

## Executive Summary

# Losing Ground

The human rights impacts of oil palm plantation expansion in Indonesia



Friends of the Earth, LifeMosaic and Sawit Watch  
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The challenge of tackling climate change has created a growing world market for agrofuels – vegetable crops which can be used to produce fuel for transport and power stations. As a result, many developing countries are turning to crops such as oil palm to feed this demand. Indonesia, currently the world's biggest producer of crude palm oil, is continuing a massive expansion of its palm oil industry, despite serious concerns about the impact of oil palm on the environment. Now a new report by Friends of the Earth, Sawit Watch and LifeMosaic has revealed how Indonesian government policies and palm oil industry practices are harming the rights of local communities and indigenous people. This summary highlights the importance of these findings to policy makers in Europe and argues that in the face of such evidence, targets to increase agrofuel use in the UK and the rest of the EU are misguided, risking environmental damage and human rights abuses on an even bigger scale.

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## **i. Introduction**

Agrofuels – also known as biofuels - have been heralded as a low carbon solution to climate change in an energy-hungry world. The European Union has set targets for 10 per cent of all transport fuel to come from crops by 2020. Some see the emerging agrofuel market as an economic opportunity bringing jobs and wealth to developing countries. Others fear that it is leading to the large-scale privatisation of land and natural resources as large companies move in.

Palm oil, a versatile vegetable oil already used extensively for food production, cosmetics and animal feed, is increasingly in demand as an agrofuel. In response to this growing market, large-scale oil palm plantations are being developed in Latin America, West Africa and South East Asia.

Indonesia, the world's largest producer of crude palm oil, has already increased its palm estates to 7.3 million hectares, and is planning to expand the area under plantation by a further 20 million hectares – an area the size of England, the Netherlands and Switzerland combined.

The damaging impact of oil palm plantations on the environment in South East Asia is already well-documented. Plantations are one of the main drivers of deforestation in Indonesia, destroying the habitat of endangered wildlife, including the orangutan and the Sumatran tiger. Fires used to clear the land and peat bogs are drained to plant oil palms, releasing hundreds of millions of tonnes of carbon dioxide, making Indonesia the third highest contributor of CO<sub>2</sub> emissions in the world.

But it is not just Indonesia's forests that are under threat from oil palm. An estimated 60-90 million people in Indonesia depend on the forests for their livelihoods, but many are losing their land to the expanding palm oil industry. Communities have managed this land for generations, growing food and cash crops and harvesting medicines and building materials. Some areas are community protected areas of forest. Oil palm plantations transform this land to monoculture, and evidence suggests that communities are paying a heavy price.

*Losing Ground*, the report published by Friends of the Earth, Sawit Watch and LifeMosaic, reveals growing evidence of human rights violations associated with the Indonesian oil palm industry. Drawing on interviews with individuals on the ground, new Sawit Watch data, and previous research, it provides an insight into some of the civil, political, economic, social and cultural impacts of oil palm plantations.

The report highlights the urgent need to address the potential human rights implications of transforming vast areas of land into industrial plantations for agrofuel development in Indonesia, and elsewhere in the developing world.

## **ii. Who owns the forest?**

*“The government official asked me if I have a land ownership certificate and I answered that every single durian tree, and every single tengkawang tree, and every single rubber tree that we or our ancestors have planted are certificates. I am an indigenous person born here. My ancestors have already defended this land for generations.” [Indigenous leader, West Kalimantan]*

Land is a fundamental issue for many indigenous people and others forest dependent people in Indonesia. Land is also key to the debate about oil palm. While many indigenous communities have lived on the same land for generations, their rights to this land are not clear under Indonesian law.

Many present day policies are rooted in the country’s colonial past where Dutch law allowed tobacco and rubber plantations to be set up on traditionally-owned common lands. The 1945 Indonesian Constitution partially recognises indigenous peoples’ rights but also declares that: “land, water, and all natural resources that belong to common pools and public goods, are under state control and will be utilized for the maximum welfare of the people”. Under the Suharto regime, oil palm plantations were imposed on communities and indigenous peoples in the name of national development, even against their wishes.

Even recent legislation severely limits people’s rights to their land by allowing companies, working with local governments, to take over vast areas of local people’s land if they show that their business is in accordance with State development plans.

*“He said this was State land and we had no right to it. No matter whether it was the land where we grew our crops, built our houses or used as home-gardens, he said, it was State land and they were going to take it. He threatened that if I opposed this, they would put me in jail.” [Community leader, West Kalimantan]*

Respect for the rights of local communities is seen as fundamental in moves to develop a more sustainable palm oil industry. The Roundtable on Sustainable Palm Oil, a joint business – NGO initiative to improve standards in the palm oil industry argues that communities must give their free, prior and informed consent to the development of plantations on their lands if plantations are to be developed sustainably.

Under international law, there is a growing recognition that indigenous peoples must have the right to give their “free, prior and informed consent” to proposals to develop their traditional lands. This means that they must be able to participate meaningfully in the decision making process, be given full information about the proposals beforehand, and that the decision should not be made under pressure or skewed by corruption. They have the right to withdraw consent, and to refuse development proposals on their lands.

## **iii. Consultation, persuasion and broken promises**

Once land has been identified by a company wanting to develop a new plantation, according to the law, the local communities and indigenous peoples must be consulted about the development and about appropriate levels of compensation. An environmental impact assessment (EIA) must also be carried out before a land use permit is given.

But evidence suggests that this process is rarely adhered to on the ground. Many communities and indigenous peoples say they were not consulted. Some say that the first they knew about a

proposed plantation was when bulldozers arrived. Others report being called to a meeting to be told that a plantation was being developed.

Where consultation does take place, the process is seldom open and transparent. One community liaison officer employed by an oil palm developer told researchers he was given a fund for bribing village chiefs and that his job was to find out who was influential in the village and who could be bribed.

Palm oil companies make promises to build new roads, schools and irrigation schemes. Village chiefs may be paid "incentive payments" and treated to holidays.

Many communities complain that these promises are not kept once the lands have been cleared – and that the promised wealth fails to materialise.

*"They promised to set up irrigated rice fields, a school, electricity, build a road, fish ponds. As it turns out, none of that was true. Now they do not even want to build our school or repair the track leading to the longhouse – so we are beginning to have second thoughts about them and not trust them anymore."* [Villager, West Kalimantan]

Many communities are not aware of their rights under the law. Some villagers claim they were misled and did not realise they were permanently giving up the rights to their land.

*"They told us they would make compensation payments for the land. They said that if the oil palm failed, they would give back the land to the owner. They would only borrow the land for 25 years. This is what the company people said."* [Community leader, West Kalimantan]

There is also wide variation in the levels of financial compensation paid for land and in the amount of land provided as smallholdings for farmers. Some companies do not offer smallholdings to farmers at all.

Evidence on the ground also reveals that some plantations have been approved without carrying out a full or accurate EIA. One study revealed that some plantations did not seem to have completed an EIA at all.

In some districts, large areas of land have been cleared without any form of approval from the authorities.

In other cases, permission is given for a new plantation, but once the forest has been cleared for timber, no oil palm is planted. This leaves the local community deprived of its land and deprived of future job prospects. In East Kalimantan estimates suggest that less than 10 per cent of the area approved for plantations has actually been planted with oil palm. According to some estimates up to 18 million hectares have been cleared under oil palm licences but not subsequently planted.

Indonesia suffers from endemic corruption, and breaches in the law can easily be overlooked. Some reports suggest that companies routinely bribe district authorities to gain permission for a plantation.

#### **iv. Conflict**

*“This all used to be the community’s land! It was all seized [by the company]. It was defending this land that two of our men got killed. They were kidnapped and killed. Just because they wanted to defend this land, close to that [palm oil] factory over there. We do not know who killed them and it has never been investigated.” [Community leader, Sumatra]*

Given the discriminatory legal framework and the flaws in the consultation process, it is not surprising that many are unhappy with the development of plantations on their lands. Demonstrations and land occupations are common, often resulting in a heavy crackdown from the company’s own security forces, the police or the military. Protestors have been arrested, beaten and even killed.

In January 2008, 513 conflicts between communities and companies were being monitored by Sawit Watch. Some of these conflicts can be traced back to earlier land disputes, particularly from the Suharto era when the land rights of communities received even less recognition than today. Most recent conflicts are also about land rights, but other disputes arise over levels of compensation, unmet promises, and over smallholding arrangements.

The presence of migrant labourers, a consequence of previous government policies to move people from more densely populated parts of Indonesia to forest areas, has aggravated the situation in some areas, creating ethnic and religious tensions.

According to human rights groups, communities have little option for legal redress or even protection against violent tactics. The involvement of the police and the military – and the longstanding lack of accountability within the security forces – mean there is nowhere for communities to turn.

The armed forces and police in Indonesia have a reputation for corruption and reportedly are often directly involved in company activities, or are likely to benefit from protecting them.

#### **v. Jobs and prosperity**

*“We all handed over our land for the oil palm plantation. At first, we were told that we would all be employed by the company. We needn’t think about any other work such as agriculture, rubber tapping, or any other kind of work. That is what they promised us, promised! But three to four years later they started firing people at the company. We have lost the ownership rights over our land and now we are left without jobs.” [Villager, West Kalimantan]*

The debate around the expansion of the oil palm industry is sometimes framed in terms of trade-offs between the crop’s environmental impacts and the need for economic development, but few local people appear to benefit.

Money is of course being made from palm oil. The price of crude palm oil has risen steadily. But many of the villagers who have given up their land to become small-holders or to work on the plantations find they are no better off.

*“In the past we could send our kids to school, now it’s difficult, we can’t any more. Yes we have a smallholding but not much, with only one two-hectare plot, we barely earn enough to feed ourselves. If we had five or six plots we could send our children to school. But in our case, with only one plot, it is impossible. Oil palm has made our lives very difficult.” [Smallholder, East Kalimantan]*

Most smallholdings are limited to two hectares of land, which many farmers claim cannot produce enough income to cover the costs. These estate smallholders are generally under contract to the plantation and must pay back the costs of setting up the small-holding, including the cost of pesticides, fertiliser and technical expertise. Most estate smallholders are obliged to sell their harvest to the company mill, and may be charged for using the mill's facilities. Most have little understanding of how these costs are calculated or how their debts mount up.

There are also complaints that companies delay handing over smallholdings, keeping the profits from the first harvests for the company; that smallholdings contain fewer oil palm trees; and that they yield less fruit.

Smallholders who are unable to pay their debts to the plantation company can be forced to provide labour in exchange for their debt.

*"This plantation has been going on for 23 years – they still haven't paid off their debt. And they won't pay it now as they are not harvesting since the palms aren't producing anymore..."* [Oil palm co-operative leader, West Kalimantan]

For those without smallholdings, employment opportunities are limited once the plantations are established and many of the jobs that do exist earn only the minimum wage. Some plantations rely on casual labour to harvest the fruit, with reports of casual labourers receiving less than the minimum wage.

*"They had promised us jobs but there aren't that many. Basically, the only prospect we have is as casual labourers."* [Villager, West Kalimantan]

Villagers also find that their overall cost of living increases with the arrival of the plantations. No longer able to harvest food and products from the forest and without land to grow their own crops, they need more cash to survive.

*"Once we stay on a company compound we have to buy everything. When I lived with my family, it would never have occurred to me to buy vegetables. We grew everything ourselves. That was better."* [Female plantation worker, Sumatra]

Dependence on a single crop commodity increases the vulnerability of those involved in the palm oil industry. Although prices are still rising, there are fears the boom may end, especially as competition increases from other countries. However farmers are tied into 25 year production cycles.

Economic studies and the experience of those on the ground suggest that many communities can be better off growing other crops or a variety of crops. Community-owned rubber and damar (a tree producing resin) plantations have been shown to be profitable, as is small-scale certified timber production, yet there is little government support for developing such alternatives.

*"The only solution is not to be dependent on one commodity only, such as oil palm. There are other economic alternatives such as rubber, cacao, pepper, and others, which we must cultivate. We have to develop this existing local economic potential."* [Oil palm smallholder, West Kalimantan]

## **vi. Water and pollution**

*“In the past when there was no oil palm plantation here, water in the river was very deep, but now it's very shallow. We run out of water, it is difficult for people to find clean water in the dry season, not every one has a drilled well. In the past in the forest, after a month and a half of dry season we would still find many small rivers. Nowadays after a month or so of dry season they have all dried up [Smallholder, West Kalimantan]*

Although oil palm plantations are planted in areas of relatively high rainfall, the communities interviewed reported that local rivers had far less water than before the plantations existed. There are reports of increased flooding in the rainy season, with plantations affecting the natural drainage patterns.

In Aceh, 360,000 people were displaced from their homes and 70 died as a result of floods in 2006. Recurrent flooding has been a problem in the region since oil palm plantations arrived.

Access to water has become difficult for some communities, especially where water sources are now out of bounds because they are on private land.

*“Every day during the rainy season, the dam holding back the liquid waste leaks waste into the river. The water is not fit for consumption when this happens. The waste spills into the river and kills the fish and other larger animals, such as fresh water turtles. That is what happens because of the waste that [the mill] discharges into the river.” [Teacher, West Kalimantan]*

Oil palm plantations and the palm oil milling process can cause serious pollution problems if not correctly managed. Plantations are intensively sprayed with pesticides and herbicides, creating toxic run off. Effluent from the milling process is also toxic and should be stored in special ponds.

Reports of pollution incidents are common, with effluent regularly discharged into rivers, killing fish and contaminating drinking and washing water. Some reports suggest that because treating the effluent is expensive, many mills rely on discharging it into open water course. Little action seems to be taken by the authorities to prevent such incidents, which are illegal under Indonesian law.

*“I used to be in charge of the company's liquid waste management... When the rainy season starts, the liquid waste pond fills up and I had to discharge some of the waste into the river. I did that in the middle of the night, so that nobody would know. That was my job...the company used to give money to the government officials who came - and so they would just disappear and the problem was never solved. So one could say that the local communities have been poisoned by the company.” [Palm oil mill employee, Sumatra]*

Access to clean water is a fundamental human right and an essential prerequisite for good health and access to food.

## **vii. Destroying Cultures**

*“This is the sacred area of our ancestral leaders. This used to be covered by primary forest. From here to there, and all around, there was only thick forest with big trees, trunks as thick as barrels. The place was called ‘rimba batu bernyanyi’ [the forest of the singing rocks] – this has been handed down from generation to generation. Now there are no big trees anymore, it is all surrounded by oil palms.” [Indigenous leader, Sumatra]*

The arrival of an oil palm plantation completely alters the life of local people and in the process many of their traditional customs and values are disappearing. In many cases important cultural sites, including ancestral burial grounds, are destroyed and replaced with oil palm trees.

*“I said this grove is customary land, graves, our ancestors who must not be disturbed. They said we should mark the trees that mustn't be cut...Once we had finished we told them we had already marked the important places. “OK”, they said. The next day, everything had been chopped down. Nothing was left standing. This is when the problems started.” [Dayak leader, West Kalimantan]*

Other aspects of indigenous culture are also disappearing. The traditions and rituals which were once part of farming practice in the forest no longer take place, often because the sacred sites have been destroyed. As a consequence the customs and the language are being forgotten. Indigenous culture is rarely recorded in written form and as practices die out, elements may be lost completely.

## **viii. Conclusions**

The unsustainable expansion of Indonesia's palm oil industry is leaving many indigenous communities without land, water or adequate livelihoods. Previously self-sufficient communities find themselves in debt or struggling to afford education and food. Traditional customs and culture are being damaged alongside Indonesia's forests and wildlife.

Human rights – including the right to water, to health, the right to work, cultural rights and the right to be protected from ill-treatment and arbitrary arrest – are being denied in some communities.

If palm oil is to be produced sustainably, the damaging effects of unjust policies and practices in the Indonesian plantation sector must be addressed.

### **A strong message to Europe**

Much of the responsibility for the situation in Indonesia lies with the Government of Indonesia. But European governments must also face up to their responsibilities in driving the consumption of agrofuels, and in particular, the consumption of palm oil.

### **The European Union and member states should:**

- Adopt legally binding restrictions on investment in and subsidies for the use and marketing of edible oils and palm oil-derived energy sources (including agrofuels) from unsustainable sources.
- Ban imports of palm oil for agrofuel and energy until safeguards addressing all the issues can be introduced.
- Abandon targets (for example in the Fuel Quality Directive or the Renewable Energy Sources Directive) for agrofuel use in their countries, as this will inevitably lead to oil palm expansion resulting in exacerbation of and increase in the problems detailed in this report.



- Strongly support actions by the governments of producer countries to ensure that member-state companies obey the national law in those countries, and those which do not do so are prosecuted.
- Introduce tighter regulations on companies to ensure they take their social and environmental responsibilities into account.

**European companies operating in Indonesia:**

- Should uphold the principle of Free Prior and Informed Consent and withdraw operations from areas where local communities and indigenous peoples refuse oil palm development
- Pay compensation for damages to land and the resources as agreed with the affected indigenous peoples and local communities.
- Should respect the customary rights and culture of indigenous people and other communities.
- Allow independent verification and monitoring of company practice to ensure that all claimed standards are met.

There must also be a moratorium on forest conversion for palm oil in Indonesia.

The full report, *Losing Ground*, (including references) is available at <http://www.foe.co.uk/resources/losingground.pdf> or <http://www.lifemosaic.net>

This report was a collaborative project between the following organisations:



**Friends of the Earth**

[www.foe.co.uk](http://www.foe.co.uk)

**Friends of the Earth** inspires solutions to environmental problems, which make life better for people.

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Address: 26-28 Underwood Street, London, N1 7JQ.

Phone: +44(0) 20 7490 1555



[www.lifemosaic.net](http://www.lifemosaic.net)

**LifeMosaic** is a not-for profit organisation which addresses the problem of information shortage experienced by indigenous peoples affected by large-scale developments. We do this by producing and co-ordinating the distribution of educational resources, which are based on the testimonies of communities who have already experienced the impacts of such developments.

**Address:** LifeMosaic, Studio 236, 12 South Bridge, Edinburgh, EH1 1DD

Phone: +44(0)7511773192

E-mail: [info@lifemosaic.net](mailto:info@lifemosaic.net)



**SAWIT WATCH**

[www.sawitwatch.or.id](http://www.sawitwatch.or.id)

**Sawit Watch** is an Indonesian Non-Government Organisation concerned with adverse negative social and environmental impacts of oil palm plantation developments in Indonesia. Sawit Watch seeks to promote sustainable social justice mandates through human rights based approaches in its activities and interventions in the issues. It has been active in 17 provinces and networks in related districts where oil palm plantations are now being developed in Indonesia.

**Address:** Jl. Sempur Kaler No. 28, Bogor 16129,

Phone: +62-251-352171/fax: +62-251-352047,

E-mail: [info@sawitwatch.or.id](mailto:info@sawitwatch.or.id)