Making Voluntary Sustainability Standards Contribute to the SDGs

11 October 2018

"In Search of Equitable VSS"

By

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In Search of Equitable VSS

Preliminary Findings from UNCTAD Field Studies

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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

* Project website: https://unctad.org/en/Pages/DITC/Trade-Analysis/TAB-Project-1617AI.aspx

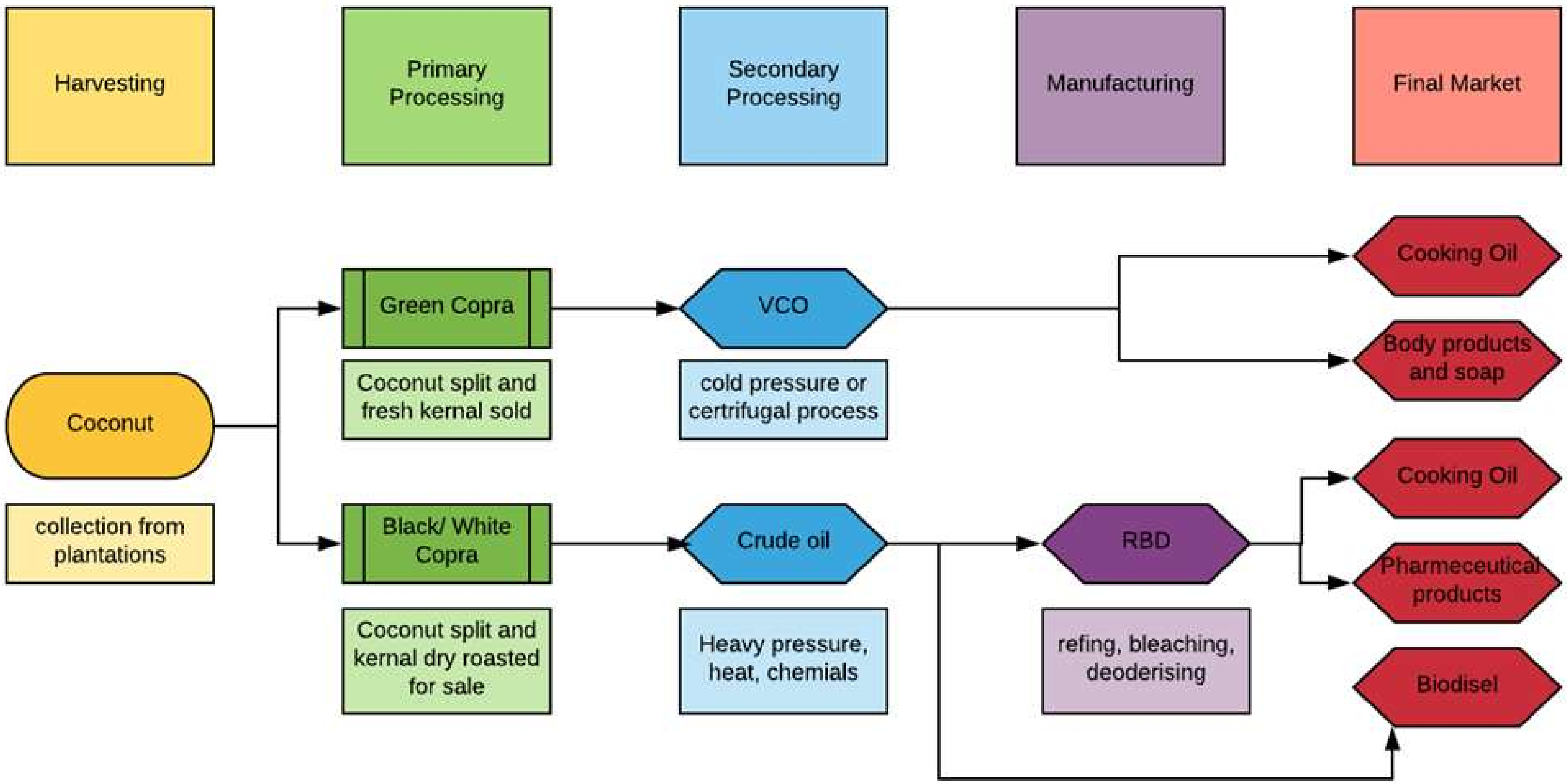
Today's presentation

- 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

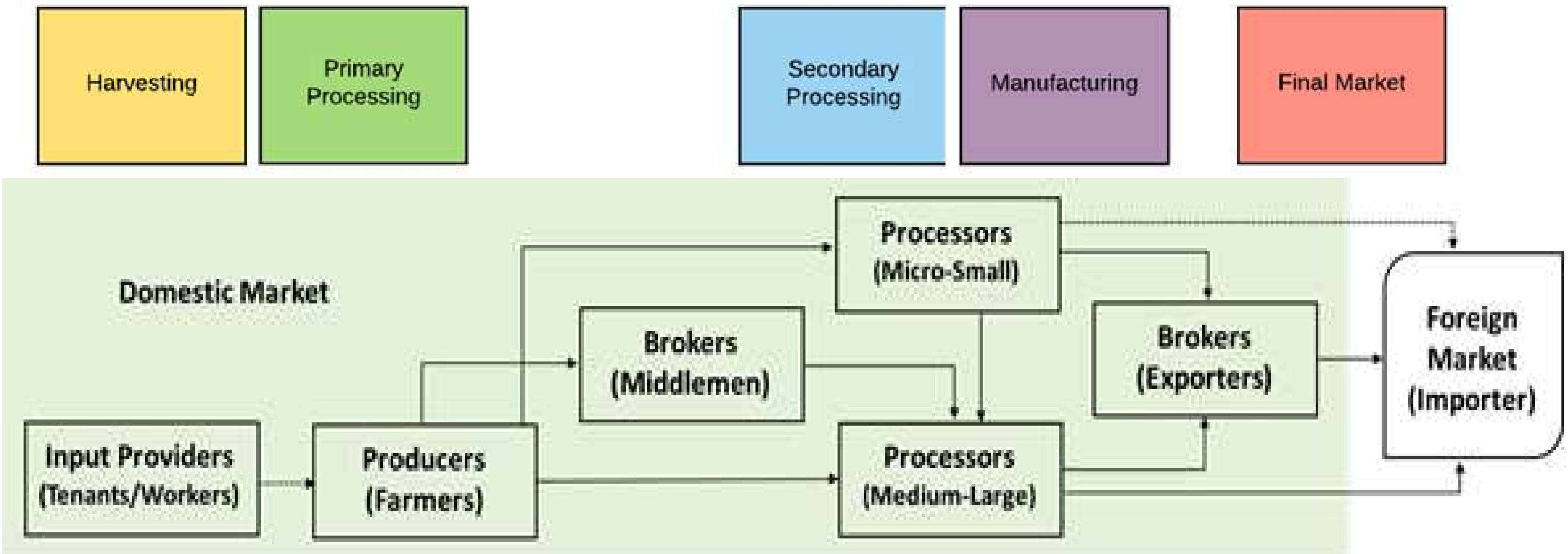
Why coconut oil?

- 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 production



Coconut oil value chain - actors



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

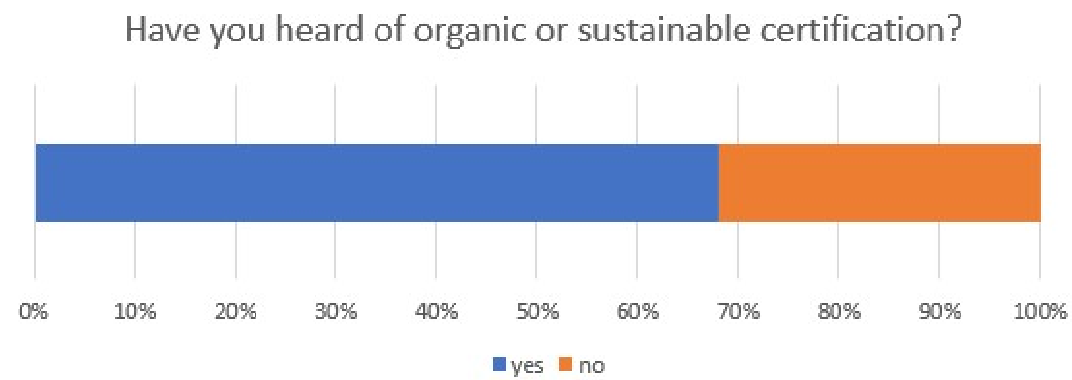
- Certified farmers
  - Most were certified in 2016 or 2017 (only 2 in 2012)
  - All but one received help from an NGO or other organisation

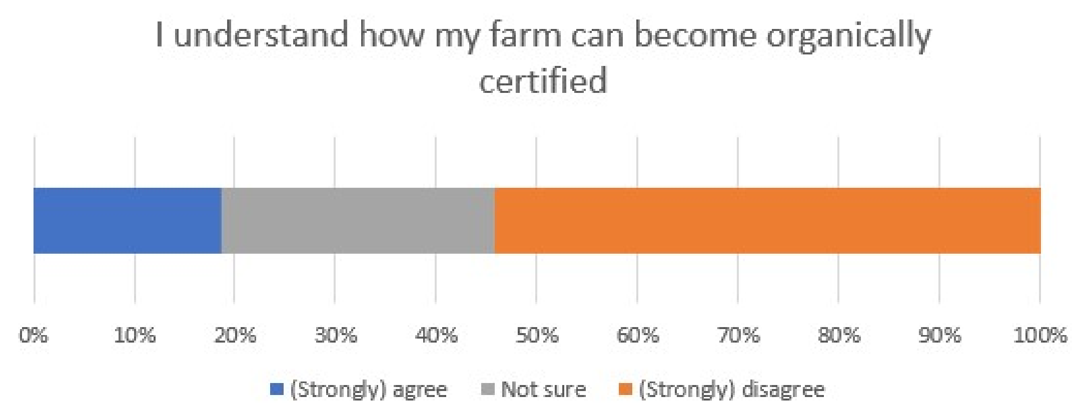
- Non-certified farmers
  - Many interested in gaining certification, because they would like
    - Higher and/or more stable income
    - Improved access to (export) markets
  - Some not interested, mostly because they don't know anything about certification

Access to information

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

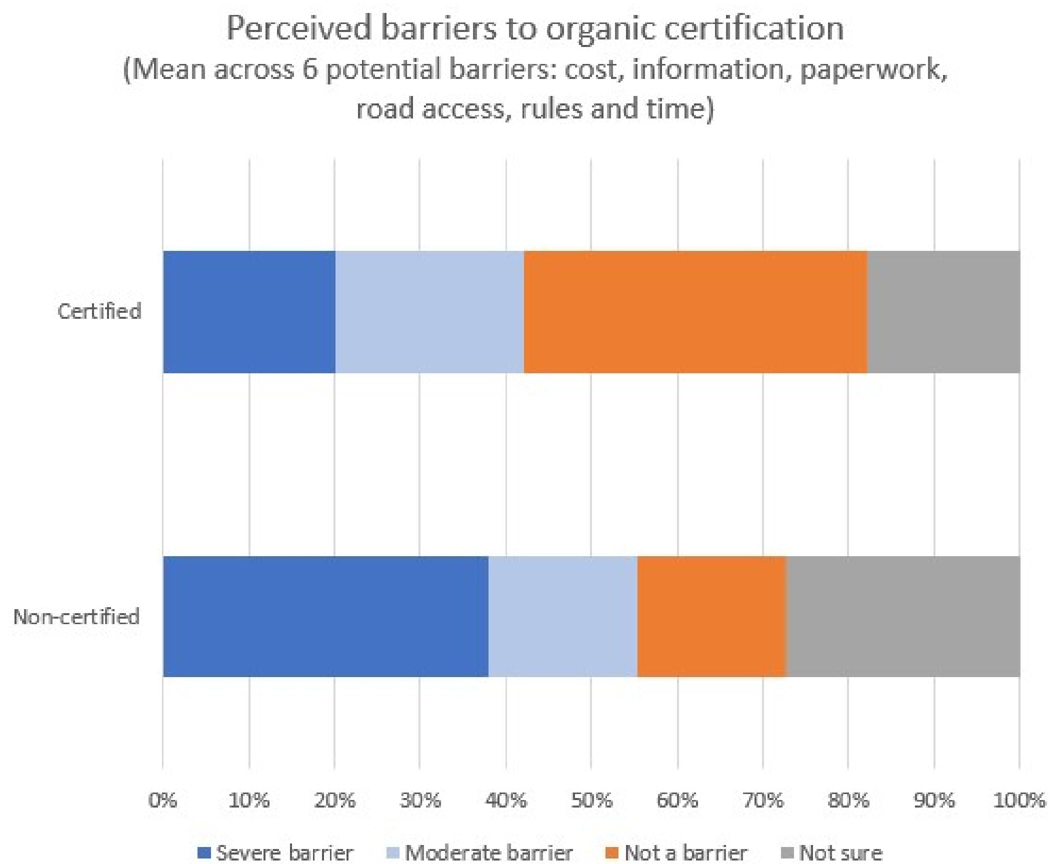
- While two thirds of uncertified farmers have heard of organic certification, less than 20% understand how they could get certifiec





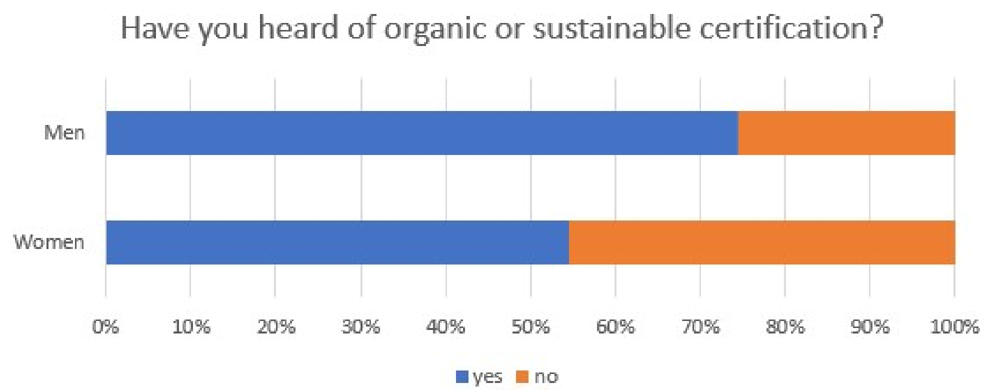
Perceived difficulty of gaining certification

- *"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"

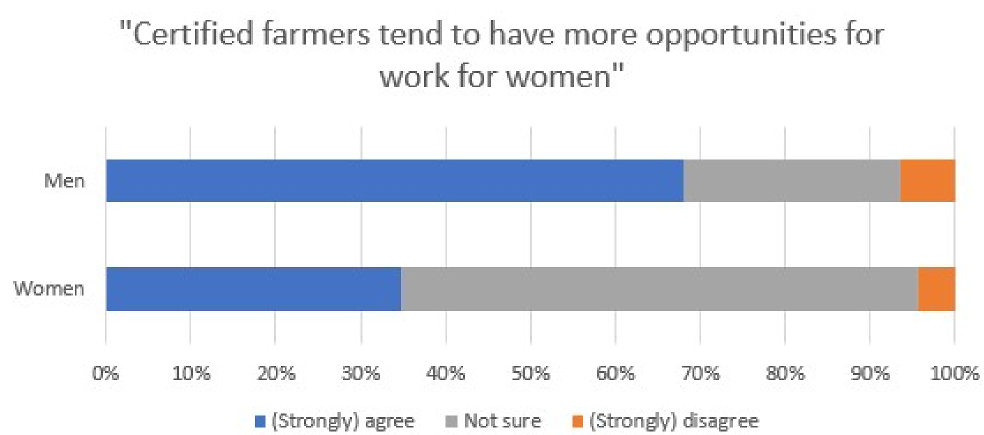


Gender-specific challenges

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



- 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)
    - (…)

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?

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

- 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

	Farmers	Brokers	Oil producers
Top 3 motivations for certification			
"Increase income"	100%	100%	100%
"Increase demand for product"	100%	60%	57%
"Receive support from government, NGO, etc."	50%	40%	71%

- *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)

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

- 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!

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