Transforming supply chains towards positive impact on biodiversity, forests and people

Supply chains are being condemned ... as a major factor in destroying nature and amplifying man-made climate change. Supply chains are praised ... for their potential to protect biodiversity, climate and forests, and thus food systems and agriculture. Which perception is correct?

FUTURE FORUM 2023

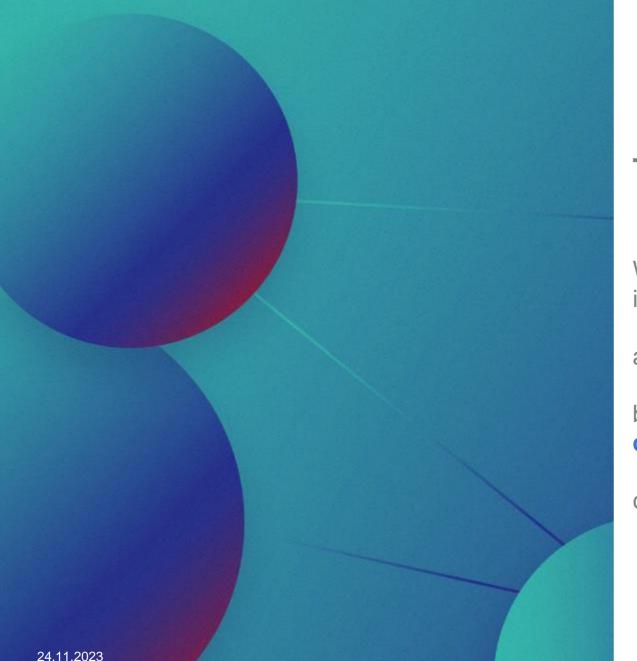
Summary

In this session, we will look at supply chains from two interrelated perspectives: their transformational potential and the practical imperatives to realize it. Do regulatory interventions, such as the new EU Deforestation Regulation, have transformative potential and what can we do to support the transformation of supply chains? What does it take for a supply chain to actually have transformative impact, and what does this mean in concrete terms, on the ground? What does this mean for our role in advising partner governments and working with the private sector? Most importantly, how do we "leave no one behind"?

We will bring together different implementation experiences to learn about success factors and shortcomings of existing supply chain approaches, especially in light of the new EU regulatory requirements. Together with you, we will envision what supply chains of tomorrow have to look like to fulfill the promise to "leave no one behind" and minimize trade-offs and leakages. We will place a special focus on those with whom supply chains always start: the "people", especially smallholders.



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This Session's Working Questions

What is the role of GIZ to support transformative impacts of supply chains:

a) in advising partner governments?

b) in promoting benefits for smallholders & rural **communities** to "leave no one behind"?

c) in working with the **private sector**?

Icebreaker: Quiz on Supply Chain Impacts (on forests, people, and biodiversity)

A. 90% of **deforestation** is driven by the expansion of agriculture. Which commodities are the main drivers of deforestation?

- 1. Sugar, maize, palm oil and soy
- 2. Cattle, soy, palm oil, cocoa, coffee and natural rubber
- 3. Palm oil, soy, rice, maize, cocoa and coffee
- B. What percentage of a living wage does a cocoa-growing family in Ivory Coast earn on average?
 - 1. 22 %
 - 2. 36 % (only about one-third: 172 €/month instead of 478 € for a family of 7)
 - 3. 51 %
- C. Which is the value chain with highest pressure on **biodiversity**?
- **1. Food & beverage** (50 %)
- 2. Energy (10 %)
- 3. Textiles, Fashion (10 %)

24.11.2023

Vote here: https://app.tedme.com?pin=supply

Agenda

FUTURE FORUM 2023

Time	Titel	Speaker
16:30	Welcome and Intro	Meike Andersson, Kirsten Hegener
16:35	Keynote 1: Challenging business-as-usual to foster equity and sustainability in supply chains	Dr. Damien Krichewsky, Research Fellow at Bonn University
16:45	Keynote 2: Transformative Powers of the EU Green Deal? Supply Chain Approaches for Biodiv, Forests & People	Louise Simon, Analyst at "Climate & Company"
17:00	Breakout Groups: 15' inputs; 25' discussion	
	a) The Honeybush value chain and its transformative potential for local communities and African-European business relations <i>(online)</i>	Inge Adelfang-Hodgson (BIA)
	b) The EU Deforestation Regulation (EUDR) - how to foster meaningful implementation <i>(online)</i>	Franziska Rau (INA)
	c) Living wages & income in due diligence regulation: How to avoid top-down implementation? (presence)	Nina Kuppetz (INA)
17:40	Reporting back and discussion	Kirsten Hegener
17:55	Wrap up	Meike Andersson
24.11.2023		6

Bios Keynote Speakers

Dr. Damien Krichewsky, Research Fellow at "Forum Internationale Wissenschaft", Bonn University

Dr. Damien Krichewsky is Research Fellow in sociology at the Forum Internationale Wissenschaft (University of Bonn). Building on his previous work on Corporate Social Responsibility, environmental aid, and Indian environmental politics, his current research focuses on socio-ecological transformation in biodiversity governance, with a focus on Access & Benefit-Sharing under the Nagoya Protocol of 2010.

Within an action research project conducted in close collaboration with Gesellschaft für Internationale Zusammenarbeit (GIZ), Dr. Damien Krichewsky is developing a transdisciplinary and experimental method to foster deep transformative change in biodiversity governance frameworks that, so far, have proved to be largely dysfunctional.

Bios Keynote Speakers

Louise Simon, Analyst at Climate & Company

Louise Simon has been working as an Analyst at Climate & Company - a leading independent Sustainable Finance Think Tank with offices in Berlin and Brussels - since 2021.

Based in Brussels, her work focuses on supply-chain regulations, more specifically on sustainable land-use and halting deforestation. She is particularly interested in the issue of policy coherence within EU legislation and has an in-depth understanding of emerging disclosure and due diligence requirements that will affect companies and financial institutions in the EU and beyond.

Climate & Company strives to make the sustainability transformation work for companies by empowering them to take the next steps, with concrete data, solid analyses and strategic policy advice.

Challenging business-as-usual in supply chains

Transformative change for equity, reciprocity & sustainability

Dr. Damien Krichewsky – <u>dkrichew@uni-bonn.de</u> GIZ²Future Forum ,Just transition' 2023



Exhaused governance frameworks for sustainable development

Five decades of environmental governance

Stockholm 1972: a new task for the community of states.

Rio 1992: a new governance architecture under the spell of ,sustainable development'. A expanding web of ESG norms.

The dual reality of (un)sustainable development:

The reality on paper – a reality of paper? The socio-material reality of unsustainable modernization.





10

Three approaches to the transformation agenda

Semantic transformation

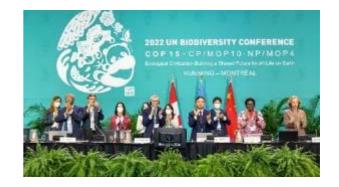
Anchors the transformation agenda... ... but legitimizes the *status quo*.

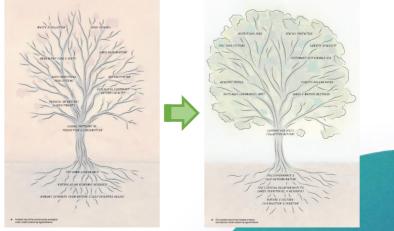
Just & sustainability ,transition'

Future visions and plans... ... accompany actual transformations... ... that bolster (unsustainable?) modernization

Deep transformation

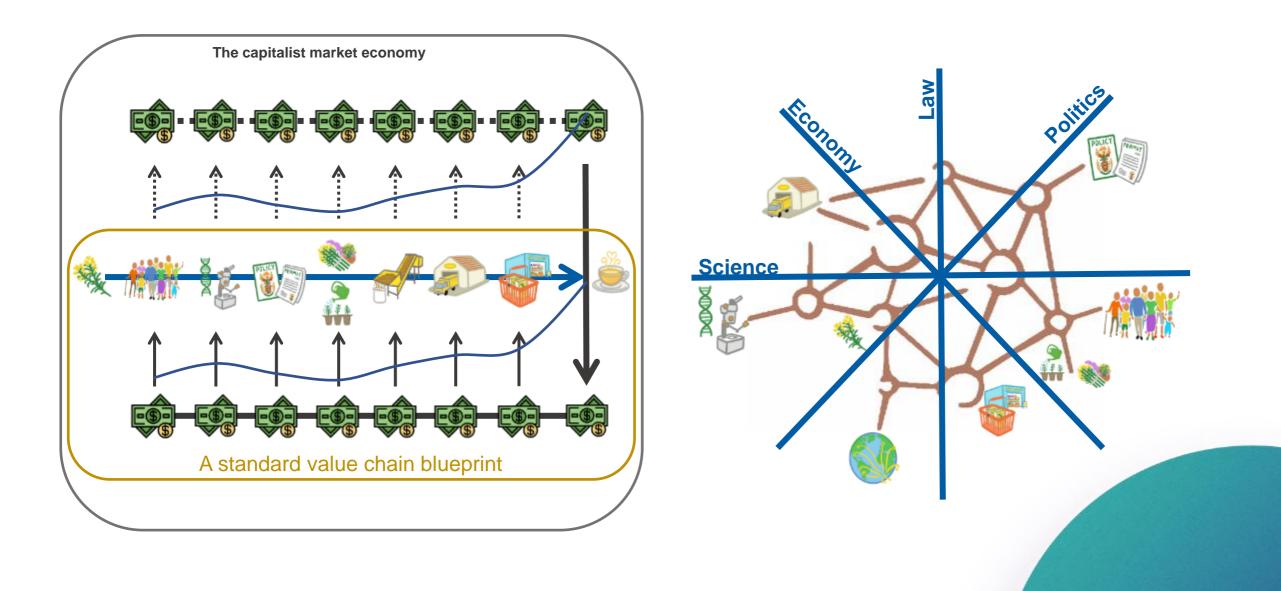
Critical, disruptive, creative Transdisciplinary Communities of Practice Emergent processes of transformative change





Source: Local Biodiv. Outlooks 2 (2020)

Outlook: Transforming supply chains





Transformative Powers of the EU Green Deal? Supply Chain Approaches for Biodiv, Forests & People

Future Forum 2023 26 September 2023



The European Green Deal and Supply Chains



14



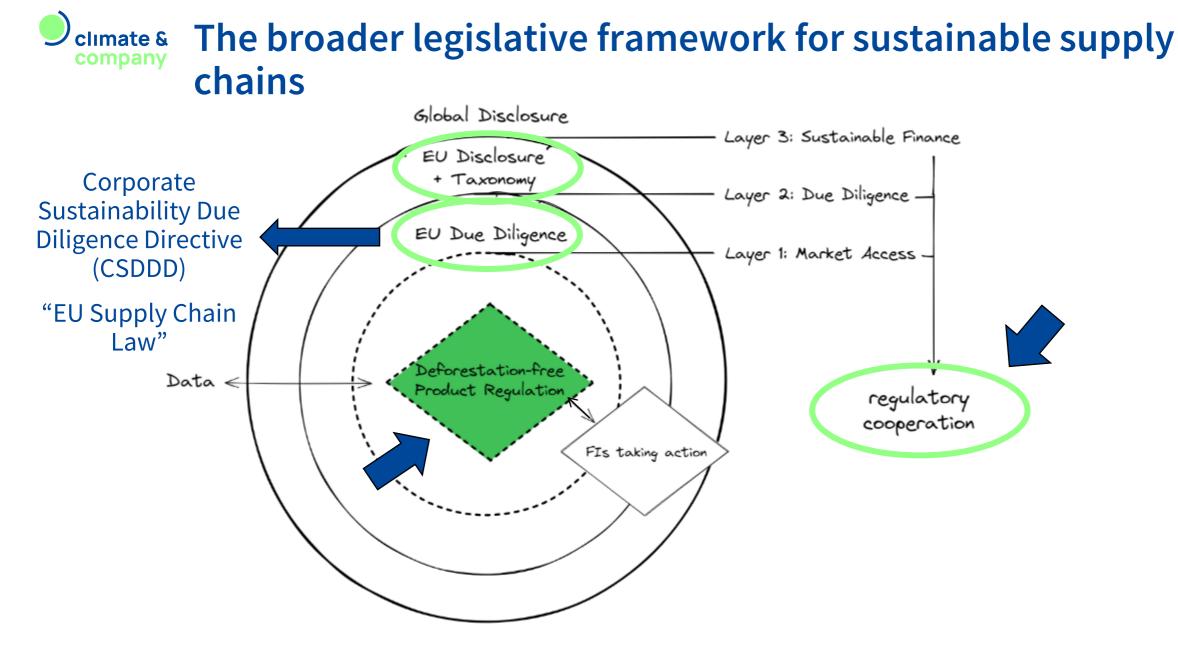


Climate & company

Sustainable Finance Think Tank

IF WE ARE SERIOUS ABOUT SUSTAINABLE DEVELOPMENT, WE NEED TO GET THE FINANCING RIGHT.

> climateandcompany.org hello@climcom.org



Climate & The role of and obligations for financial institutions



· · 4



Transformative Powers of the EU Green Deal on Supply Chains

- Supply chain regulations are key to get full transparency on the environmental and social impacts of OUR consumption patterns globally
- Complying with these regulations will be a challenge. Technical and financial support is needed for all actors along the supply chains (especially smallholders, local communities &SMEs!)
- We need to tackle this challenge together: dialogues between all stakeholders
- Key challenge and opportunity: regulatory cooperation between consumer and producer countries in the areas of trade and the environment & learning from the South



Thank you very much!



Louise Simon Analyst

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www.climateandcompany.org

in linkedin.com/company/climateand-company



Agenda

FUTURE FORUM 2023

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17:55	Wrap up	Meike Andersson
11/24/2023		20

Questions for Breakout Groups

1) What does it mean for advising partner governments?

2) How can we foster benefits and chances for smallholders and rural communities (esp. with an intersectional focus) to "*leave no one behind*"?

3) What role do we play to ensure meaningful private sector implementation in the transformation of supply chains?

Breakout Group A (online) The Honeybush value chain and its transformative potential for local communities and African-European business relations

BioInnovation Africa (BIA) - African-European Value Chains Speaker: Ingeborg Adelfang-Hodgson (BIA), Moderator: Maike Voß

Background

Honeybush (*Cyclopia species*) grows in South Africa. Threats include overharvesting, invasion by alien plants, and genetic contamination that occurs when cultivated Honeybush from non-local seed grows close enough for wild plants to crossbreed. The production of Honeybush tea is relatively easier and less costly than many other biotrade species. A major barrier for entry to the domestic and global market is that consumers are not aware of the different taste profiles of Honeybush and easily confuse the tea with Rooibos. So far only three Honeybush producers have established export markets and manage their own supply chain. BIA supports the emergence of a socio-economically and environmentally sustainable Honeybush value chain. – Not despite but exactly because of its relative unfinishedness the Honeybush value chain holds some transformative potential, regarding local communities and African-European business relations.

11/24/2023

Agenda

Time	Titel	Speaker
17:00 (5 min)	Welcome and Intro	Maike Voß (Moderator)
17:05 (10 min)	The Honeybush value chain and its transformative potential for local communities and African-European business	Ingeborg Adelfang-Hodgson (BIA)
17:15 (5 min)	Q&A	All
17:20 (15 min)	 Co-Creation & Discussion on three questions: 1. What does it mean for advising partner governments? 2. How to foster benefits and chances for smallholders and rural communities (esp. with an intersectional focus) to "leave no one behind"? 3. What role do we play to ensure meaningful private sector implementation in the transformation of supply chains? 	All
17:35 (5 min)	Wrap-up & Closing	Maike Voß



the Honeybush value chain

Discovering the Transformative Potential for Local communities and African-European Business Partnerships

Inge Adelfang-Hodgson

26 September 2023

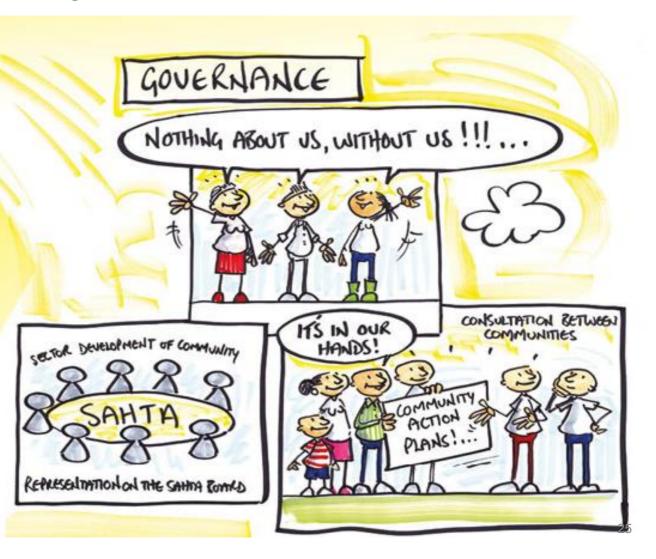




Community Engagement that facilitates a Sector-Wide focus self-determined by the community of the Sector?

A clearer look at who do we mean by community...

- Letting different perspectives inform where their agency and realism to take action as it is feasible by different VC actors
- Finding shared perspective between community leaders and business whilst appreciating long standing socio-cultural realities.



What about Honeybush Internationally?

The international analysis showed that Honeybush is authorized in food and food supplements as a tea and the main importers are Netherlands, Germany, UK and US. Four common species of the 23 have been identified for use in food products (*Cyclopia genistoides, C. intermedia,C. subternata*, and *C. sessiliflora*)

The food market segment is the main market for Honeybush, and the cosmetics and pharmaceutical markets to a far lesser extent. Latest research on patents show a rising interest in the vaporing industry.



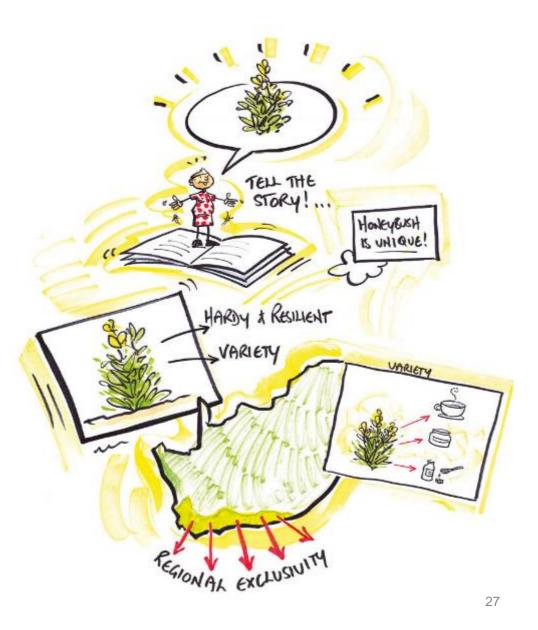
... and locally

All the processing facilities are currently privately owned, micro-scale to small commercial scale enterprises. One processor only processes their own wild-harvested material. Three processors only process their own cultivated material.

Most processors buy in and process wild harvested and cultivated material, charging a processing toll to return the tea to the producer or selling the processed tea themselves.

50% of processors view the industry as 'growing,' while 50% see it as 'not' currently growing.

Employment figures per processor range from five to 20 full-time jobs across a range of roles from primary production (cultivation and harvesting) to processing and administrative roles making up a total of 55 fulltime jobs. The breakdown per gender is 40% female and 60% male.



Commonly identified Market Barriers for bio trade

Lack of Awareness aware of the different taste profiles of Honeybush and easily confuse the tea with Rooibos.

Supply chain actors involved with wild harvested Honeybush noted that quality and continuous supply remain a concern.

Market demand is slowly growing which makes investing in the Processing capability with Honeybush not viable, although there are aspirations to have women own processing plants. This is predicted to be a focus about 5 years down the line.



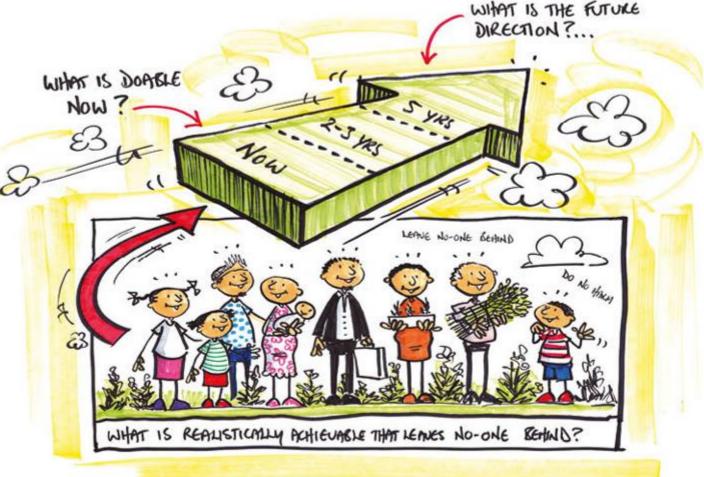
The focus and questions determined by the Sector community 2023



What is realistically achievable that does no harm and leaves no-one behind?

Pilot participants said it is important to take action that supports Sector growth.

Progress can still be made while stakeholders work at addressing important historic and complex issues that impact local communities.



Community Engagement Pilot Project Implementation Approach 2023

Engaging VC Actors beginning with local communities and traditional knowlegde holders

Phase 1: June – November 2023



Community Events with Indigenous People and Women in local communities/ Honeybush (June) **Hybrid Story Circles** with Indigenous People, Local Communities, Value Chain Actors and Research (July)

Digging Deeper Workshop process as we extend the circle of participants more widely (Aug)

African BiotradeNFestival (ABF)inhighlightingsustainability scenariosand open dialogue withbusiness, indigenouspeople, communitiesand government (Sep)

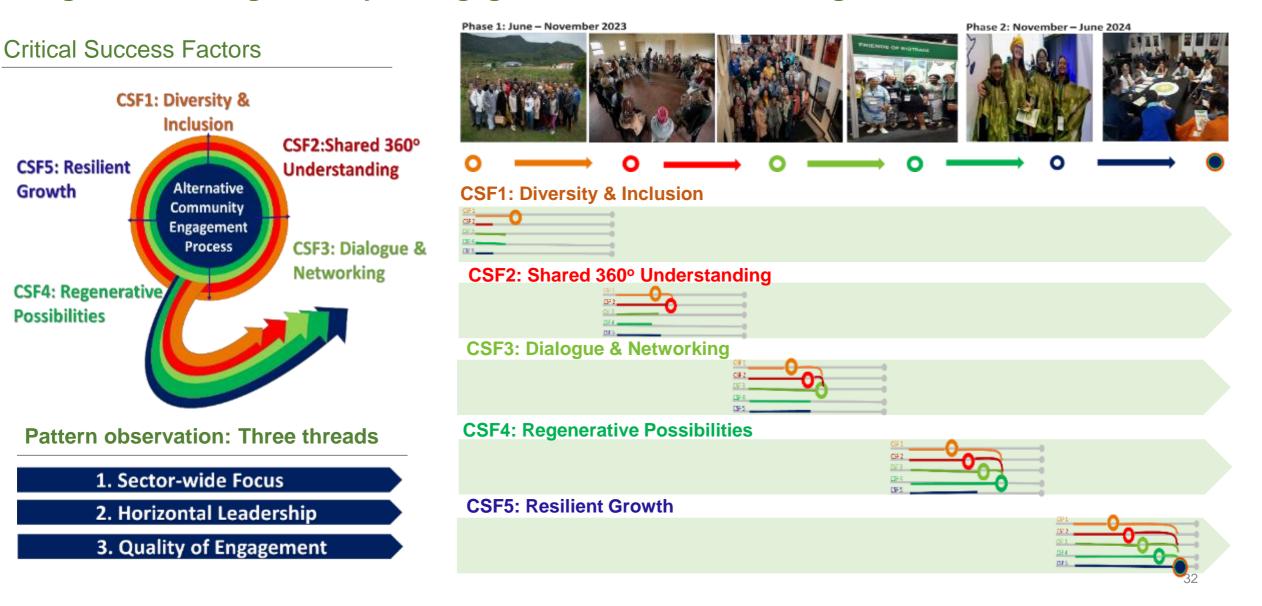
Mini trials of the prototype in diverse contexts

Phase 2: November – June 2024

Indigenous Knowledge Systems

Tracking Critical Success Factors (CSFs) in retrospect Using CSFs to navigate complex engagement and to review emergent outcomes

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Future Forum 2023 Thank you for listening!

FUTURE FORUM 2023

Breakout Group B (online) The EU Deforestation Regulation (EUDR) - how to foster meaningful implementation

Franziska Rau (INA)

24.11.2023

Agenda

Time	Titel	Speaker
17:00	Welcome and Intro The EU Deforestation Regulation (EUDR) - What is it and what can development cooperation do to support?	Franziska Rau (INA)
17:09	Flashlight from Brazil: SAFE Experiences with supporting partners with EUDR in Brazil	Malina Bischoff (SAFE BRA)
17:17	Discussion: What is the role of GIZ in supporting a) partner governments b) smallholders & IPLCs c) the private sector with a meaningful implementation of EUDR?	All
17:28	Wrap-up and closing	Franziska



The EU Regulation on Deforestation-Free Products (EUDR) Initiative for Sustainable Agricultural Supply Chains (INA)

Disclaimer: This presentation contains no official opinion or assessment of the regulation, nor does it reflect the views of the European Union or the Federal Government of Germany. It is compiled based on an assessment by GIZ/INA to facilitate discussion and shall not be used as legal advice on the regulation.



EU Regulation on Deforestation-Free Products (EUDR)

Objective

- Minimising the EU's contribution to **deforestation** and **forest degradation** worldwide
- Reducing the EU's contribution to greenhouse gas emissions and global biodiversity loss

Relevant commodities and products

Beef and leather, cocoa, coffee, natural rubber, palm oil, soy and wood and certain derived products (see Annex I)



Scope

Applies to all relevant products that are **produced in the EU**, **imported** to the EU oder **exported** from the EU market

• 29.06.2023 Entry into force End of transition phase for

larger companies

and micro companies

End of transition phase for small

30.12.2024

Ó Mid 2025



EU Regulation on Deforestation-Free Products (EUDR)

Due diligence requirements for companies

- Information requirements (including geolocation of all plots of land where relevant commodities were produced)
- Risk assessment
- If necessary, **risk mitigation** (including capacity building and investments for smallholders)

Country benchmarking by European Commission

- Low risk: **Simplified due diligence** for companies and **reduced checks** by competent authorities
- Standard risk
- High risk: increased checks by competent authorities

Cooperation with third countries

The European Commission and its Member States will **cooperate with partner countries on producer and consumer side** to achieve the regulation's objectives.

Requirements for relevant products

- no deforestation and, in the case of wood products, no forest degradation after 31st December 2020
- ✓ produced in accordance with relevant
 legislation of the country of production
- ✓ covered by a **due diligence statement**

INA What can development cooperation do to facilitate the implementation of the regulation?

with governments & administration		with private sector	with	smallholders and IPLCs	wi	th civil society & science
a) b)	Develop a baseline map of FAO forests at cut-off date 2020 Discuss the national interpretation of "relevant legislation" in participatory	 a) Support with risk mitigation measures of large companies/MNEs o Support with traceability schemes, notably for 	sc in b) Su	upport with traceability chemes to ensure smallholder iclusion upport with proving legal ompliance	b)	Empower civil society to support smallholders with inclusion in EU supply chains, notably traceability Empower civil society so support
c) d)	manner Support the formal and informal rights of IPLCs Support sustainable land-use	 smallholder inclusion Support with respect of rights of IPLCs b) Awareness raising for SMEs in 	(la m	Empower IPLCS to enforce their (land) rights through EUDR mechanisms (substiantated concerns)	c)	the rights of IPLCs Develop national maps of other wooded land and other valuable ecosystems
e)	planning and integrate the regulation's requirements Support development of a traceability system and	 c) Capacity building for SMEs in partner countries d) Support smallscale 	e) De	Gender sensitive capacity- building and trainings Developing alternative income sources, e.g. through living income strategy, to reduce incentives to deforestion 	d)	Support civil society with monitoring EUDR implementation and with submitting substantiated
f) g)	smallholder inclusion Support data ownership for producers 	 e) Develop compensation mechanisms for no deforestation f) 	in		e)	concerns to companies and competent authorities 39

Thank you!

Final text in different languages: EUR-Lex - 32023R1115 - EN - EUR-Lex (europa.eu)

FAQ from European Commission: <u>Frequently Asked Questions - Deforestation</u> <u>Regulation (europa.eu)</u>

Franziska Rau

Advisor Deforestation-Free Supply Chains Initiative for Sustainable Agricultural Supply Chains (INA) Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH franziska.rau@giz.de

Im Auftrag des:



Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung Durchgeführt von:





www.nachhaltige-agrarlieferketten.org

SAFE Brazil

MINISTÉRIO DE Agricultura e Pecuária



Political Partner

 Ministry of Agriculture, Livestock and Supply (MAPA), Secretariat for Innovation, Sustainable Development, Irrigation and Cooperativism (SDI)

Target groups

 Family farmers that work with cocoa or cattle with special attention to supporting women, youth and communities of agrarian reform settlements

Activities

- Promotion of sustainable land-use systems
- Support implementation of sustainability policies and low carbon agriculture plan (Plano ABC+)
- Improve legality, strengthen access to finance and technical assistance
- Improve market access and value aggregation for sustainable products
- Strengthen multi-stakeholder cooperation along the value chains
- Pilot traceability systems and studies of EUDR-readiness

Implementation region: Xingu territory, State of Pará

Main supply chains: cocoa and beef

SAFE Brazil

EUDR Perceptions in Brazil

Political Actors

The EUDR is a politically sensitive topic, critized by Brazilian politics for:

- Top-down approach, unilateral, discriminatory, not considering national regulations
- Unclear processes and requirements, exclusion of smallholder
- Influenced by Mercosur trade agreement negotiations
- Political partners not interested in favoring EU exports
- Common ground regarding criteria and objective to reduce deforestation
 - Government wants support for their own programs and public policies

Civil Society



- Indigenous groups and NGOs welcome efforts
- Expansion to other wooded lands (Cerrado) demanded

Private Sector

 Private sector criticizes EUDR but large companies prepare for EUDR



SMEs and cooperatives lack information

SAFE Brazil

EUDR Implementation Challenges and Approaches in Brazil

- Short time frame, many challenges
 - Accelerating discussions, e.g. on traceability
- Lack of access to technical assistance and finance
 - Capacity building for producers
- Instable market relations, high informality in supply chains
 - Building inclusive business partnerships
- Interpretation of legality and creating examples in uncertain environment
 - Support multi-stakeholder interpretation of legality criteria and studies
- Companies unwilling to share information
 - Support pre-competitive stakeholder cooperation
- 5 Limited overall export volume to EU with the risk of shifting to alternative markets and regions (e.g. *Cerrado*)
 - Test incentive mechanisms

Thank

you

Malina Bischoff Advisor Sustainable Agriculture for Forest Ecosystems (SAFE) malina.bischoff@giz.de

Sustainable Agriculture for Forest Ecosystems (SAFE)





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Breakout Group C (in presence) Living wages & income in due diligence regulation: How to avoid top-down implementation?

Nina Kuppetz (INA)

Agenda

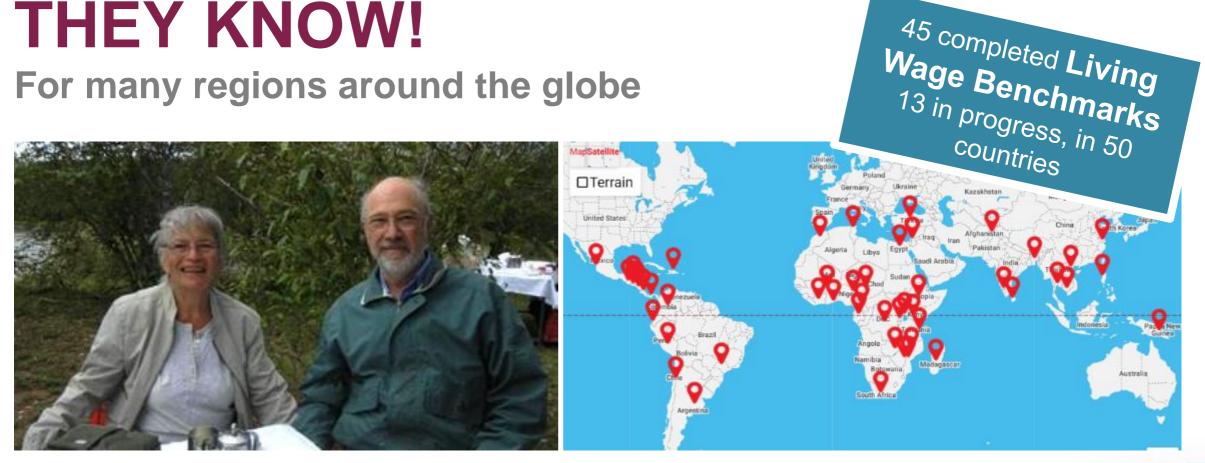
Time	Titel	Speaker
17:00 (7 min)	Welcome remarks and Intro	Nina Kuppetz (INA)
17:07 (5 min)	Flashlight 1: Potentials and challenges in collaborating with the private sector: Living Wage Project with German Retailers	Björn Willms (GIZ Ecuador)
17:12 (5 min)	Flashlight 2: What could be unintended consequences of LW / LI in HRDD regulation? What is needed to minimize them?	Marike de Pena (CLAC - The Latin American and Caribbean Network of Fair-Trade Small Producers and Workers)
17:17 (10 min)	 Interactive word cloud exercise with all participants: What is the role of GIZ in promoting an impactful implementation of LW / LI as part of HRDD regulation (3 rounds): a) in advising governments? b) in promoting benefits for smallholders & rural communities? c) in working with the private sector? 	All
17:27 (13 min)	Joint discussion on results, additional comments, sharing of experiences by all participants	All

FUTURE FORUM 2023

What Wage would you need to afford a decent standard of living for yourself and your family for the region you live in?

DO YOU KNOW?!

THEY KNOW! For many regions around the globe



Living What?!

Definition

The remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family.



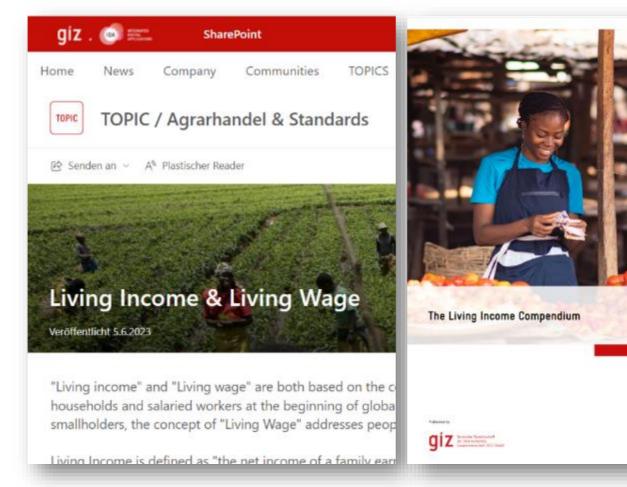
The Living Income Concept; Source: The Living Income Community of Practice

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Living What?!





FUTURE FORUM 2023

May 2022

Over 60 companies, investors & initiatives call on EU to ensure living wages & incomes are included in final due diligence directive



Sept 2023

Fairtrade & 70 NGOs request that Living Income becomes part of CSDDD





And.... WHY?



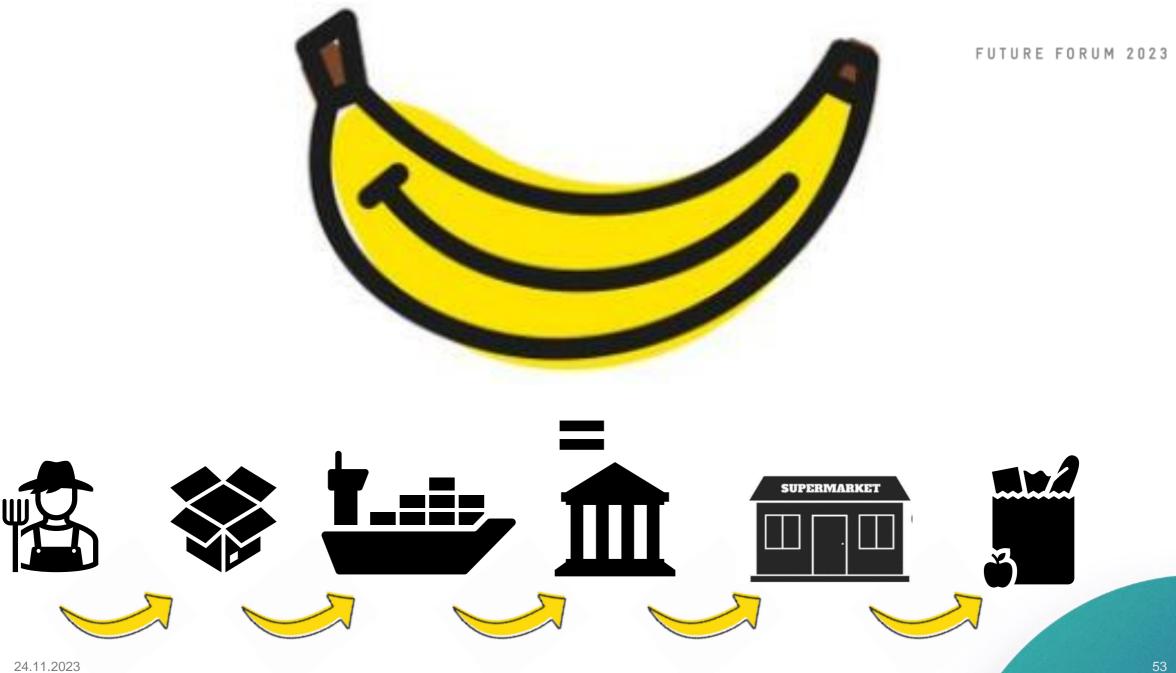


Björn Willms

Marike de Pena

Advisor, GIZ Ecuador

Chair of the Latin American and Caribbean Network of Small Producer Organizations (CLAC)









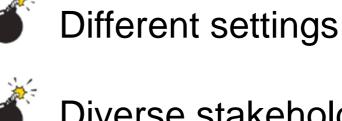


Diverse agendas

Agenda setting without excluding anyone

Shared responsibility





Diverse stakeholder groups

Long way...

Living Wages and Income a Corporate Responsibility and Human Right



GIZ Future Forum, September 2023 Marike de Peña Chair, CLAC

Pequeños Productores y Trabajadores por un Comercio Justo

Mandatory Regulations an opportunity to push Living Wages and Income



Conditions to ensure inclusive change;

- 1. Proper consultation with all stakeholders, including Producers and Governments to make sure regulations are fit for purpose and feasible
- 2. Accompanying measures and support to create the needed capacity to comply with rules and regulations
- 3. Ensure shared responsibility of companies, meaningful participation of all stakeholders including producers and a bottom up approach to address risks
- 4. Understand the costs related to Compliance and walk away from a sanction based approach to an incentive based approach
- 5. Focus on building risk free supply chains instead of demanding risk free supply chains
- 6. Clear rules and sanctions to avoid "cut and run"

How to avoid unintended consequences and ensure a just and inclusive transition to living wages, income and respect for all rights



Unintended consequences for Producers, Workers and Regions;

- 1. Companies switch sourcing from high risk areas with low wages and income to low risk áreas to avoid sanctions and/or comply with industry commitments
- 2. Companies require data on income/wages (high burden for producers) before deciding on support and/or sourcing
- 3. Producers supply poor data and hide risks to avoid negative commercial consequences How to Avoid;
- From sanctions to incentives, especially for those that supply from high risk areas
- Better understanding on costs and timelines before setting laws, regulations and making commitments
- Building supply chain collaboration, trust and transparent communication





Pequeños Productores y Trabajadores por un Comercio Justo



- Grab your phone, open a browser to tedme.com and enter the event room code: Wages
- 2. Stay on the page on your phone and wait for the entries to come in for a few minutes.
- 3. Once all entries are in, let's look at the Word Cloud together

24.11.2023

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Guiding Questions for Plenary Discussion

1) What are the greatest challenges and opportunities detected during the breakout group discussions?

2) What was the most controversial discussion point?

3) What was the most innovative idea that came up?

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