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dagang hijau

the sustainable  
trade initiative

ICOBAR 2019

# Ensuring Biospheric Harmony through Green Growth and Sustainable Landscape Approach

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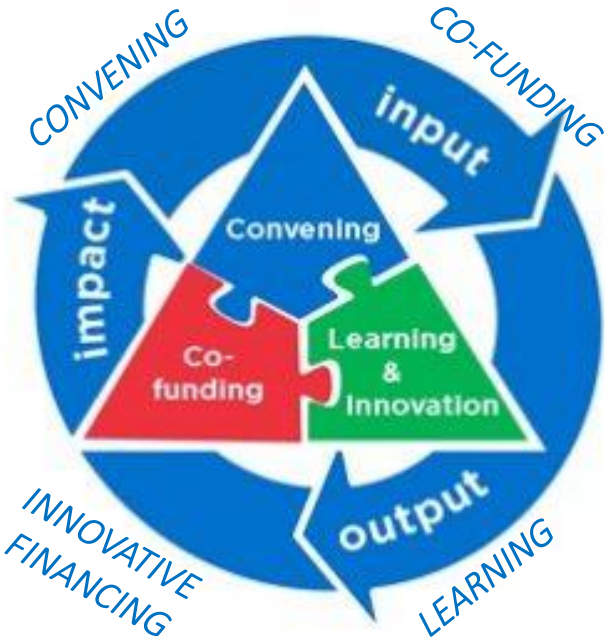


# About us



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# Global IDH-Sustainable Trade



€ CO-  
INVESTMENT  
& INNOVATIVE  
FINANCE



40 COUNTRIES

<http://www.idhsustainabletrade.com>

IDH convenes public  
private  
partnerships...

...to jointly set  
ambitious targets  
and formulate co-  
investment plans...

...that unlock scaling  
of sustainable  
production & trade...

...to deliver large scale  
impact on the  
Sustainable  
Development Goals.



Tea



Coffee



Cocoa



Cotton



Fresh &  
Ingredients



Aquaculture



Apparel



Palm oil



Tropical timber



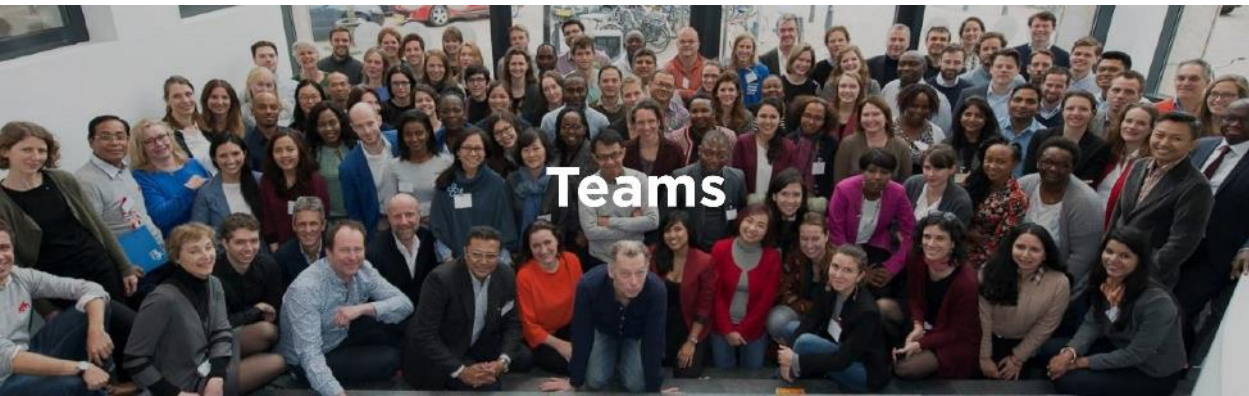
Soy



Pulp & Paper



Cassava





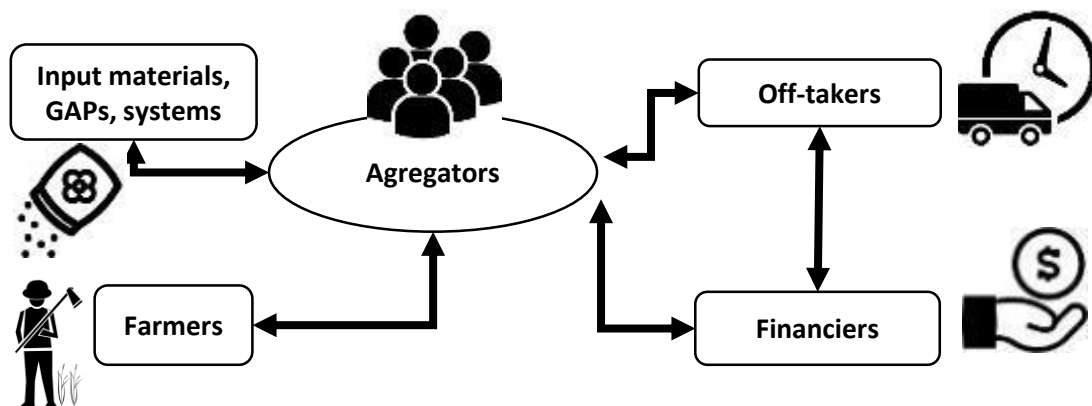
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# Approaches & partners



IMPACT THEMES

Smallholders Deforestation Living wages Agrochemicals Genders



We believe **sustainable production and trade** can transform markets for the benefit of people and the planet.

## DONORS



UK Climate Change Unit (UKCCU) Indonesia

The  
WALTON FAMILY  
FOUNDATION

MINISTRY OF FOREIGN AFFAIRS OF DENMARK  
DANIDA



Ministry of Foreign Affairs of the  
Netherlands

Schweizer Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra  
Swiss Confederation  
Federal Department of Economic Affairs FOAD  
State Secretariat for Economic Affairs SECO



NORWEGIAN MINISTRY OF  
CLIMATE AND ENVIRONMENT

## PARTNERS



COCOA SUSTAINABILITY  
PARTNERSHIP



Indonesia  
Palm Oil Platform



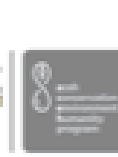
## GOVERNMENTS



## PRIVATE SECTOR



## CSOs





# Current challenges and directions



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# Balancing development and impacts



Ditikat Mimpi 2006  
Joni Hottama



Picture: 'Another week of disaster' (c) The Jakarta Post/Irma Rahmi Damayanti (2010)

# Global and national directions



4

## The Dynamics of Climate Change Governance in Indonesia

Budy P. Resosudarmo, Fitriani Ardiansyah and  
Lucentezza Napitupulu

Jotzo, F. (2012), 'Can Indonesia Lead on Climate Change?' in Reid, A.S. Indonesia Rising: The Repositioning of Asia's Third Giant, ISEAS, Singapore.

6 CAN INDONESIA LEAD ON CLIMATE CHANGE?

Frank Jotzo



## FIRST NATIONALLY DETERMINED CONTRIBUTION REPUBLIC OF INDONESIA



- **Mainstreaming** into national, sub-national & sectoral policy & budgeting
- **Inter-sector** coordination
- Mobilising **support** (i.e. financing, political, etc.)

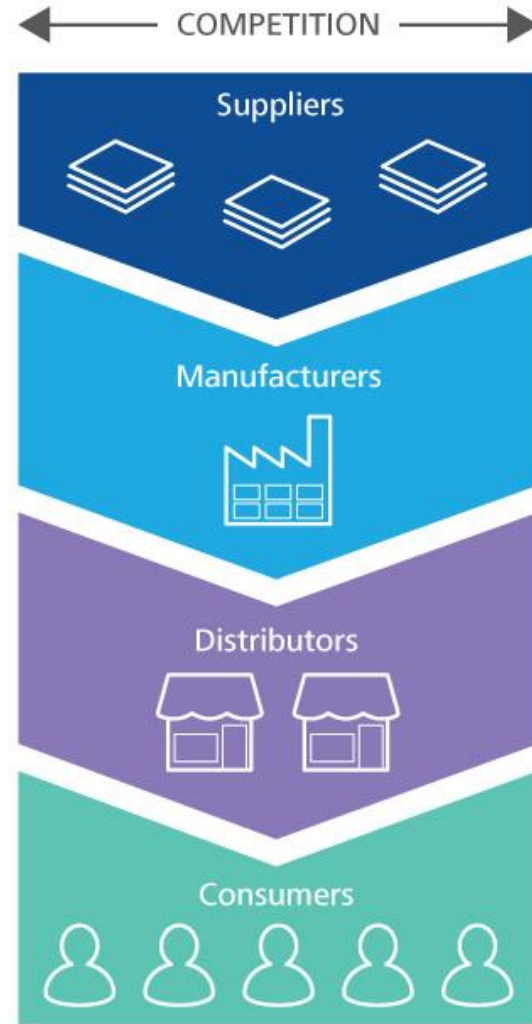
# Understanding the driving forces



# Value chains

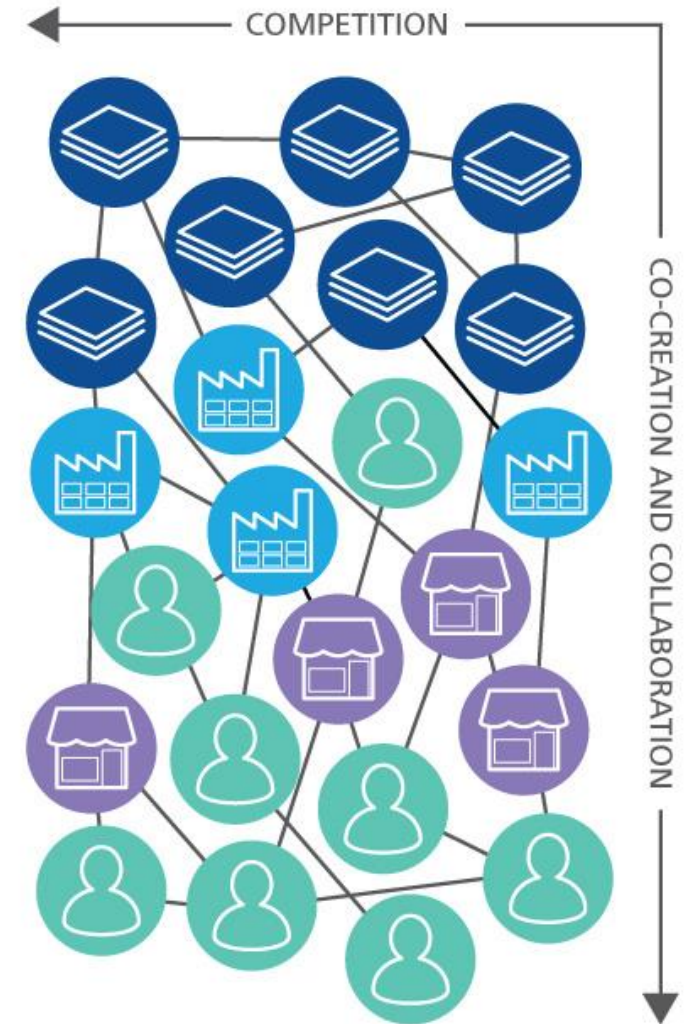
**Figure 1: Supply chains evolve into value webs**

Linear supply chains are evolving into...



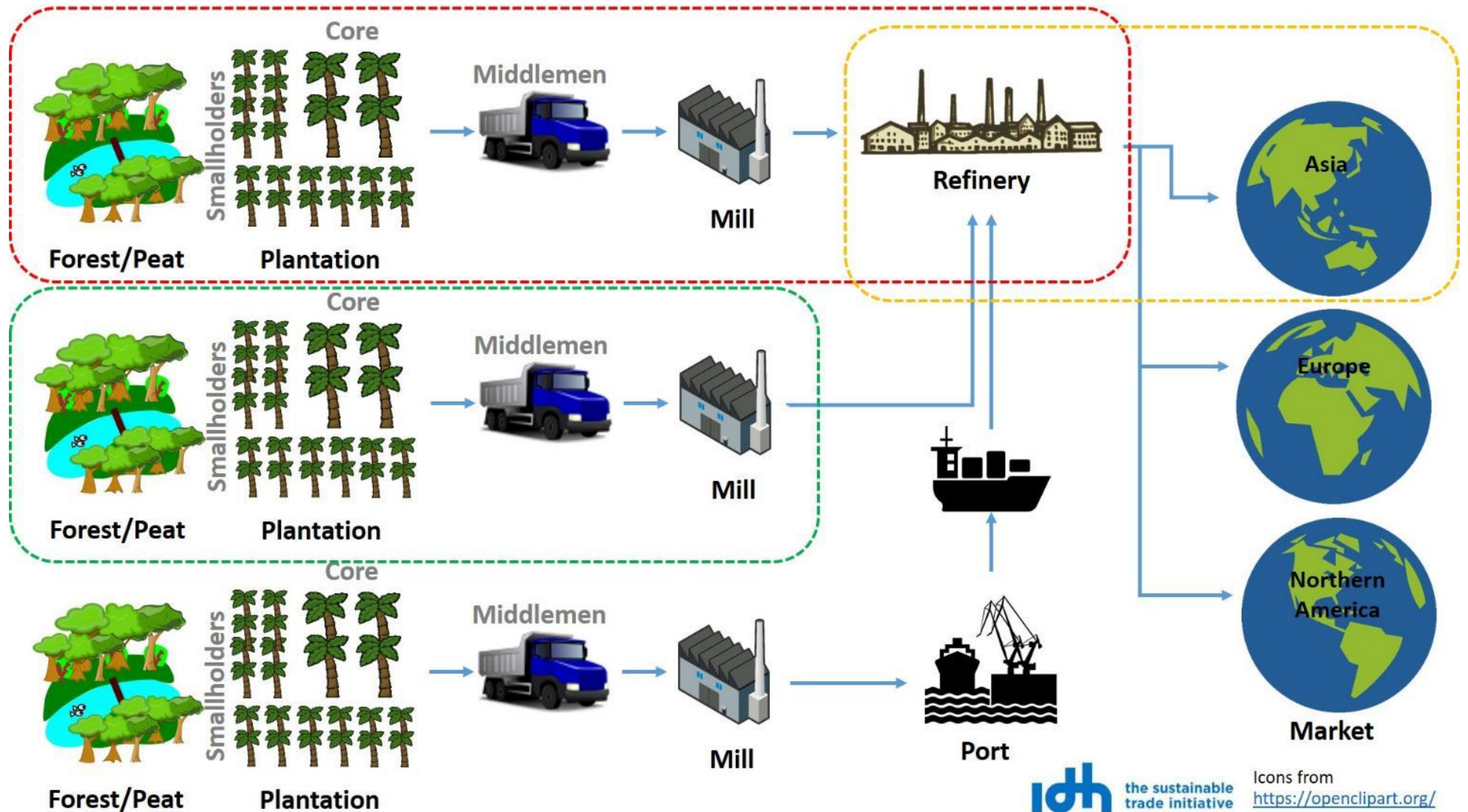
Value is based on the production of goods and services

complex, dynamic, and connected value webs



Value is based on knowledge exchange that drives proactive production of goods and services

# Palm oil value chains





# Interventions in the value chains

















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# Examples from coffee



National curriculum,  
Technical assistance: Master  
Training, Access to market &  
finance

	1	2	3	4	5	6
	 PARTNERS   ECOM	 THE J. M. SMUCKER COMPANY 	  	 	 	
	COFFEE MADE HAPPY 2	STRENGTHENING THE SMALLHOLDER ROBUSTA SECTOR		SCALED SUSTAINABILITY THROUGH BRAND LED COLLABORATION	GREEN & SOCIAL COFFEE	ECOSYSTEM CHAIN SCALE
PROJECT	SOUTH SUMATRA	SOUTH SUMATRA	SOUTH SUMATRA	LAMPUNG	LAMPUNG	EAST JAVA
TARGETED FARMERS	 <b>10,000</b> small	<b>3,500</b> small	<b>10,000</b> small	<b>19,000</b> small	<b>5,000</b> small	<b>15,000</b> small
	GAP and GMP, gender, planting materials & agro inputs	Farmer organization, GAP & GMP, climate adaptation		GAP & GMP, gender, planting materials, agro inputs	GAP & GMP, gender.	Farmer organization, GAP & GMP, farmers driven research





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# Examples from coffee: Nestle

















From Nestlé's Agri-service to Public Private Partnership in developing coffee smallholder business cluster





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# Examples from palm oil (i)

	1	2	3	4	5
 PARTNERS	 ASIAN AGRI SETARA  JAMBI	 PTPN 3  Unilever  RSPO Roundtable on Sustainable Palm Oil	 LONSUM Indo Agri SETARA  JAMBI	 WINROCK INTERNATIONAL  Cargill  COSTCO WHOLESALE	 GEOTRACEABILITY  wilmar  wild asia www.wildasia.org
 SIZE (HA)	10,000 JAMBI	207 NORTH SUMATRA	6,288 SOUTH SUMATRA	60 RIAU	3,000 SABAH
 FARMERS	5,000 independent	63 independent	4,500 ex-plasma	30 independent	1,500 independent & suppliers
Mapping & traceability (☑), legality & sustainable certification (ongoing)	Mapping, farmer organization & sust. certification (☑)		Organization strengthening, GAP, & sust. (>600 audited, >2000 certified)		Field level traceability (☑), auto-GAP & mgt, innovative finance








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## Examples from palm oil (ii)

6	7	8	9
 PARTNERS    	 Serikat Petani Kelapa Sawit	  	 EUROPEAN SUSTAINABLE PALM OIL 
 SIZE (HA)	20,000	2,000	3 mills
SABAH	RIAU	SABAH & RIAU	
 FARMERS	688 independent & suppliers	1,000 independent	N/A none
GAP (↑14% productivity) & sust. certification (347 farmers, 2,100 ha certified)	GAP & sust. certification (mapping <input checked="" type="checkbox"/> , barriers in land legality)	Cost-effective methane capture w/ new tech, sust. certification (on-going)	Delivering sustainable palm oil at the source (e.g. a buyer from Norway decided to buy smallholder sustainability certificates from S. Sumatra – project #3), strengthening & delivering Amsterdam declaration (signed)





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# Interventions in different value chains

## Coffee

2. S. Sumatra/ Jambi; 8. Lampung; 9. W. Java; 10. E. Java; **±54,000 ha**; **831 kg/ha** (>741 natl avg); National curriculum, GAP, innovative finance, trade links



## Cocoa

13. Sulawesi;  
Leading & supporting CSP  
(Cocoa Sustainability Partnership)

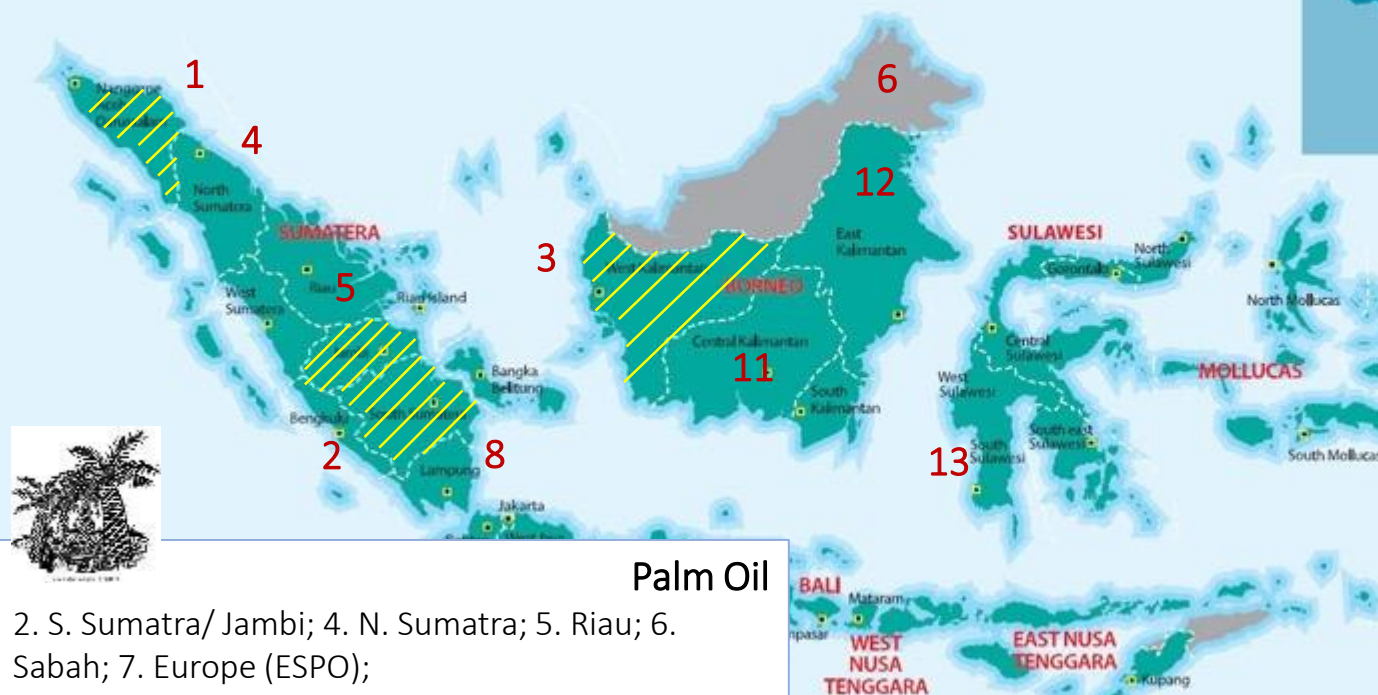


## Aquaculture

1. Aceh; 3. W. Kalimantan;  
**10,000 farmers**, innovative finance

## Timber, Pulp & Paper:

2. S. Sumatra/ Jambi; 3, 11, 12. W., C. & E. Kalimantan;  
**2.1 mil ha** (FSC certified);  
**1.66 mil ha** (in process);  
Certification, productivity, protection



## Palm Oil

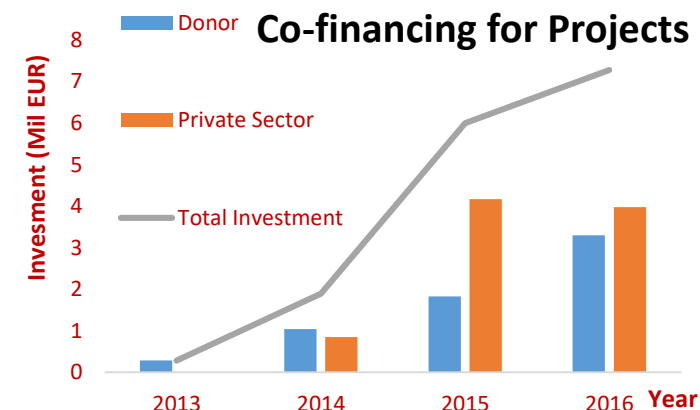
2. S. Sumatra/ Jambi; 4. N. Sumatra; 5. Riau; 6. Sabah; 7. Europe (ESPO);  
**41,555 ha**; **11,425 farmers**; Mapping, traceability, legality, farmer organization, GAP, RSPO certification

## Landscapes

1. Aceh;  
2. S. Sumatra & Jambi;  
3. W. Kalimantan;  
14. W. Papua & Papua  
**Green Growth Plans**,  
30 companies,  
peat/forest mgt, KEE,  
PPI compacts, VSA



## Co-financing for Projects







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These are not  
sufficient...  
Need a more  
comprehensive and  
scalable approach



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# Green Growth Plan



ACEH



JAMBI



SOUTH  
SUMATRA



WEST  
KALIMANTAN



WEST  
PAPUA



PAPUA

# 6

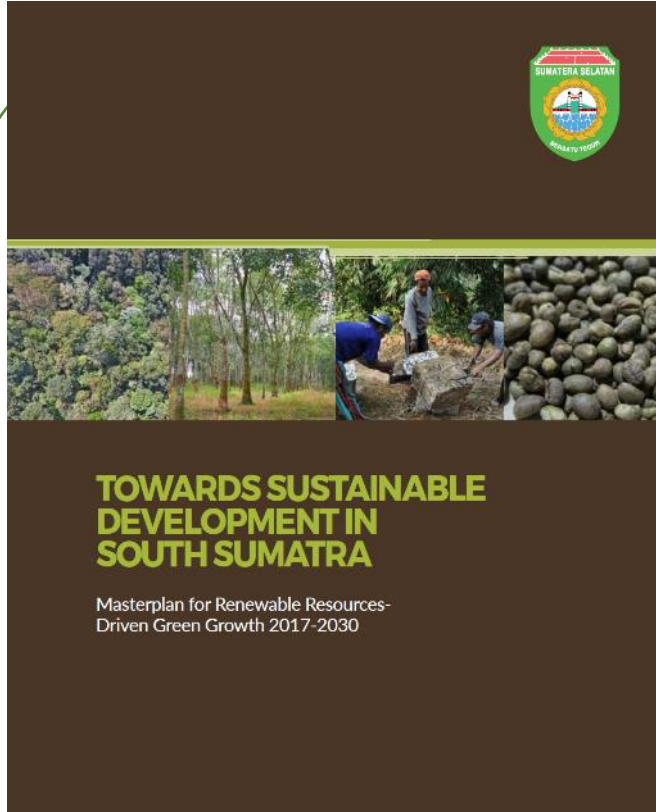
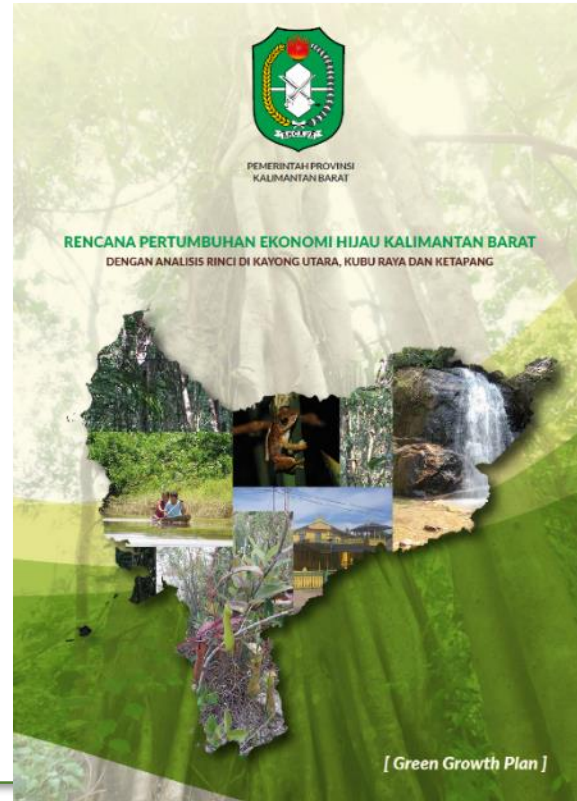
 provinces

(2 completed & being mainstreamed; 4 being developed)

## KEY COMPONENTS

- ❖ BAU vs Green Growth Scenario
- ❖ Key commodities/sectors

### GREEN GROWTH PLAN – WEST KALIMANTAN

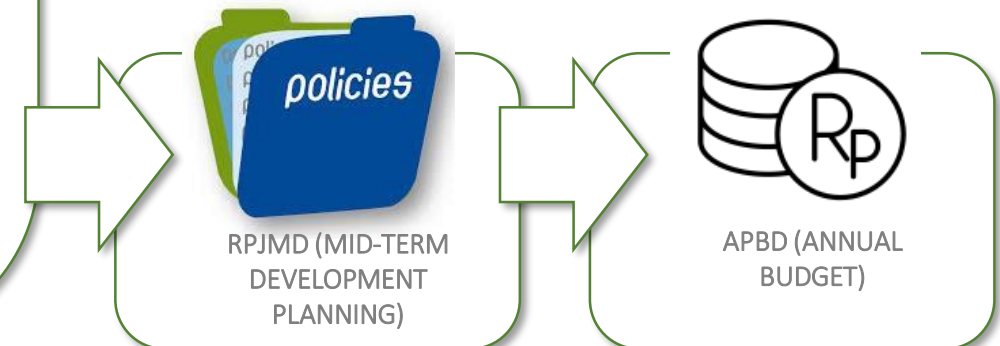


### GREEN GROWTH PLAN – SOUTH SUMATRA

- ❖ Land allocation
- ❖ Trade-off analysis
- ❖ Proposition for sourcing & investment

## GGP provides:

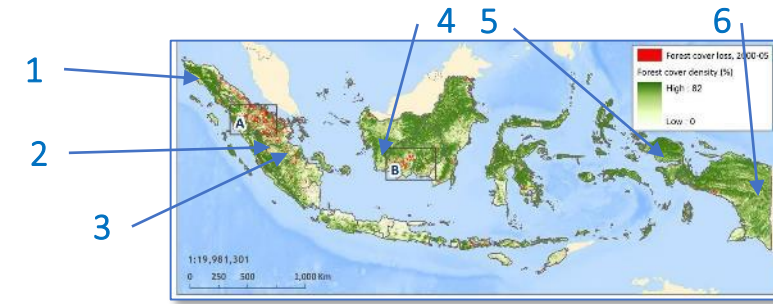
- ❖ Policy framework for RPJMD (Mid-term Development Planning) and APBD (Budgeting) of the provincial governments
- ❖ Guidance for key commodities/sectors
- ❖ Direction for PPI (Production-Protection-Inclusion) Compact & Investment → JEC (jurisdictional eligibility criteria) ready





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# Landscape interventions



1. ACEH

GGP initiated in  
Aceh Timur &  
Aceh Tamiang

2. JAMBI

GGP being  
developed for the  
province

3. SOUTH SUMATRA

GGP completed for  
the province;  
being  
mainstreamed to  
RPJMD (mid-term  
development plan)

4. WEST KALIMANTAN

GGP completed for  
the province;  
being  
mainstreamed to  
RPJMD; KEE  
completed &  
mainstreamed

5. WEST PAPUA

GGP  
initiated  
for the  
province

6. PAPUA

GGP  
initiated  
for the  
province

LEUSER

2  
being developed  
with VSA

BUKIT 30

2  
LOI signed

SEMBILANG

1  
being developed  
with VSA

KUBU & S. PUTRI

2  
LOI signed with mini  
PPI compacts

Scoping

Scoping

>100K

HA (PALM & RUBBER)

>50K

HA (RUBBER,  
FORESTRY, PALM)

>300K

HA (RUBBER,  
FORESTRY, PALM)

>300K

HA (FORESTRY, PALM)

TBD

TBD

200K

HA (AT RISK)

100K

HA (CONCESSIONS, NP)

>200K

HA (CONCESSIONS,  
NP)

500K

HA (CONCESSIONS,  
FARMS, PROTECTION)

TBD

TBD

N/D

HA (PALM, RUBBER,  
COCOA, SPICES)

35K

HA (PALM, RUBBER,  
FORESTRY)

>180K

HA (PALM, RUBBER,  
FORESTRY)

50K

HA (PALM, RUBBER,  
FORESTRY,  
AQUACULTURE)

TBD

TBD

SLWG, OFF-TAKERS

&GF, TLFF, NP

LTKL, PISAGRO, CPO FUND

&GF, SOCIAL FORESTRY



Supply chain &  
investment linking  
to village-level  
economic activities  
(PPI, VSA, &GF)

Forest & peat  
management &  
restoration

Fire prevention &  
management

Eco-corridors & on-  
& off-concession  
forest protection



GREEN  
GROWTH  
PLAN



PPI COMPACT



P (PRODUCTION)



P (PROTECTION)



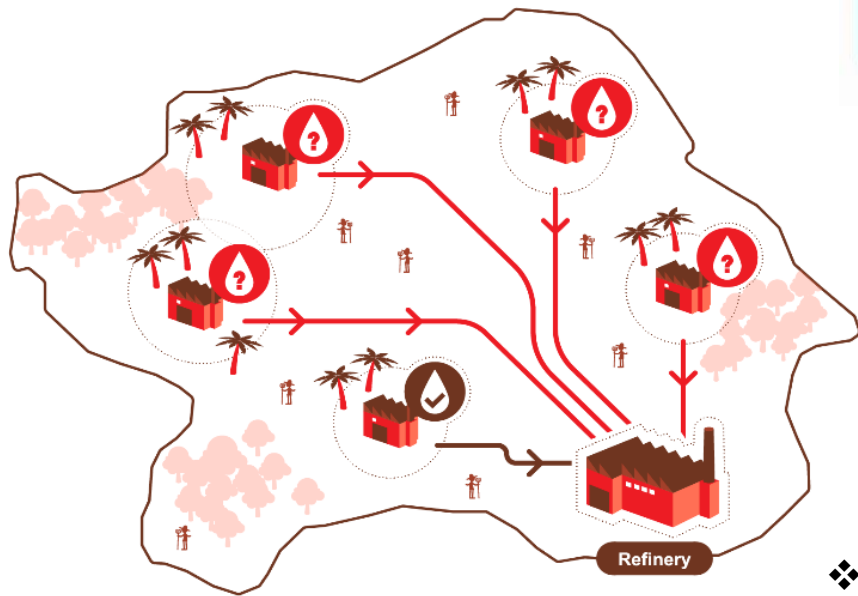
I (INCLUSION)





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# Verified sourcing areas (VSA)



ACEH TAMIANG  
(ACEH)



MUSI BANYUASIN  
(SOUTH SUMATRA)



## 2

districts  
(signed)

- ❖ *Bupatis* are endorsing
- ❖ Producers are supporting
- ❖ Buyers are committed
  - ❖ Key commodities (e.g. palm oil, rubber, cocoa)

## PRIVATE SECTOR



+

SUPPLY CHAIN  
TRANSPARENCY

+



END BUYERS  
COMMITMENT





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# KEE (Essential Ecosystem Area)



FOREST &  
PEAT



WATER  
MANAGEMENT



FIRES



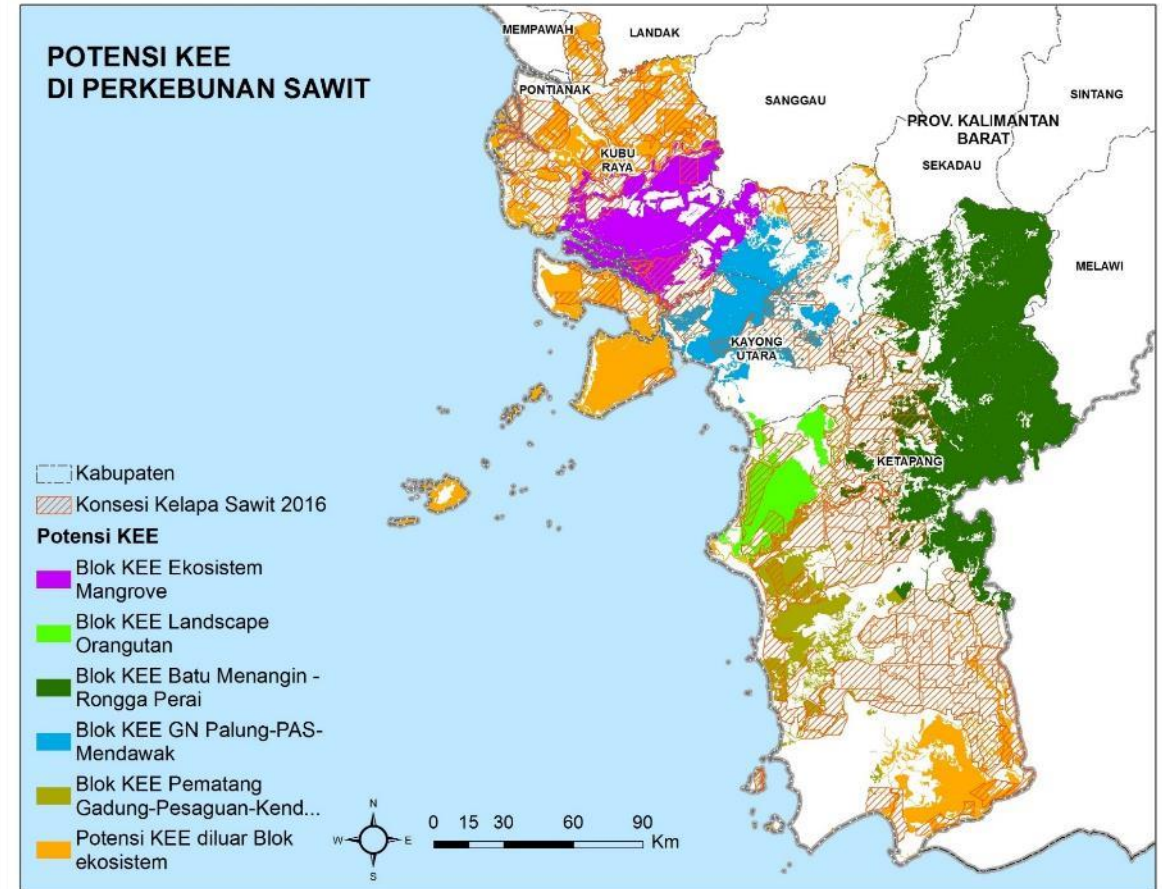
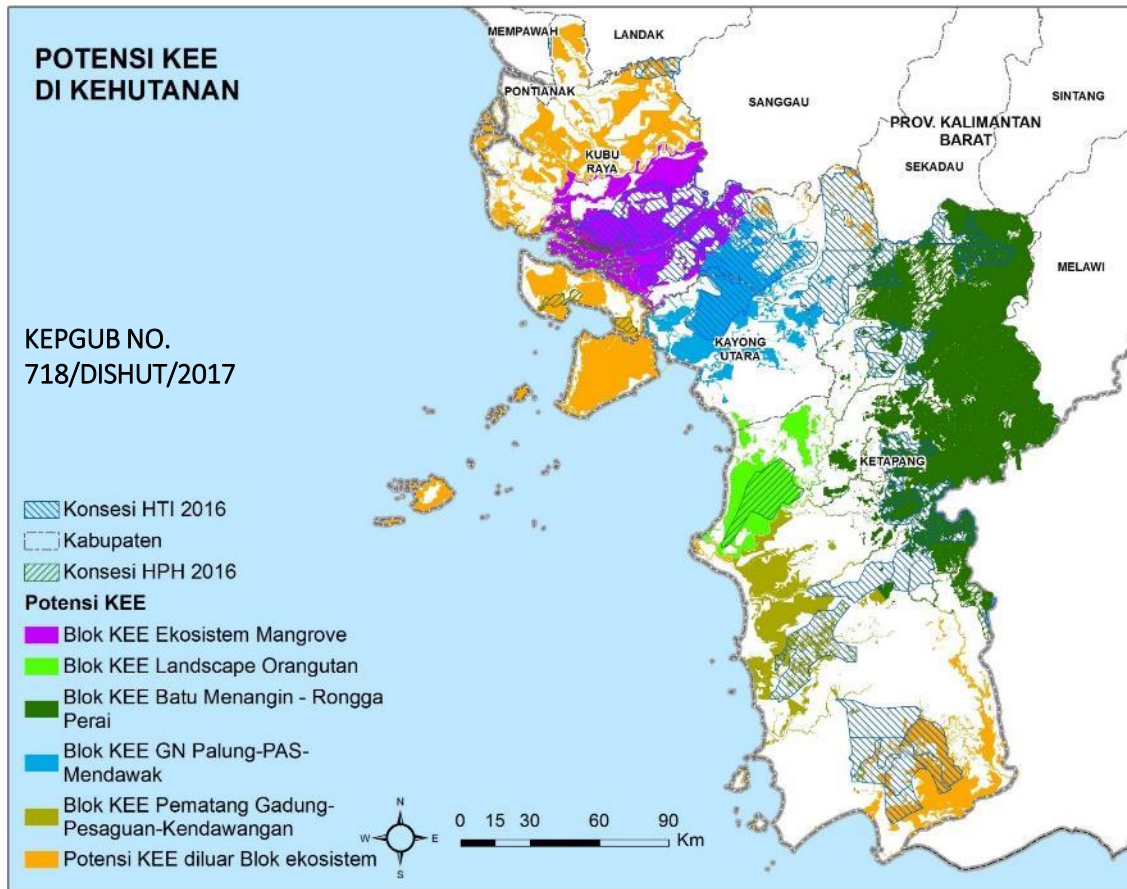
SMALLHOLDERS



ORANGUTAN

SHARED INTERVENTIONS  
WEST KALIMANTAN

Recognizing **0.5** mil ha of HCV (high conservation value) areas inside and outside of concessions (and connection) in **3** (three) districts in West Kalimantan







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# Example: PPI compact & investment

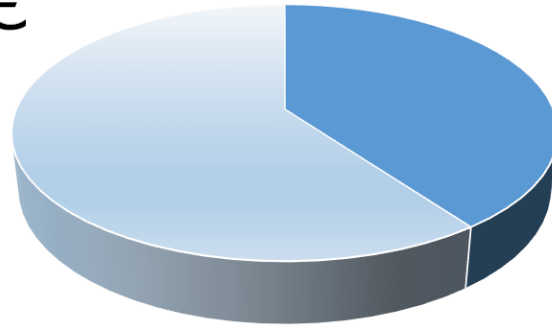


KEE (ESSENTIAL  
ECOSYSTEM  
AREA)

PPI/LANDSCAPE  
AGREEMENT

Co-Investment 2018 (Mil EUR)

€



■ IDH ■ Private Sector

- ❖ Land legality
- ❖ Farmer organisations
- ❖ Green Growth Plan
- ❖ Capacity building for farmers
- ❖ Demonstration plots of sustainable commodities
- ❖ GAP trainings

PPI PROTOTYPING (CO-INVESTMENT PROJECTS)

EXAMPLE

WEST KALIMANTAN  
(FORESTRY COMPANY)



40K  
HA (FORESTRY)



N/D  
HA (PALM, OTHERS)



70K→90K  
HA (PROTECTION, PEAT  
MANAGEMENT)

CO-INVESTMENT



COMMERCIAL



andgreen.fund

EXAMPLE



JAMBI  
(RUBBER COMPANY)



35K  
HA (RUBBER)



35K→70K  
HA (LINK TO NP & ABT,  
RESTORATION,  
ELEPHANTS)



N/D  
HA (PALM, RUBBER)

CO-INVESTMENT



COMMERCIAL





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VILLAGE FOREST

76K HA

(70K HA PROTECTION)

# Example: PPI investment (village forest)

CO-INVESTMENT

€  1M (EUR)  
PS: 1.7M (EUR)

SCALED-UP

BLU-  
KLHK:

6M (EUR)



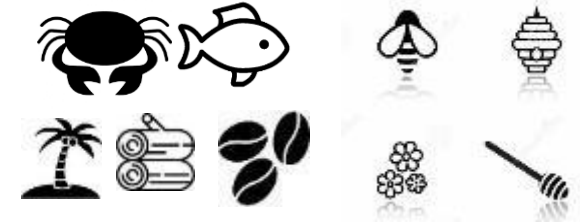
4,918 HA

Additional Forest Cover

(Reforestation & Natural Regeneration)

2015-17: 57,756 ha to 62,674 ha

6-10,000 HA  
(COCONUT, TIMBER,  
HONEY, CRABS & SHRIMPS)



Off-takers

Village forest  
institutions

Farmers/ Villagers

Financial institutions  
(e.g. Credit Union)

2,802 ha  
(Mangrove)

393 ha  
(Dry Forest)

1,723 ha  
(Peat Forest)

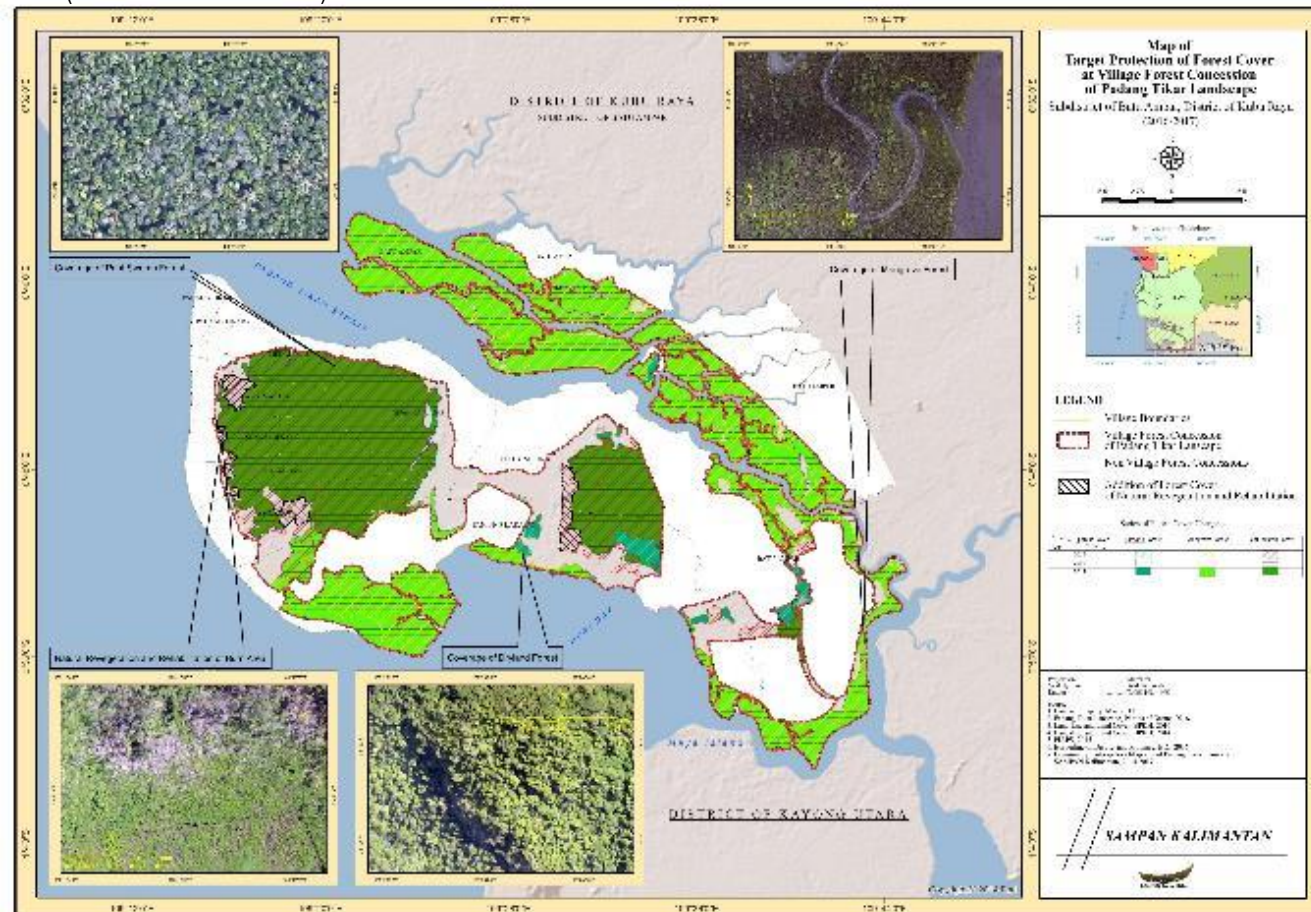


US\$ 50K

Revenue: Honey (in 7 months)

US\$ 107K

Coconut charcoal (in 6 months)

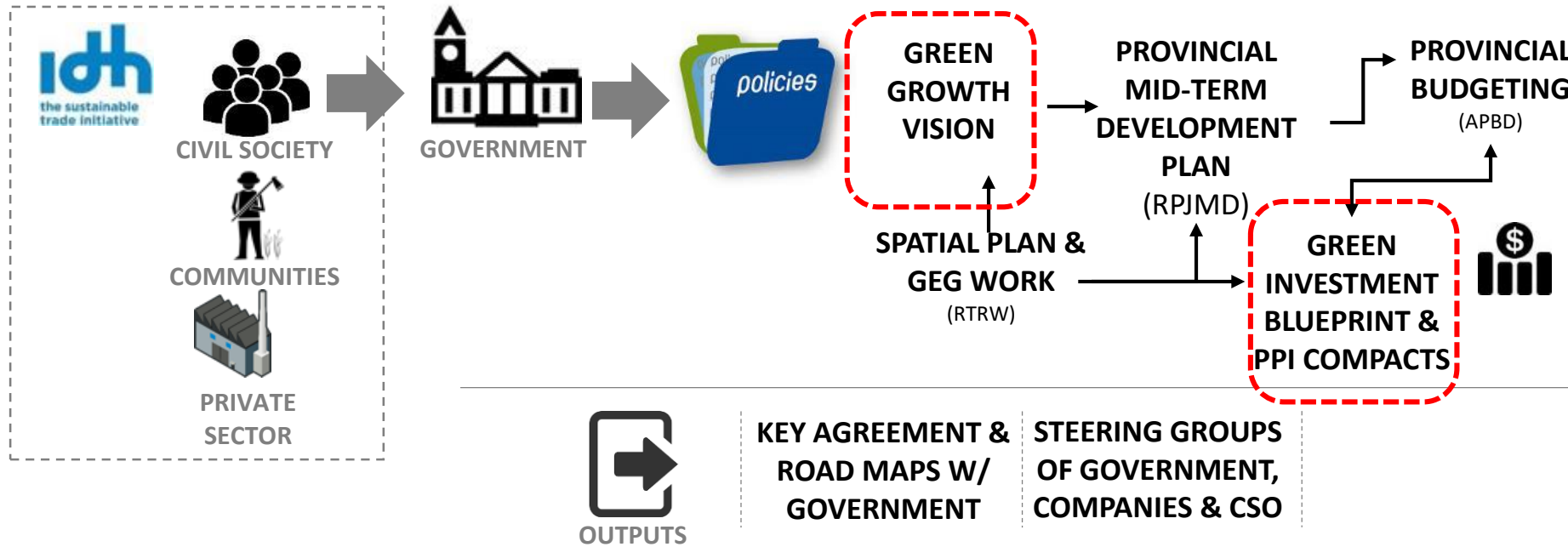






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# Overall approach and process



**GREEN GROWTH PROCESS** CONVENING STAKEHOLDERS TO DEVELOP GREEN GROWTH VISION & LINKING TO RPJMD & APBD

# Innovative financing



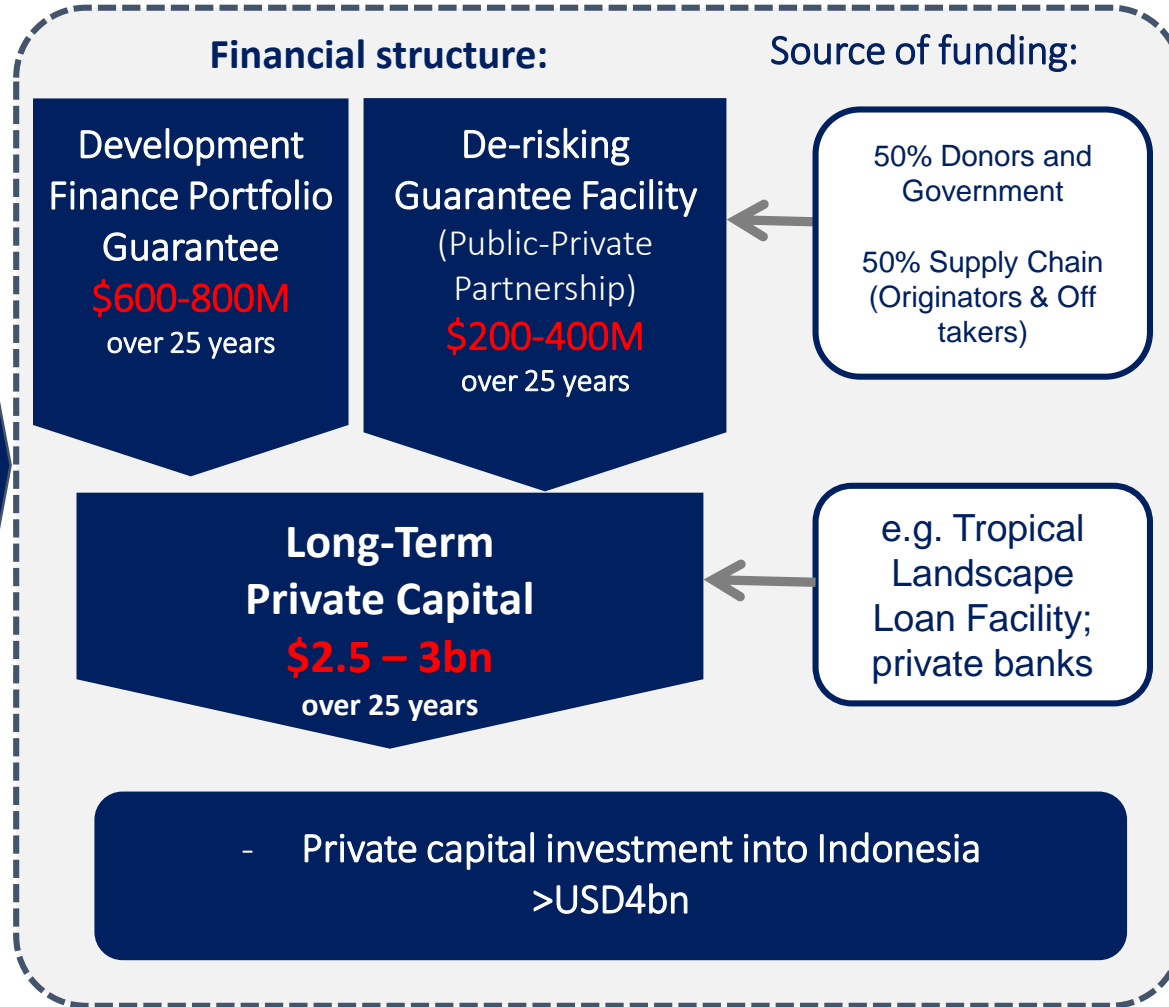


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# Upscaling: landscape & production-protection finance structuring

- Total projected financing need for complete rehabilitation & replanting key commodities ± **US\$ 4billion**
- Risk-layering critical to attract long-term private capital needed
- Strong protection components

**KEY FOR SCALE:** supply chain companies, government of Indonesia and donors must de-risk 3<sup>rd</sup> party financing



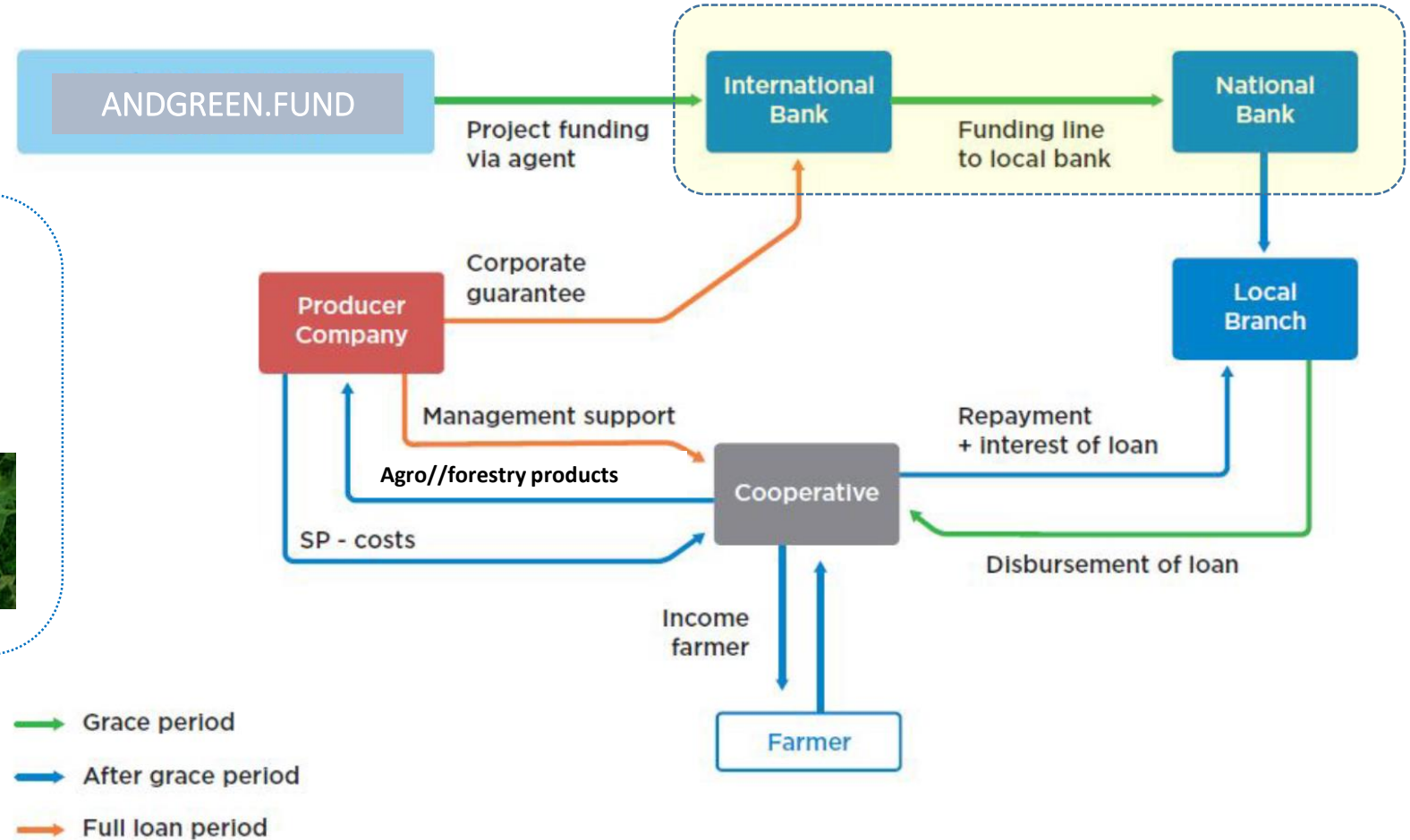


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# Example of financial deal



€ ±300M  
(INNOVATIVE FINANCING)







**Thank you. Terima kasih.**



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