



INDONESIA:

## Continental makes rubber supply chain digitally traceable for the first time

Corporate due diligence is closely tied to a transparent supply chain. However, due to the high number of middlemen, to date it has been difficult to ensure the sustainability of the natural rubber supply chain in Indonesia. Within the framework of the develoPPP-programme funded by the German Federal Ministry for Economic Cooperation and Development (Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung, BMZ), the mobility supplier Continental and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH established a digital traceability system that shows the flow of goods along the entire supply chain. By involving local processing companies and smallholder direct marketing, structures have been established to ensure greater transparency in the natural rubber supply chain. One of the benefits for smallholders is improved productivity and higher income.

### THE CHALLENGE

There is a steady demand for natural rubber around the globe, especially from the tyre industry. One quarter of the world's natural rubber comes from Indonesia. However, the production of the raw material in this Asian country is often associated with serious ecological and social challenges. For example, there is a risk that large areas of forest will be cleared for the cultivation of natural rubber, because the low yields per unit area do not ensure a reliable income for the farmers.

Natural rubber is often sourced from scattered, independent producers who live in remote areas. Most of them work without guidelines for sustainable rubber cultivation and it is difficult to reach them with advisory and training services. They supply their raw material to local traders who sell the rubber to processing companies. This means that the influence of the purchasing companies on the smallholders is limited. In addition, the companies are not in a position to measure the quantities of raw rubber delivered in relation to the production area in order to detect any discrepancies.

### PROJECT APPROACH

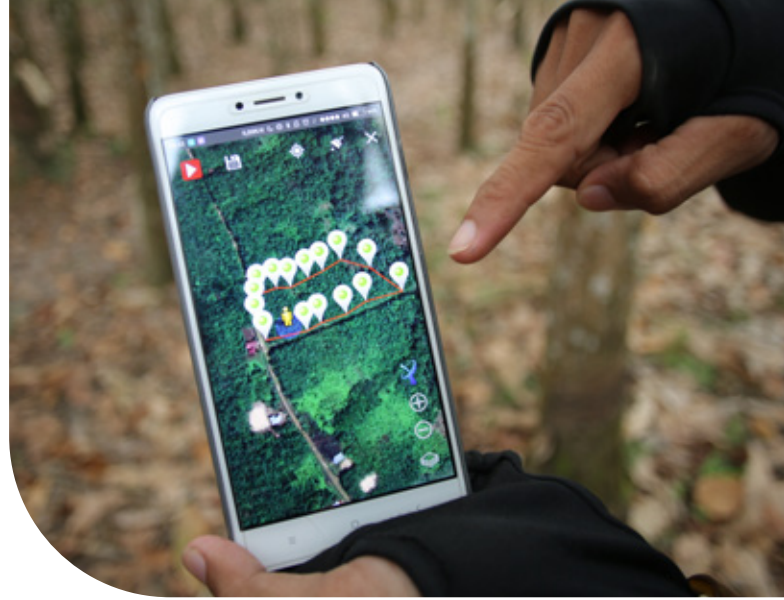
To ensure transparency in the supply chain, the project partners implemented the following measures, among others, in the pilot region in the district of Kapuas Hulu on Borneo between 2018 and 2020, with a total project volume of 400,000 euros:

- Establishment of a digital traceability system from smallholder operations in Indonesia to further processing and tyre production in Germany.
- Development of a catalogue of measures for environmentally and socially compatible rubber production with complete avoidance of deforestation.
- Training of farmers in sustainable rubber growing practices, with the aim that they will subsequently pass on their knowledge.

As part of the project, Continental contributed its expertise in international supply chains as well as employee know-how. GIZ consulted with experts on the ground and liaised with local communities and decision-makers.

*"With the successfully established pilot project, we are jointly ensuring greater transparency and making a significant contribution to securing the livelihoods of the smallholders involved in the project."*

**Christian Kötz**, Head of the Tyre Business Unit and Member of Continental's Executive Board



## RESULTS

The digital traceability system makes it possible to include only sustainably managed producers in the supply chain. The valuable experience Continental is gaining in this project will allow the company to successively expand transparency within its natural rubber supply chains. Education and digitalisation can make important contributions to making supply chains sustainable. Together with its partners in Borneo, the premium tyre manufacturer is demonstrating that this can be achieved in the natural rubber sector. The increased product quality translated into a higher selling price of the rubber. This, as well as higher yields, contributes to improving the incomes of smallholders, and also reduces the pressure on the remaining natural forest.



Less pressure on existing natural forests

400

400 smallholders trained in sustainable rubber farming practices



More transparency in the supply chain

## PROJECT PARTNERS

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## QUESTIONS ABOUT DEVELOPPP?

develoPPP is aimed at companies that want to invest sustainably in a developing and emerging country and become operational. Suitable projects can receive technical and financial support of up to 2 million euros. The basic requirement is a long-term business interest in the country that goes hand in hand with a sustainable developmental benefit for the local people. Are you planning to train local professionals or sustainably expand an existing supply chain? Do you have an

innovative business idea that can be expected to have a positive development effect? Then learn more now and become part of the develoPPP success story! Further details on the programme, current project examples and the right contact for your questions can be found at: [www.develoPPP.de](http://www.develoPPP.de).

Information on further BMZ funding opportunities for companies can be found at: [www.wirtschaft-entwicklung.de](http://www.wirtschaft-entwicklung.de).

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