

# TFA EU DEEP DIVES

## SESSION ON IP/LC AND SMALLHOLDER RIGHTS AND LIVELIHOODS:

### IMPLICATIONS AND OPPORTUNITIES FOR SMALLHOLDER AND IP/LC LIVELIHOODS, INCLUSION AND RIGHTS IN THE CONTEXT OF THE EU DEFORESTATION-FREE REGULATION

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In tropical forested countries, smallholders, often including Indigenous Peoples and local communities (IPLCs) produce a significant amount of agricultural products<sup>1</sup> and can and do play a crucial role in addressing climate change and keeping forests standing. But they can also contribute to forest destruction and degradation<sup>2</sup>.

Additionally, the question of human rights is particularly relevant to commodity-driven deforestation, as the conversion of forests to agricultural production often goes hand in hand with land-grabbing, threats and violence against forest defenders and local communities, displacement of Indigenous Peoples and forest-based communities, and violations of their human rights<sup>3</sup>.

In this context, IPLCs and smallholders are rights holders and at the same time also implicated by the need for compliance with legality and deforestation-free production via their role in the supply chains of companies placing products onto the EU market.

It is therefore key to ensure that the regulation - and accompanying supply-side measures -take into account the realities of smallholder production on the one hand and the rights of IPLCs on the other in order to contribute to a sustainable, deforestation-free agricultural sector.

This document summarises the roles of **Smallholders and IPLCs in global agricultural supply chains, their vulnerability and risks as well as key compliance challenges they face in the industry.**

## 1. INTRODUCTION TO IPLCS AND SMALLHOLDERS IN SUPPLY CHAINS

### 1.1. Who are Indigenous Peoples and Local Communities?

There is no formal definition in international law of Indigenous Peoples (IP), in part, because of the variance across local contexts and because a critical right of Indigenous Peoples is to self-identification and determination. It is therefore a common term used for more than 5,000 distinct groups who identify themselves as Indigenous Peoples<sup>4</sup>.

The term 'local communities' (LCs) is usually used to refer to communities that directly depend on and have a strong connection to the land and natural resources, and whose land governance is shaped by custom.

Agricultural commodity production can have major impacts, both positive and negative, on the livelihoods of local people living in the surrounding area. Indigenous Peoples and Local Communities (IPLCs) are particularly vulnerable to these negative impacts and respecting their formal and customary rights is a key part of supporting responsible sourcing and production.

In many cases, IPLCs are also smallholders.

1 FAO (2021) - [Small family farmers produce a third of the world's food](#)

2 Fair Trade Advocacy Office, Fern, IUCN NL, Solidaridad and Tropenbos International. (2021) [Including smallholders in EU action to protect and restore the world's forests. Briefing paper. The Netherlands.](#)

3 [Client Earth, 2021: The proposed EU law on deforestation-free products - What is in the European Commission's proposal and what is left out?](#)

4 Yet, some shared common traits of Indigenous Peoples include: self-identification as indigenous peoples; distinct social, economic, or political systems; distinct language, culture, and beliefs; strong link to territories and surrounding natural resources; form non-dominant groups of society; historical continuity with pre-colonial and/or pre-settler societies; and resolve to maintain and reproduce their ancestral environments and systems as distinctive peoples and communities.

Source : Landesa 2022.

## 1.2. Who are smallholders?

The word ‘smallholder’ covers a wide range of farming households and operations, from 1-hectare holdings farmed mostly by household members to professionally managed 50-hectare operations. A wide variety of definitions of smallholders coexist as the characteristics of smallholders differ considerably between regions and commodities.

Many national and global agricultural commodity supply chains rely on smallholders. About 500 million farms worldwide (84% of the total) are smaller than two hectares (ha). But they are far from homogeneous and only around 40% sell a substantial amount of their crops<sup>5</sup>.

There are potential benefits for smallholder in becoming part of global commodity chains, **but they also face particular risks and costs.** There are **financial, cultural, political and practical challenges to getting smallholders to practice farming in a way that is aligned with companies’ requirements and that can be monitored and verified.**

Smallholders are often at a disadvantage compared with larger producers, because their incomes are small and their assets few. Often, they have modest levels of production from small landholdings, sometimes with insecure tenure and/or widely dispersed across marginal areas.

They do not have professional management systems and may lack formal organisation and political influence. Consequently, they are often poorly connected to markets and lack information, support and capital to implement change to more sustainable practices.

In some contexts, smallholder may implement good practice in sustainable agriculture. **But also, they may be key actors in deforestation, poor labour practice, land tenure conflicts and other sustainability risks.** In many sectors, investment to support smallholders remains minimal. Governments and donors may take a broad view on the socio-economic benefits of smallholder production, but companies are more sceptical about their viability and productivity.

## 1.3. Smallholders and IP/LCs involvement in forest-risk commodity supply chains

**ACCORDING TO BLOT, E. AND HILLER, N. (2022)\*, THE DEFORESTATION-FREE SUPPLY CHAINS REGULATION COULD AFFECT APPROXIMATELY 5.8 MILLION SMALLHOLDERS IN THE EU’S MAIN TRADE PARTNER COUNTRIES WITH MEDIUM-TO HIGH RISK OF EMBEDDED DEFORESTATION.**

Smallholders’ involvement/participation in the production of coffee, cocoa, and palm oil is likely to be higher than in the production of the rest of the commodities included in the regulation proposal. Indeed, seventy to 90% of global production of cocoa, rubber and coffee comes from smallholders<sup>6</sup>.

\* Blot, E. and Hiller, N. (2022). ‘Securing the position of smallholders in zero-deforestation supply chains’. Policy Briefing, Institute for European Environmental Policy.  
 5 Fair Trade Advocacy Office, Fern, IUCN NL, Solidaridad and Tropenbos International. (2021) Including smallholders in EU action to protect and restore the world’s forests. Briefing paper. The Netherlands.  
 6 Fair Trade Advocacy Office, Fern, IUCN NL, Solidaridad and Tropenbos International. (2021) Including smallholders in EU action to protect and restore the world’s forests. Briefing paper. The Netherlands.

For example, smallholders produce over 90% of the cocoa in West Africa. For palm oil, smallholders are reported to control 46% of Indonesia’s planted land and 28% of land in Malaysia<sup>7</sup>.

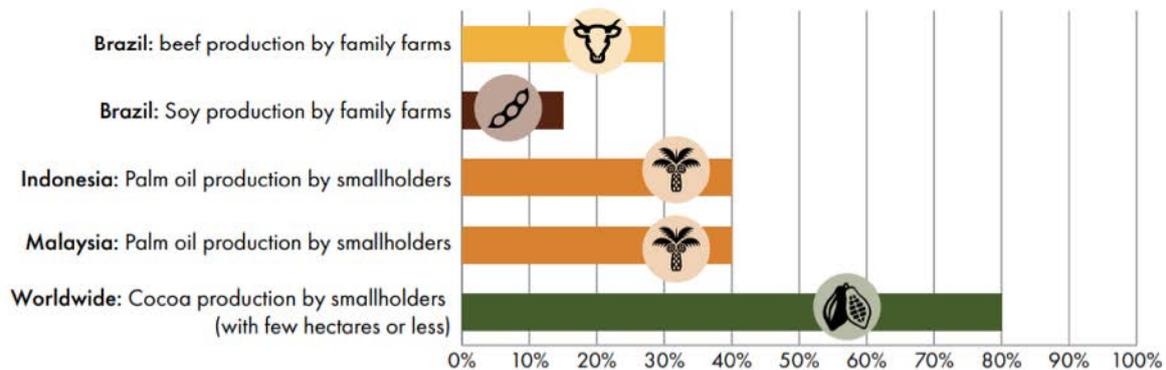


Figure 1. Estimated contributions of small-sized producers to the supply of beef, soy, palm oil and cocoa. Source: Fair Trade Advocacy Office, Fern, IUCN NL, Solidaridad and Tropenbos International. (2021)

A report by the European has determined that the EU is sourcing most of its demand for beef, coffee, cocoa, palm oil, soy, and wood from **Argentina, Brazil, Uruguay, USA, UK, Cote d’Ivoire, Ghana, Vietnam, Indonesia, Malaysia**, Russia, Belarus, and Norway<sup>8</sup>. Therefore, it is most likely that smallholders in the bolded countries – with a medium to high risk of embedded deforestation – would be affected by the Deforestation-free supply chains Regulation.

Table 1: Smallholders per country and smallholders per commodity

Country	Total number of smallholders (<5 ha)	Commodity-producing smallholders	Commodity
<b>Argentina</b>	40,957	2,252	No data on number of smallholders producing beef, soy, and/or coffee. Italic figures were calculated as 20% of total smallholders.
<b>Brazil</b>	1,893,346	142,134	
<b>Uruguay</b>	6,260	313	
<b>Côte d’Ivoire</b>	845,340	2,000,000 <sup>33</sup>	Cocoa producers
<b>Ghana</b>	5,780,000 <sup>34</sup>		
<b>Indonesia</b>	26,100,000	2,600,000	Palm oil producers
<b>Malaysia</b>	480,353 <sup>35</sup>	480,353	
<b>Vietnam</b>	10,409,640	572,160	Coffee producers
<b>Total</b>		5,799,260	

**Note:** The 1<sup>st</sup> column lists the countries identified as a major exporter to the EU and being at high risk of embedded deforestation. The 2<sup>nd</sup> column presents the number of smallholders of less than 5 hectares for each country, some of these figures were approximated from official reports (see Annex 1). The 3<sup>rd</sup> column presents the number of smallholders producing the targeted commodity indicated in the 4<sup>th</sup> column.

Figure 2. Smallholders per country and smallholders per commodity. Source : Institute for European Environmental Policy 2022\*\*.

7 Bakhtary, H., Matson, E., Mikulcak, F., Streck, C. and Thomson, A. 2020. [Company progress in engaging smallholders to implement zero- deforestation commitments in cocoa and palm oil.](#)

8 European Commission. (2021). Commission Staff Working Document Impact Assessment minimising the risk of deforestation and forest degradation associated with products placed on the EU market

\*\* These “share of commodity production” choices are not a perfect estimation of reality, and therefore, the resulting figures must be interpreted with nuance

## 2. POTENTIAL IMPACTS OF THE REGULATION ON SMALLHOLDERS AND IP/LCS

The regulation does not differentiate between smallholder or industrial production, so that companies placing product onto the EU market are expected to ensure compliance with the regulation regardless of origin of production. Some key challenges for smallholders in the context of the EU Regulation therefore comes from some barriers to market entry often faced by smallholders, including IP/LCs<sup>9</sup>:

- » **Pre-requisites of owning capital and equipment**, often not held by smallholders, e.g. for being able to supply geolocation data/polygons of their production area.
- » **Administrative fees** for obtaining legal documentation (e.g., land tenure, land ownership, record book etc.), both for financial reasons and options to acquire right documentation.
- » **Lack of skills, trainings or knowledge** of best practice/ sustainable methods due to financial (and time) constraints by the 'need' to participate in specialized course/ training
- » **Certification** of smallholders can lead to initial income loss due to running costs to achieve the standards, as well costs for audits, with premiums not always outweighing the financial inputs.

**OVERALL, WHILE THE NEED FOR EFFECTIVE DEFORESTATION FREE POLICIES AND ENGAGEMENT IS WIDELY APPLAUDED, 'A BALANCE IS NEEDED BETWEEN THE STRINGENCY OF REGULATIONS AND STANDARDS, AND THE CAPACITY OF PRODUCERS, PARTICULARLY LOCAL FOREST USERS AND SMALLHOLDERS, TO FOLLOW THEM' \*.**

### 2.1. Positive impacts

Chain Reactions argued that the traceability requirements may empower smallholders<sup>10</sup>, as well as reduce supply chain complexity and strengthen their incomes:

- » For some smallholder associations, having more stringent requirements might strengthen their position in the global marketplace<sup>11</sup>
- » These traceability requirements and exclusion of non-compliant' smallholders, might favour shorter supply chains and create better direct' links/ trade between Smallholders (or ISH) associations and Mills or other buyers.
- » This would reduce dependence of smallholders on middlemen and traders [though we question the reality of this as in many rural contexts transportation is provided by these intermediaries] and thus improving their visibility in the supply chain, possibly reducing the risk of unfair payments and allowing them to receive a larger share of profit

\* Pacheco, P., Mo, K., Dudley, N., Shapiro, A., Aguilar-Amuchastegui, N., Ling, P.Y., Anderson, C. and Marx, A. 2021. *Deforestation fronts: Drivers and responses in a changing world*. WWF, Gland, Switzerland. p.14

9 Blot, E. and Hiller, N. (2022). 'Securing the position of smallholders in zero-deforestation supply chains', Policy Briefing, Institute for European Environmental Policy.

10 Chain Reaction Research. July 2022. *EU Deforestation Regulation: Implications for the Palm Oil Industry and Its Financers*. Report

11 *Position of the SPKS, An independent oil palm smallholders in Indonesia : Submission to the European Commission on the proposal for the regulation regarding commodities associated with deforestation and forest degradation*. Mars 2022

## 2.2. Unintended impacts

More likely however, are the unintended impacts the regulation may have. The summary of the impact assessment conducted by the commission staff<sup>12</sup> highlights explicitly the challenges for smallholders in their inclusion into this new policy: ‘Smallholders producing the relevant commodities may face adaptation challenges’ and short term, with **EU operators shortening/simplifying supply chains, reducing their number of suppliers and/or switching to lower-risk supply chains this may particularly impact smallholders**<sup>13</sup>.

Indeed, whilst the long-term impacts on third countries are expected to be positive, **initial short-term impacts caused by EU operators shortening/simplifying supply chains, reducing their number of suppliers and/or switching to lower-risk supply chains may particularly impact smallholders**. This is likely most relevant in the **cocoa and palm oil sectors** where smallholders represent a significant proportion of producers. Indeed, smallholders produce over 90% of the cocoa in West Africa. For palm oil, smallholders are reported to control 46% of Indonesia’s planted land and 28% of land in Malaysia<sup>14</sup>.

While it is worth noting that on paper, the EU Proposal does not place any restriction on the participation or future inclusion of smallholders in EU supply chains, due to the nature of the traceability and geolocation requirements, there is an important risk of exclusion of a certain number of smallholders from the EU supply chains (at least short term), if no further support on investment to collect this information is done for the vast majority of smallholders<sup>15</sup>.

Summarised below are some of the key potential unintended consequences seen with the new Regulation:

### 1. Traceability requirement may lead to exclusion of smallholders<sup>16</sup>

- » **The full supply chain traceability requirement of the listed deforestation-risk commodities has caused concerns on its feasibility:** The traceability requirement includes the geolocation with coordinates of the **“plots of land”** where the commodities are produced, or the geolocation coordinates, latitude and longitude of **“all points of a polygon for the plots of land”** where the relevant commodities and products were produced<sup>17</sup> (Article 9).

- \* *Might lead to exclusion of smallholder producers due to incapacity to deliver on that requirement (e.g. Not possible to trace back every single cocoa bean to farm or smallholder but rather to the cooperative only)*

- \* *Might lead to additional costs for implementation of traceability systems for smallholders*

- » **Once Regulation is implemented, European purchasers may buy only from large-scale oil palm plantations and “scheme smallholders” that can comply with stringent traceability criteria**

- \* *Potentially risk of exclusion of independent smallholders (ISH) which lack contracts to particular mills or companies*

<sup>12</sup> European Commission. Directorate-general for Environment 2021. Proposal for a regulation on deforestation-free products

<sup>13</sup> European Commission (2021). COMMISSION STAFF WORKING DOCUMENT IMPACT ASSESSMENT- Minimising the risk of deforestation and forest degradation associated with products placed on the EU market

<sup>14</sup> Bakhtary, H., Matson, E., Mikulcak, F., Streck, C. and Thomson, A. 2020. Company progress in engaging smallholders to implement zero- deforestation commitments in cocoa and palm oil.

<sup>15</sup> [Client Earth. June 2022. Getting to “deforestation-free”: clarifying the traceability requirements in the proposed EU deforestation regulation](#)

<sup>16</sup> [Chain Reaction Research. July 2022. EU Deforestation Regulation: Implications for the Palm Oil Industry and Its Financers. Report](#)

- » **The traceability to single plot of land may disadvantage smallholders facing land tenure issues:** in the current draft text of the EU Deforestation Regulation, operators or large palm oil traders are required to not only show exactly from which plot of land the palm oil comes from (Article 9), but they are also required to get the full contact details of any business or person from whom they have been supplied (Article 9).
  - \* *Often smallholders (and IPLCs) lack legal entitlements to land, multiple land claims on one property can occur, and different land and crop sharing arrangements exist. For example, many palm oil smallholders manage land held under a communal title.*
  - \* *It would therefore be impossible or practically infeasible for all indirect/ third party suppliers (smallholders) to give this single plot information or an operator or buyer*

## 2. Traceability requirement may require costly segregated supply chains<sup>18</sup>

- » While it is not mandatory, if companies choose to segregate, this would lead to an increase in compliance cost for smallholders
  - \* The cost of implementation for segregated products such as in the palm sector “IP”, “SG” or even GMO-free models, requires high costs of implementation to separate the ‘sustainable’ or de-free product into separate warehouse, containers, trucks, tanks etc.

## 3. Possible land conflicts between small-scale and large-scale agriculture<sup>19</sup>

- » If current land conflicts between large-scale and small-scale agriculture are exacerbated due to the proposed EU regulation, these in turn can push the smallholders and IPLCs to forest frontiers resulting in deforestation or to marginal lands with worsened livelihoods.

## 4. Push of smallholders and local communities towards marginal lands and their reduced economic independence<sup>20</sup>

- » In the producer countries that supply the relevant commodities to the EU, this is likely to **increase the demand by large-scale enterprises who have the capacity to comply for “clean” land that was already converted to agricultural use prior to the cut-off date.** One potential effect from this is that land under other crops will be converted to the production of relevant commodities, while the production of commodities not included in the proposal, e.g. those for subsistence agriculture, might shift to other areas linked to further deforestation and forest degradation.
  - \* In the past, expansion of forest-risk commodities have already been linked to displacement of food crops exacerbating the risk of food insecurity with reports of subsistence farming being pushed towards marginal lands in forested areas.

<sup>17</sup> The latest amendment adopted has not taken into account the [proposition from the rapporteur to the EU Parliament](#) which had pushed for a traceability to : ‘production area coordinates collected via geo-localisation, including for a plot of land, farm, plantation, cooperative or village, where the relevant commodities and products were produced, [...]’.

<sup>18</sup> [Chain Reaction Research. July 2022. EU Deforestation Regulation: Implications for the Palm Oil Industry and Its Financers. Report](#)

<sup>19</sup> Zhunusova et al. 2022. Potential impacts of the proposed EU regulation on deforestation-free supply chains on smallholders, indigenous peoples, and local communities in producer countries outside the EU, Forest Policy and Economics, Volume 143, , 102817, ISSN 1389-9341, <https://doi.org/10.1016/j.forpol.2022.102817>.

<sup>20</sup> idem

### 2.3. Unknown impacts

It is understood that the **cost to comply with the new requirements will be passed through the prices of product**. While the increase price could be understood to pass through price premiums to suppliers (and maybe smallholders/IPLCs), it is unclear whether these premiums will be directly received by complying smallholders.

## 3. OPPORTUNITIES FOR INCLUSION OF IPLC RIGHTS, SMALLHOLDERS AND SUPPORT TO LIVELIHOODS WITHIN THE EU DEFORESTATION-FREE REGULATION

The amendments to the EU DD Regulation which were proposed in September 2022<sup>21</sup> aim to strengthen the **human rights aspects** of the text, notably by adding several references to the United Nations Declaration on the Rights of Indigenous Peoples<sup>22</sup>. They also suggest **better recognition and respect of Indigenous peoples' and local communities' rights (FPIC and customary)**.

Most of these amendments **suggest strong collaboration and private-public partnerships to ensure adequate and meaningful support** to smallholders and recognition of IPLCs rights in countries of production.

This section therefore **aims to provide an overview of what could be the opportunities for companies, operators through current existing tools or systems that may provide further support for smallholders, indigenous people and local communities**.

Therefore, based on current examples, best practices and suggestions across various organisations/ stakeholders, here are some key recommendations/ opportunities for companies/ operators and to support smallholders to achieve/ comply with the regulation:

### 3.1. Demand-Side

#### ***Ensuring complementarity and consistency with other EU Regulations (e.g. CSDD)***

Coherence between the various EU policies should be ensured to facilitate and harmonize future implementation. Notably, through the Corporate Sustainability Due Diligence (CSDD) which should foster sustainable and responsible corporate behaviour and to anchor human rights and environmental considerations in companies' operations and corporate governance<sup>23</sup>.

It is worth noting that there are already some due diligence regulations in place at the EU level for specific sectors, such as the EU Timber regulation and the EU Conflict Minerals regulation. It is expected that the EU regulation for deforestation-free products will build on and/or apply in a complementarity manner to such regulations.

21 [European Parliament. Deforestation Regulation \\*\\*\\*I Amendments adopted by the European Parliament on 13 September 2022 on the proposal for a regulation of the European Parliament and of the Council on making available on the Union market as well as export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation \(EU\) No 995/2010 \(COM\(2021\)0706 – C9-0430/2021 – 2021/0366\(COD\)\)](#)

22 [Council of the EU : Press Release: Council agrees on new rules to drive down deforestation and forest degradation globally – 28 June 2022.](#)

23 [Conservation International. 2022. Deforestation and forest degradation – reducing the impact of products placed on the EU market - Response to the public consultation](#)

## Engagement with smallholders<sup>24</sup>

While this would likely not be explicitly included in the Regulation, there is still opportunity for operators to leverage long-term sourcing relationships between retailers, brands and traders with the smallholders and producer/smallholder organisations. As such operators could ensure the meaningful inclusion and participation of all relevant smallholders producer groups, including IPLCs, to these kinds of engagements.

## Provision of financial and technical support<sup>25</sup>

To facilitate the uptake of sustainable (and deforestation-free) practices, operators are in a position to support smallholder access to agricultural inputs, technical assistance and required trainings, adapted to local contexts to take all smallholders, including independent ones, on board to comply with the commitments. This includes, for example, providing support to smallholder producer organisations to acquire digital equipment, with targeted preparation for geolocation requirements, as well as training to manage software systems<sup>26</sup>.

Another area of support could include pre-certification assistance for smallholders, which encompasses legal aid to obtain the correct documents for certification and compliance such as e.g. formal land titles and operating licenses.

## 3.2. Supply-Side

### Partnership with Producer countries through commodity Roadmaps

The development and implementation of joint country and commodity Roadmaps with producer countries highlighting smallholders' practical and technical needs to be able comply with EU requirements (*Including the need to improve tenure and user rights, and ways to access markets and financial resources*).

These roadmaps should try to address these key questions through assessment:

1. How farmers, and especially smallholders and particularly women, can meet the EU regulatory requirements. This should help identify potential problems as well as ways to overcome them.
2. The (in)direct impacts of the EU regulation and possible unintended consequences on specific landscapes, commodities and actors, especially smallholders, and what can be done to mitigate these.
3. The (in)direct drivers of deforestation and forest degradation on the ground, and what needs to happen to tackle them, including policy actions by producer countries.
4. How to enforce national policies and legislation to secure tenure and land use rights, or reform legislation to ensure it recognises customary rights.
5. How to improve access to finance, productive resources, markets, and information about opportunities to diversify livelihoods.
6. How to ensure technical and financial support for smallholders to improve and secure their land use and tenure rights and, especially for women, gain (equal) access to land.

<sup>24</sup> [Fairtrade International positions and recommendations to the European Parliament and Council of the EU on the basis of the European Commission's proposal for a regulation on deforestation-free products. February 2022](#)

<sup>25</sup> Blot, E. and Hiller, N. (2022). 'Securing the position of smallholders in zero-deforestation supply chains', Policy Briefing, Institute for European Environmental Policy.

<sup>26</sup> Blot, E. and Hiller, N. (2022). 'Securing the position of smallholders in zero-deforestation supply chains', Policy Briefing, Institute for European Environmental Policy

## BOX 1

### Example of partnership with Producer country – ISPO and EU

ISPO provides an alternative to sustainability initiatives that are perceived to be dominated by Northern perspectives. The EU could improve the relevance and credibility of ISPO by partnering and negotiating with Indonesian stakeholders, providing support, and thereby stimulate a mandatory and robust sustainability standard for all Indonesian palm oil. Joint efforts in such a partnership could also reduce perceptions of antagonistic positions, develop trust, and provide a mechanism that combines key priorities of Indonesia and the EU. Other government programmes involve land legality, reclassification and redistribution such as Tanah Objek Reformasi Agraria (TORA), countering overlapping land use claims through its One Map policy, peat restoration, and moratoria on further oil palm developments. Technical and financial support could improve the effectiveness of these programs. Legal frameworks must facilitate sustainable development.

Source : Jelsma I., R. Jezeer, J. van Dam and E. Purwanto. 2020. Towards the development of a feasible EU action plan against deforestation. Insights from the Indonesian palm oil sector. Briefing Paper. Bogor, Indonesia: Tropenbos Indonesia. Wageningen, the Netherlands: Tropenbos International.

### **Partnerships EU member Countries-Producing Countries**

Facilitate partnerships between technical/ research institution for Research and development for better planting and agricultural practices which would lead to better land use from smallholders and communities and decrease risk extension into marginal and forested lands.

Such partnerships may include:

#### **1. Producer country Traceability Initiatives**

To comply with the traceability challenges for the smallholder or third party supply base, there are already example of feasibility through emerging producer-country traceability initiatives that are likely to provide sector-wide incentives and governance frameworks that have been missing in the past<sup>27</sup>.

<sup>27</sup> [Client Earth. June 2022. Getting to “deforestation-free”: clarifying the traceability requirements in the proposed EU deforestation regulation](#)

## BOX 2

### Example of Producer Country Traceability Initiatives – Palm in Indonesia

In the palm oil sector: nearly all large companies in the global palm oil supply chain (including growers, traders, consumer goods companies and financial institutions) have committed to achieving ‘no deforestation’ since at least 2020; 21 traceability to the mill is already common practice and has been achieved by all major European refiners; 22 83% of the palm oil refining capacity in Indonesia and Malaysia is already subject to a ‘no deforestation’ commitment; 23 traceability to the plantation is already a common commitment in the palm oil sector and five major palm oil refiners have already achieved at least 48% traceability to plantation; 24 approximately 20% of global palm oil production is certified ‘sustainable’ by the Roundtable for Sustainable Palm Oil which includes traceability and independent auditing requirements; 25 an open-source ‘universal mill list’ was established in 2018 that geo-references 1,875 verified mill locations in 27 countries; 26 and the Indonesian Government is implementing a mandatory oil palm grower registration programme that includes the geolocation of oil palm plantations and is free for smallholders.<sup>27</sup>

Source : Client Earth. June 2022. Getting to “deforestation-free”: clarifying the traceability requirements in the proposed EU deforestation regulation

## BOX 3

### Example of Producer Country Traceability Initiatives – Cocoa in Ghana and Cote d’Ivoire

In the cocoa sector: almost a quarter (22.8%) of the world’s cocoa fields are already certified by standards that include traceability and independent auditing requirements; 17 the governments of Ghana and Côte d’Ivoire and 35 leading cocoa and chocolate companies committed in November 2017 to achieve full traceability to the farm-level under the Cocoa & Forests Initiative (which has since been expanded to include initiatives in Cameroon and Colombia); 18 and as of April 2022 the Coffee-Cocoa Board in Côte d’Ivoire had georeferenced 993,031 cocoa farmers (estimated to represent approximately 76% of family cocoa farms<sup>19</sup>) as part of its national cocoa farmer consensus that will provide full traceability from farm to port, with Ghana and Cameroon developing similar national traceability schemes.<sup>20</sup>

Source : Client Earth. June 2022. Getting to “deforestation-free”: clarifying the traceability requirements in the proposed EU deforestation regulation

## 2. Jurisdictional and landscape approaches<sup>28</sup>

Jurisdictional approaches (JA) refer to government-led multi-stakeholder processes that can bring different actors within certain administrative units, e.g., provinces and districts, to deliver a common goal, such as reduced or zero-deforestation, in conjunction with social and economic objectives while linking them to external financial and market incentives.

Financial support coming from external climate funding sources such as REDD+ program are critical for implementation of jurisdictional approaches. The significance of jurisdictional approaches to support inclusion of smallholders in deforestation-free supply chains is already recognized by companies, where measures such as facilitating land registration and smallholder mapping have helped to reduce supply chain complexity in the past.

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**FOR A MORE DETAILED DESCRIPTION OF THE OPPORTUNITIES FOR LANDSCAPE AND JURISDICTIONAL APPROACHES IN THE CONTEXT OF THE EU DEFORESTATION-FREE REGULATION, PLEASE REFER TO THE MATERIALS PREPARED FOR THE THIRD TFA EU DEEP DIVE SESSION ON COUNTRY BENCHMARKING AND LANDSCAPES: ACTION ON EU POLICY » TROPICAL FOREST ALLIANCE**

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### Secure Land Tenure

This includes engaging with IP/LC by supporting actions in producer countries and reinforcing their rights, especially land tenure rights. Note that land-use planning processes should be IP/LC-led to ensure local ownership and accountability for forest protection commitments.

Additionally, all supporting actions in producer countries should comply with and strengthen human rights, including the implementation of free, prior and informed consent (FPIC) and women’s rights and representation<sup>29</sup>.

## 4. CONCLUDING REMARKS

With a high part of products entering the EU and coming from smallholder farming, it is without any doubt that IPLCs and smallholders will be affected by the upcoming EU Regulation.

**It is therefore important to ensure that the EU Proposal does not compel EU operators to exclude smallholders from their supply chains and is accompanied by targeted support measures to support and empower smallholders and IPLCs.**

It is also important to note that all these measures will likely differ depending on the country and the commodity, as smallholder and IP/LCs contexts vary from one country and/or commodity to another.

28 Zhunusova et al. 2022. Potential impacts of the proposed EU regulation on deforestation-free supply chains on smallholders, indigenous peoples, and local communities in producer countries outside the EU, Forest Policy and Economics, Volume 143, , 102817, ISSN 1389-9341, <https://doi.org/10.1016/j.forpol.2022.102817>.

29 [WCS EU Submission to the EU Public Consultation: ‘Deforestation and Forest Degradation – Reducing the Impact of Products Placed on the EU Market’. \(2020\).](#)

## 5. ADDITIONAL RESOURCES

- » [EU regulation on Deforestation-free products - Recommendations for positive forest impact](#), IDH and Proforest (March 2022).
- » [Proposal for regulation on deforestation-free products](#), European Commission (Nov 2021).
- » [Q&A on the New Rules for deforestation-free products](#), European Commission (Nov 2021).
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