



ISLA Program Annual Report 2022

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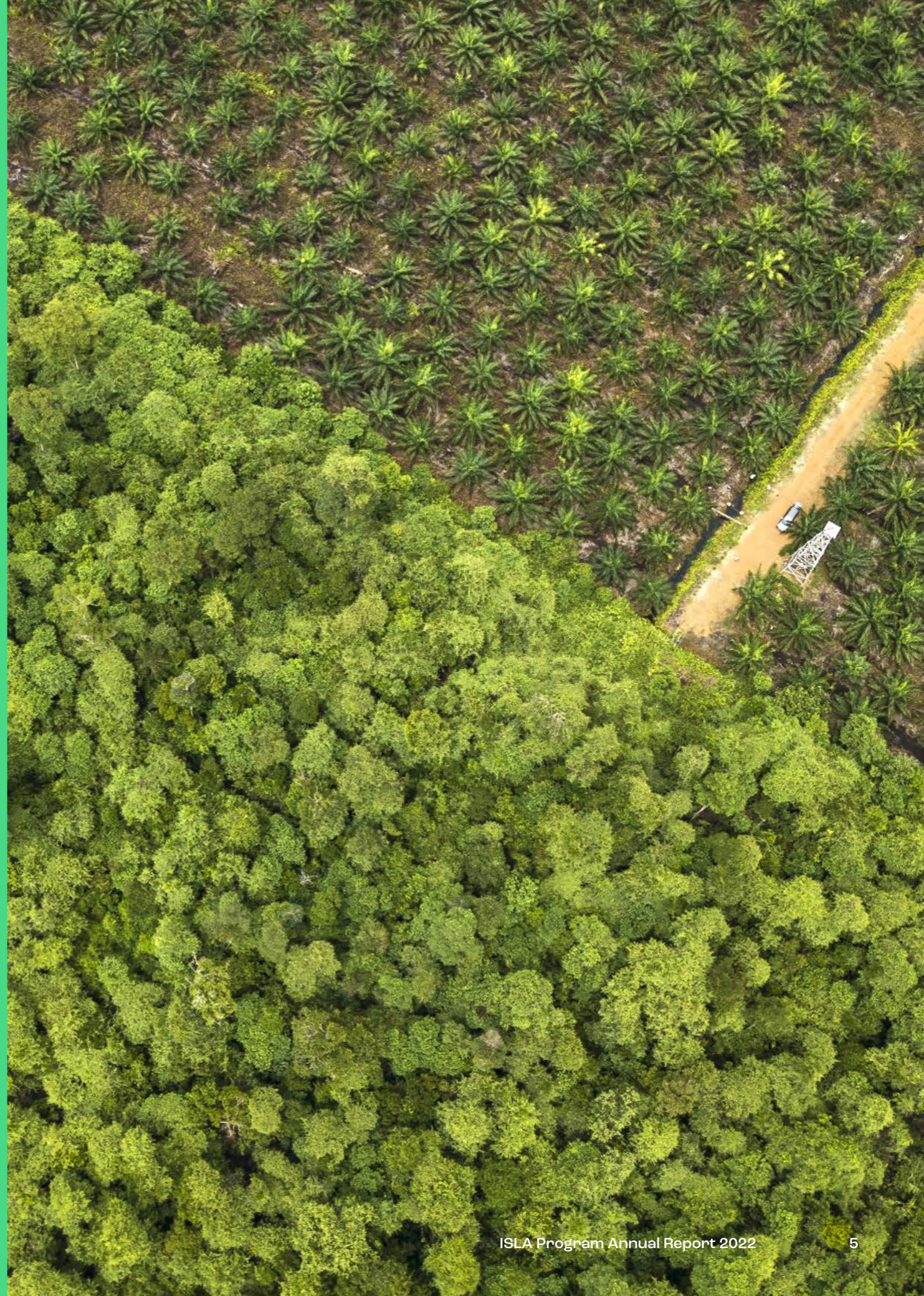
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01

PPI Landscapes in 2022



Protection- Production- Inclusion

Production-Protection-Inclusion (PPI) is the approach we bring to areas where the protection of natural ecosystems, in particular forests, is threatened by the expansion of agricultural production and other factors related to illegal activity. The PPI Landscapes approach aims to broker local agreements to help businesses achieve farmer-positive and forest-positive impacts. We use this landscape approach to influence the sourcing models of a number of deforestation-risk commodities, including palm oil, soy, beef, coffee and cocoa.

Our overall goal is to prove that investing in models of sustainable land management makes business sense for buyers of tropical agricultural commodities, can improve the livelihoods of farmers and their communities, and can protect and enhance the natural environment.



The PPI Landscapes cluster currently covers 20 landscapes in 12 countries across 3 different continents, of which 9 landscapes covered by the ISLA program.



- | | | | | | | | | | | |
|----------------|---------|--------|--------|--------------|--------------------|----------|--------------|--------|-------------------------|-------------|
| Aquaculture | Cashews | Cocoa | Corn | Dairy | Fresh Fruit & Veg. | Palm Oil | Pulp & Paper | Rubber | Black Pepper & Turmeric | Timber |
| Beef/Livestock | Cassava | Coffee | Cotton | Floriculture | Horticulture | Pepper | Rice | Soy | Tea | Viticulture |



Our 2022 annual plan outlined different priorities for each of the three regions:

- **In Africa**, most work throughout the year aimed to formalize landscape governance arrangements and ensure program ownership by the local government authorities by increasing the number of multistakeholder agreements (PPI Compacts) to 11, of which 4 in Kenya, Cameroon, Cote d'Ivoire and Ethiopia; to innovate with the PPI approach to ensure it matches the needs of the local context; and to facilitate access to (green) finance for smallholder farmers.
- **In Asia**, our goals focused strengthening the existing Compacts in the Central Highlands (Vietnam) and West Kalimantan (Indonesia) and attracting investment to realize Compact targets. Additionally, we committed to scaling up SourceUp for low emissions and responsible coffee production in Vietnam, by increasing companies' commitment to purchasing from the Compacts areas. Since end of 2022, we started the engagement with Vietnamese government and coffee companies to prepare for detail plan for solutions of meeting EUDR requirements for coffee sector in Vietnam, including the pilots of these solutions in 3 existing compacts.
- **In Latin America**, IDH focused on supporting implementation of the exit strategy of four Production-Protection-Inclusion (PPI) Compacts¹, 3 in in Mato Grosso (MT), Brazil and 1 in Balsas Region, Maranhão State; the institutionalization of the PCI Institute, the legal entity that embraces the Green Growth Plan of the MT State; and to scaling up the business model for deforestation-free calves production to other regions with high deforestation risk; setting-up a Low Carbon Agriculture facility (ABC TA Facility).

New legislative developments in Europe also led us to add a workstream on the upcoming EU regulation on deforestation-free products to our 2022 priorities. In particular, we worked closely with Proforest to identify options that could help mitigate the possible negative impact of the regulation on companies' sourcing practices and smallholder farmers (see "[Recommendations for a forest-positive impact](#)" paper).

1. Agreement between local governments, businesses, farmers and civil society that publicly formalizes their joint commitments to address the issues that lead to unsustainable landscape management and that builds mutual accountability.

02

Learning





Key lessons in 2022

There is a big need to develop practical solutions to the EUDR for smallholders: The European Commission released its proposal for a regulation on deforestation-free products (EU-DR) in December 2021, and a careful review revealed several challenges related to its implementation. The regulation could lead companies to move away from deforestation hotspots, which could jeopardize efforts to address deforestation in forested landscapes with high number of smallholder farmers, having not only a negative impact on forest protection but also on smallholder farmers' livelihoods. In response, we started exploring how the EU regulation could be amended to mitigate its possible negative impacts ("[Recommendations for a forest-positive impact](#)" paper released in March 2022), which helped deepen our connection with the European Commission and with other like-minded organizations (e.g. Proforest, Solidaridad etc.). Towards the end of 2022, we started exploring ways our landscape program can help companies respond to the EU-DR requirements. Pre-competitive collaboration at landscape-level on topics such as collection of farm-level GPS/polygon data could help reduce costs related to the implementation of the regulation. This would require companies to be willing to share with each other and with government authorities the farm-level data they're collecting, in a context where farmer data privacy must be

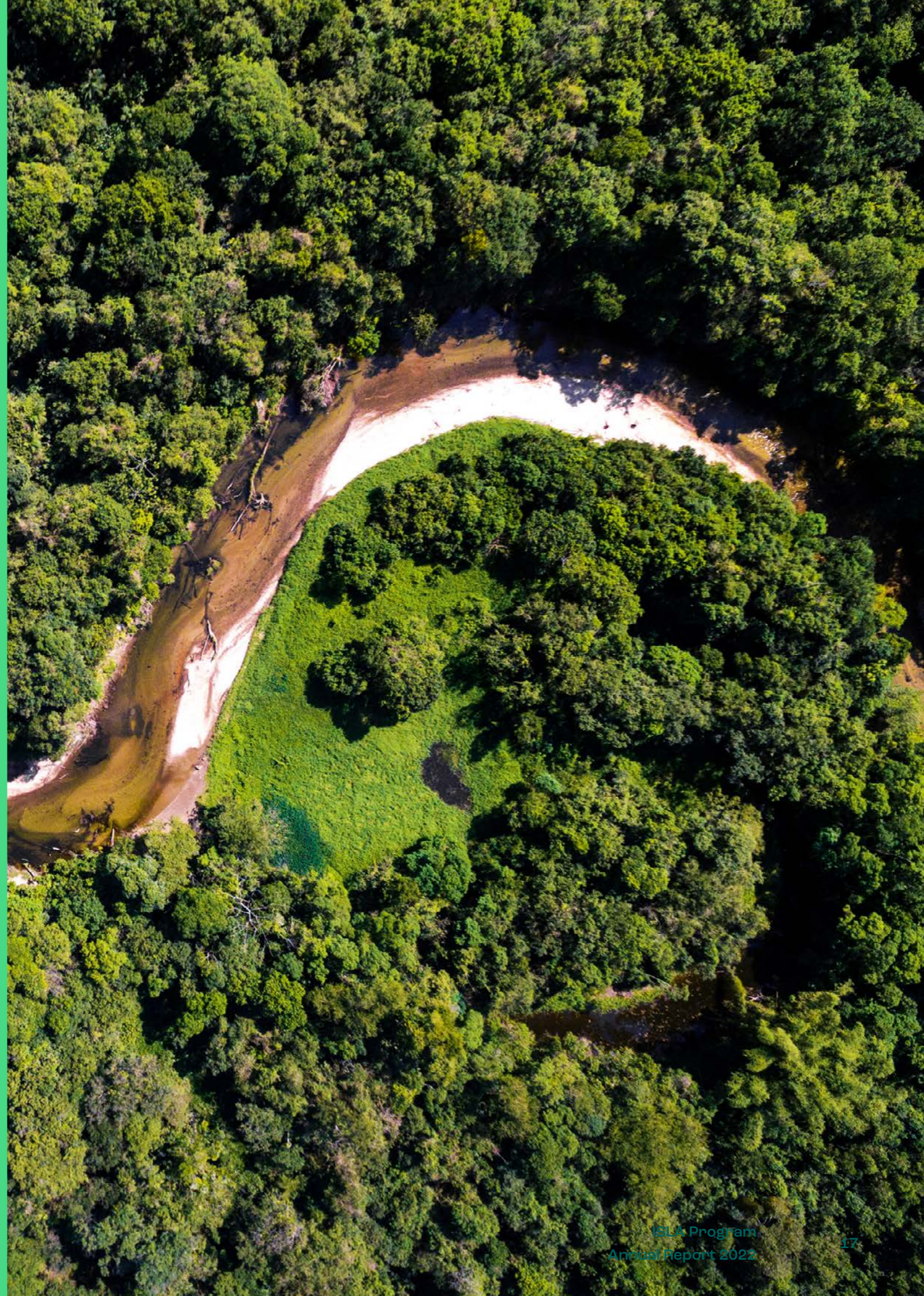
protected – which appears to be challenging. We are however still hopeful that some pilots can be set-up in specific landscapes where cadastral data and farmer registration data are already available (e.g., Vietnam). Monitoring of deforestation is another area of work where pre-competitive collaboration is needed, with participatory processes to verify in the field the deforestation alerts captured by satellite monitoring.

Political cycles affect deforestation activity: Elections and changes in policy or governance arrangements continue to impact our work. Presidential and governor elections in Brazil slowed down program implementation, due to uncertainties regarding the partnerships to be created/deepened. We also observed an increase in deforestation trends in Balsas region, as criminal groups and non-certified soy producers started clearing legally and illegally at an accelerated rate in advance of the presidential elections and an expected change in Government. We however observed a reduction of deforestation in Mato Grosso state (based on Aug21-Jul22 data), which is the only state with its own forest monitoring platform, with nuanced variations per municipalities (decrease in Barra do Garças and Sorriso, while deforestation slightly increased in Juruena and Cotriguaçu).

Investment in smallholder dominated landscapes is still considered high risk: In the cocoa landscapes in Africa, access to finance for smallholder farmers remains a challenge, and our planned projects in this area are still under development. Getting local SMEs interested in the landscapes approach proves particularly difficult, and larger companies are sometimes cautious in engaging due to reputational risks linked to sourcing from protected forest areas. This last aspect has already led to difficulties in engaging the private sector in the collaborative projects we had planned in Mt Peko area in Cote d'Ivoire, and will likely get more challenging following the adoption of the EU-DR. We are currently re-thinking our approach to focus on the development and formalization of a landscape government agreement before engaging at field-level.

03

Sourceup



Program description

The Landscapes program aims to contribute to the development of landscape-level sourcing and development models that are viable for buyers of tropical agricultural commodities, and that can improve the well-being of farmers, and protect and enhance the natural environment. A key enabler for success at scale is the engagement of buyers in landscape programs; this engagement fuels the virtuous cycle of sustainable social, environmental and economic development of production regions. There is a growing relevance for global buyers (retailers, brands, processors, etc.) to engage in key production landscapes, to reduce reputational and business risks and maintain / create business (sourcing) opportunities. But in practice, the structural involvement of global buyers in landscape programs is still limited. The following hurdles have been identified that currently prevent adoption at scale of landscape involvement as an integral part of companies' sustainable sourcing approaches:

- Limited awareness & clarity with buyers, financiers and other stakeholders of the concept of landscape engagement and its potential as a solution to achieving sustainability ambitions (this results in limited funding allocated by companies to programs that aim to address root cause of sustainability risks they face – beyond CSR/flagship projects)

- Lack of easily accessible information on individual landscape programs and the possibilities to meaningfully engage with them
- Differences in ambitions and culture / communication across landscape programs and between Landscape programs and buyers / sector initiatives impede operationalizing the engagement
- No availability of verification options of landscape program results
- Difficulties to integrate landscape engagement in reporting and to make company claims
- Limited number of Landscape programs in sourcing regions

We have identified four priority work areas that will help us address the hurdles for landscape engagement at scale:

1 Tool development

- Develop an online engagement platform (SourceUp.org) that enables efficient communication and engagement at scale between buyers, Landscape Programs and other stakeholders
- Establish routes to verification : collaborate on and support development of scalable landscape-level verification systems, that provide credibility to the Landscape Program results with key partners.
- Align on common frameworks for making claims and for reporting into international reporting frameworks on buyers' positive impact.

2 Stakeholder sensitization

Actively engage with global buyers with landscape program teams, financiers, governments and other key players, to ensure their understanding and buy-in (business case) on the landscape approach and the available tools (see 1).



3 Sector convening

Brokering sector initiatives to drive adoption at scale of the landscape approach as a solution to support sustainable sourcing ambitions.

4 Landscape engagement support

Further support landscape programs and buyers to enable operationalization of the mutual engagement such as alignment of landscape goals with market requirements and setting up monitoring & evaluation in line with global reporting initiatives or regulation / policy requirements.

Program progress in 2022

The team has worked to further develop, test and fine tune the SourceUp platform. This resulted in improved user friendliness and better alignment with requirements from buyers and Landscape initiative teams. Throughout the process specific still existing limitations of the platform have been identified; particularly the lack of possibility to use of local language on the platform (e.g., French, Bahasa Indonesian or Portuguese) and the limited fit of the framework to aptly showcase goals, indicators and objectives. These limitations to the platform are being addressed in 2023.

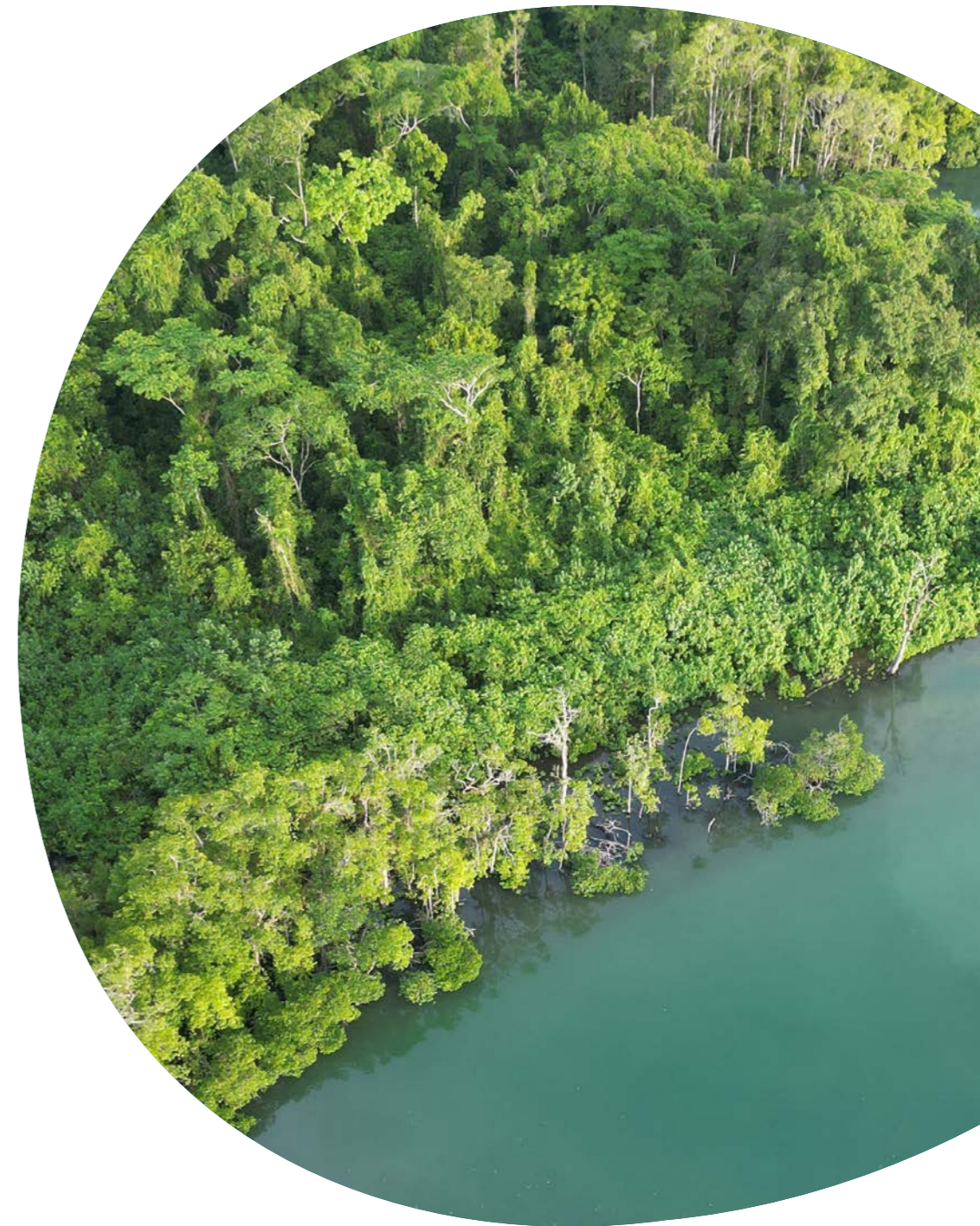
Important foundational work for the scaling of SourceUp has been done in 2022, through extensive external communication and exploration of possible collaborations. As a result of this, SourceUp has been identified by the Consumer Goods Forum's Forest Positive Coalition (FPC) as the reporting platform to track and report progress on the 22 Landscape Initiatives supported by FPC members. In 2023 SourceUp and FPC will collaboratively further detail out this potential partnership and the specifications to make the SourceUp platform fit-for-purpose.

By the end of 2022, the number of Landscape Initiatives registered on SourceUp is 24. More compacts have been formalised, particularly in Africa towards the end of 2022, but these haven't yet been registered on SourceUp.

Various options to enhance the business value of the online SourceUp platform have been explored in 2022. With the aim to drive the uptake of the platform by both buyers and Landscape Initiatives, particularly:

- The possibility to include a diagnostic tool in SourceUp, including relevant maps, deforestation and other geo-spatial data at a landscape level
- The possibility to include risk ratings per landscape on environmental, social and governance topics, to inform both buyers and local landscape stakeholder of the performance and development of the landscape vis à vis relevant due diligence topics. For this, the sustainability indicator project in a consortium with Wageningen University has continued

These options will be developed more concretely throughout 2023 and 2024.



04

Carbon & Landscape finance



Carbon Strategy and Investments in 2022

In 2022, our carbon development strategy was launched, and the carbon development team worked with local teams in Brazil, Vietnam and West Africa to start shaping the thinking on possible carbon finance pilots. These pilots aim to test the best approaches to ensure the necessary financial flows for agricultural and land-use transition for low-carbon and resilient models.

- Four projects have been approved in Vietnam to transition to a low carbon coffee cultivation model in sourcing regions, in partnership with public (MARD) and private sector (JDE, Nestle, ACOM, Simexco and other local players).
- In Brazil, IDH is working with the beef chain to promote regenerative practices with smallholders, who are indirect suppliers for beef companies. We are determining the carbon footprint for calves production and developing monitoring systems and allocation schemes to connect the smallholder with food companies' decarbonization commitments.
- In West Africa, IDH works with cocoa supply chains, facilitating finance smallholders. We co-fund and provide technical assistance to scale up Ecookim's efforts to transition from traditional cultivation of cocoa by smallholders in Cote d'Ivoire to agroforestry systems. We do this by supporting business case development for farmers, land

registration affairs, strengthening links to markets and promoting agroforestry premiums.

While supporting the design and development of beef, cocoa and palm oil carbon insetting² pilots, IDH identified 3 key challenges:

- National-level regulations in many countries are still unclear or restrict carbon trading and/or insetting models for the private sector.
- Another challenge for mobilizing private sector insetting investment expressed by partners is the fact that their relationships with suppliers are often short term. This means that if a supply chain company invests in insetting projects with producers and supports them in a transition to low carbon production, there is no guarantee that the reduced emissions from their investments will be attributed to them in the future.
- A third challenge and priority for IDH is the business case for and benefit sharing with the producer/smallholder farmer.

To overcome such challenges, IDH focusses on channelling the efforts for decarbonization to sector-level alignment (E.g. through CFI in West Africa) and to national government direct

engagement (E.g Vietnam), and co-invests in building and validating the business case of a low carbon production model transition for the producer/smallholder farmer (Brazil, Vietnam) to track new pathways for promoting decarbonization at scale.

With respect to mobilising the TA facilities key accomplishments, as of May 2023, the team has supported in total 30 partners pre-investment TA and 9 partners post-investment in over 20 countries across Latin America, Africa, and Asia and more than 20 commodities from coffee and palm oil to cattle and artemisia.

Of these, our combined TAFs successfully supported 9 projects to qualify for an investment by a Landscape Finance partner fund, which cumulatively brings the total investment by Landscape Finance partner funds in IDH TAF supported projects to over US \$128 million.

With ISLA co-funding, in 2022 TA enabled investment of &Green Fund in HDL's zero deforestation palm oil mill in West Kalimantan. The TA helped develop Landscape Protection Plan (LPP) and Environmental & Social Action Plan (ESAP), underpinning the subsequent \$12mm, 8-year investment in the new No Deforestation, No Peat, and No Exploitation (NDPE)-compliant mill, which includes a commitment to implement fully traceable

NDPE-compliant sourcing from smallholders. 50% of the TA was through a "repayable grant", i.e., in the event that HDL would sign a financing agreement with the &Green Fund, it would reimburse IDH. HDL reimbursed IDH for the reimbursable grant component of the TA in March 2023. This ISLA funding is again being deployed in 2023 to prepare a new investment project in Indonesia.

One of the key lessons we are learning through our TAF work is the need for earlier-stage capital with a different type of funding mix, especially on local currency and smaller financing size. We also see the need for a more tailor-made, locally grounded TA to enable investment readiness. These findings have led to concept development of a National TA Hub linked to a Finance Network of like-minded, complementary investors. We also envision an early-stage, catalytic seed capital facility allowing for the piloting of new concepts and testing business models supported by more grant-like capital and TA. This national TA Hub approach will enable high-impact investment leading to land restoration and better incomes at scale.

In 2022, this concept was pitched in the funding proposal to the Global Environment Facility (GEF) with aim to pilot the first national TA Hub in Colombia. The proposal was recently approved with a USD 2mio GEF funding and USD 1.42mio of co-financing from IDH, Mirova, UNCCD, and CI.

2. Insetting is a strategic mechanism used to scale effective nature-based solutions, enabling businesses to deliver against ambitious climate and sustainability goals and harmonise their operations with the ecosystems they depend upon. (Source: International Platform for Insetting)

05

Landscapes



Brazil

Program description

IDH has been working on addressing legal and illegal deforestation in Brazil since 2015, building on an innovative [landscape approach](#) and committed to promoting sustainable management and development.

In Mato Grosso state we are planning our exit strategy for the PCI Institute Business Model (although IDH will remain connected to the institute through the governance Committee), while the post-compact implementation of the PPI Governance in Juruena Valley, Sorriso and Barra do Garças achieved its maturity. We have continuous support from the public sector to ensure environmental regulation with the Brazilian Forest Code and support its jurisdictional REDD+ agenda.

In Pará State, we initiated the strategy for the implementation of a Green Growth Plan (GGP), by convening with representatives from the private agriculture sector, i.e., the Agriculture and Livestock Federation from Pará (FAEPA). This led to the signature of a [Memorandum of Understanding \(MoU\) between IDH and FAEPA](#), as well as a letter to support the *Pará Agora 2030 Sustainable Territories State* strategy.

In March 2022, [IDH Brazil launched the Sustainable Production of Calves Protocol](#), in collaboration with Carrefour Brazil Group, and CNA (The Brazilian Confederation of Agriculture and Livestock). This is closing the loop on the complete traceability of Brazilian



livestock production, from calves to final consumers, providing inclusion, transparency, and data protection.

The ABC Technical Assistance Facility pilot was prototyped. Development pathways and partners able to support our work were identified. Additionally, we convened the private sector on local sourcing and new partnerships - *more information available under section 3. Program progress in 2022 – Business Practices.*

At the field level, IDH Brazil focused on the Sustainable Production of Calves Program in Juruena Valley, Araguaia and Pantanal expansion by securing commitments from Mars, the three largest meatpackers (JBS, Minerva and Frigol) and the leather industry (Vancouros) to support the traceability of the Calves Platform. The 2nd phase of the Cultivating Sustainable Life project co-financed by Cargill (650K Euros) aims to



support smallholders in the sustainable production of family agriculture products. The project *Nosso Leite (Our Milk Program)* will be developing its 2nd phase (more information in section 3. Program progress in 2022 – Field Level). A co-funding project was signed with Fapcen (IDH's Brazil most important partner in Balsas Region Compact) focusing on decreasing deforestation in the soy landscapes.

Program progress in 2022

In 2022, there was a significant increase on IDH's activities in Brazil as we expanded our work in four different regions – **Mato Grosso (MT)**, **Maranhão (MA)**, **Pará (PA)** and Rio Grande do Norte (RN), Pernambuco (PE) and Paraíba (PB) States in the **Semiarid** region (partnership with Laudes Foundation).

Governance

Our key achievements in Mato Grosso, Maranhão and Pará in 2022 included at the federal level the signature of the MoU with the Ministry of Agriculture, Livestock and Food Supply (MAPA). This new partnership seeks cooperation in the implementation of the ABC+ Plan (National Policy for Low-carbon Agriculture) and the development of new market mechanisms related to carbon finance. In 2022, IDH contracted a specialized consultancy under NORAD, to develop the REDD+ agenda, identify and discuss the challenges and opportunities of implementing national and subnational REDD+ activities in the context of Brazilian nationally determined contribution (NDC) and carbon market. Facts and analysis of the Paris Agreement market instruments and voluntary market (mitigation scenarios) were presented to IDH, SEMA and GCF. A Cooperation agreement with the Brazilian Development Bank (BNDES) was signed to jointly implement and /or support sustainable development projects and initiatives that contribute to generating positive social and environmental impacts in Brazil.

IDH is part of the governance of the PCI Institute, while supporting it at strategic and financing levels (ISLA funds the PCI Executive Director position). An assessment of the investments needed for the delivery of the PCI's [targets](#) up to 2030 was delivered as a result of IDH's efforts to coordinate the Investment Committee of the PCI. A business model for the PCI Institute is under implementation, aiming to develop a legal entity that coordinates the institute's strategy. In addition, studies to support the strategy were developed with NORAD and ISLA funding on the *Analysis of the land occupation and planning in the twelve municipalities of Maranhão and four municipalities in the state of Mato Grosso in the period 2010 to 2020*.

The post-compact implementation in MT regions of Juruena Valley, Sorriso and Barra do Garças, continued with local committees' implementation, monitoring frameworks, investment pipeline development, and assessments on climate vulnerability. We also continued building connections with the private sector in USA and EU, to show case the compacts and its goals. In Sorriso, aligned with the investment pillar, 18 producers accessed the [Guarantee Fund](#) in 2022.

Improved business practices

Under ISLA, the development of the ABC TA Facility is currently ongoing. In 2022, IDH concluded the baseline assessment of the carbon footprint calculations for farmers participating in the Sustainable Production of Calves Program. The carbon assessment consultancy activities entered their second phase with WayCarbon, which focuses on the improvement of the tool. Credit screening of producers from the sustainable calves' program was concluded by Creditares, and a report with their credit profile is under analysis. We have also hired the company, BovControl, to develop the digital monitoring system through which the facility will operate.

The soy strategy and the opportunities for the private sector, focusing on having a better food system, were also presented at events such as the [UN Ocean Conference, in Lisbon](#). IDH Brazil was involved in conversations with the Soft Commodities Forum (SCF) and their Farmers First Cluster Strategy, where there are many opportunities for co-financing activities in the years to come, and PCI Mato Grosso is officially supporting the SCF initiative. Balsas Region and Sorriso PCI Compacts have become strategic landscapes for companies willing to buy sustainably produced soy, such as IKEA, Cargill and others.

In addition, IDH was involved in the pre-investment support between &Green and FS Bioenergy, that resulted in a [partnership](#) between both organizations and will [contribute directly](#) to the Sorriso PCI Compact. FS has been a signatory member of the Sorriso PCI Compact since 2019.

IDH Brazil has been promoting SourceUp since 2018 to our stakeholders, promoting the connection with the post-compact agenda and markets, while updating the platform with information from the PPI Compacts.

Field level interventions

Connected to the PCI Compact strategy and delivering part of the compact goals, the field level projects are key to create models for scalability, connecting its activities to the broader landscape strategy and private sector investments. The Sustainable Production of Calves Program was implemented in three different regions in Mato Grosso with the support of ISLA in Araguaia and Pantanal, and of NORAD in Juruena Valley. Hence assisting 301, 58 and 172 producers respectively, with more than 70,000 hectares for conservation area under the program and a total area of 218,000 hectares of impacted farmland.

With the ISLA support in Juruena, the Nosso Leite Program (Our Milk) reached 30 producers, with IDH direct impact in 12 smallholders' dairy farms in Juruena and Cotriguaçu. Most of the beneficiaries are women who have improved their production by more than 50%, in partnership with SEBRAE and Sicredi. This project is strategic for the landscape program, as in 2017 the Compact stakeholders identified the improvement on dairy production practices as critical point for the Inclusion agenda. A project for the cocoa chain with agroforestry practices is under development in collaboration with the Calves producers, focusing on diversification of production and better land use, as agreed under the PCI Compact MoU.



In Sorriso, the 1st phase of the Cultivating Sustainable Life Project benefited 280 producers, supporting family agriculture products like fruits, vegetables, and milk and 34 small and medium soybeans producers who are RTRS certified. The second phase of the project is under development (in partnership with Cargill). All those activities are closely related and contribute to supporting the PCI Compact Sorriso and the PCI State strategy.

In Maranhão, a project to improve the crops production of family farming in the communities was developed and will be implemented in 2023 in cooperation with FAPCEN. Two additional projects in partnership with AGERP/ SEBRAE and ABIOVE, were discussed and planned to be implemented in 2023, aiming to improve smallholder non-commodities producers', being directly related to the decrease of deforestation. Family farmers' support is key to



achieve the Conserve and Include Pillar goals, by avoiding land use change and ensuring food security – addressing better living conditions, resilience, and environmental awareness.

In addition to the field projects, another innovation implemented in 2022 was the TA HUBs or Producer Support Center (CAP), an IDH initiative in partnership with municipalities and rural unions to promote environmental compliance and more sustainable production. CAPs are service centres for rural producers to access specialized support for environmental and land regularization, free of charge for all producers. In addition, producers can learn and access project opportunities that take place in the PCI Compact. The CAPs in Sorriso, Barra do Garças, Juruena and Cotriguaçu carried out 765 consultations in 2022.

Challenges and learning

At the general management level, the return post-lockdown was not simple. Levels of contamination in Brazil were still high in the

first quarter of the year with the omicron variants resulting in delays for the first two months of 2022. The costs of logistics were much higher than what was budgeted in 2020 for ISLA.

2022 was elections year in Brazil resulting in the deceleration of the program implementation. IDH team in Brazil had to be strategic to what concerns their convening work considering the elections results. Especially considering the development of the correct connections and partnerships for the coming 4 years. This represents a collective learning that delays the projects implementation due to the political agenda at the federal, state, and municipal level.

Other activities

- DANIDA proposal and approval of a three-year proposal for Maranhão, under the soy strategy, including the development of CAPS, co-funding project and support for the Balsas Region PCI Compact governance.
- Development and approval of a five-year program in the Semiarid region, to build three PPI compacts and two field-level projects, in a strategic partnership with Laudes Foundations financing.
- IDH Brazil has also facilitated visits from the IDH HQ team, and the Norwegian and European union delegations.
- COP 27: signatures of a MoU with Brazilian National Development Bank (BNDES).

Country-specific risks

Risk	Has this materialized in 2022 and did it impact the program?	Team's response
Changes in the political directions at federal level and state level in Mato Grosso	Yes, but with no impact	Elections were held in October 2022, so the changes in political directions will occur only in 2023. On the Federal level we expect positive changes. In Mato Grosso, a new governor was elected. In Maranhão, political leadership has changed but still following the same political direction.
Uncertainties around SourceUp and Compacts value proposition for market players	Yes, with no impact	There was a continuous alignment with SourceUp team. On the program development and targets set, this uncertainty did not directly affect the deliverables.
Deforestation rates in Compact regions	Yes, with no impact	<ul style="list-style-type: none"> • PRODES data (Aug21-Jul22), which is the most recent data showed deforestation reduction in Mato Grosso state (-14%), including Barra do Garças (-43%) and Sorriso (-52%). Juruena and Cotriguaçu showed a small increase compared to the surrounding municipalities (+32%). Deforestation still happens, but the state of MT has never been so effective in combating deforestation, it is the only state in Brazil with its own deforestation monitoring platform. • Fighting illegal deforestation is one the PCI Compacts objectives, and within our projects we work with d-free producers and with producers to regularize any liabilities according to Forest Code. • In Balsas region, there was an increase in deforestation (+59%), explained by the elections, when criminals and soy producers who are not RTRS certified realized that Lula could win. Thus, they cleared as much forest as they could, legally and illegally. • It is important to understand the elements that supports the decreasing of deforestation in Brazil: 1) command and control enforcement; 2) market demand for zero deforestation products, where for soy there will be an enormous increase on demand side while RTRS certified producers will be well compensated, until EUDR establishes a plateau on the demand side, balancing offer and demand; 3) support for better conditions for smallholders to be “profitable” in their small business, being able to access credit and investments for higher productivity.

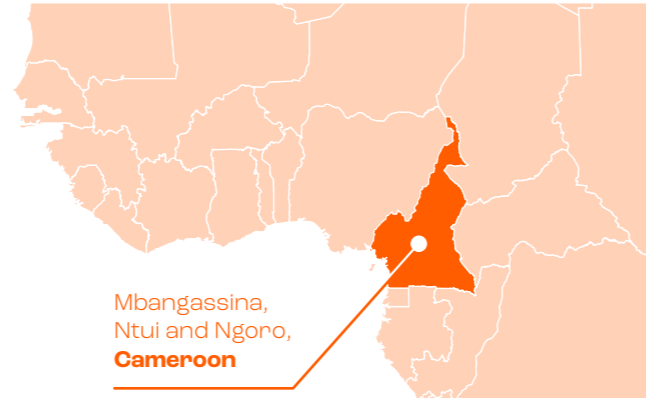
Cameroon

Program description

The Green Commodity Landscape Program (GCLP) is a landscape level multistakeholder program that aims to support sustainable production of commodities by bringing together key stakeholders to co-design and jointly implement actions that help protect forests and enhance livelihoods for farmers and surrounding communities in the Grand Mbam landscape using cocoa production as an entry point to the landscape. Next to cocoa, supply chains of maize, timber, banana, fruits and cassava will be included in the program.

The strategy is based on a Landscape approach in which industry partners (from cocoa and other sectors), public partners, financiers, CSOs and knowledge partners work together, through the development of land-use plans that protect forests, address the needs of local communities, and help make cocoa farming a sustainable livelihood option.

The program focuses on the municipalities of Mbangassina, Ntui and Ngoro, which are rural neighbouring councils located in the Mbam-et-Kim division, Center region Cameroon. This area is the second biggest cocoa production basin in Cameroon, where all cocoa companies are sourcing from. In this area, forests have been significantly



encroached by cocoa farming. The pressure on remaining forests is expected to further increase, driven by the government target of doubling cocoa production in the country by 2030.

Through the projects we are co-developing and co-financing with partners, we aim to inform the national cocoa platform at the national level (which IDH helped to set up through the Cocoa program) to encourage companies and other partners to scale up successful approaches in their supply chains and areas of influence.



Program progress in 2022

Governance

In 2022, we progressed our governance-level work in Mbangassina municipality with the signature of a PPI Compact in December 2022. The Compact defines 2030 targets for the municipality. To inform the development of compacts in Ntui and Ngoro, we commissioned a baseline study, with results available early 2023. This delay in the baseline study led us to shift our plan to sign a compact in Ntui to 2023 (instead of 2022, as originally planned).

We facilitated the creation of a consortium of the 5 municipalities of Mbam & Kim, which is the platform where mayors can share their experiences and develop projects together. We use this platform to reach other mayors

who are not in our priority areas, namely the mayor of Yoko and Ngambe Tikar who are regularly informed of IDH activities. This has led to discussions with NHPC, a French hydropower company who consulted IDH during the development of the management plan of Mpem & Djim Reserve (a national park with more than 98 000 ha of forest and rich wildlife and biodiversity) on how to prevent encroachment of this natural reserve from farmers of neighbouring municipalities of Ntui, Ngoro and Mbangassina, in collaboration with the Ministry of Forestry and Wildlife.

In 2022 we helped set up a new coalition in the Municipality of Ntui, which will be formalised with a Decree signed by the Mayor in April 2023, when we also intend to have landscape stakeholders sign a Letter of Intent to confirm their interest in developing a PPI compact. The GCLP program was also introduced in the municipality of Ngoro in 2022.

In parallel to our convening activities, we also facilitated a number of partnerships, that respond to coalition partners' needs and ultimately contribute

to PPI compact targets: A union of cocoa cooperatives was created in 2022 through IDH facilitation; the union brings together 2000 cocoa farmers from 17 cooperatives in Mbangassina, and is aiming to help cocoa farmers and their organisations mutualise their effort when purchasing inputs, benefit from technical assistance and expertise of partners, such as interventions from the counter producer desk “Guichet des Producteurs” that provide 40% subsidy to cocoa farmers to acquire inputs and invest in their farms. This equally gives the union a bargaining power with cocoa companies, by facilitating the commercialisation of cocoa at a higher price for farmers. In 2022, it enabled them to sell 2000 tons of cocoa, for 1250 FCFA per ton, which is the highest price in the region (the average price is 1000 FCFA).



Improved business practices

To support cassava women association, find new markets, IDH connected them with TJC, a young entrepreneur which acquires cassava for processing. Women will be able to sell cassava to TJC, who will also assist them in increasing production and quality of their products in 2023-2024. TJC is planning on working directly with 100 women out of 1000 members of the cassava association.

Activities under the Cargill ASCOKYB Forest Forward project started in April 2022, with the following achievements:

1. **Promoting long-term productivity of cocoa in environmentally suitable areas:** 1157 farmers have completed the Farmers Field School sessions. A total of 540 farmers were trained on Good Agricultural Practices during 2 sessions of refreshers in 18 farmers field schools in 8 communities (Bikong, Yalongo, Kombe-Mbenge, Lada, Ossombe, Endama, Nguila, Mbianjuela). 15 coaches were trained to take on the coaching of farmers.
2. **Developing new zones and strengthen the management of existing cocoa-based agroforestry system in and in the buffer zones outside ASCOKYB- Community forest:** Preliminary discussions held with 147 farmer representatives of 23 farmers associations (cooperatives, Common Initiatives Groups coming from 8 villages), for a total of 1157 farmers, and 6 focus group discussions with 121 cocoa farmers were organized in 7 villages. Main villages around the community forest have been identified and 3 others with high impact on the forest were also identified. A rapid diagnosis of the current cocoa production

system was developed, and a nursery management committee has been installed in each site with a capacity to produce 5000 plants in 3 years.

In 2022, we also started engaging with AMS-ECOM on the development of a PPI project covering two additional community forests in Mbangassina and Ngoro municipalities, with a total of 10 000 ha of Community Forest to be restored and protected. This project was approved in Q2 2023, and implementation is to start in Q3 2023.

Field level interventions

To complement the output/outcome reporting, we are also planning on collecting additional data that will inform our work moving forward e.g., a household income survey of 2000 cocoa farming households, which will help inform the mix of income drivers of the AMS-ECOM project in 2023.

Additionally, to the activities described in the “improved business practice” section above, the Cargill ASCOKYB Forest Forward project, focused on:

1. **Preventing further conversion of forests for the production of cocoa:** Activities first focused on farmer mapping and traceability, with a total of 2090 farmers (out of a target of 3500 farmers) mapped in Ntui and Mbangassina. Deforestation risk assessments were then carried out for each farmer mapped, leading to the identification of farms with indications of illegal exploitation of timber or wild sawing, raising awareness among owners of riparian farms. The objective is to reduce the number of illegal logging sites

2. **Developing technical and business capacity of capacity of community forest (CF) groups towards viable community forest enterprises:** A large information meeting was organized in Ntui bringing together the decentralized local authorities, specifically the mayor, representatives of the senior divisional officer, divisional delegates of forestry and agriculture, 14 local chiefs, and 24 farmer leaders.

Field inventory of community forest resources shows that the CF forest still has:

- 1118 ha of Mature and Young Secondary Forest which can still be preserved
- 3046 ha occupied by cocoa farms that can be enriched with forest and fruit tree plants in the cocoa fields of community members
- 222 ha occupied by fallows and savannahs which will be restored through planting of forest and fruit tree species coming from community nurseries set up in the nearby villages.

In terms of additional livelihood support activities: A total of 9 groups of women have been identified and debriefed on the creation of community forest enterprises (focusing on the production and transformation of cassava, and maize. Three groups for women involved in NTFPs are also being created in Ossoumbé and Lada villages.



Challenges and learning

- Extensive communication is paramount to secure buy in of communities and key stakeholders when it comes to forest protection and restoration. Through debriefing meeting, we engaged with communities and their representatives, local authorities on the program strategy and the expected outcome. This enabled to also collect their input and secure their implication in the projects being developed and the coalitions IDH created help convey the message, while being empowered to continue follow up and discussions with key partners.
- The creation of Management Committees in the sites where nurseries have been set up has made it possible to empower community members to ensure the maintenance and sustainability of tree nurseries. Initial visits and discussion with village heads and community forest leaders reveal that the three communities are excited to revise the ASCOKYB forest basic management plan and develop strategies to prevent further encroachment into the forest. However, there are pockets of

resistance coming from some members of the community who might have sold or bought land in the community forests. We will involve these members in the update of the management plan.

- Specific types of farms were identified: farms developed by indigenous citizens who have kept majority of native trees / farms developed by elites (that have cut all trees)/ farms developed by migrants from the Southwest and Northwest region with their own model of agroforestry. ICRAF, the implementing partner of the ASCOKYP project, will develop specific interventions depending on the category of the farm.

We learned that the landscape approach is easier to present when we have identified a partner/ field project ready to be implemented. Communities are used to discussing with implementing organisations that can execute projects with immediate results (e.g., ICRAF). It should be however noted that the realisations achieved in Mbangassina with key partners have helped communities understand what they are gaining from the landscape program. For example, the discussions that we started last year with the Cassava entrepreneur TJC, have contributed to a fund raising of XAF 60Millions to improve the quality and production of cassava, of 100 women out of a target of 1000 women. This helps demonstrate how some of the discussions happening at the level of the coalition can lead to the creation of new partnerships.

The creation of the national cocoa platform in November 2022, through the Roadmap to Deforestation Free Cocoa (RDFC) is coming at the right time as findings and learnings of the GCLP will help inform the discussions of RDFC signatories' commitments.

Country-specific risks

Risk	Has this materialized in 2022 and did it impact the program?	Team's response
Reduction in cocoa prices	No	Cocoa prices remain stable in Grand Mbam. The union of cocoa cooperatives has benefited from high prices compared to other organisations that sold their cocoa individually.
Exacerbated climate change negatively impacts yields	Severe droughts continued in 2022 have led to a reduction of yields in the Center region and Grand Mbam in particular	In addition of the work conducted by ICRAF on cocoa agroforestry in Cameroon, commodities diversification activities, and resilience of cocoa systems to climate change, IDH has started discussions with the National Observatory on Climate Change in Cameroon to monitor and assess the socio-economic and environmental impacts of the climate change for the municipalities Grand Mbam and to propose measures for the prevention, mitigation and/or adaptation to harmful effects and risks associated with these changes.
Resistance to engage in the protection of Community Forest	Resistance was seen during the inception of Ascokyb Forest Forward	Sensitization and debriefing meetings to community members with support from sectorial ministries, local representatives, women and community representatives of Ntui, followed by the creation of management committees.
Change in the leadership at municipality level (municipality elections)	The next elections are due in 2025, however we need to anticipate	Members of the coalitions are designated by their peers; a coordinator is designated to supervise activities in case of the absence of the Mayor. A mandate is also given to the steering committee to conduct discussions with partners
Communities do not see the value in protecting their community forests	Yes – the community forest is being gradually encroached.	This is being addressed through the Acokyb project, and the upcoming project with AMS_ECOM, which will support the protection of two additional forests in the landscape. In the Ascokyb project the revision of the existing forest management plan will focus on cocoa agroforestry with activities directed towards: <ul style="list-style-type: none"> • Assisting the ASCOKYB community with a long-term vision of an agroforest with different micro zones: e.g., conservation area exempt from cocoa and agriculture • Assisting families within the forests to manage space and adopt intensive cocoa agroforestry systems • A monitoring system to avoid further conversion of forests to cocoa farms.

Côte d'Ivoire

Program description

Located in southwestern Côte d'Ivoire, Taï National Park is a tropical rainforest rich in biodiversity and home to many endemic and endangered species. The forest also provides ecosystem services, such as climate regulation, which support agricultural production in the surrounding regions, including the Cavally region.



Taï National Park,
Cavally region,
Côte d'Ivoire

The Cavally region covers 11,376 km² with a population of approximately 600,000 inhabitants. It is an important cocoa production area in Côte d'Ivoire, with more than 10% of the national production of cocoa beans. Over the last three decades, agricultural expansion and population growth have caused massive deforestation in the surrounding forests, particularly the protected areas such as the classified forests of Cavally, Goin-Débé, Scio, and Mont Sinté, which have lost more than 90% of their forest area. The exception is the classified forest of Cavally, which still retains about 60% of its forest cover and which is under constant threat, as is the Taï National Park. According to statistics, this region lost 80% of its forest cover between 1960 and 2018, and deforestation is mainly linked to agricultural activities. One of the consequences of this heavy deforestation is the appearance of climatic irregularities that affect crops as well as food security.

This situation has serious impacts on both cocoa production and export, especially for

international supply chains that also depend on the region for other raw materials such as rubber, coffee and timber. The Cavally region also has one of the highest population densities in the country, consisting of a diverse population of local communities and migrants. The cohabitation between these populations regularly causes conflicts between the indigenous populations and the migrants regarding access to resources, and conflicts between the producers and the state structures in charge of monitoring the protected areas to ensure forest conservation.

It is in this context that the ISLA program has been designed for this region. The program aims to address sustainability issues beyond the farm level, by combining a value chain approach with a landscape approach. It aims to find a balance between the forest, agriculture and the populations living in the peripheral area of the Taï Forest and intends to achieve this through a multi-



stakeholder coalition, which will jointly design and implement solutions to sustainability challenges faced by the region.

The Cavally Regional Council, with the financial support of the IDH, committed to this sustainable development approach, through the development and adoption of a Green Growth Plan in 2021. In addition, a landscape coalition has been established earlier in 2020 to oversee the development of this green growth plan and its implementation. The coalition includes public and private sector actors, technical and financial partners and representatives of civil society, NGOs, representatives of the population and of producers, and has committed through a Memorandum of Understanding (signed in 2022) to the achievement of the objectives of the green growth plan, structured around the three pillars of Production-Protection-Inclusion (PPI).

Program progress in 2022

Governance

In 2022, IDH implemented three key activities that allowed to formalize and operationalize the PPI Platform:

- We convened the regional council and 21 key stakeholders of the Cavally region, to sign a Memorandum of Understanding for the implementation of the green growth plan. Signatories included six (6) private sector companies (two from the cocoa sector (Cémoi and Olam), two from the timber sector (Thanry and STBC), one from the rubber sector (CHC of the SIAT group), the most important Microfinance Institution (UNACOOPEC-CI) and a cocoa cooperative union.
- Secondly, IDH advocated towards the Prefect's Office of Cavally (the highest government representative in the region) to sign the decree institutionalizing the governance of the platform. In addition to providing the platform a full recognition from both the public and the private sectors, this allowed to build trust with the partners and clarify the framework for action.

- Finally, IDH conducted two capacity building sessions to strengthen the ability of the Cavally Regional Council to fully play its role in the management of the landscape coalition. These training sessions focused on building their understanding of the landscape approach, forest protection, the new forest policy, the management of a landscape platform and the monitoring and evaluation.

Improved business practices

IDH co-financed two major projects with two private sector companies, Ecookim and Olam, focusing on the promotion of cocoa and coffee agroforestry, forest monitoring (the Taï National Park and the Cavally classified forest) and support to the creation of additional income for producers and their families.

The Ecookim project aims to strengthen the capacity of the cooperative union for better agricultural practices (agroforestry) and to increase women inclusion by designing a gender strategy.

The project with Olam aims to support the company in building a more sustainable approach to coffee farming with their cooperatives, with improved farming practices (agroforestry), a renewed orchard, forest protection and community inclusion activities.

In addition, the project with OIPR continued with the participation in the project of the largest Microfinance Institution in the country, UNACOOPEC-CI. This project has allowed cocoa producers in the peripheral zone of the Taï National Park to strengthen the integration of agroforestry in their agricultural practices. The same is true for the small businesses set up by young people in the areas of nursery

production, poultry and fish farming by young people and women based on cocoa, which has helped to combat poaching in the park. Therefore, the project is supporting the OIPR strategy for the monitoring and protection of the Taï National Park through the involvement of local populations.

These three projects will all contribute to the targets identified in the green growth plan and PPI compact.

Field level sustainability

As outlined above, IDH co-invested into three projects with key partners in the region: OIPR (the national institution leading on parks and reserves management), Ecookim (the biggest national cooperatives union, also a cocoa exporter) and Olam (key exporter of cocoa and coffee in Côte d'Ivoire).

The overall objective of the OIPR project is to contribute to the preservation of the Taï National Park by promoting the empowerment and employment of young people and women in cocoa-producing communities. Thirty young people selected and trained last year have been supported to set up their small businesses with a strong ecological orientation. They will receive loans from the MFI UNACOOPEC-CI in the first half of next year in order to start their activities in nursery production, exploitation of fishponds and poultry breeding. As part of this project, 23500 tree seedlings were distributed to be planted on 2000 ha of cocoa plantations.

The Ecookim project (co-financed with the LDN technical assistance facility) aims to promote agroforestry through the development of a business case for producers. 463,791 tree seedlings were distributed to 8,400 cocoa producers who integrated them into 27,888 ha of plantations.

Activities carried out with IDH co-financing enabled 8,900 producers belonging to 28 cooperatives to adopt good agricultural practices following the various training sessions they received. These good agricultural practices covered a productive land area of 29,888 ha of cocoa plantation.

To promote a better targeting of alternative activities for income diversification, a study on the development of value chains was financed and carried out by the IDH Cocoa Business Unit, but technically supported by the local ISLA team. This study found that rice, maize, cassava and plantain production are the relevant value chains that producers in the Cavally landscape and their families should choose as diversification activities to ensure additional income gains.

In addition, there is an interest among the youth of the region in activities related to the protection and restoration of forests, such as the seedling production activities initiated by the ISLA program, in collaboration with OIPR, and of which at least one group of young nurserymen now exists in each village of our jurisdiction.

Challenges and learning

In 2022, the ISLA program faced several challenges, the most important of which are:

Difficulties in engaging the private sector in co-financing projects for protection and conservation.

IDH planned to implement a co-funding project with the private sector and the OIPR (the Ivorian Office for the National Parks) around



the Mont Péko National Park. This would allow us to scale up the landscape approach already tested in the Cavally region (creation of a landscape coalition around the park) in the Guemon region. Unfortunately, we did not succeed in getting the private sector to commit to co-fund together with IDH and the OIPR, despite various meetings and negotiations.

The main reasons given by the private sector for not engaging are:

- The regulatory framework for benefit sharing for carbon projects has not yet been established in Côte d'Ivoire. As a result, the private sector is still hesitant to invest in forest protection.
- Companies are afraid of possible reputational risks, as they are not sure there are no more cocoa farmers in the Mount Péko (as stated by OIPR but contested by NGO reports). Engaging in a collaborative project around the Mont Péko National Park could expose them to criticisms from NGO and lead to reputational damages.
- This situation has led us to limit the priority given to a possible investment in Mount Péko National Park and to re-evaluate our objectives in the area.

Challenges of co-funding projects with non-cocoa private sector partners (members of the landscape coalition)

Another challenge we had in 2022 was to co-finance a project in the Cavally landscape with a logging or rubber actor that is just as active in our landscape and contributes to deforestation and land degradation as the cocoa sector. In 2022, we had several working sessions with the private timber operator Thanry and discussed the possibility of co-financing a project on timber certification and another on reforestation in the Goin-Débé classified forest. The decision to proceed to the concept note development stage was to be made by Thanry's top management, who did not respond to our requests. These challenges have led us to reach out to all our partners and other private sector actors operating in the Cavally region to inform them of our commitment to co-finance innovative projects in the Cavally landscape.

Difficulties of some key actors in joining the Cavally landscape coalition

Olam and Cemoi have signed the PPI Compact, but other major players with a significant supply base in the Cavally region, such as Cargill and Barry-Callebaut, have not yet signed the compact or participated actively in the coalition (although their local agents participate sometimes in meetings). We are working on strengthening the business case for all companies to engage in landscape coalition and to demonstrate how the coalition can help them achieve their sustainability targets.

Other activities

Although we do not currently have co-funded projects with UNDP, FAO, the World Bank, and SODEFOR, the ISLA team works in synergy with these entities because they have activities in the Cavally region, where we deploy our jurisdictional approach.

This materializes in several ways:

- UNDP has developed a strategic plan for zero deforestation agricultural production based on the SRADT and the green growth plan co-funded by IDH. In addition, they are very active in the implementation of the landscape coalition, although they have not yet signed the MoU.
- Based on the green growth plan of the Cavally region, the FAO has developed its SCOLUR (Scaling up transformative innovations in Cocoa-based food systems, Land Use and Restoration) project, which will leverage the Cavally landscape platform. The expertise of the ISLA team has been solicited in the elaboration of these two documents.
- The SODEFOR (the governments' Forest Management Corporation) teams are our source of data on deforestation, and they actively participate in the elaboration of important documents of the landscape platform such as the green growth plan, the action plans of the platform and others.

Country-specific risks

Risk	Has this materialized in 2022 and did it impact the program?	Team's response
Slowness in financing from the private sector	Yes	<p>The team continues the negotiations with the private sector to get to an agreement on possible co-funding projects.</p> <p>Despite the goal to have contracted the totality of our budget in 2022, to date, we have mobilized a co-funding of 746,000 Euros out of the 1,500,000 Euros to be spent by end 2025.</p>

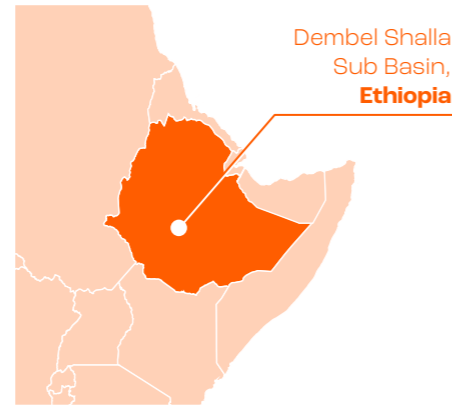
Ethiopia

Program description

The Dembel Shalla Sub Basin is home to rich biodiversity, beautiful scenery and is among the key horticulture corridors of Ethiopia, but the use and management of water and land resources are serious challenges in the sub basin. Related to that, livelihoods especially rural livelihoods, also remain vulnerable. These issues reinforce each other and exacerbate the threat to sustainable development in the sub basin. To add to that, most of the private companies in the landscape are involved in Floriculture, while almost all smallholders practicing irrigation are involved in vegetables and fruits production. The fact that private companies and smallholders are not integrated in the same commodity value chain slows sectoral development especially for smallholders.

Since 2016, key private, public, NGO and farmer organization representatives were convened through a platform established by IDH to facilitate dialogue and jointly find solutions to these challenges. Through repeated platform meetings and bilateral meetings, IDH and platform members (partners) agreed to prioritize interventions in 3 key thematic areas:

1. Capacity building for smallholder farmers to shift to good agriculture practices.
2. Reforestation & rehabilitation of degraded lands, and development of alternative livelihoods for communities



3. Supporting government with improved water resources management frameworks/tools

IDH and the partners jointly implemented about 12 projects as well as several studies, events and workshops between 2016-2022. Through these interventions, the program had the objective to improve water and land resources use and management (Better environment) and improve livelihood options and income for communities (better income). The results achieved through the program will be further discussed in following sections.



Program progress in 2022

Governance

The Dembel (former Ziway)- Shalla Sustainability Partnership platform was formalised through the signature of a Production Protection & Inclusion Compact by thirteen members. Ten members have already drafted their commitment plans for 2023-25, both as individual organizations and in collaboration with platform members. Common priorities set by the compact members in the 2023-25 plan include Restoration of more degraded land in the landscape, capacity building for communities in eco-friendly enterprise development, and developing the sub-basin as a key tourism destination.

To support the members (mainly water users and regulators) in refining their commitment plans and implementation, one training on water stewardship

adoption was provided to all members in collaboration with Water Witness International. Water Witness International has indicated possibility to bring a fair water use footprint program to the landscape in 2023 (particularly for the flower sector) to duplicate a similar program currently running with the textile and garment sector operating in the Hawassa lake catchment. Additional trainings will be delivered through IDH facilitation to members in Q2 of 2023.

Improved business practices

Private sector members of the platform made commitments for 2023-25 to ensure the development of a proactive environmental management system on site as a common vision focused on improving their water use efficiency and green waste management.

To ensure a sustainable market linkage for the GGAP trained and certified farmers, four new buyers (Ambo university, Arsi university, Hawassa airport and Haile Hotels & Resorts Group) were identified and committed to source from them.

Field level interventions

In the effort to identify commercially viable interventions from the reforestation and rehabilitation projects, the following Non-Timber- Forest based community enterprises were established under the active projects:

- Honey production (661kg produced and sold in local markets)
- Fruit production (2028pcs of papaya produced, some used at household level, and some sold in local markets)
- Moringa & Aloe vera based soaps (1634 bars produced & sold at local market),
- Handicrafts production from water hyacinth (627 Euro worth items sold at first exhibition at a local hotel)
- Community based eco-tourism pilot
- Fodder development for livestock feed was another intervention planned, however, the prolonged dry season made it impossible to sow grass seeds in the program duration.

A service delivery model analysis scheduled for 2022 to understand costs-benefits of different business models for smallholders was delayed as costs were unaffordable for the farmers union or off takers.

The program also advanced in terms of rehabilitation and reforestation of about 433ha through its active projects, including an action research trial on agroforestry with a local research centre (Treeaid has shown interest to continue collaborating with the research centre to scale up the trial) and an acknowledgement of local conservation

champions who conserved of 9.45ha of woodland on their “individual lands” despite many pressures to deforest.

A total of 1661 community members (male=1014, female=547) received trainings on topics of Good Agriculture Practices, natural resources management, environmentally friendly alternative livelihood options, small income generating activities, and one farmers' organization obtained agri-product pricing and marketing training.

The volume of production, under GGAP project included a total onion 586 MT, Green Beans 248.6MT, Chilli 38.75MT, Tomato 65.625MT and Cabbage 17.5 MT produced and sold to four new buyers identified in 2022, as well as existing Ethiopian airlines and local markets. Farmers now fully endorse and believe in adopting GGAP as a lifestyle and not simply a project bound approach, but further financial support could help the union maintain its certified farmers and even reach wider number of farmers (it has >8000 members). IDH is making efforts to link them to more financial and development organizations to this effect until mid-2023.

A new pilot project was also started with nine partners (7 of which are private sector) to turn water hyacinth, a water weed that is choking lake Dembel into briquettes and handicraft products. The later already succeeded while the briquettes trial will continue in 2023 with the partners collaboration.

Overall, all four implementing partners were regularly monitored and supported to complete implementations by December 2022 and have done in time for program exit. Reporting and audits will be completed until April 2023.

Challenges and learning

Although availing credit/loans for farmers was made possible through collaboration with a farmers coop union, the lack of guaranteed market affects the farmers loan repayment rate and culture. The lack of market access was in fact found to be a lack of a well-organized value chain, with the supply chain monopolized by brokers. Ultimately the loan-non repayment affected the project co-funding amount IDH could provide as the union provided new loans only to farmers who had paid their previous loans.

While government's nation-wide initiative to grow irrigated wheat (in reaction to the Ukraine crisis) is encouraging, it affected project support and market linkage for fruit and vegetable growing farmers as their lands had to be reallocated to wheat extensively.

Given the political reform in Ethiopia, there is increased interest and empowerment from the regional government partners to own and lead the PPI platform that ISLA Ethiopia set up. However, there is limited experience by these parties to facilitate the platform and lead it to meaningful action. Therefore, IDH has identified this as an area to provide support for. One such capacity building training was facilitated by IDH to the regional government authorities in 2022 on cross sectoral leadership, and more capacity building is planned until mid-2023.



While there has been a successful piloting of crafts production from water hyacinth, the effort to make briquettes out of water hyacinth has not yet rendered viable product. The project team, however, is still piloting to exhaust the options in different equipment set up and mixing biomass of different sources, including flower waste.

As the program is coming to an end in Q2 2023, IDH is also planning on collecting and summarizing all program learnings of the Ethiopia landscape program since 2016 through the development of a learning report. This report, to be finalized in Q2 2023, will then be leveraged to discuss and build strategies of other landscapes, with a focus on exit strategies.



Other activities

- Pricing and marketing training was offered to Meki Batu farmers coop union. It is a critical skill gap we have identified and one that will help them deal with off takers, service providers, brokers etc. in their supply of produce.
- ISLA Ethiopia commissioned a biodiversity assessment of the Worja-Kemo micro catchment, which has been under rehabilitation by IDH and partners since 2016. The assessment identified bird, insects and tree species in the area (~250ha), and the report was shared with key local and regional government authorities (particularly the Environment Authority and Tourism commission) as well as Batu town mayor's office. The biodiversity assessment report is now used as a basis for deciding on the site designated formally for community protection and sustainable use.
- A learning exchange between mayor's office team of Batu town and Hawassa city administration (in a different region) was facilitated by IDH upon request of the Batu mayor to bring some good practices of lake buffer zone management from Hawassa city, which manages lake Hawassa and its catchment relatively better than Batu town. Improved buffer zone management interventions are planned by the Batu mayor's office for early 2023.

Country-specific Risks

Risk	Has this materialized in 2022 and did it impact the program?	Team's response
Political Unrest	Yes, travels to field projects was limited due to security issues and general sense of unease in country was unsettling	Beyond capacity of team
Extensive irrigated wheat production imposed by the government on farmers reduced the area of land farmers dedicated for vegetable production under the project to implement good agricultural practices.	Yes, farmers had to wait until the wheat was harvested before planting vegetables, and for many this was not in time for the project closure.	Beyond capacity of team
Erratic weather conditions (near-drought conditions) affected honey, fodder and cereal production	Yes, as the rainy season came late and was more meagre than expected, so it affected planting of grass and cereal crops planned under projects. It also affected honey production which under normal circumstances would have been harvested twice a year.	Beyond capacity of the team for now but recommended to partner for future projects they should consult weather forecast for 3-12 months ahead of activities planning.

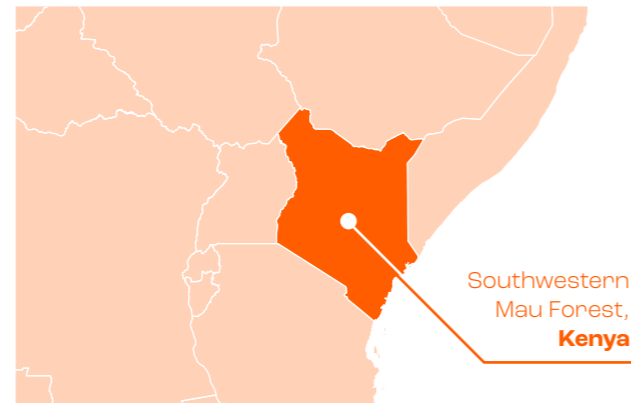
Kenya

Program description

IDH, through the ISLA Kenya program, aims to restore and conserve 60,000 hectares of the Southwestern (SW) Mau Forest block by 2030. This is the largest of the Mau Forest Complex (MCF)'s 22 blocks and a key watershed of the Sondu-Miriu river basin.

The region is vital economically and ecologically, providing ecosystem services essential for hydropower generation, crop production, and agroforestry products, supporting local communities and grazing opportunities for livestock and wildlife. Ecological services include the regulation of microclimate, which provides favourable conditions for optimum crop production and is the location of the largest tea growing areas in Kenya.

Despite its importance, the forest is threatened by (among others) livestock over grazing, charcoal and wood extraction, encroachment, fire, and poaching. Important underlying causes include local population growth, poverty, weak control over access and use of forests, and cultural norms that encourage high livestock numbers and place a low value on forests. Even though these illegal activities can be penalized according to environmental protection laws, law enforcement authorities lack the capacity or resources to properly monitor the extent of illegal activities in the forest or obtain reliable information on hotspots.



The water resources are also in a questionable state due to competing interests, both internal and external to the basin. Natural factors combined with anthropogenic activities in the area pose a great risk not only to the quantity but also the quality of water resources. Deforestation in the upper parts of Mau Forest complex, rapid population growth of the surrounding urban centres (Kericho, Bomet and Nakuru) and agricultural practices are some of the major threats on water resources, leading to pollution, declining resource availability, unclear allocation, declining resource quality and declining quantity.

The landscape has a lot of stakeholders with different interests and they all (directly or indirectly) interact with SW Forest. However, most of them before the intervention of this program, hardly came together to discuss landscape issues. IDH brought together key stakeholders to address these challenges based on an integrated action plan focused on the building blocks of forest



conservation, improvement of water flow & access and sustainable energy; with alternative livelihoods for communities as a cross-cutting issue under each building block.

The Initiative for Sustainable Landscapes has been operating in the SW Mau since 2015 with funding by the Dutch ministry of foreign affairs and co-investment by both private and public partners. The program aims to convene public-private partners in multi-stakeholder governance structures; design business-driven interventions and investment plans that can be scaled; co-fund interventions to sustainably manage landscapes and share best practices and learnings with a global network of experts and knowledge partners. Activities supported contribute to the conservation and restoration of forest in SW Mau, preventing deforestation and forest degradation for the benefit of local communities and reducing greenhouse gas emissions.

Program progress in 2022

Governance

In terms of sector governance, the program convened 3 partners from the private sector; Kenya Tea Development Agency, Ekaterra Tea Kenya Limited and James Finlay Kenya to sign a Production, Protection and Inclusion (PPI) compact with the Stawisha Mau Charitable Trust (the sustainability vehicle of the program beyond the program period) and IDH. The PPI Compact is in the process of development and signing. Kenya Forest Service (who are party to the PPI compact plan and targets) also signed a separate legal framework with the Stawisha Mau Charitable Trust.

The PPI Compact is an agreement between public, private (incl. farmers), civil society and community stakeholders to enhance the sustainability and productivity of land and secure community livelihoods in exchange for forest (or more broadly natural resources) protection. It aims to create a strong link between natural resources protection and sustainable productive activities,

in such a way that agricultural production and use of natural resources actively contribute to environmental protection and community livelihoods.

The compact was signed for the period up to 2025 and will be reviewed in 2025 for a possible extension. Key targets agreed include support to 3 000 forest dependent community members on alternative livelihoods to reduce their dependence on the forest, reforestation of 1,500 hectares of degraded forest land by 2025, rehabilitation of 10 water springs, collaboration with law enforcement agents to strengthen law enforcement policies and inclusion of communities (especially indigenous communities, women and youth) in program interventions.

By signing the PPI compact partners committed to co design and co-fund interventions in the period up to 2025. A task force was set up by participating institutions to spearhead the strategy for continued landscape restoration and protection after 2025.

Further registration of the Stawisha Mau Charitable Trust under the perpetual succession Act was contracted within the year.

Improved business practices

During the reporting period, three private sector players James Finlay Kenya, Kenya Tea Development Agency and Ekaterra Kenya Limited made investments into landscape conservation interventions, away from their core business of growing and trading in tea. These investments went into livestock intensification project that supported 1 200 farmers to have alternative

sources of livelihood and in reforesting 67.5 hectares of degraded forest land.

Additionally, these partners made commitments to support water projects upstream to address the declining water quality and quantity through a project developed in 2023.

Field level Interventions

The establishment of the five dairy cooperatives under the Livestock Intensification Project has enabled community members to bulk and access formal and more reliable milk markets. Through the cooperatives, total amount of milk sold over the reporting period was 878,392 Kgs at an average price of KES 42.65 per Kilogram valued at KES 37,460,036 (up from KES 22 754486 in 2021). The livestock intensification intervention within the reporting period helped farmers to get in touch with providers of input and other farming services. 6 learning events were organized in collaboration with input service providers, the cooperatives, and the government ministry of agriculture. Throughout the year, 855 farmers (554 Male, 301 female) were trained on dairy intensification skills at their farms. The project has been able to sensitise members in the study groups to establish table banking through which members contribute KES 149,300 on monthly basis. Through access to loans from these entities, members were able to invest on their farms in building 12 cow sheds, purchase of 25 water troughs and 2 water tanks with a capacity of 2000 litres each.

As part of enhancing the operations within the cooperatives, three cooperatives namely

Mau, Chemare and Taita have purchased and installed a milk management software, to keep track of all the farmers' information, payments, sales, and advances. The system is also able to generate financial statements and other reports and has also included instant SMS functionality, through which a supplier is able to get instant information on milk delivered and value. This has increased accountability and allegiance by farmers to their cooperatives.

As at the end of the year for participating farmers, there was a 75% decrease in forest grazing while home grazing had increased from 20% at the beginning of the project to 77% as at the end of 2022.

A new reforestation project targeting 500 hectares was initiated in the second half of the year. By the close of the year 67.5 hectares had been replanted. For this, 74 250 tree seedlings were sourced from nurseries owned by the forest dependent communities, while 139 community members (71 of whom were women), were engaged in the provision of labour for the reforestation. A total of 285 hectares established earlier were covered by post planting maintenance activities including beating up, weeding, and scouting. Another 100 hectares (which had been established in 2019) were handed over to the Kenya Forest Service for onward management since these had grown to a level that did not require very close monitoring.

Through the Bongo Surveillance project which provides support to law enforcement agents in tackling illegal forest activities, 1 449 kms of forest surveillance was covered. This surveillance resulted in 88 snares being removed, 12 charcoal kilns being destroyed



and 11 arrests being made accompanied by deterrent sentencing which was essential in keeping the poachers and illegal loggers away from the forest. One aerial surveillance was carried out in collaboration with Kenya Forest Service, Kenya Wildlife Service, Kenya Police and the Judiciary. The observations from the flight were recorded, analysed, and shared with all the relevant law enforcement agencies. Following this, action was taken and as a result, 12 people were arrested, 24 charcoal kilns and 4 makeshift dwellings destroyed, 10 snares were removed, and one trapped antelope rescued.

During the reporting period, the team had envisioned to develop a water sources' rehabilitation project to conserve and protect water sources on farmlands at the Northeastern boundary of the forest. Also, the program was to design and roll out a project on improved cook stoves and woodlots to reduce overdependence on the forest for



fuel wood. To further enhance the income of forest dependent communities, the program was to integrate a value chain development program implemented by Syngenta, to develop the potato value chain by enhancing access to inputs, technical know-how and markets. The development of these projects was delayed into 2023 as the team needed more time to identify qualified implementing partners.

Challenges and learning

GIS forest monitoring

Due to harsh terrains and insufficient human resource capacity to patrol all forest areas, illegal activities have continued to thrive undetected. With the use of remote sensing technology, we can monitor changes in the Forest on a Near Real Time Basis. A Forest Alerts system has been designed by the Kenya Forest Service to monitor forest cover change through satellite imagery analysis. Using machine learning and artificial intelligence the system can analyse satellite imagery of a defined area, detect change

and map areas of change which are geo-referenced (generate polygons) of a given area. The system can utilize both optical and non-optical satellite images to generate areas of change and has been piloted successfully in some parts of Kenya. In the year 2023, we plan to roll out this system in the Southwestern Mau Forest to enhance the aerial and the on the ground surveillance interventions implemented under the program.

Expansion of the Livestock intensification project

For the established milk marketing cooperatives to operate profitably and support the livestock intensification model after the program period, there is need to expand their catchment area beyond just the communities living next to the forest. This will enable them to bulk and market more milk on behalf of the farmers, and bargain for better prices. On average, each cooperative needs to have a membership of 600 farmers each with 3 cows and each cow producing 7.2 litres (a total of 21.6litres). If the household consumes 2.6 litres at home and sells through the cooperative 18 litres each at average price of KES 40, the monthly income per participating household will be KES 21 600. The cooperative business can maintain a margin of KES 2 per litre of milk marketed and therefore (for the 600 members) the monthly margin would be KES 648 000. This would be sufficient to run the operations of the business and to keep a surplus for expanding the milk marketing business. To achieve this, the project has been expanded to target 3,000 community members, up from the 1 200 farmers that were previously participating in the project.

Country-specific risks

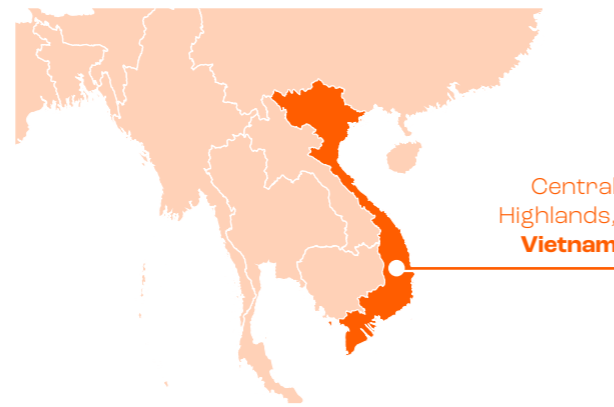
Risk	Has this materialized in 2022 and did it impact the program?	Team's response
Change in Management of KTDA (one of our major private sector partners) could lead to KTDA reversing their commitment for 2021-2025	Yes	The team was able to fruitfully handle the transition and obtain a financial commitment from the partner for up to 2025. The cofounding ratio for program interventions was therefore not affected.
2022 Country elections and unpredictable political environment	No	Elections were peaceful and there was no disruption on program activities
Less interest of private sector partners in some projects as opposed to others that might endanger co-funding ratio of 1:1		The team was able to negotiate with the project funding partners for support in all projects and convince the implementing partner of the livestock project to fundraise separately.

Vietnam

Program description

The Central Highlands of Vietnam provides up to 90% of the total national coffee and pepper production, supporting the livelihoods of more than 700,000 smallholders in the region. However, it is challenging for relevant stakeholders to promote sustainable and inclusive development because of several reasons: (i) the scattered land ownership with high risks of encroaching 2,5 million ha of the regional forestry area, (ii) the complex value chains that hinder producers from accessing quality agro-services and proper remunerations, (iii) the lack of alignment in public-private agenda for promoting responsible production. Such issues are not only critical to the local farmers' livelihood stability or the preservation of environmental services, but also threatening disruptions in global supply chains as Vietnam is the largest exporter of Robusta coffee and black pepper globally.

IDH's Landscape Program in the Central Highlands was set up in 2015 with the aim to promote forest protection, natural resources conservation and Green House Gas emission reduction, alongside with improving farmers' profitability and supply chain resilience at scale. By the end of phase 1 (2015-2020), the Program successfully initiated 3 Production-Protection-Inclusion (PPI) Compacts in Krong Nang district (Dak Lak province), Di Linh and Lac Duong districts (Lam Dong province) in line with the SourceUp approach. Multistakeholder governance structures



were established under the leadership of the local district authorities, supported by aligned investment and off-take from over 10 major coffee companies, through facilitation and convening power of IDH. As a result, 128,000 ha of forest, 51,000 ha of farmland and 40,000 households were directly reached by the Program interventions piloted at commune level.

For 2021-2025, in cooperation with the IDH Coffee and Spices programs, the Central Highlands Landscape Program aims at scaling up and replicating its jurisdictional interventions to reach 40% of the Central Highlands Forest and cropland area, as multistakeholder coalitions are established and strengthened at different levels. We are now deepening and scaling the successful business models to deliver large-scale environmental and socio-economic impact in sourcing jurisdictions via 3 key pillars.

First, the Program shall scale the scope of impact from district to province-level. By profiling the program in SourceUp, and

piloting due diligence required by the EU regulations, we aim to showcase how public-private partnership work on the ground at different levels (national/province/districts) to create impact for large sourcing areas.

Second, the Program aims to promote business' uptake of sustainably produced commodities in the jurisdictions, via the alignment of SourceUp Compact criteria with private sector requirements and commodity platforms.

Third, we are looking at deepening our jurisdictional impact by establishing low emission/regenerative production recognition mechanisms and a viable solution for large-scale adoption of such responsible practices. With this, we will develop and assess business cases for linking and harmonizing Better Environment and Better Income targets, which will be shared with other sourcing regions in Vietnam and around the world for replication and upscaling.

Most importantly, we considered EUDR and upcoming EU legislations are opportunities for Vietnam coffee sector to be more transparent, de-forestation free and showing the progress towards environmental, economic and social sustainability. We will therefore be more active in 2023 to help Vietnamese government and corporates to pilot compliance solutions and facilitate for the quick upscale at sector level. This can be a good learning model for other coffee countries globally.

Program progress in 2022

As the pandemic has subdued by May 2022, IDH and our public-private partners have made efforts to speed up implementation of program activities. Significant and tangible progress has been made at strengthening the jurisdictional governance at our focus Compacts towards a joint agenda on regenerative agriculture, low emission and large-scale responsible production. Changes in business practices – especially on jurisdictional sourcing linked with carbon impact - continued to be strongly driven. Most field level targets have been met, with several overachievements.

Governance

After a year of preparation and in anticipation of lock-down measure relief, a total of over 30 public private partners and IDH signed multistakeholder MoUs in Quarter 2 2022, to officially formalize 4 PPI Compacts in Lam Dong and Dak Lak provinces, committing to common sustainability targets. Following this, a total government contribution of 28 million EUR was leveraged and allocated to Compact activity implementation. More specifically,

the jurisdictional governance and operations of 2 Dak Lak Compacts – Cu Mgar and Krong Nang - have been further strengthened with the introduction and enforcement of 3 policies, including: (1) a regulation on the Compact Steering Committee (“SC”) operation protocol, (2) a regulation on integration of resources for the Compact implementation and (3) a regulation on coordinating management of agro-inputs trade and usage. For Lam Dong Compacts, due to personnel changes in local authority leaderships lasting until end of 2022, similar activities are to be implemented in 2023. Only 1 policy on leveraging additional funding for group irrigation was introduced in Di Linh. Meanwhile Lac Duong District People’s Committee was faced with political challenges regarding the establishment of the Sustainable Forest Protection and Livelihood Fund, hence will change to a proposed pilot mechanism for operating the Fund in 2023. In addition, at the district level, we developed a jurisdictional monitoring and evaluation system in consultation with Compact partners, which is currently under implementation across all Compacts.

Beyond district-level achievements, the Program made significant progress in scaling the successful participatory governance as well as deepening its impact with technical themes. The EU-funded project “Integrated sustainable landscape management through deforestation-free jurisdictions” in Lam Dong and Dak Nong province (or also known as iLandscape project) with a total investment of 5 million EUR was launched and approved by provincial authorities by end of 2022. Under this umbrella, IDH’s landscape approach was introduced to Dak Nong province and 2 local districts, which were preparing data analysis for 2025 priorities setting and Compact SC establishment in 2023. In Dak Lak, the Proposal for Large-

scale coffee and intercropping sourcing areas, covering 100% of the provincial farmland (around 200,000 hectares), is under development, under the leadership of the Provincial People’s Committee and with support from the Institution of Policy and Strategy for Agriculture and Rural Development, IDH and JDE. At the national level, we accelerated activities on promotion of low emission agriculture, with the signature of an agreement between IDH, the Department of Crop Production and the Global Coffee Platform, on conducting baseline scenarios of green-house gas emission at the Compact level, based on which we will design and pilot a GHG measurement and reporting mechanism. This activity started in quarter 3, 2022 and is expected to be finalized in the first half of 2023. In parallel, the Integrated Plant Health Management technical guideline for coffee and intercropping (IPHM) – including a handbook, training of trainers and farmer field schools’ materials – is being developed with support from IDH, the Plant Protection Department, JDE and McCormick, under the Agrochemicals Public-Private Partnership Taskforce framework. IPHM will become the centralized materials for promoting regenerative agriculture and landscape approach within the public plant protection system for all 5 Central Highlands provinces.

First awareness raising on EUDR has been started with local government, paving the way for stronger convening work in 2023 throughout the system.

Improved business practices

A major achievement in 2022 relates to having JDE, LDC and ACOM co-designing and co-investing in 2 low emission projects representing a total private investment of

1.2 million EUR, in addition to the Simexco project supported by the IDH Coffee Program. These projects cover a comprehensive number of activities: promoting regenerative agriculture practices via adoption and scaling of Service Delivery Models, measuring and reporting on carbon impact, establishing traceability for linking carbon-related benefits with supply chains. Not only are the households and local area expected to benefit directly from these activities, but critical insights will be acquired on feasibility and efficiency of GHG-driven models, for scaling and replication by other companies. The projects will also provide inputs for alignment with the government on MRV framework and benefit sharing mechanisms. To scale up successful business models and sustainability interventions, in December 2022, IDH and the Vietnam Coffee and Cocoa Association (VICOFCA) signed an agreement, aiming at sharing these initiatives on carbon as well as other landscape approach with more than 100 members of the association - an agreement that will be rolled out from 2023 onwards.

Additionally, significant changes in supply chain engagement and sourcing practices have been witnessed in our key companies purchasing coffee and intercropped commodities. Together with local authorities, 8 coffee companies - Simexco, Intimex Buon Ma Thuot, Intimex My Phuoc, Dakman, Sucden, LDC, ACOM and Hoang Thang contributed to strengthening the operation capacity of 11 cooperatives and 6 middlemen, so that these value chain actors can provide services to farmers at production or sourcing stages. Among these, 14 Agri-teams have been established or strengthened and under the operation of 6 Cooperatives. As a result, a total volume of 124 thousand MT GBE has



been produced responsibly, 42% of which were purchased by our partner companies in crop cycle 2022/2023. The Compacts in Dak Lak also rolled out activities to engage fruit companies like Simexco, Chanh Thu, Huong Cao Nguyen, with a total offtake of 3,600 MT fruit products in 2022.

Key companies of JDE, LDC, Intimex, Simexco and so on have been convened for the support of designing solutions for EUDR compliance.

Field level interventions

With 4 Compacts MoU signed and 11 Field level projects under implementation, over 160,000 hectares of forest, 133,000 hectares of farmland (116,700 hectares of coffee, 8,500 hectares of pepper and 8,300 hectares of fruit) were covered by PPI governance practices. Regarding forest protection, 181 hectares of forestry area were newly planted, 440 hectares were reforested or increased forest cover, and 2,000 shade trees were planted. Additionally, more than 1.8 million EUR



has been leveraged to upgrade existing ponds, dams, directly improving access to water for 4,212 farmers.

Regenerative Agriculture practices have also been promoted in 2022, as 490 trainers and 27,705 farmers were trained, increasing the cumulative numbers to 2,064 trainers and 30,205 farmers (of which 32% are female) in the period of 2021-2022. The training topics ranged from forest protection, soil and water conservation, intercropping/ agroforestry techniques to agro-input management, work safety, harvesting and post-harvesting techniques. To complement the capacity building agenda, over 800 soil tests were conducted to guide farmers on precise fertilization and composting with close technical support from farm coaches. To promote green cover within farmland, 6,343 farmers have increased number of crops, 55% of which received direct support from the Program with 200,000 intercropping seedlings provided, and the remaining adopted on their own expenses. Ensuring the productivity of coffee farms in the long run is important for sustaining small-holders income, and so this year the Program supported the rejuvenation of over 1,000 hectares of aging coffee plantation. 2022 saw a sharp decline in

glyphosate residue in coffee produced in the Compacts under the momentum of previous years' collective efforts, with 99% of the test samples being well below EU MRL of 0.1 mg/kg.

Challenges and learning

Public sector role in implementation of activities

The participation of local authorities in the program implementation is a key success factor for the program, as it provides the necessary regulatory framework and significant resources from the state budget. Especially for the political situation in Vietnam, thanks to the close engagement and communication with the public sector at both national, provincial and district level, IDH's Landscape approach still managed to perform well in 2022 under the tightened control over foreign-invested initiatives in the country and specifically in the Central Highlands. The companies also started to recognize the contribution from public authorities when they conducted activities on the ground involving large group of farmers like capacity building, regular data collection for progress monitoring. The large-scale communication and awareness raising campaign led by public agencies also were well received by other implementation partners, as it is impossible for single companies to roll out activities of similar size. This close collaboration is furthermore important in the upcoming period of EU Deforestation Regulation compliance, when deforestation monitoring and grievance as well as full traceability to plot level will be systematically required for coffee to enter the EU market.

Therefore, it is crucial to engage and build awareness and capacity of state officials of all levels, in all relevant disciplines, for a long-term, sustainable impact of the program. This serves to increase the efficiency and ensure continuity of the ongoing activities (especially during time of personnel changes at leadership level), but also is an indispensable step for our exit strategy.

Engagement and guidance for private partners, specifically those new to the initiative

While several long-time partners performed very well in 2022 despite the first 4 months of tight pandemic measures, some new partners have been struggling with implementing several innovative activities. For example, Dakman company found it difficult to gather enough farmers in training classes as designed initially in the project proposal as Cu Mgar farmers were overloaded with trainings; or simply to ensure quality of the Agri-teams they set up due to complication on financial procedure. We learnt that a proper guideline needs to be developed for each type of interventions, especially for new partners like Dakman and companies that join the program in the future, so that they can properly adjust activities when hit with a certain challenge. In the case of Dakman, we have guided them to move to Farmer Coaching Visits – a more flexible, efficient measure that can be tailor-made to fit the training needs of each farmer, thus will be more attractive for farmers to join. This revision will take effect in 2023, when IDH and Dakman will monitor closely on its effectiveness and scalability.

Another learning on this topic is that implementing partners need to develop their

human resources to fit the specificities of sustainability program, so activities can be properly measured and maintained. We also need to have more opportunities for increased exchanges between the IDH technical team and the implementation partners when they are struggling to find out and address arising problems in a timely manner.

External factors' impact on the Program

The price fluctuations of intercropped products suitable for plantation in the Central Highlands have led to impact on investing in and sustaining the coffee production. This happens in Dak Lak provinces, and specifically with durian prices surging, farmers are inclined to chop down coffee and replace by durian instead (to comply with market's monocrop requirement). The Program -both public and private partners – work relentlessly to raise the awareness of farmers to avoid unsustainable and unplanned crop changes, which would lead to oversupplies of durian and undersupplies of coffee. However, this is a very difficult issue to tackle, and in 2023, we shall have to leverage more communication and policy advocacy at the provincial and national level.

Other activities

Jurisdictional Monitoring and Evaluation system designed and operationalized in Vietnam Compacts

To demonstrate impact and progress the transition toward low carbon and regenerative

pathway at jurisdictional level, the Program has convened coalition partners to develop a standardized data framework, methodology and dashboard since 2021. The Compact M&E system is expected to (i) establish participatory impact measuring and evaluation based on the alignment of monitoring and reporting requirements and the M&E activities of different stakeholders; (ii) provide data-driven solutions based on the impact measuring and evaluation; and (iii) enhance capacities and industry, sector collaboration.

As a result, in 2022, IDH and partners have aligned on the jurisdiction M&E system design that compiles three main modules, including: (i) a web-based application that allows Compact stakeholders consolidate different data sources, ranging from Project Activity data, Primary data and Secondary data; (ii) a mobile-based application that support the primary data collection at field level; and (iii) a digital platform that improve Compact multi-stakeholder access to monitoring and evaluation indicators. Report analysed by the M&E system will be verified by the Compact multi-stakeholder with support from Academic Research Partner(s). The web-based application module was developed and piloted for the Annual report 2022 cycle while the remaining features will be rolled out from 2023 onwards.

Jurisdictional communication campaign in Dak Lak Compacts (Krong Nang and Cu M'gar)

In both Compacts, communication activities – on program activities or awareness raising on responsible production, forest protection and compliance with regulation - have been synchronized with a separate

section embedded on the local authority official website which is moderated by the District Sub-department of Information and Communication based on inputs provided by the SC members. Via public communes/ villages radio system broadcast, collaboration with local schools and installation of banners, these communications have frequently and repeatedly reached the whole local community of over 200,000 individuals, creating a solid basis for changing their awareness and behaviours around sustainability targets. In 2023, the jurisdictional communication will be scaled to the province level with the endorsement of Department of Information and Communication and will also be replicated in other Compacts in Lam Dong and Dak Nong.

Exploration of activities to comply with EU Deforestation Regulation (EUDR) and Corporate Social Due Diligence Directive (CSDDD)

With the upcoming EUDR and CSDDD, which are expected to have a significant impact on coffee and pepper supply chains (the 2 key products in the Central Highlands), the Landscape Program took the initiative to explore how landscape approaches can help stakeholders to comply with the requirements of these new legislations. One meeting was organized in November 2022 with over 40 participants from coffee and spices companies, who expressed strong interest in collaborating with IDH and the coalition to pilot compliance models, thereby collecting insights on the impact of EUDR and CSDDD on the value chains, feasible and scalable compliance solutions and concrete feedback to EU or the Government of Vietnam. This activity will continue in 2023.

Country-specific risks

Risk	Has this materialized in 2022 and did it impact the program?	Team's response
Slow contracting and approval process (from both IDH and the partners)	It materialized and impacted the program	We continuously and frequently informed our partners on the status for adjustment of workplans or rolled out several activities in advance of contract signature.
Several activities like pond dredging cannot be implemented due to low efficiency or infeasible natural conditions	It materialized and impacted the program	IDH and partners will discuss to review the activity plan and actual situation to make proper adjustment.
Change in leading positions at district and province level, combined with the enforcement of Decree 80 (regarding management and use of grant/ assistance from NGOs, lead to delays in rolling out several activities by several partners)	It materialized and impacted the program	IDH and the private partners worked closely with the government for better alignment and engagement.

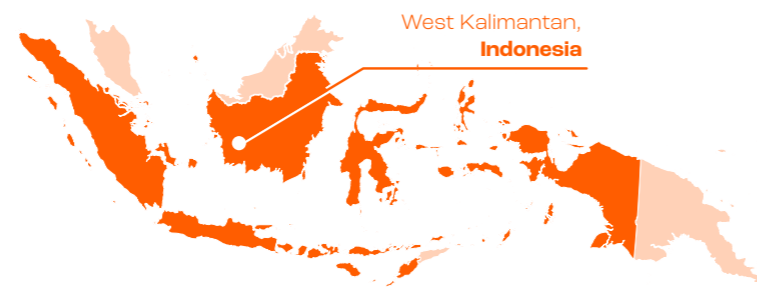
Indonesia

Program description

Indonesia is known for having extensive tropical forests with rich biodiversity. However, these forests are constantly threatened by deforestation due to the country's economic development. Many efforts have been made to reduce or stop deforestation resulting from the expansion of industries, particularly palm oil, with global buyers committing to the production of No Deforestation, No Peat, and No Exploitation (NDPE) commodities. Additionally, the upcoming European Union Deforestation Regulation places further pressure on global buyers to ensure that their supply chains are free from products cultivated on deforested areas after 2020.

Landscape programs in Indonesia are dedicated to enhancing forest and land governance, promoting business transformation by optimizing supply chain efficiency, and aligning with NDPE commitments. These initiatives aim to uplift the livelihoods of farmers and local communities while assisting companies in achieving their sustainability goals. To this end, IDH's work in Indonesia revolves around three important pillars.

3. Convening key stakeholders to facilitate implementation of PPI compacts, we facilitate the collaboration of key stakeholders to enable the implementation of PPI compacts at the



district level. Additionally, we strive to establish a multi-stakeholder platform at the provincial level, fostering the promotion of sustainable palm oil and other significant commodities.

- 4. Co-funding of field-level interventions** aimed at promoting sustainable production, safeguarding forests, and facilitating restoration efforts. Our focus is on ensuring smallholder inclusion in sustainable palm oil sourcing areas that face high risks of deforestation.”
- 5. Develop innovative financing schemes and business models** to support sustainable smallholder supply chains and promoting a new palm business model in the no-go areas. We are dedicated to transforming landscapes by integrating alternative sources of income from agroforestry, forest conservation, and sustainable palm oil.



Program progress in 2022

Governance

At the district level, IDH organized a mini workshop aimed at identifying existing gaps in the PPI Compacts in Kubu Raya and Ketapang. These identified gaps were then transformed into a set of priorities to enhance the compacts as part of the PPI coalition since 2023. Subsequently, an analysis of Go/No-Go areas will be conducted in 2023 to reinforce the baseline data, which will serve as crucial technical material for the development of a spatial plan and sub-landscape investment plan and strategy.

Improved business practices & Field level interventions

Window B partnered with ISLA to finance a field-level project in collaboration with PT PAS. The objective of this project is to deliver a comprehensive training program to 550 palm oil smallholders, while also assisting them in accessing improved resources. In 2022, the project successfully restored 848 hectares of degraded land using funds provided by ISLA. The integration of Window B funding in 2023 aims to expand the project's reach to an additional 75 smallholders, benefitting a larger number of farmers.

In the effort of establishing the first-ever Physical Sustainable Palm Oil Sourcing from 3rd Party Crops in Ketapang, IDH is engaged in an ongoing co-funding project with Cargill, facilitated by FORTASBI. Through this collaboration, significant progress has been made, including the creation of two legally registered smallholder groups in 2022. These smallholders and additional



14 cooperatives received comprehensive training on varied components such as Good Agricultural Practices (GAP), High Conservation Value (HCV), High Carbon Stock (HCS), Internal Control System (ICS), Financial Literacy, and Internal Audit. As per the oil palm areas reached in 2020, a total of 1,191 smallholders have received training on GAP, Indonesian Sustainable Palm Oil (ISPO), and Roundtable on Sustainable Palm Oil Principles and Criteria (RSPO P&C). This training initiative will continue into 2023. Aside from building capacity for farmers, efforts were made to identify 2,066.95 hectares of forests as potential areas for protection. Furthermore, 6,063 hectares of oil palm plantations owned by independent smallholders have been identified for future RSPO/ISPO certification training.

IDH co-funding project (2021 – 2023) with PT ATP and DTK, with Kemitraan serving as their implementing partner. The project on Integrated Sustainable Landscape Management Approach is currently in its second phase, including the following activities:

- a. rehabilitation of 4 ha of degraded area with local seeds and forest patrols with locals.

- b. construction of a water management system in the peat area to control forest fires.
- c. introduction of alternative livelihoods such as poultry, pig, and aquaculture business to 417 local people consisting of 247 men and 170 women.

Challenges and learning

Identifying projects eligible for TA and with potential for further investment is quite challenging without a clear business model in the landscape. As a result, we are developing a tailored business model for each landscape, considering the existing challenges and conditions to align with the demands of the global market.

Improving livelihoods through income diversification for smallholders poses the challenge of accessing markets. Our experience in the West Kalimantan project has highlighted the importance of developing a prosperous value chain for businesses, while supporting the community in enhancing their livelihoods through the introduction of alternative businesses such as poultry, pig farming, and aquaculture.

The carbon component of the West Kalimantan project has been delayed until the ongoing developments in the legal framework of the Indonesian government are concluded.

Country-specific risks

Risk	Has this materialized in 2022 and did it impact the program?	Team's response
Carbon legal framework development of Indonesia takes longer time than expected	Yes, it led to the delay of this activity in West Kalimantan in 2022.	In 2023, we will discuss with palm oil companies (i.e. Bumitama) the design of a carbon in-setting program, centred on delivering impact on carbon reduction via nature-based solution application.
EUDR might result the exclusion of smallholders from the EU supply chain, while deforestation still happens there	The discussion among EU, governments and companies already led to the shift of some PO companies to source from plantation who provide non-deforestation PO to EU market	In 2023, we will convene with business partners and Indonesia/ Malaysia governments to co-develop suitable solutions, and possibly pilot some elements within the framework of ISLA.

