



# Tropical Forest Alliance 2020 Workshop on Promoting Sustainability and Productivity in the Palm Oil and Pulp & Paper Sectors

## *Summary Report*

On 27-28 June 2013 at the Shangri-La Hotel in Jakarta, Indonesia, the Tropical Forest Alliance 2020 (TFA 2020) conducted a workshop on promoting sustainability and productivity in the palm oil and pulp & paper sectors.

The workshop was organized by TFA 2020 in collaboration with the Government of the Republic of Indonesia. TFA 2020 is a public-private partnership of The Consumer Goods Forum (CGF), the Governments of the United States, the United Kingdom, Norway, and the Netherlands, and several leading non-governmental organizations with the goal of reducing tropical deforestation associated with the sourcing of key global commodities. Approximately 190 individuals representing international and Indonesian-based organizations were in attendance from producing and consuming countries, companies, governments and NGOs.

To access the workshop outcomes summary, agenda, participant list, session descriptions, terms of reference and speaker presentations, please visit the [TFA 2020 website](#).

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## **Goal and Objectives**

The goal of the workshop was to identify challenges and solutions related to removing deforestation and rights violations from the palm oil and pulp & paper value chains while increasing production.

The objectives of the workshop were as follows.

- Identify challenges and actions necessary to eliminate tropical deforestation from the value chains for palm oil and pulp & paper.
- Identify areas where different actors in the value chain can work together to create new solutions and opportunities.
- Attract new sources of finance that will help eliminate deforestation from company supply chains.

- Catalyze actions that will help countries both meet their goals for economic growth and development as well as forest conservation and greenhouse gas reduction, and guarantee the protection of human rights.
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## Workshop Overview

H. E. President Susilo Bambang Yudhoyono formally opened the workshop (as referenced below). Following the President, H. E. Kuntoro Mangkusubroto, Head of the President's Delivery Unit for Development Monitoring and Oversight (UPK4) and Chairman of the Indonesian REDD+ Task Force along with Paul Polman, Chief Executive Officer of Unilever and a representative of TFA 2020, provided introductory remarks, noting the importance of TFA 2020 in establishing new public-private partnerships and business to business opportunities focusing on reducing deforestation associated with commodity value chains.

Katharine Batten, Global Climate Change Coordinator, Government of the United States, USAID emphasized the United States' commitment to TFA 2020 and welcomed future partnerships and collaboration with the Republic of Indonesia and the CGF. Abdon Nababan, Secretary-General of Indigenous Peoples' Alliance of the Archipelago (AMAN), expressed his appreciation and strong support for the President's recognition of the recent Constitutional Court decision regarding indigenous rights. Shinta Kamdani, Vice Chairwoman for Environment, Climate Change and Sustainable Development of Kamar Dagang dan Industri (KADIN), communicated the strong commitment of KADIN to work with the members of the CGF and the government to establish and strengthen movement to greener economic growth and expressed support for the Indonesian Government's REDD+ policies. Participants also heard remarks from Central Kalimantan Governor Agustin Teras Narang, in which he described the current efforts under his leadership to, through legislative and regulatory changes, develop sustainable palm oil production and reduce deforestation.

Pavan Sukhdev, Founder and Chief Executive Officer, Green Initiatives for a Smart Tomorrow (GIST) Advisory provided the context for the Workshop and emphasized the critical importance of the private sector in addressing the global challenge of sustainability, and for the public sector to put in place the regulatory regimes that will allow it to take into account societal values such as carbon and biodiversity. For the remainder, and majority, of the time at the workshop participants took part in either topically focused plenary discussions or smaller working group sessions. The plenary discussions on the first day of the workshop focused on palm oil focused case studies with an overview of degraded lands, smallholder issues, new frontier countries, and High Carbon Stock areas and pulp & paper with an overview of the CGF Sourcing Guidelines, Asia Pulp and Paper case study, Sustainable Forest Mosaic case study, and multi-stakeholder approaches with the example of The Forests Dialogue. On day two, the plenary sessions focused on public finance and

public-private partnerships; public policies and governance issues; land use monitoring; and supply chain transparency and traceability.

Separate, simultaneous breakout group discussions to address specific topics and their associated challenges, opportunities and actions were also held over the course of two days. These topics for these discussions included the following.

1. Shifting palm production onto degraded lands
2. Minimizing impacts of palm oil development on tropical forests in Africa and Latin America
3. Increasing palm oil yields and market access for smallholders
4. Emerging small- and medium-scale producers of palm oil
5. Rights and conflict resolution
6. Sustainable sources of pulp and paper products.

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### **Day One: 27 June 2013**

#### **Pavan Sukhdev, Initiatives for a Sustainable Tomorrow Advisory**

Pavan Sukhdev presented on the economics of ecosystems and biodiversity, highlighting the hidden costs of externalities and the economics of public benefits resulting from environmental protection. Specifically, he used the conservation of Mangroves as an example of an environmental project which, if the externalities are accounted for, brings in more public revenue through services such as storm protection, fish habitat, etc. than all the private profits combined from the alternative activity, shrimp farming. According to Dr. Sukhdev, the global environmental costs of economic activity account for USD 1.25 trillion per year. He mentioned the old corporation paradigm that fails to take into account the planetary boundaries, and called for a shift in the corporate paradigm to one that accounts for environmental constraints.

Dr. Sukhdev pointed to ethics of accountability in advertising; replacing corporate taxes with resource taxes; introducing rules and limits to govern financial leverage; and measuring and disclosing of externalities as micro solutions to some of these issues, and highlighted the need for standards and guidelines to govern the accountability of externalities. He described the different models that have been devised to measure externalities, including the GIST 360 Assessments that consider reported value addition as well as human, social, and natural capital externalities. He ended his remarks with a video that encouraged corporations to shift into the responsible “Corporation 2020” paradigm.

The video can be viewed at this [link](#). Dr. Sukhdev’s presentation can be viewed at this [link](#).

## Welcome and Opening Remarks

### **H. E. President Susilo Bambang Yudhoyono, Government of the Republic of Indonesia**

President Yudhoyono opened the workshop by emphasizing the themes of partnership and shared responsibility, “Indeed, we all have responsibility. But we cannot do it alone. Therefore, in my view, partnership is critical. Governments, national and local; private sector; civil society groups need to join hands to prevent deforestation and promote reforestation.” He also made a commitment to an important role for the Indonesian Government, “Recently the Indonesian Constitutional Court has decided that customary forest, or hutan adat, is not part of the state forest zone. This decision marks an important step towards a full recognition of land and resources rights of adat community and forest-dependent communities. This will also enable Indonesia’s shift toward sustainable growth with equity in its forests and peatlands sector. I am personally committed to initiating a process that registers and recognizes the collective ownership of adat territories in Indonesia. This is a critical first-step in the implementation process of the Constitutional Court’s decision.”

The President summarized further transformative measures being planned or implemented by the government to reduce forest and peatlands emissions (REDD+), including the recent two-year extension of the moratorium on new concessions in primary forest and peatlands, the One Map Initiative to rationalize the licensing process, the need to free up millions of hectares of degraded lands for new development, recent Memorandum of Understandings with provinces of districts to review concessions and resolve overlaps, and, critically, his decision to soon establish an independent REDD+ Agency equipped with robust independent monitoring and reporting of forest emissions and an internationally credible funding instrument. The REDD+ Agency will report to the President and be responsible of delivering Indonesia’s ambitious goal to reduce emissions by 26-41 percent compared to business-as-usual by 2020.

### **H. E. Kuntoro Mangkusubroto, President’s Delivery Unit for Development Monitoring and Oversight and Indonesian REDD+ Task Force**

H.E. Kuntoro Mangkusubroto thanked President Yudhoyono for his willingness to provide opening remarks to the workshop. H.E. Kuntoro stated the responsibility given to him to as a lead of the REDD+ Task Force to design the intuitional framework for implementation following Indonesia’s pledge to reduce carbon emissions. He pointed out that the forest and peat sectors are targeted to contribute to 87 percent of Indonesia’s total emission reductions and praised the TFA 2020 workshop as a significant opportunity to convene representatives from the government, businesses, civil society and indigenous communities; emphasized that it was the responsibility of everyone to reduce deforestation; commended the participation of people from all over the world; and recognized Indonesia as the perfect place to begin the momentum for sustainable supply chains. He specifically commented on the representation from different sectors within Indonesia, including the Chamber of Commerce and NGOs, and ended his remarks by

thanking the organizers, the President, and TFA 2020 participants for being a part of the journey to promote productivity and sustainability.

### **Paul Polman, Unilever and TFA 2020 Representative**

Paul Polman expressed his gratitude to President Yudhoyono for inviting him to the workshop and noted that the Indonesian involvement demonstrated its commitment to reduce deforestation. Mr. Polman praised TFA 2020 for bringing together a remarkable group of representatives from the government, private and the civil society sectors, and suggested that if this group was not able to address deforestation in supply chains, no other group would be able to.

For each of the major stakeholders, Mr. Polman suggested specific objectives. For national and local governments, this meant providing a regulatory framework that would enable the producers to fulfill sustainable objectives; for consumer country governments, providing technological, financial and policy support to producing nations; and for financial institutions, targeting funds to forest conservation and ensuring that investments in sectors such as mining, energy, etc. did not result in the destruction of forests.

Mr. Polman emphasized the need for partnership to work toward a common good. He mentioned the importance of balancing development needs of countries with environmental conservation and highlighted the need for TFA 2020 to be pragmatic about its objectives. He reiterated the noteworthy commitments already made by the Government of Norway and companies such as Cargill, and asked for TFA 2020 to look for big ideas, opportunities for partnerships and funding, and novel solutions, rather than mere proposals and pilots.

### **Katharine Batten, Government of the United States, USAID**

Katharine Batten, Global Climate Change Coordinator for the United States Government, announced the United States government's interest in joining the CGF with goals of spurring growth while protecting the environment. She mentioned United States President Obama's climate change plan, which specifically recognizes TFA 2020 as a key initiative, and described the United States government's involvement around the world to improve sustainable supply chain initiatives; share best practices for conservation; promote the use of degraded lands; provide expertise and knowledge to developing countries; and improve monitoring of deforestation and degradation.

Dr. Batten highlighted the many benefits that protecting forests provide, and emphasized the interrelationship of social and economic issues with environmental ones. She noted the importance of partnership among key governments, private sector and civil society to address problems of deforestation on supply chains, and hoped for the TFA 2020 workshop to: foster a better technical understanding of actions necessary for reducing deforestation from the palm oil and pulp & paper sectors; shed light on economic, technological and other progress that has been made to reduce deforestation; and constructively allow industries, civil society and governments to work together.

**Abdon Nababan, Indigenous Peoples' Alliance of the Archipelago (AMAN)**

Abdon Nababan, Secretary General, AMAN, mentioned the continuation of clearing out forest for palm oil and paper & pulp plantation, despite commitments from political, industrial and financial leaders to stop the practice. He expressed dismay over the still high rates of corruption and crimes involving the forests and hoped that the One Map Initiative would be effective in curbing some of those numbers.

Mr. Nababan had concerns over the reporting of different deforestation rates by multiple agencies; turning lands into plantation areas in direct violation of indigenous rights; and the growing focus towards forest-based production. He praised Indonesia's Constitutional Court decision of 15 May 2013, granting forests rights to indigenous communities as a landmark victory for indigenous people and referred to it as the end of the colonization era for indigenous communities.

Mr. Nababan expressed AMAN's willingness to have an open and committed dialogue to figure out ways in which forests can be used in sustainable and mutually beneficial ways, and called for the notion of public private partnership to be broadened to include public, private and community partnership. He hoped Indonesia could become the "leading light" on tackling climate change issues and acting as a leading model for the world.

**Shinta Kamdani, Indonesian Chamber of Commerce and Industry (KADIN)**

Shinta Kamdani, Vice Chair Woman for Environment, Climate Change and Sustainable Development, expressed support of the presidential pledge to save the Indonesian forests on behalf of KADIN. As a growing economy and one of the largest retailers of palm oil, Ms. Kamdani acknowledged that the Indonesian companies will need to work with partners throughout the world to understand the complexity surrounding issues of deforestation associated with palm oil production and coordinate with each other to take appropriate actions. She indicated KADIN was ready to work with its partners on developing land use concessions clarifications through the One Map Initiative; creating incentives for the protection of High Carbon Stock areas; disseminating values to smallholders; and developing financial opportunities for REDD+ projects.

Ms. Kamdani promised KADIN would endeavor to engage companies in effective mechanisms to ensure the protection of precious resources through the facilitation and consolidation of land use maps and equitable distribution of profits, and it would aim to share best practices to improve industry standards and establish a valid track record for creating positive value.

**Plenary A: Palm Oil Focused Case Studies****Degraded Lands****Fred Stolle, World Resources Institute (WRI)**

Dr. Fred Stolle laid out some of the issues associated with degraded lands. Despite seeming

like a straight-forward concept, he mentioned the difficulty and complexity of defining degraded lands. Dr. Stolle pointed to the economic opportunities offered by the palm oil industry, including mass employment and USD 20 billion dollars in annual revenue. According to him, although companies have the willingness to switch to palm oil production in degraded lands, the vague definitions of degraded lands; their availability; and the associated costs of transition make the shift difficult.

Dr. Stolle then pointed out how WRI has been defining degraded lands and highlighted its study which found out that nine million hectares of degraded lands, enough for the next decade of palm oil expansion, is available. However, a majority of these lands are located in forest estates where expansion is prohibited. He regarded socialization with communities and their consent as vital for facilitating the development of oil palm plantations in degraded lands.

Dr. Stolle's presentation can be viewed at this [link](#).

### **Gan Lian Tiong, Musim Mas**

Dr. Gan Lian Tiong introduced Musim Mas, a family run business that has undertaken noteworthy practices to achieve sustainable production of palm oil. Musim Mas is engaged with markets and stakeholders committed to sustainability; has invested over USD 35 million to cut emissions; and is the first of smallholders to be certified by the International Sustainability and Carbon and by the Roundtable on Sustainable Palm Oil (RSPO). It also works with communities to generate agreements; has a no-peat policy; and conducts public consultations and stakeholders engagement to modify its management plans based on the feedback it receives.

### **Smallholder Issues**

#### **Daniel Hazman, IDH Sustainable Trade Initiative**

Daniel Hazman reiterated President Yudhoyono's stance that economic growth and deforestation not be mutually exclusive, and noted that smallholders are critical to the deforestation debate. There are two million smallholder farmers in Indonesia who control 35 percent of cultivable land yet only contribute to 30 percent of total output. He emphasized that it would be possible to protect forests and double smallholders' output with the right monitoring.

He proposed the idea of Supplysheds: clusters of mills working together in partnership to include smallholders in their supply chain and mentioned innovations that could allow farmers to access finance for replanting and replacement. He also mentioned how such an approach would be especially viable to banks by allowing for risk sharing and partnerships.

Mr. Hazman mentioned the need to have stakeholders on board and laid out the plans for implementation. Specifically, his plan calls for the engagement of 250,000 small holders

across three provinces (Sumatra, Central Kalimantan, and Riau) in rehabilitation: gap trading and maximizing yields; replacement: taking bad trees out from bad seeds; and replanting (i.e., putting new trees in for old ones).

According to Mr. Hazman, in seven years' time, palm oil yields could be increased 66 percent, and he laid out the two business models IDH has been exploring: 1) Farmer Development Center of regional hubs; and 2) The Outgrower Model where the mills provide training and have one-to-one contract with the smallholders. He ended his presentation describing the benefits of the program, and called for the Republic of Indonesia, producers, purchasers, banks, donors and NGOs to work together in partnership to address regulatory hurdles to start Supplysheds.

IDH's smallholder presentation can be viewed at this [link](#).

### **Cherie Tan, Unilever**

Cherie Tan explained the large derivatives of Unilever as a reason for its large footprint, and mentioned Unilever's commitment to source 50 percent of its raw materials by 2015; this has already been achieved in green palm certificates. She highlighted the commitments Unilever has already made such as investments in fractionated certified kernels, and expressed the company's desire to look into catchment areas; work with key suppliers to understand challenges on the ground; incorporate smallholders; and reduce deforestation to collectively come together for finding solutions.

### **Asmar Arsjad Apkasindo, Indonesia Association of Palm Oil**

Asmar Arsjad Apkasindo, a smallholder palm oil farmer, mentioned there were 3.7 million hectares in smallholder lands and expressed his concerns with the idea of increasing productivity. Specifically, Mr. Apkasindo stated that community palm oil was already old and the current seeds were without certificates; there were problems with performance; and because the smallholders do not have certified lands, they are not able to use their lands as collateral with banks. According to Mr. Apkasindo, since smallholders lack mills, they usually have to go through big companies, and there are several companies with no plantations. He wanted participants to be mindful of these issues if they wished to work with the smallholders and assured that the smallholders would be supportive of such initiatives.

## **New Frontier Countries**

### **Mohamad Helmy Othman Basha, Sime Darby**

Mohamad Helmy Othman Basha explained Sime Darby's plans for oil palm and rubber development. According to Mr. Basha, Sime Darby has managed to develop 7,000 hectares of plantations from new and old areas. Hundreds of public consultation meetings are held before the plantation developments, allowing the communities to decide if they want their lands developed. The Environmental and Social Impact Assessment and the Free, Prior and Informed Consent processes are upheld and Sime Darby has established sustainable

partnership initiative in which it is looking to give household the power to implement and amend buffer zones. The wages paid by Sime Darby, at USD 5.50 per day, are the highest to date.

Mr. Basha also mentioned some of the lessons learned from past activities. For instance, developing plantations too close to the communities was a mistake because it increased the buffer zone. The population boom following the establishment of plantations impacted the area as well as its social infrastructure. He ended his presentation by expressing the company's seriousness to work with NGOs and expressed that without agricultural development in new frontier countries such as Liberia, unemployment could remain high.

Mr. Basha's presentation can be viewed at this [link](#).

### **Silas Siakor, Sustainable Development Institute**

Silas Siakor expressed his concern that when companies are located in areas with weak governance, they either have a limited understanding of the local government or they deliberately exploit the situation. He mentioned the ongoing struggle following the 2005-2009 war in Liberia and the challenges they have faced in incorporating social justice and environmental impacts to ensure maximum benefits. There are cases of contracts being awarded in violation of laws and without regard to proper measures for competitive bidding. The public consultation has not yet become a part of the contracts process and the mapping process is amiss. According to Mr. Siakor, there is a need to talk about challenges arising from the inability of companies to follow rules, many of which do not honor the specific requirements of the contracts in place for community development provisions. In several occasions, the money allocated for such provisions often go into funds that get spent elsewhere. He mentioned the need to go back to the drawing board to discuss these issues, if they are to be resolved, and pointed to poor governance as being the core of the problem.

### **Marcus Colchester, Forest Peoples Program**

Marcus Colchester praised President Yudhoyono as well as Mr. Nababan for mentioning the need to recognize community rights. He reviewed the current situation with ongoing disputes, many of which are brought to courts, and talked about aspects of the law that could be improved. According to Dr. Colchester, many concessions have been given out without recognizing communities' rights and he emphasized the need to pay more attention to consultations with communities; and following the High Carbon Value and RSPO procedures. The communities are seeking to improve their livelihoods and many are worried that they are being asked to trade in land for an uncertain future. According to him, upon examining the situation in Indonesia and Malaysia, the central operations are aware of the RSPO requirements but the field teams lack the capacity to deal with it. He mentioned that while some progress has been made, there are some issues that all actors in Liberia need to consider for a more procedural reform.

Dr. Colchester's presentation can be viewed at this [link](#).

**Pavithra Ramani, Proforest Initiative**

Pavithra Ramani represented the Proforest Initiative, a smallholder REDD+ program that is working to improve livelihoods while increasing food security. According to Ms. Ramani, the Proforest Initiative views the private sector as a major agent of change and has been promoting dialogues and looking for shared solutions among various stakeholders. Palm oil development is set to rapidly increase in Liberia and despite the growing emphasis on smallholder producers, there is limited experience in terms of smallholder development in the area. Ms. Ramani highlighted the need to reconcile the tenure systems, livelihoods, and different schemes and cooperatives through sustainable livelihood smallholder development. According to her, the models that have been successful in the rest of the world might not be practical for Liberia and mentioned factors such as landscape level mapping; recognition of customary rights; consolidated ministry maps; and access to financial institutions as being essential for an effective solution. She ended the presentation by emphasizing that smallholder development is the only way to achieve rural development.

**High Carbon Stock Areas****Daud Dharsono, Golden Agri-Resources**

Daud Dharsono presented Golden Agri-Resources' (GAR's) Forest Conservation Policy developed in collaboration with The Forest Trust to ensure that GAR has no deforestation footprint. Various stakeholders, including Greenpeace, have provided inputs to this process. The Forest Conservation Policy focuses on preventing expansion into peats, High Carbon Value (HCV) areas, and HCS forests; requiring free, prior, and informed consent; and complying with relevant laws and international certification schemes. GAR has been working on a collaborative, multi-stakeholder process with communities to value and protect HCS lands; with industries to support and adapt HCS policies; and with the government to encourage implementation of policies to protect HCS land and implement land swaps. According to Mr. Dharsono, to be successful, all stakeholders need to identify lands that contain HCS areas, develop and enable legal framework for HCS conservation, and implement measures to conserve HCS.

Mr. Dharsono's presentation can be viewed at this [link](#).

**Dejan Lewis, The Forest Trust**

Dejan Lewis noted that while the identification of HCS forest is easier, its conservation tends to be much complex. He explained the steps such as stratifying satellite image; socializing with the communities; locating sample plot; measuring and collecting data; and estimating carbon stocks of each stratum involved in the process of identifying and conserving HCS areas. Mr. Lewis also highlighted the various considerations one has to make for HCS forest conservation, including identifying potential areas for conservation using patch size, path connectivity, and risk assessment as parameters; making operational considerations such as identifying its impacts on oil palm plantation design and management; social considerations involving free, prior, and informed consent, non-timber

forest products training and joint management of forest blocks; and legal considerations relating to whether or not forests can be conserved under the legal aspects of rights to cultivate .

In terms of lessons learned, Mr. Lewis mentioned that while it seems daunting, it is achievable and the process to achieve it is getting faster. The Forest Trust uses a tool that is evolving and proving to be robust enough to deliver against no-deforestation commitments. He also touched upon new tools that can support and improve identification and monitoring, including remote sensing technologies such as LIDAR and the Global Forest Watch 2.0.

Mr. Lewis' presentation can be viewed at this [link](#).

### **Bustar Maitar, Greenpeace**

According to Bustar Maitar, aggressive efforts are needed to break the link between palm oil and deforestation. While RSPO is a step in the right direction, it does not prevent the conversion of forests and does not protect all peat lands. Mr. Maitar then described Indonesia's forest moratorium as a positive step, although it only covers new permits and primary forest. According to Mr. Maitar, the moratorium helps the industry to expand business without the risks of contributing to deforestation. He highlighted the need for urgent action from individual producers and consumers to ensure no deforestation occurs in their supply chains, and emphasized the importance of discouraging development on peat and HCV forests; obtaining free, prior, and informed consent; complying with all relevant laws and international certification principles and criteria; and guaranteeing no development on HCS forests. Mr. Maitar ended his presentation by mentioning that it is possible to keep a viable business with a no deforestation commitment, while operating in a socially responsible manner.

Mr. Maitar's presentation can be viewed at this [link](#).

## **Plenary B – Palm, Pulp & Paper**

### **The Consumer Goods Forum Sourcing Guidelines**

**Richard Donovan, Rainforest Alliance; Jonathan Horrell, Mondelez International; Gail Klintworth, Unilever; Skip Krasny, Kimberly-Clark; Sabine Ritter, The Consumer Goods Forum; and Rod Taylor, World Wildlife Fund**

Gail Klintworth of Unilever, who also serves as the co-chair of the CGF steering committee, spoke about the CGF Sourcing Guidelines aimed at reducing and eliminating deforestation in supply chains. The Guidelines were developed in support of the CGF resolution to help achieve zero net deforestation by 2020 and are intended to assist companies in the development of their own policies for sourcing pulp, paper and packaging. The Guidelines were developed by a working group of CGF companies who benchmarked company sourcing practices, considered public procurement practices, engaged with certification

organizations, and engaged several NGOs and suppliers for their input and feedback on draft versions of the Guidelines. The Guidelines is hoped to serve as a helpful tool that will continue to be informed as the pulp, paper and packaging landscape evolves.

The CGF's presentation can be viewed at this [link](#). The letter introducing the Sourcing Guidelines can be viewed at this [link](#).

## Asia Pulp & Paper Case Study

### **Aida Greenbury, Asia Pulp & Paper (APP)**

Aida Greenbury described APP's rewarding yet difficult task of reaching zero deforestation despite being the largest palm and paper producer. According to Ms. Greenbury, having the luxury to directly engage the contractors to make change on the ground, as well as the cooperation from NGOs, including Greenpeace, was integral to help APP reach that point. Founded in 1970, APP markets products to over 120 countries throughout the world. After receiving accusations that it was not being considerate of forests, APP implemented a sustainability policy with the intention of accelerating implementation of zero deforestation. Since 2013, APP has launched the Forest Conservation Policy with goals of social and community engagement and responsible forest management. Other developments that APP has embraced include monitoring systems to ensure transparency, compliance with HCV and HCS protocols, and interactive systems for receiving people's feedback.

Regarding peat areas, APP has experts integrated in the HCV process. It is adding pit experts in its assessment, and holding stakeholders' assessments as needed. APP has also conducted focused discussions throughout Indonesia and is inviting all NGOs in the regions to discuss protocols improvements. It has implemented a grievance procedure to ensure issues are understood and addressed quickly and has an independent verification team to verify and brainstorm with NGOs to identify solutions. Some other procedural considerations that APP makes include social and community engagement through free, prior, and informed consent; application of collaborative conflict management approaches; and ensuring the coursing of wood fiber supports responsible investment.

APP faces several challenges, including scale and reaching across concessions with its roughly three million hectares; making sure APP's commitments are absolute, and that they are communicated with all stakeholders; ensuring stakeholders are aware of any changes on the ground; and mapping and assessing risks.

According to Ms. Greenbury, APP will need the support of private sector, governments and other companies to overcome its challenges and CGF could serve as a forum for allowing this to happen. She ended her presentation by highlighting the importance of market pressure to encourage all players to commit to zero deforestation.

Ms. Greenbury's presentation can be viewed at this [link](#).

## Sustainable Forests Mosaic Case Study

### **Skip Krasny, Kimberly-Clark**

Skip Krasny introduced the Sustainable Forest Mosaics Initiative, a joint effort between the Kimberly-Clark and the Center for Environmental Leadership in Business. The initiative aims to develop new and common guidelines for monitoring biodiversity, forest restoration, establishment, and management of natural private reserves and control of invasive species, as well as for disseminating results and replicating it to other sectors. He used the example of Central Atlantic Forest Biodiversity Corridor where three large pulp & paper companies operating in the region could be affecting 50 percent of its biodiversity, and mentioned their process for creating mandatory and voluntary designated private reserves to protect the area. Dr. Krasny highlighted the factors that are necessary to take into consideration when designing the forest management mosaics, including involving relevant local players (public and private sectors and the local community representatives); focusing on regional landscape rather than individual activities; allocating time at the beginning to identify which issues are the focus of the implementation; and ensuring the program is anchored in the best available science.

Dr. Krasny's presentation can be viewed at this [link](#).

## Multi-Stakeholder Approaches: The Forests Dialogue (TFD) Experience

### **James Griffiths, World Business Council for Sustainable Development and Rod Taylor, World Wildlife Fund**

James Griffiths and Rod Taylor presented the benefits of using multi-stakeholder processes to reduce conflict and address deforestation in the forest sector. They believe that multi-stakeholder consultations on natural capital can improve decision-making for long-term management, use, and benefit sharing by involving diverse perspectives and expertise; building trust; and supporting collaborative approaches. They highlighted TFD's purpose and mission of better managed forests and improved livelihoods, and stated some of TFD's focus areas for 2000-2013, including sustainable management via forest certification; fighting illegal logging; forests for livelihood program; role of forests in the prospects of REDD+; and implementing free, prior, and informed consent. TFD implements a phased approach for conducting multi-stakeholder dialogues, which includes an engagement phase: identifying issues, building trust and sharing information; exploration phase: seeking consensus about challenges and opportunities; and a change phase: promoting and facilitating actions that lead to solutions, with impact in policy and on the ground. The TFD-led dialogues have helped build trust and created a network and resources for leaders; provided a credible neutral platform for all stakeholders; served as a catalyst for partnerships; promoted policy leadership; pushed for behavior change; developed a large body of information; and facilitated legacy impacts.

According to the presenters, the widening gap between raw materials and supply; complex and costly administration; and lack of access to financial tools are some of the challenges.

As a way forward, they suggested creating links to buyers; creating transparency for all parties; enabling investments as a precursor to asset investment; using credit unions to assist with cash flows; persuading policymakers to support investing in locally controlled forestry ; and clarifying expectations for communities and investors.

TFD's presentation can be viewed at this [link](#).

### **Agustin Teras Narang, Governor of Central Kalimantan**

Governor Narang mentioned the possibility of achieving economic benefits of palm oil without encroaching or causing environmental harm. However, he brought up the challenges associated with this, including discrepancies between central and provincial government's land use plans; classification of forests as non-forests; and weak registration monitoring systems for plantations.

Governor Narang highlighted the need for effective monitoring system to identify and prosecute wrong-doers, and mentioned the various factors that hinder transition towards sustainable production of commodities. The Governor believes that insufficient positive incentives; inadequate supply chain infrastructure; low productivity of stallholders; inadequate access to affordable financing; and high cost of certification are responsible for making the transition to sustainable production difficult. The Governor then reported some of the provincial initiatives that Central Kalimantan has undertaken, including environmental management regulations; development of community plantations (i.e., regulations require companies have at least 20 percent partnerships with the local community); strong emphasis on the rights of indigenous communities; and issuing new permits in degraded lands only.

The government of Central Kalimantan has implemented online monitoring system to inform and monitor forest compliance and has begun swapping non-forest areas classified as forest zones that lack forest cover; exercising the ability to revoke rights for companies that do not comply; requiring companies to develop partnerships with the local communities; and ensuring responsible companies have access to finance, market and infrastructure.

The Governor ended his presentation by citing the 58 percent reduction of deforestation rates in Central Kalimantan from 2009-2001 compared to 2006 levels.

Governor Narang's presentation can be viewed at this [link](#).

## Day Two: 28 June 2013

### Public Finance and Public Private Plenary

#### **Ambassador Stig Traavik, Government of Norway (Royal Norwegian Embassy in Jakarta)**

Ambassador Traavik highlighted the need for partnerships between the private sector, government and civil society, and praised TFA 2020 for facilitating those partnerships. He iterated Norway's commitment to financing activities for mitigating climate change in general and to creating global mechanisms to defer it. Norway supports civil society and government throughout the world and has a large scale partnership with the Governments of Brazil, Indonesia and Guyana. He specifically highlighted Norway's partnership with Indonesia and the focus on provinces such as Central Kalimantan where the governments have been working bilaterally to create tighter institutions. The Ambassador emphasized the financial benefits Indonesia would be eligible for if the provisions of the bilateral agreement were fulfilled and ended his note by clarifying that all mechanisms and Norwegian initiatives were relevant and open to public-private cooperation.

The Ambassador also made remarks about the Government Pension Fund of Norway. Specifically, he clarified that the Pension Fund, the largest sovereign wealth fund, is not a foreign policy instrument. The Fund is instructed to not invest in areas with likely negative societal consequences such as weapons, tobacco, etc., and has been recently encouraged to look for green investment opportunities

Ambassador Traavik identified coordination between different actors toward one goal, transparency, and patience as key elements for achieving sustainable finance.

#### **Katharine Batten, Government of the United States, U.S. Agency for International Development (USAID)**

Katharine Batten highlighted USAID's goal of enhancing low-level economic development, and praised the conversations that had taken place so far. She mentioned the various efforts that USAID has taken in fields such as energy and adaptation to climate change, as well as its work with the private sector. Dr. Batten specifically mentioned that USAID's work with the private sector did not relate to subsidies, but rather, included supplementary packages to help businesses increase supply chain liability, access to market, productivity, access to talents, and improve relations and mitigate key business risks. She does not think that public finance alone would be enough for achieving transformational change and partnerships are equally necessary.

Dr. Batten also talked about the Global Development Alliance (GDA), which aims to combine the energy and resources of partners to deepen development impact through aligned private capital. The GDA model requires that for every dollar USAID invests, one dollar is assigned to the private sector, regardless of whether it is cash or in-kind donations.

Dr. Batten identified the need for transparency and the availability of information to facilitate a robust conversation about standards for establishing investments to achieve sustainable finance.

**Ernest Bethe, International Finance Corporation (IFC)**

Ernest Bethe clarified that the IFC is not a donor, but rather an investor in landing, risk sharing and equities. He reported that the IFC's palm oil fieldwork focuses on benefit sharing, with special attention on developing governance standards. He mentioned the IFC's work through the Forest Investment Program where it is developing forest bonds to invest in deforestation free pulp, paper and palm oil industries. Mr. Bethe said the IFC's work with developing banks was based on the integrity of the companies. For the IFC to serve the banks, they need an assurance from companies. There are a number of companies that are not interested in meeting IFC's standards and thus end up looking for assistance elsewhere.

Regarding the IFC's work with smallholders, Mr. Bethe talked about its effort through advisory services and through banks to lend money to smallholders.

Mr. Bethe indicated that key issues to resolve to drive more sustainable investments from a financial perspective include getting banks to adopt equal standards and encouraging the direct invitees to embrace performance standards; and incentivizing banks to change their business model and seek opportunities in developing countries. He also expressed the need to keep strategies and plans in line with the rapid rate of change occurring throughout the world in developing countries.

**Andrea Kutter, The World Bank**

Andrea Kutter mentioned the World Bank's Forest Investments Program (FIP) that focuses on REDD+ as one of the mechanisms for addressing drivers of deforestation. According to Ms. Kutter, the program, funded in large part by financing from the Governments of Norway and the United States, is currently operating in eight countries to try to address the issue of deforestation and degradation. The financing provides large scale investments in public and private sector activities. Its work is carried out with financial intermediaries and the program has now created a financing window specifically for the private sector.

Ms. Kutter noted the challenges facing FIP, including having to work across eight different countries with variable public sector challenges; creating capacities in countries; finding healthy public private partnerships by understanding each other's issues; and bringing different interest groups together to have a common dialogue on. Ms. Kutter identified partnerships between public and private sector as the biggest challenge that that needed to be overcome for sustainable finance.

**Gusmardi Bustami, Ministry of Trade, Government of Indonesia**

Gusmardi Bustami, Director General of National Export Development for the Indonesian Ministry of Trade expressed that getting frameworks for sustainability was an emphasis in

the past and that real focus was needed in shifting from frameworks to systems of traceability.

### Follow-Up Discussions

Dr. Batten presented some examples of ways in which USAID has worked to have the “rubber meet the road.” Specifically, she mentioned the strategic approaches that USAID is involved in, including the creation of Forest Carbon Asia for engaging in sustainable palm and paper in Indonesia.

Ambassador Traavik highlighted the need for legal certainty as well as traceability, both of which he regarded as important building blocks for scaling-up positive incentives. He also emphasized the importance of enforcement, including increased risks for those who break laws and labels.

Andrea Kutter brought up the example of Mexico where the government is opening up credit line for REDD+ activities, combined with public sector investments. According to Ms. Kutter, the government provides capacity building and extension services to advise smallholders and local communities, placing high emphasis on access to smallholder finance.

Gusmari Bustami mentioned that what the companies needed are business-as-usual scenarios, and he asked if finance could be used to change equities.

Ernest Bethe responded by saying the IFC was working to make the standards more broadly applicable and identify risks for the supply chain.

Gusmari Bustami wondered if the Norwegian Pension Fund investments could be brought to this type of innovative structure. In response, Ambassador Traavik highlighted the issue of timeframes associated with pensions. Ambassador Traavik said that with a one-hundred year investment horizon, short term trends are irrelevant. However, he did mention the emerging trend across companies to move toward investments in a longer time scale.

In response to Mr. Bustami’s question about how we align incentives throughout the supply chain by using finance, Dr. Batten brought up the point that the private sector partners would have a much better sense on how to achieve that. She mentioned TFA 2020 as a venue for identifying such opportunities with the private sector.

Andreas Dahl-Jørgensen of Climate Advisers (formerly with the Government of Norway) indicated that there is a need to figure out how to encourage the public sector to be open to investments in new innovations. Public sector finance, with a low appetite for risk, is hesitant to invest in innovative sectors where there tends to be higher risks of financial return.

In response, Ernest Bethe added the need for harmonizing standards across different programs and setting performance levels to encourage innovations. He also mentioned the importance of having criteria that are intuitive and at a level that is comprehensible to ordinary people.

## **Public Policies and Governance Issues Plenary**

### **Frances Seymour, The David and Lucile Packard Foundation**

Frances Seymour applauded voluntary and private sector initiatives related to stopping deforestation, but mentioned the inherent limits with such initiatives that make it necessary for the government to step in. For example, she highlighted the policy constraints on implementing current commitments and ensuring that forests not already developed are protected. She talked about the government's role in providing positive incentives for more progressive business leaders to commit to sustainability and developing negative incentives for those not on board.

Dr. Seymour mentioned the challenge of governance in incorporating international operation and subnational jurisdiction, and highlighted the role of parliament as well as the judiciary in revising forestry laws, ensuring customary rights to indigenous communities etc., to align incentives for facilitating sustainability. She brought up the National Commission on Human Rights and the Anti-Corruption Commission (KPK) as examples of government-led initiatives dedicated to achieving positive change.

Dr. Seymour placed emphasis on the need to contextualize the solutions identified through TFA 2020 globally, as most governance challenges are not unique to Indonesia. She identified the following three areas as necessary for ensuring deforestation free supply chain:

- **Transparency:** Public access to information about the environment is necessary for meaningful decisions and access to justice. She highlighted the One Map Initiative as an example of a program with this potential.
- **Land Allocation:** Dr. Seymour emphasized the need to rationalize land based on the needs of commodities; establish incentives to protect forest; and explore jurisdictional processes and look across subnational scales.
- **Law Enforcement:** To address the high level of illegality, Dr. Seymour pointed out the need for stricter law enforcement. She praised the Indonesia anti-corruption legislation; RSPO and Indonesian Sustainable Palm Oil (ISPO) initiatives; and asked civil society and the public to affect change through advocacy and demand side initiatives.

### **Busyro Muqqodas, Deputy Chairman, Indonesian Corruption Eradication Commission (KPK)**

Busyro Muqqodas defined corruption as a function of discretionary and monopolistic

behavior of individuals in situations that lack accountability. He highlighted the need to force public participation as a part of the anti-corruption movement.

Dr. Muqqodas highlighted the role of KPK, which was formed after special consideration on the extraordinary nature of corruption in Indonesia. KPK devised various incentives to discourage corruption, including systems for monitoring defendants in prison; analyzing the human rights related violations that result from corruption; and accounting for impacts of corruption that relate to forests. The government has built a system to encourage hosting of information, and has improved efficiency with its handling of corruption cases.

In contrast to previous efforts that have focused on repressive actions such as pre-investigating, investigating, and prosecuting corrupt acts, KPK aims to act as a trigger mechanism to empower authorized institutions to become more effective. Selected cases are handled by KPK in order to show the public that it is serious, and it also conducts preventative activities such as socialization, education and research into the potential for corruption of each government institution to help inform a long-term anti-corruption strategy.

Dr. Muqqodas' presentation can be viewed at this [link](#).

### Land Use Monitoring Plenary

**Nirata Samadhi, President's Delivery Unit for Development Monitoring and Oversight (UKP4) (Speaking on behalf of Asep Karsidi, Head of Badan Informasi Geospasial (BIG, One Map,))**

Nirata Samadhi conveyed regards on behalf of Pak Asep Karsidi who could not be present. According to Dr. Samadhi, mandated by the law, BIG has been working for over two years to standardize maps and spatial information on subnational levels, including producing basic referable maps. They are also required to produce thematic information for different agencies. Given such responsibilities, the UKP4 was established in 2010 to support this Initiative. The Initiative is often referred to as a movement because of all the stakeholders (e.g., government citizens, ministries, etc.) that need to be aligned. The agency aims to have wall to wall, 1:50,000 digital maps complete by the end of 2013, 80 percent of which are already done. The other 20 percent represents 869 new scenes that need to be incorporated. Despite the millions of dollars in costs, the benefits of having authoritative maps outweigh the costs by allowing control over one of the most important variables for controlling land conflict. According to Dr. Samadhi, there are thousands of conflicts in mining, plantation and other areas, and the physical damage costs can reach thousands and claim many lives.

The maps serve a very important role. The agency has been sharing information and working with other partners in enhancing its capacity. UKP4 invited Google and WRI to partner so that clients who use it can produce additional maps based on One Map's baseline. The agency has also been working with the Ministry of Education in improving capacity on surveying and mapping; has plans to scale-up human capacity for surveying;

and has been developing GIS certification schemes. Dr. Samadhi ended his presentation by requesting companies to share their timber and palm oil maps with BIG; and announced the web portal to access the maps: [www.tanahair.indonesia.go.id](http://www.tanahair.indonesia.go.id).

Dr. Samadhi's presentation can be viewed at this [link](#).

### **David Thau, Google Earth Engine**

David Thau iterated Google's mission to make the world's information more useful and accessible, and mentioned other areas besides the search that Google has been working on. Specifically, he mentioned other Google initiatives such as Google Earth and Google Maps. Based on the feedback received from the government and scientists who regard the Google tools as useful for visualization, but not for analysis, Google has worked on new initiatives like the Google Earth Engine, which serves as a Geographic Information System (GIS) analysis platform. The program works on publicly archived data like Landsat and Modis, and gives people the ability to upload their own imagery. It also provides access to methods for data analysis. The public site, <http://earthengine.google.org/>, provides partners with access to analysis tools and the platforms to embed tools into their websites.

Dr. Thau mentioned IMAZON as an example of a program created by a watchdog group that has been using Google's platform to compare deforestation images with those produced by the government of Brazil. The IMAZON staff run the algorithm every month and they issue new reports to prompt action. According to Dr. Thau, Google has also been working with additional groups and countries, including with the UKP4 in Indonesia, to apply this methodology.

Dr. Thau went on to describe new features Google that has developed including: cloud-free satellite viewing of areas; access to better images of places that lacks roads; and time-lapse images of places that span several decades. In recent years, Google has been able to deliver such high performance by using 999 terabytes of 2 million CPU hours of data. Dr. Thau provided examples of specific Google projects, including work with Jane Goodall chimp habitats in Tanzania, and the large scale change detection system with WRI.

Dr. Thau ended his presentation by stating that any solution would require the participation by all users of the community and iterated Google's commitment to sustainability.

Dr. Thau's presentation can be viewed at this [link](#).

### **Nigel Sizer, World Resources Institute**

Nigel Sizer described WRI's work with Google. He mentioned how significantly deforestation in Brazil has dropped since 2004 based on the availability of information and noted the unfortunate situation of many countries still having to rely upon dated reports and information to take actions. Dr. Sizer described Global Forest 2.0, which makes data readily accessible and allows decision-making on a daily basis. He described this

technology as a revolution in cloud computing and analysis, and pointed to other remote sensing data being developed by United Nations Environment Programme (UNEP), the University of Maryland, Google and Scanex.

Dr. Sizer described new and innovative features of the platform, including the ability to use smartphones for geo-referencing. According to Dr. Sizer, WRI has been working in close collaboration with several governments, civil society organizations, and communities to enable them to use the system in different ways. As a part of this initiative, WRI has partnered with the University of Maryland to publish and provide access to analyzed Landsat data. This includes the ability to do land area change estimates and to analyze one meter day-to-day data on forest gain.

Dr. Sizer described WRI's ability to produce updated maps of concessions immediately after the haze in Indonesia, which was quickly put together and shared with the media. Its other abilities include trend analysis to see how the haze evolved; to track wind trajectories and their impacts on the fire, etc.

Dr. Sizer ended his note by expressing WRI'S commitment to work with the CGF and TFA 2020 to integrate these into supply chains. He explained plans to integrate WRI's system with other platforms to empower effective management.

Dr. Sizer's presentation can be viewed at this [link](#).

## Supply-Chain Transparency and Traceability Plenary

### **Doug Boucher, Union of Concerned Scientists**

Doug Boucher described the remote sensing and GIS technology that allows people to be aware of supply chain issues. He emphasized the need to retain information as products can be bought and sold in the supply chain. Dr. Boucher praised the soy industry's success in voluntarily reducing its deforestation in the Brazilian Amazon, which he attributed to the proper usage of remote sensing and GIS technology. Dr. Boucher emphasized that transparency and traceability do not require that everything be made publicly available, and verification by independent third-party entities help to ensure the information is only shared with confidentially. He ended his presentation by recommending that the Governments and NGOs make their GIS information publicly accessible (e.g., Global Forest Watch 2.0, One Map, etc.) and that the companies make commitments to transparency with implementable deliverables.

Dr. Boucher's presentation can be viewed at this [link](#).

### **Jonathan Hartmann, Cargill International**

Jonathan Hartmann described the challenges and opportunities associated with transparency and traceability. According to Mr. Hartmann, a transparent supply chain is not the same as a traceable supply chain. While transparency provides data by origin, in an

ideal world, information regarding conditions by origin, chain of custody, and financial traceability are all necessary. Mr. Hartmann described the challenges associated with verifying transparency as producers of different products. For example, while it is easier to verify sources of coffee beans, other commodities such as palm oil can involve mid-level processors and create challenges for discerning their origin.

Mr. Hartmann also described how the concept for traceability does not equal sustainability; traceability is about disconnecting with bad actors as opposed to connecting with good ones. He reiterated Cargill's commitment to providing RSPO- certified products, and increasing the size of traceable supply chains. According to Mr. Hartmann, Cargill is encouraging producers to be deforestation free but there are challenges associated with influencing traders who may not be directly linked to the industry.

### **Gavin Neath, Unilever**

Gavin Neath from Unilever reviewed how businesses are responding to the issues of traceability. He mentioned that businesses respond to people and their demands and now that people have started asking questions about the origin and conditions of how commodities are supplied, they have more pressure to transform. However, with commodities such palm and pulp & paper whose contents are not visible, it is difficult for the consumers to trace what they are purchasing in the supermarket. According to Mr. Neath, that does not mean companies are not still accountable. Mr. Neath hopes we can get to a point in the near future where we are able to ask those questions with palm and soy.

### **Follow-Up Discussions**

Mr. Hartmann highlighted the importance of being able to distinguish between palm oil as a product versus being an input to other products and the impacts of palm oil on other communities. He emphasized the need to ensure palm oil as a product is functional and that traceability can be applied to other products that incorporate palm oil.

Dr. Boucher put an emphasis on the role the consumers of palm oil have in urging people to seek out deforestation free palm oil to make a positive difference regarding the ways in which it is processed and managed.

In response to Ellen Shaw's question if there were policy changes that could help private sector achieve their suitability goals, Mr. Hartmann responded by saying that if the government's regulation were perfect or ideal, the private sector would not have to worry about it. However, because the private sector is worrying about it, they are not ideal. Mr. Hartmann said that what often characterizes the discussion is that they have failed to engage everyone. To move forward, any process designed for achieving policy changes will have to be participatory in nature. He believes there is support in Indonesia for the platform established by United Nations Development Program (UNDP) to engage around governance issues.

The groups also discussed several other issues, including the need to focus on India and China where there is growth and demand combined with a level of disparity. There are black markets in such growing economies that can overtake responsibly produced commodities.

The concept that people have been looking at with palm oil applies to any commodity. Cargill's approach is not only directed towards a commodity, but also focused on education and community side. Those practices need to be emulated.

According to the group, the consumers expect things to be done to a standard that meets their expectations and it is important to make sure transparency drive solutions to challenges. There are global standards that companies have to comply with. Consumers may come with help but, in the end, it is a private sector problem and has to be solved by the private sector.

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## Day One and Day Two Breakout Sessions

### Breakout One: Shifting Palm Production onto Degraded Lands

Participants created an inventory of challenges associated with shifting expansion of oil palm cultivation to degraded lands and chose to focus on three topics in detail. First, there are various components informing what land is classified or considered to be degraded and therefore there are definitional challenges. Second, there can be legal impediments to utilizing and/or converting degraded lands for production purposes. Third, the group identified a suite of challenges and issues relating to land rights, land tenure and customary rights on degraded land areas.

On the definition of degraded lands, the group acknowledged that at a biophysical level, degraded lands are in a state in which they cannot recover unaided without intervention or they will continue to degrade. These are cleared lands with low carbon content and low biodiversity that are below their productive potential. The group clarified that cleared land being utilized for agricultural purposes is not degraded. Thus, a key element of defining degraded land relates to whether it is being economically productive. A participant raised the issue that natural forests converted into secondary forests are often considered degraded and because of this, there was discussion about whether an alternative term would be useful – opting for low-carbon land versus degraded land. After consideration, the group did not determine that this would be preferred terminology since degradation implies a trajectory or process of change to the condition of the land. Also, using the term low-carbon land does not reflect the biodiversity component.

On legality, a central concern is that lands that are degraded, which could be utilized for palm oil expansion, are not available for conversion because of their legal status. Private sector investment in the conversion of degraded lands into areas suitable for palm oil

expansion is time and cost prohibitive because existing mechanisms for changing the legal status of degraded lands are often too difficult, costly and take too long. Land swaps were discussed as a possible solution, but at least in the context of Indonesia, they can be difficult to achieve given the complex authority over lands by local and national officials. It was observed that excising land in Indonesia designated as production forest from the forest estate requires an act of Parliament. Further, the group did not see this as a scalable solution given the current law and regulation. Spatial planning processes present an opportunity since they have linkages to the political processes that implement national-level laws and regulations; however, these too have long time horizons for review processes and implementation.

The group discussed a third set of issues that they referred to as entanglements. From the perspective of producer companies, developing degraded lands comes with increased costs and time investment due to increased costs for obtaining free and prior informed consent from communities and complications around non-transparent permitting processes. Permitting is also a time-limited process making it a greater risk for companies to invest in acquiring access to land where the status and outcome are uncertain. Degraded areas frequently have overlapping land claims by companies and/or there may be overlapping jurisdictional authorities to manage. There can also be indigenous or other local communities with rights to degraded land areas that rely on those cleared lands for livelihoods.

For purposes of reporting out to the plenary with concrete next steps and action items, the group focused on three non-sequential actions to help bring clarity to identifying areas suitable for palm oil expansion. The first is to take advantage of new technological tools and databases such as Google Earth Engine, Global Forest Watch 2.0 and Indonesia's One Map Initiative to identify possible "go zones" for the expansion of oil palm cultivation. This could include convening a group of independent experts to provide criteria to determine what the "go" and "no-go" zones are both inside and outside of the forest estate.

The second proposed action was to convene a separate group of experts to support the Republic of Indonesia's Ministry of Forestry to do a rationalization of land areas within Kawasan Hutan, the forest estate. This expert group would advise on the criteria to inform the shifting between land use categories within the forest estate.

The first two proposed actions could be informed by a third, investment in community-level mapping inside and outside of the forest estate in advance of industry expansion into frontier areas so that conflicts caused by time and cost pressures could be forestalled. This action would be consistent with the recent Constitutional Court mandate regarding recognition of indigenous rights over forest lands.

## **Breakout Two: Minimizing Impacts of Palm Oil Development on Tropical Forests in Africa and Latin America**

Participants initiated the discussion on minimizing impacts of palm oil development on tropical forests in new frontier countries in Africa and Latin America by expressing their expectations for the session. The challenges and hopes identified in their comments are captured in the following summary of challenges, opportunities and actions discussed during their work session.

Participants focused their discussion on frontier countries that are heavily forested (e.g., Gabon) where it is difficult to determine which parts of the country are developed and which are not; sources of funding are obscure; and there are no firmly established markets to support sustainable markets. They acknowledged that there are different definitions for key terms in the discourse on frontier countries, including forests, deforestation, and degradation, and recognized these differences would be a factor of consideration in the outcomes from their discussion. The group also noted that the goal of completely ending deforestation may be unrealistic, and that assuming no net gain of deforestation would be more tangible. In addition, making progress towards this goal might be more successful if the focus were on creating place-specific incentives based on the reality of land ownership in the country (e.g., private vs. state ownership) and actual conditions on-the-ground.

Among the challenges identified in their discussion, participants recognized that there is currently no traceability in the value chain. They talked about Africa, where land tenure is not clear, conflicts over land use result, and conflict management is a necessity. Change will take time (e.g., 50 years, not five) and must be addressed at the local level. From the company stand point, companies take a risk when entering a new market in Africa and other frontier countries where they must both adjust to the practices and governance of the country while working towards sustainable management – “averaging-up” over time. Engagement of local people is lacking and there is a need to better involve communities affected by land use planning going forward. In addition, solutions need to address the economic realities and ramifications of palm oil development in each setting. An overarching, influential factor is the increasing concern about palm oil development on climate change

Reflecting on these and other challenges identified, participants agree that whatever approach is chosen to minimize the impact of palm oil development must be grounded in reality. Intentional identification and implementation of best practices is essential, will bring sustainable development over time, and should be viewed over the long-term and in stages. Transparency and equity must be assured as we address these challenges and they must be addressed in an integrated way. We should think about these challenges in the context of natural capital; how to incentivize sustainable management of forests; and work towards viewing these challenges and opportunities in the context of people, planet, and process. Finally, across all of these ideas, dialogue is crucial. Who initiates it and how needs to be a focus and determined.

Participants outlined a road map (i.e., an enabling framework) for sustainable palm oil investment using an approach that would reflect the perspectives of civil society, the host government, investors and the environment. The goal of their framework was to insure that hunger and poverty are alleviated using sustainable, inclusive palm oil development that does not compromise the environment and ensures respect for human rights. The basic framework, which reflects the criteria listed below, is intended to be transferable to different settings/countries.

### *Criteria*

- Builds on existing programs (Food and Agriculture Organization (FAO) of the United Nations Voluntary Guidelines on the governance of lands, fisheries and forests);
- Assures technology transfer;
- Builds local capacity;
- Provides a framework for information/learning exchange (e.g., between stakeholders (companies, government, research, on-the-ground experience));
- Assume governments, companies and local stakeholders work in partnership;
- Factors in food security;
- Uses and continues the development of good/best practices;
- Works at tangible scales – regional focus (versus country scale) such as West Africa; and
- Defines and makes roles transparent.

The example location and scale they chose was Liberia, where they would build on and integrate with the existing FAO Voluntary Guidelines on the governance of lands, fisheries and forests. The elements of the framework would reflect the established criteria and address governance, land tenure, land use planning, security investment/finance, environmental planning, legality assurance, small holder engagement, technology transfer, restoration of degraded lands, and early consideration of markets through potential buyers/off-takers.

Participants in the breakout session expressed an interest in reconnecting following the workshop to continue their discussions about the feasibility of implementing a potential Liberia case study to test and further develop the idea of a transferable framework for sustainable investment.

### **Breakout Three: Increasing Palm Oil Yields and Market Access for Smallholders**

Participants were supportive of a proposal from IDH to increase palm oil yields and market access for smallholders. IDH proposed to increase yields and market access at real scale (ca. 250,000 smallholders across three supply sheds) with a scalable approach. The

approach will ensure reasonable costs to producers and purchasers of palm oil and catalyze partnerships to deliver these outcomes. Participants liked the focus on targeted supply sheds; the aim and approach to intensifying yields; the fact that the approach would help the poor while fostering development; and that these changes would be achieved through the private sector.

During the session, participants brought up key questions and challenges associated with increasing palm oil yields and market access for smallholders, including working with local stakeholders, local governments, and local opinion leaders; developing systems to measure performance and traceability, like technological ones such as GIS and others as well as auditing practices; implementation by looking at standards and local laws (i.e., RSPO and ISPO); and most importantly, placing emphasis on how the standards are applied.

The participants also discussed the timing of implementation: how long it takes to plant crops and measures to ensure financial and financing sustainability; specifics such as replanting/reseeding/fertilizer, and other agronomic practices/methods; the need for technological systems and measuring performances; working with smallholders and linking them with local institutions and companies/mills/cooperatives; micro-financing, collateral, and other key issues for smallholders to access and build confidence in the financing systems; working with Bupatis and implementing successful initiatives on the ground; finding ways for organizations such as IDH reach out to local opinion leaders; looking at ways for the growing banking industry to work with the agricultural sector; and communication and the need to convince people at the district level why they should buy into it. Big companies want to buy from the smallholders but there are challenges associated with being able to do so.

The participants identified areas to help smallholders by fostering their bankability; creating confidence for the banks and financiers to see lower potential risks in investments; creating mechanisms and banking systems to reach the large agricultural sector in Indonesia; organizing smallholders to make them much more viable; and getting the mills to work together with smallholders.

#### **Breakout Four: Emerging Small- and Medium-Scale Producers of Palm Oil**

Given the numerous challenges associated with medium-scale producers, participants decided to focus their attention on that group. Unlike smallholders who mostly sell their products to large-scale producers and can be encouraged to align their practices with the rules set by larger companies, medium-scale producers often have their own mills and thus create a unique challenge in terms of implementing incentive structures. There may be some coordinating or convening role for the CGF, ISPO System, the Indonesian Government, the Indonesian Chamber of Commerce (KADIN), the Indonesian Business Council for Sustainable Development, community-based programs such as Annika Linden Foundation, and/or the RSPO to tie in scalability and traceability for middle-scale producers.

Participants also discussed that rigorous enforcement of existing laws is necessary to create disincentives for expansion into forested areas and to address problems at this scale where market-based incentives are difficult to reach.

Other specific highlights from the discussion focused on:

- Regulatory challenges. Internally, increasing palm oil regulations creates a challenge for smallholders who view it as an additional burden. Externally, business demands create additional resistance to increasing regulation.
- Government enforcement of regulations. The social and cultural challenges of small to medium-scale producers also vary from region to region. It is difficult for the government to enforce uniform policies in different regions.
- Productivity issues. Increases in productivity can encourage farmers to encroach on to new lands to increase revenue. Thus, it will be challenging to increase productivity while at the same time discouraging encroachment.
- Creating financial incentives for the small- and medium-scale producers. It is important to consider how to leverage financiers and companies to incentivize small- and medium-scale producers. RSPOs, ISPOs, etc. could provide opportunities to incentivize producers at this scale. Because the main incentive for farmers will be financial, any action taken will have to ensure that financial incentives are upheld.
- Negative incentives and regulations. Strict regulations are also equally important. Because market based incentives are difficult to reach to small and medium scale producers, rigorous enforcement of existing laws, and creation of new laws, to reduce incentives for expansion into forested areas is necessary.
- Permits. The criteria for permits, and the rate at which they are issued, need to be seriously considered so that permits are not over-issued.
- Assistance, education and outreach. Assistance, including something as simple as providing radios for communication and weather updates or foot pumps to farmers for irrigation can help enhance productivity on existing lands and discourage possible encroachment into forested areas. There is also a need to educate farmers on farming techniques, and imposing financial and other liabilities for those who violate established regulations.

### **Breakout Five: Rights and Conflict Resolution**

Participants identified the importance of addressing land rights issues and conflict resolution within the palm oil and pulp & paper sectors. Priority actions included developing a Presidential instruction to implement the Constitutional Court decision on customary land rights in Indonesia; establishing centers for conflict resolution to support efforts to equitably address disputes between communities and plantations; and analogous to removing deforestation from supply chains, getting a commitment from the CGF to discouraging human rights violations from their supply chains.

Participants also discussed the need for a stronger law enforcement oversight commission and having groups other than law enforcement address conflicts and come up with inclusive solutions to conflicts. They suggested that it might be more efficient to ask individual companies to set up their own system to respect rights and create procedures with monitoring for doing so rather than waiting for existing institutions such as the law enforcement agencies to deliver. As a part of the process for creating this system, companies could develop written policy commitments to respect human rights and due diligence and remediation processes. Participants also highlighted the need for an integrated approach with governments and key stakeholders working together towards results-based solutions for resolving conflicts, taking into account the possibility of public sector initiatives, public policy enablers, project finance, and multi-stakeholder processes. They also talked about the challenges that corruption and identifying who is at fault create when it comes to resolving conflicts.

In addition, participants pointed to the need for efficient mechanisms to solve conflicts, and recommended creating a center or centers for conflict resolutions and increasing the number of trained professional mediators. According to the group, the CGF could leverage donor engagement to fund such programs. They also recommended requiring that market commodities meet certain social standards criteria; and ensuring banks have their own environmental and social impact standards.

### **Breakout Six: Pulp and Paper**

This summary captures highlights from the discussion of the two breakout groups discussing pulp & paper issues on day one and as the groups decided to merge together in one group on day two, their combined discussion on day two of the workshop.

Participants discussed the applicability, relevance and difficulties of land-use conversion cut-off dates, including applying cut-off dates consistently; across commodities; and addressing country and regional differences. Cut-off dates have been a key policy tool, within forest and palm oil certification schemes to halt conversion. Participants agreed that there should be consideration of other models and experiences with cut-off dates and thought that additional work was necessary to review the applicability and functioning of cut-off dates.

In the session the CGF also presented their Pulp, Paper and Packaging Guidelines and discussed how they will be applied. It was noted that there is a need to create awareness of the Guidelines, particularly among CGF members, to promote tools for implementing the Guidelines (noting many already exist among CGF companies), and to build capacity to increase their application across the industry.

Specific recommendations included developing a communications strategy covering internal and external audiences; developing a guidance and resource kit on how to implement/create procurement policies; identifying or developing tools and providing

capacity building for their use; using forums such as chambers of commerce to disseminate information; working with supply chain partners in each country to harmonize guidelines; and using NGOs to communicate to consumers and to hold CGF members accountable

The participants also made procedural suggestions, including raising general awareness of the existence of the Guidelines; working through regional processes (e.g., Southeast Asia, where eight of ten high priority countries are) to create competition between members and suppliers in the region; and applying the models and experiences of the World Business Council for Sustainable Development (WBCSD).

Participants highlighted specific issues, including the need for definitions of key terms, and clearer articulation of key concepts, within the Guidelines; consistency of the application of the Guidelines to other commodities; and implementing supply chain control measures (e.g., segregation of natural and plantation fiber, chain of custody, traceability).

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## **Day Two Breakout Report-Outs**

### **Consolidated Paper Group**

The consolidated paper group focused their report first on communication around the CGF Sourcing Guidelines. In this context, they discussed the need to communicate clearly about the applicability, relevance and difficulties of land-use conversion cut-off dates, including applying cross sectorial approaches and cut-off dates consistently across commodities; and addressing country and regional differences. Cut-off dates have been a key policy tool, within forest and palm oil certification schemes to halt conversion. Participants agreed there should be consideration of other models and experiences with cut-off dates and thought that additional work was necessary to review the applicability and functioning of cut-off dates.

Regarding verification and traceability of materials, the participants highlighted different voluntary agreements on legal timber, and agreed to have WBCSD and CGF companies further discuss this topic, including their roles, responsibilities and focus areas; and the landscape level implications of these agreements.

### **Degraded Lands**

For purposes of reporting out to the plenary with concrete next steps and action items, the group focused on three non-sequential actions to help bring clarity to identifying areas suitable for palm oil expansion. The first is to take advantage of new technological tools and databases such as Google Earth Engine, Global Forest Watch 2.0 and Indonesia's One Map Initiative to identify possible "go zones" for the expansion of oil palm cultivation. This could include convening a group of independent experts to provide criteria to determine what the "go" and "no-go" zones are both inside and outside of the forest estate.

The second proposed action was to convene a separate group of experts to support the Republic of Indonesia's Ministry of Forestry to do a rationalization of land areas within Kawasan Hutan, the forest estate. This expert group would advise on the criteria to inform the shifting between land use categories within the forest estate.

The first two proposed actions could be informed by a third, investment in community-level mapping inside and outside of the forest estate in advance of industry expansion into frontier areas so that conflicts caused by time and cost pressures could be forestalled. This action would be consistent with the recent Constitutional Court mandate regarding recognition of indigenous rights over forest lands.

### **New Frontier Countries**

The group recommended capacity building for diverse stakeholders, starting with a concrete proposal focusing on Liberia, which would then be applied to other regions. This would include elements of environmental laws and investigation with respect to human rights. There was a suggestion about anchoring this on implementation and piloting implementation on the guidelines. In terms of post conference activities, the private sector and civil society actors in the room indicated they would engage with others to decide how this could translate into action. They decided to work on setting the stage for discussions with stakeholders that would not be very specific in terms of needing a framework to allow different countries and stakeholders to find a path forward, bearing in mind the idea is to achieve security for investment and inclusiveness for all.

### **Market Access/Yields for Smallholders**

Participants were supportive of a proposal from IDH to increase palm oil yields and market access for smallholders. IDH proposed to increase yields and market access at real scale (ca. 250,000 smallholders across three supply sheds) with a scalable approach. The approach would ensure reasonable costs to producers and purchasers of palm oil, and catalyze partnerships to deliver these outcomes. Participants liked: the focus on targeted supply sheds; the aim and approach to intensifying yields; the fact that the approach would help the poor while fostering development; and that these changes would be achieved through the private sector. They highlighted the importance of mobilizing actors across the supply chain to help people reach their goals and build livelihood.

### **Emerging Small- and Medium-Scale Producers**

Given the many challenges associated with medium-scale producers, participants decided to focus their attention on this demographic. They recommended that the government apply pressure to those breaking laws and work on a cooperative arrangement between the member companies of the CGF to form a group to focus on a region in Indonesia to tie in the traceability and sustainability. The participants highlighted the importance of the ISPO,

and pointed to the need to leverage in support, through extension programs and community based programs like the Annika Linden Foundation.

### **Rights and Conflict Resolution**

Participants were somewhat overpowered as they approached their discussion on this topic, given the number of current cases on rights violations and challenges associated with corruption and the need to identify fault. They encouraged the CGF to expand their commitment to zero deforestation beyond environmental attributes to also incorporate social and human rights attributes. Noting the abundance of conflicts but the limited supply of trained mediators, the group recommended creating a center or centers for conflict resolutions and increasing the number of trained professional mediators. According to the group, the CGF could leverage donor engagement to fund such programs.

### **Report-Out Panel Reactions**

#### **Gavin Neath, Unilever**

Gavin Neath presented his remarks on the outcomes of the workshop. According to Mr. Neath, the key focus areas of TFA 2020 were yields, productivity, creating the right market signals, governance and regulation, monitoring, evaluation and finance, and getting a sense of what the group could do next as a collection. Mr. Neath admired the robust proposal put forth by IDH to increase palm oil yields and market access for smallholders; praised Governor Narang for his initiative and vision for Central Kalimantan; and expressed approval of the bold initiative APP has undertaken for fostering transformation.

Mr. Neath reiterated the observation that challenges associated with medium-sized producers often fall off the radar. He highlighted the need to signal to these entities the awareness and understanding needed for the issues and the importance of linking underrepresented and small-stake groups to global markets and offerings. Mr. Neath also highlighted the need to use available technology to define the “go” and “nogo” areas and to facilitate land swaps. He welcomed ideas on building center for conflict resolutions to address issues surrounding rural communities, and the ongoing mapping efforts from Google and WRI, which, according to Mr. Neath, have the potential to create significant change.

Regarding finance, Mr. Neath identified the need to address the gaps in understanding between people who provide and use finance. He highlighted the need to deliver on the President of the World Bank’s program on climate smart finance.

As next steps, Mr. Neath pointed to the need to further explore the areas identified through the workshop, either in smaller groups or collectively, without getting in the way of existing institutions and organizations that already conduct excellent work such as the RSPO.

**Charles Barber, U.S. Government, U.S. Department of State**

Charles Barber from the U.S. State Department presented the U.S. perspective on the workshop. He called TFA 2020 a global process rightly focused on Indonesia, and thought the discussions about Liberia and Peru were relevant since those areas are likely to have large scale industrial agriculture commodity development in the near future. According to Dr. Barber, it is difficult to eliminate deforestation altogether and that the focus should be on shifting cultivation away from natural forests. He mentioned there is a lot to learn on how to develop supply chain monitoring, and fertile work could be done in this area.

Dr. Barber pointed out that an actual definition of degraded lands was missing and recommended that the decision be made through an expert process. It is possible that the Indonesian Climate Change Center could send a request to produce that. He praised the opportunity TFA 2020 provided to frontier countries to learn lessons from actions in other parts of the world and pointed for the need to be comprehensive and cautious. Dr. Barber also highlighted the need to talk about: ways for intensifying yields of smallholders; requiring jurisdictional or local governance to better regulate small- and medium-scale producers; and the importance of bottom-up monitoring where the crowd sourcing feeding into this is active.

**Pak Wimar Witoelar, InterMatrix Communications**

Wimar Witoelar expressed his gratitude to the participants for coming to Indonesia with good options and solutions. According to Mr. Witoelar, the help from the CGF was necessary for Indonesia to come up with solutions. Mr. Witoelar admired the concept of indigenous people and land tenure implicit in the underlying assumption of any solution that could be permanent. Tiur Rumondang, KADIN.

Tiur Rumondang expressed KADIN's support of TFA 2020. According to Ms. Rumondang, before 2010, KADIN worked in the sustainability area in a small way. Since 2010, when Shinta Kamdani became the Chairwoman, KADIN started many programs to support the sustainability of palm oil sector in Indonesia. She mentioned KADIN's activities on building an Indonesian business council focusing on sustainability for the private sector in Indonesia. According to Ms. Rumondang, KADIN would be open to working with TFA 2020 and with the CGF to implement zero deforestation commitments. KADIN represents a business perspective, and expects knowledge on other perspectives from other organizations and NGOs. She pointed out that KADIN could take advantage of One Map to help the private sector in thinking of using degraded lands for palm oil; play an important role in working with CGF for the small- and medium- producers; and, in the next two to three years, work on sustainable consumption and production theme that is in line with the changing behavior of consumers.

Shinta Kamdani from KADIN highlighted the importance of private sector engagement; its cooperation with government in Indonesia; importance of formulating the roadmap going forward; and wished that more local Indonesian companies participated in the workshop.

Ms. Kamdani hoped to have side meetings with other companies and to come up with more proof of concepts rather than mere conversations.

### **Closing comments, Pak Heru Prasetyo**

Pak Heru Prasetyo referred to TFA 2020 as the first event on promoting sustainable growth with equity on the ground. He commended the organizers for working towards a common vision and went on to describe the difference between consumers in developing versus the developed world, and the need to cross national differences for addressing common problems. He praised the inclusive, collaborative nature of TFA for including representatives from all sectors (i.e., private, civil society and government) and praised the multinational companies for taking initiatives toward sustainability, in particular, Sinar Mas on connecting smallholders through cooperatives with the mill.

Mr. Prasetyo viewed the workshop not just as an opportunity to talk about removing deforestation but also to discuss sustainable growth with equity. He compared the state of deforestation in Indonesia with the historical deforestation rates of the United States and Europe, and put emphasis on lessons learned from those countries with regard to the role of government in curbing deforestation. Mr. Prasetyo thought that additional jobs in the palm oil and pulp & paper industry will be required for higher consumption and thought it was the duty of companies, governments, NGOs, and scientists together to work on ensuring sustainable growth. He warned against assuming that governments know best and highlighted the need to recognize the concerned voice of global citizenry expressed through social media and other spaces. Mr. Prasetyo ended his remarks by sharing his hope the workshop would be followed by actions to ensure effective implementation throughout the value chain and expressed government's interest in remaining engaged from the beginning of the process.

Mr. Prasetyo's presentation can be viewed at this [link](#).