and serve as a source of income for rural communities and farmers; 3) able to produce a strategic commodity that generate significant national revenue.

• Up to 2018, the total area of Palm Oil Plantation in Indonesia 14.3 million Ha, consist of: 1) Smallholders 5.83 million Ha (40%), 2) State Owned Company 0.713 million Ha (5%) 3) Private Company 7.788 million Ha (55%); with total production of CPO 37.8 Million Ton/year.
B. THE ROLE OF INDONESIAN PALM OIL

**Palm Oil**
Indonesia's Most Strategic Sector

Palm oil is the most strategic commodity for Indonesia's economic developments. It contributes to government revenues, profits for companies, employment, and raises incomes for smallholders.

**Labor Intensive**
- **Smallholders**: 2.6 million farmers employing 4.1 million workers
- **Industry**: Direct Employment: 4.2 Million, Indirect Employment: 12 Million

**Increase Economic Growth**
3.5% share of GDP

**Top Export Commodity**
Total Value of Export in 2018: US$21.4 Billion

**Achieve Energy Security**
9.1 Million Kiloliters
- Fossil-based diesel fuel has been replaced by biodiesel since 2015 through biodiesel mandatory policy

**Goals**
- Improve trade balance: 0.63%
- Reduce inflation: 1.75%
- Reduce government spending: 1.74%
- Increase real capital return: 0.62%

*Source: Stanford University & The National Team For The Acceleration of Poverty Reduction (TNPK), 2018.*
II. THE ROLE OF ISPO SYSTEM

A. THE POLICIES OF ISPO

❖ The development of sustainable Palm Oil plantations is a mandatory requirement imposed by the government of Indonesia in an effort to preserve the environment, promote economic and social activities, and enforcement of Indonesian statutory laws in the palm oil sector.

❖ The mandatory application of sustainable palm oil plantation has been started since the launch of the Indonesian Sustainable Palm Oil (ISPO) in March 2011 (Minister Of Agriculture Decree No. 19 of 2011).

❖ Along its development, particulary since the launch of ISPO and the enactment of various regulation pertaining to the sustainability of palm oil plantation development, as well as the enactment of “Law Number 39 of 2014 regarding Plantations” which much be adopted by ISPO requirement, the emerging market demand for ISPO certified oil, had compelled the revision of ISPO Certification System.

❖ Revision to the provision stipulated in the Regulation of the Minister of Agriculture Number 19 of 2011 regarding Guidelines for ISPO Plantations, aims to provide clearer guidance for Palm Oil Plantation Operator and the Auditors, have been revised to be the the Minister of Agriculture Decree No. 11 of 2015 regarding the Indonesian Sustainable Palm Oil (ISPO) Certification System.
THE POLICIES OF ISPO

- **Indonesian Sustainable Palm Oil (ISPO)** is a business system in the field of oil palm plantation which are economically, socially and environmentally viable based on existing law in Indonesia and it is compulsory (mandatory).

- **ISPO** is a policy taken by the Government of Indonesia through the Ministry of Agriculture in the Indonesian oil palm sector which expected to overcome various problems and negative campaign, such as deforestation, killing endangered animals, child labour and GHG emissions. Also intended to encourage the sustainable production of palm oil as demanded by the international market and to support the *Amsterdam Declaration of a Fully Sustainable Palm Oil Supply Chain* by 2020.
III. THE OBJECTIVES OF ISPO

A. ISPO PRIMARY OBJECTIVES

1. Ensuring that Palm Oil Plantation Company and Palm Oil Growers have to Comply with Government Rules & Regulations in Accordance with Sustainability

2. Promoting the Sustainable Production Practice as demanded by the International Market

3. Improving the Competitiveness of Indonesian Palm Oil within the Global Market

4. Support Indonesia’s Commitment to Reducing Green House Gases (GHG)

5. Support Indonesia’s Commitment to Preserve Natural Resources and The Environment
B. ISPO Certification System

( Minister Of Agriculture Decree No. 11/ 2015 )

• ISPO adopted all Indonesian rules and regulations related to sustainability, based on the Law No 18. /2004 and Law No. 39/2014 about Estate Crops Plantation.
• ISPO Certification system is impartial and independent.
• Certification assessment done by third party which is Certification Body-accredited by KAN (National Accreditation Committee) or Foreign Accreditation Agencies that have MRA with KAN for the scope of Quality Management System (QMS) and Environmental Management System (EMS), and have to approved by the ISPO Commission.
• ISPO currently approved 15 Certification Bodies and acknowledged 1.700 ISPO Auditors (Auditor on CB and Internal Auditor for Companies ); 8 ISPO Consultant Bodies, and 3 ISPO Training Bodies.
C. Pre- Certification Requirement  
*(only on ISPO Certification System)*

- Prior to ISPO certification of oil palm plantation and its mill shall be assessed in accordance to Minister of Agriculture Decree No.07/2009 on Guidelines for Plantation Business Assessment.
- Oil palm plantation will be assessed on the following criteria:  
  
  Legal Permit; Plantation Management; Processing; Social Economy; Environment; and Reporting.
- The plantation will be classified into Class I, II, III, IV and V. Only oil palm plantation classified as Class I, II, and III are eligible to apply for ISPO Certification, and submit the application by the end of September 2015.
Standard of ISPO now should be implement by:

1. Plantation Companies (7 principles)
2. Plantation only without Mill (7 principles)
3. Mill without Plantation (7 principles)
4. Plasma Smallholders (6 principles)
5. Independent Smallholders (4 principles)

The implementation of Standard No. 1, 2 and 3 (Company) is Mandatory, while for the Smallholder are Voluntary.
E. ISPO Principle & Criteria

• ISPO consist of 7 (seven) Principles, 52 Criteria and 141 Indicators that have been referenced from several Ministries, such as the Ministry of Agriculture, Ministry of Environment and Forestry, Ministry of Manpower, Ministry of Land Board and Landscape, Ministry of Industry, and Ministry of Trade, etc.

• Have to comply with 16 Laws, 14 Government Regulation, 6 Presidential Decree, some of Ministrial Decree.
F. ISPO Sustainability Principles for Company

1. The Legality of Plantation Business,
2. Plantation Management,
3. Protection to the Utilization of Primary Natural Forest and Peatlands,
4. Environmental Management and Monitoring,
5. Responsibility to Workers,
6. Social Responsibility and Community Economic Empowerment,
7. Sustainable Business Improvement.
G. ISPO Sustainability Principles for Plasma Smallholding

1. The Legality of Plasma Smallholding,
2. Management of the Plasma Farm,
3. Environmental Management and Monitoring,
4. Responsibility for Occupational Health and Safety of the Smallholders,
5. Social Responsibility and Community Economic Empowerment,
H. ISPO Sustainability Principles for Independent Smallholding

1. The Legality of Independent Smallholding,
2. Smallholders organization and the Management of Independent Smallholding,
3. Environmental Management and Monitoring,
4. Sustainable Business Improvement.
I. ISPO Protect Environment

- Strictly implement Indonesian regulation to protect national park, natural water resources, river bank, beaches area prone to natural disaster, forest or grassland with high biodiversity and historical area.

- ISPO also protect endanger species, flora and fauna plantation has to observe the present of endanger species and find reasons and ways to know if this species disappear.

- Endanger species can not be kept/ maintain in the plantations, without special treatment and permit given by the government/ Ministry of Environment & Forest.

- We do not implement HCV in ISPO but protection forest area as according to Indonesian regulation, it called NKT (Nilai Konvervasi Tinggi).
J. SUPPORTING ISPO SYSTEM

**CERTIFICATION BODY (CB)**

- CB which is doing certification should have recognition from ISPO Commission.
- Foreign CB which is officially in Indonesia should get accreditation from accreditation body which has Mutual Recognition Arrangement (MRA) with KAN, and in one year after recognized by ISPO Commision it should be accredited by KAN.
- Foreign CB which is officially in Indonesia, if accreditation body in their country does not have MRA with KAN, then this CB should fulfill all the requirements applied of national CB.

**CERTIFICATION BODIES**

- PT. Mutu Agung Lestari;
- PT. Sucofindo (Persero);
- PT. TUV NORD Indonesia *(Germany)*;
- PT. TUV Rheinland Indonesia *(Germany)*;
- PT. SAI Global Indonesia *(Australia)*;
- PT. Mutu Hijau Indonesia;
- PT. SGS Indonesia *(Switzerland)*;
- PT. BSI Group Indonesia *(England)*;
- PT. AJA Sertifikasi *(England-Italy)*;
- PT. Mutu Indonesia Strategis Berkelanjutan;
- PT. Agri Mandiri Lestari;
- PT. Bureau Veritas Indonesia *(France)*;
- PT. Intertek Utama Service;
- PT. TAFA Sertifikasi Indonesia;
- PT. Global Inspeksi Sertifikasi.
IV. DISPUTE SETTLEMENT

CLAIMS

In the implementation of ISPO Certifications, issues may occur include conflicts of:

1. Interpretation of ISPO Certification requirements or other matters involving the application of ISPO criteria,
2. Between the CBs and the participants from the system (audited Plantation Company),
3. Decisions of the ISPO Commission and ISPO procedures, or
4. Between the surrounding community and other organizations due to problems involving other principles and criteria.

ARBITRATION/APPEALS

1. An appeal is a formal statement of dissatisfaction by a claimant (Plantation Company that already have the ISPO certificate, ISPO certificate applicant or other parties affected by the ISPO Commission decision’s relating the certification status),

2. The Arbitration/appeal shall be a Panel established by the Head of ISPO Commission based on the outcomes of the Commission meetings, comprising total of 3 persons consisting of the 2 Members of the ISPO Commission or members of the Independent Assessment Team and one external expert. The Head of ISPO Commission shall designate a member of the ISPO Commission Secretariat as Panel Secretariat who does not have voting rights.

3. The Decisions of the Committee shall be submitted to the Head of ISPO Commission and the approval of the response shall be forwarded to the Claimant.

4. The appellant will pay a deposit that is set by the ISPO Commission.
V. THE PROGRESS OF ISPO from 2011 up to 2019:

- Up to October 21, 2019: Total registered entities are 754 unit (739 companies, 11 Plasma Smallholders Cooperatives and 4 Independent Smallholders Cooperatives),

- Up to now: 657 Audit Reports (AR) received by ISPO Commision, all of 657 AR verified (100%).
  
  From 657 verified Audit Report, have been approved **566 Certified** (86%), on going process 47 AR (7%), and the rest 44 AR **still postponed** (7%).

- **Total ISPO Certificate from 2012 up to 2019:** 566 (consist of 556 Companies, 4 Plasma Smallholders & 6 Independent Smallholders):

  Plantation 5.186 million Ha (**36% from the total 14.3 million Ha**), total FF production more than 52 million ton/year, and CPO production 12.261 million ton/year (**32.43% from total CPO 37.8 million ton/year**).

  Consist of:
  - **Private Company 508 certificates** (4.896.546 Ha or 63% from the total of plantation 7.788 million Ha);
  - **State Owned Company 48 certificates** (282.762 Ha or 40% from the total of plantation 713,121 Ha); and
  - **Smallholders Cooperatives 10 certificates** (6,236 Ha or 0,107% from the total of plantation 5.807 million Ha).
On December 2018 and March 2019, ISPO Commission have been revoked 6 ISPO certificates for plantation 34.276 Ha, FFB production 412.650 ton/year, and CPO production 97,541 ton/year.

The existing ISPO Certificate from 2011 up to 2019: 560 (consist of 550 Companies, 4 Plasma Smallholders & 6 Independent Smallholders):

- Plantation 5,173,358 Ha (36% from the total 14.3 million Ha), total and CPO production 12,163,100 ton/year (32% from total CPO 37.8 million ton/year).
# V. Partnership ISPO with International Organization & CSO

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VI. The Benefits of ISPO Certification System to Ensure the Future Viability Palm Oil Plantation

- Improve Productivity and Yield through the Improvement of Good Agriculture Practices (GAP)
- Improve Stakeholders and Buyers Trust
- Competitive Advantage both Domestically and Internationally due to Renewed Credibility
- Improved Management of Corporate Social Responsibility through the Reduction of Negative Environmental and Societal Impact
- As a Bank Reference for Palm Oil Company to Apply Financial Credit (based on OJK’s Regulation Number 51/2017 about Sustainable Finance Practices)
Implement Indonesian regulation to protect National park, Natural water resources, River bank, Beaches area prone to natural disaster, Forest or Grassland with High Biodiversity and Historical area.

Establish positive image to response the negative campaign about Palm Oil, such as deforestation, killing endangered animals, child labour and GHG emissions, RED II.

Supply chain Assurance for Company/Small holder’s Fresh Fruit Bunch/FFB - ISPO Certified to supply the Mill with ISPO Certified

(The Amsterdam Palm Oil Declaration: 100% sustainable palm oil supply chain in Europe by 2020).
A. THE RECENT ISPO POLICY

- The Head of ISPO Commission/ Director General of Estate Crops - MoA have a policy to accelerate the implementation of the ISPO Certification System, in order:
  - to reach the objectives of ISPO,
  - to improve the Indonesian Palm Oil governance,
  - to encourage the sustainable production of palm oil by complying existing rule and regulation in Indonesia (16 Laws, 14 Government Regulation, 6 Presidential Regulations, some of Ministrial Regulations),
  - to build acceptability and promote ISPO Certification system as demanded by the international market.

- Also, to implement the Directive of the President Number 8 of 2018 concerning Moratorium and Evaluation of the Licensing of Palm Oil Plantations as well as Increasing the Productivity of Palm Oil Plantations, during three years.

- The Directive of the President Number 8 of 2018 to the Minister of Agriculture, such as: 5) to assure that all of the Palm Oil plantations have to implement ISPO System.
B. THE ACTION PLAN of ISPO ACCELERATION PROGRAM 2019-2020:

1. Improvement the international acceptability of ISPO System through mass socialization, diplomacy, promotion, conference, seminar at international level,

2. Enhancing the coordination with the Ministry of Environment and Forestry, the Ministry of Agrarian and Landscape, and Ministry of Home Affairs,

3. Improvement the Role of Local Government (Bupati, Dinas Perkebunan) to facilitate the implementation of ISPO for smallholders (e.g. Land rights/SHM, Letter of Plantation Registered/STD-B),

4. Improvement quantity and quality of ISPO Auditors for CB’s, Company (at least have 2 Internal Auditor ISPO), and Cooperative for Smallholding (1 ICS),

5. Establishment the ideal partnership model between Palm Oil Company and Smallholders, to facilitate the implementation and reach ISPO Certificate,

6. Supporting finance from the Government & Palm Oil Fund Board (BPDPKS) for Smallholders to reach ISPO Certificate.

7. Improvement partnership with International Organization and CSO/NGO to facilitate the implementation of ISPO System for Smallholders.

8. Supporting the achievement of the GAPKI commitment to reach 100% ISPO Certificates for all members on 2020: through “Coaching Clinic ISPO Program”,

9. Preparation for ISPO Supply Chain Certification System (October 2019).
C. THE COMMITMENT
THE PRESIDENT & THE GOVERNMENT OF THE REPUBLIC OF INDONESIA

- Diplomacy
  - The Directive of the President of the Republic of Indonesia: Number 8 of 2018
    - Mandatory B-20 on 2019, B-30 on January 2020
    - Palm Oil Replanting Program for Smallholders: 2.4 million Ha (2017-2032)
D. POTENTIAL GLOBAL MARKET & ACCEPTABILITY OF ISPO CERTIFICATE
E. SUPPORT SDGs

D. Support the 12 Sustainable Development Goals:

1- No Poverty,
2- Zero Hunger,
3- Good Health & Well-Being,
4- Quality Education,
7. Affordable & Clean Energy,
8- Decent Work and Economic Growth,
9- Industry, Innovation & Infrastructure,
10- Reducing Inequality,
12- Responsible Consumption and Production,
13- Climate Action,
15- Life on Land,
17- Partnership for the Goals.
Thank You Very much

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