Making Voluntary Sustainability Standards Contribute to the SDGs

11 October 2018

"In Search of Equitable VSS"

By

Ms. Julia Seiermann
Associate Economic Affairs Officer, UNCTAD

The views expressed are those of the author and do not necessarily reflect the views of UNCTAD
In Search of Equitable VSS
Preliminary Findings from UNCTAD Field Studies

Julia Seiermann, UNCTAD
11 October 2018
Introduction

- **UNCTAD Development Account Project**
  - "Fostering Green Exports through Voluntary Sustainability Standards (VSS) in Developing Countries"
  - Goal: Help governments design policies that ensure VSS contribute to the Sustainable Development Goals (SDGs)
  - Challenge for governments: VSS pose similar barriers to producers as non-tariff measures (NTMs) - but they are private, i.e. more difficult to influence
  - Method: Study the situation on the ground

- 3 countries, 3 pilot studies
  - Vanuatu, Philippines and Lao PDR (ongoing)
  - Develop assessment toolkit
    - Qualitative interviews
    - Quantitative survey
    - Engage stakeholders along the entire value chain
  - Policy recommendations to governments

Today's presentation

- Preliminary findings from 2 field studies
  - Countries: Vanuatu and the Philippines
  - Product: Coconut oil
- Coconut oil production and value chain
- Findings from the studies
  - Coconut oil production and exports
  - Context for organic certification
  - Survey results on stakeholders' views: motivation, perceived impact and barriers
    - Note: Today's data is not a representative sample (small sample to test the assessment toolkit)
- Policy options
  - Idea: Provide a "menu" for policy-makers
  - Choose and adapt as appropriate in the local context
Why coconut oil?

- Coconuts and coconut oil are important export products for Vanuatu and the Philippines
  - Vanuatu even exports copra (coconut "meat") to the Philippines for further processing
- World market demand is high and increasing
- Coconut oil presents opportunities for small-scale farmers and producers to participate in the value chain
  - Reduce poverty (SDG 1) and inequality (SDG 10)
Coconut oil value chain - actors

- Harvesting
- Primary Processing
- Secondary Processing
- Manufacturing
- Final Market

Domestic Market:
- Input Providers (Tenants/Workers)
- Producers (Farmers)
- Brokers (Middlemen)
- Processors (Medium-Large)
- Processors (Micro-Small)

Foreign Market (Importer):
- Brokers (Exporters)

Images show various stages of the coconut oil production and marketing process.
Vanuatu: Coconut oil

- Coconut sector supports 80% of Vanuatu's rural population
- Coconut palm products account for almost half of Vanuatu's exports
  - Copra 20%, coconut oil 18%, other coconut products 7%
  - Production often "organic by default/neglect"

- Country-specific challenges
  - High transport cost
  - Relatively low quality of copra
  - Low critical volume

→ Product differentiation through VSS can be an opportunity
→ Organic certification is prominent for coconut oil; condition for accessing many international markets
Vanuatu: Organic certification

- Types of organic certification
  - Third-party organic certification
    - E.g. BioGro (Australia and New Zealand), Australian Certified Organic
  - Participatory Guarantee Systems
    - Organic Pasifika Certification (OPC): currently not for coconuts

- Government institutions
  - No national management body responsible for certification
  - Several institutions involved
    - Department of Agriculture and Rural Development (DARD)
    - Vanuatu Commodities and Marketing Board (VCMB)
    - Vanuatu Bureau of Standards (VBS)
Vanuatu: Survey

• Survey among producers (farmers) only
  – 18 certified and 71 non-certified

• Certified farmers
  – Most were certified in 2016 or 2017 (only 2 in 2012)
  – All but one received help from an NGO or other organisation

• Non-certified farmers
  – Many interested in gaining certification, because they would like
    • Higher and/or more stable income
    • Improved access to (export) markets
  – Some not interested, mostly because they don’t know anything about certification
Access to information

- "[T]o gain certification is a difficult process because I don’t know where to start" (Coconut farmer, Vanuatu)

- While two thirds of uncertified farmers have heard of organic certification, less than 20% understand how they could get certified
Perceived difficulty of gaining certification

- "I think it's a good thing to gain organic certification, but something that I feel is very hard for me to gain" (Coconut farmer, Vanuatu)

- Among non-certified farmers, almost 40% view different barriers as "severe"

- Among those already certified, only 20% view those same barriers as "severe"

- Lack of information as a "mental barrier"

![Perceived barriers to organic certification](chart)

(Mean across 6 potential barriers: cost, information, paperwork, road access, rules and time)
Gender-specific challenges

"I never thought that I'll get certification for my coconuts because I think it's work for men only." (Female coconut farmer, Vanatu)

Women are less likely than men to have heard of organic certification, and less confident about its potential positive impact on women.
Philippines: Coconut oil

- Coconut oil = most important agricultural export commodity
  - 23% of agricultural exports
- Traditionally, exporting copra; now developed coconut oil industry
  - High value products (Virgin Coconut Oil (VCO) and organic coconut oil) offer better opportunities for exporters
  - Increasing demand for VCO → more and more difficult for MSMEs to compete with large companies
  - Production of coconuts often "organic by default/neglect"; however, not fully "organic" due to non-organic intercropping
  - Processors also often follow "partially organic" processes
Philippines: Organic certification

- Third-party organic certification by organic certifying bodies (OCBs)
  - National certification versus international certification

- Government institutions
  - Bureau of Agricultural and Fishery Standards of the Department of Agriculture (DA-BAFS): accredits OCBs, provides subsidies…
  - Other agencies involved
    - Philippine Accreditation Bureau of the Department of Trade and Industry (DTI-PAB)
    - Philippine Coconut Authority (PCA)
    - Philippine Council for Agriculture, Forestry and Natural Resources Research and Development (PCARRD)
    - (…)

UNIVERSITY OF SOUTHERN CONGO CONFERENCE ON TRADE AND DEVELOPMENT
Philippines: Survey

- Survey among different actors in the value chain
  - 26 farmers
  - 10 workers
  - 16 tenants
  - 10 oil producers (processing companies)
  - 15 brokers

- Compare the degree of preparedness, different motivations and perceptions (upstream versus downstream actors)
Philippines: Stakeholders' preparedness

- How well informed are different stakeholders?

<table>
<thead>
<tr>
<th></th>
<th>Workers</th>
<th>Tenants</th>
<th>Farmers</th>
<th>Brokers</th>
<th>Oil producers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have heard of certification?</td>
<td>10%</td>
<td>19%</td>
<td>27%</td>
<td>33%</td>
<td>100%</td>
</tr>
<tr>
<td>Interested in gaining certification</td>
<td>0%</td>
<td>0%</td>
<td>44%</td>
<td>43%</td>
<td>40%</td>
</tr>
<tr>
<td>(Non-certified only)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Think certification is difficult /</td>
<td>100%</td>
<td>100%</td>
<td>85%</td>
<td>86%</td>
<td>80%</td>
</tr>
<tr>
<td>don't know</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have a concrete idea on the changes</td>
<td>0%</td>
<td>6%</td>
<td>15%</td>
<td>27%</td>
<td>60%</td>
</tr>
<tr>
<td>that happen to a firm when it</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>obtains certification?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Downstream actors tend to be more informed and more interested in certification than upstream actors
Philippines: "Qualitative" survey information

- Sometimes, "unexpected" survey data can be very informative

- Certified farmers, tenants and workers
  - Even though certified, no clear knowledge of type of certification
  - No clear understanding of what "organic" production means

- Even upstream actors who are already organically certified do not necessarily have a thorough understanding of what it is and how it works
Philippines: Stakeholders' motivations

- **Main motivation of certified actors: Economic**

<table>
<thead>
<tr>
<th>Top 3 motivations for certification</th>
<th>Farmers</th>
<th>Brokers</th>
<th>Oil producers</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Increase income&quot;</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>&quot;Increase demand for product&quot;</td>
<td>100%</td>
<td>60%</td>
<td>57%</td>
</tr>
<tr>
<td>&quot;Receive support from government, NGO, etc.&quot;</td>
<td>50%</td>
<td>40%</td>
<td>71%</td>
</tr>
</tbody>
</table>

- **Note:** Some actors are motivated because of support, which may be a concern i.t.o. incentives (subsidies)
Philippines: Stakeholders' perceptions

- Perceptions on economic benefits from organic certification (certified and non-certified)

<table>
<thead>
<tr>
<th></th>
<th>Farmers</th>
<th>Brokers</th>
<th>Oil producers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prices for certified are higher than for conventional products</td>
<td>58%</td>
<td>67%</td>
<td>90%</td>
</tr>
<tr>
<td>Organic farming is more profitable than conventional</td>
<td>62%</td>
<td>80%</td>
<td>80%</td>
</tr>
<tr>
<td>Organic product will sell at a premium (higher price) in markets</td>
<td>65%</td>
<td>87%</td>
<td>90%</td>
</tr>
</tbody>
</table>

- Downstream actors are more convinced about benefits than upstream actors
- *(Note: evidence whether certification has paid off for certified actors is limited)*
Summary: Challenges

- Coordination within government; between government and stakeholders not always ideal
- Third-party certification required to access international markets and obtain higher prices... but
  - Difficult to attain for (small) producers and processors
  - Barriers seem large (especially for those not yet certified)
  - Farmers are not well-informed
  - Benefits not always spread equally across the value chain

- What can governments do?
  - "Menu" of suggestions based on qualitative and quantitative evidence from the field studies
Policy recommendations

1. Establish/define bodies/institutions to address VSS
   1. National management body
   2. Multi-stakeholder platform
      • Needs to be accessible to all relevant actors (issue of transport cost, time constraints...)

2. Provide information to farmers
   - Currently: mostly "within-value-chain" certification
     • Limited bargaining power
     • Lack of cross-sectoral information (e.g. organic intercropping)
   - Pay attention to gender (and possibly other) differences
Policy recommendations

3. Make third-party certification more accessible
   - Subsidies (pay attention to incentives)
   - Pool resources/collaborate to reduce cost of audits
   - Foster competition in certifying sector

4. Create a national/regional sustainability brand
   - Intermediate step between "no certification" and "international certification"
   - Can be independent auditing or participatory guarantee systems
   - Smaller hurdle, but building an internationally viable brand is difficult → need local demand

5. Change consumer behaviour and create local market
   - Set up specific market places / events
   - Government procurement (e.g. organic ingredients for public school cafeterias)
Thank you for your attention! We are looking forward to your comments and suggestions!

www.unctad.org