



FOSTERING GREEN EXPORTS THROUGH VOLUNTARY SUSTAINABILITY STANDARDS

THE UNCTAD APPROACH



UNITED NATIONS

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PROJECT OUTLINE

FOSTERING THE DEVELOPMENT OF GREEN EXPORTS THROUGH
VOLUNTARY SUSTAINABILITY STANDARDS IN ASIA AND THE PACIFIC

The 2030 Agenda and its Sustainable Development Goals (SDGs) set the world on the path of sustainable development and give international trade an important role to play in this journey:

“International trade is an engine for inclusive economic growth and poverty reduction, [which] contributes to the promotion of sustainable development”

(Paragraph 68, the 2030 Agenda for Sustainable Development)

How can international trade become a driving force for a development as sustainable as it is inclusive, ensuring that no one is left behind? How can it respond to the growing demand for production, exchange and consumption patterns that are both environmentally and socially sustainable as well as economically profitable?

To help developing countries build their capacity to achieve sustainable and inclusive growth through trade, the United Nations Conference on Trade and Development (UNCTAD) has examined ways for fostering green exports via exploiting voluntary sustainability standards (VSS). To this end, UNCTAD has worked with three countries in the Asia-Pacific Region and developed an approach, which is ready-to-use and adaptable to local specificities.

DEVELOPMENT OBJECTIVES OF THE PROJECT



To maximize the benefits of VSS to smallholder producers and micro and small businesses in developing countries diversifying into “green” exports



To promote a bottom-up approach through multi-stakeholder dialogue and collaboration on implementing VSS as a tool to foster green exports and sustainable development



To increase information and transparency on VSS to local stakeholders in order for them to be proactively engaged in standard-setting and impact assessment

UNCTAD'S APPROACH AND TOOLS

Over the past few decades, gains from trade-led growth have helped move millions out of poverty in developing countries. At the same time, increases in production and trade have led to overuse of natural resources, increased emissions, and in some cases increased inequalities. Developing countries still depend heavily on natural resource-based products for their exports and growth. Thus, greening global trade will be important for achieving sustainable development.

VSS can be used as a tool to increase economic gains for producers and to transmit the gains from trade to social and environmental sustainability. However, smallholder producers and micro businesses in developing countries face capacity gaps in capturing the potential of VSS to catalyse sustainable development through trade.

In order to bridge these gaps, UNCTAD has developed an approach to make the best use of VSS as a tool to foster the development of green exports, contributing to the achievement of the Sustainable Development Goals.

The UNCTAD approach consists of three stages:

1

Selection of a green-export value chain and initiation of a multi-stakeholder dialogue through the creation of a platform to discuss VSS

2

Reality-check on the usage, benefits and costs of VSS to value chain actors, leading to the formulation of policy options

3

Discussion of the policy options at the multi-stakeholder platform, leading to the adoption of a National Action Plan

The UNCTAD approach also provides an assessment toolkit to facilitate the reality-check in the field. Designed by UNCTAD and tested in three countries, the toolkit provides guidelines for: mapping out the value chain of interest and the actors within; collecting data and survey-based information on value-chain actors' perceptions of VSS; analysing the collected data and information; and using the analysis to identify the policy options to be discussed by the multi-stakeholder platform.

As UNCTAD's approach is ready-to-use and adaptable to local specificities, it can easily be tailored to any given country, region or product.

THREE CASE STUDIES IN THE ASIA-PACIFIC REGION

Developing countries in Asia and the Pacific face similar challenges in seizing the opportunities offered by VSS to meet the growing demand for sustainably produced goods.

Using its approach, UNCTAD has worked with three participating countries in the region to help them build their capacity towards adopting VSS for their production of green exports:

- sustainable coconut oil for Vanuatu and the Philippines;
- and organic coffee for Lao PDR.

WHAT CAN YOU FIND IN THIS PORTFOLIO?

In this folder, you can find the main outcomes of the project, including the approach and tools developed in its framework:

- An introduction to green exports and VSS: opportunities and challenges for developing countries
- UNCTAD's approach and tools to build countries' capacity to foster green exports through VSS
- The country case study of Vanuatu
- The country case study of the Philippines
- The country case study of Lao PDR

For more information on the project and its development, visit the project's webpage:
<https://vssapproach.unctad.org/>



INTRODUCTION TO GREEN EXPORTS AND VSS: OPPORTUNITIES AND CHALLENGES FOR DEVELOPING COUNTRIES

WHAT ARE GREEN EXPORTS?

Green exports are exports that are harvested, produced, processed or serviced with methods that are sustainable, in the sense that they generate potentially positive, or fewer negative, externalities in terms of socio-economic or environmental development of the local community.

WHAT ARE VSS?

Voluntary sustainability standards (VSS) are norms and standards to ensure that a product is produced, processed or transported sustainably in terms of, e.g. respect for human rights, decent working conditions, gender equality or environmental protection, with a view to achieving environmental, social and economic objectives. Certification is one of the many VSS tools used by producers to adhere to sustainability standards and for consumers to make objective buying decisions. Organic standard is the most widely applied VSS in the agricultural sector, with about 2.7 million organic producers in 178 countries in 2016 and increasing (Willer, H., & Lernoud, J., 2018). In this way, VSS can play a role in fostering green trade for accelerating sustainable development.

A GROWING GREEN MARKET – VSS AS A TOOL TO ACCESS IT

International markets for “green” products, such as organically produced agricultural, fishery and forestry products, have been growing much faster and demonstrating more profitability than their “brown” equivalents (Nielsen, Dec. 2018). Indeed, strong consumer demand for sustainable goods suggests that it makes commercial sense for businesses, particularly those operating globally, to “go green”. Carrying a VSS as a proof for sustainable production can help developing-country producers and businesses to access this fast-growing and lucrative market.

SUCCESSFUL VSS ADOPTION: A WIN-WIN-WIN OUTCOME

VSS have a great potential to help achieve a win-win-win sustainable outcome, i.e. economic gains for producers and businesses, social gains for producers and consumers, and environmental gains for producing countries and eventually to the world.

The successful adoption of VSS should therefore lead to both inclusive income growth and the improvement of social and environmental conditions, which in turn helps producing countries attain the Sustainable Development Goals (SDGs).

But successful VSS adoption from the perspective of producers means that they receive economic gains in real terms. Indeed, to be sustainable over time, VSS have to yield long-term economic benefits for all actors along the value chain. In order to promote economic development more generally, VSS adoption has to improve exporting opportunities to lucrative developed-country markets.

THE DISCRIMINATORY NATURE OF VSS: LARGER COUNTRIES, BIGGER FARMERS

However, gains from VSS adoption to producers are less obvious than gains to consumers and businesses. In fact, most VSS schemes may be even more discriminatory against smallholder producers and micro, small and medium-sized enterprises (MSMEs) in low-income countries, particularly Least Developed Countries (LDCs).

This stems firstly from the high cost of certification, while in many cases producers only receive poor economic returns on this certification. This has led some producers to drop out of VSS schemes because the price premiums they received did not compensate for the total costs incurred. Second, the practices set out in standards require a high level of capacity and pre-requisites that smallholder producers and MSMEs do not often have: managerial skills such as literacy, basic accounting and reporting skills; connectedness to markets that require good infrastructural networks including internet access; and access to reliable technical services such as extension services, certification bodies and laboratories.

As a result, many smallholders may find VSS certification too demanding, or not lucrative enough in view of the investment of money, time and effort required to get certified.

HOW CAN WE MAKE VSS WORK FOR SMALLHOLDERS AND MSMEs?

Under the project “Fostering green exports through VSS”, UNCTAD has conducted an analysis of the necessary conditions for the adoption of VSS to actually benefit small producers and MSMEs, particularly in LDCs, and identified key factors likely to create an enabling environment for meeting the objectives of the various actors involved in VSS adoption: sustained income growth for smallholder producers, better access to international markets for exporters, and the attainment of sustainable development objectives for governments.

VSS adoption is more likely to generate benefits to stakeholders in producing countries when:

1. current business contracts encourage VSS adoption;
2. producers are well organized;
3. VSS requirements are simple and easily conveyed;
4. support to VSS adoption is provided by businesses, development partners or governments;
5. infrastructure and institutions support VSS adoption; and
6. VSS address sustainability objectives that are relevant to local communities.

Based on these findings, UNCTAD has developed an approach to help stakeholders in producing countries, particularly smallholder producers and MSMEs, verify the strategic value of VSS adoption and, together with government agencies, design action plans to create a policy environment capable of maximizing the benefits of VSS adoption.

A 3-STAGE APPROACH TO FOSTERING GREEN EXPORTS THROUGH VSS

THE CHALLENGES

Developing countries experience capacity gaps in capturing the potential of VSS to catalyze sustainable development through trade. Such gaps usually include:

- lack of information and analysis to understand the nature and effectiveness of VSS; and
- lack of a framework to achieve policy coherence and to coordinate actions.

THE APPROACH

In order to bridge these gaps, UNCTAD developed a three-stage approach that can easily be adapted to different contexts and local specificities. In the preliminary stage, the country in question needs to have an interest in understanding and addressing VSS adoption in a specific sector, product or value chain. From that starting point, the approach then proceeds as follows:



STAGE 1: INITIAL MULTI- STAKEHOLDER DIALOGUE

An initial multi-stakeholder meeting for the selected value chain is organized, in which stakeholders share experiences and discuss the rationale for adopting VSS to foster green exports.


Outcome: Initial mapping of key concerns with respect to VSS uptake and identification of core actors in the value chain



STAGE 2: ANALYSIS OF THE VALUE CHAIN

A systematic reality-check of actor-specific challenges and opportunities of VSS adoption is done using the VSS Assessment Toolkit. The toolkit is a streamlined, adaptable, publicly available and analytical framework.

Outcome: Specific policy options corresponding to the challenges and opportunities identified



STAGE 3: MULTI- STAKEHOLDER ADOPTION OF AN ACTION PLAN

A second multi-stakeholder meeting is convened to evaluate the policy options laid out in stage 2. The discussion leads to an agreement on an action plan aligned with the country's sustainable development strategies.

Outcome: An action plan that clearly maps out "who does what and when" is incorporated into a policy framework

THE OUTCOME

As a result of this process, stakeholders:

1. Increase their understanding of the impact of domestic and international VSS on “green” exports and sustainable development objectives;
2. Improve their capacity to jointly design, assess and implement policy options to leverage VSS to develop sustainable exports.

Altogether, the three-stage approach to fostering green exports through VSS is expected to help countries improve their capacity to use trade as a means to achieve the SDGs.

THE TOOLS: UNCTAD'S VSS ASSESSMENT TOOLKIT

To support the implementation of Stage 2 (analysis) of this approach, UNCTAD provides countries with an assessment toolkit to facilitate the reality-check conducted in the field. The objective of the toolkit is to identify the challenges and

motivations to adopt a VSS scheme in a specific value chain and to then produce corresponding policy options. This exercise is useful for many actors, in particular national governments and regional agencies, but also for the private sector, NGOs and others.

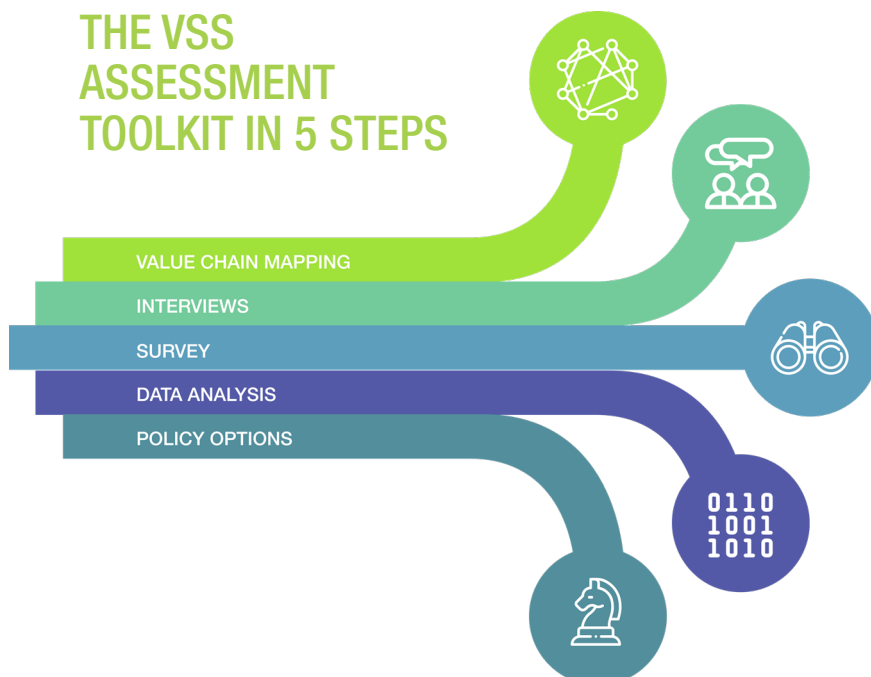
ADAPTABILITY OF THE TOOLKIT

While the toolkit provides detailed guidelines for each of these steps, there is also ample flexibility to adapt the analysis to any given country, region or product.

The VSS Assessment Toolkit is unique in that it uses objective and perception-based data via quantitative and qualitative methods to develop a holistic analysis. At the same time, the VSS Assessment Toolkit is well-positioned to complement existing tools that address other aspects of sustainability.

To find out more about the VSS Assessment Toolkit, go to <https://vssapproach.unctad.org/>

THE VSS ASSESSMENT TOOLKIT IN 5 STEPS



STEP 1: VALUE CHAIN MAPPING

The value chain is mapped, identifying all relevant actors and supporting institutions, with a special emphasis on regulation, policy and actors that can affect VSS uptake and use.

STEP 2: INTERVIEWS

Selected actors of the value chain are interviewed using a list of open-ended questions to gauge perceptions and experiences regarding opportunities and challenges of VSS uptake and use.

STEP 3: SURVEY

Actors along the value chain are surveyed on both objective and perception-based questions. The survey can be adapted to any agricultural value chain, as long as sampling is careful and questions are piloted. The survey is deployed via the free software [Survey Solutions](#). This allows for easy customization and offline data collection.

STEP 4: DATA ANALYSIS

Observations from the value-chain mapping, the interviews and the survey are brought together and analysed to identify the opportunities and challenges of VSS use for specific actors along the value chain.

STEP 5: POLICY OPTIONS

Policy options that correspond to the results of the previous step are put forward and explored.

VANUATU 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 Vanuatu coconut oil value chain to viably enter green or organic markets in a manner that contributes to inclusive and sustainable development.

Building on the findings of this assessment, UNCTAD supported Vanuatu’s multi-stakeholder platform in organizing the first Vanuatu Coconut Summit, which was held in October 2019 and led to the adoption of an action plan in support of the Vanuatu National Coconut Strategy 2016-2025.

This country case study was conducted in partnership with the Department of Industry in the Ministry of Tourism, Trade, Industry, Commerce and Ni-Vanuatu Business (MTTIB) and in coordination with the Ministry of Agriculture, Livestock, Forestry, Fishery and Biosecurity (MALFFB).

WHY VANUATU?

A LONG-TERM PARTNERSHIP

Vanuatu’s targeted green export products (cocoa, copra/coconuts, sandalwoods and their associated products) were already identified in [UNCTAD’s National Green Export Review \(NGER\) of Vanuatu](#). Building on this outcome, the country was at the stage of developing and implementing strategies and actions towards achieving green export growth. Such long-term cooperation is highly valued by UNCTAD for the added consistency and effectiveness achieved in the assistance provided.

In addition, most of Vanuatu-made products are organic by default, primarily based on traditional, environmentally-sound subsistence methods with few producers having access to chemical fertilizers, herbicides or pesticides. Vanuatu’s local production methods, therefore, have great potential in terms of organic certification.

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

VANUATU AND COCONUT OIL

The [National Green Export Review \(NGER\) of Vanuatu](#) conducted by UNCTAD in 2016 found that coconut was one of the sectors that presented untapped “green” export potential. Through its different roles, the coconut sector supports 80 per cent of the rural population of Vanuatu. Exports of coconut-based products traditionally account for a large share of Vanuatu’s total merchandise exports. Over the period from 2012 to 2015, for instance, copra represented an average of 20 per cent of total exports, followed by coconut oil with 18 per cent.

As for coconut oil specifically, a growing number of small-medium artisanal manufacturers are producing Virgin Coconut Oil (VCO) or Refined Bleached and Deodorized (RBD) oil for domestic tourist markets or high-value international markets. Similarly, demand for Crude Coconut Oil (CNO) has been increasing both domestically and internationally with growing interest in the production of biofuel. The global market for coconut oil (consisting of 74 per cent RBD oil and 26 per cent VCO) is forecasted to reach US\$ 8.4 billion by 2025, from US\$ 4.9 billion in 2017.

A rise in VSS-certified products in the global coconut market reflects rising consumer interest in food and personal care products containing ingredients that are natural, organic or sourced ethically or sustainably. Organic certification thus has the potential to improve the marketability of Vanuatu's coconut-based products to respond to the growing demand in overseas markets.

STAGE 1: IDENTIFYING THE MAIN ACTORS AND THEIR KEY CONCERNS

A FIRST MEETING TO BRING TOGETHER THOSE WHO ARE MOST CONCERNED

UNCTAD organized, in partnership with Vanuatu's Department of Industry, a start-up workshop on "Sustainability standards and Market Transparency for Coconuts and Cocoa" in November 2017 (Port Vila, Vanuatu). This event brought together over 50 stakeholders and experts to discuss Vanuatu's strategic options towards exports of "organic" and "sustainable" coconuts and cocoa.

On this occasion, stakeholders examined two main options:

- Establishing a national (organic) brand for coconuts and cocoa;
- Improving access to market information for farmers, producers and the private sector.

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

OPPORTUNITIES AND CHALLENGES OF ORGANIC COCONUT OIL

Using UNCTAD's VSS Assessment Toolkit, a study was undertaken to investigate the state of play of the Vanuatu coconut oil value chain, and how coconut oil stakeholders perceive and are prepared for the new market opportunities of organic coconut oil.

Based on information collected from the field, the reality-check identified:

1. Coconut oil value chain structure and embeddedness;
2. Opportunities and challenges related to organic certification perceived by different stakeholders; and
3. Policy options to improve the capacity of coconut-oil multi-stakeholders and the government to capitalize on market opportunities overseas.

Coconut Oil Value Chain

The majority of smallholder coconut farmers are engaged in primary processing e.g. splitting and drying the coconut kernel. The resulting copra is predominately exported in bulk through two key exporters. Crude Coconut Oil (CNO) extracted from copra is sold both domestically for

biofuel and exported. Small cooperatives and small-scale producers are producing Virgin Coconut Oil (VCO) for the domestic market, while several established processors are now successfully selling VCO and Refined Bleached and Deodorized (RBD) oil in international markets. Value-added, pre-packaged VCO and RBD are currently sold across various domestic and international retailers in Vanuatu.

A growing number of smallholder coconut producers are certified organic under third-party certification systems. Approximately half of the medium-large scale processors and exporters are currently certified, and many others are interested or currently pursuing organic certification.

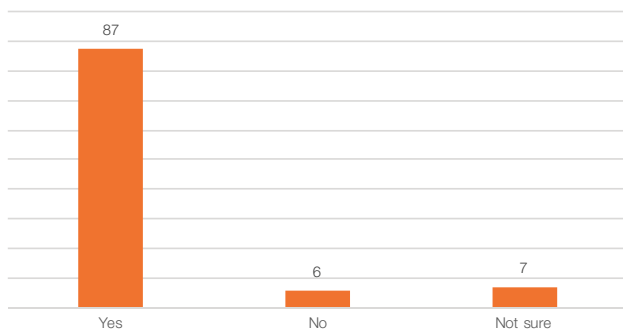
Perceived Opportunities and Challenges for Organic Certification of Coconut Oil

Using a sample survey and interviews, stakeholders were consulted with a view of obtaining data to study their perception of organic certification. The sample survey data was collected in three sites - Efate island, Santo island (and the offshore island Malo) and Malekula island.

Opportunities

The assessment showed that there is a consensus among stakeholders across the value chain, including non-certified smallholders themselves, that third-party organic certification has the potential to drive the sector's growth and increase the value of coconut production for smallholders. As a result, most non-certified stakeholders would be interested in obtaining organic certification (figure 1).

Figure 1. Non-certified respondents: Would you like to get organic certification?



In addition, the study suggested that data acquired through the certification process may provide necessary information for better agricultural planning, more incentives to invest in replanting and more access to finance through equity.

Finally, organic certification in Vanuatu benefits from a favorable environment:

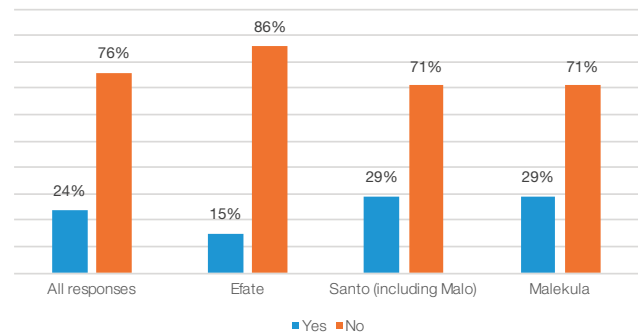
- Current farming practices in Vanuatu require minimal modification: Vanuatu's production methods are considered organic by default;
- Major local processors and exporters are already aware of international demand for organic coconut oil and willing to extend their support to individual coconut producers to help them obtain organic certification.

Challenges

The survey identified numerous obstacles faced by the Vanuatu coconut value chain with regards to third-party organic certification:

1. **Producers lack information and training on organic certification (see figure 2):** most non-certified producers and small-scale processors are interested in certification, but they do not know how it works or what its benefits are.
2. **Obtaining organic certification is costly:**
 - The cost of annual renewal of certification (US\$2000 – US\$10000) exceeds by far the average income of small producers and businesses in Vanuatu;
 - The process is all-the-more expensive in the absence of local certifying agencies or auditors. Inviting external auditors from abroad increases audit costs;
 - Lack of technical support to producers can reduce the rate of compliance to organic standards, making audits more time-consuming, thus more costly.
3. **Getting organic certification requires very specific knowledge and skills and is administratively burdensome,** including for those who already have organic certification. This hurdle is further exacerbated by the lack of administrative and managerial capacity of local small producers and businesses.

Figure 2. Non-certified respondents: Do you know how organic certification works?



Policy Options for Vanuatu

Policy Option 1. To reduce barriers to the acquisition and maintenance of third-party organic certification for coconut producers and processors in Vanuatu, notably by reducing the cost of certification: build capacity for local auditing and certification; streamline the need for external auditors to reduce annual travel costs; and assess potential feasibility and usefulness of subsidies to organic certification.

Policy Option 2. To improve stakeholder's managerial capacity and strengthen frameworks for multi-stakeholder cooperation: establish a national management body in support of organic certification to oversee the implementation of auditing for organic certification in Vanuatu; ensure information and sharing among stakeholders; and coordinate training and support measures.

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

A COCONUT SUMMIT FOR A MORE EFFECTIVE STRATEGY

The first steps of a national multi-stakeholder dialogue on coconut production, organic certification and green exports: the 1st Vanuatu Coconut Summit

Building on the findings of this study, UNCTAD supported Vanuatu's multi-stakeholder platform in organizing the first Vanuatu Coconut Summit, which was held in October 2019.

The event brought together both government officials and coconut stakeholders (smallholder producers, traders, processors, exporters, buyers). It was jointly organized by the Department of Industry of the Ministry of Tourism, Trade, Commerce and Ni-Vanuatu Business (MTTIB) in close coordination with the Ministry of Agriculture, Livestock, Forestry, Fishery and Biosecurity (MALFFB) and UNCTAD at the Vanuatu Agricultural Research and Training Centre.

A reinforced national strategy for the coconut sector

The Summit adopted an action plan in support of the implementation of the Vanuatu National Coconut Strategy 2016-2025. National and regional coconut stakeholders, along with experts, agreed on what actions are needed to achieve "4 to 10 by 2025", i.e. diversifying their coconut-based exports from 4 products to 10 by the year 2025.

The Summit confirmed the importance of value addition through quality improvement, organic certification and development of a broader range of coconut-based products and agreed on several actions mobilizing both governmental and non-governmental actors at different levels:

- Decentralization
- Training and support to SMEs
- Research, data and information sharing for planning and decision making
- Product development
- Government support

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

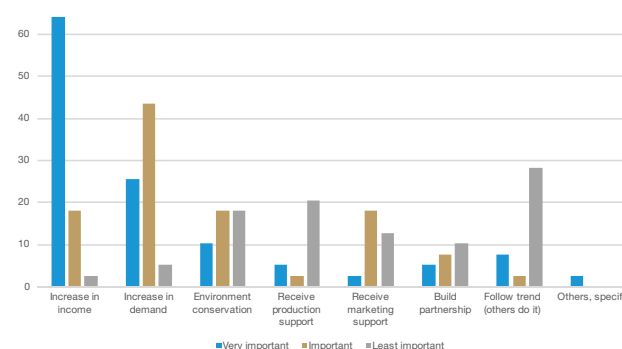
Through a sample survey and interviews, stakeholders were consulted with a view to studying their perception of organic certification.

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.

LAO PEOPLE'S DEMOCRATIC REPUBLIC 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.

To address the challenges associated with organic certification, UNCTAD conducted a reality-check of Lao People's Democratic Republic's state of play in the sector of organic agriculture. Using the VSS Assessment Toolkit designed under this project, the Lao coffee value chain was selected as a case study for this purpose. As part of this process, UNCTAD analyzed the business model based on buyer-producer trust of a local cooperative engaged in organic production, as compared to the third-party certification business model commonly found elsewhere.

Findings of this study contributed to feed the discussions of the 7th edition of the Lao Organic Agriculture Forum, serving as the national multi-stakeholder platform for the Lao organic sector. The event was held in November 2019 and resulted in an action plan to upgrade Lao's organic agriculture strategy to the national agenda.

This country case study was conducted in partnership with the Ministry of Agriculture and Forestry (MoAF) and the Ministry of Industry and Commerce (MoIC) of Lao People's Democratic Republic.

WHY LAO PEOPLE'S DEMOCRATIC REPUBLIC?

A SUSTAINED INVESTMENT IN GREEN MARKETS

Sustainable commercialisation of agriculture for the local market and for exports is one of the key pillars of the sustainable development policy of Lao People's Democratic Republic.

Relevant policies and guidelines have been developed to facilitate and enhance the production capacities of the value chain's actors (e.g. producers, processors, traders, exporters, and government) and the access of local agricultural products to international markets.

The country, through the implementation of a project led by the Swiss-funded UN Trade Cluster Initiative, developed commercial linkages between local small-scale organic producers and the country's tourism industry.

Following this project, the country has expressed its interest in tapping into rapidly growing demand for their organically produced vegetables, coffee, tea and silk in regional and international markets.

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

LAO PEOPLE'S DEMOCRATIC REPUBLIC AND COFFEE PRODUCTION

Currently, coffee is the country's top 3 agricultural crop for exports in terms of value ([Lao's National Socio-Economic Development Plan 2016-2020](#); [World Bank, 2018](#)), and accounted for around 14 per cent of its total agricultural exports in 2017 ([World Bank, 2018](#)). In this context, there are more than 20,000 smallholder families making a living from selling coffee beans, and more than 300,000 people (or about 6 per cent of the total working age population) engaged in jobs linked to the coffee industry.

FAO estimates that coffee production in Lao People's Democratic Republic has increased annually on average by 12 per cent between 2012 and 2017, from 87,330 tons to 150,795 tons (FAOSTAT), and the Ministry of Agriculture and Forestry aims to increase coffee production to reach 1 million tons by 2025. The growth of the Lao coffee sector is supported by promising market opportunities, as the national and regional demand for coffee in neighbouring Asian

countries increases. Moreover, the global demand for high-grade specialty coffee and/or “sustainable” coffee, a production of which the Bolaven Plateau is well suited for, is rising quickly. However, despite this steady growth, the sector is still small and fragile vis-à-vis regional and international competitors.

Green or organic production is suggested as one of the approaches for better marketability by quality improvement in the Lao Coffee Sector Development Strategy by 2025.

STAGE 1: IDENTIFYING THE MAIN ACTORS AND THEIR KEY CONCERNS

INTRODUCING VSS AS A TOOL FOR STAKEHOLDERS IN ORGANIC AGRICULTURE

In December 2017, the Lao Ministry of Agriculture and Forestry (MoAF) and UNCTAD jointly organized the 6th Lao Organic Agriculture Forum (LOAF 6) on the theme “Expanding Organic Exports Through Sustainability Standards”.

The meeting brought together producers, manufacturers, traders, exporters, government agencies and development partners to share their views and experiences on organic agriculture.

The workshop introduced VSS as a potential tool to expand the market opportunities of Lao organic products and discussed:

- 1) approaches to cope with the high costs of organic production and certification; and
- 2) the future role and direction of the LOAF meetings.

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

OPPORTUNITIES AND CHALLENGES OF ORGANIC COFFEE – ASSESSMENT OF AN ALTERNATIVE MODEL

In coordination with the authorities of Lao People's Democratic Republic, UNCTAD conducted a pilot study of the Lao coffee value chain and formulated policy options for its organic certification to improve access to domestic, regional and international green markets. Relying on UNCTAD's VSS Assessment Toolkit, this reality-check yielded:

1. The current state of Lao coffee value chain. In doing so, the study conducted an analysis of the organic trust-based business model operated by Jhai Coffee Farmer's Cooperative (JCFC), which does not require a third-party certification;
2. Opportunities and challenges associated with organic certification, such as perceived by non-certified JCFC producers;
3. A set of policy options to address the identified challenges.

Lao Coffee Value Chain

Value Chain Analysis

Actors in the value chain can be classified into three categories: agricultural input providers, coffee growers and coffee traders.

- Agricultural input providers mainly supply machinery, equipment, fertilizer, and seedlings;
- Coffee growers/producers are grouped into two groups: (i) independent or individual smallholder farmers, groups and cooperatives; and (ii) large-scale commercial coffee producers, many of which were set up by foreign investors;
- Coffee traders are mainly small-scale coffee traders who play an important role in collecting and selling coffee to big companies.

On the one hand, farmers who own portable washing or pulping machines process coffee by themselves, then sell it as parchment beans to traders. The margin that a farmer would make from selling organic parchment beans per hectare is 250 per cent higher than the margin made from selling non-organic beans.

On the other hand, farmers who do not own washing machines sell fresh coffee cherries to traders, even though this might result in them incurring a loss. Traders then sell coffee cherry to processors/exporter companies in town.

Organic Trust-based Business-Model of Jhai Coffee Farmer's Cooperative

JCFC is one of the largest coffee farmers' organizations in Lao People's Democratic Republic. It gathers 298 families from 18 different villages in the Bolaven Plateau, working together to produce specialty coffee, mainly for foreign markets.

The cooperative encourages its members to allocate a certain size of their existing coffee production area to organic production of specialty coffee or high-quality coffee (ka-fe phi-seth). In the area that is not allocated for ka-fe phi-seth, members are required to apply Good Agricultural Practices (GAP), promoted by Clean Agriculture Standard Centre (CASC), whose role is to support, advise and provide technical training on organic agriculture to producers.

JCFC collects parchment beans of specialty coffee beans only in bulk, adds value to the beans by hulling, cleaning, sorting and grading, and exports directly to international buyers. Individual members may sell non-specialty coffee beans (or "commodity" coffee) to local traders or coffee processing firms.

JCFC's main foreign markets are Japan and the United States of America. Buyers in Japan and the United States of America demand high-quality specialty coffee beans. However, even though JCFC members are said to grow coffee using good agriculture practices and organic farming systems, JCFC is not certified organic.

In fact, JCFC was once certified for Fairtrade and for organic standards but decided not to renew the certification even though they continue applying Fairtrade as well as organic methods to the production of specialty coffee. This is because their buyers do not ask for third-party certification.

Indeed, Alter Trade Japan's (ATJ) approach for instance is to work together with coffee producers to achieve sustainable production. ATJ is physically present with JCFC farmers all the time and provide farmers with necessary knowledge and skills in producing quality coffee. As for quality assurance, a coffee sample is taken every year although the coffee is grown in the same farm.

As a result, JCFC chose to work closely together with their oversea buyers to build a trust-based relationship, instead of paying for high certification cost.

However, JCFC faces several challenges with respect to their future business expansion:

- Lack of productive capacity to meet quantity demand: every year the number of hectares used for specialty coffee changes based on the quantity demanded by foreign buyers. However, JCFC stated that they experienced difficulties in meeting the increasing overseas demand for their coffee.
- Lack of human resources: JCFC is managed by farmers who have not systematically developed their business, managerial or even foreign language skills. Lack of capacity to communicate in English is a key barrier for JCFC to market their quality coffee beyond their current buyers.

Perceived Opportunities and Challenges for Organic Certification of Coffee by Non-Certified JCFC Producers

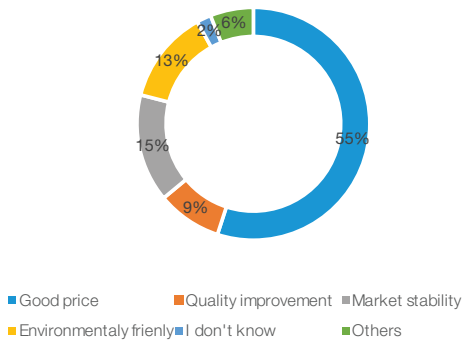
The study also examined how smallholder producers perceive challenges and opportunities associated with organic certification, based on interviews and face-to-face surveys of selected coffee producers of JCFC.

Opportunities

Almost all producers expressed their interest in organic certification, mainly because they agreed that organic certification would help them secure higher prices for their coffee.

In addition, they also considered that organic certification could guarantee market access to niche organic markets abroad - considered more reliable or trustworthy - and presented both health benefits and a favourable impact on the preservation of the environment.

Figure 1. Biggest Benefits of Certification (233 surveyed producers)

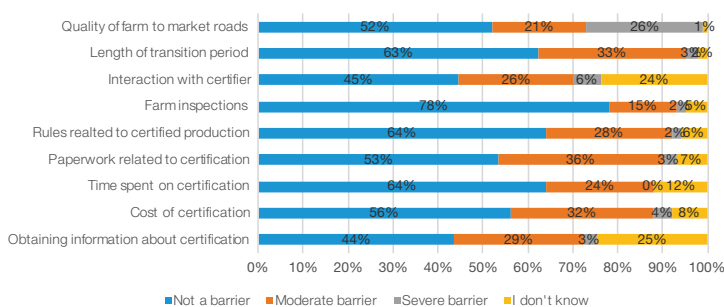


Finally, the availability of financial support or subsidies was regarded as a decisive factor in applying for and obtaining organic certification.

Challenges

JCFC producers identified the following main barriers to organic certification: **the quality of farm-to-market infrastructure, the paperwork related to certification, the length of transition period, and the cost of certification.**

Figure 2. Barriers to organic certification



However, organic certification alone would not help smallholder coffee farmers obtain stable access to organic markets. Indeed, UNCTAD's reality-check identified **other factors hindering smallholder farmers from producing quality products and finding export opportunities:**

- Lack of knowledge on production techniques beyond traditional farming
- Limited extension services at the local level
- Lack of information on certification
- Lack of a reliable mechanism of organic certification
- Low participation of businesses in organic and sustainable development
- Lack of access to finance or subsidies as an incentive to support organic production
- Lack of support in developing basic organizational and business skills among producers and cooperatives

Policy Options for Lao People's Democratic Republic

Policy Option 1. Widely disseminate information related to certification;

Policy Option 2. Revise the 13-year-old national standards for certification to an international level or at least a regional one;

Policy Option 3. Consider setting up a resource centre for organic and sustainable agriculture;

Policy Option 4. Introduce a first-party certification system suitable to Laos' local specificities, such as the participatory guarantee system (PGS);

Policy Option 5. Increase domestic consumption and sales of organic products by improving the information channel concerning organic agriculture, building trust and developing more organic markets;

Policy Option 6. Strengthen the capacity of farmers' organizations and cooperatives such as JCFC to improve production techniques and practices in order to meet levels of quality and quantity demanded by the markets.

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

GREEN EXPORTS AT THE HEART OF A REINFORCED ORGANIC AGRICULTURAL STRATEGY

The 7th edition of the Lao Organic Agriculture Forum (LOAF 7) was jointly organized by the Ministry of Agriculture and Forestry (MoAF), the Ministry of Industry and Commerce (MoIC) and UNCTAD in November 2019.

Over 150 stakeholders of organic agriculture - including smallholder producers, traders, processors, exporters, buyers, development partners and government officials - discussed the opportunities and challenges Lao

organic agriculture faces to reach international markets, and how to best organize supporting actions.

Participants repeatedly highlighted that successful commercialisation is key to the future of organic agriculture in Lao People's Democratic Republic. Another major strategic orientation identified in the discussions was the need to shift the focus of the organic export strategy from developed-country markets alone to include neighbouring markets.

Finally, participants discussed specific actions to ensure the continuity of LOAF into the Lao Organic Movement Association.

The outcome of this Forum is reflected in an action plan drafted by MoAF and endorsed by other ministries in order to upgrade Lao's organic agriculture strategy to the national agenda.

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