Fundamentals of ethical trading in poorer countries: overview for the World Bank

Greenwich Academic Literature Archive (GALA) Citation:

Available at:
http://gala.gre.ac.uk/11553

Copyright Status:
Permission is granted by the Natural Resources Institute (NRI), University of Greenwich for the copying, distribution and/or transmitting of this work under the conditions that it is attributed in the manner specified by the author or licensor and it is not used for commercial purposes. However you may not alter, transform or build upon this work. Please note that any of the aforementioned conditions can be waived with permission from the NRI.

Where the work or any of its elements is in the public domain under applicable law, that status is in no way affected by this license. This license in no way affects your fair dealing or fair use rights, or other applicable copyright exemptions and limitations and neither does it affect the author’s moral rights or the rights other persons may have either in the work itself or in how the work is used, such as publicity or privacy rights. For any reuse or distribution, you must make it clear to others the license terms of this work.

This work is licensed under a Creative Commons Attribution-NonCommercial-NoDerivs 3.0 Unported License.

Contact:
GALA Repository Team: gala@gre.ac.uk
Natural Resources Institute: nri@greenwich.ac.uk
FUNDAMENTALS OF ETHICAL TRADING IN POORER COUNTRIES: Overview for the World Bank

by Mick Blowfield

Natural Resources and Ethical Trade Programme, NRI
March 2000

Extract from "A Guide To Developing Agricultural Markets And Agro-Enterprises" edited by Daniele Giovannucci

Natural Resources and Ethical Trade Programme
Natural Resources Institute
Central Avenue
Chatham ME4 4TB
United Kingdom
tel. +1634 880088
e-mail nret@gre.ac.uk
FUNDAMENTALS OF ETHICAL TRADING/SOURCING IN POORER COUNTRIES

Mick Blowfield
Natural Resources Institute (NRI)

Keywords: ethical trade, fair trade, standards, certification, supply chain, value chain, organics, Good Agricultural Practices.

Abstract: As trade further globalizes, social and environmental concerns are emerging, in some cases rather quietly. Dominant market groups are setting a range of standards that their developing country suppliers must meet. For some major European food companies these are proving to be nearly as relevant as concerns for quality and safety. What is this “ethical trading” and how does it impact the development of food production and the value chain in developing countries that seek to export? Can the promotion of ethical trading standards improve a subsector’s competitiveness in the marketplace or does it serve more as a catalyst for sustainable production and livelihoods? This paper addresses these emerging standards, their application, their role, and potential implications for governments and development agencies.

I. The Importance of Ethical Trading

In the past 30 years there has been a tenfold increase in the global export of agricultural products. This increased reliance on food grown in other countries, is giving the supply chain -- from producer to retailer -- and regulators a host of new challenges. Today, as a result of improved global communications, both social and environmental concerns have led to changing definitions of business responsibility and tougher consumer safety legislation. As a result, producers for export are being scrutinized by NGOs, buyers, consumers, Northern governments and the media. The initial concern was for the environmental and food safety impacts of farms and plantations where unsanitary practices and uncontrolled chemical usage were perceived as common-place. More recently, concerns about human rights, worker welfare, and biodiversity loss have become determinants of the success of a product, a company and sometimes even a country in the global marketplace.

Ethical trade is an umbrella term for various initiatives that seek to address the above concerns. In its broadest sense, ethical trade is the trade in goods produced and marketed under conditions that are socially, environmentally and financially responsible. There is no single definitive approach; rather, ethical trade is a generic term applicable to a variety of initiatives. These initiatives include fair trade schemes, organic agriculture, environmental codes, and the ethical sourcing initiatives of major Western retailers.

Each of these initiatives has its own characteristics and deserves a paper in its own right. (Hotlink to Organic Marketing) However, this paper focuses on ethical sourcing, sometimes called ethical trading. It describes the management of the value chain by the major retailers and primary marketing organizations that have a dominant share of produce sales in many developed economies. These companies are setting a range of environmental, social and food safety...
standards that export-oriented growers and exporters in developing countries must meet in order to access developed country markets. This is most evident in Western Europe where, for instance, in the UK the seven largest retailers that account for over 70% of sales of fresh produce all have codes of good (ethical) practice covering conditions of production. In the case of food safety, these codes of practice follow EU legal requirements for due diligence. There is also growing number of voluntary standards which retailers, importers and wholesale auctions expect producers to meet, and there are strong indications that similar requirements are being adopted in other developed economy markets. (See Annex 1.)

II. **KEY ISSUES AND PRINCIPLES**

Some argue that ethical sourcing (and ethical trade in general) is a form of non-tariff barrier to protect home-country producers, and there is much debate about how such standards will be regarded in the long term by the WTO. But given that developing countries rarely compete item for item with Northern producers, it is at least as realistic to conclude that Northern retailers are motivated by issues such as image management and the need to establish stable, sustainable sources of supply. Furthermore, companies for a variety of reasons are seeking responsible management practices as they come to accept the importance of managing the triple bottom-line of financial, societal and environmental performance.

Establishing standards along the value chain, and the monitoring and verification of these standards is an increasingly important part of supply chain management. These standards are being informed by international best practice (WHO guidelines, ILO labour conventions, UN conventions), by approaches to risk analysis and quality control (e.g. ISO 9000, HACCP), and the experience of alternative trading (e.g. fair-trade and conservation driven trade).

International development agencies are taking a growing interest in ethical sourcing, be it through funding (DFID contributes 50% of the total budget of the Ethical Trading Initiative, and funds a significant part of the Natural Resources and Ethical Trade programme managed by NRI), promotion or participation in partnerships. In some instances, the social and environmental aspects of ethical sourcing mirror criteria some agencies have for grant or loan provision.

Despite this, the developmental impact of ethical sourcing is largely unknown because the field is relatively new. Some advocates argue that guaranteeing minimum social and environmental standards will inevitably have a positive impact on developing countries. Others, such as those who support fair-trade, with which ethical sourcing is often confused, say that ethical sourcing will only have a positive long-term impact if it addresses perceived power imbalances along the trading chain which lead to poor farm-gate prices.

One thing that seems clear is that unlike fair-trade which offers access to niche markets with premium prices, ethical sourcing per se will not necessarily lead to higher prices for developing country producers. The endorsement of ethical standards by the main European retailers and traders, which is already well-advanced for European horticultural products, means that the ethical markets will become the main market with the same expectations of price and quality that apply today. There are signs that North America is moving in a similar direction, although at present the focus is on the environmental impact of agricultural production.

There are critical questions that will need to be answered in order to assess the developmental advantage of ethical sourcing. See Annex 2.
III. **A Road Map**

Ethical sourcing consists of the following elements:

1. Establishment of a standard for a particular element of the value chain.

2. Implementation of the standard, including monitoring and verification, promotion, and arbitration.

3. Compliance with the standard.

4. Use of the standard to inform purchasing decisions.

### III.1. ESTABLISHING STANDARDS

There are a large number of social, environmental and food safety standards that producers must meet. The most widely used were developed independently, although more recent initiatives have started to recognize the ethical links among them, and are starting to view and manage the different standards as an ethical package. The European Retailers Group (EUREP), for example, has developed a framework of good agricultural practice that sets out twelve core areas that bring social, environmental and food safety criteria together (see Table 1).

In some cases standards are based on legal requirements in the consuming country/economic bloc (e.g. EU food safety requirements), although these in turn may have been the codification of best practices (e.g. EU legislation on organic agriculture production and processing is based on International Federation of Organic Agriculture member [IFOAM] standards). For the most part, the standards are ‘voluntary’ requirements built around international conventions and best practices (e.g. WHO pesticide guidelines), although reference is often made to national law in the producing country.

The development of the standard (its principles, criteria and indicators) can be a lengthy process. The Assured Produce standard for integrated crop management in the UK took three years to develop. The aim is to create an auditable standard that can be applied to different farms, pack-houses and processing units.

<table>
<thead>
<tr>
<th>Table 1: Areas covered by the EUREP framework for good agricultural practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Record-keeping</td>
</tr>
<tr>
<td>2. Site history and site management</td>
</tr>
<tr>
<td>3. Irrigation</td>
</tr>
<tr>
<td>4. Soil and substrate management</td>
</tr>
<tr>
<td>5. Fertilizer usage</td>
</tr>
<tr>
<td>6. Pesticide usage</td>
</tr>
<tr>
<td>7. Varieties and rootstocks</td>
</tr>
<tr>
<td>8. Harvesting</td>
</tr>
<tr>
<td>9. Post-harvest treatments</td>
</tr>
</tbody>
</table>
There are two main types of standard: those that apply to a company’s own operations and those of its suppliers (e.g. Unilever, Tesco, J Sainsbury); and those that apply to a particular sector or aspect of operation. For instance, the MPS and Flower Label Programme standards for cut-flowers, the UK Banana Group standard, or the SA8000 social accountability standard. The key difference is that the former standards are in-house whereas the latter are international, third party standards.

The early standards were developed in the North, but there are a growing number of national standards in the South such as the Kenya Flower Council, the Zimbabwe Horticulture Promotion Council, Florverde (Colombia), and Zambia Export Growers Association. In both the North and the South, development of credible standards has required extensive consultation between private sector and NGO stakeholders.

Initially, it was expected that standards would be linked to labeling initiatives in order to establish unique selling points. Today, except in niche markets with price premiums, labeling is rarely used, and many companies committed to ethical sourcing have done little to publicize their involvement to the consumer (see Promotion below).

The plethora of standards, sometimes requiring that individual farms are certified against similar criteria several times over, has led to a growing interest in standardization or harmonization. Certain international standards and their various certification bodies and other agents have a commercial interest in promoting their particular standard as the international norm, but retailers, primary marketing organizations and producers are all reluctant to go down this route. Furthermore, if a single commercial, voluntary standard became an absolute requirement to sell to a particular market, this could be interpreted as a barrier to trade.

The solution to this could be common protocols, harmonization and equivalence where one standard is recognized as being substantially equivalent to another. The most advanced initiative of this kind in agriculture is Europe where social and integrated crop management standards of different European countries are being brought in line with a common European protocol. COLEACP is pioneering a similar initiative in Africa and the Caribbean.

Given this trend and the presence of international standards, is it worth countries or regions developing their own standards? The answer is yes, not least because it allows key local issues to be addressed, and encourages developing country stakeholders to play a more active role. But the following conditions need to be borne in mind:

- The standard needs to be recognized in the market place.
- The standard must not ignore the principles underpinning international good practice.
- The standard needs to be promoted in the market place.
- Development and implementation of the standard requires a multi-stakeholder approach involving not only the industry but also civil society organizations and government.
- Separate bodies need to be set up for administering the standard (custodianship) and verifying appropriate producer use of the standard (certification) with careful regard for the fact that multiple standards could create redundant and costly certification burdens.

National standards to date have tended to begin with trade organizations bringing together social and environmental experts to agree on the content. This has led to the establishment of some form of multi-stakeholder trustee body to oversee the development and administration of the standard. There are examples of this approach in Costa Rica (bananas), Zimbabwe (vegetables) and Kenya (cut-flowers).
Whatever standard is used, buyers are increasingly insisting on independent monitoring and verification of the standard. Different approaches are being tested, ranging from third party auditing of each farm to verification of a sample of farms chosen from farms that have been subject to first party audits (e.g. by a trade organization). Third party auditing of all farms is expensive and tends to turn auditing into a test rather than a learning experience. First party auditing without any third party verification is easily criticized for lack of rigor, but in the best cases does make the process affordable to smaller producers and helps educate farms rather than just test them.

III.2. IMPLEMENTING STANDARDS

Custodian Bodies

Once initial standards have been established, the challenge is to apply them. Each standard has a custodian body responsible for overseeing the development of the standard and its implementation. The custodian body may be a company (for in-house standards applicable only to a company’s own supply chain), a trade organization or an independent body.

In-house custodianship is the most common (e.g. Unilever and the Commonwealth Development Corporation), but some of the most interesting initiatives in developing countries are those where multiple stakeholders are coming together to act as custodians of a standard. To give but one example, the Zimbabwe Horticulture Promotion Council (HPC) developed its own code of practice, but is realizing that the quality and credibility of the code requires the involvement of more than just the industry. HPC is now considering establishing a trustee body comprising the industry, social and environmental NGOs, trade unions and the government which would act as custodians. Similar approaches are being developed in other developing countries, and reflect what has happened in others sectors such as forestry.

Continual Improvement

Common to most standards is the principle of continual improvement where the standard is subject to review and modification. One of the challenges that custodian bodies are coming to terms with is the need to move from international standards to ones that also reflect local diversity in terms of socio-cultural and environmental conditions. This becomes even more important as global companies, with ever improving supply and transport logistics, can customize or adapt products to meet local tastes and preferences.

III.3. Complying with the standard.

Auditing

However, a bigger challenge is to make the standards efficient, effective and affordable. Standards must provide a common basis for measurement across different production units in order to be auditable. Each criterion has to be measured using common indicators, often requiring production units (farms, pack-houses, processors) to adopt detailed record-keeping systems which in turn assume levels of management expertise and literacy that may not be found on small farms.

The development of indicators is partly left to the auditors. At present, there is no uniform approach to auditing. In some cases, each production unit must be audited by an independent audit team which might spend several days at the production unit and is paid for by that unit. Where the audit team is skilled and qualified, this helps ensure the credibility and quality of the
standard, and producers often benefit from the advice they receive. But the hire of such teams is only affordable by the largest producers, and there are question-marks over the use of accredited auditors for examining social issues where qualitative data may be more informative than quantitative data.

Some retailers and primary marketing organizations carry out their own audits at no direct cost to the production unit, but as the range of issues becomes more complex increasingly they are looking to others to provide this service. Another approach is for production units to conduct self-audits using guidelines set out by the standard’s custodian body. Alternatively, some national trade associations which promote their own standards offer to audit their members’ farms. In both of these cases, an independent auditing team is often invited to verify the internal auditing process by auditing a random selection of production units. This approach is more affordable, encourages a greater sense of education—rather than of being tested—amongst producers, and in countries where there are not yet enough trained auditors provides a practicable way to introduce standards. However, there are many critics of the approach who argue that it lacks the credibility of international auditing.

Regardless of who is doing the auditing, the audit process is similar, consisting of:

- a pre-audit visit where potential problems are identified and corrective action recommended
- the audit visit where the production unit is inspected by the audit team
- feedback on the audit (normally to management) where areas of compliance and non-compliance are made known. There are differing degrees of non-compliance, and for some criteria non-compliance may not mean failing the audit, although failure to adopt remedial action may result in failure in the future.

Units that fail are normally given a period of time to meet the standard. Commercial auditors are not allowed to provide advice on corrective action if a production unit fails the audit, but trade associations and in-house auditors or advisors may make recommendations. Units that pass the audit are then subject to regular inspections to check their continuing compliance, typically every six or twelve months.

Arbitration

Producers can normally contest the result of an independent audit; for instance, by taking their case to the standard’s custodian body or another, agreed upon body. However, as labour and human rights issues increasingly become part of the ethical sourcing package, questions arise about how workers, neighbouring communities and other non-management stakeholders can contest a decision. SA8000, originally adopted by manufacturing industry but now being piloted for agriculture, provides a channel for workers to contact the custodian body if they dispute any of the findings. The effectiveness of this practice has yet to be assessed. Furthermore, SA8000 allows other stakeholders such as civil society organisations to contest an audit team’s findings.

III.4. Using the standard to inform purchasing decisions

A standard needs to be recognised, by buyers, by producers, by the accreditation and auditing industry, and to an extent by consumers. This can involve considerable cost and effort, and economies of scale in promotion is one advantage that international standards have over national
ones. The Kenya Flower Council is one of the few developing country standards that has promotional activities in Europe.

Labels indicating a product as meeting a particular body’s standards are the most readily identifiable form of promotion. Organic produce in Europe, for instance, bears the label of the IFOAM accredited certification body that has verified production of that particular product.

Not all products are labeled for the consumer. The MPS label for cut flowers, for example, is only used at the Dutch flower auctions. Indeed, major retailers make little or no attempt to promote the use of standards to consumers, and the vast majority European consumers are unaware of the integrated crop management standards that have been a feature of horticultural production for most of the 1990s. There are a number of reasons for this, each one of which challenges the simplistic argument that companies enter into ethical sourcing because they seek a price premium. In part, the standards are a way of complying with food safety due diligence requirements which demand that, in the event of a breach in food safety, the retailer must be able to show the conditions under which a product was stored, transported, packaged and grown.

Monitoring for due diligence has produced instruments that can be adapted to show the social and environmental aspects of production, and thereby provide a means with which companies can protect their reputations (for instance, if challenged in the media about the conditions of workers on supplying farms). Another reason for using these instruments is the recognition of switching costs involved every time one changes suppliers, and that the cost of monitoring may be offset by savings realized from more stable supplier relationships. A more cynical observation is that with the current high prices consumers are prepared to pay for organic produce, it is not in retailers’ (or the organic movement’s) interests to publicise the high standards employed in conventional agriculture as this might lead to consumers who are only food safety conscious turning away from organic counters in stores.

IV. BEST PRACTICE

Given the lack of objective analysis of actual impact, especially from an international development perspective, it is difficult to say what constitutes best practice in ethical sourcing.

It can be argued that the values reflected in ethical sourcing are elements of sustainability, and that the long-term value of this approach should be assessed by the contribution it makes to bringing about not only a more stable but also a more holistic and ethical approach to doing business that values social and environmental impact, and helps to restructure North-South relations.

Nobody would claim that ethical sourcing as it stands today is able to deliver this type of global change, and some would even claim that international trade itself is not a sustainable system. Development practitioners need to decide what they want from ethical sourcing: do they want to develop it as a means of being competitive in the market place, or as a catalyst for making a more substantial contribution to sustainable livelihoods?

If the aim is to be competitive, the challenge is to develop or adopt ethical sourcing standards that are recognised by overseas markets. This involves deciding what standard to adopt (national or international), building the institutional framework to oversee the use of that standard, and promoting the standard both to producers and buyers. Possible roles for development practitioners in this process include:
• Drawing on development experience to inform auditing and verification systems.
• Helping to identify and involve the full range of stakeholders.
• Encouraging the use of participatory approaches in the development and implementation of standards.
• Identifying policy constraints and finding ways to address these.
• Promoting standards amongst potentially marginalised local stakeholders (e.g. women, children, ethnic minorities), so that they take full advantage of the opportunities created.

There are roles within this for government. Achieving maximum benefit from ethical sourcing depends, to some extent, on a favourable policy environment. However, it needs to be recognised that in many countries industry is suspicious of government involvement as too bureaucratic, and prone to create obstacles rather than solutions. Therefore, having government accepted as a partner may take time.

It also needs to be recognised that meeting ethical standards is not a guarantee of market access. If producers do not meet requirements in areas such as quality, supply, quantity and price, they will not be able to export regardless of their social or environmental performance. Therefore, development practitioners should consider complementary programmes in these areas.

Successful adoption of such standards can make a contribution to international development goals, but development practitioners may wish to push the boundaries of what can be achieved. If one looks, for instance, at the contribution current approaches to ethical sourcing make to the elements of sustainable livelihoods as defined by DFID and UNDP, there are clearly areas that ethical sourcing does not address (Table 2). But as the Table shows, there is potential for using the government-private sector-civil society partnerships that ethical sourcing brings about to achieve a greater developmental impact. Indeed, development practitioners may want to regard standards/codes of practice as part of a process and not an end in themselves. As the limitations of codes of practice on their own are recognised, their importance as a catalyst for development and change becomes more apparent. Thus codes of practice, by using tools and a language with which business is already familiar, can act as a catalyst for bringing a widening group of private sector, government and civil society stakeholders together to identify and develop solutions for a larger, more complex range of issues than can be addressed through a single standard.

Therefore, it is useful for development practitioners to look beyond what is needed to make a standard work, and consider how to optimise the potential that partnerships can bring.

Table 2.

 reckless

<table>
<thead>
<tr>
<th>Sustainable Livelihood Element</th>
<th>Current Contribution of Ethical Sourcing</th>
<th>Potential Future Contribution of Ethical Sourcing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased livelihood opportunities</td>
<td>No direct impact.</td>
<td>Future employment growth in export agriculture could result from compliance with social and environmental standards.</td>
</tr>
<tr>
<td>Reducing poverty</td>
<td>Requires agricultural workers be paid a living wage.</td>
<td>Continual improvement of standards should ensure that best practices are implemented in developing countries. Expansion of standards to cover other stakeholders in the value chain (e.g. transport industry, chemical industry) could improve environmental management away from the farm/pack-house.</td>
</tr>
<tr>
<td>Sustainable natural resource management</td>
<td>Encourages more stringent environmental management practices on farms and pack-houses.</td>
<td></td>
</tr>
<tr>
<td>Balanced capital assets of the poor:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Social capital</td>
<td>Social standards encourage worker participation (e.g. through trade unions and worker committees).</td>
<td>Increased participation by stakeholders in developing countries could lead to greater empowerment.</td>
</tr>
<tr>
<td>b. Human capital</td>
<td>Encourages training of workforce, including training in transferable skills.</td>
<td></td>
</tr>
<tr>
<td>c. Physical capital</td>
<td>No direct impact</td>
<td></td>
</tr>
<tr>
<td>d. Financial capital</td>
<td>Requires agricultural workers be paid a living wage.</td>
<td></td>
</tr>
<tr>
<td>Resilience</td>
<td>No direct impact.</td>
<td></td>
</tr>
<tr>
<td>Participation</td>
<td>Some standards are encouraging worker participation, including addressing that of marginalised groups such as women and casual workers.</td>
<td>Increased stakeholder participation by stakeholders throughout the value chain could lead to better partnerships between stakeholders, rather than the adversarial relationships of the past.</td>
</tr>
</tbody>
</table>

V. INFORMATION AND RESOURCES

Related teaching tools on this site
Hotlink Understanding The Markets For Organic Products
Organisations
Natural Resources and Ethical Trade Programme (contact Louise Antoniou, Programme Coordinator, Natural Resources Institute, Central Avenue, Chatham Maritime, Kent ME4 4TB, UK. <lc.antoniou@gre.ac.uk>)
Ethical Trading Initiative; Dan Rees, Manager, 78-79 Long Lane, London EC 1A 9EX, UK
Kenya Flower Council; Mike Morland kfc@africaonline.co.ke
Horticulture Promotion Council; Stanley Heri hpc@cfu.gaia.co.zw
Council on Economic Priorities; Eileen Kohl Kaufman, Director, 30 Irving Place; New York; NY 10003; USA
COLEACP, Catherine Guichard, Director, 5 Rue de la Corderie; Centra 342; 94586 Rungis Cedex; France

Web Sites
Council on Economic Priorities
Home page for information on SA8000 with many other linkages: www.accesspt.com/cep
CERES
The Coalition for Environmentally Responsible Economies has a site with many linkages on environmentally responsible business www.ceres.org/about/index.html
Global Ecolabel Network
A non-profit association of eco-labeling organisations; set up to foster information exchange and dissemination to the public, hosted by the University of British Colombia www.interchg.ubc.ca/ecolabel/gen.html
International Confederation of Free Trade Unions
The ICFTU web-site has details of their campaigns on labour issues, and includes the ICFTU model codes of conduct. www.icftu.org/english/english/tncs/etnindex.html
International Labour Organisation
The ILO work on Social Dimensions of the liberalisation of International Trade can be found at: www.ilo.org
Natural Resources and Ethical Trade Programme
The Natural Resources and Ethical Trade Programme has its own pages linked to the Natural Resources Institute site. Contains an overview of the work that informed this paper, linkages to other sites, and downloadable reports on-screen and in pdf format. www.nri.org/NRET/nret.htm
Oneworld
A good starting point for finding the web-sites of many development oriented organisations in the UK and elsewhere is Oneworld. The web-site has a think tank section which includes a section on codes of conduct. www.oneworld.org/ttank/codes/front.html
Social and Ethical Reporting Clearing House
This site is hosted by the University of Sunderland, UK, and contains various sections on social and ethical reporting and links to material on SA8000, ETI, and other initiatives. www.cei.sund.ac.uk/ethsocial/index.htm

Publications

Blowfield, M.E., Malins, A., Nelson, V., Maynard, Gallat, S. (1999) Ethical Trade and Sustainable Rural Livelihoods; Chatham, Natural Resources Institute


Crucifix, D. (1998) Organic Agriculture and Sustainable Rural Livelihoods in Developing Countries; Chatham, Natural Resources Institute

EFTA (1998) Studies about Fair Trade; Maastricht, European Fair Trade Association


FIAN (1999) International Code of Practice for the Production of Cut-Flowers; Herme, FIAN


Tallontire, A. (1999) Gender Issues in Export Horticulture. Natural Resources and Ethical Trade Working Paper no. 3; Chatham, Natural Resources Institute

Annex 1

EXAMPLES OF SOCIAL AND ENVIRONMENTAL STANDARDS

<table>
<thead>
<tr>
<th>NATIONAL/REGIONAL</th>
<th>INTERNATIONAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Horticulture Promotion Council, Zimbabwe (cut-flowers, fresh fruit and vegetables)</td>
<td>MPS, (cut-flowers)</td>
</tr>
<tr>
<td>Kenya Flower Council, Kenya (cut-flowers)</td>
<td>Flower Label Programme (cut-flowers)</td>
</tr>
<tr>
<td>Fresh Produce Exporters Association Kenya, Kenya (cut-flowers, fresh fruit and vegetables)</td>
<td>SA 8000 (human rights and worker welfare standards)</td>
</tr>
<tr>
<td>Florverde, Columbia (cut-flowers)</td>
<td>Ethical Trading Initiative base code (human rights and worker welfare standards)</td>
</tr>
<tr>
<td>COLEACP (harmonised code for the horticulture industry)</td>
<td>European Retailers Group (protocols for good agriculture practice)</td>
</tr>
</tbody>
</table>

Annex 2.

Critical questions that will need to be answered in order to assess the developmental advantage of ethical sourcing:

- the additional costs involved and who pays for these;
- the cost and other implications of different standards in key Northern markets (e.g. the USA and European Union);
- the appropriateness of international standards for addressing the ethical norms, values and priorities of poor developing country stakeholders;
- the spatial and temporal scope of standards (e.g. the impact on land tenure, households and communities);
- the impact of ethical standards on smaller producers, particularly smallholders;
- the effect of standards on employment; and
- the effect of agro-chemical standards (e.g. maximum residue levels) on developing country exports.