



Palm oil and indigenous peoples
in South East Asia



Our Mission

A global alliance of civil society and intergovernmental organisations working together to promote secure and equitable access to and control over land for poor women and men through advocacy, dialogue, knowledge sharing and capacity building.

Our Vision

Secure and equitable access to and control over land reduces poverty and contributes to identity, dignity and inclusion.



CIRAD works with the whole range of developing countries to generate and pass on new knowledge, support agricultural development and fuel the debate on the main global issues concerning agriculture.

CIRAD is a targeted research organization, and bases its operations on development needs, from field to laboratory and from a local to a global scale.



Founded in 1990, Forest Peoples Programme (FPP) advocates an alternative vision of how forests should be managed and controlled, based on respect for the rights of the peoples who know them best. Working with forest peoples in South America, Central Africa, and South and South East Asia, FPP helps these communities secure their rights, build up their own organisations and negotiate with governments and companies as to how economic development and conservation is best achieved on their lands.

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Foreword

The International Land Coalition (ILC) was established by civil society and multilateral organisations who were convinced that secure access to land and natural resources is central to the ability of women and men to get out of, and stay out of, hunger and poverty.

In 2008, at the same time as the food price crisis pushed the number of hungry over the one billion mark, members of ILC launched a global research project to better understand the implications of the growing wave of international large-scale investments in land. Small-scale producers have always faced competition for the land on which their livelihoods depend. It is evident, however, that changes in demand for food, energy and natural resources, alongside liberalisation of trade regimes, are making the competition for land increasingly global and increasingly unequal.

Starting with a scoping study by ILC member Agter, the Commercial Pressures on Land research project has brought together more than 30 partners, ranging from NGOs in affected regions whose perspectives and voices are closest to most affected land users, to international research institutes whose contribution provides a global analysis on selected key themes. The study process enabled organisations with little previous experience in undertaking such research projects, but with much to contribute, to participate in the global study and have their voices heard. Support to the planning and writing of each study was provided by ILC member CIRAD.

ILC believes that in an era of increasingly globalised land use and governance, it is more important than ever that the voices and interests of all stakeholders – and in particular local land users - are represented in the search for solutions to achieve equitable and secure access to land.

This report is one of the 28 being published as a part of the global study. The full list of studies, and information on other initiatives by ILC relating to Commercial Pressures on Land, is available for download on the International Land Coalition website at www.landcoalition.org/cplstudies.

I extend my thanks to all organisations that have been a part of this unique research project. We will continue to work for opportunities for these studies, and the diverse perspectives they represent, to contribute to informed decision-making. The implications of choices on how land and natural resources should be used, and for whom, are stark. In an increasingly resource-constrained and polarised world, choices made today on land tenure and ownership will shape the economies, societies and opportunities of tomorrow's generations, and thus need to be carefully considered.

Madiodio Niasse

Director, International Land Coalition Secretariat

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List of acronyms

CAO	Compliance Advisory Ombudsman
CERD	Committee on the Elimination of Racial Discrimination
COP	Crude Palm Oil
FPIC	Free, Prior and Informed Consent
FPP	Forest Peoples Programme
GHG	Green House Gas
HGU	Hak Guna Usaha
IFC	International Finance Corporation
ILC	International Land Coalition
IPOC	Indonesian Palm Oil Commission
LCDA	Land Custody Development Authority
NCR	Native Customary Rights
NGO	Non-governmental Organisation
MPR	Assembly of People's Representatives
REDD	Reducing in Emissions from Deforestation and Forest Degradation
RSPO	Roundtable on Sustainable Palm Oil
TBS	Tri Bakti Sarimas
UN	United Nations

Executive summary

Rapid expansion of oil palm estates in Southeast Asia is being driven by rising global demand for edible oils and biofuels. Two countries – Malaysia and Indonesia – dominate world production. The characteristics of the crop encourage large-scale monocropping. Industry requirements for extensive tracts of land are overwhelming weak governance and legal regimes, which provide little protection of indigenous peoples' rights, as recognised in international and customary laws. Land conflicts and serious human rights abuses are widespread. Court rulings and international treaty bodies have concurred that violations are taking place. Indigenous peoples have lost extensive tracts of land, small-holders have been immiserated and women have been marginalised by the way estates and schemes have been implanted without participation or consent. Concerted efforts to gain redress have had mixed results. While the courts in Sarawak have upheld indigenous peoples' rights, the government has tightened restrictions instead of recognising their rights in land. Voluntary certification processes have yet to have wide effect although precedents of land restitution and improved company-community negotiations have resulted. Complaints to the World Bank for violating its due diligence have been upheld and have led the Bank to suspend funding to the palm oil sector globally, while it reviews its strategy. In response to concern about greenhouse gas emissions, the Government of Indonesia has promised to freeze the hand out of concessions in forests and on peat-lands, but the details are unclear. Legal and procedural reforms are required before the sector can expand without further abuses.

Figure 1: Collecting oil palm fresh fruit bunches, Sanggau, West Kalimantan, Indonesia



Photographer: Marcus Colchester

1 Introduction

Crude palm oil (CPO) is a highly valued product that is traded on the international commodities and futures markets. Processed palm oil is used in a huge variety of products in cosmetics, foods, lubricants and also fuels (Clay 2004). Overall, processed palm oil consumption more than doubled between 2000 and 2010 with the main new demand coming from Eastern Europe, India and China. In broad terms, the price of palm oil has increased steadily over the past 20 years, although heightened interest in biofuels led to a spike in its commodity price in early 2008 followed by a crash, after which the price returned to where it was before the boom and then continued its more gradual appreciation.¹

Table 1: Sources of discontent²



Two countries in South East Asia, Malaysia and Indonesia, produce over 80% of the internationally traded CPO. While significant expansion is occurring in Thailand, Papua New Guinea, Costa Rica, Colombia, Ecuador, Cameroon and the Democratic Republic of Congo, the dominance of Indonesia and Malaysia is likely to endure for quite some time.

¹ <http://www.oilworld.biz/app.php?ista=9709639d5c2e60068c91742efa30ead0>

² Source for the Table: *The Economist* June 24, 2010

In Peninsular Malaysia, the palm oil frontier is approaching the limits of land availability and most expansion within Malaysia is now in the two eastern states in Malaysian Borneo, Sabah and Sarawak. Even by 2002, expansion in Peninsular Malaysia was limited to the last 340,000 hectares of conversion forest (Jomo et al 2004), by contrast in Sarawak the current government has plans to double the area under oil palm, including a target of planting of 60,000 to 100,000 hectares per year on customary lands.³

However, the most vigorous expansion is now taking place in Indonesia where, even by 2006, provincial land use plans had targeted up to 20 million hectares of lands for oil palm expansion (Colchester et al 2006). The Indonesian non-governmental organisation (NGO), SawitWatch, estimates that the current rate of land clearance for oil palm in Indonesia exceeds 600,000 hectares per year.⁴ Within Indonesia, expansion is still intense on the island of Sumatra, although new land is harder to find and the resource frontier has moved down from the mineral soils in the interior to the peat-swamps on the eastern seaboard. Investment is already intense further east in Kalimantan, is now increasing also in Sulawesi and is becoming a major driver of deforestation in West Papua.

Currently there are an estimated 4 million hectares of land under oil palms in Malaysia and over 7.5 million hectares in Indonesia (Jakarta Post 2009; Jakarta Globe 2010).⁵ Much of the investment for oil palm expansion has come from European Banks (Wakker et al 2000; Casson 2002; van Gelder 2004; FPP with Profundo 2008; van Gelder et al 2009), but increasingly funds are being raised from Islamic banks in the Middle East, while investors from India and China are also showing a keen interest (Antara 2005a, 2005c, 2005d; Jakarta Post 2005a, 2005b; Bisnis Indonesia 2005; Tempo 2005). It has been estimated that about two thirds of the companies opening lands to plant oil palm in Indonesia are majority-owned by Malaysian conglomerates.⁶

Current technologies and the characteristics of the oil palm itself impel a certain logic in production techniques. When planted as seedlings, palms start producing fruits after three years and reach full productivity after about seven years. They benefit from having a very controlled undercover and, if well tended, will continue in full production until they become too tall to be easily harvested after about 25 years. Maximum production from the least amount of land favours regularly spaced palms planted in monocultures. Because oil in the very heavy, mature, fresh-fruit bunches rapidly loses its quality, producers have to be able to get fruits to a mill, where the oil can be extracted and stabilised,

³ The total land area of Malaysia is just under 33 million hectares

⁴ The total land area of Indonesia is just over 240 million hectares.

⁵ In Indonesia, as at March 2009, an additional 1.8 million hectares were already fully permitted for planting (HGU). Based on provincial not national data sets, SawitWatch estimated in August 2010 that the total planted area in Indonesia already exceeds 9 million hectares.

⁶ In West Kalimantan around 70% of oil palm companies are Malaysian majority owned and in Riau the figure is 60% (Norman Jiwan, SawitWatch pers. comm. July 5, 2010).

within 48 hours, meaning that farmers need ready access to roads, which in their turn require maintenance.

The mill itself is a lumpy investment and, although mini mills are now under experimentation, the rule of thumb is that a mill requires between 4,000 and 5,000 hectares of oil palm to maintain steady production. Of course, the crop can be dispersed over a large area and fresh fruit bunches trucked in over long distances but this increases both the costs of transport and roads, and the risks that crops will spoil before they reach the mill. The economies of scale and the crop's characteristics thus favour the development of large palm oil schemes, either as company-owned estates or as managed smallholder schemes, meaning that land needs to be acquired in large blocks and large areas converted to mono-cultures. It is this logic that largely explains the current pattern of oil palm cultivation in South East Asia.⁷

Land laws and indigenous peoples' rights

The global market for palm oil is thus driving a process of rapid land acquisition in the form of consolidated blocks of land, a demand that is testing the capacity of local land agencies, administrators, and legislators to the limits and beyond. Regulations and procedures, which evolved to deal with small-scale, often informal, domestic land markets, are proving unequal to the challenge posed by this global demand for huge areas of land. Obviously, this pressure to acquire land has implications for those who currently own the coveted areas, who are for the most part 'indigenous peoples'.⁸ When land transfers accelerate and the laws are ineffective at recognising and protecting their rights, indigenous peoples lose out.

International human rights regimes have made major advances in recent years to clarify the rights of indigenous peoples in international law. The current consensus about indigenous peoples' rights, which evolved through standard-setting work at the International Labour Organisation and then the United Nations Human Rights Commission and its various sub-commissions, has also been reflected in the jurisprudence of bodies set up

⁷ In Africa the pattern has long been quite different with oil palm being cultivated as one crop among many in farms of mixed economies. Oil may be extracted from the fruit directly in cooking or by being pounded with a pestle and mortar.

⁸ This article uses the term indigenous peoples in the broad sense that it is used in international law to include peoples locally referred to as 'aboriginal', 'native', and 'tribal'. In Malaysia, the term includes the Orang Asli, Kadazan-Dusun and Dayak peoples and also rural Malay peoples still transferring and inheriting lands through the application of customary law. In Indonesia the term includes both the narrower category of government recognised '*komunitas terpencil*' (isolated communities) and the wider self-identified '*masyarakat adat*' (peoples governed by custom), as well as other groups that still transfer and inherit lands through the application of customary law.

to review the implementation of the various human rights treaties that many States party have ratified. The resulting norms have been consolidated in the United Nations Declaration on the Rights of Indigenous Peoples, which was adopted by vote at the General Assembly in 2007. Among the key rights relevant to this article are the rights of indigenous peoples to the lands, territories and natural resources that they have traditionally owned, occupied or otherwise used, and the right to give or withhold their free, prior and informed consent expressed through their own representative institutions to measures that may affect their rights.

International law is very clear on the matter of lands. Indigenous peoples' rights in land derive from custom and not from any act of the State, which they may in any case predate. These rights endure unless the State explicitly extinguishes these rights through due legal process and provides the rights holders with appropriate compensation.⁹ There has been very uneven progress worldwide in adjusting national legal regimes to comply with these exigencies of international law, even though most countries are obliged to make such reforms to fulfil their obligations in terms of the international human rights treaties that they have ratified. The main palm oil-producing States, Indonesia and Malaysia, are notable in this regard.

One of the legacies of the British colonial system is that it bequeathed Malaysia a functioning legal apparatus of law, judiciary and legislature – as well as a relatively well-organised enforcement system – that was taken over without any major changes at independence. The Constitution of the Malaysian Federation recognises custom and also provides some protection for the rural Malays who make up the majority of the population. The oil palm frontier in Malaysia has thus expanded according to a government-directed plan of encouraging both the private sector to invest in large mills and estates, and also peasant farmers who are allocated lands so they become smallholders. This was done by providing long-term licences for large estates on State land, while at the same time setting up large schemes managed by parastatal agencies on which smallholders could settle and raise themselves out of poverty (Vermeulen and Goad 2006).

In the Peninsula, there are some 140,000 'aboriginal people' (*orang asli*), of whom about 84% live in or near forests (Nicholas et al 2003). Although these *orang asli* historically, and still today, have livelihoods based on extensive use of forests for cultivation, hunting, fishing, and gathering, their customary rights in land are not recognised by the Government and only 19,000 hectares of State lands have been set aside as federally administered 'Reserves' for their occupation and use (Nicholas 2000). Reserves encompass only 15% of the settled village areas occupied by *orang asli*, leaving the remainder with even less land security and none with secure rights to their wider territories. During the 1950s and 1960s, many of the widely dispersed *orang asli* communities were forcibly

⁹ For a recent summary see: Joji Cariño and Marcus Colchester, 2010, From Dams to Development Justice: Progress with 'Free, Prior and Informed Consent' since the World Commission on Dams, *Water Alternatives* 3(2): 423-437.

relocated into larger, supervised settlements as part of a counter-insurgency programme and this has continued as part of a national policy of integration. Much of the *orang asli*'s customary lands that have been taken over by palm oil estates were taken over during the colonial era (Colchester 2004).

Malaysia has a plural legal regime, meaning that it accepts the simultaneous operation of distinct bodies of law, and, as noted, custom is upheld under the Federal Constitution. In the Bornean States of Malaysia, Sabah (Doolittle 2005) and Sarawak (Colchester 1989), where the 'native peoples', as they are known, are in the majority or at least among the most numerous groups, the colonial and then the independent Government has made stronger legal provisions for the continuation of their customs to ensure their governability.¹⁰ Native authorities and courts are thus officially recognised in Sabah and Sarawak, and continue to administer community affairs and deliver local justice (Phelan 2003), meaning that custom is a living and active source of rights in Sabah and Sarawak, both in law and in practice.

In Sarawak there are currently some 800,000 indigenous people from 28 ethnic groups. Land issues for these groups have been a cause of international controversy since the 1980s (Hong 1987); however, the roots of this problem lie in the legal framework itself. Since the colonial period and progressively thereafter, through a series of laws and regulations, the Government of Sarawak has sought to limit the exercise of 'Native Customary Rights' (NCR), freezing their extension without permit and interpreting them as weakly secure use rights on State lands. Moreover, although the Government admits that some 1.5 to 2.8 million hectares of land are subject to NCR, it has not revealed where it thinks such lands are located, meaning that most communities are unsure whether, or what part of, their lands are recognised under the Government's limited interpretation of their rights (Colchester et al 2007). The lack of congruency between customary systems of land ownership and inheritance and the legal system as interpreted by the Government underlies the disputes between the indigenous peoples and Government-permitted developers.

In Sabah, there are some 1,350,000 indigenous people drawn from 39 indigenous groups, referred to collectively as *Dusun* and *Kadazan* or as *Kadazan-Dusun*. Collective rights to land are relatively weak in Sabah. The legislation creates 'Native Reserves' on State lands and recognises NCR, interpreted as usufruct rights, which are extinguished, however, in areas declared to be forests, areas of State projects, and protected areas. Because few NCR areas are demarcated, the majority of indigenous communities lack any legalised rights and are merely tolerated as tenants-at-will on State lands. Although the Land Ordinance is meant to give priority to those claiming customary rights on 'unalienated

¹⁰ See also A. F. Porter, 1968, *Land Administration in Sarawak*, Government Printing Office, Kuching; Marcus Colchester, 1989, *Pirates, Squatters and Poachers: the Political Ecology of Dispossession of the Native Peoples of Sarawak*, Survival International and INSAN, Kuala Lumpur; Amity A. Doolittle, 2005, *Property and Politics in Sabah, Malaysia: native struggles over land rights*, University of Washington Press, Seattle.

country land' and recognises customary lands after more than three years of occupation, in practice, lands are often allocated to other claimants without natives having a chance to object.

In Sabah, official procedures require customary rights holders with unregistered lands to make their claims known within a specified timeframe when others make claims to State lands, but notices of such claims are rarely distributed to local villages (Seng 2000; Ghee and Gomes 1990). To gain some protection, households or individuals have to go through an arduous procedure to request native titles, which are non-transferable, although lands can be sub-leased to non-natives. In settlement areas, customary owners must register their claims and be issued native titles to avoid expropriation. When lands are gazetted as forests, natives must declare their interests to preserve their usufructuary rights, which they often fail to do, as they are not aware of the procedures or consequences (Colchester and Fay 2007).

In a series of cases in the higher courts in Sarawak and Peninsula Malaysia, where indigenous plaintiffs have asserted their land rights and sued companies and the Government for failing to respect their rights, judges have upheld native peoples' land claims as consistent with the Malaysian Constitution and common law principles. These judgments refute the Government's restrictive interpretation of NCR and the rights of *orang asli*. Consistent with international human rights law, the courts have accepted that indigenous peoples have rights in their lands on the basis of their customs and not as a result of grants by the State.¹¹ The problem is that, despite these judgments, the Government has not moved to amend the laws in favour of indigenous peoples. In fact, to the contrary, the Land Code in Sarawak has been amended several times in an effort to frustrate indigenous peoples' land claims (IDEAL 1999; Attorney General 2007).

In Indonesia the term 'indigenous peoples' is commonly used to refer to those peoples who self-identify as '*masyarakat adat*' and is applied more generally to all those whose rights in land are defined by custom rather than by statutory law. Rough estimates suggest that between 60 and 110 million rural Indonesians fall into the category. World Bank studies show that less than 40% of all land holdings in Indonesia are formally titled, with the rest being held under informal or customary tenure.¹² Since independence, the Indonesian State has progressively dismantled customary institutions and pursued policies designed to integrate 'isolated and alien peoples' or 'isolated communities' into the national mainstream through resettlement, re-education, and through the banning of traditional religions. Although the worst excesses of these policies have been attenuated

¹¹ A recent case which summarises the history of such judgments is *Agli Anak Bungkong vs. Ladang Sawit Bintulu Sdn Bhd.*, which was decided in favour of the Dayak plaintiffs on January 21, 2010; see also 'Malaysia Indigenous Tribe wins land rights case' Associated Press, May 26, 2010.

¹² See also Tania Murray Li, 2009, *The Will to Improve: Governmentality, Development and the Practice of Politics*, Duke University Press, Durham page 98 who estimates that 'at most 20 per cent' of Indonesian farmers have formal land titles.

since 1998, underlying laws and policies continue to severely limit indigenous peoples' rights and customs.

Although the Constitution of the Republic of Indonesia is meant to protect customary rights, these are severely limited under the Forestry Law and Basic Agrarian Law. The Agrarian Law treats customary rights (*hak ulayat*) as weak usufructuary rights on State lands, which must give way to development projects. A 1999 Ordinance, which permits the titling of *hak ulayat*, has never been followed up with implementing regulations. Likewise the Forestry Law prioritises the allocation of exploitation rights to concessionaires for logging and plantation schemes and defines 'customary forests' (*hutan adat*) as areas of State forest (*kawasan hutan Negara*), which in turn are defined as 'forests with no rights attached' (Colchester et al 2003). Again there are no clear regulations for the recognition of *hutan adat*, while other tenures offered to communities are short-term leaseholds that are difficult to secure and maintain. In reality only token areas have been allocated to local communities so far. Less than 0.2% of the 70% of the national territory classified as 'forest' has been allocated to communities under the various tenures available in law (World Agroforestry Centre 2005).

In 2000, the Assembly of People's Representatives (MPR), the senior chamber in the Republic's tripartite legislature, passed a Legislative Act, which requires an overhaul of the laws relating to lands and natural resources – including the need to recognise the customary rights of indigenous peoples. However, ten years later, despite this instruction, neither the Government nor the legislature has developed such legislation. Instead, in response to indigenous demands, various senior Government representatives, including the current President and the new Minister for the Environment, have just made promises to recognise indigenous peoples' rights in land,¹³ but these promises have yet to be honoured. The old laws thus remain unamended and pose formidable obstacles to indigenous peoples in the face of imposed palm oil schemes and other top-down developments.

¹³ For example: 'Govt likely to accept tribal communal rights' *Jakarta Post*, December 4, 2009.

Land acquisition

Since independence in 1963, successive governments in Sarawak have supported plantation schemes designed to promote 'development' and the more productive use of land. The first oil palm pilot scheme was implemented in 1966; in the ensuing decades, the land development policies went through various phases. The process began with State-owned enterprises on what were considered to be vacant State lands, which ignored customary rights altogether. Since this gave rise to conflicts, the Government switched its approach and initiated State-led ventures on native customary lands, which were recognised as such. The aim was to 'consolidate' 'idle' customary lands and put them to productive use with the indigenous peoples trained to operate as oil palm smallholders on the schemes; however serious management problems meant that these schemes were barely profitable. In the third phase, the Government sought to promote private sector ventures on lands where the State sought to extinguish prior rights, but again land conflicts brought this initiative to an end. The latest approach seeks to promote joint ventures between the private sector, native peoples, and the Government, in which the Government holds native lands in fiduciary trust for development by private companies (Colchester et al 2007).

Under the so-called *Konsep Baru*, the 'New Concept', native landowners with State-recognised NCRs are expected to surrender their lands to the State for 60 years to be developed as joint ventures with private companies, in which the State acts as Trustee on behalf of the customary owners. The result is that the companies buy a 60% share in a joint venture, communities are allocated a 30% share in recognition of their contribution of lands, while the State acquires the remaining 10%. However, rather than allow the community shareholders any say in the affairs of the joint venture, instead they are treated as wards of the State. The explanation, according to the Ministry for Land Development, which is tasked with implementing the *Konsep Baru*, is that this arrangement is favoured because it "will give absolute right to the implementing company to manage the plantation WITHOUT interference from the NCR landowners over a period of 60 years" (Ministry of Lands n.d., 1 emphasis in original). During those 60 years, the landowners' interests in the plantation are represented entirely by the State agency that acts as Trustee for the native people. There is a serious lack of clarity about exactly how native landowners will benefit from these schemes and how they can reclaim their lands on the expiry of the lease (Bulan 2006).

In Indonesia, mechanisms for making effective the right to free, prior and informed consent are also absent. Not only are the rights of indigenous peoples not recognised (see above) but their customary institutions lack legal personality. State-recognised village-level institutions commonly operate in ways that favour State control and are hindered from independently representing the interests of communities (Sirait 2009). Also, the Constitution gives the State a controlling power over natural resources to allocate them for the benefit of the people. World Bank and other studies have confirmed that this authority is exercised (or abused) so as to give the State almost unfettered

power to ignore or extinguish community and indigenous peoples' rights in land. It is frequently asserted that any project in the Government's Five Year Plans, or on lands allocated for such use through spatial planning, or even that has acquired a business land use permit (*Hak Guna Usaha* - HGU), is by definition State endorsed and thus in the national interest, meaning that local owners and rights holders must give way to such development plans.

Taking advantage of these arbitrary and extensive powers, the Indonesian Government's policy for the allocation of land concessions ignores or overrides the rights and interests of other rights holders. Theoretically based on spatial plans (though in practice on a more arbitrary basis), lands and forests are allocated to companies as preliminary concessions (*ijin lokasi*) without consultation with other land users.¹⁴ Concessionaires, sometimes along with teams from the land agency (*Badan Pertanahan Nasional*) and local government, are then expected to acquire lands from local communities (or may ignore local rights holders altogether). Once 51% of lands in the *ijin lokasi* have been acquired they may then convert their holding into a 35-year business use permit (HGU). In these processes it is common for communities to lose control over huge areas of land in exchange for nugatory or no payments. Field studies of numerous concessions in four provinces show that communities are never informed that by relinquishing their lands to government-backed palm oil schemes they are permanently surrendering their lands, as under the Basic Agrarian Law at the expiry of the HGU the lands revert to the State and not to the original owners (*ibid.*).

Historically, the establishment of plantations on Indonesia's 'Outer Islands' was carried out in parallel with the State programme to colonise these areas with landless settlers from Java, Madura, and later Bali – the so-called Transmigration Programme (Colchester 1986a; 1986b). 'Nucleus estates' were set up with smallholder schemes alongside, and provided with both workers and smallholders from the migrants. Since this led to resentment from local people, who lost both lands and employment opportunities to incomers, later versions of these schemes sought to benefit the local people by offering them the smallholdings. In either case the smallholders were then contractually tied to the nucleus estates and mills, which hold their land titles until they have paid off the debts, which are payable for the land improvements and plantings, that they incur as participant smallholders. Many smallholders complain of being trapped in a cycle of debt to the mills that they are obliged to service (Colchester and Jiwan 2006).

Since 2005, a new model of for dealing with local communities has been adopted in Indonesia, which is quite similar to the *Konsep Baru* in Sarawak. Under this so-called partnership model (*kemitraan*) indigenous peoples surrender their lands to concessionaires in exchange for signing a promissory note. Such documents supposedly assure

¹⁴ For more detailed explanations of the permitting procedures see *Promised Land* op. cit. and Marcus Colchester, Patrick Anderson, Norman Jiwan, Andiko and Su Mei Toh, 2009, *HCV and the RSPO: report of an independent investigation into the effectiveness of the application of High Conservation Value zoning in palm oil development in Indonesia*, Forest Peoples Programme, HuMA, SawitWatch and Wild Asia, Moreton-in-Marsh.

them a share of the profits from the venture and nominally assure them a smallholding, which is managed by a cooperative not by the smallholder himself. However, the signed agreements are not left with the landowners as the company needs these as collateral to raise loans. Then, with land and loans in hand, the companies can acquire business use permits from the local land office.

The *kemitraan* approach is quite new so its effectiveness and legal consequences have yet to be ascertained clearly, but preliminary surveys from the field are already worrying (Zen et al 2008; McCarthy and Cramb 2009). The promissory notes often seem to be flawed, with information about the extent and boundaries of the surrendered land sometimes being left blank, as are the details about what benefits will actually flow to the landowners. Meanwhile the participant landowners have no clarity about what they have relinquished or what they are promised in return, as they are not provided with a contract. There are also unanswered questions about what would happen to the landowners' share in the enterprise if the company was sold, transferred, or had to close – an issue that is likely to be extremely problematic as there appear to be no clear records of who has given up what land. Surveys in Sanggau, in West Kalimantan, show that local people are divided and agitated about the newly introduced scheme.¹⁵

¹⁵ Tania Li. pers. comm. to the author June 26, 2010.

Human rights violations

Since 2004, international and local NGOs have produced a series of detailed reports based on field surveys and the direct testimony of affected people, which document the serious human rights abuses resulting from the imposition of oil palm plantations. The publications show that these abuses are widespread, are inherent in the way lands are acquired and estates are developed, and continue up to the present day.¹⁶ Among the most persistent problems are the following.

Acquisition of lands for estates and smallholder schemes violates the rights of indigenous peoples to their property. Their lands are being confiscated without due payment and without remedy. In addition, their right to give or withhold their free, prior and informed consent for these proposed developments is being violated. In Indonesia, those that sign up to join imposed schemes are not informed that this reallocation of lands implies a permanent surrender of their rights in land. The dramatic changes in local landscapes and ecosystems – including the loss of agricultural and agroforestry lands, hunting grounds, game, fish, forests, as well as water for drinking, cooking and bathing – in turn have major consequences and deprive people of their customary livelihoods and means of subsistence.

The research also details the worsening situation of women, as their livelihoods, cultures, and economic circumstances are transformed. The reports note that, whereas under customary law women may hold lands (as among the Minangkabau in West Sumatra) or equally by men and women (as among most Dayak peoples in Borneo), when they get formal titles as smallholders these are vested in male heads of households. The marginalization of women has been cited as a cause of the increased instances of prostitution in oil palm areas (Ibid.). According to the Indonesian Ministry of Women's Empowerment, the impact of oil palm plantations on rural women can include: an increase in time and effort to carry out domestic chores, through the loss of access to clean and adequate water and fuel wood; an increase in medical costs due to loss of access to medicinal plants obtained from gardens and forests; loss of food and income from home gardens and cropping areas; loss of indigenous knowledge and socio-cultural systems; and an increase in domestic violence against women and children due to increased social and economic stresses (Hertomo 2009).

In Indonesia, in particular, smallholders also complain of serious problems in the way they participate in land holding schemes. According to several field surveys, as well as the testimony of farmers at numerous meetings of the Roundtable on Sustainable Palm Oil, smallholders in Indonesia suffer from: monopsonistic relations with local mills; unfair allocation of smallholdings; untransparent processes of land titling; high and manipulated

¹⁶ Wakker 2004; WRM 2004; Colchester et al 2006; Colchester and Jiwan 2006; Colchester et al 2007; Milieude-fensie, Lembaga Gemawan and KONTAK Rakyat Borneo, 2007; Sirait 2009; ELSAM, 2010; see also CIFOR, 2009, The impacts and opportunities of oil palm in Southeast Asia: What do we know and what do we need to know?, CIFOR, Bogor.

debts; and unfair pricing. Farmers speak emotively of being 'ghosts on our own land' because of the endless cycle of debt they are trapped in (Colchester and Jiwan 2006). These problems are common, though not universal, and amount to the extraction of 'forced labour' – a 'contemporary form of slavery' (International Labour Organisation 1930). Recent studies by researchers from the Australian National University show growing disparities between rich and poor in smallholder areas especially in Sumatra (British Broadcasting Corporation (BBC) 2010; McCarthy 2008).

Not surprisingly, the indigenous peoples suffering these abuses are neither passive nor silent in the face of the takeover of their lands and other violations of their rights. The studies show that affected communities have been voicing their complaints and mounting protests through making representations to the companies directly, taking their concerns to the local authorities and to the land office, appealing to the legislature, and voicing their indignation to the press. Others have sought remedy through the courts (Colchester et al. 2006; Colchester and Jiwan 2006).

In Indonesia, however, the courts are notoriously corrupt and the land laws so weak that few communities feel confident of a fair hearing. Consequently, denied other remedies, many communities have been driven to protest the take over of their lands through direct actions such as demonstrations, occupations of company buildings, public protests outside government offices, petitions, and blockades of company roads. Others have protested by stealing fruits from palms on company estates and selling them to third parties. There have also been incidents of attacks on company properties, such as buildings and machinery. The Indonesian palm oil monitoring NGO, SawitWatch, through its independent network of contacts, has identified 630 land disputes between palm oil companies and local communities throughout Indonesia (Jakarta Post 2010a); however, the actual number of disputes may be much higher. According to the *Badan Pertanahan Nasional* (BPN – the National Land Bureau) there are currently some 3,500 land disputes related to palm oil in Indonesia (2009).

These protests have brought repression from company security forces or State agencies brought in by the companies to defend their interests. Further human rights abuses have thus ensued, and in some instances these clashes have turned ugly and numerous cases of shootings, leading to deaths and injuries, have been recorded (Colchester et al. 2006; Colchester and Jiwan 2006). A recent incident occurred when the Riau Mobile Police Brigade clashed with hundreds of palm oil plantation smallholders and members of a smallholder cooperative on June 8, 2010. The smallholders were protesting the way, they claimed, PT Tri Bakti Sarimas (TBS), a palm oil plantation company and member of the Roundtable on Sustainable Palm Oil, had broken promises it had made to smallholders; the farmers were demanding the return of their lands. In the incident a female smallholder was shot dead, several others were injured, and a number of people were arrested. A coalition of NGOs grouped together as 'Solidarity for Riau Farmers' organised further protests outside the National Police Headquarters in Jakarta on June 10, 2010, demanding that the police be brought to justice over the killing and violence (Jakarta Post 2010b).

Procedures for redress

Indigenous peoples facing these infringements of their rights, which they perceive as an assault on their lands and livelihoods, are far from powerless, even though legal frameworks, national policies and State agencies may oppose them. A long-term study of land conflicts between oil palm companies and five different self-governing Minangkabau communities (*nagari*) in West Sumatra shows in detail how national laws and policies favouring large-scale, highly capitalised development have marginalised Minang communities, disempowered their own decision-making structures, and denied the validity of customary law (Afrizal 2005). Notwithstanding, the Minang communities have persisted in challenging the expropriation of their ancestral lands; however, although conflicts over land underlie these struggles, the communities have mainly been concerned with improving their livelihoods and regaining control of their lives. The tactics they have used vary from passive resistance, active protest, and mass mobilisation to media campaigns. The study found that, despite continuing repression by companies and security forces, communities have been partially successful in getting better deals. In part, this success can be attributed to the fact that, even though it was the State that provided the companies their permits and has tended to support the companies' interests, the communities have mainly directed their protests at the companies themselves. The companies have been forced to accommodate the communities' demands or face continuing disruption and losses (*ibid.*).

In Sarawak, communities' tactics have been somewhat different. Although petitions, protests, and media campaigns have also been used, the favoured mechanism of recourse adopted by farmers has been to take their concerns to the courts. A number of dedicated public interest lawyers have made this tactic affordable, as has the fact that the judiciary in Malaysia has retained a greater degree of independence. A study of local experiences with palm oil development in Sarawak shows that about one third of the 150 land disputes that are currently in the courts in the State concern oil palm. Although many of these cases get backlogged in the courts for as long as 15 to 20 years, once they have been brought to trial the judges have often found in favour of indigenous plaintiffs and have upheld their customary rights to their lands (Colchester et al 2007).

A recent case concerns the Kayan community of Long Teran Kanan, Tinjar, Miri Division, which finally got justice after fighting a legal battle at the High Court for more than 12 years for their rights in their native customary land to be recognised. The case was between the community, which filed a class action, and the Sarawak Government, the Land and Survey Department, the Land Custody Development Authority (LCDA) and IOI Pelita Plantation Sdn. Bhd., a subsidiary of the very large IOI plantations group. The case, which had been contested by the defendants since 1997, found in favour of the indigenous people upholding their rights in land and declaring the permits issued for their lands to be null and void.

In making this ruling the judge noted that the defendants had violated the indigenous peoples' rights to both life and property, which are guaranteed under Articles 5 and 13 of the Federal Constitution. The judge also ruled that the companies had trespassed on the Kayan's land and so should pay damages as well as the costs of the action. The Government, as one of the defendants, has indicated it may appeal the decision, which led to indignation from the communities. "The government should help and protect the rights and interest of the poor. They should not take away our lands then give it to the rich and powerful," said the Government-recognised headman Lah Anyie who led the action (Borneo Resources Institute 2010).

Although the national judicial process is largely mistrusted in Indonesia, the country has ratified the key human rights instruments; therefore, indigenous peoples and civil society groups in Indonesia have made a long-term effort to gain redress using the international human rights machinery. This has included raising their concerns with the UN Permanent Forum on Indigenous Issues (Tauli-Corpuz and Tamang 2007), the UN Special Rapporteur on the Rights of Indigenous Peoples (Stavenhagen 2007), the UN Special Rapporteur on the Right to Food (AMAN et al. 2010) and the UN Committee on the Elimination of Racial Discrimination (SawitWatch et al 2007).

In 2008, responding to civil society concerns about an Indonesian Government plan to create a 1.8 million hectare palm oil plantation along the Indonesian–Malaysian border, the UN Committee on the Elimination of Racial Discrimination (CERD) explicitly called on the Government of Indonesia to amend its laws to recognise indigenous peoples' rights. CERD, which oversees the application of the UN Convention on the Elimination of All Forms of Racial Discrimination to which the Republic of Indonesia is a signatory, explicitly recommended that:

The State party should review its laws, in particular Law No. 18 of 2004 on Plantations, as well as the way they are interpreted and implemented in practice, to ensure that they respect the rights of indigenous peoples to possess, develop, control and use their communal lands. While noting that the Kalimantan Border Oil Palm Mega-project is being subjected to further studies, the Committee recommends that the State party secure the possession and ownership rights of local communities before proceeding further with this plan. The State party should also ensure that meaningful consultations are undertaken with the concerned communities, with a view to obtaining their consent and participation in it (CERD 2007).

Likewise CERD specifically recommended that Indonesia:

should amend its domestic laws, regulations and practices to ensure that the concepts of national interest, modernization and economic and social development are defined in a participatory way, encompass world views and interests of all groups living on its territory, and are not used as a justification to override the rights of indigenous peoples, in accordance with

the Committee's general recommendation No. 23 (1997) on indigenous peoples... The Committee, while noting that land, water and natural resources shall be controlled by the State party and exploited for the greatest benefit of the people under Indonesian law, recalls that such a principle must be exercised consistently with the rights of indigenous peoples (Ibid).

Whereas the Republic of Indonesia as a party to international human rights treaties, and in conformity with its Constitutional obligations, has an obligation to protect the rights of Indonesian citizens including indigenous peoples, it must also ensure that corporations comply with these social and environmental obligations. Steps in this direction are discernible in Chapter 5 of Indonesia's new Company Law, which obliges Natural Resources Companies to shoulder social and environmental responsibilities. Further, in line with the Indonesian Commercial Code, insofar as morality and lawfulness requires respect for human rights, corporations are more broadly liable to respect human rights. Article 7(2) of the Human Rights Law (39/1999) provides that international human rights instruments ratified by Indonesia form part of domestic law. Likewise under the Law concerning the Elimination of Racial and Ethnic Discrimination (40/2008), corporations are also subject to criminal and civil liability (Robinson 2009). The problem is that the State's capacity to enforce such laws is very weak.

Indigenous peoples and civil society groups have thus sought to complement actions using international laws in an attempt to hold companies to account through other means, including international media campaigns and consumer boycotts, which have often targeted specific companies and many of which have focused on environmental damage and threats to endangered species such as orangutans.¹⁷ The industry response to this has been to set up the Roundtable on Sustainable Palm Oil (RSPO) a multi-stakeholder body initiated through a partnership between industry and the World Wildlife Foundation (WWF), which on the one hand seeks to improve company practices, but on the other hand seeks to legitimise continued expansion (Colchester and Lumuru 2005).

Sustained inputs to the RSPO by social justice NGOs have ensured that the RSPO has adopted a very strong standard against which companies are meant to be independently audited by accredited certification bodies. The standard was developed with the aim of consistency with international human rights norms. It thus affirms the rights of indigenous peoples to their customary lands, requires just land acquisition and the redress of conflicts, and insists that no lands can be taken from indigenous peoples and local communities without their free, prior and informed consent (FPIC), expressed through their own freely chosen representatives. The standard also requires the fair treatment of smallholders and prohibits discriminatory practices against women.¹⁸

¹⁷ See for example: Rainforest Action Network, 2010, *Cargill's Problems with Palm Oil: a burning threat to Borneo*, San Francisco.

¹⁸ http://www.rspo.org/files/resource_centre/RSPO%20Principles%20&%20Criteria%20Document.pdf

The RSPO has also provided training and published guidance for companies on how they should respect FPIC (FPP 2008). RSPO has adopted a Certification Protocol, which obliges companies with certified mills and estates to ensure that associated scheme smallholders are also certified within three years. The protocol likewise requires corporations to have credible plans to bring all subsidiaries into compliance with the standard within five years of any one subsidiary getting certified.¹⁹ In addition, RSPO members are all required to endorse a Code of Conduct, which requires them to uphold the RSPO standards.²⁰ A grievance mechanism exists which is meant to provide recourse for those who believe RSPO members are violating the Code.²¹ A dispute resolution facility for the RSPO is also being established, which will aim to address the legacy of land conflicts caused by unfair land allocations to companies without respect for indigenous peoples' and local communities' rights. NGOs are divided over the usefulness of the RSPO but many have made use of the redress mechanisms. Indeed, so many complaints have been filed about faulty certificates and alleged violations of the Code of Conduct that the RSPO's sub-committees set up to deal with these submissions have been overwhelmed.

Community and NGO use of mechanisms for redress

Two prominent members of the RSPO are the world's largest palm oil trading company, Wilmar Group, and the World Bank's private sector arm, the International Finance Corporation (IFC). Since 2001, NGOs in Indonesia supported by international NGOs have written letters to the IFC contesting its support for the Wilmar Group. Detailed reports based on field investigations showed very irregular processes of land acquisition by Wilmar subsidiaries as well as serious environmental malpractice, including clearing and burning forests (Wakker 2004; Colchester et al 2006; Milieudéfense 2007). These complaints were ignored and in 2006 the IFC provided a further credit guarantee to the Wilmar Group. NGOs thus responded by filing a detailed complaint to the IFC's Compliance Advisory Ombudsman (CAO).

Backed by a detailed dossier of field-based information the complainants noted that abuses by Wilmar Group subsidiaries included: illegal use of fire to clear lands; clearance of primary forests and areas of high conservation value; the take over of indigenous peoples' customary lands without due process or their free, prior and informed consent; failure to negotiate with communities or abide by negotiated agreements; failure to establish agreed areas of smallholdings; social conflicts triggering repressive actions by

¹⁹ http://www.rspo.org/files/resource_centre/RSPO%20certification%20systems_1.pdf

²⁰ http://www.rspo.org/files/resource_centre/CoC.pdf

²¹ http://www.rspo.org/files/resource_centre/RSPO%20Grievance%20Procedure.pdf

companies and security forces; failure to carry out or wait for approval of legally required environmental impact assessments; and clearance of peatlands and forests without legally required permits. The complaint also documented in detail how the IFC staff had failed to comply with their institution's own Performance Standards and had consciously sought to downplay the social and environmental implications of providing financial support for the company (Wakker 2004).²²

The CAO responded in two ways. After accepting that the complaint was substantive and carrying out a field assessment to ascertain the views of the communities, it initiated a long process of conflict mediation between the Wilmar Group and the affected communities it had visited. Over a period of two years, this mediation led the Wilmar Group to adopt new operational procedures to ensure compliance with the RSPO's standards. With respect to the two communities that were the focus of the mediation, the Wilmar subsidiaries agreed to: compensate the communities for losses and damages; increase the proportion of lands to be allocated as smallholdings; and to return those lands that the communities insisted not be cleared. It also agreed that the lands that would be used for oil palm by the company would be considered leased community lands and not State lands, so they would revert to the community not to the State on the expiry of the lease.²³

While this complaint was still being resolved by the CAO, the IFC went ahead and made a further loan to the Wilmar Group despite strong protests from the complainants to the IFC Board well in advance of this decision. This triggered a second complaint in which the NGOs detailed 17 other cases of land conflict between the communities and Wilmar Group subsidiaries. The CAO agreed to also look into this complaint.²⁴

The CAO's second action was to address the alleged compliance failures by IFC staff. After an unsuccessful attempt to convene a dialogue between the complainants and the IFC to explore how to improve compliance, at which IFC staff refused to admit anything needed improving, the CAO decided the complaint should also trigger a full audit which would examine whether IFC staff had indeed complied with IFC standards and procedures or not.

The CAO's audit was long in coming but when it was finally released, in 2009, it provided a damning indictment of the IFC.²⁵ Vindicating NGO concerns, the audit found that indeed, in providing financial assistance to the world's largest palm oil trading company, IFC staff had violated IFC due diligence procedures and Performance Standards and had allowed financial considerations to override social and environmental concerns.

²² Complaint submission: http://www.forestpeoples.org/documents/ifi_igo/ifc_wilmar_fpp_let_jul07_eng.pdf

²³ It remains unclear how this will be accomplished in law and discussions about the matter continue.

²⁴ The full series of letters and documents generated by this complaints process can be viewed at http://www.forestpeoples.org/documents/ifi_igo/bases/ifc.shtml

²⁵ Audit report: http://www.forestpeoples.org/documents/ifi_igo/ifc_wilmar_cao_audit_report_jun09_eng.pdf

When the audit report was published, it was accompanied by a bland Management Response which suggested that IFC staff still did not take the complaint or the CAO's findings seriously. This triggered a further NGO appeal to the World Bank President calling on him to suspend IFC funding for the oil palm sector until such a time as the IFC had developed a plausible strategy to ensure its funding complied with the Performance Standards. The issue gained wide press coverage and, in August 2009, the World Bank President suspended IFC financing for the palm oil sector worldwide.²⁶ Moreover, after further correspondence with NGOs, the President extended the suspension to include the whole World Bank Group.²⁷

In responding to the NGOs, the World Bank Group committed itself to a wide-ranging review of the sector in order to develop a revised strategy for investment and a 'common approach' to the palm oil sector for the whole World Bank Group. Meanwhile the Bank said that it would not approve any new investments in palm oil development until this strategy is in place (Teoh 2010).²⁸ This global review is now underway.

Public consultations for the review process were opened by the IFC in March 2010 and have included public meetings with NGOs and other concerned parties to get their views.²⁹ Initial submissions from NGOs focused on the problems highlighted in this article, namely that the social and environmental harms caused by oil palm expansion result, in large part, from the inadequate legal and policy frameworks in Indonesia and Malaysia. Echoing the views of UN human rights bodies, NGOs called on the IFC to ensure that the emerging strategy be extended to include the whole World Bank Group, address the specific problems in the two main producer countries, and ensure further consultations about the draft strategy itself. At the time of writing, the IFC seems to have acceded to some of these requests, agreeing that the Strategy will extend to the full World Bank Group, extending the period for the development of the strategy by a further three months, promising further consultations, and agreeing to include NGOs in its External Advisory Group (FPP and SawitWatch 2010). Just how the World Bank Group proposes to re-engage in this problematic sector remains to be seen.

²⁶ Letter from Robert Zoellick to Marcus Colchester, 28 August 2009:
http://www.forestpeoples.org/documents/ifi_igo/ifc_wb_letter_pressrelease_sep09.pdf

²⁷ Letter from Robert Zoellick to Jennifer Kalafut, 25 November 2009:
http://www.forestpeoples.org/documents/ifi_igo/ifc_wb_palm_oil_let_nov09_eng.pdf

²⁸ Letter from Robert Zoellick 28 August 2009 (op. cit. note 70) and Cheng Hai Teoh, 2010, *Key Sustainability Issues in the Palm Oil Sector: a discussion paper for multi-stakeholder consultations*, World Bank and IFC, Washington DC.

²⁹ <http://www.ifc.org/palmoilstrategy>

2 Conclusions: prospects of framework reform

While oil palm is a lucrative and productive crop and was originally grown as part of mixed farming economies in West Africa, currently it is being expanded as an industrial-scale monocrop in ways that impose serious long-term social and environmental costs on those who can least afford them, while benefitting those who already enjoy relative wealth. A major overhaul of the sector is needed if this pattern of land and wealth concentration is not to be intensified.

Unfair processes of land use allocation and land acquisition and the lack of respect for local communities and indigenous peoples' rights not only result in marginalization and impoverishment but also give rise to long-term disputes over land. All too often, these disputes escalate into conflicts with concomitant human rights abuses due to repressive actions by company or State security forces.

Weak legal frameworks leave indigenous peoples vulnerable

The conclusion that flows from the above is that the legal frameworks in the world's two foremost palm oil producing countries are inappropriate to protect indigenous peoples' rights and ensure an equitable development process. Heightened global demand for edible oils and biofuels and international investment is driving these countries to expand oil palm estates and intensify palm oil production. However, the weak legal frameworks (and law enforcement) are compatible neither with international human rights law, nor with indigenous peoples' customary law. In Malaysia, the courts have consistently upheld customary rights in terms of common law contrary to Government pleadings. In Indonesia, the international human rights treaty bodies have likewise recommended reforms in national law to protect the rights of indigenous peoples.³⁰ Similar deficiencies have been found in Indonesia's current legal framework, with regard to the need to protect high conservation values (Colchester et al. 2009), and likewise to effect adequate controls of agro-industrial pollution (McCarthy and Zen 2010).

International organisations have begun to pin their hopes of reform on the creation of a global market in carbon to curb deforestation (Zarin 2008), although whether this will

³⁰ So far the Indonesian Government has been incapable of responding to these recommendations.

help or harm indigenous peoples is a matter of debate (Griffiths and Martone 2009). Indeed, initial calculations based on current prices in the voluntary carbon trading market, suggest that market-based payments for Reducing in Emissions from Deforestation and Forest Degradation (REDD) will not be enough by themselves to make economies based on maintaining natural forests competitive with oil palm (Koh and Butler 2010).

Commitments and partnerships towards reducing carbon emissions

Indonesia has been a target for international concern about climate change as, by some accounts, the country's massive Green House Gas (GHG) emissions, 80% of which result from its clearance of peatlands and forests – notably for oil palm, make Indonesia the world's third highest emitter of GHGs after the USA and China (Silvius et al 2006). The figures imply that per capita emissions of Indonesians equal those of the average European. These concerns coupled with the expectation that reductions of these figures can earn Indonesia substantial sums of money have led the Government of Indonesia to promise cuts of up to 41% in projected national GHG emissions by 2020 (Jakarta Globe 2010).

In late May 2010, the Governments of Indonesia and Norway signed a joint Letter of Intent in which, in exchange for Indonesian efforts to reduce its emissions for deforestation and forest degradation, Norway would pay Indonesia USD 1 billion over five years. At the same time the Indonesian Government announced with much fanfare that there would be a two-year moratorium on expansion into forests and peatlands.³¹

Empty promises? Moratoriums and REDD in practice

Just what this really means remains to be seen. Some government functionaries have been cited as claiming that the moratorium is only on the hand out of permits not of land clearance itself. Moreover, the Director General of Forest Production at the Ministry of Forestry has told reporters that “the moratorium on new permits will take place next year so any business players that have secured permits before the moratorium can still run their business” (Jakarta Post 2010). At the time of writing (July 2010) this matter is now under discussion within the President's office. However, if it is true that existing permits

³¹<http://www.regjeringen.no/en/archive/Stoltenbergs-2nd-Government/Ministry-of-the-Environment/Ryddemappe/2008/why-a-climate-and-forest-initiative.html?id=526489>

will be honoured then, at least as far as the palm oil frontier is concerned, the moratorium may actually have little effect on curbing land grabbing and slowing deforestation.

According to the Indonesian palm oil monitoring NGO, SawitWatch, the Government has already issued 26.7 million hectares of land as *ijin lokasi* for palm oil development nationally, over one-third of which are said to be on peat and providing scope for a further tripling of the total area currently under the crop in the country (Jiwan 2010). The Indonesian Palm Oil Producers Association, which represents the interests of the majority of palm oil producers in Indonesia, admits that it plans to double palm oil production by 2020. It claims that, if the moratorium is implemented, "Indonesia will experience a breakdown in palm oil production within ten years". The Indonesian Palm Oil Commission (IPOC), the Government-run body, which promotes the sector, notes that about half of the areas allocated in initial permits are found to be unsuitable for planting, leading to its strong objection to the proposed moratorium. Rosediana Suharto, spokesperson for IPOC, argues that developing countries such as Indonesia must prioritise economic development over the environment (Jakarta Post 2010).

If, however, there is to be a real moratorium on land clearance then this may provide an important opportunity for the Government to effect reforms in the forestry and plantations sectors, take firm steps to amend the laws so they recognise indigenous peoples' rights, and adopt a more measured approach to rural development that gives priority to local communities' initiatives and not the interests of foreign-backed companies. The national indigenous peoples' organisation, *Aliansi Masyarakat Adat Nusantara*, has been strongly insisting that REDD must recognise indigenous peoples' rights if it is to be accepted by the communities (Jakarta Post 2010). Likewise, in response to concerns from NGOs and indigenous peoples, the UN CERD has noted in a letter to the Indonesian Government that, in current Ministry of Forestry regulations for issuing permits for REDD schemes, "the property rights of indigenous peoples over traditional lands were not appropriately taken into account".³² If REDD is neither going to respect indigenous peoples' rights nor curb palm oil expansion, it would seem to be a hollow promise.

³² Letter from the Chairperson of the UN Committee on the Elimination of Discrimination to the Indonesian Ambassador to the UN, September 29, 2009. Available at: http://www.forestpeoples.org/documents/asia_pacific/indonesia_cerd_response_urgent_action_sept09_eng.pdf

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This report is part of a wider initiative on Commercial Pressures on Land (CPL). If you would like further information on the initiative and on the collaborating partners, please contact the Secretariat of the International Land Coalition or visit www.landcoalition.org/cpl

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