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Toward a Haze-Free ASEAN: Private Financing for Peatland Restoration

By Rini Astuti

Synopsis

Restoring degraded peatland requires immense financial commitment from the state budget and private sector investment. The governments at the national and regional levels have to address terms to upscale private finance for peatland restoration.

Commentary

ON 21 SEPTEMBER 2016, the World Economic Forum (WEF) and the Peatland Restoration Agency (PRA) of Indonesia jointly organised a Peatland Investment Dialogue to discuss a potential business opportunity for the private sector. Companies could invest in the national effort to restore two million hectares (ha) of degraded peatland. Restoration is a comprehensive effort to repair the peatland's hydrological and vegetation condition to revive its primary ecosystem functions. Therefore, to restore degraded peatland, not only ecological treatment such as rewetting and revegetation are essential but also the development of livelihood options that will allow sustainable use of the land.

Successful peatland restoration is an important key to achieving a haze-free ASEAN by 2020. The comprehensive approach to peatland restoration requires not only a high political pledge and harmonious policies to be set in place, but also intensive financial commitment. Thus, the effort of governing and restoring peatland requires the active participation of non-state actors including the private sector through mobilisation of financial support and investment. On what terms can private finance be mobilised to upscale peatland restoration?

Private Financing for Peatland Restoration

According to the Centre for International Forestry Research (CIFOR), restoration of a hectare of degraded peatland costs around US\$2500. The PRA states that the indicative budget needed to restore two million ha of degraded peatland in the next five years is around \$11.2 billion. Putting infrastructure development as the top priority, the Government of Indonesia (Gol) has to limit state budget allocation for other sectors including for the environment and forest management. This is where private financing is expected to close the gap, not only to achieve the imperative two million ha target in Indonesia but to also cover a wider landscape of degraded peatlands in Southeast Asia that in 2006 alone has reached 12 million ha.

In addition to filling the financial gap, the call for upscaling the private sector's contribution is also driven by the public request to hold corporations, especially plantation based companies, accountable for causing the haze crisis. Companies' mismanagements and illegal practices of clearing forest and peatland by drying and burning have been linked as the primary cause of the annual haze crisis in the ASEAN region.

Based on McFarland's (2015) analysis and lessons learned from forest carbon projects in Southeast Asia, particularly in Indonesia, the private sector can participate in the peatland restoration financing through four different avenues. Firstly, it can do this by developing its peatland restoration project using the concession for ecosystem restoration (RE). The permit will give the private sector legal right to manage and use the peatland for environmental or forest carbon project. Seeing the experience of past forest carbon project in Indonesia, there is concern regarding the complexities of obtaining RE concession, as it is still regarded as a system ridden with rent-seeking practices by corrupt government officials.

Secondly, the private sector can donate to nonprofit organisations such as environmental NGOs for them to develop peatland restoration projects. Thirdly, the private sector can commit a particularly dedicated fund for peatland restoration and implement sustainable peatland management on the concession they currently hold. The last strategy for the business sector's involvement is by becoming active buyers for commercial carbon offset or *Payment for Environmental Services* project.

Challenges for Private Financing

There was a high expectation for private financing as a mechanism to fund climate change mitigation projects and to stimulate the green economy. However, there is a huge difference between what was expected and the actual financing commitment made. The WEF calculates that by 2020 the world needs to shift \$5 trillion worth of business-as-usual practices into low-carbon-investments. Report from UNFCCC shows only 46% of total investment required for climate mitigation flows to developing countries annually. This means there are still challenges on the ground impeding the mobilisation of private finance.

Countries in Southeast Asia commonly suffered from common problems such as unclear spatial planning where there is no clarity over land and forest zoning system. The Gol has tried to address the unavailability of clear spatial planning through the One Map Policy. A Presidential Instruction supports the policy by giving mandates to

various ministries to overcome silos and work together to produce common spatial data. The clarity over spatial planning will provide legal certainty required for the green economy investment to thrive. The following critical issue will be to address social conflicts due to overlapping claims on land caused by a long history of unequal land struggles between states in the region and the marginalised indigenous communities.

The second biggest challenge that hinders mobilisation of private finance is weak law enforcement and corruption in the forestry sector. The high rate of deforestation and peatland degradation in the region has been linked with illegal business practices facilitated by corrupt government officials. A stronger effort has to be initiated at the national level to reinforce the legal system.

The GoI has started to introduce a multi-door approach, a platform to prevent and apprehend environmental offenders by ensuring that they are being held accountable not only for the environmental degradation caused but also subjected to investigation based on other laws such as on money laundering. This approach is expected to adequately punish environmental offenders and reduce the rate of deforestation and peatland fires.

Regional Collaboration on Peatland Financing?

The GoI had also implemented a new moratorium to ban the opening of new plantations and new mining sites on peatland until May 2017. This will provide significant time for the government to review current and past private concessions and land disputes to be able to efficiently solve the political economic problems tainting the licensing regime and land governance in Indonesia. Diverse new strategies have been started, and the government is willing to openly discuss what has been seen as a politically sensitive issue.

Ensuring the implementation of vigorous law enforcement, clear and transparent spatial planning and the clean licensing regime will open the path for private finance. What needs to be done is to ensure that the involvement of the business sector in peatland restoration does not bring harmful effects on the local and indigenous communities. Social and environmental safeguards are available for the private sector to avoid negative effects on the impacted communities.

ASEAN has stated its intention to develop its regional economic growth based on the fundamentals of green and low carbon economy. Mobilising private finance for peatland restoration means engendering the discourse of green economy to both the state and the private sector in conducting business and governance. Haze crisis is a transboundary issue that should become a joint responsibility of the countries including the private sector in the region. Creating a genuine public-private and people partnership will be necessary to ensure the sustainability of private financing for peatland restoration.

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