

Private sector involvement in implementing multilateral environmental agreements (MEAs): A closer look at the natural products industry¹

Anthea Stephens, Programme Manager²
World Conservation Union (IUCN), South Africa

Introduction

The private sector has never had a greater role to play in furthering sustainable development objectives than it does now, particularly in the developing world. Much of the debate today, however is focussed on understanding the role of large corporations, particularly in the extractives industries, in sustainable development, given the scale of impact of these industries on natural resources and the environment. However this focus often pitches the private sector against the environmental agenda, despite efforts made by the conservation and mining sector to identify ways of improving the performance of the mining industry in relation to biodiversity conservation and protected areas. It is important in advancing this debate, to consider other cases, particularly where environmental targets and the activities of the private sector are more closely aligned. At the same time, it is important that representatives from a range of sectors participate actively in the debate to ensure fair representation of issues affecting them.

The global corporate social responsibility agenda is shaped largely by northern agendas and has been understood to include ‘voluntary actions’ of large enterprises. As a result, the contributions of smaller businesses and industries, central to the economies of rural areas in developing countries, are frequently overlooked. The constraints smaller businesses and industries operate under, such as limited human and financial resources, restrict their ability to participate in global policy processes. In addition, the implications and requirements of MEAs, whether cleaner production methods or the listing of a frequently traded species on CITES, can present either opportunities or barriers to smaller businesses and industries who are less able to argue their case in policy-making arenas. As governments and international agencies begin to explore the possibilities of a better coordination and engagement with the corporate sector on the implementation of MEAs, the agenda must include a diversity of private sector players, beyond corporations and representatives from extractives industries.

The indigenous natural products industry in Southern Africa offers fresh and useful insights on role of the private sector in sustainable development. While unsustainable harvesting and other forms of exploitation of natural and intellectual capital pose

¹ This paper draws from the experience of an IUCN programme (the Natural Products Enterprise Programme) in Southern Africa that is being implemented by IUCN South Africa in partnership with PhytoTrade Africa.

² Email: anthea.stephens@iucn.org

similar threats as they do in other industries, the natural products industry has the potential to offer significant benefits for the environment and for poor people who are often excluded from entering other markets due to the higher costs of entry.

This paper examines the contribution of the private sector to the implementation of MEAs through the lens of the indigenous natural products industry in Southern Africa. An overview of the natural products sector is provided, outlining the rationale for using this sector to deepen our understanding of the private sector's engagement with sustainable development, followed by a discussion on the relationship between this sector and specific MEAs.

The Natural Products Sector in Southern Africa

In order to understand the role of the natural products industry in the implementation of certain MEAs, clarity is needed on what is meant by the term "natural products" and more specifically, why the definition commonly adopted in Southern Africa allows for significant contributions towards meeting the sustainable development objectives of MEAs. The market definition of natural products is wide and covers products that come from biological resources (organic animal products included), be they indigenous, alien or cultivated. Within this broad definition is a sub-sector of natural products that, by its nature, offers benefits to poor communities in rural areas and the environment. There are indigenous, wild-harvested natural products. The use of resources, which are accessible to and owned by poor rural people and are ecologically and culturally adapted to local conditions, underpins a 'biodiversity-friendly' industry, with low barriers to entry.

Sustainably harvested and fairly traded indigenous products offer a significant opportunity to improve the livelihoods of poor communities living in rural areas with access to natural resources. Growing this industry has the potential to benefit to both the natural environment and those in the supply chain (including the rural poor primary producer groups, buyers, processors and exporters). The resulting benefits to biodiversity and poverty alleviation are goals entrenched in the multilateral environmental arena.

The global market for natural products is large and continuing to grow, with a strong interest in new products from Africa. It is these trends that offer hope to a region like Southern Africa, beset with devastating levels of poverty, particularly in rural areas, and declining economic growth rates. Southern Africa's potential for agriculture and range animal production is limited by infertile soils, low levels of rainfall and poor nutrients in most areas. Arable land covers about seven percent of the region and irrigable soils less than one percent.

The region's riches are found in its indigenous natural resources, with 56 percent of its landmass covered in forest and woodland, and 30,000 species of indigenous

flowering plants (representing nearly ten percent of the world's total). There are eight different vegetation zones within Southern Africa, five of which are classified as 'Zones of High Endemism'. Exploitation of this natural capital is already an important livelihood strategy for many rural people.

Globally, the market for natural products is large – estimates of its value vary between US\$40 billion and US\$60 billion.

Approximately 440,000 tonnes of raw plant material are traded annually on export markets at a value of US\$1.3 billion a year. Current volumes of export trade in raw medicinal plants, with growth in the market at 3-5 percent per annum, is close to 600,000 tonnes per year at a value of US\$1.8 billion.

Developing the natural products industry has the potential for economic, social and ecological returns. The potential exists for a gross turnover of US\$250million a year within 10 years. The potential distribution of benefits can be illustrated for baobab oil³. 1,500 tonnes of baobab oil a year (sold as a Fair Trade cosmetic ingredient) might involve 66,000 primary producers, each turning over US\$80 a year from the sale of raw fruit, 2,300 SMEs, each turning over US\$3,000 a year from the sale of seed, and 30 large-scale processors, each turning over US\$600,000 a year from the sale of oil with the industry valued at US\$18 million a year.

- Europe is one of the larger markets for raw medicinal plants, with over 140,000 tonnes imported a year. The majority of this material is wild-harvested.
- The US dietary supplement industry relies heavily on herbal and botanical ingredients – a market estimated at around US\$5.5 billion/yr.
- The global market for nutraceuticals experienced rapid growth in the 1990s, with estimates of its global value ranging from US\$16.5 billion upwards.
- The global cosmetics and personal care market is estimated at anywhere from US\$10 and 55 billion per annum. The 'naturals' component of this market has shown vigorous growth in the last decade, estimated at 20-25% a year, and is believed to represent at least 10% of the overall market (i.e. US\$5.5 billion or more).

Social benefits from a vibrant natural products industry include increased average incomes in the region, increased health, nutrition and food security, improved local skills and knowledge, the empowerment of women, and increased social and financial capital. Ecological benefits stem from the fact that natural product commercialization depends on and reinforce principles of sustainable use – one of the three objectives of the Convention on Biological Diversity (CBD). The natural products sector also supports the United Nations Convention on Combating Desertification (UNCCD) by assisting to combat environmental degradation through better natural resource management. Unsustainable harvesting will have negative impacts, but basic steps can reduce the likelihood of exploitation.

³ *Adansonia digitata*, commonly known as the baobab, is probably the best-known tree in Africa, producing fruit with a hard woody shell, covered in fine yellow hairs. Inside the shell of the fruit are seeds, containing a kernel from which the oil is extracted. The seeds are surrounded by white powdery pulp, used in drinks or as a sauce or relish for food (PhytoTrade Africa, 2005).

The commercialisation of indigenous, wild-harvested resources can contribute sustainable development – economically, socially and environmentally – with particular benefits for poor people for whom the barriers of entry into other markets, where start up costs are higher, can be overwhelming. As with other emerging industries, international policy frameworks can either help or hinder the nascent natural products industry in Southern Africa. It is important that contributions of the natural products sector towards specific MEAs, as well as the constraints posed by those MEAs to the sector, are understood.

The Natural Products Sector and MEAs

International policy, and in particular, MEAs, can provide important opportunities to promote and support an industry that is both ‘pro-poor’ and ‘pro-environment’. Similarly, international frameworks can pose major obstacles for small businesses wanting to enter global markets. From the early days of the CITES convention, which was seen to be more restrictive for small businesses, limiting trade in listed species, the more recent Conventions of the 1990s are seen to be more supportive and conducive to small businesses that link environmental and social concerns. However there are a number of unresolved policy issues, such as intellectual property rights and other barriers that impede trade in natural products from Southern Africa. Without being able to engage with these issues, smaller businesses particularly, will be unable to negotiate this terrain to their advantage.

Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)

One of the earliest MEAs, CITES is an international agreement that aims to ensure, amongst its Parties, that international trade in specimens of wild animals and plants does not threaten their survival. Annually, international wildlife trade is worth billions of dollars and includes hundreds of millions of plant and animal specimens, ranging from live animals and plants to an array of products derived from them. Levels of exploitation of some animal and plant species are high and the trade in them, together with other factors, such as habitat loss, is capable of bringing some species close to extinction. For traded species that are not endangered, CITES works to ensure the sustainability of trade to safeguard these resources for the future. If a natural product is listed in the CITES Appendices⁴, its trade will be curtailed according to its listed status in order not to further endanger the species.

⁴ Appendix I lists species that are the most endangered among CITES-listed animals and plants. These are threatened with extinction and CITES generally prohibits commercial international trade in specimens of these species. Appendix II lists species that are not necessarily now threatened with extinction but that may become so unless trade is closely controlled. Appendix III is a list of species included at the request of a Party that already regulates trade in the species and that needs the cooperation of other countries to prevent

A pertinent example of the impact that an MEA can have on an industry and on the livelihoods of people involved in the trade or harvesting of the product has recently been seen in the CITES arena. In the case of Devil's Claw⁵, a proposal to list the species on CITES was made without sufficient information on the status of the threat to the species and a full understanding of the impact of the listing on thousands of rural livelihoods.

Growing concern about the increased levels of trade in Devil's Claw and the sustainability of its harvested lead Germany to propose, in April 2000 at the 11th CITES Conference of Parties, that Devil's Claw be listed on Appendix II. The range states did not support the listing and the proposal was withdrawn, primarily because of the absence of scientific data available to support such a listing. A number of follow-up activities lead to Devil's Claw being dropped from the CITES agenda except for a study on the lessons learnt regarding the socio-economic impacts of proposing to list plants with important roles in local livelihoods.

The mere proposal to list Devil's Claw had negative consequences in the international market, and by implication for the livelihoods of the extremely poor people who rely on wild harvesting for an income. The CITES proposal caused an immediate dip in market demand. However its most worrying effect has been the renewed impetus given to domestication and cultivation efforts that would lower prices and increase supply, making wild harvesting redundant and destroying thousands of rural livelihoods Namibia and Botswana.

Convention on Biological Diversity (CBD)

The Convention on Biological Diversity has three objectives, all of which have direct bearing on the natural products industry and vice versa. These are:

- the conservation of biological diversity
- the sustainable use of its components and
- the fair and equitable sharing of the benefits arising out of the utilization of genetic resources, including by appropriate access to genetic resources and by

unsustainable or illegal exploitation. Species may be added to or removed from Appendix I and II, or moved between them, only by the Conference of the Parties. Species may be added to or removed from Appendix III at any time and by any Party.

⁵ *Harpagophytum*, or devil's claw, comprises two species, *H. procumbens* (with two sub-species, *procumbens* and *transvaalensis*) and *H. zeyheri* (with three sub-species, *zeyheri*, *sublobatum* and *schijffii*). It is a perennial vine that grows in deep Kalahari sands, and has a strong taproot with a number of secondary storage tubers growing laterally off the taproot. The tubers of the species (BURCH. DC. Ex MEISNER 1840, ssp. *procumbens*) have been listed in the European Pharmacopoeia for the treatment of rheumatism and arthritic ailments for some time while *H. zeyheri* was added to the definition in January 2003 to cover all devil's claw products (IUCN, 2004(b)).

appropriate transfer of relevant technologies, taking into account all rights over those resources and to technologies, and by appropriate funding.

In many respects, the natural products industry is a testing ground for the CBD. Many provisions of the CBD, including those made explicit in its objectives and those in its articles, are supported by the natural products industry. Adding value to indigenous products helps to promote better stewardship of these resources, including improved natural resource management practices, while offering a viable alternative to converting the land to agriculture and thus losing biodiversity. However, a straight reliance on market forces will not keep the utilisation of species within sustainable limits. The principles of sustainable use, which incorporate issues ranging from policy to governance, resource management, market forces and so on, in commercialisation strategies are key to ensuring the viability and sustainability of the industry.

Many of the products traded on global markets originate from the wealth of traditional knowledge surrounding generations-old use of indigenous plants by local people. During commercialisation companies invest resources in further research and development of specific aspects of these products, towards better understanding the active elements, or developing technologies for improved processing, thus adding significant value to the product. The CBD provisions on access and benefit sharing and traditional knowledge aim to ensure parity along the supply chain in the commercialisation of biological resources.

Access and benefit sharing arrangements are put in place to ensure that people providing access to indigenous biological resources may share in the benefits that arise from the commercialisation of these resources. Intellectual property rights are patents, copyrights or other means of protecting an innovators exclusive ability to control the use of their innovation for a specific period of time. Patenting is one way to protect the region's natural resources from other countries cultivating their own plants or developing synthetic substitute. Bioprospecting is systematic research on genetic resources for commercial or industrial exploitation. These issues are controversial in Southern Africa, a region that has exceptional biodiversity and potential for commercialisation but which has not yet succeeded in realising significant benefits for the poor. The CBD provisions on IPR and ABS go some way to reinforce the rights of local people, whose knowledge is vested in commercial products, allowing them to influence the process and receive a fair share of the benefits that arise from commercialisation.

United Nations Convention on Combating Desertification (UNCCD)

Desertification has its greatest impact in Africa where two thirds of the continent is either desert or drylands. Almost three quarters of the widespread agricultural drylands are already degraded to some degree. Combating desertification is vital to

ensuring, sustainable livelihoods, poverty alleviation and the long-term productivity of inhabited drylands. The UNCCD recognises that the link between environmental degradation, poverty and human vulnerability is intensified in arid regions. The Convention aims to combat desertification and mitigate the effects of drought through strategies that promote improved productivity of land, and the rehabilitation, conservation and sustainable management of land and water resources, leading to improved living conditions, particularly at a community level.

One of the strategies promoted in the Convention to achieving its goals is to increase the value of products from dryland areas. The Convention's thematic programme on agro-forestry and soil conservation aims to support regional and local initiatives that promote the domestication, processing and marketing of agro-forestry products (plant species) of socio-economic interest for African countries.

In Southern Africa, the indigenous natural products industry is an important element of this strategy. The industry utilises plant species from arid and semi-arid regions in a sustainable manner, while the low labour and operational costs for producers increase the industry's competitiveness in markets, supporting job creation and livelihoods. A viable natural products industry will lead to increased trade and economic prospects within drylands, and as the industry grows, the rehabilitation of degraded lands and secure livelihoods for communities living in drylands are potential spin-offs.

Summary

This paper has attempted to demonstrate the intricate link between a sector that offers the potential to address both environmental and poverty concerns and multilateral agreements that have a direct bearing on that sector. By examining the relationship between MEAs and the private sector through the lens of the natural products industry, the paper has highlighted a more nuanced relationship between the private sector and furthering progress towards global environmental goals.

A key feature of the global trade in natural products is that it utilises small quantities of materials from regions of high biodiversity where large numbers of people who live who have few other economic options at their disposal. The importance that this industry plays in contributing to rural economies while positively impacting on biodiversity is difficult to assess on an individual basis but collectively the impact is great. However, supportive policy frameworks at all levels and functional, market-based supply chains are essential to ensuring a vibrant, viable industry. With these criteria in place, the indigenous natural products sector offers an important contribution towards the achievement of sustainable development targets.

References

Convention on Biological Diversity (CBD), 1992.

Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), 1973.

IUCN, 2004(a). *Natural Products Enterprise Programme (Natpro): Programme Design*, final, Pretoria, June 2004.

IUCN, 2004(b). *Industry Analysis: Devil's Claw*, draft, Prepared for the IUCN-SA's Natural Products Enterprise Programme, by PhytoTrade Africa, Pretoria, June 2004.

IUCN, 2004(c). *Industry Analysis: Lipid Oils*, final, Prepared for the IUCN-SA's Natural Products Enterprise Programme, by PhytoTrade Africa, Pretoria, June 2004.

IUCN, 2004(d). *The Socio-Economic Rationale for Investing in a Sustainable Natural Products Industry in Southern Africa*, final, Prepared for the IUCN-SA's Natural Products Enterprise Programme, by PhytoTrade Africa, Pretoria, June 2004.

PhytoTrade Africa, 2005. Website. <http://www.phytotradeafrica.com/>

United Nations Convention on Combating Desertification (UNCCD), 1992.