



**IDH**

forum  
report

**DRIVING BUSINESS  
SOLUTIONS FOR  
SUSTAINABLE  
LANDSCAPE**

**FORUM 8-9 FEB 2017**

IDH, the Sustainable Trade Initiative

# TABLE OF CONTENTS

Acknowledgements	3
Abbreviations and Acronyms	4
Foreword	5
An Introduction to the IDH Landscapes Program	6
The Need for Production Protection Inclusion Compacts	16
Fostering Public and Private Collaboration for Sustainable Landscapes	20
The Business Case for Engaging in Landscape Coalitions	20
The Role of Governments	25
A Call for Government Support to Business-led Initiatives	26
The Role of NGOs	27
The Essential Conditions for Building Thriving Landscapes	30
Developing a Long-term Vision and Strategy for the Landscape: How can Green Growth Plans Help?	30
Incentivizing Production-protection through New Financing Mechanisms	32
Enforcing Forest Protection	37
Key Takeaways and Next Steps	39

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# ABBREVIATIONS AND ACRONYMS

- APHI** Association of Indonesian Forest Concessionaires
- APP** Asia Pulp & Paper
- BUZA** Netherlands Ministry of Foreign Affairs
- CAR** Cadastro Ambiental Rural
- CSO** Civil Society Organization
- DANIDA** Danish International Development Agency
- EKL PT** Ekosistem Khatulistiwa Lestari
- FDA** Forestry Development Authority
- FSC** Forest Stewardship Council
- GAP** Good Agricultural Practices
- GHG** Greenhouse Gas
- GVL** Golden Veroleum Liberia
- HCS** High Carbon Stock
- HCV** High Conservation Value
- ICRAF** World Agroforestry Centre
- ICV** Instituto Centro de Vida
- IFO** Industries Forestière d'Ouessou
- KFS** Kenya Forest Service
- KWS** Kenya Wildlife Service
- NGO** Non-governmental organization
- NICFI** Norwegian International Climate and Forest Initiative
- OIPR** Office Ivoirien des Parcs et Réserves
- PCI** Produce, Conserve and Include
- PECSA** Pecúaria Sustentável da Amazônia (Amazon Sustainable Cattle Ranching)
- PPA** Production-Protection Agreements
- PPI** Production, Protection and Inclusion
- SECO** Swiss State Secretariat of Economic Affairs
- SODEFOR** Société de développement des forêts
- TNC** The Nature Conservancy



# FOREWORD

On a chilly and snowy day, over 100 participants, coming from all parts of the globe, gathered in Amsterdam to discuss how to move towards sustainable production, to conserve the earth's forests and enhance the livelihoods of communities that depend upon them. Participants included representatives from business, government, civil society organizations (CSOs), international organizations and research institutions from, among others, Indonesia, Vietnam, Ethiopia, Kenya, Liberia, Côte d'Ivoire and Brazil. It was the first time IDH partners came together since the [IDH Landscapes Program](#) was initiated in 2014, and it resulted in a "meeting of minds."

Through plenary and break-out group thematic discussions, participants had the opportunity to present best practices and discuss their experiences in setting up landscape-level coalitions and the related business case. In particular, the forum focused on the following learning questions:

- How can the public and private sector best collaborate on designing and implementing landscape-level forest protection and restoration plans?
- How can Green Growth Plans support the development and implementation of a long-term vision for the landscape?
- What are effective mechanisms to protect forests?
- How can business contribute to forest protection on and around concessions, or through their supply chains?
- What sort of finance mechanisms can support Production, Protection and Inclusion (PPI) arrangements?

This report aims to summarize the lessons learned and key insights collected throughout the forum. As such, it is a first attempt at collecting and disseminating information on IDH's and its partners' work on sustainable landscapes in a format that is more digestible than a conventional forum report: through a set of short articles and participant video interviews.

We would like to warmly thank all forum participants for sharing their experiences and joining very genuine discussions about common challenges and possible solutions to sustainable landscapes. We will continue the cross-country/cross-landscape dialogue initiated at the forum to ensure that we continuously learn from each other and strengthen synergies between existing initiatives.



**Daan Wensing**  
Global Director Landscape &  
Deforestation Commodities Program  
IDH The Sustainable Trade Initiative

# An Introduction to the IDH Landscapes Program

The IDH Landscapes Program is active across 11 landscapes in 7 countries where IDH works with global and local businesses, CSOs and governments to build deforestation-free sourcing and production areas. Specifically, IDH combines the sourcing commitments of companies, the jurisdictional power of governments, and the knowledge and networks of local CSOs to create sustainable landscape governance models that balance land and water claims and improve degraded land to create economically viable production and protection areas.



## **Brazil**

### **The State of Mato Grosso**

In Brazil, the state of Mato Grosso has developed a Green growth plan – called Produce, Conserve and Include (PCI) – that aims to double the state's economic output while reducing deforestation to zero and improving the livelihoods of family farms and the indigenous population through economic inclusion. To deliver on these ambitious goals, a PCI committee was set up in March 2016. This multi-stakeholder coalition, supported by IDH, brings together several government institutions as well as leading companies from the soy and beef industries alongside a number of civil society organizations active in the area. In addition to supporting the PCI committee, IDH is working with companies and civil society partner organizations to develop a pipeline of projects with land-users on the ground, which can contribute to the PCI goals.

## **Liberia**

### **Nimba, South East Liberia, and Western Liberia**

In Liberia, IDH works in three landscapes – Nimba, southeast Liberia and western Liberia – on Smallholder Productivity and Forest Protection, with private sector concession holding companies Arcelor Mittal, Sime Darby and Golden Veroleum Liberia (GVL). In the oil palm concession landscapes, IDH, the concession holders and the Forestry Development Authority (FDA) raise capital for investing in community oil palm outgrower farms, and leverage on investments to incentivize community forest conservation. The partnership will introduce Production-Protection Agreements (PPAs), as a form of public-private-community forest protection governance. Through these PPAs, the communities, the FDA and GVL will agree to conserve, actively monitor and manage forests in exchange for access to investment capital and technical assistance to establish community oil palm farms. The investment model includes an annual conditional income paid to the community that is subject to verified compliance with the Forest Protection Plan to which the community must commit as a condition of the PPA.

## Côte d'Ivoire Wider Taï Forest

In Côte d'Ivoire, IDH, the government of Côte d'Ivoire, as well as a number of private companies have joined hands to establish a public-private coalition centered around the commitments of governments, private companies, and civil society to halt deforestation and establish deforestation-free supply chains. The coalition will support the development of a Green Growth Plan for the Cavally Region. It has also identified a set of activities that can address protection and production simultaneously. These activities include working with Cémoi and Barry Callebaut on improved cocoa productivity through, among other mechanisms, farmer training and agroforestry, while focusing with Société de développement des forêts (SODEFOR) and Office Ivoirien des Parcs et Réserves (OIPR) on forest protection and restoration projects.

## Ethiopia Central Rift Valley

The Central Rift Valley region of Ethiopia is a key commodity sourcing area for flowers, wine, livestock, fruits and vegetables as well as cereals. However, the main challenges facing this area are caused by competing claims on water and land that lead to a decline in water quantity and quality, land degradation and precarious livelihoods. To help address these issues, since early 2015, IDH Ethiopia has been convening, facilitating dialogues, and co-funding initiatives with key private, public and civil society stakeholders in the landscape. IDH Ethiopia focuses on a variety of interventions, ranging from the development of a water allocation plan to reforestation in the landscape.



## Kenya South West Mau Forest

Despite the ecological and economic importance of the Mau Forest complex for Kenya and parts of East Africa, it is threatened by, among other things, encroachment, livestock grazing and browsing, wood extraction for charcoal and firewood, fire and poaching. IDH Kenya is bringing together key stakeholders to address these challenges based on an integrated action plan, which includes policy dialogues and the development of practical and scalable solutions at local and regional levels. In particular, IDH Kenya focuses on three thematic building blocks: forest conservation; improvement of water flow and access; and sustainable energy. Alternative livelihoods for communities is also an important cross-cutting issue considered under each building block.

## Vietnam Central Highlands

In the Central Highlands of Vietnam, intensive agricultural development has exacerbated ecosystem degradation. Main challenges in this landscape include a reduced water supply, deforestation, land degradation and improper use and governance of agrochemicals. IDH plays an important role by strengthening cross-sectoral and public-private cooperation to systematically and effectively address the above issues. It supports the change in behavior of agri-commodity producers, as well as development of effective public policies that can equally steer and incentivize sustainable practices.





## Indonesia Aceh, South Sumatra, and West Kalimantan

IDH is active in three different landscapes in Indonesia: Aceh; South Sumatra; and West Kalimantan. In Aceh, IDH focuses on specific areas within the districts of Aceh Tamiang and Aceh Timur, with the objective of curbing deforestation due to the rapid expansion of agriculture into the Leuser ecosystem, including for palm oil, one of the area's main crops. In West Kalimantan, the three main goals of IDH are to protect the remaining natural forest areas on private, state and community land, protect and rehabilitate intact peat areas and enable landscape connectivity by linking forest blocks and restoring degraded areas. Finally, in South Sumatra, the main objectives of the IDH Landscapes Program are to protect the forests and peatland in and around Sembilang-Berbak National Park and Dangku Protected Forest, and pilot jurisdictional certification in Musi Banyuasin Regency, with the Lalan sub-district as the first prototype.





# The Need for Production Protection Inclusion Compacts



**The Journey to Production, Protection and Inclusion**  
 In this video, Daan Wensing, Global Director of the IDH Landscape & Deforestation Commodities Program, talks about IDH's journey towards realizing the effectiveness of landscape approaches and PPI compacts in addressing the deforestation crisis.

A PPI compact is a mechanism that brings landscape stakeholders together (businesses, local and national governments, farmers, communities, civil society organizations), to discuss and agree on the conditions for sustainable production, which parts of forests need to be protected as well as the conditions of their protection. To ensure the longevity and vitality of forests, conditions must include incentives for sustainable production and forest protection, as well as some sort of enforcement mechanism to avoid failure. IDH is currently piloting this approach through its Landscapes Program.

## The First Building Block of a PPI Compact: Production

Production consists of improving productivity on existing agricultural land to reduce pressure on forests. However, production is, unfortunately, often seen as the antagonist of protection. Despite numerous attempts to curb deforestation, investments into increasing agricultural production to feed the growing world population still favor expanding into tropical forests and other natural habitats, rather than intensifying agricultural production on existing arable land. In order to break this cycle of expanding agriculture into forests and other valuable ecosystems, investments need to be orchestrated in land use intensification to protect forest and peat land with high conservation value and high carbon stocks. Training farmers in better land use through more productive techniques and supplying them with better input materials will increase production on existing land. Improved productivity also means higher yields that translate to better incomes for smallholder farmers and their families.



Ms. Juliana Lopes, Sustainability and Communication Director, **AMAGGI**, explains how intensifying cattle ranching in Brazil can reduce the pressure to clear more land.

## The Second Building Block of a PPI Compact: Protection

A key issue to address in forest protection is knowing who has the responsibility to act. Since governments and non-governmental organizations (NGOs) cannot do it alone, companies also need to contribute to forest protection. Therefore, intensified land use needs to go hand in hand with building coalitions of businesses and smallholders in specific regions together with local authorities, communities and NGOs in an effective and balanced public-private partnership. A basic level of public governance is needed to provide control for nature protection, land and customary rights, spatial planning and equitable benefit sharing. In order for such a public-private partnership to be effective, there must be a clear interest (or business case) for civil society, communities, farmers, supply chain companies and government in managing competing land-use interests and creating a shared and balanced landscape governance.

## The Third Building Block of a PPI Compact: Inclusion

Production-protection will only work if it benefits farmers and local communities. For genuine sustainable development to happen, smallholders and communities have to be at the center of the action plan for implementation, and community consultation should strictly follow the principles of Free, Prior and Informed Consent.



Production, Protection, Inclusion in Liberia

**“We won’t address deforestation if we don’t  
engage communities.”**

JEFF SEABRIGHT,  
CHIEF SUSTAINABILITY OFFICER, UNILEVER

# Fostering Public and Private Collaboration for Sustainable Landscapes

A large majority of tropical deforestation is caused by agriculture (driven by global commodities such as soy, palm oil, beef and wood products), as well as other land use changes (e.g. mining, infrastructure development). Addressing this challenge requires government, industry and civil society to collaborate towards new solutions which balance social, environment and economic benefits. These solutions are needed to transform finance and business models and ensure that the production of agro-commodities contributes to the protection of forests and other natural resources, as well as the inclusion of smallholders and communities in the economy.

## The Business Case for Engaging in Landscape Coalitions

Certification is commonly used by companies to improve the sustainability of the products they source. However, companies increasingly acknowledge that certification alone is not enough to address complex issues and achieve zero-deforestation. This is why an increasing number of them are starting to engage in landscape-level initiatives. The case study boxes in this section illustrate different forms of business engagement, either directly on their plantation concessions, or outside of their concession areas.

**“Certification is by nature exclusive, it is a binary system: you’re in or you’re out. The landscape approach is fundamentally inclusive.”**

**JAN MAARTEN DROS,**  
CLIMATE AGENDA COORDINATOR, SOLIDARIDAD.

The internal journey for companies to change their ways of operating, moving from supply chain-based approaches to landscape approaches, requires time to implement, with adaptation efforts being dependent upon how a company is organized. For some, it is a matter of simply adding another layer to their already existing sustainability program while for others it will require a complete reorganization of the companies’ operations. The multi-stakeholder approach also takes more time than what the private sector is used to, necessitating developing new skill sets internally and identifying the best strategy for companies to engage in such schemes.



**Mr. Simeon Hutchinson, Managing Director, Finlays**  
For Finlays, the business case is very much linked to ecosystem services provided by the forest. It is, for example, clear that a decrease in forest cover is likely to lead to an increase in pests on a tea plantation.



**Ms. Juliana Lopes, Sustainability and Communication Director, AMAGGI**  
For AMAGGI, moving to a landscape approach can help connect sectors with each other (e.g. in Mato Grosso, timber and cattle issues indirectly affect soy). Intensification of production is also key to reducing pressure on forests.

**“It is not only about what a company can do in its supply chain, it is about its responsibility in the landscape.”**

**MS. JULIANA LOPES,**  
SUSTAINABILITY AND COMMUNICATION DIRECTOR, AMAGGI

## CASE 1

### Responsible Forestry in the Republic of Congo

Interholco, one of the leading international timber suppliers from Africa, controls a production plant, the Industries Forestière d'Ouessou (IFO), in the Republic of Congo, currently the largest Forest Stewardship Council (FSC) certified timber concession in the tropics, with a size of 1.16 million hectares. IFO focuses on the sustained production of timber and non-ligneous forest products, sustainability of forest ecosystems and sustainable development and improvement of the living conditions of the communities and the workforce of the company, all while allowing the community to exercise their rights. IFO works with a social team to mobilize active participation of communities and indigenous people in forest management, based on principles of Free, Prior & Informed Consent. In addition, about 25% of the concession area is set aside for conservation purposes. IFO and the government of the Republic of Congo collaborate in an innovative Ecoguards initiative to combat the poaching of wildlife in the forestry concession and the wider landscape. Here, a team of government and IFO Eco Guards patrol the forest and have a mandate to arrest poachers and illegal loggers. This combination of protection and inclusion mechanisms helps Interholco and IFC to safeguard long-term production.

## CASE 2

### Protecting forests on palm oil concessions in Indonesia

Bumitama Agri Ltd., one of the leading producers of palm oil and palm kernel from Indonesia, started carrying out High Conservation Value (HCV) and High Carbon Stock (HCS) assessments throughout its sourcing activities in 2014, and developed a new sourcing policy based on the outcomes of this assessment. One of the key developments was the commitment to no longer plant in peat soil. Bumitama now systematically carries out environmental assessments based on RSPO standards every time a new concession is gained. Together with the communities, and based on the HCV/HCS assessments, about 20 to 30% of the new concession is selected to be set aside for conservation purposes. Bumitama also continuously engages with communities to promote alternative livelihoods and prevent forest degradation. The creation of value for the community is essential in this process, and communities are regularly consulted to collect feedback. One example of success is a project led by Bumitama where farmers were trained on how to plant palm trees, resulting in higher yields and the community being able to sell the surplus. However, lack of proper legislation to support forest protection, difficulties fully engaging communities and risks linked to return on investment are the main challenges that need addressing.



Ms. Lim Siam Choo, Group Head of Corporate Secretarial Services & CSR, **Bumitama Agri Ltd**

## CASE 3

### Climate-positive Palm Plantations through Forest Conservation in Gabon

Olam, a global agri-business involved in growing, sourcing, trading and processing food and industrial raw materials, has committed to RSPO certification, forest conservation and reduction of greenhouse gas (GHG) emissions in its palm oil business. Gabon is 88% forested and has zero gross deforestation, meaning there is no forest conversion whatsoever, even of highly degraded and secondary forests; therefore, it would be difficult, if not impossible, to implement a climate-positive scheme that allows for the necessary development to occur which doesn't result in at least some environmental effect. Olam completes full due diligence and FPIC processes for all new palm plantations prior to any development taking place, planting as much as possible in low-carbon areas such as savannah and fallows, and retaining and protecting large areas of logged (but high conservation value) forest to offset the carbon released due to land use change (over 50% of the gross concession area on average is conserved). Olam's combined Mouila plantations and HCV areas were independently estimated to fix a net 4.8 million tCO<sub>2</sub>e over the first rotation. For the approach to work at a larger (national or regional) scale, government regulations and other incentives that support carbon-neutral plantations, as well as a framework for land-use planning, would be needed.

#### The Role of Governments

Engagement of government at the top level is critical to the success of the public-private-civic partnerships for sustainable landscapes, as it can provide the legitimacy and drive necessary to move the collaboration forward, especially if the engagement is linked to clear and well-defined targets.

- In Liberia, the government has committed to conserving 30% of its forests by 2020. Through the convening efforts of the IDH Landscapes Program, it is collaborating with palm oil companies and communities to raise investment and build capacity for economic development, biodiversity conservation and forest protection. This enables government to delink development in terms of job creation, economic development and, hence, increased tax revenues, from deforestation.
- In Brazil, the Produce-Conserve-Include strategy was initiated by the state of Mato Grosso and represents a unified agenda of government, civil society, companies and investors. It aims to reduce deforestation by 90%, restore 2.9 million hectares of vegetation, increase agricultural production, and include smallholders and indigenous communities in low-emission rural development.

Local governments are also important partners as they have a direct stake in the landscape and can provide direct support to local interventions.



Honorable Harrison Karnwea, Managing Director, **Forestry Development Authority (FDA)** explains how political leadership at the highest level plays a critical role in advancing the forest protection agenda in Liberia.



Ms. Petra Meekers, **Director of CSR & Sustainable Development**, Musim Mas, explains why government engagement is critical to forest protection.

#### A Call for Government Support to Business-led Initiatives

Many businesses are struggling to include forest conservation in their operations, as this is not their core business and they therefore lack expertise in this area. They need support from other parties, in particular from governments, whose engagement is critical when protection has to take place on publicly-owned land. Allocating some of the company concession areas to conservation and restoration represents a cost, while benefits can be uncertain for first movers. The demand for certified products is an important market signal that supports this approach, but this can't be the primary driver as the demand for certified commodities, such as RSPO palm oil, is still low. This is where governments need to step in and help create the conditions that can make sustainable commodity production the norm.

A legislative structure that facilitates the establishment of distinct protection areas on company concessions is currently missing in a country like Indonesia. This is why, in parallel to commitments of businesses like Bumitama, the Indonesian government is currently working together with, among others, IDH to support companies to utilize existing legislation on Essential Ecosystem Zones (KEE) to set up multi-stakeholder management of forest and peatland areas within forestry or oil palm concessions. This requires active coordination between, and participation of, national, provincial and district governments, who all have authority over different parts of land within a landscape. Visionary companies can also support the process by striving to become role models and providing guidance into the design of effective policies and regulations that can help drive change.



Benardi Dharmawan, GM of HR-GA Legal & Sustainability **Pt. Pasifik Agro Sentosa**, explains the need for government to provide legal status to on-concession forest protection efforts.

#### The Role of NGOs

NGOs can support the creation of public-private-community partnerships. For example, in Kenya's South West Mau forest, IDH played a main role in bringing different stakeholders together. It also helped open doors in government and facilitate public-private collaboration. In Brazil, TNC engages with farmers to reduce deforestation (see Case 4).

There has been a change in the way business collaborates with NGOs: 15 years ago, companies and NGOs did not know how to talk to each other but this has now evolved, with an increasing number of NGO-business partnerships being created. Here, partnerships center around the outsourcing of sustainability projects to NGOs, but the potential of such alignments is much greater: NGOs could be approached as real partners, with mutual understanding of objectives and a focus on designing a common strategy as core principles.

## CASE 4

### **Working with Farmers to Reduce Deforestation: TNC's Program in Sao Felix do Xingu, Brazil**

One of IDH's partners in Brazil, TNC, is active in São Félix do Xingu to help reduce deforestation. This province, a large municipality in the state of Pará, and about the size of Portugal, is a dynamic deforestation frontier, of which a major driver is cattle production. Reducing deforestation in the region goes through strict command and control measures: farmers who continue deforesting are denied access to credit for their cattle ranching. To remove this barrier, farmers have to stop engaging in illegal deforestation and register with the Cadastro Ambiental Rural (CAR), the government's land registration system. TNC helps farmers gain access to finance and register with the CAR. Currently, 85% of the province's farmers are registered. The command and control measures prevent horizontal expansion and force producers to intensify and improve their productivity. Challenges remain, as traceability continues to be a bottleneck and engaging indirect producers proves to be difficult. Additionally, there is a need to create an incentive for farmers not to revert back to past practices when credit lines are re-secured. To address this, TNC supports farmers to create alternative livelihoods and to become sustainable. New ideas for monitoring indirect suppliers are also emerging, for example through the veterinarians that treat cows. Sustained innovative thinking is needed to transform São Félix and other commodity regions into verified sourcing areas.

# The Essential Conditions for Building Thriving Landscapes

As part of its Landscapes Program, IDH has either set up or strengthened multi-stakeholder coalitions that regularly meet to discuss and agree on the most pressing challenges and solutions to the landscape. Through this process, we have identified several elements that are critical to building more sustainable landscapes. This includes the development of Green Growth plans endorsed by all stakeholders, the importance of finance mechanisms that incentivize both production and protection, and the identification of enforcement mechanisms such as development of relevant regulations and policies, or more on-the-ground forest protection mechanisms.

## Developing a Long-term Vision and Strategy for the Landscape: How can Green Growth Plans Help?

Land use planning is critical to meeting commercial, conservation and community development targets. The lack of proper land use planning can contribute to an environment in which land use practices, land rights and future plans are not transparent, nor agreed upon, causing them to become highly contested. The development of land use plans need to be supported by a long-term vision, as well as a well-defined strategy, that is economically, socially and environmentally sustainable in the long term, and characterized by a relatively equal distribution of wealth. These are the critical elements of a Green Growth Plan. To ensure that the views and interests of all stakeholders are taken into account, Green Growth plans have to be developed through a multi-stakeholder approach, involving government, local communities, land users, farmers, NGOs and businesses.

Learnings on how to develop these plans and key success factors can be collected from ongoing experience in, for example, South Sumatra, Indonesia and Mato Grosso, Brazil.

As part of IDH Landscapes Program in South Sumatra, a Green Growth Plan was developed by ICRAF in 2016. The development of the plan was driven by the governor of the province, as the devastating forest fires in 2015 increased the urgency for sustainable land-based development. The plan has identified seven critical components for the province: land use planning; livelihood; productivity through improved land use practices; improved value chain; improved connectivity and economic scale; restoring degraded areas; and ecosystem service incentives. A roadmap with interventions and activities was developed, including an estimate of the costs. The plan also includes a set of macro indicators to track performance. Now, the Green Growth Plan is entering its implementation phase, which includes setting up a longer-term governance structure, raising funds for the different activities in the roadmap and continuous stakeholder engagement.

In Mato Grosso, the governor of the province took the initiative to put stakeholders together to develop a PCI strategy. The PCI strategy established a set of 2030 goals for the State of Mato Grosso, based on both production demands and conservation objectives. The conservation component of the PCI strategy was supported by the Brazilian Forest Code, which requires forest restoration on private lands. The production goals are based on livestock intensification objectives, which aim to free up land for increased production and forest restoration. A roadmap is currently being developed to operationalize the objectives, while some projects have already started on the ground.

A number of success factors have been identified from these two examples:

- The process of developing a Green Growth Plan is as important as the output itself. First, ownership by local authorities is key to starting the planning process and ensuring the relevance of the plan. Second, local ownership by a variety of stakeholders is also critical for the plan to succeed and continue, independently from political changes, in the long run.
- There is a need for regular and clear communication on landscape-level initiatives designed around distinct messages to make the case to all the stakeholders who need to be part of the plan, including local stakeholders and global companies.

The demand for sustainable products from global sourcing and consumer goods companies is also critical to drive the process. This, however, requires a shift from an exclusive, certification-driven approach, to an inclusive, landscape-driven approach, meaning that companies must take the responsibility for solving issues throughout their supply chains, directly in sourcing areas.



### Incentivizing Production-protection through New Financing Mechanisms

Sustainable land management not only requires strong policies and market signals, but also needs to be financially incentivized to overcome the opportunity costs of protecting forests over converting them to productive land, and enable innovative land use initiatives for production, protection and inclusion. Hence, there is a clear need for new finance mechanisms that can support the sustainable production of global commodities while ensuring the protection of forests. However, finance mechanisms that are willing to take on the credit and environmental risks related to these long-term investments are lacking, and innovative projects tend to have difficulties raising capital.

This is where public funding, including climate finance, can play a role. These public funds can be combined with the commercial and financial portfolios of agrilenders (typically banks) and corporate agribusinesses on the ground, and be delivered to producers and land-users who are mainstream clients or suppliers of these banks and agribusiness firms. These funds must be sufficient for the producers and supply chain players to invest in intensification and restoration, rather than extension or encroachment, and to take co-responsibility over related forest protection. This section features several examples of new financing mechanisms that are being developed by different organizations to respond to this need for new financing mechanisms.

While the need for new finance mechanisms is clear, finance institutions are also highlighting the lack of projects that can attract long term capital. More work needs to be done to build project developers' capacities to set up credible projects in which these funds can invest. This is where initiatives such as the one developed by IDH in Liberia (See case 7) can help, by prototyping new scalable and replicable project schemes.



Gautier Quéru, Fund Director, **Mirova**, explains how private investment is critical to forest protection.

**“Short-term financing doesn’t always fit the long-term investment needs of sustainability projects. There are significant opportunities for innovation in finance to make long-term investment accessible for different short to medium-term investors.”**

**DAVID BARLEY,  
INVESTMENT DIRECTOR, ALTHELIA ECOSPHERE**

## CASE 5

### A New Fund to Enhance Production and Protection

The Norwegian government is setting up a new fund to kick-start investments in deforestation-free agriculture in countries that are working to reduce their forest and peat degradation. This mechanism works in partnership with the Global Environment Facility, UN Environment Programme, IDH and major food companies and environmental NGOs. The aim of the fund is to protect 5 million hectares (about the size of Costa Rica) of forests and peatlands by 2020.

The fund will be launched with a commitment of up to US\$ 100 million from the Norwegian government, based on a capitalization goal of US\$ 400 million by 2020, to be drawn from other bilateral and multilateral donors as well as private sector partners. It will focus on scalable production projects that are able to generate significant forest protection and/or restoration. It is expected to provide an incentive for tropical forest governments by driving investments in countries and jurisdictions that protect forests and reduce related GHG emissions. Unilever is working on its no deforestation goal by being the first company that has chosen to invest in the fund, announcing an investment of US\$ 25 million over a five-year period.

## CASE 6

### Financing for Sustainable Cattle Ranching in the Amazon Region

The Novo Campo sustainable cattle ranching program, led by Brazilian NGO ICV, is a pioneering program in the Alta Floresta ranching hub of Brazil's Mato Grosso state. Novo Campo aims to establish a proof of concept of the effectiveness of Good Agricultural Practices (GAP-Protocol) in small to medium-size ranches in order to restore degraded lands with improved pastures, increase productivity, better animal welfare and greater product quality through a package of better nutrition, husbandry and health. In order to operationalize and boost the program's implementation, PECSA - Pecuária Sustentável da Amazônia (Amazon Sustainable Cattle Ranching) has been launched as a spin-off of ICV as a technical assistance, management and investment aggregation firm. In 2015, Althelia provided PECSA with € 11.5 million in financing to start operations in 20 farms, restore 10,000 hectares of pastures and sustainably manage 34,000 head of cattle. Althelia's investment will enable ranchers to: fully reform pastures as well as riparian forests; implement the necessary infrastructures and facilities for rotational grazing systems; provide health and animal welfare services and technical assistance; have a route to market; and to provide the technical protocols for traceable forest-friendly beef. Looking forward, Althelia and PECSA will scale up existing operations from 10,000 hectares of pasture under management today to 100,000 hectares by 2021. As an initial step, they are raising US\$ 47 million over three tranches to reform 35,000 hectares of pasture during 2017 and 2018. 35,000 hectares of reformed pasture will avoid up to 100,000 hectares of deforestation and in excess of 30M tCO<sub>2</sub>e emissions.

## CASE 7

### Developing a Project Pipeline in Liberia

In Liberia, IDH is working with the FDA and GVL, a palm oil company, to develop an outgrower investment model that is economically viable for communities, environmentally sustainable and socially responsible through empowering the broader community. The outgrower scheme has the potential to become the leading model for concession development in Liberia. It is based on the development of a PPA signed by both the palm oil company and the community, according to which the development of community oil palm plantations will be conditional to the protection of forests. IDH and the government of Liberia, with support from Norway, have secured a guarantee fund and grants, and are collaborating to raise investment capital for the project.

<sup>1</sup> Source: INRELI

#### Enforcing Forest Protection

There are various ways of enforcing forest protection: regulations; incentives; local protection measures (e.g. fencing, guards); or through softer measures, such as awareness raising or community empowerment. Success very often relies on a combination of different measures.

#### Designing Effective Regulations

Brazil's new Forest Code, adopted in 2012, is often profiled as an example of regulation that effectively supports the reduction of deforestation. It includes two main components for forest protection: that a percentage of the area on a property is left as forest or as native vegetation, as a Legal Forest Reserve (*Reserva Legal*), and that native vegetation in sensitive areas, such as along the margins of rivers and streams, is conserved as Permanent Preservation Areas (*Áreas de Preservação Permanente - APP*).<sup>1</sup> Farmers who have deforested after July 2008 have to comply with the law and restore all degraded areas.

The development of new regulations can be informed by multi-stakeholder coalitions, such as those being supported by IDH in the landscapes where it operates, that discuss and agree on Green Growth Plans and PPI compacts.

#### The importance of transparent and reliable monitoring

Reliable satellite data, supported by field observation, is often needed to monitor the effectiveness of measures aiming to reduce deforestation. Additionally, data collected must be credible, including a transparent collection process in order to increase the acceptability of stricter regulations that would arise from observations of deforestation. Monitoring was an important part of the success of the Brazilian Forest Code, which established Rural Environmental Registry (CAR), an electronic database that compiles information on land use and in which every rural property must be registered.

#### Increasing the Acceptability of New Measures

Communication is also key to the enforcement of regulation or acceptance of new measures to protect forests. Stakeholders must be informed on the rationale for the regulation/measures implemented, so they are not perceived as being arbitrary. Compliance to measures is greatly influenced by their perceived benefits, which could be linked to security (for example, in the case of human-wildlife conflicts, as illustrated in Case 8), to the value of land (value may increase after having built a fence, as damages to crops are reduced), or to the increased provision of ecosystem services such as water.

<sup>1</sup> Source: INPUT

## CASE 8

### Enforcing Forest Protection through Fencing: the Case of the Aberdare in Kenya

In the Aberdare conservation area in Kenya, enforcement of forest protection measures was done through the construction of a 400 kilometer electric fence. The fence is considered a conservation tool put in place to help resolve multiple challenges facing the Aberdare Range ecosystem, such as poaching, bush-meat hunting, snaring, illegal logging, charcoal burning and encroachment. These activities, by the 1980s, had almost decimated the population of black rhino in the ecosystem. At the same time, regular crop damage by wildlife, especially elephants, was a major problem for the farmers residing next to the Aberdare protected areas. Encounters between farmers and wildlife occasionally led to human fatalities and served to heighten tensions between humans and wildlife. Construction of the fence began in 1989 and was completed in August 2009. To keep the fence in good working condition, a team of fence scouts based in Fence Energizer Stations patrol the fence daily to carry out maintenance work.

The project is a partnership between Rhino Ark, Kenya Wildlife Service (KWS), Kenya Forest Service (KFS) and the local communities. Rhino Ark and the Kenya Government provided the funds while KWS oversaw the construction work.



Mr. Christian Lambrechts, Executive Director, **Rhino Ark Charitable Trust**, explains how fencing is a win-win solution to communities and forests in the case of human-wildlife conflict.

## Key Takeaways and Next Steps

This report is an attempt to capture and summarize the rich and insightful discussions that were held on February 9<sup>th</sup>. In particular, the following points have emerged through the forum as critical ones for the development of landscape-level coalitions that aim to address deforestation:

- Landscape approaches are a critical complement to certification that help companies deliver on their sustainability or zero deforestation commitments. They help to ensure that sustainable management is achieved at scale, beyond production sites or farm gates.
- Landscape approaches are based on the creation of multi-stakeholder coalitions that need to be truly inclusive. Farmers and community representation is critical to ensure that decisions take into account their specific needs and provide benefits to them.
- Business engagement is essential, as it can give a clear market signal. Business should not only contribute to more transparent supply chains, but also engage locally by collaborating more closely with their suppliers as well as farmers.
- For business to effectively engage in forest protection on and off their concession areas, governments play a key role in providing a clear legal framework that not only facilitates implementation, but also rewards first-movers and demonstrates the feasibility of a landscape approach.
- The relationship between business and NGOs has evolved over the years to become more collaborative, even though there is still a tendency to consider NGOs as contractors to outsource sustainability projects. A true business-NGO collaboration should be based on a common strategy coming from shared objectives.

- PPI compacts emerge as an innovative way of structuring public-private collaboration to achieve shared objectives related to increased productivity, reduced impact on natural resources and enhanced livelihood.
- Channeling finance towards projects that aim to sustainably increase production while reducing deforestation is still challenging. There is a need to create more projects that are truly “investable.” This requires capacity development in how to structure solid and credible project pipelines, and implies the creation of funds that can help to re-risk investments.

Throughout the day of the forum, a number of questions have also emerged as critical to address:

- PPI compacts need to be further documented, so as to refine our understanding of how these agreements are structured and implemented.
- In particular, more research needs to happen on the development of possible incentives and possible penalty mechanisms that can support implementation of these agreements.
- Monitoring of forest protection is key to understanding the effectiveness of PPI compacts and further work needs to be done to identify cost-effective, reliable and transparent monitoring mechanisms that can be used by both business and government.

These are questions that IDH will continue to address through the development of its Landscapes Program. We will also continue to regularly engage in global and local events and discussions on landscape approaches, to share our findings and learn from other initiatives that are active in this space.

# About IDH, the Sustainable Trade Initiative

IDH convenes companies, CSOs, governments and others in public-private partnerships. Together we drive the joint design, co-funding and prototyping of new economically viable approaches to realize green & inclusive growth at scale in commodity sectors and sourcing areas. Our approaches are designed to drive sustainability from niche to norm in mainstream markets, delivering impact on Sustainable Development Goals. We focus on creating positive impact on deforestation, living incomes and living wages, working conditions, toxic loading and gender.

IDH is supported by multiple European governments, including our institutional donors: the Norwegian International Climate and Forest Initiative (NICFI); the Netherlands Ministry of Foreign Affairs (BUZA); the Swiss State Secretariat of Economic Affairs (SECO); and the Danish International Development Agency (DANIDA). We work together with over 500 companies, CSOs, financial institutions, producer organizations and governments in 11 sectors and 11 landscapes in over 50 countries worldwide.

## **IDH Forum on Driving Business Solutions for Sustainable Landscapes**

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