



The Sprint to 2020

TFA 2020 Annual Report 2018

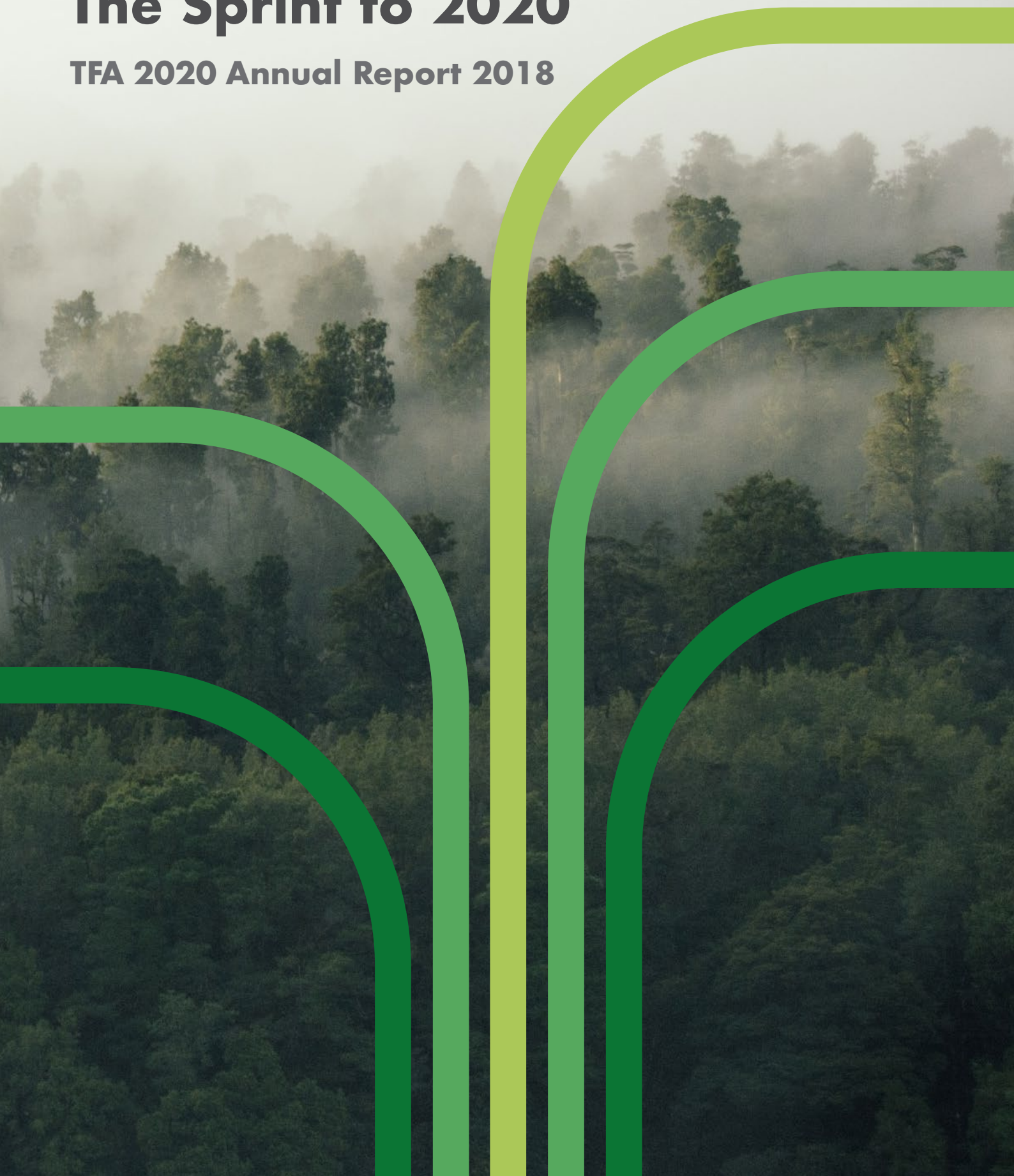







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Message from the Chair of the Steering Committee





We know that protecting the world's forests is critical to achieving the Sustainable Development Goals and the Paris Climate Agreement. Avoiding further deforestation could reduce carbon dioxide emissions by three to four billion metric tons per year - the equivalent of taking half the world's cars off the road. In fact, natural climate solutions represent 37% of cost effective emissions reductions by 2030 but are not getting sufficient attention or investment.

And action is needed now, which is why private-sector commitments to remove deforestation from corporate supply chains by 2020 are so vital. With less than 1000 days to go, we must accelerate our efforts to implement these commitments, by concentrating on the most promising pathways, including those laid out by the Tropical Forest Alliance 2020 in its Commodities and Forests Agenda 2020. The Agenda 2020 defines ten priority areas for company executives, policy makers and civil society leaders to action their efforts to end commodity-driven deforestation.

It shows that coordinated action at scale can deliver extraordinary results, which is why TFA 2020 has spent the last year rallying Partners around these priorities. The strength of TFA 2020 is convening a community with purpose to identify key local challenges and solutions, and bringing experts from around the world to turn ideas into action, both at the global and the regional level.

The Alliance now includes 145 Partners, over 40 who joined in the last year. They include business, civil society, national and subnational governments, and many new partners such as the World Cocoa Foundation and Ceres.

In the past year, a national TFA 2020 platform was launched in Colombia, and four Implementation Dialogues were held to accelerate jurisdictional approaches in Brazil, Indonesia, Ghana and Côte d'Ivoire, with further Implementation Dialogues in the works for Malaysia, Colombia and the ten countries now engaged in the Africa Palm Oil Initiative (APOI). An assessment of progress, summarized in this Annual Report, shows these initiatives are having real impact.

Tropical deforestation is a complex problem tied to sustainable rural development, food security and climate change, but we cannot let this complexity stop us. We must capture the momentum we have, engage the community we have built and redouble our efforts on the sprint to 2020.

Jeff Seabright

Chief Sustainability Officer, Unilever
Chair, TFA 2020 Steering Committee

An Alliance for Deforestation-Free Supply Chains

Mission

The Tropical Forest Alliance 2020 (TFA 2020) is a global public-private partnership in which partners take voluntary actions, individually and in collaboration, to reduce tropical deforestation associated with the production of commodities such as palm oil, soy, beef, and paper and pulp. Ending commodity-driven deforestation will significantly reduce global greenhouse gas emissions, improve the livelihoods of millions of smallholder farmers, conserve natural habitats and protect tropical landscapes for future generations. It is a key aspect of delivering sustainable and inclusive rural economic development in tropical forest countries. TFA 2020 is uniquely positioned to foster cross-sector collaboration based on a common and ever-deepening understanding of the barriers and opportunities linked to deforestation-free supply chains. Its greatest offering is a partnership of champions for deforestation-free global and local economies, making the case for sustainable supply chains as an essential pathway towards a better economy and the achievement of both the New York Declaration on Forests and, ultimately, the Sustainable Development Goals.

The Alliance

TFA 2020 was founded in 2012 at Rio+20 after the Consumer Goods Forum (CGF) committed in 2010 to zero net deforestation for palm oil, soy, beef, and pulp and paper supply chains by 2020. The CGF partnered with the US government to create a public-private alliance with the mission of mobilizing actors to collaborate in reducing commodity-driven tropical deforestation. Since June 2015, the TFA 2020 Secretariat has been hosted by the World Economic Forum at its headquarters in Geneva, Switzerland, with financial support from the governments of the Netherlands, Norway and the United Kingdom. As of May 2018, TFA 2020 has over 140 Partners actively engaged in advancing the forest conservation agenda.

Governance

TFA 2020 is an inclusive platform. Criteria for becoming a Partner are designed to be simple and attainable by entities that share TFA 2020's mission, goals and objectives, with Partners actively involved in programmes and initiatives to end commodity-driven tropical deforestation. The governance structure allows the Alliance to adapt as TFA 2020 matures and the Partnership grows.

Steering Committee

The TFA 2020 Steering Committee is comprised of representatives of Partner organizations who help steer the strategic direction of TFA 2020 and support management decisions. Steering Committee members provide a balanced representation of consumer and forest countries, businesses along the value chain and civil society organizations.

- **Justin Adams**, Global Managing Director, Lands, The Nature Conservancy
- **Ernest Ahoulou Kouamé**, Coordinator and Permanent Executive Secretary of SEP-REDD+, Government of Côte d'Ivoire
- **Leonel Almeida**, Cattle Beef Purchase Manager, Marfrig Alimentos SA
- **Mansuetus Alsy Hanu (Darto)**, National Coordinator, Oil Palm Smallholder's Union (SPKS)
- **Mirko de Ponti**, Coordinating Policy Advisor on Climate, Ministry of Foreign Affairs, Government of the Netherlands
- **C. Mike Doryen**, Managing Director, Forestry Development Authority, Government of Liberia
- **Jeremy Goon**, Chief Sustainability Officer, Wilmar International
- **Lexine Hansen**, Senior Policy Advisor and Team Leader, USAID

- **Craig Hanson**, Global Director, Food, Forests & Water, World Resources Institute
- **Hindou Oumarou Ibrahim**, Coordinator, Association for Indigenous Women and Peoples of Chad
- **Per Fredrik Ilsaas Pharo**, Director, Norway's International Climate and Forest Initiative (NICFI), Government of Norway
- **Nick Martell-Bundock**, Senior Director, Corporate Responsibility & Sustainable Development, Cargill
- **Abdon Nababan**, Member of the National Council, The Indigenous Peoples Alliance of the Archipelago, and in personal capacity
- **Laura Prada**, Executive Director, Imaflora
- **Arifin Rudiyanto**, Deputy Minister, Ministry of National Planning, Government of Indonesia
- **Neil Scotland**, Senior Forestry Adviser, Department for International Development, Government of the United Kingdom
- **Jeff Seabright**, Chief Sustainability Officer, Unilever, Chair, TFA 2020 Steering Committee
- **Iván Darío Valencia Rodríguez**, Consultant, Zero-Deforestation Supply Chains, Ministry of Environment and Sustainable Development, Government of Colombia
- **Dominic Kailash Nath Waughray**, Head, Centre for Global Public Goods, World Economic Forum

TFA 2020 Secretariat

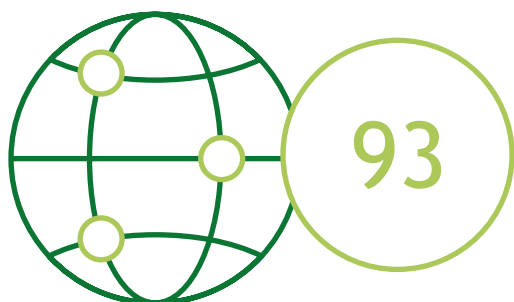
Since 2015, the TFA 2020 Secretariat has been hosted by the World Economic Forum at its offices in Geneva, Switzerland. The Secretariat supports the day-to-day operations of the Alliance, designing and organizing workshops and meetings, engaging new and existing Partners, leading the development of new research in service of the Alliance and facilitating best practice exchange.

Regional Platforms

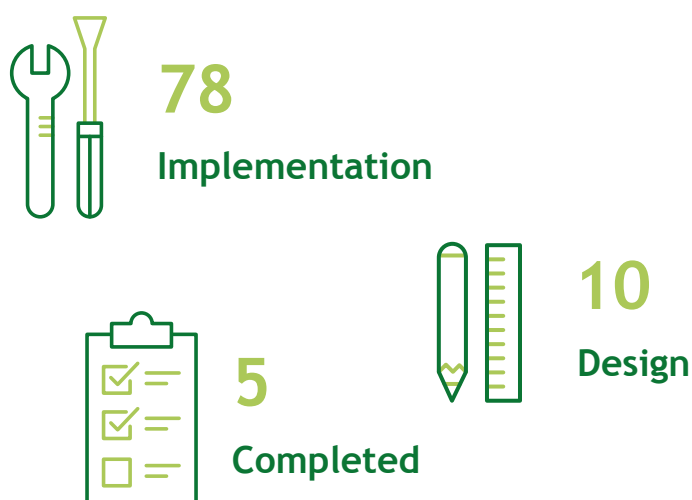
In order to help catalyse high-impact partnerships where they matter most - in tropical forest countries - TFA 2020 has established Regional Initiatives in Africa, Latin America and South East Asia. These Regional Initiatives are led by three Regional Coordinators who manage the activities of the Alliance in their respective regions. The Regional Coordinators are hosted by the following organizations: Palladium Group for Africa, the Indonesia Business Council for Sustainable Development for South East Asia, and The Nature Conservancy for Latin America. To support the work of the Regional Coordinators, the TFA 2020 Steering Committee appointed Regional Committees in each of the three regions. Each Regional Committee consists of Steering Committee members in addition to other Partner representatives from the region. The Regional Committees provide strategic and operational guidance to the TFA 2020 Regional Coordinators.

TFA 2020 Partner Initiative Summary

Total TFA 2020 Partner Initiatives



Initiatives by Stage



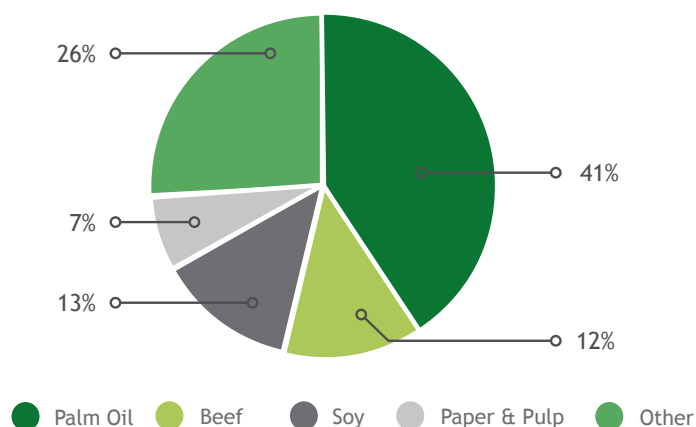
Core Activities

As an action-oriented platform, TFA 2020 is driven by the collaboration, engagement and activities of its Partners. It is the role of the TFA 2020 Secretariat to enable and facilitate interaction for the successful implementation of the Alliance's goals. The Secretariat is supporting TFA 2020 Partners to achieve their objectives through the following roles:

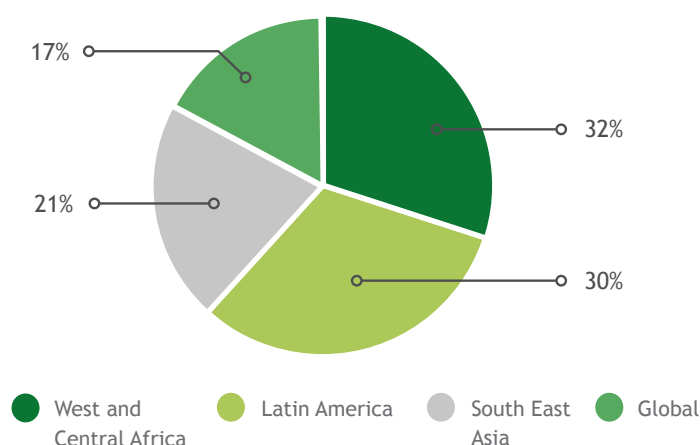
Convening

Bringing the community together is a key component of driving progress through TFA 2020. The Secretariat supports the Alliance through the organization of regular in-person and virtual meetings and workshops. Events such as the TFA 2020 General Assembly and Regional Meetings are intended to bring the TFA 2020 community together in order to catalyse high-impact partnerships, foster collaboration and connectivity and facilitate knowledge exchange. The Secretariat also works to

Initiatives by Commodity



Initiatives by Region



advance and elevate the agenda by leveraging strategic opportunities such as the World Economic Forum Annual Meeting, the UNFCCC COP, and other global and regional events and conferences.

Co-creation

TFA 2020 takes a collaborative approach to the development of new insights that help advance the agenda and support the implementation of commitments. Reports and insight papers are developed closely with TFA 2020 Partners and experts, and are designed to leverage the expertise and experience of the community.

Communication

TFA 2020 serves as a communications platform for its Partners, supporting the dissemination of the latest initiatives and research developed by Partners. TFA 2020 also works to help advance the deforestation-free agenda by amplifying key messages beyond the Alliance.

List of TFA 2020 Partners

Public Sector

Government of the Central African Republic
Government of Colombia
Government of the Democratic Republic of Congo
Government of the Republic of Congo
Government of Côte d'Ivoire
Government of Edo State
Government of Gabon
Government of Ghana
Government of Indonesia
Government of Liberia
Government of Mato Grosso State
Government of the Netherlands
Government of Norway
Government of Sierra Leone
Government of the United Kingdom
Government of the United States

Private Sector

33 Forest Capital
Althelia Ecosphere
Asia Pacific Resources International Holdings
Asia Pulp & Paper
Asian Agri
Cargill
Carrefour
Clarmondial
Climate Focus
COFCO
ECO-OIL ENERGIE
ECOTIERRA
Efeca
Feronia
Finance Alliance for Sustainable Trade
Financial Access
Forest Carbon
General Mills
Golden Agri-Resources
Golden Veroleum Liberia
Goldtree
Grupo Éxito
Henkel
HSBC
International Sustainability & Carbon Certification
Kellogg Company
Kerry Group
Landscape Indonesia
Marfrig Global Foods
Marks & Spencer
Mars
McDonald's

Mekon Ecology
Mondelēz International
Musim Mas
Natcap Sustainable Solutions
Nestlé
New Forests
OKO Forests
Olam International
PepsiCo
Permian Global
Poligrow Colombia
PricewaterhouseCoopers
PT Rimba Makmur Utama (Katigan Project)
PZ Cussons
Sail Ventures
SIAT
Sime Darby
Socfin
South Pole
Terra Global Capital
The Consumer Goods Forum
Touton
Transitions
Unilever
Walmart
Wilmar International
Yara International

International Organizations

Global Environment Facility
International Union for Conservation of Nature
United Nations Development Programme
United Nations Environment Programme
World Bank

Civil Society

Amazon Environmental Research Institute
Amazon Natural Capital Institute
Amigos da Terra-Amazônia Brasileira
Anthroct
Association for Indigenous Women and Peoples of Chad
Belantara Foundation
BvRio Institute
CDP
Centre for Ecological and Community Development
Ceres
Climate Policy Initiative
Code REDD
Conservation International
Daemeter
Earth Innovation Institute

EcoAgriculture Partners
Environmental Defense Fund
Envol Vert
Fauna & Flora International
Fern
Forest Peoples Programme
Forest Stewardship Council
Forest Trends
Fundación Natura
Global Canopy
Global Green Growth Institute
Governors' Climate and Forests Task Force
HCV Resource Network
IDH The Sustainable Trade Initiative
Imaflora
Indonesia Business Council for Sustainable Development
Instituto Centro de Vida
Lingkar Temu Kabupaten Lestari - Sustainable Districts Platform
Lutheran World Relief
National Wildlife Federation
NEPCon
Pesca - Pecúaria Sustentável da Amazônia
Pilar Nusantara
Proforest
Programme for the Endorsement of Forest Certification
PUR Projet
Rainforest Alliance
Royal Society for the Protection of Birds
Serikat Petani Kelapa Sawit - Oil Palm Farmers Union
Singapore Environment Council
Size of Wales
SNV Netherlands Development Organisation
Solidaridad Network
Sustainable Agriculture Network
The Borneo Initiative
The Nature Conservancy
Tropenbos International
WeForest
Wildlife Conservation Society
Winrock International
World Agroforestry Centre
World Cocoa Foundation
World Resources Institute
World Wide Fund for Nature
Zoological Society of London

Commodities and Forests Agenda 2020



Download Report



The Tropical Forest Alliance 2020 was conceived to support the movement that has emerged to eliminate, by 2020, the deforestation that is embedded in global agricultural supply chains. Commercial agriculture is responsible for well over half of all deforestation, with land cleared to produce commodities that end up in our everyday consumer products. An increasing number of governments and companies - many of whom are partners of TFA 2020 - have confirmed their intent to eliminate the deforestation that is embedded within agricultural supply chains.

In order to help the community accelerate action and align on priorities, TFA 2020 developed the Commodities and Forests Agenda 2020: Ten priorities to remove tropical deforestation from commodity supply chains, published in September 2017.

The Commodities and Forests Agenda 2020 lays out ten strategic priorities that must be addressed to eliminate tropical deforestation from the production of beef, soy and palm oil. The Agenda is intended to help government officials and corporate and civil society leaders identify organizational goals and provide leadership in implementing strategies that address the problem of commodity-driven deforestation.

The development of the Agenda took just over six months, beginning in the lead-up to the TFA 2020 General Assembly 2017 in Brazil, and evolved from there, always with input from TFA 2020 Partners and other experts. It reflects the views of more than 250 stakeholders, including input gathered at consultation workshops facilitated by TFA 2020 in Brazil, Indonesia and Ghana in July and August 2017.

The Agenda is backed by a data-driven assessment of priority areas with the biggest potential to reduce commodity-driven deforestation. It proposes a number of generally applicable and commodity-specific recommendations that are mutually supportive and interlinked. The Agenda aims to help stakeholders coordinate such actions.

The 10 priorities for action are:


1. Eliminating illegality from supply chains
2. Growing and strengthening palm oil certification
3. Scaling up pilot programmes of sustainable intensification of cattle grazing
4. Sustainably increasing smallholder yields in palm oil and cocoa
5. Achieving sustainable soy production
6. Accelerating the implementation of jurisdictional programmes
7. Addressing land conflicts, tenure security and land rights
8. Mobilizing demand for deforestation-free commodities in emerging markets
9. Redirecting finance towards deforestation-free supply chains
10. Improving the quality and availability of deforestation and supply chain data

The *Commodities and Forests Agenda 2020* summarizes the areas in which most urgent action is needed to eliminate deforestation from global agricultural supply chains, and supports a coordinated and cooperative approach by all stakeholders working to address tropical deforestation. However, it is not intended to prescribe solutions to the issues it identifies. Concrete action plans will need to be designed for the local context and incorporate national and regional priorities.

The 10 priorities identified in the Agenda have also shaped the work of TFA 2020 at the global and regional levels throughout 2017-2018. At the global level, deep-dives on the role of demand from emerging markets (priority 8) and engaging the finance sector (priority 9) have catalysed work streams focused on research, stakeholder engagement and the publication of insight reports. In Latin America, South East Asia, and Africa, the TFA 2020 Regional Coordinators have worked with local Partners to define the most relevant priority areas to advance at the regional level.

The State of the Supply Chain Movement: Progress on Corporate Commitments and Impact at the Forest Frontier





Since the 2010 Consumer Goods Forum Deforestation Resolution, more than 473 companies have made commitments to eliminate deforestation from their supply chains. With 70% of deforestation linked to the production of agricultural commodities, these pledges hold the promise of making a major contribution to the end of tropical deforestation. This raises two questions: what is the current state of these supply chain efforts, and are they having an impact on land-use choices at the forest frontier?

TFA 2020 commissioned research aiming to answer these questions, and in June 2018 published the findings in two reports: Progress on Corporate Commitments and their Implementation and Impacts of Supply Chain Commitments on the Forest Frontier. The key insights from these reports are included in this Annual Report.

Progress on Corporate Commitments and their Implementation suggest that while the rate of new commitments has decreased, existing commitments send a strong market signal. Over half of the most influential global companies with exposure to forest-risk commodities have a forest-related commitment. The quality of commitments, however, varies by sector. The private sector faces challenges in the implementation of these commitments, in particular upstream in commodity supply chains.

Impacts of Supply Chain Commitments on the Forest Frontier explores how supply chain commitments have transformed the broader political and socioeconomic environment in forest countries. The findings indicate that while deforestation does continue in areas not covered by commitments, the supply chain movement is having an impact on the ground, particularly by encouraging more transparency and accountability.

Progress on Corporate Commitments and their Implementation

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As deforestation continues and milestones for individual and collective forest pledges are fast approaching, insight remains limited into the uptake, coverage, quality, and implementation of corporate commitments. This study seeks to assess progress based on new analyses and data from several tracking initiatives, including CDP (formerly the Carbon Disclosure Project), the Sustainability Policy Transparency Toolkit (SPOTT), and Global Canopy's company actions on deforestation and Forest 500 initiatives.

Is the number of commitments still growing?

Over the past decade, the number of corporate commitments to address deforestation driven by agricultural commodities grew rapidly to 785, but is now beginning to plateau. New companies are still joining the movement, but the growth rate of new commitments shrank from 132 percent between 2013 and 2015 to 22 percent between 2015 and 2017. More specifically, hardly any new commitments were made in the cattle and soy sectors in 2017 and only a few were made in the palm sector. While many international companies that embrace sustainability have already made one or more commitments, others might be reluctant to endorse efforts such as the New York Declaration on Forests and the Consumer Goods Forum's Deforestation Resolution, which give 2020 as the target year for achieving the goal of deforestation-free supply chains.



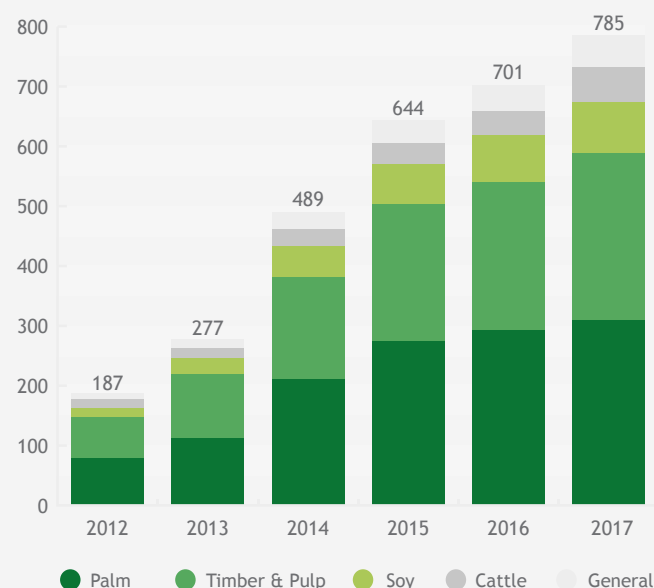
Have commitments reached sufficient scale to send a strong market signal?

The answer is yes for international palm oil markets in South East Asia, for the largest pulp and paper players operating in tropical regions, and for beef and soy export markets from Brazil. Overall, of the 250 companies with the greatest exposure to forest-risk commodities identified in Global Canopy's Forest 500 ranking, 58 percent (144 companies) have at least one forest-related commitment.

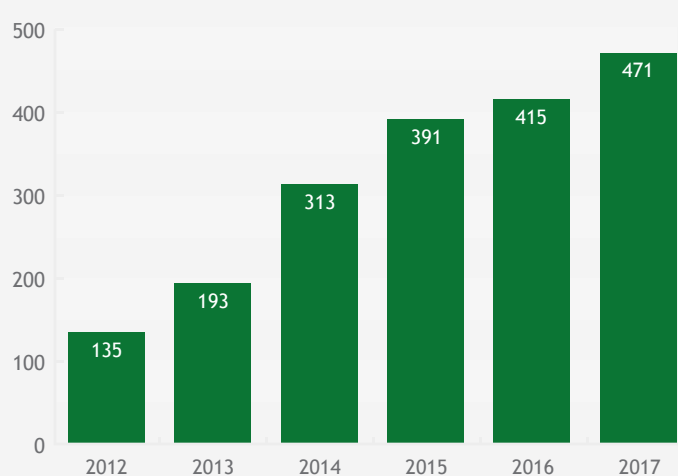
- Commitments to deforestation-free palm oil cover roughly 65 percent of global palm oil and kernel production. However, a closer look at Malaysia and Indonesia reveals that in these countries only a third of the production area is covered by commitments. This indicates that while large-scale producers may have made commitments, significant land area - at least partly managed by smallholders - is not covered by corporate commitments.
- The share of the production of cattle, soy, and pulp and paper covered by deforestation-related commitments by individual companies remains small (7-11 percent) at the global level. It is much higher, however, in high-risk regions and with sectoral agreements included. In Brazil, a global deforestation hotspot and major producer of beef and soy, more than 85 percent of beef and 60 percent of soy exports are covered under a commitment or sectoral agreement. In the pulp and paper sector, a sample of 20 of the largest companies operating in Asia and Latin America indicates that more than 70 percent of production volume is under a forest-related commitment.

Over the past decade, corporate commitments to address deforestation driven by agricultural commodities have rapidly grown, but are now beginning to plateau.

Number of commitments



Number of companies making them



What is the quality of commitments?

There is a strong correlation between the quality of a commitment and the likelihood of it being implemented. A good commitment is concrete and actionable, and defines a clear scope. Companies that refer to specific implementation strategies and adopt a timebound target are more likely to have compliance and traceability systems, and to engage with their suppliers or smallholders.

- The quality of commitments is highest in the palm oil sector, where 60 percent of the largest producers and traders operating in South East Asia have committed to sourcing sustainable and certified palm oil. The availability and wide acceptance of certification systems (e.g. through the Roundtable on Sustainable Palm Oil [RSPO]) makes such commitments unambiguous and comparatively easy to implement.
- In the Brazilian soy and cattle sectors, all major soy companies support the Soy Moratorium and 70 percent of slaughtering capacity is covered by companies that have signed collective agreements, such as the G4 agreement between the three largest meatpackers and Greenpeace, or the legally binding Terms of Adjustment of Conduct agreements between meatpackers and the Federal Public Prosecutor. Individual company commitments that go beyond these agreements are often vague and lack clear targets.
- In the pulp and paper sector in forest-risk areas, most companies that have a commitment define their efforts in relation to product certification. Certification goals are often ambitious and define clear strategies for sustainable forest management, indicating high-quality commitments.

Are commitments implemented?

There is progress in the implementation of commitments, with action in all supply chains. As action moves down to the producer level, challenges such as displacement effects (leakage), loopholes, and lack of transparency, are becoming more obvious.

- Since 2010 the share of palm oil certified by RSPO has increased from 7 percent to 18 percent. Most upstream companies in Malaysia and Indonesia rely on certification as an implementation strategy, reaching 18 percent of the total palm oil cultivation area in these two countries.

- In Latin America, the sectoral commitments - in particular the Soy Moratorium - have contributed to curbing deforestation in the Amazon. However, their limited scope and scale may have pushed deforestation to other regions including the Cerrado and Chaco biomes.
- For pulp and paper companies active in Asia and Latin America, most commitments are implemented through certification, with almost all companies assessed reporting at least partial certification. Because certification is often supported by companies' traceability systems, almost half of companies with a commitment report full traceability of products to the forest of origin.

How transparent are companies about their commitments?

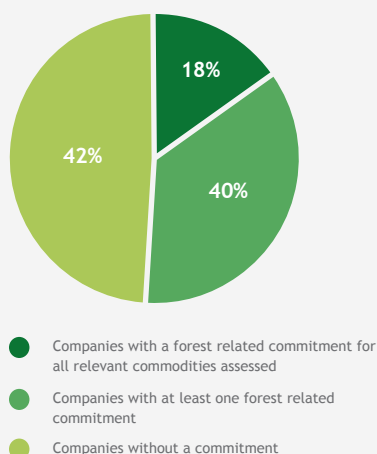
A small number of large companies have made great progress in disclosing supply chain information. However, many other companies remain reluctant to share data and the information they provide is often vague, incomplete, or buried in sustainability reports. Thus even where trends indicate progress in the implementation of commitments, it is still not possible to consolidate data on the coverage, quality, and implementation of corporate commitments. Significant data constraints and uncertainties limit researchers' ability to comprehensively assess the progress of implementation and the impact of corporate commitments. The Accountability Framework, being developed by a coalition of environmental and social nongovernmental organizations (NGOs), will help standardize definitions and concepts, but information gaps cannot be closed without increased transparency from companies.

Are the public sector and civil society helping to support implementation?

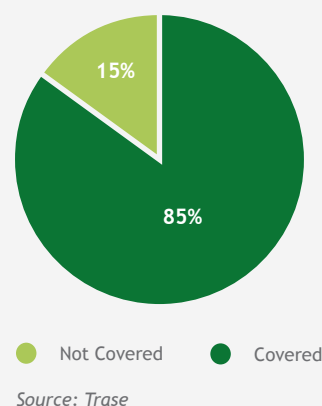
Governments and NGOs provide a wide range of support to farmers, but efforts remain incipient and subscale. Many forest-risk countries have adopted policies that support sustainable forestry and protect existing forests. However, implementation and enforcement often lag behind policies. There are individual examples of civil society providing support to companies and the larger community engaged in deforestation-free supply chains. Financial support for the development and implementation of strategies to reduce forest emissions remains insufficient. The magnitude of finance offered is highly disproportionate to the investment needs and the mitigation potential of the forest sector. While there are promising developments,

Commitments reached sufficient scale to send a strong market signal, but there are still many important actors that have yet to join the movement in order to avoid leakage.

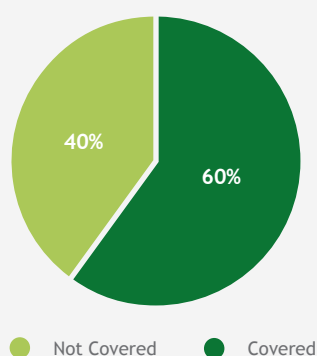
Commitments in key forest risk companies



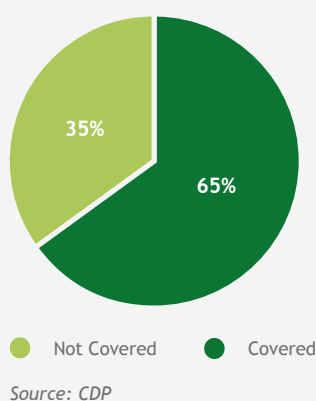
Share of Brazilian beef exports covered by sectoral agreements



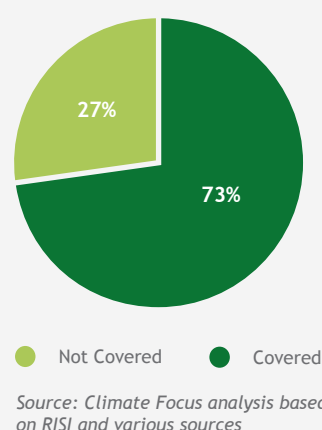
Share of Brazilian soy exports covered by commitments



Share of global palm oil market covered by commitments



Share of production volume of 20 largest pulp and paper producers in forest risk regions covered by commitments



total finance to reduce deforestation - roughly US\$ 20 billion since 2010 - is insufficient and does not reflect the importance of forests as part of the climate solution. The amount is marginal compared to the US\$ 777 billion in “grey finance” for the land sector that influences forests and is not clearly aligned with forest and climate goals. Collective efforts of the public sector, private sector, and civil society are gaining momentum, but there are no data that link such efforts to reduced deforestation.

Conclusion

The majority of the most influential companies in forest-risk commodities have assumed commitments. However, important actors have yet to join the movement to ensure that collective pledges are achieved and “leakage” of deforestation to other areas is avoided. The looming 2020 deadline might act as a disincentive for new companies. Companies with existing commitments are reluctant to

take on new commitments as they struggle to implement existing pledges. As the implementation of commitments progresses, the limitations of a supply chain approach relying on individual company pledges becomes obvious. The existing landscape of commitments leaves large areas out, often those where smallholders operate. Even where the coverage is regional as in the case of moratoria, the risk of leakage remains high, particularly where alternative production areas are readily available and unprotected. Public support of supply chain efforts is growing but is not yet evident at scale. Important steps have been taken, but there is an urgent need to embed existing company efforts in larger-scale regional agreements, involve smallholders, and link efforts to public sector programmes. An initiative that embeds existing pledges into a more comprehensive framework could play an important role in transitioning efforts into a longer-term (2030) framework.



Impacts of Supply Chain Commitments on the Forest Frontier

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Agriculture is the leading driver of tropical deforestation worldwide, and hundreds of private and public entities have attempted to slow deforestation by changing the way the world produces, procures, and distributes agricultural commodities. These efforts manifest themselves in company commitments, government pledges, voluntary market-exclusion agreements, and sustainable certification standards that affect different parts of agricultural commodity supply chains; but is this ‘supply chain movement’ having impacts on the ground? And if so, what are these impacts?

Impacts of Supply Chain Commitments on the Forest Frontier reviewed relevant literature and reached out to dozens of experts who are directly or indirectly involved in agricultural supply chains in key tropical forestry countries to explore, among other things, the environmental, economic, and political impacts of the supply chain movement. It also reviewed media reports on deforestation related to certain commodities from 2013 to 2017.

The findings are that supply chain movement is having an impact, largely through encouraging more transparency and accountability, especially among large trading groups in the middle of the supply chain. The movement has also led to better management of agricultural areas. For some initiatives (such as corporate pledges to comply with the Soy Moratorium in Brazil) there is also a clear correlation with reduced deforestation rates. But the supply chain movement has not been able to stop deforestation at the forest frontier and in forest areas not covered by a commitment or policy because of the often narrow scope of these interventions.

On the political front, experts generally agree that the supply chain movement has helped increase awareness of the links between commodities and deforestation, institutionalizing the debate around deforestation-free supply chains, and driving the adoption of new practices and technologies. Media attention to deforestation issues has roughly doubled since 2015, indicating that public perception of commodity-driven deforestation risks is on the rise, while several initiatives are working to map out supply chains and track progress toward fulfilment of company objectives.

Conversely, little evidence was found to show that consumer-facing companies were willing to share the costs that producers would need to incur in order to change production practices to meet market demand. Excluding suppliers that deforest from accessing sustainable markets will not be sufficient alone to tackle tropical deforestation. While external actors are stepping in to provide investment capital and agricultural extension services, especially to smallholder farmers, the level of support remains limited in scale and scope.

On the policy front, company pledges and commitments have reinforced national commitments, and governments and companies are gradually aligning these within the context of jurisdictional initiatives. Engagement and partnerships between public, private, and civil society actors hold promise of stopping commodity-driven deforestation. In addition, stakeholders interviewed stressed that without stable governance and institutional frameworks to support implementation, the positive impacts of the supply chain movement could be at risk. Risks include shifting deforestation to other areas and increased smuggling of commodities associated with deforestation into the market, both of which are exacerbated by a lack of capacity and political will to standardize deforestation tracking tools.

Year at a Glance

6 July 2017
Jakarta, Indonesia

South East Asia Regional Consultation Workshop for the Commodities and Forests Agenda 2020

8 August 2017
Accra, Ghana

Africa Regional Consultation Workshop for the Commodities and Forests Agenda 2020

21-22 March 2017
Brasília, Brazil

TFA 2020 General Assembly 2017

The General Assembly 2017 brought together more than 200 participants from the global forest community for knowledge and best practice exchange and discussions about the strategic priorities for TFA 2020 on the road to 2020. The Minister of Environment of Brazil and the Minister of Agriculture of the Republic of Congo gave keynote addresses. The State of Mato Grosso became the first sub-national government to join TFA 2020 and the Republic of Congo signed the Marrakesh Declaration.

11 July 2017
São Paulo, Brazil

Latin America Regional Consultation Workshop for the Commodities and Forests Agenda 2020

15 November 2017
London, United Kingdom

Latin America Implementation Dialogue - Preparatory Meeting for Mato Grosso & Pará

2 November 2017
Geneva, Switzerland

Fall Steering Committee Meeting

23 November 2017
Bonn, Germany

Forest Action Day at UNFCCC COP23

12 March 2018
São Paulo, Brazil

Latin America Implementation Dialogue - Mato Grosso, São Paulo & Pará

28 November 2017
Bogotá, Colombia

Launch of TFA 2020 Colombia Alliance

25 January 2018
Davos-Klosters, Switzerland

TFA 2020 Partners Meeting at the World Economic Forum Annual Meeting 2018

Global leaders including the President of Colombia, Juan Manuel Santos, Al Gore, Christiana Figueres, the Chairman and CEO of Cargill, David MacLennan, the Head of the Peatland Restoration Agency of Indonesia, Nazir Foad and the CEO of The Nature Conservancy, Mark Tercek led an interactive discussion among the senior representatives of more 50 TFA 2020 Partners and friends highlighting the urgent need for action on the sprint to 2020 and to elevate the forest agenda on the global stage.

18-19 September 2017
New York, United States

**World Economic Forum
Sustainable Development
Impact Summit 2017**

20 September 2017
New York, United States

**Climate Week NYC:
Going All-In to Address
Commodity-Driven
Deforestation**

19 October 2017
Jakarta, Indonesia

**TFA 2020 South East Asia Regional
Meeting 2017**

The annual meeting of the South East Asia TFA 2020 partners focused on supporting smallholder farmers, jurisdictional approaches, and peatland restoration efforts, and featured a keynote by Sarwono Kusumaatmadja, the Chairman of the Advisory Council for Climate Change for the Government of Indonesia.

12 October 2017
Libreville, Gabon

**TFA 2020 Africa Regional Meeting
2017**

Co-hosted by TFA 2020, Proforest and WWF-Gabon, with the support of the Government of Gabon, the Africa Regional Meeting was opened by Prime Minister Emmanuel Issoze-Ngondet. The Government of Gabon issued a renewed statement of commitment to become a leader in the production of sustainable palm oil. The Cocoa and Forests Initiative was introduced to the community to encourage the alignment of efforts focused on deforestation in the cocoa and palm oil supply chains.

26 September 2017
Balikpapan, Indonesia

**South East Asia
Implementation Dialogue
- South Sumatra & Central
Kalimantan**

13 October 2017
Libreville, Gabon

**Africa Palm Oil Initiative
Regional Meeting 2017**

19 April 2018
Jambi, Indonesia

**South East Asia
Implementation
Dialogue - Jambi**

11 May 2018
Beijing, People's
Republic of China

**Greening Commodity
Supply Chains in
Emerging Markets:
China Deep-Dive
Workshop**

15-16 May 2018
Accra, Ghana

**TFA 2020 General
Assembly 2018**

17 May 2018
Accra, Ghana

**Africa Palm Oil
Initiative Regional
Meeting 2018**

13 March 2018
São Paulo, Brazil

TFA 2020 Latin America Regional Meeting 2018

The regional meeting was developed in close collaboration with key partners and coalitions in Latin America, including Partnerships for Forests, the Brazilian Coalition on Climate, Forests and Agriculture, IDH and the Collaboration for Forests and Agriculture, reinforcing the need for urgent action. Over 40 speakers and more than 160 participants discussed how to strengthen collective action in six priority areas to meet Latin America's zero deforestation goals and to contribute to global commitments.

26-27 April 2018
Geneva, Switzerland

**Joint TFA 2020-NYDF
Meeting: Actions to
Accelerate Progress on
2020 Commitments**

14 May 2018
Accra, Ghana

**Africa
Implementation
Dialogue - Ghana &
Côte d'Ivoire**

TFA 2020 General Assembly 2018

May 2018, Accra, Ghana

With less than 1000 days left to meet the goal of zero deforestation in commodity supply chains by 2020, over 250 participants from governments, the private sector and civil society convened in Accra, Ghana in May 2018 for the TFA 2020 General Assembly. Participants used the event as an opportunity to discuss how to accelerate action on stopping commodity-driven deforestation, to share experiences and best practices, and to catalyse and energize new and existing action-oriented partnerships.

Sprint to 2020

15 May

A diverse set of stakeholders convened at the public day of the TFA 2020 General Assembly to discuss how to accelerate action on stopping commodity-driven deforestation. The meeting, entitled ‘Sprint to 2020’, sought to underscore how critical forests are for climate action and achieving the Sustainable Development Goals, and to provide a platform for multi-stakeholder

dialogue and partnership to remove deforestation from supply chains.

The meeting, opened by the Government of Ghana, saw urgent calls for action by Naoko Ishii, CEO and Chairperson of the Global Environment Facility, and Frances Seymour, Distinguished Senior Fellow at the World Resources Institute, who warned of the rapid pace at which tropical forests are being cleared. “We have 30 months to make headway on an agenda where we are falling behind,” said Ishii, with Seymour reiterating that “time is running out and we really need to get on with it”.

Inspired by these calls for action, forest actors from the public, private and non-profit sector discussed during the morning sessions how to accelerate action for the Sprint to 2020. Many admitted that a gap continued to exist between knowing what must be done and then doing it. Others shared their insights and lessons-learned as leaders of progressive sub-national efforts that tackle deforestation and drive green-growth.



Left to right: Hon. Kwabena Frimpong Boateng, Minister of Environment, Science, Technology and Innovation, Government of Ghana; Frances Seymour, Distinguished Senior Fellow, World Resources Institute; Marco Albani, Director, Tropical Forest Alliance 2020; Naoko Ishii, CEO and Chairperson, Global Environment Facility



With the day's focus being on finding concrete solutions to stopping deforestation, more than 20 organizations exhibited their work in the afternoon at a 'solutions marketplace' and triggered dynamic discussions around concrete tools and resources available to tackle the problem and collaborate more effectively. To reflect the General Assembly's debut on African soil, a particular emphasis was placed on how multi-stakeholder collaboration can accelerate the transition to sustainable cocoa production in West Africa.

Wishing to hear the voices of groups often left out in the discussions around deforestation, youth representatives, technology innovators and indigenous peoples finally

shared their perspectives on the issue, before the day's closing by Dr. M. Sanjayan, Chief Executive Officer of Conservation International, who summarised the shared nature of the challenge: "Collectively we are not making progress. It is no longer sufficient for one company or one country to say 'we are doing the right thing'. My plea: think really ambitiously, at a scale we have not considered before. The Titanic is sinking and we are going around thinking about who has the life jackets. We either all sink or swim together."

TFA 2020 Partners Day

16 May

At the TFA 2020 Partners Meeting, the annual in-person gathering of TFA 2020 Partners, delegates met to reflect on progress, identify priorities for the year ahead and make decisions about the future of the Alliance. The meeting, which took place a day after the General Assembly's public day, combined plenary and small-group discussions focused on knowledge exchange, catalysing new partnerships and understanding how the TFA 2020 platform can be the most impactful for its partners.

The day was opened by the Government of Ghana and with keynote remarks by Neil Scotland, Steering Committee Member of TFA 2020, who laid out the Alliance's road to 2020, highlighting the priorities for TFA 2020 in the sprint to 2020. Building on this, Marco Albani, Director of TFA 2020, shared preliminary results of an assessment commissioned by TFA 2020 on the progress of the supply-chain movement. Adrienne Stork, Senior Programme Manager of the Rainforest Alliance, also provided an update on the Accountability Framework, a collaborative

multi-stakeholder effort to establish common definitions, norms and good practices for delivering on companies' supply chain commitments.

For the rest of the day, delegates split into separate breakout discussions on topics including how to better engage the financial sector, address land rights issues, overcome challenges of monitoring and assessing the zero-deforestation agenda, and shape the future of implementation dialogues. In total, seven breakout discussions provided insights on concrete actions for the Alliance and its Secretariat in relation to the Sprint to 2020.

The meeting was closed by Naoko Ishii, CEO and Chairperson of the Global Environment Facility, who highlighted the complexity of the challenge and the importance of applying a systems approach to ending tropical deforestation. To this end, she re-confirmed her conviction that it was the right decision to sign off on a newly approved USD 500 million GEF investment in forest and land use projects.





TFA 2020 Partners' Field Trips

The General Assembly week kicked-off with four memorable Partner-hosted field trips to the Central, Western and Ashanti regions of Ghana to showcase concrete initiatives to advance deforestation-free commodities.

The Benso Oil Palm Plantations field trip showcased their model for sustainably increasing small-holder palm oil yields whilst protecting forest reserves. The model plans to benefit some 80,000 people by 2020.

- **Host:** Benso Oil Palm Plantations

The Forest Law Enforcement, Governance and Trade (FLEGT) field trip presented the system put in place in 2009 through Voluntary Partnership Agreements to verify the legality of the Ghanaian timber sold on domestic and international markets.

- **Host:** Ghana Forestry Commission*, Partnerships for Forests

The Partnership for Productivity Protection and Resilience in Cocoa Landscapes (3PRCL) field trip showcased a pioneering pilot for a landscape-wide governance framework to promote deforestation-free cocoa in the Juabeso District.

- **Host & Partners:** Touton*, Ghana Cocoa Board, Forestry Commission, NCRC, SNV, Agro Eco - Louis Bolk

The Tenure and Global Climate Change pilot field trip to the Asankrangwa District saw participants explore the linkages between weak land and tree tenure, deforestation and sustainable cocoa in Ghana.

- **Host & Partners:** Winrock International*, Ecom, Hersheys, USAID
-

Regional Updates: Africa



In Africa, TFA 2020 works primarily through two regional deforestation-free commodity programmes: the Africa Palm Oil Initiative (APOI) and the Cocoa and Forests Initiative (CFI). For the year 2017/2018, it set the following priorities:

TFA 2020 Regional Priorities for Africa:

- **Bringing the Cocoa and Forests Initiative onto the TFA 2020 platform and linking activities in the palm oil and cocoa sectors, facilitating partnerships and dialogue;**
- **Supporting high-impact partnerships within both the APOI and CFI, each of which involves multiple partners spread across diverse jurisdictions and landscapes. TFA 2020's primary objective in 2017/2018 was to catalyze partnerships that support the implementation of these initiatives.**
- **Within APOI, mobilizing financial support from the TFA 2020 community through implementation dialogues and linkages to donors for those countries that have developed action plans and ensuring that all participating countries are progressing in a coordinated and comparable fashion.**

Africa Palm Oil Initiative

The Partners of TFA 2020 launched the APOI as a signature initiative in 2014 after members identified oil palm expansion as a threat to the forests of Western and Central Africa. The non-profit natural resource organization Proforest is implementing the APOI on behalf of TFA 2020, with funding from the UK's Department for International Development (DFID) through the Partnership for Forests Programme.

The APOI began with a series of national and regional workshops to identify key participants and challenges

in each country and to forge common principles around sustainability, human rights, zero net deforestation and prudent stewardship of natural resources. Participating countries are then supported in the creation of a national coordinating platform and invited to work towards the development of national action plans that convert principles into policy - by, for example, developing jurisdictional sourcing programmes, eliminating development on high-conservation value or high carbon stock forests, and requiring free, prior, and informed consent of communities before granting concessions.

By 2016, APOI had engaged 10 countries, three of which had established national principles and seven of which contributed to the high-profile Marrakesh Declaration for the Sustainable Development of the Oil Palm Sector in Africa, which was signed in November 2016 at the UNFCCC COP 22 in Morocco.

Advancing the Marrakesh Declaration

Throughout 2017, Proforest and TFA 2020 helped Partners formulate standardised procedures for implementing the Marrakesh Declaration, to ensure the comparability of efforts, while taking into account differences in language, landscape and legal tradition. In particular, Proforest and other Partners supported country teams in the development of their individual principles, plans and platforms in ways that will work locally and be understood globally.

"Proforest did the heavy lifting on these efforts," says Joseph Lumumba, who became TFA 2020's Regional Coordinator for Africa in August 2017. "Their team, led by Abraham Baffoe, worked relentlessly on the ground to make sure that all these moving parts lined up properly."

Of the 10 engaged countries, the three most advanced are

Ghana, Côte d'Ivoire and Liberia, which have established their principles, plans, and platforms. Partners are now using the TFA 2020 platform to mobilize finance to support these plans and platforms - most recently with funding through UNDP's Good Growth Partnership, which helps Conservation International support Liberia's jurisdictional efforts under APOI.

APOI Regional Meetings

APOI conducts regional meetings designed to link national initiatives to potential funding sources and service providers, with the two most recent meetings taking place in October 2017 in Gabon and May 2018 in Ghana, alongside the TFA 2020 General Assembly.

Gabonese Prime Minister Emmanuel Issoze-Ngondet opened the October regional meeting in Libreville, where he announced that Gabon had become the eighth APOI-engaged country to join TFA 2020. The others are the Central African Republic, Côte d'Ivoire, Democratic Republic of Congo, Ghana, Liberia, the Republic of Congo, and Sierra Leone.

The Gabon meeting was the first regional meeting after the Marrakesh Declaration, and it focused in part on developing mechanisms to provide regulatory certainty to investors and exporters.

Workshops and local meetings continued over the ensuing months, and in March 2018, Nigeria launched its National Interpretation of the Roundtable on Sustainable Palm Oil

(RSPO) Principles and Criteria. The signing took place in Benin City, the capital of Edo State, with Governor Godwin Obaseki using the opportunity to announce his intention to award at least 200,000 hectares of new palm oil concessions to RSPO member companies that agree to develop the concessions sustainably.

In May, 2018, Governor Obaseki opened the fourth Regional Meeting of the APOI, this time in Accra, Ghana, by announcing that his state had become a Partner of TFA 2020 "with the goal of positioning the state as the hub of sustainable palm oil production in the country."

Africa Implementation Dialogue

In May 2018, alongside the TFA 2020 General Assembly, the Africa Implementation Dialogue focused on catalyzing action-oriented partnerships in the form of MOUs, sourcing commitments, investments and other types of collaboration to support two jurisdictional initiatives: the Ghana Cocoa Forest REDD+ Programme and Côte d'Ivoire's San Pedro Zero-Deforestation Programme. More than 100 participants representing private sector actors along the value chain, financial institutions, multilateral organizations, development partners, government institutions, civil society and jurisdictional approach practitioners participated in the event.

The Dialogue was a useful platform to discuss and link the programmes with potential partners and financiers to further explore opportunities for collaboration and partnership.

For Ghana, the discussions focused on the best approach for implementing the programme and areas of potential collaboration. Two key opportunities that were identified include addressing benefit sharing from timber resources outside forest reserves, registration and documentation of trees on farms, and supporting farmers to document tenancy agreements; and upscaling climate-smart cocoa production at the jurisdictional level. Supply chain financing and risk management especially for cocoa farmers who are rehabilitating their farms and carbon credit markets were also identified.

For Côte d'Ivoire, the discussions highlighted the strengths of the programme, which include the strong commitment of the Regional Council of San Pedro and alignment of the programme with ongoing initiatives at the national level, including REDD+ initiatives. The need to develop preferential sourcing based on an efficient and fair system of certification at the jurisdictional scale was identified. To support this, there is a need for traceability, and there is a possibility that TRASE could technically support San Pedro with a traceability system. There are efforts by some stakeholders in the jurisdiction to map farms and plots and track production throughout the chain to the export site, but more work is needed. Finally, there is an opportunity to collaborate with Dedicated Grant Mechanisms for Indigenous Peoples and Local Communities to support activities by communities, especially the protection of forests and reforestation and restoration efforts.

The Implementation Dialogue generated several ongoing discussions, including one around the use of project-based carbon finance to generate funding for early action in the GCFRP and an inquiry from the West Africa Biodiversity and Climate Change (WA-BICC) programme regarding a partnership with TFA 2020 to support a biological corridor that would link the Tai National Park (Côte d'Ivoire) to Sapo National Park (Liberia) through a jurisdictional programme. This inquiry has the potential to evolve into transboundary cooperation between Liberia and Côte d'Ivoire.

Spotlight on Cocoa

Although it is not one of the “big four” commodities covered by the Consumer Goods Forum’s 2010 resolution to achieve zero net deforestation by 2020, cocoa is the leading driver of deforestation in Ghana and Côte

d'Ivoire, which together produce 66 percent of the world’s cocoa supply.

The Cocoa & Forests Initiative began in March 2017, when the world’s leading cocoa and chocolate companies agreed to a statement of collective intent, committing them to work together to end deforestation and forest degradation in the global cocoa supply chain, with an initial focus on Côte d'Ivoire and Ghana. At the UNFCCC COP23, with support from the World Cocoa Foundation (WCF) and the Sustainable Trade Initiative (IDH), Côte d'Ivoire and Ghana, together with leading chocolate and cocoa companies announced Frameworks for Action to end deforestation and restore forest areas.

The Initiative builds on the work of TFA 2020 and the APOI - both Ghana and Côte d'Ivoire are signatories of the Declaration for the Sustainable Development of the Oil Palm Sector in Africa. By engaging WCF and IDH in the region, TFA 2020 has helped to create synergies between the palm oil and cocoa sectors. WCF became a TFA 2020 Partner in March 2018, as have several cocoa companies including Touton SA, and the Cocoa and Forests Initiative featured prominently at the TFA 2020 General Assembly in Ghana.

Like the APOI, the CFI explicitly involved the governments of Ghana and Côte d'Ivoire from an early stage, and it is built on a set of principles that emerged from regional, national and international dialogues.

“We had seen the way the APOI created these national frameworks that coalesced into the Marrakesh Declaration, and that helped us create the foundation for the CFI,” says IDH Program Director Jonas Mva Mva. “It actually began germinating before Marrakesh, because a lot of our members are active in palm oil, and they have been looking, listening, learning - and eventually sharing what they learned with the rest of us.”

After the signing of the Frameworks for Action in Bonn, the CFI has been holding joint meetings with partners from both countries, often in tandem with TFA 2020 or its members.

“That is another thing we learned from the palm oil sector,” says WCF Director of Environment Ethan Budiansky. “Namely, a key factor of success will be the monitoring of progress made and really ensuring there is a common, harmonised approach among all 27 companies on board.”



Multi-Commodity Jurisdictions

Under CFI, Partnerships for Forests has catalysed at least two programmes in Ghana that are now fully aligned with CFI's core commitments, actions and timelines. The most advanced is an initiative between the Ghana Forestry Commission and Touton, launched in 2016. The initiative, now known as the Partnership for Productivity, Protection and Resilience in Cocoa Landscapes (3PRCL), emerged from the country's REDD+ programme and is working with farmers' groups and local chiefs to create governance structures that can implement national policies at the local level.

"It is a textbook example of the kind of high-impact partnership that the Africa Initiative aims to support," says Lumumba. "It promotes the enforcement of laws, increases farmers' yields, addresses tenure concerns and accelerates the implementation of jurisdictional programmes - all of which are key priorities under the Commodities and Forests Agenda 2020."

"TFA 2020's role is to facilitate discussion and bring together key players around different commodities," adds Ernest Dwemena, Country Manager, Sustainable Sourcing at Touton in Ghana. "So, there is something of a harmonised approach, even though each commodity and each situation is different."

Challenges and Next Steps

Going forward, the Africa Initiative plans to organize periodic regional meetings and Implementation Dialogues throughout the year to accelerate progress in key jurisdictions, with an eye towards addressing several specific challenges.

On the private sector front, a key challenge will be to encourage more up-front investment and risk-sharing from those companies that benefit most from consistent and reliable supplies of cocoa and palm oil.

On the public-sector front, turnover at the ministerial level is a challenge in the region, leading to gaps in continuous engagement and governance. TFA 2020 hopes to allay the impact of this by promoting common knowledge and understanding across all participants.

"We are seeing a number of interesting new projects from the private sector," says Lumumba. "Not just from the traders who have been active for a while, but from consumer-facing companies like Hershey's and Nestlé."

As the TFA 2020's profile rises among market participants, he hopes, so will its profile within Ministries.

Samuel Avaala: Creating Win-Wins

Throughout its 42 years of existence, Ghanaian palm oil producer Benso Oil Palm Plantation (BOPP) has had two main owners: Dutch consumer goods giant Unilever and Singapore-based agribusiness giant Wilmar International.

“Both companies believe in managing their plantations sustainably, so I had the good fortune of being properly indoctrinated,” laughs General Manager Samuel Avaala, who joined the company straight out of college.

“I have seen firsthand that sustainable palm oil is good for business, good for farmers and good for the much needed ecological sustainability,” he says.

Avaala began as a trainee engineer in the mill, where the oil palm fruit is crushed into palm oil and residue. He segued to the plantations, where oil palm is grown, then moved on to the refinery, where the oil is processed and bottled. After that, he progressed to engineering projects and finally migrated to the executive suite.

Today, in addition to serving as General Manager of BOPP, he is the president of the Oil Palm Development Association of Ghana (OPDAG), chairman of the country’s National Interpretation Task Force for the Roundtable on Sustainable Palm Oil (RSPO) and a member of the Africa Palm Oil Initiative’s (APOI) steering committee. Moreover, he is a member of the TFA 2020 regional committee for Africa.

“One or two companies acting alone are not going to change the world,” he says. “That is why cooperative efforts like RSPO and TFA 2020 are so important.”

His first exposure to RSPO came in 2010, when he joined Unilever’s sustainable agriculture committee and was put in charge of the team working to certify the BOPP, which

became the first RSPO-certified plantation in Ghana.

In 2011, when Wilmar became BOPP’s majority shareholder, Avaala was relieved to see the same dedication to sustainability - which, at its heart, is about increasing production in a socially and ecologically responsible manner.

“Increasing production by yield intensification is the best way to ensure sustainability,” he says. “For us, certification is not the ceiling - it is the floor or foundation.”

Four years ago, BOPP joined Solidaridad West Africa’s Sustainable West Africa Palm Oil Program (SWAPP), which began testing intensification practices - some as simple as pruning and implementing a seven-day harvest cycle - at nearly a dozen of its sites in Ghana.

“The results are interesting,” he says. “You can clearly see higher yields on a farm that implemented the best management practices compared to one that did not.”

The challenge now is to spread those practices to the 438 smallholders who provide about 25% of BOPP’s supply base.

“Smallholders in general have very low yields, and that is where a big plantation group like ours sees a win-win,” says Avaala, who is working with other institutions and neighboring communities to engage smallholders.

“TFA 2020 has been a very important vehicle,” he says. “We have started the journey that could benefit the entire country. Now we just have to turn the corner by horizontally replicating the best management practices that we have tried and tested.”

Regional Updates: Latin America



TFA 2020's Latin America Initiative currently focuses on Brazil and Colombia. In Brazil, the emphasis lies on supporting subnational efforts to engage the private sector in green growth jurisdictional programmes, while in Colombia it is to enlist the private sector in helping to meet national deforestation commitments. In 2017/2018, Partners focused on three priorities:

TFA 2020 Regional Priorities for Latin America:

- **Helping regional stakeholders build awareness around deforestation-free supply chains through coordinated workshops and knowledge-sharing programmes;**
 - **Supporting green-growth jurisdictional programmes such as the Brazilian state of Mato Grosso's "Produce, Conserve, and Include" (PCI) initiative and the Pará 2030 Initiative by fostering public-private partnerships, investments and incentives;**
 - **Supporting Colombia's efforts to promote deforestation-free growth in key commodities by helping to develop a national alliance of stakeholders linked to global supply chains and zero net deforestation public-private agreements from four priority commodities.**
-

Brazil: Forging Public-Private Cooperation

Brazil covers 60 percent of the Amazon rainforest and nearly all of the Cerrado - a fertile and biodiverse savannah that covers more than two million square kilometres of the country. The Amazon is also home to the world's first two large-scale voluntary commitments to reduce deforestation: namely, the 2006 sector-wide Soy Moratorium and the 2009 company-specific Cattle

Agreements. Today, nearly 50 companies have endorsed the Soy Moratorium covering 90 percent of the soy trade in the Brazilian Amazon, while 18 of the country's 22 largest meat processors have committed to at least one of the Cattle Agreements. These efforts, combined with regulatory reforms and the creation of protected areas, contributed to a dramatic drop in deforestation across the Amazon between 2004 and 2012.

In the period after 2012, deforestation has again increased, however, to varying degrees across jurisdictions. For this reason, TFA 2020's Latin America Initiative focuses on helping the states of Mato Grosso, São Paulo and Pará to identify and incubate private-sector projects that can help meet jurisdictional goals to reduce deforestation. For much of 2017 and early 2018, the aim was to support the states identify and guide projects towards a business roundtable with investors, donors and buyers at the first Latin American Implementation Dialogue in March 2018.

"There was no shortage of projects, but most of the developers were accustomed to writing grant proposals or selling products, and they did not know how to attract investors," says TFA 2020 Latin America Regional Coordinator Fabiola Zerbini. "We helped the states identify projects that had commercial appeal to investors, and then helped them package those projects for the Implementation Dialogue."

In November 2017, the Alliance invited representatives from Pará and Mato Grosso states, including the governor of Pará and the vice-governor of Mato Grosso, to London for a preparatory workshop with representatives of global civil society organizations and leading companies in the supply chain and financial services sectors. The event took place alongside the Innovation Forum's "How Business Can Tackle Deforestation" event, making it possible for the governors to present green growth jurisdictional programmes to a targeted group of global investors and donors. Feedback from this meeting was used to improve the quality of individual projects for the Implementation Dialogue in March.

The Implementation Dialogue

The Implementation Dialogue took place in São Paulo in March 2018, and developers personally presented 15 projects - six in Mato Grosso, four in São Paulo, and five in Pará state - to impact investment groups like Althelia Ecosphere and &Green Fund, private banks like ABN AMRO and Santander, multilateral banks like the World Bank and Inter-American Development Bank, and buyers like Cargill, COFECO, Bunge, Walmart and Carrefour, among others.

The initiatives involved commodities as diverse as cattle and cocoa and activities ranging from forestry to finance. They varied in size from a \$30,000 guide to sustainable investing to a \$750 million “forests-to-fork” programme designed to promote the sustainable harvesting of non-timber forest products.

Two projects - both geared towards sustainable cattle-raising - have gained enough traction for ongoing discussions with two impact investors, while Partnerships for Forests is holding continuing conversations with several initiatives. One retail-facing company has also started conversations with Mato Grosso state around jurisdictional sourcing through its PCI initiative.

“We know that no initiative alone will solve the problem, but each initiative or partnership that gets implemented has a chance of being replicated or scaled-up,” says Zerbini. “That means it can serve as a champion or buy-in for the others, and this is the main point of the Implementation Dialogue.”

Colombia: Entering the Fold

The government of Colombia began its formal engagement with TFA 2020 in 2016, after three countries - Norway, the United Kingdom and Germany - agreed to support its efforts to reduce greenhouse gas emissions from deforestation and degradation of forests (REDD+).

The Joint Declaration of Intent listed several performance benchmarks for earning payments and TFA 2020 was asked to support two of them - specifically, the establishment of “zero net deforestation agreements with key players from four priority production chains” and the creation of “a public-private coalition of companies committed to ambitious zero deforestation policies, focusing on the

design and implementation of sustainable agricultural production and cattle ranching, improving the use of lands already deforested, and avoiding the new conversion of forests to agriculture.”

“The Colombian government knew from the beginning what they needed from us - what kind of value we could add,” says Zerbini.

Long-time climate negotiator Iván Darío Valencia (See “Iván Darío Valencia: Envisioning a Deforestation-Free Amazon”) was chosen to head the country’s low-carbon development strategy, and through the Alliance the relevant ministries were able to engage longstanding TFA 2020 Partners such as WWF, The Nature Conservancy and Proforest on the civil society front and Poligrow, Grupo Éxito, Unilever and Yara on the private sector front, as well as the local embassies of Norway, the Netherlands and the United Kingdom.

TFA 2020 Colombia Alliance: Starting with Palm Oil

The participating organizations above, together with other stakeholders, created a task force to fulfil the terms of the Declaration of Intent by developing the four zero net deforestation agreements and the public-private coalition.

To begin, the task force convened five breakfast meetings - one built around each of the four supply chains and one built around the public-private coalition, which became the TFA 2020 Colombia Alliance. Local stakeholders active in each of the four supply chains were invited to the meetings, which were designed to identify the main bottlenecks and opportunities in each sector, and to strengthen the dialogue between local producers and global or regional companies committed to deforestation-free development.

For 2017, the task force decided to concurrently emphasize the creation of the overarching TFA 2020 Colombia Alliance and the negotiation of the zero-deforestation agreement for the palm oil supply chain. Palm oil is produced on more than 550 thousand hectares of land distributed across 64 locations, with 60% of the production consumed domestically for biofuels, food, and cosmetics, and 40% exported mainly to Europe. Exports have increased at roughly 40 percent annually in recent

years, and an analysis of the country's soils identified 16 million hectares suitable for oil palm cultivation, much of it in or near forested areas.

The government and the National Federation of Oil Palm Growers (Fedepalma) had earlier agreed to expand production in ways that avoid deforestation, in the hope of establishing Colombia as a deforestation-free producer country and raising the bar for pre-competitive practices.

"We had strong support from the bottom up, and our job was to bring the global partners from the top down," says Zerbini. "We were also there to help align the four supply chains."

The Global Green Growth Institute (GGGI) facilitated and advised the negotiation of a comprehensive zero-deforestation commitment for palm oil, built on clear definitions of forests and deforestation, and building on the country's REDD Readiness efforts to deliver measurement, reporting and verification (MRV) of land-use activities.

Under the agreement, companies are committed to first conducting a risk assessment of their own supply chains and then establishing zero-deforestation goals with clear deadlines. In addition, they are required to generate policies across suppliers and to implement transparent reporting regimes.

The TFA 2020 Colombia Alliance was created in parallel, and patterned on the structure of the global Alliance. "We wanted to bring TFA 2020's vision and mission to Colombia and replicate it at the national level," says Valencia. "We basically perform the functions locally that TFA 2020 performs globally - such as convening, information sharing and trying to help one another to get the companies achieve their objectives and deliver the agreements."

At the global level, Colombia has likewise become an engaged voice, with President Juan Manuel Santos attending TFA 2020's Partners meetings, most recently in Davos in January 2018.



The Next Steps

Using the Priority Areas from the Commodities and Forests Agenda 2020 as their guide, the Latin America Regional Partners have begun developing a work plan until 2020.

The most urgent objectives for Brazil include addressing the spread of territorial planning into the Cerrado, improving finance and compensation mechanisms for green growth jurisdictional programmes and its main initiatives, encouraging private-sector involvement in land-tenure regularization programmes, creating enabling conditions for the inclusion of smallholders as economical players into deforestation-free supply chains, and enhancing transparency around the implementation of commitments.

In Colombia, the most urgent objectives are the consolidation of the TFA 2020 Colombia Alliance that will ensure the implementation of the Palm Oil Agreement,

as well as continuing negotiations around the three remaining supply chains (cattle, dairy and timber) and coordinating a better alignment between jurisdictional programmes and national policies.

In the coming months, Partners will design annual regional meetings and several Implementation Dialogues around these priority areas, with the goal of enhancing a community of action in the region.

Beyond that, TFA 2020 is exploring an expansion to Peru and other countries in Latin America, while also raising awareness of deforestation-free commodities in the region.

“For the domestic market, there is no consumer pressure for zero-deforestation development,” says Valencia. “We need to generate consumer awareness in the region and ensure that zero deforestation does not mean higher costs.”



Iván Darío Valencia: Envisioning a Deforestation-Free Colombia

Iván Darío Valencia clearly remembers the first time he heard of TFA 2020, because it was the same year he started representing Colombia at the global climate talks.

“As a negotiator within the Framework Convention on Climate Change, I focused on REDD+ (reducing emissions from deforestation and degradation) and land use, but I also helped the government with cooperation agreements involving forestry and agriculture,” he recalls. “Because of this, I was very aware of TFA 2020 from the start, and my government even considered joining as early as 2013.”

At the time, however, TFA 2020 was just beginning to take shape, and the ministries of trade and agriculture were leery of joining an untested alliance.

“In the interim, TFA 2020 provided a platform for helping us learn what other countries had gone through and were doing,” he says. “Also, in my role with the Ministry of Environment, I had contact with members like The Nature Conservancy, with whom I worked on sustainable cattle ranching, and WWF, with whom I worked on sustainable timber.”

While TFA 2020 was evolving as an institution, Valencia was negotiating the terms under which Norway, Germany and the United Kingdom would support the Amazon Vision - Colombia’s strategy to reduce emissions from deforestation in the Colombian Amazon (see “Colombia: Entering the Fold”).

“We needed to involve the private sector as a positive lever to reduce deforestation, and by then TFA 2020 was much more structured than it had been,” he says. “At

that point, we were pretty convinced that we wanted to create a structure that mirrored TFA 2020 within the country.”

The Colombian government applied for membership in late 2016, and was accepted in January 2017 - kicking off the year-long process of creating the TFA 2020 Colombia Alliance, which will eventually act as an umbrella for four zero-deforestation agreements in the beef, dairy, timber and palm oil sectors.

The process started by mapping the Colombian landscape rather than trying to replicate what had been done in Brazil and Indonesia. “Colombia’s supply chains are completely different,” he says. “Our beef, dairy and timber sectors are fragmented and geared towards the domestic market, so there is no consumer pressure from abroad to reduce impact on forests, while our palm oil sector is organized under Fedepalma (the National Federation of Oil Palm Growers), which has as a goal of differentiating Colombia’s palm oil in the international market, and zero deforestation is a key component of this.”

So negotiations progressed on all commodities, but with an early emphasis on palm oil. The TFA 2020 Colombia Alliance launched in November 2017 with a national secretariat and a sector-wide agreement to develop deforestation-free palm oil.

“The other three agreements are in the works,” says Valencia. “And with help from our partners, we’ll have them soon.”

Regional Updates: South East Asia



For the year 2017/2018, TFA 2020 South East Asia focused on expanding engagement with the national and subnational governments, while the work plan identified three work streams:

TFA 2020 Regional Priorities for South East Asia:

- **Supporting jurisdictional leadership for sustainable commodity production**
 - **Engaging smallholder farmers and independent third party suppliers in deforestation-free supply chains**
 - **Partnering with the Indonesian government on peat conservation and restoration efforts**
-

Engaging the Public Sector

In December 2016, environmental scientist Erwin Widodo was named TFA 2020 Regional Coordinator for South East Asia and tasked with driving the TFA 2020 platform in the region, progressing the work streams, and increasing engagement with Indonesian ministries.

“In 2016, it became clear that we had not sufficiently explained our mission to people in key ministries, and we knew that unless we were going to do that, we would not be able to achieve any of our objectives.”

Consequently, Widodo spent much of the first half of the year working with the Ministries of Agriculture, National Development Planning (BAPPENAS) and Environment & Forestry to ensure widespread understanding of TFA 2020’s mission and priorities. Over the course of the year, several deputy ministers from these and other ministries participated in TFA 2020 events. Arifin Rudiyanto Deputy Minister of Maritime Affairs and Natural Resources of BAPPENAS joined the South East Asia Steering Committee in March 2018.

Jurisdictions: A Bottom-Up Approach

TFA 2020 South East Asia has been supporting efforts to create preferential sourcing areas by supporting progressive sub-national leaders with strong green growth policies. TFA 2020 Partner IDH (Sustainable Trade Initiative) has been spearheading jurisdictional and landscape-based programmes in the Indonesian states of West Kalimantan, South Sumatra, Aceh and Jambi.

More recently, TFA 2020 has been supporting the Indonesian Sustainable Districts Association (Lingkar Temu Kabupaten Lestari, LTKL) which links eight economically diverse and geographically dispersed districts united in a common desire to attract investment by supporting the Sustainable Development Goals (see “Gita Syahrani: Hello, Goodbye, Lestari”).

Despite the diversity of these regional and landscape-level initiatives, each faces a common dilemma: namely, while some global buyers are at least nominally willing to commit to purchasing from preferred sourcing regions, few are willing to invest the up-front resources needed for these jurisdictions and landscapes to achieve that status.

To confront the dilemma, the South East Asia Initiative designed its first Implementation Dialogue to catalyse investment in jurisdictions that had demonstrated a commitment to green growth and deforestation-free development.

The First Implementation Dialogue

The date and place of the first Dialogue were set early in the year to coincide with the September 2017 Annual General Meeting of the Governors’ Climate and Forests Task Force (GCF) in Balikpapan, East Kalimantan.

“GCF is an association of 38 sub-national jurisdictions from around the world committed to slowing or ending deforestation,” says Widodo. “We knew that they would have the same audience we were targeting, and our global Secretariat arranged for us to meet at the same place.”

In April, the Regional Committee began the process of selecting the provinces that would be the focus of the Dialogue.

“As this was our first Implementation Dialogue, we wanted to focus on provinces that were advanced and mature in terms of green growth,” says Widodo. “We wanted to be sure we had the commitment from leaders and government more broadly.”

Due in part to the leadership of Governor Awang Faroek Ishak of East Kalimantan and Governor Alex Noerdin of South Sumatra, those two provinces were chosen as the focus of the Dialogue, which aimed to catalyze investment in the provinces’ palm oil and pulp & paper sectors. The event was divided into four sets of discussions: two focused on jurisdictional palm oil initiatives and the other two focused on sustainable forestry initiatives in each state.

The meeting spawned several ongoing discussions, including two initiated by the District of Musi Banyuasin, which was participating as part of the newly-formed LTKL. Specifically, the district received an indication of interest from Golden Agri-Resources (GAR) to develop long-term offtake agreements, and it is also pursuing a cooperative arrangement with the tracking initiative TRASE (Transparency for Sustainable Economies).

The Second Implementation Dialogue

The Second South East Asia Implementation Dialogue took place in April 2018 in the Indonesian province of Jambi and focused on the RIMBA corridor, which is one of five “sustainability corridors” created by Presidential Decree on the island of Sumatra in 2012.

Specifically, under Presidential Decree 13/2012, businesses that reduce environmental risks and promote sustainable development in designated corridors are to be given special recognition and treatment. The RIMBA corridor, named for the provinces of Riau, Jambi and West Sumatra, covers 19 administrative districts spread across 3.8 million hectares of land, of which 1.7 million hectares are available for commercial land-use.

Although the decree is six years old, its implications are not widely understood. The Implementation Dialogue focused on spreading understanding and fostering cooperation in specific districts within the RIMBA Corridor. At the meeting, several participating companies were surprised to learn that their operations lay within the corridor,

opening up the possibility of having their sustainable business practices certified by government agencies. Several joint initiatives are now being explored as well.

Smallholder Task Force: Catalysing Action

In December 2017, the South East Asia Initiative revitalised the Smallholder Task Force (STF), which had been created in 2016 to support independent oil palm growers.

Smallholders tend to lack both clear land tenure and access to finance and markets, while their small size makes it difficult to achieve certification. Additionally, smallholder productivity is far lower than that of larger plantations.

The task force was created to foster cooperation among smallholders and between smallholders and larger organizations with better access to finance. In February 2018, at a second meeting, the STF elected two co-chairs: Nurdiana Darus, the Chief Operating Officer of Landscapes Indonesia and Bernard Riedo, the Head of Sustainability and Stakeholder Relations of palm oil company Asian Agri. Further, members developed a work plan that prioritized access to markets and finance, ease of certification and increased productivity.

At a third meeting in April, the deliberative process paid off when participants realised that national plans to develop restrictions on high conservation value (HCV) forests could have the unintended consequence of disproportionately impacting smallholders. As a result of this finding, a task force comprised of labour, industry, smallholder and civil society participants was set up to develop a proposal that conserves HCV forests without unduly punishing smallholders. Under the leadership of Mansuetus Darto, national coordinator of Indonesia’s Palm Oil Smallholder Union (SPKS) who also sits on TFA 2020 Steering Committee, the proposal will be submitted to the government team that is developing the technical and implementation protocol.

“This is the kind of detail that could have led to non-compliance if smallholders were not given the opportunity to offer their input,” says Widodo. “By bringing smallholders, industry, and conservationists to the same table, we are ensuring that input.”



Going forward, the STF aims to diversify its membership and explore issues beyond innovative financing and risk-sharing mechanisms for smallholders. Working with partners on the ground, TFA 2020 South East Asia is scheduled to launch a working paper on the experiences and best practices of TFA 2020 members in Indonesia with innovative financing models for smallholders. The paper will construe the applicability of the models to the palm oil sector and their potential to reach scale to improve rural livelihoods and to support deforestation-free smallholder farming. The report also aims to address how supply chain companies, government and civil society organizations can help support the implementation and scale-up of these financing models.

Restoring Indonesia's Peatlands

On the peat front, TFA 2020 Partners have been operating both individually and in unison to end the destruction of peat forests.

Individually, corporate Partners have been developing “no-deforestation, no-peat, no-exploitation” (NDPE) commitments, which are specific, detailed and - most importantly - group-wide and extend to all facilities that these groups operate, invest in or buy from.

As a collaborative effort, TFA 2020 Members and Partners have agreed to support the Indonesian government's moratorium on new peatland development activities by helping the Peat Restoration Agency (BRG) coordinate with participants and facilitating discussions led by the World

Resources Institute and the Indonesia Business Council for Sustainable Development on the ‘One Map System’. The System is an ongoing effort to rectify conflicting land-use and concession maps dating back to the early days after the fall of former President Muhamad Suharto, when different ministries often granted conflicting concessions for the same piece of land. The Regional Working Group is liaising with companies to examine concessions and to help them explore the viability of sustainable paludiculture (non-destructive agriculture in peat areas) as an alternative income stream.

Here, as in the Smallholder Task Force, the convening process yielded results during a discussion on efforts to resolve the persistent issue of peat fires and resulting haze. At the meeting, TFA 2020 Partner IDH presented an update on its Fire Free Alliance (FFA), which is a coalition of six companies and institutions working to reduce fires in peat forests, and LTKL members offered to overlay their work in district member areas.

Next Steps: Sabah and Beyond

In May 2018, the Regional Committee decided to hold the Third Regional Implementation Dialogue in the pioneering province of Sabah, Malaysia, which aims to have up to 90 percent of its palm oil and pulp & paper sectors certified as sustainable by 2025. The meeting will take place near the end of 2018 or early 2019 and focus on ways of ramping up statewide jurisdiction efforts, drawing on lessons learned in other jurisdictions across South East Asia.

The Committee has also implemented regular bimonthly meetings of the STF and is considering the creation of a structured peat forum to support the BRG once it releases its strategy in mid-2018.

“The engagement of the BRG and BAPPENAS sends a strong signal,” says Widodo. “Even private-sector-driven initiatives need the backing and enforcement actions of the national government if they are to succeed.”



Gita Syahrani: Hello, Goodbye, Lestari

In mid-2016, Indonesian attorney Gita Syahrani sat down with a group of district leaders - or Bupatis - for what they all thought was a farewell dinner.

It ended up being the start of a new kind of jurisdictional cooperation called the Sustainable Districts Association (LTKL), which unites economically and geographically diverse Kabupaten - or administrative districts - in a coordinated effort to better implement the Sustainable Development Goals and reduce greenhouse gas emissions by promoting renewable energy and sustainable commodities.

"I had been working with the districts to develop their green growth vision and that gave me a chance to see how committed they were," says Syahrani, who at the time was the Sustainable Commodity & Business Manager for the World Resources Institute in Indonesia, and before that had been the private-sector liaison for the National REDD+ Agency.

"It was part of a programme that wound down in 2016, and this was a chance to say goodbye."

It did not, however, feel like a goodbye, as the conversation swirled around the endless possible linkages between district green growth plans, the country's climate change strategy and global demand for deforestation-free commodities.

The next day, Syahrani got a call from Beni Hernedi, the Bupati of South Sumatra's Musi Banyuasin District, asking if they could keep the conversation going.

Syahrani floated the idea with three organizations: the Sustainable Trade Initiative (IDH), the Indonesia Palm Oil Smallholders Association (SPKS) and the Indonesian Association of District Governments (APKASI) and found enough support to arrange a two-day workshop in December 2016.

"We were all working pro-bono, but had enough money to get some meeting rooms," she says. "Then we invited 15 districts to participate, and eight of them sent delegations."

The districts, it turned out, had well-developed but extremely varied development programmes.

"We had a rigorous discussion around core principles, and agreed that balance was key - that growth, environmental conservation and social welfare should all have equal footing."

Indonesians have a word for that kind of balance: "lestari", which means "keeping things as they are" but implies balance, preservation, and sustainability. They quickly settled on a name: Lingkar Temu Kabupaten Lestari.

"It is a new kind of jurisdictional programme - one that is spread across eight founding districts that are themselves spread across the country," says Syahrani. "LTKL is important because it is being developed from the bottom up, at the most basic level of Indonesian government, rather than from the top down."

LTKL was formally established in partnership with APKASI by July 2017 and Syahrani switched gear to head the LTKL Secretariat. In September of the same year, LTKL participated in its first TFA 2020 Implementation Dialogue. There, Hernedi was one of the key speakers, having the opportunity to learn directly from global trading groups what companies need from - and can offer - the districts.

Out of that dialogue have since emerged trial purchases from smallholders and a subsequent meeting leading to cooperation on fire prevention in peatlands.

Whatever happens next, Syahrani sees little chance of another farewell dinner soon.

Stirring Giants: Financial Institutions and Emerging Markets



As identified in the *Commodities and Forests Agenda 2020*, engaging the financial services sector and mobilizing demand for deforestation-free commodities in emerging markets are priorities for action on the sprint to eliminating deforestation from global agricultural supply chains. TFA 2020 commissioned reports on these two sleeping giants, who are beginning to become more aware of their role in the deforestation agenda. The new insights in these reports are designed to help build awareness and identify opportunities for action by the TFA 2020 community and beyond.

The Road Map to Financing Deforestation-free Commodities

 [Download Report](#)

Financial institutions are exposed to the risks associated with deforestation through their investments in and lending to companies involved with soft commodities. However, while a number of financial institutions have made progress in integrating the environmental and social impacts of soft commodities into their risk management frameworks, a larger number are not taking action, with only 30% having public policies on these commodities, according to Global Canopy's Forest 500 annual report for 2017. As governments transition to a low-carbon economy, and as public pressure grows more broadly on environmental and social risks, changing regulations targeting unsustainable production may increase financial risks of companies and impair the equity holdings of investors and the quality of loans in bank portfolios.

Developed with input from more than 20 leading financial institutions including HSBC, Banco Santander, Bank of America Merrill Lynch, BNP Paribas, Credit Suisse, Rabobank and Standard Chartered, *The Road-map to Financing Deforestation-free Commodities* report identifies the main challenges financial institutions are currently facing as they attempt to understand and tackle the deforestation risks to which they are exposed and recommends next steps to overcome those challenges. The recommendations are targeted first at financial institutions, and second at other stakeholders in the soft commodities value chain, namely those who can provide the enabling environment for financial institutions to act. The four challenge areas highlighted are:

The business case for financial institutions

Financial institutions around the globe need to see a clear business case to integrate deforestation risks into their risk management and business strategy. One way to achieve this is by demonstrating to financial institutions the link between deforestation risks and financial risks.

Ensuring robust policies and practices

Although some financial institutions have had forest risk policies for over a decade, many still struggle to understand and recognize good soft commodity policies and how to implement them internally.

Monitoring

Most financial institutions with deforestation policies have relied on certification schemes for monitoring purposes, such as the Roundtable on Sustainable Palm Oil (RSPO) and the Forest Stewardship Council (FSC). Certification has provided the standardization crucial for mainstreaming sustainable practices in the sector, creating the required market scale and comparability for banks and asset managers. However, use of certification schemes among companies remains relatively low, which is problematic for financial institutions that rely on widespread coverage to have a large and diverse range of clients. In addition, a number of NGOs and leading operating companies are increasingly critical of existing schemes, with some companies moving to develop their own tailored approaches.

A diverse market response

Soft commodity supply chains are inherently complex, with a wide range of entities involved at different stages of the chain, from farmgate to supermarket. No one entity has enough influence to change the entire value chain. Some companies seek to make their supply chain deforestation free, while others do not consider it a priority. This could lead to parallel markets in deforestation-free/sustainable soft commodities and non-deforestation-free commodities. Both markets would be served by different companies and financial institutions, with the former markets served by entities with good practices and policies, and the latter ones served by those with lax practices or no policies. In this scenario, with the leaders disengaged from the laggards, deforestation could continue.

Key Recommendations for Financial Institutions



Collaborate to realize opportunities

- Explore opportunities regarding financial products linked to deforestation-free commodities or sustainability performance (e.g. green bonds, sustainability performance-linked loans)
- Partner with client companies to improve their standards and practices
- Collaborate with peers to overcome issues of leverage and allow for peer-to-peer learning across financial institutions



Improve data gathering and monitoring techniques

- Encourage credit ratings agencies and data providers to include natural capital and deforestation risk into ESG risk assessments
- Use existing proprietary and open-source tools to monitor deforestation risk amongst client companies (project finance only)



Set policies and minimum standards / red lines

- Develop policies that cover all soft commodities, including minimum standards for client companies
- Establish and communicate non-compliance procedures and consequences
- Consider evolving the use of certification and build certification incentives into deals



Establish an enabling governance structure

- Incorporate ESG risks, performance and key performance indicators into bonus structures and remuneration
- Promote long-term investment horizons and mainstream valuation of public goods and natural capital, where applicable based on future potential impacts on private capital
- Educate and train relevant personnel on ESG issues and how to screen for them



Conduct scenario analysis

- Conduct scenario analysis to understand potential macroeconomic changes over 5-10 years (including the Paris Agreement, the SDGs and physical climate change risks)

Greening Commodity Supply Chains in Emerging Markets: Challenges and Opportunities

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Emerging markets, with their rapidly growing consumer class, play a crucial role in the global effort to remove deforestation from palm oil, beef, soy, and pulp and paper. The fight against tropical deforestation would

gain significant momentum if major emerging market importers such as India and China, and major emerging market producer-consumers, such as Indonesia and Brazil, were to buy more commodities from sustainable sources. Greening Commodity Supply Chains in Emerging Markets: Challenges and Opportunities presents new, compelling estimates on how the current and future demand for commodities in emerging markets might spur deforestation. The results reinforce the importance of engaging these countries to achieve change.

Findings at a Glance

- Major emerging market importers (China and India) and major emerging market producer-consumers (Brazil and Indonesia) together account for around 40 percent of global demand for four deforestation-linked commodities (soy, beef, palm oil, and wood products), and their share is set to increase further by 2025.
- Three main trends will influence future commodity demand from emerging markets: growth in the consuming class, domestic production, and regulatory interventions.
- A business-as-usual (BAU) approach to commodity sourcing in emerging markets could lead to significant deforestation. While there is uncertainty, estimates show that deforestation linked to China and India's imports of these four commodities, and the domestic consumption in Indonesia and Brazil, could increase by 16 percent from today's levels. This is a conservative estimate (as it only accounts for immediate post-conversion deforestation) and represents the equivalent land area of Jamaica being deforested annually.
- This deforestation could also lead to food security concerns in emerging markets (with rising dependence on food imports) and risks to firm competitiveness.
- There is anecdotal evidence suggesting that governments, consumers, and producers in emerging markets are increasingly interested in sustainably sourced products.
- China could potentially reduce its environmental footprint of commodity sourcing by 55 percent versus a BAU scenario in 2025
- Several barriers prevent change towards sustainable sourcing in China, ranging from the additional cost of complying with sustainability standards, a lack of consumer willingness to pay for sustainable products, a lack of clear sustainability standards, and challenges associated with the traceability of supply chains to ensure compliance with sustainability standards.

Tackling the Barriers in China: A Closer Look

There are several barriers that could prevent a shift to the sustainable sourcing of forest-risk commodities in China. The report identifies potential opportunities for action to tackle these barriers for different stakeholders.

Government. Government could establish guidelines for sustainable sourcing and a definition of what is meant by sustainable. Ideally these policies would be mandatory, but even if voluntary, it could make a significant difference if there is cooperation between government and industry - as seen in the application of the guidelines as part of the China Timber Legality Verification Scheme. There are further promising signs that the government is taking a more visible lead to further promote environmental issues. For example, China's recent Trade Agreements with Switzerland and South Korea both included dedicated chapters on environmental provisions.

Industry. There is a need for new financing models that explicitly incorporate supply chain risk related to sustainability issues. At present, very few Chinese banks are members of major sustainability finance initiatives such as the Banking Environment Initiative. At the more ambitious end, there could be opportunities for linking interest payments to sustainability performance. There is also a clear need for industry to take the lead by establishing joint industry commitments related to sustainability. The Chinese Sustainable Meat Declaration was highlighted as one promising example in this regard.

Civil society. Civil society can help to educate consumers about the importance of sustainability and help importers build their capabilities on sustainable sourcing. This could include programmes to improve public understanding of sustainable labels - such as Forest Stewardship Council's 'FSC' labelling. Non-Government Organisations (NGOs) could also work with major e-commerce players like Alibaba and JD to influence large groups of consumers through various e-commerce platforms.

Collaboration. The current volume of supply coming from jurisdictions with sustainable development plans in place is still relatively small compared to emerging market demand. Government, industry and civil society could come together to work with key jurisdictions producing relevant commodities and help them ramp up potential quantity and quality of supply to meet demand from China.

About TFA 2020

The TFA 2020 Secretariat is hosted at the World Economic Forum headquarters in Geneva, Switzerland, with the support of the governments of Norway, the United Kingdom and the Netherlands.

TFA 2020 is a partnership platform open to all organizations sharing its objectives, in particular forest country governments, financial institutions, and agriculture and consumer goods companies with exposure to palm oil, soy, beef, pulp and paper, and cocoa.

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