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# The Forests Dialogue

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## Field Dialogue on Understanding Deforestation-Free (UDF) in Indonesia

28 April - 2 May, 2015 | Pekanbaru, Riau, Indonesia

### Co-Chairs' Summary Report

By Andika Putraditama, Tiur Rumondang, Nienke Stam, and Rod Taylor

#### INTRODUCTION

The Forests Dialogue (TFD) convened a field dialogue on Understanding Deforestation-Free in Indonesia on 28 April - 2 May in Pekanbaru, the capital of Indonesia's Riau Province. The dialogue brought together more than 75 international and Indonesian forest sector and commodity supply chain stakeholders from industry, civil society, Indigenous Peoples, NGOs, governments, and non-governmental and inter-governmental organizations (see Annex I for a complete participants list). Participants represented a broad diversity of professional expertise and experience relevant to the design and implementation of deforestation-free commitments in Indonesia and globally.

Co-convened with the Indonesian Business Council for Sustainable Development (IBCSD) and hosted locally by Scale Up, the dialogue was supported by the IDH Sustainable Trade Initiative, the World Resources Institute, the World Business Council for Sustainable Development, WWF, and the Environmental Defense Fund.

This was the first field dialogue under the TFD initiative on [Understanding Deforestation-Free \(UDF\)](#), which launched in October 2014 with a [scoping dialogue](#) at Yale University in the United States. The scoping exercise [identified key questions](#) confronting the implementation and upscaling of deforestation-free pledges, and the Indonesia field dialogue sought to elaborate and begin answering these questions in the Indonesian context. Through two days of field visits and two days of facilitated discussion, the field dialogue set out to:

- Examine the operational challenges associated with deforestation-free commitments in Indonesia, including implementation, communication along supply chains, and monitoring and verification;

*\* As used throughout this document, the term 'deforestation-free' includes all of the various terms which are used to indicate an end to deforestation. The Co-chairs do not specifically endorse this particular phrasing.*

- ➔ Shed light on the relationship between land tenure (in)security and conflict, smallholder commodity production, and deforestation-free policies; and
- ➔ Capture insights on key challenges, and potential solutions, to ensure that deforestation-free initiatives both deliver positive outcomes in Indonesia and inform policy design and implementation at the global scale.

This report summarizes the key issues that emerged from the field dialogue which warrant further discussion. After treating these, the report concludes with key messages and next steps. The dialogue agenda, a background paper, presentations made during the dialogue, and other related materials are posted on the [TFD website](#).

## FIELD VISITS (DAYS 1 AND 2)

**More than 50 of the dialogue participants visited five field sites throughout Riau Province over the course of two days. Learnings from the field directly informed the subsequent two days of formal dialogue. The site visits are summarized below.**

### Field Visit #1: Taman Hutan Raya (TAHURA) Sultan Syarif Hasyim

Very quickly after leaving the city of Pekanbaru, the landscape shifts to intensively managed commodity cultivation. Dialogue participants drove through hectare after hectare of oil palm and pulpwood plantations, and were struck by the sheer scale of deforestation on what had largely been carbon-rich peat soils to enable this production. In the 1980s, forests covered 78% of Riau Province. By 2008, forest cover had declined to 27%. Approximately 4.2 million ha—65% of Riau’s forests—were converted to industrial pulp and paper and palm oil plantations during this period.<sup>1</sup>

At the first site—a forest management and conservation area managed by the provincial government—the site manager described the encroachment pressures confronting the park. 70% of the park has been converted to oil palm and rubber plantations by smallholders who have obtained permits from local village chiefs. Most are believed to be migrants from neighboring provinces, and it is thought that a palm oil company is supporting the establishment of many of these plots. The park manager has engaged both the local and national governments, and has initiated civil action in court, but to date these efforts have yielded only mixed success. In addition, the park is not large enough for the tigers and other animals it contains, but the park managers do not feel that they have the mandate to initiate or support conservation efforts beyond its boundaries.

<sup>1</sup> <http://www.theguardian.com/environment/2008/feb/27/climatechange.forests>.



Dialogue participants in the field

## Field Visit #2: Arboretum at Perawang

The second site is a 42 ha forest within PT. Arara Abadi's 250,000 ha pulpwood plantation, which the company manages as one of a number of protected areas to help meet its minimum conserved area as required by law. The "arboretum" is open to the public for educational, research, and recreational activities, and is used as an elephant training facility. Although the company says it is available to local villagers for extraction of non-timber forest products (NTFPs) such as honey and fish, a leader from the Sakai community located thirty minutes away by car (see field visit #3) replied that he did not even know where the forest was located when asked about accessibility. This is not surprising given that the arboretum is an island of remnant natural forest surrounded by thousands of hectares of acacia and eucalyptus monocultures which feed the large, nearby Indah Kiat mill. Management challenges include encroachment by local villagers and forest fires, the latter of which the company works to mitigate through partnerships with local villages, which include provision of training and firefighting equipment to villagers. Encroachment to date has been limited; the management suggested that this was due to the fact that the forest is in the center of the plantation.



Forest clearing in Riau, Indonesia

## Field Visit #3: Sakai Minas with PT. Arara Abadi

From the protected forest, the group drove to visit the Sakai tribe—one of eight customary groups living in Riau. The Sakai moved to the area in the mid-1930s, and relied initially for their livelihoods on harvesting timber and NTFPs, shifting later to swidden agriculture and fishing. Access to timber and non-timber resources diminished or ceased when PT. Arara Abadi received concessions to first harvest timber and then plant timber plantations in the area. Some community members now earn a living working for the company while others sell oil palm fruit. Community leaders report that bureaucratic hurdles hinder them from selling palm fruit or pulpwood to the company, and that a challenging legal process makes it difficult to obtain permits to legally plant pulpwood in the first place. Further, they claim that the company has yet to fulfill its promise to build them traditional houses, and that it has not compensated them for land that was taken. As far as the Sakai are aware, the government has yet to play a role in rectifying the situation; on the contrary, the Sakai maintain that security personnel threatened community members when they attempted to bring their requests to the company. A fundamental problem that the Sakai are confronting is that they do not know exactly the extent of the land over which they claim customary ownership rights. The Sakai expressed concern that they will lose their culture and identity without access to forestland and rivers.



Co-Chair Tiur Rumondang opening the dialogue



At the Amanah Association

### Field Visit #4: Dosan Village

The fourth site that participants visited was Dosan Village. After farming rice and other crops for many years, farmers have recently formed an oil palm cooperative. This has enabled them to borrow money to intensify production and to pursue Roundtable on Sustainable Palm Oil (RSPO) certification. The District Government helped establish the palm plantation, and NGOs have helped the cooperative intensify production in order to reduce the need to expand cultivation. The community is pleased with the higher income and development that have resulted from palm cultivation, and has committed to protecting its remaining natural forest and peatland, as well as to using management practices designed to prevent forest fires. However, villages lack recognized administrative boundaries, so lands that are set aside for conservation are at risk of being awarded as concessions to agribusinesses.

### Field Visit #5: Amanah Association, PT. Asian Agri, and Binjai Community

The final site that participants visited was the oil palm plantation managed by the Amanah Association, at which they first heard presentations from the Association and PT. Asian Agri. In 2013, the Association became the first group of independent smallholders in Indonesia, and one of the first in the world, to receive certification from the Roundtable on Sustainable Palm Oil (RSPO). Its 481 member families manage 1,027 hectares of oil palm plantation and received support in forming their association, pursuing certification, and improving management practices from the Ministry of Agriculture, the Riau Provincial Government, the Pelalawan District Government, the RSPO, WWF, Carrefour Foundation International, and PT. Inti Indosawit Subur, a subsidiary of the Asian Agri Group. The Association's members have reduced their use of weed-killers by 40 percent and fertilizers by a third. They save money by buying in bulk and sharing transport, harvesting, and marketing costs. The farmers also receive a small premium for selling certified fresh fruit bunches. Productivity, meanwhile, has improved by at least 20 percent. In rejecting overtures to join the company's "PLASMA" outgrower scheme, the Association has pioneered a new model for independent smallholders to act collectively to improve their income, while respecting the RSPO's sustainability criteria.

Following this presentation, participants heard from the Binjai community and from PT. Riau Andalan Pulp and Paper (RAPP). The village of Teluk Binjai is adjacent to the Kerumutan Conservation Area on which villagers depend, which caused RAPP to worry about the potential for environmental conflict. In 2011, the company launched the Eco Village Development Programme in an effort to provide the community with alternative livelihoods so as to ease pressure on the conservation forest. The company helped the community develop intensive agriculture, and by 2014, 208 families were cultivating 416 ha that the company was not using rather than gathering food from the forest.

## DIALOGUE

The formal dialogue began on the 3rd day and was prefaced by recaps of the field visits described above, and short presentations from a few stakeholders. IDH described the work of the Palm Oil Traceability Working Group, which was set up with a group of industry leaders to define traceability and align methodologies for achieving it. Among other achievements, the Working Group has agreed a definition of traceability and the milestones to get there. The group has also commissioned a study on solutions to key traceability challenges, and is developing a risk assessment tool and verification mechanisms that will enable varying traceability approaches based on differential risk.

Greenpeace then described the high carbon stock (HCS) approach to delineating no-conversion forest areas. Dialogue participants pointed out that the HCS approach will need to adapt to address issues of community development, especially where communities have very large tracts of land. In addition, suggestions were made that the HCS Steering Group engage international organizations such as certification standard bodies and the International Tropical Timber Organization to explore broader uptake of the HCS approach, and that care be taken to understand the terminology being used by producer country governments which may be imposing similar requirements, only with different words.

Golden Agri Resources offered a brief overview of the Indonesian Palm Oil Pledge (IPOP), which four palm oil companies and the Indonesian Chamber of Commerce (KADIN) formed at the 2014 UN Climate Summit to improve the sustainability of Indonesia's palm oil industry. IPOP members pledge to collaborate to improve environmental stewardship, engage with government on policy issues, expand the social benefits associated with palm oil, and enhance the industry's competitiveness. Some dialogue participants urged IPOP to engage the pulp and paper sector and noted that investors would benefit if consensus positions for particular sectors were to be developed around issues concerning deforestation.

Finally, the head of a community shared his people's experience with industrial agriculture. He recounted how his ethnic Malay community had lived in its village and made use of nearby forests since before Indonesian independence, and was forced to scatter when a company began operating in the area in the early 1990s and blocked access to the forest that provided community members their livelihoods. He described how his community, assisted by an NGO, had filed complaints for over four years with the local forestry agency and the police, but despite seven rounds of mediation, there has been no formal agreement. The company told dialogue participants that the issue had been resolved with a different community leader, but conflict continues with other leaders who also assert claims to the area. One participant pointed out that the conflict could have been avoided if participatory mapping had been completed to ensure that consent was sought from the proper sources. It was noted that communities often need support from NGOs or other facilitators to do such mapping, and that the Constitutional Court's 2012 ruling recognizing indigenous land rights (Decision Number 35/PUU-X/2012) requires new national legislation and local regulations to implement effectively.



Co-Chair Nienke Stam helping with "IPM"



Miriam Swaffer



Co-Chair Andika Putraditama leading a group discussion



Dialogue in Pekanbaru

The field visits and stakeholder presentations informed a rich discussion that is grouped below into five thematic areas: defining deforestation-free; policy challenges; communities and smallholders; legacy issues; and scaling deforestation-free up.

## Defining Deforestation-Free

Participants called for greater agreement within and among stakeholder groups on basic definitions. For instance, advocacy organizations should reach a consensus regarding their requests so as not to overwhelm target companies with multiple asks. And the government and implementing actors should agree on land use zoning strategies so as to avoid working at cross-purposes. Participants noted that concepts such as 'deforestation-free' or 'no deforestation' lack technical definition, and debated whether such concepts should permit economic use of areas that are set aside for protection. Many dialogue participants argued that set-asides must at least allow extraction of non-timber forest products because communities often rely on these for their livelihoods, particularly within landscapes like Riau's where little natural forest remains. Efforts to completely exclude local people from extractive activities in conservation areas could be counter-productive, resulting in more conflict and encroachment to secure farming land, thus undermining the rationale behind set-asides. Communicating with surrounding communities on forest set-asides and the deforestation free commitments is thus important, but also challenging.

Participants cautioned that care needs to be taken when translating these terms and concepts to other contexts and languages. For example, 'deforestation-free' directly translates to Bahasa Indonesia as *bebas deforestasi*, which means 'free deforestation.' This caused confusion even among the community representatives who participated in the dialogue.

## Policy Challenges

Participants spent a good deal of time exploring the mixed signals that Indonesia's government is sending as to its support for deforestation-free development. On one hand, the government has implemented and renewed forest clearance moratoriums to provide time for the formulation of policies that would improve governance in the sector and enhance sustainability. On the other hand, numerous policies allow multiple loopholes within the moratorium itself. While forestry laws recognize conservation areas within concessions, the abandoned land policy treats set-asides within oil palm permit areas as unused land that the government may excise and reallocate. Pressure to deforest may mount as a result of the new biodiesel mandate that raises the required levels of biodiesel in the transport, household, commercial, and industrial sectors, and because new palm oil mills continue to be permitted without consideration of the volume of fresh fruit

bunches that can be supplied from existing or planned plantations without further forest loss. Any forest areas that evade these conversion drivers are then threatened by illegal expansion of oil palm plantations in areas designated as forestland, or by prospecting and mining activities under regulations that allow mining licenses to overlap designated forest area even if the forests are intended for conservation. Even the forest clearing moratorium does not extend to all natural forests and does not apply to forests in concessions granted before the moratorium was decreed. On top of these counterproductive policies, weak enforcement and inconsistencies in the application of laws protecting forests further undermine deforestation-free efforts.

Beyond specific policy reforms, participants noted that clarifying land tenure is perhaps the most fundamental policy adjustment needed. Despite the recent Constitutional Court decision regarding customary land rights, recognition of rights remains weak. Part of the problem is that community land use is not mapped when potentially overlapping concessions are allocated, so community land is difficult to incorporate during spatial planning processes. Although spatial planning is underway, the process is immensely complex and is taking a long time, during which tenure uncertainty prevails. Further, no agency is mandated to resolve land conflicts, meaning that these are left to the courts to settle. Decisions might result in imprisonment of individuals convicted of wrongdoing, but this approach does not resolve underlying issues.

Some participants suggested that a lack of basic information impedes the development of realistic policies to halt deforestation. For instance, it is not clear why the particular provinces of Riau and East and Central Kalimantan are Indonesia's deforestation hotspots. Meanwhile, demographics are changing rapidly, posing additional challenges to the spatial planning process that will be required to curb deforestation on a large scale. However, others reminded the dialogue group that Indonesia is not the only country where deforestation-free commitments are playing out, and that lessons can be learned from successful initiatives in other contexts that could be adapted to avoid wasted effort. The suggestion was raised that efforts to improve the policy environment should be better coordinated, and may be best geared toward improving implementation of existing legislation.

Participants agreed that the One Map initiative that is underway in Indonesia will be essential for rationalizing competing land uses and enabling deforestation-free efforts. It will also serve as an authoritative source of data that can clarify uncertainty, such as whether the pulp and paper sector will truly expand by 10 million ha as announced by the Ministry of Environment and Forestry despite claims by both Asia Pulp & Paper and Asia Pacific Resources Limited that they have no plans to expand plantations. But the map that is being developed, at a resolution of 1:1 million, is too coarse to be very useful, and participants suggested that it would be useful for the government to work with companies that have higher resolution maps for their areas of operation. The One Map initiative is also progressing too slowly in the eyes of many actors.

Participants praised IPOP as an excellent example of how to consolidate private sector perspectives at the national level into an effective lobbying mechanism to overcome legal barriers to deforestation-free

efforts. Several specific requests were suggested for the lobbying agenda: hasten progress on the One Map initiative; officially recognize the HCS approach and incorporate it into government licensing schemes, together with the free, prior, and informed consent (FPIC) and High Conservation Value (HCV) tools; create a stronger legal basis for designation of conservation set-asides to prevent these areas from being treated as unallocated land; and remove any regulatory hurdles preventing companies from sharing their maps with third parties such as Global Forest Watch. Participants also recognized that the government does not speak with one voice. At the national level, IPOP needs to overcome the communication challenges between ministries that it meets with by targeting the offices of the president or vice president, or coordinating ministries. At the regional level, companies operating in particular landscapes will need to lobby local and regional governments for conducive policies, including implementing regulations for national policies. Participants further emphasized that lobbying efforts would be more effective if IPOP were prepared to present examples in the form of case studies and pilot projects to persuade the government of the need for policy reform, and if it were to include other stakeholders such as communities and NGOs, as well as private sector stakeholders from other sectors including the mining and pulp and paper industry. Participants singled out GAPKI (a palm oil producers association) as a particularly important stakeholder to bring on board with deforestation-free objectives.

## Communities and Smallholders

Participants stressed the importance of understanding that communities and smallholders represent different sets of actors, and that generalizations are not always possible even within each of these stakeholder groups. Even the definitions of terms like ‘smallholder’ may vary by country and industry. Deforestation-free policies are likely to burden some groups for whom non-forest economic opportunities are more appealing, and benefit other groups that rely on intact forests for their livelihoods. Where smallholders earn incomes from selling commodities into corporate supply chains, intensifying production could both increase farmer incomes and reduce pressure on remaining natural forests by lowering the need to increase profits through expanded cultivation. Meanwhile, for communities whose ancestral forestland has already been lost, the conversation about deforestation-free may not be relevant.

Both communities and smallholders are critical to the success of deforestation-free efforts in Indonesia. Many participants argued that recognition and legal implementation of community rights is a prerequisite for meeting deforestation-free commitments. And beyond any substantive rights, it is important that the proper representatives be engaged, for example the *adat* chief in addition to the formal administrative leader. Engagement should begin as early as possible in a company’s permitting process, not least because effective mapping requires trust-building.

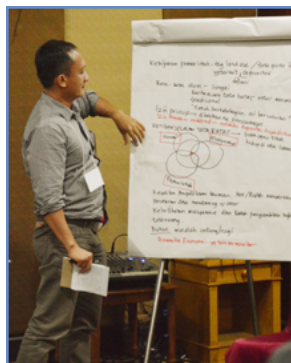
Meanwhile, smallholders operate on and/or claim ownership over 42% of all palm oil plantations in Indonesia, and are responsible for a significant percentage of the deforestation risk to commodity production. For example, 4.5 million smallholders sell oil palm fruit into the palm oil supply chain. Participants agreed that smallholders that feed into corporate supply chains should be subject to corporate deforestation-free commitments. However, the deforestation-free movement has unfolded in Indonesia largely



Harry Oktavian leading a discussion at Sakai



Freddy Widjaya taking questions



Happy Tarumadevyanto reporting back to the group



The oil palm plantation managed by the Amanah Association

beyond the spheres of indigenous communities and smallholders. Many communities still do not even know what ‘deforestation-free’ means; deforestation is a foreign concept to them, as they have always simply taken what they need from the forest. Participants suggested that there is a role for government to educate communities about deforestation so that communities can more effectively engage with companies whose operations impact them. It was also suggested that such engagements focus on deforestation ‘hot spots’ or high risk zones.

The fact that supply chains, palm oil in particular, often involves many third party suppliers means that a first step for corporations to take in implementing deforestation-free policies is to trace their supplies back to third party mills and the smallholders that supply them. Participants discussed the challenges for companies to work with independent producers. A basic difficulty is that buyers rarely know the identities or locations of all producers in their supply chain. Tracing the supply chain from independent mills to independent producers is especially challenging, in part because middlemen are unlikely to want to disclose their suppliers for fear of being bypassed. Relatedly, even if suppliers do not sell commodities grown in deforested areas to companies with deforestation-free commitments, the possibility that suppliers are deforesting outside the companies’ own supply chains presents reputational risks.

Despite these challenges, participants outlined the basic steps that are needed to apply deforestation-free to the community and smallholder domains. The first steps are to build a baseline of forest cover and then identify zones of high deforestation risk to focus efforts strategically so as to reduce the cost of enhancing commodity traceability. Next, companies must identify mills and third party suppliers in high risk supply sheds, as well as potential other deforestation actors, to understand which groups need to be engaged.

Once these stakeholders have been mapped, incentives need to be developed to bring them on board the deforestation-free agenda. The government might provide tax incentives to groups that refrain from deforesting, but the fact that many smallholders lack a tax number would limit the effectiveness of this approach. The government might also grant land titles to participating groups, but this could unintentionally cause individuals to clear more land in an effort to claim certificates for larger areas. The other downside to both of these approaches is that they require active government participation. Companies and communities can in many cases make voluntary arrangements without having to wait for government action. For example, companies could grant participating groups preferential treatment at their mills, faster processing, and advance payment. They could also invest in community development projects, provide extension services to improve land productivity, or subsidize inputs such as seedlings or fertilizer. Companies could also take a number of actions that would send a signal to communities and

smallholders that there is no market for products obtained from deforested areas. The final step in bringing communities and smallholders into deforestation-free supply chains is to develop means of monitoring and verifying the presence or absence of deforestation in the landscape or supply shed, especially in high-risk zones.

Certification schemes are often used to assure compliance with specified voluntary standards such as no deforestation. But certification can be prohibitively expensive for non-industrial actors, who may see it as providing little benefit if certified goods bear no price premium or if there are alternative buyers for non-certified goods. In the forest sector in particular, where numerous rules concerning production, transport, and consumption already drive up costs, added costs associated with certification could discourage investment and incentivize conversion by reducing the economic appeal of forest management. Participants suggested that more needs to be done to understand the needs of communities and smallholders, and that certification systems should offer standards that are tailored to these groups' circumstances and capacities. Companies should also support community and smallholder efforts to get certified, or alternatively, groups of individuals should join together to pursue certification.

Participants discussed the issue of certification standard proliferation. Some pointed out that proliferation is a natural phenomenon in the progression toward convergence, and that this is beneficial because it promotes innovation. The downside is that multiple standards generate market confusion and may undermine the more stringent standards by enabling actors to get away with meeting weaker versions. Most participants acknowledged that the time has now come to accelerate the convergence process, and that it is crucial that all relevant stakeholders be involved to ensure a robust end result that does not exclude good actors from supply chains. Rather than creating new certification schemes to verify deforestation-free commodities, producer groups should lobby to strengthen and harmonize existing schemes and for governments to align mandatory regulations with certification standards and create policy incentives for producers to attain certification. Smallholders in particular would benefit from a simplified system—one land use plan that they could either agree to or reject, rather than a host of confusing certification systems and accompanying acronyms like FPIC, RSPO, HCV and HCS. Investors would also benefit from being able to more easily compare performance across companies.

Participants highlighted several challenges with standard convergence. First, there will need to be an entry point for companies that are not yet onboard with deforestation-free. One or a few standards that are too difficult for these laggards to reach could further dissuade them from making deforestation-free commitments. Second, large companies that have economies of scale and smallholders that do not have very different needs, and require different approaches. Third, even if the standards themselves were perfect, assessments are largely subjective and assessors often fail to understand how to use the precautionary approach, delineate HCV areas, etc. Systems like the RSPO's use of the HCV Resource Network's assessor licensing system, with built-in peer review, should be further developed and expanded.

## Legacy Issues

When an historical deforester commits to go deforestation-free, the commitment will have little credibility unless it is complemented by actions to address the deforestation legacy. But there are several challenges. For example, how and by whom should cutoff dates be determined past which forest conversion must be remedied? What sorts of actions constitute a remedy, and how is appropriate compensation to be determined? Restoring a forest might not restore all of the values associated with the original forest, nor may it be the most cost-effective means of achieving conservation outcomes, and compensation for affected communities may be difficult to calculate—especially when the community has been displaced. One participant noted that the HCV tool can be used to inquire about the values that were lost, especially social values.

Participants argued that there cannot be a one-size-fits-all approach for compensation because of the variations in values that different people attribute to forests. But in the absence of a uniform compensation approach, the question arises as to who is authorized to determine whether compensation is ‘adequate.’ Even if compensation can be determined, how should responsibility be allocated in situations where one actor manages land acquired from a different actor that did the deforesting? Finally, what is the government’s role in enabling remedial actions, ensuring permanence, and preventing encroachment? Several participants suggested that companies should use their voluntary pledges as a springboard from which to advocate for government-mandated requirements that spread costs across their sectors.

Participants discussed two categories of values (which might trade off against each other) that remedial actions must address for a company to qualify as a deforestation-free producer: environmental and social. On the environmental side, the major question is whether the land that was cleared should be returned to a more natural state, or whether compensatory approaches can be taken offsite. Permanence is a challenge with either approach, as the experience with REDD+ has demonstrated. Participants suggested that sustained environmental protection will require a viable, long-term business model. Companies might contract communities to manage or protect areas designated for conservation. Alternatively, they could purchase non-timber forest products that communities extract from set-asides, or pay communities to reduce deforestation on their own land.

On the social side, an obvious remedy would be to return land that was taken from communities (subject to zoning and other government regulations). A question that arose was whether this land would have to be the same as that which was taken or whether compensatory land could be used. Another remedy would be to provide monetary compensation, in the form of either upfront cash payments or proceeds from the sale of commodities grown on the land now managed by the company. Similarly, in-kind compensation might involve permission for communities to use mechanical equipment or provision of technical support. It was pointed out that communities have a far stronger negotiating position when their rights are formally recognized, and that communities need strengthened capacity to negotiate.



The group in the forest at the second stop



Ben Gunneberg during the breakout session



Co-Chair Rod Taylor facilitates the breakout session



Emil Kleden speaking at the Sakai community

Meanwhile, companies need strengthened capacity to mediate conflicts with communities located in their concessions. There are hundreds of such conflicts in Riau alone, and mediation is not a typical activity for which agribusinesses develop capacity. Participants suggested that companies would benefit from a list of mediators that could be called on to assist. However, others cautioned that FPIC is not something that a company can simply hire a consultant to do—it is about trust-building and must infuse everything that companies do. The track record in Riau is not great, as many communities have yet to receive compensation for the land they lost while companies proceed with their operations in the meantime.

## Scaling Up Deforestation-Free

Participants acknowledged that the actions taken thus far to achieve deforestation-free objectives are a good start, but agreed that their scale is not sufficient. Scaling up is necessary on two fronts. First, other land-based industries beyond oil palm and pulp and paper need to be engaged to develop deforestation-free policies. At the same time, the international community needs to increase focus on local and regional banks. It was mentioned that while many international financial organizations have developed responsible investment tools regional and local banks, which do most of the business with agribusinesses, often lack the knowledge about and attention to social and environmental sustainability. Raising awareness with these financial institutions on the financial and other risks associated with investing in deforestation could be a priority. Second, voluntary corporate commitments need to be mainstreamed into mandatory regulation to force laggard companies to join the deforestation-free movement and to increase coherence among deforestation-free policies.

Ultimately, jurisdictional or landscape approaches may be needed, both to achieve action at scale and to enable coordinated land use planning that can prevent actions taken by some actors to combat deforestation from being undermined by others. The current supply chain by supply chain approach is unable to address the challenges of conflicting development plans or of encroachment on land set aside for conservation. However, several provinces, including those containing deforestation hotspots, have yet to complete spatial plans. Some participants suggested that the delay is because provincial governments want less land to be classified as forest so that they retain greater discretion to dole out agricultural concessions.

Participants proposed several ways that deforestation-free could be scaled up. The first is to learn from geographies where landscape-level management is already being attempted, and use successful examples as proof of concept that can feed into policy discussions. For example, in Sumatra's Leuser ecosystem, oil palm companies are mapping their supply chains and have committed to work with suppliers that are willing

to reform and cut off those that are not. Meanwhile, they are working with the Acehese government to identify alternative livelihoods to limit small-scale forest conversion and investigate the potential of direct payments to communities for guarding the forest. The mini One Map project that the World Resources Institute is developing presents a second avenue for scaling deforestation-free up by bring all stakeholders together in a particular region to coordinate their development efforts in a way that supports deforestation-free objectives. Third, deforestation-free efforts could be linked with activities associated with Reducing Emissions from Deforestation and forest Degradation (REDD). This might necessitate local pilot projects that could first demonstrate the viability of actions taken to meet deforestation-free commitments. Finally, the existing oil palm plantation permitting system could be adapted to achieve large-scale conservation by allowing communities to use the non-compensation portions of concession areas that companies are not permitted to develop in any event. A common thread among these suggestions was that landscape approaches should build onto existing legislation to increase their power and ensure that they are palatable to government officials.

Whatever combination of approaches is selected, participants stressed that increased resources will be needed as both support for smallholder intensification support management of land for conservation are expensive. Ecosystem Restoration Concessions, half a million hectares of which have already been licensed, could generate some income from non-timber forest products. Financiers could work with NGOs to develop conservation finance products that could be traded in international markets. Debt for nature swaps, such as that which the US employed as part of the Heart of Borneo project, could also be a viable mechanism for incentivizing forest conservation. More sustainable smallholder financing schemes are also required. For funds to be introduced to support deforestation-free efforts, robust accountability mechanisms should be established, and payments based on performance could be considered.

## KEY THEMES AND MESSAGES

**A number of key themes and messages emerged from the dialogue for both Indonesian and international stakeholders. Participants emphasized the following with respect to Indonesian stakeholders:**

- ➔ **Joint efforts across sectors and stakeholder groups are needed to effectively advocate for policy change with the Indonesian government.** IPOP provides a good forum for agreeing on messaging from the palm oil sector, but it should incorporate NGO and community voices and link to other sectors, including mining and pulp and paper. Advocacy should focus on convincing the government to align incentive mechanisms to encourage implementation of deforestation-free policies. The upcoming elections provide an especially good opportunity to encourage politicians to be champions of reform.
- ➔ **There is widespread agreement on the importance of one land use map for Indonesia and that the coarse-scaled map that is being developed now will not be sufficient.** The mini One Map

that is currently being pushed for Riau is a good idea and should be actively pursued, including by engaging with smallholders in doing participatory mapping at relatively small scales, and by incorporating company data.

- ➔ **Regulations are needed to implement the Constitutional Court's decision that recognizes customary land rights.** In the meantime, implementation of deforestation-free policies needs to move forward, but implementers need to be ready to adapt to these regulations when they come. Related messages concerning the social aspects of deforestation-free implementation include:
  - Corporate forest restoration and compensation pledges (e.g. under the RSPO for companies that have converted forestland after 2005, or those made by Indonesia's two largest pulp and paper producers) could be an avenue for returning control over land to communities, but there could be an environmental tradeoff since communities might not want to restore forests on this land.
  - There is potential to use different types of concessions that already exist to return land to communities or to reforest, but there is a debate about whether it would be best to use these existing concession categories or to develop new ones.
  - Overlapping land use permits and tenure disputes should be resolved via coordination among the relevant ministries and agencies. In addition, the capacity of local governments should be strengthened to assist with conflict resolution.

#### Concerning international stakeholders, dialogue participants stressed several points:

- ➔ **Deforestation-free implementation will not happen overnight.** It will require ongoing processes of community engagement and protected land management. As a result, resources are going to have to be mobilized in order for implementation capacity to match the scale of the deforestation-free pledges that have been made. Greater capacity will be needed on the parts of companies, communities, and government agencies to carry out mediation, HCV, and HCS assessments, as well as to support processes that enable communities to give or withhold free, prior, and informed consent.
- ➔ **Different approaches to achieving deforestation-free objectives will be needed for big producer companies and for smallholders.** Similarly, approaches will need to be tailored to local contexts, including by explaining—in culturally appropriate terms—what deforestation-free is all about.
- ➔ **Piecemeal company-by-company approaches to ending deforestation are suboptimal.** A jurisdictional or landscape approach may ultimately be necessary; to transition to such an approach, successful pilots are needed to show both governments and supply chain actors that such an approach can work.
- ➔ **The standards for a company to achieve deforestation-free status cannot be so high that laggard companies have no entry point and are thus completely excluded from responsible supply chains.** However, they cannot be let off the hook for historical deforestation either. Com-

panies with existing deforestation-free commitments must also make amends for deforestation for which they have been responsible. One or more schemes will be needed to enable companies to provide some sort of compensation for their deforestation legacies.

## NEXT STEPS

### Participants called for several concrete actions as next steps:

- ➔ **Share the discussion.** The key themes that emerged from the dialogue should be communicated to relevant representatives of the Government of Indonesia and other key players not present at the dialogue, including the Consumer Goods Forum and individual companies.
- ➔ **Various monitoring and validation tools should be harmonized.** Early proliferation among tools used in implementing deforestation-free policies helped drive innovation, and convergence is beginning to emerge in the form of a single traceability platform, an integrated assessment tool that would combine HCV, HCS, and FPIC methodologies, and the assessor licensing scheme that the HCV Resource Network is developing, which could be used by multiple commodity standards to achieve higher quality assessments. As prerequisite to this step, transparency of spatial data and other information relevant to the implementation of private sectors' sustainability pledges is a must to allow for a more open and accountable implementation monitoring. The time has come for similar convergence with respect to monitoring and validation tools.
- ➔ **Permanent process.** A more permanent multi-stakeholder process should be developed in Indonesia to enable more effective engagement between government officials and all other stakeholders. This would be a way to drive toward consensus on key definitions, and while a one-size-fits-all approach might not emerge, it should at least be possible to get clarity on why there is divergence. In addition, the multi-stakeholder process could provide an effective forum to discuss policies that need to be amended to support implementation of deforestation-free efforts. IBCSD and KADIN tentatively agreed to spearhead this effort.
- ➔ **Continued dialogue.** Dialogues should be continued in other geographies and should expand the focus to other deforestation drivers, including cultivation of other agricultural commodities, mining, and infrastructure development. They should also increase their focus on the financial aspects of deforestation-free and the benefits that could be generated for smallholders and communities. The TFD Secretariat will focus on these issues in developing future dialogues.
- ➔ **Definitional document.** A document detailing the meaning of 'deforestation-free' to different stakeholders should be developed. For example, deforestation-free pledges could be analyzed and pledge-makers could be interviewed to understand what they meant, in order to elucidate what 'deforestation-free' means to organizations that have committed to it. Such a document would be useful in future dialogues by clarifying for all participants what it is that is being discussed.

- ➔ **Create principles and guidelines.** A set of internationally applicable principles, guidelines, and best practices should be developed concerning the meaning of deforestation-free and preferred practice for pre-project assessment, addressing grievances, transparency, traceability, and what constitutes a proper deforestation-free pledge. These would be high-level principles that could be adapted to particular geographies. Guidance would differ for actors at different points along a supply chain.
- ➔ **Map the current landscape.** Ongoing landscape-level management initiatives should be mapped and analyzed to provide lessons for scaling deforestation-free efforts up.
- ➔ **An analysis of conservation finance instruments and opportunities should be developed** to capitalize on this rising buzz term in the finance community as people become increasingly interested in putting their money toward projects with positive environmental and social impacts. Efforts should be undertaken to determine how to properly package and present deforestation-free implementation to financiers in order to capitalize on opportunities for conservation finance, as well as for investments in smallholder intensification. Local and regional banks should be better engaged rather than overlooked in favor of international financial institutions.
- ➔ **An Indonesian entity should be chosen to carry forward the dialogue outputs** by picking through the learnings and determining next steps. IBCSD agreed to help convene interested organizations, and IDH offered to discuss the possibility of assisting.

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Akiva Fishman (The Forests Dialogue) provided the first draft and coordinated editing of this summary.

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