Executive Summary
Sustainable Land-Use and Commodity Trade
Asia Multi-Stakeholders Dialogue
October 14th 2020
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Sustainable Land Use and Commodity Trade Multi-Stakeholder Southeast Asia Dialogue October 2020

This document highlights the insights and concerns raised by participants of the first Asia multi-stakeholder dialogue on issues related to sustainable land use and commodity trade in Indonesia and Malaysia, the key producer countries in Southeast Asia. The dialogue convened on 14 October, 2020 and was attended by more than 50 participants from civil society and the private sector that were split into two groups discussing the Indonesian situation while one group focused on Malaysia. The results will be discussed by the governments at COP-26 with the hope that it will help the two governments to devise policies that can reinforce what business and civil society are doing to forge a sustainable future. The key points discussed were:

**Government policies have contributed to declining deforestation.**

Participants indicated that government policies have contributed to declining deforestation and that these should be strengthened and continued. Examples in Indonesia include the: (i) Moratorium on New Licenses in Primary Forest and Peatlands, (ii) Presidential moratorium on new licenses for oil palm and promotion of increased yield, (iii) Strategic Environmental Assessment under the Environment Law, providing multi-stakeholder framework for inclusive, transparent spatial planning.

In Malaysia, the United Nations Sustainable Development Goals (SDGs) were incorporated into the 11th Malaysia Plan and the Shared Prosperity Vision 2030. However, the COVID-19 pandemic has slowed progress on the SDGs. However, the Sabah government was held up as a good example of commitment to achieve jurisdiction-wide Responsible Sustainable Palm Oil (RSPO) certification.

A concern raised by the Malaysian participants was the present instability of government in Malaysia caused by the frequent changes of government administrations. The Indonesian participants, while lauding the policy formulation on sustainability issues, expressed concerns on the oftentimes less than effective implementation of policies drawn up. Focusing on effective implementation of existing sustainability regulations would be far more rewarding than the drawing up of new regulations.

One example is Indonesia’s progress on the implementation of REDD+ that has made it one of the few countries to access results-based payment for progress. It was suggested that Indonesia could lead south-to-south REDD+ diplomacy, supporting other countries to replicate Indonesia's success, and consolidate efforts at home to accelerate the adoption of REDD+ policies and programs at provincial and regional levels.
However, and as a counterpoint to the above, the recently passed Omnibus Law on Job Creation in Indonesia, that is creating a political furore over its provisions, could present challenges to government action that reduces deforestation and REDD+ progress to date. Careful policy study and analysis should be done to identify and mitigate key areas of risk to help guide the law’s implementation.

**Government financial incentives motivate stakeholders to commit to decreasing deforestation.**

The participants felt that financial incentives were a major factor to decrease deforestation. In Indonesia, where there is a very stringent fiscal policy, the Ministry of Finance has, in the Indonesian context, a novel fiscal transfer mechanism from provincial to district and district to village that allows for the funding of sustainability programs. Participants noted that the government has established a special organization, the Badan Pengelola Dana Lingkungan Hidup or BPDLH (the Indonesia Environmental Fund Agency) to receive international sourced funds to reward result-based activities, such as REDD+ and Green Climate Fund (GCF) related projects.

Low carbon development was frequently mentioned by participants as government commitment from national down to district level that requires different policies and initiatives. Incentives and rewards to the forest-frontier provinces and or leading provinces that aims to promote balance growth of economic and conservation benefit for fiscal transfer mechanism.

One of the groups from Indonesia identified the importance of mainstreaming the deforestation or low carbon priority into both the national 5-year medium-term development plan (Rencana Pembangunan Jangka Menengah Nasional or RPJMN) and regional five-year plans (Rencana Pembangunan Jangka Menengah Daerah or RPJMD), where sectoral and regional indicate their action plans and commitment through allocated budget to pursue low carbon development commitment plans.

**Policies and Initiatives are being developed at the national level to address deforestation associated with commodity production.**

Indonesian participants indicated two main areas where the government has made efforts to ensure sustainable land use and commodity productions. The oil palm moratorium was consistently mentioned as effective government efforts to slow down deforestation associated with the palm oil sector. Examples of concrete implementation of the oil palm moratorium at the subnational level (districts), were given, such as Pelalawan in the province of Riau, Aceh Tamiang in Aceh and South Tapanuli in North Sumatra. Strengthening oil palm certifications through the presidential decree on the Indonesia National Action Plan on Sustainable Palm Oil Production was seen as another breakthrough to govern downstream and upstream palm oil production processes.

Participants noted that Indonesia has made significant progress toward recognition of customary forest and community forest management, as part of its commitment to land reform and rights-based forest conservation. Under the government’s social forestry program, Indonesia has established large numbers of community forestry management units and customary forests over the past decade.
Policies provide opportunities for stronger partnership between governments and businesses

Decentralization Jurisdictional Approach initiatives, that have been piloting and developing in strategic districts, provide opportunities for broader partnership at the inter-government and business-to-business levels. The districts/jurisdictions/landscapes can capitalize climate finance opportunities by alignment with reporting standards in the financial sectors at the national and international levels. The respective districts/jurisdictions/landscapes can tap into the green financing opportunities that can help to accelerate investment.

Indonesia’s National Action Plan for Sustainable Palm Oil, Rencana Aksi Nasional Kelapa Sawit Berkelanjutan (RANKSBT) under the Ministry of Economic Coordination was considered a good example of the potential for partnerships between Government-to-Business, Business-to-Business, as well as with communities. Pilot projects in several districts where palm oil is sourced, are laying down the foundations for more effective monitoring and enforcement at the local level.

There was a concern from participants that the biggest threat of deforestation in next 2 to 3 years would not be from commodities but rather from the pursuit of food security. As an example, the Indonesian President had reserved large areas, close to a million hectares in Sumatera, Kalimantan, and Sulawesi for the development of food estates. This meant there was a need to shift from the narrow focus on the palm sector oil to a broader base concern for land use by other sectors.

In what was initially an aside, the importance of current initiatives on digital literacy became a point of discussion. It was viewed as a way to promote innovation in financing, capacity building, and promoting communication across communities and supply chains. Government policy support would be need to increase digital literacy.

The use of digital communication and mappings of smallholder farmers is already a part of the National Action Plan. Communicating with commodity farmers and the potential for a government policy on digital access to rural communities and farmers can make a positive contribution to sustainability. In addition, an enabling policy environment to support it could motivate more private sector entrepreneurial spirit to take part in the developing and strengthening of smallholder farmers.

The need for a clear policy direction

It was strongly felt by participants that an overall regulatory framework that gives a clear sense of direction is essential. For example, in Malaysia, the federal government has committed to 50% forest cover under the Convention on Biological Diversity (CBD) and has committed to 100% certified Malaysian Sustainable Palm Oil (MSPO). The Sabah state government has committed to 30% of the protected area and has committed to 100% Responsible Sustainable Palm Oil (RSPO). Nonetheless, it was felt that these commitments that facilitate business to business links will need market incentives. Generalizations should be avoided as Malaysia and Indonesia are different. However, it was strongly felt by all participants that a positive policy context with clear goalposts can bring government, community, and business together.