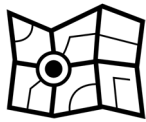


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Paraguay Risk Mitigation Guide

Soy



This tool has been developed by NEPCon under the project “Responsible Sourcing of Soy, Palm Oil and Cattle” with support from DANIDA, Ministry of Foreign Affairs of Denmark.



COUNTRY SPECIFIC
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Paraguay Soy Risk Mitigation Guide

NEPCon has evaluated the risks in Paraguayan Soy supply chains across five categories:



Business Issues



Social Issues



Environmental Issues



Conversion



GMOs

The key CSR risks identified in this report concern business issues, social issues, environmental issues, conversion and GMOs. This Soy Risk Mitigation Guide provides advice on how to mitigate the risks identified.

Soy source types and risks

There are three soy source types found in Paraguay. Knowing the “source type” that soy originates from is useful because different source types can be subject to different applicable legislation and have attributes that affect the risks.

Smallholder

Soy from family-managed plots, usually from subsistence farming. The average farms are 10 hectares in size. As of 2008, there were 21,000 small land owners growing soy, covering approximately 200,000 ha of crops in total. This source of soy is not commonly found in export supply chains.

Medium sized holder

Soy from medium-sized, mechanised commercial farms. Farms are on average 162 hectares in size. As of 2008, there were approximately 8,000 medium-sized producers covering 1.3 million ha of land.

Large holder

Soy from large industrialised commercial farms. Farms are on average of 2,100 hectares in size. As of 2008, there were approximately 1,000 large producers who farm around 1.7 million ha. Approximately 53% of the area under cultivation is in the hands of these 3.3% of land owners. **This is the primary source of soy in Paraguay.**

We have analysed the risks for all source types and found the risks are different depending on the source type.

Map your supply chains

To effectively evaluate and mitigate risks in your supply chain, it is necessary for you to know where the source originates. This will allow you to determine your source type and mitigate the risks associated with that source type. As risks have been identified with all source types, supply chain mapping is necessary to further evaluate, specify and mitigate the risks.



The **Supply Chain Mapping Tool (DD-07)** can be used to record supply chain information at a detailed level.



The **Supplier Management Form (DD-04)** can be used to maintain a complete supply chain overview.



Business Issues

The following two risks have been identified related to business issues in Paraguay:

1. Risk that farms do not have valid land tenure because they do not hold valid property deeds. A payment of 25% of the value of the plot is required to secure tenure. It is reported that 35% of those with less than 5 ha, 52% of family farmers and 80% of the medium- and large-scale producers hold valid property deeds. There is a lack of coordination between the Ministry of Agriculture and Livestock Farming (MAG) and the Institute for Rural Development and Land (INDERT) over land tenure governance coupled with an absence of adequate legislation to cover the leasing of agricultural land. This has led to a situation where many leases are on land without proper land titles. Furthermore, there are also many land claim disputes including by indigenous peoples and the “landless” in Paraguay.
2. Risk that income and profit taxes are not paid in full. There is weak enforcement of the laws and high levels of corruption in the country. Reportedly, large foreign-owned soy operators evade national taxes.

Risk	Mitigation recommendations
Risk that farms do not have valid land tenure because they do not hold valid property deeds.	<ol style="list-style-type: none">1. Check the farm has all the valid legally required land tenure documents:<ul style="list-style-type: none">○ Deed Title and/or Judicial Resolution (original or a certified copy)○ Proof of property tax payment for the current year or a certificate showing exemption from property tax, in the province in which the tax obligation originated.○ Land Registry certificate○ Farms up to 20 hectares are registered with National Register of Family Farming (RENAF)○ For land renters:<ul style="list-style-type: none">▪ Long term rental contract

	<ul style="list-style-type: none"> ▪ Record of rent payments ▪ Copy of the owner's title of ownership ○ Records Free Prior Informed Consent and copies of negotiated agreements (if applicable) ○ Evidence of a dispute resolution mechanism <ol style="list-style-type: none"> 2. Review information on land tenure disputes and developments on indigenous and traditional peoples' land (small holders) claims: <ul style="list-style-type: none"> ○ Identify potential conflicts over land uses. Ask the supplier for a map identifying the traditional communities close to its farms and/or cross reference the farm location with the location of indigenous lands ○ Records of Free Prior Informed Consent, copies of negotiated agreements shall be available ○ Evidence of a dispute resolution mechanism is in place ○ Consult interested parties: <ol style="list-style-type: none"> i. National Institute for Rural Development and Land (INDERT) ii. Paraguayan Institute of Indigenous Affairs iii. Paraguayan Federation of Indigenous Peoples FAPI iv. WWF Paraguay 3. Through on-site verification, confirm farm activities takes place within the authorized boundaries in accordance with the relevant licenses 4. Stakeholder consultation shall confirm that registration of farm has been granted following legally prescribed processes
<p>Risk that income and profit taxes are not paid in full.</p>	<ol style="list-style-type: none"> 1. Verify the soy farmer has the following valid tax related documents <ul style="list-style-type: none"> ○ Certificate of Unique Taxpayer Registration Number ((RUC) Número del Registro Único del Contribuyente)

Note: this is not applicable to industrial / large farms

- An annual report (for companies and large-scale producers)
 - Sworn declaration of payment of taxes.
2. Confirm the farmer/producer/company is registered with the [National Tax Administration](#) through holding a valid Unique Taxpayer Registration Number Certificate



Social Issues

The following four risks have been identified related to social issues in Paraguay:

1. Risk that labour regulations are not complied with due to the high level of informal workers in the rural sector. This includes workers not receiving the minimum or fair wage, holidays, statutory breaks, social security, healthcare, pensions etc.
2. Risk that health and safety regulations are not met due to a lack of coordinated legislation on occupational safety, and a lack of enforcement of the existing laws. This is compounded by the fact that up to 85% of the rural workforce is working informally in the agricultural sector.
3. Risk that the law implementing the ILO Fundamental Conventions are not upheld consistently by all entities and/or are systematically ignored, and/or are not enforced by relevant authorities. It is estimated over 20% of children in Paraguay are involved in child labour and almost half of these work in the agricultural sector. There is a risk that the basic rights and employment rights of women are not respected. There is evidence that freedom of association is obstructed in practice in Paraguay.
4. Risk that indigenous or traditional peoples' rights are violated. Indigenous people do not hold the legal land titles over their traditional territories and the state has not protected them against the actions of corporate owners and other non-indigenous farmers despite there being laws in place to protect their land ownership rights. Indigenous communities face the threat of developers and illegal settlers who invade their lands. Their territorial claims come up against powerful economic interests that have a degree of influence over the government and these interested parties are often opposed to awarding land to indigenous people and thus there are many land disputes over what is claimed to be traditional territory.

Risk

Mitigation recommendations

Labour regulations are not complied with.

1. Check whether the employer is the owner of the land, the landlord or the service companies*

Verifiers:

- Institute of Social Prevention (IPS) registration
- Identity Card (CI) of the Employer
- Certificate of RUC

2. Check that all employees are officially registered (in accordance with Act N° 213).

Verifiers:

- Workers are insured and enrolled with the Social Security Institute
- Check with information from the RUC (MTESS)
- Identity Card (CI) of employees

3. On site verification of the legality of the employment according to the work carried out.

Verifiers:

- Interview employers and ask what activity they are carrying out, how much the employer pays for the activity, what payment system they have (daily/wage, monthly, performance/production), how long the working day lasts, how many days per week they work and observance of the basic wage for the category
- Certification of credits
- Wage receipt
- Contract of employment
- Ministry of Labour, Employment and Social Security (MTESS)

4. Consultation with employees, requesting their DNI (national identity document) to ensure that they are on the national identity database. *

	<p><i>Verifiers:</i></p> <ul style="list-style-type: none"> ○ Ascertaining that the worker is registered in employers' registration (Registro Patronal): for limited liability companies and for corporations. <p>5. Consult neighbours and interested parties and the Employment Office about the work situation of the producer-employer and the workers.</p> <p><i>Verifiers:</i></p> <ul style="list-style-type: none"> ○ Reports from the Ministry of Labour, Employment and Social Security (MTESS) Industrial demands
<p>Health and safety regulations are not complied with.</p>	<p>1. Check that there is a Health and Safety Plan that is implemented and adapted to agricultural operations.</p> <p><i>Verifiers:</i></p> <ul style="list-style-type: none"> ○ Report on General Survey of Workplace Risks <p>2. Monitor the provision of work clothing and Personal Protective Equipment. Check whether the general survey of workplace risks was carried out.</p> <p><i>Verifiers:</i></p> <ul style="list-style-type: none"> ○ ID of worker ○ Registered with the Ministry of Labour, Employment and Social Security (MTESS) ○ Obligatory register of Employers (RUC) ○ Report on general survey of workplace risks ○ Registration with the Institute of Social Prevention (IPS) <p>3. Interview employees and find out about health and safety, the provision of information materials, training, among other elements and check if this marries with the Technical Report.</p> <p><i>Verifiers:</i></p>

	<ul style="list-style-type: none"> ○ Report of the Technical Inspection on Occupational Health and Safety <p>4. Review the pre-occupational medical examination (in accordance with the evaluated risk) and affiliation to insurers of risks IPS and check report on the accident rate and register of accidents.</p> <p><i>Verifiers:</i></p> <ul style="list-style-type: none"> ○ Medical examination (every 6 to 12 months) ○ Check whether they are registered with the IPS. ○ Register of accidents
<p>Laws implementing the ILO Fundamental Conventions are not upheld consistently by all entities and/or are systematically ignored, and/or are not enforced by relevant authorities.</p>	<p>1. Check the age of the employee and monitor whether there are children working in forced conditions. There should be employment contracts and workers ought to be registered with the ROE.</p> <p><i>Verifiers:</i></p> <ul style="list-style-type: none"> ○ IPS registration ○ ID of the Employer ○ Certificate of enrolment in RUC ○ ID of the worker <p>3. Interview employees and check about: Food during the working day (quantity, quality, variety), accommodation, union membership, how the employer treats workers, the presence of women and children workers.</p> <p><i>Verifiers:</i></p> <ul style="list-style-type: none"> ○ Check with RUC information (MTESS) ○ Identity card (CI) of employees ○ Employment contracts ○ Wage receipts and deposit receipts

4. Check if there are any registered complaints against the employer:

Verifiers:

- Ministry of Labour, Employment and Social Security (MTESS)
- Registered Union (if applicable): (<http://www.sitramis.com.py/index.php/cesitp/12-central-sindical-de-trabajadores-del-paraguay-cesitp>) Check on registers for any complaints against the employer and membership of a union.

Indigenous or traditional peoples' rights are violated.

In addition to the implementing the recommendations for land tenure risk, we recommend the following:

1. Review information on land tenure disputes and developments on indigenous and traditional peoples' land claims:

- Identify potential conflicts over land uses. Ask the supplier for a map identifying the traditional communities close to its farms and/or cross reference the farm location with the location of indigenous lands
- Consult with neighbors, local communities, landowners and other stakeholders to find out if A) land tenure rights are clear and – where applicable – lease of the land has been agreed by all the landowners; and B) if there are any court orders or other legal decisions that mean that the company is not allowed to operate due to conflicts of land tenure.
- Consult interested parties:
 - National Institute for Rural Development and Land ([INDERT](#))
 - [Paraguayan Institute of Indigenous Affairs](#)
 - Paraguayan Federation of Indigenous Peoples [FAPI](#)
 - [WWF Paraguay](#)

2. Verify there are records Free Prior Informed Consent and copies of negotiated agreements in place (if applicable)

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3. Evidence of a dispute resolution mechanism – there is documented system for dealing with complaints and grievances and is accessible



Environmental Issues

The following two risks have been identified related to the Soy harvesting regulations in Paraguay:

1. Risk of non-compliance with environmental legislation due to poor implementation and weak monitoring and enforcement. This has led to deforestation, soil erosion, water pollution due to pesticide and fertilizer use.
2. Risk that the existing laws relating to protected sites and species are not upheld consistently or not enforced. The funding of the Environment Secretariat (Secretaría del Ambiente, SEAM) is insufficient to effectively manage and monitor its protected areas. There has been a process of land excision from national parks for indigenous communities but this lost area is not compensated with any new protected area.
3. Risk that high conservation values are being threatened by soy farming.

Risk	Mitigation recommendations
Non-compliance with environmental legislation.	<ol style="list-style-type: none">1. Verify the soy farm producer has the following valid required environmental documentation: <i>Verifiers:</i><ul style="list-style-type: none">○ Environmental Impact Assessment for large properties (> 500 hectares)○ Land use plan (<i>Plan de Ordenamiento Predial</i>) addressing the management of soils, forests, water, biodiversity and agrochemical products.○ Environmental monitoring and mitigation plan (<i>Plan de monitoreo ambiental predial</i>)○ Environmental impact assessment report2. Assess the risk of deforestation and native forest management is in accordance with Act N° 2524 and Act N° 5045 (Ley N° 2524 and Ley N° 5045)

	<ul style="list-style-type: none"> ○ Check the VS SHP satellite image of property limits and compare with data from Official National Forest Institute (INFONA)'s maps, Global Forest Watch deforestation maps, WWF Paraguay (regularly published deforestation reports and maps) and other relevant data <p>3. Confirm through on-site verification management plans for environmental issues are implemented and monitored including hazardous waste management.</p> <p><i>Verifiers:</i></p> <ul style="list-style-type: none"> ○ Agrochemical product use in the property ○ Agrochemical product deposit conditions and safe application methods ○ Management of waste and hazardous waste.
<p>Existing laws relating to protected sites and species are not upheld consistently or not enforced.</p>	<ol style="list-style-type: none"> 1. Assess the risk of deforestation and native forest management is in accordance with Act N° 2524 and Act N° 5045 (Ley N° 2524 and Ley N° 5045) <ul style="list-style-type: none"> ○ Check the VS SHP satellite image of property limits and compare with data from Official National Forest Institute (INFONA)'s maps, Global Forest Watch deforestation maps, WWF Paraguay (regularly published deforestation reports and maps) and other relevant data 2. Confirm location of the soy farm is not located in a protected area or threatening High Conservation Values. Cross check a remote sensing or GIS map showing property limits against: <ul style="list-style-type: none"> ○ a Map of the nationally and regionally protected areas; and ○ a List of species categorised by threat level, and identifying rare, endemic, threatened and endangered species in accordance with the IUCN list and the SEAM national lists
<p>High conservation values (HCVs) are being threatened by soy farming.</p>	<ol style="list-style-type: none"> 1. Confirm the farm has the following information/documents/data in place: <ul style="list-style-type: none"> ○ Environmental Impact Assessment for large properties (> 500 hectares) ○ Land use plan (Plan de Ordenamiento Predial) addressing the management of soils, forests, water, biodiversity and agrochemical products. ○ Environmental monitoring and mitigation plan (Plan de monitoreo ambiental predial)

- High Conservation Value (HCV) assessments
 - Conversation/High Conservation Value (HCV) management plans
 - High Conservation Value (HCV) assessments
 - Historical remote sensing imagery evidence to confirm no conversion of primary forest, peatlands and HCVs post 2005
2. Assess the risk of deforestation and native forest management is in accordance with Act N° 2524 and Act N° 5045 (Ley N° 2524 and Ley N° 5045)
 - Check the VS SHP satellite image of property limits and compare with data from Official National Forest Institute ([INFONA's maps](#), [Global Forest Watch deforestation maps](#), WWF Paraguay (regularly published deforestation [reports and maps](#)) and other relevant data
 3. Confirm location of the soy farm is not located in a protected area or threatening High Conservation Values. Cross check a remote sensing or GIS map showing property limits against:
 - Map of the [nationally](#) and regionally protected areas
 - High Conservation Data:
 - i. HCV data from the National Forest Inventory (*Inventario Forestal Nacional* ([INFONA](#)))
 - ii. [High Conservation Value \(HCV\) assessments](#)
 - iii. Defined forest areas that protect watercourses under Act 4.241/10 (*Bosque Protector de Cauces Hídricos en el Marco de la Ley 4.241/10*)
 4. Conduct on-site verification to:
 - Confirm management plans for protected sites, species and High Conservations Values are implemented and monitored.
 - Maps/remote sensing images for deforestation assessed reflect reality



Conversion

The following two risks have been identified related to conversion in Paraguay:

1. Risk that natural forests and ecosystems are converted to agriculture, including soy farms. This continues in the eastern region despite the Paraguayan government having a zero deforestation policy and legislation for the eastern region.
2. Risk that fire avoidance is not practiced on farms, that illegal fires are set for land clearing purposes and that such fires lead to devastating uncontrolled fires.

Risk	Mitigation recommendations
<p>Natural forests and ecosystems are converted to agriculture, including soy farms.</p>	<p><i>In addition to implementing the recommendations for the risks associated with land tenure, we recommend:</i></p> <ol style="list-style-type: none"> 1. Assess the risk of deforestation and native forest management is in accordance with Act N° 2524 and Act N° 5045 (Ley N° 2524 and Ley N° 5045) <ul style="list-style-type: none"> ○ Check the VS SHP satellite image of property limits and compare with data from Official National Forest Institute (INFONA's maps, Global Forest Watch deforestation maps, WWF Paraguay (regularly published deforestation reports and maps) and other relevant data 2. Verify on-site (if a risk has been detected) that there is no sign of forest conversion in the farm (prohibited since 2004)
<p>Fire avoidance is not practiced on farms, that illegal fires are set for land clearing purposes and that such fires lead to devastating uncontrolled fires.</p>	<ol style="list-style-type: none"> 1. Assess the risk of fire incidents occurring within the farm – examine fires trends by region/province/district and potential overlap with soy plantations; <p><i>Verifier:</i></p> <ul style="list-style-type: none"> ○ Global Forest Watch Fires platform: http://fires.globalforestwatch.org/about/ 2. Verify that the soy farm has the following valid documents if a risk of fire use by soy farm(s) has been detected: <p><i>Verifiers:</i></p> <ul style="list-style-type: none"> ○ Property fire protection plan ○ Approved control burn permit

3. Consult local authorities and/or local stakeholders that no land preparation was conducted by through the unauthorised use of fire.



GMOs

The following risk has been identified related to GMOs in Paraguay:

1. Very high risk that GMOs are used for soy production. GMO soy is difficult to identify or separate from non-GMO soy unless tested in laboratories or certified as being organic. 99% of soy produced in Paraguay is genetically modified. Despite an established regulatory framework for biosafety in Paraguay there is a lack of information on the approval processes and relevant authority. The National Commission for Agricultural and Forestry Biosafety has a website that does not work, and the Ministry of Agriculture does not report on the releases of GMO varieties.

Risk	Mitigation recommendations
GMOs are used for soy production	<ol style="list-style-type: none"> 1. Determine if Genetically Modified seeds are used: <ol style="list-style-type: none"> a. Consult the supplier on the seed type used and relevant certificates b. Verify if the seed is officially authorized in Paraguay, is not GM seed and that the seed supplier is registered in the SENAVE register http://www.senave.gov.py/

About

Responsible Sourcing of Soy, Cattle and Palm Oil

Responsible Sourcing of Soy, Cattle and Palm Oil is a project aimed at creating awareness and capacity among Danish companies to minimise risks of social and environmental problems connected to sourcing palm oil, soy and cattle from developing countries. The project is run by NEPCon and SEGES and funded by DANIDA, Ministry of Foreign Affairs of Denmark.



NEPCon (Nature Economy and People Connected) is an international, non-profit organisation that builds commitment and capacity for mainstreaming sustainability. Together with our partners, we foster solutions for safeguarding our natural resources and protecting our climate.

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