



Shaping Globalisation

Scaling up Voluntary Social and Ecological Standards

gtz | Programme Office for Social
and Ecological Standards



On behalf of

**Federal Ministry
for Economic Cooperation
and Development**

Preface	3
Scaling up: A conference reader	4
Applied voluntary standards	11
Brazil – All set to go	12
China – Encouraging experiences, promising potential	20
Kenya – Capacity is key	28
Zambia – First steps towards sustainability	36
Synthesis	42
Abbreviations	47

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Shaping Globalisation

Preface

Poverty, pollution and working conditions: the opportunities and challenges of today's economic globalisation are closely connected. Opportunities to improve living conditions, raise educational standards and establish better health care through participation in global supply chains are certainly there. Yet at the same time, while we are all competing globally, there is an equal risk of joining a race to the bottom when it comes to the environment and social conditions. The work of German Development Policy is dedicated to supporting a just and socially equitable process of globalisation.

Our world needs development, but it must be sustainable development, based on the concept of decent work and with the objective of guaranteeing living conditions also for future generations. Germany therefore actively supports the Millennium Development Goals, striving for a combination of economic success, social justice and peace, ecological balance and political stability.

Although much progress has been made, the most recent results presented during the Millennium Summit in New York this September, show that there is still work to be done. A wider application of voluntary ecological and social standards is one instrument to reach these goals, inextricably linked to sustainability. After 30 years of active German Development Policy in the field of standards, it is visible that market-driven standards are not only able to contribute to relieving poverty, but are also able to support development towards social inclusion and democracy. Initial results from the evaluation presented here testify to this.

Voluntary social and ecological standards are hall-marked by their closeness to the market. Experience increasingly teaches us that the obstacles to development and freedom are best countered with instruments and arguments that are embedded in a market environment. The results of the evaluation presented in the following pages show that living conditions clearly change for the better when voluntary standards are adopted. It goes without saying that these standards cannot of course replace legislation and international agreements. Since such

standards are market driven, they follow a different logic. Nevertheless, their economic success is an argument for further application: monitoring and enforcement are merely complementary elements of this. But the evaluation shows at the same time the importance of embedding such instruments in a favourable national policy environment, and thus also underlines the importance of ownership and good governance in this field.

We would like to introduce the present evaluation as a contribution to the global dialogue on the future of voluntary standards and on the issues of standards in a more general sense. The evaluation sheds light on several aspects that might be considered in the further development and dissemination of these standards: the importance of partnerships between public and private authorities, projects that extend from the local to the national level, and activities that strengthen intermediary organisations. These are among the initial findings. Another- perhaps the most significant - result is that the positive effects of applied voluntary standards are still too limited. What we now need is a broader and deeper impact, we need to find solutions for scaling up voluntary standards.

We would like to take the opportunity to discuss how scaling up of positive impacts can be achieved with all stakeholders involved. Most of all we are eager to learn how the experiences of our partners and other stakeholders can add to the findings of the evaluation. We look forward to the exchange and dialogue in this field and are confident this will contribute to a lively and fruitful debate.

Scaling up: A conference reader

Voluntary standards: a lever for a more just globalisation

There is a groundswell for action to shape globalisation to ensure fair economic distribution, adequate social conditions and an appropriate environmental management. Additional regulatory instruments and penalties are needed to relieve pressure on the market and make policies succeed. A major innovative instrument for sustainable development and tangible improvement of social and environmental conditions all around the world is the establishment of voluntary social and environmental standards.

Short-term individual economic interests diverge from medium- and long-term social and environmental interests. The price for the destruction of natural resources through e.g., slash and burn agriculture, rising greenhouse gas emissions, increasing soil erosion and the loss of traditional structures, is high. In recent years there has been a change in the international economy towards the formation of new modes of production and the incorporation of a variety of stakeholders into the global value chain. From the supply side, public and private sector awareness of sustainable production is growing. Instituting standards builds consumer confidence and improves the selling positions of those who conform to them, giving them a competitive advantage. From the demand side, consumer behaviour influences cultivation methods, working conditions, and the earning capacities of employees and producers. Thus certification is increasingly seen as a market incentive – a signal for higher quality, a better business culture, and a factor for a better corporate image. Voluntary standards have become a determining factor for entering a number of Organisation for Economic Co-operation and Development (OECD) markets, and, contrariwise, for promoting foreign direct investment in developing countries.

At political level, the implementation of voluntary social and environmental standards is closely linked to international agreements and conventions. Agenda 21, the Rio Declaration on Environment and Development, and the statement of principles for sustainable management and corporate accountability at the United Nations Conference on Environment and Development held in Rio de Janeiro 1992 established sustainability

as a global priority. The full implementation of Agenda 21 and commitment to the Rio principles were strongly reaffirmed at the World Summit on Sustainable Development in Johannesburg 2002. Voluntary standards conform to the principles of the Global Compact, to the guidelines of the OECD for multinational firms and to the Corporate Social Responsibility (CSR) Initiative of the European Commission.

By connecting economic and political perspectives, voluntary standards aim to fill the gap of insufficient national and international governance capacities for legislation enforcements in the global trade system. They serve not only as private codes of conduct but also, as a complementary regulatory framework, are conducive to meet the sustainability objectives of the public sector.

Since voluntary standards target various key areas and are contributed by the international community, they are gaining importance in German and international Development Cooperation, particularly in regard to poverty reduction. The Federal Republic of Germany is contributing to the achievement of the Millennium Development Goals (MDG) with its inter-ministerial Programme of Action 2015 as the central instrument for translating this commitment into practice. All of the voluntary standards that are promoted and evaluated are in line with this Programme.

The main actors promoting voluntary standards

In the countries surveyed in the course of the BMZ (German Federal Ministry for Economic Cooperation and Development / Bundesministerium für Wirtschaftliche Zusammenarbeit und Entwicklung) evaluation, the private sector and civil society organisations are even more active in the discussion about sustainable development and voluntary standards than the public sector is. Private companies are very proactive drivers for the introduction of voluntary and market driven standards. In addition, environmental non-governmental organisations (NGOs), trade unions and social movements have taken a lead role in the national discussion about sustainable development and the design of specific policies.

Voluntary alliances to implement standards have been founded to connect the main economic and political actors. These players work together, for example, with German Development Cooperation, which has set up an office for social and ecological standards within Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH. At the international level, the World Bank's Trade Standards Practitioners Network (TSPN), established in 2003, is a multi-stakeholder forum for experience exchange in the field of social and ecological standards to promote food safety. The International Social and Environmental Accreditation and Labelling (ISEAL) alliance is a formal collaboration of leading international standard-setting and conformity assessment NGOs that focuses on social and environmental issues.

30 years of experience: German Development Cooperation and voluntary standards

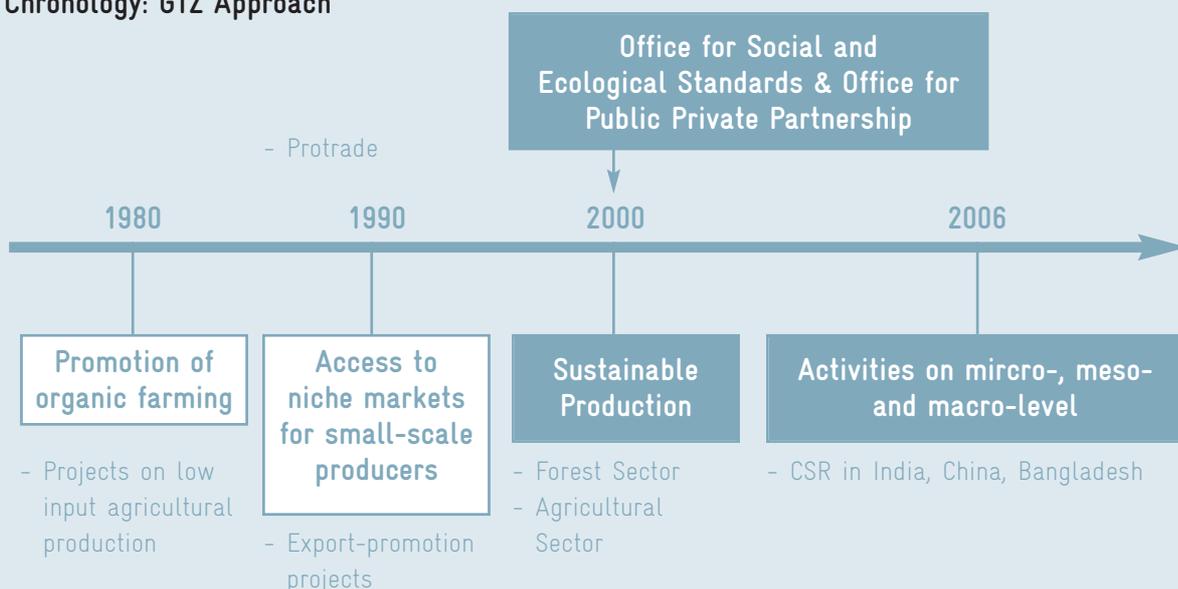
The BMZ was quick to identify the significance of voluntary social and ecological standards and to develop innovative means to promote them. Numbered among the strengths of the cooperation programmes are the sector perspective on the international value chain, which aims to include all relevant stakeholders, and the fostering of campaigns to influence

consumers to buy sustainable products. This sectoral programme – the GTZ office for social and ecological standards – promotes:

- social standards, especially in the textile sector
- voluntary certification and codes of conduct for sustainable management of natural resources and agricultural commodities (forest certification, coffee and cacao)

Aside from providing consulting services to the BMZ and international stakeholders, GTZ supports pilot standard initiatives in developing countries. In addition other implementing agencies such as the Capacity Building International (Inwent - Internationale Weiterbildung und Entwicklung gGmbH) or the KfW Bankengruppe (KfW - Kreditanstalt für Wiederaufbau) contribute their specific know-how to similar projects. Within selected certified enterprises, training programmes have been designed to provide education in both sustainable management and certification. The cooperation between large companies and rural communities to improve product supply, increase commercialization, and promote standards and knowledge exchange is an appropriate structure for achieving synergy. The sector approach also focuses on dialogue initiatives and projects.

Chronology: GTZ Approach



Scaling up: A conference reader

Taking stock – an evaluation of voluntary standards

The BMZ has been supporting the development and implementation of standards for many years via governmental agencies and civil society organisations. It consequently decided to conduct an evaluation study focusing on the direct and indirect impacts of German Development Cooperations interventions in this field over the past ten years. The evaluation was carried out by COMO Consult, Hamburg. Interventions surveyed included:

- political advice to national and international authorities to improve the framework conditions for sustainable social and ecological development
- strengthening of intermediary organisations such as associations and certification agencies, enhancing their technical infrastructure and advisory services
- capacity development of technical and management knowledge needed to improve sustainable production plans and their implementation for certification
- inclusion of small scale producers and local communities into the value chain to ensure steady sources of income
- linking potential partners, such as multinational companies, development organisations and producers, in public-private partnership (PPP) projects

Four countries were chosen as case studies for closer research and evaluation: Brazil, China, Kenya and Zambia. They all display strong economic, export-led growth along with extreme disparities and a need for poverty alleviation. The following chapters will present the essential findings from each of these countries, showing where the potential for market-driven standards lies. These results will be illustrated by projects conducted through German Development Cooperation and its partners. The case studies were chosen because they illustrate how an intervention can increase the impact and outreach of voluntary standards.

In support of a consistent methodological approach, a standardised evaluation guideline was developed. The appraisal of the results was undertaken from three different perspectives to ensure better comprehension and inclusion of different views:

- self assessment
- assessment from the target group's point of view
- assessment from evaluator's point of view

The evaluation was designed as a thematic assessment of the impact of standard implementation and a specific assessment of the contribution of relevant German projects. Programmes and projects were selected in close collaboration with all German implementing agencies according to:

- relevance for standard implementation
- accessibility
- representation of different German implementing agencies
- representation of different modes of delivery of German Development Cooperation (e.g., technical and financial assistance, PPP)

The interviews were conducted between June and July 2007 using two teams. Each consisted of one international assessor and a national consultant for local expertise. Among the resource persons were representatives from German governmental institutions, NGOs, national and international enterprises and also cooperatives, smallholders and employees. Overall, more than 450 persons were surveyed.

The impact assessment was based on the evaluation criteria of the OECD Development Assistance Committee:

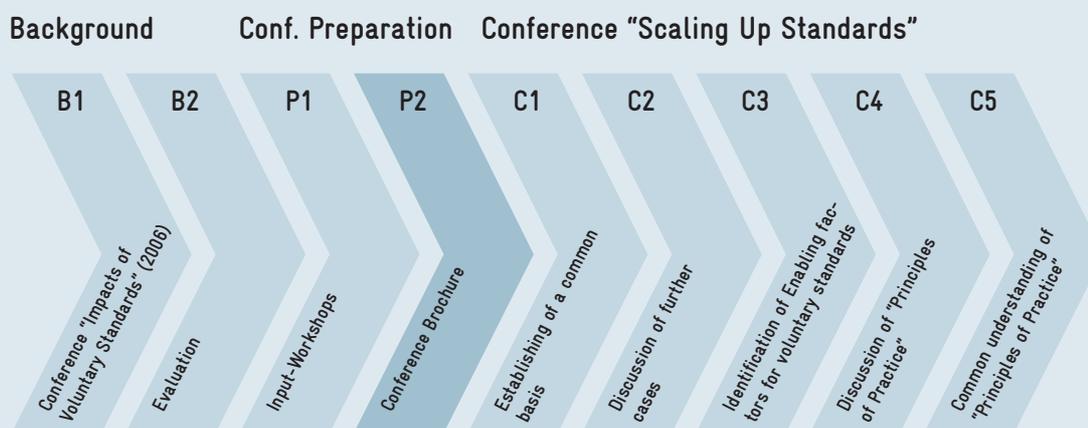
- direct and indirect impacts on macro, meso and micro level including unintentional positive and negative impacts (relevance, effectiveness)
- relationships between means incurred and impacts (efficiency)
- potential for scaling up of standards (sustainability) brought about by the project/programme
- cooperation with the relevant actors or with similar project/programme approaches of other German implementing agencies (coherence, coordination)

Moving on: developing joint strategies for scaling up standards

Results of the extensive evaluation indicate that the German development voluntary standards strategy shows great potential as a complementary tool for promoting good governance practices on the economic and political levels. But it also suggests steps that need to be undertaken if market-driven standards are to become effective on a larger scale: a multi-stakeholder approach and intervention on and across all three levels (micro, meso and macro). Scaling up models have recently been introduced in several sustainable research fields such as health, energy and agriculture. They can serve as the focal reference for the promotion of voluntary standards.

German Development Cooperation seeks to discuss and enhance its experience and to continue the dialogue with all stakeholders. A first step was taken during three regional workshops held in the countries subject to the evaluation. Representatives from standard organisations, local producers, workers associations and national governments discussed and commented on the results of the evaluation. This process will be continued and expanded during the international conference "Shaping Globalisation – Scaling up Voluntary Standards", which will be attended by leading actors from the field of standards in Berlin. On the basis of exchange and debate, the conference will provide a forum to jointly develop ideas for scaling up the impact and outreach of voluntary standards.

Context of the conference



Scaling up: Shared stakes in voluntary standards

A new model for greater impact

The title of this brochure suggests an approach that could give new direction to efforts towards the promotion of voluntary standards. German Development Cooperation would like to discuss this possibility in promoting the integration of market-driven standards into the global economy.

Until now, activities have mainly been designed as pilot or demonstration projects and have thus had limited impact so far on the number of producers, companies and consumers involved. Even when such projects prove effective, no process is in place to expand their activities to cover a broader field. Scaling up means to expand and deepen positive impacts beyond the project itself: to make of them mainstream phenomena. Thus, scaling up describes a paradigm shift, since it moves the focus from ad-hoc and single pilot programmes to a coordinated and multiplex approach that lets countries develop their own long-term sustainable perspectives with the help of standards.

Why does scaling up matter?

Development Cooperation focuses mainly on implementation of the MDGs by 2015. The consolidation of voluntary social and environmental standards contributes to the achievement of several priority tasks, such as:

- halving extreme poverty (MDG1)
- providing universal primary education (MDG2)
- promoting gender equality and empowering women (MDG3)
- ensuring environmental sustainability (MDG7)
- creating a global partnership for development (MDG8)

In view of limited time and resources, it is important to design efforts to reach as large a portion of the targeted population as possible. As to content, accordance with accepted development concepts such as ownership and good governance makes scaling up even more attractive for development cooperation. Finally, from an operational perspective, scaling up is particularly appropriate and sustainable since it

supports the established German Development Cooperation multi-level approach: intervention on the macro, meso and micro levels. Thus this intervention creates added value for Development Cooperation on various different levels. While activities on the macro level relate to partner government policy programmes in relation to standards, programmes on the meso level focus on intermediary organisations and associations, which strengthen civil society structures. Micro-level interventions, for their part, mainly concentrate on strengthening local producers and smallholders. One instance of the interaction among the levels would be processes on the macro level, such as the shaping of a new environmental protection policy, which, to be effective, must be adapted to industrial and local conditions on the meso and micro levels. The scaling up process attempts to connect these independent levels for greater impact through targeted joint planning.

The evaluation of the establishment of market-driven standards shows encouraging impacts on three levels: smallholder living conditions improve, the capacities of business associations and standards initiatives are expanded, and policy frameworks emerge that seriously take environmental and social factors into account. Despite these positive results, the evaluation also reveals the major weakness of standards implementation: the scale of single projects is too small to make a real difference or a significant contribution to the MDGs. Impacts remain confined to the immediate sphere of implementation.

In order to increase the proportion of people benefiting from voluntary standards – both producers and consumers – new and better interlinked activities are needed. The four country cases presented here were analysed with the aim of harnessing the potential of activities to span the three levels of intervention: micro, meso and macro.

How can scaling up work?

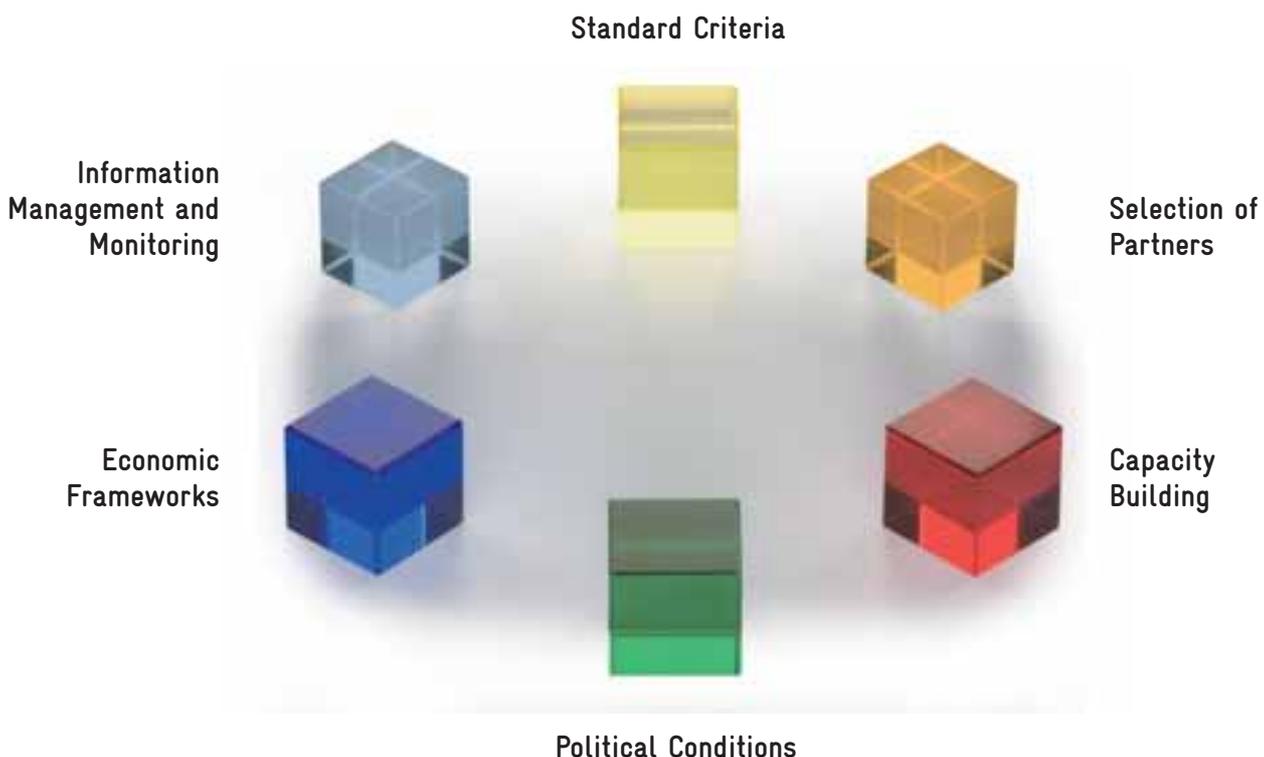
Four different types of scaling up are to be distinguished for the implementation of voluntary social and environmental standards: Quantitative scaling up refers to growth in the usual sense, for instance, increasing project membership, funding, activity fields and the number of regions. Functional scaling up denotes complementary expansion, such as horizontal economic integration that incorporates production, processing, sales and marketing. Together, the quantitative and functional approaches add up to political scaling up, i.e., when programmes are set up as a result of legal political action. Organisational scaling up means adapting social structures to the internal and external landscape. For example, associations and corporations can improve their organisational strength and effectiveness by focusing on certain fields of activity, diversifying their creditors or restructuring management.

Joint application steps

While the three levels refer to areas for intervention, the four types of scaling up indicate how the corresponding stakeholders can best be approached. In accord with the interaction between the intervention levels and the type of scaling up, application involves six steps:

Step 1: Determining standards for sustainable practices

One of the decisive criteria for determining the outreach of voluntary standards is the relation of costs to impacts on income, health, education and food security. Standards and project profiles must also be made to conform to the local context and culture. Thus meso and micro intervention levels must be closely linked. This step also includes consolidation of a functional certification infrastructure consisting of cooperation among independent monitoring bodies, training institutions and national standards initiatives. In this way sustainable practices can be implemented and consolidated, especially through the integration of functional scaling up in the form, for example, of global and national standard networks.



Scaling up: Shared stakes in voluntary standards



Step 2: Selection of partners and alliances to be involved

Confidence, participation, local knowledge, networking and communication are the key factors for broader outreach of voluntary standards on the meso level. The selection of strong, willing and dynamic political and economic actors, such as civil associations, corporate players and political decision-makers, is crucial for the effective and sustainable introduction and consolidation of standards. Apart from increasing the number of partners selected, operations mainly involve functional scaling up, for instance through the linking of intermediate private sector institutions into cooperation networks. Changes in management – for example, the selection and participation of more engaged and appropriate persons – can also bring about organisational scaling up.



Step 3: Target group motivation and capacity

A further determining factor for successful implementation of good social and environmental practices is public acceptance. Motivation of small-scale producers to employ innovative and sustainable cultivation methods is the starting point for action on the micro and meso levels, and it can be spurred through capacity-building. Initially, tapping new fields of operation involves quantitative scaling up. The incorporation of new fields into the organisation and its value chain involves functional scaling up.



Step 4: Political and legal systems

The dissemination of voluntary standards depends on political leadership, governmental institutions and public infrastructure on the national and regional levels. A broader application of voluntary standards depends on a conducive legal framework (labour law, environmental law, legal framework for certification bodies) and a government's willingness to promote market driven approaches on the way towards sustainability. Stakeholders on the macro and meso levels are to be encouraged to promote political scaling up directly and through their representatives. The consolidation of good governance practices and networks is both a motivating factor and a spin-off of the interconnection between these levels.



Step 5: Economic framework

In addition to security of land tenure and contract freedom, access to credit is the key to improving a society's living conditions and working environment. Financially self-supporting and sustainable programmes depend on free market access, comprehensive expansion of the value chain, and the inclusion of corporate actors. Voluntary social and environmental standards for certified goods bring greater rewards. At the same time demand, buttressed with purchasing power, is the central precondition for growing and sustainable markets, not only in the purchasing country but also within the manufacturing country itself. Corporate marketing schemes and information campaigns by associations can strongly influence consumer behaviour by raising consumer awareness of the existence and advantages of certified products. The micro and meso levels of intervention are linked through this functional and political scaling up.



Step 6: Management of project profiles and strategies

Consolidation of voluntary standards calls for precise, flexible and timely planning, and adjustment of project activities. Strategic guidance, with systematic knowledge management and a comprehensive monitoring system, depends on smooth communication among the implementing stakeholders, especially on the meso and macro levels. Thus management of the project profile and strategy is to be achieved mainly through organisational scaling up.

Applied voluntary standards

Covered in the thematic evaluation reports of BMZ



* Enrolled in German Development programmes

- INT Standard initiative on the international level
- NAT Standard initiative on the national level
- BR Brazil
- EAK Kenya
- PRC People's Republic of China
- Z Zambia

4C (Common Code for the Coffee Community)

INT BR* EAK* Z

AVE (Foreign Trade Association of the German Retail Trade)

INT PRC*

BSCI (Business Social Compliance Initiative)

INT PRC*

CJS (Comércio Justo e Solidário)

NAT BR*

CmiA (Cotton made in Africa)

INT Z*

Fairtrade Standards

INT BR* EAK* Z*

FLP (Flower Label Programme)

INT EAK*

FSC (Forest Stewardship Council)

INT BR* EAK* PRC*

GLOBALGAP (Global Partnership for Good Agricultural Practice; formerly known as EUREPGAP)

INT BR* EAK* Z*

IFOAM Standard (International Federation of Organic Agricultural Movements)

INT BR*

ISO 14001

INT BR* PRC* Z*

ISO 65

INT BR EAK (AfriCert*)

ISO 9001

INT PRC* Z*

PEFC CoC (Programme for the Endorsement of Forest Certification schemes Chain of Custody)

INT BR* PRC

Rainforest Alliance Certified

INT* EAK Z

RTRS (Round Table on Responsible Soy)

INT BR*

SA 8000 (Standard for Social Accountability)

INT* BR PRC

SSB (Social Seal for bio diesel)/SCS (Selo Combustível Social)

NAT BR*

UTZ CERTIFIED (formerly known as Utz Kapeh)

INT BR* EAK*

Brazil – All set to go

Overview of voluntary standards impacts in Brazil

SECTOR	LEVEL	STRONG POINTS	CHALLENGING POINTS
forest	MICRO	<ul style="list-style-type: none"> • increased productivity and rising incomes • reduced ecological impacts and intensified cohesion within the community through the use of traditional knowledge • certification costs for rural communities mainly subsidised 	<ul style="list-style-type: none"> • application in the domestic market • increase number of certificates and participation of companies • balancing the interests of the various members of the community
	MESO	<ul style="list-style-type: none"> • high quality of certification organisations • establishment of a broad dialogue among public, private and civil society stakeholders • knowledge interchange and positive collaboration with selected companies in PPP-projects 	<ul style="list-style-type: none"> • capacity building measures for intermediary institutions • integration of green house gas reduction issues into forest standards • competitive behaviour between different forest standards
	MACRO	<ul style="list-style-type: none"> • preconditions for sustainable forestry are set 	<ul style="list-style-type: none"> • inadequate regulation and control of land entitlements
fruit and vegetables	MICRO	<ul style="list-style-type: none"> • increasing demand for and production of organic products • high potential for smallholder production to increase productivity and reduce costs • positive ecological impacts through reduced pesticide use, better soil protection and lower energy consumption 	<ul style="list-style-type: none"> • low sensitisation of organic farmer communities • small-scale producers lack access to export markets • huge price fluctuations
	MESO	<ul style="list-style-type: none"> • collaboration between (standards) initiatives, public authorities and the Brazilian CJS movement • Increased bargaining power of certified cooperatives 	<ul style="list-style-type: none"> • strengthening of producer associations, capacity building and partnerships among companies, national movements and smallholders
	MACRO	<ul style="list-style-type: none"> • exports completely derived from certified production • awareness raising and knowledge management 	<ul style="list-style-type: none"> • domestic market covered by uncertified products • public institutions do not provide necessary services for training and consulting
coffee	MICRO	<ul style="list-style-type: none"> • employment security and better working conditions • continuous improvement of living conditions and increased income • positive ecological impacts 	<ul style="list-style-type: none"> • broader application of coffee standards • reduction of certification costs
	MESO	<ul style="list-style-type: none"> • collaboration with other (standards) initiatives and public authorities • participation in standards setting 	<ul style="list-style-type: none"> • inclusion of smallscale producers • support of intermediary organisations to build up commercialisation and management know-how
	MACRO		<ul style="list-style-type: none"> • public institutions do not provide necessary training and consulting services

Dissemination of voluntary social and ecological standards

Brazilian companies are very proactive in the introduction of market-driven standards and engage in Private Public Partnerships (PPP) with local communities. Civil society organisations are the main influence on public policy, and they monitor and enforce labour rights and social standards in the agricultural sector and to counter deforestation. It remains difficult to commit public, corporate and civil actors, since especially the interests of smallholders on the one hand and agro-businesses on the other hand strongly diverge.

In Brazil, the certification of forest and agricultural products is clearly export-dependent. In the forest sector for instance, larger companies sell an average 78% of their certified timber to the European and US markets. The Forest Stewardship Council (FSC) certified forest area in the Amazon region has been expanded from 1 million ha. in 2003 to almost 3 million ha. in 2007 - compared to 880,000 ha. certified by Certificação Florestal of the national Programme for the Endorsement of Forest Certification schemes (CERFLOR/PEFC). Certification within the chain of custody has also risen significantly in 2007 to 188 companies and 67 certified forest communities. During the past five years the Brazilian export share of the world market for tropical sawn wood has ranged from 12% to 20%. On the domestic market, FSC certified wood has so far played only a minor role.

Brazil is the fifth largest organic producer of the world. On an area of 900,000 ha, some 15,000 certified producers cultivate organic products, of which 70% is exported and 30% is slated for domestic consumption. Export goods from organic production are entirely from certified production; the domestic organic goods market has uncertified organic products. According to the estimates of certification units, production of organic products is increasing by 30% a year.

However, until now no national standard initiative has been fully established on the Brazilian market. National standards such as the Sistema Agropecuário de Produção Integrada (SAPI) and the Global Partnership for Good Agricultural Practices (GlobalGAP)

have achieved the broadest outreach so far, followed by the FSC with 3% for forest certification. All other market-driven standards promoted by German Development Cooperation have only recently been introduced e.g., Common Code for the Coffee Community (4C) in the coffee sector, the Round Table on Responsible Soy (RTRS), Social Seal for biodiesel (SSB) or like Fairtrade/Fair Labelling Organisations (FLO) cover only market niches and have a market share of between 0.5% and 5% depending on the product.



"In contrast to the evaluation we see signs of cooperation and exchange between standard organisations especially in the forest sector. Often, national and international standards complement each other."

Current market situation and business conditions

With a continuous growth and low inflation rates, Brazil's national economy is among the ten largest in the world. Half of the gross domestic product (GDP) is earned in the tertiary service sector, 40% in the secondary industrial sector and 10% in the primary sector of agriculture, forestry and fishery. Twelve of the major export products come from the agricultural sector, demonstrating this sector's high competitiveness.

The policy of the current Brazilian government might be characterised by two approaches. With the acceleration growth programme, Brazilian governmental policy is clearly focused on macroeconomic parameters, priority being given to stimulating private investment, increasing public investment in infrastructure and energy, and removing obstacles and inapplicable regulations.

Overview of voluntary standards impacts in Brazil

Positive economic development is slowed by regional, social and ecological disparities. The south of the country is relatively little developed in contrast to the north. The north-eastern oligarchy structures still prevail. Hence, the Brazilian agricultural sector is deeply divided: On the one hand there are the large agro-industrial enterprises characterised by high capital intensity and low employment of labour. These enterprises primarily cultivate sugar cane, soy, and cereals or are engaged in animal husbandry.

Smallholder agriculture, to the contrary, is characterised by lower yields, high labour input and low incomes. Consequently, the informal economy, disperse levels of education and social exclusion are much in evidence. These inequalities have been addressed with a policy line. Initiatives such as the Zero Hunger Programme have shown some significant impacts on reducing poverty and improving the living conditions of landless families.

Country indicators			
INDICATOR		VALUE	PRIMARY SOURCE
total population	(in millions)	189	World Bank, WDI
unemployment	(annual growth rate)	9.9	CIA Factbook
human development index	(HDI)	70	UNDP, HDR
poverty rate	(income below USD 2 a day)	21.5	World Bank, WDI
gini index	(0 = low inequality; 1 = high inequality)	57	World Bank, WDI
terms of trade	(net barter)	103.8	World Bank, WDI
GDP p.c.	(PPP, USD in billons)	1,647.5	World Bank, WDI
GDP	(annual growth rate)	3.0	World Bank, WDI
Consumer Prices	(annual growth rate)	8.4	World Bank, WDI
exports	(annual growth rate)	9.8	World Bank, WDI
imports	(annual growth rate)	1.6	World Bank, WDI

Regulatory framework

Although Brazil is active in implementing international agreements and conventions (ILO conventions, OECD guidelines, Agenda 21, Convention on International Trade in Endangered Specie, Global Compact), the impacts of the Commission on Sustainable Development, established for implementation of the national Agenda 21, are limited. Since the inequalities already mentioned remain challenging, economic and social aspects have higher priorities in government policy. Generally speaking, public policies on the federal and sub-national levels are sometimes inconsistent with one another, so that implementation is hindered.

However, several standard initiatives have been applied by the government. In 2001, the national forest standard CERFLOR was launched by the Ministry of Development, Industry and Foreign Trade. CERFLOR achieved international recognition as a result of a collaboration with PEFC. To foster agricultural exports, the Ministry of Agriculture, Livestock farming and

Supplying introduced the standard system SAPI based on the international standard GlobalGAP. Moreover, in 2004 the Brazilian Government launched a federal programme for the production and use of bio-diesel in 2008 endorsing a SSB for participants in this programme.

German Development Cooperation support for standards initiatives

German Development Cooperation is the most important donor in the field of market-driven standards to pursue the objective of sustainable development in the agricultural and forest sector in Brazil. The main support for standards came from bilateral technical and financial cooperation projects and programmes. On the output level, German donor agencies, along



“Structures for certification are needed on the local level.”

“There is a general dilemma between small scale and large producers in all sectors. Smallholders have less access to information and are underrepresented.”



with their Brazilian partner organisations, cover a broad range of services and aspects especially promoted by PPP-projects. As a first step, support was provided for the raising of producer and consumer awareness, so that supply and demand for sustainable agricultural products would increase. A further measure was launched to provide producers with technical support, such as alternative methods of cultivation, integrated pest management and meeting certification requirements. In order to strengthen financial and political resources, smallholders were trained in the management of enterprises, producer associations were established, and access was made easier to small loans to enable enterprises to conform to the new standards. Financial and technical assistance was also given to local certification bodies.

Case study experiences Northeast Programme

GTZ, DED (German Development Service / Deutscher Entwicklungsdienst) and KfW/DEG (Kreditanstalt für Wiederaufbau / Deutsche Investitions- und Entwicklungsgesellschaft mbH) participate in the promotion of market-driven standards initiatives for coffee, organic farm products and agro-fuels. German Development Cooperation supports Brazilian and international standards initiatives through its poverty-orientated regional Northeast Programme (NOP). This programme serves as a partner in several PPP projects. The present phase of NOP is to continue for six years (2005 – 2010). The funds for the support of market-driven standards on the three implementation levels in the North East region amount to about EUR 3.5 million. On the micro level, target groups were promoted in close cooperation with the DED and the German Konrad Adenauer Foundation. In the NOP programme, GTZ has several activity fields related to market-driven standards. The implementation of Fairtrade in

Overview of voluntary standards impacts in Brazil



the coffee and fruit sector is one major project. The use of agro-fuels as an energy source has also become particularly eligible for GTZ assistance. On the macro level, the NOP involves close collaboration with the public authorities, such as the Ministry for Rural Development, supporting the design and implementation of monitoring and evaluation systems for the national SSB production. The PPP-project family castor oil production and social inclusion is implemented by Brazil Ecodiesel in cooperation with the ministry and the farm workers union. The project offers tax relief and access to credits to smallholders producing agro-fuels according to SSB specifications. GTZ experts advise the Ministry for Rural Development on the policy level, and DED specialists train the partner organisations and producer associations on the micro level.

The NOP was successful in Brazil, since it enabled coordinated collaboration and intensive knowledge management among the various donor agencies and PPPs. The programme decisively advanced the national discussion of sustainable development and the design of specific policies. On the micro level, target group incomes increased and living conditions improved, and negative ecological impacts were reduced.

Partnerships in sustainable Forestry

BMZ contributed to sustainable forestry and forest certification in the Amazon region through various measures implemented by KfW, GTZ, DED and InWEnt, with PPPs playing an important role in forest certification. Two of the five PPP projects promoted work directly on certification: the PPP activity 'Integrated Management of Natural Forests' fostered certification in the corporate sector that included nearly all large forest and wood enterprises in the Amazon region

Overall, the PPP-device has proved appropriate for stepping up the integration of smallholders into the value chain and thereby guaranteeing their families a regular income. All three corporate partners are known for their commitment to sustainability and for applying CSR principles.

Collaboration with other standards – Although Fairtrade complements other standards, its strong value orientation poses an obstacle to cooperation with other initiatives. As FLO certification is very attractive for cooperatives and smallholders, and because outlets for Fairtrade are limited, this certification standard always faces the danger of overproduction. To further tap the full potential of fair trade supply on the domestic market, it could collaborate more intensively with national movements, such as Comércio Justo e Solidário, which has founded a local spin-off in Brazil.

“The market potential of some products like coffee is hard to tell. We need more reliable data on the exact amount of production of certified products. Monitoring could be the basis for further activities.”

“The processes of standard development are not inclusive. Especially smallscale producers are left out.”



Lessons learned

Despite the fact that market-driven standards still have limited outreach in Brazil, the potential in the forest and agricultural sector is fairly high: the preconditions and appropriate monitoring bodies for mainstreaming standards – particularly national standards – are in place. Through the establishment of a broad service sector for certification and civil society involvement, the national FSC initiative, especially, has directed public interest to sustainable social and ecological standards.

Strengthening public regulation and integration of smallholders – Law enforcement is often limited to the larger companies, whereas the small and medium-sized enterprises have considerable difficulty incorporating social and environmental norms into their business activities. Moreover, the Brazilian environmental authorities cannot monitor application of the new regulation in the whole Amazon region on their own. In this context, FSC could play an important role in implementing the concession law, passed in 2006, which will allow companies to manage natural forests under a sustainable development plan (40-year concessions)

Overview of voluntary standards impacts in Brazil

Reducing implementation costs – Financial and transaction costs are major impediments to the further dissemination of market-driven standards in Brazil among smallholders and cooperatives. This is particularly true of the cost of forest certification due to lack of clear land tenure and the competition of lower priced wood from illegal logging. Broadly speaking, group certification, public support for national and local certifying firms and subsidies for smallholders are reasonable options.

Scaling up potential

In contrast to Fairtrade, FSC, 4C and SSB have great potential for mainstreaming. As a leading producer of soybeans and agro-fuels, Brazil particularly needs standards in these sectors. Nevertheless, all three implementation levels require promotion.



“There is no general knowledge deficit among the producers of certified products, however there is a knowledge deficit among the consumers.”



Differentiation of market segments – Two market segments with certification stand out for their impacts on earning capacities and working conditions. Larger companies have been able to realise higher prices for their certified products than for comparable but uncertified products. Rural communities, on the other hand, have not reported higher incomes as a result of certification, because they lack access to export markets, and the domestic market does not reward certification with higher prices. If rural communities are to realise positive income impacts, they will need different market channels for export and special local market niches. For this, partnerships between larger companies and rural communities in the Amazon region have great potential, especially since they would be promoted by the new forest law and supported by German Development Cooperation through PPP-projects.

Macro-level parameters – Consistent government control and legislation are required, particularly to prevent external influences such as illegal logging. Public authorities should promote capacity building through intermediary organisations. And in addition, information campaigns have great potential for sensitising smallholders and cooperatives to opportunities for distributing certified products.

Meso-level expansion – Smallholders and local cooperatives produce mainly to meet domestic demand. The strengthening of their interests and market position, along with collaboration between standards initiatives, is a reasonable means of offering an incentive to enter new market channels. For this, further financial and technical support are requested.

Micro-level integration – If smallholders are incorporated into the value chain, the impacts of higher incomes can be scaled up to include education, and working and health conditions.

Stakeholder Workshop in Brazil



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Message from the Stakeholder Workshop in Brazil

August 18 2008

- Individual approach if scaling up wants to be achieved, there is no one-size-fits-all. The forest sector for instance needs to concentrate on labour conditions before market development comes into play
- A high level of additional specific regulatory mechanisms ensuring quality and conformity of products marks the sector of certified agricultural products in Brazil. The costs caused by this should be reduced through group certification
 - The market for sustainable and certified products needs to be developed without making promises than cannot be kept. At the same time, the market for products with an illegal or unsustainable background should be reduced
 - The actors that are part of the supply chain for certified products are not represented in a balanced way, this needs to be changed by capacity building, information and public policy strategies. Voluntary standards bear the potential for more participation
 - One of the big benefits from voluntary standards in Brazil is the chance for social inclusion. If this positive impact wants to be strengthened, a balanced strategy between control and free market development needs to be found. Too much control and complexity will hinder social inclusion
 - International cooperation is important for Brazils progress on the field of voluntary standards. A wider regional scope for his cooperation would be beneficial

China – Encouraging experiences, promising potential

Overview of voluntary standards impacts in China

SECTOR	LEVEL	STRONG POINTS	CHALLENGING POINTS
 apparel/ textiles	MICRO	<ul style="list-style-type: none"> demonstrable cost reduction and quality improvement as a result of standards implementation greater staff retention and improved working conditions reduced waste enhanced awareness and knowledge 	<ul style="list-style-type: none"> lower procedural costs for introducing standards develop strategies to disseminate good systems and experiences to other factories increase number of PPP
	MESO	<ul style="list-style-type: none"> stakeholder networks established (CSR) 	<ul style="list-style-type: none"> more involvement of business associations
	MACRO	<ul style="list-style-type: none"> general awareness of government raised working relation established national standards in place 	<ul style="list-style-type: none"> development of appropriate policy instruments to promote voluntary certification and audit schemes
 timber	MICRO	<ul style="list-style-type: none"> increased incomes in local communities improved products and skills excellent demonstration projects in place 	<ul style="list-style-type: none"> more market-driven projects expanding scope of projects beyond afforestation to certification continued use of FSC standard
	MESO	<ul style="list-style-type: none"> SFA integrated into process through FSC cooperation management skills passed on 	<ul style="list-style-type: none"> cooperation and exchange among different projects improved working conditions for certification agencies
	MACRO	<ul style="list-style-type: none"> greater awareness on the part of the Chinese government influence on policy and regulation, e.g., green procurement "blue angel" 	<ul style="list-style-type: none"> integration of forest certification into Chinese Green Procurement

Dissemination of voluntary social and ecological standards

Market-driven standards in China are not widespread. But since they are linked to some of China's major export sectors, they are beginning to be taken into account by the Chinese government as possible catalysts for market access and growth. They are also in line with China's master plan to integrate the economy into the general development of a harmonious society, balancing economic, environmental, cultural and social issues. Where applied and established, voluntary standards have considerable positive impacts. The motors of this development are multinational companies, the Chinese government and, increasingly, large Chinese companies that depend on exports. Often discussions of voluntary standards are linked to the issue of CSR, which is growing increasingly popular in China. Furthermore, the European-China Trade Project is embedded in the overall process of standardisation in China and exercises some influence upon the Standardisation Administration of China, the major body for mandatory standardisation in China. Two sectors are of particular interest regarding voluntary standards: the textiles/apparel sector and forestry.

China's textiles sector has been growing at a fast pace, employing about 20 million people and accounting for about 24% of the global textiles trade. It is highly competitive and has drawn large sums of foreign direct investment (FDI), but it also has serious social standards problems. Consequently, it is the only sector so far to produce a national management system for China's Social Compliance (i.e. CSC9000T).

Despite a diversity of plants and species, only 17% of China is forested, compared to the global average of 34%. The lack of forest has contributed to natural disasters such as the floods in 2003. Aside from the challenge of preserving domestic forests, China's role as major importer of wood also makes it a candidate for timber standards. At the moment, forest certification plays only a marginal role in China: it is estimated that less than 1% of FSC certifications are in China. But the potential is as apparent as the deficiencies, and authorities such as the State Forest Administration (SFA) are active in dialogues and projects.

Current market situation and business conditions

China could be called the most promising location of all for business investment and trade these days. Continuous growth rates of 9% GDP per capita, a climate of economic opening up, and a rising, consumer-oriented middle class are all contributing factors. Its current position as a world leader in exports is mainly based upon manufacturing. It is the fifth largest merchandise exporter with a labour- and

“We need more CSR promotion activities, also on the local level – encouraging CSR measures and distributing documents – this will help enhance CSR's social image.”



resource-intensive structure: machinery and electronic goods, textiles and data processing equipment are the main export goods; oil, gas, plastics, steel and copper are most frequently imported. China's main trading partners are the United States and Germany as well as regional neighbours such as Japan and South Korea.

China's coastal areas are clearly the frontrunners of the development, with some special economic zones in force since economic opening began in 1979. They have lower entry barriers for foreign investment and attractive investment environments. Due to this economic policy, unemployment in the coastal provinces is low and productivity is high. But the inequality between these areas and the provinces of the interior is growing. About 350 million people, especially in the western and northern provinces, live on less than two dollars a day. This has led to a large migration movement: an estimated 200 million rural workers have left their home provinces and moved to the coastal regions.

Overview of voluntary standards impacts in China

Whereas the social impacts of economic growth have been both positive and negative, the environmental impacts are decidedly negative. Air and water pollution, land degradation and drought are among the major negative effects. China's output of carbon dioxide and sulphur dioxide is the highest in the world, and this is only one of China's many environmental challenges.

China's government is aware of these challenges. The conflict between environmental protection and

Protection Law and its Labour Law meet European Standards and were updated in 1989 and 1995 and 2008. The reason for ongoing problems with pollution and labour conditions is probably weak law enforcement, which is observable in almost all policy fields. This insufficient implementation is often connected to a lack of skills and information as well as to inadequate control systems and insufficient transparency.

Country indicators		VALUE	PRIMARY SOURCE
INDICATOR			
total population	(in millions)	1,312	World Bank, WDI
unemployment	(annual growth rate)	4.2	CIA Factbook
human development index	(HDI)	81	UNDP, HDR
poverty rate	(income below USD 2 a day)	2.8	World Bank, WDI
gini index	(0 = low inequality; 1 = high inequality)	46.9	World Bank, WDI
terms of trade	(net barter)	-	World Bank, WDI
GDP p.c.	(PPP, USD in billons)	6,119.1	World Bank, WDI
GDP	(annual growth rate)	9.8	World Bank, WDI
Consumer Prices	(annual growth rate)	1.5	World Bank, WDI
exports	(annual growth rate)	-	World Bank, WDI
imports	(annual growth rate)	-	World Bank, WDI

economic development is becoming more and more apparent and was clearly addressed by Communist Party leaders. Furthermore, social inequalities have given rise to protests and led to greater attention of this problem. The framework concept of the 'Harmonious Society', introduced in 2005, emphasises sustainable growth that is less extensive and more environmentally friendly and includes human development. The new goal of the Chinese government is to build economic growth on a more sustainable foundation and especially to improve "green" performance in order to retain, for instance, its economic licence to operate in the context of its new WTO membership.

Regulatory framework

China's government is determined to improve overall environmental performance and to ease social inequality. It is not short of laws, regulations and policies to achieve this goal. China's Environmental

The Chinese authorities clearly see voluntary standards as a support for existing legal measures that are not fully enforced. The hope is that international voluntary standards will be observed for economic reasons, since they ease the entrance of Chinese products to international markets. Technological innovation, improved quality and international competitiveness are the key words associated with standards in China. Because of this twofold role, the boundary between voluntary and mandatory standards is often blurred. International voluntary standards are often converted into mandatory requirements in China.

After a long period of hesitation, international standardisation bodies are now widely accepted. At first, the assumption was widespread that international standards were just a way of keeping China out of business. But increasingly Chinese companies and government officials see the economic benefits that arise from the institution of standards.

German Development Cooperation support for standards initiatives

Numerous German Development Cooperation projects and activities are related to the promotion of voluntary standards in China. However, the few projects that specifically address standards mostly take the form of PPPs. One example is the Foreign Trade Association of the German Retail Trade (AVE - Außenhandelsvereinigung des deutschen Einzelhandels e.V.) project one of the largest PPPs the BMZ has supported.



“When we go through quality checks, we always have clean production data and have good results. Our image is enhanced!”

There is also cooperation between German and international donors, but the potential for synergy has clearly not yet been fully realised.



Standards activities are connected to the goal of sustainable economic development and environmental protection as stated in the agreement between the German and Chinese governments. There are efforts toward institutional and structural strengthening as well as capacity building; aside from technical and financial support, some interventions take the form of PPPs.

Projects aim at exercising an impact on the micro as well as the meso and macro levels, with more stress on the latter. The recent cooperation between BMZ and GTZ with the Chinese Ministry of Commerce in the course of a project to promote CSR is an example of an intervention that includes PPP approaches, policy advice, and capacity building and targets the macro and meso levels. Projects such as the CSR Project or a sustainable forest management project in western China involve cooperation between GTZ and Chinese government authorities, and sometimes the private sector.

Case study experiences

Strategic Alliance for Sustainable Forest Management

Forest certification is a rather new issue in the Chinese timber sector; the Chinese working group FSC was officially set up in 2007. Against this background, the Strategic Alliance for Sustainable Forest management, a PPP started in 2003 with DEG, World Wildlife Fund (WWF) and IKEA, can be described as groundbreaking. The project was inaugurated to demonstrate sustainable forest management by implementing FSC criteria in two areas in north-eastern China. This step increased the area of certified forest from 6,177 ha. to 433,453 ha. The partners each contributed to the project according to their core competencies. IKEA, as one of the world's largest producers of furniture, sources about 10% of its wood in China and wants to raise the proportion of certified timber significantly. WWF China wants to raise the amount of protected forests and promotes sound logging practices. BMZ joined the project through DEG and helped to finance the initial phase of the project.

Overview of voluntary standards impacts in China

Although limited to two regions, the effects of the project are clearly recognisable and extend beyond the local level. Perhaps the most important contribution was increased awareness of the possibilities and benefits of protected and managed forests. More than 20 forest managers and 150 students were trained in the area, and this capacity-building helped strengthen the certification institutions. On the macro level, the project helped to sensitise the SFA, which is now a member of the Chinese FSC working group, and

China, the purpose of which was dialogue and dissemination of information, awareness raising, and monitoring of audit implementation processes through Business Social Compliance Initiative.

“There are no universal standards, but perhaps we can agree on some core standards that will represent the primary viewpoints, including cultural aspects and industry standards. We need a unified rallying point.”

“Local producers often don’t know about the environmental issues. So in the future, CSR should be better linked to public procurement.”



influenced the decision to develop national standards. In spite of the success, the influence of the FSC on policy-making is still limited, and the actual scope of the project is too small. Recent cooperation between GTZ, IKEA and FSC therefore aims to scale up the good practices developed during the strategic alliance.

Foreign Trade Association of the German Retail Trade

The AVE joined GTZ to initiate a series of round table meetings on social standards in eleven countries, including China. This innovative approach of dialogue and exchange attracted participants from various sectors, so that the number of participants nearly doubled in the course of the project.

Initially, the project was meant to provide a platform for discussion of experience with implementing standards and supported the introduction of the AVE sector standard. As the project continued, more and more participants expressed an interest in discussing standards within the wider scope of CSR topics. This led to the first multi-stakeholder forum on CSR in

Apart from the latter, the project was very successful, creating an environment for discussion that attracted the attention of the Ministry of Commerce, leading to a follow-up project on CSR in close cooperation. The involvement of meso-level organisations like business associations also led to increased awareness, so that this line of project development could be used to increase the application of CSR ideas, such as standards, among companies. Also coming to the fore as partner is, increasingly, government on the provincial level. The general interest in all topics related to CSR in China has created an ideal starting ground for implementation of concrete measures such as voluntary standards.

Lessons learned

Although limited in number, interventions to promote voluntary standards in China have been very successful to date. Clearly, the economic benefits to be achieved, such as reduced costs, higher acceptance of products and new market development, count in a country with an economy as vibrant as China's. The

clear commitment of the Chinese government to sustainable development is an ideal starting ground for moving the work on voluntary standards to a new phase. Given the size of every aspect of production – people, land, products, revenue – strategies for scaling up the use and impact of voluntary standards are essential at this time. A few suggestions for further intervention can be drawn from the evaluation:



“Talking about scaling up, we need some engagement of workers in the factory and consumer awareness. Some education needs to be done.”

Capacity building – Due to the long standing need for more effective enforcement of the law, any measures that build the capacities of Chinese administrative bodies are all to the good. Measures in this field should take country-specific conditions and mentality into account and should have a certain degree of flexibility. One instance would be the distinction between mandatory and voluntary policies, which are often seen in China as being very closely connected.



Cooperation and linkages – Voluntary standards are not yet the subject of an explicit intervention by German Development Cooperation. More important than launching such a project would be the strategic integration of the topic of voluntary standards into existing projects such the CSR project. This aspect also includes closer and better organised cooperation between donor agencies concerning this field.

Synergies between topics – Currently the Chinese government seems to have a predilection for implementing projects related to the environment. Integrating or at least communicating social issues in environmental projects might be one way to increase awareness.

Transparency – More transparent structures are a cross cutting subject in China at the moment. This is also true for the field of voluntary standards, since auditing processes are often subject to fraud.

Economic benefits – Market-driven approaches and projects with clear cost-saving benefits have a very good chance of acceptance. Future projects should keep this reasoning in mind and be sure to refrain from creating additional costs for companies.

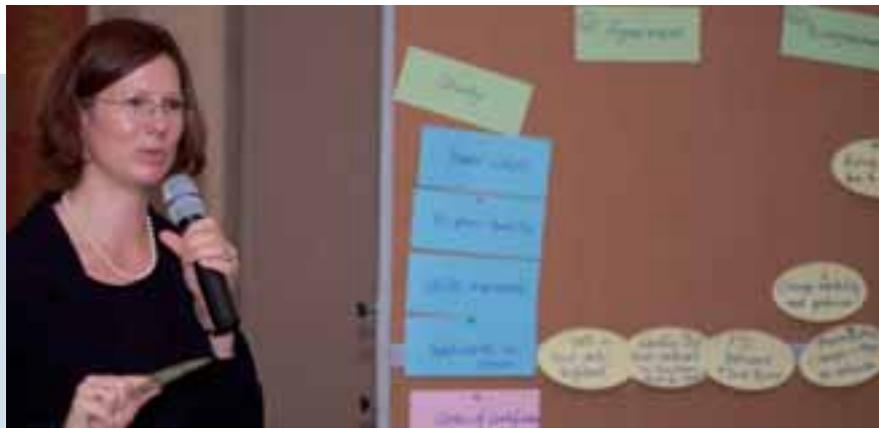
Private sector enrolment – Projects in China seem to be successful if they can demonstrate clear business benefits. The participation of private sector companies in projects has often proved very successful. In the future, PPP elements should be considered within technical and financial assistance projects.

Overview of voluntary standards impacts in China

Scaling up potential

Most of the projects implemented have shown encouraging results on at least one level of intervention. A clear challenge remains the transfer of positive effects on, for instance, the macro level to the meso- or micro level and increasing the outreach of standards. The development of scaling up strategies is a key task.

“The buyer group always wants cheaper, but the CSR team always wants higher manufacturing standards. These two groups need to work together. If we speak of business drive, we need to do work on the buying side to change their awareness”



Macro-level parameters – Positive effects demonstrated locally, e.g., in the forestry sector, should be used as a basis for dialogue with associations and government representatives. Out of these, policy statements, legislation and organisational improvements can be generated, ultimately leading to a mainstreaming of standards. For instance, integration of forest certification into China's Green Procurement could lead to scaling up effects.

Meso-level expansion – There is a need to increase the number of credible training institutions and certification bodies and organisations that represent consumers. The media can play an important role in the promotion of voluntary standards and in raising consumer awareness. Business School qualifying the managers of tomorrow can integrate CSR issues in their curricula.

Micro-level integration – the value chain approach is an appropriate mechanism to integrate even small scale producers into sustainability initiatives and to implement social and ecological standards. Public Private Partnership project are a tool to assist stakeholders in the value chain to collaborate.

Stakeholder Workshop in China



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Message from the Stakeholder Workshop in China

September 25 2008

standards and CSR needs to spread beyond the national level. Capacity development and knowledge are needed on the provincial and local level in China.

- Generally, there is a lack of information on CSR and standards: distribution of information especially on business drivers and a clear link to policy dialogues is needed.
- The meso level needs further support, skill development and institution building could help to scale up voluntary standards.
- Dialogue and cooperation between the existing standards initiatives would be helpful for everybody.
- The application of voluntary standards should encompass the complete supply chain of a product – all aspects and all actors need to be integrated and considered.
- China needs to work on the awareness of its consumers, they are a potential driving force for better products and better production conditions.

Kenya – Capacity is key

Overview of voluntary standards impacts in Kenya

SECTOR	LEVEL	STRONG POINTS	CHALLENGING POINTS
horticulture	MICRO	<ul style="list-style-type: none"> reduced production costs through down-scaling use of chemicals and fertilisers improvement of management: with increases of productivity and income women's empowerment by new saving system 	<ul style="list-style-type: none"> dissemination of existing Quality Management Manual on local level support of value chain approach and reliable business linkages (exporter and smallholder farmer)
	MESO	<ul style="list-style-type: none"> community development 	<ul style="list-style-type: none"> enhancement of capacity for compliance auditing
	MACRO	<ul style="list-style-type: none"> good integration of GTZ-PSDA-programme into Ministry of Agriculture activities 	<ul style="list-style-type: none"> development of a clearer standards implementation strategy by the Ministry of Agriculture
floriculture	MICRO	<ul style="list-style-type: none"> compliance helped to establish quality management increased efficiency accord with Europe market requirements environmental protection improved reduced social conflicts with workers 	<ul style="list-style-type: none"> sustainability of efforts
	MESO	<ul style="list-style-type: none"> CSR activities helped the surrounding communities 	<ul style="list-style-type: none"> better adoption to local conditions by international standard initiatives
	MACRO	<ul style="list-style-type: none"> widespread implementation 	<ul style="list-style-type: none"> need for coordination of various standards
coffee	MICRO	<ul style="list-style-type: none"> PPPs as tools to ensure smallholders participation in export market increased profits as a result of premiums reduction of using chemicals 	<ul style="list-style-type: none"> broader implementation and outreach reduction of certification costs
	MESO	<ul style="list-style-type: none"> community development takes place helpful extension services 	<ul style="list-style-type: none"> support of in-country processing of products (e.g. roasting)
	MACRO		<ul style="list-style-type: none"> public awareness of Kenyan products in importing countries lack of communication
timber	MICRO	<ul style="list-style-type: none"> increased demand after certification 	
	MESO	<ul style="list-style-type: none"> management, health and safety trainings sessions in place 	<ul style="list-style-type: none"> training capacities
	MACRO	<ul style="list-style-type: none"> strengthened value chain through the formation of farmers' coalitions 	<ul style="list-style-type: none"> further need of donor support for covering certification costs need to raise consumer awareness government regulation needed to protect endangered forest species

Dissemination of voluntary social and ecological standards

The solid integration of Kenya into the world economy has led to a growing acquaintance with and implementation of voluntary social, ecological and food safety standards, which are mainly applied in the export-driven sectors horticulture (fruits and vegetables), floriculture, and coffee and timber (wood carving). Hence, the implementation of voluntary standards in Kenya is primarily export market-driven. Producing as well as exporting companies and co-operatives have become aware that voluntary certification of their businesses is virtually a 'must' for securing export markets in Europe. Various private organisations, above all trade and business associations, have responded by provided support for the compliance process. The Kenyan government is also very open to adopting voluntary standards throughout the country and appreciates the benefits of implementing them, e.g., market access and ecological sustainability.

The application of standards to Kenyan flower production, especially, is well developed, with the Kenya Flower Council (KFC) playing a very active role on behalf of its members. It has stood for self-regulating activities in the sector since the mid-1990s, without appreciable donor support. The organisation numbers about 50 Kenyan flower farms among its regular members, 70% of the whole. Others are represented in the Fresh Produce Exporters Association (FPEAK), which also provides services to member companies exporting fruits and vegetables and which launched the KenyaGAP, a national adaptation of GlobalGAP, in August 2007. KFC, on the other hand, has developed its own standards for members. Thus, a KFC silver-certified member need not be audited for GlobalGAP. KFC is a good example of self-regulating activity that accords with general development: voluntary standards implementation has come to be well accepted by local actors, including civil society and the media.

Current market situation and business conditions

In 2006 Kenya recorded the highest economic growth rate in three decades. According to the Ministry of Finance, growth was at 6.1%; growth in the previous years had been steady but at a lower rate. Hence, Kenya confirmed its status as the most developed country in the East African region in terms of economic development. This progress is mainly attribut



"Farmers should be given more emphasis because they are the weakest link in the value chain!"

able to a distinct urban middle class and a private sector with high entrepreneurial potential. Nonetheless, Kenya continues to be characterised by extreme income disparity and an urgent need for poverty reduction. With a per capita income estimated at between US\$ 480 and 539 per annum, Kenya remains a developing country by the United Nations classification.

Since about 75% of the population live in rural areas, the agricultural sector is of great importance to the country, contributing an estimated 28% of the Kenyan GDP. Among exports, tea with 19% and horticulture with 14% claim the largest share of the GDP. The second largest foreign exchange earner in agriculture after tea is the flower production sector. The domestic market for agricultural products is also growing. The emergent tourism industry contributes to this development as does the increasingly formalised supply of agricultural produce to supermarket chains and growing demand from the domestic urban population.

Overview of voluntary standards impacts in Kenya

Yet although agricultural production is one of the cornerstones of the Kenyan economy, it has still not reached its full potential in terms of quality, productivity, marketing and processing. While the productivity of large export-oriented farms is on a high professional level, smallholder farmers operate below their potential. Further economic success with steady and increasing revenue is fragile due to environmental conditions, deforestation, soil erosion, distorted market conditions, generally poor infra-

Country indicators		VALUE	PRIMARY SOURCE
INDICATOR			
total population	(in millions)	37	World Bank, WDI
unemployment	(annual growth rate)	40 (est.)	CIA Factbook
human development index	(HDI)	148	UNDP, HDR
poverty rate	(income below USD 2 a day)	52	World Bank, WDI
gini index	(0 = low inequality; 1 = high inequality)	42.5	World Bank, WDI
terms of trade	(net barter)	91.3	World Bank, WDI
GDP p.c.	(PPP, USD in billons)	53.8	World Bank, WDI
GDP	(annual growth rate)	3.9	World Bank, WDI
Consumer Prices	(annual growth rate)	8.9	World Bank, WDI
exports	(annual growth rate)	4.6	World Bank, WDI
imports	(annual growth rate)	4.8	World Bank, WDI

structure and HIV/AIDS. Thus Kenya's continuing economic development depends on the mastering of challenges in the agricultural sector. With this in mind, domestic private economic actors, civil society organisations and the Kenyan government all know that voluntary standards play a crucial role in securing and increasing markets for agricultural exports. They find support from bilateral and multilateral donors and public development cooperation agencies as well as from international standards organisations that are active in Kenya with either a local office or local partners. Thus Kenya's continuing economic development depends on the mastering of challenges in the agricultural sector. With this in mind, domestic private economic actors, civil society organisations and the Kenyan government all know that voluntary standards play a crucial role in securing and increasing markets for agricultural exports.

Regulatory framework

Since the year 2000, voluntary social and environmental standards have gained momentum in Kenya. They are an increasingly important tool for enhancing exports through social and environmental good practices. A considerable number of voluntary standards are used. The number of applied certification schemes is sector-specific. Horticultural companies and farms of various sizes generally use GlobalGAP. The wood-carving industry usually adopts the standards of the FSC. The floricultural and the coffee sector employ a diversity of schemes.

The Kenyan government believes that voluntary standards support the further development and enforcement of the national mandatory standards that also apply in domestic markets and the development of better infrastructure in Kenya. There are a number of Kenyan Acts of Parliament concerning worker and environment issues. The respective agencies of three governmental ministries (Ministry of Trade and

Industry, Ministry of Agriculture and Ministry of Health) are involved in standards setting and implementation. The Kenyan government is also a member of many international organisations for standards setting, such as the International Organization for Standardization (ISO) as well as being a party to relevant international legal instruments such as the Biosafety Protocol.



“For scaling up not only the export market will be of relevance but the raising importance of the demand from the domestic market must take into consideration.”

levels. Both of these engagements increase the potential of Kenyan stakeholders to comply with the efforts of voluntary standards schemes.

Private Sector Development in Agriculture

The GTZ programme Private Sector Development in Agriculture (PSDA) encourages small and medium-sized producers in selected value chains to improve their market opportunities through activities on various levels, e.g., by improving framework conditions through legislative, administrative and institutional reforms to

“Yes, we need a better coordination of donors.”



Despite clear governmental interest in standards, however, a number of challenges persist, such as finding resources to ensure and monitor implementation, insufficient capacity of existing regulatory institutions to administer national codes, loopholes in regulatory and enforcement frameworks, and a lack of coordination between public and private-sector approaches to standards implementation.

Case study experiences

German Development Cooperation activities for standards implementation in Kenya are limited. Most are financed either by other donor agencies or, to maintain Europe's market share, by private companies or business associations. Still, the implementation of standards plays a role in private-sector development in agriculture and in a number of sector-specific PPPs (especially DEG for flower production). As noted above, GTZ especially supports institutional capacity-building on the macro level, while the DED concentrates on capacity-building on meso and micro

favour the private agricultural sector and by optimising production methods to protect the environment. It has been in operation since 2003 and is slated to continue for 12 years. Total project financing amounts to EUR 15 million, with EUR 5.9 million allotted for the second phase, from January 2005 to December 2007. PSDA directly addresses market-oriented farmers in the Rift Valley, Western, Nyanza and Central provinces. It also works closely with multipliers for value chains, cooperatives, self-help groups, associations, NGOs and public institutions.

Although support for standards implementation is not the programme's main objective, it has already promoted self-help groups attempting to achieve GlobalGAP certification. Accordingly, it conducts training sessions (farming as business) for smallholders. To gear these activities to results, cooperation was arranged with the PPP Good, Risk-based Agricultural Social Practices (GRASP) and with the GTZ sector programme on agricultural trade. The latter developed a quality management manual in consultation

Overview of voluntary standards impacts in Kenya

with FoodPLUS company in Germany. The manual is to be used as public shareware. As part of a five-country pilot project, GTZ and the Department for International Development (DFID) adapted the manual to Kenyan conditions, trained farmers, and supported them in their efforts to acquire the GlobalGAP label. Within two years of operation, in November 2007, six of the nine pilot groups were successfully certified.



ance auditing in Kenya. AfriCert gained accreditation at the international ISO 65 standard in January 2005. After that AfriCert expanded its range of services by certifying, e.g., GlobalGAP (as the main standard), Utz Certified or CAFÉ practices.

AfriCert certification supports good agricultural practices such as resource conservation, safe use of pesticides, adequate post-harvest protection, hygiene, and occupational health and safety. Certification used to be offered exclusively by European companies – a costly process that only major growers could

“Farmers who have complied to standards should be supported, so others can see the values and benefits of the standards, thus attracting others to want to comply”

GRASP, again in partnership with FoodPLUS, provides an additional certification module intended to improve social conditions for GlobalGAP-certified producers on the micro level. With improvement of the worker's health and safety chapter and its inclusion in GlobalGAP standards, the project could serve as a good model for further internationally agreed social and labour standards in agricultural production processes. The results of the study have yet to be implemented.

Certification in Eastern Africa

Concerted efforts by GTZ and DFID led to the establishment of Certification in Eastern Africa (AfriCert). Their funding enabled the 'International Centre of Insect Physiology and Ecology' to launch a project for a control point for organic agriculture, which in turn led to the founding of AfriCert Ltd. as an independent company. As the first certification body in eastern Africa, it provides a promising Nairobi-based approach for standards implementation, a decisive step towards enhancement of capacities for compli-

afford. Africert provides quick service since all work is conducted locally. It also carved out its current market share by underselling its competitors, spurring an overall decrease in certification prices. Significantly, despite these positive developments, AfriCert does not yet make a profit.

Capacity – Anyhow, in all economic fields a major constraint in Kenya is capacity, especially in the timber sector. Here several actors point out that capacity-building needs to be sector and site-specific in order to be meaningful; it needs to be part of a long-term, holistic strategy for a region and sector.

“How to raise cost efficiency is a main challenge in the Kenyan context”



Lessons learned

Voluntary standards clearly foster the advancement of Kenya's export sectors. The BMZ evaluation records very positive impacts overall, in all sectors and on all levels (micro, meso, macro). Nonetheless, the study also indicates which further activities are required to multiply the effect of standards. The potential of voluntary standards to boost Kenya economically as well as environmentally and socially has not yet been tapped. Generally speaking, in Kenya what has been learned and the recommendations that have been made concern five interrelated key issues having to do with the potential of scaling up the impacts of voluntary standards certification in Kenya.

Improvement of business – Compliance with voluntary standards is widely seen as improving management systems, increasing productivity, reducing costs (fertilisers, pesticides) and motivating workers (staff retention) – especially in large farms, estates and larger cooperatives.

Certification along the supply chain – The Kenya flower sector has developed impressively in that most social and environmental issues within the value chain seem to be addressed. In addition, as all farms began CSR activities in regional, social and environmental infrastructure, spill-over effects into surrounding communities materialised. The sector also demonstrates that it is the private sector and PPP programmes that bring about effective small-holder integration into voluntary standards, whereas donor-led approaches to smallholder support are fragmented and not convincingly designed. Lessons learned from the Kenyan flower sector could be applied to projects and programmes involving value chain development in neighbouring countries.

Overview of voluntary standards impacts in Kenya

Integration of smallholders – In contrast to and despite reports on positive ecological impacts on the micro level, GlobalGAP certification for smallholder farmers in the horticultural sector suffers from a lack of linkage with other actors in the value chain. It seems that the high certification and maintenance costs of the current systems of certification mean that smallholder certification is economically viable only with continuous support, subsidies, or if certification costs are paid by exporters. This is already the case in the horticultural sector project of DEG



“One can have the impression that the study focuses too much only on social or so called social standards. In contrast, a broader view on standards is desirable.”

and the exporting company, East African Growers, which shows again that lessons can be learned primarily from PPPs.

Coordination – Aside from the various successes, the need for harmonisation has been recognised by all actors involved in flower standards implementation in Kenya. Efforts are currently being made. FLO and the Flower Label Programme (FLP) have joined their audit system, Fair Flowers and Plants Fair Flowers and Plants (FFP) benchmarks with Milieu Project Sierteelt (MPS – Milieu Programma Sierteelt), and the local associations FPEAK and KFC will meet soon to discuss the possibilities for standards harmonisation. Nevertheless, the existence of many different certifications is widely criticised as a time and cost burden. Farmers and others involved perceive competition between the various standards initiatives in flower production, and say that this is a burden to them.

Scaling up potential

In regard to the issues mentioned, there are several approaches to scale up the impact of voluntary standards.

Macro-level parameters – Improved adaptation to Kenyan society of standards implementation and interpretation guidelines is widely seen as paramount. This needs to be addressed more pro-actively at the international level – both by standards initiatives and development cooperation. In addition, and because of the export-driven dynamic, complementary efforts should be made in the countries that import Kenyan products and in Kenya's domestic society. Campaigning to raise public awareness of the quality of certified products (e.g., food safety) could increase demand.

Meso-level expansion – The broader development of a qualified Kenyan service sector that conforms to standards is recommended. Institution-building should foster the foundation of local and regional agencies that can certify interested stakeholders and help them comply with auditing. Training capacities must also be expanded. Only when stakeholders have proved that they possess the management skills needed to meet economic, environmental and community requirements will they be able to maintain membership in the value chain on a sustainable basis.

Micro-level integration – Since any consistent adherence of smallholder farms to standards is tenuous, the situation calls for a responsible supply chain approach with certain aspects supported by development cooperation, for example, capacity-building programmes, the introduction of quality management systems, or institutional development. In the long run, and considering that exporters depend on outgrowers for steady, reliable and good-quality supplies, exporter-supported or group certification models seem to be a sustainable method for integrating and keeping smallholders in the value chain.

Stakeholder Workshop in Kenya



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Message from the Stakeholder Workshop in Kenya

August 21 2008

- shows: voluntary standards are a powerful tool with positive effects concerning poverty alleviation, health security and protection for the workers as well as improvement in environment friendly production conditions
- Among the main challenges for Scaling up in Kenya are the costs for certification
 - Standards are sometimes redundant
 - PPP is key for scaling up and needs to be promoted
 - Not only the export market will be of importance but the demand from the domestic market will also matter
 - Better coordination between the donors and the agencies is required
 - Kenya needs further assistance for scaling up

Zambia – First steps towards sustainability

Overview of voluntary standards impacts in Zambia

SECTOR	LEVEL	STRONG POINTS	CHALLENGING POINTS
cotton	MICRO	<ul style="list-style-type: none"> • rising income with spill-over effects in education, food and health security • greater productivity and fertility through integrated pest management • awareness raising programmes (including HIV/AIDS Prevention) 	<ul style="list-style-type: none"> • clarifying the financial burden of certification costs • warranty of loan repayment due to side-selling practices
	MESO	<ul style="list-style-type: none"> • strong corporate stakeholder networks 	<ul style="list-style-type: none"> • representation of smallholder interests and establishment of local structures
	MACRO	<ul style="list-style-type: none"> • competitive market environment • demand alliance of large retailers 	<ul style="list-style-type: none"> • good governance and government regulation • elimination of national and international subsidies
coffee	MICRO	<ul style="list-style-type: none"> • income increased • integration of HIV/ AIDS prevention and treatment into the enterprise structure • positive ecological impacts with fewer pesticides, lower energy consumption, and better soil protection 	<ul style="list-style-type: none"> • integration of small-scale farmers • low range of certified producers
	MESO	<ul style="list-style-type: none"> • improved management skills through capacity building 	<ul style="list-style-type: none"> • communication between large- and small-scale producers through development of intermediary institutions • equipping local infrastructure • improving accommodation and working conditions
	MACRO		<ul style="list-style-type: none"> • establishment of governance framework conditions

Dissemination of voluntary social and ecological standards

In Zambia, the agricultural sector is the current focus of market-driven certification and codes of conduct. Specifically, cotton is crucial for development co-operation in the African context since it is worldwide the third most important agricultural export after coffee and cocoa. In sub-Saharan Africa an estimated 20 million people benefit directly or indirectly from cotton sales. In Zambia cotton ranks first among other agricultural exports, even though cotton exports are still minimal compared to copper. Most Zambian cotton is exported to China.

It is in this context that organisations for voluntary standards, such as Cotton made in Africa (CmiA), established by the Aid by Trade Foundation (AbT), seek to reduce poverty. Since large-scale implementation began only at the end of 2007, current dissemination and use of CmiA in the textile sector remains low, amounting to less than 1% of African cotton produced. However, potential is high since the AbT project partner Dunavant Zambia Ltd. (DZL) is the leading cotton producer in Zambia. Furthermore, Zambian cotton – included in the cotton outlook index, Cotlook in 2005/06 – currently ranks fourth after Australia, the US and Zimbabwe, showing that Zambia is getting a competitive price on world markets although it must compete with over 30 countries worldwide.

The Zambian coffee sector is dominated by large estates. Only 1% of coffee is produced by small-scale farmers. Zambia was the first country to hold pilot workshops on verification according to 4C criteria.

The Zambian Bureau of Standards, a member of the Southern African Development Community (SADC) for Standardization, has been in operation for more than 15 years. It mainly certifies and monitors quality standards such as GlobalGAP, ISO 9001, and ISO 14001 among others. In cooperation with similar regional and international standards organisations, the bureau provides technical assistance and training in the management of standards development and information services. Until now, voluntary standards have not been promoted by the Zambia Bureau of

Standards, mainly due to Zambia's reliance on copper exports. Together with the lack of civil society actors specifically supporting standards, corporate actors in the private sector are the main driving force for standards introduction and implementation. The recently established Cotton Association of Zambia (CAZ), which represents the position of small-scale farmers, has little influence.



Current market situation and business conditions

Zambia has remained largely a mono-economy driven by earnings from mining, with copper accounting for about two-thirds of total exports. Since the 1990s, structural adjustment programmes and stabilisation policies have shifted the economy towards a more export-orientated system. The main focus of trade liberalisation focuses on diversification through support for three economic sectors: agriculture, tourism, and manufacturing. Particularly due to these reforms, macroeconomic performance has improved since 2000. Real GDP increased from 3.6% in 2000 to 5.2% in 2005, and annual inflation slowed from 30% in 2000 to 19% in 2005. The leading trading partner remains the SADC, which accounted for 52% of total exports in 2005 and 56% of imports.

On the other hand, debt continues to grow. Zambia is one of the poorest countries in the world. Accordingly, in 2002, the government refocused its economic policy on poverty reduction for the attainment of the MDGs.

Overview of voluntary standards impacts in Zambia

Food security remains a challenge, and the agricultural sector employs the majority of the country's overall workforce (74.6%). Although arable croplands account for only 7% of total land, agricultural production generates 27.3% of the GDP. In terms of export earnings, three quarters of non-traditional exports are from cotton, tobacco, and coffee. The biggest problems of Zambian agriculture and industry are their lack of productivity, efficiency, and quality, the result of inadequate production and processing technologies and ignorance of the

Ministry of Agriculture and Cooperatives has joined the campaign against side-selling by urging the farmers to sell only to companies who have pre-financed them.

Currently, the market has steadied with eight major competitors, among which DZL is the largest company with a market share of 65-70%. DZL entered the market in 1999 and currently – through its outgrower scheme – serves as the largest micro-financier in southern Africa. Cargill Cotton (formerly Clark Cotton, which was sold in 2006) is DZL's major competitor.

Country indicators			
INDICATOR		VALUE	PRIMARY SOURCE
total population	(in millions)	12	World Bank, WDI
unemployment	(annual growth rate)	50 (est.)	CIA Factbook
human development index	(HDI)	165	UNDP, HDR
poverty rate	(income below USD 2 a day)	68	World Bank, WDI
gini index	(0 = low inequality; 1 = high inequality)	50.8	World Bank, WDI
terms of trade	(net barter)	187	World Bank, WDI
GDP p.c.	(PPP, USD in billons)	13.4	World Bank, WDI
GDP	(annual growth rate)	5.0	World Bank, WDI
Consumer Prices	(annual growth rate)	18.9	World Bank, WDI
exports	(annual growth rate)	9.1	World Bank, WDI
imports	(annual growth rate)	12.5	World Bank, WDI

demands of export markets. Zambia's most urgent social problem, aside from poverty, is the HIV/AIDS epidemic, which is steadily depleting the workforce.

Regulatory framework

Zambia's cotton sector differs substantially from that of West Africa. The almost complete absence of government in production, marketing, regulation and direct financial support to this sector makes Zambia unique in Africa. Prices and market conditions are subject to agreements in the framework of outgrower schemes. One such scheme, the Zambian Cotton Outgrower and Pre-Financiers Association was founded by the five largest companies to keep cotton farmers from 'side selling', i.e. selling their cotton to the highest bidder despite contractual obligations to the cotton companies that pre-financed them. The

The CAZ was established in early 2007 in response to the dominance of cotton companies on the market, but small-scale farmers still remain highly vulnerable to trader demands.

German Development Cooperation support for standards initiatives

Since the end of 2004, BMZ via its implementing agencies has introduced social and ecological standards in Zambia, focussing mainly on the micro level. The German Development Cooperation instrument PPP seems particularly well suited for standards introduction and implementation, with selection of appropriate private partners being essential.

In 2005 the DEG, a member of the KfW banking group, initiated a PPP project "Cotton Made in Africa" with operational responsibility in the hands of the private partner DZL in Zambia. In doing so, DEG and DZL in

stakeholder approach with Otto, DEG, GTZ and the University of Wageningen, a traffic light system with criteria for 'people, planet and profit' was designed



Zambia launched the programme "Yield Improvement through Empowerment, Learning and Discipline (YIELD)" the implementation of CmiA standards. GTZ is also engaged in "Cotton made in Africa".

Case study experiences

Capacity building through the YIELD Programme

The Yield programme is a component of the CmiA Initiative headed by the AbT which represents CmiA and its local partners. The foundation is based on the Otto Retail Company (formally Foundation for Sustainable Agriculture and Forestry). The project aims at securing a regular and sustainable income for small-scale producers through capacity building and the introduction of minimum standards in cotton production. The Otto Group, Tom Tailor, Peek&Cloppenburg, Tchibo and Bierbaum constitute the corporate coalition at present. On the advisory board these business actors are in constant dialogue with the WWF and the German Agro Action (Deutsche Welthungerhilfe). Additionally, the project conforms to Global Compact and CSR guidelines. In a multi-

to ensure continuous development towards sustainability: School attendance of children is in the 'people' category, prudent pesticide use in 'planet', and increased income in 'profit'.

Overall, the project is producing reasonable impacts. During the first two seasons, YIELD outreach was high. Over 60,000 farmers were trained, and their families benefited, too. In the long run, AbT will take on the role of the DEG and GTZ and coordinate and cooperate directly with the partner organisations in the project countries. Although long-term ecological benefits remain foreseeable but not yet measurable, smallholder incomes are increasing with greater yields. Integrated pest management methods have been promoted and have contributed to improved health and food security, though they have yet to be applied on a broad scale. DZL reviews the training programme after each season and analyses the need for adjustment. Overall, DZL has become a proactive, dedicated partner with considerable momentum. It is a driving force for CmiA in Zambia, but needs to generate greater awareness on the macro and micro level.

Overview of voluntary standards impacts in Zambia

Lessons learned

While the outreach potential of CmiA standards is high, improvements remain to be made in its structure and processes. Five steps are recommended to this end for the near future:



Improving coordination and cooperation –

Communications between the persons in charge in Germany and the country coordinators should be improved. At present, communication between the stakeholders is channelled through GTZ Germany, while the private partners communicate directly but at random. To achieve the long-term goal of a withdrawal from CmiA, direct communication must be established between AbT and local partners.

“We were quiet amazed that a close cooperation between the private and the public sector in a joint project can really contribute to a broad application of sustainability standards by small scale producers in the cotton sector in Zambia.”

Monitoring – Monitoring is essential for ensuring conformity to CmiA standards. While monitoring of cultivation, harvest, storage and ginning can be fairly easy, once the process moves on to spinning and beyond, it becomes impossible. Useful concepts which should be discussed are the ‘green-electricity’ model and the ‘book and claim model’.

Adjustment to local context – Currently, no distinction is made between the government-regulated Western African cotton sector and the free market approach practised in Zambia. Further technical assistance in the specification of criteria could enable greater adjustment to regional conditions. In order to achieve maximum impacts for the target group and break up the predominance of traders in the cotton sector, German development cooperation might provide assistance with establishing and strengthening local structures and intermediary institutions, such as the CAZ.

Dismantling of subsidies, market diversification –

Until government-subsidised fertilisers for maize are permitted, fertilisers cannot be provided to small-scale farmers extensively nor can the potential of other market sectors be developed and diversified. In world market terms, Africa is still disadvantaged by US American subsidies, which distort competition. If subsidies were abolished, African cotton could become highly competitive due to its lower costs for land and labour.

Stimulating demand – Although the standards concept is already workable, its dissemination within the textiles sector is still very limited. Thus a major challenge for the second phase is to extend demand through the European retailers alliance. One more option for the use of cotton products is expected in the distillation of bio-diesel. Further research in this area is advisable.

Scaling up potential

Because of the cotton sector's great relevance in terms of exports, the CmiA standards promoted have reasonable potential for mainstreaming. The Zambian primary sector still faces a challenge in spanning the gap between large companies and small-scale producers in both domestic and export markets. All three implementation levels have some shortcomings. One focal point is the balance of power.

Macro-level parameters – Corporate stakeholders should set up a dialogue with smallholder associations and government representatives. Good governance is called for as a complementary framework for national scaling up efforts. The traditional economic focus on mining needs to be shifted towards a consistent health and poverty reduction strategy that aims especially to combat HIV/AIDS.

Meso-level expansion – Smallholders lack strong representation bodies for market activity and intervention. Thus, further promotion of associations and external support are recommended. Firms must meet their obligations if they are to discourage side-selling.

Micro-level integration – For broad-scale application of standards, smallholders must be more fully integrated into the value chain and capacity-building programmes better adjusted to needs. Information campaigns would be a good starting point.

Zambia



* Due to time constraints it was not possible to organize a preparatory workshop in Zambia parallel to those in the other countries investigated. However, feedback from stakeholders involved in the sectors evaluated was collected by mail and has been taken into account in the following summary.

SYNTHESIS

Where to go from here

Evaluation of the four case studies of voluntary social and ecological standards shows promising results for future Development Cooperation. Voluntary standards clearly have the potential to translate the abstract principles of social and ecological sustainability into practice. Thus the evaluation gives rise to a strong recommendation that German Development Cooperation continuously dedicate human, financial and organisational resources to the promotion of voluntary standards. It also indicates the importance of the complementary roles of the donor agencies and of their interactive relationships with their target groups and stakeholders.

The implementation of market-driven standards makes a gradual contribution to the following **MDGs**:

- Poverty reduction through the projects (MDG 1)
- Start on education and capacity-building (MDG2)
- Improvement of environmental sustainability (MDG7)
- Formation of global partnerships (MDG 8)

The empowerment of women remains a major challenge, since it is scarcely touched upon in the certification strategies of the standards implementation project.

Economic, social and environmental impacts

German Development Cooperation would like to see voluntary standards have an impact on three major policy fields: **economic, social and environmental**. Evaluation of voluntary standards in Brazil, China, Kenya and Zambia reveals positive impacts in all three dimensions of sustainability and on all three levels of intervention: macro, meso and micro. Of the four case studies, the impact of market-driven standards in China and Brazil was greatest mainly due to these countries' strong exports.

The table (next page) lists effects in the countries surveyed broken down by the three policy fields. Overall, the impacts are encouraging, but positive results remain limited to individual projects. So far there is not enough leverage for the creation of more widespread and profound effects. This is why German Development Cooperation proposes to open up a dialogue with all stakeholders to develop ideas and methods for scaling up voluntary standards. A multi-level approach is pursued to produce positive impacts through the voluntary standards in various policy fields: on the micro level, producers; on the meso level, intermediary organisations; on the macro level, governments.

German Development Cooperation views scaling up as a promising way to heighten the impacts of market-driven standards. Six steps for scaling up have been identified. Each links the level of intervention with a form of scaling up. The present evaluation indicates in some cases how this process of scaling up can be achieved, either through first steps in a given direction or by showing clearly visible gaps that call for further action.

In terms of scaling up, the main results of the four case studies presented here are:

social

SECTOR	LEVEL	STRONG POINTS!	CHALLENGING POINTS
	MICRO	<ul style="list-style-type: none"> encouraging improvement of living standard, safety, health and working conditions 	<ul style="list-style-type: none"> sensitising and informing small-scale producers
	MESO	<ul style="list-style-type: none"> community development due to participation in production methods and setting of standards 	<ul style="list-style-type: none"> stronger representation of workers and farmers in order to promote adjustment to local conditions
	MACRO	<ul style="list-style-type: none"> several national standards and programmes are set to improve social conditions 	<ul style="list-style-type: none"> supporting government regulation and monitoring

economic

	MICRO	<ul style="list-style-type: none"> increased incomes higher productivity through lower production costs and increased yields Improved products and skills 	<ul style="list-style-type: none"> integration of small-scale producers into the value chain reduction of certification costs
	MESO	<ul style="list-style-type: none"> several strong stakeholder networks established 	<ul style="list-style-type: none"> widespread capacity-building for workers and farmers instances of better business for certified products
	MACRO	<ul style="list-style-type: none"> increased demand for certified products in export countries 	<ul style="list-style-type: none"> enhancement of domestic markets and consumer awareness

environmental

	MICRO	<ul style="list-style-type: none"> reduced use of pesticides, water and energy increased soil protection 	<ul style="list-style-type: none"> outreach of sustainable certified farmers and producers
	MESO	<ul style="list-style-type: none"> professionell NGOs 	<ul style="list-style-type: none"> strategic and continuous use of environmental management knowledge
	MACRO	<ul style="list-style-type: none"> several national environmental standards and support programmes are in place 	<ul style="list-style-type: none"> establishment of strong public environmental control bodies



Step 1: Standards for sustainable practices

The implementation of standards is a complex process that should reward those who conform to them with increased income and consequent improvements in health, education and food security. For this, standards need to be adjusted to local cultural conditions, combine the micro and meso levels, and involve quantitative and functional scaling up. For instance, CmiA does not distinguish between the governmentally regulated western African cotton sector and the free market approach practised in Zambia.

As market-driven standards must be consistent with business principles, the production process promoted must be **cost-effective on the supply side**. Voluntary standards should be limited in number if they are to serve as an instrument of market **transparency to consumers on the demand side**. The four evaluation studies showed strong competition among the various standards initiatives and a lack of cooperation, and this was one of the main obstacles to smooth implementation. This shortcoming was particularly clear in Brazil and Kenya.

SYNTHESIS

Where to go from here



Step 2: Selection of partners and alliances to be involved

The lack of **broad-based representation of all stakeholders**, such as civil associations, corporate players and political decision makers, could constitute a barrier to the broader and more rapid dissemination of standards. Through organisational and functional scaling up on the meso level, partnerships and networks are developed to provide the essential infrastructure for certification. The Zambian case study indicates the importance of partner selection and **coordination with other multi- or bilateral donors**. DZL acts as a pro-active, energetic and dedicated partner, one which significantly promotes CmiA in Zambia.

In particular, **PPPs** seem to be an **appropriate instrument**, combining as they do important local capacities and the know-how of private and public partners in innovative forms of cooperation. In all of the case studies, PPP projects were successful in building partnerships between large companies and local communities, a precondition for the essential integration of smallholders and cooperatives into the value chain. Thus, supra-regional PPP funding is reasonable, since value chains are globally linked.

The importance of cooperation, exchange and partnership is underlined by the formation of the AVE roundtables in China. Their multi-stakeholder approach was the starting signal for a series of activities for voluntary standards and CSR on all levels.



Step 3: Motivation and target group capacity

How can incentives to comply with certification be provided cost-effectively on a large scale? In the context of **technical and management capacity-building** among producers and cooperatives, the implementation of standards depends on public and private intermediary organisations. Capacity-building as an established instrument in German Development Cooperation links the micro and meso levels through functional scaling up. Its practical application on a large scale is needed to improve not only sustainable production management but also local marketing capacities to disseminate the standards. For instance, in the Kenyan timber sector, limited stakeholder capacity puts constraints on the use of standards, while trained workers and farmers have shown that they can function as a group to multiply sustainable knowledge between

the micro and meso levels. The same applies to the textile sector in China. In view of its size, only a strengthened meso level of certifiers and associations will be able to exert significant influence.

Of the four case studies, Brazil and China can be considered an encouraging good example of **awareness-raising** among smallholders and consumers. It is Zambia that shows the most shortcomings.



Step 4: Political and legal systems

Strong **institutional governance capacities** are still needed. Political scaling up remains an issue in all of the countries surveyed, particularly in Kenya, Zambia and the Amazon region of Brazil, even though on the macro level most governments have moved from rejection to positive support. Hence, the potential impacts of China and Brazil as anchor countries ought to be considered: if their **commitment to sustainable development and standards implementation** is successful, they can exert a positive influence on neighbouring countries. Protectionism is a major challenge. For example, although most of the sectors analysed are highly competitive due to low production costs – cotton in Zambia is one example – United States' subsidies continue to pose a significant obstacle to scaling up CmiA.

On the meso level, the **balance of power** remains a weak point in the scaling up process of all four case study countries. The predominance of large companies is chiefly due to the fact that they are more likely to have enough financial and technical resources to conform to social and environmental regulations.

Tables: Steps according to types of scaling up and level of intervention

STEP/LEVEL	MICRO	MESO	MACRO
STEP 1			
STEP 2			
STEP 3			
STEP 4			
STEP 5			
STEP 6			

STEP/TYpe OF SCALING UP	QUANTITATIVE	FUNCTIONAL	POLITICAL	ORGANISATIONAL
STEP 1				
STEP 2				
STEP 3				
STEP 4				
STEP 5				
STEP 6				

 **Step 5: Economic framework**

Since smallholders are particularly averse to risks, they need considerable incentives and support on the micro and meso levels. Transaction and certification costs are major impediments to further dissemination of voluntary standards among smallholders and co-operatives. This is true of Zambia and Kenya as well as Brazil. In order to secure funding and support voluntary standards, co-financing measures such as group certification and subsidisation of certification costs for rural communities might be considered. Thus, functional scaling up is regarded as a major lever.

Export dependency was seen to be a driving force for the implementation of voluntary standards, especially in the case of Kenyan floriculture. In Brazil, for example, the large forest and timber companies led the way for forest certification, especially to meet the demand for certified wood from abroad (mainly Europe and United States). In contrast, China, the third largest purchaser of Brazilian tropical wood, is prepared to overlook certification in return for lower prices. The demand alliance of European retailers must be further extended. Generally, medium-term business arguments are the most effective in convincing producers to implement voluntary standards. A large market for products with a standards initiative label is the best incentive of all.

SYNTHESIS

Where to go from here

The rationale for promotion of a variety of standards initiatives is that smallholders can compete with expanding industrialised agriculture only by diversifying and upgrading the quality of their products. Since niche standards and mainstream standards serve different market segments and complement one another, differentiated market channels for exports on the one hand and special domestic and local markets on the other are needed for a positive impact on the incomes of rural communities



Step 6: Management of project profile and strategies

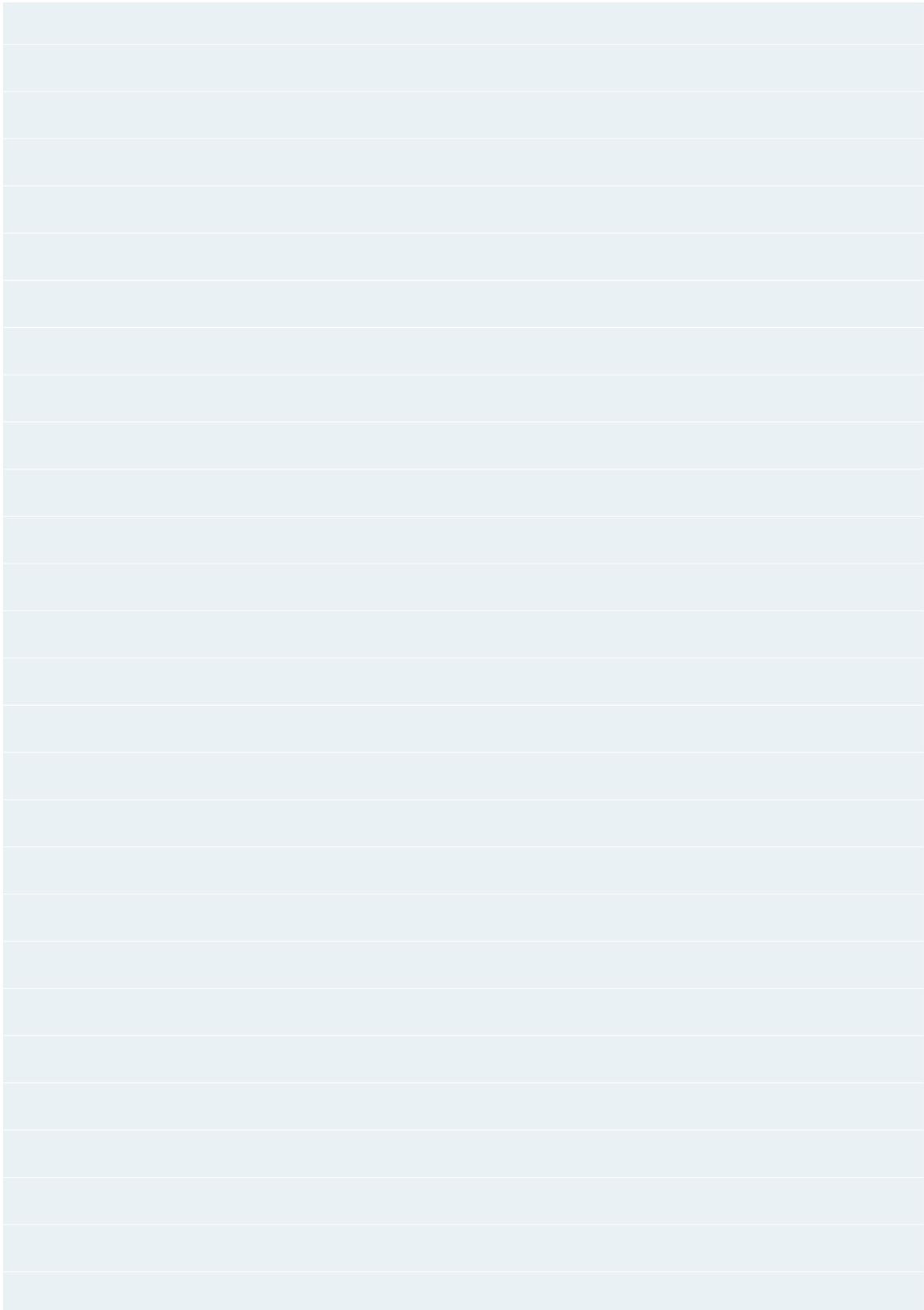
Standards programmes need to follow a clear road map of the steps to be taken on the macro and meso levels. Even if all relevant sector stakeholders in the certification field are represented, there is a need for **strategic guidance with systematic knowledge management**. Simple and comprehensive monitoring systems also need to be developed. There must be sufficient coordination and communication among the stakeholders who implement the standards to reduce uncertainty, particularly in regard to domestic markets. Thus, there is still potential for better organisational scaling up. As Brazil shows, the combination of internal self-assessment and external monitoring bodies stimulates the establishment of a **strong service sector** of certifying associations. In this, the prevailing models for export-supported certification could be translated incrementally to the domestic market, **starting with continuous improvement and moving on to compliance**.

To summarise the current status of steps toward standards application: the central challenge in scaling up voluntary social and environmental standards is to build up meso level **institutional capacity**. Projects such as East-Africa's AfriCert are a step in the right direction. Functional scaling up is most effective, since it can be applied during the course of almost all steps. Thus projects that link the three levels of intervention are a good way to achieve economies of scale. PPPs, for instance, can provide different linkages among the three levels of intervention and all four forms of scaling up, an indication of their added value in development cooperation. The promotion of PPP projects would thus appear to be a particularly flexible and appropriate means of creating a broader outreach of voluntary social and environmental standards.

The future success of social and environmental market-driven standards is closely bound up with collaboration among all stakeholders. The results and suggestions presented here are intended as a contribution to a wider ongoing dialogue about developing market-driven standards as a tool for sustainable and just globalisation.

ABBREVIATIONS

AbT	Aid by Trade Foundation	HDI	Human Development Index
AVE	German Foreign Trade Association (Außenhandelsvereinigung des deutschen Einzelhandels e.V.)	ILO	International Labour Organisation
BMZ	Federal Ministry for Economic Cooperation and Development (Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung)	INWENT	Capacity Building International (Internationale Weiterbildung und Entwicklung gGmbH)
4C	Common Code for the Coffee Community	ISEAL	International Social and Environmental Accreditation and Labelling
CAZ	Cotton Association of Zambia	ISO	International Organization for Standardization
CERFLOR	Certificação Florestal	KFC	Kenya Flower Council
CJS	Comércio Justo e Solidário	KfW	KfW Banking Group (Kreditanstalt für Wiederaufbau)
CmiA	Cotton made in Africa	MDG	Millennium Development Goals
CSC	China Social Compliance	MPS	Milieu Project Sierteelt (Milieu Programma Sierteelt)
CSR	Corporate Social Responsibility	NGO	Non-Governmental Organisation
DAC	Development Assistance Committee	NOP	North-Eastern Programme
DED	German Development Service (Deutscher Entwicklungsdienst)	OECD	Organisation for Economic Co-operation and Development
DEG	German Development Bank (Deutsche Investitions- und Entwicklungsgesellschaft mbh)	PEFC	Programme for the Endorsement of Forest Certification schemes
DFID	Department for International Development	PPP	Public-Private Partnership
DZL	Dunavant Zambia Ltd.	PSDA	Promotion of Private Sector Development in Agriculture
FDI	Foreign Direct Investment	RSF	Roundtable Sustainable Fuel
FFP	Fair Flowers and Plants Fair Flowers and Plants	RTRS	Roundtable on Responsible Soy
FLO	Fairtrade Labelling Organizations	SAC	Standardisation Administration of the People's Republic of China
FLO	Cert International Certification Company offering Fairtrade Certification	SADC	Southern African Development Community
FLP	Flower Label Programme	SAPI	Sistema Agropecuario de Produção Integrado
FPREAK	Fresh Produce Exporters Association	SFA	State Forestry Administration
FSC	Forest Stewardship Council	SSB	Social Seal for Bio-diesel
GDP	Gross Domestic Product	TSPN	Trade Standards Practitioners Network
GlobalGAP	Global Partnership for Good Agricultural Practices	WTO	World Trade Organisation
GRASP	Good Risked-Based Agricultural Practices	WWF	World Wildlife Fund
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH		



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