



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

Federal Department of Economic Affairs,
Education and Research EAER
State Secretariat for Economic Affairs SECO

FACTSHEET

Sustainable Landscape Initiative in Kutai Timur (SUSTAIN KUTIM)

Summary

While agricultural commodities play an essential role in rural development in Indonesia, their production and processing are accompanied by numerous ecological, economic, and social challenges. East Kutai District Government has shown its sustainability commitments by, for example, stipulating 48,900 ha of forested land as high conservation value (HCV) areas which are otherwise legal to be converted for plantation development. SUSTAIN KUTIM aims to strengthen the capacity of the East Kutai District Government, local communities, smallholders, workers, and plantation companies to implement their parts and cooperate in enabling Kutai Timur to promote a sustainable transformation of their plantation sector, focusing on palm oil and rubber production.

Landscape Location and Brief Context

East Kutai is a palm oil district with the most extensive natural forest cover. It is home to a significant area of wetlands, karst, mangroves, coral reefs, and habitats for some charismatic (critically) endangered species. While the region produces multiple mining and agriculture commodities, over 90% of its economic outputs come from coal and palm oil. The role of palm oil has been increasingly important and employs most workers. Between 2003 and 2019, the annual deforestation rate peaked in 2009-2014 (30,100 ha), of which oil palm development has been identified as the top contributor to deforestation (58%). Nevertheless, the rate at which oil palm replaced forests decreased with new planting has increasingly occurred in low-carbon stock areas, which may indicate a growing link between deforestation and small-scale agriculture.

One of the underlying causes is the need for more support for smallholders and their workers. Furthermore, land use governance at the community level is relatively weak as most villages have no spatial plan agreed upon by the multiple land users (communities, smallholders, concessions).

The 2022 Mutual Agreement to achieve 12 sustainability targets outlined in the 2021-2030 Kutai Timur Plantation Plan endorsed by the key stakeholders (the district government, smallholders, palm oil companies, civil society organisations/CSOs, and bank) was a good start towards a region-wide sustainability transformation. To advance this transformation, an operationalisation mechanism for collaborative actions is required.

Expected Impact

SUSTAIN Kutim will contribute to reducing the Forestry and Land-use (FOLU) emissions in East Kutai. The project aims to make local communities, primary producers (smallholders and companies) and workers of palm oil and rubber plantations, and the East Kutai District Government benefit from a sustainably managed landscape. The benefits will include the following:

- On additional 30,000 ha of areas worthy of protection, supported actors have made a concrete contribution to conservation and sustainable management;
- In 2,400 ha of supported farms in sustainable agriculture chains, average income has risen by 5%;

Country/province/district
Indonesia, East Kalimantan Province, East Kutai District

Executing agencies
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Tanah Air Lestari (TAL), and Proforest

Duration
May 2023-May 2026

Total budget
Between EUR 2.6 million and EUR 3.6 million (depending on in-kind contributions and realisation of private sector financing)

Contributions:
BMZ: EUR 600,000 (via GIZ)
SECO: EUR 1,523,810 (via GIZ)
Private Sector: EUR 239,460 (via Proforest)



- Increased supply of fresh fruit bunch oil palm and natural rubber from registered/traceable and (certified) sustainably managed smallholder plantations to the processing plants;
- The employment situation in rubber and palm oil supply chains has improved for 200 people, of whom 9% are young adults and 30% are women; and
- Five communities (villages) achieve self-determination of their natural resources and land tenure security through formalized spatial plans, village enterprises, or social forestry.

Objectives and Activities

The overarching project goal will be achieved through four outputs and their corresponding activities jointly implemented by GIZ, TAL, and Proforest (SUSTAIN Kutim Consortium).

Development of foundational elements: The East Kutai District Government manages a functioning multistakeholder platform with active members, representing the interests of local communities, smallholders, workers, and businesses in the focused value chains (palm oil, natural rubber), financiers, and CSOs. SUSTAIN Kutim will support the East Kutai District Government for:

- Facilitation of the multistakeholder cooperation process to implement the mutually agreed 2021-2030 District Sustainable Plantation Plan, including establishing a multistakeholder platform;
- Creation of a credible monitoring system and refining the mutually agreed plan through a multistakeholder process; and
- Institutionalisation of sustainability principles in the organizational processes of the local government and businesses.

Operationalisation of the landscape work

Protection of HCV areas: The land users in the priority villages of selected sub-districts protect and manage sustainably HCV areas to reduce FOLU emissions. To achieve this objective, SUSTAIN Kutim will implement the following activities:

- Support local communities in five villages in formalizing their landscape plans based on land use agreements between land users.
- Facilitate local communities and concessions to cooperate in jointly managing HCV areas and train up to 10 companies on NDPE, HCV, and FPIC.
- Support local communities or palm oil companies in HCV area assessment as well as the formulation of the management and monitoring plans.

Tenurial and operational legalities: The strengthened tenurial and operational legalities of local communities and smallholders improve business certainty for primary producers and incentivise sustainable land use in the priority sub-districts. To achieve this objective, SUSTAIN Kutim will implement the following activities:

- Support up to 1,200 oil palm and rubber smallholders for tenurial and operational legalities (land tenure history/SKT or farm registration certificate/STDB) process; and
- Initial engagement with potential oil palm smallholders in the state forest land interested in converting their monoculture farms to agroforestry occurred.

Sustainable production: Smallholders and companies in the priority sub-districts implement sustainable principles. To achieve this objective, SUSTAIN Kutim will implement the following activities:


- Support 1,200-1,400 smallholders with training, technical assistance, and organizational development for sustainability enhancement and (ISPO-RSPO) certifications.
- Promoting a social dialogue process between smallholders and their workers for labour welfare improvement.


Key Stakeholders – Roles & Responsibilities

SUSTAIN Kutim is led by the East Kutai District Government by coordinating the cooperation among the involved actors through a multistakeholder process. Producers operating in the region are expected to contribute by implementing their roles in the cooperation process. International donors (German Ministry of Economic Cooperation and Development/BMZ and SECO) and private sectors (Barry Callebaut, McDonald's Corporation, Nestlé, and PepsiCo) are financing GIZ, Proforest, and TAL supporting the stakeholders according to the division of work as outlined above. Producers operating in the district will be engaged in the multi-stakeholder process to promote more sustainable production practices.

seco-cooperation.admin.ch
Integration in value chains



Follow us on 
[www.instagram.com/
seco_cooperation/](https://www.instagram.com/seco_cooperation/)

Follow us on 
[www.linkedin.com/company/
seco-cooperation](https://www.linkedin.com/company/seco-cooperation/)

Contact: iwied.wahyulianto@giz.de
WEHU, 2023