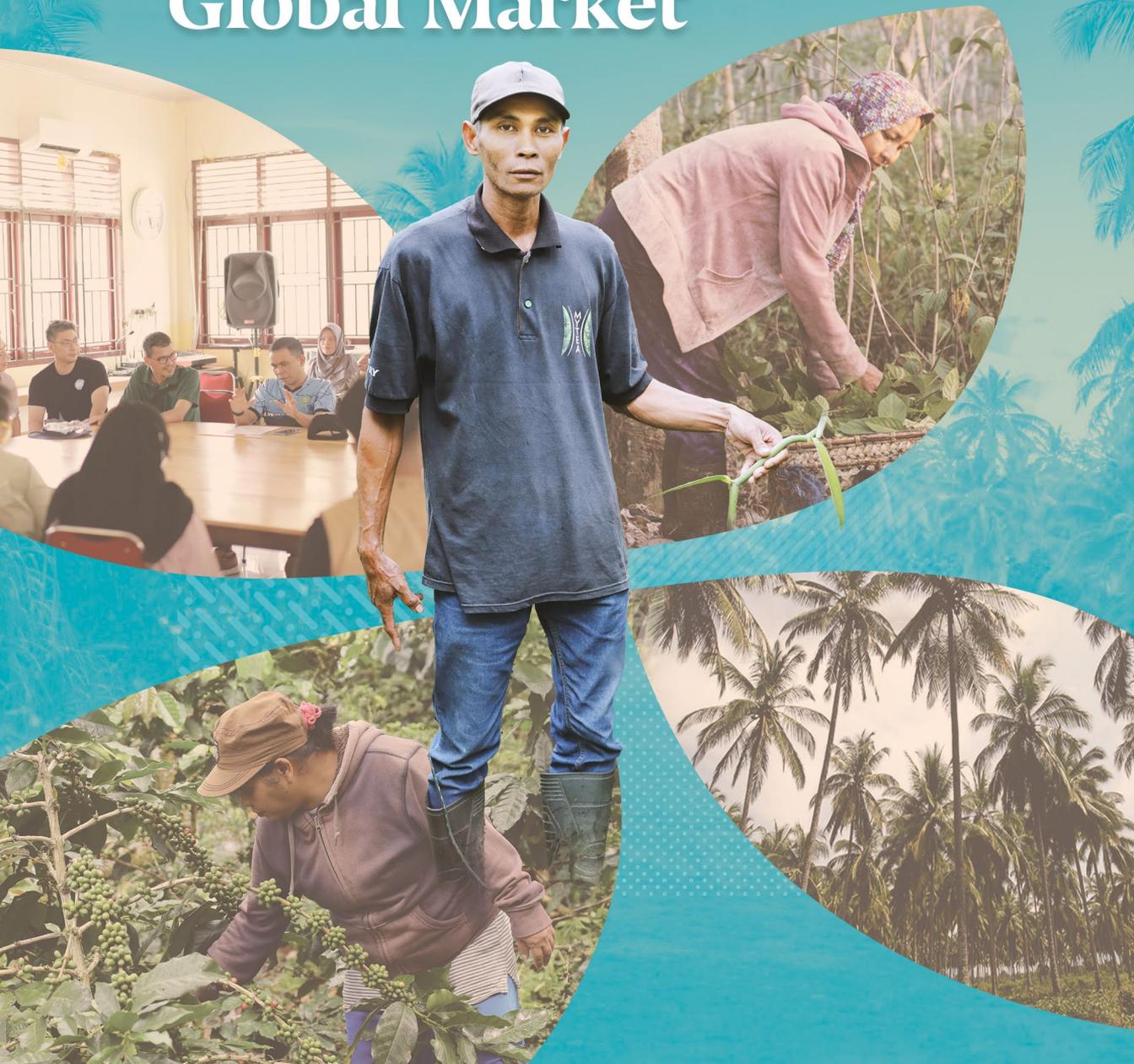


# A Jurisdictional Journey: Districts Readiness in Facing Global Market





### **Lingkar Temu Kabupaten Lestari (LTKL)**

Lingkar Temu Kabupaten Lestari (LTKL) is an association of district governments formed and managed by the district government, as part of a caucus under the Association of Indonesian District Government (APKASI), to establish a sustainable development vision that protects the environment and improves the welfare of the communities through cooperation.

This info brief was prepared based on the results of the LTKL member districts' progress reports and the meeting discussions of the partners networks and member districts related to "District Readiness for the Global Market" and analyzed by a team of reviewers from the partner networks and the secretariat from October to November 2023.

INFO BRIEF

# A Jurisdictional Journey: Districts Readiness in Facing Global Market





# Background

Lingkar Temu Kabupaten Lestari (LTKL) is a district association that collaboratively engaged with multiple stakeholders at local, national, and global level to develop sustainable district recipes and success narratives. Over the past five years, following its debut in RSPO RT 2018, LTKL has dedicated efforts to steer the district towards a sustainable economy by fostering nature-based innovation.

This transformation journey were undertaken with a recognition of the pivotal role played by palm oil, rubber, and coffee plantations in driving Indonesia's economic growth. However, the prevalent monoculture practices in these industries have posed challenges to achieving sustainability. These challenges include deforestation, land degradation, conflicts with indigenous communities, and environmental crises. According to the United Nations Environment Program (UNEP), the period since 1990 has witnessed the global loss of approximately 420 million hectares of forest due to conversion, with Indonesia contributing significantly to this trend. Specifically, the country experienced substantial deforestation, amounting to a loss of 2.1 million hectares from 2015 to 2020.<sup>1</sup> The repercussions of this impact are most keenly felt by local communities that heavily rely on forest resources.

Currently, the palm oil industry continues to wield substantial influence in the Indonesian economy, providing employment for millions of workers. Recognizing the necessity for a shift towards an alternative economy, driven by nature-based innovation to promote sustainability at the district level, is imperative to propel the national agenda forward. This overarching agenda aims at safeguarding the environment and enhancing community welfare. The initiative was undertaken to serve as a conduit for the implementation of sustainable palm oil production, ensuring its acceptance in the global market. Simultaneously, it seeks to foster connectivity with other economic alternatives through nature-based innovation.

In 2022, the United Nations Environment Programme (UNEP) disclosed that a significant 83% of the annual investment, totaling USD 154 billion, in nature-based solutions originated from public funding. This highlights a relative scarcity of investment in nature-based solutions, attributed to the continued prominence of the palm oil sector within the national economy. Notably, investment gaps persist at the district level for nature-based solutions, with limited instances of discernible benefits or incentives to motivate jurisdictions toward sustainable development. In response, LTKL actively supports its nine district members in formulating sustainable economic models for their communities. The aim is to reduce dependence on conventional businesses and large plantation sectors, which often exert a detrimental impact on the environment.

LTKL employs a multi-stakeholder governance strategy at the district level, emphasizing collaborative efforts among stakeholders. The aim is to accelerate the achievement of regional development targets driven by collective action between local governments, companies, NGOs, academics, farmer groups, researchers, donors and philanthropists. The interplay between conventional business practices and nature-based innovation underscores the inherent potential in both realms, particularly within the framework of promoting sustainable investment. This endeavor necessitates coordinated efforts from policymakers, investors, companies, small-scale farmers, and civil society. The aspiration is for this initiative to serve as a replicable model in other regions across Indonesia.

1 Ministry of Environment and Forestry. 2023. *INDONESIAN ENVIRONMENTAL STATUS 2022*. Jakarta: Ministry of Environment and Forestry, Republic of Indonesia



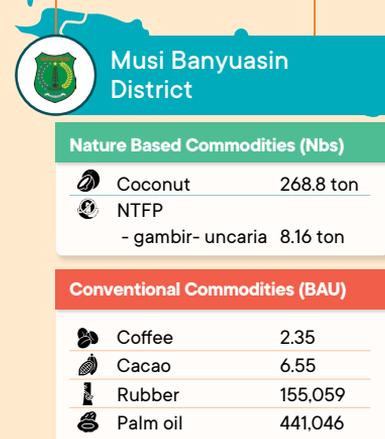
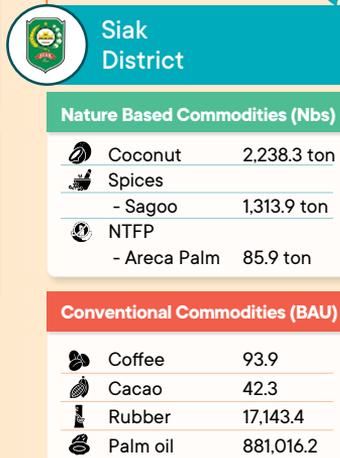
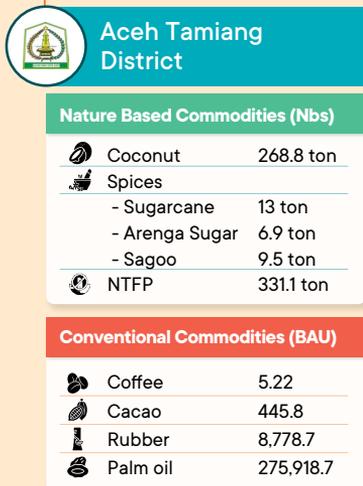
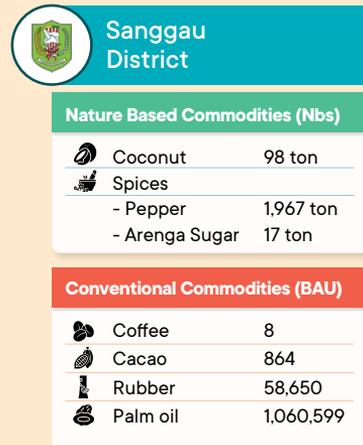
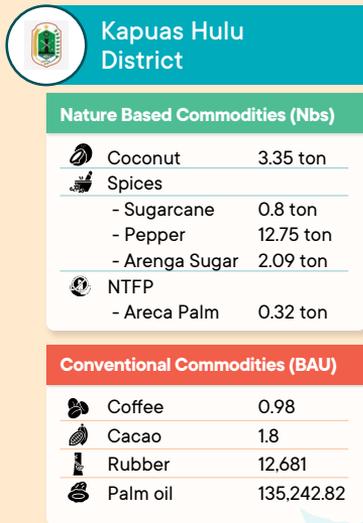
# Part 1: Readiness of LTKL Member Districts



Based on the 2022 Ministry of Trade data, Indonesia's total exports to Europe amounted to USD 21.5 billion, representing 19 percent of the country's global exports. Notably, palm oil, rubber, cocoa, and coffee stand out as the four primary commodities in high demand from countries like the United States, China, Japan, India, and various European nations. However, over almost a decade (2011-2020), as per KLHK data, the alarming rate of natural forest deforestation across nine districts attributed to conventional commodity production reached 40,901 hectares

annually. This poses a significant obstacle to entering the global market, which increasingly favors deforestation-free commodity production. A proactive step to mitigate deforestation caused by conventional commodity practices involves promoting sustainability across policy, planning, institutional governance, and data schemes. Simultaneously, districts can explore alternative nature-based innovations with market potential, such as agroforestry, bamboo, coconut, and spices.

# Distribution Map of Total Production of Nature-Based Commodities and Conventional Commodities in 9 LTKL Member Districts in 2022-2023



Data source : Districts in Figures, BPS, 2023



### Gorontalo District

#### Nature Based Commodities (Nbs)

	Coconut	2.2171,09 ton
	Spices	
	- Sugarcane	51,200 ton
	- Clove	286,17 ton
	- Arenga Sugar	9,07 ton
	NTFP	
	- Cotton	15,84 ton

#### Conventional Commodities (BAU)

	Coffee	41,99
	Cacao	320,07
	Rubber	-
	Palm oil	-



### Bone Bolango District

#### Nature Based Commodities (Nbs)

	Coconut	2,415,41 ton
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#### Conventional Commodities (BAU)

	Coffee	34,498
	Cacao	98,02
	Rubber	-
	Palm oil	-



### Sintang District

#### Nature Based Commodities (Nbs)

	Coconut	342,1 ton
	Spices	
	- Pepper	1,047 ton
	NTFP	
	- Areca Palm	38 ton

#### Conventional Commodities (BAU)

	Coffee	64,97
	Cacao	8
	Rubber	40,037
	Palm oil	772,401,78



### Sigi District

#### Nature Based Commodities (Nbs)

	Coconut	3,386,7 ton
	Spices	
	- Clove	26,6 ton
	- Candlenut	245,4 ton

#### Conventional Commodities (BAU)

	Coffee	450,3
	Cacao	21,971,04
	Rubber	-
	Palm oil	322

Based on the Distribution Map of Total Production of Nature-Based Commodities and Conventional Commodities for 2022-2023 above, conventional commodities such as coffee, cocoa, and palm oil continue to dominate total production. In contrast, a diverse array of nature-based commodities, including coconut, sugar cane, sago, pepper, sugar palm, cloves, candlenuts, areca nut, gambier, and kapok, shows promising variation. The substantial disparity in total production between conventional and nature-based commodities suggests a lower level of domestic and global market attention to the latter. This underscores the untapped potential for continued development.

Collaborating with districts and development partners, LTKL is actively involved in enhancing district readiness for fostering sustainable jurisdictional transformations. This involves the implementation and building capacity of member districts in systematically pursuing sustainability through collective action with relevant stakeholders. The term 'recipe' encapsulates five essential pillars serving as benchmarks for district readiness, including (i) planning, (ii) policies & regulations, (iii) multi-stakeholder governance, (iv) Joint Action (Innovation & Investment), and (v) monitoring, reporting, and communication. These pillars collectively contribute to the comprehensive development of sustainable practices within the districts.

**Table: LTKL 5 Essential Pillars<sup>2</sup>**

	<b>Innovation Planning<sup>3</sup></b>	<b>Innovation Policies and Regulations</b>	<b>Multi-Party Governance</b>	<b>Joint Action (Innovation &amp; Investment)</b>	<b>Monitoring, Reporting, Communication</b>
<b>Aceh Tamiang</b>	<ul style="list-style-type: none"> <li>Integration of the Leuser Ecosystem Area into the RTRW</li> <li>General Investment Plan (RUPM) which is integrated with Sustainable Investment guidelines</li> </ul>	<ul style="list-style-type: none"> <li>Plan Action Region - Sustainable Palm Oil<sup>4</sup></li> </ul>	<ul style="list-style-type: none"> <li>Center of Excellence for Sustainable Plantations (PUPL) which functions as a multi-party forum to support the achievement of targets for sustainable commodity producing jurisdictions</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable palm oil innovation and investment as a collective model</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring for deforestation carried out collaboratively by KPH, district government, civil society institutions facilitated by multi-stakeholder institutions</li> <li>Has been integrated with SourceUp</li> </ul>
<b>Siak</b>	<ul style="list-style-type: none"> <li>RTRW which includes agricultural and plantation development plans that take into account the carrying capacity of the environment and prohibits land clearing activities by burning</li> <li>Integration of development planning through the 2020-2024 RPJMD on a sustainable basis</li> </ul>	<ul style="list-style-type: none"> <li>Siak Hijau Regional Regulation - planting peat-friendly commodities</li> <li>Implementation of TAKE based on environmental, economic and Village Development Index (IDM) dimensions</li> <li>Regional Action Plan - Sustainable Palm Oil</li> </ul>	<ul style="list-style-type: none"> <li>The Green Siak Regency Coordination Team (TKSKH) functions as a multi-party mutual cooperation forum to accelerate the Green Siak target</li> </ul>	<ul style="list-style-type: none"> <li>Development of alternative business models &amp; products through PT Alam Siak Lestari as a Sustainable Production Center</li> <li>MSME development through incubation - Classes that already have legal entities</li> <li>Preparation of Investment Outlook based on Multiparty - Jurisdictional Investment Prospects through the potential of plantation commodities and natural-based innovation</li> </ul>	<ul style="list-style-type: none"> <li>KDSD implementation - in the multi-stakeholder data collection stage and has reported ongoing progress through the CDP State &amp; Regions Questionnaire</li> </ul>

2 The progress of these five district pillars is based on the results of mapping carried out by LTKL Member Districts facilitated by the LTKL Secretariat

3 All LTKL member districts (9) are in the process of integrating long-term development planning (RPJPD) 2025-2045

4 Still in the solution phase

	Innovation Planning <sup>3</sup>	Innovation Policies and Regulations	Multi-Party Governance	Joint Action (Innovation & Investment)	Monitoring, Reporting, Communication
<b>Musi Banyuasin</b>	<ul style="list-style-type: none"> <li>The RTRW has prohibited plantations in forest areas and has identified areas prone to forest fires</li> </ul>	<ul style="list-style-type: none"> <li>Green MuBa Performance-based Incentive Fund based on Perbup 8/2022</li> <li>Local regulation MuBa Green</li> </ul>	<ul style="list-style-type: none"> <li>Center for Excellence in Sustainable Commodities (PUKL) - bringing closer multi-party collaboration in Verified Commodity Source Management Targets (MASKOT Muba) which has an impact on improving community</li> </ul>	<ul style="list-style-type: none"> <li>MSME development through incubation - Aligned</li> </ul>	<ul style="list-style-type: none"> <li>Mapping of oil palm farmers<sup>5</sup></li> <li>One MuBa Data</li> <li>MuBa One Map Geoportal</li> <li>KDSD Implementation - Has published a Jurisdiction Profile summarizing ongoing progress in support of Green MuBa</li> <li>Has been integrated with SourceUp</li> </ul>
<b>Sintang</b>	<ul style="list-style-type: none"> <li>RPPLH as an environmental planning and management document</li> <li>RUPM is a capital investment planning document that can become a basis for investment in the sustainability sector</li> <li><i>Integration of development planning through the 2020-2024 RPJMD on a sustainable basis</i></li> </ul>	<ul style="list-style-type: none"> <li>Perbup 122/2021 - Proposing and Determining Jungle/Gupung Management for forest protection in APL areas</li> <li>WORK OF KSB</li> <li>Customary Law Community Regulation 12/2015</li> </ul>	<ul style="list-style-type: none"> <li>PSDA Joint Secretariat - which has the initiative of mutual cooperation in achieving joint targets towards Sustainable Sintang</li> </ul>	<ul style="list-style-type: none"> <li>MSME development through incubation - Gemilang which already has a legal entity</li> </ul>	<ul style="list-style-type: none"> <li>WebGIS of Sintang plantations managed by multi-stakeholders through TPD Sintang</li> <li>KDSD Implementation - Has published a Jurisdiction Profile showing Sintang Lestari's mutual cooperation initiative</li> <li>The Jurisdiction Pilot for LandScale measures the sustainability of market-based jurisdictions</li> </ul>
<b>Sanggau</b>	<ul style="list-style-type: none"> <li>Integration of development planning through the 2020-2024 RPJMD on a sustainable basis</li> </ul>	<ul style="list-style-type: none"> <li>WORK OF KSB</li> <li>Implementation of TAKE based on environmental, economic and Village Development Index (IDM) dimensions</li> <li>Regional Regulation 1/2017 concerning Protection and Recognition of Indigenous Peoples</li> </ul>	<ul style="list-style-type: none"> <li><i>Sabang Merah Berdompu</i> (SMB) as a multi-stakeholder institution</li> </ul>	<ul style="list-style-type: none"> <li>MSME development through incubation - Samudra</li> <li>Joint action between PKS and Farmers together with the Sanggau Regency Government to encourage</li> </ul>	
<b>Kapas Hulu</b>		<ul style="list-style-type: none"> <li>Policy innovations related to land management are still in the process stage</li> </ul>	<ul style="list-style-type: none"> <li>Multi-stakeholder Institution for Sustainable Development based on the Betung Kerihun Danau Sentarum Biosphere Reserve</li> </ul>	<ul style="list-style-type: none"> <li>Development of innovation and investment based on local wisdom, such as tengkawang</li> </ul>	<ul style="list-style-type: none"> <li>In the synchronization stage with Landscale and KDSD</li> </ul>
<b>Gorontalo</b>			<ul style="list-style-type: none"> <li>Climate Change Working Group</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable coconut investment development</li> </ul>	<ul style="list-style-type: none"> <li>KDSD Implementation - Has published Jurisdiction Profile</li> </ul>
<b>Bone Bolango</b>			[not yet processed]	[not yet processed]	<ul style="list-style-type: none"> <li>KDSD implementation - in the multi-party data collection process stage</li> </ul>

5 NB : (\*) still in process

	Innovation Planning <sup>3</sup>	Innovation Policies and Regulations	Multi-Party Governance	Joint Action (Innovation & Investment)	Monitoring, Reporting, Communication
<b>Sigi</b>	<ul style="list-style-type: none"> <li>• The RTRW includes changing forest areas to non-forest areas for areas that have become plantation land</li> <li>• RUPM as investment planning in the district has been integrated with domestic market research that has been carried out</li> <li>• <i>Integration of development planning through the 2020-2024 RPJMD on a sustainable basis</i></li> </ul>	<ul style="list-style-type: none"> <li>• Sigi Hijau Regional Regulation - use of space &amp; territory with sustainable principles</li> <li>• Implementation of TAKE based on environmental, economic and Village Development Index (IDM) dimensions</li> </ul>	<ul style="list-style-type: none"> <li>• Sigi Hijau Multi-party Institution</li> </ul>	<ul style="list-style-type: none"> <li>• MSME development through incubation - Gampiri</li> <li>• Development of Joint Action for Natural Based Investment and added value from Cocoa, Coffee, Bamboo and Vanilla Commodities</li> </ul>	<ul style="list-style-type: none"> <li>• One Sigi Data</li> <li>• KDSD Implementation - Has published a Jurisdiction Profile and has reported ongoing progress through the CDP State &amp; Regions Questionnaire</li> </ul>

Based on each district's development of the five essential pillars, the district government together with development partners have worked together to build readiness for the global market. But along the way, challenges remain and support is needed to encompass the other pillars in order to strengthen district's modalities.

For instance, through a mutual collaboration through multi-stakeholder institutions to conduct monitoring and reporting and encourage innovation that is strengthened by regional planning documents and related regulations. It can be initiated not only by district governments and development partners, but also the private sector can also jointly support sustainable development contributions.





# Part 2: District Opportunities and Challenges in Facing Global Market Readiness



In developing sustainable commodities, LTKL member districts are tasked not only with adhering to Indonesian regulations but also with aligning their practices with the requirements stipulated by the global market. This poses a distinct challenge in implementing sustainable plantations at the district level, as numerous obstacles persist. These challenges range from the complexities of acquiring accurate and up-to-date data for commodity traceability to the

ongoing issue of forest conversion for plantations within designated forest areas. Additionally, challenges manifest in the form of overlapping land utilization between farmers and companies holding Utilization Rights (HGU) within forest areas.

A comprehensive analysis of the opportunities and challenges faced by LTKL member districts reveals the following insights:

## 1. Integrated Data System as the Basis for Traceability Schemes

The absence of an integrated data tracking system poses challenges for districts in confirming the traceability of the regional commodity supply chain from upstream to downstream, hindering efforts to ensure deforestation-free practices. The sharing of data among various stakeholders, including companies, implementing partners, civil society, and local governments, remains a substantial challenge, necessitating the establishment of clear mechanisms to facilitate collaboration. Furthermore, it is crucial to streamline indicators to align with both market requirements and the available district-held data. This lack of synchronization in initiatives, particularly

concerning data systems, emerges as a significant factor in the overall process.

Currently, LTKL member districts have a Regional Competitiveness Framework (KDSD) serving as the foundation for multi-stakeholder data governance. This framework serves as a crucial entry point for harmonizing district and national data. The goal of this process is to establish connectivity between national and global platforms, utilizing them as benchmarks and gateways to promote effective data governance. The aspiration is to encourage optimal and effective data sharing across various stakeholders.

## 2. Strengthening Policy and Planning Connectivity between National, Provincial and District Government

Regulatory synchronization concerning land management at the national, provincial, and district levels remains a significant challenge, particularly within the plantation sector. Multiple regulations pertain to district mandates and land management, with a particular focus on forest protection functions. Given recent developments in global market regulations, there is an imperative to harmonize and streamline mechanisms for implementing sustainable land governance across policy and planning dimensions. This includes revising the Plantation Business Assessment (PUP), a public incentive scheme accessible based on performance, aimed at enhancing land governance. Consequently, there is a need to fortify environmentally-friendly policies capable of effectively and decisively reducing deforestation rates, aligning with the ambition of achieving zero-deforestation. Synchronizing efforts through regional development plans is crucial, and one such avenue is through the formulation of the Regional Long-Term

Development Plan (RPJPD) spanning the next two decades (2025-2045).

Furthermore, the preservation of forest cover in Other Use Areas (APL) requires reinforced regulations, as these areas are more susceptible to land conversion compared to forests within designated forest areas. Safeguarding the forest cover in APL is crucial due to its potential for high conservation value, offering benefits to surrounding communities such as erosion and landslide prevention, the provision of non-timber forest products, and cultural significance. It is essential to promote the synchronization of areas between forests with high conservation value (HCV) or High Carbon Stock/HCS and APL, as stipulated in the Regional Spatial Planning (RTRW). Additionally, fortifying forest governance in APL through the active involvement of local or indigenous communities, with support from the regional government, stands as a viable alternative for nature-based innovation.

## 3. Readiness and Capacity of Farmers and Small-Medium Enterprises in the District

Currently, it is crucial to ensure the capacity and modalities of farmers and small-medium enterprises, providing necessary support for the effective implementation of sustainable plantation governance. This support is essential for both legal compliance and the enhancement of capabilities to uphold commitments, particularly in terms of “No Deforestation, No Peat Exploitation,” especially for small and medium-sized enterprises. Simultaneously, it is

imperative to provide substantial assistance to farmers across various commodities, facilitating the fulfillment of diverse factors essential for a successful transition to sustainable practices. In a targeted effort for small and medium-sized enterprises, nearly 50 such companies in West Kalimantan and Aceh participated in the Sustainable Supply Chain Implementation Clinic for various commodities, with notable involvement from palm oil companies.

## 4. Strengthening the District's 'Driving Engine' through Multi-stakeholder Institutional Arrangements

The current condition in the district is that there are many initiatives currently running in a jurisdiction or landscape often leading to overlapping efforts.. In response to this, several member districts of LTKL advocate for the establishment of multi-stakeholder institutions, positioning them as a dynamic force and a collaborative framework for stakeholders within

the jurisdiction. However, a current challenge lies in the insufficient empowerment of local human resources (HR) to effectively fulfill this pivotal role. It is crucial to address this challenge by reinforcing support from various stakeholders, focusing on capacity development to ensure the autonomy and efficacy of the multi-stakeholder institution.

## 5. Mobilizing performance-based public and non-public incentives for districts

Mobilizing performance-based public and non-public incentives for districts is a crucial aspect of fostering sustainable development. It is crucial to have performance-based incentives referring to the five pillars to serve as a recipe sustainable progress. These incentives can be both public, originating from the national government budget, such as the Regional Incentive Funds (DID) or equivalent, and non-public, encompassing transactions, investments, recognition, and networking. Realistic definition and ongoing assessment of these incentives are paramount for achieving

and sustaining progress in terms of performance and the incentives acquired.

The myriad of initiatives initiated by LTKL member districts not only proactively ensures compliance with existing global trade standards for district commodities but also serves as a concerted effort to extend positive impacts on forest protection and community welfare. Collaborative efforts involving multiple stakeholders are integral to addressing various challenges, exemplified by the works have been carried out by several LTKL partners as follows:



### DEVELOPMENT PARTNERS INITIATIVES

 <b>Supporting Process of Plantation Legal Status</b>	 <b>Supporting of Sustainable Plantation with Zero Deforestation</b>	 <b>Supporting Sustainable District Policy</b>
 <p>MOU with Ministry of Agrarian Reform and Spatial planning on smallholder farmers mapping</p>	 <p>Providing support for district for Kapuas Hulu development planning</p>	 <p>Providing supports to district for development planning</p>
 <p>Mapping and Data Collection on Palm Oil and other commodities to accelerate STDB permit in Kapuas Hulu</p>	 <p>Optimising mapping and data collection on smallholders including case handling for smallholders in forest or conservation area in Siak and Pelalawan</p>	 <p>Developing capacity of Government Officials in developing district planning</p>
 <p>Strengthening STDB issuance efforts in Aceh Tamiang</p>	 <p>System monitoring on land clearing</p>	 <p>District Long term Planning process capacity building</p>
 <p>Facilitating smallholder farmers in Siak district</p>	 <p>Developing smallholder farmer capacity in Sanggau</p>	 <p>Assessment and Integration of HCV and HCS in spatial planning in kapuas Hulu</p>
 <p>Accelerating implementation of ISPO and RSPO in Kapuas Hulu</p>	 <p>Joint Commitment with Palm Oil Mills in Sanggau</p>	 <p>Green budget tagging in Kapuas Hulu</p>
 <p>Questionnaire Formulation for corporates to increase traceability</p>	 <p>Development of business model for alternative products to protect forest and peatland</p>	 <p>Green Sigi District Regulation</p>
 <p>Strengthening readiness of business practitioners in sustainable supply chain (Aceh Tamiang and Sanggau)</p>	 <p>Deforestation monitoring in Aceh Tamiang</p>	 <p>Performance based incentives for Green Muba Policy</p>

6 This mapping was carried out based on the Mutual Cooperation Map which has been compiled and is currently still in the process of being refined in all member districts



## SUCCESS STORY:

# NATURE-BASED SOLUTIONS FOR LAND CONSERVATION AND ECONOMIC GROWTH IN SIGI

The conservation, restoration, and sustainable development of resources are intrinsically linked to economic improvement. Utilizing Nature-Based Solutions (NbS) to prioritize forest-positive commodities with high market value is considered to be a sound approach. Through NbS, environmental and landscape functions can be enhanced in areas adversely affected by agricultural practices and land degradation, concurrently contributing to improved livelihoods and various social and cultural functions. NbS facilitates the conservation or rehabilitation of natural ecosystems.

Applying NbS to agricultural landscapes yields numerous benefits, including improved soil health, moisture retention, carbon mitigation (via soil and forestry), safeguarding downstream water quality, promoting biodiversity, and optimizing agricultural production and supply chains. This comprehensive approach aims to achieve zero environmental impact while securing food and water security and aligning with climate targets.

LTKL District and its stakeholders adopt a jurisdictional approach by incentivizing nature-based solutions. For instance, Sigi District's conservation efforts focuses on natural commodities like agroforestry based cocoa and bamboo as nature-based products to safeguard its forests. Given that nearly 75 percent of the Sigi area comprises of forests, with the remainder designated for agriculture. Therefore it is vital for Sigi district to have a proof of concept that there are available investment scheme to incentivize forests protection and enhance community welfare.

The downstream processing facility for nature-based products such as NbS in Sigi, involves a series of processes, including the establishment of an innovation center, production and incubation, and multi-party collaboration. The regional government plays a pivotal role as a regulator, exemplified by the formulation of the Sigi Hijau Regional Regulation (Perda) as the primary framework for fostering a sustainable economy.



## Cocoa Commodity

Cocoa is a leading commodity in Sigi. The Sigi District Government together with the Cocoa Sustainability Partnership (CSP), PisAgro, Katalys Partners and LTKL provide a concrete example through a jurisdiction-based investment portfolio centered around cocoa commodities. Currently, Sigi is actively advancing the development of cocoa commodities both upstream and downstream.

On the upstream side, initiatives include the establishment of a research and development center to address the planting material gap for cocoa farmers, promoting sustainable cocoa production methods. This involves the creation of a local research and development center specializing in seed cultivation and consulting services. The primary objectives of these efforts are to enhance productivity and foster the adoption of sustainable cultivation practices.

Meanwhile, in the downstream side, Sigi is engaged in the development of downstream cocoa products through strategic partnerships with business entities. These collaborations aim to provide essential infrastructure and shared resources for local micro, small, and medium-sized enterprise (MSME) chocolate producers. This not only stimulates their growth but also reduces their reliance on government budgets, fostering a more sustainable and independent industry.





## SUCCESS STORY:

# SUSTAINABLE TRANSFORMATION OF OTHER COMMODITIES IN SIAK

Siak District is actively working to reduce its reliance on palm oil commodities by embracing the Communature concept, a strategic approach aimed at maximizing the potential of peatlands. The primary objective of this initiative is to curb the annual occurrence of forest fires which is an inevitable consequence when peatlands dry out.

Communature serves as a pragmatic development strategy, focusing on the creation of value-added products derived from raw materials in ecologically healthy areas within Siak Regency, including forests, peat swamps, river basins, lakes, agricultural zones, and coastal areas. Siak has adopted a nuanced strategy, fostering the development of a community-based intermediary industry that responds to market demands sustainably, with minimal environmental

impact. Recognizing the critical role of primary sectors such as agriculture, forestry, and fisheries, the Siak District Government actively facilitates and regulates this transformative process. The issuance of the Siak Hijau Regional Regulation serves as the legal framework for implementing this comprehensive transformation.

The primary goal of this endeavor is to protect 346,551 hectares of forest area and 531,251 hectares of peatland in Siak Regency, while enhancing the livelihoods of farmers and households in the region. Beyond agriculture, the characteristics and ecosystem of peatlands offer opportunities for diverse uses aligned with their inherent qualities.





## Fisheries Sector

PT Alam Siak Lestari (ASL) has undertaken comprehensive research on the potential of snakehead fish (*Channa striata*) to create value-added derivative products. Notably, ASL has successfully developed Albugo, a snakehead fish extract or “albumin” as well as high-protein snakehead fish meal (80%) and organic fertilizer. What began as a laboratory initiative has evolved into a thriving business entity, utilizing a mixed financing model. Shareholders include BUMD Dayun Mandiri (Village-Owned Enterprise) and the local community in Siak. ASL’s laboratory is one of three downstream centers pioneered by young entrepreneurs in Siak Regency, contributing to the establishment of an alternative economic model.

In 2022, the Food and Drug Supervisory Agency (BPOM) granted certification to Albugo products, endorsing their nationwide distribution permit and market access. ASL’s product development efforts have also earned a certificate for safe traditional medicine manufacturing methods (CPOTB) from BPOM. Albugo is now available in nearly 100 pharmacy stores in Siak and Pekanbaru Regencies in Riau Province, Indonesia. ASL achieves a monthly sales volume of 1,500 bottles, amounting to IDR 225 million or approximately US\$ 15,200. ASL aspires to increase sales to 2,000 to 3,000 bottles per month this year. Besides retail, ASL also planned to provide industry-based materials, supplying albumin to pharmaceutical industry.



## Sektor Pertanian

As part of the transformation and shift towards non-palm oil commodities, the Dayun Village Forest Farmers Group (KTH) has embarked on cultivating horticultural products across 2 hectares of peatland in Siak Regency, Riau. This farmer group focuses on cultivating commodities like cayenne pepper, eggplant, and long beans. In addition, they have diversified their crops by planting meranti, pumpkin, sago, matoa, and rubber. Despite being on peatland, these crops exhibit relatively high productivity. For instance, eggplants can yield up to 200 kilograms within three months of harvest, while a single chili tree produces about 8-9 ounces of chilies during the same period. Given that nearly 50 percent of Siak Regency consists of peatland, its utilization is a vital component of horticultural agriculture in the area. Horticultural commodities prove to be more lucrative for farmers compared to palm oil. By adopting horticulture, farmers clear land without resorting to burning, and employ manual tools, ensuring sustainable peatland management. The abundant horticultural production enables farmers to market their products in various locations, including Jakarta and Kudus, Central Java, on the island of Java.

Multi-stakeholder collaboration must involve a comprehensive array of stakeholders, encompassing civil society, indigenous communities, local communities, young people, and the private sector, including MSMEs and farmers. This collaboration goes beyond the engagement of specific entities, extending to all parties invested in conservation, restoration, sustainable forest use, deforestation and forest degradation mitigation, and sustainable commodity production. As a coalition, LTKL encourages active contributions from all stakeholders to enhance the district's capacity in realizing the vision of sustainable development, achieving a harmonious balance among economic, social, and environmental aspects. The active participation and understanding of local communities, especially the youth in the district, form the cornerstone for achieving equilibrium between economic development and environmental conservation.

***The collaborative synergy among all stakeholders will contribute to the development of sustainable solutions, positively impacting environmental conservation and enhancing community welfare.***



### Collaborator Partners



