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Introduction of Voluntary Social and Ecological Standards in Developing Countries

Summary Version of the Evaluation



Contents

Preface	3
Summary	4
1. Synthesis Report	4
Background	4
Key findings and conclusions	4
Recommendations	6
2. Country case studies	7
2.1 Brazil	7
Background	7
Key findings and conclusions	8
Recommendations	10
2.2 China	11
Background	11
Key findings and conclusions	12
Recommendations	14
2.3 Kenya	14
Background	14
Key findings and conclusions	15
Recommendations	17
2.4 Zambia	18
Background	18
Key findings and conclusions	18
Recommendations	19
BMZ's Comments	21

Preface

Since the 1990s, it has become increasingly evident that national and supranational rules and regulations are not sufficient when it comes to achieving social, environmental and competitive objectives within the framework of the global economic and trade system. Voluntary standards and codes of conduct were developed to complement them. These have the potential to encourage companies to assume social responsibility and can serve as market tools designed to make commerce and value chains more fair. Furthermore, they are closely connected to the Millennium Development Goals (MDGs) and are of pivotal importance for the German and international development cooperation.

The aim of the evaluation was to examine the contributions of German development policy towards the promotion of voluntary social and ecological standards in selected countries. For this purpose, case studies were conducted in Brazil, China, Kenya and Zambia. The synthesis report and the four case studies are summarised in the following report.

The evaluation was carried out by **COMO-Consulting für Projektmanagement und Organisation GmbH**, Hamburg, in cooperation with the **Collective Leadership Institute (CLI)**, Potsdam. The authors of the individual reports are:

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The case studies in the four countries were carried out in June and July of 2007. The views taken in these studies are those of independent external evaluators and are not necessarily consistent with those of the BMZ. A comment by the BMZ is to be found at the end of this report.

This summary as well as German version of it are available online at: <http://www.bmz.de/de/service/infothek/evaluierung/BMZEvaluierungsberichte/index.html>

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Summary

1. Synthesis Report

Background

One of the major achievements of the Earth Summit 1992 in Rio de Janeiro was the establishment of “Sustainable Development” as a global mission. Over the past two decades, it has become evident that legally binding regulations at the national and supranational level alone are not sufficient when it comes to gradually achieving social, environmental and competitive objectives in the global economic and trade system. Voluntary standards and codes of conduct which also have the potential to significantly contribute towards international value chains placing greater emphasis on social and ecological aspects were developed to complement them. The aim of the evaluation was to examine the contributions of German development policy to the promotion of these kinds of standards in selected countries. In the four case studies on Brazil, China, Kenya and Zambia, the focus was on the impacts of the standards at the micro level for people working in the agricultural sector, at the meso level for the establishment of intermediary structures and at the political macro level. Based on the findings, recommendations concerning the future support of social and ecological standards in the partner countries of German Development Cooperation (DC) were then developed in the context of the evaluation.

Key findings and conclusions

Economic – All in all, voluntary social and ecological standards have contributed towards raising the incomes of the target groups of development cooperation and consequently also towards the reduction of poverty (MDG 1). The introduction of *Cotton made in Africa (CmiA)* in Zambia and the *Fairtrade* standard in Brazil, for instance,

have had very positive effects on incomes. However, *Fairtrade* has a very limited market and was frequently not capable of accepting the full quantity of products produced in accordance with the standard. Besides immediate effects on the incomes, the productivity, quality and efficiency (due to cost reduction and improved cultivation and management methods) and subsequently the companies’ capacity to compete rose considerably in almost all of the sectors. As a result of the certification, the producers now have access to more attractive export markets.

In the case of small-scale vegetable producers in Kenya, on the other hand, no substantial impacts on the incomes were identifiable as a result of the certification. This is partly due to the diversity of standards this group of farmers is confronted with. In this field, the costs of certification are in some cases still higher than their economic benefit. Similarly, the *Forest Stewardship Council (FSC)* certification in the rural communities in Brazil has not proven to have any significant impacts on the incomes of its members because the latter did not have access to the export market.

Social – Voluntary social and ecological standards have had a positive impact on the living and working conditions of the groups targeted by the development cooperation (MDG 2 and 3). The promotion of standards has contributed considerably towards a higher degree of organisation and improved social cohesion in cooperatives and rural communities. The incomes of employees working at certified businesses were significantly higher than in comparable companies. Furthermore, the study revealed a reduction in overtime, the award of written employment contracts and a decrease in staff turnover in these businesses. Thanks to the use of protective clothing, the health and safety risks faced by the employees have been reduced.

Ecological – Voluntary social and ecological standards have contributed to the protection of natural resources (MDG 7). In the agricultural sector, the use of pesticides was reduced by up to 50 percent due to the certification, and resource-friendly cultivation techniques have resulted in the stabilisation respectively enhancement of soil fertility. Beyond this, the certification has led to considerable savings in the field of water and energy consumption as well as the reduction of sewage and waste.

The evaluation has shown that voluntary standards are generally an efficient tool for translating the principles of sustainable development into tangible objectives to guide our actions. This tool will become even more important in the future because the economic globalisation is progressing much more rapidly than the development of effective institutional and regulatory systems on a global and national level capable of managing the development process in accordance with sustainability criteria.

The framework conditions for the introduction of voluntary standards have improved. Although economic growth is the top priority in the countries under review, the governments' previously rather negative attitude towards voluntary standards has changed. At this stage, the governments in China, Brazil and Kenya in particular support their implementation. So far, this is not so much the case in Zambia, which is focused on the export of mineral resources.

German development policy recognised the importance of voluntary social and ecological standards at an early stage and soon thereafter started to support the latter using innovative approaches. The specific strengths of German development policy support are:

- German development policy soon adopted the sectoral perspective of the value chain and has thus been taking into account the

interests of the entire spectrum of players. The support measures were generally aimed at all the stakeholder groups, from small-scale farmers via multinational enterprises to the target groups of various campaigns to promote the consumption of sustainable products in Germany (e.g. *Fair feels good* campaign).

- The German multi-level approach, which attributes the same degree of relevance to the micro (people working in the agricultural sector), meso (establishment of standard initiatives, certifications/audit structures) and macro (political-institutional) level respectively, proved to be efficient whenever it was implemented consistently.
- The evaluation also found the combination of tools and support methods to be efficient – within the framework of a Technical Cooperation sector project, German development policy helped to further develop the conceptual basis and promote a pioneering approach to the topic. The cooperation with the economy, which is supported by the Public Private Partnership facility (PPP facility) of the BMZ, proved to be an appropriate approach. Initially, sectors which are considered to have particularly severe social and ecological issues while at the same time offering good leverage (e.g. textile, coffee, forest) were prioritised. After the relatively intense focus on alternative market standards in the beginning, German development cooperation soon also supported standards aimed at generating impacts on a broad basis. In addition, the topic was addressed by the bilateral Technical Cooperation and Financial Cooperation (FC).

However, the evaluation also made it clear that development policy is facing challenges concerning the promotion of standards which need to be dealt with urgently:

- In order to be able to make structural contributions towards major development policy objectives such as poverty reduction and sustainable development, a more wide-reaching effectiveness of the standard initiatives will be of fundamental importance in the future (scaling up).
- The sustainability of some of the promoted standards is not yet ensured because they are not yet permanently embedded in the market. Furthermore, the infrastructure required for the establishment of capacities and the local certification in the partner countries is not yet sufficiently developed.
- The “market” for standards has become complex and confusing for small-scale producers and suppliers especially in the textile sector and in the field of cut flowers. The diversity of standards is neither beneficial to producers nor consumers, but leads to higher expenditures as a result of multiple certifications.
- For small-scale producers, suppliers and cooperatives, the direct and indirect costs of certification are a major problem which makes the introduction of standards difficult. The producers are especially reluctant to pay these expenses if they cannot make up for these costs in the short term by means of immediate benefits (higher prices, market access, greater productivity).

Recommendations

The relevance of voluntary social and ecological standard initiatives for German development cooperation is high, as the approach with its powerful effects in terms of establishing new and strengthening existing structures allows for the pursuit of several central target dimensions of the BMZ at the same time. The evaluation is in favour of a stronger commitment to the promotion of volun-

tary standards and specifically makes the following recommendations:

1. In the future, one of the main tasks of development policy should consist of ensuring the complementarity of voluntary initiatives in relation to statutory standards and norms in order to enhance the impacts on the target groups of DC. Therefore, the implementing organisations should cooperate more closely with regards to measures in the field of voluntary standards and measures aimed at the implementation of state regulations and statutory standards.
2. The focus of development policy concerning the support of voluntary standard initiatives needs to be kept on their outreach. This involves prioritising the promotion of the “mainstream standards” *Common Code for the Coffee Community (4C)* in the coffee sector, *Cotton made in Africa (CmiA)* in the cotton sector in Africa, *Forest Stewardship Council (FSC)* in the forest sector, *Round Table on Responsible Soy (RTRS)* for soy and *Round Table Sustainable Palm Oil (RTPO)* for palm oil, which have a high potential in terms of outreach.
3. The evaluation has shown that standard initiatives can also be an efficient and effective tool for poverty reduction and sustainable development in the African context (e.g. *CmiA* in Zambia). This potential should be tapped to a greater extent within the framework of the future cooperation with Africa.
4. With regards to the topic of capacity building, the focus of the efforts of German DC should be on further developing the local infrastructure to allow for the self-sufficient provision of these services. This also applies to the establishment of local certi-

- fication institutions and the strengthening of national accreditation systems in order to reduce the costs of certification particularly for small-scale producers.
5. The evaluation considers all of the sectors supported by German DC so far to be worthy of further support in the future, with the exception of the flower sector. The market players in this sector have been rather reluctant so far, which has limited the chance of finding a permanently sustainable solution with a vast outreach. Greater efforts should be made with regards to the promotion of standard initiatives in the sectors of biofuels, mining, cocoa and fishery.
 6. The promotion of voluntary standards should be integrated into bilateral development cooperation to a greater extent than it has been in the past. In this context, the multi-level approach should be developed in more detail on the conceptual level and with relevant supplementary information for the implementing organisations, which will need to put it into practice more consistently in the future.
 7. The PPP facility has proven to be an efficient tool for the implementation of standard initiatives. Thus, the establishment of supra-regional PPP funds is recommended, as the value chains frequently span several countries. Decentralised funds which involve PPP capital being managed by suitable partner organisations should be used more extensively in connection with partnerships for the implementation of standards.
 8. In order to enhance the impact of current and future German development policy activities, it is essential to strive for a closer cooperation among various Federal Ministries. In particular, the BMZ should support the German Federal Ministry of Labour and Social Affairs concerning the development of a cross-sectoral approach to the promotion of voluntary standards and sustainable consumption (including public procurement). The cooperation with the Federal Ministry of Food, Agriculture and Consumer Protection should be reinforced in the field of biofuels and should benefit from the process competence of German development policy when it comes to developing standards for biofuels.
 9. Due to the major challenges in connection with the development and implementation of voluntary standard initiatives (capacity building for small-scale producers, improved access to (more inexpensive) loans, organisation on the part of the producers, establishment of a quality infrastructure), German development policy should cooperate even more closely with the international donor community in this field.
- ## 2. Country case studies
- ### 2.1 Brazil
- #### Background
- Brazil was selected for a case study because it is of major relevance for the implementation of voluntary social and ecological standards and is also supported by German development policy in this context. Within the framework of this evaluation, the following sectors and standards were examined:
- Forest/wood (*Forest Stewardship Council (FSC), Certificação Florestal (CERFLOR)*),
 - Coffee (*Common Code for the Coffee Community (4C), Fairtrade*),
 - Soy (*Round Table on Responsible Soy (RTRS)*),

- Fruit and vegetables (*Fairtrade*, *Comércio Justo e Solidário (CJS)*) and
- Agrofuels (castor oil within the framework of the *Social Seal* for biodiesel production).

Key findings and conclusions

The Brazilian economy has been growing consistently for years; Brazil is one of the world's leading exporting countries of agricultural products such as coffee, tropical fruit, soy, wood and meat. Furthermore, it is the worldwide market leader for bio-fuels. However, the agrarian sector is deeply divided – into a high-tech agro-industrial sector characterised by high capital and low labour inputs on the one hand, and a smallholder sector with high labour input and low productivity on the other hand. The social imbalance is considerable, with 22 percent of the Brazilian population living below the poverty line. Brazil has severe ecological problems especially in the Amazon Basin, where large areas have been cleared for cattle breeding and soy cultivation. Although Brazil has numerous environmental and social laws, they have not been sufficiently complied with so far. The political stipulations specified by the government in Brasília are not yet adequately implemented in the individual states. Trade unions and private companies are among the most important players concerning the introduction and implementation of voluntary social and ecological minimum standards.

International standard initiatives have a major impact on the national legislation and the development of national standards in Brazil. In 2001, the Ministry of Development, Industry and Foreign Trade introduced the national forest standard *CERFLOR*, which at this stage has achieved international recognition by the Programme for the Endorsement of Forest Certification Schemes (PEFC). The forest law of 2006 only allows companies to use forests in accordance with a sustainable development plan with concessions for 40 years. In addition, the Ministry of Agriculture in-

troduced the standard system SAPI (Sistema Agropecuário de Produção Integrada), which is based on the *GLOBALGAP* standard. The aim consists of enhancing the capacity to export agricultural products such as tropical fruit, vegetables, coffee, soy and meat. In 2006, ten percent of Brazilian products with an export value of 676 million US Dollars were certified according to the standard.

The support was mainly provided via bilateral technical and financial cooperation projects and programmes. The national *FSC* initiative was supported within the framework of the G7 pilot programme for the protection of the tropical forest. The sustainable production of coffee has been promoted by the German Technical Cooperation (Deutsche Gesellschaft für Technische Zusammenarbeit, GTZ) and the German Development Service (DED) for more than ten years. In addition, *Fairtrade* and organic farming have received support from GTZ, DED and the German development finance institution Deutsche Investitions- und Entwicklungsgesellschaft (DEG). Since 2005, ten PPP projects have been implemented in the coffee, forest and agrofuel sectors respectively. In this context, German development policy interventions ranged from the provision of policy advisory services (e.g. at the environmental authority) via the strengthening of meso structures (e.g. provision of services for people working in the agricultural sector, training facilities, national initiatives of the *FSC*, *4C* and *Fairtrade* etc.) to the preparation and training of small-scale farmers and their integration into the value chain at the meso level. The Programme Office for Social and Ecological Standards at the Eschborn headquarters of GTZ assisted in the introduction of *4C* and selected measures in the field of forest and soy certification (*FSC*, *RTRS*).

Sustainable forestry and FSC

German development policy efforts have contributed to the certification of major forest enterprises and small forest owners in six rural commu-

nities. In the year 2007, *FSC* had a market share of approximately three percent, with a distinct upward trend. Obstacles standing in the way of the certification include land tenure issues and the competition between *FSC* certified wood and less expensive illegally logged timber.

With the support of German development policy, the national initiative of the *FSC* has considerably influenced the debate about sustainable forestry in Brazil. In one region, German development policy measures significantly contributed to the establishment of training and advisory centres for sustainable forestry.

The prices major forest enterprises receive for certified wood exceed the prices of non-certified wood by about 15 percent. Workers in these enterprises primarily benefit from higher wages as well as improved health and safety conditions at work. Smaller forest owners, on the other hand, have barely benefited financially so far because they have no access to the export markets due to their low trade volume and are faced with considerable costs in connection with the certification. However, social cohesion in the rural communities has improved as a result of the joint certification process, and ecological damage due to illegal and unprofessional logging has been avoided. Due to the lack of human and capital resources, the national authorities will still not be able to supervise the implementation of forest cultivation plans in the near future. Consequently, forest standards in general and *FSC* in particular play an important complementary role concerning the protection and sustainable management of the tropical rainforest.

Coffee and the Common Code for the Coffee Community (4C)

At the time of the evaluation, *4C* was still in the pilot implementation phase. With the participation of the main stakeholders (cooperatives, roasters and traders), the standard has estab-

lished a national structure, which, however, is not yet strong enough to support a widespread introduction. The significant progress in terms of implementation is primarily owed to three PPP projects in the regions of Mogiana and Espírito Santo. Even though the major producers are well prepared for the verification, some challenges remain: so far, unorganised small-scale farmers are not sufficiently aware of the code and the benefits of verification (cost savings, rises in productivity, access to markets etc.). In 2007, 4,683 of them were registered with this standard via *4C* "units" or via other members. In addition, 70,209 workers were registered via its "units".

Fairtrade and organic agriculture

In 2007, 17 cooperatives with approximately 8,000 beneficiaries were certified in accordance with the *Fairtrade Labelling Organisation (FLO)*. The products include coffee, orange juice, bananas, cashew nuts and mangos. Thanks to bonuses and the higher prices of organic products, the income of the farmers is noticeably higher (almost 30 percent on average). Social cohesion in the communities is growing, one of the reasons being that joint decisions are made concerning the use of bonuses (e.g. for education, food and health care). At this stage, the level of dissemination of *Fairtrade* is very low in Brazil, but the growth rates are significant, even within the domestic market. German development policy is making human resources available for the promotion of *Fairtrade* particularly in the coffee sector. *Fairtrade* operates an office in Sao Paulo; however, there is room for improvement with regards to the local support structures. Only 0.25 percent of the agricultural land is currently used for organic farming purposes, but again, the growth rates are very high. Since 2001, the production figures have gone up by 30 percent per annum; in 2006, around 15,000 farmers were involved in the production of organic produce for the export market. A national standard for organic products has been developed and is presently in the pilot phase.

Agrofuels and the “Social Seal” for biodiesel production

Being the worldwide market leader in the agro-fuel sector, the Brazilian government takes great interest in national and international standards in this field. The national biodiesel programme, the aim of which is to integrate small-scale producers into the production, was launched at the end of 2004. In this context, the “Social Seal” for biodiesel production was developed, which grants all producers tax relief and access to credits if they produce according to the conditions imposed by the seal. German development policy has been supporting the national biodiesel programme both directly and via a PPP measure. In 2007, approx. 20,000 small-scale farmers as well as previously landless workers in the northeast of the country benefited from this support.

Round Table on Responsible Soy (RTRS)

The GTZ Programme Office for Social and Ecological Standards provides advisory services to support the RTRS, the 51 members of which represent around 20 percent of the worldwide soy trade. Together with all the relevant players, a standard for the production and processing of soy is to be developed within two years.

All in all, German development policy commitment has contributed to the dissemination of voluntary standards in Brazil. Although the market shares of the supported standards have not yet exceeded the single-digit threshold, the conditions (including, for instance, an internationally recognised quality infrastructure) for the fast ongoing dissemination of voluntary standard initiatives are very advantageous. In particular, this applies to the standards *4C*, *GLOBALGAP* and *FSC*. PPP projects have proven to be especially promising for the integration of small-scale producers and cooperatives into value chains. Thanks to the cooperation with major enterprises, it was possible to improve their degree of organisation, the

quality of their products as well as the price structure.

However, the efforts and transaction costs in connection with the introduction of standards were considerable, particularly in the early stages. This is true of both the dialogues between the various players involved and of the organisation of people working in the agricultural sector, the improvement of training courses on offer and the creation of national and local structures for the standard initiatives. The reduction of certification costs for small products and the strengthening of the structures of the standard initiatives are important challenges for a greater outreach of the latter in Brazil.

Recommendations

1. German DC should concentrate on the mainstreaming of standards, especially in the forestry and coffee sectors. In this context, a more strategic approach on the part of all the implementing organisations under the auspices of the GTZ Programme Office is called for. The focus of the aid should be on the organisation of the producers, the development of the capacities of intermediary organisations and the support of the standard initiatives in terms of their organisational consolidation. The evaluation recommends the ongoing use of the PPP tool for the support of voluntary standard initiatives.
2. The Programme Office should continue to actively participate in the international round tables „Round Table on Responsible Soy (*RTRS*)” and “Round Table on Sustainable Biofuels (*RTSB*)”.
3. German development policy should intensify its support of measures aimed at reducing the costs of certification (e.g. via group certification, the establishment of national

certifiers etc.) in order to make it easier respectively possible for its primary target group of small-scale farmers and cooperatives to access export markets.

4. German development policy should foster the dialogue between standard initiatives with a view to achieving mutual recognition and cooperation in the medium term. Alternative market standards and mainstream standards in particular serve different markets and complement each other with regards to their social, economic and ecological impacts.
5. The financial and organisational autonomy of the supported standard initiatives in Brazil should be boosted so that they become independent of external funding as soon as possible.
6. A joint plan for the future support of standard initiatives in Brazil should be developed with the participation of all the implementing organisations under the auspices of the Programme Office. In this context, the “lessons learnt” concerning standards should be processed and shared via a simple monitoring system.

2.2 China

Background

China was selected for a country case study because the Chinese economy has been growing at an exceptional rate over the past decades, but the country continues to be characterised by very unequal distributions of growing wealth and considerable contrasts between economic as well as social and ecological developments. Furthermore, it may reasonably be assumed that the widespread introduction of voluntary social and ecological standards in China has a positive impact on neighbouring Southeast Asian countries. Ger-

many primarily supports this widespread introduction via PPP, technical cooperation and financial cooperation.

The case study concentrates on two areas – programmes and activities relating to *Corporate Social Responsibility (CSR)* in the textile and clothing sector, and programmes and activities in the field of environmental management and sustainable forestry with a focus on the *Forest Stewardship Council (FSC)*. Following the PPP programme of the Foreign Trade Association of the German Retail Trade (AVE) and GTZ within the framework of which stakeholder dialogues took place on the topics of *CSR* and social standards, a bilateral measure concerning *CSR* was developed in cooperation with the Chinese Board of Trade for the first time. It takes into account the relevance of a multi-level approach (macro, meso, micro) for the implementation of standards and is purposefully complemented by cooperations with the private sector in the shape of PPPs on innovative *CSR* practices. Besides, there have been and currently are PPP projects on social standards with GTZ, DEG and Capacity Building International (InWEnt). One TC project is explicitly aimed at the implementation of environmental standards. Forest certification is supported by GTZ, DEG and the financing institution Kreditanstalt für Wiederaufbau (KfW) within the framework of PPP projects. The focus of the programmes of TC and FC is on building capacities, the development of organisational skills and an improvement of the framework conditions for environmental standards and sustainable forestry. In total, five development cooperation measures in the field of *CSR* and social standards as well as six measures relating to environmental management and the forestry sector were promoted in China with a view to certification.

Key findings and conclusions

The objectives of the Chinese Five Year Plan 2006 – 2011 for the national economic and social development are the reduction respectively gradual elimination of regional and social differences, the provision of support for the rural community as well as the protection of the environment and natural resources including the promotion of renewable energies and energy efficiency (concept of a “harmonious society”). At this stage, however, the country is still far from meeting the targets set by the government, and the destruction of the environment is still progressing at an alarming rate. In many cases, the working conditions of the 200 million migrant workers can only be described as inhumane.

The government is increasingly addressing this problem and has upgraded both the existing compulsory standards mainly with regards to environmental issues and the framework conditions for the introduction of voluntary standards and *Corporate Social Responsibility*. In addition, the new PRC Labour Contract Law came into effect at the beginning of 2008, which is one of the most important regulations for the working life of the People’s Republic of China. Its aim is to improve the protection of employees, in particular the legal situation of the migrant workers.

With more than 20 million jobholders, the textile industry is an important sector for the Chinese export trade. In 2005, the national standard CSC9000T (*China Social Compliance for Textile & Apparel Industry*) was introduced for this line of business with the support of the European Business Social Compliance Initiative (BSCI). Beyond this, a multitude of voluntary initiatives exist in the social field because almost every single multinational enterprise with strategic suppliers in China has its own code of conduct. Besides the various companies’ own codices, there are the *Business Social Compliance Initiative (BSCI)*, the standard of the *Fair Labour Association*, the *Social*

Accountability Initiative standard SA 8000, which frequently serves as a reference standard, and the code of the British *Ethical Trading Initiative (ETI)*.

The German development policy’s advisory services encouraged the government to take initial measures relating to voluntary social and ecological standards. The following impacts were identified at the corporate level:

- the implementation of regulations for the protection of the environment (e.g. improved waste management),
- better conditions of work,
- reduced staff turnover,
- higher productivity and
- decreased costs.

German support has also contributed towards the development of the national social standard *CSC9000 T*. Furthermore, the Chinese government plans to integrate the environment-oriented cost management concept, which German DC introduced in Chinese pilot companies with the aim of saving energy, reducing sewage and waste as well as significantly decreasing emissions, into its strategy for sustainable economic development and the efficient management of resources.

In the forestry sector, elements of the *FSC* certification were integrated into national forestry regulations and policies. One of the reasons why this was made easier was because the Chinese forest administration is an active member of the national initiative of *FSC*.

At the meso level, German development policy has significantly contributed to the building of capacities of intermediary organisations in the textile, environmental and forestry sector re-

spectively and thus fulfilled one of the prerequisites for the certifications and audits. In the past, China's State Environmental Protection Administration did not sufficiently pursue its task of initiating and supervising the compliance with standards. At this stage, however, it has been upgraded to a ministry.

Major impacts were also identified at the target group level:

At the corporate level in the textile sector:

- rise in productivity (up to 35 percent),
- reduction of staff turnover,
- improved conditions at work (in terms of time, salary, co-determination and health),
- cost reductions due to improved energy, waste and sewage management (up to 25 percent) and
- market access for small and medium-sized suppliers as a result of compliance with standards.

For forest management units and communities:

- higher incomes for the participating communities,
- minimisation of damage to the ecosystem thanks to sustainable forest management and forest certification,
- preservation of biodiversity,
- improved protective measures and safety conditions at work as well as
- observance of the rights of the local population.

German development policy supported pilot projects for the introduction of standards in China. The country has great potential for the dissemination of standards because the Chinese authorities in charge have created the conditions for a more extensive dissemination of voluntary standards and the Chinese government is in favour of the introduction of standards with a view to ongoing and enhanced export relations with Europe and the USA. At the same time, multinational enterprises and consumers in the industrialised countries are exerting considerable pressure for the goods they receive to be produced in accordance with ecological and social minimum criteria.

The diversity of standards in China poses an important challenge. Textile factories, usually medium-sized enterprises with 200 to 1,500 employees, are frequently subjected to several audits, which is very time-consuming and costly. As a consequence, factories do not adopt a proactive stance when it comes to the implementation of voluntary standards, but rather wait and see which systems the consumers are looking for.

One major obstacle standing in the way of the dissemination of standards in China is the insufficient trustworthiness of local certification organisations. Multinational enterprises in particular mistrust the local organisations because auditing documentation is often forged or bought. This has a negative effect in two respects – standards as a tool are discredited in China, and the costs of certification for companies in China rise because they need to commission international certification bodies for reliable audits.

On the whole, the commitment of German development policy to the promotion of standards in China was successful. In particular, German DC has contributed to the Chinese government's openness towards voluntary standards, CSR and sustainability and the fact that it now regards voluntary standards as a tool for supporting the implementation of compulsory standards. The

major Chinese companies acknowledge that voluntary standards play an important role in the global competition context, which is why they increasingly implement them. However, problems still exist with regards to small and medium-sized enterprises, which are still very much opposed to the introduction of voluntary standards.

Recommendations

1. The evaluation recommends to continue the commitment of German development policy to the promotion of voluntary social and ecological standards in China. The topic should be attributed more relevance in the German-Chinese dialogue about the economic relations.
2. The cooperation between the German and the Chinese private sector in the field of standard implementation via the enhancement of local PPP facilities with a focus on standard implementation and CSR should receive more support. The core objective should consist of establishing strategic alliances between German and Chinese companies and the public sector in China with a view to the responsible management of supply chains. In this context, German development policy should cooperate with the Foreign Trade Association of the German Retail Trade to persuade German companies to abandon their own customised standards in favour of broad-based standards such as BSCI in the medium term.
3. Furthermore, German development policy should extend its current role as an intermediary, which it has already been playing in the fields of CSR, standards and dialogues among the involved players. Considering China's cautious willingness to tolerate independent civil society organisations, the participation of the latter in future dialogues should be encouraged.
4. TC projects in China mainly operate at the macro and meso level, while the focus of PPP measures is on a limited number of pilot companies. Due to the so far insufficient synergy effects of these intervention modalities, a more intense cooperation between TC and PPP projects is recommended in order to achieve greater outreach. In this context, strategic alliances and multi-stakeholder approaches in the textile sector in addition to public-private cooperation at the local, provincial and national level are particularly promising.
5. Besides the interventions already implemented in the past, German development policy in China should support the enhancement of the local infrastructure for certifications and audits. This could help to boost the badly needed trustworthiness of certifications in China and reduce the costs of certification.

2.3 Kenya

Background

Kenya is characterised by significant export-driven growth on the one hand, but also severe social differences among the population and a high degree of poverty on the other hand. Voluntary social and ecological standards are an important tool for the Kenyan export market and also of increasing relevance within the domestic market. Furthermore, the outreach of developments in Kenya extends to the entire East African region.

In Kenya, social and ecological standards are supported by private and public national players as well as several donors such as the EU, Great Britain, the World Bank, the USA and the United Nations Environment Programme (UNEP). German development policy supports them within the framework of the focus "Private Sector Development in Agriculture".

Within the scope of the evaluation, the impacts of Germany's contribution to the implementation of standards, which is mainly provided via DEG, were examined in the following sectors:

- vegetable production for the export market (*GLOBALGAP*),
- flowers (*Flower Label Programme (FLP)* and *Fair Flowers and Plants (FFP)*),
- coffee (*Utz Certified* and *Fairtrade*) and
- sustainable forestry (with a special focus on the introduction of *FSC*).

In addition, activities aimed at setting up and strengthening institutions for the implementation of standards were analysed, as Kenya has made an important contribution to the institutionalisation of standards in the national context with the establishment of *Africert*.

Key findings and conclusions

At this stage, only a limited number of both voluntary and statutory social and ecological standards have been implemented in Kenya, most of them relating to the export products fruit, vegetables and flowers. In most of the areas where these kinds of standards are implemented, there is a lack of mechanisms and capacities to ensure that producers, traders and other stakeholders along the value chain comply with the standards. The Kenyan government has been supporting voluntary social and ecological standards since 2000, as they facilitate the export specifically of agricultural products such as vegetables, flowers or coffee to the industrialised nations. Various donor organisations are particularly committed to supporting the integration of small-scale farmers into export markets by means of certification. Several private organisations, especially trade and business associations, offer their support concerning the introduction of standards. Civil

society organisations and networks monitor compliance with the codes. Trade unions merely play a subordinate role in relation to the implementation of standards in Kenya.

The interviewed target groups rated the introduction of standards as positive. In particular, they emphasised the positive impacts in terms of productivity rises, reductions in the use of pesticides, cost savings in the field of agricultural inputs and more efficient management systems. Major farms also pointed out their enhanced competitiveness as a result of the certification. Small-scale farmers, however, criticised the considerable costs of certification.

Vegetable production (GLOBALGAP)

In Kenya, there was no evidence of the hypothesis that certification leads to a consolidation of the production at large farms to the disadvantage of small-scale farmers being true. On the contrary, it is fair to say that exporters in the vegetable sector depend on small-scale producers, because many products can only be produced inexpensively under these conditions. Consequently, they are committed to both keeping these small-scale farmers in the market and supporting compliance with the standards (*GLOBALGAP*). The actual challenge consists of tapping the advantages of *GLOBALGAP* (good agricultural practices) in such a way that long-term economic sustainability is ensured for goods produced by small-scale farmers and for the export trade. German development policy activities aimed at improving agricultural practices have led to immediate impacts at the micro level, for instance in the shape of higher incomes as a result of greater productivity and cost savings as well as the formation of groups among small-scale producers. One obstacle standing in the way of a more extensive dissemination of the certification in the vegetable production sector are the associated high costs for small-scale farmers.

Flower production (FLP, FFP, MPS, FLO, GLOBALGAP, KFC)

The introduction of voluntary standards in the Kenyan flower sector is very advanced because the majority of cut flowers are exported and standards are virtually indispensable in this market. In this context, the business association Kenyan Flower Council (KFC) assumes a very active role, mainly with regards to the harmonisation of the multitude of standards. Due to the different certification mechanisms and audit procedures, this diversity of standards presents a particular challenge to the flower farms, which is very time-consuming and costly for the plantations. At this stage, the local players in the flower sector are generally capable of introducing voluntary standards without external support.

Coffee production (Utz Certified, Fairtrade)

Standards have not yet been introduced on a widespread scale in the Kenyan coffee sector. The interviewed coffee producers mostly preferred standards that award bonuses in the case of compliance (*Utz Certified, Fairtrade*). So far, it has not been possible to measure specific impacts, but the German development policy support provided via a DEG public private partnership project is considered to be a promising approach to the integration of small-scale farmers into standard processes with the aim of enhancing the performance of the cooperatives.

Wood production (FSC)

Wood carvings were certified in Kenya for the first time ever. This innovative process was implemented with hundreds of small-scale producers and resulted in problems concerning the adaptation of the *FSC* standard for this area. At the time of the evaluation, impacts were not yet identifiable because the wood carvings were still undergoing the process of certification. However, the standard development process was perceived as

very positive by the people working in the wood carving trade.

Institutional development (Africert)

The strengthening of institutional capacities for the introduction of and compliance with standards is an important measure to accompany the introduction of standards itself. The first local certification company *Africert* was established with the support of German development policy and the British Department for International Development (DFID). *Africert* is a member of the *GLOBALGAP* board and thus actively involved in standard setting processes, with a number of network cooperations in the international community, for example with the United Nations Conference on Trade and Development (UNCTAD), the European Commission and the Organisation for Economic Co-operation and Development (OECD).

The German support for the development of a quality infrastructure (via the Physikalisch-Technische Bundesanstalt – PTB) rounds off the private sector approach to standard implementation.

Almost all of the interview partners in Kenya rated voluntary standards as positive in terms of sustainably enhancing management systems, reducing costs, using environmentally compatible practices and improving the conditions of work for employees, especially in the case of large plantations and cooperatives. Although international donors are particularly committed to supporting small-scale farmers, the implementation of standards is still limited among these target groups (e.g. vegetables, coffee). One major obstacle in this context are the high costs of certification in relation to the certified quantities.

The most convincing approaches to the integration of people working at small farms into the value chain were initiated via the private sector itself. Reliable business connections, reinforcement of the efficiency and productivity of the pro-

ducers, better market information and the access to loans were important prerequisites for the parties concerned when it came to participating in the certification process.

The cooperation among donors with regards to the support of small-scale farmers was very inadequate and fragmented; accordingly, the impact at the target group level was insignificant. There was hardly any exchange of information among the various donor organisations concerning the different approaches to supporting small-scale farmers at the production level and introducing voluntary standards.

Apart from the coffee sector, the majority of producers criticised the diversity of standards, as multiple certifications are both very costly and time-consuming. Especially the flower industry with several certifications per year was perceived as being “tired of audits”. The competition among the standards in the flower sector puts an additional strain on the producers. Producers in the coffee sector, on the other hand, were less opposed to the diversity of standards because the various standards in this sector serve different market segments and do not directly compete with each other.

The Kenyan government considers voluntary standards to be conducive to the further development of the country and the better enforceability of compulsory standards (e.g. on the topics of protection of the environment and food safety).

Kenyan business associations promote standards as part of the services they provide (KenyaGAP, KFC-Code). They also put considerable effort into the adaptation of international standards to the Kenyan situation and the benchmarking of national standards with international standards.

Recommendations

1. Due to the high relevance of voluntary standards for the export trade and increasingly also for the domestic market in Kenya, German development policy should make even greater efforts to promote standards within the framework of the focus “Private Sector Development in Agriculture” and also support goals like the access of small-scale farmers to international markets.
2. With regards to the implementation of voluntary standards, a value chain approach should be pursued consistently which adopts public private partnerships as the most important tool for achieving sustainable results. In addition, more partnerships with the private sector should be established within the framework of Technical Cooperation. Furthermore, the strategies of the Kenyan Ministry of Agriculture should be supported, which are aimed at the widespread introduction of national standards on the basis of international standards.
3. A more intense cooperation between DEG and TC in the agricultural sector is recommended concerning the support of small-scale farmers with a view to the *GLOBALGAP* certification. At the same time, approaches and “lessons learnt” within the framework of DEG-PPP projects aimed at supporting this target group should be shared with all the relevant implementing organisations.
4. The evaluators recommend establishing a connection between the support of the agricultural sector and relevant standard implementation approaches such as the “ecolabelling” process and the development of organic farming.
5. The implementing organisations of German development policy should intensify

the exchange of information on the topic of voluntary social and ecological standards and more effectively coordinate their support approaches in order to further enhance their impacts. Beyond this, German development policy should assume an active role in terms of donor coordination.

6. In Kenya, German development policy should predominantly support measures which lead to a reduction of certification costs for small-scale producers. This has already been initiated with the national certification organisation *Africert*. The costs of certification still act as a barrier to market entry, so that both a reduction and the redistribution of certification costs among other stakeholders in the value chain would make sense with a view to a more extensive implementation of the certification scheme among the target group.

2.4 Zambia

Background

In Zambia, German development policy supports two pilot projects aimed at the implementation of standards. In the case of the cotton sector, the impacts of the German commitment were examined on the basis of the large-scale PPP project *Cotton made in Africa (CmiA)*, which is carried out by DEG together with GTZ and Dunavant Zambia Ltd. The primary objective of the project is to ensure a regular and sustainable income for small-scale cotton producers by strengthening their capacities as well as the introduction of social and ecological minimum standards in the field of cotton production.

In the coffee sector, the pilot verification of *Common Code for the Coffee Community (4C)* was evaluated within the framework of the PPP project implemented by GTZ in cooperation with the Kasama Coffee Company (KCC, formerly Rift Valley Coffee). Zambia was one of the first countries

in which pilot workshops for verifications in accordance with 4C criteria were held.

Key findings and conclusions

Cotton

The Zambian cotton market is dominated by the traders. So far, the degree of organisation and the negotiation power of the farmers have been limited. The Cotton Association of Zambia (CAZ), which aims to effectively represent cotton farmers, was only established at the beginning of 2007.

CmiA has caused significant impacts at the target group level. The outreach was very high for a pilot project – over the course of the two harvest periods, more than 150,000 farmers received training, who also passed their knowledge on to their families. Specifically, the evaluated YIELD programme (Yield Improvement through Empowerment, Learning and Discipline programme) for the promotion of *CmiA* in Zambia has provoked the following impacts among the target group:

- higher incomes due to better yields
- improved availability of foods as a side effect of the good agricultural practices
- better protection of the environment thanks to Integrated Pest Management (IPM)
- improved health protection due to IPM and the use of protective clothing
- more regular and longer school attendance by children thanks to higher incomes
- gender equality due to the promotion of women in responsible positions

CmiA is still a relatively new sector code and Zambia is the first pilot country to have implemented

the code in two harvest seasons. No final decision has been made concerning the criteria of the prospective standard, and they are currently being revised on the basis of the implementation experiences gained so far. The capacity building programme which supports the standard introduction is efficient and is also reviewed and adapted at regular intervals.

Coffee

Zambia was a pilot country for testing the 4C verification tools. At this stage, the verification system is fully developed, and the first verifications were carried out in August 2007. At the time of the evaluation, the first 4C verified coffee was traded on the world market. The first positive results were identified in Zambia within the framework of the preparation for the verification:

1. The situation of the plantation workers of the Kasama Coffee Company (KCC) has improved. The conditions of work were adapted in accordance with the 4C criteria, including, for instance, the consistent use of protective clothing when spraying and storing chemicals.
2. The HIV/AIDS issue was dealt with more effectively within the area of impact of the KCC. The local population benefited from the fact that village chiefs received training and that workshops were held in the schools of the adjacent villages.
3. Thanks to the introduction of good agricultural practices, it was possible to protect natural resources. An efficient integrated pest management system was established which has significantly reduced the use of pesticides.

The high costs associated with implementing the standard were the biggest obstacle standing in the way of 4C verifications. Even though the veri-

fication costs themselves are borne by the 4C association, the KCC was in charge of financing the measures that needed to be taken to ensure compliance with the 4C criteria in Zambia. KCC is one of the biggest coffee plantations in Zambia and the employees of the company have clearly benefited from the preparation for the introduction of 4C. At the time of the evaluation, however, no other major plantation had applied for a verification.

The small-scale coffee producers were not sufficiently informed about 4C at the time of the evaluation. The agency structure in the coffee market, which might serve to promote the introduction of 4C, was still in the early stages of development.

Recommendations

Cotton

1. With a relatively high outreach, *CmiA* has provoked significant impacts at the target group level. The evaluation therefore recommends an extension of the support of YIELD II in Zambia and *CmiA* in general. A cooperation with other donors and co-financing measures, for example within the framework of the World Bank programme, should be considered in this context.
2. As the long-term objective of development policy consists of gradually withdrawing its support, German measures need to foster direct communication between the Aid by Trade Foundation as representative of *CmiA* and the local partners. Presently, the exchange of information mainly takes place via GTZ, and there is little direct communication between the foundation and its local partners.
3. Local support structures (e.g. the CAZ) should be firmly established and strengthened in addition to the German commitment in order to ensure the sustainability

of the impacts among small-scale cotton growers. These measures should be implemented within the framework of the current TC projects in Zambia.

4. The demand alliance of European retailers for cotton should be enhanced in order to create a demand pull for African cotton. This could further increase the outreach of the *CmiA* support.

Coffee

The coffee sector in Zambia has only been of relatively minor relevance so far, and the local support infrastructure was not yet sufficiently prepared for the introduction of the 4C standard at the time of the evaluation. However, players such as the Zambian Coffee Growers Association (ZCGA) and the Coffee Board of Zambia (CBZ) are clearly in favour of the introduction of 4C. If it is possible to successfully improve the local structures in the future, the following measures should be taken into account with a view to preparing for the introduction of 4C:

1. Intermediary organisations such as the ZCGA and the CBZ need to be developed further in order to enable them to adequately support and train farmers and plantation workers. This also involves communication and coordination processes.

2. Large-scale capacity building for the target groups is necessary so as to improve production, management and marketing skills with a view to the further dissemination of the standard. This would also mean that more information on the benefits of 4C (e.g. reduced costs, higher productivity, better market access due to the fact that many coffee traders and roasters are members of 4C) would be disseminated.

3. A roadmap for the dissemination of 4C in the Zambian coffee sector should be developed with the participation of all the relevant 4C stakeholders in Zambia, i.e. the persons in charge at the ZCGA, CBZ, Ministry of Agriculture, Zambia National Farmer Union (ZNFU) and both small and large-scale coffee producers.

4. There is still room for improvement with regards to the cooperation between the German implementing organisations, for instance between GTZ and InWEnt. The latter implements advanced training schemes to promote the export trade within the framework of the “Trade Africa” programme in Southern Africa, which could also support the capacity building process among coffee producers.

BMZ's Comments

German development policy has been actively contributing to the promotion of voluntary social and ecological standards for more than ten years. Its commitment addresses bottlenecks and challenges in the process of developing the standards and specifically aims to create added value for the target groups in the partner countries.

The thematic evaluation shows that a number of standards have been strengthened and developed further as a result of German development cooperation efforts. It points out that the implementation of standards leads to the creation of a service sector with new jobs due to the establishment of standard organisations, training institutions and auditing bodies. The promotion of international standards has had a positive effect on the development of national voluntary certification initiatives and codes of conduct in partner countries. It reinforces sets of rules and regulations organised by the private sector as well as institutions both on a national level and in international supply chains

All in all, German development cooperation interventions have contributed to the fact that the four partner countries selected for the evaluation case studies – Brazil, China, Kenya and Zambia – have adopted a more positive and open-minded attitude with regards to the development and implementation of market-induced social and ecological standards. They have already contributed to higher incomes, greater safety and less health hazards at work, lower levels of water and power consumption on the part of companies, the reduction of waste and sewage, more efficient cultivation methods and enhanced soil fertility. However, these impacts have only affected a relatively small percentage of the population so far. Sustainability and outreach of the standards have not yet been ensured. Although they are intended to be financed by licence and membership fees in the long term, many of them are presently still financially dependent on development cooperation funds.

The BMZ appreciates the essential evaluation recommendations. Finally, the aim is to increase sustainability and outreach, boost the further development of local certification systems and enhance the complementarity of voluntary standards and statutory norms in the supported countries. Additional challenges include the harmonisation of different standards as well as improving the coordination concerning the support of the standards among the various players in bi- and multilateral cooperation. Naturally, the individual results, conclusions and recommendations presented within the framework of the four case studies also contain contrasting contents, as is to be expected considering the major differences between the countries. All of them will be reviewed thoroughly.

The BMZ is willing to continue its support of voluntary social and ecological standards in the cooperation countries of German DC in accordance with the needs and the commitment of governmental and non-governmental partners and also to intensify this support where appropriate.

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