

Tropical Landscape Finance Facility

Critical transitions:



Innovation: Blended finance funds

Geographic focus: Indonesia

\$: \$1 billion (target)



The Tropical Landscape Finance Facility (TLFF) is an Indonesian government-endorsed blended finance facility, focused on sustainable agriculture and renewable energy expansion in Indonesia.¹¹¹

TLFF includes a lending platform, managed by ADM Capital with BNP Paribas as structuring adviser and arranger, as well as a grant fund, managed by the UN Office for Project Services. UN Environment and ICRAF manage a Jakarta based secretariat for the facility.

TLFF’s first transaction is a sustainability bond for PT Royal Lestari Utama (RLU), a joint venture between Michelin and a subsidiary of Indonesia’s Barito Pacific Group. The transaction is the first corporate sustainability bond issued in Asia. The use of proceeds from the bond are to finance the production of sustainable natural rubber, the restoration of forested buffer zones and the implementation of a Community Partnership Programme (CPP)¹¹² in Jambi and East Kalimantan provinces. In all, approximately half of the rubber plantation (45,000 out of the total 88,000 hectares) will be set aside for conservation, restoration and community partnership programs, while the remaining area is for commercial plantations. A Wildlife Conservation Area (WCA) created in late 2017 acts as a buffer zone to stop further encroachment into the 143,000 hectare Bukit Tigapuluh National Park – one of the world’s most precious ecosystems and wildlife habitats for endangered species such as the Sumatran tiger, the orangutan and the Asian elephant. The CPP is designed to enhance the livelihoods of the 50,000 people living in and around the concessions and train 24,000 local farmers.¹¹³ Additionally, it is expected that at maturity the plantation will employ 16,000 people who will see additional benefits in housing, health care and education as well as improved health from reduced fires as the company works to stem slash and burn agriculture in the concessions.

The bond was tranching according to investor appetite and Moody’s rated the Tranche A 15-year notes ‘Aaa’ based on a USAID guarantee. The &Green Fund is a key investor in the bond, purchasing a 15-year Tranche B note and thus helping to catalyse additional investors (see &Green case study).¹¹⁴ Michelin has committed to a 75 percent off-take from the project.

Stakeholders:

ADM Capital; BNP Paribas; UN Environment Programme (UNEP); World Agroforestry (ICRAF); PT Royal Lestari Utama

Status:

● Operational