

# Supporting green businesses and small-holder farmers while protecting vulnerable forests in Indonesia

*The Green Economic Growth for Papua Provinces Programme funded by the United Kingdom's Low Carbon Development Group is now entering its fifth year of implementation. It focuses on the contribution of overall wealth being created in the Papuan economy from community-based green commodities, including the total economic value of the value chains, the role of MSMEs and private and public sector support.*

The forests of Indonesia are among its most valued – and exploited – resources. Many formerly forest-rich provinces such as Sumatra and Kalimantan mismanaged this resource, and forests there faced wholesale destruction at the hands of loggers and clear-cutting for palm oil plantations. There is concern that the Papua Provinces, which boast the largest area of intact natural forests of Southeast Asia (31 million hectares), are facing the same future: the current growth trajectory is high-risk and carbon-intensive, and illegal logging poses a threat to indigenous Papuans, 84% (around 1.8 million people) of whom are directly dependent on the forest for up to half of their income.

To meet this challenge, the Papuan Government has committed to pursuing an alternative set of growth policies. Their “Vision 2100” and “Blueprint for Sustainable Land Use” aims to offer an economic model that delivers both ecologically sustainable and equitable growth. Two key targets of these programmes are a goal of 90% forest cover as well as the reduction of areas earmarked for logging by 21%.

As a part of this initiative, in 2017, the then UK Department for International Development [replaced by the Foreign, Commonwealth & Development Office (FCDO)] launched the Green Economic Growth (GEG) programme in collaboration with the Government of the Republic of Indonesia. GEG is implemented under the Ministry of Villages, Development of Disadvantaged Areas and Transmigration of the Republic of Indonesia with the UK Low Carbon Development Group (previously called the UK Climate Change Unit).

GEG's goal is both to promote sustainable economic development in the private sector and build the capacity of local authorities to manage this development and attract investors to the region.

NIRAS provides technical assistance to Papuan small-holder farmers and to micro, small, and medium-sized enterprises (MSMEs) to help build a sustainable and thriving local economic base which will not threaten the natural environment as it grows.



*Entering its fifth year of implementation, the GEG programme has created wealth of approximately £90.5 million to date, delivering its pledge to help scale up environmentally friendly enterprises.*

More than  
**£90**  
million



Total value of overall wealth created by the GEG from April 2021 to March 2022

More than  
**£7**  
million



Added value from target commodity value chains



**GEG addresses five critical issues that prevent Papuan small-holder farms and MSMEs from developing sustainable agribusiness enterprises and viable small businesses:**

1	Weak capacity of SHFs and MSMEs (limited education, knowledge, and business skills);
2	Papuan SHFs and MSMEs in remote rural locations struggle to produce commercially viable volumes of commodities and have very limited access to market;
3	Most Papuan MSMEs have difficulty accessing commercially viable amount of credit and face high entry barriers;
4	A lack of coordination and synergy among key government agencies and donors that are supposed to support Papuan SHFs and MSMEs;
5	The high cost of official licensing and permits required to do business, and the unofficial costs associated with local rent seeking;

This programme aims to ensure that the Papua and West Papua Provincial Governments believe in managing green economic development at the local level and attract investment towards green businesses through a series of capacity building and mentoring, as well as to increase access to financing for MSMEs in rural and urban areas in Papua. GEG focuses on **agricultural commodities** and the **value-added, down-stream products** that can be developed from those commodities. As a part of this, it is selecting, training, and mentoring Papuan MSMEs to become successful entrepreneurs, or 'agripreneurs', that are trained in the full range of small business management skills. The programme supports farmers to **increase their productivity** and the **quality** of their commodities or products through technical assistance, training and appropriate technology / tools. It prioritises economic benefits for the community and household and ensures **socially fair and inclusive** processes by working directly with women and youth.

Yohanes Klemens is an exemplary cacao farmer from Klaisu village, South Gresi sub-district, Jayapura district. He has been involved in many cacao related trainings and has shared what he has learned with his community. He has done several things consistently these past years:

- Spreading information on the importance of rehabilitating cacao plantations and using clonal seeds to increase production,
- Teaching member of his farmer group and anyone who is interested to get high quality seedlings by cloning their seedlings,
- Personally contributing seedlings to the GEG cacao seedlings distribution programme,
- Actively maintaining his cacao plantation and selling the beans as his main source of livelihood.





## Market Focus

A critical part of the GEG programme's approach is to guarantee markets for Papuan producers before they are asked to commit to a five-year journey with GEG. To this end, the GEG team seeks collaboration with several companies in Indonesia, both large and small, asks for their technical support and guarantees markets by agreeing to buy the commodities and products that will be produced by GEG's target communities and MSMEs.

The programme team also emphasises local Papuan markets (sago, cacao, coffee, virgin coconut oil, seaweed, nutmeg) instead of exporting to western Indonesian or overseas markets. This circulates money in the local economy while also creating more jobs and business opportunities, as well as reducing unnecessary import. GEG has strived to maximise the impact and sustainability of its interventions on local economies by designing value chains that service domestic actors instead of external ones. The emphasis is on low volume, niche product, and high-margin markets.

Due to Papua's challenging geography, logistical complications and additional costs often make it unrealistic for local products to compete against those from other parts of the country or region in the common commodity markets. Nonetheless, the programme's outcome and progress cannot be captured by commodity production targets alone. GEG interventions have effectively increased the value added (e.g. product quality, process efficiency) and sustainability (improved capacity, stronger supply linkages) along the value chains, which is an important contribution to the Papuan economy.

## Stakeholder Engagement

The GEG team also encourages local governments to allocate counterpart funding to support green economic activities. The key issue is that the timing of GEG funding requests must synchronise with the budget planning and disbursement cycles of local governments. Thus, the programme responded quickly to these overtures and has sent letters requesting local budget support for GEG activities to each provincial governor. As a result, the provincial government of West Papua has agreed to discuss the allocation of Special Autonomy funds to support GEG activities, and the provincial government of Papua has also agreed to discuss funding support for GEG activities.

The programme also actively engages with agricultural facilitators that are employed by the program's main counterpart, Ministry of Village, Development of Disadvantaged Regions, and Transmigration, the PPDM Program (Independent Village Development Programme) to request their help to organise and mobilise local youth to create small harvest contracting teams that could provide harvesting and post-harvest services to farmers who face a shortage of labour. Another discussion with the local government is to create similar groups by reviving the traditional harvesting groups, so these groups could also be mobilised for plantation maintenance, nursery construction, and seedling planting.

Almost  
**£ 2 million**

Raised from public and private sources for value chain investment



**19,040**

People benefitting from replication and scale up of the programme pilots



**6,310**

Changes in levels of employment along the value chains



## Great results despite challenges along the way

GEG faced various challenges, including access to and some isolated sites due to COVID-19 restrictions; delays due to the uncertainty around programme closure; change of core team composition and leadership; and finally a shift in programme priorities due to a change in donor funding source from FCDO (UK government) to USAID. This has led to some reduction and adaptation of activities following a review of prioritisation by the programme team.

Despite these and other operational challenges, the programme has largely achieved, and in many cases exceeded its targets in 2021-2022. The aggregate contribution to the economies of the two Papuan provinces has been estimated at £90.5 million from April

2021 to March 2022 (total value of overall wealth created by the GEG programme for the Papuan economy). This represents an increase from previous years primarily due to GEG's additional investment in the cacao value chain. Further wealth creation in the targeted green commodity value chains is expected in 2022 through sustainable partnerships.

When GEG closes at the end of 2022, it can confidently be reported that sustainable green commodity business models will be owned and managed by Papuans and contributing to sustainable local economic development the provinces.



## Lessons Learned

**The business planning approach must be adapted to limited financial literacy and capacity level:**

*GEG has been using a simplified business planning tool called the business canvas as an initial step in helping farmers think through the key elements of a business plan and the relationship between them.*

**BUMKAMs or registered village enterprises can play a key role in testing and developing production centres and small business models:**

*A best practice operational manual and pro-active approach to sharing lessons is key to building quality BUMKAMs.*

**Lead firms and intermediate service providers (ISPs) can act as bridges to connect the value chain:**

*Local firms need support and encouragement as well as mentoring and resources to be able to fulfil this role.*

**Consistent and quality technical support is needed after equipment and tools are distributed:**

*Farmers might not know how to adjust these for use with different crops. Manuals are not sufficient and field staff should be deployed to offer one-on-one training about use and maintenance of machines or tools.*