

RSCE2/4: Sustainability Initiatives and the Challenge of Compliance



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Based on the results of the first Roundtable in Accra, the “Accra Agenda”, a Working Group has been formed and it was agreed to prepare six background documents as a basis for discussions at the second Roundtable (RSCE2) in Trinidad and Tobago.

The documents reflect the priorities identified in the first Roundtable in Accra and provide a framework to work for increased sustainability. Document **RSCE2/6 “Social Issues”** presents the conditions and challenges for sustainability in cocoa producing countries and throughout the value chain. Document **RSCE2/4, “Sustainability Initiatives and the Challenge of Compliance”** looks at efforts geared towards sustainability in cocoa and other commodities to provide different approaches of working for more sustainability and lessons learned. An important basis for any initiative is an agreed set of objectives. Such objectives are reflected in document **RSCE2/7 “Draft Principles for a Sustainable Cocoa Economy”**. In order to implement sustainable practices and achieve these objectives, guidance is provided in document **RSCE2/3, the “Guidelines on Best Known Practices in the Cocoa Value Chain”**. Suggestions for future objectives and a framework to implement and sustain the efforts towards increased sustainability are proposed in document **RSCE2/2 “Modus Operandi for RSCE”**. Document **RSCE2/1** contains the **programme** for the second Roundtable in Trinidad and Tobago, the forum to discuss these documents and the future objectives of the RSCE.

All documents have been approved by the RSCE2 Working Group for public consultation on the website [www.roundtablecocoa.org](http://www.roundtablecocoa.org) and presentation at the RSCE2 meetings. Any comments received will be taken into account for a future revision of the documents.

*“Promoting sustainable production and use of cocoa through dialogue  
and cooperation with all stakeholders along the supply chain”*

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## 1 Introduction<sup>1</sup>

This RSCE2 Background Document stands in direct relation to several objectives of the RSCE2<sup>2</sup>, namely: II) *to be a platform for consultation and dialogue of initiatives promoting sustainability in cocoa*; III) *to encourage (further) development of standards for sustainable cocoa and best supply chain practices and promote their implementation, taking into account the special needs of smallholders*; and V) *to consider the role of certification for cocoa and the similarities/ differences of existing and newly developed mechanisms of certification, again taking into account the responsibilities of different stakeholders and the special needs of smallholders*. RSCE has seized the opportunity to build upon the knowledge and valuable lessons learned from other sustainability initiatives that have emerged over the past decades. This paper sheds light on existing models of sustainability in commodity sectors and provides some lessons that are relevant to cocoa.

The mission of the RSCE is to promote the economic, environmental and social sustainability in the production and use of cocoa through dialogue and cooperation with all stakeholders along the supply chain. One of the major concerns in this context - and a crucial consideration underlying this paper - is economic sustainability on the farmers' level. Millions of cocoa farmers are unorganized smallholders, often disadvantaged by limited access to public goods as infrastructure, education and health services. They also suffer from declining soil fertility and farm size. A majority of these farmers are old and the younger generation is reluctant to take over the farms. Moreover, farmers are struggling with cocoa pests, diseases and deteriorating soil quality. Traders, processors, chocolate manufacturers and consumers of cocoa and derived products have become increasingly aware and concerned about the conditions under which cocoa is being produced. There are clear interests and benefits for companies to get involved beyond a charitable image: consistent quality, quantity and supply.

The challenge of any sustainability scheme is to strike a balance between three criteria: *applicability* (suitability for conditions, levels of indicators and complexity), *credibility* (how accepted is the concept by different stakeholders, depending on cost and effectiveness of potential mechanisms of recognition), and *marketability* (effect on economic performance, perception and price). A sustainability scheme with large numbers of indicators and strict control may result in excellent marketing conditions, but may be limited in reaching out to the majority of cocoa farmers. In contrast, a scheme with fewer indicators and less stringent control may manage to be more inclusive of smallholder farmers at the cost of lower marketability and no price premium.

The document provides an overview of some sustainability initiatives to see how economic, social and environmental concerns have been addressed and which tools have been elaborated for the purpose of monitoring and certification. Important lessons can be learned from this, but for most initiatives including smallholder producers on a large scale and communicating increased sustainability throughout the supply chain still remains a challenge. To make the production and use of cocoa more sustainable, this needs to be solved in dialogue and cooperation with all stakeholders.

## 2 Sustainability and compliance

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<sup>1</sup> This document has been prepared by an RSCE2 Expert Group comprising Mr. Simon Schnetzer (leader), Mr. Richard Holland, Mr. Youssouf Ndjore, Ms. Chantal Oltramare, Mr. Carsten Schmitz-Hoffmann, Mr. Marcel Vernooij, and Ms. Gine Zwart.

<sup>2</sup> See the document RSCE2/0 entailing the six objectives and mission statement of RSCE2.

## 2.1 A definition of sustainability

In 1983, the United Nations convened a commission to address the growing concern about the “accelerating deterioration of the human environment and natural resources and the consequences of that deterioration for economic and social development”. This commission coined an internationally accepted definition of sustainable development<sup>3</sup>:

*“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts:*

- *The concept of 'needs', in particular the essential needs of the world's poor, to which overriding priority should be given; and*
- *The idea of limitations imposed by the state of technology and social organization on the environment's ability to meet present and future needs.”<sup>4</sup>*

## 2.2 The rise of sustainability and standards

Scientific evidence proves that humanity has in the past and continues to use and consume nature’s resources in a very unsustainable manner. Stakeholders in agricultural commodity economies generally share broad agreement on the need to further develop sustainability in certain economic, environmental and social areas. However, there is a broad lack of agreement on the question of defining the objectives and how to commit to them. Some of these areas concerning environment or labour<sup>5</sup> are dealt with in international conventions. Not all countries sign up to these treaties - and not all signatories ensure that regulations are turned into national law. At a national level, monitoring and enforcing the compliance of such international agreements requires political will, and in many cases the challenge proves to be challenging for authorities and legislators. At an international level, the compliance with some agreements cannot be enforced due to a lack of adequate enforcement mechanisms.

In the absence of regulation or its enforcement and in order to promote the implementation of more sustainable practices for the production and processing of goods, a wide variety of initiatives championing social and environmental objectives have emerged over the last two decades and contribute to the increased development of voluntary standards. These initiatives are often driven by multi-stakeholder alliances, NGOs or individual companies and grow at comparatively high rates. The standards and mechanisms of recognition and traceability of such initiatives are increasingly being discussed as market-based instruments to improve social and ecological conditions along the supply chain of goods.<sup>6</sup> Voluntary and private standards have become the topic of discussions at international fora: at the WTO - as potential non-tariff barriers to trade<sup>7</sup>; at UNCTAD - in the form of a programme to harmonize standards<sup>8</sup>; and at the FAO<sup>9</sup> - resulting in valuable research on good agricultural practices,

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<sup>3</sup> This definition was adopted by the ICCO Consultative Board on the World Cocoa Economy for its efforts on sustainability. See ICCO (2007).

<sup>4</sup> See United Nations (1987).

<sup>5</sup> As for instance the United Nations Charter for Human Rights, the Kyoto Protocol as framework convention on climate change, or the International Labour Organizations Declaration on Social Justice for a fair Globalization.

<sup>6</sup> See e.g. GTZ (2008) for a discussion of challenges of the international cooperation for sustainability.

<sup>7</sup> See WTO (2007) for a presentation clearly describing the conditions of legitimacy of private and public standards with reference to the TBT Agreement.

<sup>8</sup> See work of the Consultative Task Force on Environmental Requirements and Market Access for Developing Countries of UNCTAD on [www.unctad.org/trade\\_env/test1/projects/taskforce.htm](http://www.unctad.org/trade_env/test1/projects/taskforce.htm).

standards etc. Under the umbrella of ISEAL<sup>10</sup>, several sustainability initiatives have established practical guidelines of good practice on how to attain standards and govern a multi-stakeholder process.

Standards are the most common element of sustainability schemes and act as central reference points for any mechanism of recognition, but they are not synonymous with certification.<sup>11</sup> Most standards in agricultural commodities are based on a specific set of good agricultural practices and can lead to better farm management and higher income. In response to varying conditions in producing countries and different consumer preferences, differentiation of goods and standards can make economic sense. On a practical level however, a proliferation of standards can be harmful for the market and costly for producers challenged by compliance with different criteria to different degrees for different schemes and often without a guaranteed price. More transparency and good assessment tools for standards that best fit certain circumstances could help producers reduce verification costs and increase economic returns.

### 2.3 Proof and communication of sustainable characteristics<sup>12</sup>

Standards and proof of compliance have to be directly linked to the sustainability claim and the way it is communicated along the supply chain. Farmers, producers, companies and countries can communicate and prove their level of commitment towards more sustainability in various degrees and through various types of claims:

- A system with demanding sustainability criteria and a strict auditing mechanism results in a strong claim to quality. With a system of traceability in place, such a claim can guarantee origin and certain characteristics throughout the value chain to the end consumer. However, smallholder producers in particular have difficulty in meeting demanding criteria and cannot afford costly implementation, record keeping, monitoring and auditing. Still, if properly organized and with adequate assistance, marginalised small-scale farmers/producers can participate and benefit from these schemes.<sup>13</sup>
- A system based on a limited number of key performance indicators and continuous improvement may be less demanding to enter and may require less stringent auditing mechanisms. Stakeholders applying the system are required to commit to increasing the level of compliance with criteria over time. These schemes result, at least initially, in a weaker claim of quality, but are generally more suitable for the bulk of production. Due to lower cost and entrance barriers, such a system can also be adopted by smallholder farmers. However, implementation of new farming and handling methods will always require training and support. Participants who have successfully implemented such systems may find it easier to participate in more demanding schemes.

Making progress towards more sustainability through better practices in the production and use of commodities depends on the focus on key sustainability targets and the scope or volume of their application. The impact will dictate the success of a sustainability scheme. A scheme

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<sup>9</sup> For further information see FAO 2003a-c.

<sup>10</sup> For further information see [www.isealalliance.org](http://www.isealalliance.org).

<sup>11</sup> See World Trade Organization (2005) for a comprehensive discussion on standards and trade.

<sup>12</sup> See FAO (2003a) for an extensive discussion of *Environmental and Social Standards, Cash Crops and Labelling*.

<sup>13</sup> Certified Organic or certified Fair Trade products are well known examples. With respect to trade in agricultural goods, these certificates are still applied to less than 1% of production.

that fails to promise real impact will neither be successful among producers, nor among consumers.

### 2.3.1 Standards

A standard is defined by ISO as a “*document, established by consensus and approved by a recognized body that provides, for common and repeated use, rules, guidelines or characteristics for activities or their results, aimed at the achievement of the optimum degree of order in a given context*”<sup>14</sup>. Standards should be based on the consolidated results of science, technology and experience, and aimed at the promotion of optimum community benefits. Social and environmental standards in agriculture are technically process standards<sup>15</sup>.

International standards, especially for agricultural practices, have to respond to differences in climate, soils and ecosystems, and are an integral part of cultural diversity. As a result, international environmental and social standards are often normative standards, i.e. generic standards or guidelines used as a framework for local standard-setting or certification bodies to formulate more specific standards. It has to be noted that the purpose of environmental and social standards in agriculture is not usually that of standardization per se; rather, they are developed to improve environmental and social sustainability in the variety of existing farming and agro-trade systems.<sup>16</sup>

Sustainability initiatives that consider working with standards have to ask themselves several questions concerning,

- The level of sustainability: baseline / minimum, high-level, or continuous improvement
- The contents: economic, environmental and social aspects along the supply chain
- Marketing channels: Business to Business (B2B) or Business to Consumers (B2C)
- And auditing tools: Self-assessment, certification, verification and impact assessment.

#### 2.3.1.1 Level of sustainability

*Baseline or minimum standards* define a set of minimum requirements for sustainability. Stakeholders and policymakers can use such standards to communicate a certain commitment. Baseline or minimum standards can be a steppingstone for producers/farmers to demanding certification schemes and a risk-management tool, but they cannot offer powerful marketing opportunities. *High-level standards* can offer good marketing opportunities. Acknowledging entrance barriers and the gradual process of the implementation of sustainability standards, many schemes opt for a model of continuous improvement.

A tool leading to more sustainability can be the development and promotion of *better management practices* (BMPs). BMPs exist e.g. in agriculture, aquaculture or forestry and present a reference helping producers and key actors in the supply chain to improve economic, environmental and social performance, reduce costs and on-site environmental impacts and

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<sup>14</sup> In accordance with ISO (2004).

<sup>15</sup> Process standards can be divided into management system standards, which set criteria for management procedures, and performance standards, which in contrast set verifiable requirements for factors such as the non-use of certain pesticides, or the availability of sanitary services.

<sup>16</sup> Advantages of the implementation of standards are discussed in chapter 2.5, and Burger and Mayer (2004).

increase the efficiency of production. BMPs often need to be adapted to local conditions and production methods.<sup>17</sup>

### 2.3.1.2 Marketing channels

*Business-to-Business* (B2B) standards<sup>18</sup> are not communicated to the final consumers, who are often unaware of the existence of such standards. Examples of these standards are GlobalGAP or ISO 22000. B2B standards seek to reduce the information asymmetry in supply chains. They serve as quality signals and reduce transaction costs and liability risks. In contrast, *Business-to-Consumer* (B2C) schemes typically address the end consumer by displaying a label on the products produced by certified farms and firms. Examples of such standards are FLO, IFOAM, Rainforest Alliance or UTZ. For this communication to be effective the label must be meaningful, the application consistent and the underlying certification system accessible. While certificates are a form of communication between seller and buyer, labels are a form of communication with the end consumer. The standard-setting body monitors the use of labels. However, for many products the proliferation of labels and standards has sparked competition among initiatives and complicated choice for producers and consumers.

### 2.3.1.3 Auditing tools

*Certification* is the procedure by which a third party gives written assurance that a product or process is in conformity with certain standards. Certification can be a tool for communication along the supply chain. A *certificate* demonstrates to the buyer that the supplier complies with certain standards, which might be more convincing than if the supplier itself provided the assurance. The organization performing the certification is called a *certification body* or certifier. The granting of the written assurance or “certificate” is based on the inspection report, possibly complemented by other sources of information. Audits can vary in frequency and sampling. There are three degrees of assurance in certification: *third party verification*, when the assurance is provided by a party without direct interest in the economic relationship between the supplier and buyer; *second-party verification*, when a buyer verifies if the supplier adheres to a standard; and *first-party verification*, when a supplier’s claim is based on an internal control mechanism.

The system of rules, procedures and management for carrying out certification, including the standards against which it is being certified, is called the certification programme. To ensure that the certification bodies have the capacity to carry out certification programmes, they are evaluated and accredited by an authoritative body. In addition, standard-setting bodies can require accreditation of certification bodies for the scope of their particular standard.

### 2.3.1.4 Monitoring the impact on sustainability

The strength of a sustainability initiative, with a standard and system of recognition or certification, greatly depends on the availability of a set of indicators that are used to communicate what is being achieved in terms of economic, environmental and social impact to a wider set of stakeholders. A measuring reference is generally required as point of departure in the form of baseline information about the original conditions. In order to gain

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<sup>17</sup> In cotton cultivation for example, the use of BMPs like alternate furrow irrigation, rainwater harvesting and integrated pest management techniques helps to achieve measurable reductions in key environmental impacts while improving economic and social benefits for cotton farmers worldwide.

<sup>18</sup> The definition is taken from Theuvsen and Plumeyer (2008), providing an analysis of European certification schemes.

stakeholder support for sustainable changes, there needs to be a clear message and common understanding of the desired outcome and impacts. The message needs to convey how these achievements can be measured, what the key performance indicators are, at what level (micro, meso or macro) they apply and how compliance with an indicator is defined.

Monitoring tools, techniques and procedures can be complex and costly. Problems are bound to arise with monitoring, particularly in case of: 1) the absence of systematic data collection or management; 2) a lack of measurable indicators; and 3) difficulties in isolating impacts and relating them to monitored standards. Good indicators fulfil the following criteria: they are simple, metric based/quantitative rather than qualitative, use existing data at micro, meso and macro level, and have a clear and logical link to the desired sustainability impacts.

Depending on the claim, a sustainability scheme has different record-keeping, audit and control mechanisms to monitor compliance and impact. In order to do that, some preconditions should be fulfilled:

| Sustainability scheme  | Certification systems   | Stakeholders   |
|--|---|--|
| <ul style="list-style-type: none"> <li>• Need to formulate standards and criteria in a clear and measurable way</li> </ul>   | <ul style="list-style-type: none"> <li>• Need for local guidelines to monitor performance</li> </ul>  | <ul style="list-style-type: none"> <li>• Need to receive training in order to guarantee a minimum level of knowledge of the standard</li> </ul>  |
| <ul style="list-style-type: none"> <li>• Provide a clear guideline defining at what stage a product or process should meet which criteria and to what extent</li> </ul>  | <ul style="list-style-type: none"> <li>• Need to train local auditors who are familiar with the sector and local conditions</li> </ul>                  | <ul style="list-style-type: none"> <li>• Need to have access to quality measurement instruments</li> </ul>   |
| <ul style="list-style-type: none"> <li>• Needs to relate clearly the level of verification (monitoring/ auditing/ certification) in order to correspond to the desired claim and level of recognition/marketability</li> </ul> | <ul style="list-style-type: none"> <li>• Should have a differentiated system of accreditation requirements for smallholder farmers/producers</li> </ul> | Producers / farmers need to: <ul style="list-style-type: none"> <li>• Be organised up to a certain level and have certain agricultural capacities;</li> <li>• Have management skills;</li> <li>• Monitor their inputs, expenses and yields; and</li> <li>• Implement an internal control system</li> </ul> |

Table 1: Preconditions for the implementation of a sustainability scheme; compilation from the authors

These requirements and strict accreditation rules impeded the wide participation of smallholder farmers in sustainability initiatives with certification, although some initiatives like certified Organic or Fair Trade could actually benefit such farmers. Partly as a response, a system of *smallholder group certification*<sup>19</sup> was developed in the 1980s with organized smallholders, creating an internal support structure and documented quality assurance. This inspection mechanism, referred to as *Internal Control System (ICS)*, allows the external certification body to delegate the annual inspection of individual members of a certified group to an identified unit within this group. Setting up an ICS is also a way of training farmers and verifying the implementation. The external certification body's job is therefore to evaluate the proper working of the ICS. To qualify for this type of certification, "smallholders" need to fulfil - according to IFOAM 2003b, 6 of 8 criteria describing farmers' limited capacities - farming conditions and the disproportionate cost of certification compared to their annual income.<sup>20</sup>

<sup>19</sup> See IFOAM (2003b) for a detailed guideline on smallholder group certification developed through a process of stakeholder workshops between 2001 and 2003. Other initiatives like FSC have adopted group certification.

<sup>20</sup> For further information on research methods to analyze the smallholder sector, please refer to MOA/MSU/UA Research Team (1992).

## 2.4 Incentives and disincentives for the adoption of a sustainability scheme

Drivers for the implementation of a sustainability scheme could be:

|  |                       |  |
|--|-----------------------|--|
| <b>For producers:</b>                                    | <b>Economic:</b>      | <ul style="list-style-type: none"> <li>• Better prices</li> <li>• Increased yield/ revenue</li> <li>• Reduced production costs</li> <li>• Reduce wastage</li> <li>• Reduce storage losses</li> <li>• Improved organisational structure</li> <li>• Improved access to reliable inputs</li> <li>• Improved access to market/ supply chain</li> <li>• More stable commercial relationships</li> </ul>             |
|  | <b>Environmental:</b> | <ul style="list-style-type: none"> <li>• Better soil quality (leading to increased productivity, longer production period)</li> <li>• Healthier trees</li> <li>• Improved waste management</li> <li>• Carbon credits</li> </ul>  |
|  | <b>Social:</b>        | <ul style="list-style-type: none"> <li>• Improved sanitation and health of farm workers and communities</li> <li>• Improved skills and education of farm workers and communities</li> <li>• Improved community and worker relations</li> </ul>   |
| <b>For trade and industry:</b>                           |                       | <ul style="list-style-type: none"> <li>• Reduce storage losses</li> <li>• Reduce monitoring costs</li> <li>• Product differentiation</li> <li>• Securing a supply stable in quality and quantity</li> <li>• Higher transparency along the chain</li> <li>• Increased market efficiency</li> <li>• Corporate social responsibility (CSR)</li> </ul>   |
| <b>For governments of commodity producing countries:</b> |                       | <ul style="list-style-type: none"> <li>• Higher awareness for economic, environmental and social sustainability</li> <li>• Reducing monitoring costs</li> <li>• Increased attractiveness for support programmes and investment in the respective sector</li> <li>• Displaying commitment to future-oriented, long-term action</li> <li>• Support to national poverty reduction strategy (e.g. MDGs)</li> </ul> |
| <b>For governments of commodity consuming countries:</b> |                       | <ul style="list-style-type: none"> <li>• Securing supply of sustainable products</li> <li>• Securing supply of safe products</li> <li>• Displaying commitment to future-oriented, long-term action</li> <li>• Coordinated strategy of economic support for producing countries and product sourcing interests</li> <li>• Support to national poverty reduction strategy (e.g. MDGs)</li> </ul>                 |
| <b>For consumers of cocoa products:</b>                  |                       | <ul style="list-style-type: none"> <li>• Information on where a product derives from</li> <li>• Information on how a product has been produced</li> <li>• Information about compliance with certain sustainability criteria</li> </ul>   |

Table 2: Drivers for the implementation of a sustainability scheme; collection from the authors

Incentives for the various stakeholders to adopt the practices of a sustainability scheme are economic, environmental and social – regulatory and institutional; they depend on the focus of the sustainability programme and the conditions it addresses. The disincentives for farmers to adopt the practices include economic ones as e.g. variable production costs, constraints in the institutional infrastructure or a lack of human capital and skills. For an extensive discussion of Table 2 please refer to FAO 2003b.

The costs for compliance of a sustainability scheme or GAPs cannot be calculated in a general manner; they depend on where a producer stands in relation to the requirements and the specific monitoring and verification procedures of a sustainability scheme. Other factors affecting compliance costs are location of a farm, organization of producers/ farmers with other farmers, access to public services and infrastructure, regional conditions, plant pests and diseases, the availability of field extension services and monitoring services. In a recent document from the European Commission it appears that the need to participate in more than one scheme creates a significant financial and administrative burden, especially for small-scale producers, while much of the value added is retained at intermediary or retail level. Certification and accreditation comes at a cost. The implementation of standards usually requires investments, although it can result in a reduction in production costs in the longer term.<sup>21</sup>

Some certification initiatives pay a fixed or a negotiable price premium. Premiums and demand for certified goods always depend on market conditions and external factors. Standards that are designed in a way that they can be used as a guideline towards increasing sustainability, often lead to cost reduction, increased efficiency, performance growth, better quality, better health, higher productivity, better soil, and better market access. Unlike the visible and quantifiable benefit of a price premium bound to a sustainability scheme, many benefits can only be realized on the long term and are often intangible on the short term, like reduced farm management and input costs, improved soil fertility and higher quality of cocoa. It is important to communicate the long-term benefits, as they are very valuable but not always obvious from the start.

### **3 Lessons to be learned from other sustainability initiatives**

A key step in any sustainability initiative is for participants to agree to a written and communicable set of goals and objectives, which clarify the purpose, guide the outcome and provide transparency to the process. Given that certification is complex, expensive and requires long-term commitment, it is important to consider the whole range of available tools like BMPs, standards, labels and certification - individually or in combination - in order to decide how best to attain the desired outcome and impact.

Experience shows that the effectiveness and credibility of standard setting and certifying sustainability initiatives depends on several principles relating to (i) the process by which a particular scheme or initiative is established; (ii) the issues they aim to address (i.e. what do they deal with); and (iii) how they are implemented. Key principles or criteria include:

- Written commitment by members of an initiative to work towards key economic, environmental and social impacts;
- Transparency and clarity in processes and structure for credibility;
- Participation and ownership - meaningful and equitable stakeholder involvement;
- Focus on the entire market;
- Results-oriented impacts need to be measured against a baseline and revised over time;
- Credibility of the compliance with standards usually requires third-party certification;
- A robust process for traceability and tracking along the entire supply chain<sup>22</sup>;
- A complaint and appeal mechanisms - for hearing complaints and resolving conflict; and

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<sup>21</sup> For an extensive discussion of Food Quality Certification Schemes, see European Commission (2008).

<sup>22</sup> See the RSCE2 study on traceability and tracking (RSCE2/5) for an extensive discussion.

- A comprehensive support mechanism for producers.

### 3.1 Trends among initiatives<sup>23</sup>

Many sustainability initiatives have been growing for years, experiencing high rates of growth and increasing acceptance and awareness in the markets. Looking at the trends of such initiatives can provide valuable lessons for an initiative in its early stages. Many initiatives with established certification mechanisms for some crops - like Fairtrade, GlobalGAP, Rainforest Alliance or UTZ Certified - reach out to incorporate other crops into their programmes. Once a certification system is in place, many initiatives attempt to establish a “Chain of Custody”, a system of monitoring throughout the value chain. Another broadly shared objective is to promote more inclusiveness of smallholder farmers/producers with an extension of support services and a revision of standards. Other trends are to harmonize standards, introduce labelling for southern markets and increase south-south trade, develop standards for responsible trading of products and stimulate more cooperation among initiatives.

Voluntary Standards were the topic of various recent conferences.<sup>24</sup> One of the big topics of discussion in these conferences was the objective to upscale sustainability initiatives and how to increase their impact on sustainability. Closer cooperation between sustainability initiatives and the public sector in commodity producing countries could prove to be a solution for the scaling problem while also providing benefits for all stakeholders. Standards that are developed on an international level in multi-stakeholder processes are a useful reference for national adaptations and could be used for production guidelines, extension services and sector policy planning. Governments implementing sustainability standards can gain an edge over competitors, building a reputation for sustainability, improved social communities and the conservation of natural resources for future generations. Many standard initiatives work to engage the public sector. However, high certification costs, complex procedures, little transparency between certification systems and uncertainty among producers concerning the benefits of adopting standards often worry representatives from producing countries, where smallholder farmers represent the majority of producers in some crops.<sup>25</sup>

### 3.2 Examples of initiatives<sup>26</sup>

| Certifying initiatives with consumer labels (* indicates certification of cocoa) |   |
|--|---|
| FLO/ FAIRTRADE*  | FLO is a standard setting and certification organization for labelled fair trade promoting better trading conditions for disadvantaged producers. FLO uses an International Fairtrade Certification Mark guaranteeing a rigorous process for the certification of products against the FLO standards. |

<sup>23</sup> This chapter is based on recently updated information provided on [www.fairmatchsupport.nl](http://www.fairmatchsupport.nl).

<sup>24</sup> The results of three recent conferences on these topics can be found online: BMZ 2008, ISEAL 2008 and TSPN 2008 (<http://tradestandards.org/en/Article.65.aspx>).

<sup>25</sup> The Committee on Sustainability Assessment (COSA) is a project in the coffee sector, which has developed a generalized set of indicators for a multi-criteria cost-benefit analysis across farms and regions implementing sustainability initiatives in order to provide objective data and analyses on the social, economic and environmental costs and benefits of all major sustainability standards operative. ([www.iisd.org/standards/cosa.asp](http://www.iisd.org/standards/cosa.asp))

<sup>26</sup> Thorough comparisons of initiatives are available e.g. from the website of FairMatch Support, the Sustainable Commodity Initiative upon request, or the Trade Standards Practitioners Network.

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|   |  |
|---|--|
| IFOAM ORGANIC*  | IFOAM is the umbrella organization of the international organic movement aiming at the worldwide adoption of ecologically, socially and economically sound systems that are based on the principles of Organic Agriculture. An Organic Guarantee System (OGS) is designed to facilitate the development of organic standards and third-party certification worldwide, and to provide an international guarantee of these standards and organic certification.  |
| FOREST STEWARDSHIP COUNCIL (FSC)                            | FSC was created to promote sustainable forest management and forest certification and provides standard setting, trademark assurance and accreditation services. FSC uses independent certification and communicates accordance with the FSC standards with a consumer label.  |
| EXAMPLE BETTER SUGARCANE INITIATIVE BSI                     | The BSI aims to encourage and facilitate the adoption of better management practices and the establishment of performance-based, third-party verifiable standards for the sugar industry.  |
| RAINFOREST ALLIANCE (RA)*                                   | The Rainforest Alliance is a mission driven scheme striving to conserve the biodiversity and protect the environment in agricultural production systems, operational in certification of cocoa farming and many other crops. Originally it started as the Sustainable Agriculture Network (SAN) and “SANCert” conducts independent certification against its principles. RA offers a marketing label visible to the final consumer - products can be labelled starting at 30% of certified content.  |
| ROUNDTABLE FOR SUSTAINABLE PALM OIL (RSPO)                  | The Roundtable on Sustainable Palm Oil (RSPO) is an international multi-stakeholder initiative to advance the production, procurement and use of sustainable palm oil products through the development, implementation and verification (through independent certification) of credible global standards and the engagement of stakeholders along the supply chain. Recommended best practices will be annually reviewed with certification bodies.  |
| UTZ CERTIFIED*  | UTZ CERTIFIED is a large certification programme that started with coffee based on the UTZ CERTIFIED Code of Conduct. It applies a chain of custody from the farm to the consumer and provides a marketing label of 100% certified product visible to the consumer.  |
| <b>Certifying initiatives without consumer labels</b>       |  |
| COMMON CODE FOR THE COFFEE COMMUNITY (4C)                   | The Common Code for the Coffee Community Association (4C Association) is an independent multi-stakeholder organization combining a verifiable code of conduct towards continuous improvement in all three sustainability dimensions with support services and assistance structures. The 4C Association introduces a baseline system, offering a benchmarking for more demanding standards and certification schemes. The 4C Association does not use a consumer label, but a company’s participation in the programme can be referred to on products. |
| GLOBAL GAP (Good Agricultural Practices)                    | GlobalGAP is a certification standard against a set of good agricultural practices (GAPs) to guarantee food safety conditions in agricultural production systems and traceability throughout the supply chain. It was driven and introduced by the retail industry and serves as baseline standard for fresh fruits and vegetables. GlobalGAP does not use a consumer logo. The standard can be combined with the GRASP module to also cover social conditions.  |
| <b>Sustainability initiatives considering certification</b> |  |
| ROUNDTABLE FOR SUSTAINABLE BIOFUELS (RSB)                   | RSB is an international multi-stakeholder initiative aiming to achieve consensus around the principles and criteria of sustainable biofuels production. RSB is developing standards for sustainable biofuels and is considering the introduction of certification as a verification mechanism.   |

Table 3: Overview of Sustainability Initiatives in the context of certification, from the authors

#### **4 Conclusions: cooperating for a more sustainable cocoa economy**

Increasing the sustainability of the cocoa economy is not an option but a necessity.<sup>27</sup> It should be the subject of discussion at the RSCE2 how sustainability conditions can be improved on a broad scale. Some initiatives with certification are growing rapidly, albeit from a low starting level, and the common challenge is how to reach out to the poorly organized smallholder farmers. Sustainability, especially in agricultural sectors, is generally seen as a dynamic objective that needs to be adapted to regional conditions and continuously revised. Some successful initiatives use an approach of the continuous improvement of sustainable practices or focus on a set of key performance indicators achievable by most farmers/ producers.

A sector wide approach could begin with some common agreement: firstly, on “Principles for a Sustainable Cocoa Economy”<sup>28</sup> could provide a useful starting point; secondly, on a definition of key sustainability impacts in the sector; thirdly, on a plan as to how this can be achieved and monitored; and fourthly, on the role and responsibilities of different stakeholder groups. Such an agreement could be a guiding framework with a certain degree of detail.

Some lessons and recommendations from stakeholders and other initiatives are to:

- Be a platform for all sector stakeholders, including smallholder farmers, for ongoing and constructive dialogue;
- Function as a transparent and participatory process for broadly accepted and supported outcomes;
- Agree a set of economic, environmental and social key impacts as cornerstones of a more sustainable sector economy;
- Develop simple and measurable indicators to monitor performance and progress;
- Coordinate the preparations of a guideline for good and unacceptable practices throughout the supply chain;
- Promote the application of the guidelines from different stakeholder groups and a clear communication strategy concerning objectives, impacts and benefits;
- Implement a broadly backed support mechanism for producers;
- Promote the establishment of national platforms/initiatives promoting sustainability in the sector; and to
- Provide a platform for sustainability for researchers and practitioners.

Certification or some other form of verification could become a complementary element of a sustainability scheme. The relatively high cost and technical support needed for the implementation challenge the broader adoption of certification systems. Reducing the cost of monitoring and verification could be achieved by: i) using fewer and easily measurable indicators; ii) organizing farmers and increasing their support; iii) through the harmonization of certification systems; iv) by building up local monitoring capacities; and v) models of smallholder group monitoring. Various certification schemes already operate in cocoa providing a source of ample experience and valuable reference for considerations about next steps. Guidelines serving as a baseline standard could complement such certification initiatives, if set-up as a steppingstone for producers and a common ground for support efforts.

Only with a concerted effort of all these mechanisms will it be possible to reach out to all stakeholders and farmers in particular, making progress towards a sustainable cocoa economy.

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<sup>27</sup> See COPAL 2007 and ICCO 2007 for a comprehensive discussion of the issues at stake and possible solutions.

<sup>28</sup> See Background Document RSCE2/7.

### Acronyms

|                |  |
|----------------|--|
| B2B            | Business to Business (Certification)                       |
| B2C            | Business to Customer (Certification/Label)                 |
| BMPs           | Better Management Practices                                |
| BMZ            | German Ministry for Economic Cooperation and Development   |
| BSI            | Better Sugarcane Initiative                                |
| COPAL          | Cocoa Producers' Alliance                                  |
| COSA           | Committee on Sustainability Assessment                     |
| CSR            | Corporate Social Responsibility                            |
| EC             | European Commission  |
| FAO            | Food and Agricultural Organization of the United Nations   |
| FLO            | Fairtrade Labelling Organization                           |
| FQCS           | Food Quality Certification Schemes                         |
| FSC            | Forest Stewardship Council                                 |
| ETP            | Ethical Tea Partnership                                    |
| GLOBALGAP      | Global GAPs (Good Agricultural Practices)                  |
| GRASP          | GLOBALGAP Risk Assessment on Social Practices              |
| GTZ            | Deutsche Gesellschaft für Technische Zusammenarbeit        |
| ICCO           | International Cocoa Organization                           |
| ICAC           | International Cotton Advisory Council                      |
| ICS            | Internal Control System                                    |
| IFOAM          | International Federation of Organic Agricultural Movements |
| ILO            | International Labour Organization                          |
| ISEAL          | International Social and Environmental Labelling Alliance  |
| ISO            | International Organization for Standardization             |
| MDGs           | Millennium Development Goals                               |
| MSC            | Marine Stewardship Council                                 |
| OGS            | Organic Guarantee System                                   |
| RA             | Rainforest Alliance  |
| RSCE           | Roundtable for a Sustainable Cocoa Economy                 |
| RSPO           | Roundtable for Sustainable Palm Oil                        |
| SAN            | Sustainable Agriculture Network                            |
| TSPN           | Trade Standards Practitioners Network                      |
| UNCTAD         | United Nations Conference on Trade and Development         |
| WTO            | World Trade Organization                                   |
| 4C Association | Common Code for the Coffee Community Association           |

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