



TROPICAL FOREST ALLIANCE

**PRIVATE SECTOR ACTION
IN SABAH, MALAYSIA
LESSONS LEARNT FROM JURISDICTIONAL ENGAGEMENT**



The Tropical Forest Alliance is a multi-stakeholder partnership platform initiated to support the implementation of private-sector commitments to remove deforestation from palm oil, beef, soy and pulp/paper supply chains. Hosted by the World Economic Forum, our 170+ alliance partners include companies, government entities, civil society, indigenous peoples, local communities and international organizations, working together through Forest-Positive Collective Action to advance the world's transition to deforestation-free commodity supply chains.

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This case study was developed with generous support from the Cargill Foundation and the governments of Netherlands, Norway, and the United Kingdom.



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Citation: Tropical Forest Alliance, *Private Sector Action in Sabah, Malaysia: Lessons Learnt from Jurisdictional Engagement*, July 2021

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TABLE OF CONTENTS

Executive Summary	2
1. The Jurisdictional Approach at a Glance	3
2. The Case for the Jurisdictional Approach for Sabah	5
3. Framework and Initiatives for Jurisdictional Sustainability in Sabah	7
4. Private Sector Engagement in Landscape and Jurisdictional Initiatives in Sabah: Lessons Learnt	11
5. Conclusion	13



EXECUTIVE SUMMARY

Since 2015, there has been an emerging trend by commodity-based companies to engage beyond their supply chains at the landscape level as a means to achieve greater coverage of their sustainability goals, particularly No Deforestation, No Peat, and No Exploitation (NDPE) in commodity production. Initially focusing efforts on their own supply chains and traceability, many companies recognised over time the importance of engaging with local governments and stakeholders at the jurisdictional or landscape level to ensure greater impact at scale.

Palm oil is a major export commodity for the state of Sabah in Malaysia. At the same time, various associated environmental and social issues need to be addressed, while maintaining economic viability, especially for smallholders. This case study showcases the efforts made to achieve jurisdictional sustainability in Sabah and identifies lessons learnt by engaged companies, with the aim to mobilise and inspire others to invest in landscape and jurisdictional initiatives.

Sabah's announcement in 2015 to certify all of its palm oil output to the standards of the Roundtable of Sustainable Palm Oil (RSPO) by 2025 as a pilot for the jurisdictional approach, enabled companies to coordinate their efforts at the state level and allowed them to profile their initiatives in support of this vision. These companies include Wilmar International, Sime Darby Plantation, AAK, Unilever, Reckitt and Walmart.

Lessons learnt from private sector engagement in landscape and jurisdictional initiatives in Sabah include how strong ownership from the state government, local stakeholders and key industry leaders provides credibility and confidence for other companies to invest in the process. However, to ensure greater effectiveness, clear roles and responsibilities have to be outlined for each stakeholder involved in the process.

Sabah's jurisdictional approach and its multi-stakeholder nature, especially the involvement of the state government, helps companies achieve their sustainability goals and impacts at scale. The approach also helps companies to reduce the risk of leakage in their supply chains more effectively than if they were to focus only on traceability. Lastly, Sabah's ability to attract support from companies with strong sustainability commitment will bring support from other actors along the supply chain, particularly as interest in landscape and jurisdictional approaches grow.

The state's continued commitment is seen by key stakeholders with cautious optimism as it would provide a baseline that all palm oil from the state would be produced at globally recognised and sustainable standards. Such jurisdictional certification at the state level would increase volume for RSPO certified palm oil, thereby increasing the economic return going to smallholders.



Miguel Pinheiro/CIFOR

1. THE JURISDICTIONAL APPROACH AT A GLANCE

Landscape approaches to sustainability are not new, with much of the initial approaches related to managing resource base, such as joint enforcement to protect key species, protection of watersheds and forests.¹ Initially most of these approaches were led or initiated by civil society organisations (CSOs) and local or national governments.²

Similar to landscape approaches, the jurisdictional approach aims to reconcile competing social, economic and environmental objectives at a scale that matches the administrative boundaries of sub-national or national governments. Both landscape and jurisdictional approaches include multiple stakeholders with multiple objectives that could include reducing deforestation, improving biodiversity protection, and improving livelihoods of local communities. However, landscape approaches are not usually commensurate with a specific administrative or sub-national boundary.³

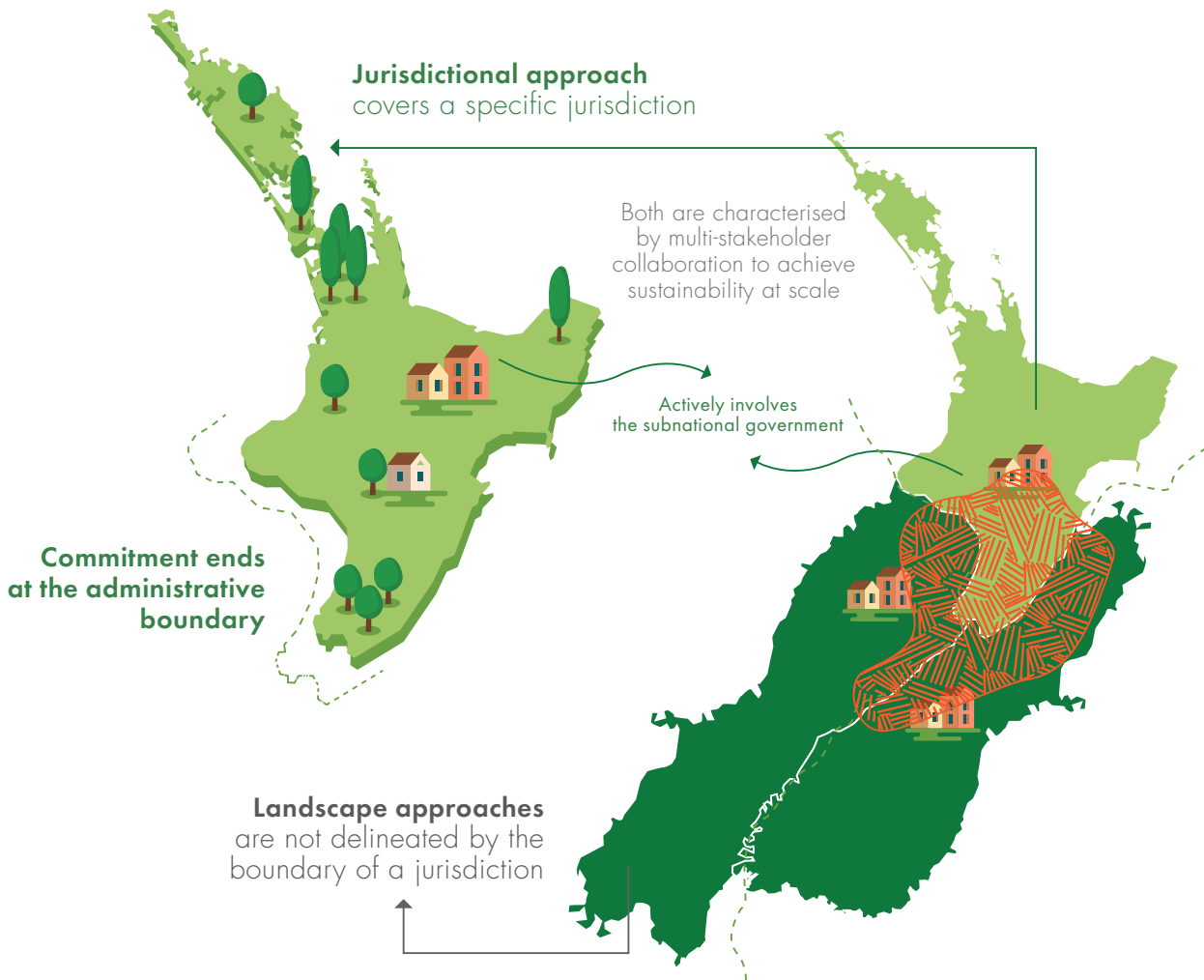
THE JURISDICTIONAL APPROACH AIMS TO RECONCILE COMPETING SOCIAL, ECONOMIC AND ENVIRONMENTAL OBJECTIVES AT A SCALE THAT MATCHES THE ADMINISTRATIVE BOUNDARIES OF SUB-NATIONAL OR NATIONAL GOVERNMENTS

Since 2013, there has been an emerging trend by commodity-based companies to commit to No Deforestation, No Peat and No Exploitation (NDPE) in their supply chains. This was further strengthened with similar commitments made by the private sector through the Consumer Goods Forum (CGF) and the New York Declaration on Forests.^{4,5} The initial focus of these companies was to strengthen their sourcing policies, increase purchase of certified materials and map their supply chains.⁶

In recent years, companies increasingly recognise that the impact of these strategies is limited, and needs to be complemented by other types of action. Companies also recognise increased collaboration with various levels of government on policy, enforcement and stakeholder engagement would help them to achieve their objectives. Engaging actively in jurisdictional initiatives has become a strategy to bridge voluntary market-based commitments with government interventions for sustainable commodity productions.⁷

This shift in discussions around sustainable land use

JURISDICTIONAL VS LANDSCAPE APPROACHES



COMPANIES ALSO RECOGNISE INCREASED COLLABORATION WITH VARIOUS LEVELS OF GOVERNMENT ON POLICY, ENFORCEMENT AND STAKEHOLDER ENGAGEMENT WOULD HELP THEM TO ACHIEVE THEIR OBJECTIVES

moved the RSPO to look into jurisdictional approaches to increase their impact in the area of sustainable palm oil. In 2018, the RSPO identified jurisdictional approaches as a key strategy in moving sustainable palm oil into the mainstream markets in its revised Theory of Change.⁸

Since then, RSPO in collaboration with partners have started piloting certification using their Principles and Criteria (P&C) at a jurisdictional level in the Seruyan district in Central Kalimantan, Indonesia, Sabah state in Malaysia, and the Ecuadorian Amazon region.⁹ This case study will focus on the state of Sabah, Malaysia from the perspective of private sector engagement in landscape and jurisdictional

initiatives, highlighting the benefits they see from such engagements. It will also showcase progress and best examples of how the private sector is able to mobilise, motivate and inspire others to invest similarly in these landscape initiatives.

Findings were derived from a desktop review of publicly available literature and interviews with representatives of companies that have invested in landscape initiatives in Sabah, including several members of the Jurisdiction Certification Steering Committee (JCSC), the multi-stakeholder governing entity overseeing Sabah's transformation towards sustainable palm oil production at jurisdictional level.

2. THE CASE FOR THE JURISDICTIONAL APPROACH FOR SABAH

Sabah is a state of Malaysia and is located in the northern part of the island of Borneo. It is the second largest state in Malaysia, with a total land area of 7.3 million hectares (ha) and a population of 3.9 million people.¹⁰ The main economic activities for the state are services, agriculture, and oil and gas.¹¹ It is also recognised as a state with megadiversity, with populations of charismatic species such as the Bornean elephant (*Elephas maximus*), Orangutan (*Pongo pygmaeus*), the Banteng (*Bos javanicus*) and the Proboscis monkey (*Nasalis larvatus*).¹² There is also the diversity of the local communities in Sabah, with about 33 different ethnic groups speaking about 50 different languages and 80 local dialects.¹³

As such, there has been much attention on the island of Borneo and its pathway to development, especially in the management of its forest and natural resources. Reducing the rate of deforestation in Sabah remains a challenge despite efforts to do so through various initiatives.

The officially reported forest area in 2014 for Sabah is about 4.44 million ha.¹⁴ Global Forest Watch (GFW) reported that Sabah lost 339,000 ha of natural forests between 2002 to 2020,¹⁵ and in 2020 alone a total of 21,600 ha. Palm oil is a major export commodity for the state and is also seen as one of the main contributors to forest loss in Sabah.



4.44 MILLION HA
Forest area



339,000 HA
natural forests lost
between 2002 to 2020

Currently, there is a total 1.54 million ha of oil palm planted area and of that, about 440,000 ha is RSPO-certified (about a third).¹⁶ The annual crude palm oil production in Sabah was 4.05 million tonnes in 2020, with an estimated revenue of RM 14 billion (approximately \$3.4 billion).¹⁷ Being an important source of income, Sabah announced in November 2015 that the state aimed to achieve 100 percent RSPO certification for oil palm by 2025 as part of its sustainability vision.

The topic of oil palm production has been controversial and is often very polarising. The issues associated with oil palm include deforestation and the destruction of the habitat of critical species such



21,600 HA
natural forests lost
in 2020 alone



1.54 MILLION HA
of oil palm planted area
and of that, about 440,000 ha
is RSPO-certified (about a third).



4.05 MILLION TON
annual crude palm oil
production, in 2020, with an
estimated revenue of approx.
\$3.4 billion

as tigers, elephants, and orangutans, and associated human-wildlife conflicts. There are also the issues related to the conversion of peat land forests which contributes to the fires and haze, impacting the health and economy of the people living in the region.¹⁸ Other social issues that have been raised include the displacement of indigenous communities by large-scale plantations and labour issues.^{19 20}

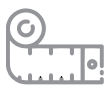
At the local level, the challenge is to balance the need for the industry to address these issues while still ensuring that the oil palm industry is able to be economically viable and sustainable, especially for smallholders.²¹

However, for many of smallholders, the gap towards sustainability remains costly and technically challenging. Some of the challenges can only be resolved at the jurisdictional level, such as the legality of land tenure in the areas planted by these smallholders.



TABLE 1: KEY CHARACTERISTICS OF SABAH AND PALM OIL CULTIVATION

TOTAL LAND AREA (HA)*



7.309 million

POPULATION (SABAH)+



3.86 million

TOTAL FORESTED AREA (HA)**



4.44 million

ANNUAL DEFORESTATION (2002 - 2020) (SABAH) (HA)~



339,000

ANNUAL DEFORESTATION (2020) (SABAH) (HA) ~



21,600

TOTAL OIL PALM PLANTED AREA IN SABAH(HA)x



1.54 million

RSPO CERTIFIED AREA (HA)^



440,000

NUMBER OF INDEPENDENT SMALLHOLDERS IN SABAH***



32,566 - 34,000

Sources: *Department of Statistics Malaysia portal (https://www.dosm.gov.my/v1/index.php?r=column/cone&menu_id=dTZ0K2o4YXgrSDRtaElyVmZ1R2h5dz09),

** Ministry of Energy and Natural Resources. Updated Jan 2018. <https://www.ketsa.gov.my/en-my/KetsaCore/Forestry/Pages/Forest-Area-by-Region.aspx>

~ Global Forest Watch (GFW) Sabah dashboard. <https://www.globalforestwatch.org/dashboards/country/MYS/13/>

+ N.H.A. Bahar. 2018. "Sabah, Malaysia" in C. Stickler et al. (Eds.), The State of Jurisdictional Sustainability. San Francisco, CA: Ell; Bogor, Indonesia: CIFOR; Boulder, CO: GCF-TF.

x Malaysian Palm Oil Board (MPOB). Overview of the Malaysian Palm Oil Industry 2020. 2020. http://bepi.mpob.gov.my/images/overview/Overview_of_Industry_2020.pdf-Daemeter et. al., unpublished.

^ Sabah Jurisdictional Certification Steering Committee (JCSC). Introduction to the Sabah Jurisdictional Approach for Sustainable Palm Oil Production. Nov, 2016.

*** Serina Rahman. December 2020. Malaysian independent oil palm smallholders and their struggle to survive 2020. Yusof Ishak Institute (ISEAS) Issue 2020, No. 44 ISSN 2335-6677, <https://www.earthworm.org/our-work/projects/rurality-sabah>.



3. FRAMEWORK AND INITIATIVES FOR JURISDICTIONAL SUSTAINABILITY IN SABAH

The high rate of forest loss and unique biodiversity of Sabah have encouraged a strong push towards a transboundary approach to address forest cover decline. Sabah delineated an area of 1.81 million ha of its forests under the Heart of Borneo (HOB) initiative, which focused on a collaborative action with Brunei and Indonesia to protect and sustainably manage the forests on the island.²² It was also under this initiative that Sabah aimed to increase its protected areas from 0.9 mill ha in 2007 to 1.9 mill ha by 2016.

Sabah also embarked on other landscape initiatives such as EU-funded Reduced Emissions from Deforestation and Forest Degradation (REDD+) project, which resulted in the development of a REDD+ Roadmap for the state in 2012²³ and a vision to build a low emissions development plan for the future including ensuring that Sabah's forests would be 100% certified by 2018.²⁴

The announcement of the 2015 commitment by the Sabah state government to move towards 100 percent RSPO certified palm oil provided a platform which enabled companies already working on various landscape initiatives in parts of Sabah to contribute to the wider vision of sustainability across all of Sabah. This was also bolstered with the announcement by the Malaysian government in 2017 that all oil palm production should be certified under the Malaysian Sustainable Palm Oil (MSPO) national certification scheme by December 2019.²⁵

3.1 BUILDING SMALLHOLDER CAPACITY TOWARDS SUSTAINABILITY

In implementing their NDPE commitments across supply chains, several companies have been investing in smallholder capacity building programmes. Since 2016, AAK has supported a smallholder project led by NGO Forever Sabah in the districts of Tongod, Telupid, Beluran and Kinabatangan. Under this project, Forever Sabah identified challenges faced by smallholders in achieving RSPO and MSPO certification, namely poor yields, low technical knowledge, and insecure land tenure.²⁶

The work by Forever Sabah found that only 36% of smallholders in their study area hold legitimate land titles, while for the rest, their land title applications were pending at the Land and Surveys Department of Sabah (LSD). Lack of land titles rendered them

THE ANNOUNCEMENT OF THE 2015 COMMITMENT BY THE SABAH STATE GOVERNMENT TO MOVE TOWARDS 100% RSPO CERTIFIED PALM OIL PROVIDED A PLATFORM FOR COLLABORATION

unable to register with Malaysian Palm Oil Board (MPOB), which issues the licenses to sell Fresh Fruit Bunches (FFB), and negotiate a better price. It also means farmers are not incentivised to invest in the land due to the insecurity of the land tenure.

In response to these challenges, Forever Sabah and partners developed a programme called the Facilitated Land Application process, which is currently being developed with LSD to find practical solutions based on LSD's online PANTAS platform and Land Application process, working directly with district surveyors.

Another initiative in building smallholder capacity was led by Earthworm Foundation in the Beluran, Kinabatangan and Lahad Datu districts, supported by companies including Reckitt, Nestle, ADM Cares, Givaudan, Groupe Rocher and IJM Plantations since 2015.²⁷ The programme aims to improve livelihoods, strengthen the relationship between smallholders, mills and other stakeholders and protect key habitat areas. Working collaboratively with the local government, mills, and producers, the programme encourages smallholders to move towards sustainable practices, improves their livelihoods, and promotes entrepreneurship.²⁸

Since its inception, the programme has successfully engaged with 750 smallholders and 7,500 ha of plantation and forest borders are now jointly monitored by smallholders and plantation owners to reduce human-elephant conflict and loss of crops. The programme has also facilitated 200 smallholders in implementing practices as required by the MSPO standards.



3.2 PROMOTING ZERO DEFORESTATION AND HABITAT PROTECTION

Other companies provided support directly towards addressing the issues of deforestation and loss of habitat for critical species at the landscape level, aimed at ensuring their current and future supply base would be deforestation-free.

In support of Sabah's vision to be 100% RSPO-certified by 2025, Unilever and HSBC partnered with WWF-Malaysia to develop the Sabah Living Landscapes programme²⁹ in 2019, as well as Beiersdorf/Evonik in 2020. Over five years, the programme aims to take a living landscape approach and build on three pillars: protect wildlife and forests; produce sustainably certified palm oil and restore degraded forests and reconnect forest fragments in the Lower Sugut, Tabin and Tawau Hills landscapes.

Incorporating the commitment made by Sabah to increase the state's protected area to 30% of its total land area by 2025,³⁰ this programme is implemented with many partners, including Sabah Softwoods Bhd, Sawit Kinabalu Bhd, Sabah Forestry Department, Sabah Wildlife Department and Sabah Parks, and provides support to a functioning JCSC Secretariat.

SABAH MOVING TOWARDS CERTIFICATION WOULD HELP THE COMPANIES ACHIEVE THEIR OWN SUSTAINABILITY GOALS

In 2017, a collaboration of oil palm companies and NGOs named the Palm Oil and NGO Alliance (PONGO Alliance)³¹ was formed with a vision for making resilient landscapes for wildlife and people a reality. Companies supporting PONGO Alliance include Wilmar International, Sime Darby Plantations, and Sawit Kinabalu, a major Malaysian producer. The alliance initiated its first project in the Kinabatangan and Segama river catchments to provide habitat and ensure long-term survival of orangutans through targeted restoration work by planting figs (*Ficus spp.*).³²

This project is led by Borneo Rhino Alliance (BORA),³³ supported by Alliance for Preservation of Forests, and Unilever through WWF-Malaysia. A successful output from this project was the building of orangutan bridges within Sawit Kinabalu's plantation in 2019, which enables the movement of orangutans across tributaries and has since been used extensively by orangutans and other species for that purpose.^{34,35}

3.3 PROVIDING A PLATFORM FOR RAISING THE PROFILE FOR SABAH JURISDICTION APPROACH.

The momentous announcement of the Sabah jurisdictional commitment towards RSPO certification enabled the companies in support of the various landscape approaches to coordinate their efforts at the state level, and also provided a platform for them to profile their initiatives in support of the state vision. Walmart, for example, has identified Sabah in their Sustainability Hub as one of their priority regions and encourage suppliers to support forest conservation through place-based approaches.³⁶

BOX 1: WHY COMPANIES CHOOSE TO INVEST IN LANDSCAPE INITIATIVES IN SABAH AND COLLABORATE WITH ONE ANOTHER

- Most of the companies interviewed indicated that the Sabah jurisdictional approach complements their own sustainability goals and targets. The achievement of Sabah in moving towards certification would help the companies achieve their own sustainability goals within their supply chains.
- A number of companies mentioned they could justify investments as successes from individual projects could be replicated at the landscape level, delivering greater impact
- Companies also mentioned that the jurisdictional approach with strong leadership from the state government and support from key industry leaders in the state provides credibility and increases confidence in the process.
- They also recognised that through partnerships with other private sector companies, they are able to diffuse the cost for priority actions, enabling further mobilisation and leveraging of resources to achieve the necessary outputs. This is especially true for much government, intergovernmental and international funding which now requires support from the private sector.
- Achieving RSPO certification at the state level will boost the total volume of certified products to be traded without the need for further investment into additional logistics as the oil from Sabah would all, in effect, be segregated, providing an economic incentive for many stakeholders to engage.
- The multi-stakeholder approach with strong government leadership provides a platform for resolving some of the issues that continue to be a challenge for smallholders trying to implement sustainable practices. If legal and administrative issues such as land tenure can be resolved with government action, companies can focus their support on assisting smallholders in technical aspects such as yield and planting cycles.



3.4 SABAH JURISDICTION CERTIFICATION FRAMEWORK

In January 2016, Sabah committed to achieve 100% RSPO certification for oil palm by 2025, and the Jurisdictional Certification Steering Committee (JCSC) was formed comprised of equal representation from government, private sector and civil society. The private sector was represented by Wilmar International, Sawit Kinabalu, Sime Darby Plantations, TSH Resources and HSBC.³⁷ It was co-chaired by representatives from the Natural Resource Office (NRO) and the Sabah Forestry Department (SFD).³⁸

The JCSC then proceeded to develop an action plan for 2016 – 2020³⁹ to provide guidance and prioritise actions. The facilitation of this process and the eventual action plan developed was supported by private sector representatives of the JCSC, which was completed in September 2016.

The plan identified three priority actions:

- To achieve no loss to HCV and HCS forest for oil palm in Sabah;
- Enable zero-conflict in oil palm production landscapes in Sabah; and
- Strengthen smallholder sustainability and uplift local livelihoods. (Graph 1).

By end 2020, a secretariat was established with support from Unilever and WWF Malaysia, to help the state towards its 2025 goal. The HCV/HCS map has also been developed to enable identification of “go and no-go” areas for palm oil development for Sabah. Meanwhile, the Sabah Free, Prior and Informed Consent (FPIC) guide and standard was completed in 2019, and was slated to be incorporated into the state level Ministry of Law and Native Affairs⁴⁰. The status of this guide and standard is currently uncertain after the abolition of the Ministry post Sabah’s state election in 2020.

The announcement of MSPO certification being mandatory for all oil palm producers in Malaysia provided further momentum to this process as it brought in those producers yet to be aware of any sustainability standards and provides a platform for dialogue and assistance towards a common goal.

Next steps for the Secretariat are to review achievements from the previous Action Plan and facilitate stakeholder discussions on a 2021-2025 Action Plan. It is important that the plan outlines the roles and responsibilities for the different stakeholders, especially if the intention is to obtain more support from international agencies or companies. The state government will also need to provide clarity on its plan to achieve RSPO and MSPO certification for all of Sabah.

A strong communications' plan is needed to ensure that local stakeholders, industry players and the national government are informed while ensuring transparency and accountability of the various contributions received, activities conducted and progress of the jurisdictional process. Currently, there is a lack of clarity for the growers, especially the ones not directly involved in the JCSC on their need to comply with the different standards.

RSPO has developed an approved framework for certification by the Jurisdictional Approach, with the necessary requirements and conditions to be fulfilled⁴¹.

Following this, the RSPO will need to develop more detailed indicators to enable different stakeholders to move towards minimum standards.

GRAPH 1: KEY WORK AREAS IDENTIFIED FOR RSPO CERTIFICATION IN THE JCSC WORKPLAN, 2016-2020⁴².

THE NEXT FIVE YEARS (2016-2020)

- HCV and HCS forests mapped
- Land Use Change analysis conducted
- HVC compensation and remediation plan developed

- Sabah FPIC Guide and Operational Mechanism prepared
- Sabah FPIC Guide and Operational Mechanism field tested
- Stakeholder capacity for FPIC strengthened
- Enabling environment for FPIC within current law and policies created



- Additional working groups formed on Labour, Monitoring and Evaluation, Governance and Legal
- Grievance mechanism established
- Institutional and operational framework developed to manage RSPO certification
- Data clearing house created for sharing and management of RSPO related information

- Mills and their smallholder supply base mapped
- Sustainable Smallholder Communities programme trailed
- Smallholders provided training on best management practices
- Capacity built for best management practices support, for the Department of Agriculture Sabah
- Process developed to facilitate land applications by smallholders

4. PRIVATE SECTOR ENGAGEMENT IN LANDSCAPE AND JURISDICTIONAL INITIATIVES IN SABAH: LESSONS LEARNT

SUB-NATIONAL GOVERNMENT OWNERSHIP IS KEY



A strong commitment from the Sabah state government on the jurisdictional process, which signals ownership of the goal of getting the state RSPO-certified by 2025, was one of the key drivers for many companies to engage and invest resources in Sabah.

This government leadership enabled the establishment of the JCSC as a multi-stakeholder platform, a key element in ensuring successful coordination of inputs and support as well as providing a platform for transparency and accountability of actions⁴³.

To operationalise the JCSC, a formalised structure with sufficient financial and human resources to monitor and implement the necessary actions to achieve the goals is needed.

The Secretariat of the JCSC was established in 2020 with the support from Unilever and WWF Malaysia to facilitate the communications and coordination between different stakeholders and ensure the continuity of the process.

JURISDICTIONAL APPROACH HELPS COMPANIES ACHIEVE THEIR SUSTAINABILITY GOALS



All companies involved in jurisdictional and landscape initiatives in Sabah have existing sustainability policies, and most are members of the RSPO, with commitments to deforestation-free supply chains or reduction of greenhouse gas emissions⁴⁴.

These companies agree to participate in the jurisdictional process because they recognise the potential for having greater impacts at a larger scale to complement their own sustainability goals.

For example, through the involvement of the government and the multi-stakeholder process, they would be able to address regulatory issues related to smallholders and legal land status and review of labour laws relevant to plantation operations.

The jurisdictional process in Sabah would also ensure that all new oil palm development adhere to state-mandated FPIC and developed only in non-HCV/ HCS areas. Companies then could focus on operational and efficiency issues.

ROLES AND RESPONSIBILITIES OF STAKEHOLDERS NEED TO BE CLEAR



As jurisdictional approaches are multi-stakeholder by nature and involve support from local and international levels, roles and responsibilities for the different stakeholders need to be clear, particularly as some stakeholders are not as involved at the site level. This helps manage expectations and assists companies further down the supply chain to identify the type of support they can provide.

To ensure that this clarity is sustained throughout the implementation of activities it is also important to ensure that any progress, updates and challenges be communicated transparently to all stakeholders involved at the JCSC or through programmes or projects supporting the jurisdictional process.

JURISDICTIONAL INITIATIVES HAVE THE POTENTIAL TO ADDRESS LEAKAGE



One of the struggles for companies on individual supply chains is the inability to guarantee 100 % traceability to source (plantation), especially after the product goes through collection centres or mills. This makes it difficult to ensure sustainability of the product if the origin is unknown.

This inability is due to supply chains general design being focused on ensuring efficiency in delivering products⁴⁵.

Certification of an entire jurisdiction with a credible sustainability standard, such as the RSPO's, would reduce the risk of leakage, that is transferring the risk of deforestation to another site or into another supply chain.⁴⁶

The announcement of the mandatory MSPO certification nation-wide supports this, as it has the potential to serve as a catalyst for companies that have yet to start their sustainability journey. A national scheme is also providing the necessary technical and financial support to smallholders to allow them to move towards compliance. To ensure aligned policies, the Sabah state government needs to explore and communicate clearly how these national schemes would fit with its commitment to the RSPO standard.

Certifying Sabah based on RSPO standards would mean segregating the state's entire palm oil output as sustainable, thereby increasing the volume for RSPO certified palm oil to be traded and removing the need for costly supply chain controls currently conducted by individual companies with mixed success.

STRONG PRIVATE SECTOR SUPPORT CAN LEVERAGE MORE SUPPORT



Sabah's ability to attract support from companies with strong sustainable commitments and key players in the palm oil sector such as Sime Darby, Sawit Kinabalu, Wilmar International, Unilever and Beiersdorf, has resulted in more support from other companies, from growers to traders, refiners, manufacturers, and retailers. Private sector support has come through various models including various partnerships, technical assistance, financial contribution, or building the narrative around the importance of the jurisdictional approach for a major palm oil producing state like Sabah⁴⁷.

The jurisdictional approach has encouraged companies to engage more directly with their suppliers and local stakeholders to address systemic issues and find solutions in producing landscapes where they have an impact. This demonstrates the acceptance of the principle of "shared responsibility" by companies in palm oil supply chain and recognition of Sabah government's leadership in steering the state towards a more sustainable future.



5. CONCLUSION

Sabah's goal towards achieving 100% RSPO certification for the entire state by 2025 is ambitious and has been accepted by key stakeholders with cautious optimism as it will provide a baseline that all palm oil from the state will be produced at a globally recognised and sustainable standard.

While the multi-stakeholder characteristic of landscape and jurisdictional approaches translates into more time needed to take action, such a process can encourage lasting results with stronger state regulations and collective support from a diverse set of stakeholders.

As the study shows, these stakeholders support and enable various good activities on the ground related to forest protection and restoration and sustainable production, all of which contribute to

Sabah's vision to be certified as sustainable in the next four years.

The extensive support from the private sector in Sabah is largely attributable to the state government's leadership in steering the state towards a more sustainable future for the Sabah.

The inclusion of the government in the multi-stakeholder process sets apart the jurisdictional approach from others, and is a new and innovative way for the RSPO in implementing its palm oil standard.

This, and other lessons learned in Sabah can be extended to other commodities such as timber as well as shared with other regions to promote uptake and success of jurisdictional approaches for sustainable commodity production.



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