



Implementing the European regulation on deforestation- free products

Solutions for the palm oil, cocoa and coffee sectors

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Introduction

While the EU regulation on deforestation-free products (EUDR) is an important step towards combatting deforestation globally, it will come at a cost to operators selling products on the EU market. And it may lead them to adopt sourcing strategies that exclude smallholder farmers¹ from their supply chains. However, smallholder farmers' inclusion in European supply chains is key to ensuring they are not left to sell to other markets at a lower price – thereby jeopardizing their livelihoods and, ultimately, forests. The optimal way forward is to allow them to benefit from access to the European market and to leverage the regulation as an incentive to keep forests intact. The timing for developing effective interventions is limited and should rely on the solutions that have already been tried and tested.

IDH has co-designed with the private sector a number of programs to ensure that the EUDR will not incentivize disengagement from areas with high deforestation risks, nor the exclusion of the most marginalized smallholder farmers from European supply chains. These solutions are designed through public-private collaborative processes, and aim to be replicated and brought to scale over the coming years.



1. A significant share of commodities covered by the regulation is produced by smallholder farmers (e.g. they represent the majority of producers in the cocoa and coffee supply chains).

IDH's role in the context of the EUDR

IDH convenes multi-stakeholder platforms and coalitions, in which governments and companies co-design solutions to reduce deforestation and support farming communities' livelihoods. These coalitions are set up at both national and landscape levels. We leverage public funding to bolster financially viable business models towards sustainable production of agricultural commodities, forest protection and restoration, and social inclusion.

IDH offers a broad range of support to the actors in producing countries, from facilitation and technical guidance to field testing and grant funding. We have developed a holistic system of interventions based on country contexts and specific commodity supply chains. This work has benefitted from the trust of both governments (at national and sub-national levels) and companies, built up over the past 14 years.

IDH's role in landscapes: five intertwined roles



Policy insights

- Provide insights for policymaking and implementation in public policy, and ambitious sustainability commitments by the private sector



Convene

- Convene landscape-level coalitions, bringing together the public sector, private sector, farmer organizations, NGOs, civil society representatives, research institutions, etc.



Facilitate

- Facilitate creation of partnerships between the public and private sectors
- Facilitate the connection between demand-side measures and supply-side measures



Co-finance

- Co-fund production-protection-inclusion projects that contribute to the achievement of landscape-level targets
- Help attract new sources of finance, including blended finance, impact investment, carbon finance, etc.



Advise

- Provide technical recommendations on measures to improve incomes, jobs, and the environment

Overarching solution: Pre-competitive company collaboration at jurisdictional scale to support EUDR compliance and smallholder farmers' livelihoods

Landscape approaches are multi-stakeholder collaborations that engage the public sector, sourcing companies, farmer organizations, and other stakeholders - both within and outside a landscape - to agree on a common set of sustainable goals and actions². In the context of the EUDR, these approaches can help ensure that solutions are designed in an inclusive way and are implemented collaboratively. The benefits of landscape approaches include:

- **Cost effectiveness:** They can facilitate the exchange of farm GPS and polygon data, to ensure the same farm is not mapped multiple times by companies sourcing from the same landscape, while making the data available to farmers and their offtakers.
- **Deforestation-free validation:** They can put in place a forest monitoring unit, in charge of verifying the deforestation alerts generated by satellite-based monitoring systems, which ensures that deforestation data is accurate and verified. This avoids the exclusion of smallholder farmers from European supply chains that would be caused by inaccurate satellite-based data.

- **Resolution of legality issues:** They can accelerate land regularization, in a context where land legality is a challenge for many smallholder farmers.
- **Alignment of due diligence:** They can co-develop landscape-level targets and action plans to support implementation of projects that support farmers' livelihoods and prevent deforestation, thereby helping to de-risk sourcing areas.

Adoption of landscape approaches is growing among companies in the agricultural sector. In 2022, the number of companies disclosing engagements in landscape or jurisdictional approaches to CDP³ quadrupled to 191 from the previous year.

IDH is one of the organizations that convenes these approaches, by facilitating 22 landscape programs in 13 countries. These programs support local authorities and sourcing companies to ensure that cocoa, coffee, palm oil, soy, and beef produced in these landscapes is deforestation-free and benefits smallholder farmers and their communities.



“To truly protect the forests and wildlife over the long term, it is really important to take a jurisdictional approach to sustainable production that involves local government, the private sector, civil society, and meets the needs of communities living alongside the forests. Improving yields and supporting smallholder farmers is a critical part of this. That’s why we’re pleased to be working alongside partners in Aceh Tamiang, helping develop a landscape program that can protect the Leuser Ecosystem and support sustainable livelihoods across the district.”

Martin Huxtable,
Director of Sustainable Sourcing, Unilever

2. ISEAL (2022). What constitutes a company landscape investment or action? Landscape and Jurisdictional Practitioner Community - Joint Position Paper

3. CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. It provides a rich and comprehensive dataset on corporate action. See [CDP report on Landscapes and Jurisdictional Approaches, 2022](#)

IDH Landscapes



- 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

Aceh, Indonesia

Reducing the cost of smallholder farmers' compliance with the EUDR through public-private collaboration



In the Aceh province in Indonesia, we are fostering pre-competitive collaboration between the provincial and district authorities and companies on the geo-localization of oil palm smallholder farmers, while supporting them to regularize their land ownership and improve their adoption of Good Agricultural Practices (GAP), which is a prerequisite to certification by the Roundtable on Sustainable Palm Oil (RSPO).

We have set up a forest monitoring system and are developing an integrated grievance clearing mechanism. This allows companies sourcing from the same landscape to access information on deforestation events that may be occurring within their sourcing areas, helping to address them in close partnership with the local authorities.

This integrated model, which has been tested in the Tamiang district of the Aceh province since 2019, is now ready to be scaled up to 11 districts in the province.

In addition to supporting EUDR compliance at landscape level, we are also working on the protection of high conservation value (HCV) and high carbon stock (HCS) areas in

Public-sector partners:
Planning Office, Agriculture & Estate Office, Agrarian Office (BPN), Forest Management Unit-III

Private-sector partners:
PepsiCo, Musim Mas, Unilever

Other partner organizations:
FKL, PUPL (Center of Excellence, i.e. the secretariat of the multi-stakeholder platform)

IDH contact:
Nassat Darajat Idris, Country Director, IDH Indonesia

production zones, which (under Indonesian law) can be legally converted, but would be considered as deforestation under EU deforestation law.

IDH also supports the Indonesian government in testing the national data clearance center that aims to ensure legality and chain custody of commodities, building on the results of our program in Aceh province.

How does this differ from business as usual?

Pre-competitive company collaboration and collective action between private and public sectors has helped strengthen land governance in the Tamiang district. This included:

- Sharing of smallholder farmers' data between all companies sourcing from the same mills in the landscape, to support the creation of an integrated monitoring and grievance system. This allows for faster and more efficient verification of deforestation cases.
- Better coordination of public- and private-sector interventions through the landscape coalition. Working with the public sector helped decrease the cost of land regularization by up to 50%⁴: in the course of two years, we mapped 50% of farmers in the Tamiang district by working with multiple sectors within the government (planning, agriculture and estate, forest management, and agrarian offices).

How does this benefit farmers?

- Smallholder farmers' land is mapped and regularized, enabling them to get certified, access financial support, and be part of the European value chains.
- Smallholder farmers' identification enables them to benefit from companies' technical assistance programs, including GAP training, access to financing, and land registration.
- Smallholder farmers receive support to become RSPO and ISPO certified. In the course of two years, we helped 2,200 farmers from five cooperatives (totaling 3,200 hectares of farm area) to pass the RSPO and ISPO audit.

4. Estimate compared with land regularization driven by the private sector or an NGO, independently from the provincial authority.

Central Highlands, Vietnam

Public-private partnership to accelerate smallholder farmers' mapping, the development of forest maps and farm compliance verification

In Vietnam, IDH has facilitated the creation of a public-private consortium which aims to support the coffee sector's compliance with the EUDR. This consortium is pooling the resources of the private sector and leveraging the capacities of existing public agencies, to ensure alignment and cost effectiveness of EUDR compliance. IDH has signed a memorandum of understanding with the Vietnamese government to support the coffee sector's compliance with the EUDR, focusing primarily on:

- Developing the forest reference map (aligned with the EUDR cut-off date of December 31, 2020), based on data and local resources provided by the public sector and private companies.
- Developing a coffee plot database (including plot-level geolocation data), initially piloted in four districts, with the aim to scale this up to the entire Vietnamese coffee sector



Public-sector partners:
Ministry of Agriculture and Rural Development of Vietnam, Provincial People's Committees of Dak Lak, Dak Nong, Lam Dong, Gia Lai, Kon Tum provinces

Private-sector partners:
JDE, ACOM, LDC, Intimex, Simexco, Sucden, Dakman

Other partner organizations:
VICOFA, GIZ, UND

IDH contact:
Phan Thi Van, Landscape Director, IDH Vietnam

through alignment with the government. This database will serve as the foundation to support compliance with the upcoming EU Corporate Sustainability Due Diligence Directive (CSDDD).

- Piloting and developing a data-sharing mechanism between different public departments (cadastral, forest, farm data) and between the public and private sectors.
- Piloting the development of due diligence reports at jurisdictional level, available to all participating companies.
- Coordinating consolidation of public- and private-sector data and the development of a methodology to benchmark risk of deforestation and forest degradation at national or subnational levels for consideration by the EU in its benchmarking process.
- Piloting a jurisdictional traceability approach for adoption at jurisdictional level, followed by national level.
- Developing a smallholder inclusion proposal to attract investment for supporting inclusion activities, such as livelihood diversification interventions, monitoring systems, and feedback/responses mechanisms for high-risk smallholders.

In close collaboration and co-funding with JDE, IDH is piloting the above interventions in four districts: Di Linh in Lam Dong province and Cu Mgar, Ea H'leo, and Krong Nang in Dak Lak province. We are also leading a number of activities related to sustainable production and forest protection in the Dak Nong province, and supporting policy advice for enhancing

sector sustainability at national level. IDH is leveraging the pre-competitive investment from coffee companies to share resources and costs needed to implement EUDR-compliant solutions in other districts/provinces.

How does this differ from business as usual?

- The government leads the data collection and management, which ensures synergies between public and private efforts and credibility of data (especially regarding the legality of coffee farms). It also helps ensure the database system will be sustained in the long term, which will be instrumental in supporting CSDDD compliance going forward.
- The jurisdictional traceability system will ensure that coffee is not traced in silos: the costs are shared between companies that benefit from the system.
- The EUDR consortium facilitates cost-effective and pre-competitive collaboration between companies. The consortium is open to all companies willing to pool resources to facilitate EUDR compliance of their products.

How does this benefit farmers?

- Comprehensive data collection and database development ensures that farmers in high-risk areas or less privileged farmers (e.g. without land-use certificates) are equipped with GPS/polygon data that supports their EUDR compliance.

- Collaboration and co-funding of public-private solutions for EUDR compliance help reduce the compliance costs, thereby reducing the pressure on coffee price at farm gate.
- A national proposal to attract investment to support smallholders in medium/high-risk areas is under development.
- Identification of smallholders in companies' supply chains will ensure they can benefit from support programs set up by companies.

"In light of the EU new regulations on deforestation-free and forest degradation-free supply chains, JDE Peet's is committed to closely collaborating with the Ministry of Agriculture and Rural Development, the authorities of the Central Highlands provinces, IDH, and businesses to develop and implement comprehensive, innovative solutions. These efforts aim to help the Vietnamese coffee industry quickly meet these new regulations. Through this public-private partnership, we believe that we will create positive change, contribute to the protection of forest resources, reduce greenhouse gas emissions, and at the same time, improve the livelihoods of farmers, particularly coffee farmers, in high-risk areas."

Mr. Do Ngoc Sy, Sustainability Manager APAC, JDE Peet's



Sabah, Malaysia

Facilitating convergence between the Malaysia Sustainable Palm Oil (MPSO) standard and the EUDR

Since 2019, IDH has been working with federal government stakeholders on smallholder inclusion programs in Sabah and developing a deforestation monitoring system specifically designed for smallholders. The program also supports strengthening the Malaysia Sustainable Palm Oil (MSPO) standard, focusing on ensuring that palm oil produced by smallholders in Malaysia is certified as sustainable, traceable, and deforestation-free. The Deforestation-Monitoring Taskforce (DTF) has been set up to benchmark existing, individual, state land monitoring mechanisms and to identify high-risk deforestation hotspots, based on the deforestation-free oil palm smallholding definition⁵.

To strengthen uptake of the MSPO 2022 standard, IDH will focus on improving buy-in from the private sector for early adoption, followed by a proposed multi-stakeholder co-development of a Progressive Incentive Model (PIM). The PIM is designed as a market-based approach to close the economic gap for first-



Public-sector partners:
Malaysian Palm Oil Board (MPOB), Malaysian Palm Oil Certification Council (MPOCC), Ministry of Plantation and Commodities (KPK), Sub-Committee on Oil Palm (SCOP), NI-SCOPS Technical Committee (TC) members

Private-sector partners:
Sime Darby

Other partner organizations:
Solidaridad

IDH contact:
Allie Subramanian Head of Program and Vinita Ganesh, Senior Program Officer, IDH

mile compliance (smallholders, cooperatives, dealers, collection centers, and independent mills), while simultaneously operating in a landscape to address issues thematically (such as sustainable smallholder productivity and income, worker welfare, and child support).

How does this differ from business as usual?

- As co-chair and co-secretariat of the DTF with Solidaridad Network, IDH has been working with government stakeholders on the development of a deforestation monitoring system that will be completed by December 2023. This monitoring system for smallholders will be the first of its kind in Malaysia and is expected to be piloted from 2024 onwards.
- IDH is deepening its collaboration with the Malaysian Palm Oil Certification Council (MPOCC), alongside other key partners, to improve traceability via MSPO Trace (point geolocation for all certified smallholders) to meet the demands of MSPO 2022, which will be instrumental in complying with the EUDR.
- Collaboration with MPOCC focus on piloting the traceability component to improve buy-in from the private sector for early adoption. Anchoring the traceability tool to the mandatory national standard (MSPO) will ensure that smallholders can have continued access to EU markets.

- This traceability system is a critical first step in developing a wider landscape-based PIM that will incentivize sustainable production by smallholders and help address risks at a jurisdictional level. This will strengthen the enabling environment and investment readiness for scaling up business models that address smallholders' livelihoods.

How does this benefit farmers?

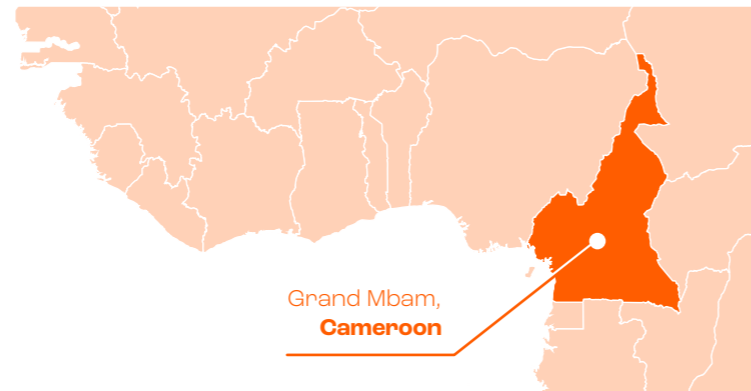
- IDH is working on increasing the number of MSPO-certified smallholders and ensuring they are compliant with the EUDR.
- The deployment of the deforestation monitoring tool will help monitor smallholder encroachment into forests. Along with the adoption of the revised MSPO Trace by supply chain players, this will ensure that smallholders are included in supply destined for European markets.
- The PIM will incentivize sustainable production by smallholders through cash transfers, reduced input costs, and reduced capital costs.
- Business models from income diversification and regenerative agricultural practices for smallholders are being jointly piloted with the private sector, with the aim of improving smallholder livelihoods and decarbonizing palm oil production landscapes.

5. Developing a definition for deforestation-free oil palm smallholding was critical to progressing on mitigating deforestation in the palm oil sector, a process IDH contributed to through multi-stakeholder consultations.

Grand Mbam, Cameroon

Exploring commune-level EUDR compliance in high-risk areas through public-private collaboration in the cocoa sector

In Grand Mbam landscape in Cameroon, IDH initiated discussions between the mayors of Ntui, Ngoro, and Mbangassina communes, as well as cocoa companies, cocoa cooperatives, and representatives from the national ministries on a collaborative framework that could support cocoa compliance at commune level. These discussions are an integral part of the landscape program that IDH convenes in this region, and are closely connected to the Roadmap to Deforestation-free Cocoa, a national commitment to end cocoa-related deforestation, led by the Ministry of Agriculture and Rural Development, with the Ministry of Commerce, Ministry of Forestry and Wildlife, and Ministry of Environment and Sustainable Development.



Public-sector partners:
ONCC, Mayors of the Ntui, Ngoro and Mbangassina communes, representatives from national ministries and other institutions

Private-sector partners:
companies sourcing from the communes (Cargill Telcar, ECOM-AMS, Cooko)

Other partner organizations:
ICRAF, FODER, WWF, Proforest

IDH contact:
Joel Owona, Program Manager, IDH

How does this differ from business as usual?

- Cross-sector collaboration to raise farmers' awareness of the EUDR can mitigate risks of future cocoa farm expansion in protected areas and community forests.
- This intervention is based in the community forests and national parks where very few actors are willing to invest and source. But these are important areas for investment if deforestation is to be prevented/stopped and the farmers are to continue to earn their livelihoods from supplying the European market.
- Public-private collaboration on farm mapping can accelerate the geo-localization of smallholder farmers, and ultimately their registration in a future national cocoa traceability system. This is being scoped at national level, through the Roadmap to Deforestation-free Cocoa.
- The establishment of a forest monitoring unit at commune level could deepen the understanding of drivers of deforestation and help address them.

How does this benefit farmers?

- Farmers located within community forests and near national parks are identified, receive information about the EUDR requirements, and can continue selling their cocoa beans to traders that export to the European market.

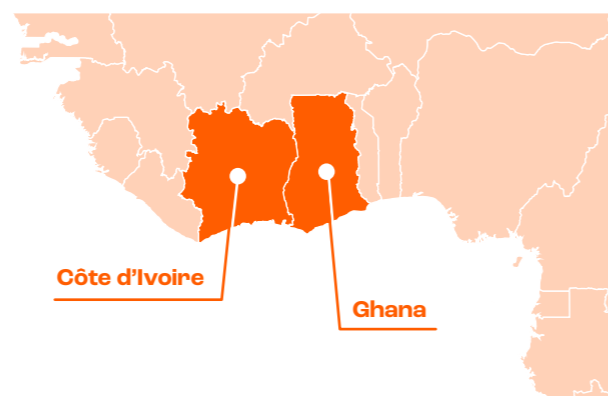


West Africa

Facilitating convergence between national policies and the EUDR

The Cocoa and Forests Initiative (CFI) brings 36 cocoa and chocolate companies together with the governments of Côte d'Ivoire and Ghana, to halt cocoa-related deforestation. The initiative is embedded in national policies to guide and enable sustainable practices by cocoa farmers and their downstream industry partners. By building and promoting trust among industry and government, IDH supports the sector to drive efficient and effective sustainability investments targeting farmers and cooperatives.

After more than five years of CFI implementation, the cocoa sector in Ghana and Côte d'Ivoire is relatively well prepared for the enforcement of the EUDR. The main outstanding concerns relate to the risk of exclusion of smallholders that are very remote and/or not in international industry's direct supply chains. National traceability systems and satellite-based forest monitoring systems have been put in place and optimized by the Ivorian and Ghanaian authorities in line with the ARS-1000 African standards for sustainable cocoa. These systems are designed to support all actors in the sector and along the value chain, ensuring an inclusive and just introduction of the (inter) national policies.



Public-sector partners:
Ministry of Water and Forests (Côte d'Ivoire), CCC (cocoa authority Côte d'Ivoire), Ministry of Lands and Natural Resources (Ghana), COCOBOD (cocoa authority Ghana), Ghana Standards Authority, Amsterdam Declaration Partnership

Private-sector partners:
36 cocoa and chocolate companies committed to the Cocoa & Forests Initiative

IDH contact:
Renske Aarnoudse, Senior Manager, IDH

IDH established dialogues with government institutions and their officials from both producing and consuming countries to align on enforcement of policy frameworks. In addition, CFI aims to boost landscape investments in which traceability and due diligence collaboration will be introduced and tested for scaling. For example, in Côte d'Ivoire, IDH is actively supporting the Ministry of Water and Forests to align with industry on how to act on deforestation alerts as part of the EUDR due diligence on deforestation risks. In Ghana, IDH collaborates with public and private partners to roll out land and tree tenure policies to meet the EUDR due diligence legality requirements.

How does this differ from business as usual?

- Better alignment between different due diligence tools related to cocoa traceability and forest monitoring is promoted.

How does this benefit farmers?

- More clarity on policies and practices enhances efficiency and effectiveness at farmer and cooperative levels.
- Through sector-wide and in-landscape collaboration, unnecessary exclusion of smallholder farmers can be avoided.



About the European regulation on deforestation-free products (EUDR)

The newly adopted regulation on deforestation-free products sets mandatory due diligence rules for all operators and traders who place, make available, or export palm oil, cattle, wood, coffee, cocoa, rubber, and soy – whether on or from the EU market. It has set a cut-off date for the new rules on December 31, 2020, meaning that products that have been produced on land subject to deforestation or forest degradation after this date will be excluded from the EU market. Operators are required to trace the commodities they sell back to the plot of land where they were produced. These new requirements come at a cost to operators

selling products on the EU market and may lead them to adopt sourcing strategies that exclude smallholder farmers from their supply chain, as they can be resource intensive to geo-localize in some supply chains. Smallholder farmers themselves lack the capacity and resources to proactively demonstrate they are compliant, and are often dependent on the intermediaries in the supply chain to collect and communicate compliance data throughout the supply chain.

About IDH

IDH creates value by bringing together businesses, governments, and civil society to create better jobs, better incomes, a better environment, and gender equality for all. Through our unique approach of convening, co-creating, and co-financing, we address critical challenges in value chains, such as deforestation, working conditions and wages, value distribution, and climate change. Our mission is to put people, planet, and progress at the heart of markets.

Headquartered in the Netherlands, IDH has around 380 employees globally, operating in 22 landscapes and 12 commodities and sourcing regions with over 1,000 public and private partners. In 14 years of operation, IDH has catalyzed over €390 million in private-sector investment and support for new business models that create better jobs, better incomes, a better environment, and gender equity for all.

For additional information on IDH solutions to the EU Deforestation Regulation, please contact:

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