

The Borneo Initiative.

INTERNATIONAL PLATFORM FOR PROMOTION OF
SUSTAINABLE FOREST MANAGEMENT IN INDONESIA



2017 ANNUAL REPORT

The Borneo Initiative Foundation

Public version

Introduction

The Borneo Initiative is a Dutch non-profit foundation established in 2008 with offices in The Netherlands and Indonesia. The Borneo Initiative operates in Indonesia in partnership with APHI (the Indonesian Association for Forest Concessionaires).

With this public version of the 2017 annual report, The Borneo Initiative (TBI) aims to inform a broader public about its work. This version is fully based on the financial statements 2017 as externally audited and approved by Baker-Tilly-Berk accountants. Operations of The Borneo Initiative Foundation in year 2017 were covered by funding from the Dutch National Postcode Lottery and other funds plus remaining own resources of The Borneo Initiative Foundation. We gratefully recognise the generous support of these donors that enables our operations.

The Borneo Initiative operates as a platform that enhances cooperation and synergy among sustainable forest management initiatives especially those operated by TFF, TNC, GFTN, APCS and Wana Aksara. Therefore, any achievements mentioned in this report are the result of the combined efforts of these platform partners.

Mission and vision

The continued loss of tropical forests is a global concern when it comes to biodiversity conservation, the prevention of carbon emissions, and the defence of land rights of forest dwelling communities. Globally, Borneo is one of the last remaining intact forest blocks with its 35 million ha of tropical rain forest. WWF conducted a campaign for a green Heart of Borneo in 2005, and this concept became institutionalised in 2007 via the so-called heart of Borneo Declaration signed by the governments of Indonesia, Malaysia and Brunei.

The Borneo Initiative takes its inspiration from the Heart of Borneo campaign. Its mission is to halt the process of forest degradation and deforestation in Borneo via the promotion of sustainable forest management in and around the Heart of Borneo, forming a so-called 'green belt' around the core area. Ultimately, as from year 2021, the Heart of Borneo core



area and the sustainably managed boundary area must connect via eco-linkages to other protected areas or sustainably managed forest areas on Borneo, forming a future eco-network.

Approach

The Borneo Initiative aims to counteract forest degradation and forest loss on Borneo via promotion of forest certification and international trade of certified forest products. Before The Borneo Initiative became operational, the FSC-certified forest area in Indonesia amounted to 0.9 million ha. The Borneo Initiative targeted a growth of the certified forest area of 4 million ha by the end of 2017, up to 6 million ha by the end of 2020.

The Borneo Initiative has a business focus and mainly supports forest concessionaires managing natural forests, but participants also include state-owned companies and forest plantation companies, as long as these can meet criteria of scale, feasibility and market relevance. The Borneo Initiative offers forest concessions support via funding, transfer of know-how and market linkages. It provides a 2 to 3 \$/ha subsidy to forest concessions to cover part of their costs of certification of forest management.

With the funding provided, forest concessions need to hire a certification coach. These coaching services are provided by TFF, GFTN, TNC, APCS and Wana Aksara who also dedicate their own resources to this joint initiative. Specific training or studies are provided by a list of selected subject matter experts who

are selected by the forest concessionaires via a bidding process.

The Borneo Initiative's unique characteristics are its scale of operations; its fast-track approach to certification; substantial direct financial support to forest concessions; integrated with promotional activities aimed at the establishment of new international market links for Indonesia's certified wood processing industries.

With current resources, the focus is on Indonesia, and Kalimantan in particular. But, to achieve scale and to build a track record, participants have included forest concessions from other parts of Indonesia too e.g. Papua, Moluccas and Sulawesi. With time, the intention is to extend support into Malaysian Borneo too.

Forest certification

The Borneo Initiative co-facilitated two local promotional seminars with APHI in June, in Palangkaraya and in Samarinda. Participated 79 forest concessions, plus representatives of provincial and district forest services. As an outcome, we have a list of 28 interested forest concessions from Kalimantan (2.2 million ha), both logging concessions as well as forest plantations. Another eight forest concessions from Papua or West-Papua (1.2 million ha) showed an interest – including two re-entry candidates (PT Wukirasari and PT ASCO PN).

This year, we signed one support agreement only with PT. Jati Dharma Indah Plywood, 139,470 ha, based in Papua. On the other hand, we had to terminate another 7 support agreements. Thus, at the end of year 2017, The Borneo Initiative had support agreements with 31 forest concessions with 2.9 million ha in Indonesia plus (formerly) one in Papua New Guinea (148,900 ha), together 32 forest companies with 3.1 million ha.

In 2017, five forest concessions achieved FSC certification: PT Graha Sentosa Permai (44,907 ha, Central Kalimantan), PT Utama Damai Indah Timber (49,250 ha, East-Kalimantan), PT. Jati Dharma Indah Plywood Industries (139,470 ha, Papua Province) and PT. Forestry Ganda Utama (74,155 ha), holding company

for PT. Gema Nusantara Jaya and PT. Gorontalo Citra Lestari, two forest plantation concessions in Gorontalo Province, Sulawesi. PT Sumalindo Unit IV (63,550 ha, East-Kalimantan) achieved controlled wood certification. Thus, TBI grew the certified area (FSC plus CW) from 2.25 million ha in December 2016 to 2.7 million ha at the end of 2017.

Another 4 companies are still under way to FSC certification. Early 2018, The Borneo Initiative expects to reach 3 million ha extra FSC certified area, which will mean a compliance of 75% of target, albeit behind schedule. Additionally, The Borneo Initiative has a waiting list of 36 companies with 3.3 million ha so a target of 4 million ha or more seems still feasible, given a longer time span, and provided that extra funding can be accessed. This makes The Borneo Initiative the leading certification initiative in Indonesia and elsewhere in the region.

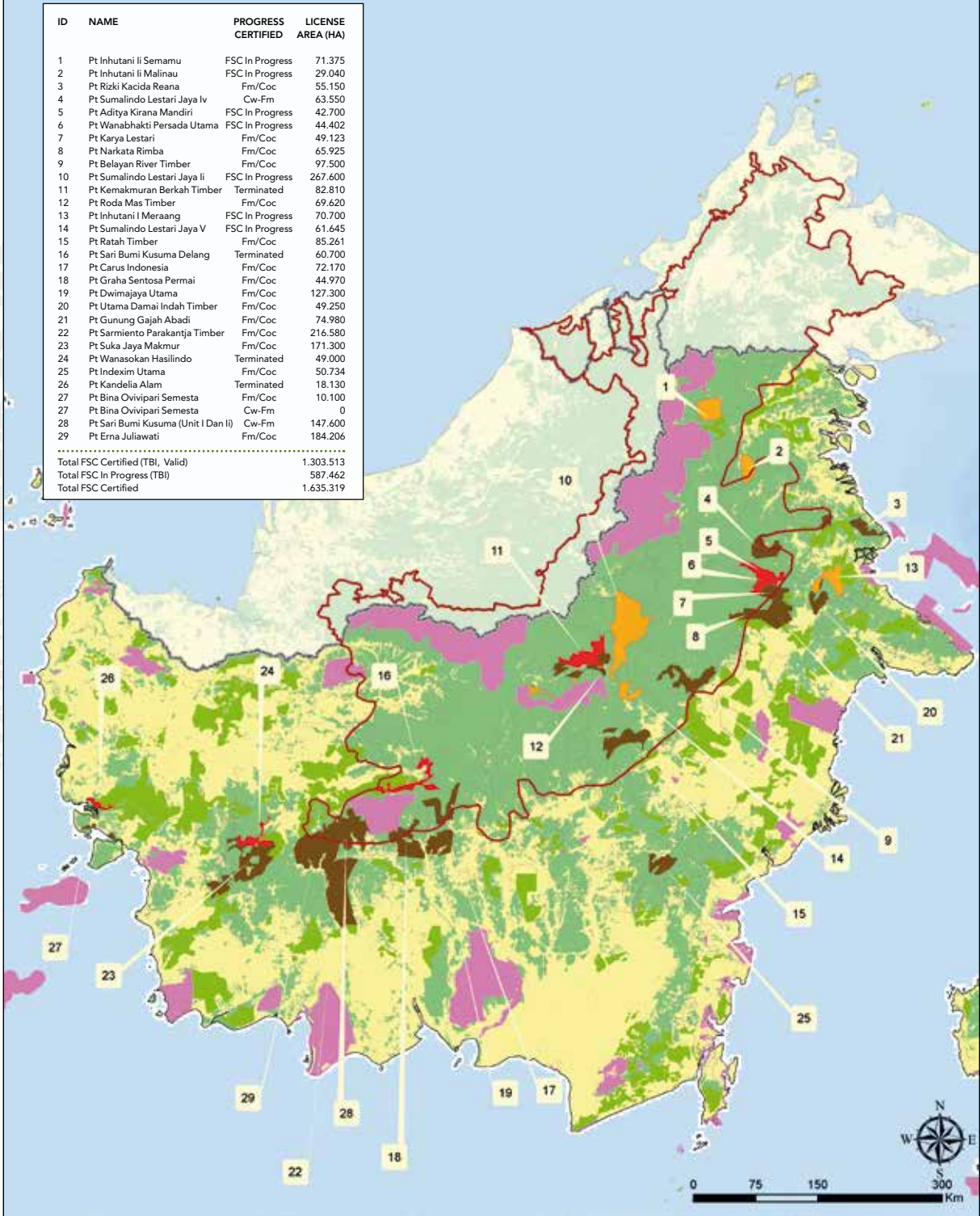


Milestone achievements The Borneo Initiative

- 50 support agreements signed, 5.2 million ha – 1/3 of all active concessions
- 32 forest concessions completing FSC action plans, 3.1 million ha
- 24 full FSC certificates, 4 CW certificates
- an extra 2.3 million ha FSC certified, 2.7 million when including CW
- 89% successful retention of FSC certificates
- FSC area expanded from 0.9 million ha in 2009 to 3.2 million ha
- the first ever FSC certificates for mangrove forests globally
- the first ever FSC-certification in Papua
- the first ever FSC certificate for merbau wood in Indonesia
- the first FSC corporate group certification scheme in Indonesia
- the first private forest plantations FSC certified in Indonesia

Forest concessions supported by TBI
(Dec 2017)

	Name concession	License Area (ha)	Certified Area (ha)	Coach	PHPL	CW certificate	FSC certificate	Certification status
1	PT Suka Jaya Makmur	171.340	171.340	TFF	good		2011	valid
2	PT Sarmiento Parakanca Timber (Sarpatim)	216.580	216.580	TFF	good		2011	valid
3	PT Narkata Rimba	41.540	65.925	TFF	good		2011	valid
4	PT Belayan River Timber	97.500	97.500	TFF	good		2012	valid
5	PT Roda Mas Timber	69.330	69.330	TFF	good		2012	valid
6	PT Kemakmuran Berkah Timber	82.810	82.810	TNC	good		2012	terminated
7	PT Dwimajaya Utama	127.300	127.300	TFT	good		2012	valid
8	PT Indexim Utama	52.480	50.734	TFF	good		2013	valid
9	PT Ratah Timber	97.690	85.261	GFTN	good		2013	valid
10	PT Carus Indonesia	72.170	72.170	TFT	good		2014	valid
11	PT Kandelia Alam	18.130	18.130	GFTN	average		2015	terminated
12	PT Bina Ovivipari Semesta	10.100	28.220	GFTN	average	2015	2015	valid
13	PT Gunung Gajah Abadi	74.980	74.980	TNC	good		2015	valid
14	PT Utama Damai Indah Timber (UDIT)	49.250	49.250	TNC	good		2017	valid
15	PT Graha Sentosa Permai	44.970	44.970	WA	good		2017	valid
15	FSC certified - Kalimantan		1.254.500					
13	Of these, valid		1.153.560	92%				
16	PT Gema Hutani Lestari	148.450	148.450	TFF	good		2013	valid
17	PT Telaga Bhakti Persada	63.405	61.056	TFF	good		2016	valid
18	PT Bina Balantak Utama	298.710	298.710	TFF	good		2016	valid
19	PT Cloudy Bay (PNG)	148.900	148.900	TFF	n.a.		2013	terminated
20	PT Gorontalo Citra Lestari	46.170	46.170	TFF	good		2017	valid
21	PT Gema Nusantara Jaya	27.985	27.985	TFF	good		2017	valid
22	PT Bintuni Utama Murni Wood Industries (BUMWI)	82.120	82.120	GFTN	good		2015	valid
23	PT Wijaya Sentosa	130.755	130.755	WA	average		2016	valid
24	Jati Dharma Indah Plywood	139.470	139.470	GFTN	good		2017	valid
24	FSC certified - overall		2.338.116					
21	Valid		2.088.276	89%				
25	PT Sari Bumi Kusuma Delang	60.700	41.445	TFF	average	2013		terminated
26	PT Wanasokan Hasilindo	49.000	49.000	TFF	average	2013		terminated
27	PT Sumalindo Lestari Jaya IV	63.550	63.550	GFTN	good	2017		valid
28	PT Wapoga Mutiara Timber Unit II	169.170	169.170	TFF	average	2016		valid
4	CW certified only		323.165					
2	Valid		232.720	72%				
28	FSC or CW certified		2.661.281					
23	Valid		2.320.996	87%				
29	PT Hanurata Papua Barat	234.470	-	TFF	good			
30	PT Karya Lestari	49.123	-	TNC	good			
31	PT Rizki Kacida Reana	55.150	-	TNC	good			
32	PT Inhutani I Meraang	70.700	-	TNC	good			
4	In process to certification		409.443					
31	Total coverage - Indonesia		2.921.824					
32	Total program coverage		3.070.724					



The Borneo Initiative Status Map 2017
FSC concessions in Kalimantan



HoB boundary (modified by TBI) 23.27 mil. ha
Kalimantan total area: 53.7 mil ha
1. Logging concessions from APHI, 2016
2. Forest plantations from Ministry of Forestry 2013
3. Forest cover from Ministry of Forestry 2015
4. Conservation area from Ministry of Forestry 2016
5. FSC certified list, December 2017, <http://info.fsc.org>



Market links

To assist overseas buyers with finding a possible supplier from among Indonesian FSC certified companies, the TBI website now includes a mere overview of the wood processing factories linked to TBI supported forest concessions, plus a guide to buyers how to use the FSC certificates database for finding a producer, by product type or wood species.

And, following on from the previous trade encounter in January 2016 in Surabaya, we started preparing for a repeat event in March 2018, with the objective to identify joint actions between sector bodies (APHI), line ministries, and support organizations as FSC and The Borneo Initiative, together aiming for improved market access and export promotional activities for Indonesia’s FSC certified wood processing industries and forest concessions.

In first semester 2017, we conducted a survey for trade year 2016 among Indonesian FSC certified forest concessions and related domestic wood processing industries alike. The reports are accessible from the TBI website. Some highlights:

- When selling logs to a wood industry under the same holding, mostly no premium is paid – implying that the forest concession has to bear all the extra costs for certification
- When selling to a third party, mostly a premium is received of 13% on average
- Most wood processing industries see growth in export potential for FSC certified wood products
- Broad request for extra support with market promotion, image building, and lobby for preferential treatment

Landscape development

In 2016, we outlined our new HoB Green Belt concept – the establishment of a network of interconnected forest areas that form a buffer on the border of the Heart of Borneo. This so-called “HoB green belt” will consist of sustainably managed concessions that are RIL- or FSC-certified; and of restoration areas where forest land is managed in agreement between forest companies and communities.

This year 2017, consultancy bureau Aidenvironment was contracted to conduct a scoping and feasibility

assessment, to result in a prospectus as basis for fund raising for the HoB Green Belt program. Aidenvironment completed its first scoping assignment in November. Based on this outcome, TBI prepared its HoB Green Belt strategy document – refer (www.the-borneoinitiative.org under Results-Reports-Presentations). This document is to be the basis for raising donor interest. Several organisations have expressed their interest to work with The Borneo Initiative on this “HoB green belt” concept e.g. GGGI, WWF, TNC and FSC.



Legend

- HoB boundary (modified by TBI)
- Country boundary
- HoB green belt (50 km width)
- FSC certified (18 units, 1.6 mil. ha)
- National park and natural reserves (5,2 mil. ha)
- Other active logging concession (65 Units, 4.5 mil. ha)
- RIL-HCV Candidates (22 Units, 2.0 mil. ha)
- FSC Candidates (8 Units, 1.0 mil. ha)
- Restoration concession
- Potential restoration sites

1. Logging concessions from APHI, 2016
2. Forest plantations from Ministry of Forestry 2013
3. Forest cover from Ministry of Forestry 2015
4. Indonesian Base map 2013, Geospatial information agency (BIG)
5. Heart of borneo, WWF 2007

Financial report

Income

Core donors: (100% organization & support)	Total donation	Forest certification	Organization and support	Period
Adessium Foundation	€ 950,000	0	€ 950,000	2008-2011
Adessium Foundation	€ 950,000	0	€ 950,000	2012-2015
Programme donors: (90% forest certification & 10% organisation & support)	Total donation	Forest certification	Organization and support	Period
IDH	€ €1,492,265	€ €1,343,038	€ €149,227	2009-2014
IDH	€ €1,085,532	€ €976,979	€ €108,553	2010–2016
Postcode Lottery	€ €2,300,000	€ €2,070,000	€ €230,000	2010–2017
BAM	€ €250,000	€ €225,000	€ €25,000	2009–2013
Bouwfonds	€ €250,000	€ €225,000	€ €25,000	2009–2013
Skantrae	€ €39,274	€ €35,347	€ €3,927	2012–2013
Aldrik Lifttechniek	€ €1,500	€ €1,350	€ €150	2011
Foreign and Commonwealth Office	€ €19,219	€ €0	€ €19,219	
25 housing corporations	€ €275,000	€ €245,250	€ €27,250	2010-2016
GIZ/Forclime	€ €€209,058	€ €€184,058	€ €€25,000	2015-20166
Others	€ €500,000	€ €125,000	€ €375,000	2015-2017
TOTAL (core + programme)	€€€8,319,348	€€€5,431,022	€€€2,888,326	

Expenditures 2017

Certification	€€ €€310,172
Market links	€€ €€56,705
Organisation and management	€€ €€153,798
Financial income	€ €€€3,080
Total	€ 523,755

Abbreviations

APHI	Asosiasi Pengusaha Hutan Indonesia (Indonesian Forest Concession Holders Association)
APCS	Asia Pacific Certification Solutions
CW	Controlled Wood
FSC	Forest Stewardship Council
WWF	World Wide Fund for Nature
GFTN	Global Forest & Trade Network
IDH	Sustainable Trade Initiative
PT	Perseroan Terbatas (Limited Liability Company)
TBI	The Borneo Initiative
TFF	Tropical Forest Foundation
TNC	The Nature Conservancy
HoB	Heart of Borneo
RIL	Reduced Impact Logging
GGGI	Global Green Growth Institute

Organisation

The Borneo Initiative runs its activities from two offices in the Netherlands and in Indonesia.

Head office

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Pictures: Mark van Benthem, Alain Compost,
Maurice Spees and The Borneo Initiative
Design: Studio 10, Tineke Kooistra
Printer: drukkerij MullerVisual, Mijdrecht

This annual report is printed on 250gr FSC paper.

