

## 4C Regional Stakeholder Conference

# Science-Based Approach for Impact Assessment

23 January 2020, Antigua, Guatemala

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## Global Trade and Sustainability

- Most products that are consumed today are produced within complex supply chains that often pass across many countries with divergent intensities of national regulation towards a sustainable use of resources, both natural and human resources
- Global trade is directed by cost advantages and these cost advantages determine price advantages and thus determine which goods are most demanded by importers and eventually consumers
- However, cost and price advantages do not always reflect the true cost of the resources used. So called “external effects” or externalities are especially prevalent in production systems that use natural resources such as biomass
- Such externalities should be internalized through appropriate government policies
- In many cases, unsustainable practices are caused by this insufficient regulation of environmental externalities and of socially sustainable working conditions
- As a consequence, consumers, having just price information, do not get the information as to whether a commodity has been produced sustainably



## Instruments for achieving sustainability of globally traded goods

- Achieving environmentally sustainable production conditions requires regulation of externalities
- There are local externalities such as local pollution or the overuse of renewable resources. These can be controlled by local institutions through pollution charges, emissions taxes, or direct regulation of resource as potential instruments
- Global externalities such as emissions of greenhouse gases (GHGs) require a coordinated effort if they were to be implemented in an efficient manner and without distortion in international trade, yet the policies also need to be implemented at the national level
- The implementation of socially acceptable working conditions is in the hands of national governments
- Achieving sustainability is therefore a task that encompasses many levels of governance and requires coordination among those governance institutions



## Certification as a solution for missing sustainability policies

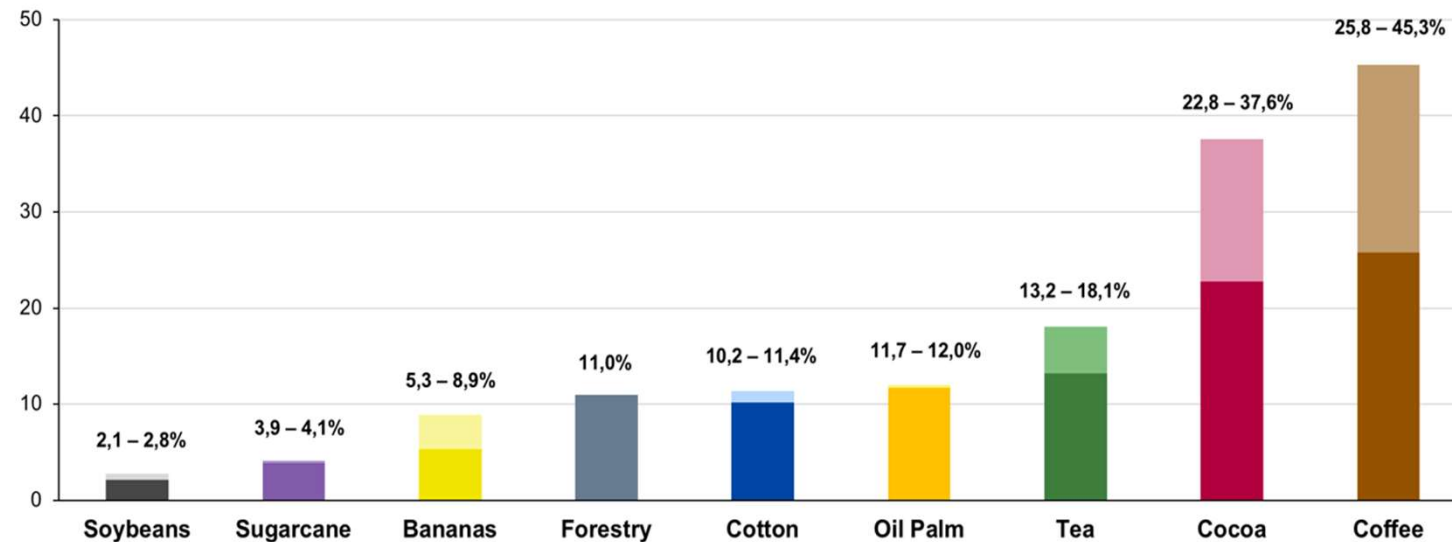
- In many countries sustainability policies are missing or not implemented to an extent that achieves sustainability or is desired by consumers
- This is especially the case for the emissions of GHGs (including emissions from land use change) where there is an apparent lack of ambition
- But local externalities and working conditions also do not meet sustainability standards
- Since prices of imported goods do not contain information about the sustainability of their production processes, this information needs to be collected along the value chain and delivered to all participants
- Certification is providing this service!
- It supports sustainable production practices, creates incentives for producers to become more sustainable, and provides the necessary information to consumers



## Certification is not yet wide-spread, but already sets examples

### Only a small part of the global cultivated area for agriculture and forestry is certified

% share of cultivated land



*Note: The data in this table was not adjusted for multiple certifications, thus a range was defined with a minimum area possible.*

Source: The state of sustainable markets 2018 (ITC).



## All three dimensions of sustainability have improved through certification – Case Study of Coffee Growers

### Colombian coffee farmer communities have benefited from certification



#### Economic Dimension

- 50% Productivity/profitability improvement
- Renewal program
- Increase in densities
- Proper fertilization plans



#### Social Dimension

- Salaries/health and safety (48% improvement)
- Educational campaigns



#### Environmental Dimension

- Wastewater (38% improvement)
- Reduction of water used in wet milling
- Identification and protection of water sources
- Soil coverage and better fertilisation due to soil analysis

Source: Colombian Coffee Growers Association (FNC)



## Conclusions

- Certification is in many cases the only way to create sufficient information about the sustainability of internationally traded goods
- Voluntary certification schemes enable consumers to choose sustainable products over goods produced in an unsustainable way
- First assessments of certified supply chains have shown that there are substantial improvements realized on the way towards sustainability
- The impact of certification on global markets and sustainability is still limited, but its impact on certified producers is substantial. Its global impact will improve as soon as certification becomes more wide-spread
  
- There is still a long way to go to achieve sustainability in the whole market for agricultural products. The positive examples should convince more farmers to participate.
- It is a win-win opportunity for farmers and consumers interested in sustainability!

