

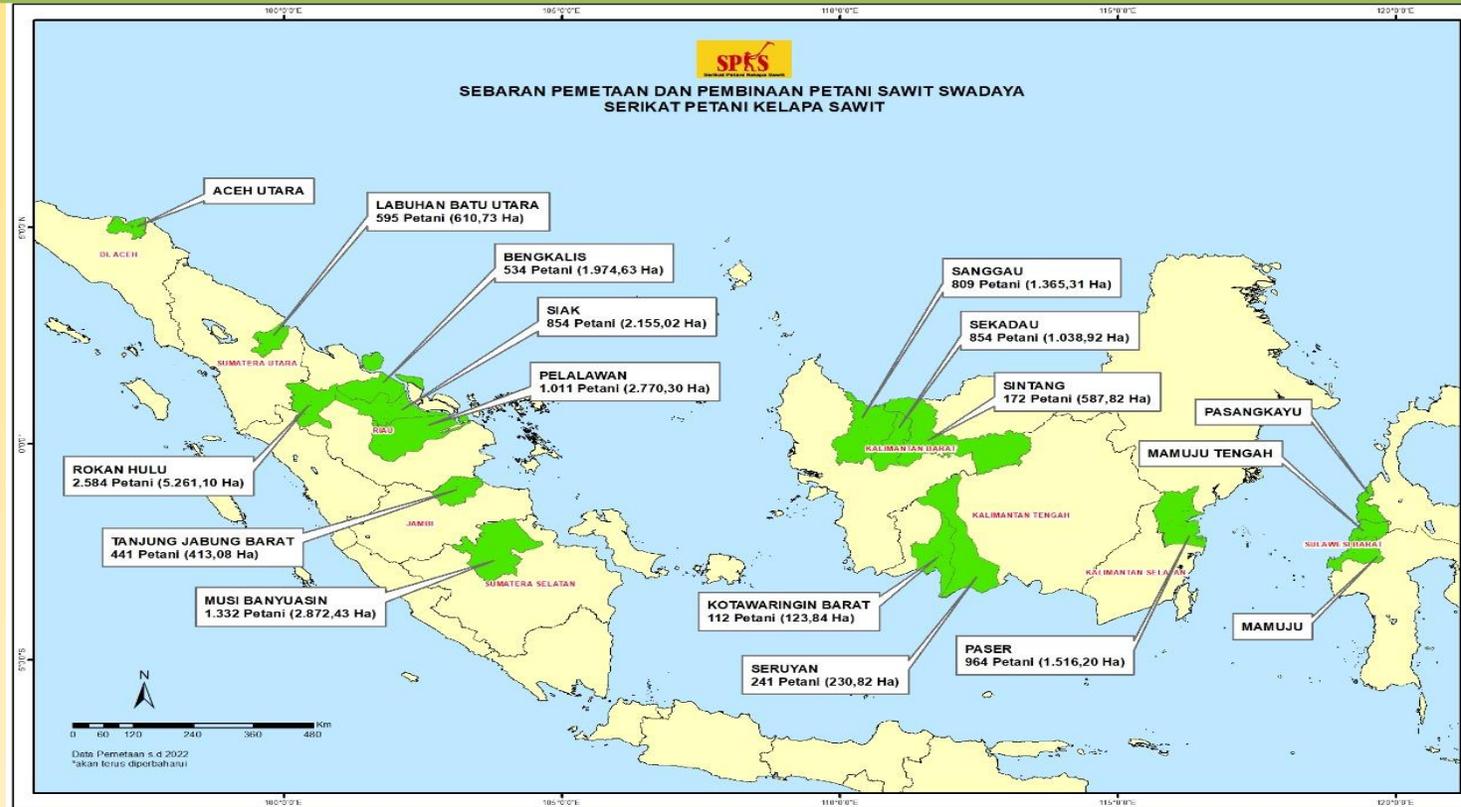
Traceability and No - Deforestation practices for fair and inclusive supply chains that support Independent Smallholders in Indonesia –



February 2023



ABOUT SPKS



SPKS members

- More than **72,000** Independent Smallholders
- Located in **17** Districts in Indonesia

 **Training And Productivity Improvement**
to increase FFB production

 **Forest Protection And Development of Alternative Economies**
Implement No Deforestation commitment using the HCS-HCV Approach, and develop local potential for alternative economy options

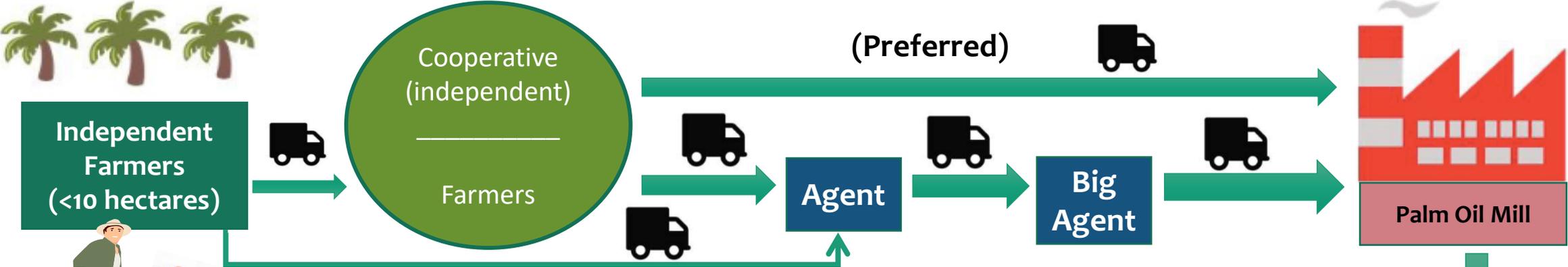
 **Farmer Institutions**
Develop farmer institutions to support sustainable practices and welfare

 **Data Collection & Legality**
identify farmers to support legality compliance and classify farmers located in APL and forest areas

 **Develop Multi-Stakeholder Partnerships**
Build partnerships with governments, companies, financial institutions and oil palm buyers

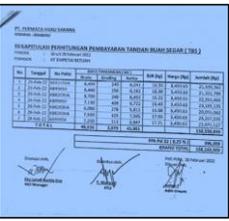
 **Advocacy**
Facilitate conflict settlements and advocate for regulation improvement to benefit oil palm smallholders, including pricing policies, fertilizer and oil palm rejuvenation programs, and partnership scheme development

TRACEABILITY AND SUPPLY CHAIN APPROACH BY SPKS



- Documentation/Evidence**
1. Basic information (name, origin, details and geographic coordinates or plantation polygons)
 2. Plantation information (land clearing, seed type, land type and FFB production)
 3. Land Ownership (Certificate, 'Girik' / 'SKT' (proof of ownership for registration purposes), etc.)
 4. Cultivation Registration Certificate / 'STDB' (for legality) and Environmental Management Statement
 5. Smallholder Deforestation Free Declaration
 6. Labor Information (receipt of harvester salary, facilities, etc.)

1. FFB sale and purchase cooperation agreement
2. Cooperative membership
3. Sales invoice
4. Transport receipt



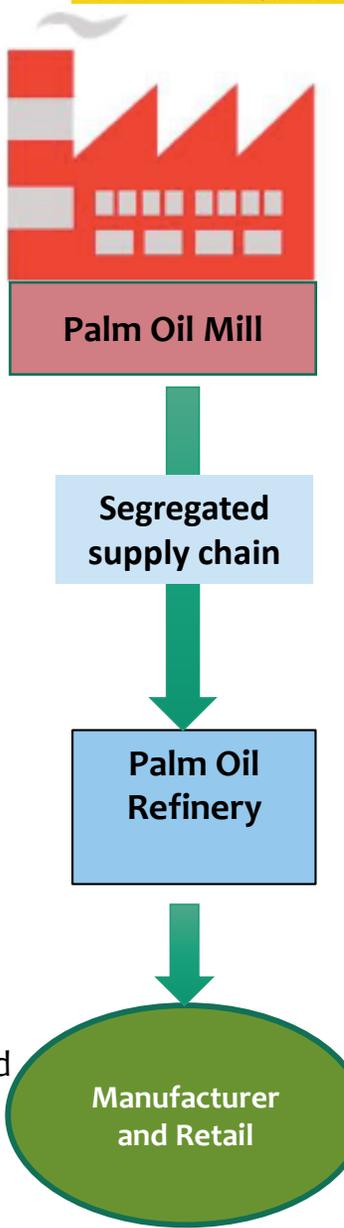
1. FFB sale and purchase cooperation agreement
2. Sales invoice
3. Transportation Receipt

1. Sales invoice
2. Delivery order
3. Load/Unload payment slip

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2. Delivery order
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Notes:

- Independent Smallholders: Smallholders who occupy their own land, have their own capital, and manage their oil palm plantations independently with the majority of their own (or family) labour. The maximum plantation area is 10 ha according to the SPKS definition (Indonesian regulations less of 25 ha).
- Agents: there may be more than one place where they collect and grade smallholder products





Registered

- More than 8 thousand independent farmers
- Area: 19,232.38 ha

Farmer Data Base – SPKS

- Data and spatial maps are *managed* by SPKS online datasawit.com

SPKS definition of ‘independent smallholder’ is based on the characteristics:

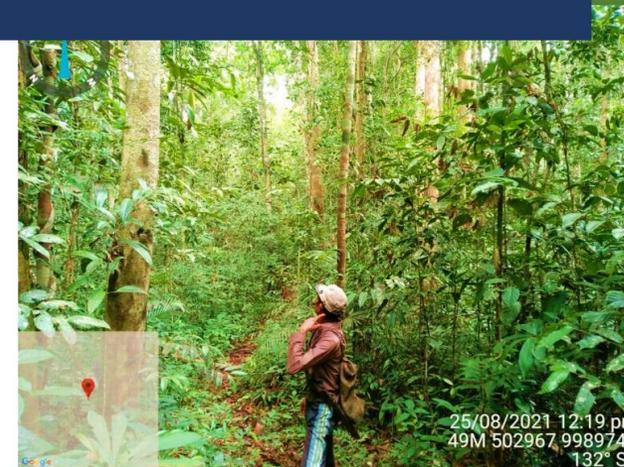
- 1). Small Scale Plantation < 10 ha
- 2). Live in the countryside or around plantations
- 3). Dependent on oil palm plantations and the main occupation is farming
- 4). Members of the family as labour

Progress with Implementing No Deforestation

- SPKS is committed to HCSA and is a HCSA SG member
- Over the last 4 years the HCSA Toolkit has been adapted and trialled in West Kalimantan to produce the Simplified HCS-HCV Toolkit for Indonesian smallholders.
- V6 of the Simplified Toolkit is near final and ready for broader implementation, including in Sintang and other districts.
- Main current focus of work is on developing the Incentives and Benefits component to support adoption and implementation of HCSA and traceability by smallholders, including to meet the EU DR (see below).
- Also work on Management and Monitoring guidance for the Toolkit.
- Other efforts to support smallholders include: RSPO & ISPO Certification, STDB, and SPPL

2021

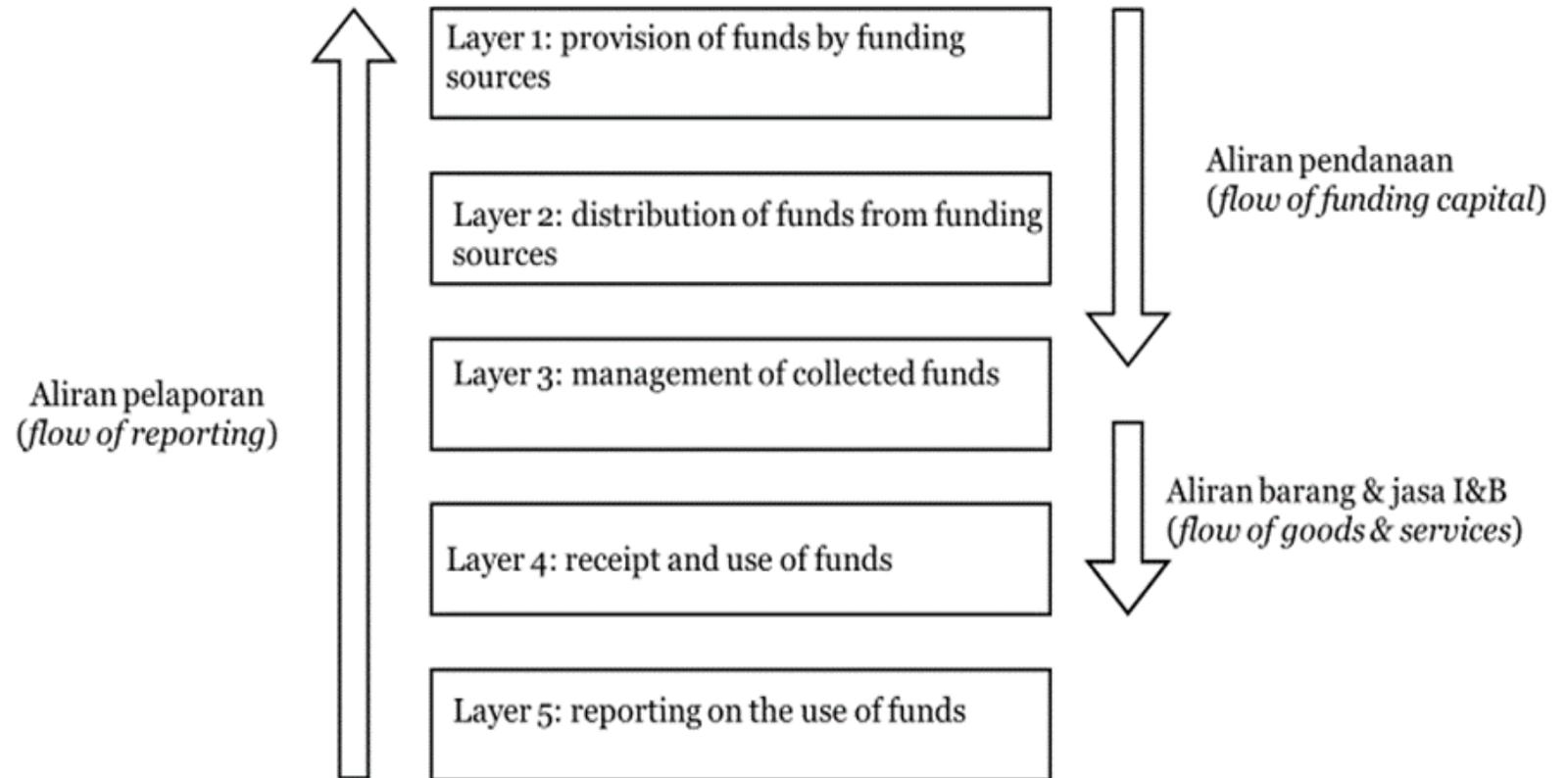
TRIALLING OF THE SIMPLIFIED HCS-HCV APPROACH FOR SMALLHOLDERS IN SANGGAU AND SEKADAU DISTRICTS, WEST KALIMANTAN, INDONESIA



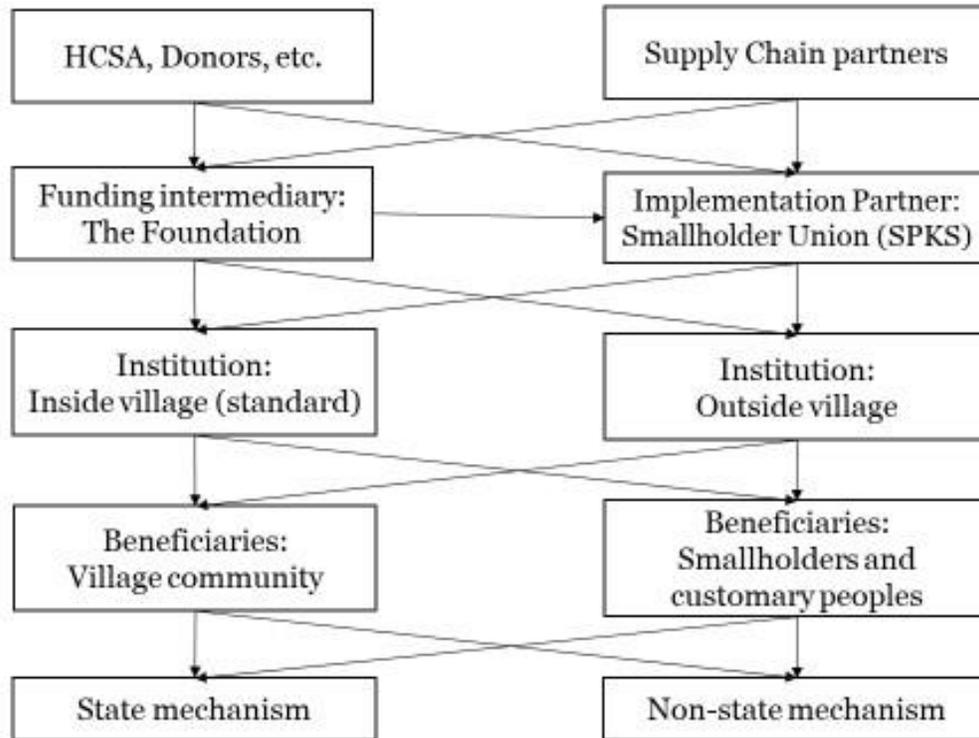
Developing an Incentives and Benefits (I&B) Mechanism: Update

- From the outset of HCSA implementation with smallholders, incentives and benefits were identified by the SH and HCSA as critical if HCSA adopted, and forests protected.
- Study carried out by University of Indonesia Center for Climate and Sustainable Finance Dept (CCSF – UI) and SPKS in 2022, based around a draft concept note and including field data gathering and layer analysis.
- Recommendations of the study are now being implemented, including establishing a mechanism, rolling out implementation of I&B to participating communities, and identifying support partners including in the supply chain.
- See below for a schematics of I&B Mechanism being established.

I&B Mechanism Schematic for Analysis of the Layers



Farmers for Forest Fund (4F) Scheme



Layer 1:
Funding sources

Layer 2:
Funding distribution

Layer 3:
Fund management

Layer 4:
Receipt and use of funds for I&B activities

Layer 5:
Reporting

Incentive and Benefit Activities:

- Mapping smallholders
- Legalising customary forests
- Forest conservation, protection, forest guards
- GAP
- Livelihood support, e.g. NTFP, ecotourism
- Agroforestry
- Traceability
- Strengthening smallholders' village institution
- Legal land-right support
- Market access and fair price

Incentive and Benefits Mechanism

- SPKS is establishing an independent Yayasan in Indonesia to act as the fund receipt and transfer mechanism.
- Several smallholder communities in Sanggau and Sekadau who are implementing the Simplified HCSA toolkit will begin to receive initial support for incentives and benefits activities.
- The activities will be monitoring for impact and effectiveness and reported on, together with the Management and Monitoring of conservation areas.
- There is outreach to local government, supply chain partners, potential donors and other stakeholders to identify potential partners and supporters.
- A key benefit that is sought by the smallholders is a fair and stable price for FFB – thus establishing the market links to no deforestation supply chains is key
- Following initial implementation in Sanggau and Sekadau, other village landscapes will be sought for expanded implementation

Discussion points on areas of common interest and potential collaboration

- Deforestation free smallholders in the supply chain
- Implementation of the Simplified HCS-HCV Approach for Smallholders
- Production landscape and supply chain overlap – potential for SPKS member cooperatives that are implementing HCS-HCV and are traceable to join producer's supply chain
- Support for providing I&B for smallholders for forest protection via the I&B mechanism

(more details can be provided on the proposed approach once an initial MoU in place)