

PLANTATION SECTOR POLICY GOVERNANCE BY THE REGIONAL GOVERNMENT OF RIAU PROVINCE (LEADING COMMODITIES STUDY)

by Ranggi Ade

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**Plantation Sector Policy Governance by the Regional Government
of Riau Province (Leading Commodities Study)**

3 Ranggi Ade Febrian¹ & Ahmad Fitra Yuza² **1**

^{1,2}Faculty of Social Science and Political Science, Universitas Islam Riau, Indonesia

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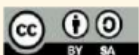
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**PLANTATION SECTOR POLICY GOVERNANCE
BY THE REGIONAL GOVERNMENT OF RIAU PROVINCE
(LEADING COMMODITIES STUDY)**

3 Ranggi Ade Febrina¹ & Ahmad Fitra Yuza²

^{1,2}Faculty of Social Science and Political Science, Universitas Islam Riau, Indonesia

¹Contributor Email: ranggi.ip@soc.uir.ac.id

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Abstract

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This study tried to analyze the problems **2** of the plantation sector in Riau Province from the point of view of governance policies carried out by the Riau Provincial government. Palm oil is still a leading commodity in Riau Province. This research problem focused on the governance of oil palm plantation policies in Riau Province as the first strategic issue. The added value of oil palm plantations had yet to improve the community's economy due to the slow downstream program. This study used the concept of governance, consisting of three dimensions: actor, structural, and empirical. Using qualitative research methods, this study concluded that the first dimension influences the policy governance of the oil palm plantation sector: actors were dominated by entrepreneurs, totaling 233 companies from an area of 1.569 million hectares. The two structural dimensions were dominated by six environmental studies on the management of oil palm plantation policies and the realization of the Riau Province APBD budget structure. The three empirical dimensions were dominated by land destruction and land conflicts for oil palm plantations, which impact the policies of the regional government of Riau Province.

Keywords: Governance; Policy; Plantation Sector; Leading Commodities; Oil Palm.



A. Introduction

The study of plantation sector policies in Indonesia is interesting, considering that the plantation sector plays an important and strategic role in national development (Hidayat, 2014). Riau Province is a research locus in a strategic position that has significance in national and regional geopolitics and economics. Some of the advantages derived from this geographical location are being on the international trade route of the Malacca Strait, close to Malaysia and Singapore, in addition to being in the economic growth triangle of the three countries of Indonesia, Malaysia, and Thailand.

Riau Province has the potential to develop plantations to accelerate access to encourage the development of economic potential and create growth and economic equity in Riau Province (Syahza, 2013). Most of the population of Riau Province tries and works in the agricultural sector broadly, with an average of 34.57% in 2018. According to Regional Regulation Number 10 of 2018 concerning RTRW Riau Province, land use for the plantation sub-sector is 2,602.746.47 hectares or 28.87% and an agricultural land area of 514,130.01 hectares or 5.7% of the total land use area of 9,012,875.96 hectares.

The land area for plantations is dominated by oil palm land as a leading commodity in Riau Province. Data from the Riau Province Plantation Service for 2020 shows the following:

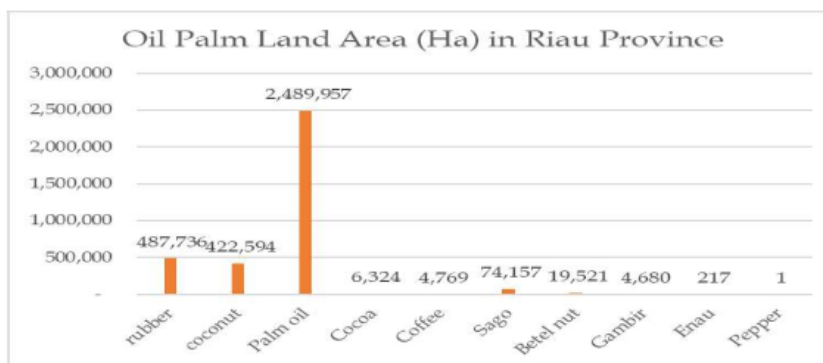


Figure 1. Oil palm land area (ha) in Riau Province

In general, this research departs from the various problems and obstacles encountered in the development of each commodity, including

problems from the technical aspect in the form of weak empowerment of oil palm farmers by the government (ARAI W. Sachiho, 2557), low productivity of plantation crops, inadequate conditions of facilities and infrastructure, the application of plantation technology is still low, plantation business licensing is not yet settled, the downstream plantation industry and its marketing are still limited, and assistance is still needed in changing the attitudes, behavior, and skills of farmers. (Suprihatini et al., 2017). Other problems were also found, including limited access to sources of capital and low human resource capacity of farmers. (Fabiana Meijon Fadul, 2019).

Looking at the problems in this research, it becomes interesting to publish with a different governance approach from previous studies. In previous studies, the review of mentoring governance has been widely used as an analytical tool for reviewing policies in various sectors, including the governance analytic framework (GAF) (Hufty, 2011), integration of sustainable policy governance (Sari, 2019), health policy governance models (Reddy et al., 2020), and policy governance in Africa (Grant Lewis & Naidoo, 2004). However, research needs to specifically address the governance of plantation sector policies, so this research is relatively recent.

From a practical standpoint, studies on the leading sectors of oil palm plantations are interesting to do because of the dominance of plantation studies on practical studies in the plantation sector, such as oil palm development in Indonesia (Goenadi. D. H., Drajat. B., Erningpraja. L., 2005), engineering studies (assessment of weeds) growing on peatland oil palm plantations (Syahputra et al., 2012), oil palm environmental management policies (Nasution et al., 2021), Rejuvenation of Smallholder Palm Oil in Reducing Deforestation in Indonesia (Nurfatriani et al., 2019), so this research is relatively new from the perspective of policy governance in the plantation sector.

The policy of the Riau Provincial Government in the plantation sector, as referred to in this study, is seen from the Riau Province Regional Medium Term Development Plan (RPJMD) for 2020-2024. The focus of the issues raised in this research is the leading commodity, palm oil. The problem in oil palm management is that the added value of oil palm plantations has



yet to improve the community's economy. Downstream is not optimal, so people who depend on oil palm plantations only enjoy fresh fruit bunches.

Second, data from the Sumatra Ecoregion Development Control Center (P3ES) of the Ministry of Environment and Forestry in 2020 found 1.628 million hectares of illegal oil palm plantations owned by smallholders community plantations in Riau. This threatens its sustainability according to the provisions of Law Number 11 of 2020 concerning the Omnibus Law on Job Creation because the government has established a policy for oil palm plantations belonging to smallholders to be located in protected forest areas and conservation forests so that the oil palm land belonging to the farmers will be returned to the State and may no longer be controlled by the farmers.

Third, 84 companies out of 224 plantation companies in Riau Province still need to obtain a Cultivation Right (HGU) permit. On the other hand, law enforcement officials are silent about this fact. Departing from these problems, researchers raised a study of plantation sector policy governance by the Regional Government of Riau Province to study strategic issues of leading sectors. This research aims to explain the results of identifying problems in forestry sector policy governance in Riau Province from the leading commodity, palm oil, which is dominant in Riau Province.

B. Method

This study uses a qualitative research method that is evaluative (Patton, 2014) on the management policies of the plantation sector in Riau Province. The subjects in this study were researchers consisting of 2 people, namely researchers who were in charge of recording secondary and primary data, as well as research members from students who were in charge of collecting documents in the field.

The research procedure begins with an internal seminar to determine phenomena, theories, methods, and division of tasks. Researchers went to the field with the research location being the Riau Province Plantation Service office, and the oil palm plantation has farmers in the two Siak Districts of Riau Province. After the data is obtained, the researcher identifies secondary and primary data in the research report. Data collection techniques were



collected through interviews, observation, and documentation studies (Bowen, Glenn, 2009). The research instrument was in the form of structured and participatory interviews to obtain primary data. The interview instrument includes working papers, sheets, or notes containing points the researcher will ask.

Interviews were conducted with 4 informants: the Regional Head of the Riau Province Plantation Service, Commission II DPRD Riau, oil palm farmer groups, and observers of oil palm plantations. Data validation was collected from the results of field research and then processed using a triangulation approach to explore and carry out qualitative data processing techniques. Triangulation was carried out to check the validity of the data by comparing the informants' answers with the research object.

C. Result and Discussion

1. Result

a. Actor Dimension

Identification of actors in this study focuses on 2 actors: the head of the agency, oil palm smallholders, and oil palm company owners. The policy cannot be separated from decision-making actors and policy target actors (Emmet, 2017). The results of field research from data from the Riau Province Plantation Service for 2020 can be seen from the performance indicators for plantation commodities in Riau Province, production of palm oil, rubber, and coconut commodities reached less than 95%, while for sago commodities 112% exceeded the target set. The problems faced by the oil palm commodity include using counterfeit (uncertified and low-quality seeds), changes in the selling price of FFB, and climate change (drought) which causes plantation fires.

One of the factors causing the coconut production target not to be achieved is that farmers do not harvest the plants due to the low selling price. Based on the results of interviews with farmers as target actors, they feel disadvantaged because the cost of harvesting is higher than the selling price. In addition, many coconut plantations are old and damaged, which greatly affects their production and productivity.



The Riau Provincial Government's efforts to protect oil palm smallholders in declining palm prices are considered slow for the palm oil head downstream program. Based on the results of an interview with Commission II DPRD Riau, "The Riau Provincial Government does not yet have a long-term plan regarding the impact of palm oil commodities on the people of Riau. This is because the welfare of oil palm farmers is very dependent on the price of fresh fruit bunches (FFB)".

Based on the results of interviews with oil palm farmers, "The government's policy to stop CPO exports has had a profound effect. On 13-19 July 2022, the price of FFB for each age group fell. For the age group of 10-20, years Rp. 263 per kg or decreased by 14.48 percent". When confirmed for an interview with the Head of the Riau Province Plantation Service, he explained, "This was due to internal and external factors, namely the selling price of crude palm oil (CPO) and kernels from the companies that were the source of the data. While the external factor is that the price of crude palm oil is predicted to fall due to global market fears of a recession that threatens the global economy".

As the main actor in national policy, the President has also felt the impact of the fall in FFB price of the CPO export ban policy to suppress cooking oil prices. However, the impact is that oil palm farmers lose money. Indonesia is the number one producer of CPO in the world. Even GAPKI data shows that throughout 2022 Indonesia exported 33.674 million tonnes of CPO and its derivatives.

In addition, another problem faced by small farmers is land legality. Based on the results of interviews with farmers, the management of the legality of smallholder or self-help oil palm plantations is often faced with overlapping land. In Riau Province, some are protected areas, and some are ex-HPH and APL forest areas where it is not problematic to plant oil palm. There have even been cases of smallholder oil palm farmers being accused of encroaching on and destroying the land. So it is clear that the oil palm planters are the actors who are disadvantaged in this oil palm plantation sector policy.

Based on the announcement of research data, the area of oil palm plantations in Riau Province in 2020 will reach 2.86 million hectares or 19.62 percent of the total area of oil palm plantation in Indonesia. Most of them are dominated by people's plantations, as shown in the following figure:



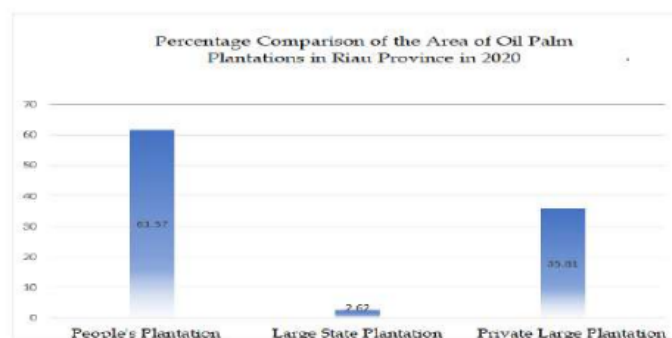


Figure 2. Percentage comparison of the area of oil palm plantation in Riau Province in 2020

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On the other hand, based on the results of interviews with oil palm plantation experts, said: "Constraints on land legality, which are often accused in the black oil campaign as a source of environmental destruction and burning of forests and land, have become a major problem in the plantation sector". However, this issue cannot be used as a reference because there needs to be accurate data on the number of independent smallholders' plantations.

Some circles have even urged the central government and the regional government to validate and verify that oil palm plantation land is included in forest areas or illegal oil palm plantations in Riau Province. This is certainly a solution so that the process of verifying the legitimacy and clarity of land, especially for small farmers who have garden land certificates in forest areas, is completed.

b. Structural Dimension

The budget structure has an impact on regional financial performance and accountability. Based on the results of an interview with the Head of the Riau Province Plantation Service, said "Realization and budget of the APBD and APBN of the Riau Province Plantation Service which later became the Food Crops, Horticulture and Plantation Office of Riau Province for the 2015-2019 period, seen from the use of indirect spending there was a significant change where there is a change in the number of PNS mutations (Retired Employees and Retired Employees) and changes in the number of employee benefits". However, the ratio between the realization and the indirect budget ceiling in 2018 was quite good, namely 86.51.



Meanwhile, direct spending in 2018 saw a significant budget efficiency (rationalization) of Rp. 66,387,208,850 to Rp. 33,976,948,232,-. While the achievement of budget absorption between the realization and the pure budget ceiling only reached 51.18%. However, when viewed from the rationalization ceiling, the performance achievement is 82.19%, and the physical implementation follows the progress that has been set, in detail, can be seen in the following table:

Table 1. Budget and realization of Riau Province plantation service funding

Description	Budget	Budget Realization	The ratio between realization and budget	Growth Average	
	2018	2018	2018	Budget	Realization
Indirect Shopping	Rp. 60.597.529.890	Rp. 52.280.253.637	86,51	-3,57	0,89
Shop Direct	Rp. 66.387.208.850	Rp. 33.976.948.232	51,18	-33,80	-48,64
APBN	Rp. 16.270.248.000	Rp. 15.213.791.092	93,51	-19,42	-27,69
Deconcentration APBN TP	Rp. 89.350.548.000	Rp. 82.266.271.108	92,07	-25,05	-14,69

Source: Riau Provincial Plantation Service, 2020

The ratio between the realization and budget of the Deconcentrated APBN Fund is very high, namely 93.51; the rest is efficiency or remaining contracts. Meanwhile, the average growth of the Deconcentrated APBN budget until 2019 has decreased, where a significant decrease occurred in 2018. APBN Assistance Funds, the achievement of the ratio between realization and the budget ceiling is quite good. In 2018, it reached 92.07 of the remaining budget representing the remaining contracts, while the average budget growth has decreased by an average of -25.05.

The performance of plantation development nationally for the last 3 years has shown satisfactory results. Macroeconomic indicators, such as gross domestic product, trade balance, and employment, show a positive trend. The regional spatial layout plan is a planning product used to guide activities that utilize space, so all development planning forms must refer to the applicable spatial layout plan. Based on Regional Regulation no. 10 of 2018 concerning the Regional Spatial Plan (RTRW) for Riau Province, which is adjusted to regional potential, the direction of developing plantation crops



for development in the coming year is more focused on optimizing land use and utilizing technological innovations.

Based on the development planning document, synergy is still needed with the Strategic Environmental Assessment (KLHS) so that plantation development policies become one of the spearheads for creating a green economy that is in harmony with environmental issues. The application of KLHS in spatial planning is also useful for increasing the effectiveness of the implementation of Environmental Impact Analysis (AMDAL) and other environmental management instruments, creating better governance through developing strategic and participatory stakeholder engagement and collaboration across administrative area boundaries, and strengthening integrated approaches. The results of this study describe the policy structure approach model from the perspective of environmental studies with 6 studies in the following figure:

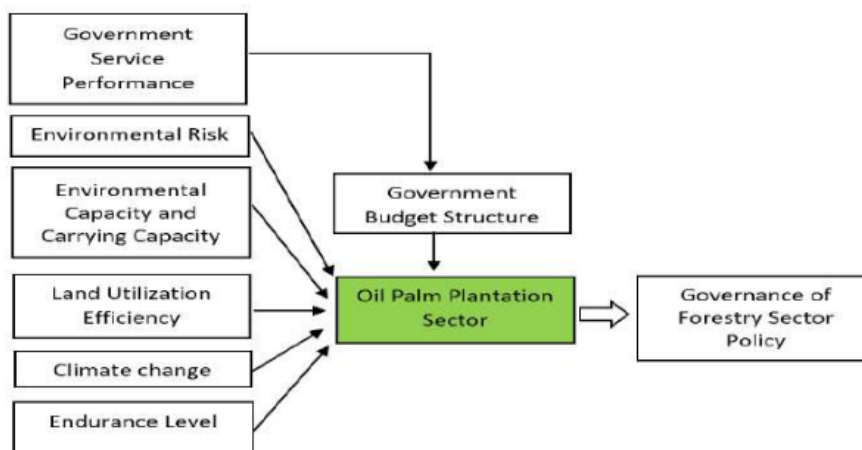


Figure 3. The policy structure approach model from the perspective of environmental studies

Strategic issues are the underlying policies or program priorities that determine the critical situations and choices facing an organization now and in the future. Issues can also be interpreted as problems that have a significant impact, which is the main task and function of the SKPD, which is likely to be resolved in the future.



c. Empirical Dimensions

Data from the Sumatra Ecoregion Development Control Center (P3ES) of the Ministry of Environment and Forestry in 2020 found 1.628 million hectares of illegal oil palm plantations belonging to smallholders or community plantations in Riau. This threatens its continuity according to the provisions of Law Number 11 of 2020 concerning the Omnibus Law on Job Creation because the government has established a policy for oil palm plantations owned by smallholders to be located in protected forest areas and conservation forests. So that the oil palm land belonging to the farmers will be returned to the State and may no longer be controlled by the farmers. Empirical data shows that 84 companies out of 224 plantation companies in Riau Province still need to obtain Cultivation Rights (HGU) permits. On the other hand, law enforcement officials are silent about this fact.

Other empirical conditions are seen from a macro perspective. The area of old and damaged plants has been increasing—potential plantation areas in Riau Province for the last 5 (five) years. Of the total plantation area, there are old and damaged plantation commodity plantations (TTR) of the total plantation area in Riau Province. There is a decrease in TTR in the following year because of two possibilities: first, it has been replanted, and second, the plant has been converted to another type of plant.

Second, the production and productivity of plantation crops are still low—plantation production in Riau Province for the last 5 (five) years. The productivity of plantation crops in Riau Province is still low, divided according to the productivity of smallholder plantations and the productivity of company plantations.

Third, the condition of some of the plantation facilities and infrastructure still needs to be improved from what was expected, both in the form of agricultural machinery and irrigation as well as plantation production roads. In several downstream areas (Indragiri Hilir, Rokan Hilir, Bengkalis, Siak, and the Meranti Islands), there was damage to the embankments, canals, and valves (water system trio), causing seawater intrusion. The entry of seawater causes the physical, chemical, and biological properties of the soil to be damaged, as well as causes damage to agriculture and plantations, which



are unable to grow properly. Besides experiencing seawater intrusion, some coastal areas also experience abrasion, namely the loss of land area due to eroding by sea waves. The condition of production roads on plantations with mineral soils needs to be improved, causing the costs of transporting plantation products to be higher.

Fourth, the application of technology, both cultivation and harvest, and post-harvest technology still needs to be higher, with only around 60% of the recommendations set. The use of quality seeds, pattern and spacing, pest control, and fertilization still needs to be higher.

Fifth, the rapid population growth and uneven distribution resulted in the carrying capacity of the land being exceeded. Such conditions give rise to unhealthy competition for utilization for multi-sectoral interests, which often trigger cases of disruption to plantation businesses. The plantation area in Riau Province in 2018 was 3,520,775 ha. Based on the spatial pattern map of the Riau Province RTRW according to Regional Regulation Number 10 of 2018, the allocation for plantations is only 2,602,746.47 ha consisting of large plantations covering 1,632,242.78 ha and smallholder plantations covering 970,503.70 ha. Hence, there is a difference of 918,028.53 Ha. In this regard, it is necessary to carry out an inventory, identification, and verification of plantation areas in Riau Province.

The status of plantation permits in Riau Province is overseen by the Corruption Eradication Commission (KPK), which is included in the province's pilot project of the National Movement for the Protection of Natural Resources (GNPSDA). All data on plantation permits must be complete, including the decree granting permits from the Directorate General of Plantations, the Governor, or the Regent/ Mayor by their authority, supported by a Location Permit in advance, all of which must be accompanied by attachments. to SK and maps in the form of shapefiles.

The results of the identification show the types of business disturbances and plantation conflicts which are divided into 2 (two) categories of disputes, namely land disputes and non-land disputes. Land disputes are plantation disputes and conflicts directly related to land. To describe the empirical dimension, based on the research results, can be mapped in the following figure:



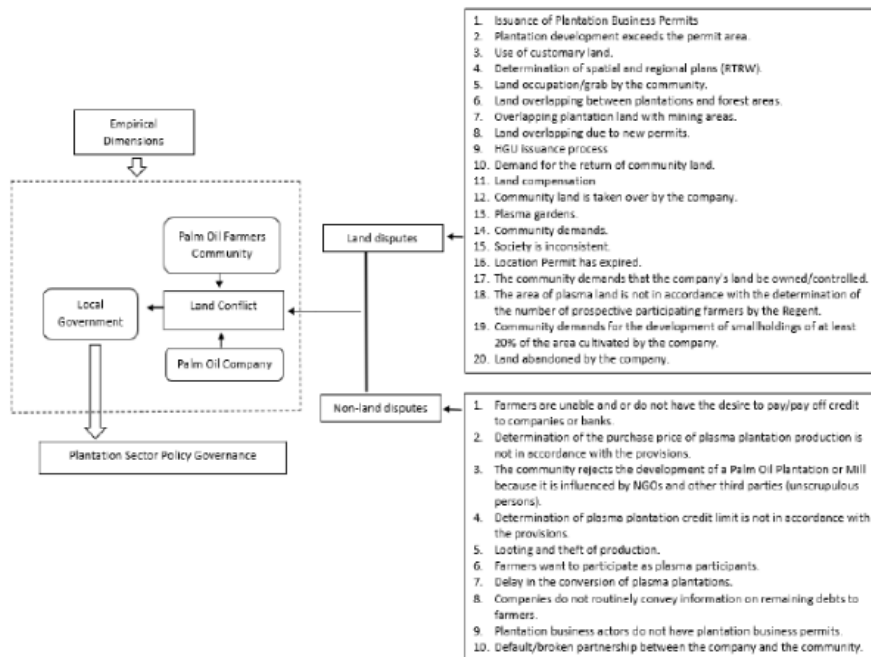


Figure 4. The empirical dimension of land conflict in oil palm plantation governance

Plantation conflicts can result in a decrease in plantation production. Given the high number of conflicts in plantations, it is necessary to make efforts to deal with plantation business disturbances internally and in coordination with other relevant agencies.

In addition to palm and coconut products that large plantation industries have cultivated, the downstream industry for rubber, cocoa, coffee, and sago commodities still needs to grow, only developing on a small scale at the household level. Most of the new exports are in the form of raw materials. For this reason, processing plantation commodities is important to provide added value to a product, create jobs, and expand market uptake of these commodities.

An interview with the Head of the Plantation Service said, "The Palm Oil Processing Industry (PKS) currently has 227 units, 12 rubber processing factories, and 18 coconut processing factories". Household-scale farmers can carry out the potential for processed products from coconut trees by forming Small, and Medium Enterprises (SMEs), namely from coconut water (28%)



made nata de coco, soy sauce, vinegar, and drinks. From the shell (16%), coconut shell charcoal, powdered charcoal, activated charcoal, and household handicrafts such as spoons and spoons are made. From coconut coir (20%), you can make doormats, carpets, ropes, and mattresses, while from sticks (5%), you can make broomsticks, various baskets, and plates. This also applies to rubber derivative products, cocoa, sago, and coffee.

The level of added value from plantation commodities as the main product, both in quality and type, still needs to be higher due to the unavailability of supporting facilities and infrastructure. Therefore it is necessary to facilitate community empowerment to process the existing resources in their respective areas.

2. Discussion

The concept of governance is used as an entry point in understanding plantation sector policies in Riau Province. From the description above, it is clear that governance is more than just government or administration. The government is an institution that has the power and authority to make policies in various sectors.

The discussion shows the correlation between the problems in the research and the theory used from the perspective of governance theory. The theory used uses 3 (three) main dimensions in the context of governance (Hydén, G., & Bratton, 1992); & (Hyden, 1992). This concept is an entry point for a more in-depth analysis of oil governance policies-in the palm oil sector in Riau Province.

The first is the actor dimension (Craps et al., 2019), which includes four indicators: power, authority, reciprocity/ reciprocity, and exchange. From the research results, this dimension is dominated by the actor reciprocity sub-dimensional, namely the oil palm planters affected by the slow downstream of oil palm management policies in Riau Province. Field data shows that from 13 to 19 July 2022, the price of FFB decreased for each age group. For the age group of 10-20 years, Rp. 263 per kg or down 14.48 percent. The central government's policy to stop CPO exports hurts downstream policies.



The actor dimension is a determining factor in the governance of plantation sector policies in Riau Province. The use of the actor dimension can be operationalized in various sectors because the government still plays a very important role in the governance process (Dwipayana, A. A. G. N. Ari dan Eko, 2003). The Riau Provincial Government is tasked with formulating a series of objectives for government processes, including maintaining the CPO export policy at the central level. As an institution authorized to allocate values to society, the government plays a role in formulating public policies based on the wishes and demands of society.

The two structural dimensions. The interaction between the actor and structural dimensions produces what Hyden calls the field of governance. According to Hyden, the field of governance is generated by the political relationship between reciprocity and authority and Trust and accountability. Of course, political relations involve accountability, especially in the budgetary structure. Of course, political relations involving power administrators (government) and other actors, such as smallholders and oil palm companies, give rise to conflicts, especially land conflicts. Structural dimension indicators are Sincerity (compliance), Trust (Trust), Accountability (Turner & Hulme, 1997), and Innovation (Richards, D., & Smith, 2002). Weak public Trust in the slow and uncertain acceleration of the land legality bureaucratic structure is a separate discussion.

The structural dimension of governance as a mechanism for managing economic and social resources involves the influence of the state and non-government sectors in a collective activity (Rochman, 2000). On the other hand, governance is the process of administering state power in carrying out the provision of public goods and services (Kimenyi, 2006), good governance (Smith, 2007), and global governance (Weiss, 2012).

The three empirical dimensions of governance include three main indicators: Citizen Influence, Social Reciprocity, and Leadership. This study's results indicate that 84 companies out of 224 plantation companies in Riau Province still need Cultivation Rights (HGU) permits. On the other hand, the empirical condition is that plantation conflicts can decrease

plantation production. Given the high number of conflicts in plantations, it is necessary to make efforts to deal with plantation business disturbances internally and in coordination with other relevant agencies.

The concept offered by Goran Hayden is considered more comprehensive for analyzing the results of research on governance phenomena which usually discuss the dimensions of the actors involved, such as the government, companies, and smallholders in the oil palm plantation sector in Riau Province.

D. Conclusion

Based on the research objective to explore governance policies for the leading plantation sector in Riau Province, the results of this study indicate that the Regional Government of Riau Province, through the Plantation Service as the leading sector in forestry sector policy governance, is not optimal in carrying out its role. This can be seen from the first finding that the actor dimension is dominated by negative impacts for small farmers from the slow downstream program so that when there is a decrease in the price of palm fresh fruit bunches (FFB) due to unclear CPO prices and the policy to stop CPO exports, it has an impact on the welfare of oil palm farmers. The provincial government failed to control the falling FFB price. The second finding is that the structural dimension, dominated by the budget structure, impacts the performance and accountability of the Regional Government of Riau Province. The Riau Province Plantation Service was deemed to have failed to maximize the budget structure. In terms of indirect spending, there was a significant change, and the achievement of budget absorption between realization and pure budget ceiling only reached 51.18%.

The findings of the three empirical dimensions of data from the Sumatra Ecoregion Development Control Center (P3ES) of the Ministry of Environment and Forestry in 2020 found 1,628 million hectares of illegal oil palm plantations owned by smallholders or smallholders in Riau. Empirical conditions also show that 84 companies out of 224 plantation companies in Riau Province still need to obtain Cultivation Rights (HGU) permits. The



recommendations from the results of this research are that the Riau Provincial Government needs to carry out a collaborative governance strategy in managing the oil palm plantation sector in Riau Province with oil palm entrepreneurs, oil palm farmer groups, and the central government in maintaining the stability of palm oil prices.

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