

# Event report of the very first cross-sectoral Swiss event to jointly achieve deforestation-free value chains

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**Ongoing deforestation in Asia, Africa and Latin America is having a negative impact on people's livelihoods. This accelerates climate change and decreases biodiversity. The Platform for Sustainable Cocoa, the Soy and Palm Oil Network and the Community of Interest Coffee engaged at the Gurten in Bern on 28 June 2023 to tackle the deforestation challenge and foster future cross-sector cooperation. Around 150 people invited by the four sector initiatives discussed what the new EU regulation on deforestation-free value chains could mean for Switzerland and the commodity sectors concerned, what has already been done and what solutions are needed to ensure transparency and sustainability in the supply chains of these agricultural commodities.**

Between 2010 and 2020, an average of 4.7 million hectares of forest were destroyed worldwide per year. One of the main reasons for deforestation is the expansion of agricultural land. Plantations of coffee, cocoa, palm oil or soy drive deforestation.

## **New EU regulation aims to prevent deforestation**

This June the European Union (EU) Deforestation-Free Products Regulation (EUDR) came into force. New framework conditions will apply to the import of coffee, cocoa, palm oil and soy into the EU from 2025. The regulation requires companies to prove that their supply chains do not contribute to the destruction or degradation of forests. To do this, they must identify the exact geographical coordinates of where the agricultural commodity is produced as part of their due diligence to ensure that their products do not contribute to deforestation or forest degradation.

Find further information on the EUDR here:

- The NGO Earthworm has provided a [summary of the EUDR](#)
- [FAQ on the EUDR](#)

## **Minister from Ivory Coast wants to fight causes through increased cooperation**

Ivory Coast, the world's biggest cocoa exporter, took part in these exchanges at Gurten in Bern through its Minister of Water and Forests, Mr Laurent Tchagba, to emphasise the importance of preserving the forest in his country, Ivory Coast. Mr Laurent Tchagba expressed his conviction that the causes of deforestation are best tackled by working together as far as possible with all stakeholders concerned on the ground.

## **The participants identified three areas for action**

The participants agreed that Switzerland has already done a great deal in the four commodity sectors and that its commitment will continue regardless of the EU regulation. Even though the

affectedness and preconditions in the four raw material sectors are different, the sector initiatives want to use the potential of joint measures and technologies/systems to ensure sustainable traceable supply chains. To this end, on 28 June 2023 at the Gurten in Bern, they defined three areas of action in which they want to cooperate in the future:

- 1) Traceability: The development and alignment of pre-competitive standards and the use of synergies in data management and data tools are essential for improved transparency, traceability and ultimately also sustainability impact. Orientation towards globally recognised sustainability standards strengthens the harmonisation process.

In this context, new digital technologies are becoming increasingly important. "Sustainability standards like Fairtrade, the Roundtable on Sustainable Palm Oil, Rainforest Alliance and 4C support value chain actors to avoid deforestation by offering relevant and verified traceability data that preserves the identity of certified products along the supply chain. This data can help companies conduct deforestation due diligence risk assessments," says Joshua Wickerham, speaker at the conference from the International Social and Environmental Accreditation and Labelling Alliance (ISEAL).

- 2) Landscape approaches: Environmental challenges cannot adequately be tackled by focusing only on a single supply chain and/or crop. Thus, the four sector initiatives are engaged in developing and implementing so-called landscape approaches to forest protection and restoration. Members of the initiatives strive to work with local governments, communities, farmers and other stakeholders to effectively halt deforestation and adopt farming practices to enhance biodiversity, sequestration of CO<sub>2</sub> and strengthen resilience to climate change in sourcing regions.
- 3) Investments: The transition to good, climate-friendly farming practices requires high investments in training, advisory services, plant material and financial compensation for small-scale producers, especially in the beginning and when involving the use of alternative organic fertilizers and biological pesticides. Therefore, the potential of public-private partnerships, climate funds and local financial resources should be better utilised and optimally coordinated.

In the following, the key points of discussion of each of the breakout sessions are summarized.

## Breakout Session: Reducing Pressure on Forest Lands: Financing strategies for smallholder farming systems

**Facilitator: Ross Jaax (Swisscontact)**

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### Topic:

The facilitator presented a financing model called the Closed Loop that was developed by sustainability platforms in Asia (e.g., PISAGro, Grow Asia) that have similar mandates as SWISSCO. The Closed Loop seeks to finance smallholder agriculture to produce more in line with sustainable and regenerative methods, and to become more productive. This follows from the Theory of Change for enhancing smallholder production.

### Assumptions:

- Smallholder farmers in the tropics rely on agricultural activities for their livelihoods.
- Deforestation in the tropics is primarily driven by the expansion of agricultural land.
- Enhancing smallholder farmer productivity can improve their income and well-being.

### Pathways:

#### a) Increasing agricultural productivity:

- Provide smallholder farmers with access to improved farming techniques, technology, and inputs.
- Promote sustainable agricultural practices, such as agroforestry and organic farming.
- Facilitate knowledge-sharing and capacity-building through farmer training programs.
- Improve access to credit and financial services for farmers to invest in productivity-enhancing measures.

#### b) Economic incentives for sustainable practices:

- Create markets and value chains that reward sustainable farming practices and environmental stewardship.
- Develop certification schemes and standards that promote sustainable agriculture and provide price premiums.
- Encourage the engagement of smallholder farmers in sustainable supply chains.
- Foster partnerships between farmers, NGOs, and private sector actors to support sustainable production.

#### c) Strengthening land tenure and governance:

- Promote secure land tenure rights for smallholder farmers, protecting their rights to their agricultural land.
- Enhance transparency and accountability in land management through improved governance structures.

#### d) Alternative income generation opportunities:

- Support diversification of income sources for smallholder farmers, reducing their reliance on agricultural expansion.
- Promote the development of non-agricultural rural industries and value-added processing of agricultural products.

### Outcomes:

- Increased agricultural productivity leads to higher yields and income for smallholder farmers, however, overproduction needs to be eyed to avoid price pressure
- Economic incentives encourage the adoption of sustainable practices, reducing the need for deforestation. E.g. carbon credits are a tool to enhance producer income without interfering with the underlying supply-demand fundamentals.
- Securing land tenure and strengthening governance prevent land encroachment and illegal activities.
- Diversification of income sources reduces the pressure on smallholder farmers to expand into forests.
- Reduced deforestation preserves biodiversity, mitigates climate change, and maintains ecosystem services.
- Improved farmer livelihoods contribute to poverty reduction and enhanced community well-being.

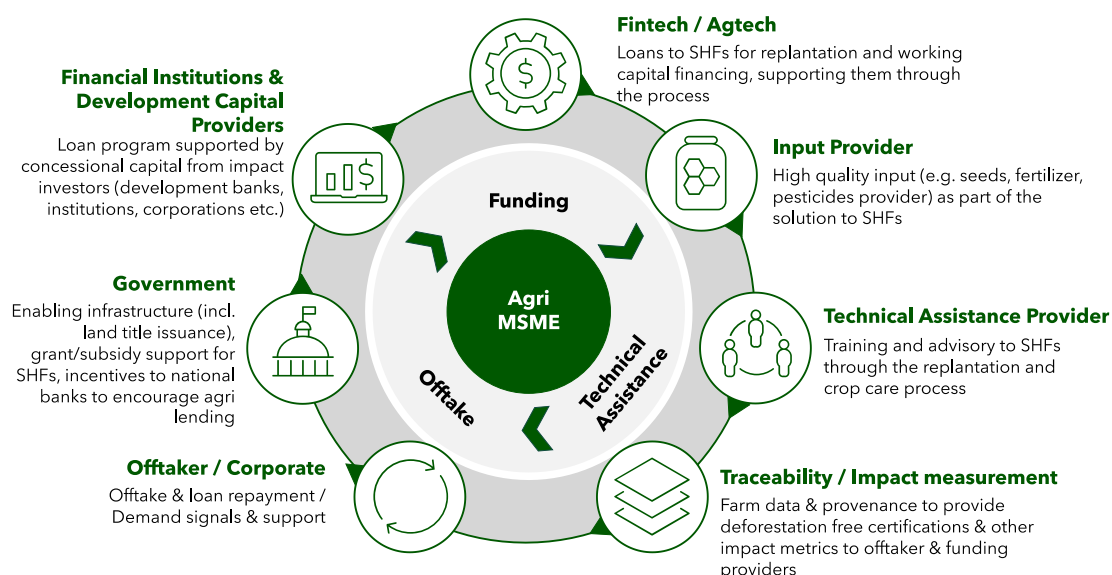
### Impact:

- Decreased rates of deforestation in the tropics due to reduced expansion of agricultural land.

This is called the closed-loop financing model (diagram below). The circular cycle incorporates many of the bullets in the Pathway of the Theory of Change given above. This diagram, and its explanation was the focus on discussion in the session.

### What is the solution?

Collaboration between financiers, FinTech, value chain players & gov



### Key discussion points:

The success of this the model depends on the context-specific implementation of strategies, collaboration among stakeholders, and ongoing monitoring and evaluation to adapt interventions as needed. For example, it was initially shared by the CABOZ that this model is not

relevant to West Africa cocoa context because cocoa farming is an economically marginal activity and will not generate enough revenue to pay back loans. CABOZ is implementing a very modest community finance activity centred around informal Community Saving and Loans Associations (CSLA). Upon further discussion, they revealed that they do have a vision and aspirations for these CSLA's to grow, demonstrate farmers' ability to save and repay loans, and therefore they may become more bankable. So, in effect, the CSLA's can be viewed as possibly embryonic stages of the Closed-Loop cycle.

The *responsAbility* representative said that their financing model to cooperatives in Cote d'Ivoire had developed down the lines of the Closed Loop Model. A Nestlé representative counselled against financing smallholders without adequate technical assistance on good agriculture practices and crop management. They did not want more farmers to become indebted.

Representatives from Helvetas asked if there would be grant funding for issues like replanting, which are long-term loans. We considered the option of receiving funding from insetting carbon sequestration into the supply chain as a possible avenue for this key financing need.

From the facilitator's perspective, there is clear recognition that the Closed-Loop Model as presented is a later stage development for providing financial services to smallholders. This will likely be a result of an organic growth process that starts with modest models (e.g., CLSA or other micro-savings/lending efforts)

#### **Ideas for action points for (members of) the four sector initiatives:**

From the point of view of the facilitator:

- Where there are nascent, embryonic financial services being set up on supply chains, clearly articulate the Theory of Change or vision for how this may develop and be linked to supporting services, e.g., the Closed Loop Model
- The development stages to go from pilot, community based, modest schemes to more systemic, scalable, financing model was lacking. We need to understand this growth and development path. There are active examples within the SWISSCO (we heard of two during this brief session) and other commodity networks to be shared.
- Swisscontact (and by extension Grow Asia) should maintain a dialogue with SWISSCO on the Closed-Loop model, and how we can build up this multi-stakeholder system from modest beginnings.
- The conclusion was that a multi-stakeholder forum such as SWISSCO is a good body to explore these questions.

## Breakout Session: Impacts of the EUDR on commodity-producing countries: How to establish partnerships for deforestation-free supply chains?

**Facilitators: Elisabeth Bürgi Bonanomi & Christoph Oberlack (Centre for Development and Environment CDE, University of Bern)**

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### Topic:

Based on inputs from representatives of CDE, the Embassy of Peru, the Compañía Hondureña del Café S.A. de C.V. and the CI Coffee Switzerland, participants engaged in a discussion on (1) opportunities and risks in producing countries in promoting standards for deforestation-free supply chains and (2) the core elements and conditions of examples of successful partnership approaches. The breakout session marked a starting point in Switzerland – rather than conclusive discussion - about the topic of possible impacts of EUDR and partnership approaches in producing countries.

### Key discussion points:

#### **(1) Opportunities and risks of promoting standards for deforestation-free supply chains in producing countries**

On the **opportunity side**, possible impacts of the regulation include:

- strengthening of the protection of biodiversity/forests in producing countries
- strengthening the position of smallholders by improving traceability to the benefit of smallholders
- providing momentum for fairer and more equitable value chains
- strengthening agroecological practices from which the producer country will benefit in the longer term by making them more resilient
- mitigating climate change (beneficial to all, given that mitigation is a common concern)
- engage producing countries in the dialogue and develop concrete, measurable actions supported by local enforcement

However, for this to happen, **the implementation of zero-deforestation needs to address several key risks in a context-sensitive way**. Often there are already strict domestic laws in place in producing countries, but in practice, they are not fully implemented/adhered to. The EUDR, goes even beyond existing legal frameworks. Farmers face a complex web of challenges to fulfil the requirements of the EUDR: lack of expertise (e.g. on geospatial data platforms, the conditions of the regulation itself etc.), limited to no access to technology, lack of documents to prove land tenure etc. More time is needed for farmers to be adequately prepared and to ensure sustainable compliance with the conditions for the EUDR or similar regulations.

On the **risk side**, the regulation might lead to:

- Higher market concentration and even more intensified vertical integration of transnational value chains
- Greater dependency or exclusion of smallholders and vulnerable producers from international value chains due to expensive traceability tools
- Disengagement from investment and production in so-called high-risk regions; creation of two-tier markets
- More pressure on natural resources in formerly deforested and no-forest regions of high biodiversity value, such as wet- and drylands
- Disincentivizing against agroforestry systems, since the conversion of forests into agroforestry systems is considered deforestation
- Value capturing in the global north (since many traceability and certification services are located in northern countries)
- Another regulation imposed by the global North onto producers in the South

Larger producers may become larger and smaller ones may face risks to disappear from the market. Unorganized smallholders face particular risks.

## **(2) Important elements of successful partnership approaches**

- Empowering agency of smallholders (e.g. through well-functioning cooperatives)
- Recognize context-adapted strategies on deforestation and national traceability systems
- Encourage and respect national certification systems
- Support the relocation of traceability services to producing countries
- Apply a systemic approach; trade can be an entry point but it needs to go beyond that
- Promote cross-sectoral collaboration and public-private partnerships
- Work towards more direct value chains and fairer prices (decent living and beyond)
- Offer alternative markets for high value products to vulnerable producers (investment, market access)
- Address overconsumption in consuming countries (with a particular focus on livestock production - including soy-livestock nexus)

## **Ideas for action points for (members of) the four sector initiatives:**

- When designing projects in producing countries, ask the following questions (thinking beyond the project funding phase), in order to ensure long-term sustainability: What are the root causes for deforestation in this specific area? What is the incentive and disincentives for local stakeholders (such as the farmers and communities as well as governments) to become deforestation-free? And how much does it cost?
- Foster the distribution of the information on the EUDR to the smallholders, cooperatives and local governments in producing countries to strengthen the expertise
- Build bridges and foster dialogue between small-scale producers/cooperatives and those designing and implementing the regulation
- Create an understanding (and thus a demand) on the consumer side for the benefits of deforestation-free products
- Foster direct value chains and fair pricing schemes
- Renew trade regulation and create new trade partnerships, building in differentiation and fairness-based principles, providing economic incentives to farmers

- Make use of sector agreements to follow the standards
- Support systemic approaches (e.g. through landscape initiatives) rather than single-supply-chain solutions; including alternative/remunerative markets (local and international) for a variety of products sourced from those landscapes
- Engage in cross-sectoral dialogues and efforts in order to address all drivers for deforestation (e.g., incl. the gold sector or illicit crops, in landscapes where they are drivers of deforestation or where they may replace cocoa, coffee, soy or palm)

Switzerland is in the unique position of being able to take learnings from the EUDR and lead the way in coming up with a clear and supportive regulation for the import of deforestation-free products into Switzerland, under the caveat of recognition of equivalence by the EU. Need to align this with action through development cooperation. Need to continuously engage on the topic of impacts and partnerships in producing countries.

#### **Recommendations for further literature:**

Faure, N. & Greijmans, M. (2023): What the EU regulation for deforestation-free products means for communities and smallholders in Asia.

[What the EU regulation for deforestation-free products means for communities and smallholders in Asia | RECOFTC](#)

Fern (2023): An EU Strategic Framework for working with countries to achieve deforestation free production. Why it is needed, and what it could look like.

[Fern - Partnerships - EU strategic framework for working with countries.pdf](#)

Lambin, E. F. & Furumo, P.R. (2023): Deforestation-Free Commodity Supply Chains: Myth or Reality?

<https://doi.org/10.1146/annurev-environ-112321-121436>

Oeschger, A. & Bürgi Bonanomi, E. (2023): PPMs Are Back: The rise of new sustainability-oriented trade policies based on process and production methods

[PPMs Are Back: The rise of new sustainability-oriented trade policies based on process and production methods | International Institute for Sustainable Development \(iisd.org\)](#)



## **Breakout Session: Landscape Approaches: the example of the Cavally Forest Project in Côte d'Ivoire**

**Facilitators: Gerome Tokpa & Sabrina Bosson (Earthworm Foundation)**

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### **Topic:**

The Cavally Forest in Western Côte d'Ivoire is classified a "forêt classée" of category 1 by its owner, the State of Côte d'Ivoire. This means that no agricultural activity is allowed within the perimeters of the forest. Nevertheless, the forest is being illegally cleared to create cocoa plantations. Deforestation has been taking place on a grand scale throughout the country for decades. In 1960, there were 16 million hectares of forest in Côte d'Ivoire, in 2015 there were only 3.5 million hectares left. A public-private partnership involving various stakeholders was able to slow down deforestation in the Cavally forest reserve. Since 2020, the Cavally Landscape project, led by Earthworm Foundation (EF), is bringing together key local and international actors to preserve and restore the Cavally forest reserve, involving local communities and working on improving farmers' resilience. While this project has led to encouraging improvements and results, the question of how to sustain the positive impact and how to replicate to other forest reserves in Côte d'Ivoire remains. After presenting some of the achievements, learning and vision for phase 2 of the project, the break-out session focused on discussing these questions.

### **Key discussion points:**

The speakers raised these questions: 1) which elements would have to be put in place to change the supply chain structurally towards the goal of having deforestation-free products. The participants were also asked 2) if and how the Cavally project could be applied to other forests in Côte d'Ivoire. A third question raised the undesirable side effect of the EU regulation EUDR, namely that 3) smallholder producers in areas classified as "at deforestation risk" could be forced out of the market.

Regarding point 2), a representative of the Ministry of Water and Forests of Côte d'Ivoire (MINEF) pointed out some regions where the Cavally blueprint could be applied, namely one close to the border to Ghana. Application to forests not classified as category 1 would also have potential. He underlined that smallholders must be empowered to raise their productivity on their lands so that they do not have to resort to extensive agriculture involving deforestation.

A representative from academia (University of Bern) shared insights of his evaluation projects of different forests in Côte d'Ivoire and offered to share this information with the speakers in the spirit of peer learning.

Regarding point 1), a representative of the MINEF suggested to create "zones of exclusivity" where companies invest in creating transparent and solid supply chains in a particular zone and in turn get the exclusivity for buying the raw material coming from it. There is already a similar model implemented at small-scale in the rubber sector, which seems successful.

Regarding point 3), the group highlighted the need to better inform the producers and local communities of the upcoming new requirements linked to the EU regulation, and the need to double the efforts in helping them increase productivity.

A representative from the trading industry (Cocoasource) shared information coming from the market, namely that the industry is already asking for EU-compliant products. Sourcing companies seem to shy away from regions “at risk of deforestation”. According to him, the narrative should be changed and instead of risks, the focus should be on opportunities.

#### **Ideas for action points for (members of) the four sector initiatives:**

1. Support and participate to landscape projects as when such projects involve the right stakeholders and work through a multi-faceted and holistic approach, it proved to be an impactful way to stop deforestation.
2. Beyond collective landscape projects, think about the structural changes needed in the supply chains to ensure positive impact on people and forests in the long term.
3. Always put producers and communities at the centre of any initiative aimed at conserving and restoring the forest, with a particular focus on increasing their resilience.
4. Change the narrative around the new EU regulation; instead of focusing on the risks, focus on the opportunities to protect the remaining forests and work closely with producing countries.

#### **Open questions:**

Some questions remained open. The Cavally Forest borders Liberia, which makes the problem transnational. In particular, the migration of small holder farmers in search of income into the forest is problematic. Using violence to chase them out of the forest cannot be the solution. So what solutions are there to create incentives to protect the forest? What would help a big deal is creating clear and transparent supply chains.

## Breakout Session: Measurement and sustainability tools of the future (especially to ensure compliance with legislation like EUDR)

Facilitators: Romain Deveze (WWF) & Joshua Wickerham (ISEAL)

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### Key discussion points:

1. Snapshot of measurement approaches:
  - **Landscape/jurisdictional approaches and claims:** assessments of entire regions and collaboration with stakeholders (measurement and reporting)
  - **Risk-based assurance and assessment mechanisms:** provision of risk data for company annual risk assessment; more real-time risk assessments, risk-based approaches, real-time, new tools: satellite imagery, worker voice, grievance mechanisms
  - **Geolocation and traceability:** polygon and point data to plot level and incorporation of required data and consideration of non-segregated supply of products
  - **Control of non-certified materials:** mechanisms to assess the legality of the non-certified portion, risk warning
  - **Data management systems:** relevant data made accessible to target audiences (e.g. for corporate reporting); e.g., blockchain?
  - **Impacts measurement:** understanding potential remediation approaches
  - **Measurement, Reporting and Verification:** monitoring tool for deforestation
2. Challenges and bottlenecks
  - **Landscape based verification systems** instead of producer based verification
  - **Interoperability (easy possibilities of data-exchange)** of different measurement tools and methods needed
  - **Complexity vs. efficiency** (different tools (e.g questionnaires) for different needs)
  - Need for **easily/publicly available (open-source) data** on forests and other ecosystems/biomes, e.g. forest and deforestation maps (FAO has and/or might provide this data already)
  - **Financing:** Clarity on **costs** and who will bear them (farmers, traders, consumers?)
    - Cost of tools and data management

- Cost of data gathering
- **Ownership and access to data** (who has access to which data points? Is data private/public etc.? E.g. will farmers get access to their own data and/or data of other farmers?)
- **Empowerment and incentives for farmers (and intermediaries)** (How do we make sure, that the tools are used to empower and incentivise farmers and not to exploit them?)
- **Lack of transparency and sustainability at the level of agri-traders** (How can we incentivise agri-traders to more transparency and sustainability?)
- **Guarantee of data security and privacy** (what kind of data about farms and farmers will be shared?)
- **Integration** with other data (logistics, product flows etc.)
- **Data quality** (how to make sure, that data is correct, no double counting, overlaps of polygons etc.?)
- Who will take **responsibility for all of this, who will/can fulfil which role?**
  - Governments of producer countries
  - Governments of consumer countries
  - Farmer organisations
  - Traders
  - Intermediaries
  - National platforms of consumer countries
  - Etc.
- Lack of transparency and sustainability

#### **Ideas for action points for (members of) the four sector initiatives:**

- Facilitation of dialogue with different stakeholders
- Clarifying what is needed (e.g. finding out specific needs of different stakeholders through questionnaires etc.)
- Finding possibilities for financing development of tools and pilots

#### **Open questions:**

Is sustainability (incl. deforestation) data precompetitive or not?