

## ISDRS – IUNCBD Policy Brief on ‘Sustainability Standards & Supply Chain Initiatives: How Governments can increase their impact’.

### Addressing the UN Biodiversity Conference 2018

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### Input from ISDRS Topic group 5d

#### 1. Issue to be addressed

Biodiversity is often under threat as result of the production of agricultural commodities, which are traded globally. Increasingly, transnational, multi-stakeholder initiatives have been established to improve the farming practices associated with these internationally traded products like, coffee, tea, cocoa, palm oil, cotton, fresh fruits and more. These initiatives stimulate suppliers to improve their production practices and they provide a system of self-control or third-party control of the farmers and first processors. Evidence shows that a strong growth in the uptake of these initiatives has been achieved in the last decade (Potts et al. 2014). The driving mechanisms behind this are the market demand which comes mostly from buyers in high-income and emerging countries and the differentiation strategies of corporate brands

In recent years, many global companies are starting to tackle a growing range of environmental sustainability issues, most notably the Zero Deforestation Commitments which have been pledged. Diverse in-house programmes have also been established to deliver on these sustainability commitments. Because many of these programmes emphasize forest conservation, these instruments provide promising opportunities to tackle biodiversity loss and to support restoration. However, many of these initiatives are relatively new and the evidence regarding their actual impact is mixed (Nelson et al, 2017). A closer examination of the motivations, intents and assessment of these programmes and their underlying mechanisms is needed to identify how their impact can be increased and to identify the additional measures needed to achieve the ultimate desired environmental goals. Below we summarize the main findings of current research on voluntary sustainability standards (VSS) and set out the implications for policy-makers.

#### 2. Key findings in recent scientific research

- Sustainability standards and certification uptake by growers has grown dramatically in the last 20 years, covering almost 50% of coffee and a smaller proportion of other commodities (ITC, 2015). However, trajectories vary by sector (Lernoud et al, 2017) and uptake in demand currently lags behind growth in supply, leading to shrinking premiums.
- The body of work on the impacts of standards indicate that the impacts are context-specific, and that while sustainability standards can produce islands of success, there are limits to their effectiveness as sole *drivers* of change, in engaging the mainstream body of companies in an industry, and in achieving ever more pressing sustainable development objectives.
- Mainstreaming has been a challenge: because of the voluntary character of sustainability standards, the challenge remains reaching many disperse smallholders due to the costs involved, and persuading suppliers to participate even if they sell to markets where demand for sustainability standards and certification is weak or non-existent. Further, while standards can be effective in creating ‘islands of success’ they have limited traction in tackling pressures on natural resources and competition over land use in the wider landscape. The provision of public goods (e.g. ecosystem services conservation and enhancement, health, education and food security) cannot be achieved through certification alone (Nelson, Rueda and Vermeulen, 2017). To drive rapid and effective

change on issues such as forest and biodiversity conservation and on social issues, including indigenous peoples' and community land rights and rural development prerogatives requires additional measures (Nelson and Phillips, 2017).

- Supply chain initiatives have multiplied to provide these additional measures, beyond and in combination with sustainability standards and certification. Most are led by mainstream global companies, but there are also important examples involving alternative traders, such as direct trade initiatives in coffee and non-timber forest products (Nelson, Rueda and Vermeulen, 2017).
- The proliferation of initiatives, led by private sector actors, reflects the different conditions at origin (i.e., dispersed vs. concentrated providers; strong vs. weak enforcement of regulations), different supply chain structures (vertically integrated vs. long and complex chains), and different conditions in the market place (branded vs. non-branded companies, niche vs. mainstream goods, etc.) and corporate needs (product differentiation, risk avoidance, efficiency gains) (Rueda et al. 2017).
- In agriculture and forestry, many of the larger, corporate programmes are focused upon intensifying productivity, tackling environmental sustainability issues and tackling social and human rights risks. Third party certification or at least verification by a second party continues to play a role in many of these newer supply chain initiatives – setting standards of good agricultural practices for example. Sustainability standards are also evolving: Some are expanding on their roles in supporting dialogue and platforms for collaboration, facilitating producer engagement on the ground, as well as supporting innovations (e.g. on living wage methodologies, living income agenda setting and the use of technology for traceability etc).
- Yet, more reforms are needed within standards themselves and in the enabling environment. A clear and effective regulatory system is needed to protect the environment at different scales. Improvements to sustainability standards are needed (e.g. increasing their transparency, independence, holistic approach and high traceability, and continuous improvement requirements (Changing Markets Foundation, 2018). The mechanisms employed to *drive* change need to advance. They are already diversifying, as more attention is paid to the incentives and disincentives needed to change the behaviour of diverse actors over a wider geography in sustainable landscape initiatives. There is also growing recognition that governments need to play a much greater role in mainstreaming and enforcing sustainability in production.
- The global thirst for tropical commodities, for biofuels and meat especially, must be tackled head on. Questions also must be asked of the global companies in terms of the share of value in supply chains and the internalization of social and environmental costs into products, given the continuing low returns for smallholder producers compared to companies' profits.

### 3. Implications for policy makers

One of the current CBD programmes addresses 'Economics, Trade and Incentive Measures' and these include activities on incentives for trade of products promoting biodiversity conservation. However, a clear policy on how to support and strengthen the impacts and mainstreaming of voluntary sustainability initiatives in the market is still lacking. This calls for 'smart governance' of biodiversity related private certification. This will include:

- Promoting intensive collaboration between national governmental agencies and voluntary sustainability initiatives, both in producing and buyer countries to enhance the adoption of sustainability standards and to reduce costs. Monitoring and enforcement of conservation policies are investments governments can make to support a shift towards sustainable production and trade.
- Given the small willingness to pay for sustainable products, other mechanisms to enhance farmers incomes should be designed such as stable contracts and quality upgrading.
- Governments in consuming and producer countries can promote the uptake of sustainability standards via education and outreach,

- Supplier governments should set government standards of adequate stringency to shift whole industries and enable mainstreaming to occur. They also should engage in regional initiatives, with neighbouring governments, to develop joint roadmaps, tackling issues of leakage.
- Public procurement in producer and buyer countries should respond to sustainability criteria of adequate stringency and effectiveness.
- Governments have a fundamental role to play enacting and enforcing legislation that supports corporate efforts and providing public goods such as technical assistance and infrastructure development that enhance the scaling up of programmes. Governments should ensure that land use planning effectively identifies the most priority, critical areas, such as biodiversity hotspots and ensures that private sector led programmes protect these hotspots and protected areas and contribute to restoration in mosaic landscapes.

These proposals should be added to the discussions on [Item 22. Mainstreaming of biodiversity within and across sectors](#) and [Recommendation SBI-2/3](#) and [Recommendation SBI-2/4](#)

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