

## Grab Indonesia by the land: The rapid expansion of Palm Oil in Indonesia

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### **Executive Summary**

*Over the last decade there has been a growing literature and discussion on ‘land grabbing’ as a pertinent and alarming issue that threatens the lives of many. This policy brief explores this problem within the context of the palm oil sector in Indonesia and how the government, along with the International Land Coalition (ILC) and various NGOs, have handled the issue. It will argue that despite recent reform attempts by the government, there are still areas that can be improved in order to fully realise a genuine and equitable agrarian reform that truly improves the lives of indigenous communities. Policy recommendations include the use of a bottom-up approach led by local*

*communities and grassroot organisations which should replace the current top-down methodology adopted by the government. Moreover, this policy brief highlights the need for the creation of a legal framework that remedies existing and deters future land conflicts.*

### **What is Land Grabbing?**

Triggered by the 2007-2008 [world food price crisis](#) and the [agriculture and commodity boom](#) in the early 2000s, both local and (mostly) international agro-investors scrambled to find cheaper land alternatives. Rapid population growth, coupled with a lack of fertile agricultural lands due to climate change, forced wealthier nations such as China and the Gulf States to consider [their own food security](#). By producing food in

neighbouring countries through national and private companies and exporting the harvest back home, these countries managed to mitigate or lessen the impact of food shortages and high food prices.

In 2016 alone, more than 30 million hectares across 78 countries were sold off to investors, making a total of 491 problematic land deals, commonly known as [land grabbing](#). The [FAO](#) defines land grabbing as “control (whether through ownership, lease, concession, contracts, quotas, or general power) of larger than locally-typical amounts of land by any persons or entities via any means (‘legal’ or ‘illegal’) for purposes of speculation, extraction, resource control or commodification at the expense of agroecology, land stewardship, food sovereignty and human rights.” Land grabbing has indeed become a worldwide phenomenon that is marked by rapid streams of investment in all parts of the world – altering well-established power structures and creating new inequalities. The case of Indonesia illustrates this problem.

### **Growing the Economy: Palm Oil and Land Grabbing in Indonesia**

Within the past decades, palm oil has [increased in global significance](#) with total production surging from 13.5 million tonnes in 1990 to 155.8 million tonnes in 2014. Due to its cost-effectiveness and versatility, palm oil is the [most widely utilised](#) vegetable oil with uses ranging from food to cosmetic and even biodiesel.

Indonesia has positioned itself as the global leader in palm oil production with 58% international market share of Crude Palm Oil (CPO). In 2014, Indonesia generated [32.5 million tonnes of CPO](#), creating USD\$18.6 billion for the GDP. Based on the current national political and economic strategy, the [area converted for palm oil will expand](#) from 10.6 million hectares in 2013 to 13.7 million hectares in 2020. The Indonesian Ministry of Agriculture stated that CPO is a [strategic industry](#) that has to be protected and expanded in order to spur economic growth and to lower the country’s unemployment rates.

Investment in [industrial agriculture](#) in Indonesia has often been associated with accelerated forms of land acquisition that is marred with corruption and elite capture as well as leading to the displacement of local farmers. Swift displacement to create space for palm oil investment is contentious and repeatedly met with resistance from local farmers robbed of their livelihoods. Around [632 Indonesian rural communities](#) have faced confrontation with palm oil developers due to lack of prior and informed consent or consultation regarding the socio-economic and environmental impact of the project.

Local farmers often have insecure rights to lands that are rightfully theirs. A strong perception that customary systems are sufficient, coupled with complicated legal institutional procedures for tenure registration, cause land to be 'legally' ownerless. By declaring customary land as national property, the government can therefore reallocate land to investors, despite [local opposition](#). Even farmers who obtain tenure rights still [struggle](#) to protect their lands from interference by

big corporations with government connections. An [absence of strong legal assistance for communities](#), along with corruption and bribery cases among government and corporate officials, makes it almost impossible for local farmers to win legal battles to preserve and gain full recognition for their customary lands.

The socio-economic consequences of the above-mentioned processes are mostly neglected in the name of economic development. The swift conversion of agricultural land for profit has evolved into the authorised displacement of thousands of rural farmers and indigenous people who have physical, emotional and spiritual attachment to their land. Acquisition of huge farm areas drives out communities that are highly dependent on subsistence farming for their livelihoods. Such methods seize power away from small independent farmers and, instead, reallocate power to big companies. Indonesia's [income inequality](#) is further exacerbated for local farmers who, in a context of dispossession from their customary lands, have nowhere to

go and often become enslaved under the very same company that robbed them. While land grabbing processes for the expansion of CPO arguably spurs economic growth in Indonesia, there is little to no filtering down of income to original farmers. Instead the revenues generated by CPO mainly go to companies only. Dewi Kartika, Secretary General of the Consortium for Agrarian Reformation Indonesia (KPA), highlighted that only 6 percent of the total available land is owned by farmers. In 2017, there were 17.1 million farmers who still [lived in poverty](#) despite economic reforms taken by the government.

### **The Great Land Grab Resistance**

The International Land Coalition (ILC) and its partner organisations, including those from Indonesia, strongly condemn any land grab activities that threaten food sovereignty, land stewardship, agroecological balance and human rights. In 2013, ILC came up with [10 commitments](#) necessary to create a “people centered land governance,” with point 9 being effective actions against

land grabbing that include prevention and remedy.

In Indonesia, the Consortium for Agrarian Reform (KPA) along with other ILC members and various grassroots movements have managed to push the government to take certain decisive agrarian actions. When the Indonesian President Joko Widodo was elected in 2014, Agrarian and Social Forestry Reform (RAPS) became a central point of the government’s agenda. Other than setting up a National Conference on Agrarian Reform (KNRA), the President promised to issue 126 million [land certificates](#) to locals and indigenous people. Following pressure from civil society groups, NGOs and the media, the government realised that [securing tenure rights](#) and legal private ownership for the marginalised can help to eliminate both poverty and power imbalances in local communities as well as improve food sovereignty and local ecosystems. The government also [reviewed regulations](#) that promote land grabbing in the palm oil industry and instead promoted policies that prioritise a

robust small-scale farming system that opposes excessive land concentration.

Although there has been tremendous progress, Indonesia is still very far from creating a just and equitable land reform for all. As KPA noted, the government should have [restructured land ownership](#) prior to giving out land certificates by breaking up big industrial land and redistributing it to local farmers. The current method focuses on expediting farmers to obtain legal land rights yet fails to consider the damage done by agriculture companies. In fact, KPA noted that this reform actually incites more land conflicts that end up with the criminalisation of farmers. In 2015 and 2016 alone, there were 455 farmers sent to prison, with 229 farmers experiencing violence and 18 [shot to death](#).

The Association of Agrarian Reform Movement (AGRA) argued that this move is oriented to [expand the land market](#) and bank credit system, which will ultimately benefit both the government and the private sector rather than ordinary people. With most dispute resolutions

being done on a case to case basis, land conflicts [will continue to re-emerge](#) in different parts of Indonesia as there is no national scheme to address the root of the conflict, that is the illegal land acquisition that disregards the rights of local communities who remain powerless in the face of wealthy corporations.

#### **ILC 2018 Forum**

The issue of Palm Oil was mentioned several times during the Global Land Forum 2018 held in Bandung, Indonesia. Prior to the forum, Indonesian president Joko Widodo has formally signed a [moratorium on palm oil](#) industry. As such, any development and expansion in this industry will be put into halt for at least three years. This move is taken as a [genuine effort](#) by the government to put an end to Indonesia's deteriorating natural forests as well as preventing encroachment of indigenous territories by palm oil companies. During the opening speech of the Global Land Forum, General Moeldoko, the acting Chief of Staff of the President, also highlighted the government's promise that [twenty](#)

[percent](#) of the total land used by palm oil plantations shall be given back to the local communities whose land had been grabbed or taken away from them.

Indonesia's government also promised to give out land certificates to thousands of farmers and indigenous people as part of the President's ambitious agrarian reform that targets [9 million land certificates](#) to be distributed by the end of 2019. During the press conference, Darmin Nasution, the current Indonesian Coordinating Minister for Economic Affairs, stated that the government has expedited the process of redistributing land certificates, including those that are currently used for palm oil plantation, to faster issue secure legal tenure rights for farmers and indigenous people who live in surrounding areas. He believed that the distribution of certificates is the first step towards a more robust and complete agrarian reform that many desire. In this sense, GLF provided desperately-needed momentum that kickstarts true agrarian reform that tackles poverty and income inequality in Indonesia.

Despite considerable accomplishments achieved by the incumbent government, eyebrows were still raised as people question the government's true motives. Local protesters were observed right outside the venue of GLF, [falsely accusing](#) the forum as a gathering for international investors who are interested in grabbing even more land areas to expand palm oil or other agricultural industries.

Judging from conversations with various activists involved directly in agrarian conflicts in Indonesia, it is clear that there is a widening gap between political promises and policy realisation. The implementation of agrarian reforms, to date, has often been met with criticisms as it failed to improve the lives of many. The current criteria for land allocations is unilateral, with the government dictating which land belongs to whom. The absence of the involvement of local communities and CSOs in decision-making processes leads to the outcome that some lands fall into the wrong hands, thus further aggravating the situation. Ironically, then, millions of indigenous Indonesian farmers are being [neglected and pushed away](#) by

the very agrarian reforms that are supposed to provide them with legal tenure rights. Farmers now are deprived of the use and control of their own land as the government picked the easy way out by distributing the [‘clean and clear’](#) land instead of resolving conflicted areas that are common in the palm oil sector. Such moves deny millions of farmers who stay in disputed areas the opportunity to secure legal land ownership. This means that existing land conflicts between farmers and the palm oil industries are unlikely to be resolved as local communities are unable to get access to legal support from the government.

### **Alternative solutions**

A true agrarian reform can only be achieved when the government starts to listen to the needs of the people. Government has to adopt a bottom-up approach that is contextualised to the needs of the locals in the area in order to rectify existing land issues. Local communities can produce [“by-laws”](#) to address problems such as land governance, unaccountable leaders, intra-

community discrimination and other unwritten rules. Together with the NGOs, by-laws are then passed to the government for consideration regarding land allocation and agrarian reform. Such methods allow for a more localised approach where the rights of local communities are put at the centre of agrarian reform.

Indonesia’s government should create a separate executive body to handle all issues related to land rights and agrarian reform. The presence of ad-hoc or cross sectoral institution chaired directly by the President in preparing, implementing and supervising the realisation of genuine agrarian reform is crucial to tackle the root of the problem. Indonesia’s government has the responsibility to create an effective and participatory national agrarian reform framework that will be adhered when land disputes are concerned. Instead of the present case-by-case approach of solving land conflicts, it should provide strict general national guidelines on how to tackle land issues, starting from providing channels for

indigenous people to report the problem and providing procedures and helplines where people can seek legal assistance, while at the same time respecting the different customary laws and practices in different regions.

Agrarian reform should not be used as a superficial populist tool to garner votes and attention by giving out land certificates to people, especially with regards to the upcoming presidential election in 2019. The government has to improve the quality of lives of farmers by providing necessary training and equipments to boost crop production.

Improving the quality of lives of farmers must always be put at the core of every decision process taken by the government on agrarian reform.

*"There can be no peace without justice in land rights"*

Tony Quizon, Asian NGO Coalition for Agrarian Reform and Rural Development

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