

Implementing Asia Pulp and Paper's Forest Conservation Policy

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Asia Pulp and Paper, a large paper company operating across Indonesia and China, announced a new corporate environmental policy in 2013 to improve conservation and management of forests. This paper examines key challenges to the effective implementation of this policy to maximize its environmental and social benefits for Indonesian forests.

Problem Definition

Southeast Asia forests have been under pressure for decades (Dauvergne 2001; FAO 1980; FAO 2010). Research in Indonesia has documented the role of public policies (e.g., subsidies) and other pressures, including the timber industry (Rudel 2005; Gillis 1998), as drivers of forest extraction. This work also highlights the consequences of forest practices and conversion for biodiversity losses (Curran et al. 2004). Recent studies have clarified the links between forest losses and forest harvesting to free up lands for agricultural production, including coffee (Kinnaid et al. 2003; O'Brien and Kinnaid 2003) but most significantly palm oil (Koh et al. 2011; Carlson, Curran, Ratnasari, et al. 2012; Wicke et al. 2011; Carlson, Curran, Asner, et al. 2012). At the same time, forest conversion has contributed to the economic growth of the region and Indonesia (Naidoo 2004).

This paper focuses on the Indonesian pulp and paper sector, and particularly one prominent company – Asia Pulp and Paper (APP). The role of APP, and the forest sector in general, in contributing to the conversion and degradation of Indonesian forests has been controversial. Stark contrasts exist between public pronouncements of APP and non-governmental organizations (NGOs). NGOs claim APP's operations adversely impact biodiversity, cause greenhouse gas emissions, and exacerbate unresolved community conflicts (Rainforest Action Network and Japan Tropical Forest Action Network, 2010; Eyes on the Forest, 2011). WWF-U.S. (2012) has found that expansion into natural forests, while providing

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employment opportunities, has also caused conflicts with rural populations and indigenous communities that claim the industry impinges upon their traditional and customary land rights (WWF-U.S. 2012). The pulp and paper sector has, nevertheless, supported economic development and poverty alleviation (ITSGlobal 2011).

Amid mounting controversy and pressure, APP announced a new Forest Conservation Policy in February 2013. The FCP committed APP to immediately stop natural forest clearance; ensure best practice management on peatlands to reduce greenhouse gas emissions; adhere to the principle of free, prior, and informed consent by involving forest-dependent communities in decision-making processes and by providing a grievance system; and ensure its suppliers comply with the FCP.

This paper details a framework for analyzing the challenges APP faces that is organized around two issues: facilitating implementation and fostering complementary processes and initiatives:

1. Facilitating Implementation

- What activities are required to ensure implementation of APP's Forest Conservation Policy?
- What indicators can be measured to assess progress toward successful implementation?
- What challenges may inhibit implementation, and how might these be managed or overcome?

2. Fostering Complementary Processes and Initiatives

- What roles can other companies, NGOs, and governments play to facilitate implementation and broaden the effects of the Forest Conservation Policy?

Background

Founded in 1972 under the Indonesian Sinar Mas Group (SMG), APP holds more than 2.1 million hectares of logging concessions in Sumatra and Kalimantan (APP 2007) and has a total pulp production capacity in Sumatra — APP's main area of operation — that surpassed 2.7 million tons per year by 2010 (Eyes on the Forest 2011). Headquartered in Indonesia, the company markets various products to over 120 countries (APP 2012c). While APP is vertically integrated with several subsidiaries, the company relies on "independent suppliers" for around half its fiber supply (Rainforest Action Network 2013). It is currently one of the largest pulp and paper companies in the world.

For over a decade, NGOs have criticized APP for its environmental and social impacts. Reports by the Center for International Forestry Research (CIFOR) and Friends of the Earth UK in 2000 (Barr 2000) and 2001 (Matthew and van Gelder 2001) connected Indonesia's pulp and paper industry with massive clearing of natural forests, widespread illegal logging, and neglect of the rights of rural people. This spurred a series of countering claims by NGOs and APP about the company's practices.

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Responding to the criticism, APP committed in 2001 to more sustainable operations as part of a debt restructuring agreement with certain international creditors (Eyes on the Forest 2012). In 2003, it signed a letter of intent with WWF-Indonesia to protect high conservation value forests (HCVFs), which warrant special management according to Indonesian law; introduce social safeguards; and develop a wood-sourcing system to ensure legal wood supply.³ It subsequently sought independent monitoring through the Rainforest Alliance's SmartWood program. At each step, however, implementation has been challenging. For instance, the Rainforest Alliance ended its work with APP, claiming the company had neither sufficiently protected high conservation value forests nor worked to improve its conservation management (Rainforest Alliance 2007).

Throughout, the company has affirmed its commitments to engage with "credible and responsible NGOs" (APP 2010) and to "conservation beyond [legal] compliance," including through its chain-of-custody wood tracking system (APP 2007). However, NGOs remained skeptical. Consider two illustrations.

First, APP announced, and repeatedly voiced, its support for a forest sanctuary for the endangered Sumatran tiger, which included not logging concessions that overlapped the area (APP 2010). NGOs countered by noting that the company had originally opposed the sanctuary and that the sanctuary would only marginally affect APP's operations. According to Eyes on the Forest, most of the area was already protected or managed by other companies. Moreover, aerial photographs indicated that APP had failed to protect even the small project area within its concession (Eyes on the Forest 2011).

Second, the Forest Stewardship Council (FSC) disassociated itself from APP in 2007, refusing the certification of any wood processed by APP pulp mills, even if harvested in FSC-certified forests (WWF 2007). Intent on demonstrating its commitment to conservation, APP responded by seeking and achieving third-party chain-of-custody certification for some of its subsidiaries through the Program for the Endorsement of Forest Certification (PEFC), a global competitor to the FSC,⁴ and in 2009 through the Indonesian certification standard LEI (APP 2012b; Climate Action 2009). WWF, however, reported that none of the certification bodies and auditors confirmed the company's sustainability as a whole (WWF 2012b). The group characterized APP's claims — including the tiger-sanctuary project and its efforts to certify — as part of one "massive global greenwash campaign" to counter NGO allegations (WWF 2012a).

The most recent events follow NGO market campaigns initiated in 2010. Greenpeace ascribed climatic, biodiversity, and social impacts to APP's practices and launched an international media and direct-action

³ APP released a Sustainability Action Plan to provide a "strategy for the future production of pulp and paper products in a manner that meets international standards of corporate responsibility." (APP 2004)

⁴ For detailed analyses of certification politics in Indonesia, see Maryudi (2005) and Muhtaman and Prasetyo (2006).

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campaign against the company (Greenpeace 2010b; 2010a; 2011a; 2012b; 2012a). Greenpeace's impacts are visible in its toy sector campaign focused on Mattel, the seller of the Barbie doll (Greenpeace 2011a). One month after the campaign launch, Greenpeace Internet videos attracted activists from around the world, who sent more than 240,000 messages to Mattel (Greenpeace 2011b). Soon thereafter, industry leaders — including Mattel — cancelled their contracts with APP (Greenpeace 2013c; Mongabay 2013). In 2012, concurrent campaigns by WWF and Greenpeace stopped the marketing of APP's toilet paper brand Paseo in the United States (WWF 2013). In the same year, Greenpeace published investigations claiming that APP regularly harvested the protected ramin tree. This led to contract cancellations of companies fearing prosecution under the American Lacey Act or the European Timber Regulation. The last big Greenpeace campaign targeted the fast food sector, leading several national Kentucky Fried Chicken offices to stop purchasing from APP (Mongabay 2013).

The campaigns led to lost market share for APP in different sectors, from publishing to grocery retail. NGOs attribute APP's Forest Conservation Policy (FCP) to these campaigns. APP reports its FCP — and its preceding policies on HCVFs, effective June 2012, which include the suspension of natural forest clearing to permit HCVF assessments — is the product of a decade of evolution in its sustainability and corporate responsibility strategy (APP 2012a). It also reports that it is part of an effort to become an industry-leading company, based on sustainability and support for the government's low-carbon development strategy (APP 2013). Regardless of the motives, the next section examines challenges APP will face in meeting its commitment.

Discussion

The analysis is informed by research that details challenges of policy implementation and the means to overcome them (see, e.g., Sabatier and Mazmanian 1979; Smith 1973; for more recent review, see Schofield 2001; Matland 1995) and research examining how, why, and with what consequences corporations embrace environmental and social responsibility (for review, see Vogel 2005). Both research areas highlight the difficulties of translating a commitment into practice. Building from this central point, the discussion below focuses on the questions outlined at the outset that addressed two issues: (1) facilitating implementation and (2) fostering complementary initiatives and processes. The second issue is important because of the broader drivers of forest degradation in Indonesia; considering this issue, the paper examines possible means for extending the impacts of APP's commitment.

1. Facilitating Implementation: Activities, Indicators, and Challenges

Box 1 details APP's implementation strategy, which includes a number of specific ways the company aims to work with stakeholders. Research notes that identifying groups that can help or hinder effective implementation is a key issue; obtaining their support can be critical for implementation (Smith 1973; Sabatier and Mazmanian 1979; Matland 1995). Note that stakeholders include the company's

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employees because effective implementation will partly hinge on how well the company's policy becomes embedded in the daily practice of all employees.⁵

APP's intended work with stakeholders can be grouped in four categories of activities. For each category — and following the three questions detailed in the Problem Definition section above — the discussion below outlines the planned activities, possible indicators for tracking progress, and external challenges and ways they may be addressed.

a. Consulting Technical Experts

According to APP's plan, experts will be consulted to develop a protocol and method for management and monitoring of activities in peatlands. Mapping activities will be conducted to determine possible social conflicts and to delineate forest areas according to six categories of conservation and carbon values (using the criteria of HCVPs and high-carbon stock forests).

At least two activities can serve as indicators to evaluate progress on implementation. First, the mapping and evaluation work should be tracked to ensure the commitment is being kept. Second, mapping is not merely a technical exercise but will involve different interpretations of whether and how the forest's socio-ecological conditions merit special management attention.⁶ Hence, careful review of this mapping process, and potentially some attention to its transparency vis-à-vis the broader community of stakeholders, warrants consideration.⁷

It may, in this respect, be valuable to think of these activities as an opportunity to develop joint understandings wherein a broad group of stakeholders participate in the collection, assessment, and interpretation of information. The credibility, salience, and legitimacy of the technical information and process of generating it, as seen by various stakeholders, are a key part of ensuring that stakeholders will support the assessment outcomes (Cash et al. 2002).

⁵ Prakash (2000) details the internal resistance companies can face in greening their operations. This is analogous to the importance of cooperative bureaucrats for successful policy implementation. Policy is rarely specific enough to avoid instances where implementing officials need to use judgment. Because of this, the preferences and knowledge of implementing officials is crucial. See, for instance, the discussion of ritualism in regulatory enforcement of nursing home rules discussed by Braithwaite (2008). See also Sharma, Sharma, and Devi (2011) for a study on the links between human resource management and successful corporate social responsibility.

⁶ This mapping exercise fits Matland's (1995) category of an implementation process that has high conflict and high ambiguity. In this case, he argues that "the policy course is determined by the coalition of actors at the local level who control the available resources." (p. 168)

⁷ Stakeholders called for increased transparency around the technical assessment processes during meetings with civil society representatives across Indonesia. In a feedback session, local stakeholders requested enhanced information sharing, which TFT and APP announced they would address. (The Forest Trust 2013)

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b. Engaging Stakeholders

To address social conflicts, APP and The Forest Trust (TFT, formerly the Tropical Forest Trust) will work with the Ministry of Forestry and local communities in particular as well as seeking stronger engagement from civil society.

Such engagement activities have the potential to broaden support for the policy and foster innovative means of achieving its goals. Consider two illustrations. First, APP could also enhance its social performance beyond its already implemented community development initiatives via remuneration schemes comprising co-benefits such as health care, education, and partial payments to the spouses of APP employees (Sheil et al. 2009). Good labor conditions and approval from local populations may also contribute to improved worker productivity and morale.⁸ Second, NGOs with expertise and interests in social justice and indigenous rights could help APP determine steps for guaranteeing free, prior, and informed consent of communities and indigenous peoples affected by its operations. Continued progress on these initiatives offers several possible indicators to track.

Stakeholder engagement does, however, pose challenges. First, work on implementation highlights that engaging stakeholders to help identify and address conflict is likely to lead to local variation in how implementation is put into practice (Matland 1995). Part of the engagement process, therefore, should consider how to communicate this to — and ensure buy-in from — local, national, and international stakeholders when what might be viewed as inconsistencies across locales arise. Second, a large challenge to engagement is the shadow of APP's past failures to achieve its previously announced sustainability goals and the implications this has for trust.⁹ Trust needs to be built both for NGOs and the company, and this may take time. APP cannot control what NGOs do or how they react to the policy, but openness and transparency, as well as the invitation to engage in monitoring of implementation, are critical steps. The role of NGOs is picked up below in the discussion of complementary processes and initiatives.

c. Education and Information Sharing

The plan includes training activities for dealing with social conflicts around how APP staff and suppliers ensure free, prior, and informed consent of communities and indigenous groups. It also includes training for suppliers to raise their awareness of the FCP that warrants the inclusion of ecological safeguards in their operations.

Changing the practices of a large company is not easy. Research on organizational behavior provides insights into these processes relevant to APP's commitment. One important factor is the commitment

⁸ Research documents that boosts in worker productivity and morale are often expected benefits that come from proactive engagement on social and environmental issues. (Burke and Logsdon 1996; Lindgreen, Swaen, and Johnston 2009)

⁹ For discussion of trust, see McDermott (2003).

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and characteristics of leadership (Waldman, Siegel, and Javidan 2006; Rivera and De Leon 2005), which means the public endorsement of the FCP by the APP chairman Teguh Ganda Wijaya is valuable because it helps set a maxim for all the company's activities.

APP's employees are also vital to effective implementation. Other research on corporate greening warns that these initiatives can become silos within an organization, minimizing the extent to which they affect the heart of a company's business strategy and operations (Prakash 2000; Howard-Grenville 2007). Training and education, in this respect, is a critical part of ensuring the commitment becomes a taken-for-granted facet of APP's operations, resilient against other competing demands. Assessing whether training is effective goes beyond reporting the number of staff that has received training; rather, progress evaluation requires qualitative information about how employees think about their day-to-day work for the company in light of the FCP.

APP's suppliers raise separate challenges. Upstream suppliers and downstream buyers can affect a sector's environmental or social performance. Effectively engaging these commercial partners will be essential in this case, particularly because APP relies on outside suppliers for roughly half of the fiber processed in its facilities.¹⁰ Two issues APP will confront in working with suppliers are outlined in the following.

The first issue is ensuring sufficient resources and technical expertise are dedicated to raising the awareness of suppliers about the FCP and what it means for their activities. Though APP may be able to undertake this work in-house, there may be value in working with partners, including the Indonesian government, other forest companies, and NGOs. Learning from work advancing reduced impact logging (RIL)¹¹ could inform APP's work with its suppliers (which are outside APP's direct management authority).¹² RIL offers potential lessons for education and training, particularly because this work has been ongoing for many years (Enters et al. 2002). There may also be possibilities of partnering with groups experienced in training, such as the Tropical Forest Foundation, which runs a one-day workshop on the role of management in implementing RIL and a broader module on RIL planning and implementation (Tropical Forest Foundation 2009). APP's case may require a different specific approach,

¹⁰ Similar challenges have confronted the forest sectors in other countries, such as Germany, Finland, and the southeastern U.S., where companies are reliant on fiber supply from hundreds to thousands of private landowners. See Cashore, Auld, and Newsom (2004).

¹¹ RIL includes assessment and stratification of forest areas prior to harvest and careful planning of logging operations. RIL comprises techniques to preserve the soil, such as strictly adhering to skidding trails, and typically restricts the amount of extracted timber volume per hectare. While imposing planning, equipment, and training costs upfront, studies find that RIL improves efficiency and reduces timber losses and skidding costs. RIL is also found to offer longer-term financial benefits and reduced negative effects on the forest ecosystem. See Putz, et al. (2008).

¹² RIL deals with improving logging practices and thus is not entirely transferable to the APP case because the FCP focuses on a moratorium not just improved practices.

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but there are undoubtedly lessons available from the experiences gained by these other training and education programs.

The second, more challenging issue relates to enforcement and the broader effects of APP's commitments. If APP decides to stop buying from certain suppliers, there is the possibility that those suppliers will continue to operate and sell their fiber to other buyers. Thus, progress in implementing APP's commitment may have no net effect if it is not complemented by efforts to raise the standards of practice across the entire Indonesian forest sector. This concern is picked up when discussing the role of other actors in fostering complementary processes and initiatives.

d. Monitoring, Control, and Enforcement Mechanisms

Finally, APP's and TFT's implementation strategy includes enforcement activities that are meant to signal a commitment to the plan and hold APP accountable. These include the Moratorium Committee, which will set sanctions for APP and the company's suppliers in instances where non-compliance with the moratorium on natural forest clearing occurs. APP also indicates that it will drop suppliers that do not conform to the policy. On social conflicts, it will work with TFT to establish a procedure for communities to file complaints. Finally, information sharing with TFT represents an attempt to create oversight to monitor the implementation process. Transparency is also reinforced by the invitation for additional third-party monitoring by other NGOs.

Monitoring, control, and enforcement will be critical for reducing and pre-empting non-compliance; they are also vital because there are things APP and other stakeholders could not have known about the challenges of implementing the commitment at the outset. The partnership APP has developed with TFT may be criticized for not being sufficiently arm's length to provide credible outside assessment of progress, but this form of relationship provides benefits too. TFT can provide direct advice and assistance to help APP work through problems during, and as part of, the progress report process rather than having to strictly adhere to the logic associated with an independent audit function (Auld, Renckens, and Cashore 2012).

As noted above, how APP handles sanctioning suppliers not adhering to the moratorium will require careful assessment and transparency because this is likely to be an area of controversy. If the process is not transparent, with clear rules around due process, outside actors will likely fill in the story that fits their interpretation of the events, which is unlikely to be an outcome that will foster trust and greater commitment to the policy among stakeholders and APP (see, e.g., Neu, Warsame, and Pedwell 1998).

2. Fostering Complementary Processes and Initiatives

This section reviews how other actors can contribute to the implementation of APP's commitment and expand its effects to further improve the conditions in Indonesian forests.

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Successful implementation requires work by those groups APP has decided to engage explicitly as well as others motivated to see the policy reach its fullest potential. At a minimum, this means APP's suppliers must work to achieve compliance with the FCP, and NGOs must engage with APP in a monitoring capacity and in helping the company identify and address social conflicts.

Actions in parallel to APP's plans are also vital because there are many things APP cannot control. Moreover, corporate commitments have a mixed track record because meeting the commitments often proves difficult in practice.¹³ Partly accounting for these challenges, Greenpeace, WWF, and other NGOs have announced they intend to closely monitor implementation (Greenpeace 2013b; RISI 2013). By staying actively involved instead of turning to another issue after the preliminary success with APP, NGOs may help ensure durable support for campaign outcomes while advancing implementation in concert with TFT as broker (as addressed below). Following this logic, NGOs have a stake in motivating APP and in providing available technical expertise and enabling knowledge transfer to fully implement the FCP.

Even if all of these things are accomplished, APP is just one company. Other forest companies operate in Indonesia, and other land use practices and development pressures will have separate and sometimes interrelated effects on Indonesia forests. Indeed, NGOs have raised concerns that APP's sustainability commitments will have minimal effects given the damage already done (Stringer 2013). Hence, it is necessary to assess how APP's commitment might accomplish broader effects. The following are possible ideas with this aim in mind.

a. Maintaining Pressure for Change (the "Stick")

Maintaining pressure for change will be important. The discussion above touched on this, and it is clear the groups will be continuing to monitor the implementation plan carefully.

b. Creating Incentives for Change (the "Carrot")

NGOs can help to create and reinforce incentives to change. There may be opportunities to help build support among APP's buyers that give the company some economic carrots to continue on its current path.¹⁴ NGO initiatives to reward APP could even directly promote its products. This may achieve an increase in consumers' willingness to pay a price premium, although experience shows that this is hard to accomplish in practice (Auld, Gulbrandsen, and McDermott 2008).

¹³ For instance, the UK home retailer B&Q made commitments to securing sustainable wood products in the early 1990s. It was then, for nearly a decade, a key buyer of FSC-certified products. Then, in 2000, it shifted its policy to accept certain other certification programs and use truth claims of products in part because of challenges it faced in sourcing FSC products. (Auld, 2014 forthcoming)

¹⁴ Greenpeace has previously made public announcements supporting the work of companies that it formerly campaigned against. After Mattel made the commitment noted above, Greenpeace Canada posted a webpage that allowed viewers to sign and send a letter to Mattel thanking the company for "doing the right thing." (Greenpeace Canada 2013)

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Another means for doing this is extending the pressures placed on APP to other companies. Greenpeace has followed this logic by announcing that it is ramping up pressure on APRIL, APP's main competitor, pointing to the company's practices as now the most problematic (Greenpeace 2013a). Companies, researchers point out, will sometimes compete on their environmental reputations, creating the potential for a competitive ratcheting up of commitments within a sector (Cashore, Auld, and Newsom 2004; Schurman and Munro 2010).¹⁵ Indeed, it should be in APP's self-interest to push its customers, such as large paper buyers, to adopt sustainability policies. This market approach could either trigger APP's competitors to adopt conservation policies similar to APP's in order to retain customers, creating a broader shift in the pulp and paper sector; or, in the case that other pulp and paper producers fail to comply with supply chain policies of corporate buyers, it could increase dependence on, or loyalty for, APP's products.

Beyond these commitments, the key challenge is how to formalize durable behavioral changes. One strategy is to adopt something similar to the stepwise approach developed by groups such as the WWF, whereby the commitments of individual companies can be progressed simultaneously. As a next step, and a potential carrot given the benefits it might provide the company, certification could play a role. Certification of both APP's supply chain and forest management practices on all of the company's operational area according to an internationally recognized standard holds promise to entrench policy support. While the choice of a certification standard will be influential in shaping APP's future market position, it goes beyond the unique control of the company.

For APP, achieving certification by the NGO-favored FSC would send the strongest message to stakeholders and the marketplace. Possible FSC certification may also reinforce APP's resolve to fully implement its policy. FSC's current policies, however, prohibit certification of forest plantations converted from natural forests after 1994 (FSC-US 2011). Furthermore, FSC's policy for association disabled APP from receiving FSC certification for any of its products, even if the timber processed in APP's mills stems from FSC-certified forests. Entering into a dialog to reverse the disassociation policy specifically, and to assess the conversion policy generally, may catalyze holistic implementation of APP's commitments and potentially trigger a cascading effect for the industry.

For the short- and medium-term, PEFC certification may be less subject to outside factors and hence be a feasible first step toward increased international recognition for APP. While the company already possesses chain of custody certification for most of its facilities (APP 2012b), achieving PEFC forest

¹⁵ A quick succession of commitments in the U.S. home retail sector to third-party certification followed Home Depot's announcement in 1999; the UK supermarket sector is also considered a highly competitive space wherein environmental performance can be a point of differentiation. (Cashore, Auld, and Newsom 2004) Greenpeace and other NGOs have successfully leveraged this competitive logic to broaden commitments.

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management certification could reinforce compliance with its internal sustainable practices. Since PEFC does not eschew certification of plantations converted after 1994, APP should be eligible.

c. Crucial Role of the Policy Broker

TFT has the potential to serve as a “policy broker,” whose sole interest Sabatier (1988) describes to be advancing holistic policy implementation (this is what TFT’s performance is going to be evaluated against). TFT is in a unique position in that the organization already assisted Golden Agri-Resources (GAR), APP’s sister company in the palm oil sector, in developing and implementing the FCP. The structure of TFT’s work with GAR is replicated in the engagement with APP and provides the opportunity to inform the latter through policy learning to avoid and/or overcome potential obstacles to smooth implementation (Cashore, Goehler, and Rayner 2013).

d. Securing Government Support

The Indonesian government can support APP’s policy in several ways. Primarily, APP may be competitively advantaged if more companies are required to implement policies similar to its own due to government regulations. This follows the logic of the “California effect,” where it is in the self-interest of companies to impose regulations on their less regulated competitors (Vogel 1995). To achieve this, APP could lobby the Indonesian government to develop policies concerning environmental and social standards similar to the ones it has committed to.

Other government actions can also support APP. It will be important, for instance, that the moratorium on harvesting in natural forests, renewed in May 2013 (Bland 2013), is extended and increased in scope. Constraining the expansion of industries into forested areas may increase the value of current concessions and consequently encourage initiatives toward their sustainable management. Greater stability and certainty around concession allotments can facilitate further investments in sound forestry practices (Zhang and Pearse 1997), though it is not a sufficient condition alone.

Continued engagement in technical and legal corporations between regions under Forest Law Enforcement and Governance (FLEG) initiatives and legality verification are in the interest of all identified stakeholders (Cashore and Stone 2012). While the government benefits from increased control over illegal logging and trade through higher tax revenues, the forest industry may achieve higher wood prices,¹⁶ and NGOs welcome positive environmental and social impacts. Beyond fostering legal compliance, the Indonesian government could require certifications for companies, as introduced above, to achieve licenses. Implementing such policies have led to favorable outcomes elsewhere (Cashore and Auld 2012). Certification has also been found to pave the way for more authoritative government policies (Cashore et al. 2006; Meidinger 2006). This suggests that embracing the potential

¹⁶ Estimates indicate that illegal logging depresses global timber prices by 5 percent to 10 percent. (Seneca Creek Associates and Wood Resources International 2004)

reinforcing and complementary effects of certification and legality verification may enable the Indonesian government to increase the forest industry's legal compliance by increasing monitoring mechanisms through assessments by certification standards. This could further scale up the effects of APP's commitment in Indonesia.

Way Forward

This paper provided two sets of insights into the challenges APP faces in implementing its FCP. The first dealt specifically with the challenge of facilitating implementation. Here the company will confront, first, internal challenges to educating and mobilizing its employees and suppliers to successfully work toward the newly defined goals of the policy; and, second, external challenges to build trust and effectively engage with NGOs, forest communities, and indigenous peoples and other stakeholders that are critical for successful implementation.

A key lesson from implementation studies is precisely this point: Effective implementation requires the cooperation of many stakeholders. APP will need to ensure it can foster buy-in from all these internal and external stakeholders to realize its implementation plan (Cashore, Goehler, and Rayner 2013; Bennett and Howlett 1992).

The second set of insights focused on how stakeholders can effectively work to foster implementation through complementary processes and initiatives and potentially broaden the effects of the company's FPC. On working to help APP, two general tracts were discussed. First, engaging the company by offering technical assistance, sharing learned experiences from other settings, or helping to problem-solve to directly address unanticipated challenges as they arise. Second, monitoring the company to ensure it remains true to its commitments by tracking progress indicators, such as changes in the attitudes and awareness of employees and suppliers.

There is a tension between these two tracts because engagement can lead to cooptation that can undermine effective monitoring and accountability. Rather than ignore this tension, the insights offered above suggest that it should be continually embraced and recognized to ensure that either groups take on different roles through a division of labor between good cops (i.e., those that do the engagement) and bad cops (i.e., those that do the monitoring), or there is constant awareness of the potential conflicts that arise from doing both.

Finally, the discussion reviewed the importance of continued use of incentives (i.e., carrots) and sanctions (i.e., sticks) to motivate APP's holistic implementation and utilize market pressure and government rules to expand the potential on-the-ground effects on a national or regional scale. We introduced several ways in which APP, NGOs, the Indonesian government, and other companies can work toward the expansion of climatic, biodiversity, and social safeguards, building on the foundation created by APP's commitment. Ultimately, these broader effects will be the most important for

addressing the challenges facing Indonesian forests; that is, facilitating the sustainability of economic development by taking into account environmental conservation and social justice.

Box 1: Implementation Strategy

The implementation of APP's commitments is conducted in collaboration with The Forest Trust (TFT) to provide technical and strategic assistance. APP welcomes independent third-party monitoring by NGOs.

Means for Achievement

1. End Natural Forest Clearing
 - APP's concession areas are classified in six categories according to conservation values and carbon stocks through satellite analysis and field verification. Only areas identified as non-forest (belonging to the three categories identified as non-forest) may be developed.
 - A Moratorium Committee determines disciplinary actions in case of non-compliance of APP or suppliers.
2. Low Emission Development
 - Peat experts develop a protocol and methodology for peatland management and monitor the work.
3. Social Conflicts
 - APP and TFT work together with the Ministry of Forestry and local communities and encourage strong civil society engagement.
 - A process of social mapping identifies conflict areas across APP's supply chain.
 - APP provides training for suppliers and staff to ensure the free, prior, and informed consent of indigenous people and local communities.
 - APP and TFT develop procedures for grievances to aid communities voice their concerns and file complaints.
4. Third-Party Suppliers
 - APP informed all its suppliers and conducts training events about the FCP.
 - APP and TFT develop a Policy of Association to exclude non-compliant suppliers to secure the supply chain.

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