

Reducing Poverty:

Voluntary sustainability standards can support smallholder farmers

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Key Messages

- Sustainability standards can help reduce poverty among smallholder farmers through their effects on crop prices, the conservation of natural resources, producer organization, and supply chain relationships.
- To have a greater impact, standards can include smallholder farmers in decision making and governance, work to make compliance easier, and improve their coverage of criteria on living income, business diversification, climate, and gender equality.
- Policy-makers can take several actions to make sustainability standards more effective and accessible to farmers.

The Issue

As voluntary sustainability standards (VSSs) increase in number and prominence, it is important to understand whether and how they can help reduce poverty among smallholder farmers. This is where our research comes in. We first explain what poverty in agriculture means and then examine how VSSs can help tackle poverty based on their design and reporting of evidence. We explore how standards can more effectively contribute to poverty reduction and how they can best reach and benefit farmers, especially in developing countries.

What is poverty?

Most of the half-billion smallholder households that farm less than 2 hectares of land are among the world's poor, and the majority live in developing countries. The effects of the

¹ This policy brief presents main findings of Elder, S., Wilkings, A., Larrea, C., Elamin, N., & Fernandez de Cordoba, S. (2021). *State of Sustainability Initiatives Review: Standards and Poverty Reduction*. International Institute for Sustainable Development.



COVID-19 pandemic, conflict, climate change, and food insecurity have aggravated their already precarious situation and underscore the need for immediate efforts to reduce poverty.

Poverty is more than a lack of income. It also means hunger, limited access to education and other basic services, and a lack of participation in decision making. We take a multidimensional view of poverty, highlighting three key features of poverty: access to resources, opportunities and choice, and power and voice. Tackling poverty means addressing these three broad, interconnected dimensions.

For our research, we reviewed the literature on poverty and developed the following framework of poverty, which identifies the six major elements of each dimension.

Figure 1. The three dimensions and 18 sub-elements of poverty



This policy brief reports key findings from the International Institute for Sustainable Development’s *State of Sustainability Initiatives Review: Standards and Poverty Reduction*, our 2021 study of 13 major standard initiatives operating in agricultural markets. We examine



their production, system, and governance requirements across 18 key aspects of the three dimensions of poverty. We also assess 12 meta-studies on VSS impacts to evaluate their strengths and limitations in practice. Based on an analysis of 57 interviews conducted in six countries² alongside our colleagues from the United Nations Conference on Trade and Development, we also identify the factors that encourage or limit smallholder access to VSS-compliant markets.

What did we find?

Our research indicates that sustainability standards can support broader strategies to alleviate poverty among smallholder farmers. We find that VSSs' criteria align with several key aspects of the three dimensions of poverty and that they can contribute to progress in some areas. As such, they can be one tool in a wider approach to supporting market access and poverty reduction for smallholder farmers.

For these farmers to access and enjoy the benefits of VSS-compliant markets, however, certain enabling conditions must be in place, including supporting actors, access to information and training, market demand for VSS-compliant products, direct linkages between farmers and buyers, and access to financial resources.

Despite their limitations, VSSs provide a tool for supporting best practices that can assist policy-makers in their efforts to link smallholder farmers to markets and with poverty-reduction benefits.

Our Analysis

Do VSSs cover criteria that help reduce poverty?

Our first task was to determine whether the criteria of VSSs aligned with factors that help reduce poverty among smallholder farmers. We mapped the content of the 13 standards³ against the 18 aspects in the framework of poverty reduction shown above.

We found that the VSSs tend to have the highest coverage of criteria that correspond to those that are typically incorporated in national legislation or backed by international conventions (i.e., minimum wage, worker health and safety, and freedom of association). They also have high coverage of criteria related to training and skills development, producer organization and association, and natural resource management. Criteria targeting opportunities to manage natural resources sustainably mostly relate to sustainable farming practices (such as enhancing sustainable irrigation and soil conservation and preventing soil erosion and surface water and groundwater pollution) and the protection of legally protected biodiverse areas and high conservation value areas.

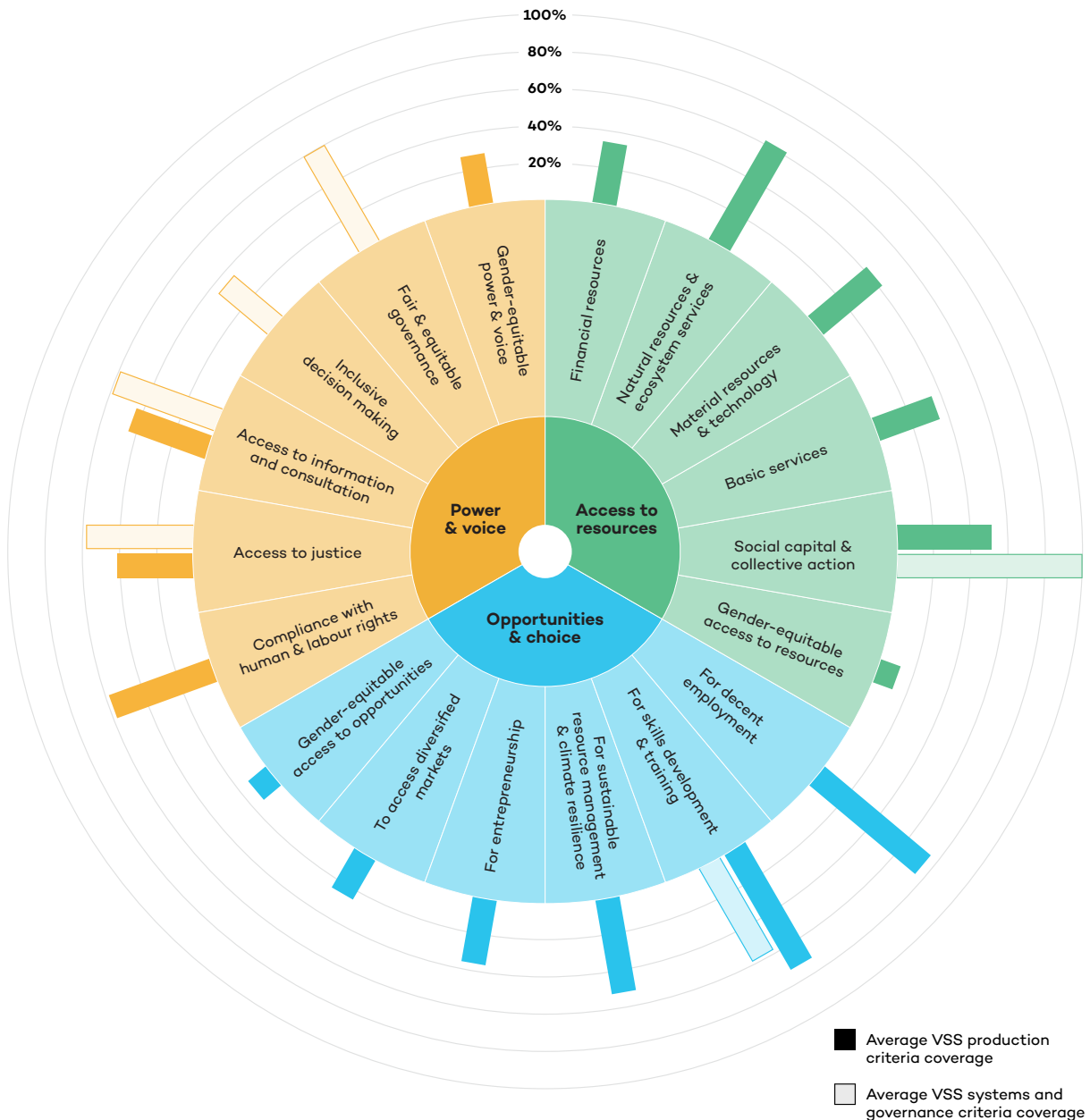
² Cambodia, Colombia, Guatemala, Guinea-Bissau, India, and Rwanda.

³ 4C Certification, Better Cotton Initiative, Bonsucro, Cotton made in Africa, Fairtrade International (Hired Labour), Fairtrade International (Small-scale Producer Organization), GLOBALG.A.P., GLOBALG.A.P. Risk Assessment on Social Practices, IFOAM – Organics International, ProTerra Foundation, Rainforest Alliance, Roundtable on Sustainable Palm, and Round Table on Responsible Soy.



While some standards focus on certain aspects more than others, our general finding is that VSSs need to improve the way they address premiums, living wage and living income, and climate adaptation and mitigation (reduction of greenhouse gases, carbon sequestration). Further, VSSs could better support smallholder farmers by offering them direct involvement in consultations and standard-related decision making and by easing compliance mechanisms. VSSs should also work to better integrate gender equality in their criteria—for instance, related to women’s access to land, training, and markets.

Figure 2. Average VSS coverage of criteria related to the key dimensions of poverty





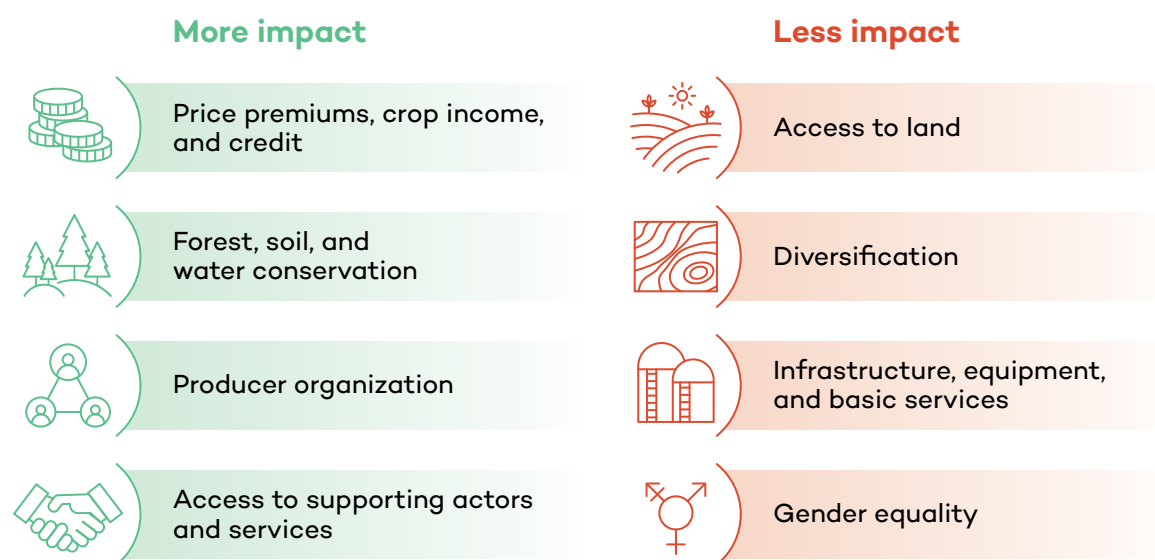
Do VSSs affect poverty in practice?

To understand how criteria coverage plays out in terms of actual outcomes, we reviewed 12 meta-studies on VSS impacts to evaluate their strengths and limitations in practice. Although it is difficult to determine the definitive impacts on poverty reduction, we were able to gather some insights from the existing evidence on aspects of the three dimensions.

There is evidence that VSSs can help farmers improve access to resources—such as better prices for certified crops, increased crop income, forest conservation, soil conservation and watershed protection, social capital via producer organizations, and links to supporting actors, including extension services, financial service providers, or buyers to secure sales. Certification also links smallholder farmers to buyers and consumers who are willing to purchase and pay premiums of 10% to 30% for more sustainably grown products. However, they could play a stronger role in supporting land access and diversification.

While standards can lead to better crop prices, it remains unclear whether VSSs lead to higher net household income. Evidence of impacts on gender-equitable access to resources is limited.

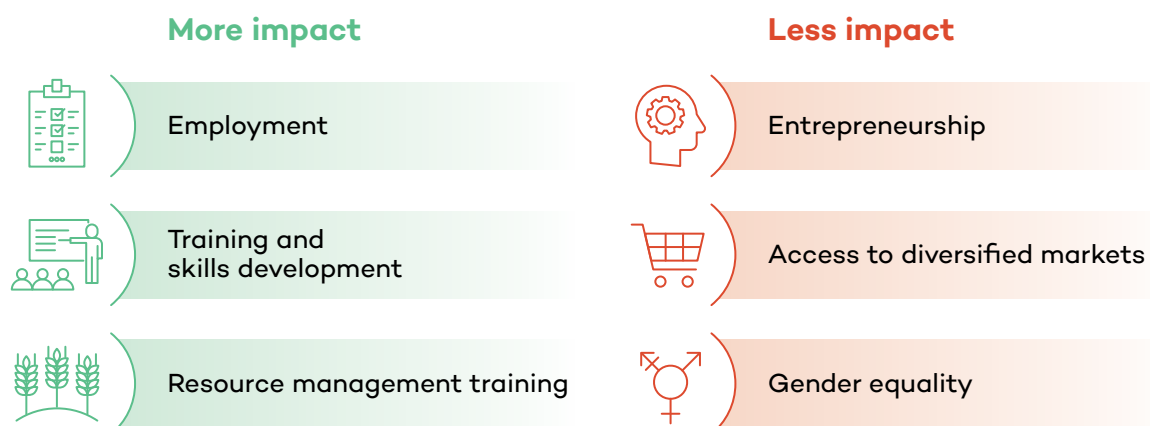
Figure 3. Access to resources



There is evidence that standards can help create opportunities for employment and decent work and improve prospects to manage farmland sustainably (via training on better farm practices and soil and water preservation), but not in all contexts and not for all workers—for instance, those hired by smallholders. The evidence is mixed as to whether VSSs increase market access for small-scale producers, and there is a lack of clarity on whether women have greater opportunities due to certification.

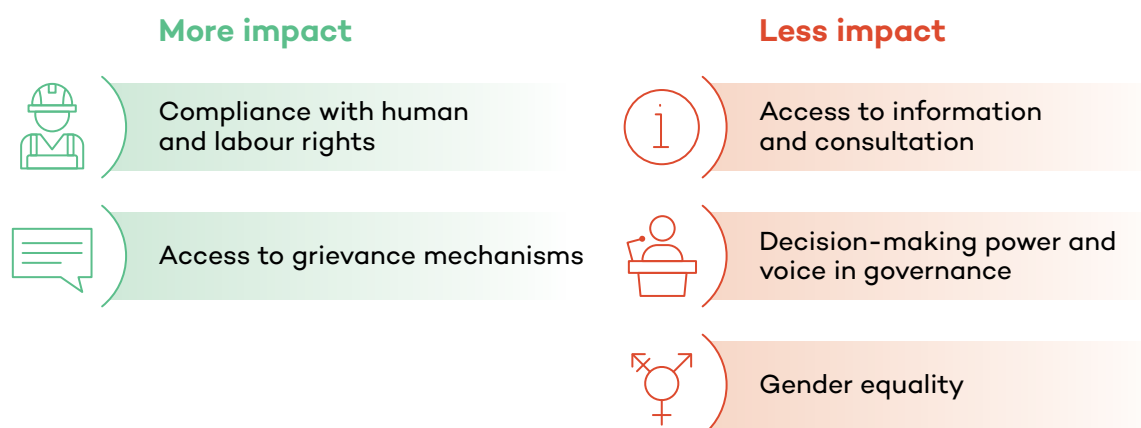


Figure 4. Opportunities and choice



The evidence suggests that standards can support smallholder power and voice through compliance with labour rights and access to grievance mechanisms. However, small-scale producers often lack access to information about VSSs and have little direct involvement in decisions and processes.

Figure 5. Power and voice



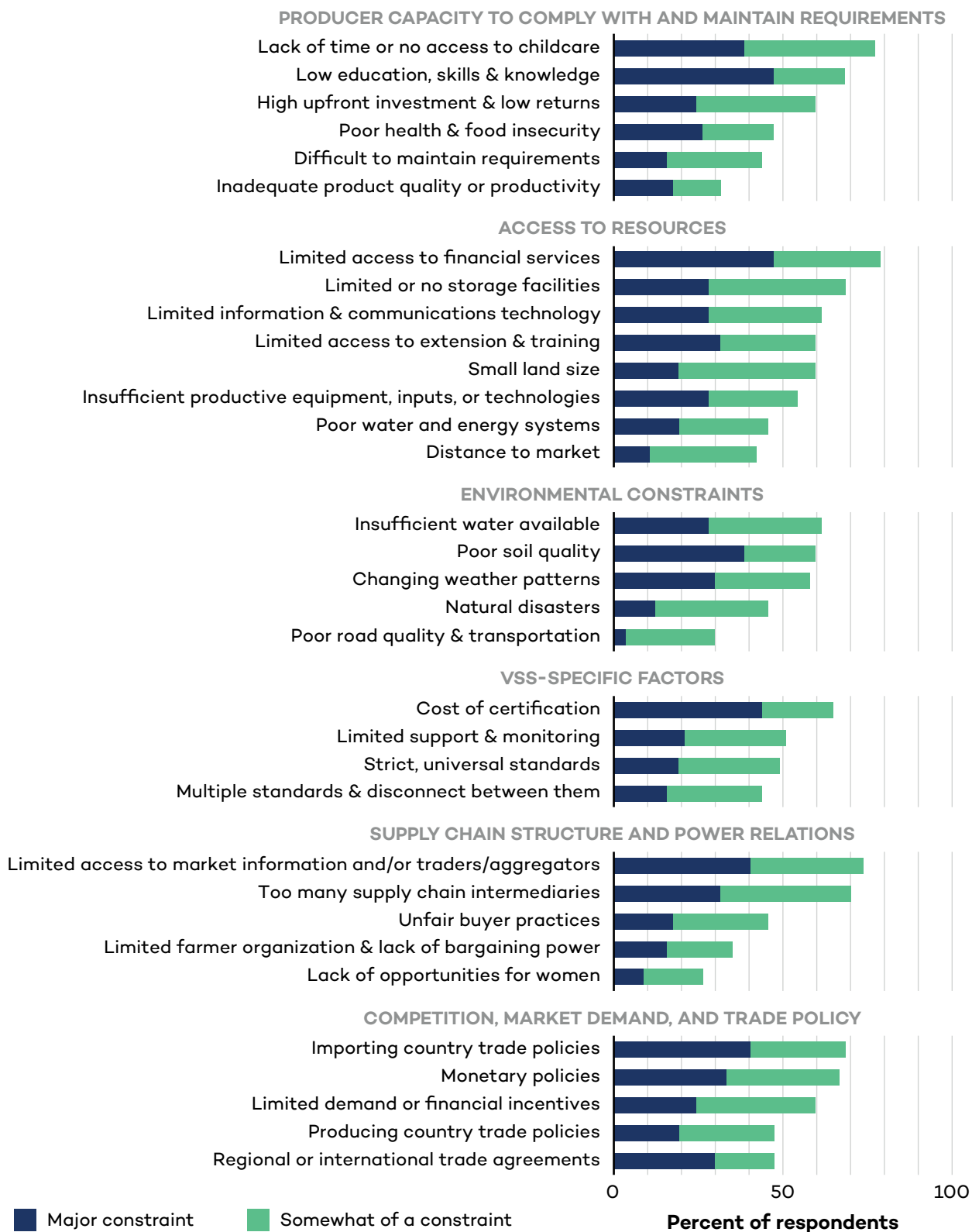
Overall, then, while we see alignment between the criteria that VSSs cover and evidence of some positive outcomes on the ground, the overall effects on poverty reduction across the three dimensions are inconclusive and context-specific.

How to help smallholder farmers access VSS markets?

For VSSs to have any effect on poverty reduction, smallholder farmers must be able to maintain compliance with VSSs and sell their products to customers seeking compliant products. Many smallholder farmers still face challenges accessing VSS-compliant markets. Our interviews shed light on the factors that influence smallholder farmers' access to VSS-compliant markets to better address the limitations and harness the enablers to create an environment for VSSs to contribute to poverty reduction.



Figure 6. Perceived limiting factors



Source: Figure 9 in *State of Sustainability Initiatives Review: Standards and Poverty Reduction*.



LIMITING FACTORS

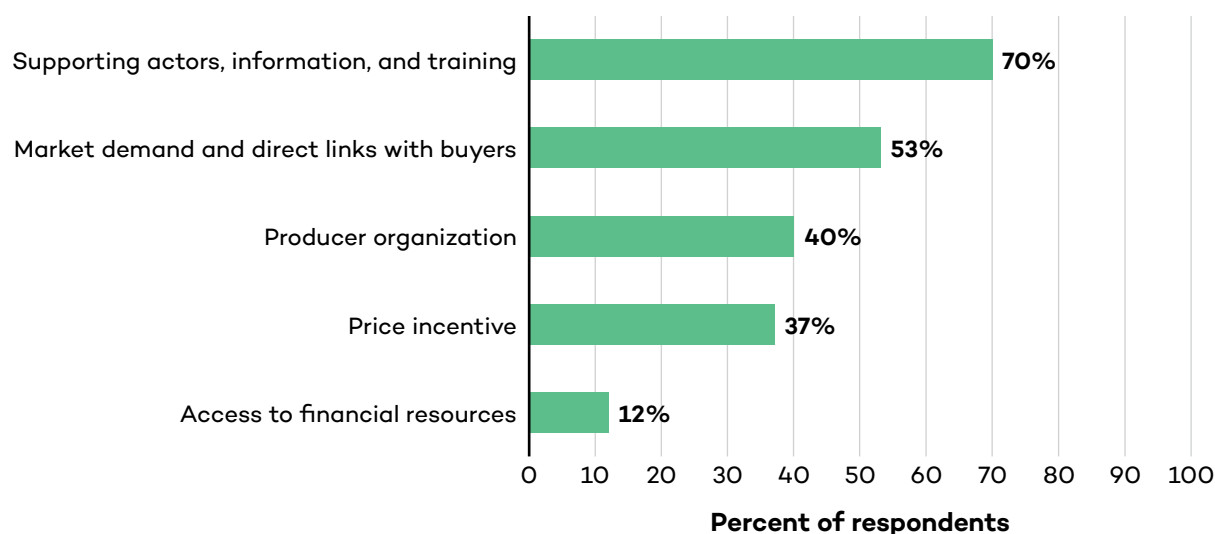
A range of factors limits smallholder farmer access to VSS-compliant markets. They include

- Low producer capacity to comply with and maintain VSS and other buyer requirements
- Limited access to resources (i.e., financial resources, training)
- Environmental constraints (i.e., insufficient water, poor soil, changing weather patterns)
- VSS-specific factors (i.e., prohibitive costs of certification)
- Supply chain structure and power relations (i.e., limited direct access to buyers, too many intermediaries, low bargaining power)
- Competition, limited market demand, and restrictive trade policies.

ENABLING FACTORS

The interviews indicated that several enabling conditions must be in place to support smallholder access to VSS markets. While the specifics will vary depending on the country and the commodity, our findings suggest that these general enabling factors are likely to have some importance in most contexts.

Figure 7. Perceived enabling factors



Source: Figure 6 in *State of Sustainability Initiatives Review: Standards and Poverty Reduction*.

The most essential condition is an ecosystem of supporting actors that work closely with smallholder farmers, such as government agencies, buyers, extension service providers, development organizations, and certifiers, offering them information and training on VSSs, their requirements, and the way they operate, as well as market information.

Another essential condition is market demand for VSS-compliant products and the ability of farmers to establish direct links with buyers (i.e., aggregators, retailers) instead of relying



on various intermediaries. Producer organizations, price incentives for VSS-compliant goods, and access to financial resources were also identified as key factors in supporting smallholder access to VSS markets.

Main Findings

VSSs can provide socio-economic and environmental benefits to farmers and communities that may support broader efforts to tackle poverty. Governments can integrate sustainability standards into their poverty reduction efforts to help smallholders improve compliance and access markets and contribute to climate action. Each of the three dimensions of poverty we analyzed illustrates an opportunity for governments to support standards in terms of uptake, costs, regulation, and grant programs to reach poorer producers, including women. At the same time, VSSs can assure governments that compliance with production criteria will align with policy goals and regulations.

To have a greater impact, VSSs must increase their coverage of critical criteria, such as living income, business diversification, climate adaptation and mitigation, and gender equality. They must also develop approaches that can make compliance more affordable for smallholder farmers and elevate their needs and voices in decision making and governance. To best contribute to poverty reduction, it is important to cover all three poverty dimensions and consider trade-offs between them. VSSs can support change in key aspects of these dimensions as part of a broader poverty reduction strategy that addresses the needs and priorities of smallholder farmers, expands their access to resources, creates opportunities and choices for their development, and strengthens their power and voice in society.

Still, they cannot go it alone to reach smallholder farmers or shoulder transformative systemic change aimed at eradicating poverty. Whether they reach smallholders will depend on the degree of external support they get, the structure and organization of value chains, terms in farmer contracts, cooperative characteristics, market dynamics, and environmental conditions. VSSs require support from governments, the private sector, and civil society. These bodies play important roles in improving farmers' knowledge and implementation of VSSs, coordinating support mechanisms, supporting smallholder access to productive and sustainable land, stimulating demand for certified agricultural products, ensuring a living income for farmers, and structuring value chains.

Working with these supporting actors means

- Access to training on sustainability standards, such as their production requirements and how they operate, as well as market information.
- Promoting demand for compliant products and creating structured and direct links with buyers instead of relying on third-party connections.
- Access to financial resources and price incentives for compliant products.



Recommendations

What can VSSs do?

Standard-setting bodies can strengthen VSSs to have a greater impact on aspects of the three dimensions of poverty. Our recommendations for VSSs are to:

- **Support business and market diversification** through better coverage of criteria designed to support entrepreneurship and access to diversified markets and business operations (i.e., crop diversification, value addition to crops, recycling of farm waste).
- **Establish robust monitoring and evaluation systems** with supporting actors who regularly engage with farmers to track the performance of their farming practices, assess changes, and support learning and continuous improvement—for example, by sharing data with farmers.
- **Strengthen VSS assurance systems** by leveraging technologies that support regular communication with farmers and make grievance mechanisms more accessible to farmers and their communities. Support the disclosure of decisions related to complaints that have been filed to strengthen transparency and continuous improvement.
- **Include smallholders in VSS decision making** by offering information in local languages and through means such as local radio programs, consulting more farmers, and involving them in decision making through votes and veto power in VSS governance bodies.
- **Cover critical environmental criteria** related to climate mitigation, adaptation, conservation, and biodiversity.
- **Adopt a gender-equality approach**, engaging women as partners in developing and implementing VSSs. Standards can also include explicit criteria that support issues such as women's access to land, training, and markets and women's health and safety.
- **Adapt international standards to the local context** and develop landscape and jurisdictional approaches to broaden the reach and lower the cost of VSSs for farmers.

What can governments, VSSs, and other value chain actors do?

Our research makes it clear that the responsibility for enabling smallholder participation lies not only in sustainability standards but also depends on having adequate support in place from other actors. Our recommendations for policy-makers, VSSs, and other value chain actors therefore include the following:

- **Facilitate direct and structured links in local value chains** among producers, formal traders, aggregators, and buyers; provide guidelines for establishing long-term contracts; and create transparency to encourage fair practices and reduce the risks of VSS compliance and market access for smallholder farmers.
- **Establish a living income reference and other financial rewards** for farmers by coordinating governments, VSSs, and buyers to advance the definition of a living



wage and living income references for smallholders and piloting and documenting experiences to support broader adoption.

- **Stimulate demand for sustainable products** to encourage and support the production and trade of VSS-compliant goods by raising awareness among consumers, including sustainability considerations in public procurement policies, and officially recognizing locally defined VSSs (or local versions of international standards) in producing countries that can support the trade of compliant goods domestically and with neighbouring countries (i.e., the East African Community, Mercosur).
- **Increase producers' access to financial resources** so they can make the investments needed to adopt and maintain VSS criteria. Collaborating with public and private financial service providers can support producers' access to finance programs that give them direct market linkages, inputs, and capacity-building activities alongside affordable financing models.
- **Improve farmers' VSS knowledge and implementation** by providing smallholders with information and adapted materials about how VSSs function, their rules, what they require, and their market performance. This knowledge will help producers make informed choices about related costs, risks, and benefits.
- **Support smallholder access to productive and sustainable land** by creating initiatives to register land titles to smallholders and providing incentives (i.e., monetary, training, inputs, access to technology) for farmers that show improvements in soil quality, sustainable farming practices, and environmental performance.
- **Strengthen producer organizations** by supporting the development of their leadership, business capacity, and negotiation skills to lower transaction costs—including for certification—and enable farmers to voice their needs and concerns collectively and better bargain with financiers and buyers.

This policy brief covers highlights from Elder, S., Wilkings, A., Larrea, C., Elamin, N., & Fernandez de Cordoba, S. (2021). *State of Sustainability Initiatives Review: Standards and Poverty Reduction*. International Institute for Sustainable Development. Read the full report for expanded research, analysis, and recommendations.

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