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# Forest, Agriculture, and Commodity Trade Dialogue Multi-Stakeholder Consultation Report – India





The document is the outcome of the FACT Multi-Stakeholder consultation carried out in India with minor enrichment from the research carried out by the organising team. The authors of the report are listed below in alphabetic order.

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## Background

The FACT (Forest, Agriculture and Commodity Trade) Dialogues are an initiative launched by COP26 Presidency to accelerate the transition towards more sustainable land use practices in a way that opens up new investment opportunities for jobs and livelihoods for people dependent on forests and agriculture, and to ensure that the economies which have a sustainable relationship with forests are the ones that thrive and grow.

The FACT Dialogues aim to agree on principles for collaborative action, a shared roadmap on sustainable land use and international trade, and to take action now to protect forests while promoting development and trade.

The FACT Dialogues are conceptualised as a government-to-government dialogue, supported by wider multi-stakeholder consultations. The Multi-Stakeholder Track (MS Track) dialogue is the central pillar to achieve ambitious and transformative government-to-government principles, roadmaps, and commitments. To feed into the agenda of the government-to-government dialogue, MS Track Deep-Dive Dialogues are conducted in selected countries through which a wide range of stakeholders gather and generate country-specific recommendations towards achieving the broader FACT Dialogue Objectives. As requested by the MS Track dialogue organisers, FOLU India country platform has joined hands with Centre for Responsible Business (CRB), IDH-The Sustainable Trade Initiative in India, World Wide Fund for Nature India (WWF India) and World Resources Institute India (WRI India) to form a coalition to conduct the MS Track Deep Dive dialogue in India with wide range of stakeholders.

The main objective for organising these deep dives is to understand better what key stakeholders think governments could negotiate. The Global themes for the deep dives are:

- a. **Aligning Trade Policy with Sustainable Land use and Commodities:** Aligning the development, implementation, and enforcement of policies across the global market for agricultural commodities with the aim to balance the expansion of trade and market development on the one hand with the imperative for sustainable land use and investment in sustainably produced commodities.
- b. **Integrating Smallholder Farmers and Forest-dependent Populations' Interests:** Increase the involvement of smallholder farmers and forest-dependent population especially women, other traditional forest dwellers within the agricultural commodity supply chains, including identifying policy measures to support their integration in markets, developing their capacity, facilitating access to finance, and supporting their role in sustainable land and forest management and conservation.
- c. **Transparency and Traceability:** Create enabling environments and systems that support transparency and traceability for decision-making throughout the supply chain through information collection, monitoring, and disclosure.
- d. **Research, Development, and Innovation:** Expand our research, development, and innovation efforts to support and scale up productivity improvements within agricultural commodity systems to reduce expansion into terrestrial ecosystems.

## FACT Multi-Stakeholder Consultation in India

India is a major import and export location in the global economy. India and other emerging importers like China and emerging producer-consumers like Brazil and Indonesia together account for approximately 40% of global demand for deforestation-linked commodities such as soy, beef, palm oil, and timber products. The share of these countries in the global market is set to increase further by 2025. Considering the current population growth rate and the resulting increase in consumption, by 2025, India is predicted to be the second-largest consumer market in the world, after China.<sup>1</sup> Between 2000 and 2016, India increased its share in global imports from 0.7% to 1.9%, making it one of the ten biggest importers of the world.<sup>2</sup>

With India emerging as one of the top importers globally, it also attracts international companies given the various enabling conditions existing in the country. Availability of natural resources, low production costs, and a large, skilled workforce make the Indian market attractive to global companies. According to the latest World Bank ranking on ease of doing business, India moved up 14 places - from 77<sup>th</sup> position in 2018 to 63<sup>rd</sup> position in May 2019 out of 190 nations.<sup>3</sup>

However, greater business opportunities come with increased pressure on businesses to improve their social and environmental performance. Globally, awareness about human rights and environmental issues associated with businesses and their supply chains is growing. Stakeholders, including governments, consumers, and investors, expect businesses to operate in an environmentally sustainable manner. This focus on environmental sustainability in businesses ranges from their supply chain networks to entire operations. The Government of India responded to this emerging focus on responsible business by introducing the National Guidelines on Responsible Business Conduct and the upcoming National Action Plan on Business and Human Rights.

The Indian government also responded to deforestation and sustainability issues by importing deforestation-linked commodities by encouraging domestic production of heavily imported commodities (e.g., palm oil) and reducing exports of all edible oils. To shift the demand away from unsustainably produced palm oil in partner countries, the government increased imports duties, initially on processed palm oil and then on crude. However, India's biggest trade partner countries for palm oil - Malaysia and Indonesia responded by eliminating export tariffs. This, along with lower global prices, pushed Indian importers of palm oil to reach record levels of imports. Due to the highly price-sensitive nature of Indian markets, the importers and consumers are less inclined towards more sustainable supply chains of deforestation-linked communities if it results in higher costs.<sup>4</sup>

Considering the nature of the Indian market and the fact that it is an emerging economy in terms of global agriculture production, engagement between government and companies in global supply

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<sup>1</sup> World Economic Forum. (2018). *Greening commodity supply chains in emerging markets: challenges & opportunities*.

<sup>2</sup> FAO. (2018). *The State of Agricultural Commodity Markets 2018. Agricultural trade, climate change and food security*. Rome.

<sup>3</sup> CESD, & Sedex. (2020). *Integrating Sustainability into Indian Supply Chains*.

<sup>4</sup> World Economic Forum. (2017). *Commodities and Forests Agenda 2020: Ten priorities to remove tropical deforestation from commodity supply chains*.

chain efforts is essential. While India has already initiated efforts to ensure sustainability of its global trade supply chains, it is vital to continue engaging in the right direction through collaboration with governments of partner countries, business groups, and other stakeholders. Historically, India has a track record of proactive involvement in global conservation agendas, which is evident through its various international commitments. In this background, the objectives of the MS Track Deep Dive Dialogue in India have been decided as follows:

- a) To identify India's position and potential as a steward promoting sustainable and responsible international supply chains, especially – in the Global South, by setting an example, by pushing the agenda in international forums (e.g., G7, G20).
- b) To identify the potential for India to set examples for balancing between domestic and distant sustainability issues as a consumer country
- c) To address issues regarding intensifying domestic production and addressing policy and other gaps in strengthening the export supply chains as more sustainable ones as a producer country.

### Structure of the FACT-MS Track India Deep Dive

The dialogue adopted a 'footprint-based approach' to address issues from a consumer and producer viewpoint to come up with core recommendations broken down to commodity level. To address the major dimensions related to FACT, the dialogue was carried out as consultations under the following three tracks:

- a) Aligning Trade Policy with Sustainable Land use and Commodities
- b) Integrating Smallholder Farmers and Forest-dependent Population's Interest
- c) Transparency and Traceability

Instead of targeting environmental neutrality in businesses, the dialogue identified and highlighted the need to proactively work on an environmentally positive trade. The dialogue also discussed the enabling conditions, gaps in policy and governance scenarios, successful examples and initiatives, potential and synergies, and brought out the potential incentive structures. The dialogue also identified the means of creating a locally suitable business environment, considering the impacts and challenges in terms of what is presently working and what needs to be done.

Separate discussions were carried out for each track with the relevant experts in each field. Since these tracks are interconnected, the dialogue allocated enough time to discuss the recommendations developed under each track and merged them under the three objectives.



## Multi-stakeholder Discussion

The FACT dialogue multi-stakeholder consultation in India was conducted on the 13<sup>th</sup> of July 2021 as an online event. A total of 43 stakeholders with various backgrounds and expertise joined the meeting. The participants were grouped under three tracks, and they were allotted separate breakout rooms for a detailed discussion on each aspect, post which the outcome of the discussion was presented in the plenary session to come up with a final set of suggestions and recommendations to advance environmental sustainability in the global commodity value chain.

The following sections elaborate on each track and the major points that emerged during the discussion in each session.

## Aligning Trade Policy with Sustainable Land use and Commodities

Stronger trade relations that encourage and increase sustainability (both environmental and economic) are necessary today as producer countries also set a nature-positive agenda to improve farmers livelihoods and responsible sourcing practices. At this stage, key international commodity supply chains across the global markets are linked closely to deforestation-related environmental impacts in the producer countries. This is especially true in the Global South across the developing countries of Latin America, West Africa, and Southeast Asia. Production and trade in these regions and markets remain focussed on price and availability rather than sustainability ambitions or voluntary standards. Therefore, sustainability issues remain absent from international trade negotiations. One case in point has always been the production, trade, and market for edible oils – chiefly palm oil and soya, among other commodities. The selection and prioritisation of edible oil commodities for import by India and the destinations are precisely price-driven, so as a country of 1.37 billion, India continues to import large volumes (over 10 million metric tonnes) of palm oil and soya oil from deforestation hubs like Indonesia and Malaysia.

India remains central to global trade as both a large importer as well as an exporter. Both the domestic policies on demand-side management and the production of commodities shape the dialogue on sustainability not just within India but also across global markets and production hubs. Trade review in India in the near future can ideally start to consider which commodities are heavily exported and imported and how import policies with regard to the sustainability of commodity production in the source countries will help India further its commitments to the Sustainable Development Goals (SDGs).

Indian agriculture in the last several decades has been mostly associated with land conversion and not so much with domestic deforestation. Within this context, India's policies on sustainability in domestic production of high-volume export commodities are relatively set. At this stage, Indian agriculture has not resulted in large-scale deforestation. Our domestic (often state-specific) forest protection policies are considered robust and highly effective, except for regions in the north-eastern forests where encroachment and diversion have been observed regularly. However, some of the high-volume imports to India – palm oil, soya, rubber, and timber- continue to be associated with deforestation in the source countries. How India then sets and steers the global nature-positive agenda needs to be shaped at this crucial juncture in time.

There is a need for India to develop regional stewardship for responsible sourcing and trade coupled with collective global effort to address the global impacts of rainforest and peatland destruction. With the volume of global trade shaped by Indian demand and supply, the group identified domestic policy level options for reducing these impacts. In some cases, this is being achieved by attaining self-sustainability (and import substitution) in terms of production of key commodities. In contrast, in other cases, it will require India to make stronger demands for traceability and sustainability from production geographies of the imported goods, or otherwise to reduce the consumption.

The group deliberated on the merits, time, and agency that India hosts in taking leadership in developing Global South trade standards, nature-positive agenda setting, and how to build these to

address environmental and social protection in contexts where it is most required. At this stage, India and other large markets will need to work together with producer and consumer countries towards bringing these elements into the international trade-related discussions. Along with this, India must ensure that trade partners are brought into multilateral discussion forums like the Association of Southeast Asian Nations (ASEAN) and Free Trade Agreements (FTA). Ensuring the sustainability associated with production and value addition of commodities in international trade is ultimately the responsibility of the producer countries – especially deforestation hotspots. Producer countries will need to recognise environmental issues associated with degraded forests, destruction of peatlands, loss of biodiversity, and depleting soil and water quality. In these countries, large consumers like India can demand responsible sourcing, which will ensure the sustainability of production.

There is a need to work on responsible trade of high deforestation-linked commodities between consuming and producing countries, specifically rethinking FTAs around the ASEAN discussions. India has an important role to play in South-South regional stewardship. The discussions of the group posit that collective responsibility needs to be taken and steered to ensure such policies are developed and implemented by the producer countries. Being one of the largest importer countries, India can push this agenda in the global forums - especially in the Global South to build a shared vision and potentially sustainability certification. Since India's relationship with Malaysia and Indonesia is predominantly around the import of palm oil, first efforts can be made in that value chain.

### Market Action and Policy Engagement

In addressing the issues of sustainability in India, the government and the private sector and market action can play a critical role. Companies involved in commodity imports and export can help in ensuring sustainable production by demanding traceability and building value chains with a thrust on responsible sourcing. Strengthening existing standards and certification that guarantee sustainable production along with increasing the uptake of these standards in key markets will need to take centre stage. This can also be built as a thought leadership to better support the narrative and the Government of India. Later, the Government of India can also look to put in place mandatory measures for all the goods and commodities to ensure that India is at the global standard for sustainability. India has already set one example for this with TRUSTEA<sup>5</sup>, the Indian sustainability tea standard developed by IDH. TRUSTEA not only ensures environmental sustainability but also covers issues of human rights, equity, and inclusion.

As India expands the idea of certification to other commodities, it is also now poised well to demand sustainability as a fundamental requirement to qualify commodities for trade from countries. Stronger standards like Roundtable on Sustainable Palm Oil (RSPO) for palm oil can be critical levers in achieving these goals across multiple countries. While taking this initiative, careful planning and agenda setting across multilateral forums are important. Mapping the international commodity supply chains with volume and available sustainability levels of production will be a fundamental requirement to plan this agenda based on the forum and member states.

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<sup>5</sup> <https://trustea.org/>

There is a further need for careful prioritisation for intensifying demand, balancing domestic production and also the Indian market for key commodities like palm oil, timber, soy and rubber. Since most of these commodities are known drivers of global deforestation, reducing the demand which may be a knee jerk measure given the lack of alternatives to these commodities and population expansion. In addition, nutrition access and security for the poor have always been a driver on the increase in the import of palm oil in India. So the idea would not be to move away from palm oil but simply to start demanding sustainable palm oil in our imports. Per capita consumption of all these four commodities is on constant increase in the country. Considering the development demands of the country, the economy of which is growing much faster along with its population, the demands are expected to increase as over time.

In this background, attaining sustainability in the production of commodities is extremely important. Historically the policy taken by the country is to prioritise attainment of self-sufficiency in the production of cereals and pulses and import commodities like palm oil. The country has achieved sustainability of production of cereals; however, there is now an increased emphasis on self-sustainability in case of pulses production. With this background, considering the population of citizens dependent on pulses as the primary protein source, the question is whether oilseeds or pulses need to be prioritised given the land availability and other conditions. Further, even as oilseed production intensifies, the viability of the oil palm crop in India is being deliberated due to its high potential for sustainability impact and additional dedicated land needed for cultivation.

#### Agriculture and Domestic Production

As trade and agriculture continue to be driven by profit, as long as the market demand continues and remains profitable, farmers will continue producing whatever possible within the ecological limitations of the region of production. MSP policies in India remain interlinked with offshore deforestation caused by the increase in consumption of edible oils (soy and palm oil) in the country. There has been a thrust recently on diversified production of oilseeds and pulses in different parts of India, especially the Gangetic plains and Eastern India. Cereal production has been at the helm of the agriculture policies related to green revolution, and in order to ensure the increase in pulses and oilseed production, the MSP policies need to be revisited.

India's landmass (available for oilseed cultivation) at this stage is not ready to serve 100% of our domestic demand for edible oil. The group discussed how 3.5 million hectares that is 5% of the total area, is already under wheat. A hectare of cereal generates a sale value of \$1000 at most. A hectare of oilseeds will generate \$2,900 sales value per hectare. The feasibility of subsidising the oilseed production as in case of rice and wheat needs to be also mapped against the average yield of edible oil is 5 MT finished oil per hectare. Based on the estimates during groups discussions, roughly 3 million hectares would be required to grow enough oilseeds to completely replace imports. Given the complexities of the situation, India may choose to concentrate more on intensifying production of pulses than oilseeds at this point and promote the diversification of agriculture. This would be focussed on intensifying oilseeds like groundnut and mustard, the import of which remains economically unviable. The country will in the future also be ready to revisit its MSP policies, expanding it to oilseeds as well to intensify the production. The country can also concentrate on improving enabling conditions such as ensuring the Minimum Residue Levels (MRL) of pesticides in

the agriculture commodities, which can double the impact on ensuring safe food and bringing multiple benefits to the commodities produced for export quality.

At a later stage, India can also work to put in place robust sustainability criteria and build a case for responsible sourcing for public procurement. Domestic policies supporting sustainability should also focus on access to nutrition for its large population and, at this stage, steer clear of biofuel production from edible oil. India's top planning agency, the NITI Aayog, has already initiated discussions with the European Union to build this. Another critical commodity, timber, is also a major import and builds a similar case for (1) strengthening of existing certification and (2) intensifying the domestic production. This would effectively reduce the import of unsustainably extracted timber and support the country to attain international commitments like Bonn Challenge and NDC commitments to Paris Agreements. The implementation of agroforestry policies and intensification of the production of timber and pulpwood outside the forest areas are key measures that would help India reduce the timber import to the country.

#### Requirement of intensifying corporate initiatives towards just and sustainable agriculture

Across multiple commodity value chains in India, the private sector remains critically linked to agriculture. A part of their work is with existing farmers using available farmland. While the private sector investments in India are not at all a driver of deforestation, the demand from the private sector primarily drives commodity-related (e.g. palm oil) deforestation. The private sector can also support regenerative agriculture and agroforestry to increase tree cover and improve soil health and water quality in agricultural land.

#### Concluding points

- a) India should push this agenda in global forums, especially in Global South – for a common agreeable sustainability certification for export from producer countries.
- b) Mapping of the international commodity supply chains connected with India, including the volume and available sustainability levels of production, is inevitable for preparing the agenda to be promoted in different international forums based on the participating countries.
- c) India may concentrate more on intensifying production of pulses than oilseeds in the short run and promote the diversification of agriculture for intensifying the oilseeds like groundnuts, mustard etc.
- d) MSP backed procurement needs to be also provided to oilseeds to ensure the diversification of agriculture and production of oilseeds to attain self-sustainability.
- e) India should enforce sustainability criteria of production in case of public procurement, including Minimum Residue Levels at the export standards for all the commodity production – even for domestic trade.
- f) The country should utilise the areas earmarked for developing palm oil plantations for tree plantations to reduce the import of timber and pulpwood.

## Integrating Small-holder Farmers and Forest-dependent Population's Interest

There are 700 million people dependent on agriculture and forests for their livelihoods, and around 85% of the farmers are small and marginal farmers, owning less than 2 hectares (ha) of land. Presently, most of these farmers suffer from low productivity, poor access to capital, and high transaction cost for accessing information and markets. Though a part of their marketable surplus reaches export market, due to poor traceability systems and lack of disaggregated data, the exact quantification of their participation in international trade is difficult to assess. Given the socio-economic context, focusing on local and regional circular loops and strengthening social and environmental safeguards are key drivers prior to connecting with global markets. Any discussion on integrating farmer and forest-dependent population's interests should be consultative and include their perspectives.

### Fostering a livelihoods-centric approach to agriculture through diversification and reducing forest dependency

Both small landholders and forest-dependent populations face similar challenges. Rather than a commodity-focused approach that is currently the case, a livelihoods-centric diversified approach to agriculture would increase farmer income and reduce the risks and dependency on forests. Good practices such as growing trees outside forest areas, agronomic practices for reducing soil loss as runoff, sustainable agricultural interventions etc., can play an essential role in improving the resilience of the production systems, improving farm income, and conserving natural resources. Additionally, improved livelihoods from sustainable agriculture practices would reduce the forest dependency of the dependent population. Focus on sustainable harvesting of non-timber forest products (NTFP) is vital. There is a need to shift from high-value commodities, whose supply chains do not consider social safeguards and benefits are not flowing to the local community. Unplanned focus on the export markets, which requires critical quantities of one particular forest product to facilitate aggregation, can potentially impact local biodiversity.

### Addressing fragmentation in the forest-related value chains to strengthen the local and regional markets

Small landholders and forest-dependent populations are vulnerable to international price shocks as their coping mechanisms are limited. Strengthening the local supply chains and market and integrating the small producers with the local and regional market would be a prerequisite before the smallholders are exposed to the export market. Local *haat* (market) is the lifeline of these communities, and little investment can make them economically vibrant and an important place for trade. The private sector needs to give special attention to smallholder farmers. Due to high transaction costs, agribusiness companies often prefer to deal with large landholders. Product aggregation through farmer producer organisations for small landholders can set the right direction for accessing distant markets as they will benefit from economies of scale and scope. Building social safeguards is critical with a focus on developing value chains that improve livelihoods and local biodiversity. Crucial to learn from the pitfalls of developing high-value commodity value chains that have been extractive in nature with benefits not flowing to the local community.

## Role of government in safeguarding small landholders and forest dependent populations' interest and appropriate shift in policy incentives is crucial

Protecting and safeguarding the interest of small landholders and the forest-dependent population is crucial. To build regional and local market policy incentives need bolstering considering the seasonality and market aggregation issues. For example, strengthening existing policy incentives like Minimum Support Price for Minor Forest Produce, *Van Dhan Yojana*, and its delivery mechanism is emerging as a critical gap to address. This is crucial to protect people's interests and develop value chains where benefits flow to the local population and enrich biodiversity. Relevant government departments need sensitisation. Through a consultative mechanism, stakeholders need to identify solutions to reduce barriers to developing regional and local markets. Innovative incentive mechanisms can be explored, for instance, payment of ecosystem services as an incentive for the small landholder and forest-dependent population.

## Recognising land rights and resource rights and strengthening governance and institutional mechanisms

There is a need to develop institutional and governance mechanisms to ensure that benefits from local and regional market chains flow to people. For instance, recognising tribal and forest-dependent populations' rights over community forest resources under the Forest Rights Act 2006<sup>6</sup> could facilitate management committees to develop governance rules and harvesting, marketing, etc. Developing safeguards to ensure supply chain development for NTFPs, medicinal plants, etc., are not extractive is critical. Any practice or practice modifications that reduce diversity should be prohibited. The local institutions are bedrock for ensuring sustainability in livelihood interventions, and the decision on the type of land use should be made by the community solely without influences from outside.

## Addressing data and knowledge gaps

There are considerable gaps in knowledge, both local as well as institutional, which are a barrier to developing sustainable value chains that need to be addressed. For instance, unexplored knowledge around medicinal plants or NTFPs or developing sustainable harvesting standards. For unlocking nature-based solutions (NbS) finance, it is crucial to understand and map the biodiversity regions to develop data-driven strategies for ecosystem-based adaptation and mitigation strategies like landscape restoration. A lot of these data gaps could be filled through public and private partnerships.

## Leveraging technology to support innovation and entrepreneurship avenues for small landholders and forest-dependent population

Access to technological advances is varied in rural India, especially among the forest-dependent population. Technical solutions like value addition of commodities, better marketing, and packaging are critical to build sustainable value chains and reduce transaction costs. The reach of the forest-dependent population to these resources and knowledge is limited. Knowledge-based investment for technology adoption may be necessary, as appropriate considering local conditions to connect the

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<sup>6</sup> <https://tribal.nic.in/fra.aspx>

local community to local and regional markets. Technological solutions could also enable more robust monitoring of the richness of biodiversity and other ecosystem services within a landscape.

### Scope to unlock nature-based solutions finance for adaption and mitigation interventions

There is potential to unlock private finance for NbS and ecosystem-based adaptation by developing a robust evidence base of critical levers to which funding can be deployed. This will enable philanthropies to prioritise investment areas. India is well-positioned to leverage the funding flows for NbS - it can be used as an overarching framework to address the social, economic, and ecological challenges that smallholders and forest-dependent populations face. There is also a need to explore the availability and possibility of private capital and corporate social responsibility (CSR) funds for scaling up good and sustainable agricultural practices, already evidenced through focusing on tree-based restoration projects. Potential to develop synergistic models of convergence and blend public and private finance will be crucial to strengthen the uptake of NbS for multiple benefits.

### Concluding points

- a) India needs to strengthen its stance on traceability and nature-positive value chains as it continues to be one of the largest demand markets for key commodities from offshore deforestation hotspots.
- b) India needs to focus on building policy and market incentives to develop a mechanism for promoting sustainable sourcing, production, harvesting, and reducing fragmentation in value chains.
- c) India needs to strengthen the domestic supply chains and ensure its sustainability before policy impetus to strengthen connections between small landholders and international supply chains and export market.
- d) The focus of value chain development needs to be on creating a local and regional market rather than export-oriented with an emphasis on developing an environment and social safeguards and a level playing field for greater uptake of sustainability practices.
- e) The overall focus should be on enhancing livelihoods, landscape restoration, protecting forests, diversification of agriculture rather than a commodity-focused approach.
- f) The role of the government in safeguarding small landholders and forest-dependent population's interests is critical. Stellar laws exist to protect people's interests. Recognising land and resource rights and strengthening governance and institutional mechanisms is vital.
- g) Several data and knowledge gaps require additional research and should be a priority area of investment. Including assessing leveraging technology to support innovation and entrepreneurship avenues for small landholders and forest-dependent population.
- h) There is potential to unlock NbS finance for adaption and mitigation interventions. Special emphasis needs to be on developing synergistic models of convergence and blend public and private finance to strengthen the uptake of NbS for multiple benefits.

## Transparency and Traceability

Transparency and traceability play an important role in ensuring sustainability of global forest and agriculture commodity supply chains. Being one of the largest importers of deforestation-linked commodities, India can and should play a significant role in ensuring the sustainability of production. The discussion on transparency and traceability in the context of India focused on existing scenarios and enabling conditions, gaps and initiatives required and the role of various stakeholders. The following sections present the major points that emerged during the discussion.

### Generating reliable data- first step towards ensuring transparency and traceability

Availability of reliable data on key aspects of major commodities is a significant tool in ensuring transparency and traceability in the global value chains. Being one of the major importers of deforestation-linked commodities such as oilseeds, rubber, and timber, India must officially join hands with the source countries to generate better data on production and extraction of these commodities to prevent deforestation linked to export market demand. Robust data on various aspects of value chain of these commodities and their impact on forests and communities need to be collected and made publicly available. Along with this, India needs to also work towards collection and availability of adequate data around domestic production or extraction of commodities and the related environmental and social impacts.

At the domestic level, a significant commodity India needs to focus on are the Non-Timber Forest Produces (NTFPs). The country currently lacks sufficient data about the extraction quantities of the NTFPs as well as around sustainability of extraction or collection of the NTFPs by the communities. Considering the geographical and biological diversity of the Indian sub-continent and the heavy reliance of the forest-dwelling communities on NTFPs, an in-depth understanding of the NTFP value chain in different regions of the country, particularly from a policy perspective, can be the starting point towards creating sustainability in the domestic production and local trade.

While discussing the need to generate data, it is pertinent to examine the current institutional mechanisms and its capacity to generate data. Various institutional reforms helped to develop the ability to collect disaggregated data. However, data on specific commodities, even major timber commodities at the national level, is unavailable or sometimes is inaccessible. This calls for advancing coordinated efforts between government, business groups and civil society organisations to generate reliable data on deforestation-linked commodities.

### Need of efficient use of technology

Changes in land use and land cover have different impacts in the forest, forest-fringe and non-forest areas. In the fringe areas, communities experience lack of opportunities for economic return due to low agricultural production. In non-forest areas, with depleting arable lands, commodities production leads to pollution and low-income agriculture. Existing technologies can be efficiently used to supplement information and data generated on deforestation, commercial agriculture, and land restoration. In terms of data collection, technology can help trace and periodically document the dynamics between land uses and land covers like forest, agriculture and urban areas at very high

resolutions. However, when a commodity is processed and marketed, the transparency of the process, methodology and outputs are also important for ensuring traceability at the national and subnational levels. The reports generated should be made available on open-source platforms so that various national and international agencies can monitor the changes in the land use patterns. Available high-resolution open-source data sets and artificial intelligence and machine learning techniques help convert these reports into reliable information on commodity value chains.

### Understanding the drivers for building transparency and traceability

Ensuring transparency and traceability in international and domestic supply chains calls for a detailed understanding of various drivers of sustainability impacts. Along with this, identifying the most influential stakeholders driving sustainability in supply chains is also important. Understanding the key stakeholders in terms of consumer, brand, financial institutions, government, and international organisations that can serve as drivers to push the sustainability agenda further is important.

### Drivers need to come from the bottom to change the narrative in transparency and traceability

Many drivers currently tend to be external factors like consumers preferences for commodities and sustainability performance of brands. In the Indian context, there exists a significant divide between urban and rural populations. Affluent consumers from urban areas who are conscious of sustainability issues may demand information about the products they consume; however, this is not a consideration for the large set of rural population present in different states across the country. Therefore, it could be best if the push for ensuring traceability comes from the governments. Several initiatives such as business responsibility reporting, disclosures around climate commitments of the country by the Climate Disclosure Project<sup>7</sup> (CDP) or the supplier scorecard by Zoological Society of London (ZSL) encourage transparency or traceability in supply chains. However, to establish these as widely accepted practices for transparency, further depth needs to be built in the reporting framework than currently offered by these disclosure tools and scorecards.

### Role of private sector in establishing traceability and transparency in international trade

Bringing transparency and traceability in supply chains needs investment. Hence to drive sustainability, senior management of businesses often seek a business case along with studies of similar cases which benefitted from it. Developing a robust and successful business case entails active involvement of both the industries and the government, which includes strong regulatory support as the business case develops. However, many multinational companies have already made commitments towards sustainability and set standards. Voluntary sustainability initiatives from such companies that are leading the way can create a competitive environment to establish standards for driving traceability across the entire value chain and encourage other smaller companies to initiate their sustainability journey.

In India, industrial associations such as the Indian Pulp and Papers Manufacturers Association, Solvent Extractor's Association of India, and Confederation of Indian Industry have also played a critical role

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<sup>7</sup> <https://www.cdp.net/en>

in driving sustainability. While large industry associations can play an important role at a national level, trade associations can play a major role at the regional or local level, given their rich field-level insights.

### Role of governments and civil society organisations in establishing traceability and transparency in international trade

Various markets across the globe are at different levels of maturity, and thus their approach towards building sustainable supply chains also varies. There are differences in market response among affluent and middle-income countries too. Being the largest importer of deforestation-linked commodities such as palm and soybean oils, India must take leadership towards ensuring transparency and traceability and thus sustainability in the producer countries of South Asia where it sources from. There are models carried out by other countries that the Indian government and companies can follow building sustainability in the imports of deforestation-linked commodities and build consensus among stakeholders for uptake. This also requires the drafting of new legislation as well as position and policy papers. Consensus building is a time-consuming process that needs collaboration among business groups with the government. These could help the government in drafting policy documents and undertake consultations. Civil society organisations have also played a major role in pushing brands and retailers on the path of sustainability and providing inputs to governments on the subject. Involvement of civil society in the consultations with the governments as well as business groups is also crucial in building accountability in ensuring transparency and traceability across supply chains.

### Highlight the role of public and private players

Government policies and regulations should come in early and go hand in hand with other efforts, including voluntary sustainability standards.

### Concluding points

- a) India needs to have more dialogues and join hands with the source countries to generate better data on production and harvesting of these commodities to prevent deforestation and establish traceability and transparency in supply chains.
- b) India should undertake active measures to generate sustainability-related data on exported commodities by establishing standards associated with the certification process.
- c) India should also build an in-depth understanding of the NTFP commodity value chain, particularly from a policy perspective, which can be the starting point in building sustainability in domestic production and local trade.
- d) India needs to trace and periodically document the dynamics between land-uses and land-covers such as forest, agriculture and urban areas at high-resolution satellite imageries using cutting edge technology.
- e) Voluntary initiatives from the companies that are leading the way can create a competitive environment in establishing standards, ensuring traceability in the sector.
- f) India needs concerted efforts among public and private sector actors for advancing traceability and achieving sustainability in value chains.

- g) Government policies and regulations should come in early and go hand in hand with other efforts, including voluntary sustainability standards.

## Conclusions and way forward

India has been part of international trade from time immemorial, more as a producer of different commodities. Over time, due to many factors, it has become a powerful producer and consumer nation in the international commodity supply chains. It is also clear that India is an importer of commodities like oilseeds, timber and rubber, the production or harvest of which is known to be associated with deforestation in the source countries. India is also involved in exporting water-intensive agriculture crops and products like rice, cotton and sugar. However, beyond the resource-intensive production of commodities, the stringent forest protection measures adopted by the country's subnational governments have ensured minimal deforestation due to exports. Still, as a nation, which is strongly positioned in the international trade, being a rapidly growing economy, high volume importer and exporter of commodities and given the backdrop of its legacy of taking leadership in global environmental sustainability agenda, the consultation resulted in suggesting the following ways forward.

The country needs to act as a steward in promoting sustainable trade across the globe. This needs careful mainstreaming of the supply chain sustainability agenda in international forums and trade negotiations. India needs to map its trade relationships and volume of commodity movements through international supply chains by initiating separate dialogues with producer countries. One of the key measures in ensuring the sustainability of the trade is building traceability of the source in the commodities traded through international supply chains. A careful analysis of the data scenarios and harvest needs to be carried out to identify the information gaps to ensure the sustainability of production. The country should also promote integrating sustainability standards and certification processes in its supplier countries, especially for deforestation-linked commodities. Along with this, India should also carefully attempt to protect the livelihoods of the smallholder farmers in the producer nations from which it imports commodities.

India needs to develop measures for periodical monitoring of land use dynamics – especially forest and agriculture using cutting edge technology and high-resolution satellite imageries. The country also should take initiatives to ensure the integration of sustainability standards in production and trade of deforestation-linked commodities and advance the development of simple and low-cost certification processes to ensure the standards. This will set models for the other nations and help improve livelihoods of small farmers in the country (thereby reducing forest dependency) and ensure the quality of production of commodities traded in the domestic market. The country also needs to invest in revealing the connection between the agriculture policies associated with Minimum Support Price and other input subsidies with the sustainability of production and take adequate steps to bring policy changes to ensure livelihood development for farmers. India should also review the domestic production policies to ensure a) the balance between expanding the agriculture to ensure production sustainability of commodities which are in high volume import, sustainable land uses for forestry, agroforestry, and opportunities to meet the international forestry commitments like NDC and Bonn



Challenge. The government and civil society need to promote voluntary initiatives from private sector entities to create a competitive environment for establishing traceability in the sector.

Being a country with a large population dependent on agriculture, India should certainly ensure maximum sustainability of production. The country also needs to prioritise its domestic production policies by carefully balancing the imports and domestic production in terms of sustainability, feasibility and ensuring the livelihoods of small farmers in India and the producer countries. It also needs to identify the best livelihood options for the farmers in the country while selecting the commodities to be prioritised for achieving sustainability in domestic production.

## Annexure I - List of Participants

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