



Sustainable forest management in Indonesia



2010: Less than 1 million ha FSC certified

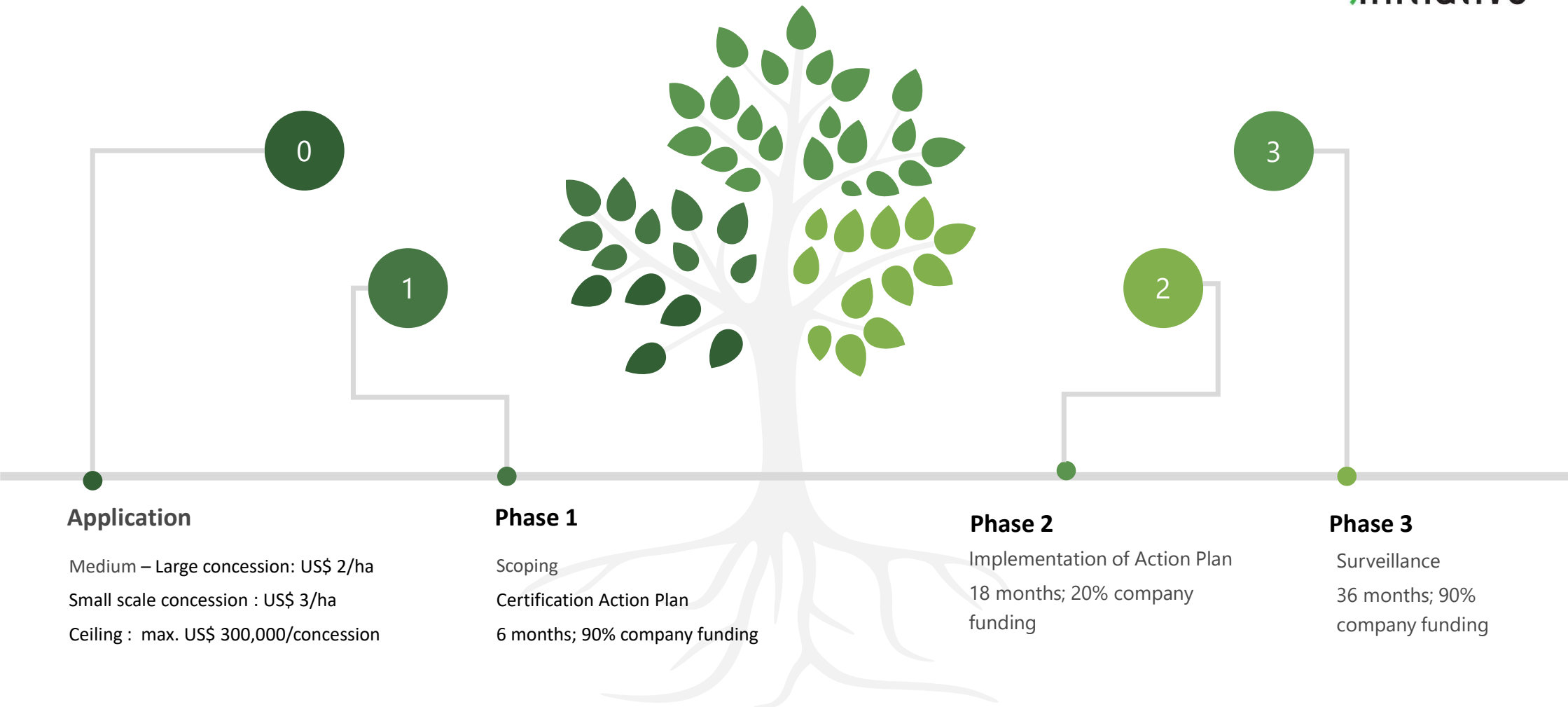
Bottlenecks 2010

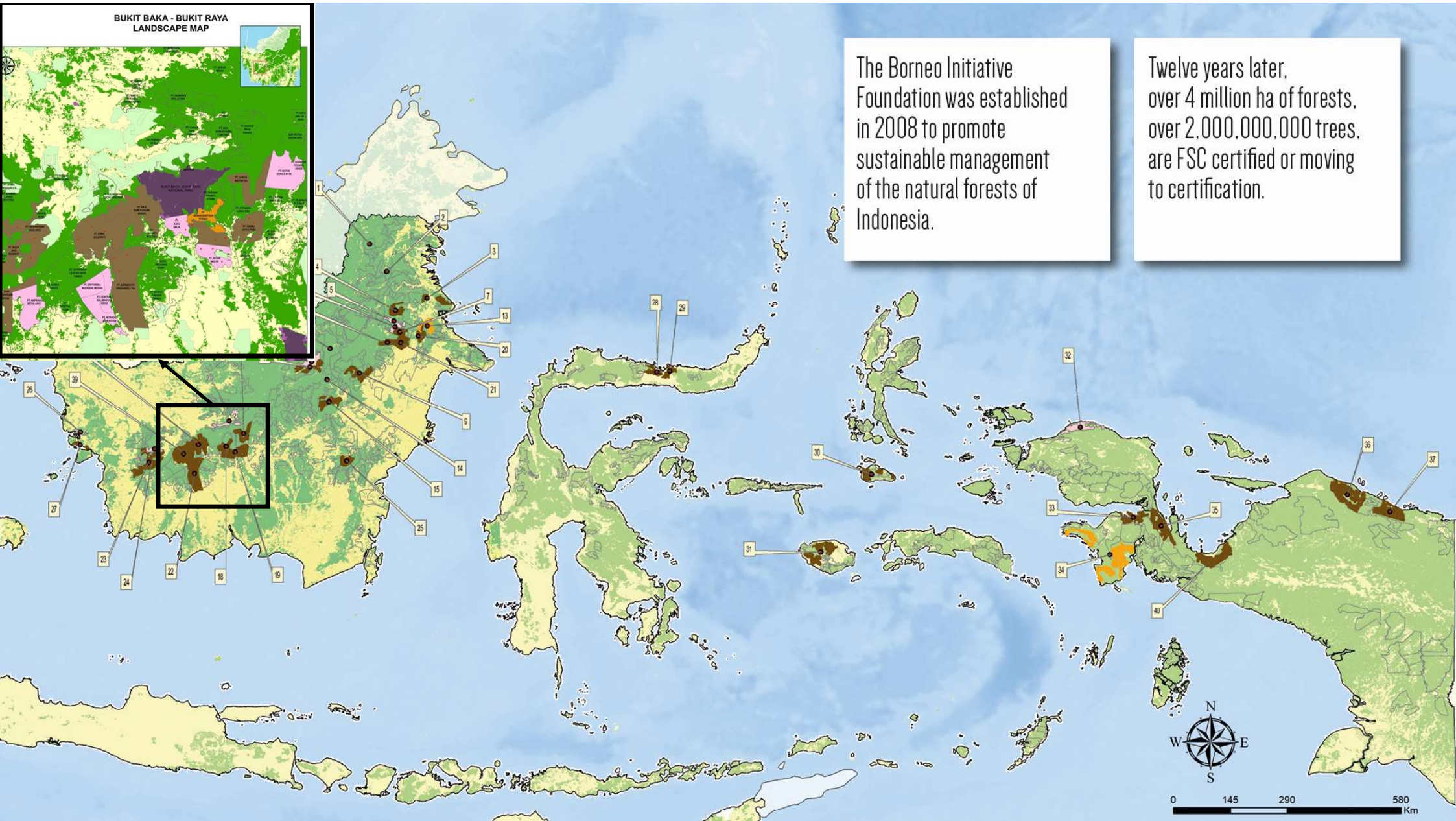
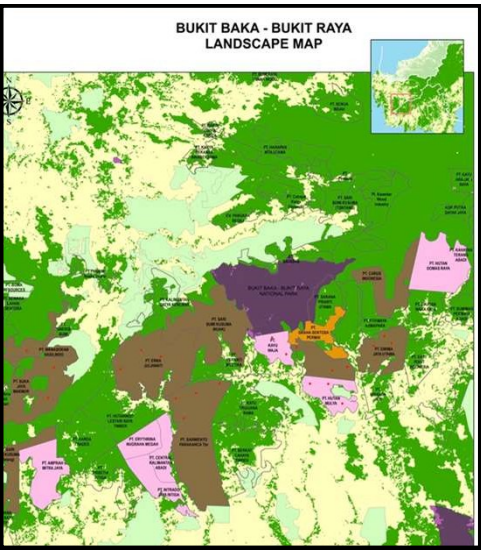
- Scattered support initiatives
- Lack of staff capacity for certification
- Limited external expertise
- High costs
- Prolonged time frame
- Insecure market prospects

Approach 2010

- Unified support services platform
- Certification coaches
- Subject matter specialist training
- Co-funding
- Fast-track process
- Marketing support activities

Support scheme 2010 - 2018





The Borneo Initiative Foundation was established in 2008 to promote sustainable management of the natural forests of Indonesia.

Twelve years later, over 4 million ha of forests, over 2,000,000,000 trees, are FSC certified or moving to certification.

What's next?

Bottlenecks 2020

- Price premium for FSC certified products has eroded
- Regional markets – China, India – are becoming increasingly important and these do not normally require FSC certification
- COVID 19 pandemic accelerates long-term decline in the sector and The Borneo Initiative estimates that well over 50% of the concessions is inactive
- Most companies have maintained certification so far, but there is an increasing fall-out risk
- Large scale agricultural development increases pressure on the (forest)land

Approach 2020

- New regulation allows concessions to become multi-purpose enterprises and combine logging with forest restoration, tree plantation (fast-growing species), conservation and agriculture
- Multi-purpose companies have a higher revenue potential and reduced cash-flow problems during early investment period. Carbon revenues can have a major influence on feasibility.
- Multi-purpose companies are potentially interesting for green investors (loans, equity) if they adopt a landscape approach and support smallholders. FSC certification typically is a first requirement and facilitates access to preferential loans and additional grants

Assumptions - Natural forest concessions:

Currency conversion:

Conservation forests:

Payment to concessionaires for ensuring protection for conservation forests
Timeframe for payment schedule for protection of conservation forests

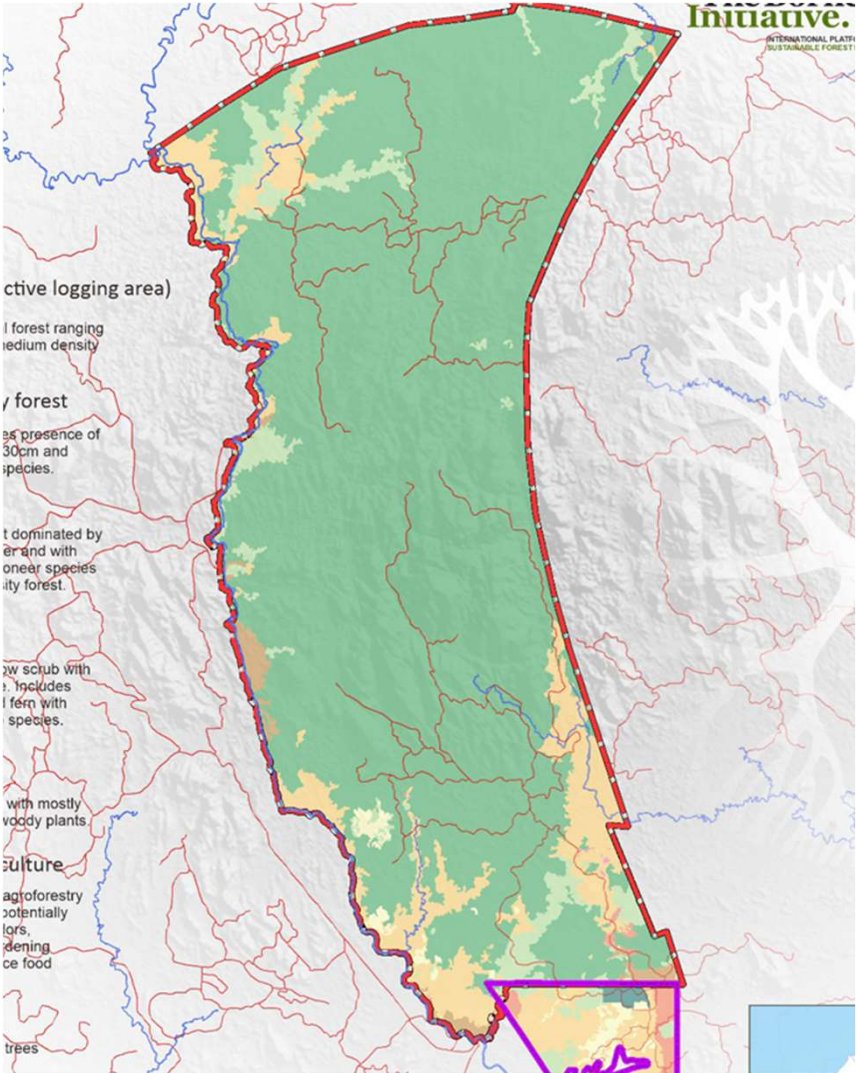
Harvest yields from timber concessions in East Kalimantan:

Recovery rate - RIL
Recovery rate - CL
Average merchantable harvest yield - RIL
Average merchantable harvest yield - CL
Earliest time of harvesting after replanting - highly degraded
Earliest time of harvesting after replanting - moderately degraded
Harvest cycle under RIL
Harvest cycle under CL

Log prices:

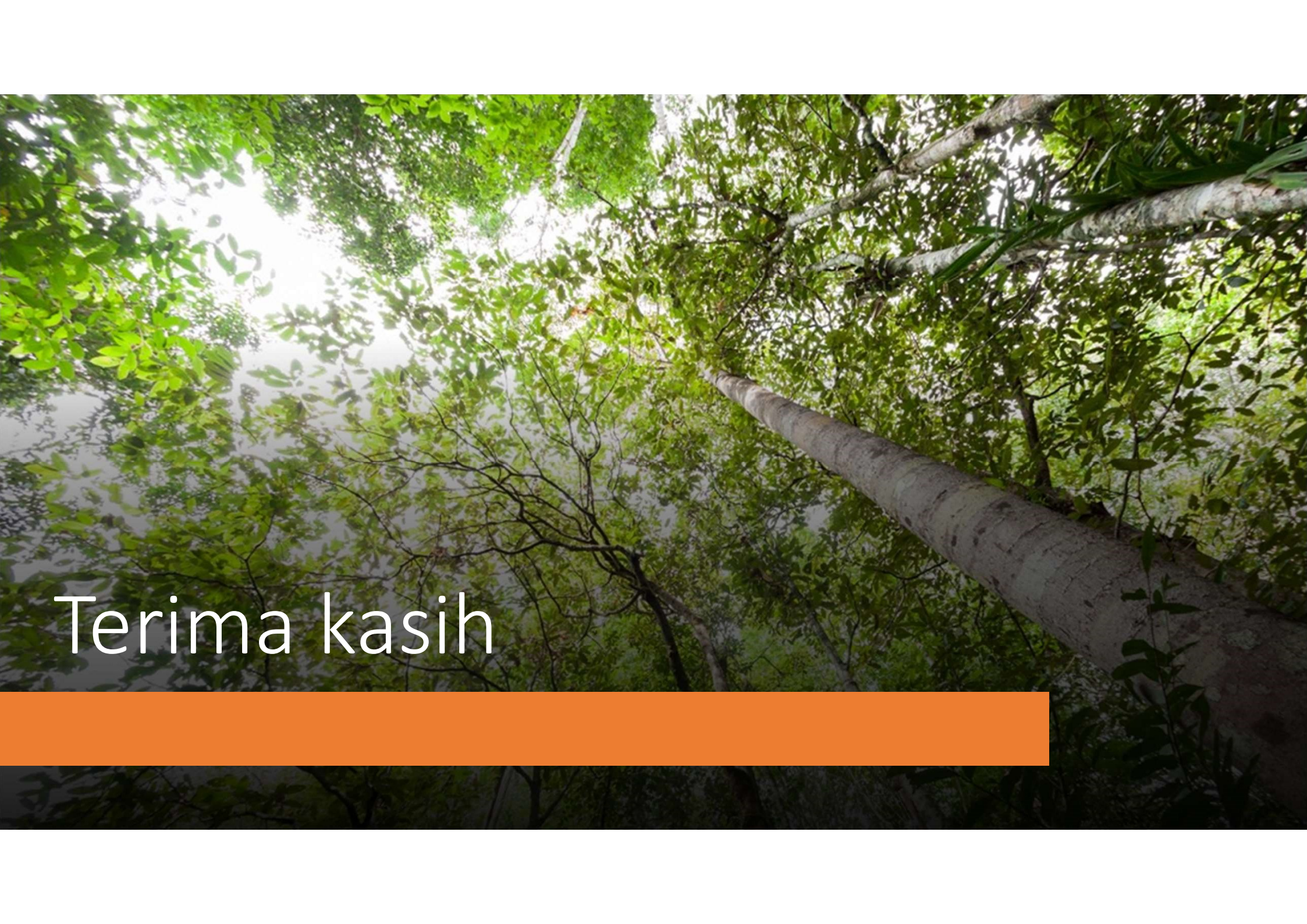
Domestic log price, at log pond
FSC-certified product premium in dollars
FSC-certified product premium

Unit	Value	Source
IDR:USD	14,675	OANDA curren
USD/ha/yr	\$0	TBI advice, bas
years	1	Indufor estima
%	80%	Interview with
%	70%	
m3/ha	43	Smith and App
m3/ha	34	Smith and App
years	30	Ruslandi et al (
years	25	Ruslandi et al (
years	30	Indonesian reg
years	30	Indonesian reg
USD/m³	\$100	IPN; Ruslandi ir
USD/m³	\$4	
%	4%	Guidance from



Business model
development
for multi-
purpose
enterprises

- Optimization of land-use
- Low-carbon development
- High management requirements
- Transformation that can be implemented step-wise
- Attractive for combination of loans and grants



Terima kasih