

Harnessing the power of global supply chains to halt deforestation in Peru

A briefing for policymakers



Executive summary

We propose that the national approach to avoiding further deforestation in Peru should include a range of measures including:

Improving existing regulations

Work to conclude territorial planning and forest zoning in the Amazon would have a beneficial effect in improving practice around land titles, land use, conservation and forest usage rights, as well as the interaction between agribusiness and forest conservation practices.

Expanding Credible Certification

The government of Peru could further encourage producers, traders and companies to participate in and support supply chain transparency. This could include credible international certification schemes FSC (Forest Stewardship Council) and PEFC (Program for Endorsement of Forest Certification) for timber and wood products, and similar schemes for agri-commodities and associated sectors - especially those promoting zero deforestation.

Increasing Supply Chain Transparency

We recommend promoting supply chain transparency and corporate disclosure for agri-commodities through mechanisms such as CDP. We also recommend working to promote other forest products through a system of monitoring and verification adjusted to the local conditions, for example utilizing technological tools such as the mapping information and spatial analysis provided by the Geo Bosques Platform¹.

Mainstreaming Sustainable Agriculture and Forestry Practices at all levels

We recommend that the government considers incentive policies for sustainable agriculture and forest conservation, through mechanisms including payment for environmental services and financial incentives. Designing and validating production systems that can benefit from incentives, such as agroforestry systems, silvopastoral practices, natural and managed regeneration of degraded lands, will all increase the resilience of forest ecosystems. The promotion of zero deforestation commitments, especially at the agribusiness level, will help to preserve natural forest habitats and secure more sustainable inward investment.



¹ <http://geobosques.minam.gob.pe/geobosque/view/descargas.php>

Deforestation in the Peru and its implications for supply chains

The forest territory of Peru covers 73 million hectares, 94% of which is within the Amazon forest. Peru has the second largest share of the Amazon rainforest behind Brazil, at 13%. In 2016 this represented 68,733,265 million hectares, more than 87% of which are in the regions of Loreto, Ucayali and Madre de Dios.

The August 2017 meeting of the member countries of the Amazon Cooperation Treaty Organization (OTCA) celebrated the success of the Amazon region as a whole in reducing deforestation by 50% between 2000 and 2015². Given varying rates of success in addressing deforestation by country, the report noted there was still work to be done. For example, the group noted that Peru has large areas of Amazon forest that are vulnerable to future deforestation by the change of use of forest lands to agricultural use.

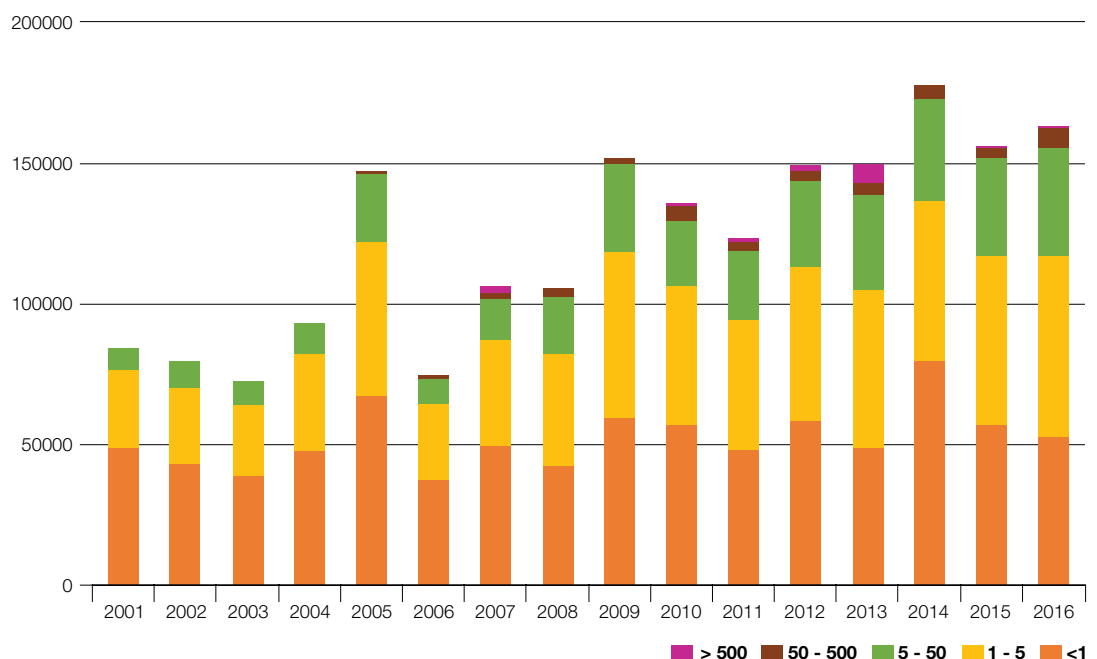
To address the challenge of deforestation it is necessary to understand the drivers, and act upon the indirect factors that undermine forest protection. These can include:

- ▼ weak governance;
- ▼ inadequate land management;

- ▼ infrastructure construction;
- ▼ lack of clarity of land tenure;
- ▼ commodity demand from national and international markets;
- ▼ the high migration rate of population from the Sierra to the Amazon, and;
- ▼ institutional, legal and financial incentives that lead to the change of forest cover to other uses through logging and burning.

Peru's forests suffer from increasing deforestation despite a national policy of forest conservation. The rate of deforestation increased between the years 2001 to 2015. In 2016 the deforestation rate, although slightly lower than the previous year, was at 163,075 hectares. This rate, although lower than in 2014, is still high. For more reference see Figure 1.

Figure 1: Annual deforestation in Peru³



2. SERFOR 2017. Tasa de deforestación en la región amazónica ha disminuido en 50% en los últimos 15 años. Consultado el 30 de agosto de 2017: Disponible en: <http://www.serfor.gob.pe/noticias/tasa-de-deforestacion-en-la-region-amazonica-ha-disminuido-en-50-en-los-ultimos-15-anos>

3. Ministerio del Ambiente (MINAM), 2016. Plataforma GeoBosques. <http://geobosques.minam.gob.pe/geobosque/view/perdida.php>

In Peru 70% of deforestation over the past decade has occurred in just four departments (San Martín, Loreto, Ucayali and Huánuco), mostly in forests with no legal category allocation or rights granted (45%), titled native communities (16%) or non-concessional Permanent Production Forests (12%).

In this regard, it is important to note that 90% of deforestation occurs through openings of less than one hectare and the main direct drivers of deforestation in Peru are agriculture and livestock⁴ (81-93% combined). Agriculture causes approximately 49-54% of deforestation, reaching almost 70,000 hectares per year. Livestock farming is the second largest cause and accounts for approximately 32-39% of the deforested area, an estimated 40,000 – 48,000 hectares⁵.

The strong role played by agriculture in Peru's deforestation trends means that there is a role for business in addressing the challenge. Global commodity supply chains can support the development of corporate disclosure and transparency requirements. These in turn assure investors, purchasers and end consumers that action is being taken to tackle deforestation and combat climate change.

Existing policy measures taken by the government of Peru

Over the past decade Peru has made efforts to increase both the forest area and ecosystem benefits and services, as well as increasing public investment in forest conservation and improving competitiveness within the forest sector. For example:

- ▼ Committing to reduce Peru's emissions by 30% by 2030 (NDC Peru)⁶;
- ▼ Launching the 20x20 initiative, undertaking to restore 24.8 million hectares of deforested land by 2020⁷;
- ▼ Implementing the National Strategy on Forests and Climate Change (ENBCC), which sets out an approach and measures for the implementation of REDD+;
- ▼ Approving the "Guidelines for the Management and Implementation of REDD+" and Law No. 30215, Law on Remuneration Mechanisms for Ecosystem Services (MRSE), and creating the National REDD Registry, a platform composed of public and private institutions linked to the development and application of REDD+;
- ▼ Creating a Forest Coverage Monitoring Module for digital mapping and spatial analysis of forest, forest loss and land use change (available on the GEO BOSQUES portal);
- ▼ Signing the Declaration of Intent of the National Pact for Legal Wood (PNML).

4. GGGI, DIE y SERFOR 2015. Interpretación de la dinámica de la deforestación en el Perú y lecciones aprendidas para reducirla. Lima, Perú.

5. GGGI, DIE y SERFOR 2015: 14-15: Interpretación de la dinámica de la deforestación en el Perú y lecciones aprendidas para reducirla. Lima, Perú.

6. <http://unfccc.int/home/items/6078.php?q=NDC+Peru&cx=009772925632828311246%3Agjvsnghto1u&ie=UTF-8&sa=>

7. MINAM 2015. Iniciativa 20x20: Restauración de 24.8 millones de hectáreas de bosques con una inversión de \$730 millones en América Latina y el Caribe. Consultado el 06 de septiembre de 2017. Disponible en: <http://www.minam.gob.pe/notas-de-prensa/iniciativa-20x20-restauracion-de-24-8-millones-de-hectareas-de-bosques-con-una-inversion-de-730-millones-en-america-latina-y-el-caribe/>

How can supply chain transparency contribute to reducing deforestation and forest degradation?

Global and domestic commodity supply chains can facilitate the development of corporate disclosure and transparency requirements, including voluntary actions such as ‘zero deforestation’ pledges by major producing or purchasing companies seeking to satisfy the demands of their investors and customers. Supply chain transparency enables participation and dialogue between stakeholders, helping them to better engage with the degradation, deforestation, conservation and regeneration of forests.

The major role of the agricultural and livestock sectors in driving deforestation in Peru has been outlined in the first section of this briefing. The market drivers for agricultural expansion are both domestic and international. Peru is a net importer of dairy products, beef, palm oil, timber and soy, but also exports across Latin America, most notably to Chile and Colombia who are the largest consumers of Peruvian palm oil and its derivatives. Meanwhile, China is the largest consumer of legally exported Peruvian timber.

There is a major opportunity in Peru to scale up the extent of corporate participation and disclosure, from

the currently quite limited level of activity to a greater level of engagement. At present 15 companies with operations in Peru disclose their impact on commodity-driven deforestation to CDP. Of these 11 respond to requests from both investors and customers, while 2 are disclosing solely in response to customer requests.

Leading international companies are increasingly looking to remove deforestation from their supply chains altogether. For example, 54 companies have committed through We Mean Business to do this by 2020⁸ and many more have pledged through the New York Declaration to do so by 2030⁹.



The implementation of work on the ground often needs to go through direct suppliers, and so alignment of policies, developing common understanding and competencies along the supply chain is crucial. We are currently working with direct suppliers to assess their supply chains, develop and monitor action plans against the assessment findings, and undertake initiatives to address specific issues including but not limited to: monitoring no-deforestation commitments, conducting conservation studies, building smallholder resiliency, conducting trainings for workers, etc. As one example, we are working with a supplier in Peru to conserve 35,000 ha of forest land that was at risk of clearance.

Nestle



PepsiCo is working to realize our goal of zero deforestation in our company-owned and -operated activities and global supply chains from direct supplier to source by the end of 2020. Recognizing potential environmental benefits, including climate and biodiversity, as well as human rights, We have committed to source 100% physically certified sustainable palm oil by the end of 2020. We published a Palm Oil Action Plan that describes our strategy in 2015 and a Palm Oil Action Plan Progress Report in 2016.

PepsiCo



8. <https://www.wemeanbusinesscoalition.org/commitment/remove-commodity-driven-deforestation-from-all-supply-chains-by-2020/>

9. <http://forestdclaration.org/>

Opportunities to address issues and move towards zero deforestation

Based on experience of working with private sector and institutional actors in Latin America and around the world, our recommendations for potential policy measures in Peru include:

Improving Regulations

Peru's prospects for economic growth rely on exports, including agricultural commodities which Peru plans to increase in the coming years. This situation will generate greater pressure on forests, especially where there are deficiencies in the legal clarity on tenure.

Our recommendations include:

- ▼ Conclude territorial planning and forest zoning in the Amazon, e.g. categorize the pending areas in the Amazon and improve the land use planning mechanisms, and conclude the processes of titling indigenous lands and private farms;
- ▼ Analyze working practices within agribusiness, develop knowledge- sharing with a focus on forest conservation practices and zero deforestation targets;
- ▼ Integrate "no conversion of the forest" into cross departmental and institutional regulations, policies and wider communications;
- ▼ Improve the processes and criteria between national, regional and local authorities for the granting of land and rights over the forests.

Expanding Credible Certification

Today's consumers and purchasers are increasingly demanding commodities with credible certification. Buyers, like investors, do not want to finance or drive deforestation. Different sectors, and processes in commodity supply chains, can utilize voluntary certification and supply chain transparency to demonstrate they have been produced and managed responsibly, both socially and environmentally.

Our recommendations include:

- ▼ Encourage producers, traders and industry to participate in credible international certification schemes which provide a guarantee of sustainable production¹⁰, or in other certification schemes that define clear and reliable criteria regarding implementation of zero deforestation measures and monitoring systems;
- ▼ Provide technical and financial support to producers and industries that are developing good practices in their supply chain to achieve a certification;
- ▼ Evaluate both the ease and the cost of participation in certification and monitoring schemes to encourage smallholder and low volume user involvement;
- ▼ Encourage responsible purchasing or green purchasing policies domestically, and with state contracts, to give commercial and consumer preference to products that have a certification.

Increasing Supply Chain Transparency

Avoiding deforestation from commodities that are developed in the Amazon region, including spices, forest foods and other natural products from forest areas, requires transparent supply chains. Voluntary actions such as participation in CDP disclosure to customers can be helpful, the government can provide further support to encourage private sector action.

Our recommendations include:

- ▼ Improve the technical capacity of actors in commodity supply chains, in order to support responsible production and consumption and Peru's ability to satisfy market calls for zero-deforestation commodities;
- ▼ Promote social monitoring (by NGOs, grassroots organizations and others) and communal processes (organized indigenous peoples) through supporting systems of monitoring and verification that are adjusted to local conditions;
- ▼ Socialize, interpret and facilitate the information provided by the Geo Bosques Platform for users and actors linked to the supply chains of commodities, in accordance with their particular interests and needs;
- ▼ Promote procedures and systems that allow transparency and access to information in relation to control and traceability of commodities;
- ▼ Generate spaces for participation and dialogue with decision makers (producers, traders, industry and investors) linked to the degradation, deforestation, conservation and regeneration of forests to create synergies and to provide alternative solutions to existing problems.

Mainstreaming Sustainable Agriculture and Forestry Practices at all levels

Agricultural commodities are a major driver of deforestation and in Peru the growth in this sector has mainly resulted from agribusiness targeting international markets. Market policies and incentives to support environmental goals are required to ensure that the value of forests is costed into business decisions.

Our recommendations include:

- ▼ Create general policies for sustainable agriculture and forest conservation using payments for environmental services and financial incentives;
- ▼ Promote zero deforestation commitments as an incentive to preserve natural forest habitats and a means to secure more favourable international business.
- ▼ Define and validate production systems that can benefit from incentives, for example agroforestry systems, adaptation of silvopastoral practices, natural or managed regeneration of degraded areas in private lands, increasing the resilience of forest ecosystems (especially those most threatened) and the protection of areas with high conservation values.
- ▼ Encourage National Appropriate Mitigation Actions (NAMAs) more broadly across agriculture and the forestry sector. Peru proposed a NAMA in coffee and cocoa; but left out the cultivation of palm, pasture management or livestock, and others such as corn, these could now be proposed¹¹.



11. MINAM 2016:33. La Contribución Nacional del Perú - INDC: agenda para un desarrollo climáticamente responsable. Lima-Perú.

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