

Setting and Complying with Voluntary Standards —

A Private Sector Approach to Reducing Biodiversity Impacts



Agriculture is a key driver of habitat conversion and biodiversity loss. Surging global prices for food and energy are driving the expansion of agricultural commodities across many emerging markets, increasing the demand for even more land. A number of countries with unique biodiversity are also global leaders in agricultural production. Brazil has doubled its area under soy cultivation in less than 10 years, making it the current global leader in soy production. Indonesia and Malaysia expect to double their acreage of oil palms in the next five years; the area under cocoa cultivation advances by 7 percent annually in Ghana and Côte d'Ivoire alone; and sugarcane production is escalating throughout the tropics. However, the environmental and social issues that accompany this growth rate pose significant threats to continued economic development.

These issues illustrate the necessity for the sustainable use of natural resources in agricultural commodity production. However, there are several market barriers to accomplishing this:

- Small producers—and even large ones—are often unaware of their environmental and social performance, associated risks, and the costs and benefits of better management practices (BMPs).
- Commodity value chains do not account for the true environmental and social costs of current practices or the positive values attributed to more sustainable and safer food or biofuel production, and thus do not invest in the maintenance of the natural asset base.
- Financial markets do not fully recognize the value of risk reduction, thus do not positively discriminate for lending that encourages better agricultural practices.
- Inadequate regulations or enforcement capacity reinforce pricing and market distortions and encourage inappropriate and inefficient practices.

The convergence of concerns over climate change and biodiversity loss, coupled with improving labor practices and food safety interests, has created new and powerful coalitions for transformational change. Increasingly, market-based multistakeholder processes are redefining the nature of agricultural commodity production, processing, and trading through the establishment of new global standards. These voluntary, industry-led standards address environmental and social problems by providing a framework of codified metrics and indicators for practices and technology in entire supply chains. Company operations can then be audited and verified against these standards.

The International Finance Corporation (IFC) helps in the development of these standards through its participation in initiatives known as commodity roundtables. IFC has been one of the pioneering supporters of the concept, and then a member of these roundtables since 2001, joining WWF and a handful of other banks and companies. It has provided institutional and technical support to the Round Table on Responsible Soy, the Roundtable on Sustainable Palm Oil (RSPO), the Better Sugarcane Initiative, and the Better Cotton Initiative. With the support of GEF and several other donors, IFC fosters the transformation of commodity markets by reducing market barriers that discourage the adoption of better management practices throughout the supply chain. Private companies that meet these roundtable standards through their use of BMPs can expect to accrue a number of benefits: (a) more secure supply chains; (b) better access to markets; (c) increased efficiency, yields, and quality; (d) reduction of risks and costs; (e) positive reputation; and (f) increased access to finance.

Agriculture

IFC's Biodiversity and Agricultural Commodities Program (BACP) aims to preserve global species and ecosystem diversity within



Promoting Sustainable Agriculture on Private Lands in Brazil

IFC's advisory service is also supporting projects in Brazil. The Aliança da Terra has set up the Registry of Social-Environmental Responsibility (RSR), a system of database management for social and environmental information on rural properties, with voluntary member participation (currently 160 active members). The RSR database incorporates satellite imagery, fire hotspots, water quality, and fisheries, as well as information on fisheries, animal distribution and relocation, animal behavior, and reforestation. It couples this with information from the landholders to create a social-environmental diagnostic for each property to develop a "social-environmental compliance plan" that landowners then commit to implementing. The first compliance audit in 2008 showed 69 percent compliance on a total of 1.5 million hectares.

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agricultural production landscapes in the tropics by leveraging market forces. BACP works in partnership with commodity roundtables, NGOs, and those actors in the public and private sectors in the commodity markets of palm oil, soy, cocoa, and sugarcane that are committed to adopting more sustainable practices. BACP provides grants to projects that address at least one of the following four components:

1. **Policy.** Modify regulatory environments to encourage the adoption of biodiversity-friendly practices.
2. **Better management practices.** Improve production practices of targeted commodities to increase preservation of global biodiversity.
3. **Markets.** Increase demand for products with positive biodiversity impacts by supporting market-visible certification systems.

4. **Financing.** Promote the development of financial products and services that reward the adoption of biodiversity-friendly practices.

Funding priorities are specified in the market transformation strategy documents produced for each target commodity, which are available at www.bacp.net.

While better management practices can reduce overall production costs in the long run, compliance with standards introduces new transaction costs into the production system. The BACP Grants Facility helps reduce these new costs by funding projects that test and refine standards and BMPs, monitor their business case, and improve information sharing.

Oil palm RSPO is the most developed of the commodity roundtables. As of November 2009, RSPO had certified 1,495,902 tons of

palm oil and 326,418 tons of palm kernel oil, representing roughly 3.8 percent and 6.4 percent of global production, respectively. RSPO's 382 ordinary and 100 affiliate members together represent close to 50 percent of globally traded production.

BACP is currently implementing four grants that promote biodiversity conservation within the palm oil sector. A grant to RSPO supports the work of the Biodiversity Technical Committee and its coordinator to better define RSPO's biodiversity-related principles and criteria (P&C) and guide members in their application. Among other roles, this committee helps disseminate high-conservation-value assessment methods.

A project with the Zoological Society of London (ZSL) is aimed at increasing the effectiveness and applicability of RSPO's P&C by creating BMP guidelines and biodiversity toolkits. ZSL will increase producers' ability to improve production practices, measure biodiversity in and around plantations, and identify high-conservation-value areas. Information and tools generated under the project will be disseminated through RSPO and at workshops in Sumatra and Kalimantan.

The PanEco Foundation is conducting a pilot study in Sumatra to cultivate RSPO-certified palm oil on ecologically degraded and/or fallow land. PanEco hopes to demonstrate the social, environmental, and economic benefits of redirecting oil palm expansion away from the last remaining high-biodiversity coastal peat swamp rain forests of Aceh to these degraded areas.

BACP's project with Fauna and Flora International (FFI) supports work with local stakeholders to assess, map, and manage high-conservation-value forests, as well as identify degraded areas fit for oil palm cultivation, in three critical districts in Indonesia. With assistance and training from FFI, local authorities will be able to incorporate these landscape assessments into district spatial

plans to make informed decisions in the zoning and concession process.

BioTrade

Natural products are gaining considerable ground in the food and cosmetics sectors, as consumers opt for natural ingredients and wholesome lifestyles. The management of these natural resources is one of the primary challenges for the sustainability of the sector. Ethical BioTrade was developed as a set of business practices that enable the ethical sourcing of biological products. These practices follow the principles and criteria developed by the Union for Ethical BioTrade, thus ensuring the sustainable use of natural ingredients obtained from native biodiversity (see *Box*, at right). The Ethical BioTrade standards are based on work by the United Nations Conference on Trade and Development through its BioTrade Initiative.

The Ethical BioTrade standards advance the conservation of biodiversity, while ensuring that all contributors along the supply chain—including small-scale producers—are paid fair prices and receive an equitable share in the benefits from the sale of the final

Verification Framework Principles



Conservation of biodiversity

Sustainable use of biodiversity

Fair and equitable sharing of benefits derived from the use of biodiversity

Socioeconomic sustainability (productive, financial, and market management)

Compliance with national and international legislation

Respect for the rights of actors involved in BioTrade activities

Clarity about land tenure, right of use, and access to natural resources

products. Ethical BioTrade also recognizes countries' sovereign rights over biodiversity and respects the rights of local and indigenous communities over their traditional knowledge.

Members of the Union for Ethical BioTrade establish company-wide management systems to gradually implement Ethical BioTrade standards for all products that use native species, thus fostering long-term relationships with their source countries, contributing to local development, ensuring that benefits reach all involved, and helping preserve local ecosystems. The commitment of companies is backed by a third-party verification system that assesses management systems and supply chain practices all the way to the source. The Union for Ethical BioTrade seeks to reduce the burden of external verification in different ways, such as cooperating with labeling schemes or verification systems like the Forest Stewardship Council and Rainforest Alliance. Finally, to further support the smaller players in the supply chain, community grants are available to cover costs related to the design and full implementation of Ethical BioTrade practices, supporting the deeper engagement of companies with local and indigenous communities.

Conclusion

From an IFC perspective, and that of many of its clients and partners, the development of these different voluntary standards regimes and the promotion and adoption of corresponding better practices along supply chains has become an imperative to conduct business in most markets. This ensures that biodiversity impacts can be addressed in a market-friendly fashion, and thus with a better chance of success. By doing this, these pioneering producers and industries are a step ahead of the general market, while ensuring that benefits accrue to those stakeholders who are most at risk.

For further information, please visit the following websites:

www.bacp.net
www.aliandadaterro.org.br
www.zsl.org/conservation/regions/asia/indonesia/
www.paneco.ch
www.fauna-flora.org
www.uebt.ch
www.rspo.org

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