

① THE CASE FOR NATIONAL CODES OF PRACTICE

This is one of a series of papers produced by the Natural Resource and Ethical Trade Programme (NRET) of the Natural Resources Institute, University of Greenwich. The papers cover key themes relevant to the implementation of codes of practice in the fresh produce industry, with a focus on developing countries. They draw on findings from a 3-year NRET research project which looked at how the impact of codes on workers and smallholders could be improved. Themes covered are: the case for national codes; developing multi-stakeholder institutions; integrated social & environmental auditing; managing codes in the smallholder sector; building awareness and support for codes; and developing criteria, indicators and verifiers. For copies of the papers, please contact NRET at the Natural Resources Institute, Chatham Maritime, Kent ME4 4TB, U.K., email: nret@gre.ac.uk, or download from the Internet at: <http://www.nri.org/NRET/nret.htm>

Who is this paper for?

European supermarkets (multiple retailers), European code bodies (i.e. those bodies responsible for developing and promoting codes), European/international non-government organisations (NGOs) campaigning on corporate responsibility & ethical trade, and producer associations in exporting countries who are considering the development of a national code of practice.

Purpose of the paper

This paper makes the case for supporting national codes of practice (NCOPs), and provides practical recommendations as to how supermarkets and European code bodies can support their development. By NCOPs is meant codes of practice developed by grower associations and/or other stakeholders in exporting countries, in response to the food safety, environmental and social standards now being demanded by European markets.

Executive Summary

A growing number of developing countries exporting to European markets are developing NCOPs. Their experience shows that NCOPs bring many advantages to exporters, growers and workers, and also potentially to retailers and importers. **Advantages** include:

- more accurate auditing
- greater acceptance of codes by growers and exporters
- builds local capacity to audit and implement codes
- reduces need for social & environmental auditing to be done by hard-pressed supermarket staff
- more likely to meet worker priorities
- helps avoid unnecessary costs for growers and exporters
- complements national legislation and other local standards
- can be used as a marketing tool for the national industry

Challenges for NCOPs include:

- **Need for market acceptance:** there needs to be a system for assessing whether or not NCOPs are equivalent to supermarket and other European or international codes, and for formally recognising those that are. Such systems are not yet developed, but experience from other sectors shows that it is possible.
- **Need for good organisation within the export horticulture industry:** it is difficult to see how NCOPs can be maintained without a good industry association. Most NCOPs have evolved where there are strong growers' associations. Nevertheless, recent experience in Ghana suggests that codes can be developed without strong industry organisation, but with the support of an outside organisation, and that developing a code collectively can help bring the industry together.
- **How to meet initial investment costs:** NCOPs save costs in the long run, but they require significant investment early on. Mechanisms need to be developed for sharing costs between growers/exporters, supermarkets, importers and donors.

Introduction

Many of the major European supermarkets are now implementing codes of practice in response to growing consumer concern about food production methods and their impact on poor people and the environment. Codes require producers to meet minimum standards on food safety, working conditions, and environmentally friendly production. In all parts of the world, exporters and growers supplying European supermarkets are now being asked to comply with these codes.

In response to these supermarket codes, a growing number of horticultural producer associations in developing countries have been developing their own national codes of practice (NCOPs). Examples include the Zambian Exporters and Growers Association (ZEGA), the Agricultural Ethics and Assurance Association of Zimbabwe (AEAAZ), and the Kenya Flower Council (KFC). These associations have recognised the increasing importance given by the European market to social and environmental standards, and realised that the reputation of the national industry would suffer if any producers were found to fall short of the standards. They therefore decided to develop and implement NCOPs as a means of ensuring that their producer members complied with supermarket codes.

There is increasing pressure on supermarkets to make sure that their codes meet internationally recognised standards, e.g. that labour standards meet the relevant International Labour Organisation (ILO) conventions. Since the credibility of NCOPs depends on their standards meeting or exceeding supermarket standards, national producers associations and NCOPs are under the same pressures to adopt international standards. So NCOPs cannot afford to “dilute” either supermarket or international standards. At the same time, unlike supermarket codes, NCOPs also have the potential to address and reflect local (national) conditions and priorities such as the structure of the industry, local labour and environmental legislation, local farm management systems, the level of national infrastructure, and country-specific social and environmental problems.

Some importers, supermarkets and civil society organisations in Europe are sceptical about national codes. They do not see the need for national codes when there are internationally agreed standards in place, such as the International Labour Organisation’s conventions on workers’ rights. They are concerned that national codes will be “diluted” versions of their own or international standards. They believe that the creation of more and more national codes will add unnecessarily to the confusion already created by the ever-growing number of codes.

Nevertheless, NCOPs are increasingly gaining the support not only of exporters and producers, but also of Southern civil society organisations who have the interests of workers at heart. This paper explains the advantages of NCOPs, and shows how they can complement and support the implementation of supermarket codes and international standards. It proposes a system where supermarkets, consumers, trades unions and other civil society organisations can be re-assured that NCOPs meet or exceed international standards and market requirements.

Advantages of national codes of practice (NCOPs)

Leads to more accurate auditing

In Zimbabwe, farmers are much more concerned about audits against their national code, than about supermarket audits. Why is this the case? They feel it is easy to pull the wool over the eyes of a supermarket auditor, who lives in a foreign country, does not speak local languages, and knows little about the ins and outs of labour issues in Zimbabwe. In contrast, those who are auditing against the national code are local people who can develop a good rapport with the workers, who know local farming systems, and are therefore in a much better position to find out what is really happening. Also, local auditors are able to do unannounced and/or more frequent visits in case serious non-compliances are suspected.

Leads to greater acceptance of codes by exporters and growers

National codes are also much more likely to generate acceptance or buy-in from producers. The process of developing a code is in itself a great tool for building awareness and a sense of ownership amongst those who are involved. By discussing and thrashing out the details of the code, producers

Advantages of NCOPs *continued...*

will start thinking in earnest about why these issues are important, and how they can implement them on their farms. By being part of developing the code, they are more likely to feel they have a vested interest in making the code work. Once buy-in from growers and exporters is achieved, the code is much more likely to “implement itself”. Producers will implement the code in spirit as well as to the letter.

Builds local capacity, and brings more growers up to speed

Growers in developing countries are often willing to comply with codes, and increasingly they have little choice but to do so. At the same time, many of them are struggling to understand what is being required, and feel lost as to how to go about making the necessary improvements. In response, some supermarkets and importers are trying to provide training and support to producers. However, this is not ideal either for the importers (who don't necessarily have the necessary social and environmental skills) or for the producers (who only get sporadic assistance). With the development of a national code and supporting institutions, a local cadre of professionals will be built up, with the skills and knowledge to train (and audit) producers. Support can then be provided on a systematic basis.

Moreover, supermarkets and importers will only train those producers who are already supplying to them i.e. those already successfully established in the export market. The advantage of NCOPs is that smaller, less well-established exporters can also benefit from training and support. In this way NCOPs can help the industry as a whole to develop, thus broadening the export supply base in the country, and so leading to more choice for buyers.

Reduces the burden of auditing for technical staff in supermarkets and importing companies

At present, many supermarkets and importing companies are training their own technical auditors to carry out social audits against their codes of practice. If a system was developed where NCOPs could be assessed and approved as equivalent to supermarket codes, supermarkets could leave the task of producer auditing to the NCOP institutions (see below). This would reduce the burden on technical auditors in both supermarkets and importing companies.

More likely to meet worker priorities

Workers' priorities vary considerably from country to country, and from sector to sector. For example, on Zimbabwean export vegetable farms where the majority of workers are women, workers' key concerns include sexual harassment and the treatment of pregnant women. In contrast, in the Ghanaian export pineapple industry, where workers are predominantly male, neither of these issues feature as worker priorities. National codes are in a better position to make sure that such local priorities are reflected in codes.

Helps avoid unnecessary costs for producers

Supermarkets, and increasingly the importers who supply supermarkets, are each approaching producers with their own code and audit checklist. The codes and checklists tend to cover similar issues, but require slightly different recording systems and data. If supermarkets accepted the NCOP to be equivalent to their own codes, then producers would only have to be audited against the national code. This will certainly reduce the amount of bureaucracy in the company as well as the cost of auditing.

Development of a country-specific code can also help reduce costs of implementation, by ensuring that the mechanisms specified for reaching the required standard are cost-effective in the local context. National codes allow the use of technologies and management systems appropriate to the level of economic development, cultural sensitivities, level of education and size of farm to be found in the country in question.

Complements national legislation and other local initiatives

Supermarkets were not the first to try and implement labour and environmental standards. National governments have labour, pesticide and environmental legislation. Local businesses, trades unions and other civil society organisations, may also have developed their own codes or similar initiatives to promote social and environmental good practice. The development of national codes which involve

local governments and initiatives can help ensure that codes complement, rather than undermine, existing legislation and standards. NCOPs can also help develop interest about other related development problems and therefore bring wider benefits beyond the export industry.

Can be used as a marketing tool

National codes are also attractive to producers and exporters as a means of promoting the image of the industry. The code, representing a certain level of social and environmental responsibility in the industry, can be promoted as a new kind of “symbol of quality”. The credibility of an NCOP will be strengthened if it exceeds international minimum standards.

What are the challenges?

Effectiveness of industry organisation

Experience to date suggests that a well-organised industry – with a strong industry association – is a pre-requisite for the development and effective implementation of a national code. Obviously the existence of an established institutional structure and associated resources makes the task easier. However, experience from Ghana suggests that national codes can also be a catalyst to bring a previously fragmented industry together. The increased pressure to comply with codes, and the collective process of developing a code, can help to unite growers.

Market acceptance

In the long run, there is little point for exporters and growers to invest in a national code unless it gains market acceptance, and is recognised as equivalent to prevailing market codes (e.g. ETI Base Code, EUREP GAP, or in-house supermarket codes). Some supermarkets now accept the idea of NCOPs in principle. It is now possible – at least theoretically – for national code schemes to apply for and gain official recognition by EUREP GAP. However, supermarkets will only relinquish responsibility for auditing to national code institutions if they can be re-assured that the NCOP (a) covers all the requirements in their own code, and (b) is supported by robust auditing systems. This in turn depends on the development of effective and credible system(s) for accrediting national codes against market or international standards, and their acceptance by European supermarkets and code bodies.

Meeting initial investment costs

There are significant investment costs involved in setting up an NCOP. To get a code up and running, the following building blocks need to be established:

- *Developing the code*: this is not just a question of drafting a code once and for all. Developing a robust and workable code is an iterative process, involving a cycle of drafting, testing, revising, and testing once again.
- *Developing in-country capacity*: i.e. developing a cadre of staff with the skills and knowledge to promote and audit against the code, and to provide training and support to producers.
- *Raising awareness and support*: securing commitment from growers and exporters is not just a question of telling them what to do. Often this requires changing long-standing attitudes, which inevitably takes time and tactics.
- *Training and technical support*: once producers are convinced of the need for the code, they then need to be given the knowledge and skills to implement it.
- *Developing auditing systems*: auditing systems need to be developed which ensure that auditing is both effective and affordable.

Once the building blocks have been established, the running costs of the code are likely to be much lower. For more information about how to develop an NCOP and its accompanying institutions, please see **Theme Paper 2: Building Multi-stakeholder Institutions for Developing & Managing National Codes of Practice**.

Meeting the challenges

Development of accreditation systems

Credible and effective systems for accrediting national codes against market codes (EUREP GAP, ETI, supermarket codes etc.) should include:

- Developing procedures for comparing the standards specified in the national code, with the standards in the market code. This needs to include guidelines on how you decide whether an NCOP is or is not compatible with the market code;
- Specifying what is considered to be an acceptable auditing and certification system for the national code. The relevant ISO standard (ISO 65) could be used as a starting point, but there may be reasons to modify this;
- Developing a protocol or procedure for regular assessment of the national auditing and certification systems (“auditing the auditors”);
- Identify criteria for who can carry out these assessments;
- Allocation of roles and responsibilities, and development of a strategy to cover associated costs (see below).

Further thought needs to be given as to who should develop accreditation systems. It is envisaged that the individuals or organisation(s) involved need to be independent of growers and growers’ associations; have a good knowledge of the industry, developing country conditions, and relevant standards (e.g. ISO 65); and work closely with market code bodies (e.g. EUREP, ETI).

Meeting the costs

Producers and their associations in developing countries may be able to meet the longer-term running costs of managing an NCOP. However, they are unlikely to be able to meet the initial investment costs by themselves. Governments and donor agencies may be willing to contribute some funds towards this, but in the current funding climate they are unlikely to do so without a substantial financial contribution from the industry itself. An effective approach for meeting NCOP initial investment costs is therefore likely to involve contributions from growers, retailers and/or importers, as well as donors. At present, most European multiple retailers do not consider it their role to support producers or national code initiatives. However, there is now a handful of major retailers who recognise the need to support national code initiatives if they are to ensure that their developing country suppliers can meet their codes of practice. They are therefore giving serious consideration to funding national initiatives to help producers meet code requirements.

For further information...

Please see **Theme Paper 8: Where to Find Further Information.**

The information contained in this paper is distilled from a 3-year study managed by the Natural Resources and Ethical Trade Programme (NRET), in collaboration with Agro Eco Consultancy of the Netherlands and the Centre for Applied Social Sciences (CASS) of the University of Zimbabwe. The study involved in-depth research in Ghana and Zimbabwe and the U.K, and was conducted in close collaboration with key players involved in the supply of fresh horticultural produce to European markets, from farm workers to supermarket buyers. For more detailed information about the findings from the study, please contact NRET (contact details are on the front page). The individual researchers involved in the study were Man-Kwun Chan (Project Leader), Geoffrey Bockett, Mick Blowfield, Stephanie Gallat, Seth Gogoe, Richard Tweneboah-Kodua (NRI); Rufaro Madakadze, Elias Madzudzo, Diana Auret, Edward Mbizo (CASS); and Bo van Elzakker (Agro Eco Consultancy).

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