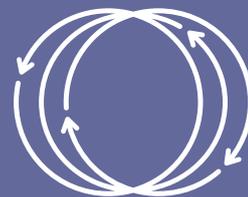




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# COVID-19 and Palm Oil in Indonesia

Collaborating around sustainable production for national consumer market

## COVID-19 in Indonesia – some facts and figures

The first COVID-19 case in the country was confirmed on 2 March 2020. Within a month the virus spread to all of Indonesia's 34 provinces. As of 30 July 2020, Indonesia recorded more than 100 000 cases, the highest in Southeast Asia.

The COVID-19 pandemic is expected to dent the country's economic growth. The socioeconomic impact of COVID-19 is posing a major threat to the macro-stability achieved by the country. GDP growth slowed to [2.97% in the first quarter](#) of 2020, and then contracted by [5.32% in the second quarter](#). [The World Bank is projecting GDP growth for 2020 to be zero percent](#) and projected an increase of 4.8 percent in 2021

leading to 6 percent in 2022. This scenario will mostly affect the vulnerable population or [about 180 million people, living just above the national poverty line of US\\$25 monthly per person](#) (USD 0.82 cents a day). The economy is expected to experience long-lasting and severe consequences, reversing critical development achievements on many levels.

## COVID-19 and the Palm Oil Supply Chain in Indonesia

Indonesia is the world's largest producer of palm oil, and 40 percent of the total area used for oil palm production is owned or managed by smallholders. The Ministry of Agriculture estimates that smallholder oil palm plantations generate income for 4.6 million farmers.

The [Indonesian Oil Palm Association \(GAPKI\)](#) reported that half-year production of crude palm oil and palm kernel oil had declined **9.2** percent year-on-year (yoy) to **23.5** million tons.

While the COVID-19 health crisis played a role in the decline in palm oil production, the palm oil price crash in **2018** and last year's prolonged drought due to El Niño had a major effect on overall output, stated the GAPKI chairman.

According to [Statistics Indonesia \(BPS\)](#), half-year palm oil exports fell **5.49** percent yoy to **US\$76.41** billion. Also, GAPKI data confirms that palm oil exports to all major destinations had declined except for exports to India, the United States and Pakistan.

It is estimated that in 2020, the palm oil export will decrease at least by 4 percent for multiples causes, COVID-19 being one of them.

In a recent study on developing sustainable consumer markets in Indonesia, carried out by a Good Growth partner before the pandemic, 60 percent of the population in Indonesia showed willingness to use sustainable products even at a higher price. That willingness may decrease as people's incomes decline due to the economic impact of COVID-19. Meanwhile, compared

to 2019, domestic consumption of products containing palm oil increased by 2.8 percent to 8.6 million tons in the first half of 2020. This is mainly due to the increased production of oleochemicals, which are oils and fats that are made into soaps, shampoos, laundry detergents, hygiene and pharmaceutical products.

## Key COVID-19 support measures in Indonesia

The Government of Indonesia has established a [COVID-19 Handling Acceleration Task Force](#) to control the spread of the virus. It enforced movement restrictions and large-scale social distancing policies in four provinces and 22 districts. The Government has announced a package of 4.3 percent of GDP for the recovery, which includes larger allocations to the health sector, significant increases in social assistance, credit programs for SMEs and equity injections for banks that restructure SME loans.

The Indonesian government has taken numerous measures to respond to the COVID-19 pandemic. Already in March 2020, the government issued a regulation in lieu of law (Perppu) to boost state spending by up to US\$24.6 billion in the country's support measures against COVID-19. In June 2020, the Indonesian government deposited US\$2.12 billion of state funds in public banks to support the national economic recovery program. Also, the Ministry of Villages initiated a Cash for Work

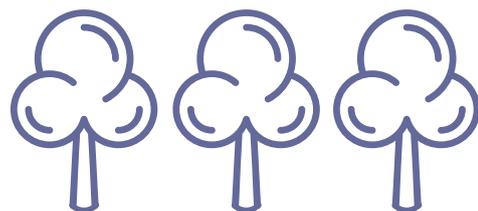
Programme using the Village Fund to provide much needed cash for vulnerable communities. As of July 2020, the "Direct Cash Assistance of the Village Fund" had been received by 99 percent of the villages in Indonesia.<sup>1</sup>

**In the second half of 2020, the Indonesian government will have to focus attention on three major challenges:** to prepare public health care in Indonesia for an extended COVID-19 crisis, to find solutions to food security issues arising from a severe drought in at least 15 provinces and to prevent other natural disasters caused by the 2020 drought, including the risk of forest fires and floods. The government has prepared a contingency plan which proposes crops that require less water, and rangers have been ordered to step up patrols for the prevention of forest fires.

<sup>1</sup> [Response to COVID-19 in Indonesia: Situation Update, UN Office for the Coordination of Humanitarian Affairs, 20 July 2020](#)

## How the Good Growth Partnership can support a resilient, sustainable and green recovery in Indonesia

The Good Growth Partnership with other institutions can pave the way to ultimately building a more resilient, sustainable and green future. In the emerging risk of increased deforestation for short term economic gains, this pathway must include the protection of important forest landscapes through investments in sustainable supply chains.



**Creating, facilitating and implementing the [National Action Plan for Sustainable Palm Oil](#).** The National Action Plan for Sustainable Palm Oil - NAP SPO - is an important strategic tool and a product of the multi-stakeholder dialogue and exchange that was facilitated by the partnership within the [Indonesian Multi-Stakeholder Forum on Sustainable Palm Oil \(FOKSBI\)](#). A major achievement of the Good Growth Partnership's approach was the signing of the NAP SPO by the President of Indonesia in November 2019. The action plan provides a timely framework to boost the economic recovery by supporting the growth of the sustainable palm oil sector. The government has mandated 14 ministries and a range of palm oil market actors and stakeholders to implement the NAP SPO, and parallel plans are underway at the subnational level. The NAP SPO reflects that the Government of Indonesia is aware and committed to investing in sustainable development as a pathway within its economic recovery priorities. This work is further supported by Provincial and District action plans in target geographies.

**Supporting the Ministry of Environment and Forestry's efforts on land use spatial planning and management.** Good forest policies require accurate data and information on the dynamics of land cover. The Good Growth Partnership has developed a Land Use Change Monitoring (LUCM) tool together with the Bogor Agricultural University. Complementary to SIMONTANA

(Sistem Monitoring Kehutanan Nasional/National Forest Monitoring System/NFMS) – a digital application developed by the Ministry of Environment and Forestry, the LUCM tool can be used as an additional source of information for effective policy making in the area of sustainable forest protection and land management. The LUCM tool allows the general public to supply land use change data as per their findings/concerns in their areas, through an early warning system, which is mobile based.

**Working on land use planning at district level.** The Good Growth Partnership is developing regulations that would secure conservation and improve the management of High Conservation Value/High Carbon Stock areas.

**Improving the productivity of smallholders and addressing gender inequalities.** The Good Growth Partners support the delivery of trainings for smallholders, providing them the opportunity to understand their legal obligations and learn more about techniques to enhance their yields while ensuring efficient use of natural resources. The smallholders training also aims to further women economic empowerment in the palm oil sector by building both men and women's capacity in the areas of financial management, economic resilience, occupational health and safety, waste management, and workers' rights.

**Applying innovative approaches to finance for a more inclusive and sustainable growth model in the Indonesia palm oil supply chain that goes beyond short-term economic thinking.** Good Growth partners are boosting farmers' competitiveness by facilitating the acceleration of certification within the Indonesian Sustainable Palm Oil (ISPO) scheme, a legally binding instrument, that can also help improving the chances for smallholder groups and cooperatives to access new markets. Good Growth Partners are training independent farmers to be ISPO certified and introduce loan products that allow smallholders to sell palm oil when market prices are good for them while being able to support their livelihood in the meantime. In 2020/21, the Good Growth Partners will explore more innovative loan products to cater to smallholders needs.

**Updating the first sector-wide map of palm oil sourcing.** Good Growth partners are aggregating and cleaning traceability reports and connecting them to data on domestic and international shipments of palm oil by companies, company ownership of refineries, mills and plantations, and palm oil production. This enables an increased transparency of the palm oil supply chain, and thus allows a better decision making from private sector actors for more sustainable supply chains.





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**Creating awareness of sustainable palm oil in the national market.** Good Growth partners are carrying out communication and media campaigns for consumers, the private and the public sectors to increase demand for palm oil produced without putting forests at risk. In parallel, Good Growth partners are encouraging companies to follow a set of practical guidelines for shifting towards sustainable procurement and supporting the growth of a national market for sustainable palm oil.

**Successful multi-stakeholder management in the COVID-19 crisis** has made it clear that concerted action is possible and necessary to prevent disasters. The Good Growth Partnership is committed to continue working within its multi-stakeholder collaboration approach in Indonesia, linking government, smallholders, civil society, finance institutions and the private sector to reach long-term systemic change.

Read more at: [www.goodgrowthpartnership.com](http://www.goodgrowthpartnership.com)

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