

Siak Pelalawan Landscape Programme How Companies Collaborate and Engage



About Proforest and the Production Landscape Programme

Proforest is an independent mission-driven organisation that specialises in practical approaches to sustainability in the production and sourcing of agricultural and forest commodities. We support companies to work both within and beyond their own supply chains, to deliver positive environmental and social outcomes in the places where commodities are produced. We foster collaboration between companies and other stakeholders, including peer companies, governments and civil society. This builds the foundation for individual companies to engage with sustainability issues across landscapes and sectors beyond their own supply chains.

The Production Landscape Programme (PLP) was established in July 2018 with support from UK Aid under the Forest Governance, Markets and Climate Programme. The programme aims to support the private sector to align their actions on deforestation and other sustainability issues with national and subnational policies and initiatives, including those led by civil society.

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Cover photo: Clarity on both governance and the strategic contribution of corporate actions towards local priorities will pave the way for mutual understanding and strong buy-in from the respective stakeholders.

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Executive Summary

The Jurisdictional Approach (JA) is distinct in its focus on administrative areas and the importance of leadership from local government, working collaboratively with other key stakeholder groups. Such local government engagement is appealing for the private sector, as it holds the potential to address systemic issues that affect the implementation of their corporate sustainability commitments. This case study looks into private sector engagement in the Siak Pelalawan Landscape Programme (SPLP), which currently comprises eight palm oil producers, traders, and downstream buyers, facilitated by Proforest and Daemeter Consulting, in the Siak and Pelalawan districts in Riau province, Indonesia.

Several key lessons for future private sector engagement in jurisdictional initiatives were identified. First, companies find collaboration on achieving a

common goal in general attractive and efficient. The presence of a neutral convener is seen as essential to build trust within the coalitions as well as bridge trust with other stakeholder groups to allow real engagement and collaboration to take place. While SPLP activities are funded and implemented by its members, the mainstreaming of local government's commitment to sustainable land use into policies is also highlighted as key to ensuring jurisdictionwide impact related to sustainable palm production. Companies interested in jurisdictional initiatives should be ready to commit for an extended period, as building coalitions takes time. Mainstreaming sustainability narratives and achieving real multi-stakeholder collaboration as the way forward for development in Indonesia also take considerable time.



The intervention design phase involved extensive consultations and fact finding, to validate the problem statements. An extension worker clarifies the village boundaries to head of villages.

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Jurisdictional Approach at a Glance

Only six years ago, the term "jurisdictional approach" (JA) was new, unfamiliar, and contested among civil society organisations (CSOs) and donor organisations working to reduce deforestation and promote sustainable land use in Indonesia (Seymour et al., in review). Interest in landscape and jurisdictional approaches increased as stakeholders realised after early efforts to implement corporate commitments to deforestation-free supply chains that these initiatives should be complemented by public policies that are aligned (Taylor and Streck, 2018).

Both landscape and jurisdictional approaches look at implementing sustainability beyond individual supply chains and focus on performance throughout a pre-determined area (Proforest, 2016). Other similar components include the participation of several key stakeholder groups to achieve one or more shared goals, for which they align activities and inputs. A type of accountability and governance mechanism should be in place to monitor these efforts and their impacts on the area.

JA differs from the landscape approach particularly in the first's specific coverage of whole political boundaries. Administrative areas in which proponents have trialled jurisdictional initiatives include provinces (such as in East Kalimantan and West Papua provinces in Indonesia or Sabah state in Malaysia), districts (Musi Banyuasin, Sintang, Siak, Aceh Tamiang, and many more across Indonesia), and sub-districts (for example, Lalan Sub-District in Musi Banyuasin). JA initiatives could even cover a whole country, as in the example of Ecuador, which is one of the pilots for jurisdictional certification under the Roundtable on Sustainable Palm Oil (RSPO).

Sustainability commitment from the local government, therefore, is key to JA success. Local government has the mandate to direct development and play the role to actively engage different stakeholder groups to coordinate, plan, and align programmes. As the commitment covers whole political areas, JA is by definition cross-sectoral and cross-commodities, although certain local priorities (e.g. to prevent peat



Existing initiatives by either local government, companies and CSOs were identified through interviews and desk review. Key features such as enabling conditions and challenges have become the most valuable information to refer to. Credit - Proforest

fires), or interest in a single commodity, may serve as an entry point to the jurisdiction.

With leadership of local government in the mix, companies see the potential of JA to address systemic challenges (e.g. land legality and forest fires), to allow better implementation of their corporate commitments to responsible sourcing and production. JA is also seen as having the ability to scale up social and environmental impacts beyond individual supply chains.

Several companies have engaged in jurisdictional initiatives in Indonesia. Facilitated by Proforest and Daemeter Consulting under a partnership called CORE, a Coalition of seven palm oil producers and downstream buyers, namely Cargill, Danone, Golden Agri-Resources (GAR), Musim Mas, Neste, PepsiCo, and Unilever, formed the Siak Pelalawan Landscape Programme (SPLP) in the two districts in Riau province in mid 2018. In February 2020, an eighth company, L'Oréal, also joined the Coalition of SPLP.

Other initiatives that include various levels of private sector participation are also developing in Indonesia. For example, The Coalition for Sustainable Livelihoods (CSL), launched in September 2018 and focusing in North Sumatra and Aceh provinces, includes Danone, Mars Wrigley, Mondelēz International, PepsiCo, and Unilever. In Aceh Tamiang District, Unilever, Musim Mas and PepsiCo are also exploring investment opportunities. The Production, Protection, and Inclusion Compact, promoted by Yayasan Inisiatif

Dagang Hijau and <u>signed</u> by the government of Aceh Tamiang District and key stakeholders at the end of 2019 is one of the key reasons for this interest.

This document reports findings from a case study on SPLP to gather lessons on companies' engagement in JA, viewed as a policy tool utilised to engage local government and scale up sustainability across a jurisdiction. The lessons from the SPLP, as well as initial learning from other landscape and jurisdictional initiatives around the world, resulted in a practical guide developed by Proforest to assist supply chain companies to engage with landscape initiatives. The ten elements, presented in the guide, aim to help companies decide where and how they can engage with these initiatives. These elements are presented briefly in the box presented on the next page, while the complete set of guidelines can be found in the references at the end of this report.

This case study focused on the companies' engagement within SPLP as well as externally with other stakeholders in Siak and Pelalawan from the preparation period through early 2020, when the coalition started its implementation in the two districts based on the outcomes of the design phase. Interviews with partners in SPLP as well as external stakeholders were held in March and early April 2020. This brief study was conducted under Proforest's Production Landscape Programme, funded by UK Aid through the Department for International Development's Forest Governance, Markets and Climate (FGMC) Programme.

Box 1 Engaging with landscape initiatives: A practical guide for supply chain companies

Part 1 Preparing to engage in a production landscape

1. Understand the supply base

Through supply chain mapping, understand the places where the commodities are produced Understand the risks that production doesn't meet responsible sourcing commitments

2. Identify priority landscapes

Identify priority landscapes for engagement, considering importance for procurement, level and materiality of risk, existing leverage and success factors

3. Decide what kind of approach is appropriate

For each key issue decide the best approach, which may be a supply chain initiative; collaboration within a landscape, jurisdiction or sector; or a combination.

4. Identify and assess initiatives in the selected landscape

Identify existing initiatives in the selected landscape
Explore selected initiatives' goals, governance, mandate and inclusiveness

Part 2 Practical engagement in a landscape

5. Understand local motivation, expectations and decision-making

Understand local motivations and expectations to help align company objectives with local priorities Identify who has authority and mandate for decision-making

6. Clarify resources available and scope of engagement

Identify level of funds or in-kind support that can be committed over what timescale Decide scope of engagement, such as direct funding, expertise, preferential sourcing Consider level of engagement from limited participation to leadership role Clarify expected timeframe for engagement and delivery of results

7. Understand governance and build trust

Understand governance structures and mechanisms for private sector involvement Build trust by supporting existing and developing governance structures

Consider pre-competitive collaboration with other companies

8. Plan and implement interventions

Interventions may be at a variety of scales, within a landscape or at wider policy level Clarify expectations for company support
Align timelines for implementation with other stakeholders

9. Coordinate communication

Seek to align partners' communications and plan communications in advance
Allocate a communications lead in the company; consider shared support for communications
Develop a contingency plan to deal with miscommunication and adverse publicity

10. Monitor and evaluate

Align with existing landscape monitoing frameworks where possible Seek to share common indicators and monitoring processes with other partners Set clear rules for action if the initiative is failing to deliver expected results

2

Siak and Pelalawan Districts: Overview

Riau province is the largest palm oil producer in Indonesia, the world's largest producer of the commodity. Siak and Pelalawan districts in the province are long established palm oil production areas, housing more than 20% of Riau's 260 mills. Both regions have significant environmental values, including almost 1.25 million ha of peatland and vast protected areas, including Tesso Nilo National Park and Zamrud National Park. Engagement in the districts is a priority due to significant environmental risks that pertain there - they have nearly one third of Riau's 'high-priority' mills, according to Global Forest Watch, and a high rate of historic deforestation and chronic fires (Proforest and Daemeter, 2018). Social issues relating to workers' health and safety and land conflicts, as well as rights of smallholders, who control about half of the total palm oil area in the districts, are also a concern.

Opportunities in the districts exist both from the local government's commitment to sustainability and the presence of jurisdictional initiatives. Motivated in part by the severe fires experienced in 2015, Siak District Government announced on 22 July 2016 its commitment to be a "Green District" and to implement policies to improve environmental, social, and

economic sustainability. This initiative was welcomed by local and national CSOs, which established a forum called *Sedagho Siak* (Friends of Siak) in September 2017 to support the translation of the vision to local policies, aligned and informed by programmes on the ground.

A District Head Regulation that determines land-use zoning in Siak was issued in 2018, followed in 2019 by a road map to set out clear targets, action plans, and roles of stakeholders which was developed in collaboration with Sedagho Siak. The road map also states that concession holders are "expected to implement No Deforestation, No Peat, and No Exploitation" in their operations (Siak District Government and Sedagho Siak, 2019).

In early 2019 through a District Head Decree, Siak Government established the Green Siak Coordination Team, which comprises agencies from various sectors, including development planning, agriculture, food security, disaster resilience, environment, and tourism, and heads of sub-districts across the region. Aside from Sedagho Siak, a private sector coalition that currently includes palm oil and pulp and paper companies, and *Forum Kito Siak* (We are Siak), a coalition of youth

Table 1 Key characteristics of Siak and Pelalawan districts (information collated by CORE from various sources)

Characteristics	Siak District	Pelalawan District
Size	855,609 ha (10% of Riau)	1,392,500 ha (15% of Riau)
Population (2017 BPS)	422,865	449,760
Oil palm coverage	328,738 ha (39%)	388,467 ha (28%)
Oil palm smallholder coverage	55%	47%
Pulp and paper coverage	144,939 ha	189,914 ha
Average annual deforestation, 2000-2018	16,152 ha/year	32,427 ha/year
Average annual deforestation, post 2015	2,229 ha/year	4,955 ha/year
Forest area (land cover 2017)	165,674 ha	300,121 ha
Peatland	522,829 ha	724,855 ha
Forest area, outside of Forest Zone	8,667 ha	9,229 ha



In Pelalawan, CORE gets involved in the formulation of the District Action Plan on Sustainable Palm Oil convened by FoKSBI (Indonesia Sustainable Palm Oil Platform) through partnership between the Estate Crops and Livestock Service and UNDP. Credit - Proforest

and cultural movements, were established later that year. These four stakeholder groups of government, private sector, youth, and CSOs, represented by Sedagho Siak, meet and coordinate with each other regularly. The members of the SPLP Coalition are represented in the private sector cluster and CORE helps to facilitate communication and coordination with the other stakeholder groups. The Sustainable Districts Association (*Lingkar Temu Kabupaten Lestari*, or LTKL), of which Siak is a founding member, is currently assisting the local government in formalising a multistakeholder platform in the district.

One key difference between Siak and Pelalawan is the latter has not declared itself as a green district. Nevertheless, discussions on sustainability at district level were injected when Pelalawan was selected to pilot the implementation of Indonesia's National Action Plan (NAP) for sustainable palm oil. The first step was to create a multi-stakeholder Forum for Sustainable Palm

Oil (shortened to FoKSBI in Indonesian), facilitated by UNDP. FoKSBI Pelalawan, established in 2017 by District Head Decree, includes representatives from CSOs and the private sector. CORE regularly attends meetings of FoKSBI to ensure alignment between SPLP and the initiative.

By 2019, a draft District Action Plan for sustainable palm oil in Pelalawan had been developed and consulted with various stakeholders. The draft is currently being finalised by the local government. Pelalawan has also issued a regulation to encourage partnerships between companies and mills with smallholders to encourage traceability to plantation levels and better support for smallholders. While these developments on palm oil sustainability are welcomed, and indeed useful for SPLP, there is yet to be an umbrella "green vision" framework in the district, and as such it is unclear how sustainability is going to be implemented beyond the palm oil sector.

3

Siak Pelalawan Landscape Programme: Goal and Progress

Due mainly to the amount of palm oil sourced from the districts, Siak and Pelalawan have been identified by several global companies purchasing palm oil as key areas to work in to make sure they meet their No Deforestation, No Peat, and No Exploitation commitments. However, these buyers realised that their engagements with suppliers to implement supply chain traceability and map their exposure to environmental and social risks on the ground were only the first steps to effect change. They saw the potential for jurisdictional/landscape approaches to scale up sustainability impacts beyond their supply chains through the leadership of the local government as well as active engagements of other stakeholders, including NGOs, producers, and smallholders.

The Siak Pelalawan Landscape Programme grew from several separate initiatives and collaboration with traders and producers facilitated by Proforest and Daemeter. The two firms invited and discussed with Cargill, Danone, Golden Agri-Resources, Musim Mas, Neste, PepsiCo and Unilever, the idea of collaborating in a private sector-led jurisdictional intiative. The goal of the programme is to transition large parts of both Siak and Pelalawan districts towards producing sustainable palm oil while maintaining or enhancing key conservation areas (Proforest and Daemeter, 2018) and respecting human rights for workers and communities.

The founding coalition of SPLP was formally established in June 2018 and spent the following year designing the future intervention, including by gaining understanding on the production landscape and actors and agreeing on common goals, objectives, and KPIs of the partners and local stakeholders involved. The second phase, currently ongoing, is focusing on partnership development and linking the SPLP to



Figure 1: SPLP approach and timeline

Case Study

internal multi-stakeholder processes in Green Siak and FoKSBI in Pelalawan. The partnership agreement covers information sharing, funding allocation, monitoring and reporting, communication, and multi-stakeholder engagement.

The SPLP Coalition of companies have agreed on their proposed governance structure. Companies are differentiated as members, required to pledge financial contributions including for the engagement, monitoring, and management of the entire landscape programme; and supporters, which only contribute to selected activities/outputs and have no decision-making power. Contributions can either be financial or in-kind, where in-kind contributions are subject to an

agreed Terms of Reference. Founding members are in the process of selecting what type of engagement suits them best, and other companies have been invited to join the coalition in the future. At the start of 2020, L'Oréal joined the Coalition as a new member.

Phase 3, which officially began in January 2020 and is expected to run until September 2024, focuses on the implementation of specific interventions that help meet agreed long-term goals and outcomes. The interventions for implementation in year 1 (2020) are structured around seven workstreams, summarised in the table below.

Table 2 SPLP workstreams and activities in the first year (2020)

Wo	orkstreams	Year 1 Activities*	
1.	1. Conservation and restoration of 5,000 ha	Feasibility study for target sites	
		Investment and implementation plan development for identified area	
Village-level support to initiate progress sustainable production-protection models.	Village-level support to initiate progress toward sustainable production-protection models	Methodology, shortlisting of 7 villages, and defining village interventions in each selected village	
		Engagement and implementation of interventions in seven villages. This includes support of the Peat Restoration Agency in implementing their village programme where links can be made	
		Preparation of model for upscaling	
3.	Development and implementation of district-wide traceability to plantation (TTP) strategy	TTP data collection for all mills in the programme and strategy development	
4.	Support for Tesso Nilo National Park to strengthen protection/rehabilitation efforts	Support activities defined as additional and complementory to existing programmes and initiatives	
5.		Mill segentation and engagement	
compliance	Government support in socialisation with mills and groups		
	Additional training and development of mill engagement action plans		
	Action plan on social risks related to palm oil production	Scoping study and plan development	
		Ulula implementation	
7.	Support design and development of (external) multi-stakeholder platform	Stakeholder engagement, review of options, and contributing to design of platforms and operationalisation support in both districts	

^{*} Developed prior to the Covid-19 outbreak



Private Sector Engagement in SPLP: Lessons Learned

Working together is preferable

Different types of companies, i.e. commodity producers, traders, buyers, or integrated corporations, may have different levels of appetite for engaging in jurisdictional initiatives as a way to bring transformation towards sustainability beyond their supply chains. In general, they find being part of a coalition of companies in jurisdictional initiatives attractive, as they can share not only resources to implement the programmes, but also the risks. Growers also find it beneficial to have their buyers directly supporting the initiatives with them as a way to build relationships, and perhaps, in the future, bring commercial incentives. Being part of a coalition of companies is highly feasible in districts like Siak and Pelalawan, which are already producing large volumes of palm oil and have overlapping supply bases for major companies.

The presence of a national park, such as Tesso Nilo National Park in Pelalawan, and other environmentally key areas such as Siak Giam Kecil Biosphere Reserve and large swathes of peatlands in both districts, as well as shared challenges to address such as ensuring sustainability practices among independent smallholders, make joining forces in a jurisdictional initiative appealing to private sector actors. While different companies may have different priorities in terms of the environmental and social impacts they want to make, jurisdictional initiatives offer a spectrum of needs that likely overlap, complemented with the active engagement of local government and other stakeholders.

The question of how many companies in one jurisdictional initiative is best depends on the level of engagement envisioned by each company, their culture, including perception of risks, and resources available. However, the involvement of more companies will likely extend the time needed to develop a working plan and governance system together.

A neutral convener is key

Trust is an essential ingredient for any collaboration to take shape. This is a clear challenge in JAs, where various stakeholders, who may have negative prior experiences with one another, must coordinate and work together to transform the area towards sustainability. The presence of a neutral convener is essential to build trust within coalitions, as well as bridge trust with other stakeholder groups, to allow real engagement to take place.

A convener ideally is an organisation that is able to communicate with various stakeholders, including CSOs, government, and the private sector, and see their potentially differing perspectives and facilitate building a common understanding amongst these parties. As a coalition of companies may include market competitors, it is important that the convener is also able to bridge interests and is seen as neutral.

In SPLP, the CORE partnership of Proforest and Daemeter plays this role and can communicate about the Coalition and present their interests externally. In Siak, CORE actively coordinates and communicates about the workplan of the Coalition with conveners in other coalitions, e.g. the wider private sector coalition and CSO alliance Sedagho Siak, as well as in the Green Siak Forum. In Pelalawan, CORE also coordinates with and participates in discussions with the palm oil platform FoKSBI Pelalawan, through UNDP and the local government planning agency and agricultural department.

Uniquely, the convener can also serve as a "legal bridge" between companies and other stakeholders. For example, CORE has a Memorandum of Understanding (MoU) with the Coalition of eight companies of SPLP, which follows the specific legal requirements and due diligence process of each company. CORE also has a Collaboration Agreement with the Siak Government that follows the government template, to align the SPLP programmes with local priorities. A direct MoU between the Siak Government and global companies would be much more complicated to achieve considering the different requirements about the legal structure and format of the agreement.



Supply chain companies demonstrate support for the achievement of the Green Siak agenda by having a joint declaration with the Head of Siak District. Jurisdictional approaches emphasise the alignment of landscape interventions with the local policy context.

Credit - Proforest

The convener, which may also serve as a secretariat or programme manager of the jurisdictional initiative, can be funded by coalition members, as in the case of SPLP, or by other donors/organisations. This mandate would later need to be complemented with a governance structure, as the coalition takes shape, and Standard Operating Procedures (SOPs), for example on communications and data sharing.

Sustainability has to be mainstreamed

The local government's commitment to sustainable land use is a key appeal of JA and indeed determines jurisdiction-wide impact. SPLP provides a unique opportunity to look at two districts with different levels of commitment towards sustainability. Siak Government has declared itself a Green District since 2016, and since then has mainstreamed their commitment in a District Head Regulation on land-use zoning and a road map to implement the green vision. While the coordination platform between stakeholders in Siak is still informal, the meetings already provide the space for key stakeholder groups to directly engage senior government officials, as well as one another, on various issues related to sustainability across sectors and commodities.

Pelalawan district, on the other hand, has not made a public commitment towards sustainable land use. The local government's engagement in FoKSBI is limited to representation such as from the Regional Development Planning Agency (Bappeda) and Estate Crops Agency, as the platform focuses on sustainable palm oil. Other

agencies appear to have been little engaged on discussions around sustainability, according to several informants.

While the workstreams under SPLP will be funded by coalition members and supporters and their implementation has only recently started, key stakeholders have remarked the need for sustainability commitments to be mainstreamed by local government to ensure long-term impacts at jurisdictional level. The mainstreaming of sustainability commitments in policy documents and budget allocations will reaffirm local government buy-in, which is the key appeal of JA in the first place, and may attract more companies to take part in the jurisdiction's sustainability journey.

Look beyond project and long term

Companies interested in jurisdictional initiatives should be ready to commit for an extended period. First, developing a coalition and building trust within is complex and time-consuming as it requires communication, alignment, and coordination with multiple parties through bilateral discussions with individual companies as well as in the forum involving all coalition members. Companies may also have different decision-making and legal processes that extend the necessary period to agree on governance mechanisms and SOPs. However, if aligned and successful, working in a coalition is easier and more effective to achieve impact at scale.

Second and more importantly, JA in general is also more aptly described as a marathon – not a sprint. For many jurisdisdictions, sustainability is a relatively new narrative, and multi-stakeholder collaboration is also a new approach towards development planning and implementation in Indonesia.

Mainstreaming sustainability commitments in policy documents, supported by proof of concepts and activities from programmes on the ground, also needs to follow certain administrative or political cycles, for example related to policy deliberations and budget allocations.

One advantage of commodity-related companies being involved in such extended engagement is that they have long-term interests in the jurisdictions anyway, either as producing or sourcing areas. This requires companies to look beyond projects towards the end goal of sustainable land use.

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