

Palm Oil Industry in Indonesia - Financing

Policy Formulation in Developing Countries
GRIPS Development Forum



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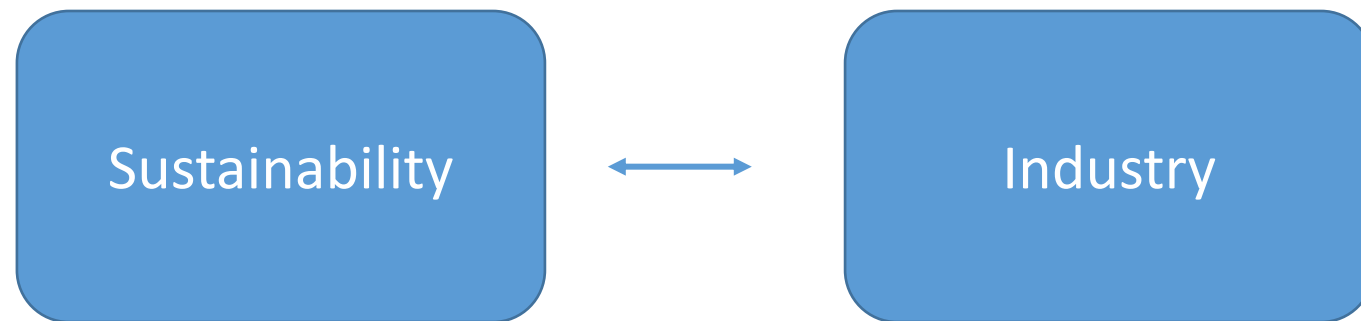
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1. Background: Palm oil industry and sustainability issue

- Global consumer of palm oil product become more sustainability aware, hence sustainable palm oil product will be a determined value to lead the market.
- Indonesia as the biggest CPO exporter were urged to concern with sustainability issue, either for upstream sector (plantation) or downstream sector (value chain and refinement industry).

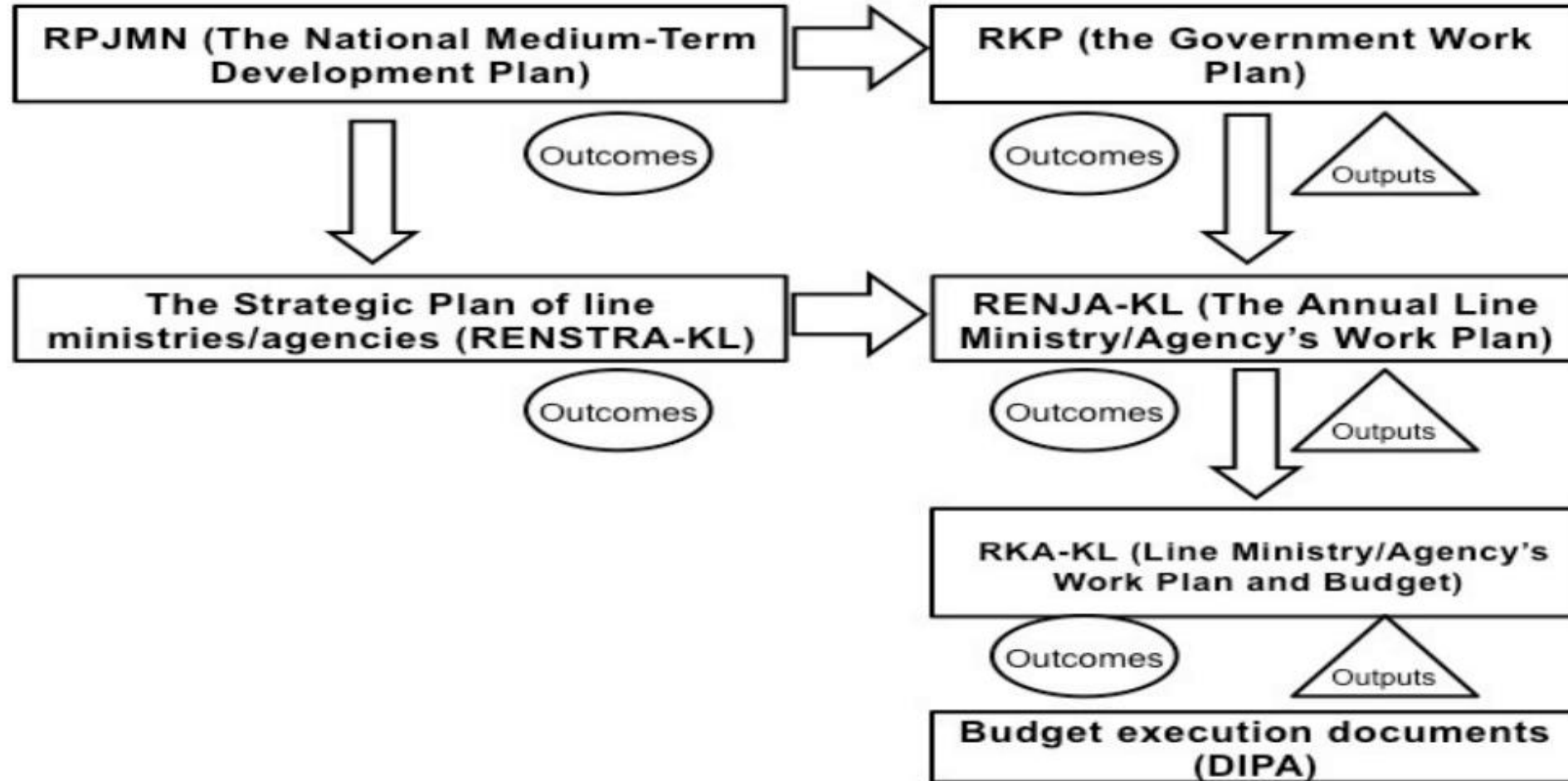


2. Key Actors in the Planning and Budgeting

1. Ministry of National Development Planning (MNDP)
 - Preparing the national development plan and formulating the policies
 - Preparing development programs to support state budget formulation (together with MoF)
2. Ministry of Finance (MoF) (DG of Budget)
3. Line ministries/agencies
4. Parliament (DPR)
 - Budget Committee discusses state budget with Government of Indonesia,
 - Commission discusses budget allocation with line ministries/agencies
 - Commission reports to Budget Committee for synchronization

3. Planning and Budgeting Process

The Planning and Budgeting Process



4. NAP SPO Sources of Funding

National Action Plan on Sustainable Palm Oil (NAP SPO)

NAP SPO is Documents compiled by palm oil multi-stakeholders, which are expected to be a reference in the implementation of Sustainable Palm Oil Development in Indonesia. NAP SPO is in line with Indonesian Government Regulations and plans related to Oil Palm Development, and also the Presidential Regulation related to SDGs.

Stakeholders:

1. Related Government Institutions
2. Private Sector
3. NGO
4. International Government Organization

Funding sources:

1. State Budget
2. Local Budget
3. BPDPKS (Palm Oil Management Fund Agency)
4. CSR
5. Other legal funding sources

Funding Source: State Budget

- Planning and budgeting process for NAP SOP from state budget follows the procedure explained above.
- NAP SOP is under Priority Program 6 which aims to improve value-added, labour, and investment in real sector and industrialization.
- Funding for NAP SOP from all related line ministries can be traced using this shared-program system.

Funding Source: BPDPKS/Oil Palm Agency

- Oil Palm Agency levies on the export of crude palm oil (CPO) and its derivative products, then channel the Palm Oil Plantation Fund for the benefit of the palm oil industry through 6 types of activities.



Oil Palm Replantation
Distribute the palm oil funds for the PSR program by online system -> to decrease illegal land clearing



Biofuel Development and Utilization
Provide incentive funds for biodiesel to accelerate this program



Research and Development Program

- Palm Research Grant Program implemented by researcher
- Palm Research Competition Program for student



Promotion
Support to avocation and litigation to counter attack the negative campaign



Human Resource Development Program (HR)
Provide training, scholarships, counseling, mentoring and facilitation

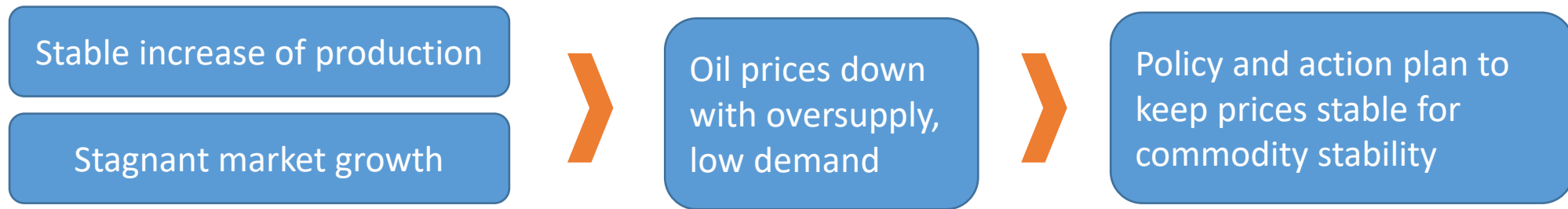


Plantation Facilities and Infrastructure Development
Assist the smallholders related to give the facilities and infrastructure for plantation in a good way

5. Role of BPDPKS/Oil Palm Agency



- ❑ Oil Palm Agency is a non-echelon organizational unit within the MoF under a Steering Committee.
- ❑ Background of establishment:



- ❑ Oil Palm Agency purposes:
 - Improvement of Farmers' Welfare
 - CPO Price Stabilization
 - Strengthening Downstream Industry

BPDPKS/Oil Palm Agency

❑ Steering Committee:

- Coordinating Minister for Economic Affairs (chairman)
- Minister of Agriculture,
- Minister of Finance,
- Minister of Industry,
- Minister of Trade,
- Minister of Energy and Mineral Resources,
- Minister of BUMN, and
- Minister of National Development Planning

❑ Roles of Steering Committee:

- Provide general policy on management of oil palm fund
- Establish Oil Palm Agency long term planning
- Determine the allocation of oil palm fund
- Evaluate Oil Palm Agency performance

BPDPKS/Oil Palm Agency

- Oil palm fund



6. Challenges and Recommendations

Challenges

- Problems in duties/activities priorities and allocation system of oil palm fund
- Lack of funding for NPA SOP implementation
- Lack of interest from companies to collaborate through CSR funds
- Dilemma of exporting oil palm (increase revenue from levy, but decrease domestic stock) or keeping oil palm for domestic use (decrease revenue from levy)

Recommendations

- Optimizing other sources of funding, such as from retribution or CSR, by designing policy to increase involvement and collaboration from industries
- Reviewing the duties/activities priorities to provide a better allocation system of oil palm fund



SUSTAINABLE
DEVELOPMENT
GOALS



THANK YOU