

Multi-stakeholder Governance: A Brief Guide

6 February 2005

Prepared by
Nancy Vallejo
Pierre Hauselmann



22, Ave des Cerisiers
CH-1009 Pully
Switzerland
nvallejo@piec.org
phauselm@piec.org

With the support of the Swiss State Secretariat for Economic Affairs (seco)



List of Acronyms

4C	Common Code for the Coffee Community
AB	Advisory Board
AC	Appeals Committee
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (German Federal Ministry for Economic Cooperation and Development)
CC	Certification Committee
EB	Executive Board
EC	Executive Committee
ED	Executive Director
FSC	Forest Stewardship Council
GA	General Assembly
GEN	Global Ecolabelling Network
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (German Technical Co-operation Agency)
IISD	International Institute for Sustainable Development
ILO	International Labour Organization
ISEAL	International Social and Environmental Accreditation and Labelling Alliance
NGO	Non Governmental Organizations
NI	National Initiatives
NSMD	Non-State Market Driven
OECD	Organization for Economic Co-operation and Development
RSPO	Roundtable on Sustainable Palm Oil
RSS	Roundtable on Sustainable Soy
S&PWG	Standard and Policy Working Group
SAN	Sustainable Agriculture Network
SASA	Social Accountability in Sustainable Agriculture
seco	Swiss State Secretariat for Economic Affairs
SG	Secretary-General
SMEs	Small and Medium Size Enterprises
SPS	Sanitary and Phytosanitary
StC	Stakeholder Council
S&PCte	Standard and Policy Committee
TAB	Technical Advisory Board
TBT	Technical Barriers to Trade
UK	United Kingdom
UN	United Nations
UNCED	United Nations Conference on Environment and Development
UNCTAD	United Nations Conference on Trade and Development
WSSD	World Summit on Sustainable Development
WTO	World Trade Organization

Table of Contents

Introduction	1
Part 1. Elements and Issues of Multi-stakeholder Governance	1
What Does Multi-stakeholder Governance Mean?	2
Defining Governance System	2
Legitimacy.....	3
How Do Stakeholders Participate?.....	4
Inclusiveness, Effectiveness and Efficiency	4
Part 2. Governance Structures of Selected Organizations	6
Roundtable on Sustainable Palm Oil (RSPO 2004a, 2004b, 2004c, 2004d)	6
Short Description	6
Mission, Objectives, and Mechanisms	6
Management Structure	6
Stakeholder Participation.....	8
Government Participation	8
Governance Structure Diagram.....	9
Forest Stewardship Council (FSC 1999, 2002a, 2002b, 2004)	9
Short Description	9
Mission, Objectives, and Mechanisms	9
Management Structure	10
Stakeholder Participation.....	11
Government Participation	12
Governance structure diagram	12
Sustainable Agriculture Network (SAN 2004a).....	13
Short Description	13
Mission, Objectives, and Mechanisms	13
Management Structure	13
Stakeholder Participation.....	14
Government Participation	14
Governance structure diagram	15
The Common Code for the Coffee Community (4C 2004a, 2004b, 2005a, 2005b)	15
Short Description	15
Mission, Objectives and Mechanisms	15
Management Structure	16
Stakeholder Participation.....	17
Verification	17
Government Participation	17
Governance structure diagram	18
Summary Table	19
Pros and Cons	20
RSPO.....	20
FSC.....	20
SAN	20

4C	21
Part 3. Recommendations.....	21
Interim Governance Structure.....	21
Scope, Objectives and Desired Outputs	22
Involving stakeholders	23
Monitoring Impacts of the Initiative	23
Conclusion	24
References	25

Introduction

The challenge for any Multi-Stakeholder (MSH) process related to sustainable commodity production is to strike the right balance between the needs of expediency and legitimacy. On the one hand these processes provide an important legitimacy to their outputs, but on the other hand, they can be very time consuming. This report is to provide a brief background to the first Roundtable on Sustainable Soy (RSS) conference and is aimed at helping to strike this balance. It is structured as follows:

- The first part gives a rapid overview of key elements on multi-stakeholder governance, such as representation, inclusiveness in decision-making, and power sharing
- The second part presents current institutional structures and governance mechanisms of specific initiatives related to responsible crop production, as examples for the RSS
- The third part presents conclusions and recommendations.

Please note that this is a simplified, adapted and updated version of a paper produced for the UNCTAD – IISD Sustainable Coffee Partnership (Vallejo & Hauselmann 2004). This document can be downloaded from www.piec.org/coffee and readers are invited to read it for a more in depth discussion on governance of MSH processes.

Part 1. Elements and Issues of Multi-stakeholder Governance

Definition

Multi-stakeholder process: a process that brings together a certain number of different interest groups to discuss and reach agreement on a particular issue or set of issues. Following this definition, a MSH process is more than a consultation and involves shared decision-making between the parties.

Multi-stakeholder processes have gained recognition as valid mechanisms to develop and implement social and environmental responsible management practices towards sustainable development. From the Rio Declaration (UNCED 1992) through the Millennium Development Goals (UN 2000) to the WSSD Plan of Implementation (UN 2002), multi-stakeholder processes and partnerships have become a common call in international environmental policy to forge sustainable development.

The post-Rio decade has seen a proliferation of initiatives based on different conceptual frameworks. The diverse frameworks in existence provide an implicit testimony to the broad range of political interests and power issues that permeate the multi-stakeholder discussions at the international level. These issues make the development of partnerships with widespread multi-stakeholder buy-in increasingly important from a long-term sustainability perspective. To date, no clear definition or strategy for building and maintaining such buy-in has been developed or adopted at the international level.

Why a MSH process?

Because a MSH process enjoys/garners maximum credibility as the outputs are the result of a consensus between (ideally) all the relevant parties and are therefore difficult to contest.

What Does Multi-stakeholder Governance Mean?

The Commission in Global Governance (1995:2 in Burger and Mayer 2003, pg 50) defines governance as “the sum of the many ways individuals and institutions, public and private, manage their common affairs. It is a continuing process through which conflicting or diverse interests may be accommodated and cooperative action may be taken. It includes formal institutions and regimes empowered to enforce compliance, as well as informal arrangements that people and institutions either have agreed to or perceive to be in their interest”.

This definition suggests **two central elements** for the legitimacy of a governance system:

- The will or acceptance by the public or private associates of a broad framework into which they manage their business
- A process of negotiation and power balance.

In a public system the authority and regulatory power comes from the State. But this power can be given or shared with others. In discussing environmental governance, Cashore (2002) identifies different types of initiatives, depending on the source of policy-making power. He refers to traditional state-centred given authority and non-state, or private governance systems which power is not given by the state. Looking at who sets the norms and standards, Haufler (2003) has differentiated four forms of governance: the traditional regulation, co-regulation, industry self-regulation and multi-stakeholder regulation.

Defining Governance System

Central to the definition of the governance system is the establishment of the **objectives** and desired outputs of the nascent initiative. Technical matters will require a certain kind of expertise that is different from policy setting matters, even if the two can and often are interlinked to some extent. But clearly not the same people will need to reach an agreement for defining the size of bolts and screws than for agreeing on the definition of sustainable forest management, for example.

It is also a basic principle of stakeholder processes that all stakeholders are not equally important (Wye College 1998). It is the nature of the envisaged objectives and products that will help to decide which institutional structure is required and the appropriate combination of stakeholders that should take part in the initiative. It is likely that the need of stakeholder involvement will be different for the design of a business-to-business (B2B) code of practice than for the development of a consumer-level labelling scheme. There is also a need to differentiate the stakeholders that are relevant at the different development stages of the initiative. For example, at the beginning of a specific global MSH initiative, the relevant stakeholders may be key global organizations that have local outreach, while at a more mature stage, when the initiative is better known and operative, the need to interact more directly with local stakeholder may arise. At every stage, the choice of stakeholders should take into consideration the needs that will arise at later stages. For example, a nascent initiative may need principally technical expertise, which may lie in one interest group, but involving only these stakeholders at that stage may give a biased “flavour” to the initiative. This in turn may create barriers to creating a more general buy in at a later stage. In other words, it is important to consider both the stakeholders who are technically important at one development stage, and those who need to be involved to maximise the political dynamic of the MSH process and ensure its **legitimacy** in the longer term.

Legitimacy

Legitimacy has been defined by Suchmann (1995 in Cashore 2003) as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions.” Legitimacy depends on the level of acceptance by the different direct stakeholders and external audiences. Issues of representation, inclusiveness and transparency will be critical to building the necessary trust for legitimacy. Additionally, legitimacy depends on the ability of the process to engage the stakeholders in a meaningful dialogue in which they feel ownership and the possibility to derive **benefits**. This requires full transparency, openness and respect. Nascent multi-stakeholder processes can be seriously jeopardized if the partners do not regularly check the transparency of perceptions and expectations concerning participation (Burger and Mayer 2003).

It is important to keep the notion of benefits for stakeholders in mind. Negotiated outcomes of a MSH process may be robust in that they represent a general consensus between the parties, but the transaction costs can be high, i.e. they can require time and efforts to be obtained. If a party does not see the benefits worth the investment, it is likely to leave the process, thus diminishing its legitimacy.

Who Are the Stakeholders?

The identification of the relevant or key stakeholders is an important step in the generation of a multi-stakeholder initiative.

Generally speaking, ‘stakeholders’ are those who should participate in the process. According to Shannon (2003 in Meidinger et al 2003) participation is the cornerstone of democracy. But participation can be limited by

- how representation is defined, which, depending on the definition, can also be the easiest way to actually limit it,
- the cost, time and effort required, in relation with the expected benefits.

However, since there is no single standard for measuring representativeness, every MSH initiative, and each one at its different stages, needs to carry out a stakeholder analysis taking into account both the **impact they can have on the initiative** (e.g. if the public opposition of one group could jeopardize success) and **the impact the initiative can have on them** (e.g. farm workers if the initiative is about working conditions). In doing this analysis, a series of key questions need to be answered:

- what are the different interest groups, including those who can be impacted and those who can have an impact on the initiative?
- which ones are usually excluded? In global initiatives those are often small and community producers in the political South. The reasons for this exclusion can be multiple. For a thorough analysis on the problem, see “Knowledge Base” an analysis on environmental requirements and market access (ECL Space 2004), downloadable at http://www.piec.org/ecl_space/07-CG_section/KB/knowledgebase.pdf
- is the envisaged process restricting participation?

In any case, the design of the stakeholder involvement mechanism should ensure that:

- all relevant interest groups in the Society are sufficiently represented
- all have the possibility to voice their position and have a defined and equitable weight in decision-making.

At the very broad level, stakeholders of sustainable development are the State, the private sector, NGOs and other members of the civil society (Burger and Mayer 2003). It is a very common feature of MSH processes to group stakeholders into different categories, so as to achieve an optimum balance of interests. This grouping can be more or less formalized and take different forms, depending on the needs of the initiative. Non-exhaustive, nor exclusive examples of grouping include:

- by broad interest groups: social, environmental and economic
- by development stage: North and South or developed countries, and developing countries and economies in transition according to UN definitions
- by their place in the supply chain: supply side, demand side and other actors (social/environmental group)
- by their size in the supply chain: communities, SMEs, large corporations.

How Do Stakeholders Participate?

Another key element in establishing legitimacy is the ability of an initiative to **engage** the different stakeholders after having identified them. For example, an initiative may have apparently all the openings for a category of stakeholder – say from developing countries, and still not the active participation of this group. Many elements can enter into the equation to solve this common problem, including:

- how the process is set
- real participation and power in the decision-making process
- how the agreement to the rules of the game is obtained
- mechanisms to support disadvantaged groups (e.g. financial support, information sharing, capacity building).

The way stakeholders can and do participate in an initiative will ultimately determine their level of buy-in and ownership and, as a result, the overall legitimacy of the initiative. Participation **must** happen, and not only be on paper.

Inclusiveness, Effectiveness and Efficiency

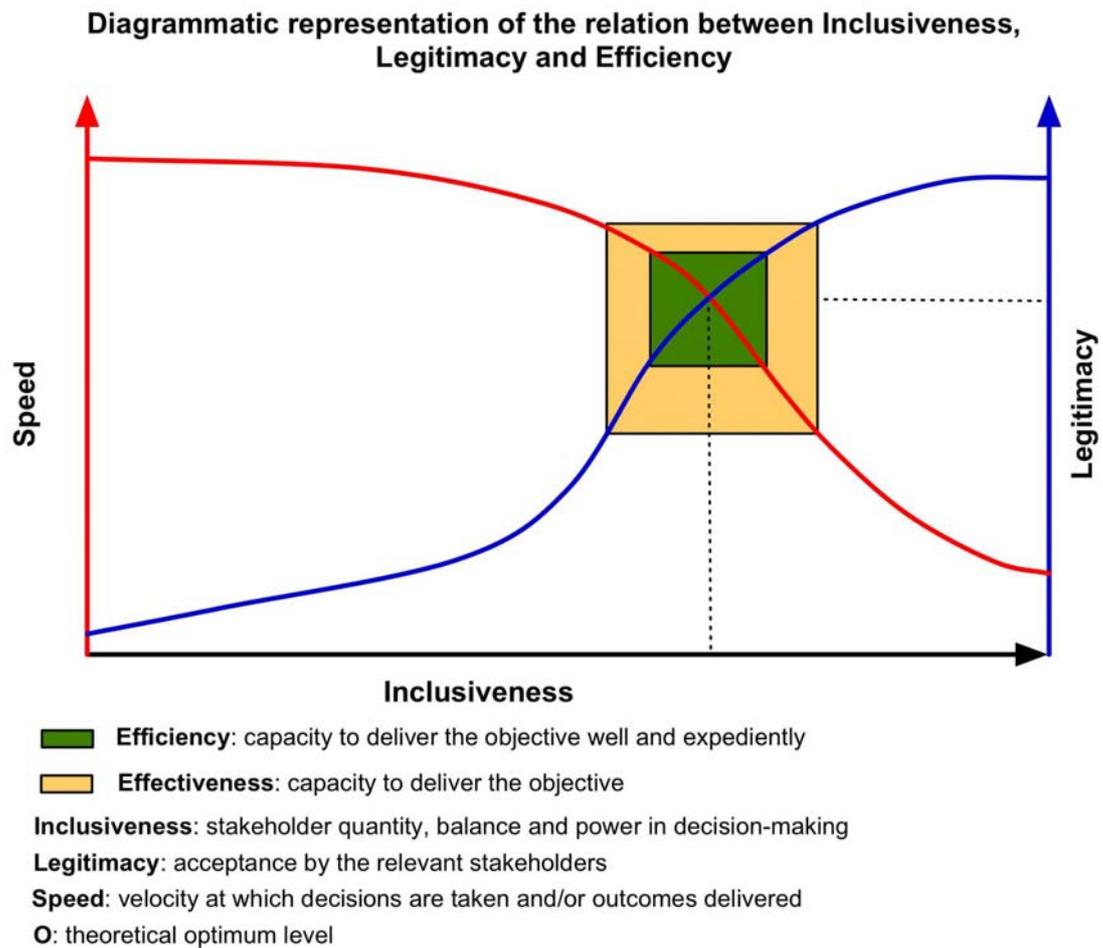
The viability of a multi-stakeholder process is not only determined by its **inclusiveness** (combination of the level to which interest groups are represented within the initiative and its capacity to include their position in its outcomes), but also its capacity to deliver its objectives, that is, its **effectiveness**. Better, the process should be **efficient**, i.e. able to deliver the objectives well and fast.

Inclusiveness, effectiveness and efficiency in MSH processes are different but inter-linked concepts. To schematize:

- Under a certain level of inclusiveness, sufficient legitimacy will not be reached, thus making it impossible for the initiative to deliver, or to be effective
- As inclusiveness increases, so does legitimacy. At some stage the initiative starts being effective
- But with the increase of inclusiveness, the speed of the process slows down (it takes less time to decide for one person than for several). At some stage, the inclusiveness can become so cumbersome that no decision can be taken anymore, thus making it again impossible for the initiative to be effective.

- Somewhere in the middle lies a situation where the initiative is efficient, i.e. it can deliver objectives well and fast. This “somewhere” will depend on the objectives of the initiative. Following an example already provided, it is likely that a scheme designed for B2B declarations will need less inclusiveness to be effective than a schemes designed to provide a consumer oriented label.

The following is a diagrammatic representation of this inter-linkage between inclusiveness, effectiveness and efficiency.



Part 2. Governance Structures of Selected Organizations

We have reviewed until now some key elements of multi-stakeholder processes. Part 2 surveys different existing multi-stakeholder initiatives, to show different examples of how interested parties are integrated in existing governance mechanisms. Four different MSH initiatives are reviewed and described, one in the domain of natural resources management (the Forest Stewardship Council – FSC) and three dealing with specific agricultural crops in the mainstream market (the Roundtable on Sustainable Palm Oil - RSPO, the Common Code for the Coffee Community - 4C and the Sustainable Agriculture Network - SAN).

FSC and SAN rely on third party independent certification to ensure that companies comply with the requirements. The RSPO and the 4C are in the process to define their respective verification systems. All also have distinctive characteristics, which makes their description interesting in the framework of this study. For example:

- The RSPO is one of the first mainstream market related processes
- FSC has a formal mechanism to ensure a balance between its Southern and Northern members
- SAN is mostly a coalition of Southern practitioners attempting to develop a common framework (harmonization) for their standards and conformity assessment procedures
- The 4C has focused on developing a standard and left the resolution of the governance structure for a later stage

Roundtable on Sustainable Palm Oil (RSPO 2004a, 2004b, 2004c, 2004d)

Short Description

The Roundtable on Sustainable Palm Oil (RSPO) is an international not-for-profit association founded in April 2004, under the Swiss Law. It is a membership organization, open to all major players along the supply chain. The organization's official seat is in Zurich, Switzerland. Currently, the Secretariat is based in Kuala Lumpur, Malaysia.

Mission, Objectives, and Mechanisms

RSPO mission and objective is to promote the growth and use of sustainable palm oil through co-operation within the supply chain and open dialogue with its stakeholders. In fulfilling these objectives, the RSPO will undertake the following activities:

- research and develop definitions and criteria for the sustainable production of palm oil
- undertake practical projects designed to facilitate implementation of sustainable best practices
- develop solutions to practical problems related to the adoption and verification of best practices for plantations, procurement, trade and logistics
- acquire financial resources from private and public funds to finance projects under the auspice of the RSPO
- communicate RSPO's work to all stakeholders and to the broader public

Management Structure

RSPO's management structure is composed of an Executive Board (EB), a General Assembly (GA), and a Secretariat.

Executive Board

The Executive Board is responsible, in collaboration with the Secretary-General, for the general RSPO management. In addition to general Board duties, its responsibilities include:

- Establish guidelines for the programs of the Technical Committee and the Working Groups and submit them to GA
- In case of urgency, take all decisions normally assigned to the GA, and submit them subsequently to its ratification.

The President of the EB is elected among the EB members and is the legal representative of the organization.

Members and General Assembly

RSPO is open to ordinary and affiliate members, whether individuals or organizations. Ordinary members are active in and around the palm oil supply chain, which qualify for one of 7 categories, as described below under “Stakeholder Participation”, p. 7.

Affiliate Members are those actors who are not active participants in the supply chain, but that have expressed interest to support the objectives and activities of the RSPO.

Membership is assessed and approved by the Executive Board and for two years period.

All members meet in annual Ordinary or Extraordinary General Assemblies. GA's role and responsibilities include all necessary or useful actions to fulfill RSPO objectives, particularly:

- Elect the members of the EB **within their own sector**
- Elect the auditor of the RSPO
- Establish the principle guidelines for the general policy of the RSPO
- Take into consideration and decide on proposals of the EB
- Make all recommendation to the EB in view of the establishment of any useful Committee or Working Group
- Approve the RSPO annual accounts and budgets

The majority of ordinary members with voting rights constitute the quorum.

Secretary-General and Secretariat

The EB appoints the Secretary-General (SG), as well as the staff in agreement with the former. He or she is responsible for the operational management, including project support and co-ordination of technical working groups.

Specific Bodies

The EB can designate Working Groups (WGs) to undertake specific tasks related to best practices, communication or other issues dealing with Sustainable palm oil.

Stakeholder Participation

The stakeholder participation happens through the membership and the Board.

Members and General Assembly

Each Ordinary member has one vote. Ordinary members have full voting rights in the General Assembly (GA), can access all information produced for members and can participate on the thematic working groups. Decisions are made by simple majority of the ordinary members present or represented.

Affiliates have not voting right and limited access to information. The EB can determine affiliates rights in more detail. As of 19th January 2005, there are, 18 Affiliate members.

Table 1, below, shows the distribution of the membership into 7 interest group categories.

Executive Board

The EB is made of 16 members, elected and/or revoked by the GA for a period of two years. Re-election is allowed. The EB makes decisions by consensus of those present.

The allocation of seats for the various sectors of membership is defined by the Statutes as shown in table 1 – categories of interest groups, members and EB seats, below. The seats representing growers have a quota of 1 representative for each Malaysia, Indonesia, Small holders, and “rest of the World”.

Membership categories	# ordinary members (19.1.05)	Board seats
Oil Palm Growers	22	4
Palm Oil Processors	12	2
Consumer goods manufacturers	7	2
Retailers	3	2
Banks/investors	2	2
Environmental NGOs	5	2
Social/development NGOs	2	2

Committees and Working Groups

Working Groups (WG) may be composed of ordinary and affiliate members, as well as other stakeholders. Members will decide on the creation and program of the WGs at the GA or through the Secretariat. The WGs are responsible for their own expenses.

Government Participation

Governments have no formal representation within RSPO membership structure. However, it is stated that Governments can contribute towards the work and activities such as the development of criteria to define sustainable palm oil (RSPO 2004d).

Governance Structure Diagram

The Roundtable on Sustainable Palm Oil

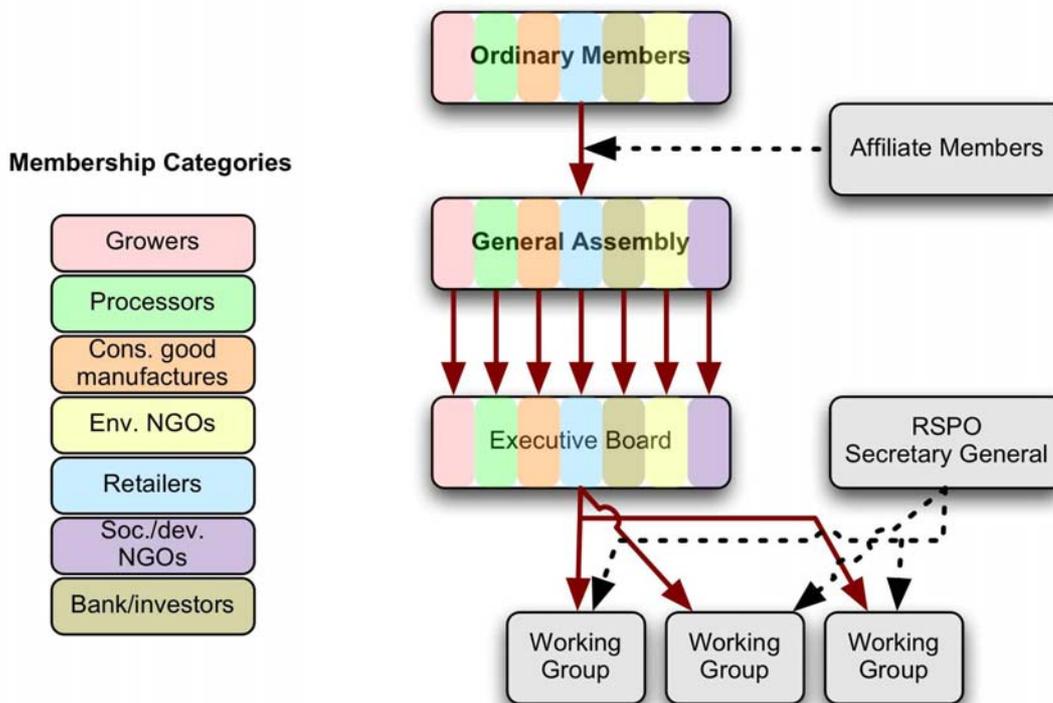


Diagram 1 – RSPO governance structure

Forest Stewardship Council (FSC 1999, 2002a, 2002b, 2004)

Short Description

The Forest Stewardship Council (FSC) was founded in 1993 as an international not-for-profit organization. It is an association of Members consisting of a diverse group of representatives from environmental and social groups, the timber trade and the forestry profession, indigenous people's organizations, community forestry groups and forest product certification organizations from around the world. Membership is open to all who are involved in forestry or forest products and share FSC's aims and objectives. The FSC International Center is based in Bonn, Germany. As of January 13, 2005, 681 forests in 61 countries and covering more than 48 million hectares have been certified under the FSC accreditation.

Mission, Objectives, and Mechanisms

FSC's mission is to promote environmentally appropriate, socially beneficial, and economically viable management of the world's forests.

The Forest Stewardship Council's principle activities are the development of forest management and related standards, communication and education, and through a separate program, the accreditation and monitoring of certification bodies working to FSC standards.

FSC has developed an international labelling scheme for forest products. The inspec-

tion of forests are carried out by a number of certification bodies accredited by the FSC.

FSC also supports the development of national and local standards that implement the international Principles and Criteria at the local level. These standards are developed by national and regional working groups, which work to achieve consensus amongst the wide range of people and organizations involved in forest management and conservation in each part of the world.

Management Structure

Members and General Assembly

Members and their General Assembly (GA) make the ultimate authority of the organization. Their main roles and responsibility are:

- Proposing candidates and elect Board of Director members
- Proposing and voting on amendments of Statutes and By-laws
- Proposing and voting on policy making, e.g. non statutory motions
- Holding the ultimate decision making power on appeals for dispute resolution (prior to court action), destitution of members and dissolution of the association.

Board of Directors

The Board of Directors has functions and responsibilities typical of an association Board.

Executive Director and Secretariat

The Executive Director (ED) is the chief executive, head of the secretariat and the secretary of the Board of Directors. Its functions include:

- Implementing the FSC policies and strategies
- Encouraging collaboration with other organizations (and people) who can contribute to FSC's mission
- Ensuring that administrative tasks are duly carried out by the secretariat, which role is an elaboration of the ED's responsibilities.

Specific Bodies

FSC has a number of specific bodies to carry out different tasks. These include:

- The Policy and Standards Unit which task is to develop the guiding documents, including standards upon which the accreditation of certification bodies is carried out.
- The Accreditation Unit, which task is to evaluate the conformity of different elements of the system with FSC standards, including, certification bodies, national initiatives and national standards. It is a separate legal entity.
- Working groups and committees, including the Dispute resolution committee.
- Regional co-ordination offices in Africa, Asia, the Americas and Europe.

FSC National Initiatives

The work of the FSC at national level is carried out by national initiatives. These can take several forms, from individual contact persons to fully structures national working

groups and national offices. They must be endorsed by the FSC Board of Directors, but are independent entities. Their primary functions are:

- Creating a national forum for promoting certification and addressing related issues
- Developing and adopt national standards on forest management certification.

Stakeholder Participation

The fundamental structure for participation in FSC is a multiple chamber mechanism that group stakeholders into broad interest groups and North/South origin.

Members and General Assembly

Prospective members must provide evidence that they support FSC and their application must be supported by at least two FSC members. The Board of Directors decides whether a prospective member is admitted to the membership.

Members can be individuals or organizations. They are divided into three chambers as seen in Diagram 2, which represent social, environmental and economic interests. Each chamber is divided into two sub-chambers and each sub-chamber has an equal voting power, i.e. one sixth of the total.

Decisions are taken by consensus, which is defined as the absence of sustained opposition, but does not require unanimity. In case of a vote, decisions require both the affirmative vote of a simple majority within each sub-chamber and sixty-six percent of the total voting power of all members. This mechanism is intended to avoid that an interest group can dominate, or be dominated in the decision-making process.

Board of Directors

The Board of Directors is a body of nine people elected from the membership for a three-year term. Three represent each chamber, two of which comes respectively from the northern and the southern sub-chamber. The third one alternated between North and South.

Decisions are normally taken by consensus. If this is not possible, a decision requires six votes in favour to be taken.

Committees and Working Groups

Committees and working groups are established to fulfil specific task and their composition depends on the task at hand. In all cases an optimal balance between the different sub-chambers is sought.

The conflict resolution committee is specifically described in the statutes. And is made of one representative of each sub-chamber. Additionally, the committee must have at least one member from North America including Mexico, Central and South America and the Caribbean, Europe, Australia and Oceania, Asia, and Africa.

National Initiatives (working groups and national offices)

National working groups and offices are independent organizations. However to be endorsed by FSC they must fulfil a certain number of criteria, including:

- Having a structure that is similar to FSC's, i.e. being composed of at least three chambers
- Decisions needs to be taken in a manner that demonstrates the support of each chamber, thus reflecting the mechanism of FSC International.
- Seeking and obtaining broader stakeholder support for the standard they develop.

Certification

In addition to the general governance structure, stakeholder input is also required at the level of certification. FSC accredited certification bodies must consult with local stakeholders before carrying out a certification audit.

Government Participation

At the international level, representatives of government owned or controlled companies can become members in the economic chamber. Membership is not currently possible for other government representatives.

National initiatives have the liberty to structure themselves in more than three chambers, including one for government representatives.

Governance structure diagram

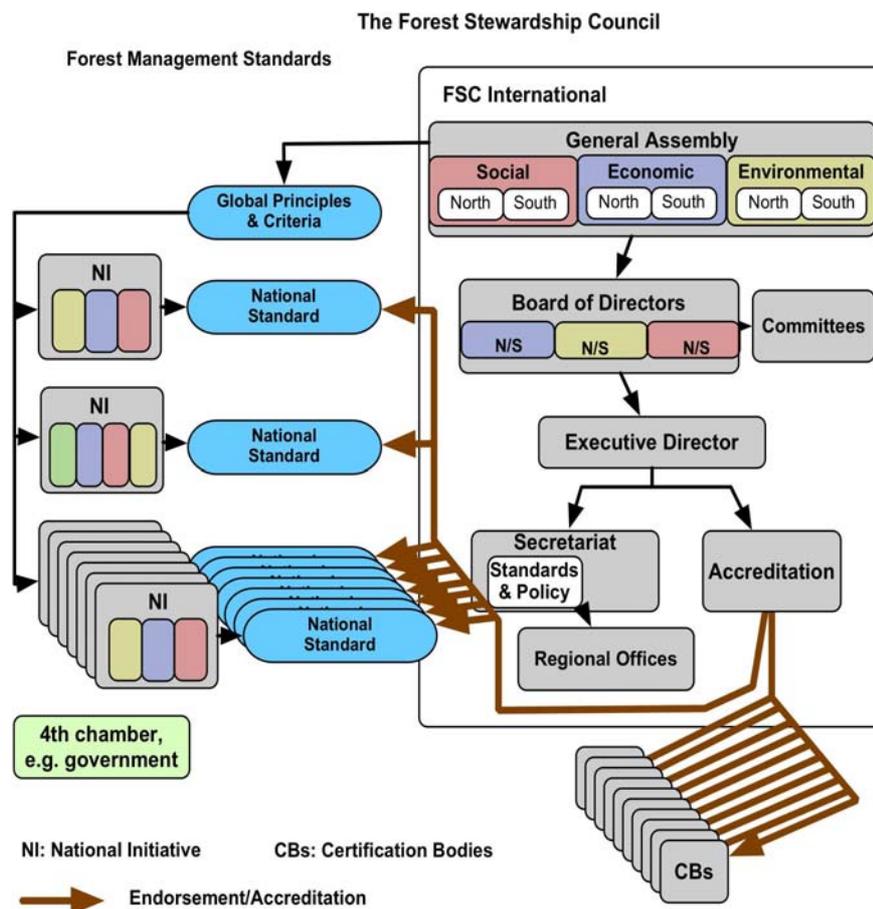


Diagram 2 – FSC governance structure

Sustainable Agriculture Network¹ (SAN 2004a)

Short Description

“The sustainable Agriculture Network (SAN) is a coalition of not-for-profit conservation groups dedicated to promoting tropical conservation and changing the face of commercial agriculture in the tropics” (Rainforest Alliance 2004).

SAN was established in 1991 and designs standards for socially and environmentally responsible export agriculture for bananas, coffee, cocoa, citrus, and ferns and cut flowers. Companies can be certified as “well managed” and be allowed to use the Rainforest Alliance-certified label. The Rainforest Alliance (RA) holds the secretariat of the network in Costa Rica.

As of the end of December, 2004, more than 125,000 hectares have been certified under the SAN scheme, benefiting directly more than 40,000 families. With the exception of Philippines (bananas) all certified operations are in Latin America.

Mission, Objectives, and Mechanisms

The SAN mission is to integrate productive agriculture, biodiversity conservation and human development. The objectives are to:

- Transform farming practices to reduce environmental impact and increase social benefits;
- Transform the thinking of all actors in the supply chain, from producers to consumers to take joint responsibility for their actions;
- Connect activists in the developed and the developing world;
- Raise awareness on our interdependence on tropical ecosystems and agriculture;
- Educate consumers in the North; and
- Provide a forum for discussions.

The main tool to achieve this is a certification system based on standards developed through a participatory, transparent and independent process (see Diagram 2, below). Standards are developed through a hierarchical structure including principles, criteria and indicators for each crop. They address the conservation of natural ecosystems, water resources, soil productivity and wildlife habitat, workers rights and conditions, community relations, integrated crop management, and socio-environmental planning and monitoring. SAN plans to rationalise the structure of its standards by adopting a generic set of global principles and criteria and adapting these to crop and local specific conditions by developing corresponding indicators (SAN 2003).

Management Structure

Members and Executive Committee

SAN is a membership organization made of ten members, eight of which are national practitioners. Organizations are bound by legal agreements between each of the

¹ The SAN is currently undergoing a major structural revision with the objective to better separate the different functions and their independence one vis-à-vis the others, particularly standardization and verification.

members. The economic relationships, and the rights to use the seal, are bilateral agreements between each SAN member and the RA.

The members are founding groups and those who have been elected to full membership. Members can certify farms and take part in the decisions of the SAN. The conditions for membership include being duly registered not-for-profit apolitical citizen groups

New members can be proposed by any partner in the network. A process of “mutual Compatibility Assessment” is carried out in collaboration with all existing members. After the process, which includes participating in common certification work with the candidate, members vote on the acceptance of the new member by simple majority.

The Executive Directors of the member organizations comprise the Executive Committee. Its role is to decide, *inter alia*:

- The network structure, strategies and policies
- To accept new product categories
- Develop or change national standards.

Secretariat

The secretariat is hosted by the Rainforest Alliance in San Jose. Its main functions are to develop and manage the certification implementation and administration systems, manage the revisions of the standard, review the use of the seal and more generally to carry out quality control of the Network’s operation and serve as the primary external liaison.

One important role of the secretariat is to carry out the harmonization of standards and protocols between the members and with other members of the International Social and Environmental Accreditation and Labelling Alliance (ISEAL).

Representatives

Representatives can be considered as prospective members. They can carry out all activities of SAN full members, with the exception of holding a voting power and taking final certification decisions alone. However, they participate in the policy discussion.

Watchdog

The watchdog member does not carry out certification, but has access to all documents. It serves as an independent reviewer and critic. The purpose is to enhance the credibility of the SAN as a whole.

Stakeholder Participation

As seen in Diagram 3, stakeholder participation is included in all the stages of the standard development process.

Government Participation

There is no special mechanism to involve governments in the network.

Governance structure diagram

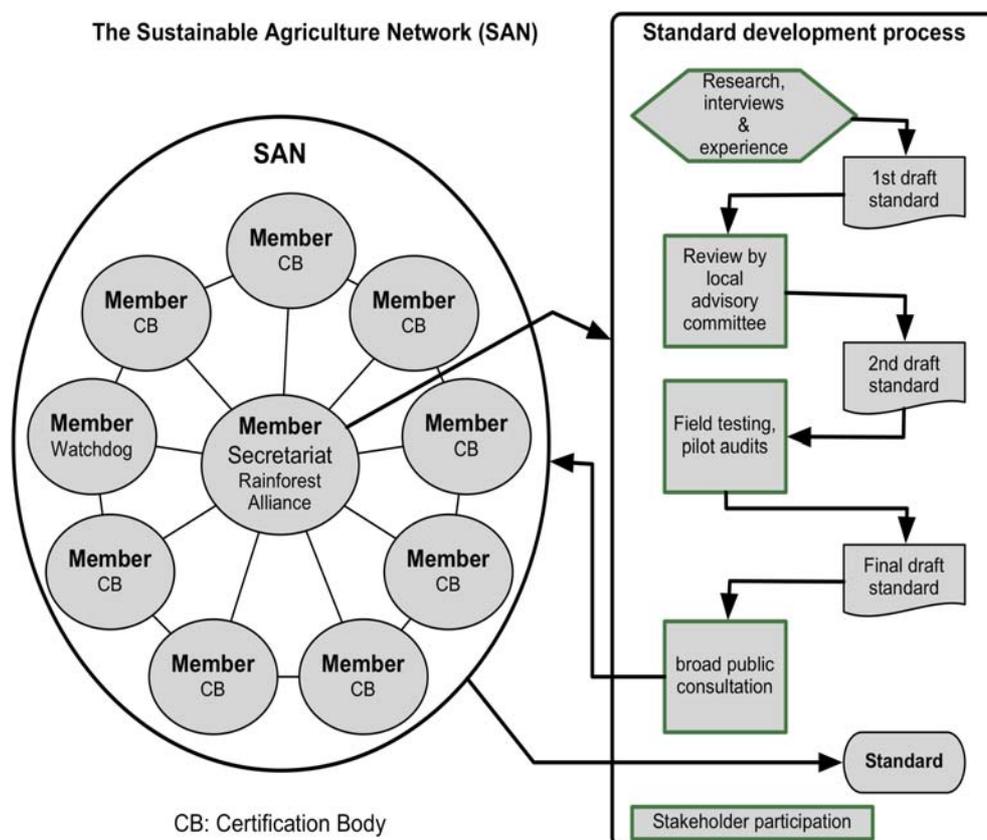


Diagram 3 – SAN governance structure

*The Common Code for the Coffee Community*² (4C 2004a, 2004b, 2005a, 2005b)

Short Description

The “Common Code for the Coffee Community” (4C) is not an organization but a project initiated in January 2003 by the German Coffee Association and the German Development Cooperation (BMZ, GTZ). A conceptual phase brought together different stakeholders of the coffee sector and resulted in the publication of a draft “matrix” (standard). This phase ended in September 2004 and is now followed by an implementation phase, which should last until September 2006. It is envisaged to create an independent organization at that date. The European Coffee Federation replaced the German Coffee Association for the implementation phase. The project secretariat is based at GTZ offices, in Eschborn, Germany.

Mission, Objectives and Mechanisms

The objectives of the 4C are to develop through a consensual process a global code drawing on international and national treaties and laws, for the sustainable growing,

² The 4C web site is not updated. The following description is based both on publicly available documents and the authors’ personal knowledge of the 4C initiative

processing and trading of mainstream coffee. The 4C project will also ensure the feasibility of this code for implementation and its suitability for binding agreements.

Compliance with the Code will be independently verified. It is expected that “producers, processors and traders complying with the requirements of the code will improve their competitiveness and bargaining power as a result of improved management and enhanced returns from optimized production, thereby creating better market access and higher margins” (4C 2004 p7).

Pilot projects, implemented mostly by the participating organizations (i.e. not by the 4C project itself) test the different elements of the 4C system.

Management Structure

One of the aims of the current implementation phase is to identify the best management structure for the future organization. Until now, the project has been administered through a secretariat, a steering committee and working groups.

Steering Committee

The steering Committee (SC) was made originally of 17 members (5 for each producers and NGOs and unions, and 7 for trade and industry). To these SC members, 3 extraordinary members were added. This last category was created to accommodate the participation of institutions that have a stake in the coffee sector, but do not fall within the tripartite structure of the SC.

While the project unfolded, the number of participants has gradually increased, either as members of the steering Committee or as participants in the Working Groups (see below). A precise list of participants and their responsibilities is not available, but the Code mentions in its September 2004 version; 20 producers, 10 representatives of trade and industry, 12 representatives of civil society and 8 extraordinary members as having participated in the process. This list needs to be taken with some caution because at least one group (Greenpeace) is mentioned in the document that has publicly resigned from the 4C process.

Each interest group has a rapporteur, who together with the others, form an informal body, sometimes called “Managing Board”.

The role of the Steering Committee is to define the strategic directions of the 4C project, upon recommendations from the Secretariat and the working groups. It has the formal responsibility of decision-making in and outcomes of the initiative.

Secretariat

The Project Secretariat (also called “International Common Code Managing Body”) is staffed by people from both GTZ and the European Coffee Federation for a total of 4 full time positions and has the responsibility of the project management.

Working Groups

Tri-partite Working groups (WG) have been set to address each of the environmental, social and economic aspects to be dealt with by the 4C initiative. The task of the working groups is to resolve technical matters and submit proposals to the SC. WG members often are also Steering Committee members.

Pilot Project Platform

The Pilot Project Platform, which follows the general tripartite structure of the 4C, is responsible for discussing proposed pilot project and independently analyze their outcomes.

National Common Code Bodies

The current implementation phase should lead to the gradual establishment of national 4C bodies, whose task should be to oversee the local development and implementation of the Code.

Stakeholder Participation

The stakeholder participation is ensured through the tripartite structure of the Steering Committee. To date no mechanism has been set up to involve a growing number of interested organizations or individuals, except through dissemination workshops and on going contacts between the project secretariat and other initiatives and/or institutions concerned with coffee.

National 4C bodies will be supposed to also have a tripartite structure. However since existing local institutions are expected to play this national role, e.g. national coffee associations, at least in the beginning, this requirement may be gradually phased in.

Until now, the 4C process has consciously focused on the development of the standard, leaving institutional and governance issues to be addressed at a later stage. This may have hindered a large buy-in the initiative. At its launch in September 2004, the draft Code has encountered resistance from different actors, governments, producers and civil society alike, for being perceived as a unilateral imposition on producers.

Verification

As currently proposed, the verification system of the 4C has the following elements:

- The code itself, divided into unacceptable practices, reds, yellows and greens.
- A self-declaration by the producer that all unacceptable practices have been excluded
- The implementation of a continuous improvement plan
- The evaluation by a third party of the level of compliance with the Code. Performance for each criterion can be “red”, “yellow” or “green”. If “average yellow” is reached, i.e. if each “red” is compensated by a “green”, the producer will be allowed to trade 4C coffee.
- All “reds” must be eliminated in a timeframe of 2 years, period after which a third party verification must occur again. If successful the producer keeps the right to trade 4C coffee and will have to undergo a next verification 4 years later. If unsuccessful, the producer loses its license to trade 4C coffee and will have to reenter the system (by having eliminated all reds) 2 or 4 years later.

Government Participation

No special provision is made for government participation, but the International Coffee Organization, the German and Swiss Governments are represented as extraordinary members of the Steering Committee.

Governance structure diagram

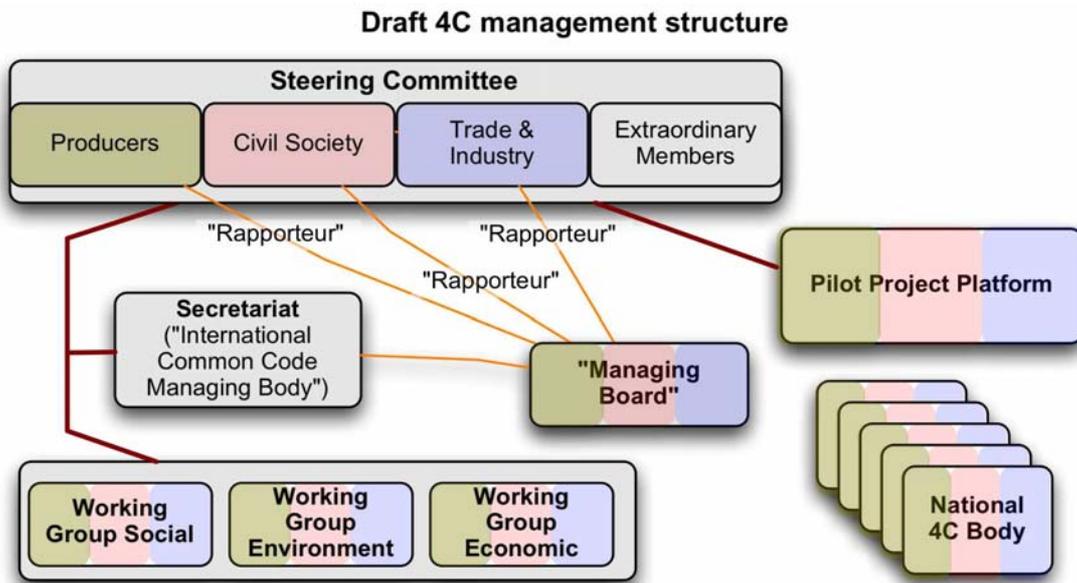


Diagram 4 - Draft 4C governance structure

Summary Table

	RSPO	FSC	SAN	4C
Legal status	Non-for-profit Association	Non-for-profit Association	Partnership of NGOs linked by a Master Team Agreement	Common Project between GTZ and the European Coffee Federation
Membership Organization	Yes	Yes	Yes	No
No. of members	51 ordinary 17 affiliates	628 ³	8 southern NGOs and 2 northern	From 17 to 42 ordinary ⁴ 8 extraordinary
Representativeness	7 categories: Growers Processors and/or traders Consumer/manufacturers Retailers Banks / investors Environmental NGOs Social NGOs	three chambers: social, economic and environmental	Non Aplicable	1 st phase tripartite steering group: Producers Traders & Industry, Civil society
Direct participation of stakeholders in policy making	Yes	Yes	Yes	Yes
Decision making mechanism	Consensus & voting	Consensus & voting	Consensus	Consensus
Formal North - South Balance	No	Yes	No	No
Board	Elected	Elected	Determined by the structure of SAN	Auto-nominated
Local/regional presence	Yes (secretariat)	Yes (Nat. Initiatives)	Yes	Planned
Secretariat	Independent Secretariat	Independent Secretariat	Rainforest Alliance serves as Secretariat	Management Unit served by GTZ and European Coffee Federation
Formal mechanism for government participation	No	Yes	No	No
Premium for producers	Not decided yet	Market	Market	No
Premium for participating companies	Market	Market	Market	Market
Type of Declaration	Not decided yet	certification & on-product label	certification & on-product label	Not decided yet
Finances ⁵	Membership fees, donors	Accreditation fees , membership fees, donors	Members ⁶ , donors	Donors , Roasters and traders

³ As of December 2004. www.fsc.org

⁴ Total number of members is not clear from current documents.

⁵ in bold: main source of revenue

⁶ normally 20% of certification fees

Pros and Cons

The following analysis of the pros and cons is based on the current information available on each scheme. It is indicative in nature, since the RSPO and the 4C are at early stages of their development and SAN is going through an important restructuring process. In contrast, FSC has completed a decade of work and important lessons have been learned institutionally to maintain buy-in and credibility.

RSPO

Pros

- Strong producers and industry support
- Management structure help cost-effective decision-making

Cons

- Low participation of NGOS and local communities, particularly southern representation
- No mechanisms to give equal power to different interests, particularly to the three pillars of sustainable development (e.g. economic, environmental, social interests)

May be adequate for a business-to-business declaration, but probably insufficient for consumers oriented claims, including on product labelling.

FSC

Pros

- Strong democratic process
- High legitimacy among economic, environmental and social interest groups

Cons

- Slow decision making mechanisms, which erodes the patience of business and industry
- Lower legitimacy for social groups in terms of real and meaningful participation

Usually mentioned as the good example of consumer oriented claims (label).

SAN

Pros

- Bottom up approach for standards setting
- Strong buy-in from economic, environmental and social interest

Cons

- Lack of formal secretariat has not allowed for independent and identity growth
- Unclear decision making process

High legitimacy amongst NGOs which allows for a labeling scheme credible in the public.

4C

Pros

- Result oriented – has allowed the development of a standards in 18 months (fast for a MSH process)
- About 80% of the coffee trade and industry is represented, thus high potential for impact in the mainstream coffee market

Cons

- Development of a complex verification system which overall robustness still needs to be demonstrated, compared with traditional certification approaches
- Lack of focus on institutional arrangement and involvement of stakeholders outside those directly involved in the initiative.

May be adequate for a business-to-business declaration, but probably insufficient for consumers oriented claims, including on product labelling.

Part 3. Recommendations

The step between the conceptual phase and the implementation of a multi-stakeholder structure is a challenge for any initiative. One key aspect of this challenge is how to create the buy-in of stakeholders, particularly those who have been informed of the initiative, but may feel resistance and, rightly or wrongly, doubt the real space for equal and democratic participation.

The lack of buy-in can lead to a common feature of initiatives trying to use market forces to improve conditions on the ground: they are perceived as an imposition of rich developed countries on developing countries, and therefore are criticized for being trade barriers. This creates a legitimacy gap, one consequence of which can be that the uptake of these initiatives is not as important as it could be, thus they do not deliver all the benefits they could. A more in depth analysis of this situation can be found in “Knowledge Base” an analysis on environmental requirements and market access (ECL Space 2004), downloadable at http://www.piec.org/ecl_space/07-CG_section/KB/knowledgebase.pdf

This hurdle can only be avoided through an adequately participatory governance structure, which itself needs to be the result of a transparent agreement by the different stakeholders. In other words, the process to define the structure is closely inter-linked with the structure itself, and to a certain extent **structure follows process**.

Interim Governance Structure

The following recommendations concern the process and are aimed at building **trust**, **buy-in** and **consensus**, which in turn should lead to the ideal structure: the one that is accepted by all stakeholder groups as adequate and delivers the expected outcomes.

At and after the first Roundtable on Sustainable Soy conference, to be held 17 – 18 March 2005, stakeholders should be reassured that pending issues and questions will be answered through a process that ensures their point of view is taken on board. This is particularly important for those who are *a priori* defiant. Quite possibly, many of these questions will not be answered at the conference itself, but it will be crucial that, at a minimum a **process agreed by all is put in place** to resolve them, including an **interim decision-making mechanism**. Please note that this interim solution should not pre-empt any other possible approach for the long term.

In trying to achieve this agreement, it will be useful to use techniques such as **Mutual Gains** (bringing benefits to all, even if these benefits may not be the same for all) and **Contingent Agreements** (limited in time and to be reviewed after more information has been collected on the effects of the agreement). Pending issues should be resolved through a process called **Joint Fact Finding** (all stakeholder agree on who and how issues will be resolved, instead of referring to experts who are recognized only by some parties). These different techniques are described in a tool developed in the framework of forest certification, but that can be easily adapted to the RSS process (Fairman and Dixon 2002). This tool can be downloaded in English (http://www.piec.org/pathfinder/Pathfinder_portal/Instruments.html) or in Spanish (http://www.piec.org/pathfinder/Pathfinder_portal/S_Instruments.html).

A possible interim governance structure

The following is only one suggestion for the interim decision-making mechanism, possibly to be considered as a starting point for discussion. Others could be made, particularly concerning the distribution between interest groups.

Governance structures that have gained major support have been able to balance the participation and decision power along the three pillars of sustainable development: social, economic and environment.

Within this general structure and depending on the number and diversity of participants to the first conference of the CSS, different interest groups could be defined, for example: small farmers, industrial producers, processing industries, retailers, social NGOs, environmental NGOs, government, potentially impacted communities.

As much as possible, a balance between developing country and developed country representatives should be maintained in each group.

Unless otherwise accepted by consensus by all groups, each should have an equal weight in decision-making in the plenary, while respecting the overall balance between the 3 pillars.

One of the tasks of the Assembly, besides agreeing on the interim structure, should be to design an interim **Executive Committee** (or Board) representing the different interest groups. It should also agree on a interim **Secretariat**, most probably the current Organizing Committee, or a sub-set of it.

Working Groups should be made of an equal number of representatives of each interest group. Their task will be to resolve pending issues either during the conference itself or as a follow up. The more political or strategic an issue, the more this balance should be sought. For more technical questions, it may be adequate to diverge from this structure, if the need of technical expertise justifies it and if the assembly agrees. Final decisions should be made by the Executive Committee.

Scope, Objectives and Desired Outputs

Structure should follow needs and functions. As such, one fundamental step in defining the long-term institutional structure for the RSS, will be to reach an agreement between the stakeholders on its **objectives**. This agreement should be based on the interim decision-making structure, or any modification thereof agreed by the constituency. This can be at the conference itself or as a follow-up to the conference. Therefore a **communication mechanism and rules** between the different conference participants should be agreed at the conference itself.

One of the preliminary proposed objectives is to develop and promote criteria for more sustainable soy production.

In terms of defining the longer term institutional setting of the RSS, this suggests issues to be addressed or questions to be answered, including for the

- the scope of their application (global, regional, national, local)

- their implementation mechanism (type of claim)
- incentives for compliance (very important point to get producers support, as demonstrated in the 4C experience)

Clearly, depending on the answers brought to the questions, the level of stakeholder engagement will vary. For example, if the decision is to design a on product labeling scheme, the long term institutional structure will need a high level of stakeholder involvement to achieve enough legitimacy to be efficient. An approach as the one taken by FSC may be necessary. Conversely, if the RSS does not give rise to any claim, stakeholder involvement may need to be more restricted and relate mainly to technical aspects, with a decision-making mechanism hold only by few parties. For a business to business declaration, probably a structure of the kind implemented in the RSPO could be adequate.

Involving stakeholders

Once scope, objectives and desired outputs are generally agreed, it will be crucial to carry out again⁷ a **stakeholder assessment** to identify who should be involved and at which development stage, keeping in mind both the necessity of technical input and the need to safeguard the future political dynamic of the process. Who will be affected, who can affect the RSS and the level of impact are key guides in determining who should participate and to what extent. Because stakeholders are also those who oppose to an initiative, the higher the controversy around a project, the more SH must be closely involved with decision-making. A **neutral and skilled assessor** should be chosen to undertake the stakeholder assessment, this to allow to both gather the necessary information and build trust amongst the different parties.

Once stakeholders are identified, **mechanisms to involve them** will need to be found. The incentive for participation may be linked with direct benefits (more resources!), but in term of process, it will be connected to the level of participation in the decision-making mechanism.

As demonstrated by the 4C experience, a **decision-making mechanism**, including the weighting of voting power between different groups, needs to be sorted out early in the process. It is possible to define guidelines, standards or any kind of normative document before structuring the governance of the initiative, but it becomes much more difficult to create buy-in for the outputs if stakeholders have not had the feeling that the process belongs to them from the beginning.

Monitoring Impacts of the Initiative

Another preliminary objective of the RSS is to monitor the status of soy production in terms of sustainability. To be able to monitor, it is important to have the tools to do it. These include an assessment of the **baseline** before the RSS is in operation and introducing at the very base of the system, the monitoring of its own impact. When successful, initiatives as the RSS change the pattern of trade in a commodity, which creates resistance to the initiative. With resistance come questions such as “what have you changed on the ground?” None of the existing MSH schemes have such a mechanism in place, and none is able to answer this basic question in a straightforward manner. For examples many schemes (e.g. FSC) claim improvements on biodiversity conservation. However no hard data currently exists that allow responding to

⁷ Clearly, such an assessment has been undertaken for the first phase of the project, but the redefinition or refinement of objectives will justify a new assessment, notably because it is one activity essential to trust building.

critics. This does not mean they have no positive impact only that they cannot demonstrate it.

Monitoring the effect of the RSS will also be an important tool for continuous improvement.

In term of structure this suggests a **specific working group**, immediately, and possibly a **permanent panel** in the longer term to carry out the necessary research and evaluation.

Conclusion

The capacity of the RSS initiators (the Organizing Committee) to steer a consensus building process will be key for the long-term success of the initiative. Two words can summarize this capacity: **flexibility** and **trust-building**.

In term of process, the points made above can be synthesized into the following Diagram.

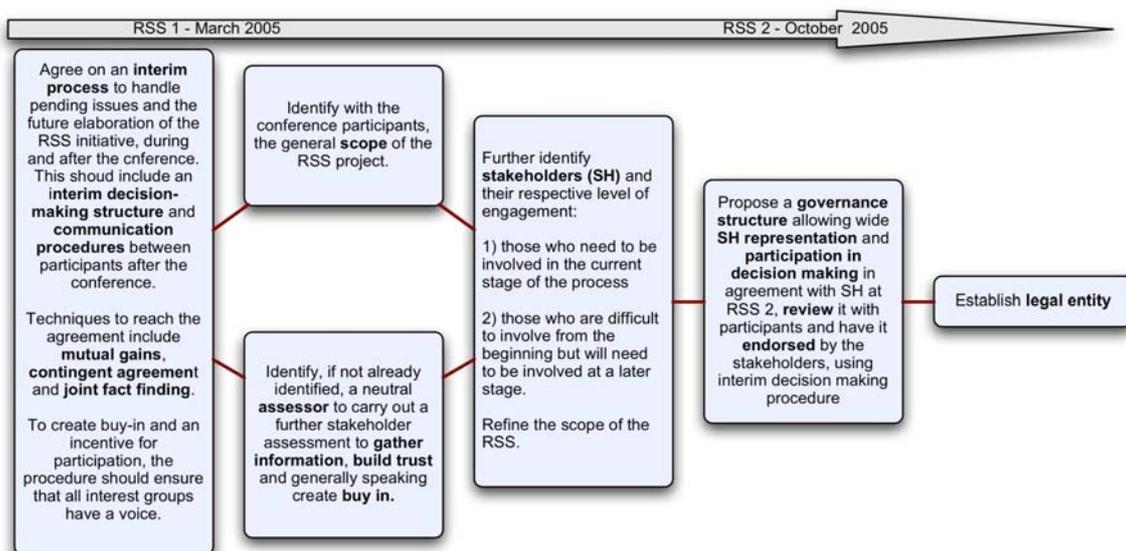


Diagram 5 – Steps in the elaboration of the RSS governance structure

References

- 4C (2004a) *Common Code for the Coffee Community*, 9 September 2004 version, the Common Code for the Coffee Community Project, Eschborn
- 4C (2004b) *Roadmap*, the Common Code for the Coffee Community Project, Eschborn
- 4C (2005a) project web site <http://www.sustainable-coffee.net>
- 4C (2005b) *Status Report January 2005 – presentation to the ICO*, the Common Code for the Coffee Community Project, Eschborn
- Burger D and Mayer C (2003) *Making Sustainable Development a Reality: The Role of Social and Ecological standards*, Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), Eschborn
- Cashore B (2002) *Legitimacy and Privatisation of Environmental Governance : How Non-State Market-Driven (NSMD) Governance Systems Gain Rule- Making Authority in Governance : an International Journal of Policy, Administration and Institutions*, Vol. 15, No. 4, October 2002 (pp. 503-529) © 2002 Blackwell Publishing, Malden, USA and Oxford, UKFSC (2002a) *Forest Stewardship Council A.C By laws*, Forest Stewardship Council, Oaxaca
- Fairman D and Dixon L (2003) *Consensus Building and Conflict Resolution Toolkit*, instrument of the PathFinder, Pi Environmental Consulting, Pully, Consensus Building Institute, Cambridge & WWF International, Gland
- Forest Stewardship Council (1999) *Roles rights and responsibilities of FSC players*, Forest Stewardship Council, Oaxaca
- Forest Stewardship Council (2002b) *Final Motions and Result from the FSC General Assembly 2002*, Forest Stewardship Council, Oaxaca
- Forest Stewardship Council (2004) *FSC web site: www.fscoax.org*, Forest Stewardship Council, Bonn
- Greene G (2002) *Industry Codes of Practice and other Voluntary Initiatives: their application to the Mining and Metals Sector* in Stratos Inc. *Mining, Minerals and Sustainable Development* March 2002, No. 26., Ottawa, Canada
- Haufler V (2003) *New Forms of Governance: Certification Regimes as Social Regulations of the global Market* in Meidinger E, Elliot C and Oesten G, eds. *Social and Political Dimensions of Forest Certification*, www.forstbuch.de 2003
- ISEAL Alliance (2003) *Strengthening Voluntary Standards and Conformity Assessment*, presentation for the ISEAL Workshop: Best Practices for Setting Voluntary Standards 11 June 2003
- Kohl E (2003) *Standard-setting in Practice: The reality on the ground*, Social Accountability International (SAI), presentation for the ISEAL Workshop: Best Practices for Setting Voluntary Standards 11 June 2003
- Meidinger E (2003) *Forest Certification as a global Society Regulatory Institution* in Meidinger E, Elliot C and Oesten G, eds. *Social and Political Dimensions of Forest Certification*, www.forstbuch.de 2003
- Meidinger E (2003) *Forest Certification as Environmental Law making by Global Civil Society* in Meidinger E, Elliot C and Oesten G, eds. *Social and Political Dimensions of Forest Certification*, www.forstbuch.de 2003
- Rainforest Alliance (2003) *Standards development Process*, presentation for the ISEAL Workshop: Best Practices for Setting Voluntary Standards 11 June 2003
- Rainforest Alliance (2004) *The Sustainable Agriculture Network – Latin American Conservation Groups raising the Standard for Export Agriculture*, undated document, Rainforest Alliance, San Jose

- RSPO (2004a) <http://www.sustainable-palmoil.org>
- Roundtable on Sustainable Palm Oil (2004b) *RSPO By-Laws*. <http://www.sustainable-palmoil.org> Roundtable on Sustainable Palm Oil, Zurich
- RSPO (2004c) *RSPO Statutes*. <http://www.sustainable-palmoil.org> Roundtable on Sustainable Palm Oil, Zurich
- RSPO (2004d) *RSPO FAQs*. <http://www.sustainable-palmoil.org> Roundtable on Sustainable Palm Oil, Zurich
- Shannon M. (2003) *What Participation is Meant by Public Participation in Forest Certification Processes? Understanding Forest Certification Within Democratic Governance Institutions*. In Meidinger E, Elliot C and Oesten G, eds. *Social and Political Dimensions of Forest Certification*, www.forstbuch.de 2003
- Sustainable Agriculture Network (2004) *Sustainable Agriculture Network-SAN Operation Manual*, undated document, Sustainable Agriculture Network, C/o the Rainforest Alliance, San Jose
- UNCTAD and IISD (2003) *Sustainability in the Coffee Sector: Exploring Opportunities for International Cooperation Towards an Integrated Approach, Summary Report*, conference organized in Geneva 8 and 9 December 2003, UN Conference on Trade and Development and International Institute for Sustainable Development, Geneva and Winnipeg
- UNCTAD and IISD (2004) *Discussion document: draft schematic Structure for a Coffee Partnership*, UN Conference on Trade and Development and International Institute for Sustainable Development, Geneva and Winnipeg
- United Nations (2002) *Report of the World Summit on Sustainable development. Johannesburg, South Africa, 26 August – 4 September*. A/CONF.199/20
- United Nations (2000) *United Nations Millennium Declaration*. United Nations General Assembly. A/RES/55/2
- UNCED (1992) *The Rio Declaration on Environment and Development*. Report of the United Nations Conference on Environment and Development. Rio de Janeiro, 3-14 June.
- WTO/TBT (1994) *Agreement on Technical Barriers to Trade*, WTO, Geneva
- WTO/TBT (2003) *Third Triennial Review of the Operation and Implementation of the Agreement on Technical Barriers to Trade*, WTO, Geneva
- Wye College (1998) *NGO Management*, Wye College, the University of London, London