

# Assessing the poverty impact of voluntary sustainability standards in global tea and cocoa value chains:

## Key findings of a 4 year study

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An NRI study (2009-14), funded by the UK Department for International Development, systematically assessed the poverty impact of voluntary sustainability standards (VSS), such as Rainforest Alliance and Fairtrade. Covering two commodities (tea and cocoa) in four countries, involving hired labour, smallholder and outgrower contexts, the study employed a theory based impact evaluation and mixed methods approach.

### 1. Introduction

Since the early pioneers, such as Fairtrade, organic and Rainforest Alliance, started selling into niche markets, the voluntary sustainability standards (VSS) landscape has evolved and sales of certified products have expanded. Newer sustainability standards have emerged such as Utz Certified (a business-to-business standard), with more being established all the time in different sectors. The early entrants have evolved in terms of their content and strategies. Consumer and private sector acceptance has increased, leading to a huge growth in standards' uptake and a move from niche to mainstream channels, although they have yet to reach sector-wide status. Large retailers and brands have made commitments to sourcing mainstream product lines from sustainable producers. In some markets, market coverage has risen rapidly, but there is still a way to go before a tipping point is reached, such that whole sectors and industries switch to certification and synergies are created.

The proliferation of voluntary sustainability standards in recent years and the growth in their market sales, has not been matched by a concomitant development of the evidence base on their poverty and environmental impacts (Nelson and Pound, 2009; Tallontire et al, 2010).

### KEY MESSAGES

Impacts of voluntary sustainability standards (VSS) in agriculture are highly-context specific.

VSS are not yet fully adopted in any industry so there is room for expansion.

From our cases we conclude that overall, VSS generally bring positive benefits to individuals and producer organisations achieving certification, but there are currently limits to their effectiveness in tackling poverty and responding to environmental challenges.

Complementary investments in producer capacity building and support services are needed to scale up impact.

Critical analysis is needed of the new public-private partnerships, of the collaborative economy in terms of their outcomes for smallholders and workers and their accountability. Analysis of the risks of agribusiness concentration is needed and articulation of alternative trading relations.

VSS should engage with or support multi-stakeholder learning alliances in pilot sub-regions or landscapes.

The following questions arise:

- What difference do sustainability standards make from a development perspective?
- Which of their strategies are most effective?
- How effective are they compared to each other and other development interventions?

These questions are significant in a context of multiple challenges for global agri-food systems including: securing global food security and nutrition, tackling inequality and generating employment, adapting to and mitigating climate change, slowing and reversing environmental degradation etc.

The purpose of this DFID funded study (2009-2013) was to provide evidence as to whether sustainability standards are effective under different conditions, for whom, and how they might improve their impact. The study aim was to “*systematically examine the impact of voluntary social and environmental standards on poverty and livelihoods, particularly for the most disadvantaged workers and producers in developing countries*”. This paper presents the key findings. The country reports and a final technical report provide more detail<sup>1</sup>.

The study is an impact evaluation employing theory-based evaluation, mixed methods (including quasi experimental comparisons) and comparative analysis between five cases. The cases selected were Ecuador and Ghanaian smallholder cocoa, plus two for Kenyan tea (smallholder and outgrower/plantation) and Indian hired labour-tea. The study principally covers the sustainability standards of Fairtrade International and Rainforest Alliance. More details on the methodology can be found in the final technical report, and Policy Brief 3.

## 2. Key Findings

With their complex, impact pathways, and adoption in diverse situations, the impacts of VSS are highly context specific (figure 1).

<sup>1</sup> <http://www.nri.org/project-websites/livelihoods-and-institutions/assessing-the-poverty-impact-of-voluntary-trade-standards>

From the five cases, it was found that on balance, the sustainability standards in the cases studied bring positive benefits to certified organisations and their members of a social, economic and/or environmental nature (see table 1). The standards may also bring positive impacts in wider communities and there is plausible evidence that improvements in the environment are being achieved. Thus, they do have an overall positive impact, particularly when different scales and dimensions of VSS impact are kept in view (e.g. from producers and workers in the value chain, through wider communities, value chain actors, other sectoral actors not in the value chain, and the discursive impact internationally on understanding of what constitutes sustainable trade and the need for action.

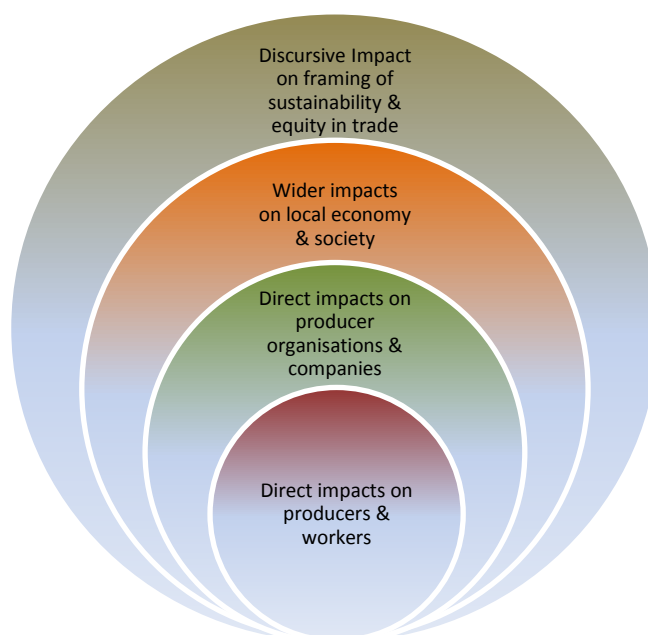


Figure 1: Levels of impacts of VSS

However, there are limits to the effectiveness of VSS. In terms of the depth or magnitude of the impact for individual producers, workers and organisations through measurable tangible benefits, such as raised incomes and asset building, the findings were that there has been limited impact, in all but two of the cases (Kenyan tea) – an example where synergies appear to be occurring due to the level of commitment by a key buyer (Unilever), donor investment, as well as the influence of the VSS.

When considering the reach of standards beyond better-off smallholders (i.e. those with sufficient assets allowing participation in export markets) to

include the less well-resourced or women smallholders, it seems that standards are much less effective.

Our evidence indicates that their reach is somewhat limited in terms of the diverse rural population. Certain groups, such as hired labourers on smallholder farms and women, are less able to participate in voluntary sustainability standards, because of the structural constraints on their access to land and other livelihood assets, reinforced by existing cultural norms.

Overall, we have not found evidence that sustainability standards, especially without significant additional producer support programmes, are able to lift smallholder households out of poverty. The benefits tend to be limited in extent, and large numbers of producers are not moving up the poverty ladder to the next level.

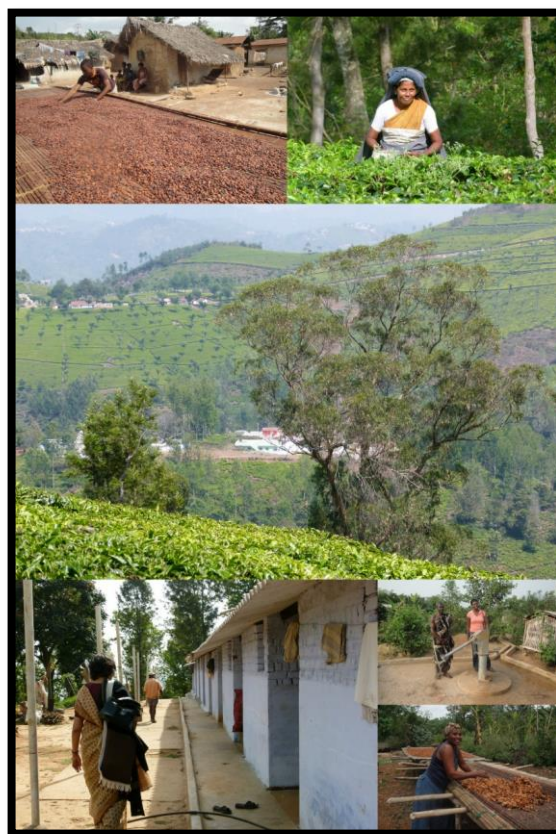
Organisationally, sustainability standards sometimes contribute to the strengthening of smallholder groups and certified estates/worker groups especially in terms of basic democracy, business management capacity and service provision and can have wider community and environmental impacts.

The overall findings are mixed. This is partly due to the variability that exists between the country-commodity-sector contexts. There is also inherent complexity in this type of study, because although VSS have standardized strategies, they also have more variable pathways to achieving impact, influenced by the type and extent of producer support provided. Further, there are spill-over effects which may be underestimated in quasi-experimental comparisons, but a mixed method approach provides a more balanced assessment. However, in the cases we studied, there are areas in which sustainability standards are not achieving their intended objectives. For example, standards do not, in the cases we studied, appear to be significantly improving farmers' incomes, or tackling other aspects of poverty, such as gender discrimination which marginalizes women.

All of these findings are drawn from the 5 cases studied, as well as from our wider knowledge of the impact literature, but it is also very important to note that VSS are not yet fully adopted. There is plenty of room for expansion in many industries

and for greater impact to be achieved in the future, as VSS learn and make changes themselves. In one case – Kenyan tea - VSS have reached wider coverage across an industry and there has been significant investment from donors, with indications from our study of greater synergies and positive impacts of greater magnitude.

Further reflection by VSS is recommended to re-assess and develop their theories of change. VSS have played an important role in raising awareness of sustainability considerations in production and trade, and are in the process of developing global institutions which seek to reform aspects of export trade in agricultural commodities. VSS do have a role in the global efforts to move rapidly towards sustainable production and trade. However, there are critical questions for VSS with regard to *how far* and *how* they scale up impact.



VSS leverage investment in sustainable production and trade and help raise consumer awareness of sustainable trade issues, but they also occupy space in discussions on sustainability in production and trade. It is therefore important to understand how effective VSS are in achieving change on the ground vis-à-vis their own goals and wider public goods.



### 3. Conclusion

VSS are still evolving and growing and hence their potential to bring about change has not been fully realised. However, global social and environmental challenges are extremely pressing and questions arise as to their transformative potential i.e. of creating change beyond 'business as usual'. There are clearly limits to the effectiveness of VSS and to address these limits requires collaboration with others and changes internally in strategy and approach.

Collaboration with others is already occurring – not least in the increasingly common public-private partnerships (PPPs). VSS can and are already are scaling-up their impact in specific localities through collaborations with donors, companies and NGOs in public-private partnerships (PPPs) of different configurations. However, questions arise vis-a-vis the accountability and outcomes of such partnerships for smallholders and rural communities, in the context of expansion of large-scale agriculture and multi-national corporations, especially in the longer-term.

The ability of PPPs to deliver positively with respect to the *interconnected* global challenges (climate change mitigation and adaptation, food security and nutrition, tackling poverty and inequality, promoting women's empowerment and gender equality, and reversing biodiversity loss and environmental degradation) is not yet proven. For example, while productivity increases may be achieved, how far are farmer incomes raised? Is food security achieved in the long term, in terms of the 'right to food'? To date, VSS are not adequately reaching beyond the farmers who already have certain levels of assets enabling them to participate in export trade. Marginal groups such as women and hired labourers on smallholder farmers, informal workers are not clearly benefitting.

Investment in the strengthening of land tenure security, farmer advisory services, public labour inspectorates etc. are all potential ways of improving worker and farmer livelihoods. Further, the facilitation of politically informed learning alliances and action research, led by VSS or linked to existing integrated landscape scale initiatives, in specific sub-regions or localities is recommended. The aim is not only to learn how

to scale-up impact through locally-owned processes, but also to support innovation (cultural, political, economic, institution) for progressive ends. Supporting the articulation and visualisation of alternative development pathways is important. It is a necessary to move beyond the current orthodox emphasis on transitions to large-scale agriculture delivered through increasingly large-scale public-private partnerships and dominated by agribusiness, to regionalised systems of trade, allowing greater resilience, self-reliance, and ownership.

VSS need to reconnect with their social movement origins, as this is a way in which they can improve disadvantaged farmer and worker representation and political empowerment, mobilize activists and consumers, and support shifts in specific localities toward sustainability. This approach would be less tied to complying with standards, which also carry risks of exclusion, and instead focus on facilitating innovation and brokering change. VSS can support the engagement and representation of less powerful actors and visions in decision-making especially at a sub-regional scale.

Visualizing potential pathways that secure the 'right to food' is important as there is currently a risk that VSS further the interests of agribusiness, potentially facilitating economic growth, but at the expense of equity, especially in the longer-term. VSS should expand their role by turning the spotlight on the intersection between horizontal governance processes in a specific place or region and vertical value chain governance and globalisation which are often the drivers of rapid change in local production systems and land use.



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The full project report – V. Nelson and A. Martin (October 2013) 'Assessing the Poverty Impact of Voluntary Sustainability Standards: Final Technical Report' and country case studies can be found at:  
<http://www.nri.org/development-programmes/equitable-trade-and-responsible-business/publications>

**Table 1: Summary of impacts**

Dimensions of impact	Ghana-smallholders	Ecuador-smallholders	Kenya-smallholders	Kenya-workers	India-workers
Scoring	Cocoa		Tea		
<b>Individual Producer Level Impacts</b>					
Inclusion	0 +	0 +	+	+	0
Incomes	0	+	0 +	+	0
Coverage of basic needs	-	0	0 +	+	+
Assets & Services	0 +	0	+	0 +	0 +
Food Security	0 +	+	+	+	0
Job security & employment conditions	n/a	n/a	n/a	+	0
Tackling gender inequality	0 +	0	0 +	0 +	0
Child labour	+?	0	+	+?	n/a
Productivity and quality	0	+	+	+	0
Hired Labour on smallholder farms	0	0	0 +	n/a	n/a
<b>Organisational level impacts</b>					
Democracy	0 +	0 +	+	+	+
Management capacity	0 +	+	+	+	+
Service provision	0 +	+	0 +	+	+
Financial viability, estate profitability	0	+	0 +	0 +	0
Market access, chain effects	+	+	+	+	+
Sustainable agriculture & environmental impacts	+	+	+	+	+
Wider impacts	0 +	0 +	+	+	+

Key: + = positive impacts; - = negative impacts; 0 = no impacts; n/a = not applicable. Combinations of scores indicate that different aspects of the theme were rated differently.