



4TH
SINGAPORE DIALOGUE ON
**SUSTAINABLE
WORLD
RESOURCES**

Thursday, 6 April 2017 | The St Regis, Singapore



**INCLUSIVE
COLLABORATION:
WORKING
TOGETHER FOR
SUSTAINABLE
VALUE CHAINS**

DIALOGUE HIGHLIGHTS



Mr. Masagos Zulkifli

Minister for the Environment and Water Resources, Singapore

“Each and every one of us has a part to play in realising a sustainable agroforestry sector in the region: governments... civil society... (and) buyers... There is no other way.”



Dato Sri Dr. Haji Wan Junaidi bin Tuanku Jaafar

Minister of Natural Resources and Environment, Malaysia

“The greatest challenge for most developing countries has been to protect and sustainably manage forests while balancing societal needs for development... integrated planning and better management is needed to minimise further fragmentation and ecosystem degradation.”

INCLUSIVE COLLABORATION: WORKING TOGETHER FOR SUSTAINABLE VALUE CHAINS

In the past year, the push for sustainability in ASEAN's agricultural sector has reached a critical mass. Notably, an increasing number of large plantation companies have made stronger commitments to sustainability targets, as well as improved their corporate transparency and disclosure. These effects are in step with the global consensus on the importance of committed action to combat climate change, and of adopting sustainability as an overarching strategy across all sectors of the economy.

With commitments secured, attention has now turned to the equally significant challenge of implementation. As the sustainability issues confronting the plantation sector cross both industry sectors and national boundaries, the implementation of solutions also needs to involve multiple stakeholders, especially those who are at risk of being left out of the discourse, such as smallholders and small-medium enterprises (SMEs). There is also a growing realisation that a multi-stakeholder approach will be needed to move beyond immediate efforts to prevent fires and haze, and to achieve sustainability across the whole supply chain in the long term.

At the same time, the spotlight in the sustainability conversation is spreading beyond purely environmental concerns to related issues that merit equal attention. These issues include securing labour and social rights for workers and local communities, encouraging financiers to direct capital towards sustainable projects, and leveraging technology to resolve long-standing roadblocks.

In order to discuss these issues, the Singapore Institute of International Affairs (SIIA) hosted the Fourth Singapore Dialogue on Sustainable World Resources (SDSWR) on 6 April 2017 at the St. Regis Singapore. More than 300 representatives from governments, academia, NGOs, the private sector, and the media participated in the full-day conference. This report aims to capture the key messages from the Dialogue.

We would also like to thank our gold sponsor, Standard Chartered; our sponsors, Asian Agri, Cargill, and Temasek International; and our supporting organisations, the European Chamber of Commerce in Singapore and International Enterprise (IE) Singapore.



KEYNOTE SPEAKERS:

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Governor
South Sumatra Province, Indonesia

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SPOTT Palm Oil Manager
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Mr. Pham Hong Duong

Chairman, Sugar Segment
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Mr. Rashyid Redza Anwarudin

Vice-President and Head of Sustainability Reporting and
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PANEL 1:

Competition or Convergence? How Non-State Actors Can Complement Environmental Governance

Though many governments and companies have made substantial commitments towards sustainability targets such as reducing emissions, restoring degraded lands, and achieving deforestation-free supply chains, simply making commitments is not enough. Effective implementation is also needed to ensure that these commitments can be achieved.

In the ongoing debate over which approach can most successfully achieve sustainability targets, one approach in particular, known as the “landscape approach”, has come to the fore. Under the landscape approach, a single authority – usually a government, but sometimes also private sector companies, NGOs, or development agencies – oversees the creation and implementation of a single land use plan, which attempts to consider the needs of all actors in the landscape. Similarly, all stakeholders in the landscape are involved in the preparation and execution of the land use plan, allowing different agencies to contribute their individual capabilities to the realisation of a common target.

Panel 1 : Competition or Convergence? How Non-State Actors Can Complement Environmental Governance

In particular, the province of South Sumatra has been recognised for its leadership in sustainable landscape governance. For instance, 2,700 independent oil palm smallholders in the province have been certified under the Roundtable on Sustainable Palm Oil (RSPO). This is currently the world's largest group of independent smallholders to be RSPO-certified. South Sumatra province has now officially articulated its sustainable landscape governance roadmap in a Green Growth Development Plan.

The landscape approach can also be employed to achieve tangible impacts in preventing fires and haze. South Sumatra has enlisted the help of international experts to assist in improving its fire-readiness and rehabilitating its degraded forests and peatlands. To better involve smallholders and local communities on the ground, the province has also created 162 "fire-free villages". Under this programme, villagers are provided with fire-fighting equipment and trained to extinguish fires while they are still small. The government's officials continue to conduct regular visits to the field in preparation for 2017's dry season, which is anticipated to bring a higher risk of fire than that of 2016.



H.E. Alex Noerdin

Governor

South Sumatra Province, Indonesia

"We asked (assistance) from a lot of countries, a lot of NGOs, together with our people. We call this P4: public, private, people partnership."

NGOs, too, have thrown their weight behind multi-stakeholder environmental governance efforts, particularly at the sub-national level. This is because it is often at the sub-national level that key decisions are made and partnerships are implemented. The NGO World Resources Institute (WRI) Indonesia is one good example. WRI Indonesia is currently facilitating platforms at the provincial and district levels where all stakeholders, from the private sector to government officials and indigenous peoples, can come together to communicate freely on a similar standing. Through this process, WRI Indonesia believes that sustainable land use mechanisms and solutions to tricky problems, such as the synchronisation of land use maps, can be designed from the ground up.



Dr. Nirarta "Koni" Samadhi

Country Director

World Resources Institute (WRI), Indonesia

"Increasingly we realise that within the government system, we have to work more with the subnational (levels), because they're the ones who are going to be at the forefront making decisions."

Panel 1 : Competition or Convergence? How Non-State Actors Can Complement Environmental Governance

Indonesia's forestry industry is also using the landscape approach to diversify its business model beyond the extraction of agricultural commodities. For example, the Indonesian Association of Forest Concessionaires (APHI), which oversees the activities of 400 forestry companies in Indonesia, is currently developing five alternative business models, which will allow forests to be managed in sustainable ways by local and indigenous communities. These are monetising carbon stock through carbon credits; agroforestry, or the combination of timber production with non-forestry-related agricultural activities; dedicating land to the cultivation of crops for biofuel; developing water resources; and promoting ecotourism.



Dr. Indroyono Soesilo

Chairman

Indonesian Association of Forest Concessionaires (APHI), Indonesia

“We’re going back to basics – social justice for people. The government of Indonesia is ready to disburse 12.7 million hectares of forest and land for indigenous peoples. If we stick with current activities, the forestry industry in Indonesia will be a sunset industry.”

Besides in Indonesia, this multi-stakeholder concept of forest governance is also being adopted in other rapidly industrialising, resource-rich countries such as Myanmar. In order to mitigate climate change and the natural disasters associated with deforestation, the government of Myanmar announced in 2016 an ambitious ten-year reforestation programme. In the case of Myanmar, involving all stakeholders has made it easier to identify problems such as inadequate financing options for local communities, a lack of scientific data, inadequate incentives for sustainable forest management, and the need to reconcile conflicts between ethnic groups. However, more remains to be done to secure the buy-in of more stakeholders, particularly from the government.



Dr. Tint Lwin Thaung

Executive Director

The Nature Conservancy, Myanmar

“One of (our) challenges is... trying to promote a participatory way of making decisions, especially in the government sector. People are still thinking very sector-focused... (but) it is really important to take a whole landscape-level approach.”

Panel 1 : Competition or Convergence? How Non-State Actors Can Complement Environmental Governance

Finally, sustainability is steadily gaining a foothold in the financial sectors of ASEAN countries. One of ASEAN's largest investment holding companies, Singapore's Temasek, has created a sustainability and stewardship team to focus explicitly on the sustainability impact of its investments. Temasek sees itself as a steward of the companies it invests in as well as the communities in which it operates. Though Temasek acknowledges that is difficult to balance profits with environmental, social, and governance (ESG) concerns, it believes that successfully achieving this balance will allow it to create greater positive impact than pursuing either alone. ■



Ms. Neo Gim Huay
Managing Director, Enterprise Development;
Managing Director, Sustainability
Temasek International Pte Ltd, Singapore

“Haze affects us and our investments as much as it affects all citizens in the region... Beyond just saying we do not invest in or condone those who perform (unsustainable) activities, we actually want to play a part in helping solve these problems.”



PANEL 2:

Small Steps to Big Goals: How Smaller Players Can Become More Sustainable

Much of the discussion around sustainability in the agricultural sector has centred on the direct roles and responsibilities of large companies, governments, and other major players. Yet, smaller players such as smallholders and SMEs comprise a sizeable proportion of the market, and many of these smaller players find it difficult to transition to sustainability on their own. These difficulties are due to a range of constraints such as high costs, lack of knowledge, limited access to supply chains and finance, and other entrenched systemic barriers.

Certifications such as RSPO have frequently been promoted as a way for palm oil farmers to profit from switching to sustainable practices. However, the potential benefit to many smallholders of achieving certifications such as RSPO is currently not commensurate with the cost. This is especially because as compared to plasma smallholders and industrial plantation companies, many independent smallholders suffer from lower productivity and hence lower profits. Smallholders also struggle with the bureaucracy involved in fulfilling the standards required by certification bodies, as well as with basic requirements such as obtaining land rights.

In response, rather than viewing sustainability as something that can only be achieved through certification, many actors are redefining sustainability as a series of stepwise goals which should be pursued on their own merits. These actors are now investigating how interventions should be designed to support smaller players in achieving these goals. Such support may take many forms, including training, technology, and finance.



Mr. Denys Collin Munang
Chief International Business Officer
Felda Global Ventures Holdings Berhad (FGVH), Malaysia

“Certification standards may be out of reach for smallholders. We should contemplate a stepwise approach to move towards sustainable practices, rather than certification.”

With their specialised knowledge, capital, and ability to access large numbers of smallholders through their supply chains, industrial plantation companies remain a key conduit for achieving smallholder sustainability. Felda Global Ventures, the palm oil company that works with the largest number of smallholders in the world, has various schemes to help smallholders embark on better sustainability practices on their journey towards eventual certification. The company actively shares information with its smallholders on best agricultural practices in various categories, including harvesting, seed quality, environmental safety, and land rights. When farmers are ready, Felda also supports them to achieve certification by paying for all necessary inspection and administration fees.



Photo: Ricky Martin/ CIFOR

Panel 2 : Small Steps to Big Goals: How Smaller Players Can Become More Sustainable

A similar approach is followed by Asian Agri, an Indonesia-based palm oil company that has made a “1-to-1 pledge”. This means that for every hectare of plantation land managed directly by the company, Asian Agri will support sustainable agriculture on one hectare of plantation land cultivated by one of its smallholder suppliers. The pledge is also notable for its efforts to incorporate independent smallholders, the group of farmers that require the most support to improve their sustainability standards: out of the 100,000 ha of smallholder plantations targeted, 40,000 ha will be managed by independent smallholders.

To improve the standard of living of its smallholder suppliers, Asian Agri establishes farmer co-operatives, guarantees a fixed price for fresh fruit bunches produced by farmers, and also provides access to reasonable financing methods and improved planting stock. Through this approach, Asian Agri has not just helped its farmers achieve certifications such as RSPO and the International Sustainability and Carbon Certification (ISCC), but also increased their income by up to 250%.



Mr. Kelvin Tio
Managing Director
Asian Agri, Indonesia

“We strongly believe that we can only encourage smallholders to drive towards sustainability once they achieve a certain level of livelihood... Through our programmes, we help them to improve their productivity, their income, and finally their livelihood. This journey requires everybody’s support.”

NGOs, too, can play a significant role in supporting smallholders in transitioning to sustainability, especially in building knowledge and capacity. For example, as part of its Sustainable Landscapes Partnership Programme, Conservation International Indonesia, the Indonesian branch of the major international environmental NGO, uses strategic environmental assessments as a key tool in engaging with smallholders. These assessments not only help smallholders understand the best ways to use their land to achieve optimal agricultural and environmental outcomes, but also feed directly into the land use plans drawn up by the provincial government. Conservation International is also promoting alternative models for agriculture that minimise the need for further land expansion, such as agro-forestry, where secondary forests are used for both tree plantations and other agricultural commodities.

One continuing problem for these actors is the insufficient uptake by consumers of sustainably-produced agricultural products. For example, in 2016, only 5.6 million tonnes of the 12 million tonnes of RSPO-certified palm oil produced were sold at a premium as certified palm oil, with the rest being sold as ordinary palm oil. Without stronger demand from the market, it may prove difficult to encourage more smallholders to take up sustainable farming practices.



Mr. Iman Santoso
Senior Terrestrial Policy Advisor
Conservation International, Indonesia

“We have to make a very careful improvement to our supply chains. We have to ensure that the benefits from sustainable agriculture will go to the smallholders, so that they can appreciate how the best practices for sustainable agriculture are valued in the market.”

Panel 2 : Small Steps to Big Goals: How Smaller Players Can Become More Sustainable

One final, crucial element for supporting the smallholder transition to sustainability is providing access to finance. Many of the current models for financially supporting smallholders either rely on providing aid or require them to reduce their resource consumption, with potentially negative impacts on their ability to raise their standard of living. The Tropical Landscapes Finance Facility (TLFF), a new US\$1 billion partnership between the Indonesian government, ADM Capital, and BNP Paribas, is hoping to design an alternative model. By distributing the risk involved in financing smallholders among various parties, TLFF aims to give these smallholders access to loans at accessible interest rates. Its investment pipeline is still being developed, but is likely to comprise projects ranging from renewable energy to forest conservation and sustainable plantation.

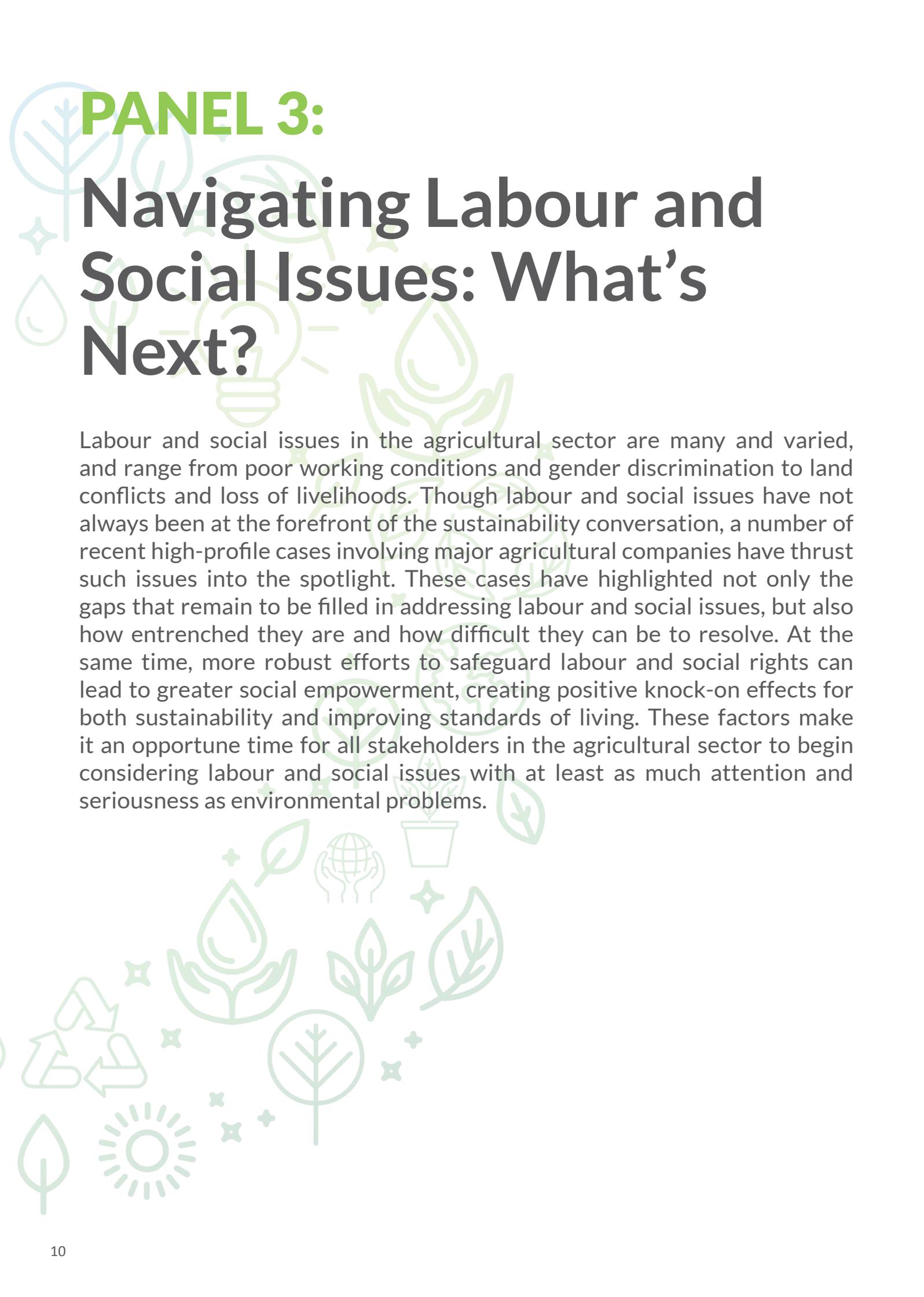


Mr. Satya Tripathi
Chief Executive
Tropical Landscapes Finance Facility, Indonesia

“Our expectation is that the smallholders (will be) able to increase their income by 200 to 300 percent... If that happens, there’s money for health, education, and social prosperity, and less time for mindless conflict.”

Overall, there is a consensus that current sustainability and compliance principles, which were designed largely to suit larger companies, need to be tailored to fit the needs of smaller players. To enable smallholder sustainability, this change in approach should be embedded across all agricultural commodities, as well as in every step in the supply chain. ■





PANEL 3:

Navigating Labour and Social Issues: What's Next?

Labour and social issues in the agricultural sector are many and varied, and range from poor working conditions and gender discrimination to land conflicts and loss of livelihoods. Though labour and social issues have not always been at the forefront of the sustainability conversation, a number of recent high-profile cases involving major agricultural companies have thrust such issues into the spotlight. These cases have highlighted not only the gaps that remain to be filled in addressing labour and social issues, but also how entrenched they are and how difficult they can be to resolve. At the same time, more robust efforts to safeguard labour and social rights can lead to greater social empowerment, creating positive knock-on effects for both sustainability and improving standards of living. These factors make it an opportune time for all stakeholders in the agricultural sector to begin considering labour and social issues with at least as much attention and seriousness as environmental problems.

One reason why it is so difficult to effectively address labour and social issues is because many of them result from longstanding and profit-generating business practices. For example, basing workers' pay solely on their productivity may incentivise workers to bring in their family members, including minors, to work illegally on plantations. Other such practices include inadequate training for managers in people-centric issues, a lack of transparency among management with regards to the worker-hiring process, and the proliferation of multiple work documents without adequate formalisation and standardisation. Verité, an NGO that works in collaboration with agricultural companies to resolve labour and social issues in Southeast Asia and across the world, noted that as long as these business structures are in place, there is a risk that labour and social issues will result, even if companies are certified and put strong policies in place.

Ms. Daryll Delgado

*Research and Stakeholder Engagement Programme Manager
Verité Southeast Asia (VSEA), The Philippines*



“Even if there are strong and explicit policies from companies prohibiting (negative labour and social) practices, because of the way the operation is set up... there are still practices that can lead to risks. That’s why we tell companies that the responsibility for sustainability should not just be on one department, but embedded in their functional responsibility.”



Photo: Lucy McHugh/ CIFOR

Panel 3 : Navigating Labour and Social Issues: What's Next?

However, agricultural companies have begun to question these longstanding business practices and investigate how they may lead to labour and social issues in their supply chains. Much of this change is being driven by increasingly stringent expectations from downstream customers and investors. ZSL, a UK-based NGO, has created an informational platform known as the Sustainable Palm Oil Transparency Toolkit (SPOTT) that ranks palm oil companies according to the strength of their sustainability commitments and disclosures. SPOTT also provides a comprehensive list of the environmental, social, and governance-related controversies that each company has been involved in. According to ZSL, the number of stakeholders interested in seeing social governance incorporated into the wider sustainability framework is growing, both internationally and locally within Southeast Asia.

Dr. Izabela Delabre

SPOTT Palm Oil Manager

Zoological Society of London, United Kingdom



“What we’ve seen from consultations with our users, investors, companies themselves, and NGOs is that there is real interest in incorporating more social and governance indicators within our (SPOTT) framework... demonstrating more progress and reporting what’s happening on the ground. There has been a real growth in companies engaging with us on this and taking this seriously, because it is what investors want to see.”

One example of an agricultural company that is paying attention to this increased pressure is Sime Darby, a Malaysia-based conglomerate with significant operations in palm oil that directly employs at least 30,000 migrant workers. Through surveys of stakeholders over the last three years, Sime Darby noted that there is increasing interest in how Sime Darby is managing social issues. In response, the company has looked more closely at its process of recruitment, implementing measures accordingly to streamline the process and minimise risks. These measures include funneling all its foreign workers through the same worker management centre, standardising worker contracts, travelling to the home countries of workers to conduct briefing sessions, and absorbing recruitment fees to avoid exploitation by agents.

Mr. Rashyid Redza Anwarudin

Vice-President and Head of Sustainability Reporting and Social Performance

Sime Darby, Malaysia



“Because we are such a large organisation, any controversy that hits us will definitely be very well-publicised... We need to engage with the communities and be as transparent as possible, any time any of our stakeholders asks about our progress.”

However, even large companies are limited in their ability to create real, long-lasting changes with regards to labour and social issues if they act alone. Collective action is needed from companies, NGOs, and governments to identify the root causes of these issues and devise effective solutions to them. In addition, if such actions are not paired with consultations with the communities and workers involved, as well as with capacity building on the ground, it is unlikely that they will be successful.

In comparison to the number of platforms around deforestation, the number of platforms for stakeholders to collaborate on labour and social issues remains small. This perhaps presents an area for further development in the future. ■

Ms. Perpetua George

General Manager, Group Sustainability
PPB Oil Palms Bhd (Wilmar International), Malaysia



“It is possible for a company to make unilateral decisions (on labour and social issues)... but that single act won't provide a lasting change in terms of the wide industry, because these are underlying issues. Collective action is required from companies, NGOs, and the government in order to understand the root causes and come up with solutions.”



PANEL 4:

Pushing Boundaries: Leveraging Technology for Inclusive Agriculture

The rapid pace of technological development in the fields of sustainability and agriculture presents a double-edged sword. On one hand, the application of technology to agriculture has created significant advancements in productivity, and innovative new information platforms have allowed much improved monitoring and communications and put sustainability targets closer within reach. On the other hand, the high cost and learning curve of new technology may exclude certain players such as smallholders, and the speed of technological development may outpace the ability of regulators to monitor it and harness its benefits.

Olam is one example of an agricultural company that is investigating how to balance these competing issues. It has discovered that applying relatively simple technology in innovative ways can both support sustainability efforts and be a significant profit driver. For example, Olam uses the GPS function on its smallholders' smartphones to create a map of their farms and households. Another way in which Olam uses big data is by analysing country-level weather patterns. Such information can be used to help smallholders optimise their yields. By passing this information to their smallholders, Olam can also deepen the extent and level of communication between them and their smallholders.



Mr. Ashish Govil

*Senior Vice-President and Global Head (Natural Rubber)
Olam International Limited, Singapore*

“Data collection, analysis, and communication... if you link them together, it can be a very powerful tool.”

For Cargill, technology has become key in its efforts to achieve greater transparency and more regular and accurate information about its business. This is especially important for Cargill's palm oil business as it does not produce most of the palm oil that it trades, instead relying on its suppliers for over 90% of its trade volume. For example, Cargill has designed a new electronic plantation management system that allows smallholders to submit yield reports and other updates via tablets, smartphones, and other electronic means.

For some agricultural companies, technology has become an important tool in the fight against climate change. This is true for TTC Group, the largest sugar company in Vietnam, which sources 90% of its raw sugar from smallholders. In order to not exclude its smallholders, TTC Group ensures that the best practices it promotes are both easily accessible and explained to farmers in ways that they can understand. Examples of these best practices include planting grass instead of burning it to reduce the need for irrigation and fertiliser, intercropping to improve yields, and supporting smallholders to install solar panels. In its communications with its smallholders, TTC Group also emphasises that the best practices they recommend are not just good for sustainability, but also have the ability to maximise the farmers' yields and profits. By using the methods recommended by TTC Group, farmers have the ability to increase their profits by over 10 times.





Mr. Pham Hong Duong
Chairman, Sugar Segment
TTC Group, Vietnam

“Technology means the intersection between sustainability and survival. We cannot tell the farmer (to adopt) a development that is good for sustainable conditions... without economic results for them.”

The increased monitoring capabilities enabled by improved technology are also being used to fight haze and fire, particularly by Indonesia’s Peatland Restoration Agency (BRG), which has the mandate of restoring 2.4 million hectares of degraded peatland across the country. To create peatland maps and monitor the progress of restoration, BRG is also leveraging on technology such as LIDAR, a remote sensing technology that is able to accurately detect the depth of peatland. To quickly detect the onset of fire, BRG is using the latest satellite technology, as well as a system of water loggers installed in concessions, known as SESAME, to better predict fire risk in specific areas. Drones have also proven to be a cheap and effective method for monitoring fires.

However, significant bottlenecks and issues do exist in the field of agricultural technology. For example, simple technology is often the only kind that can be effectively used by a range of actors in the field. Secondly, country-wide or international standards should be developed for technological and informational platforms, so that different groups of users can share data with one another easily.

Significant infrastructural limitations also exist. For example, many areas where plantation companies and smallholders operate lack basic cellphone coverage, as telecommunications companies are unwilling to enter rural areas with a lack of critical user mass. This is an ongoing issue for many countries.

With regards to the proper regulation of technology, there is a consensus among users of technology that the benefits of encouraging the adoption and more widespread availability of technology outweigh the benefits of regulating it more strictly. However, governments remain important in ensuring data security, providing infrastructure such as blockchain verification, and controlling particularly sensitive technologies such as GMOs.



Dr. Najib Asmani
Special Staff to South Sumatra Governor for Climate Change Field;
Coordinator of South Sumatra Peatland Restoration Team
Government of South Sumatra Province, Indonesia

“The government (should) give attention to companies and how they can support the farmers. To check technology is complicated and will take time... Providing the technology and finance is (more) important to us than regulation.”

Panel 4 : Pushing Boundaries: Leveraging Technology for Inclusive Agriculture

A key lesson learned from implementing technology in the field is that it is most important to make sure that technology is appropriate for the area in which it is used, and that the technology produces results and data that can be acted upon in an effective way. ■



Mr. Colin Lee
Corporate Affairs Director
Cargill Tropical Palm Holdings, Singapore

“If you have the fanciest tech in place, you’re going to generate a lot of data, but if nothing gets done about it, it’s just sitting there... For every single technology investment, investments also have to be made into leveraging results from its use. The greatest considerations are ease of use and applicability.”







From Conflict to Collaboration: Broadening the Conversation



Associate Professor Simon Tay
Chairman
Singapore Institute of International Affairs

“The response to this effort to improve, to take back the negatives, and to find positive opportunities, is collaboration... I think collaboration is actually critical, not just between the key governments, but increasingly between the big companies and the small (players).”

In the four years since its inception, the Singapore Dialogue on Sustainable Resources has seen a significant shift in the tone of discussion. Stakeholders now engage in fewer negative actions such as finger-pointing; instead, they are making active efforts to collaborate with one another, both across borders and between different parts of the supply chain. There has also been an increase in the momentum behind sustainability issues, as well as in the pressure to improve and resolve them through the use of a single cohesive framework.

The sustainability conversation has also progressed in its scope. Beyond simply preventing fires and haze, interest has shifted to considering how the agricultural industry can upgrade itself to deliver better employment opportunities, livelihoods, and social justice to the people of Southeast Asia. This broader scope is welcome, as championing long-term sustainability across the entire supply chain is ultimately the best way to address the issue of fires and haze.

To address this broader set of issues, collaboration again presents the best way forward: not just between governments, but also between larger and smaller players, and between NGOs and the private sector. Each stakeholder can use its individual set of capabilities and expertise to mentor and coach the others in their sustainability journey.

Though Singapore may not contain significant plantations or forests, as a hub of finance and trade for Southeast Asia, it nevertheless has an important role to play. By leveraging on its leadership in these areas, Singapore can and should bring in the private sector, especially the financial sector, to a deeper level of engagement and understanding of the sustainability issues in agriculture, so that they can ultimately contribute to the implementation of long-term solutions to these issues. The SIIA will also contribute by organising events and producing research to deepen the conversation around sustainable finance in the Singapore context.

“How Indonesia is stepping up fight against climate change”

By **Associate Professor Simon Tay**, *Chairman, Singapore Institute of International Affairs and Dr. Nirarta Samadhi*, *Country Director, WRI Indonesia*

United States President-elect Donald Trump may have labelled climate change a hoax, but that has not stalled the momentum behind last month's United Nations' Climate Change Conference in Marrakech, Morocco.

Less than one year after its adoption, the Paris climate agreement has entered into force, with some 175 countries already on board. The next step will be to begin implementing the commitments each country has made. In South-east Asia in particular, regional cooperation will be critical to address certain issues that transcend national boundaries.

One of the largest obstacles to climate change efforts in South-east Asia remains Indonesia's forest and peatland fires. Though these fires are perhaps most notorious as the source of the annual haze that blankets our region, they should rightly be framed as a global concern about carbon emissions.

To put things into perspective, Indonesia's 2015 fires produced the equivalent of 1,750 million metric tons of carbon dioxide (MtCO₂e), which is almost the same amount emitted by Indonesia's entire economy in an average year (1,800 MtCO₂e).

Hence, it is heartening that Indonesia has shown resolve in addressing the issue. The reduction in fires this year must be credited to not only wetter weather, but also the political will and concerted efforts of the government of President Joko Widodo.

At the peak of the haze crisis last year, Mr Widodo visited South Sumatra to understand the fires first-hand and subsequently established the Peatland Restoration Agency (BRG) in January 2016. The BRG has been charged with coordinating the

restoration of 2.1 million hectares of degraded peatland across Indonesia by 2020.

Following orders by Mr Widodo to “get very tough” on errant companies, Indonesian police have arrested more than double the number of individuals in forest fire cases this year compared with last year.

The Indonesian government is also responding faster to fires, enabled by the early declaration of a state of emergency in six provinces. These efforts have been commended by regional leaders, including Singapore's Minister for the Environment and Water Resources, Mr Masagos Zulkifli.

Such measures were crucial in the immediate aftermath of the fires. But the true challenge comes in figuring out how to tackle this complex problem in the long term.

One pressing issue is the ongoing debate over the most appropriate way to restore degraded peatland. Comprised of partially decayed organic matter, peatland is often drained to grow oil palm, acacia trees for pulp and paper, and other agricultural crops. But drained peat is highly flammable during the dry season, resulting in fires that can take months to extinguish.

Some parties contend that the only sustainable way to restore degraded peatland is to rewet, reforest and protect the entire landscape. Otherwise, fires that start on agricultural lands may easily spread into protected areas, destroying intact forests.

Worse still, protected forest will continue to be affected by drainage from surrounding agricultural areas. Drainage causes peatland to subside, causing the land to become flooded and unusable in the long term.

Other parties argue that it is unrealistic to reforest large peatland areas that already contain thousands of villages and extensive industrial plantations, which generate a great deal of employment and economic benefit.

They also point to the fact that there is still a limited market for native peatland crops that do not require drainage – such as jelutong, sago and illipe nut – compared with more commonly grown crops such as oil palm and areca nut.

It appears that the Indonesian government's approach is to strike a balance between these competing concerns. On Dec 1, Mr Widodo signed a regulation that banned new clearing of peatland for crop cultivation.

Plantations will also be required to set a minimum ratio between cultivation and conservation areas, and lay down guidelines for the proper management of peatland plantations. BRG has plans to rewet areas set aside for conservation and improve their fire readiness by installing wells and monitoring systems.

Now, Indonesia faces the challenge of harmonising these standards across its 12.9 million hectares of peatland, which is likely to be a complex and time-consuming process. In the meantime, the scale and urgency of peatland restoration will require the support of parties from outside Indonesia.

Firstly, collaboration is required to improve and disseminate knowledge about peatland, which remains an under-researched subject. The UN meeting in Marrakech saw the launch of the Global Peatlands Initiative (GPI), the largest international collaboration on peatland to date, which aims to share scientific knowledge to develop local capacity for peatland management. Indonesia is one of the founding members of the GPI.

Closer to home, the Singapore Institute of International Affairs, the World Resources Institute Indonesia and other leading non-governmental organisations in Asean recently organised the Regional Peat Restoration Workshop in Jakarta, which showcased ongoing restoration efforts in order to share learning points with others conducting similar projects.

Secondly, peatland restoration is expensive and will require financial support from other countries. Funding is especially needed to scale up current projects, many of which are still small-scale and experimental, so that they cover entire peat landscapes. This will maximise impact and minimise the conflicts that often result between multiple, smaller projects.

One recently-launched initiative to provide such funding is the Tropical Landscapes Finance Facility. A joint effort between BNP Paribas, ADM Capital and the United Nations Environment Programme, the facility mobilised over US\$1.1 billion (S\$1.59 billion) of investments to reverse land degradation, prevent unwise land conversion and improve revenues for small farmers.

Western donors, most notably Norway, have also pledged about US\$135 million to support the BRG. Others in the international and regional community can and should add their support.

In the longer term, Indonesia's strategy involves changing the legal rights for industrial plantations to turn them into ecosystem restoration concessions that finance the restoration of forests and peatlands through the sale of carbon credits, among other methods.

The international community plays a crucial role in developing the market and providing the demand for such credits.

Climate change is rightly seen as an issue that affects all countries. Now that Indonesia has taken several important steps to prevent the return of fires, it is vital that other countries begin supporting its efforts.

Though approaches may differ, there is a need to recognise that we are working towards the same goal and that there are significant areas of overlap to work on. The need is urgent and we must not lose the valuable momentum that has been built up so far behind forest and peatland restoration.

This commentary appeared in TODAY on 23 December 2016 and in The Jakarta Post under the title "Kudos and cooperation to combat climate change" on 27 December 2016.

“Why sustainability is key to keeping the haze away”

By **Associate Professor Simon Tay**, *Chairman, Singapore Institute of International Affairs* and **Ms. Lee Chen Chen**, *Director (Policy Programmes), Singapore Institute of International Affairs*

The skies over Singapore in the past 12 months have mostly been free of haze pollution. This is a relief from the prolonged bouts of haze and extensive fires in 2015, and the record-high 400 PSI that hit Singapore in 2013.

Efforts by the Joko Widodo administration in Indonesia to tackle the fires at source are one reason for the improvement. Wetter weather conditions have also played a major part in the good results. But the weather is changing, and not all for the better.

This year, experts predict the conditions will be drier than normal and fear that the extreme dry weather phenomenon called El Nino will return as early as July. Concerns arise, therefore, that severe fires will break out across plantation and forestry concessions across Indonesia, causing a return of the haze. Efforts to prevent that are being made. On Dec 1, Mr Widodo signed into law a blanket ban on the cultivation of carbon-rich peatland across the country.

In anticipation of dry conditions this year, Indonesia’s Peatland Restoration Agency (BRG) is already doubling up efforts to support the prevention of fires at the local and provincial level. BRG’s priority areas lie in Riau, South Sumatra and Central Kalimantan, provinces which have experienced extensive drainage of peatlands, thereby increasing their susceptibility to fires. At the same time, the Singapore authorities continue to investigate a number of Indonesian-based companies for possible fires and haze in 2015.

Critically, the assistance from different levels of the Indonesian government will also be needed, particularly in cases where cooperation from companies is lacking.

More broadly, the need is to address the root of the problem by steering the value chain of agroforestry products towards greater sustainability.

It is not just dry weather that causes the haze. The haze is a terrible manifestation of various unsustainable practices that plague the plantation sectors across the region.

Small-scale growers are often reported to use fires for land clearance because they see little other choice. Many suffer low productivity and small margins, and also lack of access to the right machinery and financing.

Sustainability also goes beyond the environment – labour and social issues must be duly addressed. Recently, Singapore-listed company Wilmar International, which has committed to a “No Deforestation, No Peat and No Exploitation” policy, was accused by Amnesty International of child labour and other labour abuses in Indonesia.

At around the same time, commodity trader Olam International came under fire for the alleged clearing of rainforests in Gabon. The pressure is growing for large agribusinesses to play an active role in addressing the environmental and social concerns on the ground or risk compromising their standing and profits.

The global value chain links back to the financial sector and the financiers behind some agroforestry companies have not been spared the spotlight.

Greenpeace has accused HSBC Bank of financing companies that are allegedly responsible for forest destruction.

In response, the bank in February issued a new “No Deforestation, No Peat, No Exploitation” policy to re-emphasise the strict conditions attached to financing of palm oil companies. Among others, HSBC customers will now have to commit to protect natural forest and peat by the end of June this year, and show evidence that these commitments have been independently verified by December 2018.

In fact, a broader and more important shift is under way. Different actors in the value chains who were previously part of the problem are now becoming part of the solution. A central pillar of this will be information and transparency. Banks and investors are increasingly integrating environmental, social and governance considerations in their due diligence, making corporate disclosure on sustainability issues more critical than ever to build trust and confidence.

Frameworks to facilitate such information disclosure are emerging. Last year, the Task Force on Climate-related Financial Disclosures outlined a set of recommendations for voluntary and consistent climate-related disclosures, thereby helping companies to better align with investors' expectations.

Similarly, a growing number of companies in the agroforestry sector are placing more emphasis on “traceability” so they can prove how they source their products to prefer the growers who adopt more sustainable practices. Technology is a key enabler for better information.

Increasingly, high-tech drones have been used to map and monitor land use and support the

intensification of yields, especially in remote areas.

Mobile applications to collect farmer data are another innovation, allowing small-scale growers to make more informed decisions about their use of fertiliser and pesticide so that they too can move to both greater sustainability and productivity.

To help promote transparency and the adoption of best practices, non-governmental organisations (NGOs) and non-profit research institutions can play a critical role.

Dialogue across sectors is essential during this time of change in the policy and the priorities of the sector. Governments, large growers and their key customers and financiers need to be brought to the table together.

Equally important, gaps in the value chain need to be identified so that small-scale growers can participate and collaborate in the move towards sustainability, rather than oppose it.

Achieving sustainable value chains is clearly not the sole responsibility of any stakeholder and neither should it be. Instead, a concerted, collaborative effort founded on access to quality information is needed to prevent the haze and other crises from returning to the region.

This commentary appeared in TODAY on 3 April 2017; in the Malay Mail Online on 4 April 2017; in The Jakarta Post under the title “From the Haze to Sustainability” on 31 March 2017; and in The Nation under the title “As Tinderbox SE Asia Braces for Haze, There’s Hope on Horizon” on 4 April 2017.



About the 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 fourth SDSWR, held in April 2017, the SIIA launched the executive summary of its upcoming Special Report, "Peatland Management & Rehabilitation in Southeast Asia: Moving from Conflict to Collaboration". The fourth SDSWR also attracted significant media coverage, with close to 60 reports in prominent print and broadcast media outlets, including Channel NewsAsia, Channel 8 News, BBC, The Straits Times, TODAY, Lianhe Zaobao, The Jakarta Post, Antara, The Bangkok Post, and The Nation, as well as specialised platforms such as Eco-Business and Mongabay.

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