

Indonesia Prosecutors Decry 'Lenient' Sentences in Palm Oil Corruption Case

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An Indonesian court has found a top trade ministry official, a prominent economist and three palm oil executives guilty for violating requirements to ensure supplies of palm oil for the domestic market.

The five were convicted of conspiring to export crude palm oil to the international market, where prices are higher, rather than allocating it for the Indonesian market, where the government had imposed a price cap.

Executives from three companies — the Permata Hijau Group, Wilmar Nabati Indonesia, and Musim Mas — were among those jailed.

Prosecutors and anticorruption activists say the sentences and fines imposed by the court are far too lenient in light of the suffering they caused to the public; prosecutors say they will appeal for stronger sentences and higher fines.

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Anticorruption activists in Indonesia have criticized as too lenient the sentences handed down by an Indonesian court against officials at the center of a cooking oil shortage that rocked the world's top producer of palm oil.

A trade ministry official, a prominent economist, and three palm oil executives were on Jan. 4 [convicted and sentenced](#) to between one and three years in prison for violating a requirement to ensure palm oil supplies for the domestic market. The court also fined each of the men 100 million rupiah (\$6,400).

The punishment handed down was far more lenient than the seven to 12 years in jail and 1

billion rupiah (\$64,000) in fines that [prosecutors had sought](#).

“There’s no deterrent effect because the fines to compensate for the state loss are not significant,” said Riawan Tjandra, a law professor at Atma Jaya Yogyakarta University. “So there’s no restorative justice at all due to the lenient sentences.”

Riawan told Mongabay that the verdict failed to provide sense of justice, given that the case involved a ministry official, who was sworn to serve the public.

“He’s supposed to protect the public, but instead he conspired [with the others] so that the public would be denied its rights,” he said. “Cooking oil is a crucial issue because it’s a public good, and thus people are supposed to be able to easily get it.”



A palm oil smallholder farmer in Riau, Indonesia. Image by Hans Nicholas Jong/Mongabay.

Shirking domestic obligations

The scandal broke in early 2022, after a months-long shortage of cooking oil that saw the price of the staple commodity surge.

In response to the scarcity, the government imposed a domestic market obligation policy, or DMO, in February 2022. The policy required palm oil companies to allocate 20% of their crude palm oil (CPO) for domestic use. The government also imposed a domestic price obligation, or DPO, which capped the selling price of CPO.

But three companies — the Permata Hijau Group, Wilmar Nabati Indonesia, and Musim Mas — managed to skirt their obligations to allocate a quota for the domestic market, and instead continued to sell their CPO abroad, where palm oil prices were higher than the DPO at home.

Executives from the companies managed this by securing export permits from Indrasari Wisnu Wardhana, at that time the director-general of foreign trade at the Ministry of Trade.

Indrasari was this week sentenced to three years in prison. Master Parulian Tumanggor, a board member at Wilmar Nabati Indonesia, was sentenced to 18 months, while the other three other defendants in the case — Pierre Togar Sitanggang, general manager at Musim Mas; Stanley M.A., senior manager of corporate affairs at Permata Hijau Group; and Lin Che Wei, founder of economic policy think tank Independent Research & Advisory Indonesia — each got a year in prison.



Indonesian President Joko Widodo checks the stock of cooking oil at a minimarket in Yogyakarta, Indonesia, in March 2022. Image courtesy of the Indonesian Ministry of Communication and Information.

Prosecutors to appeal

Prosecutors have also expressed disappointment at the sentencing, saying they will appeal for longer prison terms, higher fines, and a demand for 15 trillion rupiah (\$959 million) in restitution for losses to the state. An assessment by Rimawan Pradiptyo, an economist at Gadjah Mada University in Yogyakarta, estimated that [the state lost](#) 10.96 trillion rupiah (\$701 million), mostly in the form of subsidies that the government was forced to roll out to keep cooking oil prices down.

The Attorney's General Office said the court's ruling didn't provide justice to the public for having to suffer through the cooking oil scarcity and soaring prices.

"Prosecutors will appeal the verdict because it doesn't reflect a sense of justice for the people," Ketut Sumedana, a spokesman for the AGO, said as quoted by local news outlet [Tempo.co](#).

Boyamin Saiman, coordinator of the Indonesian Anticorruption Community (MAKI), said the fact that the court found the defendants guilty should be reason enough to impose heavier punishments.

He pointed out how, during the crisis, people had to line up for hours just to buy cooking oil, whereas the palm oil companies were able to freely sell their CPO overseas and enrich themselves.

"It's proven that there was an abuse of authority [in the case], which harmed the people's economy," Boyamin said as quoted by state-owned news agency [Antara](#). "How come the sentence is only three years for the public official and one and a half to one year for the rest?"

Riawan, the law professor, said the guilty verdict is evidence that Indonesia's palm oil industry is rife with corruption and thus needs to be subjected to stronger governance and management.

"We see that the management of our cooking oil and palm oil industry still opens up opportunities for corrupt practices, including by state actors," he said. "This needs a dramatic overhaul. It's not enough to punish the perpetrators. There's a need not only to improve existing regulations, but to make new regulations to monitor irregularities in the palm oil industry."

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Featured image: Palm oil plantation on rainforest peatland in Central Kalimantan, Borneo, Indonesia. Image by glennhurowitz via Flickr (CC BY-ND 2.0).

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