



# Replanting Financial Model For Smallholders Farmers to Increase Productivity and Welfare

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Oil Palm Plantation Fund Management Agency  
*Badan Pengelola Dana Perkebunan Kelapa Sawit (BPDPKS)*

October 2017

# Indonesian Palm Oil Plays Significant Role To The Country's Economy



## Industry Profile



Labor Intensive

## Export Value



Total Export Value  
IDR 240  
Trillion\*  
*The biggest export  
(Bigger than Oil &  
Gas)*

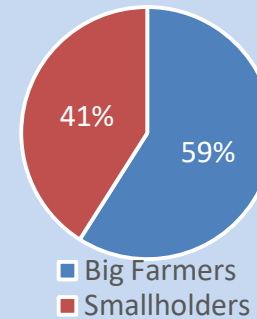
\*) Year 2016

## Employment



4.2 Million  
Direct Employment  
  
12.0 Million  
Indirect  
Employment

## Employment From Agriculture



41 % Smallholders  
With 2.3 Million  
Agriculture Business  
that employ  
4.6 Million  
individual

## Energy Security

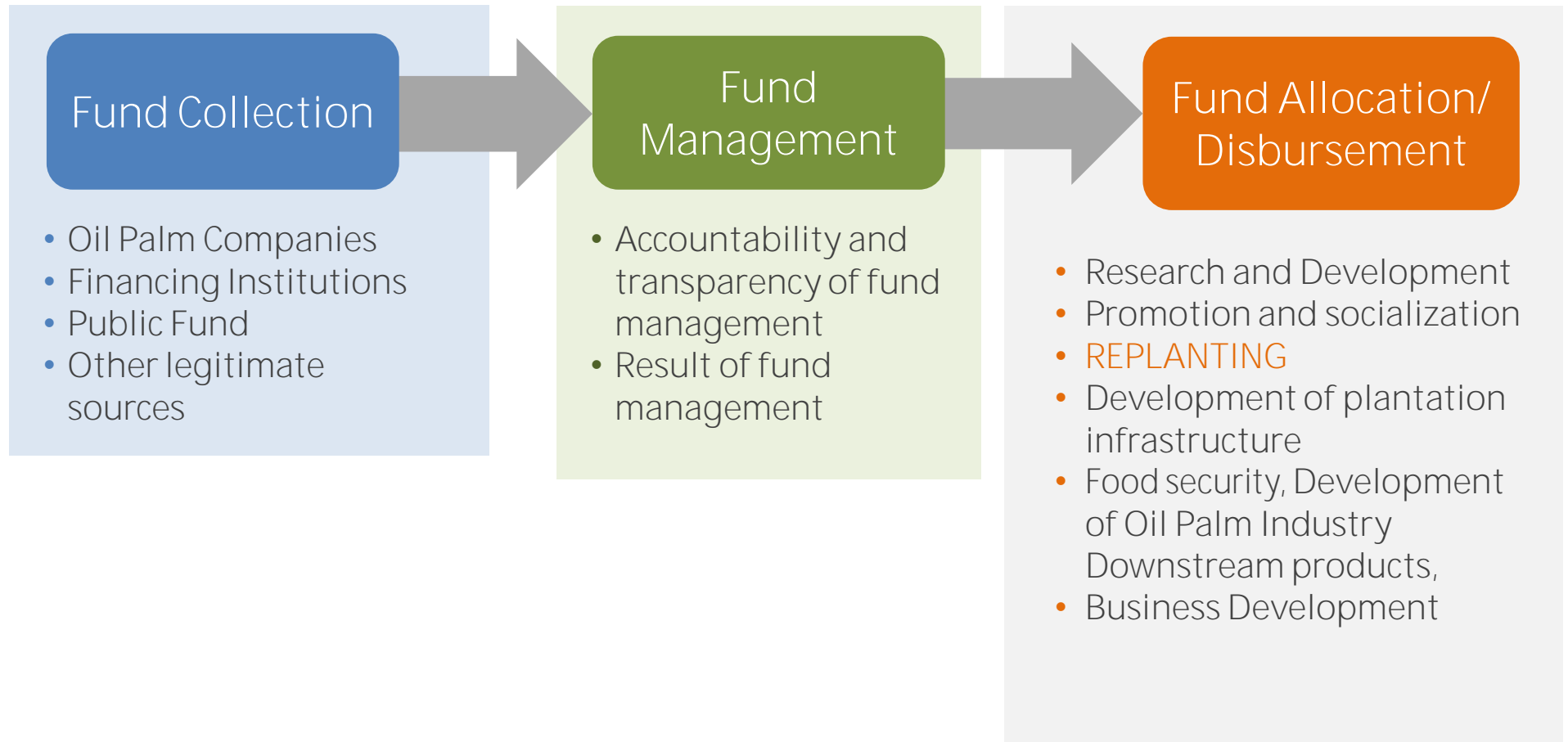


Replace the use of  
Diesel Fossil Fuel  
**3.0 Million KL**  
Through biodiesel  
mandatory program  
2016  
Saving Foreign  
Exchange  
\$1.1Billion =  
Rp14,83 Trillion

As a labor intensive industry, millions of Indonesians depend on Palm Oil. Growth of Palm Oil sector will increase social welfare and reduce poverty.

# BPDPKS Business Model

## From Palm Oil to Palm Oil



# Main Mandate of Fund Disbursement

*(Based On Presidential Regulation No. 61/2015)*



Food Security,  
Downstream Market  
Development and  
Biodiesel Supply



Research and Development



Human Resources  
Development



Facilities, Infrastructures and  
Farmers Empowerment



Replanting



Promotion and Advocacy

# Current Fund Disbursement Program



## Biodiesel Supply

Support Biodiesel Mandatory Program to strengthen Indonesia energy security and the use of renewable energy.



## Promotion and Advocacy

Support the Government, Industry and relevant stakeholders to increase positive public awareness on palm oil sector and its products.



## Research and Development

Support the research and development initiatives in palm oil sector to increase productivity, sustainability and product development.



## Farmers Training and Development

A human resources development program in palm oil sector through training, education, counseling, accompaniment and facilitation.



## Replanting Program

Support replanting program for smallholder farmers to increase productivity and welfare and to avoid Land Use, Land-Use Change and Forestry -LULUCF.



## Farmers Training and Development

Support palm oil smallholder farmers in improving its facilities and infrastructure to increase productivity.

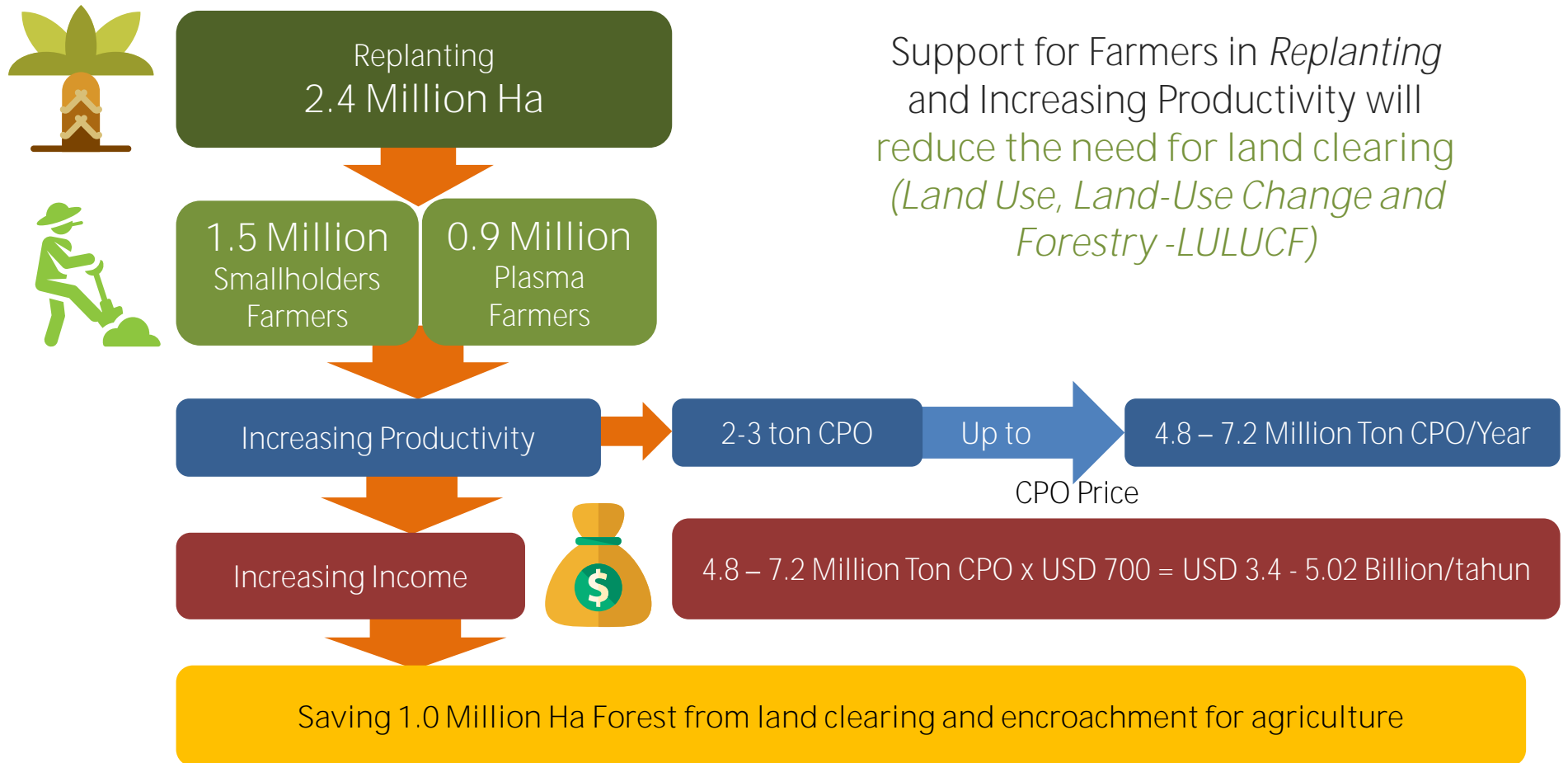
# Why Supporting Farmers in *Replanting* is Crucial?

Problem	Impact	Solution
 <p>Low Productivity</p> <p>Productivity of Indonesian farmers are low at only 2-3 Ton/Ha/Year (oil palm trees are matured and plantation are using low quality seeds), much below private owned plantations with productivity rates of 5-6 ton/Ha/year.</p>	 <p>Low welfare of Farmers</p> <p>Reduction of income seriously reducing the farmers living standard and welfare.</p>	 <p>Increase <b>Farmers'</b> Productivity to Enhance its Welfare</p> <p>Solution offered by BPDPKS through providing supporting fund for replanting by making use of levies from palm oil export.</p>

## The Principles of Replanting Program

Legality	Sustainability Principle	ISPO Certification
 <p>Smallholders farmer that participate in this program should be following land legality aspect. Those who are not, will receive entitlement assistances.</p>	 <p>The replanting program is following sustainability principles, which include: land, conservation, environment and insitution.</p>	 <p>To ensure sustainability principle, participants of this program are required to get ISPO certification in the first harvest.</p>

# Replanting and Increasing Productivity



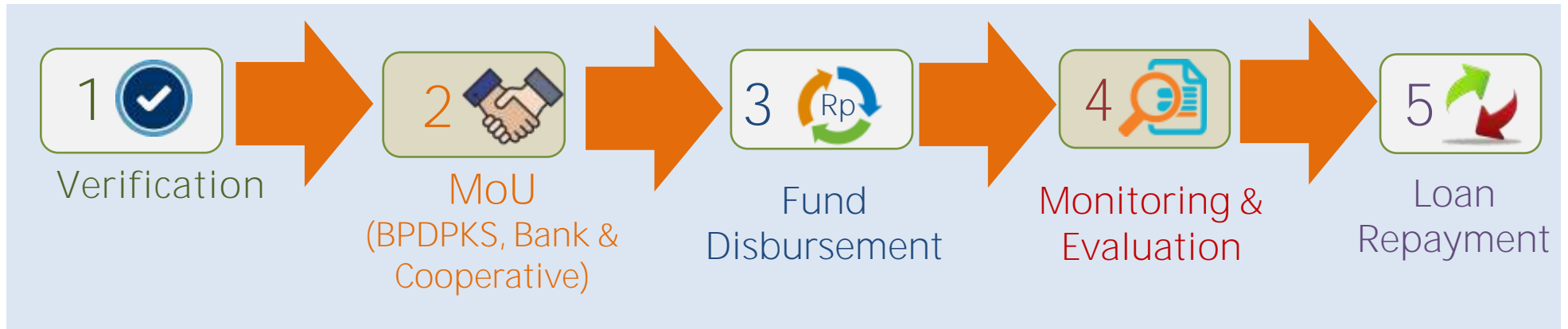
# Financing Scheme Based on Smallholders Farmers Condition

Ensuring fund availability for The Whole Replanting Program

Condition 1	Condition 2	Condition 3
Grant Rp 25 Million	Grant Rp 25 Million	Grant Rp 25 Million
Farmers Saving	-	Farmers Saving
Bank Provide Commercial Loan	Bank Provide Commercial Loan	Bank act as custodian



# Replanting Program Business Process



- Based on regulation from Ministry of Agriculture
- Gradual verification process (from farmers group, district level, provincial level, to ministry level)
- Technical assistances will be provided for the rejected
- Pre-replanting activities: Training, ISPO, land certification

## BPDPKS

- Fund preparation
- Fund placement, disbursement administration process, fund transfer to appointed bank

## BANK

- Act as creditor and custodian
- Fund disbursement based on replanting progress
- Reporting to BPDPKS

## COOPERATIVE

- Completing requirements
- Budgeting, Work plan and timeline for disbursement

Disbursement process based on replanting governance and regulation

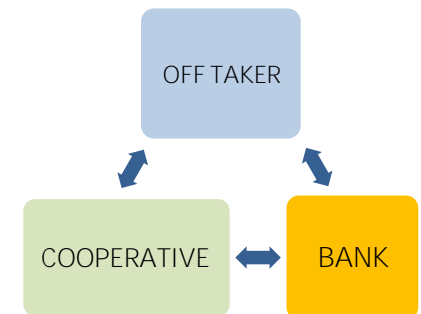
- Agriculture Minister Regulation No. 18/2016 on *Replanting*
- Agriculture Minister Regulation No. 11/2015 on ISPO
- Finance Minister Regulation No. 84/2017 on the use of replanting fund
- **BPDPKS' BOD Regulation**

Monitoring and evaluation by:

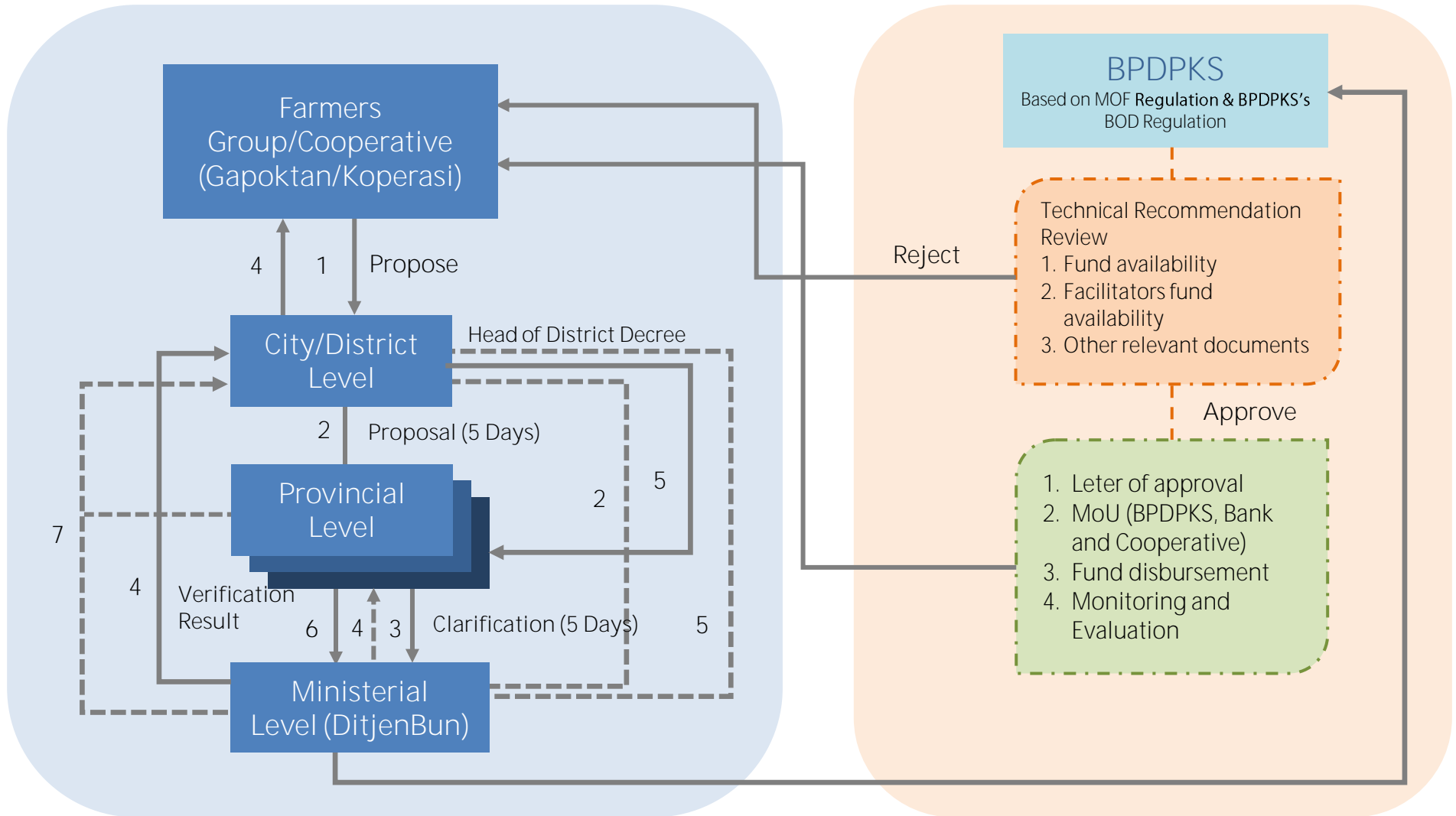
- Ministry of Agriculture (DitjenBUN)
- Agriculture office at Provincial & District Level
- BPDPKS
- Bank

Loan repayment is based on conditions:

- Grace Period 4 years
- Tenor 10 years



# Fund Disbursement Process





Thank You

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# Badan Pengelola Dana Perkebunan Kelapa Sawit

Gedung Graha Mandiri Lt. 5

Jl Imam Bonjol 61,

Jakarta Pusat 10310

P : 021-39832091

E : [bpdpsawit@bpdp.or.id](mailto:bpdpsawit@bpdp.or.id)

W : [www.bpdp.or.id](http://www.bpdp.or.id)



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