TROPICAL FOREST ALLIANCE

LPEM FEB UI
UNIVERSITAS INDONESIA

JURISDICTIONAL FINANCING MECHANISM TO ENHANCE SUSTAINABLE AGRICULTURAL COMMODITIES

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

BACKGROUND

The Indonesian economy is recovering from negative economic growth due to the COVID-19 pandemic. The country's GDP grew by 5.31% in 2022, higher than the growth rate of 3.71% in 2021. Compared to other components of expenditure, the investment sector made substantial contributions to this positive growth, accounting for up to 27.6% of the nominal GDP (CEIC, 2023). Actual investment in the country reached Rp1.207 billion in 2022, exceeding the national target of Rp1.200 billion. This is 34% higher than the total amount of investments in 2021, representing the highest investment growth in the country's history (DPMPTKP, 2022).

In terms of actual investment, foreign direct investment (FDI) accounted for 54.2% of the total actual investment. In 2021, the primary metal industry, metal goods, non-machinery, and equipment, received nearly a quarter of the total FDI. West Java, North Maluku, and Central Sulawesi were the top three FDI-destined provinces. On the other hand, actual domestic investment in 2021 was heavily concentrated in the housing, transportation and communications, and construction industries. Nevertheless, the allocated FDI for agricultural and forestry-related sectors was relatively low, and the number of domestic investments in the sectors was relatively high, accounting for up to 7% of total domestic investment.

Although domestic investment in agricultural and forestry-related sectors is increasing, it is essential to acquire alternative investment that proposes sustainable means to enhance the sectors' contributions to environmental improvements. As it takes advantage of the sectors' ability to strengthen the country's national economy and social capital, investment, especially sustainable investment, plays a significant role in enhancing their contributions to the country. The need for a proposal for sustainable investment, particularly in the agricultural and forestry sectors, recently rose because the sectors are involved in one of the most important solutions to addressing climate change and sustainable development goals (SDGs). In the context of Indonesia, agricultural, forestry, and other land uses (AFOLU) comprise the highest-contributing sectors to climate change. Without strong policy action, this catastrophe is likely to grow in magnitude. Moreover, since the sectors are closely intertwined with cross-sectional issues (social, economic, and environmental), advancing sustainable investment in the sectors will also be critical to helping the country achieve its SDGs. To this end, a jurisdictional approach (JA) could serve as a multi-stakeholder sustainable investment scheme to broaden investment opportunities in these sectors.

What is the jurisdictional approach, and why adopt it? Globally, with a growing number of multi-stakeholder initiatives toward sustainable agricultural management, the number of companies making commitments to eliminate deforestation in their supply chains has stalled (Garcia et al., 2021). These businesses need help finding effective alternatives to affirm such commitments, which will necessitate a paradigm shift based on principles, particularly those that prioritize the protection of remaining forests (Garcia et al., 2021). As a result, there is a clear need to connect the efforts of public and private actors, who are often isolated. The jurisdictional approach, which has gained increasing prominence, offers a potential means of assisting companies in fulfilling their commitments (PCI, 2019). It encourages them to collaborate with local governments, communities, and producers in their sourcing regions (PCI, 2019). As stakeholders work in concert, this helps guarantee that supply chain initiatives and local laws have a multiplier effect on reducing deforestation across landscapes, complementing supply chain efforts.

Investment opportunities in the jurisdiction. The jurisdictional approach provides new possibilities for sustainable investment, such as commodity production, infrastructure development, and conservation (Siak District, 2022). In Indonesia, the government has even adopted this approach to meet SDGs in the context of sustainable commodity production, as stated in the Mid-Term National Development Plan (*Rencana Pembangunan Jangka Menengah Nasional*/RPJMN) 2020–2024 (Siak District, 2022). The Ministry of National Development Planning has also developed a guideline for its implementation (Syahrani, 2019).

Moreover, it should be noted that under the jurisdictional approach, the local government is positioned as the center of governance. The Siak District Government is one example of a sub-national government that has attempted to implement the jurisdictional approach. In this role, the government maps out economic potential, supporting factors of the region, and various investment opportunities through the “Siak Jurisdiction Investment Outlook,” a collaborative publication between private institutions, NGOs, and CSOs. Each investment opportunity includes detailed information about the program, projected social and environmental impacts, development opportunities, and the value of investment opportunities. Although this mapping provides good indicators of opportunities for implementing the jurisdictional approach and will hopefully be followed by other regions, it has yet to involve a financing scheme, which is vital for investors to participate in the program.

A clearer financing scheme is required to smoothly implement the jurisdictional approach. Despite progressive efforts from various stakeholders to implement it, financing remains an issue in the country’s adoption of the jurisdictional approach. Co-financing between development partners and the private sector continues to be the primary source of funding for those programs. However, prospective projects still need more connections to funding sources. Concerning financing, actions have recently been taken to expand public and private funding through compact agreements and responsible investment from specific companies. However, these initiatives still need to be distributed.

The purpose of this policy brief. Investing through a jurisdictional approach will require more than a map of potential investment opportunities. This policy brief will attempt to produce recommendations for developing a holistic financing mechanism and its financing vehicle. This will involve various stakeholders to create an enabling environment that connects the supply of funds from financiers with the demand from potential projects. This policy brief is also intended to be a guideline for local governments to build an investment-friendly environment in their regions and for investors to allocate funds to jurisdictional projects.

CURRENT INITIATIVES OF THE JURISDICTIONAL APPROACH IN INDONESIA

With increasing recognition of the critical role of sub-national-level public policies in climate action, the jurisdictional approach has emerged to ensure the effectiveness of climate action mitigation.

The main feature of the jurisdictional approach is that it positions the sub-national government, rather than its national counterpart, at the center of forest and land use issues within a legally defined area (Boyd, 2018). Under the jurisdictional approach, the landscape is characterized by the administrative boundaries of sub-national or national governments, emphasizing the role of government in public policy, land-use planning, law enforcement, investment, and other relevant functions (Accountability Framework Initiative, 2019). Furthermore, this approach is a novel element of the collective effort to align government-led, multi-stakeholder processes within provinces and districts with prospective external financial and market incentives for jurisdictional-scale performance on indicators like reducing deforestation while meeting social and economic objectives (Seymour et al., 2020). In the case of Indonesia, these initiatives have collectively integrated REDD+, commodity supply chain initiatives, domestic policies, and finance to achieve standard performance metrics at the jurisdictional level (Nepstad et al., 2013).

Recently, the adoption of JA has proliferated and attracted interest from government and corporate officials. The Earth Innovation Institute examined evidence from around the world and found that 19 out of 38 jurisdictions in 12 countries, accounting for 28% of the world's tropical forests, have successfully reduced their deforestation rates compared to the projected subnational forest reference levels (Garcia et al., 2021). Because of its positive environmental effects, JA is widely recognized as an all-encompassing, low-emissions development strategy. In addition to the environmental benefits, taking a jurisdictional approach strengthens the institutional arrangements for climate action. It provides greater clarity of performance targets, helping to ensure that actors in all sectors within the relevant jurisdiction are working towards the same objectives through strategic policies, programs, and initiatives.

In light of its advantages, the jurisdictional approach has been adopted in Indonesia to achieve sustainable development goals. The adoption of JA in Indonesia has passed through several entry points, through which a series of jurisdictional-scale engagements began to coalesce into an Indonesian community practice of JA. It started in the late 1970s with the strengthening of local government and land-use planning at the sub-national level through the national government's Provincial Development Programs (PDP) in 11 provinces (Seymour et al., 2020). The Ministry of Forestry's social forestry program then developed multi-stakeholder working groups in the 1980s to improve community participation in the forest management (Seymour et al., 2020). As time progressed, the forerunners at REDD+ became the starting point for one of Indonesia's first JA initiatives, which focused on the province of East Kalimantan (Seymour et al., 2020). As the government has become more informed of its benefits, JA has been mentioned in the context of sustainable commodity production in the Mid-Term National Development Plan (RPJMN) 2020–2024. The Ministry of National Development Planning further developed the details of its implementation, including guidelines for adoption. Indonesia's jurisdictional approach targets the long-standing problems of deforestation and peatland conversion, focusing on outer islands with abundant forests (Seymour et al., 2020). Furthermore, in the context of carbon conservation and economic valuation, Presidential Regulation No. 98 of 2021 empowered regional governments to monetize the economic value of carbon in their respective jurisdictions (Siak District, 2022).

In addition to the adoption of REDD+ in East Kalimantan, JA has been used in other Indonesian regions. Alongside REDD+ (and associated performance-based finance), commodity supply chain commitments (and associated preferential sourcing) are another primary antecedent of JA in Indonesia. They were also anticipated to provide substantial incentives to sub-national jurisdictions to reduce deforestation. The commitment of South Sumatra and Central Kalimantan as pilots selected to develop a new Roundtable on Sustainable Palm Oil (RSPO) standard for jurisdictional-scale certification is an excellent example of a commodity supply chain commitment. The endorsement of JA for sustainable palm oil certification opens up possibilities for linking global demand for sustainable commodities to specific producer jurisdictions (IDH, 2018). Moreover, in December 2019, the Aceh Tamiang district signed a Production, Protection, and Inclusion Compact with a commitment and intermediate goals for the legalization and certification of smallholder palm oil producers. It also included the participation of major palm oil buyers such as Unilever, Musim Mas, and PepsiCo, providing an external incentive to enhance palm oil production performance (IDH, 2019).

Investable jurisdictional initiatives have been implemented at the sub-national level to balance the conservation of forests with economic growth while addressing underlying challenges to sustainable development. Over the course of time, the development of JA in Indonesia has seen some progress. One of the pioneering adopters of JA within the last decade is Siak, with its Green Siak Roadmap. The instrument aims to strengthen the district's progressive commitment to sustainability. Being a green district for Siak means that it "drives the principles of sustainability in the utilization of natural resources and the development of the economy of the population." To improve enabling conditions, the regulatory instrument was introduced to provide a solid legal basis for fulfilling Siak's green ambition. Within the country, it may be the only regional regulation of its kind.

The green initiative is expected to significantly promote social, environmental, and economic values. In pursuit of their principles, the investable jurisdictional initiatives are expected to reduce 10,000 tons of CO_2e emissions by 2024 (Siak District, 2022). Alongside the environmental improvements, the instrument is also expected to alleviate poverty through community and rural economic empowerment, the development of human resources, equitable distribution, and population control. Harmonizing conservation and economic policies would also foster economic growth in alignment with principles of sustainability.

One way of making JA financially attractive is to apply blended finance. It is the best structure for financing under the jurisdictional approach. In blended financing, when sources of financing are properly combined, it will allow for the appropriate development of enabling conditions and the reallocation of risks. Their investment returns mainly come in the form of positive impacts on public benefits instead of financial benefits. In the case of Siak, a suitable combination could generate more opportunities for initiatives that will foster sustainability. Investment in Siak has grown continuously, reaching Rp3.7 trillion in 2020 (Siak District, 2022).

Nevertheless, even considering the initiative's best intentions, the local government must devote more efforts to building an ecosystem that will encourage sustainable investment under JA. The institutional arrangement and financial structure are critical to the success of this approach. Currently, blended finance is more well-developed at the central level, whereas access at the sub-national level still needs to be improved. In fact, the jurisdictional program's planning process, which is led by a multi-stakeholder steering group, must be coordinated with the development planning processes at the district, provincial, and national levels (Tropical Forest Alliance, 2022). The financial structure of the JA mechanism is driven by cost-benefit analysis, value proposition, and necessity (Tropical Forest Alliance, 2021). The process of scaling up financing from a project-based, typically more strictly business-to-business basis to a jurisdictional approach will need to be realized in a straightforward manner. Project- or concession-based initiatives and monitoring, reporting, and rewarding performance can better facilitate early involvement and local participation (Tropical Forest Alliance, 2021). More importantly, because of its smaller scale and lower risks, it is expected to attract more private investment. Thus, one option is to expand the current national fund management institution to the sub-national level to promote and strengthen the JA ecosystem at the sub-national level.

BPDLH AS A FINANCING OPTION FOR JURISDICTIONS

BPLDH SCHEME AT NATIONAL LEVEL

BPDLH is an environmental funding mechanism utilized to allocate and distribute financing for environmental and climate-related projects in Indonesia. The BPDLH was established by Presidential Instruction No. 77 of 2018 on the Management of Indonesia's Environmental Funds, which contains the technical provisions for managing the public service unit (Badan Layanan Umum/BLU). Funds managed by BPDLH may come from the state and local government budgets in the form of taxes and environmental retributions using intergovernmental fiscal transfers and other domestic and overseas loans, investments, or grants. This mechanism allows BPDLH to be flexible in gathering funds, a feature not present in other BLUs (Mafira et al., 2020). Under the current scheme, BPDLH can finance activities at the jurisdictional level for at least two financing programs: Forestry Business and Financing Services and Environmental Investment Financing. Details of the financing programs that can be utilized are displayed in Table 1 below.

Table 1. BPDLH Financing Options for Jurisdictional Approach Activities
Source: BPDLH (2023)

Financing Programs	Details	Instrument	Sources
Forestry business financing services	This can finance several types of business through Revolving Fund Facilities, such as: • Community Plantation Forest (*Hutan Tanaman Rakyat*, HTR) • Village Forest (*Hutan Desa*, HD) • Community Forest (*Hutan Kemasyarakatan*, HKm) • Non-Timber Forest Products • Ecosystem restoration • Businesses to utilize natural forests with saline enrichment techniques	• Loan • Profit sharing • Syaria financing	https://bpdlh.id/forestry-business-financing-services/
Environmental investment financing	The distribution is carried out through an intermediary institution with an executing and channeling pattern. Investment criteria for financing include waste treatment, 3R (reduce, reuse, recycle), more environmentally friendly replacements, efficient production and natural resources, and emission reduction. • Micro-, small-, and medium-sized businesses • Both individuals and business entities	• Loan	https://bpdlh.id/environmental-investment-services

BPDLH runs the aforementioned programs under a structured financing scheme. Figure 1 below provides an overview of BPDLH's financing scheme, from the project proposal to the funding process.

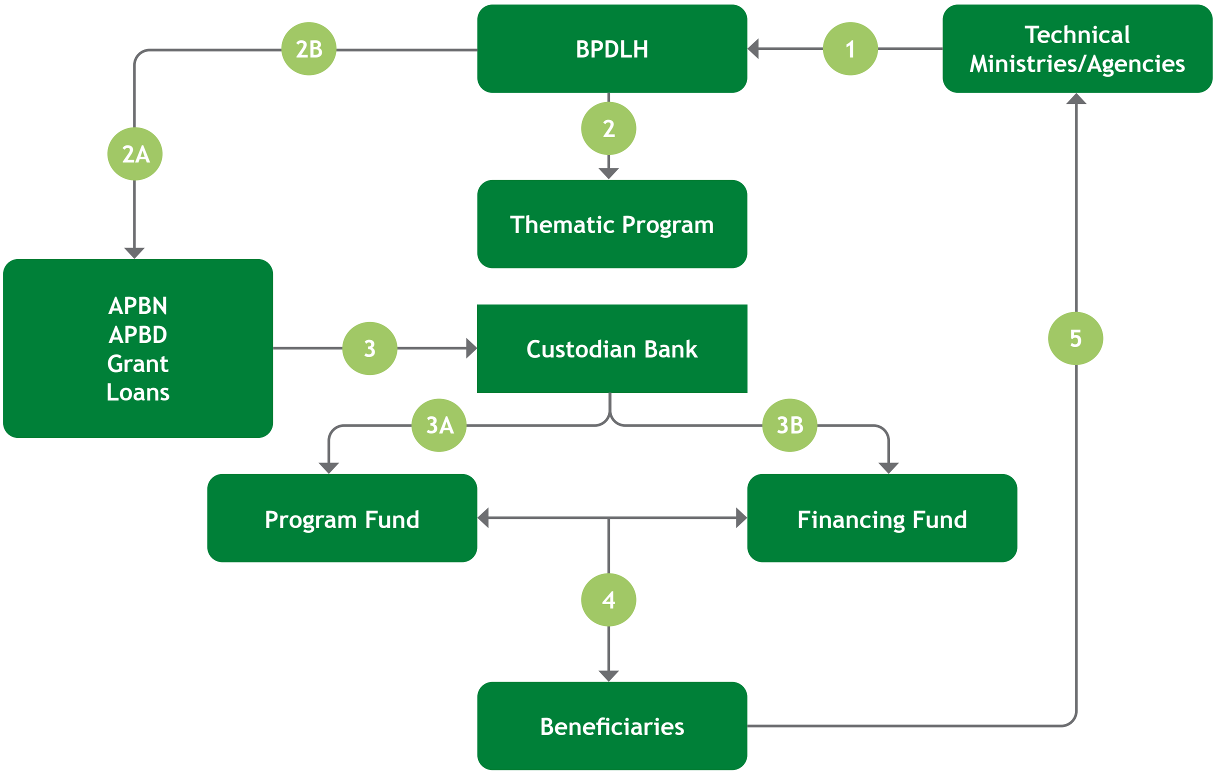

Figure 1. Current Financing Scheme of BPDLH
Source: KLHK (2019). Modified.

Firstly, technical ministries or agencies propose projects to BPDLH for funding (1). The proposed projects must align with BPDLH's thematic programs (2). The funding for these projects can take various forms, such as the state and local government budgets, grants, or loans (2A). BPDLH, as the fund manager, is entitled to a fee for managing the funds and projects if the funding comes from a donor (2B). The acquired funds are then stored in a segregated bank custodian account for each funding source and project (3). These funds are divided into two types: program and financing funds. Program funds consist of grants awarded to beneficiaries without repayment (3A). On the other hand, financing funds encompass state and local government budgets and loans, where beneficiaries must repay the funding with a financial return (3B). The bank custodian mixes the funds and determines the appropriate proportion of funding for each project before handing it to the beneficiaries (4). Lastly, the beneficiaries can use the financing provided according to their mandate and propose projects to the technical ministries or agencies (5).

The aforementioned scheme employs a blended finance approach that can be replicated as a regional financing model. The following section will propose a BPDLH financing scheme at the jurisdictional level that complements the current BPDLH scheme at the national level.

EXPANSION OF THE BPDLH SCHEME AT THE JURISDICTIONAL LEVEL

Despite its flexibility, BPDLH faces several challenges in channeling its funds. The first is the process of procuring funding for projects (Mafira et al., 2020). For instance, BPDLH should carefully consider whether the procurement ought to follow the government's guidelines for procuring revenues sourced from the state budget or donor guidelines for funds managed in trust. These possibilities will entail different procurement processes across projects. Secondly, finding an appropriate project has been an issue for many funding options in Indonesia. For instance, the realization of the Global Climate Fund government program remains low despite having had many pipelines since 2020 , and this may happen to BPDLH too. The last obstacle is BPDLH's limited capacity for financing activities at the local level. Most of the action in reducing deforestation, landscape management, and JA falls under the scope of the local government, far outside the area of BPDLH's work. As a result, the local government's involvement in BPDLH is minimal, leading to a low realization of BPDLH funding for local government initiatives to protect their environment.

Among these challenges, local government involvement has become one of the issues of concern to the government . The local government is crucial to BPDLH because it acts as a beneficiary and collaborator of BPDLH funds. However, due to its limited information and capability for managing the funds from BPDLH, the local government has utilized a limited portion of BPDLH funds. Therefore, BPDLH's role in encouraging the local government to access BPDLH financing should be strengthened by expanding BPDLH's work at the district level.

To expand BPDLH's work at the district level, the proposed scheme is to establish a Regional Environmental Fund Agency (REFA). The REFA's primary mission is to mobilize funding resources for the jurisdiction's local agricultural and climate-related projects that suit the local government's priorities or thematic programs and complement BPDLH works at the national level. A REFA can be flexible about its governance structure, depending on the discussion with every stakeholder. Generally, two options are available for establishing a REFA: under the work of the current environmental agency (*Unit Pelaksana Teknis* [UPT] *Dinas*) or as an independent agency with both options coordinated and supervised by BPDLH. Both will help BPDLH seek out and develop projects at the district level. Moreover, REFA will offer the local government opportunities to match their local priority programs with investors.

Figure 2 shows the proposed arrangement of the REFA. Overall, the proposed REFA mechanism will need support from BPDLH, the local government, and multistakeholder forums for a jurisdictional approach (see BOX 1 for more details). The **orange box** below illustrates the arrangement of the REFA structure. The core units of the proposed REFA are the program development unit, custodian fund unit, financial arrangement unit, impact assessment unit, and REFA committee. The program development unit oversees the project implementors' proposals and evaluates them for funding. The custodian fund unit is tasked with mobilizing funding, including gathering funds from public (state and local budgets or APBN and APBD) and non-public financing (donors, grants, and private or commercial funds), while the financial arrangement unit determines the financial arrangements, mechanisms, and sources based on their suitability for the project. Lastly, the impact assessment unit evaluates the project's impact. All of the units in the REFA are responsible for reporting their progress and actions to the REFA committee.

[1] https://fiskal.kemenkeu.go.id/nda_gcf/media/files/publications/5oex-web-annex-2-project-pipeline.pdf

[2] https://www.menlhk.go.id/site/single_post/5194/alokasi-dana-bpdlh-akan-fokus-atasi-satu-persatu-persoalan-lingkungan-hingga-tuntas

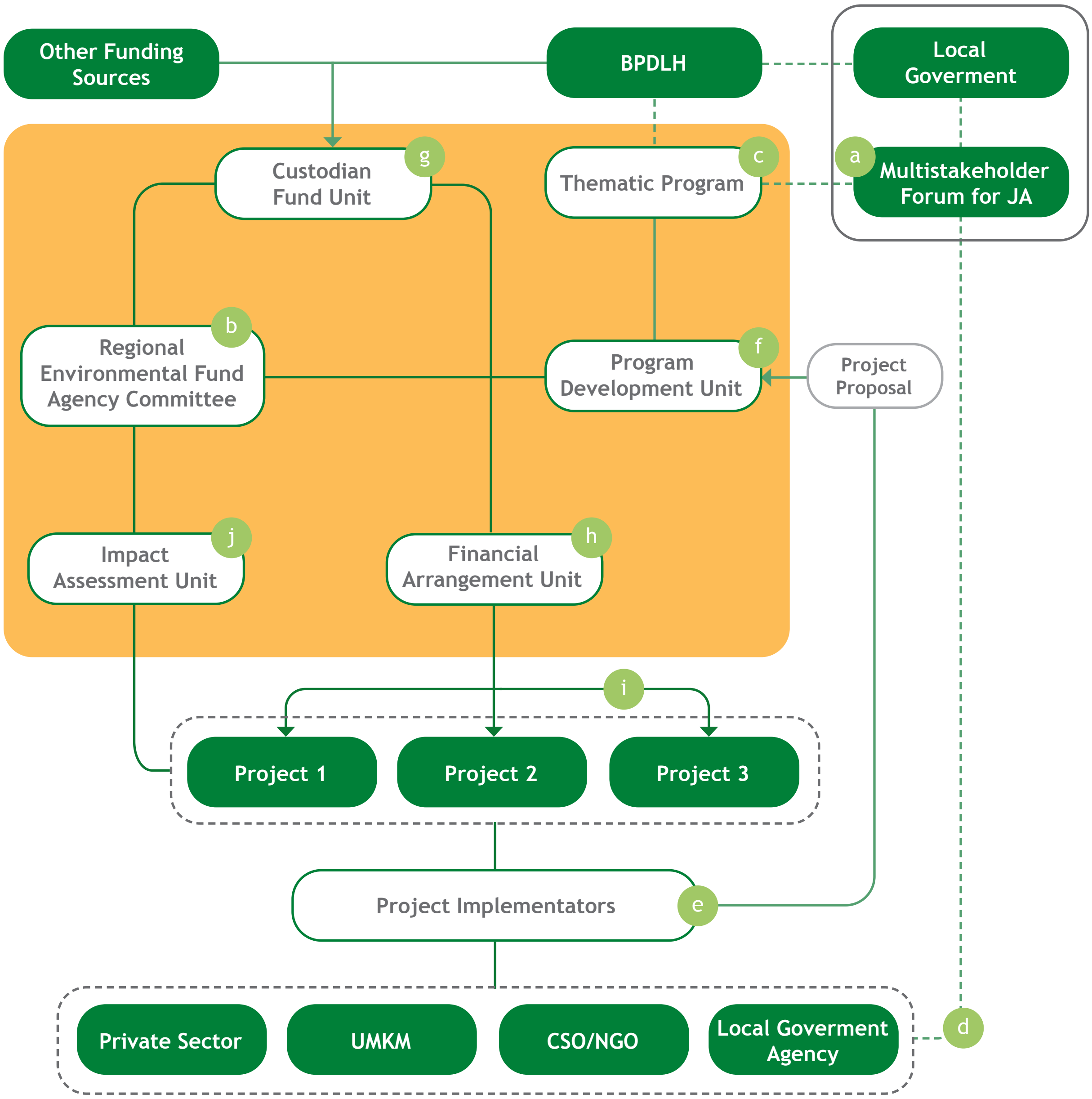

Figure 2. Proposed BPDLH Mechanism at Regional Level
Source: Authors' Construction (2023)

To guarantee that the investments will achieve an impact, the chosen indicators for measuring the impact must be evaluated. To accomplish this, the REFA must adopt standardized metrics. One applicable set of metrics, for instance, is the accountability framework developed by the Accountability Framework initiative. The metrics evaluate private-sector projects to ensure no deforestation, conversion-free supply chains, and land use change emissions. The indicators that are used as the metrics are the hectares of deforestation or conversion in operations since the cut-off date, the percentage of total hectares owned or managed that this represents, the hectares of natural ecosystem conversion in the sourcing area since the cut-off date that may be attributed to the company, the volume of materials (and proportion of the total) sourced from each country, and the volume of materials (and proportion of the total) sourced from unknown origins. Another option for monitoring impact is to use the indicators provided by the SDGs.

Box 1

HOW THE REGIONAL ENVIRONMENTAL FUND AGENCY (REFA) WORKS:

a. The local government facilitates the establishment of a multi-stakeholder forum (MF).

b. The local government and the MF establish a Regional Environmental Fund Agency (REFA). The REFA consists of a minimum of the custodian fund, program development, financial arrangement, and impact assessment units.

c. Thematic programs are developed by the local government, MF, BPDLH, and REFA.

d. Stakeholders at the regional level can give input on thematic programs through MF.

e. Project Implementors submit project proposals to the Program Development Unit.

f. The Program Development Unit, together with selected Project Implementors, further develop the proposal.

g. The REFA, through the Custodian Fund Unit, mobilizes funds from public and non-public sources.

h. The Financial Arrangement Unit mixes financing from different sources based on the project's characteristics.

i. The Financial Arrangement Unit disburses the funds to the projects.

j. The Impact Assessment Unit ensures that impact evaluations are conducted for all projects.

Besides mobilizing funds, the REFA has a vital role in evaluating funded projects by measuring their impact. This is especially critical for agricultural projects to ensure two outcomes: the achievement of local government targets on agriculture and climate and compliance with international standards for agricultural products. To do so, the REFA will need to adopt standardized metrics. For instance, one applicable set of metrics is the accountability framework developed by the Accountability Framework initiative. The metrics evaluate private-sector projects to ensure no deforestation, conversion-free supply chains, and land use change emissions. The indicators that are used as the metrics are the hectares of deforestation or conversion in operations since the cut-off date, the percentage of total hectares owned or managed that this represents, the hectares of natural ecosystem conversion in the sourcing area since the cut-off date that may be attributed to the company, the volume of materials (and proportion of the total) sourced from each country, and the volume of materials (and proportion of the total) sourced from unknown origins. Another option for monitoring the impact is to use the indicators provided by the SDGs.

PROPOSED INVESTMENT SCHEME: MIXING THE FUNDS

This study's newly proposed financing scheme involves funding from various sources, such as state and regional government budgets, private capital, and donors. Each source of funding has its own expected financial returns and risk tolerance. Financial arrangement units have the option of operating a number of schemes to mix the funds for the projects. In this section, several schemes will be presented based on their financial viability and financing purposes.

Investment projects at the jurisdictional level have varying financial viability. Some projects in government planning documents may generate favorable financial returns, and others may not. To optimize the distribution of funds to a range of projects, it is necessary to identify the nature of their financial viability before the funds can be allocated accordingly. The project variations can be mapped as follows:

1) **Non-commercial projects** are projects that are not financially viable. The government usually finances these kinds of projects, as private investors are naturally not inclined to have an appetite for this type of investment. Funds from the state budget, the regional government budget, and donors may be the most suitable sources for non-commercial projects.

2) **Less commercial projects** are types of projects that are potentially financially viable but have a higher risk. Projects of this kind usually already have economic viability but lack financial viability at present. Investors will need other sources of funding with a higher risk tolerance. In this regard, the blended financing mechanism can exist alongside government budgets and grants as de-risking instruments in the form of low-cost funds for equity financing.

3) **Commercial projects** are types of projects that are already financially viable. Due to their reasonable rates of return, these projects can be carried out solely with funding from the private sector. However, in some cases, commercial projects may produce even more positive social impacts that would be less likely to occur without additional funding from other sources, such as public funds and grants.

On the other hand, the fund-mixing scheme can also be classified based on the purpose of financing. Each supports different activities and has a different risk profile, thus requiring an array of sources and instruments. The table below illustrates how the scheme works.

Table 2. Alternatives for Mixing the Funds

Source: Authors' Construction (2023)

FInancing Type	Purpose	Capital Source	Capital Type	Financing Scheme
Project development	• Exploratory research • Project pipeline development and feasibility study • Pre-revenue innovation	State budget, regional budget, MDB, individual donor, and philanthropy	Grant	• Govt. budget transfer • Grant • CSR investment
Project de-risking	• Reduce financing risk • Increase project bankability	State budget, regional budget, MDB, individual donor, and philanthropy	Grant, concessional loan, equity	• Govt. budget transfer • SDGs/green bond • Viability gap fund • Seed fund
Project financing	• Main source of capital mobilization	Commercial bank, private investor, MDB	Commercial loan, equity	• Municipal bond • Corporate bond • Private loan • Debt swap

CONCLUSION

Jurisdictional approaches complement voluntary private individual and sectorial responses, such as corporate commitments to eliminate deforestation from commodity supply chains. Under the policy of decentralization, the local government has gained more authority, including over the development of a jurisdictional approach, having done so in the Siak Hijau Program and Aceh Tamiang District. Alongside local government initiatives, other essential requirements for the jurisdictional approach include the involvement of different actors and the implementation of responses in accordance with the characteristics of each region. In Indonesia, the jurisdictional approach emphasizes the importance of engaging these vital actors, both on an obligatory and voluntary basis, to support sustainable practices through multi-stakeholder forums. Due to the participation of various actors, they will share commitments that are separate from one another and develop a mutual passion for supporting sustainable practices. JA offers a number of benefits, such as greater legitimacy and durability of the actions due to their multi-stakeholder nature and higher clarity of performance targets that help to ensure that the actors in all sectors within a jurisdiction are working towards the same objectives through strategic policies, programs, and initiatives.

RECOMMENDATIONS

Even though there are several financing instruments and schemes to finance jurisdictional activities, initiatives that involve the jurisdictional approach in Indonesia still face financial challenges. Thus, this study recommends enhancing BPDLH's responsibility at the regional level by establishing a Regional Environmental Fund Agency (REFA). Through the agency, the jurisdictional approach will have the potential to create opportunities for funding projects that are situated close to the projects' locations. Offering flexibility in terms of structure and mechanism, the REFA could function as a valuable solution for mobilizing funds at the jurisdictional level if BPDLH is constrained by its limited capacity. Lastly, the agency could also guarantee that the financing sources and scheme are appropriate to the project's needs and ensure the project impacts align with the jurisdiction's targets and comply with international agricultural standards.

REFERENCES

Accountability Framework initiative. (2019). Operational Guidance on Achieving Commitments Through Collaboration. Accountability Framework initiative.

Boyd, W. (2018). Jurisdictional Approaches to REDD+ and Low Emissions Development: Progress and Prospects [Working Paper]. World Resources Institute. wri. org/ending-tropicaldeforestation.

Daemeter (2017). Jurisdictional Approaches to Sustainable Land Use in Indonesia: What is it, why pursue it and how to build one. Daemeter, Bogor, Indonesia.

Desdiani, N. A., Sabrina, S., Husna, M., Budiman, A. C., Afifi, F. A. R., & Halimatussadiah, A. (2022). Local budget resilience in times of Covid-19 crisis: Evidence from Indonesia. Economies, 10(5), 108.

Garcia, Miriam., Coletti, Fernand., Banhe Andreia., Souza, Gustavo., Ouro, Antonio. (2021). Jurisdictional Approaches: An analysis of Brazil's states and companies contribution. CDP Latin America.

Government of Siak District, Indonesia. (2022). Commodity, Conservation, and Community Collaboration. Siak, Riau, Jurisdictional Investment Outlook 2022. Riau, Indonesia. https://jaresourcehub.org/publications/commodity-conservation-and-community-collaboration-siak-riau-jurisdictional-investment-outlook-2022/

Hovani, L., Varns, T., Hartanto, H., Rahman, S., Makinuddin, N., and Cortez, R. 2018. Jurisdictional Approaches to Sustainable Landscapes: Berau and East Kalimantan, Indonesia. The Nature Conservancy, Arlington, VA, USA.

IDH. (2018). IDH Launches First Verified Sourcing Area Pilot in Mato Grosso, Brazil. IDH.

IDH. (2019). PPI Compact Signed: Axeh Tamiang to Become Sustainable Production Region as 1st Step towards VSA. IDH.

KLHK. (2019). Kebijakan dan Strategi Pengelolaan Dana Lingkungan Hidup. Retrieved from UNESCAP.

Nepstad, D., Irawan, S., Bezerra, T., Boyd, W., Stickler, C., Shimada, J., et al. (2013). More food, more forests, fewer emissions, better livelihoods: linking REDD+, sustainable supply chains and domestic policy in Brazil, Indonesia and Colombia. Carbon Manag. 4, 639–658.

PCI. (2019). An overview of initiatives that support corporate engagement in Mato Grosso, Brazil. PCI.

Seymour F, Aurora L and Arif J. (2020). The Jurisdictional Approach in Indonesia: Incentives, Actions, and Facilitating Connections. Front. For. Glob. Change 3:503326. doi: 10.3389/ffgc.2020.503326

Syahrani, G. (2019). Concept Note: Developing Food and Agriculture in RPJMN 2020-2024 with the Jurisdictional Approach for Sustainability.

Tiza Mafira, Brurce Mecca and Saeful Muluk. Indonesia Environment Fund: Bridging the Financing Gap in Environmental Programs, 2020.

Tropical Forest Alliance. (2021). The Investment Case for Jurisdictional Approach. Tropical Forest Alliance. https://www.tropicalforestalliance.org/assets/Uploads/Investment-Case-of-Jurisdictional-Approach-FINAL-5.pdf

Tropical Forest Alliance (TFA). (2022). Investing In Jurisdiction Approach: The case of Berau District, East Kalimantan. Tropical Forest Alliance Policy Brief.

THE TROPICAL FOREST ALLIANCE

TFA is a global multistakeholder partnership platform initiated to support the implementation of private-sector commitments as well as to amplify demand-side engagement in major economies towards the transition to reduced deforestation in commodity supply chains. Hosted by the World Economic Forum, the TFA partners with 170+ organizations-companies, government entities, civil society, indigenous peoples, local communities, and international agencies. TFA operates regional platforms in Latin America, West and Central Africa, China, and Southeast Asia.

LPEM FEB UI

The Institute for Economic and Social Research-Faculty of Economics and Business, University of Indonesia, or better known as LPEM FEB UI, is a research institute under the Faculty of Economics and Business, University of Indonesia, and the largest community of academic researchers at the University of Indonesia. For more than 60 years, LPEM FEB UI has become one of Indonesia's leading educational institutions, playing an essential role in contributing ideas through research, consulting, and education.

CONTACT

Contact the Tropical Forest Alliance Secretariat at
tfa-sea@ibcsd.or.id

ACKNOWLEDGEMENT

TFA Southeast Asia would like to express sincere gratitude to everyone involved in the ideation, development, and finalization of this report. In particular, we are grateful to all key stakeholders involved for their open and transparent discussions, on their sustainability commitments and actions generally, without which the case will not be as meaningful.

It is our hope that this study could inspire scaled sustainability commitment and further collective actions across all stakeholders in our journey towards deforestation-free commodity supply chains, other forest-positive shared agendas, and, eventually, our pursuit towards net zero.

The following authors contributed to the writing of this report, which was developed by the Institute for Economic and Social Research, Faculty of Economics and Business University of Indonesia (LPEM FEB UI) for the Tropical Forest Alliance.

1. **Dr. Alin Halimatussadiah**
2. **Fachry Abdul Razak Afifi, S.E.**
3. **Muhammad Adriansyah, S.E.**
4. **Wildan Al Kautsar Anky, S.E.**

Thanks also in particular to the Indonesia Investment Coordinating Board (*Badan Koordinasi Penanaman Modal*), Fiscal Policy Agency (*Badan Kebijakan Fiskal*) of the Ministry of Finance, Indonesian Environment Fund (*Badan Pengelolaan Dana Lingkungan Hidup*), Packard Foundation, and Manka for your valuable input for this study.

EDITOR

Rizal Algamar
Southeast Asia Regional Director, TFA

Sri Mariati
Southeast Asia Sustainable Investment Lead, TFA