

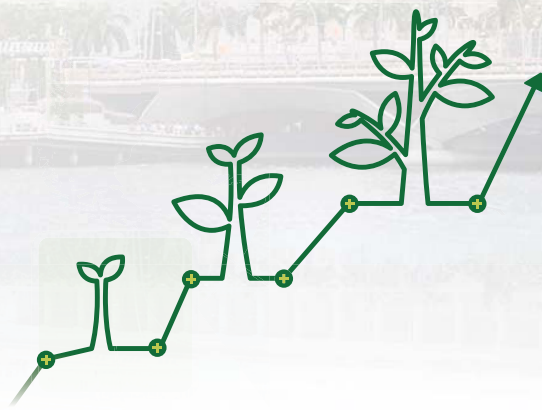
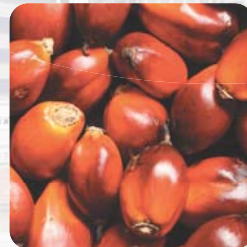
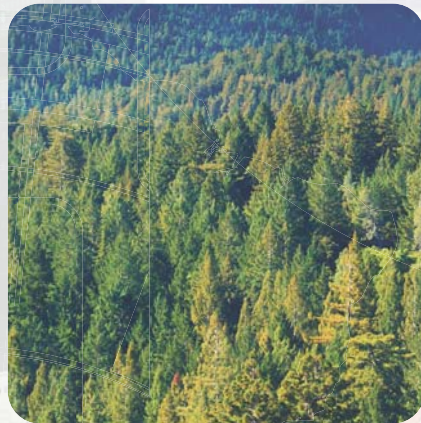
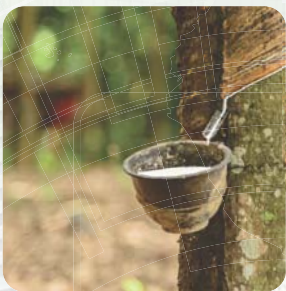


3RD
SINGAPORE DIALOGUE ON
**SUSTAINABLE
WORLD
RESOURCES**

Global Consensus, Regional Actions: Recommitting to Sustainable Growth

CONFERENCE HIGHLIGHTS

Friday, 15 April 2016 • The Ritz-Carlton, Millenia Singapore





Global Consensus, Regional Actions: Recommitting to Sustainable Growth

The case for sustainable business is now clearer than ever. Left unchecked, the exploitation of resources will have profoundly negative impacts on the environment and vulnerable communities across ASEAN.

In 2015, the Paris climate conference saw 195 countries adopting the first-ever universal, legally binding global climate deal. At the same time, ASEAN countries experienced one of the worst transboundary haze episodes since 1997. Forest and peat fires across Indonesia led to months of smoke haze and affected at least six of the ten ASEAN countries, extending even to southern Thailand and Vietnam. Oil palm and pulp and paper companies, together with their financiers, smallholder farmers, office-holders, and law-enforcers, were placed squarely in the spotlight.

With growing global consensus on climate change action, it is all the more urgent that industry, regulators, and policymakers consolidate the lessons learnt and best practices for sustainable resource management.

As a leading, independent and not-for-profit think tank, the Singapore Institute of International Affairs (SIIA) is a recognised thought leader on various topics including the haze and resource sustainability in the ASEAN region.

On 15 April 2016, the SIIA hosted the Third Singapore Dialogue on Sustainable World Resources (SDSWR) at The Ritz-Carlton Millenia Singapore, bringing together over 300 policymakers, corporate players, activists, academics, and journalists. The Dialogue addressed questions such as:

How can we reconcile different stakeholders and their competing land uses? What are some best practices for increasing sustainable farming practices among smallholders? How can we increase demand for eco-labelled products among consumers? What can ASEAN's financial regulators glean from the experiences of China and Indonesia?

This report aims to capture the key messages from the Dialogue. We would also like to thank our key sponsors Double A (1991) Public Company Limited and Musim Mas Holdings; our partners Cargill Tropical Palm and Temasek Holdings; supporting organisation IE Singapore; and official broadcaster Channel NewsAsia.

KEYNOTE SPEAKER:

Mr Masagos Zulkifli Bin Masagos Mohamad
Minister for the Environment and Water Resources, Singapore

PANEL KEYNOTES:

Mr Nazir Foad
Head, Peatland Restoration Agency, Indonesia

Dr Muliaman Hadad
Chairman, Financial Services Authority (OJK), Indonesia

PANELLISTS:

Mr Bian Zhenhu
President, China Chamber of Commerce for Import & Export of Foodstuffs, Native Produce and Animal By-Products

Professor Wang Yao
Deputy Secretary General,
China Green Finance Committee, China Finance Society

Dato' Dr Makhdzir Bin Mardan
Chief Executive, Malaysian Palm Oil Association

Mr Anderson Tanoto
Director, Royal Golden Eagle

Dr Petra Meekers
Director of CSR and Sustainable Development,
Musim Mas Holdings

Mr Thirawit Leetavorn
Senior Executive Vice President,
Double A (1991) Public Company Limited

Ms Judy Hsu
Singapore Chief Executive Officer, Standard Chartered Bank

Mr Hervé Simon
Group Marketing Director, Ayam Brand

Mr Stephan Lynen
Head of Region (Asia Pacific),
Industrial & Consumer Specialties, Clariant (Singapore)

Mr Irwan Gunawan
Deputy Director, WWF Indonesia

Ms Isabella Loh
Chairman, Singapore Environment Council

Mr Hendry Predy Yang
Palm Oil Coordinator (South & South East Asia),
Solidaridad Network

Mr Hj. Narno
Group Manager, Amanah Association

MODERATORS:

Associate Professor Simon Tay
Chairman, Singapore Institute of International Affairs

Mr Nicholas Fang
Executive Director, Singapore Institute of International Affairs

Ms Lee Chen Chen
Director, Policy Programs,
Singapore Institute of International Affairs

Sustainable land use: What Governments *AND* Companies *CAN DO*



For almost two decades, transboundary haze pollution from Indonesia's forest fires has affected its ASEAN neighbours, especially Malaysia and Singapore. 2015 witnessed one of the worst haze crises on record, as some 2.6 million hectares of forest and farmland in Indonesia were burned from June to October. At least six of the ten ASEAN countries were affected, including Thailand and Vietnam.

Transboundary haze pollution carries substantial costs. The World Bank, for instance, placed the cost to Indonesia at about US\$16.1 billion, or 1.9% of its predicted 2015 Gross Domestic Product (GDP). Daily carbon emissions from Indonesia's fires also exceeded those from the US on 26 days from September to October 2015. The economic cost to Singapore stands at about US\$515.3 million (S\$700 million). Yet, haze pollution is merely a reflection of a deeper and ongoing problem: the unsustainable management of resources, particularly with regards to land and labour relations.

In Indonesia, land is often cleared using fire, known as the 'slash-and-burn' method, to make way for cultivation. While the use of fires to clear land is nationally outlawed, it

tends to be favoured for its lower cost and higher efficiency as opposed to mechanical means. These fires – especially fires on dry peatland – often give rise to smoke haze.

Indonesia recognises the importance of a productive yet sustainable landscape. It has committed to reduce its greenhouse gas emissions by 2020, increase the protection of land and forests from fires and illegal logging, and restore and protect peatland. The Indonesian government now acknowledges that solving the issue of fires necessitates shifting focus from suppression to prevention, which is both cheaper and more effective.

At the Paris climate conference (COP21) in December 2015, Indonesian President Joko Widodo (Jokowi) announced plans to establish a Peatland Restoration Agency (BRG) which was later formalised in January 2016. In his first overseas address, Mr Nazir Foad, Head of BRG, outlined the agency's plans to restore peatlands damaged by forest fires. His insights drew significant media attention and coverage, including The Straits Times and Channel NewsAsia.



I cannot emphasise more how seriously Indonesia is preparing actions to prevent fires from happening...We put a lot of effort and budget into mitigation of the fires, but too little in prevention. This is changed now.

MR NAZIR FOEAD

Head, Peatland Restoration Agency, Indonesia

At the same time, Singapore is committed to addressing the “commercial roots of transboundary haze” by pursuing errant companies under the Transboundary Haze Pollution Act (THPA), said Mr Masagos Zulkifli, Singapore’s Minister for the Environment and Water Resources. The Act attributes liability to entities that conduct or condone an act which causes or contributes to haze pollution in Singapore. Malaysia is also considering to enact a similar law on the haze.

Some companies are also shifting their emphasis to fire prevention. For instance, Asia Pacific Resources International Holdings Limited (APRIL), Royal Golden Eagle (RGE)’s pulp and paper company, has launched the Fire-Free Village Programme, which seeks to prevent fires by focusing on community engagement. After successfully reducing the amount of burned areas in its pilot project, the programme expanded to cover more villages. Based on the lessons learned from implementing the Fire-Free Village Programme, APRIL also formed a Fire-Free Alliance (FFA) in early 2016. FFA is a voluntary multi-stakeholder group that

aims to share information, best practices on fire mitigation interventions, and potentially resources to address Indonesia’s persistent fires and haze.

Even as local communities are roped in to help prevent fires, it is also vital to resolve social conflicts arising from unclear land ownership and responsibility. One solution is to rezone the conflict areas, said Mr Foead. By establishing clear land rights, the local people will have an incentive to protect the land while making productive use of the land to plant crops.

Some companies have also integrated small-scale farmers into their supply chains. In fact, smallholders account for almost 40% of Asian Agri’s total palm oil production. Asian Agri is part of a group of companies managed by RGE, which works with one of the largest smallholder groups in both its palm oil and its pulp and paper businesses. The company believes in collaborating with its farmers to socialise its sustainability policies and works closely with them on implementation.

PANEL 1



Director,
Royal Golden Eagle

“ The crux of the problem is prevention. Prevention is about engaging the community. When you change the conversation from suppression to prevention, you’re going to see huge impact on the ground. ”



Senior Executive Vice President,
Double A (1991) Public Company Limited

“ We don’t want farmers to be displaced from the land. We’d rather that they stay on the land, continue growing rice, and help us grow our trees. ”

Sustainable Land Use: What Governments and Companies Can Do

Moreover, companies such as Double A (1991) Public Company Limited demonstrate that alternative methods of growing crops, other than on plantations, can prove financially successful and environmentally sustainable. The Thai pulp and paper company works with farmers to grow trees along the edges of their rice paddies, providing them with an additional source of income. It is also engaging villages to grow trees on their unused land, with villagers having the freedom to decide how to use the funds generated. These two programmes provide about 30% to 50% of Double A’s wood sourcing. The rest of its sourcing is derived from reserved plantation areas.

Still, these initiatives are not good enough without certifications as part of being a sustainable company, said Mr Thirawit Leetavorn, Senior Executive Vice President of Double A (1991) Public Company Limited. Certifications help to ensure that a company’s practices meet acceptable standards. Double A (1991) Public Company Limited is working with the Singapore Green Labelling Scheme, the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC). It is also pushing forward the national standards of sustainably sourced wood in Thailand, in partnership with PEFC.

While challenges on the ground remain, the sustainable use of land and resources can be realised with the leadership of the government and support from various stakeholders including companies, non-governmental organisations, and local communities. As Mr Anderson Tanoto, Director of Royal Golden Eagle observed, “If we fail to put people at the heart of everything we do, it will never be sustainable.”

Greening the Palm Oil Supply Chain: Progress and Challenges



The oil palm plantation and processing industry has been a key contributor to the economies of Indonesia and Malaysia. Both countries collectively account for approximately 85 to 90% of total global palm oil production, while Indonesia is the largest palm oil producer and exporter worldwide.

Palm oil is used in a wide variety of food, cosmetic and hygiene products, and an expanding global population is likely to give rise to even higher global palm oil demand in the future. Therefore, the lucrative palm oil industry will likely continue to be attractive and instrumental in generating employment opportunities.

However, the development and expansion of palm oil plantations have been met with criticism, in part due to the associated deforestation and degradation of carbon-rich peatlands. In some cases, burning is used to clear land, possibly leading to uncontrolled fires and smoke haze. These unsustainable practices could give rise to reputational damage and pose a threat to the industry's long-term viability.



Unsustainable land clearing practices...risk giving the entire (palm oil) industry, and even palm oil itself, a bad name. This can threaten the long-term viability of the sector, as consumers and investors increasingly feel compelled to distance themselves from the sector and its products.



MR MASAGOS ZULKIFLI BIN MASAGOS MOHAMAD

Minister for the Environment and Water Resources, Singapore

Even as companies and other stakeholders begin to understand the need to place more emphasis on environmental and social concerns to succeed in the long-term, there continues to be a lack of understanding of what sustainability across the supply chain entails. The nuances in understanding are shaped by the different experiences of the stakeholders, and this is not easy to manage, said Dato' Dr Makhdzir bin Mardan, Chief Executive of the Malaysian Palm Oil Association.

Nonetheless, the recent haze crisis has "struck a chord of awareness" in the region, highlighting the importance of sustainability and the urgency to act. Considering that 91% of global oil palm growers are located in Malaysia, Indonesia and Thailand, it is necessary for these countries to work together to formulate a sustainable growth strategy for the industry as a whole.

Multi-stakeholder initiatives such as the Roundtable on Sustainable Palm Oil (RSPO) are useful platforms to unite different parties in the industry in driving sustainability. As one of the first Indonesian companies to join the RSPO, Musim Mas embarked on their sustainability journey more than 10 years ago, undergoing certifications and looking at ways to integrate different players in their supply chain. The company is now involved in establishing full traceability back to their mills, and, following that, to their plantations.

Despite Musim Mas' long-standing commitment, challenges remain. For instance, the company has seen mixed responses when engaging with different players on its sustainability policies and practices. One solution is to identify local platforms to facilitate dialogue between multiple parties, rather than continuously engaging on a one-to-one basis. These dialogues, which attempt to connect all the stakeholders that are involved in a particular area, are part of what has become known as the "landscape approach" to sustainable forestry.

Besides large palm oil companies such as Musim Mas, small- and medium-sized companies are also demonstrating their commitment to sustainability. Ayam Brand, one of the oldest brands of consumer canned products in Asia, is a user of certified sustainable palm oil (CSPO). The company had previously been slow to adopt CSPO, as its low palm oil needs did not qualify it for bulk CSPO purchases from its suppliers. However, following probing by an Australian non-governmental organisation, the management overcame the problem by investing in its own tank, eliminating the need to buy a full truck of CSPO.

Ayam Brand has also joined the National Alliance for Sustainable Palm Oil in Singapore, initiated by the World Wide Fund for Nature (WWF). The alliance seeks to unite all players that use, produce or trade palm oil to advance the uptake of sustainable palm oil in Singapore. As one of the pioneer members, Ayam Brand hopes to be an example for small- and medium-sized enterprises that do not have a big sustainability team, said Mr Hervé Simon, Group Marketing Director of Ayam Brand.



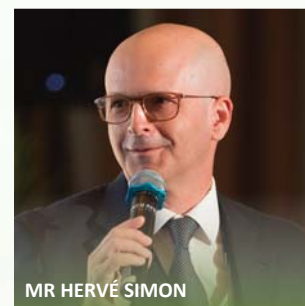
*Chief Executive,
Malaysian Palm Oil Association*

“ It is very important that everybody (Malaysia, Indonesia, and Thailand) sit at the table...and then come up with the commonality that we can do something with. ”



*Director of CSR and Sustainable Development,
Musim Mas Holdings*

“ We have to try to see how we can link with different stakeholders in what we call the landscape approach. These are the platforms that can create value for us. ”



*Group Marketing Director,
Ayam Brand*

“ Sustainable supply chains are not only for big international companies. (Ayam had) a strong management to say yes (to sustainability), and within a few months...all the palm oil we used was sustainable. ”



Ms ISABELLA LOH
 Chairman,
 Singapore Environment Council

“ Taking down the tissue products...had a knock-on effect globally. It resonated through every procurement channel there was in the whole region that asked the pertinent question: ‘Are we responsible?’ ”



MR BIAN ZHENHU
 President,
 China Chamber of Commerce for
 Import & Export of Foodstuffs,
 Native Produce and Animal By-Products

“ CFNA will leverage its influence and monetary functions in the agricultural markets to target prices, (thereby) applying sustainability in practice. ”

Beyond switching to sustainable palm oil, companies must also increase transparency to maintain accountability to their stakeholders. One way is through the use of eco-labels to inform consumers about the environmental impacts of the products they purchase. A case in point is the Singapore Green Labelling Scheme (SGLS), which endorses environmentally-friendly industrial and consumer products. The Singapore Green Label is administered by the Singapore Environment Council (SEC). During 2015’s haze episode, the Label was instrumental in enabling the recall of paper products linked to fires from supermarket shelves.

SEC has recently launched a new assessment criteria for products containing palm oil. Moving forward, SEC intends to focus on the upstream side of the supply chain – the root cause of the haze problem – to understand how companies can be more responsible.

Against the backdrop of these developments in Singapore, China also sees a need to drive demand for CSPO, both domestically and overseas. The China Chamber of Commerce for Import & Export of Foodstuffs, Native Produce and Animal By-Products (CFNA), which is under the Ministry of Commerce of the People's Republic of China, monitors and supervises all imports and business operations of palm oil.

CFNA, together with the British government, has recently developed a guide for Chinese enterprises on how to invest in and produce sustainable palm oil overseas. While the Chinese government plays a vital role in CSPO uptake, support from other stakeholders, including suppliers and consumers, will go a long way in making CSPO use the norm.

Supporting Smallholder Sustainability:

What are the Gaps?



In the bid for a more inclusive, socially and environmentally sustainable agriculture development, small-scale farmers – or smallholders – have a fundamental role to play. These farmers, who in the palm oil industry occupy on average 2 hectares of land, account for as much as 40% of global output in some sectors, making them a vital part of the supply chain. In Indonesia, smallholder growers currently account for over 40% (4.2 million hectares) of all plantations.

Despite their significant contribution, smallholders, especially in the developing world, continue to live in poverty in rural, remote areas. They often lack the technical know-how and concrete support from buyers and markets to make their produce more sustainable.

The various categories of smallholders also translate into divergent experiences and constraints, complicating external intervention and support. To cite just two categories, independent smallholders, who in total own more than 3.1 million hectares of oil palm farmland, cultivate oil palm without external help. On the other hand, plasma smallholders enjoy an exclusive supply agreement with a mill, and also tend to receive technical assistance and access to agricultural inputs under their partnership scheme.

PANEL 3



MR HENDRY PREDY YANG

*Palm Oil Coordinator
(South & South East Asia), Solidaridad Network*

“ If you want to get our support in terms of financial access, fertiliser access, good agricultural practices training...you have to deliver (no deforestation). Otherwise, we take all of them away. ”



MR STEPHAN LYNEN

*Head of Region (Asia Pacific),
Industrial & Consumer Specialties, Clariant (Singapore)*

“ If you are in the middle of the value chain, you have to differentiate yourself... offering sustainable solutions is highly rewarded in the overseas market, and also in the Chinese market. ”



MR HJ NARNO

*Group Manager,
Amanah Association*

“ Amanah Cooperative (sees) certification, in this case RSPO certification, as a step that opens up so many opportunities for (us) to grow, to expand. ”

Supporting Smallholder Sustainability: What are the Gaps?

Still, the prevalence and persistence of environmental damage arising from the agriculture industry clearly indicate the gaps and challenges facing these small producers. To deal with these complexities, Dutch-based non-governmental organisation (NGO), Solidaridad Network tailors its approach to smallholders specifically based on their individual contexts.

In West Kalimantan, for instance, many smallholders are looking to switch from rubber to palm oil cultivation, as the latter is perceived to be more profitable. As their current planting methods are largely based on trial and error, Solidaridad is working with a credit union to help 60,000 farmers access finance and training in good agricultural practices. By increasing yields, Solidaridad hopes to reduce the need to encroach on adjacent forests. The organisation also monitors farmers operating near forested areas on a monthly basis to detect illegal deforestation, said Mr Hendry Predy Yang, Palm Oil Coordinator (South & South East Asia) of Solidaridad Network.

Besides NGOs, large companies are also initiating multi-stakeholder collaborations to help smallholders become more sustainable. A case in point is the Sustainable Palm Oil and Traceability with Sabah Small Producers (SPOTS) Initiative. Under the initiative, Clariant, a specialty chemical company, is partnering Wilmar International, together with their joint venture, The Global Amines Company, local social enterprise Wild Asia, and L’Oreal to educate 500 Malaysian palm oil smallholders on sustainability, certification and supply chain traceability. This is expected to increase productivity by 20% and lead to RSPO certification for the farmers by 2020.

Considering that securing RSPO certification can pose significant costs for smallholders, economic incentives will be needed to change the behaviour of most small farmers. The SPOTS Initiative did so by guaranteeing the farmer a payback in the five-year contract following yield improvement, better agricultural practices, and plantation management. Once their output is certified, these farmers will also enjoy increased access to the global market, developing an advantage over their competitors.

For other smallholder groups, the process of securing RSPO certification alone has imparted important lessons and created many opportunities. In 2013, the Amanah Association became the first independent smallholder association in Indonesia to achieve RSPO certification, with support from various stakeholders such as WWF-Indonesia and Asian Agri. Since securing the certification, these small-scale farmers have formed a group for more efficient fertiliser application. Furthermore, the association has formed a special unit to not only manage forest fires internally, but also help the areas surrounding their plantations with fire prevention.


Amanah Association's success in obtaining RSPO certification has demonstrated that certification is achievable, even for independent smallholders. Even though the group is now working on maintaining their RSPO certification, this is by no means the end goal. Instead, they are keeping their focus on wider sustainability concerns, said Mr Irwan Gunawan, Deputy Director of WWF Indonesia.



Deputy Director,
WWF Indonesia

“ This is the year to grasp the sustainability issue at the landscape level...to (create) innovative solutions to alleviate poverty. ”

Sustainable Finance: The Region's Progress



Critically, realising the vision of sustainable development depends on channelling funds towards environmentally and socially responsible initiatives. Though the financial sectors of ASEAN countries currently practise varying levels of sustainable finance, concrete steps and progress have been achieved in recent years.

As compared to its ASEAN counterparts, Indonesia – the largest economy in ASEAN – is in the forefront of sustainable finance by many measures. In 2014, the country launched and began implementing its “Roadmap for Sustainable Finance in Indonesia”. This roadmap outlines specific measures to improve the sustainability of the Indonesian financial sector and applies to all institutions that fall under the

authority of Indonesia’s Financial Services Authority (OJK). The OJK is a government agency which regulates and supervises the financial service sector’s activities in banking, capital markets, and non-bank financial industries.

Unfortunately, progress towards sustainable finance is likely to be slow if financial institutions are left entirely on their own to develop the necessary capacity. Instead, a combination of top-down and bottom-up approaches is important, said Dr Muliaman Hadad, Chairman of OJK. As government agencies such as the OJK offer guidelines, provide incentives and set targets, gradually increasing buy-in from financial institutions will help sustainable finance become a part of mainstream financial practice.



Dealing with sustainable finance is not necessarily an additional burden for the financial institutions. (It) is also profitable...Creating sustainable requirements is a future opportunity for financial institutions to do business.

DR MULIAMAN HADAD

Chairman, Financial Services Authority (OJK), Indonesia

Mainstreaming sustainable finance can yield various benefits. These include the creation of new products that generate profits and the strengthening of financial institutions' social responsibility. Addressing environmental and social concerns in loan disbursements and investments will further contribute to better risk management.

One such experience was shared by Standard Chartered Bank. Through establishing its environmental and social risk framework, Standard Chartered Bank has developed a stronger capacity to manage its reputational and operational risks, while helping its clients manage their environmental and social risks. Standard Chartered Bank regards managing non-financial risks as an important part of their role, as sustainability is critical to a company's long-term success.



Singapore Chief Executive Officer,
Standard Chartered Bank

“ We have made our ESG standards very transparent to the public, so there’s no secret about it...This way, everybody knows what we expect of ourselves, as well as what we expect from our clients. ”



Deputy Secretary General,
China Green Finance Committee,
China Finance Society

“ We need both a top-down and bottom-up (approach to green finance). China is now building such a green finance system. ”

In addition, Standard Chartered Bank is working with the rest of industry to share best practices, capabilities and know-how. Following the launch of the Association of Banks in Singapore (ABS)’s responsible financing guidelines in October 2015, international banks such as Standard Chartered Bank have been working through ABS to conduct masterclasses and support other banks in integrating Environmental, Social and Governance (ESG) principles into their operations.

At the same time, China has demonstrated great political will to green its economy through the financial sector, and has taken concrete steps to do so. For a long time, manufacturers in China sought economic gains at the expense of the environment, while local government officials “turned a blind eye” to the problem due to the pursuit of GDP and their own careers. Financial institutions may also act as accomplices in exacerbating environmental pollution, said Professor Wang Yao, Deputy Secretary General of China Green Finance Committee. As a result, parts of China, especially Beijing, continue to face hazardous levels of smog, alongside other kinds of pollution.

Recognising the urgency of the problem, the Chinese government has included green finance in the latest version of its national development strategy – the 13th Five-Year Plan (2016-2020) – for the first time. At the end of 2015, the People’s Bank of China (PBOC) published its Green Financial Bond Guidelines, making it the first country in the world to release official rules for the issuance of green bonds. Shortly after, Shanghai Pudong Development Bank and the Industrial Bank of China received approval to issue green bonds in accordance with the guidelines.

While China has made significant regulatory progress due to the strong influence of its financial regulators, awareness building and behaviour change will take a long time to effect. It is important that we embark on sustainable finance reform now, regardless of economic circumstances, in order to create a sustainable environment for future generations.



Lessons from **Yesterday,** *Hope for* **Tomorrow**



Indonesia, to me, is taking leadership on this issue today...in this change of attitude, we hope that there will be future ways for Singapore and ASEAN to cooperate with this new Indonesian administration.

**ASSOCIATE PROFESSOR
SIMON TAY**

*Chairman,
Singapore Institute of
International Affairs (SIIA)*

The Third Singapore Dialogue on Sustainable World Resources reviewed the lessons learnt and best practices for sustainable resource management from the lenses of different stakeholders, from companies and smallholders to governments and financial regulators. While short-term measures such as fire suppression can help to tackle the fires and haze, some companies have supported these with longer-term measures, such as certifying their supply chains and improving transparency and accountability.

Yet, the greatest progress can be seen in the strengthening of political will. Where attempts to deal with the haze issue only resulted in a finger-pointing exercise between the governments of Indonesia, Malaysia and Singapore, the new Jokowi administration has taken leadership and shown more signs of being willing to listen. While it is not likely that we will be able to avoid a repeat of the haze in the coming months, SIIA Chairman Simon Tay sees cause for increased optimism that the system will become more robust, that capacity will grow, and that regional leadership will move in the right direction.

How Indonesia's neighbours can help it fight the haze

**BY SIMON TAY
AND LEE CHEN CHEN**

This commentary appeared in TODAY on 6 May, 2016, and in The Jakarta Post under the title "Indonesia leads on fires and haze: What others should do" on 30 April, 2016.

Indonesia is making every effort to ensure that the terrible fires and haze suffered last year will not recur. This reassurance was given at the recent 3rd Singapore Dialogue on Sustainable World Resources (SDSWR) by Mr Nazir Foad, who heads the newly created Peatland Restoration Agency (BRG).

This is the clearest indication yet by a senior Indonesian official of the priority given to this issue by the administration of President Joko Widodo.

Given that fires have recurred since 1997-1998 and worsened in the past two years, some may cynically dismiss this as nice words on paper that is not fireproof. But Indonesia is undergoing a sea change in attitudes towards addressing this problem.

The statement by Mr Nazir, who holds a ministerial-level appointment, did not come out of the blue. Last year, President Jokowi, as he is popularly known, visited provinces hit by the haze and saw first-hand how terribly it afflicted Indonesians living nearest to the fires. At last December's Paris meeting to conclude the global agreement on climate change, the President pledged to cut emissions, which in Indonesia mainly come from forest fires.

Early this year, the BRG was formed with the clear and ambitious aim of protecting and restoring 2 million ha of peatland, one of the key sources of fires and haze. In March, the Riau provincial government declared a state of emergency after fires in some districts began spreading rapidly because of strong winds. Recognising and declaring the emergency allowed an earlier and stronger response, and more than 700 police and soldiers were deployed to ensure the fires did not get out of hand.

These are clear signs that the Jokowi administration intends to respond not only with speeches but also with hard work on the ground and in reshaping vital agro-forestry sectors.

For Indonesia, taking leadership is in the country's national interest. The fires and haze cause severe social, environmental and economic costs; last year, some 2.6 million ha of forest and farmland in Indonesia were burnt, and the cost to the Indonesian economy was estimated by the government to be as much as US\$33.5 billion (S\$45.5 billion).

For the first time, a number of concession licences have been cancelled. Bank Mandiri, the country's largest bank, has stopped granting loans to develop palm oil plantations on peatlands. Just before Mr Nazir spoke, the president announced a moratorium on new concessions for oil palm plantations.

Still, questions remain. Different interests are at play. Large corporations may still find it convenient not to care about the fires or the broader questions of sustainability since these can add to their production cost. Many such firms have political influence and bringing them to task will not be easy.

Moreover, there are many small-scale farmers who do not have the means or financial capacity to switch to land-clearing without fire. While these communities must be protected from the fires and haze, they also need to find ways to continue to work for their livelihoods. These are important economic and social dimensions to be resolved in tandem with the need for better environmental protection.

In many ways, the challenges of dealing with the fires and haze are symptomatic of much wider questions in Indonesian politics and the change promised by Mr Jokowi, as the non-elite “people’s President”. These questions are still to be resolved by Indonesians.

But this does not mean that others outside of Indonesia cannot assist. Now that the Indonesian government is taking the lead in addressing the issue, what can others do to support it?

Singapore, the region and indeed the global community can help in three main ways.

The first is to strengthen governance in the resource sector including the cross-border corporations that dominate it. The second is to foster an informed consumer movement and generate support for sustainably sourced products. The third is to increase the capacity of local communities to prevent and respond to fires.

First, the cross-border control of corporations has been an exercise in finger-pointing for many years, with allegations that Singaporean and Malaysian firms are involved in and condone unsustainable practices. Singapore’s Transboundary Haze Pollution Act (THPA) attempts to address that.

Singapore has in the last year been active in taking to task corporations and their key officers involved in the haze. As reported at the SDSWR by Singapore Minister for the Environment and Water Resources Masagos Zulkifli, the Government has served notices on a number of companies and will hold all Singapore-based companies to account. Moreover, it recently served notice to a foreign director of one such company while he was visiting Singapore.

A second dimension of governance concerns how these corporations obtain financing. If environmental protection and sustainability, alongside commercial considerations, are integrated and quantified as part of the risk framework for banks, errant companies will have to mend their ways or face difficulty in obtaining financing for their operations. At present, many international banks already screen their loans on environmental, social and corporate governance (ESG) criteria, seeking certification or other proof that their clients’ practices are internationally acceptable. The gap has been with the regional banks.

Here, Indonesia’s own banking regulator, the Financial Services Authority (OJK), has taken the lead. OJK released its Sustainable Finance Roadmap last year and has since launched an 18-month project to help local banks integrate ESG criteria into their credit approval frameworks. At the SDSWR, the chairman of OJK, Dr Muliawan Hadad, pointed out that sustainable finance can be profitable and that Indonesia will continue to promote the concept in the financial sector.

Banks and financial regulators in the region can support Indonesia’s efforts by harmonising measures with one another. This will prevent firms that cannot meet the ESG standards from shifting to other markets and lenders with lower or no standards.

Finally, Singapore and the international community can support Indonesia’s grassroots efforts to prevent and suppress fires by collaborating transnationally with them on capacity-building projects at the provincial level. The haze crisis last year saw ground-up efforts by civic groups in Singapore to supply masks and humanitarian aid to villages in some of the worst-hit provinces. More community-to-community projects can be promoted to encourage good agricultural practices and eventually help local communities mitigate the external risks arising from climate change.

The Jokowi administration has demonstrated resolve and leadership to avoid a repeat of last year’s haze. More can be achieved when we stand ready to lend our full support.



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3RD SINGAPORE DIALOGUE ON SUSTAINABLE WORLD RESOURCES

**Global Consensus, Regional Actions:
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Friday, 15 April 2016 • The Ritz-Carlton, Millenia Singapore



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About Singapore Institute of International Affairs (SIIA)

The SIIA is a non-profit, non-governmental organisation dedicated to the research, analysis and discussion of regional and international issues. Founded in 1961, it is Singapore's oldest think tank. Since 2013, the SIIA has ranked as one of the top think tanks in Southeast Asia and the Pacific in the Global Go To Think Tank Index performed by the University of Pennsylvania. In the same index, SIIA has also consistently ranked among the top 100 think tanks in the world.

The SIIA has organised many dialogues on the subject of transboundary haze since 1997, when large-scale fires in Kalimantan and Sumatra led to one of the worst haze episodes in Southeast Asia on record. In May 2014, the SIIA hosted the First Singapore Dialogue on Sustainable World Resources (SDSWR), a multi-stakeholder platform that aims to promote the exchange of best practices to deal with haze pollution and other sustainability issues in the plantation sector. This was followed by a second edition in May 2015, at which the SIIA also launched its Haze Tracker website (www.hazetracker.org).

At the third SDSWR, held in April 2016, the SIIA launched its policy brief, "Southeast Asia's Burning Issue: From the 2015 Haze Crisis to a More Robust System". The event attracted significant media coverage, with broadcasts on Channel NewsAsia (CNA) and close to 40 reports in prominent media outlets, including CNN, The Straits Times, CNA, TODAY, The Jakarta Post, The Nation, Lianhe Zaobao and Antara, as well as specialised platforms such as Eco-Business and Forest Hints.



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