

# NATIONAL INITIATIVES FOR SUSTAINABLE & CLIMATE SMART OIL PALM SMALLHOLDERS (NI-SCOPS)

## Executive Summary

Millions of smallholders and workers are earning their livelihoods in the palm oil sector. As such, the sector provides an important contribution to food security, employment, GDP and trade balance of many developing countries. The global expansion of the palm oil sector is also associated with sustainability challenges, including significant GHG emissions related to land use change and methane emissions from processing plants. The impact of palm oil is causing tension between exporting and importing countries. A further polarization of this debate or a boycott of palm oil does not solve the problem. The National Initiatives for Sustainable Climate Smart Oil Palm Smallholders (NI-SCOPS), provide an opportunity for a collaborative and transparent approach to improve the situation in origin. NI-SCOPS allows palm oil producing countries to demonstrate addressing the most pressing issues. Their reward will be to attain their environmental and social policy objectives more easily, and improve market acceptance. Beyond the current contribution of the Dutch government, additional support from importing countries is needed, which will be rewarded by strengthened partnerships with producer countries and joint contributions to global climate and sustainable development goals.

## Background

Past efforts to address sustainability in palm oil production through private-led initiatives and voluntary standards have yielded results but have remain limited in terms of reaching scale. Meanwhile, the demand for palm oil continues to increase. Particularly in Asia (China, India and Indonesia), as well as the domestic demand in Africa. Smallholder benefits of palm oil production remain limited. It is therefore clear that these past efforts alone are unable to effectively balance palm oil production with climate and sustainable development objectives. To reach all smallholders, a public-sector oriented approach is needed to complement existing supply chain initiatives. Broad and inclusive goals at national level, implemented by local government agencies involving farmers and supply chain companies are necessary to scale and go beyond existing certification-based efforts.

## Objectives

The NI-SCOPS programme has been designed as a new mechanism to provide tangible support to enable palm oil producing countries to measurably contribute to sustainable development goals. By supporting local governments and other stakeholders to improve the productivity and incomes of smallholders and workers, and at the same time protect and restore valuable natural resources, palm oil producing landscapes are envisioned to become more economically robust, socially just and resilient to climate change. They even can become net sinks of greenhouse gases. The initiative starts in selected states, provinces and regions of four countries: Indonesia, Malaysia, as the two major global producers and exporters, and Ghana and Nigeria as important palm oil importers in Africa. It aims to strengthen existing and build new partnerships with national and subnational

governmental agencies. The idea is to complement existing (private sector driven) voluntary market initiatives.

## Approach

### Inception

The initiatives are public-sector partnership programs, co-owned by national and local government actors. Implementation is coordinated by Solidaridad and IDH in strong cooperation with farmers and the private sector. In the inception year 2019, Technical Advisory Committees are set up in each country, where government representatives, knowledge institutes, IDH and Solidaridad jointly develop 'Key Performance Goals' for the National Initiatives. These goals correspond to the three dimensions of Climate-Smart Agriculture (CSA) as defined by FAO: livelihoods, climate adaptation and mitigation.

These goals are then translated into meaningful and measurable metrics. Data collection and analysis methodologies will be developed by a partnership of international and national knowledge institutes. By working with a limited number of metric indicators, progress can be objectively measured, compared and aggregated at national level. As contexts differ, it is likely that goals and indicators vary by country, although there may be overlaps that allow aggregation at global level.

### Implementation

From 2020 onwards, NI-SCOPS foresees the implementation of smallholder-focused landscape interventions at the subnational (district, province, state) level across the four countries. In each landscape, Solidaridad and IDH will catalyze sustainable development by offering technical assistance to farming communities and their workforce, and at the same time engage with policy makers and authorities to strengthen natural resource management and restoration efforts. Package deals (or 'Production - Protection - Inclusion pacts, as they are called by IDH) are agreed on that seek external (donor, market, consumer) support to invest in sustainable development options, while strengthening local government capacity to develop and enforce natural resource management policies.

At the national level, the goals and indicators of NI-SCOPS are linked to national and international policy objectives, such as Green Growth plans, agricultural and forestry development policies, and contributions to the Paris (climate) Agreement such as described in NDCs, NAMAs and NAPAs. In this way, NI-SCOPS enables the delivery of the producer country commitments through sub-national action in the target landscapes - filling a gap as few of such mechanisms are currently in place across the developing world.

## Partnerships

By engaging at national and sub-national level with relevant government agencies, and sharing the responsibility of reaching the goals with the governments, NI-SCOPS provides an excellent opportunity for dialogue on (commodity) trade, environmental and socio-economic issues with these governments. NI-SCOPS is explicitly complementary to private sector initiatives such as RSPO - and not intended to substitute voluntary private sector initiatives. NI-SCOPS is addressing the areas with large numbers of independent smallholders and mills, which have proven to be difficult to certify, and where currently most problems persevere. Brands and traders that have committed to NDPE<sup>1</sup> or zero-deforestation policies (TFA2020, NYDF) are keen to support approaches that have a broader landscape perspective, and promote landscape governance.

The good working relationships with the Malaysian, Indonesian, Nigerian and Ghanaian government, and the promising first results in developing the 'key performance goals' demonstrate that the NI-SCOPS approach is

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<sup>1</sup> No Deforestation, Peatland development or Exploitation

welcomed by producer countries. It provides a way out of the increasingly polarized debate on palm oil, fed by a demonization of the commodity by some in Western markets that is unfair to the smallholder producers, unacceptable to the producing country governments and not helpful to solve the real problems in oil palm landscapes.

## Resources

NI-SCOPS has been developed to contribute to the objectives of the Amsterdam Declaration Group, which has been set up to address sustainability issues related to commodity imports into Europe. It answers the need to develop innovative and inclusive mechanisms to supplement market-based tools that address only part of the market. The Netherlands is the founding donor of NI-SCOPS, with a hope that other ADG member states could help scale the initiative. Looking at the magnitude of the challenge in countries like Indonesia and Nigeria, Dutch funding alone will not suffice. Therefore, IDH and Solidaridad actively seek additional contributions from other ADG member countries, non-member countries and value chain actors committed to sustainable and climate smart palm oil.

Solidaridad and IDH have demonstrated that significant cash and in kind co-investments can be leveraged through landscape and supply chain interventions, leveraging public funds at least 1:1. To fund the first four years of implementation (2020-2023) an estimated 30-40 M Euro is sought.