

THE PRODUCTION-PROTECTION STRATEGY

Increasing oil palm productivity while protecting vital natural resources: Examples from Indonesia

Many nations face the challenge of reconciling economic and environmental goals. A Production-Protection strategy is an integrated approach aimed at helping nations meet their economic and environmental goals concurrently. Nations can achieve efficiency gains by redistributing land to the highest-value use across sectors and increasing productivity within land use sectors. Climate Policy Initiative is working with local partners in Indonesia to apply a production - protection strategy, focused on increasing oil palm productivity while protecting valuable natural resources.

STRATEGY: PRODUCTION AND PROTECTION

- **Local development must happen first**, as without economic growth and poverty alleviation, protection isn't feasible.
- **Growth is achieved through transitioning to modern agricultural systems**, including through the application of emerging science and technology, new organization, and scale of production.
- **Jurisdictional approach enables conversion of land to high value uses**, including production and protection of natural capital at scale. It also creates stability by managing social conflict and legal risks.
- **Sharing of benefits is essential**, as this enables development, encourages good governance, and decreases conflict.
- **Government, business, and communities need to be partners in the solution**, as it requires appropriate policy and regulatory frameworks, as well as business competencies and community participation in delivery.

PARTNERS: PRODUCTION AND PROTECTION IN INDONESIA

Business Engagement:

CPI, with our regional and national partners, engages with a wide range of local and international business actors working at different scales across agricultural supply chains. For example, PILAR and CPI are engaging the business sector in Central Kalimantan as part of a case study that analyzes how economic value is derived across the oil palm supply chain by smallholders, local, and international businesses. CPI also participates in international dialogues with business, such as the Tropical Forest Alliance and Round table on Sustainable Palm Oil.

Regional Partnerships: Central Kalimantan

CPI partners with the Central Kalimantan Government and a local research foundation, Palangkaraya Institute for Land and Agricultural Research (PILAR). Through these partnerships, we support local experts, researchers, and students at the University of Palangkaraya and government officials to conduct analysis and develop a jurisdictional model for high productivity, sustainable palm oil by end 2015. The model will identify opportunities for business and smallholders to grow by implementing best practices and increasing productivity. The partnership will also identify opportunities for governments to implement policies and regulatory frameworks to promote efficiency and business competitiveness across a jurisdiction, while fostering local development and improved management of valuable natural resources. After 2015, this model will be implemented in partnership with a district government, business, and communities in Central Kalimantan.

Fiscal Policy & Mechanisms:

At the national level, CPI's main partner in Indonesia is the Fiscal Policy Agency, Ministry of Finance. We support the Ministry of Finance's work to adjust fiscal policies and mechanisms to encourage the transition to a green economy. This includes a focus on optimizing use of land and natural resources through the development of sustainable agricultural supply chains for key commodities, such as oil palm.

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<http://climatepolicyinitiative.org/indonesia/>



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