



## Donors and Agro-food Standards

June 2010

**A large number of donors have supported projects and programmes to improve the capacity of developing countries to conform to the current generation of international agro-food standards. Research financed by Danida and carried out jointly by DIIS and Sokoine University of Agriculture (SUA) in Tanzania suggests that the impacts of these activities have been limited. Donors need to be more realistic about the conditions under which government capacity in the area can be improved, and under which smallholders can achieve standards conformity in ways that generate sustainable welfare benefits.**

A growing proportion of global agro-food trade is managed through standards. This is the result of increasing consumer concern with food safety and 'sustainability' (economic, environmental and social) and massive investments in brand development and protection by the retailers and processors that drive most agro-food trade. Correspondingly, the expanding role of standards in agro-food trade management mainly reflects increasing numbers of private standards and the scale on which they are applied.

Many recent private standards pose greater conformity challenges than did earlier generations of public standards. This is because they require operators to establish and document not only process or product attributes but also management controls along the length of entire supply chains. Recent private standards also cover a wider spectrum of previously unlinked issues such as food safety, biodiversity and labour conditions. Social scientists have been divided on whether, for developing country suppliers, standards are mainly trade barriers or opportunities for higher prices and more secure contracts. Market access concerns apply particularly to participation by developing country smallholder farmers (or artisanal fishers) in supply chains destined for EU supermarkets, particularly in supply of fresh produce certified to *EurepGAP* (later *GlobalGAP*) standards.

It is important to note that available studies are also divided on whether, in those instances where participation by such producers in 'standards-heavy' chains is preserved, there are measurable household income benefits. Generally, there is more consistent evidence of benefits for households with labourer members working on certified large-scale farms (in comparison with other types of employment) than there is of smallholder households

### POLICY RECOMMENDATIONS

- Support to public systems of standards conformity in developing countries should happen only where there is coherent national policy and planning in the area; where the private sector is involved; and where there are mechanisms for donor coordination.
- Support for smallholder conformity to agro-food standards in developing countries should be restricted to circumstances where they are organized in contract farming schemes with exporters who have adequate resources and experience of non-certified markets.
- Support for implementation of labour standards on large-scale farms in developing countries is more likely to be effective where unions support standards initiatives; standards bodies consult unions before certifying farms; and unions receive direct support for activities related to standards implementation at farm level.
- Donors should reconsider their self-appointed role of 'honest broker' in multi-stakeholder standards. Instead of facilitating agreement between NGOs and MNCs, they should require economic impact assessments of all new rules and guidelines.



benefiting from participation in certified (in comparison to non-certified) supply chains.

Market access issues are also raised by public food safety standards. These typically require not only conformity by farmers/fishers and exporters but also governments – in respect of export system surveillance and supervision. For producers and exporters to retain market access to EU fish or meat markets, their governments need to demonstrate that a ‘Competent Authority’ effectively oversees production. At least in Least Developed Countries (LDCs), this poses problems of public capacity and of coordination.

## DONOR INTERVENTIONS ON STANDARD

Donors have supported standards conformity in developing countries since the 1970s. Since the mid-1990s this has had two main targets. The first is public systems for securing conformity to developed country food safety rules, including upgrading of government institutions to assume ‘Competent Authority’ status. This is usually accompanied by support to public laboratories for food safety testing and to national standards institutions for provision of public information and for participation in international standard-setting.

The second target is support to private exporters to conform to private international standards such as *Global-GAP*, *organic*, *Fairtrade* and *UTZ Certified*. All these include provisions for smallholders to be certified on a group basis, thus reducing certification costs. Most also include requirements regarding labour conditions on large-scale farms, where production is on this basis. Often, this second type of support is found within wider programmes aiming to ‘link farmers to markets’. Sida and Danida have been active in both types of support in East Africa.



In July 2010 the EU introduces its new label for organic food.

Additionally, some donors have become involved in ‘multi-stakeholder standard’ initiatives aimed at certifying sustainable production and trade of tropical crops. Here the role of donors has been to support developing country participation in standard-setting, encourage group certification, to ensure coverage of the full range of sustainability issues and to act as an ‘honest broker’ between NGOs and corporations.

## RESULTS OF THE SAFE RESEARCH PROGRAMME

DIIS and Sokoine University of Agriculture, Tanzania, conducted a joint research and capacity building programme (‘Standards and Agro-Food Exports’, or SAFE) from 2005-2010. Under this, over a dozen original studies were carried out in East Africa and Europe. Three Tanzanian and one Danish student received PhDs in Agricultural Economics or Development Studies. Three main groups of standards were examined: EU food safety standards for fish, ‘sustainability’ standards and labour standards. Distinct research questions were addressed for each group of standards.

### Research questions

For EU food safety standards, the research asked how East African countries succeeded in maintaining EU market access for artisanally-sourced fish from Lake Victoria since 2001, following import bans from 1997-2000, and whether this success had wider impacts on national systems of conformity. For sustainability standards, it asked to what extent smallholder conformity led to household benefits, and what factors other than certification made such benefits likely. For labour standards, it asked under what circumstances initiatives by standard-setters and interested NGOs to improve implementation of labour standards succeeded or failed. In all cases, relevant contributions by donor programmes were examined in terms of what worked in promoting successful conformity or implementation, and what did not.

### Findings on national food safety conformity systems

EU market access for artisanally sourced fish was retained mainly as a result of African exporters and public authorities recognizing that there was no alternative to close cooperation if the crisis of the EU import bans was to be overcome. In the public sector this triggered the centralization of previously dispersed regulatory authority in national Fisheries Departments, plus regional regulatory harmonization through the Lake Victoria Fisheries Organization (LVFO). This facilitated the streamlining of guidelines, standardization of monitoring and inspection procedures, and upgrading of some landing sites. In the private sector, it led to a self-financed system of monitoring and inspection that relied on public authorities for enforcement.

As far as national food safety conformity systems in East Africa were concerned, the main impact of these changes was the separation of fishery-related institutions and activities from an otherwise unchanged national system. There appear to have been no substantial spillover or learning effects from fish system reform to other sectors. National systems instead continued to exhibit a fragmentation of authority between different departments and levels of government, duplication of functions and of laboratory infrastructure, underutilization of public laboratory services, lack of consultation with the private sector and lack of coordination and of coherent policy and planning.



The interpretation of standards for agro-food products mainly as opportunities needs reconsideration. Photo: © Marcus Lyon

Donors, particularly the EU, provided critical support to fish system reform. This was coordinated around actions proposed by Fisheries Departments and LVFO in conjunction with the private sector. In contrast, donor support to wider national conformity systems remains driven by the shopping lists of competing institutions, and as a result has exacerbated fragmentation, duplication and public laboratory over-capacity.

### Findings on smallholder conformity with sustainability standards

Eight household survey-based studies were conducted of donor-supported contract farming schemes. These schemes involved a private operator or (in one case) a producer organization buying produce for export from smallholders that were certified to a sustainability standard using group certification arrangement. Six of these schemes were certified organic, one was GlobalGAP and one UTZ certified. Crops exported included fresh produce, spices and traditional export crops. All the studies used control groups and five controlled for selection into schemes.

There were measurable income benefits for smallholders from scheme participation (controlling for selection) in three organic schemes. In another organic scheme there were also benefits, but not mainly due to certification. In two other organic schemes there were no observable benefits. There were benefits in the GlobalGAP scheme but only in relation to one of three crops certified, and there were no observable benefits in the UTZ scheme. Thus the studies suggest that, while there can be benefits to small-

holders from certification, these are found only where other conditions are present.

These conditions relate to: scheme design; the characteristics of exporters and of the non-certified markets for the crops produced; the entry barriers to farmers posed by the standard followed; and the nature and modalities of donor support to schemes. Most of these conditions are linked to the fact that certified markets are typically in over-supply. Therefore, for schemes to be profitable – and to be able to offer marketing guarantees and meaningful price premiums to smallholder participants – crops have to be produced with quality characteristics that generate price premiums also in conventional markets. Thus scheme design must include transparent incentives for, and measurement of, crop qualities over and above those required by the standard. This entails that the conventional markets for the crops certified have a quality-based price premium and that exporters have the resources, experience and contacts to trade successfully in conventional markets. It is also important that farmers should not have to make too many standard-specific investments and that donor support should focus strictly on supporting the operational viability of such schemes.

### Findings on the implementation of labour standards

The research distinguished between two groups of labour standards: Mainstream ones focusing only on labour conditions, and more recent ones focusing on both labour conditions and the rights of labour organizations. Its point



of departure was earlier research findings that, where mainstream standards are implemented, temporary and casual workers are typically excluded from most benefits, while union density and the incidence of farm-level collective bargaining agreements (CBAs) remain unchanged.

Implementation of standards focusing on the rights of labour organizations was compared in Kenya and Tanzania. In Kenya a local standard of this kind was developed with donor support. Despite its adoption by some large farms, it failed to be effectively implemented when donor support ended. Exporters resisted implementing its more far-reaching provisions and, more critically, Kenyan unions opposed the standard because it also recognized 'labour NGOs' as a voice of workers.

In contrast, in Tanzania, a union and local representatives of an international standard engaged constructively with the standard delegating to the union a *de facto* veto on decisions on farm-level certification. This facilitated dramatic increases in both unionization and the incidence of local CBAs. This was further accelerated by donor support (via a UK NGO) to union organization and training at farm level.

## LESSONS FOR DONORS

A first lesson of SAFE research is that the interpretation of standards as 'opportunities' needs revisiting, as do donors' priorities in standard-setting forums. Conformity, at least with private standards, only generates welfare benefits under specific circumstances. Where they are involved with new private standards, donors' first priority should be to ensure that economic impact assessments take place (using different compliance scenarios) before rules are agreed and support is provided for certification. Generally, donors should favour restraint in establishing new standards, un-

less (as in the case of mainstream labour standards) existing ones are known to have failed in their objectives.

Secondly, where support to public systems of conformity is provided, it should respond to coherent national, or failing this sectoral, public-private policy making and planning. Where this is absent, support is likely to generate only increased inter-agency competition and duplication of resources. To safeguard against this, improved donor coordination is another priority.

Thirdly, support for smallholder certification to private standards should be restricted to where there are guarantees that all product will be sold as certified, or where the exporter has a strategy assuring scheme viability when certified markets are in surplus. Support is furthermore best targeted at established exporters that are familiar with conventional markets and at certification to standards where conformity requirements do not entail exposing smallholders to investment risks.

Finally, support to implementation of the new generation of labour standards should be targeted at circumstances where there is buy-in from unions and a willingness by standard-setters to involve unions directly in farm-level implementation and certification.

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Note: This brief reflects only the views of the authors and not those of the agency funding the research reported.

## SUGGESTED READINGS

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