



Step-by-step guide for effective and equitable zero-deforestation supply chain policies

In response to the clearing of tropical forests for agricultural expansion, many agri-food companies have promised to eliminate deforestation from their supply chains. Such zero-deforestation supply chain commitments may contribute significantly to ecosystem conservation. However, they **may also generate unintended, inequitable, outcomes** by excluding smallholders and other producers with low capacities to adapt to changing supply chain requirements.

Fortunately, companies can make decisions during supply chain policy design, implementation, and enforcement that allow for **synergies between effectiveness** (in ecosystem conservation) **and equity** (in allowing all types of producers to access sustainable supply chains). These decisions are summarized in the following diagram.

POLICY STAGE SYNERGISTIC STEPS 0. Identify the proportion and types of producers in supply base with Preparation low adaptive capacities Low adaptive capacity can result from a lack of education, knowledge, technological capacity, legal standing, financial assets or social capital 1. Ensure full coverage of producers, regions, and products in policy Policy adoption scope; but support alternative developments paths (i.e., via jurisdictional programs) to offset negative economic impacts of exclusion choices Decisions to exclude high forest cover areas or marginalized producers from scope open up leakage opportunities and threaten intact forest landscapes 2. Coordinate with other policy-making actors (private and public) to enhance the inclusivity and complementarity of policies Avoid contradictory rules and duplication of compliance verification Operationalization 3. Co-produce rules and implementation procedures with affected supply chain members and surrounding communities Involving targeted actors allows for better understanding of current barriers and motivations for conservation behavior and identification of leverage points 4. Actively disseminate rules via trainings that are adapted to the specific capacity gaps and concerns of various suppliers Ignorance of supply chain rules may lead to involuntary non-compliance 5. Actively remove barriers to compliance via differentiated and locally targeted capacity-building measures, and financial and in-kind support This requires understanding local barriers (e.g. lack of land tenure) and recognizing corporate opportunities to reframe rules or aid in overcoming barriers 6. Provide benefit-sharing schemes for compliance and consider payments to offset lost income, especially for farmers living in poverty Incentive payments for compliance should be used to alleviate, rather than exacerbate, pre-existing inequities (e.g. between large and small producers) 7. Use inclusive oversight and equal monitoring, but differentiated enforcement Monitoring and Avoid monitoring tools that by design exclude small or marginalized producers; but enforcement

differentiate between intended and unintended non-compliance during enforcement





Best-practice examples of synergistic steps toward effective and equitable supply chain policies

A review of the dominant approaches in zero-deforestation policy implementation in the palm oil, beef cattle, soy, and cocoa sectors reveals much room for improvement, but also numerous examples of best practices toward balancing effectiveness and equity when rolling out programs. These include:

Palm oil zero-deforestation commitments

By disseminating rules & removing barriers (steps 4 & 5), palm oil companies include and assist smallholders rather than exclude them.

Companies such as Wilmar and Musim Mas have dedicated substantial resources toward widespread rule dissemination and the removal of barriers to compliance (steps 4 and 5). For instance, Wilmar's training program on compliance with the public Indonesian Palm Oil Standard reached 8,670 independent smallholders out of 18,100 farmers that directly supply their mills (Wilmar, 2020). Lessons learned on scaling outreach efforts – such as train-the-trainer programs – are now also increasingly used to sensitize smallholder farmers on no-deforestation criteria and rules directly. Further, select farmers are aided in getting land titles and other types of legal alignment (step 5), albeit still on a pilot project level.

Soy Moratorium

By aligning their rules with existing legal processes (steps 2 and 5), soy companies ensured policy complementarity.

The Soy Moratorium is a collective agreement of soy processors to not source soy from areas in the Brazilian Amazon deforested after 2008. It tends to prioritize effectiveness over equity in design, operationalization, and monitoring, but it shows equity-mitigating effects in that monitoring and enforcement systems are aligned with existing legal processes already underway in Brazil (steps 2 and 5), including property boundary registration in Brazil's Environmental Property Cadaster (Cadastro Ambiental Rural - CAR) and near-real time deforestation monitoring (INPE, 2020). This lowered the cost of policy implementation and ensured consistency with monitoring of public policy.

Cattle Agreements

By coordinating with other policy-making actors (step 2), cattle companies create a clear set of rules for farmers and companies to follow.

Brazil, efforts to decrease cattle-driven deforestation resulted in the G4 Cattle Agreement and the Termos de Ajustamento de Conduta (TAC) Agreements, the latter signed between slaughterhouses and the public prosecutor. Until recently, the monitoring systems employed differed substantially between TAC and G4. However, in 2020 a unified monitoring protocol was achieved through a process involving companies, MPF & NGOs (step 2) (MPF, 2020). This protocol will allow the MPF to produce public audits whose results are comparable, rank companies based on compliance to the agreement and establish clear guidelines for noncompliant farmers to regain compliance.

Cocoa and Forests Initiative

By piloting community co-production (step 3) and payments for compliance (step 6), cocoa companies support smallholder transformations.

The Cocoa and Forests Initiative was launched in 2017 as a highly ambitious, sector-wide, public-private partnership that aimed to tackle the problem of commodity-driven deforestation in a holistic fashion. In a step-wise, multi-stakeholder approach, actors moved from statements of intent to joint action frameworks and implementation plans, which ensured a strong coordination between public and private actors (step 2). Although cocoa farmers were not strongly involved in policy development, some companies organized consultations in cocoa communities on the implementation of the framework (step 3). Furthermore, positive incentivesetting for conservation (step 6) was also integrated, as companies promoted payments for ecosystem services to protect and restore forested areas. However, such schemes are still at a small scale.





References and contact

For the full academic article, see:

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https://epl.ethz.ch/; https://zerodeforestationimpacts.com/

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