ValueLinks Module 9

Quality and standards

ValueLinks 2.0

1. Setting boundaries
   - Scope of value chain development

2. Chain analysis and strategy
   - Value chain analysis

3. Value chain strategies

4. Programs and projects

5. VC upgrading solutions
   - Business models
   - Business linkages
   - Services
   - VC Financing

6. Managing data & monitoring
   - Quality and standards
   - Policy instruments

Solutions for improving the value chain
Mandatory and voluntary standards

**Mandatory Standards**: are rules describing product & process quality established by law

...are, generally speaking, obligatory, and are either national or international laws, conventions or regulations. Failure to comply prohibits a product or service from being sold in a given market. Such mandatory standards are embodied in trade treaties and agreements, and in national or regional laws and regulations.

**Voluntary Standards** are rules on product & process quality set up by voluntary agreement

... are not legally required to export to a particular geographic market. Private standards can apply to the characteristics of the product, its production process, or both. They aim to meet the requirements of certain customer groups and thus improve market access to producers using the respective standard.
Mandatory and voluntary standards go together

**Mandatory standards** provide a *minimum base* with e.g. regards to:
- Safety of food
- Avoiding dissemination of diseases and pests
- Complying with formal preconditions for access to (export) markets

**Voluntary standards** create *additional requirements* e.g.:
- Compliance with human rights, social fairness, environmentally friendliness
- Demonstrating responsible product sourcing and improving competitiveness on domestic markets (imported products)
- Competitiveness at / access to certain export markets

Impact of voluntary standards

**Positive Aspects of Voluntary Standards Application**
- **Better market transparency**: Standards simplify communication between market participants and assist marketing
- **Competition policy**: Standards create a more “level playing field” and support fairness
- **Lower transaction cost**: Standards enhance assurance and thus reduce cost of market transactions
- **Provide incentive for continuous quality improvement**
- **Contribution to better equity and sustainability**: Standards impose limits on resource use, use of inputs and labour conditions
- **Enabling traceability**

**Negative Aspects**
- **Additional costs** for running standards system & certification
- **Potential market exclusion**
### Types of standards

**Overview of types of standards**

<table>
<thead>
<tr>
<th>Product quality standards</th>
<th>Safety standards</th>
<th>Social and ecological standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>issued by Government</td>
<td></td>
<td></td>
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<tr>
<td>issued by Industry or Civil society</td>
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</tbody>
</table>

- **Product quality standards**: B2O, TAPAC, ECOVIN
- **Safety standards**: CE, GLOBALG.A.P
- **Social and ecological standards**: Fair Trade, UTZ, Rainforest Alliance

### The market

<table>
<thead>
<tr>
<th>Various (international) standards</th>
<th>Mainstream market</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENVIRONMENTAL</td>
<td>~ 90%</td>
</tr>
<tr>
<td>SOCIAL</td>
<td></td>
</tr>
<tr>
<td>SPECIALTY</td>
<td>~ 10%</td>
</tr>
<tr>
<td>SUSTAINABLE</td>
<td></td>
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</tbody>
</table>
Supporting standards initiatives

1. **Facilitating the further development or revision of a standard**
   E.g. provision of technical inputs and advice on relevant conventions, laws and regulations

2. **Facilitating the participation of disadvantaged groups in the negotiation**
   E.g. training of representatives from developing countries to influence more actively the further development of a standard like FSC

3. **Assisting national standard initiatives to demonstrate equivalence with international conventions**
   E.g. building the capacity of national or local initiatives to align their standard requirements with more demanding market entry standards

4. **Assisting the clearance of standards developed by multi-stakeholder initiatives with anti-trust authorities**
   The Common Code for the Coffee Community had to be approved by anti-trust authorities in the EU as well as in the US

5. **Facilitating the creation of membership-based standard-setting organization**
   External facilitators can help to formalize an initiative in a standard-setting organization.

Using standards

Contents

1. Definitions, types and importance of standards systems
2. Example Rainforest Alliance, a Private Voluntary Standard System
Rainforest alliance

...is an international, nonprofit sustainable development organization, which works to conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices and consumer behavior.

...work with local and indigenous communities to produce more efficiently and at higher quality for international markets

...believes that the best way to keep forests standing is by ensuring that it is profitable for businesses and communities to do so.

Requirements for Certification:
- 100% of critical criteria have to be met
- 80% overall score
- 50% minimum score in EACH of the 10 principles

Rainforest Alliance
- Is one of 8 partner organisations in the SAN network which have worked together for more than two decades to develop, promote and support the implementation of SAN standards
The 10 principles of sustainable agriculture

- Social and Environmental Management
- Eco-system Conservation
- Wildlife Protection
- Water Conservation
- Fair Treatment and Good Working Conditions for Workers
- Occupational Health and Safety
- Community Relations
- Integrated Crop Management
- Soil Management and Conservation
- Integrated Waste Management

Example of non-compliance from a coffee cooperation in Kenya

- No proper wastewater treatment (Principle 4.5.)
- Not wearing proper protective gear (Principle 6.13.)
- Using the banned herbicide Paraquat (Principle 8.4.)
- Mixing certified with not certified products in the store (Principle 1.10.)
Example of successes from forestry:
A coffee buffer zone in Nicaragua

Non-certified farm

Certified farm

Example of successes: waste management

Non-certified farm

Certified farm
Improving product quality is one of the most important strategic objectives in value chain upgrading. Quality is defined as (a) the (intrinsic) quality of the product and (b) the quality of the production process in relation to environmental, social and economic concerns.

Standard systems are governance mechanisms for the value chain.

Mandatory (public) standards are established by law, either national or international, conventions or regulations. They are important for consumer safety. Failure to comply prohibits a product or service from being sold in a given market.

Voluntary (private) standards are rules on product & process quality set up by agreements between private companies within the value chain to meet the requirements of certain customer groups. Using them improves the market access of producers.

VCD promotes standards to improve the sustainability of the VC, and to enhance its competitiveness by differentiating the product from those of competing VCs.