



Smallholder registration (STD-B) – challenges and strategies for acceleration

This brief outlines the challenges encountered in the issuance of the cultivation registration certificate (*Surat Tanda Daftar Budidaya*, or STD-B) at the district level and provides recommendations to expedite the process and promote inclusivity among smallholders.

Introduction

Indonesia is the world's largest palm oil producer. In 2022, Indonesia produced 45.58 million tonnes of palm oil and exports generated USD 39.28 billion (BPS 2022). As of 2019, the expanse of oil palm plantations in Indonesia amounted to 16.4 million hectares. Smallholders play a pivotal role in the sector, accounting for 41.6% of the total area, equivalent to 5.8 million hectares. The contribution of smallholder plantations has helped secure Indonesia's position as the world's foremost palm oil producer (Arifin, 2019). In 2021, private plantations yielded 27.36 million tonnes of crude palm oil (CPO) (60.6%), smallholder plantations 15.50 million tonnes (34.4%) and state plantations 2.26 million tonnes (5%) (see Figure 1).

Many smallholders do not belong to cooperatives and do not have direct connections to a company. As such, their participation in supply chains is informal and they therefore have limited support from the government and limited access to credit or training in good agricultural practices. According to data from the Ministry of Agriculture (2019), smallholder productivity remains low with only 2 tonnes of CPO per hectare per year, compared to 4-8 tonnes in private plantations.

Addressing smallholder challenges is essential to improving the inclusivity of the Indonesian palm oil sector, and knowing where farmers are located and the situation they are facing is an important first step. The STD-B was developed to provide local governments with information about farmers' plots, socio-economic conditions and productivity, and to allow better targeted extension services to smallholders across Indonesia.

The STD-B is also a basic legal requirement for smallholder palm oil producers in Indonesia and is thereby a key instrument facilitating the inclusion of smallholders in legal and sustainable palm oil supply chains.

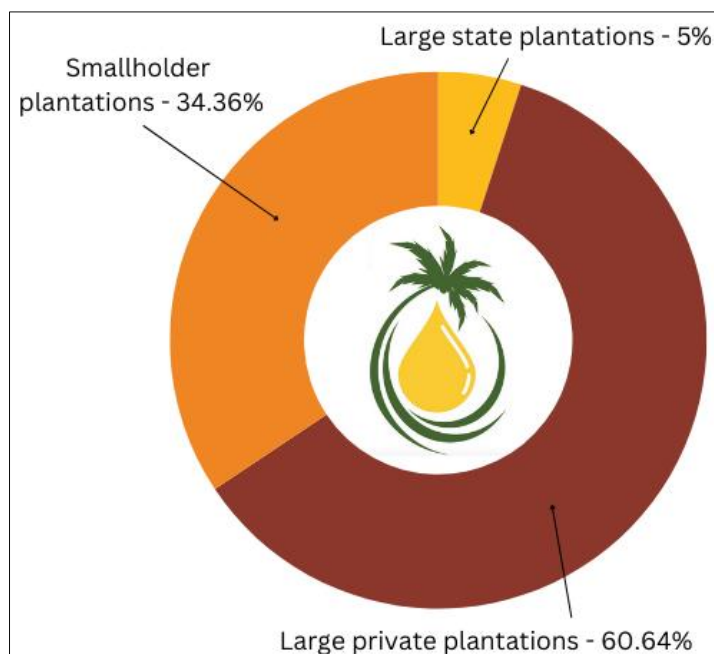


Figure 1. Palm oil production, 2021 (Source: BPS, 2022).

The importance of STD-B for smallholders

The STD-B is enshrined in the Regulation of the Director General of Plantation Number 105/Kpts/PI. 400/2/2018 - Guidelines for the Issuance of Plantation Business Registration Certificate for Cultivation (STD-B) - which is geared towards several objectives:

1. **Data collection:** Gathering comprehensive data on smallholder plantation ownership and related information to serve as a foundation for informed policy decisions.
2. **Government programme facilitation:** Supporting the Ministry of Agriculture in the precise distribution of government programmes, including subsidies for fertilizers, seeds, and rejuvenation, ensuring effective targeting.
3. **Promoting sustainable governance:** Realising the governance of sustainable plantation crop cultivation businesses owned by smallholders.
4. **Empowering farmer institutions:** Assisting farmer institutions and/or village institutions to enhance the productivity and welfare of smallholders.
5. **Advocating good agricultural practices:** Encouraging the adoption of good agricultural practices at the smallholder level.
6. **Ensuring sustainable resource management:** Guaranteeing the sustainable management of plantation-based natural resources.

The STD-B policy constitutes a comprehensive approach, not only addressing immediate smallholder challenges but also fostering a framework for sustainable smallholder oil palm plantation development. From a governmental perspective, the implementation of STD-B is

anticipated to enhance the effectiveness and efficiency of plantation planning and monitoring (Ditjenbun, 2023).

The registration process is overseen by the Regent or Mayor for smallholders with a land area of less than 25 hectares. Although STD-B issuance is not categorised as licensing, as underscored in the Ministry of Agriculture Circular Letter 477/P1.400/E/08/2023, the STD-B does serve as evidence of the legal administration of smallholders' plantations. Moreover, possessing an STD-B provides access to various government development facilities, including programmes for seed distribution, replanting, marketing and financing/credit, while also providing the basis for Indonesian Sustainable Palm Oil (ISPO) and Roundtable on Sustainable Palm Oil (RSPO) certification.

Despite the benefits, STD-B issuance across Indonesia has been slow and is noted for its complexity and time-consuming nature (KEHATI, 2020). This poses a hindrance to the growth and development of the oil palm plantation sector. Consequently, there is a pressing need for the government and relevant institutions to collaboratively devise measures aimed at streamlining and expediting the STD-B issuance process. This strategic move is essential to bolster efficiency and foster sustainable growth within this crucial sector.

Why is STD-B acceleration needed?

Despite the longstanding nature of the STD-B regulation, registration by Regional Governments has fallen short of expectations. Nationally, only 36,730 certificates have been issued, covering nine commodities – palm oil, cloves, chocolate, rubber, coconut, coffee, sugarcane, tea and tobacco; of which 15,054 are e-STDB certificates (December 2023). This figure is low compared to the vast number of oil palm farmers, estimated at approximately 2.4 million households, cultivating some 6.8 million hectares – nearly 41% of the national oil palm area (Kompas, 2022).

The persistently low rates of STD-B registration demand attention, given the importance of the document in clarifying tenure legality, enhancing smallholder data collection, improving plantation development planning at regional and central levels, and acting as a basic legal requirement and a gateway to government programmes. Beyond these roles, data collected as part of the STD-B process aligns with evolving regulatory landscapes at both the national and international levels.

At the national level, the implementation of policies such as the Palm Oil Revenue Sharing Fund (*DBH Sawit*) underscores the importance of data on oil palm plantation productivity. This is because the data plays a role in determining district funding allocations. Furthermore, Presidential Regulation No. 44/2020, on Indonesian Sustainable Palm Oil (ISPO) Certification, mandates that by 2025, smallholder oil palm plantations must obtain ISPO certification. An essential document for ISPO certification is the STD-B.

On the global stage, various international deforestation-free agricultural commodity policies have emerged, the furthest advanced of which is the European Union Deforestation Regulation (EUDR) which covers seven agriculture commodities including palm oil. According to this regulation, EU operators must carry out due diligence, declaring that

products imported into the EU are legal and devoid of any links to deforestation (Forestdigest, 2022). Thus, beyond catering to national data needs, the STD-B is instrumental in meeting the demands of the EUDR. Notably, the STD-B provides information relevant for EUDR's due diligence and traceability prerequisites including geolocation, plantation area, planting year and proof of legality.

Challenges in STD-B issuance

Challenges in STD-B issuance encompass a lack of awareness and resources, STD-B process complexity, entrenched land tenure issues, and smallholder resistance due to lack of perceived benefit. While some of these are more easily addressed, others will require longer term approaches and high-level coordination.

Insufficient socialisation

Insufficient field-level socialisation of the STD-B policy has meant that issuance efforts are faced with prevalent questions among oil palm farmers regarding the purpose and benefits of the STD-B document, and also regarding potential negative impacts, such as an associated tax burden. This underscores the inadequate role of local governments in effectively communicating the significance and mandatory nature of STD-B.

Overly bureaucratic and burdensome process

Complicating matters further, certain regions erroneously perceive STD-B as a licensing document, aligning its issuance with the Plantation Business Permit for Cultivation (IUP-B) applications. This misclassification contradicts Plantation Director General Regulation Number 105/Kpts/PI. 400/2/2018, explicitly stating that STD-B should be issued by the Regent/Mayor, potentially delegated to the head of the relevant agency in the plantation sector.

The misconception has prompted regions to tighten the STD-B issuance process, introducing additional requirements such as for proof of property tax payment, a Business Identification Number (NIB), a statement of spatial suitability through the Online Single Submission (OSS) application, and verification requirements for spatial suitability. These requisites impose a considerable burden on farmers and surpass criteria outlined in Regulation 105.

The practice of local governments in tightening STD-B issuance also contradicts the national policy, which calls for a swift and widespread STD-B issuance.

Tenure legality issues

Another obstacle in the STD-B issuance process is the frequent lack of tenure legality of smallholder oil palm plantations. This issue has two primary causes. Firstly, some community-managed oil palm land is situated in forest areas, rendering it illegal. Secondly, in cases where the community's land lies outside forest areas, the issuance of SHM (Certificate of Ownership) is hindered due to overlaps with other ownership or use rights (SHGU/SHM) or conflicts arising from cultivation in disputed regions (Ma'ruf, 2020).

Insufficient human and financial resources

A further contributing factor to the low STD-B registration rates is the shortage of qualified staff in relevant government agencies and insufficient budget allocation at the district level. Drawing from JAVLEC's insights in Central Kalimantan Province, the cost of STD-B issuance – encompassing mapping, data collection and actual document issuance – amounts to IDR 415,000 (EUR 24) per hectare. The cumulative expense for nationwide STD-B issuance underscores the substantial financial investment required.

Proposal for accelerating STD-B issuance

Addressing STD-B issuance challenges is imperative in ensuring farmers' access to land and to sustainable livelihoods and will contribute to the national objective of expediting the STD-B issuance process.

In addition to increasing funding and bolstering human resources in relevant agencies, opportunities are available through the involvement of Civil Society Organisations (CSOs) and in streamlining the STD-B issuance process.

To ensure smallholder inclusivity in palm oil supply chains and to expedite the issuance of STD-B, efforts are needed in several areas:

Digital or electronic STD-B issuance

E-STD-B is an online platform that aims to facilitate every stage in the process of STD-B issuance. It was launched in 2018 and although underutilised, it has great potential. Currently, the submission of STD-B data and issuance of STD-B still follows a manual process that involves printing of various documents. The issued STD-B is subsequently entered into the e-STDB platform. Transforming the platform into an accessible, responsive and user-friendly system will facilitate oil palm farmers in applying for STD-B electronically, creating a more efficient and streamlined process for all relevant stakeholders.

Additionally, the platform should incorporate a complaint and feedback mechanism for applicants to track updates and offer input on the issuance process.

Resulting from the manual practices used to issues STD-B to date, an associated challenge faced by regional governments is the lack of resources to support migration of STD-B data to the e-STDB platform.

Socialisation of STD-B

The importance of more intensive socialisation of STD-B cannot be overstated. Beyond simply outlining the existence of the policy, efforts should elucidate the benefits of STD-B for farmers. The Central and Provincial Governments also play a crucial role in communicating strategies to accelerate STD-B issuance to the district governments, and in preventing the imposition of additional, conflicting requirements.

Simplification of STD-B process

STD-B issuance involves the following process:

- i) socialisation and preparation including the formation of a team,
- ii) farm and farmer data collection and data verification which contains over 70 data fields,
- iii) field inspection and mapping of individual farms/plots,
- iv) verification of overlapping boundaries, and
- v) STD-B issuance.

This long and bureaucratic process is time-consuming and labour intensive, and on top of these challenges, district governments often impose additional requirements that further complicate the registration process.

Additionally, the issuance of STD-B certificates in several districts involves other entities such as sub-district and even village governments. By centralising the process in Regional Plantation Offices (*Dinas Perkebunan*), acceleration of issuance could be achieved.

Acceleration of tenure legality clarification

Many smallholder palm oil plantations are on land that has unclear legal status, e.g. they are situated in forest areas or overlapping with other legal forms of land ownership, such as Freehold Certificates (SHM).

It is estimated that more than 68% (1.56 million hectares) of illegal oil palm plantations in forest areas are cultivated by smallholders (Nurfatriani et al., 2019). The Indonesian government has several programmes to address the issue, such as the agrarian reform (TORA) and social forestry programmes. Implementation of Government Regulation (PP) Number 43 of 2021 concerning Settlement of Discrepancies in Spatial Planning, Forest Areas, Land Permits, and/or Land Rights, will also need to be accelerated to ensure that tenure legality is first clarified. Without clear land-use rights, smallholders are not able to register for the STD-B and this is often a bottleneck. Efforts to accelerate tenure legality clarification and reconcile forest area maps with spatial plans are essential in bringing smallholders into supply chains for legal and sustainable commodities.

Optimising the role of CSOs

National CSOs (NGOs, associations, etc.) are instrumental in regional development, including the implementation of STD-B policies. However, their current roles are limited and to enhance their contribution, they should be granted authority to verify the data required for STD-B issuance. This would necessitate development of Memoranda of Understanding (MoU) with District Governments. A verification team comprising relevant agencies and CSOs can expedite the review and verification of STD-B requirements.

Funding and support is also needed to process data and issue STD-Bs for approximately 400,000 smallholders assisted by numerous CSOs across Indonesia in recent years.

Maximise revenue sharing (DBH) funds

Lack of budget is a significant hindrance to STD-B issuance. The recently issued Government Regulation No. 38 of 2023 regarding Revenue Sharing Funds for Palm Oil Plantations (PP DBH Sawit) offers hope by offering additional budgetary support to regions. While the Government Regulation on revenue sharing funds does not explicitly mention the use of such funds for financing STD-B issuance, the regulation leaves room for flexibility through the phrase 'other activities'. This potential flexibility is further underscored in Article 16, Paragraph (5) of the Regulation of the Minister of Finance of the Republic of Indonesia Number 91 of 2023 regarding the Management of Revenue Sharing Funds for Oil Palm Plantations. It explicitly states that the provisions of 'other activities' encompass options such as data collection on smallholder oil palm plantations. This highlights the possibility of utilising DBH as a novel funding source to expedite STD-B issuance.

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Cover photo: Palm oil worker at the Muara Kaman Ulu Bina Tani Cooperative, East Kalimantan, Indonesia. Photo by Ricky Martin/CIFOR.

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