



The Forests Dialogue

TFD STEERING COMMITTEE 2007

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THE FORESTS DIALOGUE

Dialogue on Intensively Managed Planted Forests in Indonesia

5-8 March 2007 - Pekanbaru and Kerinci (Sumatra), Indonesia

Co-Chairs' Summary Report

Gerhard Dieterle, James Griffiths, Stewart Maginnis, Mubariq Ahmad

From 5 March to 8 March, The Forests Dialogue (TFD) convened 68 international leaders from the forest products industry, finance and investment sector, labor, the NGO community, academia, government, and local indigenous and rural communities in Riau province, Indonesia for site visits and dialogue on intensively managed planted forests (IMPF). The meeting was hosted by WWF Indonesia and the APRIL Group.

The event was a continuation of The Forest Dialogue's IMPF dialogue series, which began with a 2005 scoping dialogue in Gland, Switzerland and was followed by a site tour and dialogue in China in 2006. Summaries and presentations from both dialogues are available at www.theforestsdialogue.org/ifm.html.

IMPF and Indonesia: Background and Trends

In Indonesia, national rates of forest conversion and degradation are each estimated at 2 million ha per year. These rates have been facilitated by the dramatic expansion of oil palm and pulpwood plantations over the past decade and exacerbated by high levels of illegal logging. Indigenous people are being displaced from traditional lands as natural forests are harvested and converted to tree or other crops and as migrants from other regions settle on their lands. With 67% of Indonesia's forest land allocated to the private sector and 23% to conservation, very little remains for local communities, who receive little of the wealth generated from commercial utilization of the land.

Indonesia's pulp industry is the 9th largest in the world. Since the early 1990s, there has been a rapid expansion of pulp capacity, reaching 6.45 million Adt/yr in 2005, with 70% sourced from mixed tropical hardwoods. Riau province, where two of the world's largest pulp mills (owned by competing firms) were built in the mid-1990s, is one of the centers of the expansion of both wood fiber and oil palm crops. The province has one of the highest deforestation rates (6.8%) in the world (WWF report, 2006).

The majority of the wood for both mills still comes from natural forests (~100K+ ha/yr converted). Each has also had large plantation establishment programs since the 1990s and established ~250K ha of plantation acacias. Expansion is increasingly directed at peat swamp forest, and oil palm expansion is following a similar trajectory. Both oil palm and wood fiber plantation expansion are projected to continue, driven by market demand; eg, both Riau-based pulp companies have announced plans to scale up mill capacity by 50-100%. Each supports 3000+ migrant forest workers and spends \$US1 million daily on labor and services for forest and mill operations. Environmental and social impacts are of a corresponding scale.

Plantation concessions in Indonesia have been allocated to private and state companies by the government since the late 1980s. As of 2006, industrial timber concessions in Riau province ranged from 640,000 ha to 1.18 million ha. Establishment of timber plantations is a governmental priority, with 10 million ha currently allocated by the Ministry of Forestry and an additional 9 million ha slated for allocation to make up for the current fiber supply deficit. The government's policy to accelerate industrial plantation establishment will allow natural forest conversion until 2009, after which pulp mills are to rely exclusively on plantation fiber. Plantation certification in Indonesia is currently offered by the Indonesia Ecolabel Institute (LEI). At present it does not consider the state of natural forests prior to plantation development.

While the government's proposed expansion has the potential to offset the current supply-demand gap, it faces enormous technical and logistical challenges that could pose new risks to forests and communities. Local community groups have called for a moratorium on the proposed expansion, and the extension of concession lengths to 100 years has created additional tension.

The Program

The first two days were devoted to visiting fiber plantations (APRIL's Tesso and Pelalawan estates) and adjacent villages. Plantation tours introduced the group to industrial nursery management, conservation areas, and peatland operations, while discussions with villagers offered a community perspective on IMPF and land-use change. Visits to encroachment areas highlighted the large scale and pace of forest conversion in Riau province. The group received an overview of oil palm plantations by the Asian Agri Learning Institute and Forestry Vocational Training Center and also had brief tours of APRIL's mill in Kerinci and port facilities in Futong.

A full day of presentations from diverse stakeholders was followed by a half-day of dialogue. The meeting engaged sectors that had been historically underrepresented in prior dialogues, among them rural and indigenous communities and the finance and investment sector. Following the close of the dialogue, an additional session was held between the TFD Steering Committee and Indonesian NGOs and community leaders. The session's objective was to receive additional input that could further TFD's understanding of the implications of IMPF in Indonesia.

Parallels with China

As with the China meeting, the Indonesia site visits offered participants the chance to observe firsthand the opportunities and challenges of IMPF operations in the region of study. Past participants were able to evaluate the Indonesian example through the lens of conclusions that had emerged from the Gland and China dialogues. Field visits revealed that some of the principal drivers and dynamics of Chinese IMPF development were also fundamental to the Indonesian context:

- ➔ Marginalization of communities as a result of insecure land tenure and use rights;
- ➔ Scale as a determinant of choice;
- ➔ Social conflict as a result of inadequate governance;
- ➔ Corporate social responsibility as a means to address gaps in governance;
- ➔ Organization of labor force and contractual arrangements with local populations for raw material supply to mills.

The most fundamental issue in the IMPF regions visited to date has been land tenure and use rights. Governmental prioritization of development over the tenurial rights of local peoples has marginalized communities and led to insecure tenure and land access and increased poverty. Related to this is scale and freedom of choice.



Site visits revealed the vastly different production capacities between rural livelihoods and industrial pulp operations. In Indonesia, differences in scale have been exacerbated by a land reform policy that has extended the length of logging concessions to 100 years. Local capacity to make a living is further restricted by limited crop choice, which centers on forestry, oil palm and, to a lesser extent, rubber.



Moderator Peter Kanowski

As in China, companies in Indonesia operate in an environment where the inadequacy of the political and legal framework to ensure secure land tenure, rights, and sustainable environmental stewardship has resulted in great social conflict. Companies work within a context where the law is not always effectively implemented, corruption levels are widespread and endemic, traditional laws are ignored, and the rapid pace of deforestation is exacerbated by regulatory and governance gaps. Within this context, some companies have endeavored to address unmet social needs (via construction of schools and medical clinics, infrastructure etc.) and gone well beyond legal requirements in order to increase ecological sustainability of operations (via HCVF approaches).

The dialogue reinforced questions raised in China about the degree to which corporate social responsibility can and should be extended as well as its effectiveness when operating within a weak governance framework. While companies and communities in Indonesia support increased consensus and partnership, questions remain as to the terms of partnership (in particular for outgrower schemes) and the degree of choice granted to farmers. Distribution of partnership benefits also remains undefined.



Newly-emerging themes

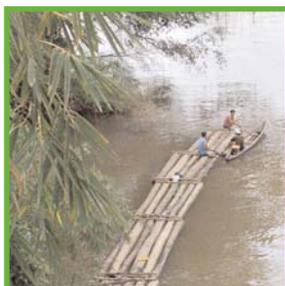
In addition to the issues previously encountered in China, several new aspects of IMPF management emerged on the Indonesia field tour:

- ➔ Conversion of natural forest, rather than promotion of plantations on previously deforested or degraded lands;
- ➔ Human-wildlife conflict (and potential wildlife extinction) due to loss of habitat of the Sumatran tiger and the Sumatran elephant;
- ➔ Use of HCVF as a tool to manage forest conversion;
- ➔ Mill capacity expansion ahead of sustainable fiber supply sources;
- ➔ High deployment of subcontracted labor;
- ➔ Land and livelihood competition between indigenous and migrant communities;
- ➔ Role of IMPF in climate change debate.



Rulita Wijayaningdyah

Whereas IMPF development in China occurred on a heavily modified landscape of former agricultural or plantation land, IMPF development in Indonesia is occurring at the expense of natural forest. Rapid deforestation of prime wildlife habitat has resulted in increased competition for resources and the migration of animals onto plantation, farm, and settlement areas. Liquidation of natural forest threatens critical forest environmental services (i.e. hydrology) and promotes risks related to carbon balance and climate that are exacerbated by Indonesia's place as the world's 3rd highest contributor of carbon. Peatland conversion and harvesting are seen as additional sources of carbon (0.6 billion t C/year) in addition to losses from deforestation (1.2 billion t C/year).



Within the Riau context, the designation of High Conservation Value Forests (HCVF) has emerged as a tool to potentially incorporate community needs and maintain landscape biodiversity. This has been coupled with significant company investment in human-wildlife conflict-mitigating mechanisms and hydrological research to better understand impacts and manage risks. Considerations of climate change have yet to be included in the HCVF approach.

High investment in mill construction has created an incentive to procure wood from all possible sources, and as a result, mill capacity in Indonesia has increased prior to the securing of a sustainable fiber supply. Pulp mill expansion has accelerated natural forest conversion. Development-focused government policies such as the recently-announced (December 2006) target to convert 9 million hectares of 'production forest' do not appear to have taken into consideration this sustainable supply deficit.

The high degree of deployment of subcontracted labor is another new aspect of IMPF management that emerged during the tour. Site visits revealed that the employment model in Indonesian pulp mills relies on nearly 80% subcontracted and outsourced labor. While recognized as an efficient way to run large-scale harvesting operations in countries with good governance frameworks, it was evident that in Indonesia such a structure reduces security and benefits and labor rights to workers and may be an obstacle to effective conflict resolution. Released workers from subcontracting companies are a major contributor to illegal logging as they often have no access to land and must rely on income from illegally harvested timber for survival.

Competition for land between indigenous and migrant peoples adds another layer of complexity to IMPF operations in Indonesia. Conflict between both groups originates from the government's migration and population redistribution program and is intensified by employment models (i.e. outsourcing) that favor a highly mobile and flexible workforce. Whereas migrants seek to make a living by any means available and are unlikely to remain in a place once short-term revenue options have been exhausted, traditional populations are more likely to seek stable livelihoods and a long-term relationship to the land.

The major contributing role played by IMPF in Indonesia's carbon emission balance and loss of unique biodiversity was another theme that emerged during the dialogue. It was suggested that IMPF in Indonesia contribute to climate change through the use of forests as raw material for pulp and paper production as well as through the negative carbon balance of IMPF management on peatland, which is estimated at 5-7 cm/year.

Way Forward

Proposed solutions to the challenges and opportunities outlined above were structured around three principal themes:

1. Private sector as a vehicle for sustainable development

As in China, the role of the private sector was reviewed for its potential to promote a more equitable distribution of benefits and sustainable livelihoods. It was suggested that distribution of benefits include both job creation as well as welfare improvement. Strengthening contract arrangements and the capacity of contractors may help to establish employment models that better protect worker's rights, increase security, and provide more direct avenues to resolve conflicts. In-sourcing was offered as a contracting model beneficial to both industry and contractors. It was suggested that best management practices be developed by companies to ensure labor rights and eliminate abuse, as well as recognize the rights of communities.

Participants also explored the role that a shift to smaller scales of operation could play in ensuring a more equitable distribution of benefits. Smaller-scale projects such as the International Finance Corporation's *Acacia mangium* furniture project and others relying on non-timber uses of wood could expand livelihood choices for



Co-Chair Mubariq Ahmad addressing community members

farmers and reduce pressure on natural forests. Other models identified as having the potential to expand choice included a Chinese model for industry licensing requiring prior process, a governmental safety net program to complement corporate social responsibility, and a South African land redistribution program that provides skills development programs for workers and shifts a significant percentage of company landholdings to communities.

It was suggested that transparency in private sector operations should extend beyond shareholders and investors to accountability at operations sites as well as to companies' risk profiles. Environmental risks should incorporate risk levels that are both immediate (site-specific) as well as global (i.e. the conservation of public goods such as climate and biodiversity).

2. Land tenure and use rights

As discussed in China, secure land tenure and use rights are of common cause to companies as well as local communities. The rapid pace of change in Indonesia and the absence of a functioning national political and legal framework make these issues of top concern to sustainable IMPF development. Company-community partnerships were again identified as a way to highlight important concerns to the government, involve communities in long-term planning efforts, and improve communication between government and communities.

Both companies and communities agreed on the need to develop a protocol for conflict resolution in Indonesia's IMPF sector. Such a protocol could address complex issues of land allocation and acquisition. International conventions were cited as examples of existing processes that acknowledge and incorporate local rights into planning and provide standards and benchmarks by which to measure progress. Participants proposed a review of international conflict resolution processes, and those with experience in this arena cited case studies and offered to make relevant resources available.

Other participants urged companies to take a proactive role in identifying community land claims and in upholding indigenous rights that may not be recognized locally. It was suggested that companies operating in Indonesia give communities full scope to identify their landholdings and work with the government. It was agreed to undertake a study of best practices of how companies have assumed their role as drivers of sustainable development, in particular in regards to addressing tenure and rights issues. Company interest in applying the principle of free, prior and informed consent demonstrated a shift in thinking beyond the traditional role of companies operating in areas of conflicting land claims.

It was generally acknowledged that the drivers of land competition with migrant communities were beyond the control of companies operating in the region and that a strong governmental policy response would be required to balance those external forces.

3. Forest conversion

Participants considered strategies to reduce the risk of forest conversion and ensure that continued mill expansion not come at the expense of natural forest. There was general support for a shift away from natural forests and an interest in ensuring that mill inputs were sustainably sourced. Achievement of the 2009 sustainability target and of on-the-ground assessments prior to land use allocation were suggested as critical steps before IMPF expansion and decisions in large-scale planning. Common cause between industry and the environmental NGO sector was identified regarding the government's proposed 9 million-hectare plantation expansion. Partnership opportunities are being explored.



Group in dialogue



Jouko Virta

Providing choice in land-use planning was identified as a way to reduce the impact of forest loss on communities. Specific strategies included species diversification, safeguarding provisions to ensure sustainable livelihoods and intersectoral land-use planning at the district, provincial and national levels. Communities requested that requirements for future land use include both government license as well as legitimate confirmation from indigenous people. Participants discussed the conflict between new IMPF and existing protected areas, citing a case from South Sumatra where a former protected area was converted into plantation on denuded peatland. A transboundary triple bottom line view was proposed, with mill input supplied from IMPF in other countries.

In assessing the role of IMPF in relation to natural forest, participants considered the potential for technology to resolve environmental challenges and protect community interests. The utility of High Conservation Value Forest approaches was considered, but concern voiced about its limitations to address ecological and social biodiversity on a landscape level. The pragmatic tradeoff between forest concessions, forest conservation and the forest conversion proposed to protect HCVF in this highly pressured landscape was discussed. The Brazilian "mosaic" approach to integrating IMPF and conserved natural forests areas within a given landscape was referenced as an appropriate development model for large scale pulp and paper production.

Avoided deforestation was also suggested as a strategy to mitigate climate risk and concerns related to carbon balance. The potential for harvested peatland soils to become carbon sources was identified as significant, as was the possibility that Indonesia's opportunity to become a leading biofuels producer could provide incentive for continued expansion of oil palm plantations. Alternately, Indonesia's potential to become a leader in climate change mitigation was also identified; one proposal suggested was a ban on conversion coupled with forestation of degraded lands (cleared before 1990). It was suggested that a shift on the part of industry towards dependence on community and smallholder-based pulpwood supplies established on non-forest lands could be beneficial, particularly given the current context of industry vulnerability to civil society criticism and the growing international pressure for Indonesia to take decisive action to slow deforestation. Payments to small farmers for 'avoided deforestation' could provide a financial incentive to transition from forest conversion to alternative forms of employment.

Next Steps for TFD

The Indonesia meeting marks the second of four regional dialogues projected to comprise the IMPF series. The remaining two dialogues are tentatively scheduled to take place in the U.S. Southeast in late 2007 and Brazil in early 2008 and to adhere to the same format of a field visit followed by dialogue.

It was agreed that prioritizing dialogue over presentations would enable participants to engage more deeply and focus on change and solutions. More directly linking field tour observations to the ongoing themes of the IMPF series was also recommended. It was suggested that lead time before meetings be longer in order to allow stakeholder groups time to select spokespersons to present on their behalf. Simultaneous translation could reduce time needed for presentations as well as facilitate fuller stakeholder participation and accurate recording of all views presented.

Further Reading and Information

Meeting summaries and materials from all the dialogues in TFD's IMPF series are available on our website. For more information about The Forests Dialogue, please see www.theforestdialogue.org or email info@theforestdialogue.org.



Togu Manurung



Andrew Ingles



In the field



Radaimon



Co-Chair James Griffiths

Acknowledgments

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