



Serikat Petani Kelapa Sawit
2020



BPDP-KS POOR GOVERNANCE HARMS OIL PALM FARMERS

*Study of Good Governance of Badan Pengelola
Dana Perkebunan Kelapa Sawit*

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PREFACE

All palm oil stakeholders appreciate the breakthroughs made by the Government of Indonesia (GoI) by forming the Palm Oil Plantation Fund Management Agency (*Badan Pengelola Dana Perkebunan Kelapa Sawit/ BPDP-KS*) through Government Regulation Number 24 of 2015. BPDP-KS programs are believed to be able to raise and promote Indonesian palm oil especially specifically smallholder plantations. As is known, the area of smallholder plantations today in Indonesia is approximately 43% of the total area of 16.3 million ha of oil palm plantations. With the existence of BPDP-KS, it will certainly become a new center of hope for oil palm farmers to advance the people's plantation sector and make farmers as subjects towards independence and prosperity. Since its establishment until now, the BPDP-KS has collected fees from plantation business actors of more than IDR 47 trillion.



These funds come from CPO (Crude Palm Oil) export levies of US \$ 50 per ton or the equivalent of US \$ 750 per metric ton of palm oil. Smallholder hoping that these funds can be maximized properly in order to provide profits and benefits to increase human resource capacity, research and development, plantation promotion, plantation rejuvenation as well as plantation facilities and infrastructures as mandated in Plantation Law number 39 of 2014 article 93 verse 4..

All this time, the management of collection of funds by the BPDP-KS is suspected to have only benefited certain individuals or groups in the palm oil industry. It is a possibility that if it is true, it will certainly deviate from the initial purpose of establishing BPDP-KS. The existence of this institution was also supported by not applying the principles of good governance in bureaucratic governance, namely transparency, participation and accountability both institutionally and with the relations of the plantation community. The supervisory board and the steering committee formed in order to oversee and control internal work do not carry out their duties and functions as they should. So that the chaotic condition due to various problems that occur only makes BPDP-KS will continue to be pestered by the political and economic interests of stowaways. Based on a brief description of the problem above, a study of the existence of the BPDP-KS, the performance of the Board of Directors, the Supervisory Board and the BPDP-KS Steering Committee as well as the preparation of programs and funding is necessary to return the BPDP-KS to its path according to the mandate of the legislation.

OBJECTIVE

The objective of this study consists of several important points, i.e.:

1. Capturing BPDP-KS institutional issues starting from the profile (structure and function of the institution), the issue of legal standing for biodiesel, finance and degree of importance.
2. To find out organizational accountability of BPDP-KS in management - starting from the election of Directors, oversight issues that are full of political and elite interests, affiliation to corporations, poor planning and financial management and oversight issues.
3. Encourage comprehensive improvement of BPDP-KS through the new President Director ensuring smallholder welfare, sustainable and empowered.
4. Recommends a more populist structure change for Indonesian oil palm farmers.

This study is very useful for oil palm farmers, oil palm enterprises, the government as policy makers and all palm oil stakeholders as an evaluation material for BPDP-KS performance. So that through this study, it is hoped that the role of the BPDP-KS can be restored to statutory regulations accordingly.

BPDP-KS INSTITUTION

I. Profile

BPDP-KS is a non-echelon organization within the Ministry of Finance and has the function of collecting, administering, managing, saving and disbursing oil palm funds. The task of the BPDP-KS is to manage palm funds in accordance with policies set by the Minister of Finance and statutory provisions. In addition, according to BPDP-KS (2017) the agency implements a pattern of management of the Public Service Agency (BLU) and when setting priorities for the use of funds is still paying attention to government programs and the policies of the steering committee.

The organizational structure and functions of the BPDP-KS are regulated in the regulations of the Minister of Finance of the Republic of Indonesia Nomor 113/PMK.01/2015. The BPDP-KS is led by the President Director who reports directly to the Minister of Finance through the Director General (DG) of the Treasury. The following table BPDP-KS organizational structure and work procedures.

Organizational Structure and Work Procedure

Organizational Structure	Job Description
<p>Directorate of Finance, General Affair, Compliance and Risk Management.</p> <p>Consists of: Budget and Accounting Division, Division of General Affairs and Human Resources, Compliance and Risk Management Division.</p>	<p>Coordinate the preparation of the Annual Strategic Plan and Business Plan (RBA), work plans and work unit budgets, budget management, accounting and reporting, transaction settlement (Settlement), human resource management, general affairs, management of organizational risk and compliance with regulatory requirements legislation.</p>

Organizational Structure	Job Description
<p>Directorate of Fund Planning and Management</p> <p>Consists of: Biodiesel Development Division, Replanting, Reforestation, and Plantation Promotion Division, HR Education, Research and Development Division, and Facilities and Infrastructure.</p>	<p>Coordinate the formulation of business planning policies in the form of an annual Business Strategic Plan (RSB), plan for allocating funding needs, managing funding collaboration, preparing plans for allocating funds, managing funding collaboration, preparing plans for channeling research funds and data management.</p>
<p>Directorate of Fund Raising</p> <p>Consists of: CPO Fee and Contribution Collection Division, Plant Product Fee and Fee Collection Division.</p>	<p>Coordinate the preparation of plans for raising funds for replanting oil palm plantations, research and development, promotion of oil palm, development of facilities and infrastructure for oil palm plantations originating from export levies and business actor fees as well as other fund raising.</p>
<p>Directorate of Fund Disbursement</p> <p>Consists of: Service Program Division, and Disbursement Unit Division</p>	<p>Coordinate the preparation of plans for disbursement of funds, verification and appraisal of palm oil commodity development proposals and channeling funds to finance development, monitoring and evaluation of the distribution of funds as well as performing custodial functions for funds including recording, monitoring and reporting of fund storage.</p>
<p>Directorate of Partnership</p> <p>Consists of: SME and Cooperative Division, Company Division, NGO and CSO Division</p>	<p>Implement a partnership management plan with small and medium businesses and cooperatives, companies, NGOs and civil society to develop sustainable palm oil.</p>

Organizational Structure	Job Description
<p>Internal Audit Unit</p> <p>(Under and is responsible to the President Director)</p>	<p>Compilation and implementation of tasks in accordance with audit charters and program audits, conducting risk-based audits, especially in the business activities of institutions managing oil palm plantations and conducting REVM of financial statements to ensure that their contents, presentation and disclosure are in accordance with government accounting standards and financial accounting standards applicable.</p>
<p>Functional Position Group</p> <p>(Can be appointed President Director as needed)</p>	<p>Conducting activities in accordance with their respective functional positions based on the provisions of the legislation.</p>

If you look at the structure of the BPDP-KS above, it is very irresponsible for oil palm farmers in Indonesia. Because the structure only serves the interests of the biodiesel industry, the elite and stowaways. In the context of taking care of priority programs for oil palm growers such as replanting oil palm and strengthening human resources, precisely handled by the Directorate of partnership in the division of small and medium enterprises and cooperatives as well as the Directorate of channeling funds through the distribution unit division for replanting oil palm. The role of the small and medium business division and cooperatives has the task of managing partnerships with small and medium businesses and cooperatives for the development of sustainable palm oil. The problems faced by farmers are numerous, of course, cannot be handled through a division with an incompetent capacity. Similar with the distribution of funds, the problems faced by farmers in replanting oil palm are not only related to funding issues. There needs to be guidance and assistance for oil palm farmers holistically. Besides that the sustainable palm oil development division is also ineffective in preparing plans and programs towards ISPO (Indonesian Sustainable Palm Oil). Even based on our data, there are no cooperatives formed as a result of BPDP-KS funding support to date.

II. Legal Position Issues For Biodiesel

In the Agriculture Act Number 39 of 2014 article 93 paragraph 4 there is not a single word of biodiesel. But in Government Regulation No. 24 as a derivative regulating biodiesel. From the priority of the use of palm funds, the legislation actually shows that the funds raised are used in the interests of increasing human resources, research and development, promotion and rejuvenation of plantations as well as facilities and infrastructure.

Sounds of Article 9 paragraph (2) PP 24/2015 if juxtaposed with the sound of Article 93 paragraph (4) of Law 39/2014 there are additional new provisions. In Law Number 12 of 2011 concerning Formation of Legislation and Regulations, Article 12/2011 of Article 12 states, "The contents of the Government Regulation contain material to carry out the Act accordingly." This sentence means that the material contained in a Government Regulation may not conflict with the Law.

Not contradicting the contents of the Government Regulation on the Law can be interpreted in three scopes:

1. Does not add content to the Act;
2. Does not reduce the contents of the Law; and / or
3. Does not delete the material contained in the Law.

It is clear that the material content regulated in Article 9 paragraph (2) especially in letter b PP 24/2015 reads; "Fulfillment of estate crops for the needs of food, biofuel and downstream of the plantation industry" adds material previously stipulated in Article 93 paragraph (4) of Law 39/2014. Isn't this right to be considered as a **legal smuggling?** because PP 24/2015 adds something that is not ordered by Law 39/2014.

Not only in Government Regulations, law smuggling was also followed by PP 61/2015. In Article 11 paragraph (2) states:

Article 11

The use of funds raised for the purposes referred to in paragraph (1),

including in accordance of complying the yields of oil palm plantations for food needs, downstreaming of the oil palm plantation industry and the supply and utilization of biodiesel biofuels.

How is it possible that the sound of Article 11 paragraph (2) of Presidential Regulation 61/2015 which mentions “biofuel with a type of biodiesel” is different from the sound of Article 9 paragraph (2) PP 24/2015 which states only “biofuel”. Isn’t this a matter of law smuggling which super inconsequential?

III. Collection and Use of Palm Funds

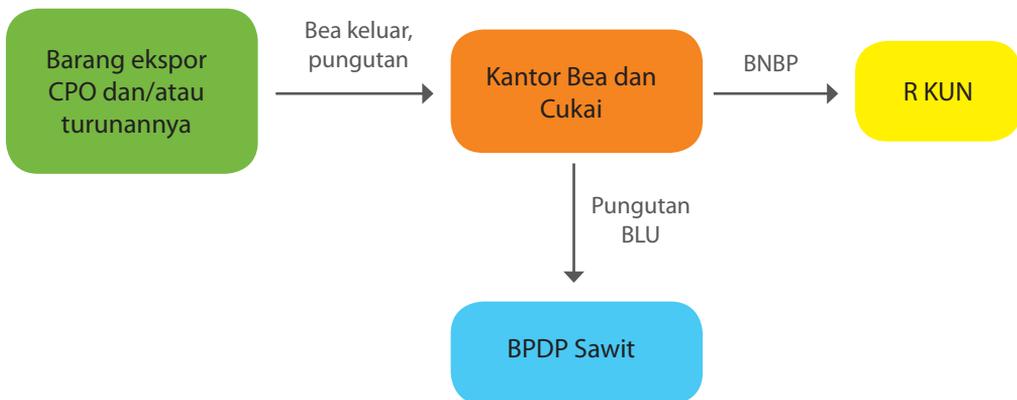
Principium for regulation of palm funds

The main legal Principium for the collection of palm funds is Law No.39/2014 concerning Plantations which regulates the financing of plantation businesses, which not only comes from the state and regional budget and revenue but also originates from fund raising for plantation business actors. To implement the Proviso of the law, the government issued Government Regulation No.24 / 2015 concerning the Collection of Plantation Funds. With the consideration that oil palm is one of the strategic commodities and also to further regulate the issue of levies, the use of funds and the institutions / bodies that regulate fund raising. Therefore, the government then issued a Presidential Regulation No.61 / 2015 concerning Collecting and Using Palm Oil Plantation Funds.

But around ten months after it was issued in May 2015, Presidential Regulation No. 61/2015 was changed to Presidential Regulation No. 24/2016 issued in March 2016 with the consideration of more effective implementation of the development of sustainable oil palm plantations. Changed points related to the provisions on fuel oil and the inclusion of SOEs and *Bappenas* Ministers in the composition of the steering committee members. Whereas previously it was already in it such as the Minister of Agriculture, Finance, Industry, Trade, Energy and Mineral Resources and the Coordinating Minister for Economic Affairs who acted as chair of the Manager of the Palm Oil Plantation Fund at the Ministry of finance.

The mechanism for payment of oil palm plantation funds

Palm funds are levies on exports of CPO and other derivative products that are obligatory to be paid by exporters, and have administrative sanctions in the form of fines for non-compliance with payments for oil palm plantation funds. CPO export levies and derivative products as well as administrative sanctions in the form of fines are determined by the Minister of Finance, which must be paid in rupiah. CPO export goods are subject to levies and export duties if the CPO price is above \$ 750 / ton. If the CPO price is below \$ 750 / ton then the export product is only subject to a palm oil levy of \$ 50 / ton for crude CPO and \$ 20 - \$ 30 / ton for processed products (Coordinating Ministry for Economic Affairs, 2017).

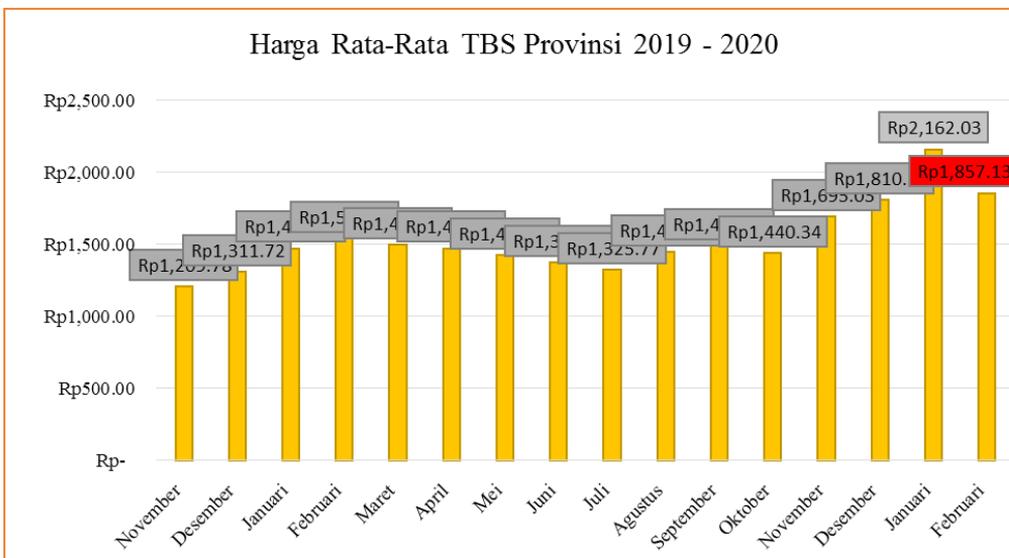


The mechanism for payment of palm oil levies is regulated in Presidential Regulation No. 61/2015 which has been revised to Presidential Regulation No. 24/2016 concerning Collecting and Using Palm Oil Plantation Funds. Based on the mechanism of the state budget system and disbursement, the palm funds are included on the mechanism of on-off treasury, that is, the funds are recorded in the APBN as receipts from the Ministry of Finance's Public Service Agency (BLU). But the money collected from the levies is not allocated into the APBN (not included in the state treasury) but is in the BPDP-KS account and managed by the BPDP-KS Public Service Agency. So the disbursement mechanism is not

through the Ministry of National Development Planning but directly to the implementing party.

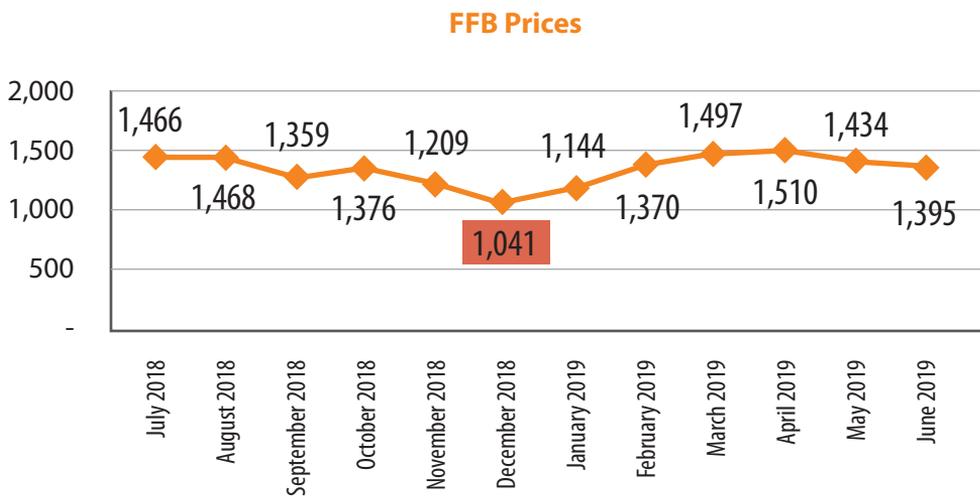
BPDP-KS coordinates with the Ministry of Trade to appoint surveyors to verify compliance with statutory provisions as regulated in article 4 of Presidential Regulation No.24 / 2016. In this case, BPDP-KS then appointed Sucofindo as a surveyor in the field. Palm oil levies are paid by exporters through bank accounts that have been determined by BPDP-KS through banking financial transactions. The palm oil payment scheme is as follows:

The process of palm funds levies begins before the export of CPO and its derivative products. Exporters submit requests for inspection of export goods (PPBE) along with other supporting documents to the surveyor. This submission can be made online or come directly to the surveyor agency's office. After the PPBE and supporting documents are received, they will be verified in order to issue a Payment Order (SPB) by the surveyor. Furthermore, exporters make payments through banks that have been appointed by BPDP-KS by showing SPB. The results of the verification by the surveyor will later be written in the form of a surveyor report which becomes a supplementary document in the export process at the customs office. Funds paid by exporters will then be managed by Public Service Agency BPDP-KS in accordance with the laws and regulations (KPK 2016).



Meanwhile, on the other hand it turns out that BPDP-KS levies also have bad implications for oil palm farmers. Because BPDP-KS levies since they were imposed in January 2020 have an impact on price declines in February 2020.

Such conditions also occur in 2019. In December 2019 the Minister of Economy stopped the BPDP-KS levy on the fluctuation of FFB prices that farmers received was very low. After the levy was stopped the price of FFB skyrocketed again.



The data above shows that the BPDP-KS levy for CPO (Crude Palm Oil) of 50 USD has bad implications for oil palm farmers. Why? because the price of CPO is used as a basis for calculating the purchase price of oil palm farmers FFB.

PROBLEM OF MANAGEMENT

I. The previous Directors were full of political interests

1. Dono Boestami (Managing Director)

- ❖ Has a close relationship with Ahok and has been present in the Ahok campaign in the 2017 elections in the Senayan area.
- ❖ The son of a retired Navy military officer (AL).
- ❖ Has a close relationship with Sofyan Djalil, Minister of Agrarian Affairs and Spatial Planning
- ❖ Has close relationship with Jokowi and PDIP. In 2013, Jokowi elected him to be the MRT General Director and BPDP-KS Director during Jokowi's administration as president.
- ❖ Prior to the MRT and BPDP-KS, Dono was a banker. In addition, he also served as Chief Financial Officer (CFO) and Chief Executive Officer (CEO) in the mining company, one of which was PT. Bukit Asam (PTBA).

2. Catur Ariyanto Widodo (Director of Finance, General, Compliance and Risk Management)

- ❖ Close relationship with Sri Mulyani and has always been a trusted person of Sri Mulyani. Catur Ariyanto was appointed by Sri Mulyani to become the Finance Director of BPDP-KS.

II. The New Directors of BPDP-KS and the New Hope of Oil Palm Farmers??

The problems faced by oil palm farmers and their lack of synchronization between BPDP-KS and the Directorate General of Plantations (DG Plantation) in the matter of oil palm rejuvenation, one of which is due to the incompetence of BPDP-KS leaders. Oil palm sustainability does not only focus on oil palm production and its decline,

but also all stakeholders in oil palm especially palm oil farmers who have a large contribution in CPO exports. Therefore, the question now is whether the new Directors can answer the previous problem?

Minister of Finance Sri Mulyani recently appointed Eddy Abdurrachman as Managing Director of BPDP-KS replacing Dono Boestami Managing Director of BPDP-KS on March 2, 2020. Sri Mulyani chose Eddy who actually has a background of corruption problems (based on WikiLeaks report). Eddy was fired when he served as Director General of Customs and Excise during the era of president Susilo Bambang Yudhoyono because he was seen as allowing corruption to run rampant, as well as poor service at the Customs and Excise bureaucracy during his leadership. Exporters and importers noted that during Eddy's tenure, Customs and Excise officials routinely blackmailed them in a variety of ways, such as arbitrary pricing for arbitration fees and expedition fees, processing delays to bribe blatantly.

Eddy has a close relationship with Sri Mulyani. Eddy was a former secretary of Sri Mulyani in the SBY era when he was Minister of Finance. Besides Eddy, two other officials were also appointed, including Zaid Burhan Ibrahim as Director of Finance, General and Risk Management and Nugroho Adi Wibowo as Head of the BPDP-KS Biodiesel Development Division.

Sri Mulyani advised the new Directors to focus on running a replanting program targeted at 500,000 hectares in the next three years according to President Jokowi's direction. Because during 2016-2019 the realization of the oil palm replanting program was very slow even far from the target.

The Director General who now has a background has been involved in corruption cases and closeness with Sri Mulyani. This, of course, will only repeat the same mistakes in managing future palm funds. His position as Director of BPDP-KS should be occupied by people who have educational background and work in the core of the palm oil business. It is certain that the Board of Directors of BPDP-KS now does not make farmers as subjects in realizing sustainable palm oil. The interests of the elite and large-scale companies will be prioritized by the BPDP-KS Board of Directors. This can be seen from the absence of options for farmers

in the BPDP-KS program related to palm oil derivative products, namely B30. Pertamina becomes a large domestic market that will utilize B30.

The appointment of the new Directors is full of political and economic interests which in fact only adds to the suffering of oil palm farmers, especially since the Director General has been entangled in corruption cases while serving as Director General of Customs and Excise. Knowing the background of a leader is very important for subordinates and especially the community, so that we can judge the way of leadership and integrity. The replanting message that was conveyed only became a ‘sugar-coated treats’ for a moment that would later be discovered as lies. The rejuvenation program is key to encouraging palm oil productivity and developing biofuels.

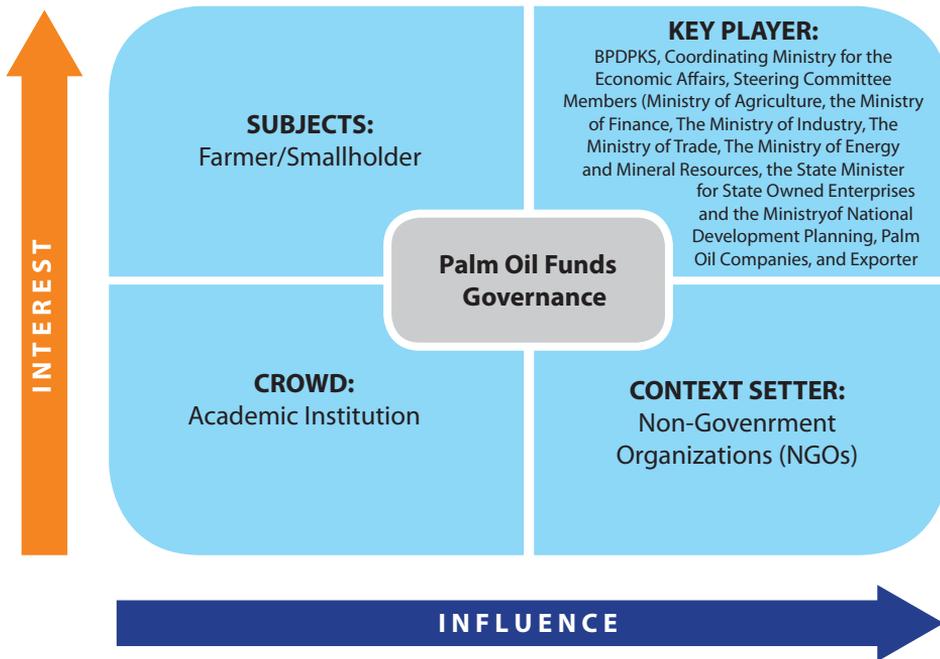
III. Degrees of Interest

No	Stakeholders	Interest
1.	BPDP – KS	Served to collect and manage palm funds based on policies set by the Ministry of finance. The management body has a high interest and influence on the use of funds for oil palm plantations.
2.	Coordinating Minister for Economic Affairs (Chairman of Steering Committee)	Has a high influence in decision making for the use of palm funds and high interest.
3.	Members Steering Committee i.e.; Ministry of Agriculture, Ministry of Finance, Ministry of Industry, Ministry of Trade, Ministry of Energy and Mineral Resources, Ministry of National Development Planning, State Minister for State Owned Enterprises	Has a high influence as a steering committee member at the Palm Oil Fund Management Board. The steering committee regulates regulations related to the use of palm funds and provides recommendations on the utilization of palm funds.

No	Stakeholders	Interest
4.	Palm Oil Company	Has a high degree of interests as a payer for collecting palm funds and receiving palm funds for biodiesel. Has a high degree of influence because the voice of the private sector is taken into account in the decision making on the use of palm funds.
5.	Exporter	Has a high degree of influence because the voice of the private sector is taken into account in the decision making on the use of palm funds. It has a high degree of interest because the palm funds come from collective contributions from exporters.
6.	Academic Institution	Has a low degree of interest to the regulation of oil palm plantations. Has a low degree of influence.
7.	Farmer/Smallholder	Farmers or smallholders have a high enough interest in the regulation of palm funds to help increase plantation productivity, develop human resources and replanting. Farmers have a low degree of influence.
8.	Smallholder association	The association has a high enough interest in the regulation of palm funds to help improve the welfare of its members. Association has a medium degree of influence in policy making.
9.	Non-governmental organizations (NGOs)	NGOs have a low degree of interest to the regulation of oil palm plantations, and NGOs have a considerable degree of influence. NGOs are able to build opinions and influence policy making related to the regulation of oil palm plantations.

Key players are groups that have large interests and powers and have a significant role in regulating palm funds. The group consists of 8 Ministries based on Presidential Regulation No. 24/2016 and Presidential Regulation No. 61/2015 is a member of the steering group at the BPDP-KS. The steering committee has a role in determining the direction of BPDP-KS policies including the use of oil palm plantation funds.

The steering committee coordinator is the Coordinating Ministry for the Economic Affairs, and members of the steering committee are the Ministry of Agriculture, the Ministry of Finance, the Ministry of Industry, the Ministry of Trade, the Ministry of Energy and Mineral Resources, the State Minister for State Owned Enterprises and the Ministry of National Development Planning. Stakeholder classification is carried out using an interest-influence matrix based on the interests or interests and influences of stakeholders (Eden and Ackerman 2013) on the use of palm funds.



The decisionmaking process at the steering committee is carried out in regular meetings which are held twice a year or at other meetings to discuss certain issues. The steering committee meeting is a highlevel meeting which is attended by the highest leadership of each Ministry / institution who is the chairman and member of the steering committee. The role of each ministry is:

- 1) Coordinating Ministry for the Economic Affairs as steering committee coordinator.
- 2) Ministry of Agriculture has the role of setting a road map for replanting activities. In addition, technical recommendations from

the DG Plantations at the Ministry of Agriculture become one of the prerequisites for obtaining palm funds, especially for the Replanting.

In 2015 there were a number of names that controlled strategic positions in BPDP-KS, among them a large number of enterprises who owned the Biodiesel industry.

Steering Committee consisting of:

No	Stakeholders	Position	Additional Information
1.	Coordinating Ministry for the Economic Affairs	Chairman of Steering Committee	
2.	Ministry of Finance	BLU Supervisor and Member of Steering Committee	
3.	Ministry of Agriculture	Member	
4.	Ministry of Industry	Member	
5.	Ministry of Trade	Member	
6.	Ministry of Energy and Mineral Resources	Member	
7.	T.P. Rahmat	Palm oil company representative	Palm Oil Tycoon (DSN and Triputra Group).
8.	Martias	Palm oil company representative	Palm Oil Tycoon (Surya Dumai).
9.	Prijono	Biodiesel company user representative.	Astra International President Director
10.	Asmar Arsjad	Apkasindo Secretary General – Ex Officio smallholder representative.	Passed away in 2018.
11.	Mahendra Siregar	<i>Palm oil stakeholders representative.</i>	The Republic of Indonesia Ambassador to United States and currently serves as Deputy Minister of Foreign Affairs. Always defending the palm oil industry while in the Ministry of Trade.

While the position of the Supervisory Board is as follows

No	Stakeholders	Position	Additional information
1.	Rusman	Head of Supervisor Board (Professional representative)	Ex-Minister of Agriculture
2.	Secretary of Coordinating Ministry for the Economic Affairs	As member appointed by Coordinating Minister for the Economic Affairs	
3.	Fiscal Policy Agency Head	As member appointed by Minister of finance	
4.	DG Renewable Energy and Energy Conservation	Appointed by Minister of Energy and Mineral Resource	
5.	Ministry of Trade Staffer	Appointed by Minister of Trade	
6.	DG Horticulture	Appointed by Minister of Agriculture	
7.	DG Agro Industry	Appointed by Minister of Industry	
8.	Loso Judianto	Professional representative	Loso Judianto is not known for his professionalism in managing farmers' oil palm. However, in 2017, the names Loso Judianto and Lien Che Wei were mentioned by the Barisan Garuda Pancasila as perpetrators of land commercialization in the ATR Ministry.
9.	GAPKI Chairman	Company association representative	The Astra president director owns a palm oil plantation and partially supplies CPO for the B30 program to the biodiesel industry.

Seeing the structure composition above, of course the BPDP-KS institution is very fragile. Because the position of the supervisory board is the Ministries whose position is the same as the Director General of the Ministry in the steering committee. How can a Director General be able to supervise and speak out against the Ministers in the steering committee? Similarly with the position of the oil palm enterprise occupied by the chairman of GAPKI certainly makes this institution less populist, but tend to protect the interests of company.

II. BPDP-KS Poor Governance

a. BPDP-KS relation with related Ministries.

Many of the delays and poor implementation of programs such as replanting, increasing the capacity of small farmers, and other important initiatives that aim to strengthen the position of oil palm farmers are caused by the lack of synergy between BPDP-KS and the Ministry of Agriculture, in particular the Directorate General of Plantations. One clear example of this lack of synergy and poor governance is that the annual budget plan of the Ministry of Agriculture does not align with BPDP-KS plans. PP number 23 of 2005 as amended by PP number 74 of 2012 concerning financial management of Public Service Agency, which in article 10 paragraph (1) stipulates that the Public Service Agency prepares a five-year business strategic plan with reference to the Strategic Plan of the State Ministry / Institution. However, due to the lack of synergy and unclear relationship with the Ministry of Agriculture, BPDP-KS now appears to be on its own without a clear plan. The fact that the majority of BPDP-KS officials also do not have adequate knowledge related to palm oil management, combined with the pressure they are under to finalize plans quickly, and the lack of synergy with Ministry of Agriculture plans, results in BPDP-KS producing rushed, poor quality, unrealistic plans that are difficult or even impossible to implement.

Based on the composition of the Steering and Supervisory Board structure, it can be said that the relationship between BPDP-KS and the related ministries is a parasitic relationship. BPDP-KS is fragile because the existence of the Supervisory Board is not independent. The Ministry of Agriculture is tasked with setting a road map for replanting oil palm, whereas

so far there have been no productive programs and achieving targets. The Supervisory Board cannot carry out its role because it is structurally a “subordinate” of the relevant Ministries. In addition, the portion of the funds for the development of Biodiesel is very large and has violated the provisions of the Act related to BPDP-KS is evidence of a conflict of interest coupled with the ineffectiveness of the Supervisory Board.

b. Sporadic activity planning.

As stated earlier, the capacity of the BPDP-KS Directorate or Division is very influential for the presence of innovative programs that benefit palm oil farmers. As a result of the incompetence of several Directorates, many programs and budgets are not realized.

No	Activity	Budget Ceiling	Realization/Actual	Percentage	Notes
1.	Biodiesel Price Gap	7.467.599.928.000	4.824.581.966.232	64.61%	
2.	Research	213.359.998.000	61.660.689.209	28.90%	
3.	Replanting	2.346.959.978.000	336.640.677.889	14.34%	
4.	Human Resource	213.359.998.000	29.239.304.402	13.70%	
5.	Facilities and Infrastructures	213.359.998.000	873.877.039	0.41%	
6.	Partnership	106.548.883.000	31.416.363.157	29.49%	
7.	Promotion	106.811.115.000	25.148.792.536	23.55%	
Semester I Year 2019					
1.	Industry biodiesel	10.707.000.000.000	1.015.198.372.476	9.48%	
2.	Research	214.000.000.000	54.818.570.219	25.62%	
3.	Replanting	2.356.000.000.000	374.055.745.724	15.88%	

No	Activity	Budget Ceiling	Realization/Actual	Percentage	Notes
4.	Human Resource	214.000.000.000	12.875.653.535	6.02%	Only happened in 2017 only HR training for oil palm farmers and which is conducted every year only for the general public.
5.	Facilities and Infrastructures	214.000.000.000	114.390.000	0.05%	
6.	Partnership	139.100.000.000	10.839.138.996	7.79%	
7.	Promotion	74.900.000.000	4.871.652.398	6.50%	

In the budget actualization table above, it is clear that many activities were not carried out despite the availability of the budget. Realization for oil palm farmers is very minimal even the percentage of realization in infrastructure support activities is only 0.41% in 2018. This figure is lower than the official travel of certain people who are labeled with the promotion of oil palm abroad. This fact shows that the capacity of BPDP-KS program design is not realistic because it does not have knowledge related to oil palm. As a result, funds for strengthening oil palm farmers' resources were not realized in 2018 until 2019 and were only realized in 2017. The funds realized in 2018 to 2019 were only training human resources for the general public, not specifically for oil palm farmers.

This unrealistic problem shows that there is no good and definite planning. The involvement of farmers and oil palm farmers associations has never been done by BPDP-KS causing many farmers problems are not handled. Program execution is only based on the interests of the government and large companies so that independent smallholders continue to be victims of false hope and sporadic plans.

c. Allocation of matching funds for replanting.

In order to succeed the replanting program for oil palm, it is very much needed an assistance. The assistance has the benefit of conducting program socialization and capacity building as well as providing clear information to farmers. Independent smallholders have not been assisted for a long time, causing their productivity to be very low when compared to scheme (plasma) smallholders.

The role of assistance can be carried out by the Technical Plantation Office at the district level through oil palm extension agents. However, their existence has not been supported by the Regional budget through the APBD. At present the role of the BPDP-KS should be able to help the gaps at the district / city level through synergistic communication with the DG Plantation. However, dialogues between the two parties have never been carried out because of ego and interests.

Assistance role can function to fill in the pre-replanting time to complete administrative requirements. By looking at the budget realization figure from the start, there is not the slightest amount of assistance funds for independent smallholders. Even independent smallholders who are supposed to be helped feel not served by this program. If there is support for facilitators, it is certain that it will help the success of the implementation of empowerment programs for oil palm farmers everywhere.

Ironically, farmers' matching funds are even directed by the Managing Director of BPDP-KS to build partnerships with financial institutions. The policy actually imposes oil palm farmers because they have to get it through credit even though funds are available at BPDP-KS. The Ministry of Finance regulates matching funds through PMK number 84 in 2017, which states that to conduct research on technical recommendations, BPDP-KS considers the availability of matching funds. Thus, BPDP-KS funds were not specifically allocated to assist farmers for oil palm replanting programs. If you look at the budget in 2018 and 2019, the availability of funds for replanting oil palm is very large but not realized. BPDP-KS even involved PT. Surveyor Indonesia to be involved in replanting oil palm by conducting a survey as well as assisting farmers. Although PT. Surveyor Indonesia cooperated with the District Plantation

Office but the involvement of third parties made no sense because of the technical ministries and district offices.

d. Business trips are larger in portions than for farmer programs.

Data obtained from several source states that BPDP-KS official travel expenditures to support fund distribution activities are greater than funds to strengthen farmers’ human resources and support for infrastructure. Official travel fund of IDR 26.9 billion in 2018 and IDR 11 billion for semester 1 of 2019. This amount when compared to the HR training program for farmers which only took place in 2017 was 15 billion. On the contrary, this is very ironic, because BPDP-KS, who are mostly people from the Ministry of Finance, are unable to manage the distribution of funds fairly.

e. Realization of Infrastructure Facilities (unabsorbed funds)

Realization of Infrastructure Facilities that are not on target makes a lot of funds unabsorbed due to poor program planning and the absence of optimal funding management. So there is no support for better community plantations facilities and infrastructure.

No	Year	Budget Ceiling (IDR)	Realization (IDR)
1.	2017	40.784.000.000	0
2.	2018	188.298.905.000	0
3.	2019	194.418.906.000	0

f. Replanting realization (unabsorbed funds)

Programs compiled according to the purpose of the presence of BPDP-KS based on the mandate of the Act did not work. The Ministry of Agriculture in charge of setting the oil palm replanting road map cannot establish a productive and optimal road map so that the realization of the replanting budget is not absorbed. In addition, the BPDP-KS priority for biodiesel development makes palm oil replanting not achieve the target the President wants.

Tahun	Target		Realization		Result	
	Total Area (Ha)	Budget	Total Area (Ha)	Budget	Total Area (Ha)	Budget
2018	185.000	IDR 4,625 T	12.605	IDR 315 M	7%	7%
2019- July 2019	200.000	IDR 5 T	12.486	IDR 312 M	6%	6%

Notes:

Realization was made after the technical recommendations from the Directorate General of Estates were issued. In 2017, the time needed for realization after technical recommendations is 7 to 196 working days, while in 2018/2019 for 21 to 158 working days. The length of the stages frustrates farmers and considers this unclear. Delay in disbursement can also encourage farmers to do replanting using their own funds. The time should be faster by entrusting the Directorate General of Plantations to conduct a review and field study for potential recipients of oil palm replanting funds.

g. Disbursement of funds for development of farmer human resources is not performing

Increasing the capacity of oil palm farmers is a government priority program according to the Plantation Law, PP 24, Presidential Instruction No. 8 of 2018 concerning productivity improvement and licensing evaluation and Presidential Instruction No. 6 of 2019 concerning national sustainable palm oil action plans. Some of these regulations are very focused on capacity building of oil palm farmers. The increased capacity of oil palm farmers is aimed at increasing the productivity of farmers with good agricultural practices. When farmers have adequate knowledge, they will manage their farms properly so that will impact with higher yields.

If referring to the realization of the budget in the BPDP-KS in order to support the improvement of human resources of farmers is very impartial and far from expectations. Because the realization was only carried out in 2017 and a lot of the training carried out was also not on target.

Tahun	Budget Ceiling	Realization	Activity	Realization each activity
2019	214.000.000.000	14.443.658.315	Oil Palm Farmer Training	0
			General Public Training	0
			Palm Scholarship	14.106.410.007
2018	213.359.998.000	29.281.204.402	Oil Palm Farmer Training	0
			General Public Training	10.505.503.459
			Palm Scholarship	18.072.796.848
2017	53.424.172.000	28.958.205.432	Oil Palm Farmer Training	15.516.080.00
			General Public Training	1.979.678.000
			Palm Scholarship	10.638.076.122

h. Replanting Program Ceremonial funds: Unhealthy and inefficient spending

Ceremonial is only substantive which actually does not have any benefit. Ceremony is just launching a program. In this context, replanting launching indicates that the replanting program has begun. But the ceremony was not a goal. Without a ceremony or launch, a program will still be run. It is very unnatural if the launching ceremony or ceremony takes a budget of billions of rupiah, while on the other hand independent farmers who need these funds do not get access and are even complicated in terms of administration. Below this is the ceremony data which costs billions of rupiah. For us this is a waste of palm funds for political purposes only.

Budget for Launching Replanting Program

Launching location of Replanting program	Date	Cost
Musi Banyuasin Provinsi Sumatra Selatan	13 October 2017	4,3 Billion
Serdang Bedagai Provinsi Sumatra Utara	27 September 2017	4,8 Billion
Kabupaten Rokan Hulu Provinsi Riau	12 February 2018	8,48 Billion
Kabupaten Rokan Hilir Provinsi Riau	9 May 2018	2,15 Billion

Source: SPKS (2020)

Ceremonial events have spent approximately IDR 19 billion in funds throughout 2017 to 2018. The event should not be needed or only carried out once. So that not all replanting programs in several districts must be held a launching event in the form of a ceremony. As an example for Riau province, there were two attempts conducted in two different districts. The ceremony for the launching of the PSR program should only be held in Musi Banyuasin district and there is no need to go anywhere else because it is just a waste of money.

As it reads in PP No. 23/2005 as amended by PP number 74 of 2012 concerning financial management of the Public Service Agency article 20 paragraph (1) states that the procurement of goods / services by Public Service Agency is carried out based on the principle of efficiency and economy in accordance with sound business practices. Therefore of course this ceremonial event is included in the category of unhealthy spending.

BPDP-KS has even allocated in the form of a budget ceiling related to the distribution of replanting funds and one of them is this ceremonial event. 2018 has a ceiling of IDR 2.34 trillion and 2019 of IDR 2.35 trillion with details of realization in 2018 of IDR 336.64 billion and 2019 of IDR 374.05 billion.

i. Distribution of biodiesel funds without clear procedures and adequate capacity

BPDP-KS has distributed fund payments on the difference in Market Index Price (HIP) of biodiesel and diesel prices to the Biofuel Institute (BBN) in accordance with presidential regulation number 61 of 2015 as amended by presidential regulation number 66 year 2018 concerning raising funds for oil palm plantations. The total funds disbursed for biodiesel are IDR 28.1 trillion, with details of IDR 0.46 trillion in 2015, IDR 10.96 trillion in 2016, IDR 5.65 trillion in 2017 and 2019 in August for IDR 1, 05 trillion.

Problems related to the distribution of funds are not in accordance with the Plantation Law No. 39 of 2014 Article 93 Paragraph (4), where in the Act does not mention the word biodiesel as one of the objects of the allocation of plantation funds at all. As is known that in paragraph (4) mentions plantation funds not funds for industry. Biodiesel is a downstream industrial building and is not included in the plantation category.

In addition, other problems related to the allocation of biodiesel funds are related to monitoring and evaluation. Now the question is the extent to which the capacity and accountability of funds allocation regulations from the BPDP-KS are able to withstand the deception of the biodiesel industry about the availability of biodiesel? and how to monitor and trust it? As we all know that until 2019, there are no rules regarding the procedures for monitoring and evaluation of biodiesel price difference payments. The role of the CEO in this context is very relevant to prevent problems in the allocation of funds. Therefore BPDP-KS regulations should have to be accountable through Managing Director's regulations.

j. Regulations of the Managing Director are not transparent and accountable

Regulations of the Managing Director are not transparent and accountable (so many of the Managing Director's regulations for farmers and empowerment programs are not in accordance with the objectives and the Law on BPDP-KS, so that the realization of funds and relations with the Directorate General of Plantations are ineffective and inefficient). The issue of a Managing Director's capacity on plantations is an important point to consider in developing a regulation. Poor regulation will usually

not be effective when implemented. Therefore, a Managing Director needs to understand the situation and conditions and the relationship patterns of technical regulations from the Ministry, especially the Ministry of Agriculture. So that when the President Director issues regulations, it does not crash into technical regulations in other ministries. Some of the regulations of the President Director that must be open, accountable and simpler, especially for farmers, are as follows:

Managing Director's regulation regarding the procedure for payment of biodiesel financing funds. This regulation must be open to the public because many biodiesel industries also have problems with oil palm plantations related to forests and land and social problems with the community.

- a. Managing Director's regulation concerning human resource development, research and development, replanting and facilities and infrastructure for oil palm plantations.
- b. Managing Director's regulation concerning the provision of support for procurement of sustainable palm oil training
- c. Managing Director's regulation regarding technical guidelines for providing oil palm training funding support for smallholders
- d. Managing Director's regulation regarding technical guidelines for providing funding support for sustainable palm oil training for the general public.



k. Support for international events is very large but without clear results.

International events are being held intensively with the aim of commercial oil palm in Indonesia which has spent billions of rupiah in recent years. But the results of these activities have not the slightest impact on the resolution of problems that occur in the palm oil industry. Support for these international events has spent large amounts of funds, but the purpose and impact of the oil palm for the people is unclear. There is no best practice done by the government or BPDP-KS for Indonesian oil palm farmers to be able to be promoted at the international level. So that these events are only for the needs of large-scale industry alone.

III. The Issue of Supervision Does Not Involve Farmers Associations

BPDP-KS is an unsupervised institution even though there is a Supervisory Board. The Supervisory Board has the role to evaluate and supervise the performance of BPDP-KS. But the people in the BPDP-KS do not have competence and are subordinate to the Steering Board. Even in the Supervisory Board there are also representatives of the palm oil industry who have an interest in the intake of biodiesel subsidies from the supervised institution.

The BPDP-KS Institution, especially the Supervisory Board and the Steering Committee, are from relevant Ministries such as the Ministry of Finance, the Ministry of Agriculture, the Ministry of Industry, the Ministry of Energy and Mineral Resources, the Ministry of Trade, and the Coordinating Ministry for Economic Affairs. The position of these Ministries will make it difficult to consolidate and internal governance to accelerate the functions carried out. In addition, the position of the Supervisory Board and the steering committee only made the BPDP-KS an institution that was weak in accountability, transparency, participation and supervision. Their involvement in that position will only make this institution continue to be reconciled by political and economic interests. Farmers' associations are not involved at all in the process of overseeing BPDP-KS activities.

PERFORMANCE EVALUATION

1. Fund management

The lack of transparency in the management of funds from palm oil export levies, for example, was shown by the Corruption Eradication Commission (KPK) through the Study of the Palm Oil Management System. Until 2016, at least the difference in underpayment and the difference in overpayment for the export of palm oil levies. The amount of the overpayment difference up to August 2016 reached more than IDR 2 billion and the excess overpayment reached more than IDR 10 billion. The difference in payment is due to the surveyor appointed by PT Sucofindo (Persero) not issuing a notification containing the nominal value of the levy.

Related to the price of oil palm Fresh Fruit Bunches (FFB). BPDP-KS in several meetings in various places said if the presence of BPDP-KS could intervene the purchase price of oil palm smallholder FFB. However, the fact is that until now there is no evidence to show that the purchase of FFB by companies and factories is always high after the presence of BPDP-KS. FFB prices in all provinces are always volatile or sometimes go up and down. This condition is very worrying for oil palm farmers because the BPDP-KS promise is to stabilize prices but not be realized.

The price of FFB is the focus of farmers' attention. Because of the high purchase of FFB by factories and companies, it will bring hope for the survival of the farm family to buy food, houses, clothing and education and so on. BPDP-KS considers the existence of biodiesel subsidies for the biodiesel industry will prevent over supply due to the availability of new domestic markets. But in our opinion, to prevent over supply there is no need to create a new market but must intervene in the upstream sector by stopping the expansion of oil palm plantations, where the tradition of expansion by large oil palm companies is still happening today.



2. Rent Seeking Practices Sacrifice Farmers

The practice of rent seeking involves the government (central and regional) and large companies in the palm oil industry. The government mode by provides licensing facilities for doing business and facilitates involvement in the auction of strategic projects in palm oil as a reward for supporting and supporting funds during the government’s political agenda. Smallholder oil palm farmers become victims who incidentally do not have large capital and do not get easy access to strategic palm oil projects from the government. In addition, the practice of rent seeking also produces pro-policy and regulatory products for large companies.

BPDP-KS is subsidizing biodiesel for the biodiesel industry to stabilize prices due to over supply. The BPDP-KS program mainly deals with the portion of large funds distribution and subsidies for CPO-derived products (only large companies can produce CPO-derived products) is one form of rent seeking that sacrifices small farmers and greatly benefits large companies. The reason is because the biodiesel subsidy policy is not a goal for the formation of the BPDP-KS based on the Law.

Expansion of oil palm plantations by opening up plantations in protected forest areas as well as grabbing of smallholder customary land

that does not have land certificates is rife in various regions. The head of the region and the central government with the aim of economic growth and productivity of oil palm, giving permission to large companies to operate in protected forests and traditional communal land is a form of rent seeking.

Rent seeking practices are very detrimental to oil palm smallholders. This then has implications for the empowerment of human resources, improving quality and improving the standard of living of farmers is not achieved. Therefore we need transparency, independence and accountability which are the best breakthroughs out of rent seeking practices. Accountability and transparency are important in BPDP-KS so that farmers and NGOs that are pro-farmers can become supervisors and controllers of each policy.

3. Corporate, the beneficiary

Based on data from the Corruption Eradication Commission in 2017, 81.8% of the biodiesel subsidy allocation was received by four large companies, namely PT Wilmar Nabati Indonesia, PT Wilmar Bioenergi Indonesia, PT Musim Mas and PT Darmex Biofuel. The four biodiesel producers signed cooperation contracts with PT. Pertamina for the procurement of subsidized biodiesel or Public Service Obligation (PSO). The KPK (2017) states that the largest recipient of biodiesel subsidies in 2015 was PT.Wilmar Nabati Indonesia amounting to IDR 1.02 trillion or 31.04% of the total allocation of palm funds or around IDR 2.061 trillion. The amount of incentive funds given to private companies of biodiesel producers depends on the amount of biodiesel supply volume from each company so that the greater the volume of supply, the greater the incentive funds that will be received by biodiesel producing companies. The allocation of supply volumes is determined by the Ministry of Energy and Mineral Resources based on the installed capacity of biodiesel producers (Kemenko 2018). This then raises the question of the extent to which the commitments and sustainable policies of PT.Wilmar International Limited can be fully carried out by many companies that are beyond their control.

The distribution of levy funds from palm oil exports in fact flows a lot to large palm oil companies not to home industries or smallholders.

The KPK noted, as of 2016 approximately 81.8% of the mandatory subsidy costs for the supply and utilization of biodiesel biofuel were enjoyed by only four large companies, namely PT Damex Biofuel (as much as IDR 330 billion), PT Musim Mas (IDR 543 billion), PT Wilmar Bionergi (IDR 779 billion) and PT Wilmar Nabati Indonesia (IDR 1.02 trillion). It is very clear that one group of companies (PT Wilmar) received a huge funding of up to Rp 1.8 trillion. The flow of palm oil levies to large corporations for biodiesel subsidies can be considered a monopoly.

Based on data for December 2019, the total fund receipts managed by BPDP-KS from export levies on palm products reached IDR 47.23 trillion with the realization of distribution of IDR 33.6 trillion. Of the total revenue, the steering committee has set an allocation amount of IDR 29.2 trillion for biodiesel incentives, IDR 2.3 trillion for replanting smallholder oil palm, IDR 246.5 billion for research, IDR 121.3 billion for human resource development and scholarships, and IDR 171.3 billion for promotions. This means that the allocation for replanting smallholder oil palm is only about 6.9% of the total revenue, while the biodiesel incentive reaches 61.82%.

From the financial data above it can be seen that the allocation of human resource development, infrastructure and rejuvenation of palm oil as mandated in article 93 paragraph 4 of the Plantation Law is very minimal and in fact the allocation to the development of Biodiesel is very large. Surveyor activity which is a program of the “konco-konco” is integrated in the biodiesel program. Likewise, the salary of BPDP-KS directors is greater when compared to programs prioritized by the Plantation Law, especially human resource development. Based on the data obtained, some farmer HR training organized by BPDP-KS seems clear that this program only trains rich farmers. After the training has not been carried out to strengthen the HR of small farmers in rural areas who actually need more information and knowledge. Likewise, those who provide training are unable to verify training participants, so that the implementation can be said as long as there is an important accountability report. Those who provide training also seem to be close people who have an industry perspective.

4. No impact for farmers

Rotten practices carried out increasingly oppress the position of the people of oil palm smallholders and farmers. A press statement conveyed by the Chairperson of the Indonesian Palm Oil Plasma Farmers Association, urged the Minister of Finance to revoke PMK 114 / PMK.05 / 2015 which was amended by PMK 30 / PMK.05 / 2016 concerning Service Rates of the BPDP-KS Public Service Agency. Because the two PMKs make palm oil plasma farmers increasingly have no bargaining position in the palm oil industry process chain. The export levy of the Crude Palm Oil Supporting Fund, which is charged to corporations, is charged back to the farmers, which has implications for the falling price of oil palm fresh fruit bunches (FFB).

Replanting oil palm as one of the objectives of the presence of BPDP-KS has not provided an illustration that this program will have benefits for independent oil palm farmers. There are still many farmers who are not served and are impressed by the project alone, because there is no assistance and strategy to empower palm oil farmers holistically. This condition is unfortunate because the replanting program with capital assistance of 25 million / ha will fail, because it does not attract the attention of oil palm farmers to take part in the program. BPDP-KS must learn from the plantation revitalization program, which began in 2007 and 2014, leaving only failures and problems.

Therefore, it is necessary to anticipate that in the future BPDP-KS will not suffer the same fate as the previous programs that did not benefit palm oil farmers, but only gave benefits to large plantation businesses. As regulated by BPDP-KS that oil palm replanting capital assistance of 25 million / ha will be given to farmers through farmer groups / institutions, if farmers have their own funds or farmers are able to borrow from the banking institution through a credit of 35 million / Ha. In addition, the scheme offered with a one-stop management pattern will only create plantation conflicts in the future. These two important things and become big challenges for oil palm farmers. Farmers who do not have money as much as 35 million / ha for replanting only surrender or "inevitably" they must be involved in this program by being forced.

The legality of oil palm farmers such as STDB (Cultivation Certificate) and estate certificates must be prioritized to be resolved by BPDP-KS. These two things are very fundamental because they relate to ownership rights to plantations managed by farmers. STDB as a plantation registration letter and estate certificate as rights to land are issued by the relevant government agencies. If farmers already have rights, long-term business security is better protected. At present, there are no independent smallholder farmers (independent smallholders) who get STDB or Land Certificates supported by BPDP-KS.

No	Main issue for smallholder	BPDP-KS Support since established until today
1.	Lack of human resources resulting in low productivity.	BPDP-KS support is only carried out in 2017 and in 2015, 2016, 2018 and 2019 were not carried out.
2.	The availability of fertilizers and herbicides results in minimal productivity so that farmers rarely fertilize.	None
3.	Independent smallholders do not have SHM (Ownership Certificate)	There are no functional programs
4.	Data on oil palm farmers is unclear and multiple-interpreted, and it requires mapping of oil palm farmers throughout Indonesia.	There are no functional programs
5.	Farmers lack information to find out the price of FFB and CPO prices.	There are no functional programs
6.	Many farmers sell to middlemen at low prices.	There are no functional programs
7.	Every time a crisis or global recession always has implications for falling prices for FFB and oil palm farmers do not have food stocks because the land is only oil palm plantations (no food land for food security)	There are no functional programs

No	Main issue for smallholder	BPDP-KS Support since established until today
8.	Replanting of oil palm and farmers should only need 35 million / ha.	Support is limited to 25 million/ ha and forces farmers to borrow back to the bank at 35 million / ha. If not, it will not be given.
9.	STDB is not owned by farmers.	There is no special program but it is included in the requirements for replanting, but it does not benefit farmers who do not do replanting.
10.	Farmers do not have strong farm institutions so they do not have a bargaining position.	There are no functional programs
11.	The infrastructure of the FFB transport road from the plantation to the factory is very poor so it takes a big cost.	No program
12.	The availability of independent smallholder farmers' FFB storage facilities is very limited in some places, resulting in farmers selling to other districts / provinces.	No program
13.	ISPO implementation / implementation program for farmers.	No real program
14.	PPE assistance (Personal Protective Equipment) for smallholder.	No program
15.	Training in the field of innovation and institutional management, SHE and farmer assistance.	No program

BPDP-KS claims itself to be the “highest approval” but has the right to “veto” the Ministry of Agriculture’s recommendations for replanting oil palm. For example, in 2019, the recommendation from the Director General of Forestry should be 67,842 ha for replanting oil palm but only 53,127 ha were realized by BPDP-KS. Likewise, several cases of BPDP-KS delays in servicing the farmer program that were supposed to be transferred to the farmers’ institutions three months after the Rekomtek (technical recommendation) were delayed for months. This shows that BPDP-KS has been mismanaged by the Managing Director through internal technical regulations drawn up by a non-transparent Managing Director.

CONCLUSION

1. Insufficient capacity of directorates and divisions to manage community plantations. Existing capacity is only able to “manage funds” and the administration does not strengthen farmers. The existing capacity has been corporatized with the interests of the biodiesel industry so that this agency only subsidizes biodiesel.
2. BPDP-KS has violated the principles of good governance in running the institutional wheel, because between the supervisory board and the steering committee are the same people and are delegates of the biodiesel industry. Oil palm farmers who should as beneficiaries have never been consulted seriously, what or how they should strengthen Indonesian community plantations.
3. It is necessary to evaluate the responsiveness and accountability of all the regulations of the Managing Director of BPDP-KS that seem to impede the financing program for small farmers and are not relevant.
4. Literally, industry and plantation are two separate or different words. Plantation Law article 93 paragraph 4 states “plantation funds” not “industrial funds”. Plantation by definition according to law is all activities that commercialize certain plants on land and / or other growing media in suitable ecosystems, process and market the goods and services of these crops with the help of science and technology, capital and management to realize prosperity for businesses plantations and communities. While the definition of industry is a business or activity of processing raw materials or semi-finished goods into finished goods that have added value for profit. The assembly and repair business are part of the industry. However, plantation funds currently managed by BPDP-KS are only intended for industry, while funds for the plantation sector are still minimal.

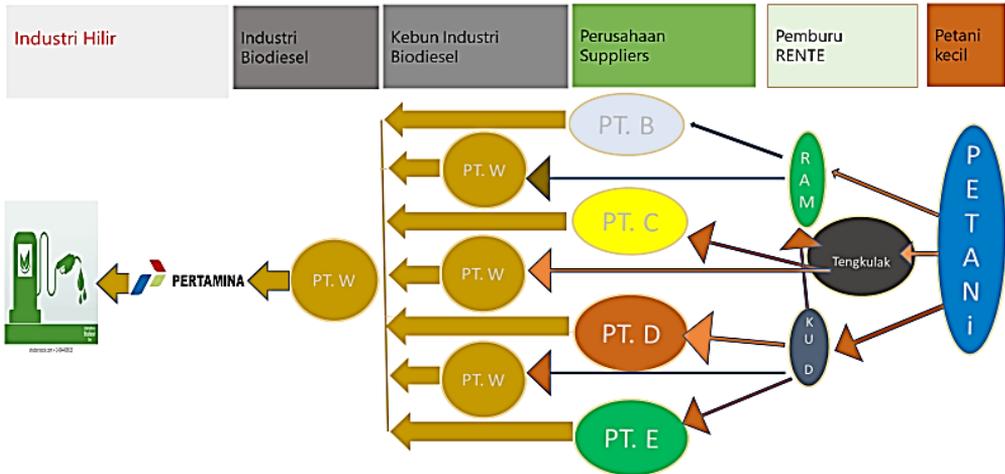
5. Planning is not well structured and seems sporadic. The many problems faced by oil palm farmers are NOT a major concern of BPDP-KS. Because in the preparation of the strategic plan, the annual plan and budget does not involve the parties, especially the relevant ministries, the Plantation Service and the association of oil palm farmer who are the backbone of Indonesian oil palm plantations..
6. The appointment of surveyors is not appropriate and transparent for the purpose of developing biodiesel. Appointment that is not transparent and full of interests will only benefit certain groups in the biodiesel industry and especially cause the use of the BPDP-KS budget to become unproductive.
7. BPDP-KS needs to partner with the KPK to design its institution to be credible or to make this institution accountable, transparent and responsive to small farmers.
8. Finance Minister Sri Mulyani emphasized that justice created by the Indonesian palm oil industry must be enjoyed by the people. Justice cannot make oil palm companies richer. However, at the same time the smallholders and oil palm farmers do not get enough access or benefits from oil palm plantations as quoted from Detikfinance.com on May 2, 2017. Therefore the first step must be taken by the government is to correct the existence of legal smuggling in Article 9 paragraph (2) of PP 24/2015 in conjunction with Article 11 paragraph (2) of Presidential Regulation 61/2015. The government must return the spirit of the use of plantation business funds that do not originate from the State Budget and Regional Budget into Article 93 paragraph (4) of Law 39/2014.

RECOMMENDATION

1. The BPDP-KS must be changed to the Indonesian Plantation Agency (BPI) which stands Independent from the existing Ministries. BPI will levy like the current BPDP-KS and take concrete actions. In addition, BPI not only takes care of palm oil but also all the leading commodities of the community. The existence of BPDP-KS becoming a BLU under the Ministry of Finance will only make this institution infertile and rigid and become a cash cow for the elite and not benefit farmers.
2. Even if it cannot form the Indonesian Plantation Agency, the BPDP-KS needs to be restructured with qualified capacities in the plantation sector, not the Ministry of Finance mindset. So there is a need to reorganize the existing Directorates by revising the regulation of the Minister of Finance No. 113 of 2015 with the proposal to establish the Directorate of Development and Empowerment of Sustainable Palm Oil Farmers with the tasks being carried out: Provision of data on smallholder plantations, HR Training for farmers, Institutional Development of Farmers, Developing partnerships, ISPO Certification, Preparing a long-term strategic plan to strengthen Indonesian people's plantations by involving all farmer organizations (not companies) and Strengthening local plantation extension workers. In its implementation, coordinating with the Directorate General of Plantations and facilitating the organs in plantations such as extension workers, technical implementation Unit, Plantation Service and oil palm farmer organizations.
3. BPDP-KS funds must prioritize support for oil palm farmers. Because if you see the current B30 program, it only benefits the oil palm industry and companies. The biodiesel industry has plantations, and raw materials from their own gardens as well as supplies from

“konco-konco” companies and their networks. Below is the current supply chain, where the biodiesel industry, which also has an oil palm plantation, is also a connoisseur in the production of biodiesel with third-party companies..

Dimana Smallholders dalam rantai pasok B30 ?



From the biodiesel supply chain pathway in the B30 program above, it shows that there are no institutional farms beneficiaries of the government’s big program on New Renewable Energy (EBT). All of them benefited from their own industry and garden. While farmers as parties affected by the BPDP-KS levy do not get any benefits. Farmers do not experience changes in governance, such as still selling to middlemen at very cheap prices. While the middlemen are also part of industries because they have contracts. The B30 program must provide benefits for farmers by ensuring supply chains from existing farmer institutions.

About SPKS :

SPKS merupakan organisasi petani kelapa sawit Indonesia yang di dirikan pada Juni 2006, saat ini SPKS memiliki anggota kurang lebih sekitar 58.000 petani sawit dengan rata-rata menguasai lahan rata-rata 2-5 ha.

SPKS memiliki visi Mewujudkan pekebun kelapa sawit yang mandiri, sejahtera dan berkelanjutan



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