PRE-COMPETITIVELY ALIGN COMPANIES IN YOUR SECTOR OPERATING IN THE SAME GEOGRAPHY TO EFFECTIVELY PARTICIPATE IN A LANDSCAPE/ JURISDICTIONAL INITIATIVE

IN THE REAL WORLD

1. Deforestation-free tequila production

The Regulatory Council of Tequila (CRT) is a Mexican industry association that promotes tequila's quality, prestige and sustainability. CRT developed a Sustainability Strategy for the Agave-Tequila Supply Chain, which aimed to reduce the industry's carbon footprint, reliance on fossil fuels, and water use. To help implement this strategy, **CRT and the Jalisco State Government (at COP25 in Madrid) agreed on specific measures to reduce the negative environmental impacts of agave cultivation and tequila production.** Foremost, CRT would design and implement an agave-tequila Zero Deforestation Protocol and Certificate that integrates environmental criteria required by the state's secretary of Environment and Territorial Development (SEMADET) related to planning, zoning, and verification of new agave plantations as being deforestation-free. The Secretary is now drafting a reference map for monitoring compliance by agave producers with the deforestation-free protocol, which CRT will use to authorize future agave expansion only in unforested areas. Meanwhile, SEMADET will develop and adopt monitoring systems that report performance against deforestation in plantations.

2. Investing in clean Cameroonian cocoa

In two Cameroonian landscapes – Grand Mbam and Djourn-Mintom – and with facilitation from IDH and WWF, **a group of cocoa sector companies is working to identify investible projects that will contribute to achieving landscape-level targets** around sustainable production, forest protection and community livelihoods. The companies include global businesses that source from Cameroon (e.g. Olam, Cargill, Barry Callebaut, Puratos), chocolate makers and brands (e.g. Mars, Natra) and local cocoa buying companies (e.g. Neoindustry, Ndongo Essomba). Detailed plans and investment opportunities were being discussed and developed at the time of writing.

3. Clean fuel for Cambodia's textile industry

The public rarely traces deforestation to clothing. But H&M Group was concerned about unsustainable wood fuel used as a main source of thermal energy for garment factories. To address the issue, it launched a collaborative program in 2019 known as the Supply Chain And Landscape Approach in the Eastern Plains Landscape of Cambodia (SCALE). Following a multi-stakeholder workshop, other **textile brands** including Puma, Marks & Spencer and Li-fung joined the initiative and **collaborated on a call to action to accelerate the use of alternative and sustainable energy across the landscape.**

4. Joining forces to improve palm oil production

In two districts of Riau province, Indonesia, a group of palm oil producers and downstream buyers (Cargill, Danone, Golden Agri-Resources, Musim Mas, Neste, PepsiCo and Unilever) have combined their resources to collaborate under the Siak Pelalawan Landscape Programme (SPLP). **The companies signed an agreement that covers information sharing, funding allocation, monitoring, reporting, communication and multi-stakeholder engagement.** Within each district, SPLP is linking with multi-stakeholder processes (Green Siak in Siak and Forum for Sustainable Palm Oil in Pelalawan) to ensure alignment with local priorities. Program implementation began in 2020 and will run through 2024. Workstreams include: conservation and restoration of 5,000 hectares; village-level support on sustainable production-protection models; development and implementation of district-wide traceability to plantations; transitioning mills to NDPE compliance; and support for multi-stakeholder platform development in both districts.

Etienne Nkengué in his cocoa plantation, Mbangassina, Cameroon . Photo-Anne-Nzouankeu

DURATION

Medium-Long

(2 years to develop and agree on sustainability protocols; 5 years to fully implement these protocols across the sector)

COST

($)
Staff time/flights to participate in technical committee meetings

($)
Organization cost to set up and participate in in-person meetings (e.g. travel, venue booking)

($$)
Funding to convene the sector if it is not already convened

($$)
Pre-feasibility studies to identify technical solutions, potentially sub-contracted to external parties

($$)
Work to develop internal systems that follow agreed sustainability protocols

5. The danger of misalignment with government

In 2014, six of the largest palm oil producing companies in Indonesia (Asian Agri, Astra Agro Lestari, Cargill, Golden Agri-Resources, Musim Mas and Wilmar) signed the Indonesian Palm Oil Pledge (IPOP), committing themselves to zero-deforestation. The pledge was not new; each company had already published its own No Deforestation, No Peat, No Exploitation (NDPE) commitment prior to signing. But it raised concerns by Indonesia's government that IPOP might become a cartel, and a threat to smallholder development. Independent analysis suggested that the IPOP signatories organized in a way that the government perceived as a challenge to its sovereignty over producers, rule-making and economic organization. In 2016, in response to official pushback, IPOP dissolved itself. The controversy and lack of high-level buy-in highlight the limits of corporate action and the critical importance of engaging government at various levels to achieve sustainable commodity production at scale. The IPOP experience served as a primary impetus for the development of jurisdictional initiatives in Indonesia.

KEY POINTS FOR COMPANIES

Effective L/JIs require strong government participation, but the timing of government participation may vary. In some cases, it may be more practical for the private sector first to align interests and coordinate action within a landscape/jurisdiction, then later jointly approach the relevant government entities with a proposal for addressing environmental and social challenges across the region. In short, timing matters. When government is paralyzed or distracted by upcoming elections, or internal conflict between national and regional authorities interferes with regional collaboration, companies may make more early progress aligning priorities among themselves. What's more, governments may be more willing to approve, support and join coordinated efforts to address deforestation after they see strong, unified support from the private sector. In other instances, it may be more practical for companies to reverse that sequence. For example, where officials have convened a multi-stakeholder group to tackle landscape-level challenges, the private sector may collaborate to help shape and deliver on action plans that are already being negotiated.

Make a strategic choice between a single-sector or a cross-sector L/JI. The former may be easier to start; the latter easier to expand. Either can work if the conveners have a strategy for addressing the respective challenges and risks. When a single commodity is the dominant driver, but is shaped by other factors (e.g. logging, artisanal mining, subsistence farming), it makes sense to narrow focus on the commodity. Even then, engage actors from other sectors early and often, to strengthen their commitment as the L/JI develops.

If an association or discussion platform does not already exist within the landscape/jurisdiction, a company needs first to convene its sector. A (typically large) company might choose to take on the lead role as primary convener, or work in partnership with influential peers, or several could turn for help to outside facilitation.

- While finding ways to collaborate, always observe local anti-trust laws. Find creative ways for businesses to collaboratively set sustainability targets, co-develop policies and protocols, and agree on tools to meet shared targets – without affecting the ability of individual companies to compete on price or quality.

Align the sector on an ambitious sustainability vision and agree on rules of engagement that articulate shared expectations from the joint effort. Regardless of who initiates the convening, outside facilitation can foster this alignment.

If, as in the IPOP case mentioned previously, there are concerns that the government might take issue with ambitions to exceed legally mandated levels of sustainability, the sector should engage the government at an early stage to seek out common ground.

To translate the vision into targets and actions, companies must first address differences in supply chain arrangements among brands and aggregators. One may operate through directly controlled plantations, another may rely on contracting with growers, still others may buy from local processors without farmer contracts.

To accommodate these differences, align on the actors to target in the landscape/jurisdiction, and on how individual companies can change incentives for those actors.

Photos by Ricky Martin/CIFOR, Marlon del Aguila Guerrero/CIFOR

With the sector aligned, companies should work with the relevant government authority (and/or credible NGOs) to develop sectoral protocols for sustainable production and trade. Doing so will define how companies spread out costs and responsibilities to create a "level playing field." Though companies may face different costs to meet sustainability targets, early and open public-private collaboration will reduce the risk of certain companies trying to seek unfair advantages.

- In some geographies, multiple government entities might have overlapping authority over what a sector requires to implement its sustainability vision. If this is the case, companies must clarify what authorities each government entity holds, and ensure they are all on board with the agreed protocols. Where one government entity has lead authority, make sure it is positioned to champion the agreed protocol.

Where possible, devise a sector-managed system that provides the first level of oversight, which ensures that agreed protocols are followed internally.

If not, companies should find a way to ensure all peers in the sector are at least sharing relevant data, and thus verifying that production and trade follow the protocols.

EXTERNAL CONDITIONS

THAT IMPROVE LIKELIHOOD OF SUCCESS

- A champion company within the sector, with strong and long-term ambition, leads the way.
- The sector is willing to collaborate on sustainability and drive toward a common agenda. Pre-existing industry collaboration at the global level is a plus (e.g. UNFCCC Fashion Charter, Cocoa and Forests Initiative).
- There is strong potential to develop trust between the sector and the relevant government entity.
- Key government entities are prepared to work through potential antitrust concerns, and willing to partner with the sector as a whole.
- The sector's sustainability goals/strategy are compatible with those of the government.

THE BUSINESS CASE FOR THIS INTERVENTION

- Companies that try to implement their own ambitious sustainability protocols may be undercut by competitors who do not. By collaborating in the jurisdiction on a shared vision and framework, then engaging the government as a sector partner, all actors complete fairly, playing by the same rules on a level field.
- By approaching the government with a clear sectoral vision and strategy for achieving sustainability goals today, companies can preempt more costly and burdensome regulations imposed on their sector tomorrow.
- By collaborating closely with government agencies, companies can leverage government resources for implementing corporate sustainability efforts.
- By certifying production across an entire sector within a jurisdiction, companies build on economies of scale. This can obviate the need for separate mechanisms to monitor compliance at site level, helping suppliers reduce audit costs and audit fatigue.
- Designation of origin can be a valuable differentiator for consumers of certain commodities (e.g. tequila, coffee). By achieving sustainability goals across the entire sector within a jurisdiction, companies can associate their branded products from that jurisdiction as a way to distinguish them from less sustainable products originating elsewhere.

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