

**An assessment of overall effectiveness of agricultural multi-stakeholder initiatives with specific attention to smallholder inclusiveness, and recommendations for improvement**

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## Executive summary

Oxfam engages with multi-stakeholder initiatives (MSIs) to discover how they can further move sectors towards social, economic and environmental sustainability. The main purpose of this report is to assess the current roles of MSIs on key social and human rights topics and to explore how they can improve their performance on these topics. In addition, this report provides reflections on what Oxfam could do to support MSIs to improve. It was commissioned by the Gender transformative and Responsible Agricultural Investments in South-East Asia programme (GRAISEA), funded by the Swedish government with some co-financing by private sector partners. The report does not represent Oxfam's positioning on MSIs or the topics. It is written by Aidenvironment to provide Oxfam staff, its partners and MSIs with input to further reflect on whether and how MSIs could position themselves on these topics. The content of this report is based upon a literature review and 19 interviews with Oxfam staff, its partners and MSIs, and subsequently its first draft was commented upon by these stakeholders in writing as well as during a webinar on 1 December 2020.

This report is divided into two parts. Part A focuses on how GRAISEA's target MSIs are able to include and create benefits for small-scale producers. These influential GRAISEA target MSIs are:

- **Roundtable on Sustainable Palm Oil (RSPO)** (in Phase 1 only)
- **Sustainable Rice Platform (SRP)**
- **Aquaculture Stewardship Council (ASC)**
- **Asian Seafood Improvement Collaborative (ASIC).**

Part B discusses the current and potential roles of MSIs in general, not only the four GRAISEA targets, on a number of key topics relevant to GRAISEA and Oxfam.

### **Part A: Small-scale producer inclusiveness by RSPO, SRP, ASC and ASIC**

Reaching out to the lowest-performing or smallest-scale producers remains a challenge for many MSIs. The total number of these producers who follow MSI guidelines is still very low. MSIs can adopt various strategies to become more accessible and (gender-) inclusive, and create more benefits for small-scale producers. For example, RSPO has a Smallholder Strategy which gives small-scale producers considerable prominence in their **Theory of Change (ToC)**. Gender equality related to smallholders is less prominent, but RSPO is developing guidance on this topic. SRP and ASIC have not published a ToC, but both initiatives target primarily small-scale producers and have a serious intention to make their strategic plans, governance structures, and procedures and processes more gender-inclusive. If having a seat at the table is an indicator of inclusiveness, then all four MSIs perform poorly as none of them has small-scale producers in their highest-level **governance body**. The four initiatives have or are developing complaints mechanisms to hold members accountable for acting against

the initiative's principles or requirements. There is concern whether small-scale producers and other community members, women in particular, can actually make use of such mechanisms without intensive outside support and without risk of reprisal or retaliation.

**Production standards** define the requirements that need to be met by producers. RSPO, SRP and ASIC have standards specifically tailored to small-scale producers. These three initiatives also have stepwise improvement approaches which combine lower entry requirements with higher benchmarks to be reached over time. This aims to improve accessibility for small-scale producers. ASC is considering the introduction of different levels of compliance in the future, but currently their standards are less tailored to small-scale producers. RSPO and ASIC have standards (in development) with clear gender specificity but here too there is considerable room for improvement.

**Assurance**-related costs are considered an important barrier for producers, in particular small-scale producers, to the adoption of production standards. All four initiatives have introduced, or are developing, innovations making assurance processes more cost-efficient (e.g. by digital, risk-based and participatory approaches) and hence more accessible to small-scale producers.

All four MSIs have a **traceability** model based upon physical segregation of certified products. RSPO and SRP do also allow for trading applying the administrative mass balance model which reduces chain of custody-related costs significantly. Reduced chain of custody costs can increase the business case for buyers to include small-scale producers. In addition, RSPO operates a Book and Claim model which allows the transfer of a premium to certified small-scale producers even if they do not have access to a RSPO-certified mill. This supports the inclusion of remote small-scale producers.

The performance of the four MSIs is relatively weak in creating **market incentives** for small-scale producers. None of the MSIs requires market actors to pay a minimum or fixed premium for the certified or verified products they buy. SRP, ASC and ASIC leave it to the actors involved to decide whether or not to pay a premium. RSPO requires a negotiated premium to be paid for certified palm oil. The prices for RSPO credits are also negotiated. Whereas in general RSPO premiums have eroded over time, the independent smallholder Book and Claim credits are usually sold against higher prices than the conventional credits.

RSPO and ASC require fair trading practices when it concerns contract farming between certified processors and/or large-scale producers and small-scale producers. The four MSIs do not have such requirements for actors further downstream, neither do they actively promote the sharing of costs of standard implementation and verification throughout the value chain. Only ASC requires commitments on cost sharing and market uptake from downstream companies who participate in its Improver Programme (a producer-oriented capacity-building programme). Outside the

normative sphere, RSPO, ASIC and SRP promote more stable business partnerships and hence more reliable market access for the small-scale producers.

The four MSIs allow for on-product **communication** with labels depending on the level of standard compliance, assurance model and traceability model. While this may create brand or market value for the industry, it is generally not clear how this value is shared with producers, certainly in the absence of requirements on premium payments or other fair trading practices.

MSI efforts to **monitor and evaluate** its impacts can support the credibility and effectiveness of their systems. Monitoring and evaluation (M&E) can help create an evidence base which justifies the use of standards. It can also reveal lessons to further improve the initiative. RSPO and ASC have monitoring systems in line with the ISEAL Impacts Code, although RSPO is still working to improve its impact measurement. SRP and ASIC lack the resources to invest much in M&E, although SRP has undertaken steps to develop a road map to improve their M&E systems. Both are investing in data platforms, which are expected to facilitate future monitoring work.

All four MSIs implement a range of **capacity-building** activities to support small-scale producers in standard implementation. For example, RSPO has a Smallholder Training Academy, Smallholder Support Fund and Smallholder Engagement Platform.

Public policy, if coherent and in line with sustainability goals, can create a level playing field for producers and buyers. The importance of an enabling policy environment is recognized in RSPO's ToC, but it is less clear how they intend to contribute to this. SRP recognizes the importance of **influencing public policy**. However, concrete efforts in this area remain limited compared to the work related to the supply chain. ASC is putting policy influencing more prominently on its agenda.

Despite all efforts, so far the four schemes **reach** a minor part of the total small-scale producers. For ASIC and partly for SRP, this can be explained by the fact that they are still at an immature stage, as they are still figuring out the basics for their model. ASC has turned its focus to small-scale producers just recently, with the launch of the group certification model in 2019. In contrast to the others, RSPO has had many smallholder-friendly features in their system for many years. They also have a minimal reach among independent smallholders. In response to this, they developed their Smallholder Strategy in 2017, which led to the revision of existing and the introduction of new strategies. It is too early to draw conclusions on the effectiveness of these strategies.

Part A ends with seven recommendations to MSIs to become more inclusive towards small-scale producers:

- 1 Better involve small-scale producers in the governance of the MSI.
- 2 Tailor the standard to the characteristics and context of small-scale producers.

- 3 Promote and monitor the intrinsic business case for standard adoption and strengthen market incentives.
- 4 Ensure investments in capacity building.
- 5 Continue to invest in more efficient and effective assurance models.
- 6 Influence the enabling environment.
- 7 Invest in fundraising and develop revenue models.

## **Part B: MSI performance on other key challenges towards inclusive and responsible business conduct**

Part B discusses the current and potential roles of MSIs in general, besides the four GRAISEA targets, on a range of key topics relevant to GRAISEA and Oxfam. The topics were selected on the basis of:

- a. key focus areas of GRAISEA and Oxfam International advocacy towards inclusive and responsible business conduct, and
- b. frequently asked questions, both internally in Oxfam as well as externally, regarding the impacts and effectiveness of MSIs.

### **Human rights due diligence (HRDD)**

HRDD refers to the responsibility of companies to identify, prevent, mitigate and account for how they address impacts on human rights throughout their own activities and the value chain. HRDD is increasingly addressed through regulatory frameworks. MSIs can more explicitly contribute to HRDD in several ways. They can include more social and human rights issues in their standards and expand their scope to the full value chain (i.e. not only to producers). They can develop practical guidance and tools for companies to operationalize due diligence in their impact assessments, verification, improvement plans, handling of grievances, remedy, monitoring and reporting mechanisms. It is recommended that these tools be integrated into existing MSI processes such as impact assessments and assurance processes. In addition, MSIs can become more active in advocacy for international and national legislation on HRDD.

### **Gender equality and women's empowerment**

Gender equality and women's empowerment issues have in recent years received increased attention from many MSIs. Governments, private sector actors and civil society increasingly acknowledge that women's rights are human rights, and that empowering women and girls strongly contributes to positive economic and social development outcomes. Gender is, however, still poorly integrated in MSIs' approaches and tools. While gender equality criteria regarding labour conditions for workers are increasingly included in standards, MSIs still struggle to address gender issues related to communities and small-scale producers. In general, they fail to be gender transformative by addressing the change in norms and values behind gender inequalities (i.e. by promoting leadership by women and changing the division of tasks and benefits in worker and farmer households, including unpaid care and domestic

tasks). The Oxfam GRAISEA programme showcases some interesting examples of how gender equality can be promoted by RSPO, SRP and ASIC.

### **Fair pricing and trading practices**

Prices and trading practices have a determinant influence on the profitability of producers and their ability to further invest in their farms. So far, MSIs have paid relatively little attention to this topic as companies consider them to be highly sensitive and part of the competitive domain (which is in line with how competition laws may see this). However, price volatility and social objectives on living income and living wage push MSIs to consider action regarding prices and trading practices. MSIs could for example adopt requirements on risk and cost sharing, premiums, price setting and trading practices (e.g. length of contract, payment terms). MSIs can also work on knowledge development (e.g. supporting living income benchmarks and strategies) and inform public sector-driven market management (e.g. price differentials, production quotas).

### **Purpose-before-profit business models**

There are concerns that shareholder capitalism is a main driver for inequality and damage to the planet. In response there is a call for a fundamental change of business models away from profit primacy. Such business models should have a social or environmental mission, involve stakeholders in decision making and ensure fair value distribution along the value chain. MSIs can promote and facilitate innovative business model pilots, tools and learning among its members. They can also review their theory of change and ensure that social and/or ecological objectives are really locked in and that existing exploitative business models are not reinforced.

### **Assurance models**

Assurance fulfils a critical role in standards systems but assurance systems have been criticized for their high costs, their inability to detect high-risk sustainability issues – for example the violation of women's rights, the creation of a compliance mentality and the potential conflict of interest between the certification body and client. Also, certifying bodies lack knowledge and expertise on gender equality and women's (economic) empowerment principles. MSIs generally recognize these weaknesses and are trying to address them. Strategies pursued to improve credibility include investments in auditor competence, development of more robust complaints mechanisms, and setting up vehicles which avoid a direct client relationship between the auditor and auditee. Strategies to improve the efficiency and value of assurance include data management approaches, risk-based approaches, and combining assurance with learning objectives.



### **Digital solutions**

Technological innovations have the potential to transform how value chains work. Data solutions also have the potential to transform how MSIs work. MSIs already invest in the integration of data solutions into their assurance models. Beyond this, data strategies can provide useful, insightful, actionable information that can be actively used to make decisions, shape action, and otherwise provide a valuable service. MSIs can support members in exploring data approaches and contribute to the wider knowledge base of sectors by acting as a data-sharing platform. Data approaches can also offer opportunities to improve alignment between MSIs.

### **Landscape approaches**

Landscape and jurisdictional approaches can address issues across whole landscapes and regions. They consist of long-term processes that evolve through different stages of development, marking progress towards more sustainable production practices. The role of MSIs becomes particularly relevant when landscape approaches include a market component and claims on products sourced from that landscape. Possible roles for MSIs on landscape approaches include the introduction of a jurisdictional verification model, assistance in monitoring sustainability performance at landscape level, and supporting implementation projects at landscape level.

### **Sector governance**

While most MSIs traditionally try to raise the bar of sustainable production, there is increasing awareness of the need to 'raise the floor' for a sector as a whole. Building sustainable, competitive and resilient sectors requires looking beyond value chain approaches and improving the governance of a sector. Sector governance is the coordinated management by public, private and civil society actors in a sector as a whole. It can include a collection of rules, stakeholder involvement and processes for the management of common interests. MSIs can contribute to sector governance by setting up stakeholder dialogue and coordination, and developing and sharing knowledge. They can also influence public policies, regulation and investment to create the incentives and the level playing field needed for improvements in sustainability across the board.

### **Proliferation of standards**

Although there are good reasons why so many MSIs exist, there is concern about the proliferation of standards and the inefficiencies they may create for producers, value chain actors and consumers. The standards community is aware of the issue of proliferation but, despite various efforts, collaboration between MSIs is still weak. There are several ways in which MSIs could collaborate and reduce complexities and costs for producers, value chain actors and end users. These could include aligning system functions such as standards, metrics, assurance, chain of custody and claims models. MSIs can also co-invest in knowledge and tool development and in jointly

influencing public and private sector actors. It would also make sense for MSIs to collaborate in the landscapes where they are active together.

### **Voluntary versus mandatory standards**

While many MSIs were established in response to the absence of the proper rule of law, governmental mandatory standards emerge partly in response to the failure of MSIs to achieve large-scale change through voluntary standards. National mandatory standards could compete with international ones, but they can also create a level playing field and function as a stepping stone to the more comprehensive international standards. MSIs can advocate for mandatory standards that align with their own, and advocate for governments to introduce incentives for the uptake of their voluntary standards.

### **Recommendations to Oxfam to increase effectiveness and impact of MSIs**

MSIs have the potential to accelerate change towards inclusive and responsible business conduct and in this way to a 'Fair world without poverty'. MSIs provide opportunities to use corporate knowledge and power for positive change at scale, shared learning, and increased advocacy opportunities. They are however not the solution to all challenges related to inclusive and responsible business. Despite all the value they can potentially bring, MSIs are one instrument among many others. Nevertheless, this paper shows various opportunities to improve their performance on a range of issues. Oxfam could support these improvements. The power of Oxfam's brand, its expertise and its ability to tap into a wide pool of resources make it an influential player within MSIs.

Suggested roles that Oxfam could take up in relation to MSIs include:

- Provide expertise and create a sense of urgency to act on (selected) social and human rights topics and in particular smallholder and gender inclusion.
- Support MSI accountability towards rights holders and promote their engagement in MSIs.
- Invest in on-the-ground pilots that support MSI effectiveness on Oxfam relevant topics.
- Promote collaboration and alignment between MSIs in a continuous race to the top.
- Advocate for strong complementary public regulation to create a level playing field and higher norms than those upon which voluntary standards can agree.
- Monitor and critically engage with companies outside the MSI space and share lessons with MSIs.

The choice to engage with MSIs should be based upon a shared vision within the Oxfam confederation on the role an MSI should play in realizing development objectives. This should be considered in relation to the wider set of instruments and strategies available. Such a shared vision seems to be difficult to establish in Oxfam, as

a very varied set of opinions was noted within the Oxfam staff who were interviewed. These are related to the challenges indicated in this report (reach, speed and scale of impact) as well as potential reputational risks and conflicting insider and outsider roles. Being an insider may compromise or limit in some way the ability and effectiveness of criticizing MSIs or their members publicly. Experience shows that combining the insider and the outsider role can be effective if regular evaluations are conducted based upon previously defined criteria regarding whether to stay inside or outside an MSI. This should inform whether to continue or engage differently with an MSI. Oxfam's engagement will also depend on its available human, financial or knowledge resources. This research shows a need to be selective about which MSIs to support, what topics to promote, and the type of role to take.

## Introduction

### **MSIs have been created as a response to persistent sustainability issues in production and trade.**

The production, trade and consumption of agricultural, forestry, fishery and mining products are key drivers for prosperity, but often entail persistent sustainability problems. Over the past decades, multi-stakeholder initiatives<sup>1</sup> have been created in many sectors to address these complex issues. Many MSIs concentrated on agreeing on pre-competitive standards to become benchmarks for all actors in the value chains. Voluntary sustainability standards are a market-driven tool which defines requirements to address key social, economic and environmental issues in production and trade. They have been developed to assure consumers, retailers and other value chain actors that the products they buy have been produced, traded and/or processed following a specific standard or protocol. Their value in terms of risk mitigation and marketing is supported by assurance and chain of custody models and (possibly) claims and labelling options. The demand for sustainable products should give producers or manufacturers the incentive to adopt sustainability standards for the benefit of their suppliers, workers and the environment (ISEAL Alliance et al., 2018).

**There is concern about the effectiveness of MSIs.** There is a growing evidence base showing that MSIs contribute to more social, environmental and economic sustainability.<sup>2</sup> In terms of certification impacts, MSIs have contributed to increased productivity, quality, environmental sustainability, income, and improved livelihoods for producers, workers and their families. However, there is also criticism (for example, MSI Integrity (2020)), as the evidence base also indicates that outcomes are complex, context-dependent and not universally positive (Smith, 2020). This has several possible causes. First, the scope of the standards may not address all key issues. For example, Oxfam consistently advocates for more attention to socioeconomic and human rights issues such as workers' rights, women's rights, migrant and forced labour, gender inequality, unfair prices, living wage and living income gaps, and detrimental company–community relationships. As most certification systems tend to focus solely on producers and ignore relationships and practices in the rest of the value chain, they have little influence on how power and value are distributed between value chain actors. This can limit their impact on promoting decent livelihoods for producers and workers. Second, their assurance may not be able to guarantee that practices continuously meet the standards between conformity assessments (e.g. audits). Challenges also exist in auditing sensitive and less tangible issues such as the use of child labour, the protection of land rights, workplace gender discrimination, gender-based violence and forced labour.<sup>3</sup> Third, some issues are difficult to address through a producer unit focus and a value chain-driven initiative. For example, for child labour a broader, community-based approach is required; for issues of deforestation, water use or fish stock management a landscape management approach is needed; and for price volatility or weak input markets a sector governance approach is necessary.

**MSIs are also criticized for their limited scale of uptake.** Despite the fact that some initiatives have achieved a rapid growth in market share, there are concerns that this growth will hit a ceiling. Others still struggle to obtain any significant market share. To a large extent, this is caused by limitations in demand for sustainably produced and traded products. Demand is still almost exclusive to ‘Western markets’ while the share in global consumption of many commodities is shifting towards markets where such demand does not yet exist. In addition to the lack of demand, many MSIs struggle to reach out to all types of producers. They tend to be more effective in reaching the better-performing, -organized and -capitalized producers. Reaching out to the lowest-performing or smallest-scale producers – and in particular small-scale producers who are women – remains a challenge for many MSIs. These producers often lack the technical capacity, resources and incentives to adopt sustainable practices. MSIs have been accused of not adapting their systems sufficiently to the needs of these producers.

**Oxfam engages in various ways to improve MSI effectiveness.** Oxfam addresses sustainability challenges in production and trade in various ways, including: public campaigns; lobbying and advocacy towards governments, international institutions and companies; direct partnerships with frontrunner companies; building the capacity of civil society organizations; and developing thought leadership on specific issues. In addition, Oxfam also engages directly with MSIs: as part of the Gender transformative and Responsible Agribusiness Investments in South East Asia programme (GRAISEA) Oxfam engages with the Roundtable on Sustainable Palm Oil (RSPO), Sustainable Rice Platform (SRP), Aquaculture Stewardship Council (ASC) and Asian Seafood Improvement Collaborative (ASIC). In recognition of the weaknesses described above, Oxfam pushes these MSIs to address all social and human rights issues in their sectors, and in particular workers’ rights, women’s rights and land rights. Oxfam also supports these MSIs to adapt their systems to become more gender transformative and inclusive of small-scale producers, core objectives of the GRAISEA programme. Oxfam advocated for example:

- not using a standard as a compliance tool, but as a guide to continuous improvement
- developing less costly assurance schemes (not just third-party auditing)
- developing stepwise improvements, which are recognized in the market and which are supported by the value chain actors downstream (buyers, manufacturers, retailers)
- acknowledging the need to reward improvements and assure higher, stable off-farm prices
- giving much greater attention to strengthening producer groups and group management procedures in which gender equality and women’s empowerment are central
- providing supportive tools and training programme formats, with the MSI acting as a sharing and knowledge platform.

To promote the sharing of experiences between the MSIs and explore how they can further move sectors towards social, economic and environmental sustainability, GRAISEA has commissioned this research.

**The main purpose of this research is to assess the current roles of MSIs on key topics and explore how they can improve their performance on these topics.** In line with GRAISEA's objectives this report discusses in more detail a key challenge for MSIs: their inclusiveness towards small-scale producers. Part A is dedicated to this topic and discusses it by focusing on what GRAISEA's target MSIs RSPO, SRP, ASC and ASIC do to overcome this challenge. Chapter 1 describes MSIs' current strategies on this topic, and Chapter 2 presents some key challenges and related recommendations.

Part B looks at how MSIs can better contribute to topics other than small-scale producer inclusion. It refers to the MSI community in general and not just the four MSIs featured in Part A. It discusses topics and challenges that are key to GRAISEA's and Oxfam's interest and/or current engagement with MSIs and which are frequently the subject of active debate, both internally and externally. Chapter 3 discusses the social issues of human rights due diligence, gender equality and women's empowerment, fair pricing and trading practices, and purpose-before-profit business models. Chapter 4 explores how MSIs can become more efficient and credible by adopting innovations related to assurance models and data-led approaches. Chapter 5 looks at the roles MSIs can play in more holistic strategies regarding landscape management and sector governance. Chapter 6 discusses the proliferation of standards and the relationships between voluntary and mandatory standards. The final chapters present some key considerations and suggestions concerning what Oxfam could do to support the MSIs on these topics.

The content of this report is based upon desk review and interviews. The desk review included documents by and the websites of the four MSIs targeted in GRAISEA (RSPO, SRP, ASC, ASIC), Oxfam-related documents, and general literature on MSIs. Interviews have been conducted with Oxfam International staff, GRAISEA staff and some private sector partners, and with the staff of the four MSIs themselves. Appendix I provides more details on the sources used. A draft report was subsequently reviewed by all involved and comments were provided in written form as well as during a webinar presentation on 1 December 2020. All comments were considered and, as far as relevant and realistic within the scope of this research, were included in this final report.

This report does not represent Oxfam's positioning on MSIs in general or its role regarding the topics discussed. It has been written by Aidenvironment to provide Oxfam staff, its partners and MSIs with input to reflect further on possible improvement strategies on these topics.

## Part A Small-scale producer inclusiveness by RSPO, SRP, ASC and ASIC

Part A describes what the four MSIs do to be inclusive towards small-scale producers. Inclusiveness refers to how the initiatives involve small-scale producers in their governance and how they facilitate access for small-scale producers to the adoption of standards and realization of benefits.

The basic characteristics of the four initiatives are briefly presented in the following table.

### *Key characteristics of RSPO, SRP, ASC and ASIC*

<p><b>Roundtable on Sustainable Palm Oil (RSPO)</b></p> <ul style="list-style-type: none"> <li>• Created: 2004</li> <li>• Type: membership-based association</li> <li>• Number of members: &gt;4000</li> <li>• Sector scope: palm oil</li> <li>• Geographical scope: global</li> <li>• ISEAL member: yes</li> </ul>	<p><b>Sustainable Rice Platform (SRP)</b></p> <ul style="list-style-type: none"> <li>• Created: 2011</li> <li>• Type: membership-based association (before it was a project under UN Environment Programme)</li> <li>• Number of members: &gt;100</li> <li>• Sector scope: rice</li> <li>• Geographical scope: global</li> <li>• ISEAL member: subscriber</li> </ul>
<p><b>Aquaculture Stewardship Council (ASC)</b></p> <ul style="list-style-type: none"> <li>• Created: 2010</li> <li>• Type: association with multi-stakeholder Supervisory Board</li> <li>• Number of members: n/a</li> <li>• Sector scope: aquaculture</li> <li>• Geographical scope: global</li> <li>• ISEAL member: yes</li> </ul>	<p><b>Asian Seafood Improvement Collaborative (ASIC)</b></p> <ul style="list-style-type: none"> <li>• Created: 2013</li> <li>• Type: membership-based association</li> <li>• Number of members: loose membership of variety of Asian companies and NGOs</li> <li>• Sector scope: both aquaculture and wild catch fisheries</li> <li>• Geographical scope: (South-East) Asia</li> <li>• ISEAL member: no</li> </ul>

MSI	Current reach	Number of small-scale producers globally
RSPO	8186 independent smallholders (and 152,070 scheme (= contract) smallholders)	3 million
SRP	Approximately 450,000	144 million
ASC	471	

ASIC	Approximately 1000 in Vietnam and Indonesia	Unknown (estimated hundreds of thousands)
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The table above shows the current reach of the four MSIs among smallholders. In the case of RSPO and ASC the numbers refer to certified farmers.<sup>4</sup> In the case of SRP and ASIC, the numbers refer to small-scale producers who are currently being supported in applying good practices, but most of whom are not yet included in an assurance scheme (i.e. not being audited against the standard).

The numbers show that all schemes reach a small fraction of the total small-scale producers. It is important to understand that the MSIs are at different levels of maturity. RSPO is the oldest initiative with a lot of implementation experience. ASC has also been operational for many years, but only recently started to introduce small-scale producer-specific strategies. SRP is just launching its first Assurance Code, while ASIC is still developing standards and figuring out its implementation model. In other words, the experience, size and resources differ significantly between the initiatives. This is something to consider when reading the analysis that follows.



## Chapter 1 Strategies to enhance inclusiveness towards small-scale producers

MSIs can adopt various strategies to make their systems more accessible to small-scale producers and create more benefits for them. The following table presents a comprehensive overview of possible system functions and related strategies through which MSIs could affect inclusiveness positively or negatively. The identification of the system functions and possible strategies is based upon literature review and Aidenvironment’s previous work in defining the value proposition of voluntary sustainability standards (see for example Molenaar and Kessler (2017) and ISEAL Alliance et al. (2018)). The majority of the system functions relate to standard implementation with supporting functions such as assurance. It also includes ‘beyond certification’ strategies such as knowledge sharing and influencing public policy.

### *Typology of possible strategies to promote inclusiveness towards small-scale producers*

System function	Strategies which can promote small-scale producer inclusiveness
Theory of Change	<ul style="list-style-type: none"> <li>• A ToC and/or strategy explicitly targeting small-scale producer inclusiveness, gender equality and women’s economic empowerment</li> </ul>
Governance	<ul style="list-style-type: none"> <li>• Small-scale producers are part of the MSIs’ governing bodies</li> <li>• Inclusive consultation processes</li> <li>• Complaints and remediation mechanisms</li> </ul>
Production standards	<ul style="list-style-type: none"> <li>• Standards tailored to small-scale producers</li> <li>• Standards adapted to local contexts</li> <li>• Standards with stepwise or continuous improvement approaches</li> </ul>
Assurance	<ul style="list-style-type: none"> <li>• Group certification models</li> <li>• Cost-efficient assurance models</li> </ul>
Traceability and market incentives	<ul style="list-style-type: none"> <li>• Premium strategy (or cost-sharing arrangements)</li> <li>• Fair trading requirements</li> <li>• Efficient chain of custody models</li> </ul>
Communication and claims	<ul style="list-style-type: none"> <li>• Small-scale producer-specific market claims</li> </ul>
Monitoring and evaluation	<ul style="list-style-type: none"> <li>• Data collection and publication on small-scale supplier-specific outcomes, impacts and lessons learned</li> </ul>
Capacity building and knowledge sharing	<ul style="list-style-type: none"> <li>• Guidance material and supportive tools</li> <li>• Capacity building for small-scale producers</li> <li>• Funding opportunities for small-scale producers</li> <li>• Platforms and partnerships for knowledge development and sharing</li> </ul>

Influencing public policy	<ul style="list-style-type: none"> <li>• Campaigning, lobbying and advocacy activities towards key public and private actors to support sustainable small-scale production systems</li> </ul>
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## 1.1 Theory of Change

The MSIs' Theory of Change (ToC), or overall strategy document, articulates the long-term objectives and key strategies. The degree to which explicit attention is given to small-scale producers, gender, and women's economic empowerment can be seen as an indication of inclusiveness.

Small-scale producers have a prominent place in the ToC of RSPO, which has also developed a specific Smallholder Strategy (see box below). Gender has a less prominent place in this strategy, but RSPO has a Human Rights Working Group which includes gender as a key topic. This group develops practical guidance on gender inclusion and compliance with their standards regarding workers, communities, and small-scale producers.

### **RSPO's Smallholder Strategy (2017)**

RSPO's Smallholder Strategy is developed in the recognition that 'business as usual' does not suffice when engaging with smallholders. The document guides strategy implementation and decision making by the RSPO Secretariat and its members. It has formulated three objectives:

- 1 Smallholder livelihoods are improved through capacity-building efforts, organization and provision of tools that increase their yields and support adoption of better management practices.
- 2 The number of smallholders within the RSPO system is increased through a simplification of the RSPO certification approach and proactive engagement with pilots such as jurisdictional approaches.<sup>5</sup>
- 3 The business case for smallholder inclusion in the RSPO system is strengthened through increased support, including market linkages as well as financial and non-financial incentives.

*Source: RSPO (2018)*

SRP has not published a ToC or strategy, but SRP was established in the recognition that rice is largely produced by 144 million small-scale producers. It has no specific gender objectives, but women's empowerment in small-scale production systems is a Performance Indicator (see box below).

### **SRP's Women Empowerment Performance Indicators**

Women's empowerment is one of the indicators in SRP's Performance Indicators. The assumption is that the empowerment of women leads to improved maternal health, improved family health and well-being. In situations where women are directly involved in rice production, women's empowerment (e.g. by increasing women's access to knowledge) is also expected to lead to higher levels of productivity and profitability. The indicator consists of a scorecard covering the following topics:

- 1 Women's control over decisions regarding household agricultural production
- 2 Women's control over decisions regarding their own labour input
- 3 Women's satisfaction regarding their labour input
- 4 Women's access to information and capacity building
- 5 Women's access to seasonal resources for farm activities

- 6 Women's control over long-term resources for farm activities
- 7 Women's control over decisions regarding household income
- 8 Women's control over their personal income
- 9 Women's participation in collective decision making
- 10 Violence against women

*Source: SRP (2020)*

ASC has written down its ToC, but it does not refer explicitly to small-scale producers or gender equality. Unlike the other three MSIs, when ASC was created small-scale producers were not an explicit focus.

ASIC has no public ToC or strategy, but it has been created because existing seafood standards, including ASC's, fell short of including small-scale producers. Gender equality and women's economic empowerment are core to its social standard, which is in development.

## **1.2 Governance**

When small-scale producers have a seat in the governing bodies of MSIs, this could contribute to a better integration of their interests in the MSIs' strategies and decision making.

RSPO is a member-based organization with the General Assembly as its highest decision-making body. It has a separate membership category for Smallholder Group Managers, in which several smallholder groups are members. The RSPO Board of Governors does not have a separate seat for smallholders and therefore they compete for seats with other growers or social NGOs. Currently no smallholder representative is a member of the Board. At executive level, RSPO has a Smallholder Standing Committee which oversees the execution of the Smallholder Strategy mentioned above. Several smallholder representatives are members of this Committee (and are supported by Oxfam in this respect).

After initially being a UN Environment project, in 2020 SRP became a membership-based association. Despite efforts to identify suitable candidates, it currently has no small-scale producer organizations among its members and hence none on its Executive Board (EB). The EB has committed to give women a more prominent place in its governance structure and will soon embark on the development of a road map.

ASC has a multi-stakeholder Supervisory Board which has several industry representatives but no small-scale producers.

ASIC has in its Executive Committee an Indonesian exporter who is closely connected to small-scale producers, but not a small-scale producer organization itself. It also has

a Shrimp Technical Advisory Committee of which an aquaculture cooperative is a member.

Getting genuine smallholder representation into their governance is something many international MSIs struggle with, not just these four. Similar challenges exist in involving other types of civil society organizations (CSOs) such as labour unions and community representatives.<sup>6</sup> Frequently mentioned arguments are the lack of credible candidates with sufficient capacity and resources to participate in international and often highly strategic dialogues. The benefits for smallholder organizations of joining an MSI may also not be directly evident and outreach to small-scale producers has often been modest. All four MSIs have CSOs in their highest governance bodies. Some of them actively defend the interests of small-scale producers, but it remains questionable whether one can consider them to be true representatives of small-scale producers. Fairtrade International and the World Fair Trade Organization (WFTO) show that it is possible to have small-scale producers in the highest decision-making bodies.

The absence of small-scale producers from decision-making bodies does not mean their voices are not heard at all. All four MSIs consult with small-scale producers in the development and revision of standards. This is also regarded as good practice in the ISEAL Standard-Setting Code of Good Practice. Setting up national platforms can also support the voice of small-scale producers. For example, SRP is setting up national platforms in Cambodia, Pakistan and Vietnam, where it makes arrangements for small-scale producers to participate.

An additional governance-related strategy is to establish mechanisms for complaints and remedies through which stakeholders, including small-scale producers, can hold to account members who act against the rules and principles of the initiative. RSPO, ASC and ASIC have a complaints procedure and ASIC is developing one. RSPO also has, as one of few MSIs in general, a Dispute Settlement Facility to support stakeholders in resolving complaints through mutually agreed terms. Despite these mechanisms, there is criticism that remedies are too often not enforced. SRP has built complaints mechanisms into its recently launched assurance system but is still working on how this can also be included in its group management guidelines. A general concern about complaints procedures is whether small-scale producers and other community members can actually make use of such mechanisms without intensive outside support. For women, specific measures need to be put in place to protect them against reprisals and to increase the trustworthiness of the grievance system and women complainants' confidence in it.

### **1.3 Production standards**

Production standards define the requirements or targets that need to be met by producers. They generally translate generic sustainability principles into concrete practices or outcomes. Production standards can be made more applicable to small-scale producers if the content is tailored to their characteristics and context. They can

also introduce stepwise or continuous improvement approaches which reduce the initial entry barriers to participation.

RSPO has a specific standard for independent smallholders, according to which the core sustainability requirements are upheld while the certification process is tailored to smallholders. In its latest revision, the standard has been made much more smallholder-specific than the previous version (e.g. it now acknowledges customary land rights, instead of only legal tenure). SRP has developed its standard and performance indicators with small-scale producers in mind. SRP has, like RSPO, stepwise improvement mechanisms built into the standard to improve accessibility. These combine lower entry requirements with clear benchmarks to be reached over time. ASC does not differentiate its standards according to type of producer or production system (e.g. small- versus large-scale, or extensive, semi-intensive, intensive aquaculture systems), although some requirements have scale-specific guidance. It has a binary system of pass and fail indicators and no stepwise or continuous improvement requirements. ASC is currently revising its standards and is considering the introduction of more context-dependent requirements and different levels of compliance with some indicators.

ASIC differentiates between small- and large-scale producers in its social standard. Its shrimp and fishery standards differentiate between extensive and intensive systems. It has two compliance levels: ASIC Compliant and ASIC Leader, where the Compliant level is the entry point, and the Leader level corresponds to farms achieving the full requirements of ASIC.

<p><b>RSPO’s three-phase compliance approach</b></p> <p>RSPO’s Independent Smallholder Standard has a phased approach to enable smallholders to achieve compliance in three years. It has three phases:</p> <ul style="list-style-type: none"> <li>• Eligibility (E): minimum requirements that need to be met in order to enter the certification system.</li> <li>• Milestone A (MS A): intermediate requirements to be met within two years.</li> <li>• Milestone B (MS B, which is full compliance): final requirements to be met within one year of reaching milestone A.</li> </ul> <p>Each phase has its own requirements to assess compliance and generates specific benefits to smallholders.</p>	<p><b>SRP’s multi-level requirements</b></p> <p>SRP’s standard allows for stepwise compliance to encourage and reward progress towards full compliance. Most requirements distinguish three or four levels of compliance, from simple to more complex practices. Each level of compliance corresponds to a number of points: 33 points is the entry level. A total score across all requirements of between 33 and 90 points qualifies as ‘working toward sustainable rice cultivation’ and a score between 90 and 100 (including essential indicators) justifies the claim of ‘sustainably produced rice’. This would allow the producer to use the SRP logo on packaging.</p>
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RSPO’s smallholder standard needs to go to the next level of gender responsiveness, while SRP could enlarge its scope of gender inclusion to women’s agency, women’s access to business opportunities, women’s land rights, etc.

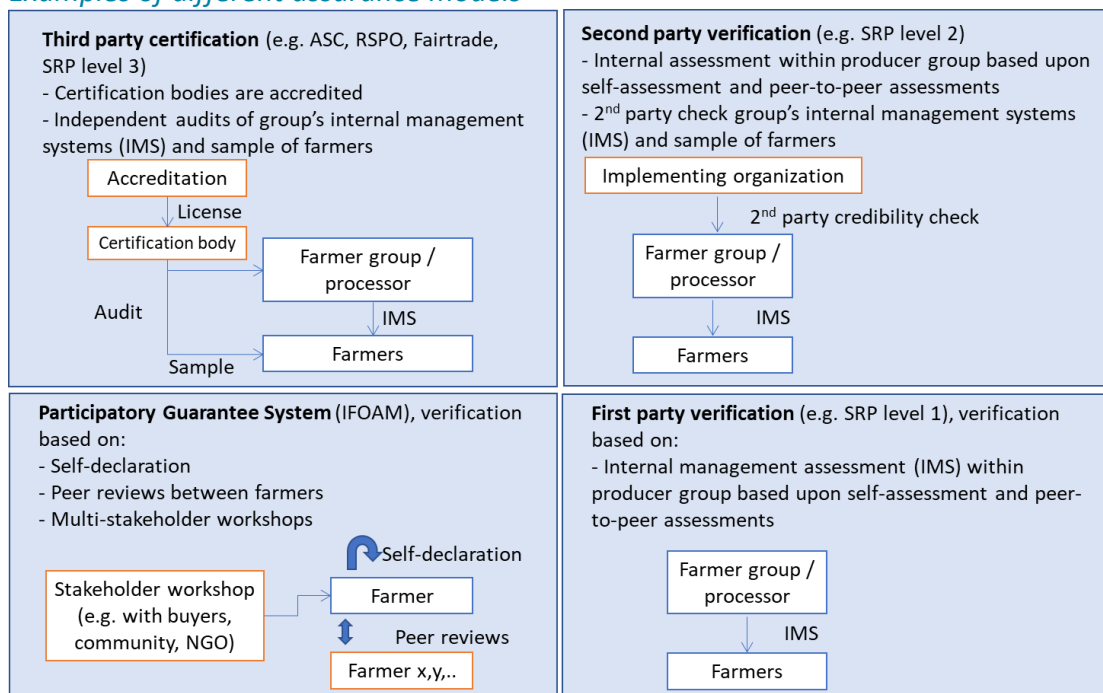
All MSIs have translated their standards into various languages, although not necessarily into all the languages of those countries where they are active. RSPO has

developed national interpretations to further improve the applicability of its standards to specific smallholder contexts, and to align with national legislation. SRP also allows for national interpretations, but the lack of resources among national platforms impedes progress in this area (except for a US interpretation, and some of its indicators have been adapted to fit in ThaiGAP<sup>7</sup>). ASIC standards are developed for the South-East Asian context. As mentioned above, ASC has some context-dependent indicators, but does not allow for national interpretations.

## 1.4 Assurance

The assurance model determines how compliance with the standard is being verified. Providing assurance is a key function of many MSIs and greatly influences the credibility of the claims that MSIs, producers and buyers can make. The assurance process can take several forms – verification, certification and accreditation – each with varying levels of independence and rigour. Verification confirms that specified requirements have been met. Verification can include self-verification (first party), interested party verification (second party) and independent body verification (third party). Certification is a formal judgment on compliance based on third-party auditors' reports. MSIs can require additional assurance through the accreditation of certification bodies. This concerns a process of evaluating the competence of the certification body to judge compliance with standards (Molenaar et al., 2013). The following figure shows schematically examples of different types of assurance models.

### Examples of different assurance models



Source: Aidenvironment analysis based upon MSI websites

There is a trade-off between the rigour of assurance and its costs. Assurance-related costs constitute a considerable barrier to adopting standards for producers, and particularly for small-scale producers.<sup>8</sup> To reduce the costs of assurance to small-scale producers, group certification models have been developed. They combine a second-party internal audit, within an organized group of producers, with a third-party independent assessment of the group's management system. This enables small-scale producers to reduce and share the costs of external verification. Nonetheless, the costs of setting up and implementing group certification systems can still be challenging and only feasible to larger and more professional groups. Other strategies to improve the efficiency and value derived from assurance include better use of data management, risk analysis, and participatory monitoring approaches.

All assurance models, except perhaps the participatory guarantee system, are weak on gender inclusion. Third-party verification done by a social auditing team costs more in terms of human resources (women auditors interviewing women) and time. There is a tendency by companies to save on costs of this type. Second- and first-party verification cannot guarantee the necessary gender expertise. All four MSIs have a group certification model which combines an internal control system with third-party audits. All third-party auditors need to be accredited. Only SRP allows for first- and second-party verification as a stand-alone assurance model (see box).

**SRPs three-level assurance model**

The SRP assurance model introduces three options to support a broad range of users who may have different needs and resources.

- Level 1 assurance is based upon self-assessment and should facilitate assurance at low cost and large scale. It does not permit external claims.
- Level 2 assessment combines self-assessment with external verification bodies which are linked to producers or producer groups. It is designed to combine verification with advice to producers on weaknesses and opportunities for improvement.
- Level 3 assurance is done by an independent external verification body accredited by SRP.

Level 2 and level 3 have different market claims.

ASIC promotes self-assessments linked to improvement plans prior to conducting audits. This is meant to improve accessibility and affordability of verification. RSPO introduces a jurisdictional certification model, where standard compliance and assurance are organized not for individual entities but for all entities in a jurisdiction, such as a province. The rationale behind this is that it will lead to efficiency gains, but it can also drive the inclusion of smallholders living in that area. ASC is developing a risk-based assurance approach (see box), which should reduce the assurance burden under specific circumstances.

**ASC's risk-based assurance model**

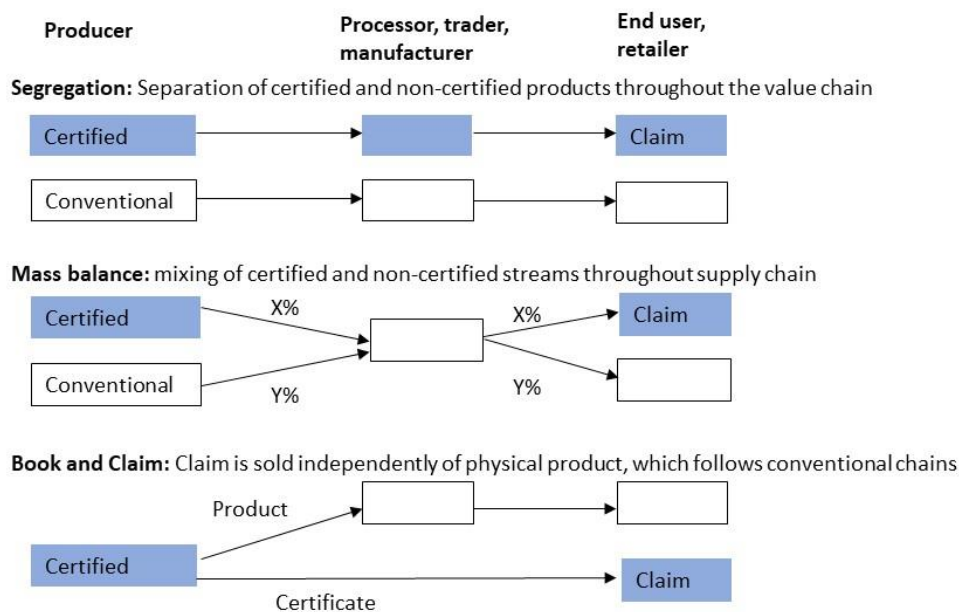
ASC has introduced a risk-based approach to its group certification model and social auditing methodology. This implies that the audit intensity (e.g. frequency, scope, sample size and type of auditor) depends on certain parameters. For example, for group certification the sample size of third-party audits depends upon group size, the spatial concentration of group members and whether there are non-participant farmers in the area. For social auditing, the audit intensity depends on the profile of a country derived from recognized indices (e.g. the Social Accountability Accreditation Services SA8000 country risk list and the US Department of State Trafficking in Persons Report, both available online), the history of social nonconformities in that country, and producer-specific assessments (results of other assessments, earlier nonconformities).

In response to the COVID-19 pandemic they will also probably allow for permanent remote audits, where technology facilitates this, based on risks. The MSIs also explore how better use of data can make the assurance process more efficient. For example, ASC is exploring ways in which landscape-level data can inform audit processes. ASIC is building an online verification platform in which data from internal control systems inform decisions on whether producers are audit-ready. This will make the audit process leaner.

### 1.5 Traceability and market incentives

MSIs can introduce systems in which production can be linked to consumption, consequently offering a transparent choice to companies and consumers to buy sustainably produced products. Different traceability models exist (see figure below): Book and Claim, Mass Balance, Segregation and Identity Preserved. Each model is generally linked to a different product claim. They also have different cost implications along the value chain, with Segregation being more expensive than Mass Balance, which is more expensive than Book and Claim.

#### *The Product Segregation, Mass Balance and Book and Claim model*





*NB. Identity Preserved is similar to Segregation but with the difference that products can be identified to individual producers.*

RSPO allows for Identity Preserved, Segregation, Mass Balance and Book and Claim. In the often long, complex and versatile palm oil value chains, the costs related to chain of custody can be significant. The Mass Balance and Book and Claim options should reduce these costs and make RSPO-certified palm oil more attractive to the market. Another important advantage of the Book and Claim model is that it enables smallholders who do not have a direct connection to an RSPO-certified mill to receive a market incentive for their certified volumes. Hence, the Book and Claim model can generate benefits for larger numbers of smallholders, particularly those in remote locations. SRP has adopted Identity Preservation, Product Segregation and Mass Balance. Some members see Mass Balance as potentially fraudulent and a reputational risk (i.e. a pack of certified rice may contain uncertified rice). Others see it as the only option to keep supply chain costs low and to avoid certified rice remaining a niche product with little incentive to certify small-scale producers. The ASC Chain of Custody (CoC) model is based upon Product Segregation between certified farm and final sale. ASIC is also based upon Product Segregation.

MSIs can also set rules for buyers to offer market incentives to small-scale producers or other actors in the value chain. Market incentives partly determine what producers can and are willing to invest in sustainable practices. None of the MSIs require minimum or fixed premiums for certified or verified products. SRP, ASC and ASIC leave the decision whether or not to pay a premium to the trading partners. RSPO requires a negotiated premium for certified palm oil. The prices of RSPO credits are also negotiated. RSPO has introduced differentiated credits from independent smallholders. Whereas in general RSPO premiums have eroded over time, the independent smallholder credits are usually sold against higher prices than the conventional credits.

Beyond premium payments, trading practices such as the length of and adherence to contracts and payment terms can also influence the profitability of producers and value chain actors. RSPO and ASC require fair trading practices when it concerns contract farming between certified processors and/or large-scale producers and small-scale producers. The four MSIs have no such requirements for actors further downstream, neither do they actively promote the sharing of costs of standard implementation and verification throughout the value chain. They are however starting to give attention to this topic. For example, ASC requires downstream companies participating in its Improver Programme (see Section 1.8) to make commitments on cost-sharing and market uptake. RSPO is promoting market uptake through its Shared Responsibility approach, which requires buyers to set progressive volume targets over time. However, it does not refer to whether these targets are accompanied by fair trading practices. SRP is involved in implementation projects which pay attention to fair contract farming arrangements, although this is not

something which is prescribed by its system. ASIC has fair trading objectives in its principles but has not yet operationalized them.

Prices, premiums and trading practices remain highly sensitive topics with companies, and hence in MSIs. More considerations are presented in Part B (Section 3.3) of this report.

## **1.6 Communication and claims**

Ensuring sufficient market demand remains a big challenge for most of the MSIs. As secured and more remunerative market access is a key incentive for producers, lack of demand has an important negative impact on the business case for adopting standards.

The previous section showed that RSPO has started to promote market uptake by requiring buyers to increase their volumes over time. This is quite innovative in the MSI community. A far more widespread approach is to use marketing and communication strategies to create demand for certified/verified products. Marketing and communication can enhance market or brand value for actors throughout the value chain. RSPO, SRP and ASC allow for on-product communication through the use of labels. The type of claim may vary according to the level of compliance with standards, and their assurance and traceability models. For example, SRP and RSPO have alternative claims at lower levels of compliance and ASC is considering this in its Improver Programme. ASIC differentiates claims according its two levels of compliance with the standard.

MSIs and their members can also raise awareness and create demand for certified products in all relevant markets through public campaigns, marketing and linking producers to buyers (e.g. ASC broadcasts commercials for ASC-certified fish in some consumer markets). The potential value of consumer communication may depend on the visibility of the certified product in the end product (e.g. a pack of rice compared to palm oil as small ingredient in an end product). It will also depend on whether the certified product will end up in the consumer market or in the business-to-business market. Communicating messages about gender inclusion provides an opportunity, especially in Northern countries. For example, background about women workers, or women smallholders involved in the supply chain, could be the subject of stories linked to health and beauty products containing palm oil derivatives.

Marketing and communication activities do not only have to target consumers. Public campaigns and business-to-business-oriented communication on the value of MSIs and certified products can result in various business benefits for value chain actors. These activities may position companies better to retain existing customers or to gain access to new customers. They can also promote better access to finance. For example, financial institutions in the palm oil sector increasingly require RSPO certification for palm oil-related financing and investment. More public appreciation for MSIs can also

facilitate engagement and collaboration between companies and public sector actors, NGOs and donors (Molenaar and Kessler, 2017).

While the use of logos and other forms of communication can enhance the market or brand value, it is generally not clear how this value is shared with producers, certainly in absence of requirements on premium payments or other fair trading practices.

## **1.7 Monitoring and evaluation**

Monitoring and evaluation of impacts can support the credibility of MSI systems and hence their value to producers, value chain actors and consumers. M&E can help to create an evidence base that justifies the use of standards. It can also reveal lessons to further improve the initiative.

RSPO and ASC have monitoring systems in line with the ISEAL Impacts Code. They conduct periodic independent outcome and impact evaluations. These reports can be found online or provided on request. RSPO explicitly includes smallholders in its research agenda and addresses topics such as the benefits and challenges of RSPO certification, the impact on socioeconomic status, and gender equality of certification. There are also plans being shaped to commission diagnostic research on gender-based violence in the palm oil sector. Their website shows that RSPO commissioned smallholder-relevant research as well as studies commissioned by independent organizations. There is however still room for improvement, and RSPO is currently working to improve its M&E approach, particularly its real impact on the ground (e.g. deforestation averted, biodiversity protected, improved livelihoods, improved safety for women workers on the plantations). ASC has not yet conducted smallholder-specific studies but expects this to change when the Improver Programme results in the inclusion of more smallholders.

SRP and ASIC do not have a robust M&E system, and do not conduct any outcome and impact evaluations. They would like to, but lack the resources to do so. Both are however investing in data platforms which will facilitate future M&E work. SRP will closely link this to the measurement of the SRP Performance Indicators which assess the outcomes of standard implementation.<sup>9</sup> ASIC is building an online verification platform that generates data useful for monitoring. It promotes a prominent role for women in record keeping and data collection, as women are reported to be more accurate than men.

## **1.8 Capacity building and knowledge sharing**

MSIs can invest in various mechanisms to support small-scale producers to adopt standards. Examples include the development of appropriate guidance material and other support tools, building capacities of small-scale producers and offering funding opportunities. These activities can also support the development and promotion of the

full business case for standard adoption (e.g. higher yields, lower input costs and safer working conditions).

RSPO implements many activities in this area. It has developed smallholder-friendly guidelines and system documents.<sup>10</sup> Its Smallholder Trainer Academy provides access to high-quality training materials and is building a pool of Master Trainers across sectors and organizations to form a global community around smallholder training (see box).

**RSPO's Smallholder Trainer Academy**

The academy provides coaching for trainers on the following topics:

- Smallholder topics: good agricultural practices (GAP), socially and environmentally sustainable practices, financial literacy, RSPO Certification
- Group managers: group formation and strengthening, the basics of group finance, Group Manager's essentials for RSPO Certification
- Project owners: goal setting and strategic planning, field assessment, key agronomic, business, social and environmental sustainability issues, setting up your training programme, designing activities around group building, traceability, inputs and technical support, access to finance, market, scaling, and M&E.

It is not clear how many women trainers the academy now has, or whether the Academy has set itself a target to this end. The Academy has been developed with a focus on improving smallholders' livelihoods and sustainable farming practices, and not on certification per se. Gender equality and women's economic empowerment (WEE) are not yet well integrated in the training curriculum. In addition, RSPO has a Smallholder Support Fund (RSSF) which funds one-off audit costs for smallholder groups. Its Smallholder Engagement Platform aims to connect smallholders with potential project partners and to provide additional resources and support.

SRP promotes and supports its members to set up capacity-building projects for small-scale producers. Its role in different project consortia is to build partnerships, promote outreach and provide technical input. Currently 26 projects have been implemented by members, of which the majority focus on small-scale producers. SRP also trains and accredits trainers who give training on the SRP Standard and Performance Indicators in order to ensure quality of implementation. SRP's Producer Groups Task Force and their annual event are also good places to share knowledge and materials regarding capacity building among members, within the limits of competitive boundaries.

ASC has its Improver Programme. This initiative facilitates access to the standard by helping producers who are not yet ready for certification to improve their practices and mitigate their environmental and social impacts. Farmers who participate in the programme will be supported by the ASC and given access to tools and networks to help them succeed through the ASC's online academy. The programme will be open both to those producers who want to obtain certification and those who simply want help to improve farming practices, without certification as an immediate goal. The

expectation is that the Improver Programme will be increasingly used for small-scale producers. ASC is also involved in a project with the Sustainable Fisheries Partnership (SFP), and the Monterey Bay Aquarium Seafood Watch Programme which includes the development of two Aquaculture Improvement Projects (AIPs) with training programmes for small-scale producers in Indonesia and Vietnam (ASC, 2020). ASC also collaborates with Fairtrade USA, the Government of Indonesia's Ministry of Marine Affairs and Fisheries (MOMAF) and other stakeholders to embark on a Training of Trainers (ToT) programme, which will enable the benefits of ASC certification to continue to spread in the country beyond the duration of the project (Editorial, 2020).

ASIC currently supports producer groups through local partners and its own staff. For example, in Indonesia it has a demonstration farm that is instrumental in raising interest in and sharing knowledge on what ASIC stands for. ASIC also has local staff in Vietnam who closely work with local partners and farmers to build capacity and understand the importance of following the ASIC protocol. GRAISEA funding is important in this. In the future, it aims to promote capacity building through partnerships between buyers, farmers and other organizations. A strategy on how such partnerships should look and could be funded still needs to be developed.

A common challenge of capacity-building ambitions is the level of investment needed to do it properly at scale (i.e. beyond the piloting stage). While guides and manuals can be developed centrally at relatively low cost, the actual capacity building requires much greater resources. MSIs can invest in their own technical staff. Having knowledgeable and well-resourced local staff is seen as an important success factor, but to MSIs this may be too costly without substantial donor funding. More often, outreach to and capacity building of small-scale producers depend on the buying companies and NGOs associated with the MSI. Activities such as the RSPO Training Academy and SRP's trainer accreditation are a way to maintain a certain degree of quality in these efforts.

## **1.9 Influencing public policy**

Public policy, if coherent and in line with sustainability goals, can create a level playing field for producers and buyers. MSIs can pursue public policy change through research and campaigns as well as by direct engagement with governments.

The importance of an enabling policy environment is recognized in RSPO's ToC, but it is less clear how RSPO would like to contribute to this. Direct influencing of public policy does not seem to be a priority, although RSPO staff have participated in policy dialogues on many occasions. Policy influencing seems to be more prominent in their jurisdictional approach, which requires an enabling policy around land rights, law enforcement and incentivizing investments in upgrading smallholders.

SRP is the only MSI of the four with government representatives as members. Creating an enabling policy environment has been an important objective since its inception,

greatly driven by the fragmented nature of the rice sector and the consequent limited reach of individual companies. There has however been little effort in this domain as the limited available resources have been prioritized for work related to the supply chain. Nonetheless it succeeded in incorporating SRP requirements in the national ThaiGAP rice standard and current efforts to influence water and climate policies in Punjab Pakistan may also yield success. For the moment SRP still focuses on creating the evidence on the ground through value chain-related work that may be useful for policy influencing later on. It is expected that policy influencing will rank higher on the agenda, particularly on that of the National Chapters being established.

Policy influencing is becoming more prominent on ASC's agenda of. ASC is already engaged in various policy dialogues and is considering setting up a separate team for policy engagement. The Improver Programme may also result in engagement with local governments to develop the supporting networks required to deliver efficient improvement approaches. ASIC considers policy influencing as a potential future role, but like SRP they have other priorities for the moment.

## Chapter 2 Challenges and recommendations

### 2.1 Challenges

**The four MSIs reach only a small proportion of the total number of small-scale producers.** Regarding ASIC, this can be explained by its immature stage of development as it still figuring out the basics of its system. SRP, which soon celebrates its tenth anniversary, published its standard five years ago but is only now launching its assurance and CoC model. From that perspective, one could argue that it is a hopeful sign that SRP already has this reach. Both initiatives show how long it can take to develop and roll out a standard system. This can be partly explained by a lack of resources and the time it takes to reach consensus in a multi-stakeholder context.

ASC has turned its focus on small-scale producers just recently with the launch of the group certification model in 2019 (although before that, small-scale producers could be certified under multi-site certification). The outreach in Vietnam is a direct result of this. Its expectations are that the Improver Programme will result in further inclusion of small-scale producers.

For many years, RSPO has had many smallholder-friendly features in its system, but still has a minimal reach among independent smallholders. This realization led to the development of its Smallholder Strategy in 2017. The latest revisions to the Smallholder Standard and the launch of the Smallholder Academy are responses to the weaknesses identified in the strategy. The first signs are positive, with a growing number of independent smallholders entering the programme in Indonesia.

**Smallholders are confronted with many challenges to join MSIs.** RSPO's Smallholder Strategy provides a good overview of the reasons why their initial model did not succeed in reaching out to smallholders:

- The standard is designed for large growers and does not necessarily account for smallholder context, capacity and resources. Consequently, the standard poses excessive challenges for smallholders and includes elements that are not relevant in the context of smallholders.
- Costs involved in achieving certification are too high.
- General awareness among smallholders about RSPO is very low.
- There is a vast diversity of smallholders – a one-size-fits-all approach will fail.
- Capacity and resources for farmers to meet RSPO requirements are lacking.
- Incentives for smallholders to engage with RSPO and for stakeholders to invest in building capacity of smallholders are weak and/or unclear.
- There is a lack of resources and cost-effective models to address these problems.
- The RSPO governance structure does not enable sufficient representation to voice smallholder interests (i.e. they do not have a guaranteed seat on the Board of Governors).

This list of weaknesses is applicable to most MSIs. The diversity of farmers, the investments needed to build their capacity, and the difficulty in including smallholder voices in MSI governance are challenges the other three MSIs also struggle with. Another challenge most MSIs struggle with is the trade-off between the credibility and cost-efficiency of certification. This trade-off is even more prominent in relation to small-scale producers because of gaps in their capacity to meet the standard and the high transaction costs involved in organizing assurance and traceability. It is a challenge to develop a system which works for producers, buyers and civil society, particularly because of the diversity of actors and competing interests between them.

**The challenge of including small-scale producers in large numbers is not exclusive to the four MSIs discussed in this chapter.** Many other MSIs struggle with this.

Fortunately, there are also examples of MSIs reaching large numbers of small-scale producers. For example, in 2019 the Better Cotton Initiative (BCI) trained 1.6 million cotton farmers, of whom the vast majority are small-scale (1.3 million of them received a licence to produce cotton as Better Cotton). A key feature of the BCI model is the Better Cotton Growth and Innovation Fund (see the BCI website). This fund draws financing from some 60 organizations, including institutional actors (such as Danida) and major companies (companies' contributions are based upon a volume-linked fee for the BCI-licensed cotton in their supply chains). In 2017, BCI mobilized 9.4 million euro, which has been invested in supporting more than a million farmers. This system design allows training activities to be developed at the source, independently of individual value chains (and thus circumventing the long and complex cotton supply chains). Another example is the Rainforest Alliance, which has close to a million certified small-scale cocoa and coffee producers. These have been reached both by cooperative-led (bottom-up) and trader-led (top-down) models. Fairtrade International reaches 1.5 million small-scale farmers across many commodities, partly because they invest heavily in training services for producers. However, these MSIs are also confronted with restraints on growth due to a lack of market demand or because their models do not work (yet) for the marginalized, smallest and remotest farmers. They also have been criticized regarding the limited benefits they generate for small-scale producers.

## **2.2 Recommendations**

Based upon the findings in this chapter, the following recommendations have been identified on how MSIs can promote small-scale producer inclusiveness.

### **1 Increase the involvement of small-scale producers in the governance of the MSI**

The lack of small-scale producer representatives in the higher decision-making bodies of the MSIs can be considered as a fundamental weakness in creating ownership among them. Increased efforts are recommended to ensure they have a voice. This may require additional strategies such as separate working groups, national platforms or caucuses. Social NGOs like Oxfam cannot be considered a replacement for the small-



scale producer voice, but have an important role to play in supporting the participation and empowerment of small-scale producer organizations in MSIs.

## **2 Tailor the standard to the characteristics and context of small-scale producers**

This means that requirements need to be set realistically and preferably tailored to specific contexts. This can be done through national interpretations (e.g. RSPO) or context-specific requirements (e.g. ASC). Standard design should also provide a certain degree of flexibility in how producers meet the requirements. For example, the stepwise compliance approaches of RSPO, SRP and ASIC recognize gaps in capacity and the time it takes for small-scale producers to arrive at the desired level. The ASC Improver Programme is another strategy to recognize improvements in sustainability performance before the desired ultimate level of performance is achieved. Adapting standards also involves making gender aspects more explicit. Gender equality issues are increasingly being included in the standards of all four MSIs. Oxfam (and others) supports them to improve this. Consequently, RSPO and ASIC are now making efforts to address gender differences with small-scale producers and communities. SRP has committed to Oxfam to review its present provisions and tools. Section 3.2 will elaborate more on the topic of gender.

It must be said that the attempts by MSIs to adapt their standards more to small-scale producers is often frustrated by the ever-increasing number of topics which are included in the standards. Standards become more comprehensive in response to the criticism that they do not cover (sufficiently) topics such as social and human rights issues, greenhouse gas emissions, biodiversity and waste management. The trade-off between comprehensiveness and accessibility should be dealt with when it comes to standard development.

## **3 Promote and monitor the intrinsic business case for standard adoption and strengthen market incentives**

Beyond what is legally enforced, most producers will only invest in social–environmental sustainability if it is economically sustainable. The business case for small-scale producers to adopt sustainable practices needs to be clear. The MSIs try to address this by putting good production practices into their standards, which should result in higher yield, greater cost-efficiency, better product quality and a wide range of intangible benefits such as improved health or community relationships. The RSPO Smallholder Academy and ASC Improver Programme are also designed to promote production practices and livelihood benefits in general, not necessarily with certification as the end goal.

The prospect of livelihood benefits from standard implementation may not be enough to convince producers to adopt and maintain practices which have a less direct (financial) return. Potential livelihood benefits may also be limited, for example, due to small farm sizes. Therefore, it remains important to incentivize producers through

more reliable and remunerative market access. Creating sufficient market demand remains a challenge for most MSIs. This undermines the business case for producers to adopt standards. The four MSIs also pay relatively little attention to the quality of market access. Prescribing fixed premium payments from buyers to producers is still a no-go area. The RSPO's Independent Smallholder Credits and its Shared Responsibility initiative are interesting strategies to create financial incentives especially for (remote) small-scale producers. ASC, through its Improver Programme, and ASIC are also developing strategies to promote more stable and therefore reliable trading relationships between buyers and producers. Section 3.3. elaborates more on this topic.

It is recommended that the intended and unintended outcomes of standard adoption, both tangible and intangible, be monitored over time. It is also relevant to monitor the business case for value chain actors sourcing products from small-scale producers. Such monitoring can inform better strategies to promote the business case for adopting standards and buying from small-scale producers.

#### **4 Ensure investments in capacity building**

Capacity building is essential to the inclusion of small-scale producers. All the small-scale producers who are currently reached by the four MSIs have benefited from capacity-building efforts. MSIs should prioritize strategies that mobilize the knowledge, approaches and investments needed for capacity building. RSPO's Smallholder Academy and Engagement Platform, ASC's Improver Programme, ASIC's partnership model and SRP's implementation partnerships are ways in which the four MSIs try to do this. Capacity building should focus on both the technical aspects of meeting the standards and market requirements and the organizational aspects around efficient service delivery, market access and certification. This includes setting up or strengthening farmer groups, contract farming arrangements or service delivery networks. It is very encouraging to see that the MSIs do invest in capacity building to increase the overall performance of small-scale producers, even if they do not aim to become certified. It is recommended that capacity-building activities be tailored to different target groups, differentiating for example between men and women producers.

#### **5 Continue to invest in more efficient and effective assurance models**

The traditional third-party and group certification models contribute to costs which are a constraint to scale for small-scale producers. It remains crucial that MSIs continue to innovate on this trade-off between credibility and cost efficiency. All four initiatives work on potentially interesting innovations on assurance: RSPO's jurisdictional certification, SRP's three-level assurance model, ASC's risk-based assurance model and ASIC's online verification platform. These innovations show their commitment to moving away from a one-size-fits-all approach. It will be interesting to see how these

innovations can make assurance more efficient and more reliable, to cover all social, economic and environmental risks. Chapter 4 will elaborate more on this topic.

## **6 Influence the enabling environment**

The success of MSI strategies will depend not only on how well they are designed and implemented, but also on the context in which they are implemented. The context in which MSIs operate can have a positive or negative influence on the scale, depth and durability of the improvements to sustainability they are seeking. The potential to include small-scale producers will depend on the characteristics of those producers (e.g. location, capacities, resources, mindset and organization level), the nature of supply chains (e.g. transparency, length) and end user markets (e.g. a demand pull), and the institutional, agro-ecological and socio-cultural context. MSIs can adapt to each context, but they can also try to influence this. ASC, SRP and RSPO have already influenced national or local policies or public extension services. Doing so will create enabling conditions for the uptake of the practices in their standards. Other MSIs such as Fairtrade, Marine Stewardship Council, Global Coffee Platform, Bonsucro and Better Cotton Initiative also show that it is possible to influence the enabling environment (see for example ISEAL Alliance et al. (2018)). Chapter 5 will elaborate on strategies that improve the enabling environment.

## **7 Invest in fundraising and develop revenue models**

Pro-inclusiveness investments in system design, outreach and capacity building can require a significant amount of resources. This is a particular challenge for new MSIs as they struggle to build their membership, governance and basic instruments like standards, assurance models and labels. SRP and ASIC operate with a very limited budget and employ only a few people. In the initial years, the presence of donor money and voluntary contributions by some key members are often crucial. It is often only after having reached a certain market share that MSIs generate sufficient fees from certified volumes to allow them to invest structurally in becoming more inclusive on a larger scale. An example is RSPO which, after initial growth, was able to invest in a Smallholder Fund and has now built greater secretariat capacity on smallholder issues. To overcome the resource challenge as quickly as possible, it is recommended that from the outset MSIs begin by addressing their value proposition and related revenue models. Including small-scale producers will probably require a diversified revenue model in which pre-competitive industry investments and donor money need to play a significant role.

## **Part B: MSI performance in other key challenges to inclusive and responsible business conduct**

Part A discussed how the four MSIs targeted by GRAISEA try to be inclusive towards small-scale producers. It described their strategies and their challenges on a range of system functions such as assurance, market incentives and influencing public policy. These functions are relevant not only to the topic of small-scale producers but to other contributions that MSIs can bring to making commodity sectors socially, economically and environmentally sustainable. Part B looks at how MSIs can make a better contribution on topics other than small-scale producer inclusion. It refers to the MSI community in general and not just the four MSIs featured in Part A. The topics discussed were selected on the basis of:

- a. key focus areas of GRAISEA and Oxfam International advocacy towards inclusive and responsible business conduct, and
- b. frequently asked questions, both internally within Oxfam and outside, regarding the impacts and effectiveness of MSIs.

Chapter 3 explores how MSIs can become more effective in addressing other social and human rights issues: human rights due diligence, gender equality and women's empowerment, value distribution and price mechanisms, and purpose-before-profit business models. Chapter 4 explores how MSIs can become more efficient and credible through better assurance models and the use of digital solutions. This is an area where a lot of thinking and action is taking place within and around MSIs. Chapter 5 looks at the potential roles MSIs can play in strategies beyond the single value chain. This refers to how MSIs can better influence the enabling environment, whatever the objective. Chapter 6 discusses a widely shared concern about the proliferation of standards and how voluntary standards relate to mandatory standards. Chapters 7 and 8 present key considerations and suggestions on what Oxfam could do to support the MSIs on these topics.

Like Part A, the content of Part B does not represent Oxfam's positioning on MSIs or the issues discussed. It has been written by Aidenvironment to provide Oxfam staff, its partners and MSIs with input to reflect further on possible improvement strategies.

## Chapter 3 Increased impact on social topics

MSIs have long been criticized for underperforming against the objective of making a difference on the issue of social and human rights. In addition to small-scale producer inclusiveness discussed in Part A, this chapter discusses the following social topics:

- Human rights due diligence
- Gender equality and women's empowerment
- Fair pricing and trading practices
- Purpose-beyond-profit business models.

### 3.1 Human rights due diligence (HRDD)

#### The topic

**HRDD refers to the responsibility of companies to identify, prevent, mitigate and account for how they address impacts on human rights throughout their own activities and the value chain** (United Nations Office of the High Commissioner on Human Rights, n.d.). The responsibility of companies to undertake HRDD is incorporated in international frameworks such as the UN *Guiding Principles on Business and Human Rights* (United Nations, 2011) and the OECD-FAO *Guidance for Responsible Agricultural Supply Chains* (latest version updated in 2016). Since then, various initiatives have been undertaken to promote further HRDD implementation in countries such as the Netherlands, Germany and the UK.

**Some initiatives emerge to address HRDD through regulatory frameworks.** The 2019 Corporate Human Rights Benchmark (see website) reveals that almost half of the 200 largest publicly traded companies in the world were scoring a 0 on applying HRDD. This has not been a new insight and some countries had already been responding by introducing laws to infuse the responsibility of companies on HRDD. Examples include the British Modern Slavery Act 2015, the Dutch Child Labour Due Diligence law and the French Duty of Vigilance Law. The range of state and non-state HRDD initiatives at national and international level has however led to fragmentation which could threaten the effectiveness and efficiency of such initiatives (ABCO-CCPD, 2019). This increased the call for EU-level binding rules on corporate respect for human rights and the environment (European Trade Union Confederation, 2019). In April 2020, the European Commission committed to introduce rules on mandatory corporate environmental and human rights due diligence. In non-OECD countries, efforts have concentrated on the implementation of the UN guidelines on business and human rights via so-called National Action Plans (NAPs). The UN Human Rights Council has been working towards an international legally binding instrument on business and human rights since 2014, though progress is slow (see Binding Treaty discussion on the Business & Human Rights Resource Centre website).

## Possible roles of MSIs

MSIs have included various human rights in their standards. For example, the four MSIs working with the GRAISEA programme have extensively included social criteria regarding labour rights, working conditions, community rights and small-scale producers. However, looking at the MSI landscape in general, the scope of human rights included in the standards still varies. Additionally, most MSIs only have requirements for producers and possibly first buyers but they ignore human rights risks further down the value chain. It also remains a challenge to ensure compliance with all human rights requirements.

There are various ways for MSIs to further support HRDD:

- **Include more human rights issues in their standards and expand their scope to the full value chain.** MSIs can further improve on including all relevant human rights in their standards. They should also extend the scope of their standards to supply chain actors downstream. This could for example be done by incorporating human rights requirements in chain of custody standards. For example, ASC is introducing social requirements for processors to undergo chain of custody standards audits as part of their social auditing methodology.
- **Create awareness on HRDD risks.** MSIs should continue to create awareness among companies on the complexities of supply chains and the associated human rights risks specified for geographies and sectors (e.g. based upon regular human rights risk-mapping exercises). MSIs should also stress the importance of implementing HRDD measures.
- **Integrate HRDD practical guidance and tools into existing processes.** Companies need support in operationalizing due diligence. As pre-competitive initiatives, MSIs can facilitate the development of guidance and tools which assist individual companies in:
  - identifying potential human rights impacts by geographies, sectors and business relationships throughout their supply chain (e.g. by Human Rights Impact Assessments)
  - addressing the identified human rights impacts (e.g. by grievance mechanisms and action plans)
  - transparent reporting and communication about human rights risks and prevention measures.

It is highly recommended that HRDD tools such as Human Rights Impact Assessment methodologies be incorporated into existing assessment, assurance, remedy, monitoring and reporting activities adopted by MSIs. This is to avoid their becoming a stand-alone 'tick-box exercise'. In this way, social, environmental and economic due diligence can be efficiently combined in a comprehensive sustainability analysis, verification and reporting process.

- **Encourage collaborative action among companies.** Collaboration between companies can be key to creating the leverage towards other value chain actors and to identifying effective strategies to prevent, minimize and/or address adverse human rights impacts. MSIs are well positioned to facilitate such collaboration.

- **Advocate for HRDD legislation.** MSIs can contribute to the development of national action plans under the UN Guiding Principles on Business and Human Rights (UNGPs) or HRDD legislation in countries where the MSIs are active. MSIs could provide a platform where stakeholders convene and pre-competitively discuss what is needed to create a more sustainable industry. Advocating for a stronger regulatory environment also corresponds to the view that corporate respect for human rights requires a ‘smart mix’ of voluntary and mandatory efforts (see for example MSI Integrity (2020)).

In these various roles, MSIs could offer a space for meaningful stakeholder engagement in which affected stakeholders could provide input, including worker representatives, affected communities, human rights defenders, trade unions and grassroots organizations (United Nations Office of the High Commissioner on Human Rights, n.d.). The potential impact of this will of course depend on how well MSIs are connected and accountable to these stakeholders. This includes giving them a place at the centre of decision making. It will be important to develop long-term HRDD goals and targets to ensure that clarity is maintained on the final aims of MSIs and on what is expected from the stakeholders involved. Part A showed that this is not easy to accomplish (see Section 1.2 on Governance). The example below illustrates how Ethical Trading initiative (ETI) has worked on labour issues with trade unions having a central role in the initiative.

**How the Ethical Trading Initiative (ETI) promotes the application of the UN Guiding Principles on Business and Human Rights**

The Ethical Trading Initiative (ETI) plays an active role in the application of the UN Guiding Principles on Business and Human Rights (UNGPs) in the area of workers’ rights. ETI’s members include companies, trade unions and NGOs which all work together to ensure companies take the necessary steps to conduct business ethically and to make a positive difference to workers’ lives. The ETI supports member companies and supply chain partners in integrating UNGP-based due diligence processes and assesses and documents these processes. The ETI does this through a number of collaborative programmes and due diligence pilot projects. All members need to adopt the ETI Base Code of labour practice and the ETI provides training and develops practical resources to help put ethical trade policies into practice. The ETI supports workers by creating spaces for workers to negotiate with management through trade unions. They build strategic alliances in key sourcing countries to address relevant issues that affect countries or whole industries. The ETI expects companies to improve their ethical trade performance over time and they have disciplinary procedures in place in case companies fail to make sufficient progress. Due to its tripartite set-up the ETI tries to ensure due diligence processes are inclusive, and incorporate a range of different perspectives, and ultimately help to ensure respect for workers’ rights by addressing the underlying causes that contribute to the violations. The ETI is an organization that works closely with governments and international labour agencies to influence policies and legislation and has been involved in the establishment of the Modern Slavery Act 2015 in the United Kingdom.

*Source: Ethical Trading Initiative (n.d.)*

### **3.2 Gender equality and women’s empowerment**

#### **The topic**

**The positive impact of gender equality and women’s empowerment is increasingly being recognized.** Governments, private sector actors and civil society are starting to acknowledge that women’s rights are human rights, and that empowering women and girls is the best way to achieve positive economic and inclusive social development outcomes. The business case for gender equality has continued to grow, demonstrating how embedding gender equality across business strategy and operations can be a smart investment (International Finance Corporation, 2013; United Nations Global Compact and BSR, 2020). Women act as key change agents and contribute specific experiences and expertise, creating win–win situations for family livelihoods, the capacity of community organizations and profitable business models.

**Gender awareness within MSIs is growing but this recognition is only recent and still poorly integrated in MSIs approaches and tools.** A recent ISEAL analysis observed a perceptible shift among most members in terms of awareness, activity and aspiration on gender-related issues over the past three years (ISEAL Alliance and BSR, 2020). However, the review of ISEAL members’ standards, Theories of Change and strategies highlights that explicit references or goals in relation to gender equality are still insufficient. Only a few MSIs manage to include systematic gender mainstreaming and improvement of women’s empowerment, despite the guidelines that are available to companies (e.g. the UN Women Empowerment Principles (WEPs), see box).

#### **UN Women’s Empowerment Principles**

UN Women’s Empowerment Principles offer guidance to business on how to promote gender equality and women’s empowerment in the workplace, marketplace and community. Hundreds of companies have confirmed their commitment to these principles.

- 1 Establish high-level corporate leadership for gender equality.
- 2 Treat all women and men fairly at work – respect and support human rights and non-discrimination.
- 3 Ensure the health, safety and well-being of all women and men workers.
- 4 Promote education, training and professional development for women.
- 5 Implement enterprise development, supply chain and marketing practices that empower women.
- 6 Promote equality through community initiatives and advocacy.
- 7 Measure and publicly report on progress to achieve gender equality.

*Source: UN Women’s Empowerment Australia (n.d.)*

Following the experience of GRAISEA and Oxfam (e.g. Oxfam (2018) internal briefing paper; Oxfam GB and Unilever, 2019) in promoting gender equality and women’s empowerment the following observations can be made:

- There is an increasing uptake in MSI standards of gender equality criteria regarding the situation of workers and labour conditions (employees in bigger farms, processors, factories). In many standards criteria are included regarding non-discrimination, equal pay, non-harassment, specific workplace arrangements, good maternity and paternity leave policies, etc. (with a focus on WEPs 1 to 4).
- MSIs struggle however to address WEPs 5 and 6, particularly in relation to communities and small-scale suppliers (mostly family based). Tools like Free and Prior Informed Consent, human rights impact assessments, and contract farming



are still very male-biased and barely include women in their processes. Companies and farmers' associations are generally only in contact with the heads of households, who are often perceived as being male.

- The situation becomes even more difficult when the focus shifts from 'do-no-harm' to 'do-more-good'. Working on gender-transformative approaches with employees, communities and small-scale suppliers involves particular challenges. These include working on the promotion of women's leadership, preventing domestic gender-based violence, and addressing the sharing of unpaid care and domestic work. Implicit in these challenges is that of addressing the societal norms and values behind how tasks and decision-making power are shared between men and women, and moving towards more gender equality. Companies may not like it or find it difficult, but they have, in collaboration with other stakeholders, a role to play in promoting gender-transformative approaches. This is where MSIs can play a role.

### Possible roles of MSIs

In each sector, the government, private sector and civil society, including women's organizations, have a unique role to play while striving for gender equality and women's empowerment. MSIs can play a pivotal role in this arena. They can contribute in the following ways:

- **Ensure that the scope of standards, principles, criteria and procedures is gender-specific.** MSIs can ensure that gender equality is effectively integrated in their principles, criteria and procedures (see for example SRP's Women Empowerment Indicator in Section 1.1). This should cover not only gender issues around workers, but also gender in smallholder households and their communities. Gender-specific criteria should also be included in the policies and practices of actors downstream, for example by incorporating women's rights requirements in chain of custody standards.
- **Institutionalize and allocate resources for gender activities.** Considering and integrating gender aspects is a highly desirable but often challenging process. Gender topics should be introduced step by step, and with caution; it is advisable to begin with those diversity aspects that stakeholders regard as most relevant. It is important to allocate enough time and resources, for example by creating a gender working group or ensuring dedicated secretariat capacity. For example, RSPO has a Human Rights Working Group (HRWG), which develops gender guidelines on how companies can integrate gender activities in their operations (see box).

#### RSPO's gender guidelines

The revised Principles and Criteria of the Roundtable on Sustainable Palm Oil (RSPO) (adopted in November 2018) required palm oil-producing companies to recognize and integrate more gender-equal policies and practices in their operations. This requirement also applied to the RSPO Independent Smallholder Standard 2019 and the responsibilities of independent smallholder groups and group members. In 2020 RSPO started developing a 'practical guidance on gender inclusion and compliance to P&C 2018 and ISH 2019'. The document is still in discussion but contains practical guidelines regarding gender equality on the following topics:

- Companies as employers: gender equality in the workplace, flexible working conditions for men and women, addressing gender-based violence; equal job opportunities.
  - Working with independent smallholders: engage women in smallholder organizations as members and leaders, equal access of women to group and/or company services.
  - Companies and communities: involvement of women in Community Land Use Planning and Free and Prior Informed Consent processes (FPIC), organizing gender-sensitive community initiatives, equal decision making by men and women in the household, reduction of unpaid care and domestic work, small business development.
- The document gives detailed explanations and suggestions for each of above topics as well as examples of companies. The document is expected to be published by RSPO in the early part of 2021.

*Source: RSPO (2020b)*

- **Convene members to support peer learning and sharing of practical tools and resources.** There is still considerable lack of clarity surrounding gender transformation, and in some cases an unwillingness to pursue it. As indicated above, good progress is being made in worker/employee situations, whereas changing gender relations at community and small-scale supplier level is still largely unknown territory. As mentioned in Part A, the four MSIs involved in the GRAISEA programme are trying to make headway. As shown in the box below describing discussions with ASIC, MSIs can be a safe, trusted and pre-competitive space where members can learn together, exchange ideas and become platforms where practical tools and resources to address gender issues are shared.
- **Advocate for gender-transformative approaches with public actors.** MSIs can actively promote gender-specific and transformative approaches with public actors. As MSIs themselves still struggle with gender-transformative approaches, it remains to be seen what this might entail.

**GRAISEA/ASIC discussions on gender transformation with small-scale producers and their groups/cooperatives**

As part of ASIC's development of a social standard, intensive discussions still continue on the specific topic of gender transformation at community and small-scale producer level. Key roles are foreseen for processors/buyers and farmer organizations, but there is a need for support from the wider community and local government. To be gender transformative at community and small-scale supplier level the discussion was initiated around the following four key indicators:

- Men's and women's roles are made visible and are known to all stakeholders: husband and wife are both seen as representatives of a family and invited for meetings/training sessions.
- In these meetings men and women discuss a more equal division of tasks including unpaid care and domestic tasks.
- Farmer groups have a minimum of one female executive committee member.
- Companies, farmer groups and other stakeholders implement as a minimum one activity per year that aims to reduce the burden of family care (e.g. daycare facilities, solar energy, improved drinking water facilities, playgrounds).

*Source: H. Peters (Oxfam), personal communication*

### 3.3 Fair pricing and trading practices

#### The topic

**Prices have a determinant influence on farm profitability and the ability of producers to make further investments in their farms.** The prices received by producers have an important impact on the performance and profitability of farms, and ultimately the livelihood of producers and workers. They are a key incentive for the adoption of practices that are socially and environmentally sound. Beyond price, the fairness and stability of trading relationships can have similar positive effects (Willoughby and Gore, 2018). In contrast, volatile prices, extended periods when prices are low (sometimes below cost price), and unfair trading practices create barriers to investment in sustainable practices.<sup>11</sup>

**Historically, MSIs have paid little attention to the topic of prices and trading practices.** This is certainly true of the four MSIs discussed in Part A, but many other MSIs also have a sensitive relationship with these topics. There are several reasons for this. First, trading is a highly competitive topic and companies prefer that the 'black box' around how they trade remains closed (Molenaar et al., 2016). Second, competition law is widely perceived as a barrier to discussion of these topics (Fair Trade Advocacy Office, 2019).<sup>12</sup> Third, some MSIs adhere to the principle that sustainability in mainstream markets should not require a premium (at least in the long run).

**However, the topic is gaining attention in response to price volatility and social objectives regarding living income and living wage.** Fairtrade has long been one of the few MSIs to address the topic of value distribution and fair trading practices. Price volatility and recurring price crises in sectors such as coffee, cocoa, tea and vanilla have made people aware that reaching the desired impact requires addressing market failures. The increased push to pay a living wage and living income also forces actors to look beyond production-centred strategies. Today, more MSIs are engaged in discussing and acting upon these topics (see for example the websites of the Global Living Wage Coalition, the Living Income Community of Practice and, for their recent policy change, Rainforest Alliance<sup>13</sup>).

#### Possible roles of MSIs

**A key strategy is to adopt requirements on risk and cost sharing, premiums, price setting, and trading practices:**<sup>14</sup>

- **Cost-sharing arrangements.** Costs related to the implementation of sustainability standards, including assurance costs, can be shared between actors within the value chain.
- **Premium payments.** A premium is the payment of a (pre-agreed) amount in addition to the conventional market price. Premiums for sustainable products can

be fixed or flexible. Flexible premiums will vary in relation to a pre-defined variable such as market price (as the market price decreases, the premium increases and vice versa) or a benchmark such as the gap between current producer incomes and a poverty line or living income level.

- **Minimum or fixed prices.** A minimum price, or floor price, sets a limit on how low a price can be paid. If the market price is above the floor price, the market price prevails. Prices can also be defined against different benchmarks such as upon the costs of sustainable production, including a certain margin (also referred to as the cost-plus model). Prices can also be set according to their true social and natural costs. For example, True Price considers a true price to be the price one has to pay for a product if social and environmental costs are added on top of the market price (see True Price website).
- **Fair trading practices.** Requirements on fair trading practices could refer to practices such as length and respect of sourcing contracts, payment terms, pre-finance and fairness in quality inspection. It can also refer to uptake commitments across value chain actors such as promoted by RSPO's Shared Responsibility Policy.<sup>15</sup>

**These measures need to consider the risk of margin escalation and market distortion.**

The introduction of price differentials can cause margins to escalate throughout the value chain. Margins escalate if companies do not pass on to buyers the absolute premium paid but add a percentage to them. This will result in a much larger price differential for the end user than the original premium paid to the producer. Margin escalation can be avoided when end buyers pay premiums directly to producers or demand that their suppliers to not add any margin to the price differential. A second consideration is the potential market-distorting effect of some measures. The introduction of minimum prices or premiums risks creating market signals that could drive oversupply. One way to mitigate this is to promote the creation of isolated and traceable value chains. This can facilitate more efficient value transfer (e.g. premiums) and can reduce the risk of creating market signals that could drive oversupply. It will however require fair trading practices across the full value chain to avoid individual actors being locked in exploitative trade relationships.

MSIs can work on the issue of value addition and price mechanisms by influencing the enabling environment through:

- **knowledge development and sharing.** MSIs can contribute to the development of common methodologies and conduct studies on living income and living wage benchmarks and gap assessments as promoted in the Living Income Community of Practice and Global Living Wage Coalition. MSIs can also facilitate the dialogue among their members on complex issues such as pricing and supply management and strategies to close income and wage gaps, in such way that it does not exclude the vulnerable and marginalized producers and workers.
- **influencing public policies.** MSIs can promote regulatory interventions on price setting, supply management, trade policies, demand creation and the fairness of trading practices. Market management may be a critical condition to mitigate

market distortion and create the level playing field in which fair trading practices can be applied (Living Income Community of Practice, 2020).

#### **Fairtrade International's supply chain interventions**

While most MSIs require sustainable practices from producers and producer organizations, Fairtrade has always set requirements on price and trading practices for other supply chain actors. They employ the following strategies:

- Fairtrade Minimum Price. This is based on the principle of covering average costs of sustainable production of cocoa, enabling the 'average' producer to produce in an economic and financially sustainable way.
- Fairtrade Premium. This fixed premium is to be paid to the producer organization or worker associations to improve their social, economic and environmental conditions.
- Trader Standard. This stipulates requirements regarding contracts, access to finance, payment terms, market information, etc.
- Living Income Reference Price (recently introduced). This indicates the price needed for an average farmer household with a viable farm size and an adequate productivity level to make a living income from the Fairtrade sales of their crop. Fairtrade integrates voluntary payment of the Living Income Reference Prices in living income pilot projects with committed, forward-looking, commercial partners.

Fairtrade also invests in research (either by itself or as a member of coalitions such as the Living Income Community of Practice), organizes public campaigns, and influences public and corporate policies to make fair prices and trading practices the norm.

### **3.4 Purpose-before-profit business models**

#### **The topic**

**Shareholder capitalism is seen as a main driver for inequality and damage to the planet.** For some time now, profits have grown, but real incomes have not. Economies are expanding, but farmers and workers receive a decreasing share of the pie. The argument that some raise is that as long as businesses have a governance and management structure that prioritizes shareholder dividends and capital accumulation one can expect societies to become more unequal. The same dynamics also make businesses partly responsible for the pollution and depletion of the planet's finite resources (Doherty et al., 2020).

**This calls for enterprises putting people and planet first.** While the previous sections have referred to specific actions regarding inclusiveness, pricing and trading practices, these actions might not go far enough. Calls are made for a more fundamental revision of business models away from profit primacy. A variety of models already exist that demonstrate ways of doing business differently, from social enterprises to cooperatives, employee-owned businesses to fair trade enterprises. For example, the World Fair Trade Organization (WFTO) is a community of social enterprises that fully practise fair trade. Their members are mission-led, focused on the interests of its producers, and embed this in the structure, systems and practices of their enterprise (see website). They are built upon the five features of Fair Trade enterprises:

- 1 Fighting inequality
- 2 Women leading the change

- 3 Saving our planet
- 4 Going places other businesses will not go
- 5 Commercial resilience.

Oxfam also promotes social enterprises. Examples can be found in its SME development work (Oxfam Novib, 2020) as well as in its advocacy addressing large companies. For example, Oxfam's Behind the Barcodes campaign advocates supermarkets buying more from businesses using fairer models, including social enterprises, cooperatives and community interest companies. They refer to three criteria as crucial ingredients for fairer business (Maitland, 2019):

- Is there a social mission and is it locked in? (for instance, through a constitution or legal form that keeps the focus on social impact)
- Who has power? Do workers, suppliers or members of the community have a say in decision making? Are they represented on the board?
- What happens to profit? Do all those who contribute to the company's success get a share?

The experiences of WFTO and Oxfam show that social enterprises present a viable and desirable alternative model of doing business. In many cases, they have emerged in response to the needs of producers and communities, rather than the needs of the market. They are more likely to empower women, create livelihoods for marginalized communities, tackle inequality, protect the local environment and remain commercially resilient than a standard, profit-primacy business.

### Potential roles of MSIs

MSIs can play the following roles with regard to purpose-before-profit business models:

- **Ensuring social objectives are locked in their own Theory of Change.** MSIs can critically review their (implicit) ToC to see whether it is reinforcing existing exploitative business models, inequality and the ignorance of social and environmental externalities. This requires a thorough understanding of the root causes of systems failure and an honest assessment of whether solutions proposed contribute to real solutions.
- **Promoting and facilitating innovative business model pilots, tools and learning.** MSIs can support large, medium, small and micro-enterprises to explore more equitable business models. They can also promote tools which encourage the costing of externalities, assure payment of living wage and living income, empower women, etc. Initiatives could also focus on the creation of local food chains based upon the principles of a circular economy. These activities are much more about joint investments and learning than about setting norms or standardizing solutions.

## Chapter 4 MSI efficiency and credibility

This chapter discusses two topics which relate to the capability of MSIs to be efficient, effective and credible:

- Assurance models
- Digital solutions.

### 4.1 Assurance models

#### The topic

**Assurance fulfils a critical role in voluntary standard systems by providing demonstrable evidence that the requirements related to a product, process, system, person or body are met.** The quality and trustworthiness of this evidence determines to a large extent the credibility of the claim whether a certain standard has been met. Not surprisingly, most standards systems have developed elaborate rules to ensure the quality of the assurance process. Many of these assurance models have been based upon the ISO model<sup>16</sup>, which emphasizes impartiality and consistency of assurance. This has resulted in systems based upon third-party audits by accredited certification agents or bodies. This model has been the cornerstone of most MSIs and has contributed to their growth (Aidenvironment and Jinke Van Dam Consultancy, 2013).

**However, assurance systems have also received continuous criticism.** This includes the following issues:

- Assurance costs are perceived to be expensive and a constraint to scaling, particularly among small-scale producers (see also Part A).
- The audit process is poor at detecting high-risk sustainability issues, such as the use of child labour, the protection of land rights, workplace gender discrimination and forced labour. The complexity of these social issues versus the lack of competence of auditors, the limited time allocated for audits, and the intermittent nature of the audit process explains why some of these issues are not always picked up.<sup>17</sup> Sensitive and less tangible issues are also more difficult to detect through conventional auditing practices, particularly since workers are often fearful of losing their jobs if they speak out (Smith, 2020).
- Mainstream assurance models promote a compliance mentality with copious paperwork. This can induce producers and value chain actors to make shortcuts to meet the requirements, rather than taking them along a genuine continuous improvement process.
- Assurance models have a potential conflict of interest between the certification body and the client, and are susceptible to fraud, deception, bribery and collusion.

#### Potential roles of MSIs

MSIs generally recognize the weaknesses listed above and are strengthening their assurance processes to tackle them. Across the MSI landscape the following strategies can be identified:<sup>18</sup>

- **Investing in auditor competence.** This can be done by hiring auditors with the right aptitude, providing high-quality training, offering on-the-job mentoring, evaluating auditors and providing regular feedback, ensuring ongoing training through auditor calibration, and giving auditors enough challenging work to keep them competent.
- **Adopting smart data solutions and innovative technologies.** This is about the collection, integration and triangulation of multiple sources of data. It can include data from producers, group managers, buyers and other stakeholders as well as the use of satellite data, remote sensing, GIS and GPS tracking. An example is ASC's exploration of the inclusion of landscape-level data in audit processes. Building data platforms where producers can upload certain information prior to audits is another strategy (as ASIC is developing). Section 4.2. provides more detail on the role that data solutions can play in assurance.
- **Adopting risk-based approaches.** Making effective use of existing databases on risk levels and risk factors for specific issues can facilitate the more efficient allocation of resources in the assurance process. Part A referred to ASC's risk-based assurance approach.
- **Combine assurance with learning objectives.** Reorient the assurance process from a pure compliance focus to one which also builds the capacity of the certified entity in order to create a relationship that is more of a partnership, and amenable to continuous improvement over time (i.e. 'from policeman to partner'). For example, the recently developed three-tiered assurance model of the Sustainable Rice Platform provides space for combining assurance and learning objectives (see Part A). Another strategy for creating value is to make use of performance measurement tools which show producers and operators how their performance compares to the standard, other benchmarks and peers.
- **Promote impartiality of auditors by removing the client relationship between auditors and producers.** To avoid any potential conflict of interest between an auditor and the audited producer (i.e. its paying customer) MSIs can explore ways to assign auditors through a collective mechanism (e.g. an escrow fund could function as an independent payment and selection mechanism for certification bodies).
- **Developing more robust complaints and remedy mechanisms.** This refers to independent mechanisms to which stakeholders, including rights holders such as workers and community members, have the opportunity to report cases of misconduct by a certified organization or auditor and ask for remedy. Such procedures should be easy to understand, ensure confidentiality and have a system for management to follow up on reported grievances. RSPO for example has an elaborate complaints mechanism as well as a dispute settlement facility, although remedy is not consistently enforced. SRP has included a complaints mechanism linked to its assurance model.



Other strategies that MSIs can employ are the use of metrics-based standards to allow for more objective assessments (although this is less applicable to most social requirements) and jurisdictional approaches (see Section 5.1). Assurance processes can also inform M&E. For example, Rainforest Alliance is piloting a set of quantitative and qualitative indicators and a standard format for auditors to record data on outcomes without significantly increasing costs or administration for farmers, producer groups or companies. SRP's Performance Indicators are also designed with this purpose in mind.

## 4.2 Digital solutions

### The topic

#### **Technological innovations have the potential to transform how value chains work.**

Big data, artificial intelligence and other technological innovations are rapidly changing many aspects of our lives. The use of mobile apps, sensors, crowdsourced input, satellite imagery, and new ways to analyse, share, validate and visualize data can improve transparency, traceability and efficiencies in value chains<sup>19</sup>. This can lead to improvements in collaboration, monitoring and auditing (Global Forum on Responsible Business Conduct, 2018). Data innovations can also facilitate knowledge transfer and the adoption of sustainable practices.

**An example of a new technology is blockchain.** Blockchain provides a decentralized database for trustworthy and transparent storage of data transactions that are validated and verified for their integrity. Rather than being stored on a central database, information related to the transaction is stored in a decentralized way on a network of multiple computers. On permission-free public blockchains, any change to data needs to be verified by and then stored on multiple computers, which makes it almost impossible to tamper with information without being seen and approved by multiple actors. Among other applications, blockchain has the potential to dramatically increase supply chain transparency and efficiencies<sup>20</sup>. Practical applications include facilitating data integrity (e.g. on provenance), real-time traceability, and the sharing of data and records. It can contribute to reduced fraud and greater levels of trust in complex supply networks (OECD, 2019). So far, the application of this technology has been rather limited to physically verifiable characteristics and to private blockchain structures. For example, companies use private blockchain networks to guarantee product credentials to their buyers. Nowadays, pilot projects are being undertaken on its application for monitoring compliance on social and ecological standards such as living income, price paid or forest cover. The following box presents an example of its application in the rice value chain.

#### **Public blockchain as social compliance tool in international supply chains or sectors**

Public blockchain as a social compliance tool in international supply chains is considered promising for large-scale application. Oxfam and partners tested public blockchain for this purpose in its BlocRice pilot project in Cambodia. The contractual arrangements from farm to fork were laid down in a digital contract accessible to all chain actors.

Rice farmers received an electronic identity and provided data through a user-friendly app. Farmer data was verified to make it trustworthy and robust. For example, data on the disbursement and receipt of payments from buyer to cooperative and from cooperative to farmers was mutually verified, as well as triangulated with transaction data from the local bank. The data dashboard then provided supply chain actors with information on whether containers with rice lined up for export had respected contractual arrangements upstream. In case the data showed a high incidence of payments that were not according to the contract, importers could put pressure on the supplier to send only produce without such negative incidences.

As data was anonymized and used at aggregated level only, this was a strong and safe system for monitoring on social conditions that could compete with current certification systems. The pilot showed in particular the ability to give a voice to primary producers while current systems depend on third parties and paperwork.

*Source: Schuttelaar & Partners (2020)*

As with many new technologies, the implementation of blockchain technology also has its challenges. These include: the lack of control over the quality of information that is entered into the system (i.e. 'rubbish in – rubbish out'); ensuring access to data management systems by vulnerable and informal groups; the emergence of multiple databases for different supply chains; and, at least as long as one does not make use of public blockchains, a lack of interoperability between systems (OECD, 2019).

**Data innovations also have the potential to transform how MSIs work.** Digital data relates to many functions of MSIs, including assurance, chain of custody, traceability, marketing, capacity building and M&E. The biggest challenge that MSIs face is to understand which technological innovations are worth pursuing, and how they can be leveraged to scale-up sustainability. There are plenty of new, innovative technology tools that can help MSIs gather data, but it is important that this increased availability of data creates real value.<sup>21</sup> The extent to which data and digitization underpin strategies for scaling sustainability varies significantly across MSIs.

### **Potential roles of MSIs**

**One topic where data innovations provide real value is the assurance process.** As mentioned in Section 4.1, the use of digital solutions has the potential to improve the efficiency, effectiveness and credibility of assurance models. Options for collecting new forms of data or the integration of new data as part of the assurance process include the following:<sup>22</sup>

- Bring in data on national, regional or industry norms, in order to put information received from certificate holders or monitoring efforts into context and highlight good or troubling performance. ASC's work on having landscape-level data to inform audit processes is an example of this.
- Add remote sensing and satellite image data to the assurance process to supplement site audits.
- Collect information directly from workers or farmers to provide additional information about risks and compliance (all four MSIs in Part A are looking into

this). It could also give them a stronger voice and feedback mechanisms on the requirements being made.

- Share and cross-reference data between standard systems to create a complete picture of performance of one operation or production unit or of common problems in a particular region.
- More effectively integrate different sources of data that an MSI already collects in order to strengthen a particular process or system.
- Make effective use of existing databases on risk levels and risk factors for specific issues in order to enhance the assurance process.

**Beyond assurance purposes, data strategies can also provide useful, insightful, actionable information that can be actively used for decision making, shaping action, and service provision.** This can be done for example by presenting data in a different way to provide insights (e.g. data visualization, data dashboards), creating a driver for action (e.g. highlight progress and relative performance), or meeting a specific user need (e.g. for reporting or risk assessment). Examples include:<sup>23</sup>

- real-time data dashboards tracking non-compliance information to inform capacity-building priorities
- tablet or mobile phone applications that show producers and operators how their performance compares to peers and to relevant averages
- presenting or sharing data from certificate holders or supply chain actors in a way that could help buyers understand and manage specific risks in their supply chain or report on sustainability performance
- creating a public downloadable database with digitized (anonymized) data from audits to permit use by many different actors for different purposes
- testing a new data-driven service, such as provision or regular reporting of information being asked for by stakeholders (e.g. weather data, pest and disease developments, input prices and availability, market information).

Typical roles MSIs could play in promoting digital solutions include:

- **Further investing in data approaches to make their own systems more efficient and value-driven.** The above examples show various options in the assurance, capacity-building, communication and M&E functions, but this could be extended to chain of custody and traceability. For example, blockchain technology could provide a single source of truth for the movement of goods across all actors in a supply chain. Thereby companies could potentially prove claims more easily to auditors and business partners. (Note that blockchain technologies still need independent verification to ensure that the information put into the system matches reality (OECD, 2019)).
- **Supporting MSI alignment.** Data approaches can also offer opportunities to improve alignment between MSIs including a reduction of audit inefficiencies and the risk of double counting in the case of multiple certifications (Provenance et al., 2018).
- **Supporting members with data approaches.** There is still a lot to learn on data management and how it can promote sustainable production and trade. MSIs could

partner with research, development and value chain actors to explore valuable digital solutions. These pilots should focus on how data can further transform value chains work and how MSIs could facilitate this (e.g. through a more frequent and even continuous assessment of performance and providing services to producers). MSIs could also promote consistent application of data approaches among their members (see box).

**Promoting common blockchain guidelines among the members of the Responsible Minerals Initiative**

The Responsible Minerals Initiative (RMI) is an MSI with more than 360 member companies. The RMI supports companies on responsible sourcing issues, contributes to policy development with civil society organizations and governments and develops relevant tools and resources. To accomplish their goal of sourcing minerals more responsibly, RMI has released blockchain guidelines to drive further alignment in mineral supply chain due diligence and the application of blockchain technologies.

Blockchain guidelines are developed to reduce fragmentation of blockchain initiatives and promote interoperability between them. The RMI also supports members to apply the guidelines. The guidelines have been developed with members and external stakeholders, including organizations along the full mineral value chain and blockchain service providers. They will be regularly reviewed and updated.

*Source: Responsible Minerals Initiative (2018)*

- **Becoming data-sharing platforms.** Data approaches facilitate the sharing of improved, verifiable and reliable data. In support of greater transparency MSIs could position themselves as pre-competitive information sources on, for example, sustainability risks and performance. Through such a strategy, they can contribute to the wider knowledge base of a sector.

Whatever approach MSIs pursue it will be important to pay sufficient attention to the accessibility of data instruments to vulnerable groups, the data governance and data privacy.

## Chapter 5 Beyond single value chain approaches

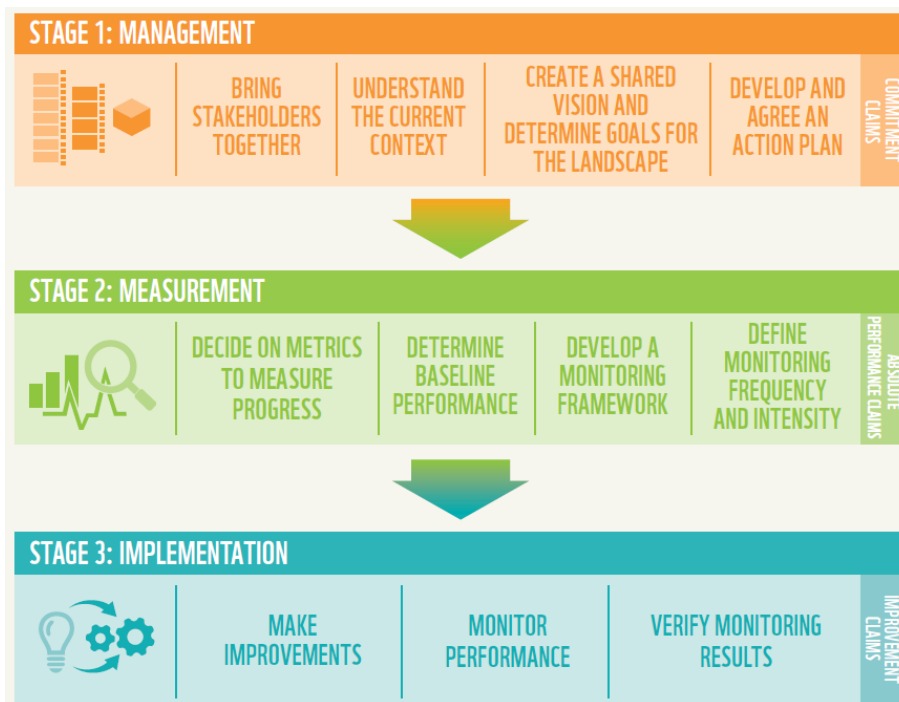
To improve the performance of a sector as a whole (e.g. a national or global palm oil or rice sector), there is need for a coordinated systems approach that aims for large-scale and long-term change. This implies looking beyond individual value chains and addressing the systemic issues in the enabling environment. MSIs can contribute to such dynamics by adopting strategies that promote more collaboration and coordination at landscape level and (national or international) sector level.

### 5.1 Landscape approaches

#### The topic

**Landscape and jurisdictional approaches, which go beyond individual supply chains, can address issues across whole landscapes and regions.** In recent years they have received increasing attention in response to the growing challenges of climate change, deforestation, biodiversity loss, inequality and exploitation (WWF–ISEAL Alliance, 2019). Landscape approaches can refer to very different things, varying from robust and participatory land use planning and management processes, often with a strong value chain component, to a geographical approach of verifying good practices of producers. While the first variation has the potential to drive larger and more lasting impact than traditional value chain approaches, the latter has the potential to make value chain approaches more efficient (in contrast to the first, which generally requires a lot of time and resources).

**Landscape initiatives are long-term processes that evolve through different stages of development, marking progress towards more sustainable production practices.** The figure below presents three key stages in the development arc of a landscape initiative.



Source: WWF–ISEAL (2019)

### Potential roles of MSIs

MSIs can play different roles regarding landscape approaches. The role of MSIs becomes particularly relevant when landscape approaches include a market component and claims are being made on products from that landscape or by actors investing in those landscapes. The following are possible roles:

- Monitor sustainability performance at landscape level.** This strategy can have three purposes. First, MSIs can assess how compliance with standards by certified entities contributes to wider landscape performance (e.g. water quality, deforestation). Second, insights into landscape performance and the relative level of risk of occurrence of poor practices can inform standard requirements (i.e. making them more context-dependent). Third, such information can also inform the rigour, independence, intensity and frequency of verification mechanisms (i.e. risk-based assurance). It is also highly relevant to align performance-monitoring frameworks among MSIs as there can be geographical overlap between them. For example, ASC is testing how landscape information can inform verification processes through a set of indicators which are being aligned with the Sustainable Fisheries Partnership and the Monterey Bay Aquarium Seafood Watch programme.
- Introduce a jurisdictional verification model.** MSIs can also pursue a model of verifying or certifying producers in a whole area rather than on a farm-by-farm basis. This could reduce cost-prohibitive barriers and provide a platform to reach out to producers who are currently not participating in the market for sustainability improvement (see the RSPO example in box). This will require credible assurance

models that shift the focus from farm-by-farm improvement and verification to area-based data collection and management, farm-level sampling and participatory monitoring (Moore et al., 2019). This is possibly to be combined with different types of claims at different levels of performance. It may also require specific arrangements for traceability models. Challenges to consider include variable performance levels between producers, identifying and addressing 'free-riders', and determining how much improvement is sufficient and the repercussions of not making progress (WWF–ISEAL (2019)).

#### **RSPO's Jurisdictional Approach to Certification**

RSPO's Jurisdictional Approach to Certification is an approach to minimize the negative impact of palm oil cultivation on the environment and on communities, at the scale of government administrative areas. It is a type of landscape management that responds strongly to the needs and challenges of growers and millers (especially independent smallholders and medium-sized growers) as well as other relevant stakeholders for inclusion in the RSPO system. It provides a more cost-effective management approach through consolidation of resources and efforts by strengthening stakeholder engagement and government involvement for structural change on topics that go beyond the capacity of single producers or even the full supply chain.

The approach has three dominant features:

- **Management structure and system.** The approach emphasizes multi-stakeholder partnerships to tackle landscape/jurisdictional environmental challenges. It focuses on the political level at which land use decisions and relevant governance policies for sustainability are made and enforced. It requires government leadership, support and collaboration playing a key role in facilitating a multi-stakeholder process, setting up overall governance, regulations and frameworks to bring jurisdictional members to apply RSPO standards progressively.
- **Impact at scale.** The need to develop landscape indicators which include environmental and social measures, beyond the immediate area of palm oil production and applying to the integrated landscape management at the scale of the entire jurisdiction. Landscape level indicators are essential for assessing impacts and for reliable reporting of progress of significant steps towards jurisdictional sustainability. They also inform the landscape management system.
- **Stepwise approach.** Given the scale of intervention required for jurisdictional certification, and the range of readiness and compliance of different actors within a jurisdiction, it is necessary to take a stepwise approach to achieving full jurisdictional certification. The stepwise approach allows all producers of fresh fruit bunches and palm oil, as well as supply chain actors, to enter the system through either individual membership (company level) or jurisdictional entity membership. This should give them time for the necessary institutional, policy, regulation and management changes to be put in place. The approach is designed to allow time for continual improvement and progress towards meeting all requirements by all producers and supply chain actors, including strengthening the role of government within the system.

*Source: RSPO (2020a)*

- **Promote implementation projects at landscape level.** MSIs can initiate or contribute to initiatives which organize producer engagement and capacity building efforts within a landscape rather than through individual supply chains. For example, SRP is developing a Sustainable Rice Landscapes Initiative which will work with governments and value chain actors at landscape and policy levels to drive the adoption of proven climate-smart best practices and innovative technologies to reduce the environmental footprint of rice, as well as linking farmers to markets. MSIs could also contribute to initiatives which look beyond single commodities and

promote truly integrated landscape management. MSIs can contribute to such initiatives on indicator development, discussed above, the creation of market linkages, and the facilitation of knowledge sharing between different initiatives. Oxfam also contributes to a better knowledge base through its FAIR company community partnership (see box).

**Oxfam FAIR company–community partnership**

The Oxfam FAIR company–community partnership aims to transform the palm oil sector with a new business model that moves away from large-scale plantations towards a greater voice and fair benefit for small-scale producers and their communities. It replaces monocultures by mosaic landscape patterns, where local communities protect and manage natural resources and biodiversity. The FAIR partnership model provides a green growth alternative economic model for palm oil cultivation, trade and, ultimately, consumption. It has four principles: Freedom of choice; Accountability; Improvement of benefits; Respect for rights (FAIR). It involves all players in the value chain: farmers, workers, communities, mills and traders, manufacturers and retailers of food and care products, as well as investors. It is developing a pilot in South Sulawesi in Indonesia with various partners including PepsiCo, Wilmar, AS Watson Health and Beauty Benelux.

Further information can be found at Oxfam Novib (n.d.)

A final consideration is to highlight the need to align and harmonize concepts, approaches and services related to landscape approaches. As it is still an emerging phenomenon there is an opportunity to avoid inconsistent, competing and confusing models (as has happened around traditional standards and certification systems (see also Section 6.1)).

## 5.2 Sector governance

### The topic

**While most MSIs traditionally try to raise the bar of sustainable production, there is increasing awareness of the need to raise the baseline for a sector as a whole.** The truth is that while MSIs have been successful in addressing sustainability challenges, the results tend to remain ‘islands of success’, i.e. they remain limited in scale or are not sustained over time. Many sectors have structural weaknesses that undermine the performance of value chain approaches like certification. Examples of weaknesses or systemic issues include price volatility, weak organization of the production base, the absence of services, and issues around elite capture and rent seeking. In sectors with such systemic issues, it will be difficult for value chain initiatives to create large-scale and long-term impact.

**Building sustainable, competitive and resilient sectors requires looking beyond the value chain and improving the governance of a sector.** Sector governance is the coordinated management of a sector as a whole, which can include a collection of rules, stakeholder involvement and processes to manage for common interests. Sector governance is broader than government, covering non-state individuals and institutions including the private sector. It has three main functions:



- 1 **Coordination:** key stakeholders are organized, collaborate, align their investments behind a common vision and are held accountable.
- 2 **Policies and regulation:** this is about establishing and implementing coherent policies and regulations which effectively govern sectors. They create a level playing field and provide incentives for good performance and disincentives for poor performance. They also address systemic issues such as price volatility, poor value capture, worker's rights, land tenure issues and climate change.
- 3 **Investment:** this is about strengthening the ability of a sector to generate sufficient revenue on a sustained basis and to make strategic reinvestments. This could consist of raising (export) levies or other taxes which are to be reinvested in research, quality management, subsidized services, price stabilization or market promotion.

### Potential roles of MSIs

MSIs can play different roles to contribute to sector governance, particularly by the following actions:

- **Raising public awareness.** Activities such as research and related public campaigning can influence the values and norms of more diversified stakeholders than certification approaches.
- **Convening stakeholder dialogue and coordination.** Convening multi-stakeholder platforms and partnerships can promote trust, alignment, collaboration and accountability between stakeholders. These are important conditions for more holistic sector-wide change processes (see the Global Coffee Platform example in the box).

#### **The Global Coffee Platform (GCP) contributes to the improved governance of the Vietnam coffee sector**

In 2016, the Global Coffee Platform (GCP) in Vietnam began to support the Vietnam Coffee Coordination Board (VCCB), a public-private partnership established in 2013 by Sustainable Trade Initiative IDH, with the aim to become an independent, policy-making body that represents the entire coffee sector in Vietnam. VCCB acts as a facilitator of policy dialogue, coordinator of programmes and investments, and monitor of Vietnam's collective action towards its coffee sector's vision. GCP's close collaboration with the VCCB has contributed to increased stakeholder coordination by developing a sector vision and strategy, aligning the industry's voice on policy to the Ministry of Agriculture and Rural Development (MARD), and mainstreaming the World Bank's 'Vietnam Sustainable Agriculture Transformation' (VnSAT) investment in the country.

GCP has had a major impact on the sector's knowledge development and tools. They developed the National Sustainability Curriculum (NSC), which is now used for VnSAT projects. GCP is developing an IT tool for sector-wide monitoring of best practice adoption, which will help Vietnam's coffee sector learn together. The platform creates peer-to-peer spaces at the provincial level for farmers and companies to share their experiences (e.g. effective farming models). GCP's approach also allows them to apply their expertise to advise on the assurance process for other standards in the agriculture sector (i.e. GlobalGAP). This pathway has also led to a few intangible impacts. For example, trust between industry and government has increased. After the VCCB was set up, companies had a formal mechanism to engage with public officials. Transparency has been strengthened through public-private communication that provides information on the government's proposed policy reforms and on each actor's programme implementation. This case highlights the critical role that sector platforms play in improving the enabling environment, particularly when led by MSIs.

- **Developing and sharing knowledge.** The development and dissemination of knowledge and tools in the public space.
- **Supporting the development of a viable service sector.** Support for the creation of a viable service sector will enhance access to services (e.g. training, inputs, finance) that target groups require to adopt sustainable practices. A viable service sector can drive the scaling of the adoption of sustainable practices. For example, the Better Cotton Initiative has supported Mozambique's Cotton Institute and various cotton mills to set up better capacity-building services for farmers. As a result, 86% of the country's cotton farmers produce Better Cotton, managing 90% of the land under cotton cultivation (Better Cotton Initiative, n.d.).
- **Engaging with the public sector.** This involves influencing public policies, regulation and investments and creating the incentives and a level playing field for improved sustainability. For example, in Belize, Fairtrade International lobbied the government for two years, which eventually led to the establishment of a Labour Advisory Board, Tripartite Board and National Child Labour Committee in 2017. These changes in governance structures are important steps in eradicating child labour across all agricultural and industrial sectors (ISEAL Alliance et al., 2018).

## Chapter 6 The standards landscape

This chapter gives some consideration on how different MSIs relate to each other and how they relate to mandatory standards or public regulation.

### 6.1 Proliferation of standards

**More than 400 voluntary sustainability standards exist in the world.** The International Trade Centre's ITC Standards Map (see website) currently contains more than 260 standards, codes of conduct, audit protocols and best practices, but it is estimated that there are more than 400 voluntary sustainability standards operating worldwide (International Institute for Sustainable Development, n.d.). Many of those initiatives operate in overlapping sectors and geographies. In addition, there exist many private company standards as well as mandatory standards.

**There are several good and less good reasons why there is such proliferation of standards.** One reason is the need for commodity- and context-specific standards with strong ownership by sector stakeholders. This is often a condition for reaching a certain depth and scale of impact. Different MSIs can also target different segments of producers and markets resulting in different requirements and communication strategies. In other cases, MSIs may exist alongside each other as a result of competing interests between different stakeholders (e.g. lead companies, NGOs or donors). Additionally, other motivations such as increased efficiency and brand value have led to an increase in private sustainability labels.

**There is concern about the proliferation of standards and the inefficiencies they may create for producers, value chain actors and consumers.** The existence of multiple standards for one commodity can confuse farmers and, in case of multiple certifications, result in additional costs in order to comply with different sets of requirements and multiple audits. The proliferation of MSIs has contributed to innovations in the design of standards and assurance models. However, the general opinion is that having too many competing initiatives defeats the ultimate objective of standardizing good practice across a given sector (Molenaar et al., 2015). The proliferation of labels also has negative implications for consumers, who are losing confidence in certification labels because there are so many of them and because people are uncertain about what the labels actually mean. As a result, the credibility of all certification labels has come under pressure (see, for example, Authority for Consumers and Markets (2016)).

**There are conflicting views on whether the proliferation of standards results in a race to the bottom or in opportunities for stepwise improvement.** The concern is that the proliferation of standards results in a race to the bottom, as the industry will eventually move towards less stringent and cheaper standards. On the other hand, the coexistence of baseline and best practice standards may enable producers or

enterprises to move gradually towards improved sustainability performance. Baseline standards are intended to offer producers a low barrier to entry, thereby making sustainability accessible to a larger group of producers. In combination with a continuous improvement process, baseline standards could theoretically function as a stepping stone towards more demanding certification. Whether actors step up the sustainability performance ladder depends generally on the presence of clear incentives, such as capacity building, guaranteed access to markets or price premiums. These incentives can often be realized only through a coordinated approach.<sup>24</sup>

**Despite various efforts, collaboration between MSIs is still weak.** The standards community is aware of the issue of proliferation. ISEAL actively promotes collaboration and alignment between members. Examples of collaboration are developing common performance metrics, aligning assurance models, and aligning definitions and methodologies (e.g. Integrated Pest Management Coalition, Living Wage Coalition, Living Income Community of Practice). However, such collaboration is often temporary, focused on isolated topics and with limited number of MSIs participating. MSIs still compete and have different priorities and scarce resources to invest in collaboration. It is not always easy or feasible to overcome this.<sup>25</sup> The merger between UTZ and Rainforest Alliance is an exception in the MSI world.

### Potential roles of MSIs

There are several ways in which MSIs could collaborate and reduce complexities and costs for producers, value chain actors and end consumers.

- **Aligning system functions.** This includes the alignment of criteria, metrics, assurance, chain of custody and claims models. MSIs can develop similar models which promote mutual recognition or pursue linkages between them (e.g. one MSI functions as a stepping stone towards another). For good practices see ISEAL Alliance (2019).
- **Co-investing in knowledge and tool development.** This includes the joint development of concepts such as living wage, living income and jurisdictional approaches as well as the development of methodologies and tools for capacity building and performance monitoring.
- **Collaborating within shared landscapes.** This could concern aligning criteria, assurance and outreach models in shared supply sheds (e.g. rice farming and aquaculture).
- **Public and private sector influencing.** This is about aligning messages towards, and jointly approaching, key private and public stakeholders such as governments, financial institutions and companies.

#### Examples of MSI collaboration

- 1 The Better Cotton Initiative (BCI) and the Global Coffee Platform (GCP) have created the Delta Project, which aims to build a common framework for sustainability reporting that is linked to Sustainable Development Goal targets. Focusing on the coffee and cotton sectors, the framework will measure improvements in sustainability and demonstrate their connection to company sourcing practices and governmental monitoring.

- 2 With a particular focus on the South-East Asian context, ASC, SFP, and Seafood Watch conduct an in-depth technical comparison of their programmes – highlighting key points of difference and commonality and searching for opportunities where they can align their work. In particular, they look to reduce inefficiencies, harmonize the messages that they communicate to global seafood markets, and improve the consistency of the data they collect and the ways in which they apply this data.
- 3 In 2016, nine ISEAL members came together to form the Integrated Pest Management (IPM) Coalition. The coalition aims to reduce and eventually eliminate the use of highly hazardous pesticides, and to promote more sustainable alternatives. It also aims to harmonize approaches to pesticides between ISEAL member standards. The coalition’s first project, funded by the ISEAL Innovations Fund, was to develop an open-access online database of pesticides. The database contains information on 688 pesticides, detailing their potential hazards and their status (whether they are restricted or banned) under different ISEAL standard systems. Users can search for pesticides by their active ingredient or their unique CAS number. Importantly, the database also contains information on alternative pest control or IPM techniques for different crops and forestry species. Building on the database, the coalition has developed a mobile app to share information on pesticides and less harmful alternatives with users on the ground. The Pesticides & Alternatives app is available online and offline on Android and iOS devices, giving farmers, foresters and golf course managers the information they need at their fingertips.

*Source: ISEAL Alliance website, Innovations projects*

## 6.2 Voluntary versus mandatory standards

### The topic

**While many MSIs were established in response to the absence of a proper rule of law, governmental mandatory standards are emerging, partly in response to the failure of MSIs to achieve wide-scale change through voluntary standards.** MSIs, as a form of non-state global governance, have come to supplant the state’s traditional role in resource management. This is because the state was seen as increasingly ineffective in regulating global production chains, due to ‘twin deficiencies of lack of capacity and bounded jurisdictions’ (i.e. authority ends at borders) (Gale and Haward, 2011). Indeed, as sustainability requirements trickled down through the supply chains of multinational companies, MSIs have created cross-boundary impacts, even in countries with poor rule of law. However, as explained under the sector governance topic, MSIs face challenges to scale beyond certain types of producers and end markets. It has become clear that they are not an alternative to public regulation and are not the final solution. This raises the question whether it is not better to directly address the gap they try to fill: the lack of rule of law. One way to do this is to introduce and enforce mandatory standards which apply to all actors in a certain jurisdiction. And indeed, the last decade has seen the emergence of a range of mandatory standards or guidelines in producing and importing countries. Some well-known examples in producing countries include the national standards in the palm oil sector (Indonesian Sustainable Palm Oil (ISPO), Malaysian Sustainable Palm Oil (MSPO), India Palm Oil Sustainability Framework), the tea sector (Trustea in India, Lestari in Indonesia), and various national Good Agricultural Practices (GAP) standards in for example horticulture, aquaculture and rice. It must be said that not all of these examples are (yet) mandatory.

**Tensions exist between (international) voluntary and (national) mandatory standards.** Some producing countries perceive international voluntary standards as trade barriers and in conflict with their authority and sovereignty. One could argue that because of this, MSPO and ISPO were created in reaction to the RSPO. Other arguments against international standards are that they are not tailored to the local context, focus only on exported commodities and have little buy-in from national stakeholders. National standards are also criticized by international MSIs. They are seen as less strict, less comprehensive and poorly enforced (i.e. less credible). These divergent views raise challenges for both types of initiatives.

**Despite the tensions, there are also examples where voluntary and mandatory standards inform or complement each other.** As mentioned earlier in this report, there is increasing recognition that voluntary efforts, such as MSIs, should not replace mandatory efforts. Instead, the two must work alongside each other (MSI Integrity, 2020). There is an increasing number of examples where voluntary and mandatory efforts not only coexist but also inform each other. Direct engagement by MSIs with governments can lead to improvements in national standards. For example, SRP requirements have been incorporated in the ThaiGAP rice standard. ASC offers another example. In Vietnam, ASC has a Memorandum of Understanding with the Directorate of Fisheries to strengthen its assurance system for the mandatory VietGAP standard for aquaculture. This direct engagement is contributing to improved governance of Vietnam's responsible aquaculture policy and is part of a stepwise approach from VietGAP to ASC certification (ISEAL et al., 2018). Considering national mandatory standards as stepping stones to more comprehensive international standards is an argument that is often put forward. Whether stepping up does take place will depend to a large extent on the performance and recognition of national standards and attempts to coordinate and create the right incentives for the transition towards the international standards (Molenaar et al., 2015). Alternatively, governments can also refrain from developing new standards, but introduce incentives to adopt existing national standards. The box below provides two examples.

**Two examples of governments promoting the uptake of international standards**

- 1 In 2011, Peru tightened regulations on the management of forest concessions to curb increased illegal deforestation. The revised Forest and Wildlife Law also introduced financial incentives in an effort to mainstream sustainable forest management. Forest concession holders can reduce their yearly lease payment by up to 70% if they adopt sustainable practices such as those defined by FSC standards. Lower lease payments also extend to the establishment of conservation areas. The Peruvian government similarly has widened its monitoring reach and shows importing countries and traders their commitment to tackling illegal deforestation. This FSC case shows how national governments can use voluntary sustainability standards as an extension of public policy and enforcement.
- 2 In 2017, the Government of Jersey, a UK island dependency, launched the Rural Support Scheme (RSS) which requires dairy and arable farmers to be Organic or LEAF Marque certified by 2019. The three main reasons behind the impulse to operate at the highest farming and environmental standards are: competitiveness of exports; tourism; and ensuring public goods such as the natural environment and water quality. Farms can qualify for conditional environmental and business improvement grants by being LEAF Marque certified. Engaging with LEAF has enabled Jersey, with limited resources for monitoring, to ensure full compliance of its

farms, which while receiving RSS payments must minimize operational costs. This move has raised greater awareness of the need for and benefits from ensuring public goods and the farmer's role in delivering them. So far, the potato and dairy sectors have embraced the RSS.

*Source: ISEAL Alliance et al. (2018)*

## Potential roles of MSIs

The roles MSIs can take with regard to mandatory standards include the following:

- **Advocate for mandatory standards that align with their standards.** MSIs should see mandatory initiatives not as a threat but as a complementary measure which can support their mission, promote a level playing field and create a stepping stone for their own standards. More alignment and coordination between national and international initiatives will increase opportunities for complementary values. MSIs can also offer space to have informal, pre-legislative discussions on the need for legislation.
- **Advocate for governments to adopt and incentivize the uptake of international standards.** MSIs could also discourage governments from developing new standards and advocate that they refer to the voluntary standards in their legislation or introduce other incentives for increased uptake. Such measures are applicable in producer markets (as described in the box above) and consumer markets (e.g. through requirements for import or public procurement).

## Chapter 7 Concluding considerations on MSI performance

**MSIs can contribute to a change towards inclusive and responsible business conduct**, enhancing other approaches with this objective and the ultimate Oxfam goal of a ‘fair world without poverty’. This relates to:

- a. opportunities to work on pathways to sustainable solutions, using the power of the market and using the knowledge and experience of private sector actors
- b. involvement of all market actors in the value chain (from producer to retailers)
- c. assuring peer-to-peer accountability and monitoring
- d. forging global–regional–local connections and therefore promoting change, North and South
- e. offering private sector and NGO-backed advocacy for change in public national and international legislation and policy.

**The examples in this report show that MSIs can add value by starting to engage or engaging differently on specific topics.** Part A and Part B have shown many options for this. In so doing, MSIs can further scale their impact. This can for example be done by adapting existing strategies better to specific target groups (e.g. inclusiveness for small-scale producers), by integrating new topics into existing systems (e.g. incorporating human rights in standards) or by taking up additional roles (e.g. influencing public policy). Pursuing different strategies can also create complementary values. In many cases, value chain strategies (i.e. certification) and strategies influencing the enabling environment (i.e. knowledge development, policy influencing) complement each other. These latter strategies can create conditions that facilitate further standard uptake and the scaling of sustainable practices. Activities leading to improved standard systems can also facilitate the integration of requirements for sustainability into public policy. MSIs such as Fairtrade International, Global Coffee Platform, and the Better Cotton Initiative are already showing a more strategic approach with more emphasis on creating an enabling environment for the uptake of good practices in their respective Theories of Change. The four MSIs related to GRAISEA do this in varying degrees and there is certainly potential for further improvement.

**There are practical limitations to what one can expect from MSIs.** While many opportunities exist to increase the value of MSIs, they may not always be capable of realizing these improvements. Experience shows that many MSIs already struggle to build consensus and to develop and roll out a basic certification system. This requires many scarce resources (such as staff time and funding). Taking up additional roles may be a bridge too far, diluting efforts and undermining the effectiveness of the certification pathway. The revenue model for certain roles may also be more challenging than the certification-focused model. A diversification of roles may be relatively easy for a well-established and financially healthy MSI like RSPO, but more challenging for MSIs which are still in a development phase, such as SRP and ASIC. Nevertheless, even new MSIs can choose to adopt a more diverse Theory of Change from the onset of their initiative rather than focusing only on certification.



**MSIs are not the solution to all problems.** Despite all the value they can potentially bring, MSIs are only one instrument among many. MSIs should be aware of this and always pause to consider whether they are the right initiative to take up a certain topic or role. This decision can differ considerably depending on the development objective or context. Hence the importance of having a clear Theory of Change which explains how they, possibly through partnerships, can best fulfil their objectives in a particular context. Such Theory of Change should also recognize the possible trade-offs between different strategies. For example, the push for more comprehensive standards or the adoption of more sophisticated technology may increase the barriers that deter small-scale producers from joining.

GRAISEA and Oxfam are pushing MSIs towards improvement of their scope, reach and relevance. It is hoped that this document will contribute to learning by all parties on how to further enhance the effectiveness and impact of MSIs.

## Chapter 8 Recommendations to Oxfam for increasing effectiveness and impact of MSIs

Previous chapters have presented many options that MSIs can adopt to improve their performance on various topics. This chapter provides some suggestions on how Oxfam could promote and support MSIs in making such improvements. The recommendations come from this analysis, the Oxfam Guidance on Multi-stakeholder Initiatives, and from insights obtained from an evaluation of Oxfam's historical engagement in the palm oil sector conducted by Aidenvironment in 2018. They are intended as input for further internal reflection within Oxfam on whether and how to support MSIs on a range of topics.

**The choice to engage with MSIs should be based upon a shared vision within the Oxfam confederation on the role MSIs should play in realizing development objectives.** This role should be considered in relation to the wider set of instruments and strategies available. Interviews with Oxfam staff revealed that there are divergent, even conflicting views on the role of MSIs. Some highlight the value that MSIs bring and see potential for further improvement. They also see how engagement in international MSIs can inform and encourage Oxfam offices to start national or provincial MSIs (or Public–Private Platforms) which can enhance the search for local and contextual joint multi-stakeholder solutions. Others are sceptical as to their value and the opportunities they present, and seem to be strongly in favour of alternative pathways (e.g. direct company engagement, social enterprise development, or influencing public policy). Diverging views can be a strength, as they can provoke critical debate, encourage innovation and result in more diversified and effective strategies. However, a certain degree of internal alignment is desirable when engaging with MSIs on the topics discussed in this report. The next point will explain why.

**Being an insider or outsider to MSIs?** This is a critical question within Oxfam. Oxfam is a member of the governing body of RSPO, is directly supporting ASIC, and has been closely engaged with SRP and ASC for many years. Engagement with MSIs entails both opportunities and risks for Oxfam. MSIs provide the opportunity to influence a larger number of private sector actors relative to individual bilateral engagements with private sector companies. They also provide a voice for several constituencies to advocate for rights-based approaches (e.g. a recent strategy within the RSPO to create more internal pressure towards the MSI is the establishment of an NGO caucus). As explained in Oxfam's guidance document on MSIs, the power of Oxfam's brand, its expertise, and its ability to tap into a wide pool of resources mean that Oxfam can be an influential player within an MSI. Its influence can be seen in both the content of standards and in the design of accountability mechanisms. However, when Oxfam associates itself with an MSI, it lends its credibility and legitimacy to the MSI through the Oxfam brand and this can result in reputational risks. In addition, being associated with a particular MSI can alienate strategic partners and allies who do not share their theory of change, have a different assessment of the MSI, or might even be

campaigning against companies participating in the MSI. Another aspect is that being an insider may compromise or limit in some way the ability and effectiveness of criticizing an MSI or its members publicly. There can for example be a tension between Oxfam's position towards the MSI or specific members and the need to work constructively together in a coalition. An over-critical voice can affect levels of trust and jeopardize future cooperation. On this question, the palm oil evaluation concluded that Oxfam should be involved in both the insider and outsider roles as long as it can strike the right balance between them, which it generally does. The implication is that public criticism of a MSI or a member is preceded by direct engagement with these actors. Oxfam's experience shows that the insider and outsider roles can be combined and strengthen each other. This will require that both roles are well understood and respected within the whole Oxfam confederation as a lack of internal alignment potentially harms both roles.

**Provide expertise and create a sense of urgency to act on (selected) social and human rights topics.** As insider or outsider to MSIs, Oxfam can raise awareness and share expertise to inform standards, accountability mechanisms and implementation guidance and tools. Being present at global, national and local levels supports Oxfam's credibility and expertise. Raising awareness can be done via dialogue and campaigns, and can be supported by research. Research could focus on what may currently be going wrong, but also on generating evidence of the benefits that arise when things go well (e.g. the value of improving the position of women). The question is whether Oxfam is best positioned to play the expert role on all topics discussed in this report. Probably not. Oxfam may be less well placed to advise an MSI on chain of custody models. Even the social and human rights-based agenda is a broad one. The palm oil evaluation did generate the question whether Oxfam should 'own' the full rights-based agenda (e.g. land and community rights, women's empowerment, labour, smallholders). A broad agenda is good as long as it is combined with sufficient subject matter expertise across the confederation. If this is a challenge, a narrower focus would be preferable (possibly not in terms of agenda setting, but in terms of offering solutions).

**Support MSI accountability towards right holders and promote their engagement in MSIs.** Oxfam can advocate for accountable governance mechanisms within MSIs, and create means for effective participation, ensuring that the decisions made are reflective of and responsive to local concerns and to the most materially affected stakeholders. Rather than taking a leadership role in MSIs, Oxfam can support Southern CSOs to take up such a role (e.g. NGOs/trade unions/community organizations). As explained, it remains a challenge for many MSIs to involve these groups properly. Oxfam could strengthen the capacities of Southern CSOs and support them in participating effectively. This also includes supporting local rights holders to make use of the accountability mechanisms these MSIs offer, such as complaints mechanisms, and strengthen the monitoring of remedy mechanisms. An example is Oxfam's support to the filing of more than a dozen complaints at the RSPO by national CSO partners. Accountability also refers to MSIs being transparent about positive and

negative outcomes and their progress in reaching their objectives. In support of this, Oxfam can stress the need for robust and independent monitoring and evaluation.

**Invest in on-the-ground pilots that support MSI effectiveness on topics relevant to Oxfam.** For any MSI it is important that dialogue and system building are complemented by concrete field activities. In the initial stages, field activities are needed to pilot standards, new tools, or more inclusive business models. This will be followed by investments to roll out the system and reach scale. Oxfam can contribute to piloting innovative field activities with expertise and donor funding. A selective approach is recommended in choosing what to support, as the need for support for piloting and scaling will be 'endless'. One recommendation is to focus on pilots which have the opportunity to strengthen the MSI systems rather than projects to scale implementation. It is also recommended that Oxfam support pilots that are close to its own expertise or, if they are not, engage experienced implementation partners. GRAISEA is doing this.

**Promote collaboration and alignment between MSIs in a continuous race to the top.** Through their involvement in different MSIs, Oxfam is in a position to promote collaboration between MSIs. A programme like GRAISEA could push for this. It can urge the MSIs to learn from each other's best practices or to explore jointly solutions to common challenges. It also makes sense to promote collaboration in contexts where MSIs are active in the same landscapes, as can be the case for rice, aquaculture and palm oil.

**Advocate for strong complementary public regulation to create a level playing field and higher norms than those voluntary standards can agree upon.** In recognition that MSIs are not the solution to every problem, Oxfam should continue to advocate for measures outside the MSI space. An example is the promotion of effective EU regulation on HRDD. In support of this, Oxfam can also build the case for public regulation among MSI members, by pointing out where MSIs are reaching their limits.

**Monitor and critically engage with companies outside the MSI space and share lessons with MSIs.** Oxfam should continue to publicly monitor the performance of companies on specific topics. Where such activity risks being too counterproductive to MSI progress, Oxfam could revert to such means of communication as writing blogs. It is also recommended that Oxfam continue to critically engage directly with companies outside the MSI space, with the aim of improving their performance on pertinent issues. Where possible, proven solutions and lessons learned should be shared within the relevant MSIs.

**Critically assess MSI performance and Oxfam's own role on a regular basis.** The outcomes of such assessments should inform whether to continue to engage with a particular MSIs (inside and/or outside) and on what topic. It is recommended to use pre-defined criteria for such assessments.

**Ambitions need to be in line with the available resources.** Interviews with Oxfam staff revealed that the available human, financial or knowledge resources are not always sufficient to make the desired contribution to MSIs. This highlights the need to be selective about the number of MSIs and/or topics to engage with. It also implies that Oxfam has to manage expectations of their MSI targets regarding the role it can take on these topics. It has to be noted though that increasingly donors appreciate both the insider and the outsider roles of NGOs towards responsible business conduct. Capacity can therefore be added through proper fundraising.

## Notes

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<sup>1</sup> 'MSI' is a container concept which can refer to a wide range of initiatives; these can differ in terms of thematic focus, product or service focus, geographical scope, governance model, business model, type of intervention, etc. This report focuses on those MSIs which have voluntary sustainability standards as a core intervention for one or multiple commodities mainly produced in low- and middle-income countries. A key characteristic of these MSIs is that they involve multiple companies (direct actors in value chains) and most often other types of stakeholders (indirect actors such as service providers, civil society and public sector representatives). Other commonly used names for this kind of MSI include voluntary sustainability standards, standard systems and certification systems.

<sup>2</sup> See the many studies published on the Evidensia website at <http://www.evidensia.eco>.

<sup>3</sup> See the ISEAL Alliance webinar (2016). ISEAL is the global membership association for credible sustainability standards. Its members have sustainability standards that meet ISEAL's Codes of Good Practice and promote measurable change through open, rigorous and accessible certification systems.

<sup>4</sup> It should be mentioned that in many sectors there is a structural oversupply of certified products. This implies that certified farmers may be able to sell only a part of their annual production against certified conditions, with the remainder sold on conventional markets.

<sup>5</sup> The concept of jurisdictional or landscape approaches will be further explained in Part B.

<sup>6</sup> In a report from MSI Integrity it was identified that of the 40 MSIs investigated only 13% include affected populations in their governing bodies, whereas none had a majority of rights holders on their board (MSI Integrity, 2020).

<sup>7</sup> ThaiGAP is a voluntary private standard for safe and sustainable farming, managed by the Thai Chamber of Commerce and the Board of Trade of Thailand and promoted by the Thai government.

<sup>8</sup> Other costs which can pose a constraint to smallholder inclusion include the cost of implementing the requirements of the standard, costs related to traceability, MSI membership fees and volume-based fees on verified/certified products to be paid to the MSI.

<sup>9</sup> There is one scientific study available, Devkota et al. (2019), which compares performance indicators on different rice establishment methods in India.

<sup>10</sup> These include on Free Prior and Informed Consent (FPIC), High Conservation Value (HCV) and High Carbon Stock (HCS) approach, Social and Environmental Impact Assessment (SEIA), Land Use Change Analysis (LUCA), Remediation and Compensation Procedure (RaCP), and Greenhouse Gas assessment.

<sup>11</sup> Unfair trading practices include unilateral contract changes (e.g. demanding rebates), lengthy invoice payment periods, termination of a commercial relationship

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without reasonable period of notice and the transfer of storage or marketing costs to producers.

<sup>12</sup> This publication describes how competition law can be a lesser constraint than it is often perceived to be.

<sup>13</sup> Whereas Rainforest Alliance has so far required a negotiated premium to be paid to certificate holders, it has recently changed its policy. The supply chain requirements now refer to the obligation for a sustainability differential, sustainability investments, and supply chain contributions for living wage payment. In cocoa, Rainforest Alliance has also set a minimum for the Sustainability Differential at \$70 per MT of cocoa (from July 2022 onwards). This is the cash per MT paid to the individual farmer. The requirement for buyers to make Sustainability Investments to the certificate holder (e.g. farmer cooperative) will be based on an investment plan provided by the certificate holders themselves. See Rainforest Alliance (2020).

<sup>14</sup> These options are derived from Aidenvironment research as presented in: International Coffee Organization (2019) and Aidenvironment and Sustainable Food Lab (2018).

<sup>15</sup> The Shared Responsibility policy defines a set of responsibilities RSPO members must commit to for achieving the vision 'to transform markets to make sustainable palm oil the norm'. The Shared Responsibility requirements comprise topics and themes identified by the RSPO P&C Task Force. Specifically, they relate to topics such as the environment, information and outreach, human rights, complaints and grievance, land use, and Free, Prior and Informed Consent (FPIC). From downstream companies it is expected that they will increase their uptake of RSPO certified palm oil over time. See RSPO (2019).

<sup>16</sup> The International Organization for Standardization (ISO) defines rules for standard setting and certification. See 'Certification & Conformity' on their website:

<https://www.iso.org/conformity-assessment.html>

<sup>17</sup> See *Using data to help detect high risk sustainability issues* on the ISEAL Alliance website: <https://www.isealalliance.org/innovations-standards/strengthening-assurance-manage-risk/using-data-help-detect-high-risk>

<sup>18</sup> Most of these proposed strategies are derived from ISEAL Alliance (2016).

<sup>19</sup> See *Leveraging data and technology innovations* on the ISEAL Alliance website:

<https://www.isealalliance.org/innovations-standards/leveraging-data-and-technology-innovations>

<sup>20</sup> See *Exploring the value of blockchain for standards* on the ISEAL Alliance website:

<https://www.isealalliance.org/innovations-standards/innovations-projects/exploring-value-blockchain-standards>

<sup>21</sup> See *Leveraging data and technology innovations* on the ISEAL Alliance website:

<https://www.isealalliance.org/innovations-standards/leveraging-data-and-technology-innovations>

<sup>22</sup> These options are taken from an ISEAL Alliance Innovations Fund Call publicized in 2017 (not public).

<sup>23</sup> These options are copied from an ISEAL Alliance Innovations Fund Call publicized in 2017 (not public)

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<sup>24</sup> This is when compliance with a lower standard is not followed by an attempt to reach higher standards (Aidenvironment and Jinke Van Dam Consultancy, 2013).

<sup>25</sup> These findings are based upon a recent midterm review by Aidenvironment of ISEAL's Innovations Fund which funds projects where ISEAL members collaborate.



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Roundtable on Sustainable Palm Oil: [www.rspo.org](http://www.rspo.org)

Sea Food Watch: [www.seafoodwatch.org](http://www.seafoodwatch.org)

Social Accountability Accreditation Services: [www.saasaccreditation.org/](http://www.saasaccreditation.org/)

Sustainable Rice Platform: [www.sustainablerice.org](http://www.sustainablerice.org)

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## Appendix II About this document

This research document is produced as part of Oxfam’s regional programme on Gender transformative and Responsible Agribusiness Investments in Southeast Asia (GRAISEA). The programme works with Asian agribusiness towards win–win solutions: business models that benefit both small-scale producers and the private sector and that are socially, economically and environmentally sustainable. Women’s empowerment and climate resilience are specific focus areas.

It does so by:

- working with frontrunning companies to demonstrate gender-transformative and responsible agribusiness models for small-scale producers, in particular women in the value chains of rice and seafood (shrimp aquaculture)
- using these models to advocate for inclusive and responsible agribusiness policies and practices in leading agribusiness companies and in multi-stakeholder initiatives such as the Sustainable Rice Platform (SRP) and the Aquaculture Stewardship Council (ASC), and for enabling regulatory frameworks in ASEAN and its member states.

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### DISCLAIMER

This report does not represent Oxfam’s nor the Swedish Government’s positioning on MSIs in general or their role regarding the discussed topics. It has been written by Aidenvironment to provide Oxfam staff, its partners and MSIs with input to further reflect on possible improvement strategies.