

TSPN Conference and Member Meeting: “Assessing Costs, Benefits and Impacts of Compliance with Forestry, Agriculture and Food related Standards.”

Berlin Dec 9-10, 2008

Report

On December 9-10, 2008 representatives of various organisations working in the field of standards as certifying and standard setting organisations, research institutions as well as bilateral and multilateral donors met in Berlin to discuss their experiences with different tools to assess costs, benefits and impacts of standards in different sectors and the respective findings.

Methodologies, which can provide transparent and comparable information on the impacts of standards, are an essential foundation for strategic interventions aimed at maximizing positive opportunities arising from standards-based markets. The absence of this information continues to operate as a major obstacle to effective intervention and scaling up of standards.

The overall aim of the workshop was to address this lack of information by examining the applicable scope, advantages and disadvantages of methods currently used. At the end needs for further development supported by TSPN and possible working areas should be figured out.

There were two major aspects identified which cause this information gap on standards impacts:

First of all, the availability of reliable data on standards and their intended and unintended effects is often not given. This is due to the lack of time and financial resources, the lack of baseline studies and suitable control groups for cross checking and/ or the lack of high quality data.

Secondly, even if the data which gives evidence about standards effects exists, the information exchange with other researchers in other parts of the world or working in other sectors occurs only sporadically or coincidentally. A continuing information exchange or comprehensive information platform is missing. Thus there is a lot of multiplicity and “reinventing the wheel”. A network could be tool to resolve such problems. To connect researchers which have interesting data could be also an area of work for TSPN. Also it should be checked what other initiatives are working on the same problem (e.g. the COSA project is planning with ITC to develop a database for results of standards evaluation) and the option of collaborating and finding synergies should be checked.

The general assumption of the conference was, that there exists a plethora of levels and objectives that standards research can focus on: Some studies concentrate on the trade effects and economic effects, e.g. how standard can open up markets and ensure premium prices, others on governance structures or the livelihood of stakeholders, others on the improvement of environmental externalities, or the consumer will. The approaches vary from looking at the macro level down to the farm level. Different kinds of labelling programmes can be examined, like single versus multiple certification systems or other alternatives as verification.

Various methodologies like econometric models, gravity models and others were presented.

The method of Cost-Benefit Analysis (CBA) was explored more in detail. Two major limitations were identified for the CBA. First of all the measurement of the real costs and benefits cannot explain the perceived costs and benefits, which are sometimes even more important to explain, decisions to adopt standards or not.

Secondly the non market benefits and non market costs were hardly addressed. For example, the intended benefit of an ecological standard is primarily to improve environmental conditions, but when we evaluate the standards with CBA we measure the costs and benefits only in terms of prices. That means what we measure so far is something direct but not intended in the first instance. It would be interesting to measure also benefits that arise by the improved environmental externalities and by that improved livelihood and possibly more sustainable production methods which ensure a sustainable basis for future earnings.

This is where the Multi Criteria Analysis (MCA) starts which was presented by Daniele Giovannucci on the example of Committee of Sustainability Assessment (COSA). It develops the CBA further and requires beside economic criteria also environmental and social criteria to be measured. The methodological challenge here is to find suitable and feasible indicators to measure environmental sustainability. It's not so easy to measure soil erosion or biodiversity. And who defines what kind of loss is still sustainable?

Besides the presentations of the various techniques several general obstacles in achieving generalization and comparability of research results were discussed at the meeting.

First, it seems there is still a necessity for harmonization of wording. The word "standards" in different disciplines means different things. Also the word "impact" is often used simultaneously for "outcome" or "effects", which can be distinguished.

Secondly, for the same standards very different outcomes and levels of performance can be achieved in different contexts. For example the varying costs can be explained with different efficiency in the compliance process. They also depend on externalities, like the status quo in the country, the extension services, policies and legislations.

Often correlations can be shown but the direction of the impact chain remains unclear. Does certification open up markets or does it occur only where market access is given already. Sometimes adoption occurs only when sanctions are feared, like the loss of market shares or the loss of contracts with retailers. Does the past export performance explain the standards adoption or vice versa? Are the positive effects a result of certification or just a result of the parallel training on good agricultural practice? What is determining what? This all implies that what we have so far is only partial evidence which is anecdotic. Possibly there needs to be more research on these factors before we have enough to develop policy advice out of it.

These considerations lead to the question whether generalizing the results of the various research activities is realistic or even necessary.

One of the major findings of the conference was that depending on the different epistemological scope and research questions different methodologies should be applied. A methodological framework could give some guidance in selecting the right techniques for the respective research interest. A draft for such a framework was presented by Jason Potts, IISD. The further development of this framework could be a task promoted by the TSPN.

On the other hand it would be suitable to have a common conceptual framework as a filter, to get comparable results. Melting different measures together as the Multi Criteria Analysis

is doing it, could be a suitable option. But even the MCA doesn't imply to use the same methods in each research activity, it only suggests the criteria to be examined, but not with which tool.

In general because of the identified lack of financial and time resources there is a need for a very practical approach to find out about standards actual effects. Paddy Doherty presented ISEALs initiative to develop a kind of baseline impact assessment guide for standard setting and certification bodies. The overall goal would be to help standard bodies to make continual improvements.

That means we need to build a **bridge between researchers and practitioners** by translating the results. Because what we want to see in the end is more an acceleration and rationalization of certification, reduction of costs and improved certification systems. Thus the research shouldn't be done for science per se. The main challenge is to take it out of academia into the policy world.

Probably there are different expectations and needs between producers, standard setting bodies, development country governments and donors. The unique structure of TSPN by including all of these actors could be an option to synthesize opinions and let them speak with a unified voice.

TSPN could create **guidance tools for policy decision makers, donors and developing country representatives**, focussing more on development projects of technical assistance. Policy makers need clear reliable and objective information on how different sustainable practices (standards) impact producers and their communities. TSPN could check what methods exist, characterizing and situating them within the context of TSPN. To promote something like the Multi Criteria Analysis or a methodological framework could be very promising, but doing so we should focus less on a methodological development than designing a helping package to draw the outputs and generalizations from different pieces of work. With this respect the creation of a Monitoring and Evaluation guiding tool could be helpful, including the promotion of baseline studies, of data sharing and of learning from these evaluations.

Still only a few percent of the market is included into the process of emerging standards. There are many firms producing only for local markets, where the power of the retailers, who play a big role in the diffusion of information on standards adoption, has no influence. Thus a second target group could be producers who are less integrated into the value chain. They have less information on the real need to comply, the real benefits and the future market development. How can we overcome this perceptual barrier, **bringing the information to the producers?** TSPN can play a role as a Clearinghouse with its webpage including a standards data base.

In general there was the common understanding, that the overall effects of standards have a positive nature. There is a need to scale up the positive effects of standards to a broader part of the population. That means beside the provision of information on standards cost and benefits they need to get ready for the mass market. Baseline standards or minimum mainstream standards might be an option to reach that goal.

Something, which is also missing so far, as the **fourth possible working area** for TSPN, is information on the **credibility and legitimacy of the various standard bodies**. The local assessment capacity is uneven so far. Therefore we have only uneven audits. But especially in the context that producers have to pay for the services, auditor's competence,

qualification and skills need to be transparent. But who is deciding on that? The TSPN could work as a clearinghouse for what's the experience in auditing and inspection and what's good practice.

To sum up the general goals of TSPN are quite similar to those of STDF (with which the TSPN seeks to establish a more in depth cooperation) in the regulatory standards sector: To strengthen capacity in developing countries to analyse and implement standards and promote trade. It wants to provide a forum for coordination and information exchange. The goal is conversation, identifying gaps and helping others to step into those spaces, sharing best practice, better capacity building and better policy research – also in collaboration with other initiatives.

More possible **thematic areas** for TSPN to work in were mentioned at the conference:

- ISEAL is doing a research on the model of **group certification**, where TSPN could add some value.
- Secondly **the model of step wise progression** could be examined more in detail. In the forest sector FSC is having some pilot projects in that field. This could be combined with addressing the challenge to get a growing number of **rainforest areas audited for the carbon credits**, which are demanded increasingly because of the climate change discussion.
- Chemonics is starting a research period for existence and options for further developing **Public Private Partnerships in the standards sector** and is willing to share the results with other TSPN members. This could be an option for a technical working group.