Summary Report

March 10th 2021

Forests, Agriculture and Commodity Trade
Indonesia Multi-Stakeholder Dialogue
EXECUTIVE SUMMARY

As President of COP26, the United Kingdom is leading the FACT Dialogue on sustainable land use and trade in forest and agricultural commodities. FACT aims for countries to mobilize and achieve collective, ambitious, and transformative commitments, laying the foundation for soft commodity agricultural production systems that avoid tropical deforestation while assuring food security and economic development through trade. FACT is a Government led dialogue (G2G), supported by wider multi-stakeholder consultations (MS Track), aiming to strengthen political commitment and increase financial flows for nature-based solutions to climate change and biodiversity loss through transformative ideas.

FACT dialogue is one of the facilities for parties, especially non-state actors to be involved and contributing to support the government in shaping principles & roadmap, planning, and to ensure Southeast Asia, (particularly Indonesia) strategic agenda are incorporated considering a South to North perspective, not only a North to South perspective, and to move towards deforestation-free commodity production.

In parallel, The UK Government requested Tropical Forest Alliance (TFA), a leading public-private partnership focused on commodity-driven deforestation hosted by the World Economic Forum, to organize and convene the MS track. It is being set up to provide feedback and recommendations to the government process as well as align multi-stakeholder actions.

As part of the Forest, Agriculture, and Commodity Trade Dialogue or FACT, Tropical Forest Alliance hosted a dialogue in Indonesia on March 10, 2021. The dialogue involved various stakeholders from public, private, civil society actors that have the same commitment to reducing commodity-driven deforestation and building a forest positive future in Indonesia.

The dialogue aims to identify key trends, issues, and opportunities for collaboration of Southeast Asia (SA) Producers with Demand-Side Countries in the area of trade and market, smallholder inclusivity, traceability and transparency, and lastly productivity and innovation. The dialogue resulted in three interlinked recommendations:

Collaboration, Technology Investment, and Disclosure Platform

In its journey to decouple deforestation from agriculture farming whilst still reviving its economy, the dialogue concluded with recommending areas of improvement for the SA producers (particularly Indonesia), i.e. to intensify multi-stakeholder collaborations through existing jurisdictional/landscape approach involving supply chains and governments and civil societies. Further, an improved understanding of sustainable production is very critical, and this can be translated into policy framework, the potential investment required, disclosure platform, and eventually technology investment. That said, similar argument applies in areas of smallholders, market and development, traceability and transparency, and market.
Shared responsibility, incentives for leading jurisdictions, and positive campaign

The dialogue highlighted the need for shared-responsibilities from demand-side countries to provide jurisdictions that comply with sustainable indicators with incentives through financial access, real investment, technical expertise that can support smallholder’s context, traceability, and transparency. This collective way can support the subnational government to align their protection efforts with economic balance.

With above mentioned progress in Southeast Asia Producers (particularly in Indonesia), the country envisioned that the demand side countries to advance with sharing more positive narratives about sustainable palm production. In the nutshell, incentives, access to finance and market, capacity building and shared narratives are the keys.

Strengthening sub-national commitment, One Map and Certification of land based-commodities

Recommendations for strengthening subnational commitments, a clear and clean supply for resources, and a unified map to support the four areas are expected to be the biggest ask proposed by Southeast Asia Producer, particularly, Indonesia to the UK Government, in its effort to advance Indonesia’s commitment.

Strengthening the commitment among countries in terms of collaboration, access to the demand-side market, and investing in producer countries are keys to bringing Indonesia to move forward to zero deforestation commodity production and supply chain.

Building one map is required by multiple stakeholders to agree upon the border ad go/no-go zone areas. Producer countries will be more confident in their supply chain and for consumer countries to fully support producer countries. The map will create an equal level of understanding among countries to achieve the common goal.

Lastly, SVLK and ISPO Policies are required to be strengthened to achieve sustainable palm and forestry-related production.

Indonesia has now been undergoing transformation, building on existing actions to do better at protecting natural resources and continues the journey while also substantially reviving the economy into a growth trajectory where the government encourages collaboration with stakeholders to reduce deforestation in the commodity supply chain.

The results of the FACT dialogue shall be leveraged to bring producers and forest country voices into the table and become a valuable input in the form of a strategic profile of sustainable supply chain discussions with which the government could utilize to obtain a better position in the wake of conversations with demand-side countries.
This FACT Dialogue aims to understand key trends, issues, and opportunities from multi-stakeholders in Indonesia to provide recommendations for the government to continue and build collaborative action to protect forests, enhancing livelihoods, and supporting economic development with sustainable supply chains. The dialogue is divided into four key themes with explanation for each theme as follows:

a. Trade and Market
This theme is about policies that govern trade, market development on forests protection, standards, disclosure, and due diligence also on how to support its development, the implementation and alignment of the policies between producers and consumers including financing for agricultural commodities and forests.

b. Smallholder Inclusivity
This theme covers support for smallholder participation in the markets within commodity supply chains, their access to finance, support on the management of the forests, and its preservation on commodities such as palm oil.

c. Traceability and Transparency
This theme related to the acceptance of any standards being met, supporting information collection, monitoring, disclosure that could support modalities and practicalities of certification mechanism through traceability measures.

d. Productivity and Innovation
This theme supports any kind of research, development, and innovative approach to reducing land expansion into the forest ecosystem while promoting commodity intensification.

Participants (please see the last page of this report for the list of participants) were divided into two groups and subsequently discussed three guiding questions related to Indonesia. The questions were: how would you think Indonesia can continue the journey while also substantially reviving the economy, building on existing actions, what kind of support required from global north countries as a consumer to Indonesia to pursue the initiatives, and lastly what is the biggest ‘ask’ from stakeholders to the government to tackle commodities driven deforestation.
Group 1: Trade and Market & Smallholder Inclusivity

All stakeholders actively share their thoughts, opinions, and input to each guiding question as highlighted below:

**How would you think Indonesia can continue the journey while also substantially reviving the economy, building on existing actions?**

The majority of participants agreed that multi-stakeholder collaboration and sharing responsibility are needed to continuously build existing actions related to deforestation, agriculture, and commodity production in Indonesia. Collaboration between stakeholders expected to not only involve the supply chain in certain companies but need to go beyond those such as financial institutions/investors and producer companies. One participant mentioned that to deliver sustainable production of commodities, one has to go beyond the current production level or to improve its productivity. Currently, quite a several organizations, including corporations have shifted to embrace a jurisdictional approach as a means to ensure that the commodities are clean and clear in those jurisdictions. However, there are arising constraints. Among others is a substantial number of illegal smallholders with a low level of productivity. This where government as policymakers and law enforcers shall come into the picture and play a key role in facilitating the discrepancies and resolving the productivity issues.

Focusing on improving productivity needs huge investment not only for the production process but also for environmental protection as the main concern. One of the participants stated that there is an implementation challenge in the financial support task force like climate-related finance, forest rehabilitation fund, and palm oil fund, etc. Long process in high government level, the detachment between government to government and complex requirements thus causing difficulties for many parties to access and have to wait even longer to get the fund’s Participants to raise concerns on how to bridge this issue. Combining forces between all parties involve suggested by one participant as an option to solve it.

Besides financing, having a concrete business model is needed for protection and can be seen as best practices for smallholder inclusion. Today’s business model can be explored to increase productivity and selling value of the products also increase competitiveness among smallholders. One participant mentioned there are more than 7000 independent smallholders who have implemented sustainability under the RSPO (Roundtable on Sustainable Palm Oil) and ISPO (Indonesia Sustainable Palm Oil) schemes that need to be supported through collaboration and sharing of responsibilities. Another perspective is ensuring Law Job of Creation and its regulation implementation well targeted to achieve economic growth and Indonesia’s effort to reduce deforestation.

There are various opinions from stakeholders to continue existing actions regarding the trade, market, and inclusivity of smallholders but the majority agreed to start with collaboration from multi-stakeholders by building collective actions and sharing the responsibility between all parties involved to achieve a zero-deforestation supply chain. But there was a red flag on the existing actions related to the policy of productivity level determined by the government and the gap on financing distribution to downstream that should be handled and solved immediately.
What can consumer countries (specifically, global north countries) do to support Indonesia in pursuing those initiatives?

Providing incentives mentioned by one participant should give to regions that implement sustainability practices to advance their commitment to achieving deforestation supply chain. The incentives must come with sustainable financing from consumer countries, especially the global north. The majority of participants agreed not only to support Indonesia in financing but also technical support such as guarantee for sustainable products, support transformation among value chains, and access to the market in consumer countries.

Again, sharing responsibility is mentioned to be carried out by consumer countries with producer countries like Indonesia. One participant stated the efforts carried out which require financing need to be shared with buyers who get products with sustainable characteristics so that the costs are not too heavy for producers, especially for small farmers in developing countries. It does not mean shifting responsibility but balancing global efforts so that they are more affordable and faster to achieve. This suggestion brings out the question of how to share this burden between consumer and producer countries and whether consumer countries actually understand shared responsibility.

In the field, the viewpoint of consumer countries only as consumers and did not have the responsibility for any issues that occurred including deforestation mentioned by one participant. So, sharing responsibility is a heavy burden for all parties involved because many of the narratives that have been built do not concern sharing responsibility, there are discontinuities between the requirements being asked for and their responsibilities.

There are various suggestions raised as to how the global north best supports Indonesia related to technical support, providing incentives, technical expertise, and market access are keys to supporting Indonesia. Interestingly, the notion of shared responsibility at the country level appears to be a recommendation on how collective action to reduce deforestation is not only down on the producing country.

What would be the biggest ‘ask’ that the UK can put on the table to move Indonesia towards deforestation-free commodity production?

All participants believe that creating a sustainability reporting system and promoting the best practices from smallholders and corporates can move Indonesia towards deforestation-free commodity production. This cannot be implemented without government involvement in it. The best practices can also come from stakeholders who bring forward the collective action to protect forests and the ecosystem surrounding them. It cannot be overstated that, financing requirements with concrete structure pipelines in Indonesia are needed and become the biggest ‘ask’ to bring for the Presidency of COP26, United Kingdom to achieve a deforestation-free supply chain. Also, the multi-stakeholder collaboration and sharing responsibility become the other ‘ask’ to bring on the table in the context of the identification of who should be involved from upstream to downstream and what aspects should be considered as a priority to share the responsibility.
There are three highlighted points needed to bring into question to move Indonesia become deforestation-free countries which are Indonesia need to have a clear financing and reporting system, various stakeholders have to do collaboration and share the responsibility.

**Group 2: Traceability and Transparency & Productivity and Innovation**

**How can Indonesia deliver sustainable production of commodities based on enabling initiatives?**

One participant raised an opinion on sustainability definition should be collectively understood to advance the commitment to be productive. Another participant also shares whether the government can provide a platform and framework for data synergy to facilitate traceability, transparency and develop innovation in a jurisdictional approach. To deliver sustainable production of commodities related to easily traceable products should focus on technology advancement and innovation by doing investment to it. For transparency, the existence of a disclosure platform not only in the high level of government but also like this FACT Dialogue as an example for various stakeholders to let their voice be heard and raising their opinion, suggestion even recommendation to the government regarding deforestation supply chain. Their participation in the platform should be consistent for transparency.

Another participant mentioned to deliver sustainability of production cannot be completed without involvement from smallholders. As important parties, they should be included in the supply chain and focus on strengthening any gap to achieve sustainable practice. One participant gave an example to be a lesson learned for all stakeholders and government which is the SVLK process (Sistem Verifikasi dan Legalitas Kayu) that raises questions about the improvement and best working practice going on in the process. From existing initiatives, there are still gaps that should be solved to deliver sustainable production of commodities.

To deliver sustainable production of commodities, an input for the government is to invest in technology as a wheel to achieve the goal, transparency that requires a disclosure platform, smallholder inclusivity, and understanding of the definition of sustainability in terms of traceability, transparency, and innovation also constantly shaping up the process.

**What can consumer countries and/or advanced economies nations (global north countries) do to support Indonesia in pursuing sustainable commodity production?**

To support sustainable supply chain transformation in producing countries is by educating the consumers on the needs for collective actions and also providing incentives to encourage smallholders for sustainable supply mentioned by one participant. The collective actions are working collaboratively between buyers and producers to commit to sustainably sourced commodities. Another same perspective is on financing provided by consumer countries in the global north with clarity scheme and accessibility to the investment so it can be directly linked. It needs progress on jurisdiction and link efforts of all parties involved to achieve it. One participant stated
global north countries that have advanced economies should support real investment on the ground with given examples of investment in solar panels of 1MW and have a payback period for 5 years.

Another participant mentioned consumer countries have to advocate and encourage their government to support producer countries in terms of technical support, great investment schemes, and access to the market. Also, by pursuing positive campaigns, promoting solutions to issues related to deforestation occurred in producer countries like Indonesia and again collaborated to scale the solutions as an action from global north countries to support Indonesia in pursuing sustainable commodity production.

The point of discussion on this question highlighted the awareness from consumer countries (global north) about the level of understanding they got from the products being consumed, the need for clarity and real investment scheme, easily access to financing from producer countries point of view, technical expertise and a campaign in global north countries as solution approach to get a better comprehension about commodity producer countries.

What would be the biggest ‘ask’ that the UK can put on the table to move Indonesia towards deforestation-free commodity production?

Using a jurisdictional approach across nations between the United Kingdom and Indonesia to encourage national & sub-national level collective actions for sustainable commodities transformation mentioned one participant. Full supply chain transparency also arises by participants that can be addressed in the table with the United Kingdom. Another ‘ask’ is having one map available as a guide for various stakeholders in Indonesia as producer countries to produce sustainable commodities and zero deforestation in the supply chain. To initiate the projects or actions on the ground need a regulatory framework of investment schemes. One participant suggested that embracing NDPE (No Deforestation, No Peat, No Exploitation Policy) could be part of policy for the investment guidelines.

There are three highlighted points needed to bring in question which are by strengthening subnational commitment between producer and consumer commodity countries, full support on having one map, and clarity on investment schemes. All of this should be addressed to the table by Indonesia.
The discussion resulted in few highlighted recommendations for the government based on three guiding questions, are as follows:

**How would you think Indonesia can continue the journey while also substantially reviving the economy, building on existing actions?**

a. **Multi-Stakeholder Collaboration**

The collaboration is not limited only to parties who are involved in the supply chain but also to wider networks that have the same goal to initiate zero deforestation and sustainable commodity production. The stakeholders from downstream until upstream are encouraged to do collaborate by doing some collective actions so productivity and protection efforts can be aligned.

b. **Need for Shared Responsibility**

Collective actions in the collaboration should be obtained with shared responsibility. This term meaning not only Indonesia as producer countries who are responsible for any issues that occurred but as consumer countries and buyers of commodities then they can show their support in technical, market, and even investment.

c. **Invest in technology**

Technology, like a system with a function to collect data, information, and tracing distribution on finance is highly needed for smallholders to be able to produce sustainable commodity products. It needs the government as a policymaker to put technology to deliver a sustainable supply chain within the process.

d. **Create a disclosure platform**

It is deemed critical to have a platform for producers of commodity products, decision-makers from the public and private sector, and technical expertise to raise their opinion,
suggestion, and recommendation to the government regarding current policies, existing, and future actions. The platform needs to be transparent and disclosed to the public. This summary report is one example from a dialogue consisting of multi-stakeholders in Indonesia who have the same goal, a better future of forestry in Indonesia.

What can consumer countries (specifically, global north countries) do to support Indonesia in pursuing sustainable commodity production?

a. Financial Support

To achieve the aim needs huge investment that can be directly linked and easily accessed by smallholders as parties in the ground who implement sustainable commodity production. There are many gaps related to long processes at the high government level and complex requirements to build proposals for funding felt by various stakeholders, specifically smallholders. Without sufficient funding, it will be unnecessary to implement a sustainable supply chain. So, support in funding needs to have a clear scheme of its distribution to the downstream and even better with transparency from the government also can be traced by smallholders.

b. Providing incentives, technical expertise, and access to market

To encourage smallholder continuing production of a sustainable supply chain by providing incentives for regions who already successfully built the actions and should improve their actions. Besides incentives, and expertise is needed to get another point of view about the topic being brought up at the table. Then, as producer countries to give access to producer countries in global north will be very much delighted. All these actions cannot be implemented without a government role that has the authority to bridging the commitment between Indonesia and global north countries as consumers.

What would be the biggest ‘ask’ that the UK can put on the table to move Indonesia towards deforestation-free commodity production?

a. Strengthening subnational commitment between countries

Strengthening the commitment among countries in terms of collaboration, access to the global north market, and investing in producer countries are keys to bringing Indonesia moving forward to zero deforestation commodity production and supply chain. This being the biggest ‘ask’ to put on the table with many consumer countries can be only one opportunity for Indonesia’s government to deliver the message clearly to gain trust from them.

b. Having one map

Another ‘ask’ is a request for collaboration by building one map as guidance for producer countries to continue a sustainable supply chain and for consumer countries to fully support producer countries. Having a guidance map will create the same understanding among countries to achieve the common goal.