

## **The Urgency of Indonesian Sustainable Palm Oil Certification for Oil Palm Plantation Companies in the State's Economic Growth**

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### **ABSTRACT**

The government is working on Indonesian Sustainable Palm Oil Plantations by issuing various regulations, both through the Presidential Regulation of the Republic of Indonesia Number 44 of 2020 concerning the Certification System for Indonesian Sustainable Palm Oil Plantations, as well as through the Regulation of the Minister of Agriculture Number 38 of 2020 concerning Implementation of Plantation Certification Indonesian Sustainable Palm Oil so that the oil palm plantation business obtains results that are economically feasible, socio-culturally feasible and environmentally friendly and increase the competitiveness of industrial palm oil products for the international market. The study method is normative juridical. In this study, an approach is used by identifying research objects and a statute approach. Based on the results of the study, the Government of Indonesia continues to make efforts for oil palm plantation companies to carry out ISPO certification. The government also issued various regulations to accelerate ISPO certification. It is suggested to the government continue to make efforts and be serious about accelerating ISPO certification by implementing various regulations that have been issued, including the Regulation of the Minister of Agriculture of the Republic of Indonesia Number 18 of 2021 concerning the Facilitation of Development of Community Gardens in Surroundings, in addition to issuing the Regulation of the Minister of Agriculture of the Republic of Indonesia Number 03 of the Year 2022 concerning Development of Human Resources, Research, and Development, Rejuvenation, as well as Facilities and Infrastructure for Oil Palm Plantations and several regions a Team for the Acceleration and Supervision of ISPO certification has been formed so that it has an impact on the country's economic growth.

**Keywords:** *Certification Urgency, ISPO, Plantation Companies, State Economy*

### **1. PRELIMINARY**

The spirit of the Indonesian state is in the direction of a welfare state and this spirit is manifested in regional autonomy which leads to the concept of local government in the sense of a state from a centralized system to a decentralized system. The theoretical dimension of the regional government, the enactment of Law Number 23 of 2014 concerning Regional Government, has consequences for a shift in the paradigm of regional government which prioritizes the principle of decentralization. (Bhenyamin, 2002).

Regional Governments, as well as district/city governments, can carry out their governmental affairs which are under the authority of district/city governments, matters that are on a district/city scale include planning, utilization, spatial control, development planning, and control. This authority must also pay attention to the plantation sector, although it is not specifically stated in Law Number 11 of 2006 concerning the Government of Aceh, in the context of regional spatial planning at the district level, aspects of natural resource management must also be seen, including the plantation sector.

The plantation sector is one of the priorities for the government in increasing the country's economic income. Plantation commodities are one of the mainstays for Indonesia's national income and foreign exchange. This can be seen through the contribution of the plantation sub-sector in 2013 reaching US\$ 45.54 billion or the equivalent of Rp.546.42 trillion (assuming 1 US\$ = Rp. 12.000.-) which includes plantation commodity exports of US\$ 35.64 billion, a tobacco excise tax of US\$ 8.63 billion and export duties (BK) of CPO and cocoa beans of US\$ 1.26 billion. When compared to 2012, the contribution of the plantation subsector increased by 27.78% or an increase of US\$ 9.90 billion.<sup>1</sup>

Plantations located in regions (provinces and regencies) throughout Indonesia are required to carry out the mandate of supporting national development. Plantations have an important role and have great potential in the development of the national economy in the framework of realizing people's prosperity and welfare in a just manner. This is to the expectations mandated in Law Number 39 of 2014 concerning Plantations. In this law, it is stated that plantations are all activities of management of natural resources, human resources, production facilities, tools and machines, cultivation, harvesting, management, and marketing related to plantation crops.<sup>2</sup>

Plantations are more broadly interpreted as the implementation of plantations carrying out the mandate of supporting national development. The mandate requires that the implementation of plantations be aimed, among other things, first, at increasing the welfare and prosperity of the people; second, to increase the country's foreign exchange sources; third, providing employment and business opportunities; fourth, to increase production, productivity, quality, added value, competitiveness, and market share; fifth, to increase and meet the demand for consumption and raw materials for domestic industries; sixth, to protect plantation business actors and the public; seventh, to manage and develop plantation resources optimally, responsibly and sustainably; and eighth, to increase the utilization of plantation services.

Oil palm plantations are a business that absorbs a lot of labor. In addition, oil palm plantations also contribute to the country's foreign exchange. Therefore, we need a management system for oil palm plantations that is effective, efficient, just, and sustainable. There are so many objectives of implementing plantations in supporting national development, it is interesting to carry out further studies regarding the urgency of Indonesian Sustainable Palm Oil certification for oil palm plantation companies in the country's economic growth.

## 2. METODE

This type of study is a normative juridical study which is research using several techniques to collect data, namely, documentation and literature. The researcher also analyzed the data obtained by studying the laws that operate in people's lives. Furthermore, it also looks at the factors that affect the

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<sup>1</sup> <https://ditjenbun.pertanian.go.id/peran-perkebunan-dalam-perekonomian-nasional/>

<sup>2</sup> Pasal 1 ayat (1) Undang-Undang Nomor 39 Tahun 2014 tentang Perkebunan.

functioning of the law in society, namely (1) the rule of law/regulation itself; (2) officers/law enforcers; (3) means or facilities used by law enforcers; (4) public awareness (Zainuddin, 2011).

This research uses a case study approach and statutory approach (Statute Approach) which includes, among others, the 1945 Constitution of the Republic of Indonesia; Law Number 23 of 2014 concerning Regional Government; Law Number 39 of 2014 concerning Plantations; Regulation of the President of the Republic of Indonesia Number 44 of 2020 concerning the Indonesian Sustainable Palm Oil Plantation Certification System; Regulation of the Minister of Agriculture Number 38 of 2020 concerning the Certification of Indonesian Sustainable Palm Oil Plantations; Regulation of the Minister of Agriculture of the Republic of Indonesia Number 18 of 2021 concerning Facilitation of Development of Community Gardens in the Neighborhood; Regulation of the Minister of Agriculture of the Republic of Indonesia Number 03 of 2022 concerning Development of Human Resources, Research and Development, Rejuvenation, and Facilities and Infrastructure of Oil Palm Plantations; Regulation of the Minister of Agriculture of the Republic of Indonesia Number 11/Permentan/Ot.140/3/2015 concerning the Indonesian Sustainable Palm Oil Certification System (ISPO).

The approach is taken by reviewing the articles contained in the laws and regulations related to ISPO certification as an initial basis for conducting an analysis. The approach to the level of vertical and horizontal synchronization is to reveal the reality, to what extent the implementation of the principles of sustainable plantations through Indonesian Sustainable Palm Oil in North Aceh District, in terms of certain laws and regulations, is vertically compatible, or horizontally compatible when it comes to laws and regulations. equal invitation regarding the same field (Soekanto & Mamuji, 1985).

Sources of data used in this study are sourced from:

- a. Secondary data or data obtained through library research (library research), namely (Sunggono 2007): books, laws and regulations, scientific papers in the form of journals, theses, theses, and dissertations from the results of previous research.
- a. a. Tertiary data, namely materials that provide instructions and explanations of primary and secondary legal materials, such as large Indonesian dictionaries, legal dictionaries, encyclopedias, articles on the internet, news in print and online media, and opinions published in the mass media.

Analysis of legal data in this study was carried out qualitatively, meaning that it describes legal material in a quality manner in the form of sentences that are orderly, logical, non-overlapping, and effective to facilitate the interpretation of legal material and understanding of the results of field analysis. Analysis of legal materials and interpretations like this will produce quality and perfect empirical legal research products (Kadir, 2004).

### 3. DISCUSSION

#### **The Urgency of Indonesian Sustainable Palm Oil (ISPO) Certification for Oil Palm Plantation Companies in the State's Economic Growth**

Oil palm (*Elaeis genesis* Jacq) is one of several plants that produce oil for commercial purposes. The world's need for palm oil in 2012 was 52.1 million tons, and in 2020 it is estimated that it will increase to 68 million tons. In 2016, Indonesia became the world's first producer with a production of 34 million tonnes of the total world production of approximately 62 million tonnes and exports of 25 million tonnes of the total exports of various countries in the world of approximately 46 million tonnes with a total domestic consumption 9.47 million tonnes (USDA 2017).

The productivity of smallholder oil palm plantations averages 16 tons of FFB/ha, while the production potential when using high-yielding oil seeds can reach 30 tons of FFB/ha. The productivity of smallholder CPO (Crude Palm Oil) only reaches an average of 2.5 tonnes of CPO per ha and 0.33 tonnes of palm kernel oil (PKO) per ha. In addition, state plantations produce an average of 4.82 tons of CPO per hectare and 0.91 tons of PKO per hectare, and private plantations produce an average of 3.48 tons of CPO per hectare and 0.57 tons of PKO per hectare. (Kiswanto dkk, 2008).

Palm oil has a high economic value because oil palm fruit can be made into several semi-finished processing materials such as Crude Palm Oil (CPO) and Palm Kernell Oil (PKO). On the other hand, environmental problems are very attached to oil palm plantations. At least half of the eight million hectares of currently productive plantations have been developed through prior deforestation. Oil palm (*Elaeis*) is an important plantation crop producing food oil, industrial oil, and biofuel (biodiesel). Smallholder oil palm plantations are generally managed in partnership with large private companies and state plantations (inti-plasma).

There is no doubt about the prospects for the sustainability of the oil palm plantation business. Since 1911 when the oil palm plantation business was started in North Sumatra, this business has proven to be able to survive and has even become one of the mainstay commodity sectors of the Indonesian economy. This sector is also able to absorb a large enough workforce. Indonesian palm oil production managed by large plantations since 2004 has continued to increase compared to 5 plantation commodities. Where palm oil production is divided into 2, namely palm oil (CPO) and palm kernel seeds. Processed fresh fruit bunches (FFB) need attention because even though Indonesia is not yet fully superior in downstream products (biodiesel, cooking oil, butter) CPO and Kernel are the main export commodities from the plantation sector. The role of the state, community, and private plantation industry on a small or large scale is inseparable from the development of the total area of oil palm plantations which has increased (Renta 2015).

Provision of knowledge or education regarding sustainable plantation management for plantation companies is very important in line with the government's move to require oil palm plantations to carry out Indonesian Sustainability Palm Oil (ISPO) certification because until 2013 there were only 20 plantation companies that had received ISPO certificates from hundreds of plantation companies that had in Indonesia (Taufiq, 2013), therefore to enforce the ISPO standard requires better cooperation

between the government and plantation companies as business actors, several forms of such cooperation, namely first, providing mutual support among relevant stakeholders; secondly, sufficient time is required to prepare the program and the various types of permits required; third, there is a guarantee of benefits for compliance with ISPO standards as well as legal certainty for various regulations that have been complied with. (Anwar, et al 2016).

Oil palm plantation companies that can apply for ISPO certification must meet several requirements. For example, it has received an assessment as class one, class two, and class three. This assessment is by the Regulation of the Minister of Agriculture Number 7 of 2009 concerning Guidelines for the Assessment of Plantation Businesses. ISPO is different from the Roundtable on Sustainable Palm Oil (RSPO), in that ISPO is prepared based on the applicable laws and regulations in Indonesia and various related matters. For example the Ministry of Agriculture, Ministry of Forestry, Ministry of Environment, Ministry of Manpower and Transmigration, and the National Land Agency. Therefore, all provisions in ISPO must be obeyed by each of these provisions and if they violate the rules contained therein, they will be subject to predetermined sanctions. All regulations related to the Sustainable Palm Oil Certification System have a position in the Minister of Agriculture Regulation which is acknowledged to exist so that they are binding in nature and by the hierarchy of statutory regulations (Mawardi, et al, 2022).

This certification obligation is considered something that is binding and has a legal impact on the company because the provisions have been stipulated through the legal product of the Minister of Agriculture Regulation. Sanctions and provisions have been expressly conveyed, therefore, like it or not, the Company must still make adjustments, fulfill regulatory compliance, register, and obtain certification to carry out monitoring and supervision as a form of real commitment in efforts to create sustainable palm oil products.

ISPO certification encourages investment growth and development of oil palm plantation companies in Indonesia to implement business development and management towards a system that is sustainable and sustainable in the long term. This can be seen from the goals and objectives of the formation of ISPO in creating sustainable and environmentally sound oil palm plantations. This means that companies must pay attention to legal, social, management, and environmental aspects which in parallel will greatly affect investment and company productivity. If the plantation companies have properly implemented the ISPO principles and criteria by the stipulated conditions, the world market will look to Indonesia as a producer of CPO that puts forward the principles of sustainable development and environmentally sound development. Therefore, direct investment growth in Indonesia will be better and more conducive to the palm oil business (Panjaitan, 2014).

Based on the Research and Publication Team (Sekar, 2020) it was stated that global palm oil production was dominated by Indonesia and Malaysia as the largest producers of palm oil. According to data from the Directorate General of Plantations of the Ministry of Agriculture, in 2019 the area of oil palm plantations in Indonesia reached 14.68 million hectares and when referring to the reconciliation data, the area of oil palm plantations in Indonesia reached 16.38 million hectares. Based on data from

the Ministry of Agriculture, palm oil production in 2018 was 48.68 million tons, consisting of 40.57 million tons of crude palm oil (CPO) and 8.11 million tons consisting of palm kernel oil (Palm Kernel Oil - PKO).<sup>16</sup> Oil palm plantations in Indonesia are divided into 3 sectors, namely: 1. The People's Plantation Sector, which controls 6.9% of oil palm land and produces 16.8 million tonnes of palm oil. 2. State Plantation Sector, which controls 41.5% of oil palm land and produces 2.49 million tonnes of palm oil. 3. Private Plantation Sector, which controls 51.6% of oil palm land and produces 29.39 million tonnes of palm oil.

Data from the Indonesian Palm Oil Association (GAPKI) noted that 70% of palm oil production in 2018 was allocated to meet export needs and the remaining 30% was for domestic consumption. The contribution value of the Indonesian palm oil division throughout 2018 reached US\$ 20.54 billion or the equivalent of Rp.289 trillion. Until now, palm oil production is still one of Indonesia's mainstay commodities and is the biggest foreign exchange earner. Palm oil's foreign exchange contribution is not inferior to the production of coal or other mining products, which based on data from the Central Statistics Agency (BPS) generated US\$ 18.9 billion or the equivalent of Rp. 265 trillion in 2018.

Based on the discussion above, shows the importance of certification for oil palm plantations using Indonesian Sustainability Palm Oil (ISPO) certification so that the CPO produced will be of high quality. Thus the market share will increase and market demand will bring in and grow the country's economy.

## **AUTHORS' CONTRIBUTIONS**

With the existence of a government regulation requiring oil palm plantations to carry out Indonesian Sustainability Palm Oil (ISPO) certification, it is necessary to provide knowledge or education regarding sustainable plantation management for oil palm plantation companies. The government's decision to ban imports of Indonesian palm oil was to protect its market from imported products so that the country's economy could grow and develop two million hectares of palm oil to support its biodiesel needs so that the development of CPO continued to be increased on an ongoing basis.

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