

# Living Income Webinar Series

Indonesia benchmark and actions to close the income gap in rubber growing regions

15<sup>th</sup> May 2018



SUSTAINABLE FOOD LAB



# Today's webinar facilitators



**Adam Romo**  
Coordinator Impacts and  
Innovations  
**ISEAL Alliance**



**Rita Mendez**  
Assistant Impacts  
**ISEAL Alliance**



**Stephanie Daniels**  
Senior Program Director  
**Sustainable Food Lab**

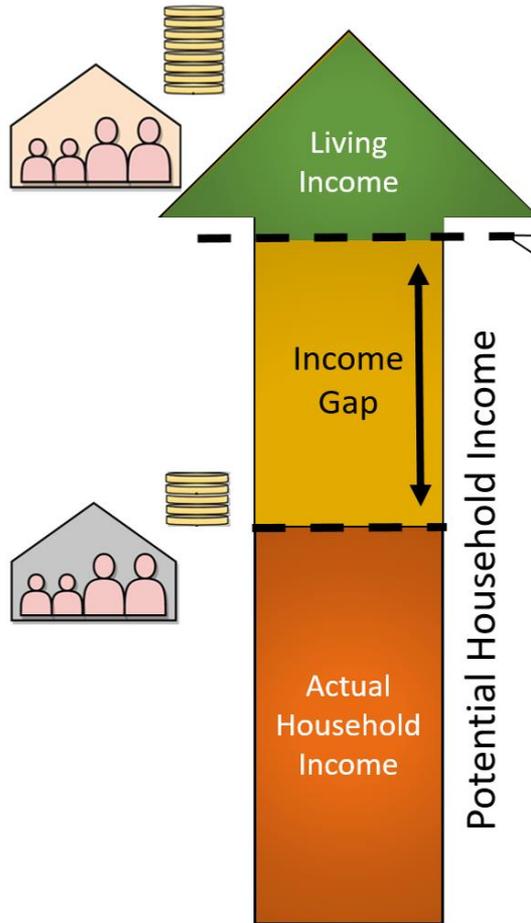


# Agenda

1. **Introduction** to the Living Income CoP, and guest speakers.
2. **GIZ:** Indonesia rubber living income benchmark
3. **Aidenvironment:** Strategies for closing the income gap. Case study learnings from Indonesia.
4. **Open discussion/Q&A**
5. **Updates** for the Community of Practice

# The Living Income Community of Practice

Foster collaboration and support organisations in their journey towards improving farmer incomes, and enabling farmers to achieve a decent standard of living.



Cost of a decent standard of living for a household

Cost of decent food + Cost of decent housing + Cost of other essential needs + Provisions for unforeseen events

The screenshot shows the website "The Living Income Community of Practice". The main heading is "THE CONCEPT". Below the heading is a video player with the title "The Concept of Living Income". The video player shows a hand holding a leaf. The text on the page defines living income as "The net annual income required for a household in a particular place to afford a decent standard of living for all members of that household." It also lists elements of a decent standard of living: food, water, housing, education, healthcare, transport, clothing, and other essential needs including provision for unexpected events.

# The Living Income Community of Practice

Foster collaboration and support organisations in their journey towards improving farmer incomes, and enabling farmers to achieve a decent standard of living.

Provide guidance on  
metrics and  
measurement

Understand the gap  
between actual and  
living income

Identify and discuss  
strategies to close the  
income gap

Facilitate learning across sectors  
and helping organisations realise SDG commitments

Strengthen this open community of practice  
Sharing information about the efforts of different actors in this space

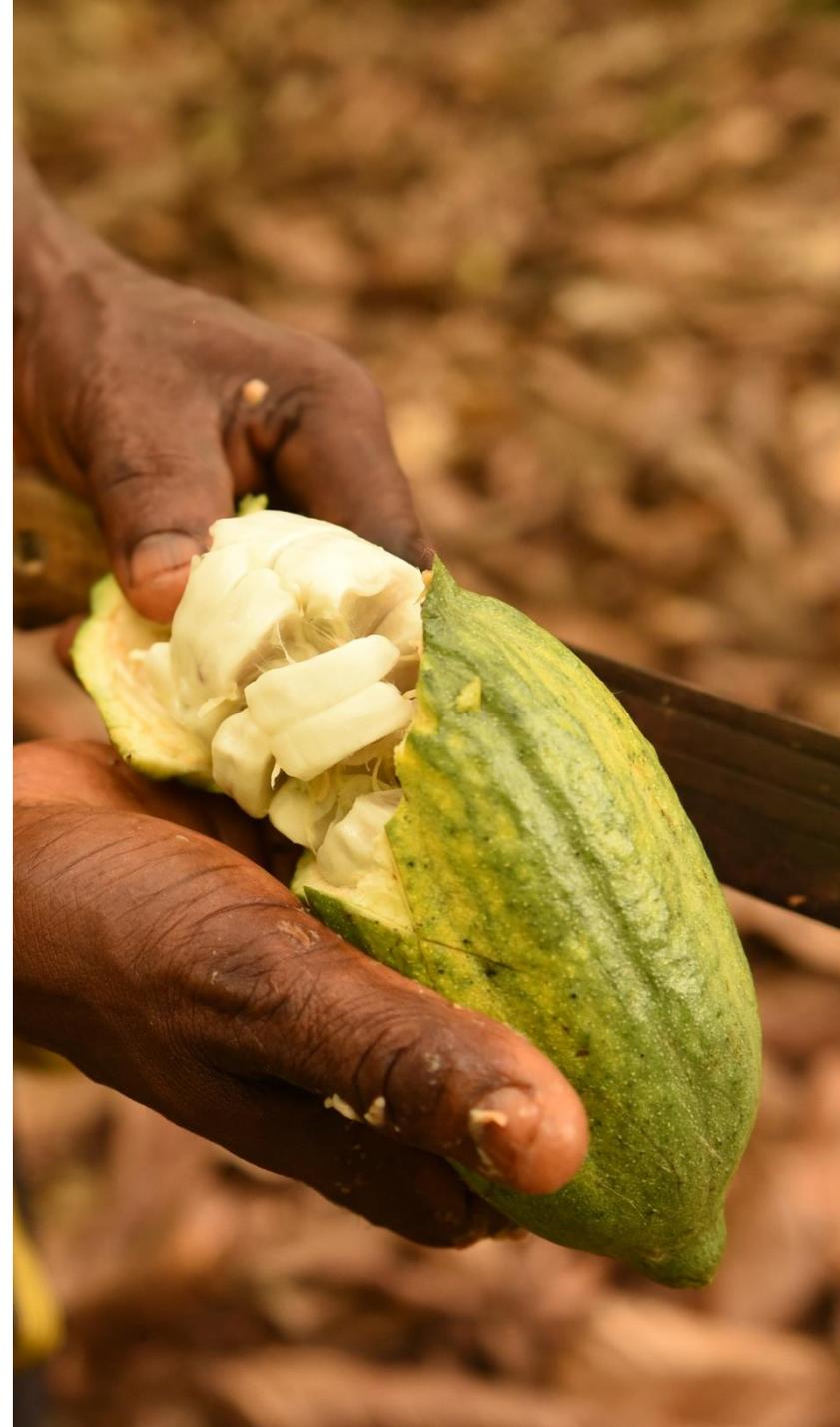
# Today's guest speakers



**Friederike Martin**  
Advisor  
**GIZ**



**Jan Willem  
Molenaar**  
Senior Consultant  
**Aidenvironment**



## The Living Income Community of Practice Webinar

# Towards sustainable rubber sourcing

Insights from rubber farming in Kapuas Hulu, Indonesia

Friederike Martin, Programme for Sustainable Value Chains and Standards  
May 15th, 2018



## Purpose of the Analysis



- To understand **current income levels of farming households** in rural Kapuas Hulu, West-Kalimantan
- To calculate a **Living Income Proxy Benchmark** for Kapuas Hulu followed the principles of the Living Income methodology
- To understand the **monetary value of forests**, particularly community forests in the region
- The analysis is used as a **basis for development of activities and monitoring for the GIZ project** on deforestation-free supply chains and sustainable sourcing regions in Kapuas Hulu, Indonesia

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## GIZ Definition

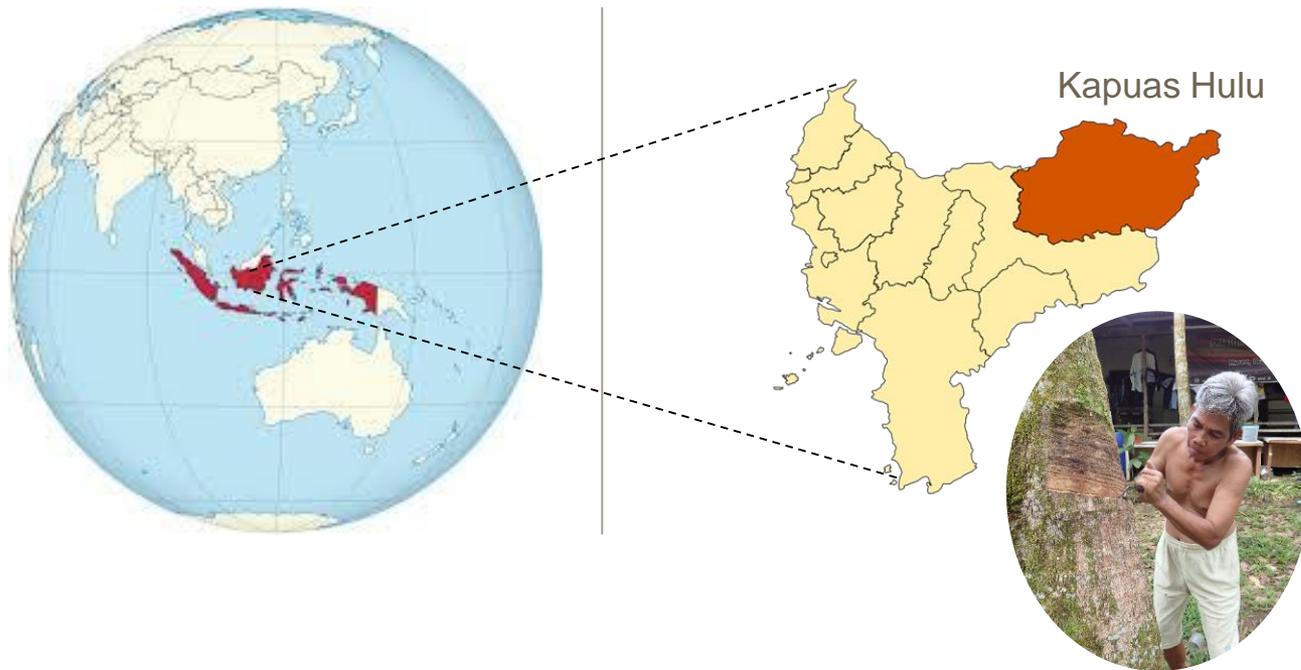
**Deforestation-free supply chains** ensure that in a pre-defined area the sustainable production of agricultural commodities **does not negatively affect forests and other valuable ecosystems** neither in scale nor in quality.

Actors along global supply chains have created **enabling framework conditions** for sustainable and deforestation-free production, have established a reliable **traceability system** and can verify forest protection through an adequate **monitoring system**.





## Jurisdictional Approach in Kapuas Hulu



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## Field Research - Methodology

- Followed the principles of the living income methodology to calculate a proxy benchmark for the region
- Research conducted July-Aug 2017
- 63 households were interviewed (focus rubber production)
- Food share ratio in Indonesia was much higher compared to other low and middle income countries (according to HES data 2017)
- A proper analysis according to Anker methodology would likely give a higher benchmark

16/05/2018

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## Basic data of farming households in Kapuas Hulu, Indonesia



- Household head: 43 years
- Household size: 4.5
- Workforce per family: 1.6
- Number of working days/ of total workforce: 405

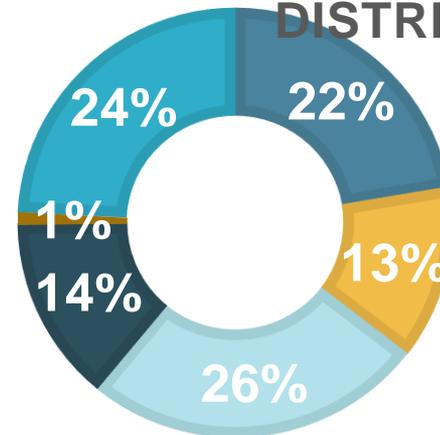


- Annual net household Income: 18,114,179 IDR



- Rubber makes up 13% of total household income and 61% of agricultural income

## INCOME SOURCES AND DISTRIBUTION

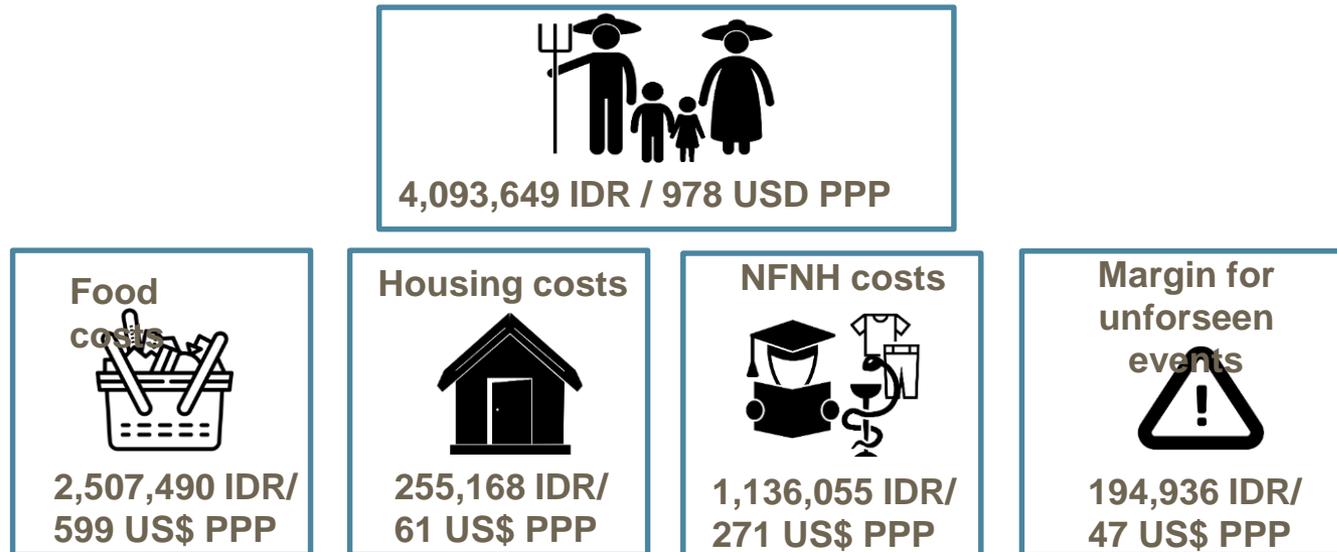


- Total Income Agriculture and Livestock
- Business Income
- Off-farm wages

Icons: Gan Khoon Lay, Adrien Coquet, FcFrankChung and Pham Thi Dieu Linh from Noun Project



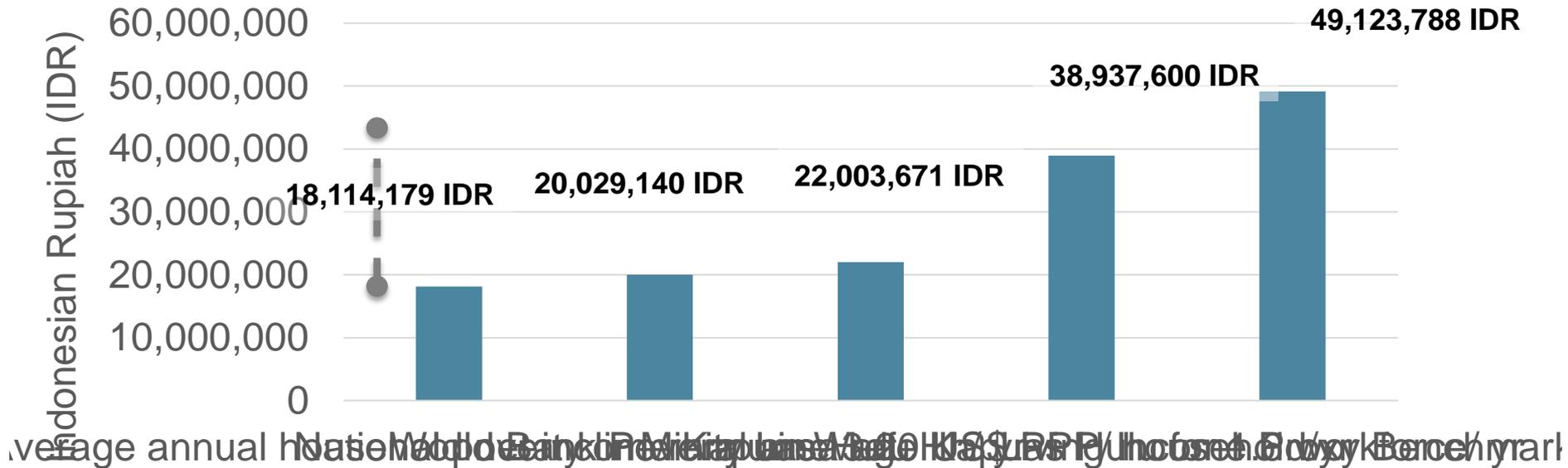
## Cost of Living (proxy) per month for a household with 4.5 members in Kapuas Hulu, Indonesia



Icons by Blake Stevenson, IYIKON, Arafat Uddin, asianson.design , Viktor Vorobyev from Noun Project



## Income Ladder Kapuas Hulu (Indonesia) for a reference sized household of 4.5 members and working force of 1.6

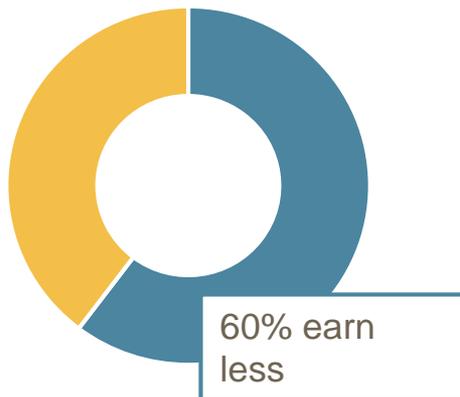


Note: 1 US\$ PPP = 4186,391



## Analysis of income gap in Kapuas Hulu, Indonesia

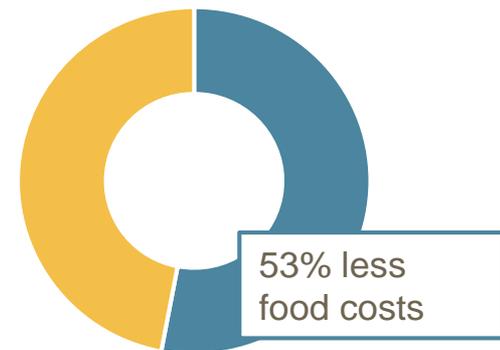
60% of households earn less than the World Bank extreme poverty line of 1.90\$ PPP



Only 9.5% of household earn more than the Living Income Proxy Benchmark of 11,734\$ PPP



53% of food costs could be reduced with a healthy community forest and self-production of rice





## GIZ Involvement

- Signing of MoU between the district Kapuas Hulu and GIZ
- Setting-up and guiding a multi-stakeholder steering committee to address sustainability issues in the district
- Three year programme for sustainable rubber with Continental AG
  - Activities to set up direct marketing between suppliers and Continental AG
  - Setting up a farmer organisation with 400 farmers
  - Development of training material for natural rubber based





**Thank you for your attention!**

**Friederike Martin**

Advisor

Programme for Sustainable Supply Chains and  
Standards

Friedrich-Ebert Allee 13

53113 Bonn

E [friederike.martin@giz.de](mailto:friederike.martin@giz.de)



# Closing the living income gap: Natural rubber in Kapuas Hulu, Indonesia

Presentation to the Living Income Community of  
Practice

May 15<sup>th</sup>  
Jan Willem Molenaar



# Rubber in Kapuas Hulu Regency, Indonesia

## *Production models*

- Agro-forestry
- Mono-culture
- + Community forests



## *Value chain*

- Various middlemen
- Rubber crump factories
- Tire manufacturers



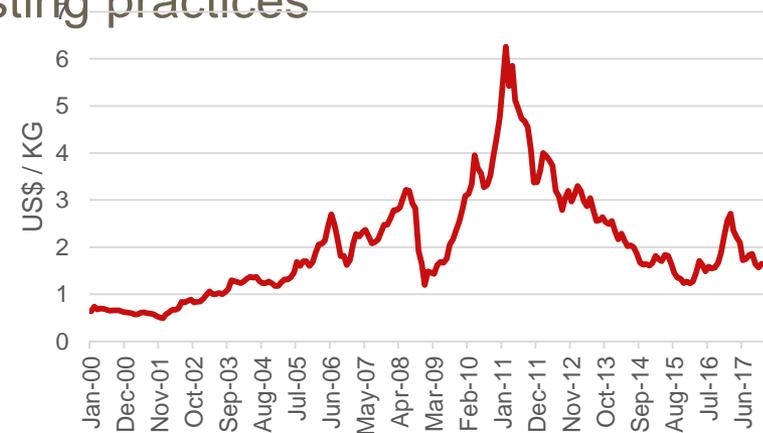
# Issues

## Low yield and poor quality

- Lack of access to high yielding clonal varieties
- Lack of knowledge of good agricultural practices
- Inadequate harvesting and post-harvesting practices

## Low prices

- Inefficient market access
  - Adulteration on quality
  - Oversupply / low oil prices
- Smallholder stopped tapping



# A coordinated approach for systemic

## solutions

### Landscape management approaches

- Land use planning and monitoring
- Food production and income diversification

### Community development

- Road and communication infrastructure
- Basic health and education services

• Payments for ecosystem services

### Farming system

- Increase productivity and quality of rubber
- Promote income diversification

• Consider return on labor

### Service provision

- Capacity building, inputs and finance for intensification, rehabilitation, diversification and transport
- Viable service delivery

### Producer organization

- Organize farmers in community-based groups, cooperatives or networks of service providers or factories

### Value chain development

- Direct, stable and transparent trading relationships
- Incentives for quality and sustainability

models

### Revenue generation & re-investment

- Identify investment needs
- Introducing ways to generate revenues at sector-level for strategic

### Sector coordination

- Multi-stakeholder platform to develop a vision and strategy for the sector
- Align and coordinate activities and investments

### Market management & regulation

- Higher value end markets
- Supply and demand management (international)
- Quality control measures

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## Government in Indonesia and Kapuas Hulu district

### Roles

- Policies to manage quality, supply and demand
- Organization of multi-stakeholder dialogue

### Governments in consumer countries

- Policies around due diligence and sustainability in supply chains
- Revision of competition law to discuss prices

### Supply chain actors

- Assessment of value addition and distribution in own supply chains
- Investment in traceability and more favorable trading relationships

### Service providers

- Services and delivery models relevant for whole farming systems

## Research and advisory organizations

- Viable farming systems, service delivery models, and value chain models
- Living income benchmark studies;

## Voluntary standard systems and multi-stakeholder platforms

- Living income benchmarks and actual income studies
- Facilitation of sector dialogue and roadmap development

## Civil society organizations

- Advocacy for a living income
- Monitoring of the extent it is realized;

## Donors and development organizations –

- Recognize need for alternative livelihood opportunities and longer-term systemic change processes

# Thank you!

## Landscape management approaches

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# Community of Practice Updates

- Launch workshop for a Living Income Benchmark in Cote d'Ivoire – blog available
- New sections - the Living Income website:
  - The Concept
  - The Applications
- Next webinar: 19<sup>th</sup> June 2018 (2:30 PM UK time) Role of sustainability standard systems in living income strategies.



## Calculating a living income benchmark for cocoa growing regions of Côte d'Ivoire (disponible en français)

April 18, 2018 | Friederike Martin



[Cliquez ici pour lire en français](#)  
More than 50 key actors in the Ivorian cocoa sector came together on March 20th 2018 in Abidjan to launch the living income benchmark study for cocoa-producing regions in Côte d'Ivoire. The workshop feeds into wider work to calculate l...

[Read More](#)

## THE CONCEPT



The Living Income Community of Practice defines Living Income as:

"The net annual income required for a household in a particular place to afford a decent standard of living for all members of that household."

"Elements of a decent standard of living include: food, water, housing, education, healthcare, transport, clothing, and other essential needs including provision for unexpected events".

The video on the left explains the concept and all of its components in more detail.

## THE APPLICATIONS



If you calculate the cost of a decent standard of living in a particular geographic area you can use this figure as a living income benchmark. This works on the assumption that if a smallholder household is earning a combined income that is enough, or more than enough, to cover the costs associated with a decent standard of living, then they are most likely earning a living income.

Once you have this benchmark there are a number of ways in which it can be used, some of which are described in the video and below:

# Sustainability Impacts Learning Platform (SILP)

Video tutorial for using the SILP, help and guidance

Sustainability  
Impacts  
Learning  
Platform

Getting started

Frequently Asked Questions

Contact

[www.sustainabilityimpactslearningplatform.org](http://www.sustainabilityimpactslearningplatform.org)

Map

Add Study

Groups of studies categorised into regions, exact locations can be determined when zooming in.

Option to add planned, in-progress and completed studies

Search function for specific studies, themes and locations

This learning platform is a collaboration between the Food Lab, ISEAL, and WWF and is intended to facilitate increased knowledge-sharing, collective learning, and collaboration towards increased sustainability in global supply chains. We encourage researchers and practitioners active in the field to contribute studies to this map and use it to learn from and connect with others doing similar work.

Key explaining the stage in which the study is in.

Planned Research design Report writing underway Complete

Search...

Enter a location



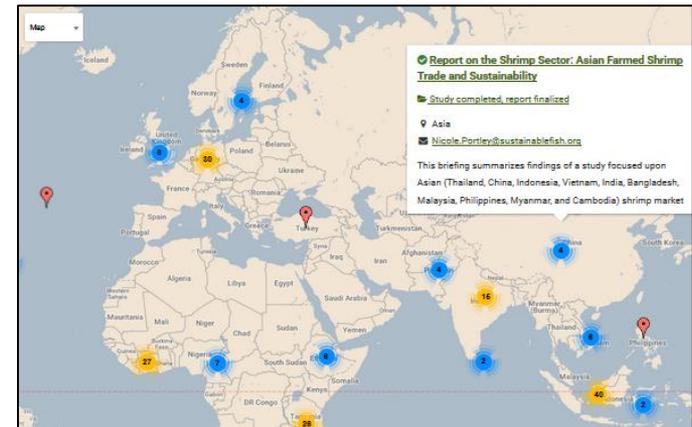
# Sustainability Impacts Learning Platform (SILP)

Joint effort between ISEAL, the Sustainable Food Lab and WWF.

- › Facilitate improved knowledge-sharing
- › Collective learning
- › Collaboration towards increased sustainability in global supply chains

When uploading studies to SILP please make this explicit in the study description including phrases such as:

- 'living income'
- 'actual income'
- 'livelihoods'
- 'benchmarks'



If you are planning, in the process or have completed research on living income related topics add them to SILP

Visit: <http://sustainabilityimpactslearningplatform.org/>

Thanks!



# Stay informed!

## Living income

[www.living-income.com](http://www.living-income.com)

## Living wage

<http://www.isealalliance.org/our-work/improving-effectiveness/global-living-wage-coalition>

[SIGN UP FOR GLWC BENCHMARK RELEASES](#)

## Questions? Email us at:

[sdaniels@sustainablefood.org](mailto:sdaniels@sustainablefood.org)

[adam@isealalliance.org](mailto:adam@isealalliance.org)

[marta@isealalliance.org](mailto:marta@isealalliance.org)

[friederike.martin@giz.de](mailto:friederike.martin@giz.de)



And remember to add your upcoming, ongoing and finalised studies to the Sustainability Impacts Learning Platform

<http://www.sustainabilityimpactslearningplatform.org>