

## PHILIPPINES CASE STUDY

The project “Fostering green exports through Voluntary Sustainability Standards” of the United Nations Conference on Trade and Development (UNCTAD) has developed an approach to help developing countries build their capacity to achieve sustainable growth through green exports.

Using the VSS Assessment Toolkit designed under this project, UNCTAD conducted a reality-check to develop policy options for the Philippine virgin coconut oil (VCO) value chain to effectively respond to the growing demand for the adoption of sustainable practices, which contributes to improving market opportunities and country’s green exports.

Based on the conclusions of this study, UNCTAD supported the establishment of a “Technical Working Group (TWG) on Organic Certification of Virgin Coconut Oil” in the Philippines, which held its first meeting in November 2019.

Building upon UNCTAD’s findings and the conclusions of its first meeting, the TWG is due to adopt a VCO National Action Plan in support of the Philippines Export Development Plan (PEDP) 2018-2022 at its second meeting in 2020.

This country case study was conducted in partnership with the Philippines Department of Trade and Industry (DTI) and the Philippine Coconut Authority (PCA).

### WHY THE PHILIPPINES?

#### LONG EXPERIENCE BUT THE NEED FOR AN INCLUSIVE DIALOGUE

The Philippines already has extensive experience with VSS in promoting the country’s key exports such as coconut oil, bananas, coffee and fresh or processed pineapples.

In that context, what the country needed most was to gather information on these experiences and build a dialogue – for example through a national multi-stakeholder platform – between producers, businesses and government policymakers to holistically assess and enhance the country’s strategies towards green exports growth and sustainable development.

### PRELIMINARY STAGE: IDENTIFYING A HIGH-POTENTIAL PRODUCT AND ITS VALUE CHAIN

#### THE PHILIPPINES AND VIRGIN COCONUT OIL

Coconut was selected as an important sector for economic and rural development in the Philippines. Indeed, the important role of coconut for millions of Filipinos is evident by the huge amount of land and human resources devoted to the sector: coconut is cultivated in 68 out of the 79 provinces in the country and represents about 331 million coconut trees in 3.3 million hectares of land.

All in all, coconut areas account for 30 per cent of the total farmlands and the industry employs 3.5 million coconut farmers, who comprise 20 per cent of the country’s poor. In this context, virgin coconut oil is the top agricultural export commodity, contributing to 23 per cent of the total value of the Philippines agricultural export in 2015.

## STAGE 1: IDENTIFYING THE MAIN ACTORS AND THEIR KEY CONCERNS

### INITIATING THE DIALOGUE AND COLLECTING EVIDENCE FROM THE FIELD

In February 2019, UNCTAD visited the Export Marketing Bureau (EMB) of the Philippines Department of Trade and Industry (DTI), while simultaneously consulting the key stakeholders in the sector, to discuss the expected key issues of the reality-check in preparation. This visit also paved the way for the establishment of a national VSS multi-stakeholder platform in the Philippines, while allowing for a field visit to assess producers' needs from the ground up.

## STAGE 2: DEVELOPING POLICY OPTIONS BASED ON A REALITY-CHECK

### OPPORTUNITIES AND CHALLENGES OF ORGANIC VIRGIN COCONUT OIL

In close collaboration with Philippine authorities, UNCTAD conducted a pilot diagnostic study looking at policy options to support organic certification for green exports in the virgin coconut oil sector. UNCTAD's VSS Assessment Toolkit was used as a key tool to:

1. Conduct a value chain analysis of VCO industry;
2. Assess stakeholders' perception of the market opportunities and challenges offered by organic virgin coconut oil;
3. Develop policy options to respond to these challenges.

#### Virgin Coconut Oil Value Chain

Complex links run along the coconut oil value chain, starting from farm labourers and farmers and ending with either processors or exporters, if the coconut oil is exported to foreign markets.

Many farmers are elderly and have low levels of education, while middlemen, processors, and exporters are younger and well-educated. Farmers, linked to the value chain by middlemen, have the least power and benefits in many aspects. Processors and exporters of coconut oil have the capacity and power to influence government policy, while middlemen have the power to set prices. Associations of farmers and processors play an important role in the networks, providing access to information, support for organic certification, and links to other value chain actors.

Many coconut farms are organic by default but are not certified. Certified processors help them to get certification. In most cases, processors apply for organic certification directly to an Organic Certifying Body (OCB). With linkages to many actors, middlemen and exporters of coconut oil benefit

most from certification. There are only three accredited local OCBs in the country: the Organic Certification Center of the Philippines (OCCP), the Negros Island Certification Services (NiCert) and Control Union Philippines, Inc. (CUIP).

#### Perceived Opportunities and Challenges for Organic Certification of Virgin Coconut Oil

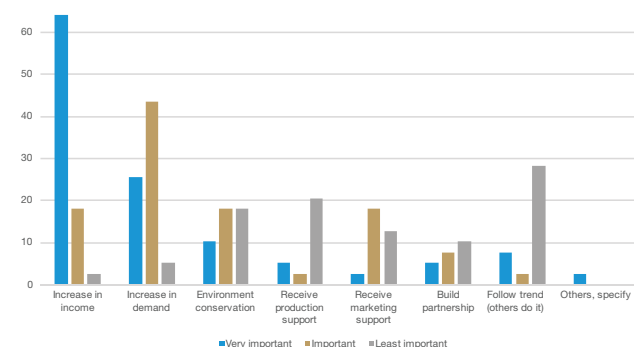
Through a sample survey and interviews, stakeholders were consulted with a view to studying their perception of organic certification.

#### Opportunities

Actors across the value chain agreed that more profits could be derived from organic farming than conventional farming.

They also considered (as per Figure 1) certification of production and businesses to have a positive impact on decent employment (i.e. sufficient income, prevention of child labour, healthy and safe workplace environment), sustainable production and consumption, environmental conservation (i.e., no impact on soil and water degradation, biodiversity loss and deforestation) and partnership building.

Figure 1. Motivations for organic certification by level of importance



In addition, evidence shows that the certified segment of the sector is performing well in terms of gender equality: in many cases, women are already provided with – if not equal – at least higher opportunities in supervisory and/or decision-making roles than in conventional businesses, especially in certified processing companies.

Finally, organic certification of VCO in the Philippines can count on favorable conditions:

- In spite of the challenges that they face, stakeholders in the VCO value chain are already well-acquainted with organic production processes and even often with the requirements of organic certification;
- In spite of its limitations, a subsidy program for organic certification has been established by the government of the Philippines, which is considered essential by all actors across the value chain to create opportunities from certification.

## Challenges

The survey pointed out that actors in the Philippines' VCO value chain are confronted with several barriers to both the process of organic certification and capturing the benefits of this certification:

- 1. Getting organic certification is administratively burdensome:** filling out certification documents and keeping records for audits is challenging for producers, therefore putting the administrative burden on processors and exporters who have to support multiple certifications. It is also difficult for them to train producers.
- 2. Obtaining organic certification is costly:** certification is too expensive for producers and, even though processors and/or exporters apply and pay for certification for producers, transition periods are long, validity short, and renewal complex.
- 3. Incentives to comply with standards are low:** producers do not perceive benefits from certification and inspections are not frequent. This leads to poor compliance, harming the credibility of Philippine organic products.
- 4. Low productivity leads to non-organic practices:** several factors affect productivity of the sector such as old trees, soil erosion, climate change and pests, forcing producers to apply fertilizers or pesticides.
- 5. Local demand is low:** demand in the local market is low because benefits from organic production are not widely

acknowledged and organic products are perceived to be expensive.

**6. Low number of organic certifying bodies (OCBs):** only three national OCBs have been accredited. This lack of competition contributes not only to high costs and heavy administrative requirements, but also to low standards of certification.

**7. Limitations of the subsidies:** the conditions of the programme for subsidies affect its efficiency. Indeed,

- It requires 3 years of organic practice prior to reimbursement, which is difficult for smallholders and MSMEs considering the high cost of certification;
- It relies on guarantees provided by OCBs, which practically hold a monopoly;
- It is aimed at the domestic market; exporters do not qualify.

## Policy Options for the Philippines

**Policy Option 1. To enhance producers' knowledge and managerial capacity:**

- Provide entrepreneurial skill support;
- Implement organic education in schools and training programs.

**Policy Option 2. To provide access to resources and facilities:**

- Build capacity to produce organic inputs and integrate them in livelihood programmes;
- Create access to small-scale processing facilities at affordable rates.

**Policy Option 3. To strengthen partnership:**

- Support membership in associations;
- Provide extension of services.

**Policy Option 4. To foster a competitive OCB sector:**

- Facilitate the accreditation of more OCBs;
- Provide capacity-building for OCBs.

**Policy Option 5. To create a more innovative and attractive certification system:**

- Provide premium to producers and promote the sharing

- of certification costs;
- Reduce paperwork, especially for renewal, and align standards;
- Set up an online platform for best practices and knowledge-sharing.

#### **Policy Option 6. To create a domestic market:**

- Make processed organic products affordable for local consumers;

- Improve marketing strategies for organic producers.

#### **Policy Option 7. To consolidate and increase efficiency of government's support:**

- Integrate organic practices in livelihood and productivity programmes;
- Improve subsidy programmes, e.g. financially supporting farmers and MSMEs during transition period and providing subsidies for exports of organic goods.

## **STAGE 3: BUILDING AN INCLUSIVE DIALOGUE LEADING TO A POLICY FRAMEWORK**

### **BRIDGING DISCUSSIONS TO ACTIONS**

#### **The milestones of a national multi-stakeholder platform to discuss organic certification of virgin coconut oil for green exports: 1st Technical Working Group on VCO**

Over 50 stakeholders of the virgin coconut oil industry, including government agencies, international organizations, farmer groups, and private companies, gathered at the 1st Technical Working Group (TWG) on Organic Certification of Virgin Coconut Oil in the Philippines (25 November 2019, Manila).

This 1st TWG was jointly organized by the Department of Trade and Industry (DTI), the Philippine Coconut Authority (PCA) and UNCTAD to discuss, assess and prioritize the policy options identified in UNCTAD's study.

The TWG members highlighted the challenges in maximizing the benefits of organic certification for successful commercialization and economic sustainability in the virgin coconut oil sector.

The TWG agreed to structure the discussion outcome in a draft

National Action Plan (NAP) to be adopted at its second meeting

#### **Policy discussions bear fruit: the institutionalization of a national multi-stakeholder platform and the concretization of a comprehensive strategy for organic virgin coconut oil**

Jointly organized by DTI, PCA and UNCTAD, the 2nd TWG is due to take place in Davao (Philippines), in 2020.

The TWG members notably aim to establish a formalized national multi-stakeholder platform in the form of the National Coconut Coordinating Committee and adopt a VCO National Action Plan in support of the Philippines Export Development Plan (PEDP) 2018-2022, with a view to improving the organic certification system of virgin coconut oil in the Philippines.