Introduction

Land grabbing, exploitation and destruction of natural ecosys-
tems is a common criticism of large industrial agricultural projects
and investments in developing countries. In Papua New Guinea,
serious controversies unfolded after more than 10% of the coun-
try was hastily handed out to non-land-owning third-party com-
panies controlled by foreign entities using special agricultural
business leases under the promise of future oil palm projects. In
contrast, New Britain Palm Oil Limited (NBPOL), wholly owned
by Sime Darby Plantation, has been in Papua New Guinea and
Solomon Islands for more than 50 years and has found that local
inclusion and certified sustainable practices are a necessity to
doing business.

The palm oil industry was introduced to Papua New Guinea and
Solomon Islands as a means of delivering development through
public-private partnerships, starting in the late 1960s. Later, these projects were all wholly privatized. The fact that they persist is a testament to their success, with an estimated 200,000 people in Papua New Guinea living in households that depend on oil palm as their principal source of income (Nelson et al. 2010). Being a vehicle for development, the business models were designed to maximize local participation as a means to amplify impact. Oil palm plantations require large local expenditures for labour, goods and services, and projects were designed to outsource many services to local providers.

Smallholder participation was a condition for the original loans in order to establish the industry, and the terms and conditions defined in these loans still characterize how the industry works today. The recognition of indigenous/customary land-ownership in Papua New Guinea and Solomon Islands requires joint ventures to obtain land. A smooth and long-term business relationship makes Free, Prior and Informed Consent (FPIC) paramount in preventing disputes. This article presents a variety of innovative participatory processes that are part of NBPOL’s “no deforestation, no peat and no exploitation” expansion and sustainable management.

The NBPOL Development Model

The NBPOL development model was based on appropriate and tested technologies to provide a multitude of economic benefits. In summary, the company provides genetic material for planting, extension services for cultivation, the logistical support necessary for transport and processing, and access to international markets. Services include long-term research and development, including significant programmes on plant breeding and integrated pest management, agronomy, certified sustainable management, and access to certified sustainable markets. Local participation took the form of government and land-owner shareholding. At the outset, the government owned 50% of the NBPOL project, but over the years it sold off most of its shares; the remainder were sold when Sime Darby purchased NBPOL.

The project in Solomon Islands is different in that local land-owners still own 20% of the shares in the local company there. In all areas where oil palm is planted on customary land, land-owners receive a per-hectare lease fee for both conservation and production land and a percentage royalty of fruit harvested from the land. The recognition of customary land rights means that most farms are established through joint venture arrangements with local land-owners, resulting in substantial payments to them for land rental and royalty. As an example, NBPOL plantations in West New Britain Province paid out more than US$95 million in 2017: 49% of which for local salaries and wages; 37% for smallholder crop purchases; 8% to local contractors; and 6% as royalty and rental payments.

The oil palm industry is by its nature very reliant on local participation, and the inclusion of independent smallholders is an important part of its supply base. NBPOL has more than 25,000 permanent employees, and as such is the largest private-sector employer in both Papua New Guinea and Solomon Islands. Complete mechanization is impossible and palm oil production therefore relies on an extensive amount of labour. Logistics are a major facet of the business, and local contractors take on significant shares of both road maintenance and transport. Since most of the workforce is provided with housing, water and electricity by NBPOL, this in itself creates an industry in which local services in the form of construction, repair and maintenance are fundamental.

Smallholder support programmes follow the original agreements established in 1967, which have provided a solid foundation for smallholder inclusion in the industry. Smallholders have access to credit
from NBPOL for the purchase of seedlings, tools and fertilizers at cost, and these interest-free loans don’t need to be paid back until they start selling fruit to NBPOL. All research, development and pest and disease control services are provided by the Oil Palm Research Association, subsidized by all growers through a levy of US$0.80 per tonne of fruit. Transportation of fruit is provided at cost where required, and all fruit is purchased at a price determined by applying a profit-sharing formula that is regularly reviewed and mandated by the government. Unlike many business models in Asia, there are no middlemen, and fruit is not graded according to quality on arrival at the mill. Per original development agreements, the mill is obliged to buy all the fruit delivered by smallholders, regardless of quality and at a price determined by the government.

The latest review indicates that this results in smallholders receiving more than 57% of profits from milling (KPMG PNG 2014). Although the arrangement ensures that smallholders always have a buyer, it does not ensure a constant price. The price a smallholder receives is influenced mostly by the US$/PGK exchange rate and by the price of crude palm oil and palm kernel oil in Rotterdam. Because of a high demand oil palm has provided a significant and consistent financial input for local economies over the past years, with NBPOL’s average total monthly payments to smallholders in excess of US$4.6 million every month. Considering all this, the majority of land-owners living within transport distance of an oil palm mill in Papua New Guinea will consider planting this crop, since the risk of failure is low and the returns very attractive.

All smallholders linked to NBPOL participate in and benefit from the company’s sustainability programmes. They are provided with the training and support needed to be audited against international standards. Smallholders are not required to contribute to auditing costs, and NBPOL passes on the entire premium it receives for the smallholder crop to them. Since they became involved, the
The issue of land

Most land in Papua New Guinea (97%) and Solomon Islands (83%) is governed and owned by indigenous land-owners. Customary land rights are recognized in their Constitutions and form the basis of traditions and the social security of indigenous communities. All decisions regarding ownership and user rights are decided following communal customary laws. There are also legal provisions through which temporary user rights can be transferred to investors through sub-leases founded on the principles of free and prior informed consent. Not transferring user rights would risk long-term investment. Social and environmental impacts assessments are essential to maintaining good relationships with communities. These assessments are achieved through extensive information transfer and meetings on their premises and on their terms, and are essential to ensuring everyone's full understanding of all issues.

The NBPOL experience has shown that it takes at least three years from receiving an unsolicited expression of interest by local customary land-owners to signing a development agreement. A significant part of the process revolves around building integrated land-use plans in cooperation with the traditional land-owners. These integrated land use plans utilize the High Conservation Stock Approach (HCSA). NBPOL is a member of the HCSA steering group and has helped define its practical methodology. The participation of communities is fundamental to both identifying conservation values, and the strategies to conserve them. All scientifically justified High Conservation Values (HCVs) and High Carbon Stock Habitats are identified through HCV Accredited Licensing Scheme assessments (HCV Network n.d.) and presented to communities through consultative process. Other participatory processes include identifying and setting aside areas for community use to ensure that communities have enough land for subsistence and commercial farming. These Community Use Areas are calculated on a basis of 0.5 ha per person over the projected lease period, taking into account population growth, to ensure that ample land is available for living space, food security and the provision of basic needs. Such land-use planning is an iterative process that requires time for communities to discuss internal agreements.

Land is leased from communities only if they register it for a formal title. If this process is done correctly, it bolsters the company's FPIC process. To ensure that the process is conducted with integrity, NBPOL assists by conducting genealogical studies, helping individuals attain birth certificates and identification cards, and ensuring that rental and royalty payments are in place so benefits flow directly to the recognized families and not necessarily their legal representatives.

**Acquisition of customary lands — a case study from Papua New Guinea**

Practices to meet sustainability standards are being implemented in Chivasing and Tararan villages in the Huon Gulf district of Papua New Guinea. Working with customary land-owners who are interested in leasing land to developers is challenging, since most people have no title to their land. The lease titles on which business relationships are based must be issued to those who represent communities...
who own the land, to avoid disputes and maximize benefit sharing. This case study summarizes the process undertaken that assisted seven land-owning clans, who approached NBPOL with letters of interest signed by clan elders, to develop their land in a joint venture.

The approaches used by NBPOL followed standards for incorporating sustainability requirements for new development, and minimizing the negative impacts of oil palm cultivation on communities and the environment. Feasibility studies were first undertaken to ensure that areas that communities wanted to develop in joint ventures did not include forests or any area of high conservation value or carbon stock value. With high levels of population growth in rural areas people cannot understand why non-utilized customarily owned forests cannot be used to address their increasing needs. Most communities were confused by NBPOL’s no-deforestation policy. In this case, however, most of the lands were grasslands, so there was sufficient potential to proceed. High Conservation Value (HCV) and High Carbon Stock (HCS) surveys were conducted with the full participation of land-owning communities. Further participatory social surveys, GPS boundary surveys, land-use planning, clan genealogy, and test plantings of oil palms were also conducted. Before these took place, clan elders and NBPOL signed a clan land-use agreement that allowed these studies to be undertaken, with the understanding that nothing was to be harvested from the land during that period.

Based on survey results, an integrated land-use plan was produced and agreed to by clan elders. To define limits, all clan representatives, neighbouring clans, government representatives and NBPOL staff walked the boundaries while noting GPS data. These data were then printed on high-resolution satellite imagery maps, on which they drew their land-use plans, including areas for potential conversion to oil palm, areas for conservation, and areas for community use (Figure 1). Conservation areas (including HCV and HCS) were identified by experts approved by the Accredited Licensing Scheme after consultation with the land-owners. Community use areas were identified by the land-owners themselves, taking into account their current and future living space requirements and food security.

**Figure 1. Map of intervention area**

![Map of intervention area](image)

Note: Of the total 10,652 ha, communities decided that 31% (3,293 ha) would remain available for their own use, and 10% (1,017 ha) would be retained as conservation areas, leaving 59% (6,280 ha) to potentially use for planting with oil palm.
needs. Only after these areas were mapped were potential areas for conversion to oil palm added to a first-draft map. This underwent several rounds of discussion and revision by clan members and NBPOL, until all were satisfied. A final version was signed and included in an Integrated Land Use Management Plan submitted through the RSPO New Planting Procedure for review as part of the management planning required by RSPO.

In general, free, prior and informed consent, community engagement processes and awareness-raising activities were followed throughout the process. To date, more than 100 meetings have been held (with 40% female representation), to inform communities of the positive and negative impacts of oil palm, and of policies and procedures such as the Grievance Procedure and Whistle Blower Policy, that are instrumental to developing a functional relationship. Informative brochures and leaflets were distributed. Meetings concerning participatory mapping were also held, and NBPOL organized field trips so clan members could visit existing projects where customary land-owners had leased land to NBPOL and they could see what they could expect.

Are others going the wrong way?

Although NBPOL has shown that certified sustainable oil palm and local inclusion has helped its profitability, other companies establishing plantations in Papua New Guinea do not seem to be interested in a similar approach. It must be emphasized that by and large, the global market is not very interested either: only 20% of the global supply of palm oil is RSPO-certified and only half of that is bought as RSPO on the market. This has resulted in more plantations being established without considering the social and environmental safeguards that both NBPOL and RSPO find important. A recent internal study using publicly available satellite imagery data showed that over the past ten years, more than 50,000 ha of new non-RSPO oil palm plantations have been established in Papua New Guinea. It is...
suspected that these may have been financed by the logging procedures, which are by definition unsustainable. NBPOL has become a zero deforestation company that follows the HCSA methodology, but the company also understands that some countries are willing to sacrifice some of their forests for agriculture and economic development.

**Scaling up inclusive approaches**

Given the relatively low positions of PNG and SI on the UN Human Development Index — 153 and 152 respectively out of 189 countries listed— (UNDP 2018), it is not surprising that both governments are eager to develop sustainable agriculture industries as a means to improve the standard of living. Both countries also have more than 70% forest cover and less than 4% of land under permanent agriculture (Allen and Filer 2015). Papua New Guinea’s Vision 2050 strategic development plan states that some land reform is needed to strengthen economic development, and refers to this being driven by high-impact projects that will in turn provide spin-off benefits. NBPOL recognizes the conflicting interests in Papua New Guinea, and feels that their inclusive approach could serve as a model for others. For example, NBPOL is working with government and RSPO partners to streamline new planting compliance for smallholders. This will help create a standard for the jurisdictional approach, defined as a means of certifying the entity managing and responsible for this jurisdiction, and to influence government policy that may provide inputs to the oil palm debate.

Streamlining compliance for smallholders is conducted in partnership with The Forest Trust. This includes implementing existing simplified RSPO-developed approaches and improving them by including the use of predictive land-use modelling and High Carbon Stock mapping in participatory land-use planning processes that meet local development needs. NBPOL is also a co-chair of the RSPO Jurisdictional Approach Working Group, to guarantee responsibilities for providing services to all producers within a jurisdiction and supporting them to comply with local legal frameworks and with RSPO Principles and Criteria. Benefits are multiple, providing a rationale for protected areas beyond concession boundaries, and allowing growers to benefit from group economies of scale.

NBPOL is also implementing its One Hour Principle partnership within areas of new development. This states that all communities should have access to health care, education and potable water within one hour’s walk. To assess this, community needs assessments are undertaken; the results provide assistance to obtain these services where possible. It is hoped that in the future this will lead to improved approaches acceptable to all stakeholders, but most importantly to farmers and land-owners.

**References**


