Halo Verde Timor Community Forest Carbon Annual Report 2022

Annual Report Part

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HALO VERDE TIMOR COMMUNITY FOREST CARBON PROJECT

Annual Report Year 2022

Submitted by: Fundacção Carbon Offset Timor (F-COTI)
Date of submission: 31 March 2023

Summary

Project overview	
Reporting period	1st November 2021 – 31st January 2023
Geographical areas	Laclubar and Soibada, Natarbora of the Municipality of Manatuto and Lacluta of the Municipality of Viqueque, Timor-Leste.
Technical specifications in use	a) Reforestation by planting trees in agroforestry systems, woodlots, and live tree fencing. b) Improved land management through soil management.

Project indicators	**Historical (2011-2020)**	**Added/ Issued this period (2021-2023)**	**Total**
No. of Participants with PES agreements	115	111	226
No. community groups with PES agreements (where applicable)	5	0	5
Approximate number of households in these community groups	115	111	226
Area under management (ha) where PES agreements are in place	74.3	77.40	151.70
Total PES payments made to participants (USD)	0	32,057.75	32,057.75
Allocation to Plan Vivo buffer (tCO_2)	3,179	3,147	6,326
Saleable emissions reductions achieved (tCO_2)	18,015	17,823	35,838
Total sum held in trust for future PES payments (USD)	13,707.37	142,913.11	156,620.48
Unsold Stock at time of Submission (PVC)	0	0	0
Total Unsold Stock (PVC)	0	0	0
Plan Vivo Certificates (PVCs) issued to date			**18,015**
Plan Vivo Certificates requested for issuance (2021-2023 Vintage)			**17,823**
Total PVCs issued (including this report)			**35,838**

Part A: Project updates

A1 Key events

1. Project Expansion

F-COTI expanded to several new sites in 2022. The new sites were planted with the funding from GIZ Ai-Ba Futuru (Trees for the Future) project. Over 2000 sites were shortlisted based on criteria agreed between GIZ and F-COTI.

After the shortlisted sites/farmers were agreed. FCOTI started off with the socialization to the new farmers to understand the carbon credit carbon. The new sites include the sites within the existing project's AoI in the northern region and there are sites that, though eligible, are located well outside the AoI. For these new sites, land classification analysis though satellite was undertaken by international consultant Jorge Ramos from Charles Sturt University. The consultant then helped the project with developing technical specifications for the new species.

The tree planting expansion was possible through funding from GIZ through a sub-project with the title: SUPPORT TO ELIGIBLE TREE FARMERS IN MANATUTO AND ADJACENT AREAS IN THEIR ACCESS TO CARBON FINANCE" (Contract no: 83409546). It is a sub-component under the Ai ba Futuru project which is funded jointly by European Union and German government through GIZ. The project is executed by Fundação Carbon Offset Timor (F-COTI) with the duration of six months i.e., from July 2022 to December 2022. The service contract between GIZ and FCOTI was signed in the second week of July 2022. The project end date is 30th December 2022.

The main objective of this sub-project is for FCOTI to carry out assessment of the eligible farmers who have been planting trees under Ai Ba Futuru project and for FCOTI to include these farmers in its current carbon sequestration scheme internationally certified by The Plan Vivo Foundation.

Since most of the trees have been planted with the funding from GIZ, PV raised concerns initially about the issue of additionality. The heavy mortality of trees planted in the new areas experienced during the last two years following planting is attributed mainly to the lack of financial incentives for farmers to look after these trees. Based on the experience of FCOTI, survival rates greatly increase when socialization of activities and time and resources are allocated, which becomes possible if payments for carbon (future or present) are part of the tree cycle. This rationale is applied to trees that have survived, with provisions for re-stocking as needed and formalised in a PES agreement with selected farmers.

2. Project Third-Party Validation and Report

The third-party validation mission has been completed successfully between 1st of December to16th December 2022. The actual field mission by the external third-party validation consultant took place between 4th December to 14th December 2022. The international consultant is a new Zealander/Australian by the name of Julian Crawshaw. He is based in PNG and Indonesia. He founded a company

called PT. Hijau Daun based in Bogor, Indonesia. When he came to Timor-Leste he met the farmers, visited the sites, spoke to local authorities and national government including a meeting with GIZ representative in Dili Timor-Leste.

During the process, FCOTI carried out the land classification and analysis of sites that are outside the current coordinates of Area of Intervention (AOI). The land classification for the Southern region was obtained from Sentinel-2 L2A satellite imagery at 10 m resolution, captured in 2021, produced by Impact Observatory, Microsoft, and Esri and licensed under Creative Commons BY-4.0. The process consisted of acquisition of the images' package, conversion of the raster to vector formats followed by extraction of suitable project land corresponding to degraded, agricultural and settlement lands. This was the base of the baseline sampling applied to the additional area of interest located in Southern Manatuto and Viqueque which also served to confirm the classification via ground-truthing. Other outputs of the classification in the analysis corresponded to the forest, flooded vegetation (rice crops), and water.

The draft thirdparty validation report was sent to FCOTI for comments after which the report was finalized by the consultant. The final third-party validation report is in the possession of both F-COTI and PV.

3. Scholarship Payments to Students

FCOTI and its main partner GTNT continue to provide scholarship funding to poor yet deserved students in Dom Basilio Nascimento Catholic High School in Laclubar. The scholarship funding was delivered to school on 26th May 2022 in Laclubar. GTNT-Darwin was represented by Mrs. Brooke Timms and Ms. Sherryn Killmister. A total amount of $3,360 US covering 12 months of tuition fees in 2022. The total amount covers scholarships for 40 high school students from Lalcubar, 50% of whom are female. It should be noted that the scholarship funding is not part of the carbon sale funding. GTNT did a separate fund-raising activity in Australia to continue supporting this activity.

4. Refresher Training

In 2022, the project conducted workshops with farmers and project staff to re-enforce the project's benefit sharing arrangements, monitoring targets and payment schedule arrangements specially to the newly enrolled farmers. This was also an opportunity to receive feedback and directions from farmers on current and new technical specifications such as new species for planting.

5. Agroforestry Training

F-COTI has also strengthened community understanding of Payment for Ecosystem Service (PES) Agreement based on the Plan Vivo Approach. Aside from that F-COTI, as noted in the previous section, developed a manual on Dynamic Agroforestry and Alley Cropping for training to the farmers and students in identified schools. The manual is in English with the translation to local language Tetun. Both versions of the manual are available upon request.

6. European Space Agency In Situ Measurement

The monitoring of PES for trees planted between 2011-2019 were conducted in October 2022. To avoid duplication and overlapping of trees DBH monitoring FCOTI considers the satellite assessment by European Space Agency (ESA) on Monitoring and verification of carbon credits from forestry CO2 sequestration. The project is lucky to have coincided this monitoring with a mission from ESA in October 2022. The purpose of the visit is to make in-situ measurements in HV project sites in connection with a project sponsored by the European Space Agency on Monitoring and verification of carbon credits from forestry CO2 sequestration. The company executing the ESA contract in the field is a Danish company called Klimate.co: www.klimate.co. Represented in the field by Simon Bager and Marta Piscareta from Denmark.

The purpose of the field visit to Timor-Leste was to collect data from the Halo Verde project forests to establish ground-truth measurements for aboveground biomass estimations. The team have measured trees in Laclubar and Soibada managed by FCOTI to calibrate and verify with the satellite analysis and AI-enhanced data analysis developed by Atla.ai. The measurement includes identifying the tree species, forest density, and the circumference of the trees.

The project "Monitoring and verification of carbon credits from forestry CO2 sequestration projects" is a feasibility study to explore and define how to incorporate satellite images (Copernicus Sentinel-1 and 2 multi-spectral and InSAR radar data) with a mathematical algorithm and machine learning in a system to detect biomass growth in forestry projects, including afforestation, reforestation, and agroforestry, which deliver carbon credits. The project will develop a pilot system for using satellite imagery from the EU Copernicus programme to monitor forests, which deliver carbon credits. The output of the system will be used to document, assess and verify whether forests under monitoring a) grow as described in the carbon credit project model specification, i.e. deliver the amount of carbon removal units promised, or b) do not deliver as described, e.g. due to anthropogenic or natural events, such as fire, pests, logging, or faulty model specifications. The study also includes a commercial outlook of what it would entail for Klimate and its business model to add such a system to its offering. In-situ measurements in terms of biomass ground truthing are required to calibrate and verify the satellite analysis.

The full report is available upon request.

A2 Successes and challenges

1. Successes

F-COTI Successfully implemented a partnership with GIZ on Agroforestry training. The training was delivered to students in two agricultural technical schools.

The shortlisting of GIZ farmers activities for inclusion in the current Halo Verde Project was a successful undertaken.
FCOTI also gained trust from government by implementing training to farmers which will take place in 2023.

2. Challenges

F-COTI has been working mainly with local staff. And of the local staff only one staff is good in English writing. Mobilization of external international consultant is difficult and expensive. And yet all reporting and monitoring and communication with the increased number of international partners of F-COTI requires a good command of both verbal and written English. F-COTI needs to continuously mobilize additional funding to cover the cost of deploying international consultants. F-COTI's share of 40% of carbon credit sale is not sufficient to address this challenge to maintain F-COTI's commitment at least in the first 10 years of the project 30-year period.

Changing Environment

In addition, the fast-changing environment in terms of rules and regulation at global and national level on carbon credit program affects the operation of F-COTI. Although the historical credit of the project is sold fast but the sale proceeds for F-COTI is not sufficient to cover the operational expenses for the next 10 years.

- What action has been taken to address challenges faced.
  1. Seeking external funding to meet the cost of external international expertise. F-COTI is active in mobilizing additional external resources to maintain its operation and continued commitment to farmers.
  2. Provide opinion to the recent Plan Vivo Standard Update. In addition, FCOTI is trying to adopt itself to the changing environment by seeking to receive and to deliver more training to its staff and project participants.

A3 Project developments

Project Expansion has not significantly affected project governance. However, it has affected the operation of the project in that the project needs to employ more field staff to engage and monitor the project activities, The contractual relationship with the newly enrolled farmers will be affected based on the revised PES Agreements. The monitoring of new farmers will be based on the new monitoring table in the new version of PES agreement.

The modifications proposed for the HV PDD version 2020. The changes reflect an expansion of the AOI in the South East ("Southern region") of the project. In a nutshell the project now comprises two regions: Northern (the old one, PDD 2020) and the new one added in 2022 (Southern). There is only an addition of a new species (Toona sureni). All other community arrangements, benefit-sharing commitments, monitoring procedures, structure of the project, etc. remain unchanged.

Table 1: Document updates

PDD (including technical specifications) document version:

PDD section	Date change	Short description of update
Executive Summary	*November 2022*	Brief description of modifications to the PDD and summary of the project, reflecting current status (number of sites, participants, area, and climate benefits)
Part B: Location and characteristics of the additional region and sites.	*November 2022*	B1 Project location, Figures B1 and B2 (maps of the expanded area of interest and planting sites) B2 Description of the project area
Part C: Details of administrative areas and population southern area.	*November 2022*	C1 Participating communities/groups
Part F: Carbon benefits per intervention for Toona.	*November 2022*	Table F1: Carbon benefits per intervention (per ha) for new sp.: Toona s. Agroforest and woodlots.
Part G. Tech. Specifications: Inclusion of Toona, all other species are these already included in the PDD (2020 version	*November 2022*	• Section G1.3 Reforestation • Tables G2 and G3: Planting Requirements • Section G2.3 Land-use history and site selection Land classification for the new area (Southern Area): Describes source of the data and actual map showing the classification. • Figure G1.2: Land classification Southern Area is the corresponding map • Section G4 Baseline scenario: Addition of a new table and map: • Table G6.2: Summary of values used in the calculation and results from pilot inventory (Southern Area). Figure G3 is the map showing the spread of sampling plots. • Table G7 summarises the baseline for both northern and southern areas. • Table G10: Growth inputs in the model • Table G11: Thinning regimes • Table G12: Equations used in the

PDD (including technical specifications) document version:		
PDD section	**Date change**	**Short description of update**
		model • Tables G17.2 to G19.2 show the climate benefits for the two regions • Updated in Table G20 Future areas • Table G21: Estimated net climate benefits from future plantings
Part J Benefit Sharing	*November 2022*	Brief comment about schedule and location of consultations. Evidence provided in Annex J4.1
Annexes B1.1 F1.1 J4.1	*November 2022*	• B1.1 Spatial Information New Sites • F1.1 Climate Benefits (carbon estimations in 2 folders: Northern and Southern) and summary of carbon to claim, workbook PVCs Summary in excel file "Calculations 2022 v1". • J4.1 Community consultation (minutes, pictures and signed forms by participants)

- The updated PDD documentation and its relevant annexes have been submitted to the Plan Vivo Foundation for approval.

Table 2: Progress against corrective actions

Document	Corrective action	Activity against this
Validation report	*CAR 02/06 – increased community consultation*	*Increased frequency of community meetings. Please refer to Annex 3 of this report for farmers meeting that took place in 2022 in both northern and southern region for new areas. FCOTI staff made use principally of these meetings but also other formal and informal meetings (for example farmers payment day where all farmers gathered) to deliver training on carbon sequestration as a concept and carbon credit to mitigate climate change but also to augment household incomes.* *These trainings will continue long into the future in the form of refresher training both in formal and*

		informal meetings. *Although FCOTI has focused on explaining items by items in draft PES agreement before farmers signed the PES, FCOTI is also committed to continue the conversation with the farmers every time there is interaction with the farmers be it in formal meeting settings, in the road, in the market/church/schools and in the farms.* *New farmers got attracted to the project with their own consent and willingness after seeing other existing historical farmers get the payment out of trees they planted. They understand that the project is real and generate cash to them.*
Validation report	FA01 – Project to put together materials that explain the link between PES and tree growth in terms that farmers understand	Materials in PowerPoint presentation were developed and were presented to new farmers in meetings that are being referred to above and in annex 3 of this report. The PowerPoint presentation materials have now been added in annex 3 folder of this report.

A4 Future Developments

Worldview International Foundation (WIF) is interested to implement a blue carbon project in Timor-Leste and has expressed interest to partner with F-COTI to do it. F-COTI director was invited by WIF to attend a regional conference on blue carbon In Bangkok in October 2022. A consultant from WIF came to Timor-Leste to carry out an initial assessment. Worldview is planning to include 400 hectares of mangrove rehabilitation and up to 3,000 hectares of conservation. It also plans to do seagrass and seaweed project that can generate credits for sales.

A draft MoU between WIF, the government and office of the president facilitated by F-COTI has been prepared and sent for government review for signature.

F-COTI is becoming increasingly an important partner for the government both at national and municipal and local level. F-COTI is actively involved in national climate change working group by contributing policy ideas and

dialogue with the government at national and sub-national level. F-COTI is always consulted on national policy level for example F-COTI is asked to provide its opinion on the on-going climate change draft law of Timor-Leste.

The government of Timor-Leste through secretary of state for the environment provided local subsidy to F-COTI to undertake decarbonization project. Part of the funding was to assist in the restocking of failed sites and to deliver training to farmers on agroforestry and organic composting. The government funding represents the first government financial support to F-COTI which also demonstrates the trust between both parties and demonstrate F-COTI's capacity to be a trusted partner of the government.

Part B: Project activities

B1 Project activities generating Plan Vivo Certificates

Table 3: Project activity summary

Table 3.1. Historical

Name of technical specification	Area (Ha)	No smallholder households	No Community Groups
Ecosystem rehabilitation through Reforestation. Planting of trees as woodlots (single tree plantings), agroforestry systems and living fences.	*74.3*	*114 HH plus one school*	*5*
Improved land management. Soil management Increased ground cover, fire exclusion and awareness creation of benefits from soil management activities	74.3	*114 HH plus one school*	5

Table 3.2. Newly Proposed Participants/New Areas

Name of technical specification	Area (Ha)	No smallholder households	No Community Groups
Ecosystem rehabilitation through Reforestation. Planting of trees as woodlots (single tree plantings), agroforestry systems and living fences.	*77.4*	*111 HH*	*0*
Improved land management. Soil management Increased ground cover, fire exclusion and awareness creation of benefits from soil management activities	*77.4*	*111 HH*	0

- Technical specifications for a new species have been recently submitted to the PV Foundation for approval.

- For the new farmers and geographical areas added in this reporting

period, the applicability criteria for each technical specification (as outlined below in section H1) were applied.

B2 Project activities in addition to those generating Plan Vivo Certificates

Scholarship

FCOTI and its main partner GTNT continue to provide scholarship funding to poor yet deserved students in Dom Basilio Nascimento Catholic High School in Laclubar. The scholarship funding was delivered to school on 26th May 2022 in Laclubar. GTNT-Darwin was represented by Mrs. Brooke Timms and Ms. Sherryn Killmister. A total amount of $3,360 US covering 12 months of tuition fees in 2022. The total amount covers scholarship for 40 high school students from Lalcubar 50% of whom are female. It should be noted that the scholarship funding is not part of the carbon sale funding. GTNT did a separate fund-raising activity in Australia to continue supporting this activity.

A full list of all 40 students who received scholarship funding in 2022 is available upon request.

Rural Women Micro Credit

The issues regarding Rural Women Micro Business Credit program which was affected by the Pandemic had been reported in the previous annual report. Subject to available resources F-COTI plans to revive the program beginning in second quarter of 2023. Rural women beneficiaries who have been identified before the pandemic will be eligible to the program. F-COTI plans to provide the credit to 10 women, 5 women in Soibada and 5 women in Laclubar with $400 US for each beneficiary. Prior assessment of women beneficiaries will be undertaken before final beneficiary list is decided. The funding for this program is not part of carbon credit sale proceed. The funding is mobilized separately from IntoWork Group from Australia through GTNT- Darwin.

GIZ-Funded Activities

In March 2022, F-COTI applied for a public tender for the Establishment of Agroforestry Demonstration Plots at Agricultural Schools in Fuiloro and Lacluta" (RFP No. 83402151) is a sub-component under the Ai ba Futuru project which is funded jointly by European Union and German government through Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH Timor-Leste. F-COTI was awarded the contract by GIZ and implemented the project successfully.

The activities of the project involved establishment of two demonstration plots, one in each of Agricultural Vocational Technical Schools of Lacluta and Fuiluro (located in the south and east of the island respectively). It also includes delivering training in agroforestry in Dynamic Agroforestry and Alley Cropping modalities. There was also a training on organic fertilizers. The training includes participants from schools and nearby communities. A training manual on dynamic agroforestry and alley cropping was developed in English and was translated into Tetun for distribution to students in both schools.

Project monthly reports and further information on this component are

available upon request.

Part C: Plan Vivo Certificate issuance submission

C1 Contractual statement

- This issuance is based on signed PES agreements with participants complying with all the minimum requirements stated in these agreements. Additionally, PES agreements were reviewed and revised by Plan Vivo before they were translated into Tetun and signed by farmers.

Please complete either section C2(a) OR section C2(b) depending on project design.

C2(a) Issuance request for projects where issuance is made on the basis of new land being added to the project (e.g. woodlots, calculated *ex-ante*)

Table 4: Issuance request for Plan Vivo Certificates allocated to new participants and land
Table 4.1. NORTHERN REGION

Technical Specification	No of participants per technical specification^	Total area allocated (ha)	Carbon Potential (tCO2/ha)	Total ER's (tCO2)	% buffer	No. of PVCs allocated to buffer	Saleable ER's (tCO2)
Mahogany Agroforestry	38	22.32	274.6	6130	15	920	5210
Mahogany Woodlots	28	13.05	302.8	3953	15	593	3360
Casuarina Agroforestry	14	8.54	287.4	2454	15	368	2086
Casuarina Woodlots	36	8.28	312.9	2589	15	388	2201
Gmelina Agroforestry	13	3.04	253.5	770	15	116	654
Gmelina Woodlots	3	0.30	282.11	84	15	13	71
Black Teak (Tectona) Agroforestry	12	3.30	162.18	535	15	80	455
Black Teak (Tectona) Woodlots	1	0.20	162.18	33	15	5	28
Toona agroforestry	12	1.34	240.32	322	15	48	274
Toona Woodlots	5	0.66	263.50	174	15	26	148
Living Fence (Gliricidia sp)	2	0.52	202.73	106	15	16	90
Total	-	61.57	-	17,151	15	2573	14,578

Table 4.2. SOUTHERN REGION

Technical Specification	No of participants per technical specification^	Total area allocated (ha)	Carbon Potential (tCO2/ha)	Total ER's (tCO2)	% buffer	No. of PVCs allocated to buffer	Saleable ER's (tCO2)
Mahogany Agroforestry	12	5.65	288.47	1630	15	245	1385
Mahogany Woodlots	5	1.47	316.60	466	15	70	396
Casuarina Agroforestry	0	0.00	301.24	0	15	0	0
Casuarina Woodlots	0	0.00	326.76	0	15	0	0
Gmelina Agroforestry	2	0.42	267.46	111	15	17	94
Gmelina Woodlots	2	0.95	296.00	282	15	42	240
Black Teak (Tectona) Agroforestry	7	1.91	176.64	337	15	51	286
Black Teak (Tectona) Woodlots	8	4.74	176.64	837	15	126	711
Toona agroforestry	1	0.33	254.31	84	15	13	71
Toona Woodlots	0	0.00	277.45	0	15	0	0
Living Fence (Gliricidia sp)	2	0.36	202.31	72	15	11	61
Total	-	15.83	-	3819	15	574	3245

Total Saleable ER's (tCO2) from table 4.1. and 4.2.: 17,823

C3 Allocation of issuance request

Table 6: Allocation of issuance request

Buyer name/ Unsold Stock	No. PVCs transacted	Registry ID (if available) or Project ID if destined for Unsold Stock	Tech spec(s) associated with issuance
F-COTI (Havlo Verde Community Forest Carbon Project)	*17,823 tCO2*	*104000000026936*	*a) Reforestation by planting trees in agroforestry systems, woodlots, and live tree fencing.* *b) Improved land management through soil management.*

Buyer name/ Unsold Stock	No. PVCs transacted	Registry ID (if available) or Project ID if destined for Unsold Stock	Tech spec(s) associated with issuance
TOTAL	**17,823** *tCO2*		

C4 Data to support issuance request

Please refer to Annex 1 for Monitoring for Issuance Request for New Sites.

Part D: Sales of Plan Vivo Certificates

D1: Sales of Plan Vivo Certificates

Table 7: Sales of Plan Vivo Certificates

Vintage	Buyer	No of PVCs	Price per PVC ($)* (in USD equivalent and based on net amount received in project account after deduction of bank fees)	Total sale amount ($)*	Price to participants per PVC ($)*	% Sale price received by participants (five payments in 10 years) first payment has been delivered
2011-2019	Ian Marett /Managing Director Industry Training Australia P/L Trading as Integrated Information Service	150				60%
2011-2019	Benjamin Bardon, Managing Director of Strategy 3	40				60%
2011-2019	Azolla GmbH	126				60%
2011-2019	ZeroMission	151				60%
2011-2019	ZeroMission	135				60%
2011-2019	Clare Cunnington through Joanne Millar	3				60%
2011-2019	ZeroMission	25				60%

Vintage	Buyer	No of PVCs	Price per PVC ($)* (in USD equivalent and based on net amount received in project account after deduction of bank fees)	Total sale amount ($)*	Price to participants per PVC ($)*	% Sale price received by participants (five payments in 10 years) first payment has been delivered
2011-2019	TapTree GmbH	60				60%
2011-2019	ZeroMission	10				60%
2011-2019	Peter and Sally Taylor	30				60%
2011-2019	The Bardon Family - Ben Bardon	45				60%
2011-2019	TapTree GmbH	200				60%
2011-2019	Klimate ApS /Hauser Plads	1,000				60%
2011-2019	Klimate ApS /Hauser Plads	1,000				60%
2011-2019	ZeroMission	5,000				60%
2011-2019	Dalberg Development Advisors PVT. LTD	350				60%
2011-2019	Klimate ApS /Hauser Plads	1,000				60%
2011-2019	Klimate ApS /Hauser Plads	1,000				60%
2011-2019	Cloverly, Inc	1,500				60%
2011-2019	Klimate ApS	1,000				60%
2011-2019	The Pelorus Foundation,	250				60%
2011-2019	Klimate ApS /Hauser Plads	1,000				60%
2011-2019	TapTree GmbH	500				60%
2011-2019	Klimate ApS /Hauser Plads	1,000				60%
2011-2019	Klimate ApS /Hauser Plads	1,000				60%
	TOTAL	18,015				60%

*Pricing reported for internal monitoring purposes only. Pricing information will be removed from the final published document

Part E: Monitoring results

E1: Ecosystem services monitoring

Table 8: Numbers of participants or percentage where monitoring targets were not achieved and main corrective actions agreed with participants during this reporting period

No.	Farmers Names	Area Code	Amount of payment	Monitoring Result	Percentage of Payments	Corrective Actions
1	Aderito Dos Reis Alves	MN02 2		TPH Threshold Achieved	50	Restocking of trees
2	Aderito Elvis Doutel Sarmento	SO30		Under Threshold	0	Restocking of trees
3	Agostinho (Daran Asu)	BT62		TPH Threshold Achieved	50	Restocking of trees
4	Agustinho (Tia Zinha)	BT18 2		TPH Threshold Achieved	50	Restocking of trees
5	Andre Fonseca Soares	SO09		Under Threshold	50	Restocking of trees
6	Angelito Pinto	BT60		TPH Threshold Achieved	50	Restocking of trees
7	Augusto Martins	OR55		Under Threshold	50	Restocking of trees
8	Cancio Domingos Soares	MN19		TPH Threshold Achieved	50	Restocking of trees
9	Daniel Da Costa	SO36		Under Threshold	0	Restocking of trees
10	Escola Secundaria Catolica Dom. Basilio Nascimento	OR13		TPH Threshold Achieved	50	Restocking of trees
11	Isaias da Cruz Neto	SO15		TPH Threshold Achieved	50	Restocking of trees
12	Joao Bosco Doutel Sarmento	SO12		TPH Threshold Achieved	50	Restocking of trees
13	Joao Hornai Sarmento	SO11		TPH Threshold Achieved	50	Restocking of trees
14	Joao Maduan	OR63		Under Threshold	0	Restocking of trees
15	Joao Soares	BT52		Under Threshold	0	Restocking of trees
16	Joao Soares	OR56		Under Threshold	50	Restocking of trees
17	Jose Felix Andrade	SO28		Under Threshold	0	Restocking of trees
18	Leoneto Soares Sorial	BT50		Under Threshold	50	Restocking of trees
19	Libeiro Aldo Tomas do Rosario	OR59		Under Threshold	50	Restocking of trees
20	Luis Gonzaga Sarmento Fonseca	SO35		Under Threshold	50	Restocking of trees

No.	Farmers Names	Area Code	Amount of payment	Monitoring Result	Percentage of Payments	Corrective Actions
21	Luis Neto da Cruz	SO14 1		Under Threshold	0	Restocking of trees
22	Luis Neto da Cruz	SO14 3		Under Threshold	0	Restocking of trees
23	Mario da Silva Sarmento	SO24		Under Threshold	0	Restocking of trees
24	Marta de Almeida	OR57 2		Under Threshold	50	Restocking of trees
25	Marta de Almeida	OR57 1		TPH Threshold Achieved	50	Restocking of trees
26	Orlando Doutel Sarmento Pinto	SO18		Under Threshold	0	Restocking of trees
27	Pedro Soares	BT48		TPH Threshold Achieved	50	Restocking of trees
28	Rogeria Neto da Cruz	SO16		Under Threshold	50	Restocking of trees
29	Rui Alves	SO27		TPH Threshold Achieved	50	Restocking of trees
30	Santana Soares	SO21		TPH Threshold Achieved	50	Restocking of trees
31	Sebastiana Daci-Nahak	FN31		TPH Threshold Achieved	50	Restocking of trees
32	Sergio da Silva	FN34		TPH Threshold Achieved	50	Restocking of trees
33	Simao Martins	OR54		Under Threshold	50	Restocking of trees
	Total Amount					

E2: Maintaining commitments

- N/A

E3: Socioeconomic monitoring

Table 9: Socio-Economic Indicators

No	Socio-economic indicators	Result
1.	Changes in income of HV participants as a result of carbon payments	*No assessment has been carried out from the latest payment*
2.	Participation in the rural micro credit program	F-COTI will mobilize funding to revive this program after being affected by Covid-19 pandemic. Subject to resources the program may start again in second quarter of 2023

No	Socio-economic indicators	Result
3.	Payments for compliance with PES agreement	*The first payment of $ 32,057.75 US have been paid to farmers on 26th May 2022*
4.	Increased participation of women in the HV project	From the total number of farmers who planted trees between 2011 and 2019, women represent 8% (9 households headed by women out of 114 households) plus one school. In terms of 111 new farmers, women represent 10%. There are 11 female headed households that participate.
5.	Participation of HV Participants in Conservation Agriculture	63 farmers are actively involved in agroforestry activities.
6.	Participation of HV Participants in Farmer Managed Natural Regeneration (FMNR)	4 households have been trained in and exposed to FMNR
7.	a) Number of scholarships. b) Number of women receiving training in micro-business development and participation .	a) Please see the list of Scholarship and report on scholarship in Part F.1 above. b) . No new training has been provided

E4: Environmental and biodiversity monitoring

Table 10: Environmental Indicators Monitoring Results

No	Indicator	Result
1.	Area (ha) impacted by invasive species or pests within or in the perimeter of planting sites	None observed
2.	Area (ha) or number of trees planted by the project growing spontaneously (wildings) outside planting sites	None observed

No	Indicator	Result
3.	Area (ha) included in FMNR (deforestation reduction and native forest enhancement)	5 ha
4.	Number of water courses included in project sites	None have been directly observed in project sites, however, there are 8 sites in Soibada located between 35 and 100 meters of a water body. The project will continue working with farmers to ensure that water bodies are not impacted by project activities.

Table 11: Degradation, institutional and governance Results

No	*Aspect* and Indicator	Result
1.	*Drivers of degradation:* a) Number of households (HV farmers) implementing reduction of burning practices b) Attendance of project and non-project farmers to FMNR, sustainable agriculture and soil management field day activities c) Area under FMNR	a) Our field observations suggest that the number of wildfires has continued to decline significantly and overall, the community is reducing slash-and-burn farming practices. In fact throughout 2022 no bush fire is observed in project area. This could be in part due to high precipitation in the central corridor of the island in 2022. The agreement with project participants who have signed PES, is elimination of slash and burn in PV sites, in consequence there are 115 households reducing burning practices in 2022. b) No Activity in FMNR training took place in 2022 c) See info above
2.	*Institutional:* Relevant changes to strategies, regulations and legislation at national or regional level that might impact the project	The regulatory status quo has not changed, therefore no impact to the project is reported. The project has had the opportunity to participate in a stakeholder workshop organized by the Government to discuss directions and introduce updates to Timor's Climate Change Policy and INDC report to UNFCCC.
3.	*Governance:* a) Project Steering Committee (PSC) b) HV farmers groups meetings and attendance of	a) No PSC was held in 2022 b) No formal farmer groups meetings in 2022. However informal interactions among farmers continue to be fostered by F-COTI through formal farmers meetings that coincide with for example farmers payment and refresher training.

No	*Aspect* and Indicator	Result
	project participants	

Part F: Impacts

F1: Evidence of outcomes

In 2021 a household survey was carried out for the project participants. The survey was designed and conducted by Charles Sturt University. The result of this HH survey was already reported to PV in 2021 Annual Report. The next survey will be conducted based on available resources F-COTI may be able to mobilize.

Part G: Payments for Ecosystem Services

G1: Summary of PES by year

Table 12: Summary of payments made and held in trust

1. Reporting year ()	2. Total previous payments (previous reporting periods)	3. Total ongoing payments (in this reporting period)	4. Total payments made (2+3)	5. Total payments held in trust	6. Total payments withheld
June 2011 – May 2020	0	0	0	0	0
June 2020 – November 2021	0	0	0	$ 13,707.37	0
November 2021 – January 2023	0	$ 32,057.75 US	$ 32,057.75 US	$ 142,913.11	$ 3,253.75 US
TOTAL	0	$ 32,057.75 US	$ 32,057.75 US	$ 156,620.48 US	$ 3,253.75 US

- The total funds being held by the project coordinator at reporting period end is **$ 156,620.48 US** and the total amount of withheld payments at reporting period end is **$ 3,252.75 US**.
- All payments have been made in line with the terms of PES agreements signed.

Part H: Ongoing participation

H1: Recruitment

F-COTI expanded to several new sites in 2022. The new sites were planted with the funding from GIZ Ai-Ba Futuru (Trees for the Future) project. Over 2000 sites were shortlisted based on criteria agreed between GIZ and F-

COTI. The following are the agreed criteria for selection of farms and farmers:

1. Owner must be Timorese citizens.
2. Farm owner must provide expressed interest and willingness to participate in carbon credit scheme by signing a written declaration during socialization meeting
3. No land dispute of the farms/site where trees have been planted
4. Proof of ownership of land if any
5. Trees have not been planted closer than 15 meters to public roads, riverbanks, or any large existing infrastructure or possible large infrastructure planned to be built in in the near future
6. Trees have not been planted older than the year 2020.
7. No evidence found of trees being deliberately cut or deforested to plant new trees or deforestation to plant new trees.
8. The plot should be no lesser than 0.25 hectares in size.
9. Mortality rates of trees that have been planted should not be greater than 70% from the total trees planted initially.
10. Expressed Willingness to do fencing like live fencing around the plot
11. Expressed Willingness to weed and maintain trees and not to cut them at least 30 years starting from 2022.
12. Trees gave been planted in the right density otherwise farmers are willing to thin and prune and/or restock.
13. Only up to a maximum of 5 species will be selected per site for inclusion in carbon scheme preferably timber trees
14. Sites will have to be well within the same micro-climatic conditions of AOI (area of Intervention) of the Halo Verde Community Forest Carbon Project managed by FCOTI and certified internationally by UK Based the Plan Vivo Foundation
15. Trees Species should be species that are accessible and feasible to get seedlings/seeds to restock in the future.
16. Any other criteria as may be deemed applicable by FCOTI to ensure viability of Carbon Credit Scheme. Additional criteria, if any, will be communicated with GIZ.

After the shortlisted sites/farmers were agreed. FCOTI started off with the socialization to the new farmers to understand the carbon credit carbon. The new sites include the sites within the existing project's AoI in the northern

region and there are sites that, though eligible, are located well outside the AoI. For these new sites, land classification analysis though satellite was undertaken by international consultant Jorge Ramos from Charles Sturt University. The consultant then helped the project with developing technical specification for the new species.

H2: Project Potential

1. Pelican Paradise Hotel project- FCOTI has been approached by the manager of Pelican Paradise, a five-star hotel soon to be built in Dili to undertake carbon credit project in a site of more than 300 hectares. Currently the discussion is still very much in its early stages, but this represents a potential partnership between FCOTI and the Pelican Paradise Hotel to add carbon credit program to the existing FCOTI program. If this pushes through, it will be stand-alone project from the current HV project.
2. There is also a potential partnership World View International Foundation to implement Blue carbon project in Timor-Leste. A consultant from Norway came to do initial assessment in Timor-Leste. A draft MOU has been submitted to the Ministry of Forestry and Secretary of State for the Environment for their preliminary reviews. If this pushes through, it will be stand-alone project from the current HV project.
3. Expansion of the current project with more farms in southern region of the new additional areas. FCOTI will seek to mobilize sufficient resources to expand the planting in the southern region of Natarbora and Sikone between 2023 and 2026 by at least 100 hectares. FCOTI also seek to expand outside the Area of Intervention in other municipalities, subject to resources and FCOTI's capacity to expand.

H3: Community participation

There are five community meetings that took place in 2022. These meetings were intended to socialize PES agreements to new farmers but also to inform farmers about the concept of carbon credits and carbon sequestration. All meetings were conducted in local language Tetun but some minutes are available in English. The meetings also serve to remind farmers about their responsibilities and their rights. Farmers are also asked to express their voluntary willingness to participate in the project and implement its activities.

In addition to these five meetings there was a big farmer meeting that took place on 26th May 2022 during the farmers meetings.

Minutes of meetings and List of Participants for the meetings can be found in Annex 3 of this report.

Part I: Project operating costs

I1: Allocation of costs

Table 13: Allocation of costs

Expense	Narrative	Amount (USD$)	Contribution from sale of PVCs	Contribution from other sources

Expense	Narrative	Amount (USD$)	Contribution from sale of PVCs	Contribution from other sources
Farmers Payment	Carbon Credit Farmers Payment	32,057.75	32,057.75	0
Amount Withheld	Transfer to reserve for the next 4 Farmers Payment	157,000.00	157,000.00	0
Amount 40% kept by FCOTI		125,406.12	125,406.12	0
Agroforestry Training	Full implementation of Establishment of Agroforestry Demonstration Plots at Agricultural Schools in Fuiloro and Lacluta	75,640.00	0	75,640.00 GIZ Timor-Leste
Farmers Selection to carbon finance	Full implementation of Support to eligible tree farmers in Manatuto and adjacent areas in their access to carbon finance	98,500.00	0	98,500.00 GIZ Timor-Leste
Farmers training	Implementation of Government Subsidy for farmers training	45,000.00	0	45,000.00 Government of Timor-Leste

Note: A more detailed expenditure report is available in Annex 4

Annexes

Annex 1. Monitoring results for issuance request in New Sites
Annex 2. Ongoing monitoring results for all participants in Existing Sites
Annex 3. Community meeting records (summary)
Annex 4. Detailed Financial Report