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Analyzing the Potential of Voluntary Standards in Mozambique

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List of abbreviations and acronyms

ABNT	Associação Brasileira de Normas Técnicas (Brazilian National Standards Organization)
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (Federal Ministry for Economic Cooperation and Development)
FAO	Food and Agriculture Organization of the United Nations
FSC	Forest Stewardship Council
GFSI	Global Food Safety Initiative
GLOBALG.A.P.	Global Good Agricultural Practices standards
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
HS	Harmonized System
INNOQ	Instituto Nacional de Normalização e Qualidade (National Institute of Standardization and Quality)
IIED	International Institute for Environment and Development
IPEX	Instituto para a Promoção de Exportações (Mozambique Institute of Export Promotion)
ISO	International Organization for Standardization
ITC	International Trade Centre
LEAF	Linking Environment And Farming
MPS	More Profitable Sustainability
MSC	Marine Stewardship Council
NGFN	National Good Food Network
PEFC	Program for the Endorsement of Forest Certification schemes
RSPO	Roundtable on Sustainable Palm Oil
SAI	Sustainable Agriculture Initiative
SFI	Sustainable Forest Initiative
SQF	Safe Quality Food standards
UTZ	UTZ Certified standards
VSI	Voluntary Standard Initiatives

Sumário executivo

Na área de comércio internacional, um dos principais desafios em Moçambique é diversificar os produtos de exportação do país, os mercados de exportação e as empresas orientadas para a exportação. Um factor crucial nesse sentido é melhorar a conformidade com as normas internacionais, que são comumente agrupadas em normas obrigatórias, como normas sanitárias e fitossanitárias, assim como normas voluntárias ou privadas, como GLOBALG.A.P ou Fairtrade. Instituições como o INNOQ (Instituto Nacional de Normalização e Qualidade) já fornecem detalhes sobre normas obrigatórias, porém muito poucas informações estão disponíveis sobre normas voluntárias em Moçambique.

Actualmente existe uma necessidade de fechar esta lacuna, já que a demanda global por produtos certificados tem vindo a crescer significativamente na última década; uma tendência que deve continuar, especialmente no sector de varejo alimentício e de bebidas. Quando implementado corretamente, as normas voluntárias provêm efeitos positivos sobre produtores, comunidades e o meio ambiente, bem como sobre a competitividade das exportações.

O presente estudo faz um balanço da situação de normas voluntárias em Moçambique e fornece recomendações sobre as possíveis áreas de intervenção. Assim, o estudo basea-se numa metodologia do tipo de pesquisa documental e entrevistas semi-estruturadas, das quais foram realizadas em dezembro de 2012, nas cidades de Maputo, Beira e Chimoió.

Com base no perfil de comércio de Moçambique, as normas voluntárias relevantes foram analisadas nos seguintes oito sectores, os quais possuem um alto potencial de exportação:

- Madeira e obras de madeira;
- Açúcar e produtos de confeitaria;
- Peixes, crustáceos, moluscos;
- Algodão;

- Semente oleaginosa, frutas oleaginosa, grãos e sementes;
- Frutas e nozes;
- Gorduras e óleos animais e vegetais;
- Legumes.

Embora pelo menos 23 normas voluntárias estão em uso em Moçambique, hoje, elas não desempenham ainda um papel importante na produção em Moçambique e não parecem ser geralmente aplicadas em sectores orientados para a exportação do país. Entre as normas aplicadas, existem diferenças significativas no que concerne a demanda do mercado, os produtos incluídos e o rigor dos requisitos.

No que diz respeito aos oito sectores identificados, o estudo propõe centrar-se em três grupos de normas voluntárias: o primeiro grupo de normas (“fazer ou do contrário”) são certificações voluntárias, as quais são quase “de facto” obrigatório em determinadas categorias de produtos, como GLOBALG.A.P. no mercado de frutas e vegetais frescos. Um segundo grupo (“fazer para o bem”) representa os padrões voluntários menores e mais focados, que abordam a sustentabilidade ambiental, social e econômica e tendem a ter critérios específicos para culturas específicas, como nos casos de “Fairtrade” ou “Cotton made in Africa”. Um terceiro grupo (“fazer para o bem do bem público”) diz respeito à conservação dos recursos naturais, como florestas, espécies marinhas e recursos minerais. Neste caso, devido à natureza de extração do negócio, a interação com a regulamentação e sua aplicação são fundamentais para o padrão ser bem sucedido.

O alto custo do cumprimento com as normas voluntárias, incluindo os encargos administrativos e os requisitos organizacionais, tornam-se dificuldades aos pequenos agricultores, empresas e associações rurais em se envolver nos esquemas de certificação. Um outro problema chave é a falta de informações sobre as exigências do mercado e as oportunidades entre os produtores. Existem também deficiências de habilidades de gestão e uma tendência a falta de empreendedorismo. Por outro lado, factores favoráveis

para a expansão de normas voluntárias incluem programas de doadores, apoio institucional e a existência de esquemas “outgrower” envolvendo os pequenos produtores.

Como resultado das oportunidades e desafios identificados, são propostos sete áreas concretas de intervenção para a promoção de padrões voluntários em Moçambique:

1. Inventário: Criar um inventário de iniciativas em curso sobre normas voluntárias, que inclui informações sobre, nomeadamente, as empresas envolvidas, formadores, agências de certificação, doadores e produtos.
2. Preparação para certificação: Avaliar o nível de preparação para certificação de grupos de produtores seleccionados para culturas específicas em determinadas regiões .
3. GLOBALG.A.P.: Apoiar a GLOBALG.A.P. certificação ou o processo de pré-certificação para iniciativas seleccionadas, que estão ligadas a cadeias globais de valor.
4. Fairtrade / normas orgânicas: Avaliar o nível de preparação para certificação e apoiar a certificação para as iniciativas seleccionadas, que estão ligadas a cadeias globais de valor.
5. Modelo “outgrower”: Avaliar o estado actual de modelos “outgrower” e promover as melhores práticas de implementação desses sistemas para normas voluntárias em Moçambique.
6. Aplicação das políticas: Explorar normas alternativas em bens públicos e nas indústrias extrativas (por exemplo, silvicultura ou pesca), em conexão com o governo.
7. Rede de criação de valor: Apoiar as normas voluntárias e redes de criação de valor, incluindo a promoção das instituições locais.

Certificações voluntárias de sustentabilidade podem desempenhar um papel no desenvolvimento do sector exportador, contribuindo para o desenvolvimento sustentável e gerando um impacto positivo para os produtores de subsistência e suas comunidades. Existem oportunidades significativas para Moçambique para expandir sua presença a nível internacional em determinadas sectores, dos quais oito são destaques no presente estudo. Ainda

assim, o ambiente de negócio em geral e o nível de preparação para exportação precisam ser melhorados para gerar mais oportunidades de negócio e de emprego. Além disso, é muito importante que as medidas tomadas na área de certificações voluntárias de sustentabilidade estejam intimamente ligadas às oportunidades de mercado e integradas no processo de desenvolvimento das exportações em geral.

Executive summary

In the area of international trade, one of the main challenges in Mozambique is to diversify the country's export products, export markets and export-oriented enterprises. A crucial factor in this regard is to improve the compliance with international standards, which are commonly grouped into mandatory standards, such as sanitary and phytosanitary standards, and voluntary or private standards, such as GLOBALG.A.P. or Fairtrade. Institutions like INNOQ (Instituto Nacional de Normalização e Qualidade / National Institute of Standardization and Quality) already provide details on mandatory standards, but very little information is available on voluntary standards in Mozambique.

There is a need to close this gap, as global demand for certified products has grown significantly in the last decade; a trend, which is expected to continue, particularly in the global food and drink retail sector. When implemented properly, voluntary standards have proven positive effects on producers, communities and the environment, as well as on export competitiveness.

The present study takes stock of the situation of voluntary standards in Mozambique and provides recommendations on potential areas of intervention. It combines desk research and semi-structured interviews, which were carried out in December 2012 in Maputo, Beira and Chimoio.

Based on Mozambique's trade profile, relevant voluntary standards are analyzed for the following eight sectors with high export potential:

- Wood and articles of wood;
- Sugar and sugar confectionery;
- Fish, crustaceans, mollusks;
- Cotton;
- Oil seed, oleaginous fruits, grain and seeds;
- Fruits and nuts;
- Animal and vegetable fats and oils;
- Vegetables.

Although at least 23 voluntary standards are reportedly used in Mozambique today, they do not play a major role in Mozambique's production yet, and do not seem to be commonly applied in the country's export-oriented sectors. Among the applied standards there are significant

differences in terms of market demand, products covered and stringency of requirements. With regard to the eight identified sectors, the study proposes to focus on three groups of voluntary standards. The first group of standards ("do or else") are voluntary certifications that are almost "de facto" mandatory in certain product categories, such as GLOBALG.A.P. in the fresh fruit and vegetables market. A second group ("do for good") represents the smaller and more focused voluntary standards that address environmental, social and economic sustainability, and tend to have specific criteria for specific crops, as in the cases of Fairtrade or Cotton made in Africa. A third group ("do for good in public good") relates to the conservation of natural resources, such as forests, sea-life and mineral resources. In this case, due to the extractive nature of the business, the interplay with regulation and its enforcement is critical for the standard to be successful.

The high cost of compliance with voluntary standards, including the administrative burden and the organizational requirements, makes it difficult for small farmers, companies and farm associations to engage in certification schemes. Another key problem is the lack of information on market requirements or opportunities among producers. There are also deficiencies in management skills and limited evidence of strong entrepreneurial drive. On the other hand, enabling factors for the expansion of voluntary standards include donor programs, institutional support and the existence of outgrower schemes involving small producers.

Taking into consideration the identified opportunities and challenges, seven concrete areas of intervention are proposed for the promotion of voluntary standards in Mozambique:

1. Inventory: Create an inventory of current initiatives on voluntary standards that includes information on, inter alia, involved enterprises, trainers, certification agencies, donors and products.
2. Certification preparedness: Assess the certification preparedness level of selected producer groups for specific crops in certain regions.
3. GLOBALG.A.P.: Support the GLOBALG.A.P. certification or pre-certification process for selected initiatives that are linked to global value chains.

4. Fairtrade / organic standards: Assess the level of certification preparedness and support the certification for selected initiatives that are linked to global value chains.
5. Outgrower model: Assess the current state of outgrower models and promote best practices of implementation of these schemes for voluntary standards in Mozambique.
6. Policy enforcement: Explore alternative standards within the public goods and extractive industries (e.g. forestry, fishing) in conjunction with the government.
7. Value creation network: Support voluntary standards and value creation networks, including local institution building.

Voluntary sustainability certifications can play a role in the development of the export sector, contribute to sustainable development, and generate a positive impact for the livelihoods of producers and their communities. There are significant opportunities for Mozambique to expand its international presence in a number of sectors, eight of which are highlighted in this study. Still, the overall business environment and level of export readiness need to be improved in order to generate more business opportunities and employment. Furthermore, it is very important that any action taken in the area of voluntary certifications is closely linked to market opportunities and integrated into the overall export development process.

1 Introduction

In the area of international trade, one of the main challenges in Mozambique is to diversify the country's export products, export markets and export-oriented enterprises. A crucial factor in this regard is to improve the compliance with international standards, which are commonly grouped into mandatory standards, such as sanitary and phytosanitary standards, and voluntary or private standards, such as GLOBALG.A.P. or Fairtrade. Institutions like INNOQ (Instituto Nacional de Normalização e Qualidade / National Institute of Standardization and Quality) already provide details on mandatory standards, but very little information is available on voluntary standards in Mozambique. There is a need to close this gap, as global demand for certified products has been growing significantly in the last decade; a trend, which is expected to continue.

The present study takes stock of the situation of voluntary standards in Mozambique and provides recommendations on potential areas of intervention. It combines desk research and semi-structured interviews, which were carried out in December 2012 in Maputo, Beira and Chimoio.

The analysis covers the following three research areas:

- Global market overview: Regional and international market opportunities and challenges in the area of

voluntary standards, including key players (buyers, manufacturers, retailers), key markets, pricing and price differentials.

- Current situation in Mozambique: Presence of voluntary standards, results of standards, perceptions, major opportunities and obstacles faced by producers and support organizations, national and international players operating in voluntary standards in Mozambique, current roles and responsibilities, as well as gaps and overlaps.
- Future options: Identification of challenges ahead and recommendations on how to best address them.

After this introduction, Chapter 2 explains the methodology used and Chapter 3 provides a market overview of voluntary standards. Chapter 4 presents Mozambique's trade profile and identifies areas where Mozambique could benefit from growing international markets and global demand. Chapter 5 describes the links between voluntary standards and export competitiveness, while Chapter 6 provides detailed information on voluntary standards in Mozambique. Chapter 7 outlines recommendations based on the previous analysis and Chapter 8 frames the main conclusions of the study.

2 Methodology

The analysis of voluntary standards in Mozambique combines desk and field research with selected expert consultations.

- Desk research: Specialized publications and websites were analyzed to integrate existing information on the global market of voluntary standards. This included market trends, size, market players, pricing considerations and overview of requirements. Specialized databases (e.g. www.standardsmap.org) and relevant publications (e.g. State of Sustainability Initiatives) were also accessed for this purpose.

- Field research: In December 2012, meetings with producers as well as national and international organizations linked to voluntary standards took place in Mozambique. Besides Maputo, interviews were also conducted in Chimoio and Beira.

- Preliminary findings roundtable discussion: At a workshop in Maputo, the initial findings were discussed and recommendations on follow-up actions were made.

3 Voluntary standards: Market overview

3.1 What are voluntary standards?

“Private” or “voluntary” standards differ from regulations in that they are developed by civil society entities, including Non-Governmental Organizations, business associations and enterprises. They are often characterized by the absence of intergovernmental regulation or a lack of enforcement of national regulation. Voluntary standards have also become more important in governing quality and safety concerns in food markets as the introduction of performance and process-based controls shifted the responsibility from public entities to private food companies and retailers (Reardon & Farina, 2002).

Accompanying the growth of voluntary standards, there has also been an increasing need for information and transparency. Producers and exporters in the developing world often lack information about voluntary standards’ market dynamics, certification and compliance processes, requirements, potential costs and benefits accruing from the adoption of sustainable production and trade practices. Manufacturers, retailers and public procurement officials also often lack detailed information that is necessary to include considerations on sustainability into purchasing decisions.

The number of standards has multiplied over the last few years; Figure 1 illustrates just a subset of the most common standards on the market today. Thus, initiatives started to structure and organize information on voluntary standards.¹ Still, producers, exporters, the public sector and donors face significant challenges in securing clear and comparable information to make informed choices about voluntary standards. In addition, despite widespread support for good agricultural, environmental and social practices, there is no consensus on how producers and exporters could best be supported to actively participate and benefit from voluntary standards.

3.2 Voluntary standards: Opportunity or threat for trade?

The question of how standards impact trade is more relevant than ever. Against the background of a global world economy with economic activities spread across national boundaries, the liberalization of trade has been an important factor contributing to a policy shift from import substitution to export-led growth strategies. This has resulted in the involvement of a large number of producers in export activities and in global or regional value chains. Compliance with standards has become an important determinant of trade competitiveness.

Standards are essential for trade and play a key role in facilitating economic activities between anonymous agents. In reducing uncertainty, standards are instruments to manage risk, to provide credibility and to build trust. Standards also make exchanges more efficient in simplifying transactions, guaranteeing a minimum quality and allowing for a certain level of predictability. Standards can also be used as an instrument for product differentiation and market segmentation. While food safety and food quality standards play a key role in shaping international agri-food markets and trade, the emergence of new types of private standards, such as Fairtrade, Rainforest Alliance or UTZ Certified, broadens the use of standards for environmental protection, improving livelihoods, enhancing traceability, or differentiation from competitors.



Figure 1: Sample of voluntary standards

Source: ITC Standards Map (ITC, 2013b)

¹ See www.standardsmap.org. This is a website developed by the International Trade Centre to analyze and compare information on more than 120 voluntary standards operating in over 200 countries, and certifying products and services in more than 80 economic sectors.

3.3 Voluntary standards: Global market overview

3.3.1 Market penetration of certified products

Due to the increasing number of voluntary standards that are available at the marketplace today, an important starting point for a country or for a group of producers considering participating in these initiatives is the level of market presence that has been “occupied” by each standard. As this information is not captured by most national statistics, information on market share, retailers’ participation and relative pricing also tends to be incomplete, disperse, and not always comparable.

Food safety and quality is probably the area where voluntary standards have occupied the largest market share so far. According to the Global Food Safety Initiative (GFSI), private labels – mostly on food safety and quality – accounted for about 22 per cent of total retail food sales in 2010 (GFSI, 2010). The most prevalent among these are GLOBALG.A.P. and the Safe Quality Food (SQF) standards.

Organic labels in the food and drink sector also play an important role in the global food and beverage market for voluntary standards. According to a recent report, global sales in the global food and drink sector reached US\$ 59 billion in 2010 (Research Institute of Organic Agriculture, 2011). This represents a three-fold increase over the last ten years. Unsurprisingly, demand for organic products is concentrated in two regions, namely North America and Europe, which together comprise 96 per cent of global revenues. The high degree of sales concentration highlights the disparity between production and consumption. Still, according to the Earth Soil Association, new markets, such as China and Brazil, are showing signs of fast adoption of organic products. China’s organic market has quadrupled in the past five years and growth rates have exceeded 40 per cent in Brazil over the same period (Earth Soil Association, 2011).

Other voluntary standards have, in relative terms, less market presence than phytosanitary or organic standards but can be very relevant in particular regions or product groups.

In forestry, two certification initiatives, the Forest Stewardship Council (FSC) and the Program for the Endorsement of Forest Certification (PEFC) schemes have spread rapidly over the past few years. According to their own reports, they had a combined growth of 232 per cent between 2004 and 2009 and accounted for 18 per cent of the global managed forests (nearly 9 per cent of the global forested land) by the end of 2009 (Potts et al., 2010). Still, the distribution of these managed forests is quite uneven in the world. Boreal and temperate forests in the developed world make up the vast majority (93 per cent) of certified forest management area. North America and Western Europe accounted for approximately 97.5 per cent of global certified industrial roundwood, whereas the two regions combined account for a total of 42 per cent of global (certified and non-certified) production.

Voluntary initiatives like Fairtrade, Rainforest Alliance and UTZ Certified have expanded their presence, particularly in export-oriented crops, such as bananas, cocoa and coffee. For example, Fairtrade certified products were estimated to have represented € 3.4 billion (US\$ 4.47 billion) sales worldwide in 2009 and to have reached an important level of market participation in products, such as bananas, cocoa and coffee (Fairtrade International, 2012).

Coffee is one of the crops where many sustainability initiatives have developed since the early 2000s; sales in this sector increased by 433 per cent from 2005 to 2009. Though this is a growing portion of the market, it is important to note that supply still outpaces demand. While 17 per cent of the global production of coffee was certified in at least one voluntary standard, only 8 per cent was actually traded under one of these labels.

In the banana sector, products certified under one or more sustainability programs accounted for approximately 20 per cent of world exports by 2009 (Potts et al., 2010). In this case, supply of certified products is also biased towards Latin America, which accounts for 97 per cent of sustainable banana exports.

As is the case for bananas, many crops are covered by multiple certifications and these can co-exist at the producer or cooperative level. It is not unusual for the same cooperative or farm to be double certified, the most common combination being Fairtrade and Organic. There are also cases of triple and quadruple certifications, making it very difficult to accurately assess global production and sales.

There is a growing consensus that products with voluntary standards that go beyond the level already demanded by law will continue to grow. The public commitment of many global brands and global retailers (e.g. Kraft, Nestlé, Unilever, Tesco, Wal-Mart) points to their intensified demand and increased involvement in their upstream value chains.

3.3.2 Price premiums or other benefits

Price premiums can be an important element in determining the income of producers and are comparably easy to measure. Therefore, many studies on voluntary standards cover this topic. A literature review conducted on the impacts of voluntary standards on producers concludes that in 10 out of 13 cases analyzed, researchers found a positive impact on the absolute price received by producers compared to a control group (Alvarez & von Hagen, 2011). Information about actual premiums is not commercially available or easy to find, but has been analyzed for certain crops by various researchers. A report on the “State of Sustainability Initiatives” (Potts et al., 2010) discloses that premium prices ranging from 4 per cent to 20 per cent were reported in forestry for FSC certified products for North American and Western European production, while PEFC’s ranged between 0 per cent and 1 per cent for the same type of products. Similarly, reported premiums for sustainable coffee were found to range from US\$ 0.025 to US\$ 0.405 per pound; bananas carried a range from US\$ 1.00 to US\$ 9.47 per box.

Though the premium can have a positive impact on net income, this also needs to be compared with other possible sources for higher revenues, such as increased yield and quality. In effect, several studies point to indirect effects of voluntary standards, such as improved quality, better relationship with buyers, market stability, increased

yields and use of good practices, as important benefits derived from the introduction of these programs (Alvarez & von Hagen, 2011). Premiums also need to be assessed as part of a net income effect; and compared to costs necessarily incurred to reach the level required by the standard.

3.3.3 Costs

The cost of certification is often considered only in its narrowest sense, i. e. strictly the cost of membership and audits. Indeed, this can be a significant barrier for some producers and it has been an area where international donors have actively participated in order to make certification affordable to broader groups of products.

The indirect costs of certification, however, turned out to be the more significant barriers for most producers aiming to certify their production. This is particularly the case for standards, such as GLOBALG.A.P., which require investments in facilities and farm infrastructure that go beyond the financial possibilities of many small and mid-sized producers. The development of management systems has also proven an important barrier for producers, especially for small farmers with limited education and support structures (Will, 2010).

3.3.4 Relationship with buyers and insertion in global value chains

Voluntary standards can have positive effects on producers, communities and the environment, when implemented correctly. Research shows that the implementation of voluntary standards is linked to a closer and better relationship between producers, distributors and buyers. This again is an enabling factor for technical upgrading and market visibility.

It is important to analyze voluntary standards in Mozambique in the light of the country’s current and potential export sectors and products. As the demand for certified products is highly concentrated in industrialized economies, voluntary standards tend to be more relevant in these sectors.

4 Trade profile Mozambique

4.1 Exports today

In spite of high growth rates in the last ten years, Mozambique remains one of the poorest countries in the region, with a gross domestic product per capita well below the African average. As the internal market is still small and purchasing power is limited, exports have been identified as an important element to support Mozambique's growth strategy. The challenge, as it has been noted in the Mozambican Diagnostic Trade Integration Study under the Integrated Framework, is "to develop a strategy that will

help Mozambique achieve rapid export growth while ensuring that such growth provides economic opportunities and higher incomes for the poor" (USAID, 2004, p.1).

In 2012, Mozambique's exports totaled US\$ 3.47 billion, but with imports of US\$ 6.16 billion, the country had a negative trade balance of US\$ 2.69 billion (ITC, 2013a). As presented in Table 1, the three leading export sectors in 2012 were aluminum, mineral fuels and oils, and ores. Tobacco, wood and sugar have also constituted strong export-oriented sectors over the past five years.

Product	Exported value 2012 (USD thousand)	Trade balance 2012 (USD thousand)	Growth in value between 2008-2012 (% p.a.)	Growth of world imports between 2008-2012 (% p.a.)	Share in world exports (%)	Rank in world exports
All products	3,470,095	-2,694,299	11	6	0	118
Aluminum and articles thereof	1,089,682	513,947	115	4	0.7	36
Mineral fuels, oils, distillation products, etc.	964,053	-508,923	33	9	0	96
Ores, slag and ash	238,781	237,221	60	14	0.1	52
Tobacco and manufactured tobacco substitutes	227,931	216,413	3	7	0.6	38
Sugars and sugar confectionery	148,338	128,906	166	14	0.3	50
Miscellaneous chemical products	111,439	68,490	183	7	0.1	58
Wood and articles of wood, wood charcoal	108,721	82,564	40	3	0.1	70
Optical, photo, technical, medical, etc apparatus	104,852	56,204	93	7	0	61
Ships, boats and other floating structures	81,313	80,608	44	0	0.1	51
Machinery, nuclear reactors, boilers, etc	60,564	-820,459	-1	5	0	93
Milling products, malt, starches, inulin, wheat gluten	31,249	20,346	97	5	0.2	54
Oil seed, oleagic fruits, grain, seed, fruit, etc, nes	25,910	20,588	-13	9	0	81
Fish, crustaceans, molluscs, aquatic invertebrates nes	25,791	-21,602	-21	7	0	101
Residues, wastes of food industry, animal fodder	22,197	-217,124	11	7	0	76
Edible vegetables and certain roots and tubers	22,001	7,616	13	6	0	86
Paper and paperboard, articles of pulp, paper and board	638	-56,560	-19	2	0	138

Table 1: List of main products at HS 2 digits level exported by Mozambique in 2012

Source: ITC Trade Map (ITC, 2013a). Calculations are based on data of the Mozambican National Institute of Statistics.

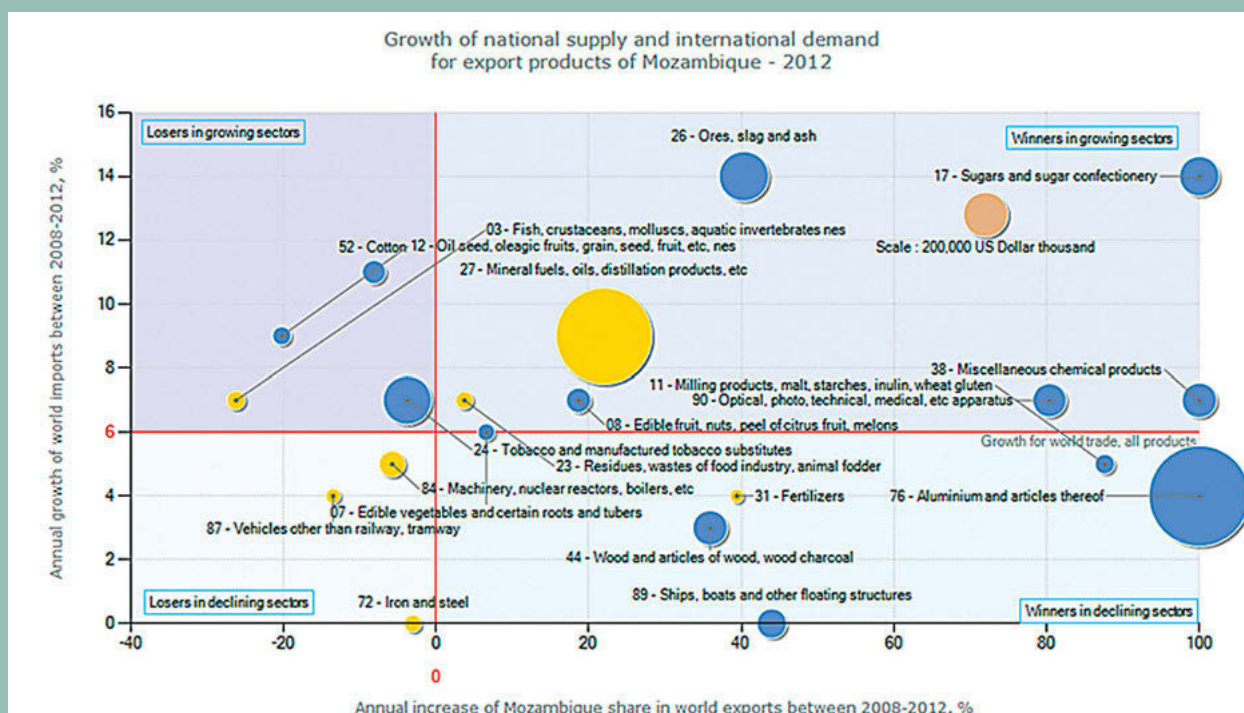


Figure 2: Trade profile Mozambique

Source: ITC Trade Map (ITC, 2013a)

4.2 Export dynamics and agricultural products

Overall, Mozambique's exports have grown at about 11 per cent annually over the last five years. But this growth has been unevenly distributed among different sectors. Some of the expanding sectors have surpassed the growth of global demand, while others have fallen behind. In Figure 2, the horizontal axis measures the growth of Mozambique's exports while the vertical one measures the rate of increase of world imports. The upper right quadrant identifies areas where Mozambique has been increasing its exports in higher growth markets. Inversely, the lower left area of the chart indicates sectors where Mozambique is lowering its presence in markets that are declining. The remaining two quadrants indicate areas, in which Mozambique is increasing exports in markets that are not growing (lower right) and indicate areas, in which Mozambique is decreasing its participation in growing markets (upper left).

The evolution of Mozambique's exports relative to global demand dynamics is represented by circles positioned along these two axis. The relative size of each bubble represents the scale (measured in value of exports in US\$) and the yellow colored shapes indicate that Mozambique is a net importer rather than exporter of the product. Agricultural products are concentrated in two main quadrants. In the top left one, products, such as cotton, oil seed and fish, show negative growth over the past five years, although the international market has seen increased demand for these products. In the top right one, exports of Mozambique's fruits and vegetables have increased at a faster rate than world imports.

Based on Mozambique's trade profile, relevant voluntary standards will be analyzed for the following eight sectors: Wood and articles of wood; sugar and sugar confectionery; fish, crustaceans, mollusks; cotton; oil seed, oleagic fruits, grain and seeds; fruits and nuts; animal and vegetable fats and oils; and vegetables.

5 Voluntary standards and export competitiveness

Exporters and countries participate in markets offering a value proposition to their customers. This proposition consists of the characteristics (quality, speed, cost, etc.) of the product or service that are valued by the customer. A simplified framework of possible positioning options, first introduced by Harvard Business School’s Professor Michael Porter, distinguishes between a low cost position, based on scale and efficiency, and a differentiation strategy based on other factors, such as quality or speed (Porter, 1985).

As Figure 3 illustrates, the fresh fruits and vegetable market can be segmented across different exporting countries according to their relative position. In this illustrative case, European producers have a high cost structure, but also have a differentiated positioning in the marketplace due to their high quality. Other players differentiate their production by competing on the basis of lower costs, which they achieve by economies of scale, cheaper inputs or other savings. Still, they comply with the basic standards.

Several African economies are successfully participating and competing in this market. Over the last ten years, businesses in countries, like Kenya and Ghana, have managed to occupy a new space in the market by offering lower costs than those of Europe, but complying with more stringent voluntary phytosanitary standards and profiting from year round availability of certain crops. In this case, compliance with more demanding voluntary standards opened doors to higher quality and higher priced markets that were otherwise not available.

Mozambique today appears to be placed in a high cost position due to various business environment challenges, such as infrastructure inefficiencies, high cost of capital, minimum economies of scale, and limited education. Further, products are not differentiated based on quality, placing Mozambique in an unattractive position and making it difficult for Mozambique’s producers to successfully compete in international markets.

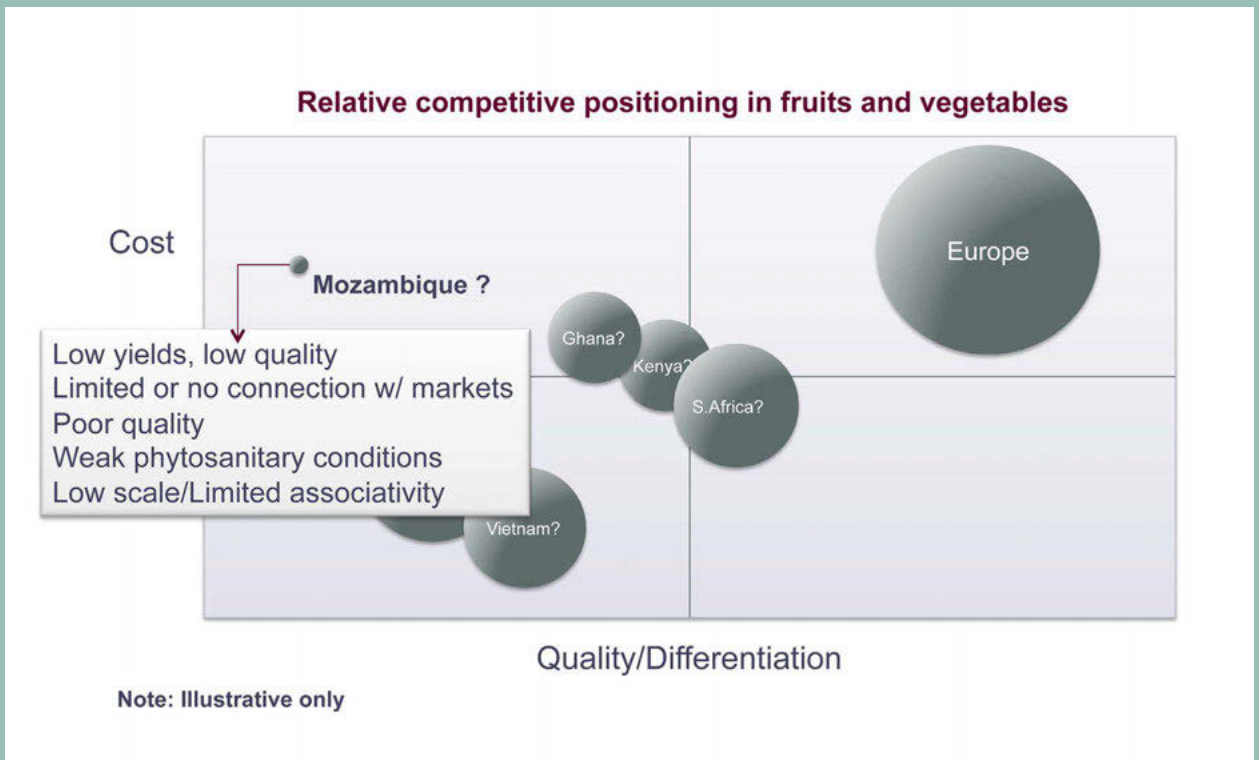


Figure 3: Relative competitive position in fruits and vegetables

Source: Own illustration

The question arises if voluntary certifications can support Mozambique's repositioning in the global marketplace by introducing good agricultural and management practices and by helping the successful insertion of Mozambican producers in global value chains. Figure 4 shows that the transition of Mozambique towards a lower cost and higher quality position is dependent on a combination of various factors, including the implementation of good practices, the upgrading of resources and the creation of an enabling environment.

In this regard, voluntary certifications can contribute to a significant increase in the level of export competitiveness, if implemented correctly.

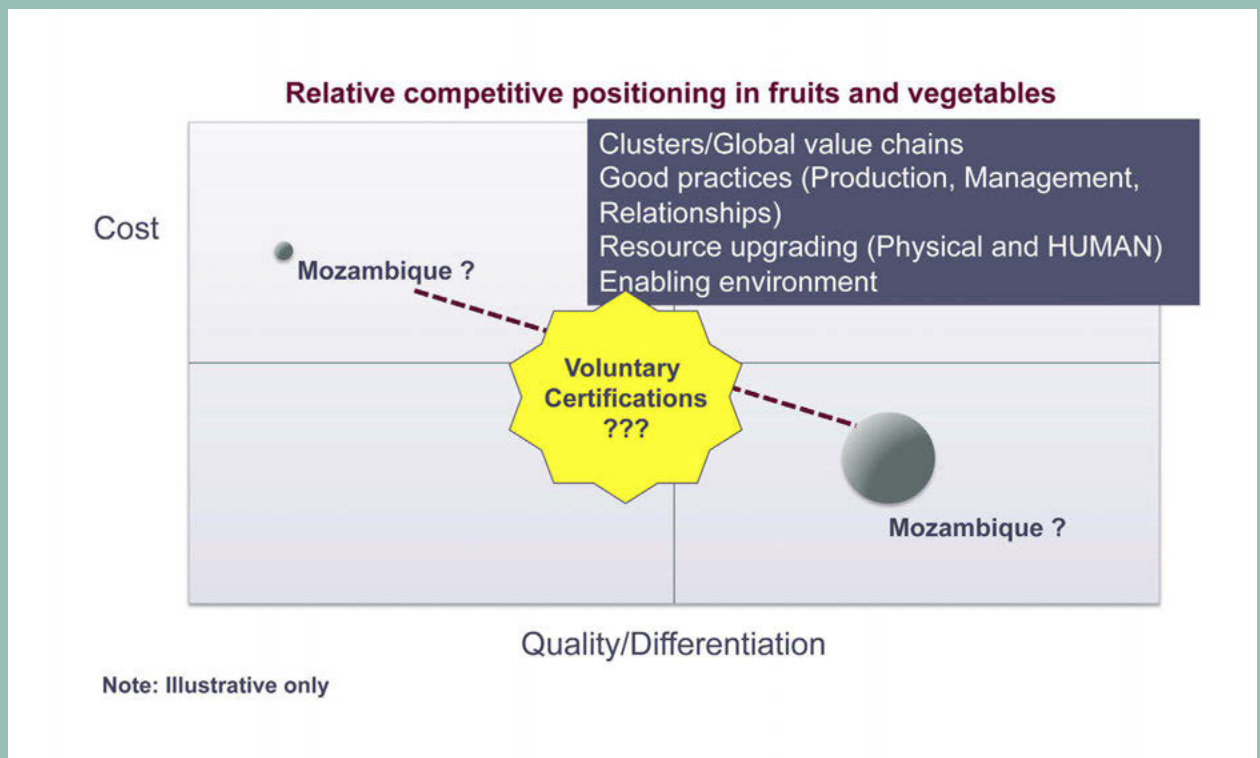


Figure 4: Relative competitive position: A path for Mozambique?

Source: Own illustration

6 Voluntary standards in Mozambique

6.1 Limited presence

Voluntary standards do not play a major role in Mozambique's production yet and do not seem to be very present in its export-oriented sectors. Although at least 23 standards are reportedly used in Mozambique today (see Figure 5), only some of them have a presence in agriculture and forestry-based products, and few enterprises actually use them. Cotton was not explored during the field mission, nor fish or seafood. For the remaining crops, the main standards identified were GLOBALG.A.P., Fairtrade, various organic standards, and FSC.

6.2 Different approaches to different standards

While all these standards are voluntary in nature, there are significant differences among them, in terms of market demand, products covered and stringency of requirements. For the purpose of identifying a specific type of support, one could distinguish between three groups of voluntary standards in Mozambique. These are illustrated in Figure 6 and will be described in the following chapters.

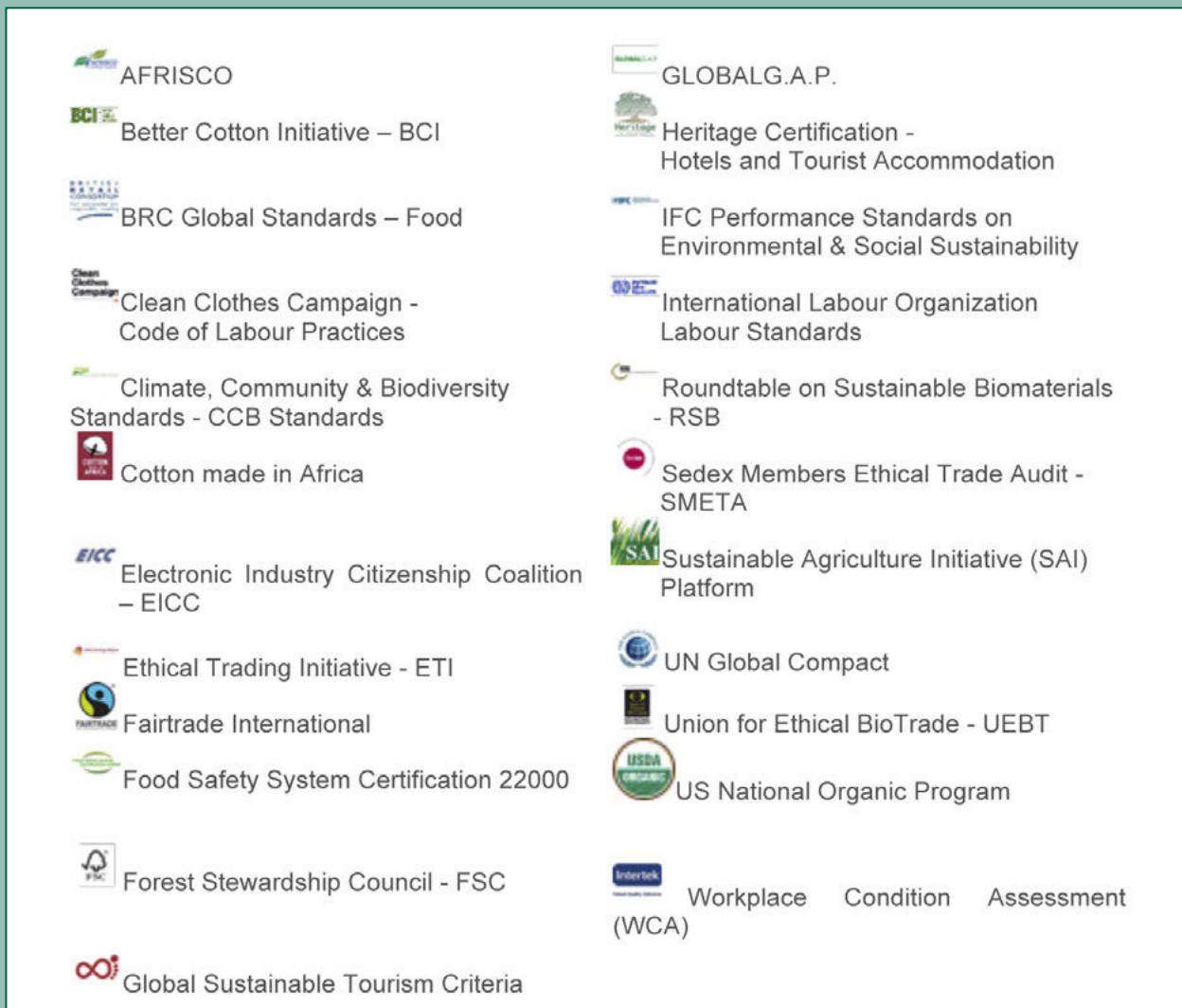


Figure 5: Voluntary standards in Mozambique

Source: Own illustration, based on ITC Standards Map (ITC, 2013b)



Figure 6: Proposed typology of voluntary standards in Mozambique

Source: Own illustration

6.2.1 “Do or else” –

Example: GLOBALG.A.P.

The first group of standards are voluntary certifications that are almost “de facto” mandatory in certain product categories. For example, GLOBALG.A.P. or similar voluntary phytosanitary standards are required by retailers in Europe and products thereby certified constitute over 80 per cent of the total fresh fruit and vegetables market (World Bank, 2005).

A recent report on market opportunities for African producers of fresh fruits and vegetables states: “GLOBALG.A.P. is demanded by supermarkets and producer can simply not deliver to a modern retail buyer in Germany without this certificate. Only small independent shops and green market traders do not require GLOBALG.A.P.” (White & Belschi, 2012, p. 6).

Phytosanitary certifications have expanded very rapidly in the last ten years, though their presence is still concentrated in economically higher developed regions. As illustrated in Figure 7, European producers still represent 74 percent of the total number certified by GLOBALG.A.P. Driven by their export sectors, a small group of developing countries have also adopted these standards. For example, there are over 1,000 producers certified in Kenya and in South Africa.

In Mozambique, only four producers had attained certification by 2011. Although a few more seem to be in the certification process, the number of producers is still too small to make the provision of local certification or audit services an economically viable business. These services are generally carried out by South Africa, which complicates the process and results in higher costs.



Figure 7: GLOBALG.A.P. certification by country and region

Source: GlobalG.A.P. (2011)

As part of the field research, two companies that had attained GLOBALG.A.P. certification status were interviewed. One of the companies had started its operations in Mozambique with a clear export orientation. Thus, it had engaged a certification expert as part of the management team from the very beginning. This company is not only certified with GLOBALG.A.P., but also has certifications, such as Leaf and Tesco’s and Marks & Spencer’s private standards. Being a mid-large size company, it could afford to establish extension and education services, infrastructure and other services as part of its own structure. Thus, it became relatively self-sufficient in terms of complying with certification requirements. This, however, would not be possible for the majority of the other companies that were interviewed. Generally, there seems to be limited awareness of the requirements of export markets and, thus, of voluntary certifications in particular. In one case, although the company had secured funding for the certification and related investments, the process could not be finalized due to limited internal capacities.



Figure 8: Corporate commitments

Source: Own illustration

6.2.2 “Do for good” – Example: Fairtrade

A second group represents the smaller and more focused voluntary standards that address environmental, social and economic sustainability and tend to have specific criteria for specific crops, as in the cases of Fairtrade (bananas, coffee, etc.) or Cotton made in Africa. Many of these have been driven by Non-Governmental Organizations, but have also lately raised the interest of global buyers. Multinational corporations have increasingly expanded their engagement in sustainability and in voluntary standards. By making public statements on future commit-

ments (see examples illustrated in Figure 8), they have also sent a strong signal in terms of future demand and of the need to get more involved in the upstream parts of their value chain.

This trend is extremely relevant for producer countries as research shows a positive impact of the involvement of global buyers on producers and communities. Researchers distinguish market-driven from mission-driven buyers (Raynolds, 2009). In the first case, buyers pursue conventional business practices, promote competition among certified producers, and mainly see certification as both an instrument to assure traceability and to enhance their reputation. In the second case, mission-driven buyers tend to have all, or at least a significant portion, of their products certified with sustainability standards. Thereby, they seek to promote alternative values in their business models. They tend to engage in longer-term relationships, establish a dialogue with producers, and, in many cases, co-fund necessary investments that are needed to obtain the required quality or to build capabilities. In between both extremes, there are also quality-driven buyers that favour more direct and stable trading relations and pre-financing to reach and maintain a certain level of quality. Figure 9 summarizes the findings of a case study comparing a market-driven with a mission-driven buyer of rooibos tea in South Africa. While the market-driven relationship was very similar to any other tea business, the mission-driven buyer was involved in upgrading facilities and technical support, which resulted in a higher value added and positive impacts for farmers and cooperatives.

- The role of buyer is critical in determining the effect for producers and environment:

Ex. Rooibos Tea in South Africa

Market driven



Conventional sourcing strategy from fairtrade certified farms and cooperatives



Limited medium term impact



Mission driven



Buyer involvement and network partnerships including technical support



- Upgraded facilities
- Value added /captured in source
- Empowerment

Figure 9: Market-driven vs. mission-driven buyers

Source: Raynolds (2009)

As the field research included few Fairtrade or Organic certified producers, information on the relationship with buyers was not available for Mozambique. Still, existing literature suggests that the role of traders and international buyers is critical for ensuring a strong impact of the implementation of standards. Moreover, contractors or suppliers have little incentive to invest in potentially costly code or standard implementation if they lack long-term buying commitments from sourcing companies.

6.2.3 “Do for good in public good” – Example: Forestry and FSC

A third group of voluntary standards can be distinguished from the other two as it relates to the conservation of natural resources, such as forests, sea-life and mineral resources. In this case, due to the extractive nature of the business, the interplay with regulation and its enforcement is critical for the standard to be successful.

In sectors like forestry and fishing, national regulation (and its enforcement) can be crucial in determining the relative costs and risks of certification (see Figure 10). For example, if conventional timber extraction is very cheap due to poor enforcement of environmental laws, high opportunity costs are attached to switching to sustainable forestry. A study commissioned by the International Institute for Environment and Development (IIED) finds that the most common effect of certification in certain countries has been that certifiers require producers to meet all current legal requirements, which they might normally “not have bothered to meet” (Bass et al., 2001, p. ix).

A paper by the Food and Agriculture Organization (FAO) on the certification of fisheries and aquaculture states that private standards do not necessarily facilitate the implementation of public standards (FAO, 2009). It is also mentioned that public standards often provide a useful baseline for meeting private (food safety) standards. In the case of fisheries certified with an eco-labeling standard, operators certified with a private standard were found to be mainly those that already complied with food safety management systems legally required in that country.

During the field research, two companies that had been FSC certified were interviewed. One of them had actually dropped the certification. The manager explained the reason for this decision: “We already have a forest management plan in place and we did not reach any additional markets or gain further recognition as a result of the FSC certification; so we dropped it.” The second company interviewed was linked to foreign investment that had sought FSC certification as part of their global policy rather than specifically for Mozambique.

Both enterprises mentioned the problem of illegal logging practices and non-compliance with legal regulations regarding timber and timber export practices.

- Regulatory framework as an enhancer or deterrent of voluntary standards:
 - Property rights
 - Clear rules of engagement
 - Enforcement of regulations (cost to comply)

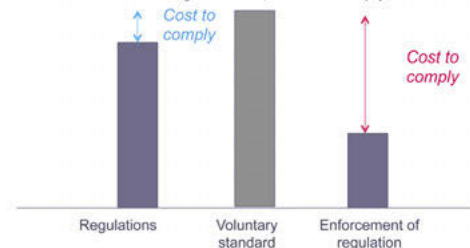


Figure 10: Relative cost to comply with voluntary certifications

Source: Own illustration

6.3 Small vs. large producers

Though some certifications exclude large operations and are only available for smallholders organized in associations, most are open to both large and small operations. Many also offer alternative forms of engagement, such as group certification. However, governments, development agencies and researchers often worry about whether small farms or companies have the same ability to participate and if they reap similar benefits as larger operations. The costs for compliance and the impact on poverty reduction might indeed differ substantially.

Regarding the relative level of costs, there is a large body of research supporting the view that larger farms, plantations or fishing operations are generally better prepared to engage in private sustainability standards. This is particularly the case for food safety standards, such as GLOBALG.A.P., whose stringent requirements demand increased investment in areas like post-harvest cold chain facilities, packaging and traceability systems as well as management skills, which often exceed the capacities of small producers (Maertens et al., 2006).

Extractive industries, forestry and fishing are sectors for which enhanced potential economic benefits were found when companies engaged in private standards (Ebeling & Yasué, 2009; Gulbrandsen, 2009). The effect appears to be less pronounced for other standards and industries, such as Organic and Fairtrade in non-fresh production areas.

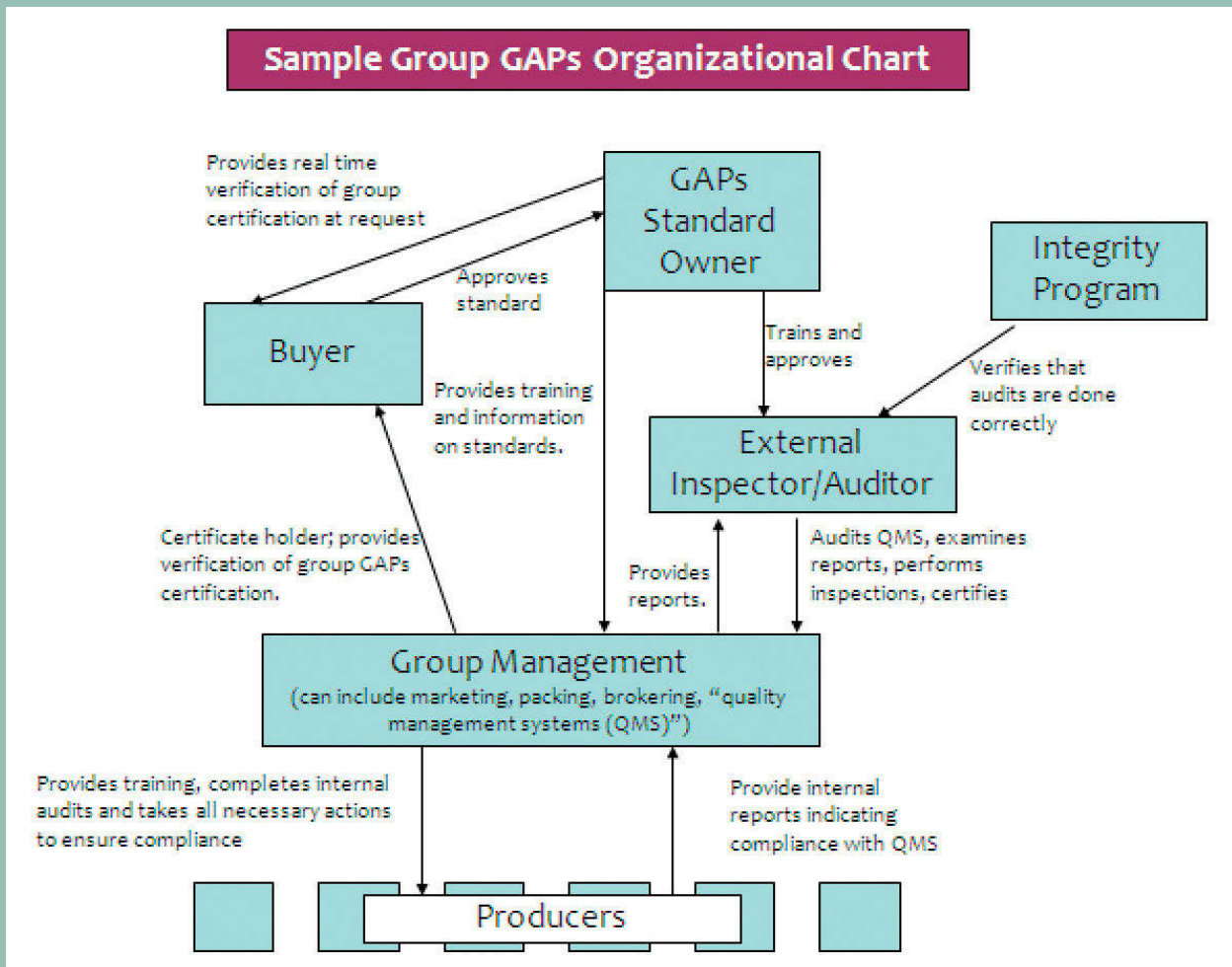


Figure 11: Functions and relationships to fulfill GLOBALG.A.P. Option 2 requirements

Source: NGFN (2010)

Given that the overall administrative burden and organizational requirements of complying with certifications can be too demanding for many small farmers or fragile farmer associations, the topic of linkages with larger firms becomes very important.

In Mozambique, outgrower systems have already been operational independently from the adoption of voluntary standards. These initiatives seem quite different from each other. While a sugar company reported a strong production system with close ties to the buyer, the honey sector was found to be dominated by a large number of semi-independent producer associations. The outgrower systems appear to have significant potential to involve small producers without resulting in very onerous or difficult processes. However, the concept and implementation of these systems differ widely and they should be analyzed in greater detail to find the most appropriate scheme with regard to voluntary standards.

Various outgrower schemes are operational in Mozambique and some of them are linked to voluntary certifications. GLOBALG.A.P. offers an interesting group certification approach, the so-called Option 2 (see Figure 11). Under that scheme, certification is often paid for and owned by a local processor or trader that sometimes is also responsible for providing information and training to the group. The group needs to be organized in terms of administration and needs to have a quality management system that governs the production of the goods to be certified. Option 2 certifications are a common form of GLOBALG.A.P. and make up for 74 per cent of total certifications (NGFN, 2010). A study commissioned by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) describes the common challenges and opportunities faced by small producers that consider entering into global value chains and GLOBALG.A.P. certification (Will, 2010).

6.4 Opportunities and challenges for voluntary standards in Mozambique

6.4.1 Sector opportunities

Any program supporting voluntary certifications should be linked to the sectors, which already have a strong export bias or a significant export potential. Referring to the eight sectors identified in Chapter 4, Table 2 indicates the relevant voluntary sustainability standards for these sectors (the most relevant ones are highlighted in bold) and their availability in Mozambique (in the last column).

6.4.2 Enabling environment

Though information is dispersed and difficult to obtain, it appears that a number of initiatives have taken place or are currently underway to support producers to engage in global value chains and, in particular, to engage in voluntary standard initiatives.

Donor support: Several producers mentioned support from international donors to become Fairtrade certified

and to enter global markets in the area of honey, citrus fruits, mango and cashew nuts. These efforts have started to build an initial group of engaged producers and an emerging local capability in these areas.

Institutional support: National organizations, such as INNOQ and IPEX (Instituto para a Promoção de Exportações / Mozambique Institute of Export Promotion), have received support in managing certification programs, e.g. ISO (International Organization for Standardization) and GLOBALG.A.P. This growing capability is an important asset that can be leveraged and expanded in future programs.

Outgrower schemes: They seem to be well accepted by both large and small producers as a means to improve production capabilities without actual integration. If governance mechanisms are well designed, these schemes could offer an additional organizational alternative to large farms or cooperatives to engage in voluntary standards.

HS Code	Sector	Key Voluntary Standard Initiatives (VSIs) at global level (Bold indicates predominant VSIs in that category)	VSIs in Mozambique
44	Wood and articles of wood, wood charcoal	ABNT, FSC , PEFC , Social Carbon, Soil Association Organic, SFI , Verified Carbon Standard	FSC
17	Sugars and sugar confectionery	ABNT, Bio Suisse, Bonsucro , Fairtrade , Food Alliance, GLOBALG.A.P., KRAV, LEAF Marque, Primus GFS, Rainforest Alliance, SQF , Soil Association, SAI Platform	Fairtrade, GLOBALG.A.P., SAI Platform
03	Fish, crustaceans, mollusks	ABNT, Bio Suisse, KRAV, MSC , Primus GFS, SQF , Soil Association, GLOBALG.A.P.	GLOBALG.A.P.
52	Cotton	ABNT, Better Cotton Initiative BCI, Bio Suisse, Cotton made in Africa, Fairtrade, Global Organic Textile Standard	Cotton made in Africa, Fairtrade
12	Oil seed, oleaginous fruits, grain, seed, fruit, etc.	ABNT, Bio Suisse, Fairtrade , Food Alliance, GLOBALG.A.P. , KRAV, LEAF Marque, Primus GFS, Rainforest Alliance, SQF , Soil Association, SAI Platform	Fairtrade, GLOBALG.A.P., SAI Platform
08	Edible fruit, nuts, peel of citrus fruit, melons	ABNT, Bio Suisse, CanadaGap, Fairtrade , Food Alliance, GLOBALG.A.P. , KRAV, LEAF Marque, MPS-ABC, Primus GFS, Rainforest Alliance, SQF , SAI Platform	Fairtrade, GLOBALG.A.P., SAI Platform
15	Animal, vegetable fats and oils, cleavage products, etc.	ABNT, Bio Suisse, Food Alliance, GLOBALG.A.P. , KRAV, LEAF Marque, Primus GFS, RSPO , SQF , SAI Platform, Soil Association	GLOBALG.A.P., SAI Platform
07	Edible vegetables and certain roots and tubers	ABNT, Bio Suisse, CanadaGap, Fairtrade , Food Alliance, GLOBALG.A.P. , KRAV, LEAF Marque, MPS-ABC, Primus GFS, Rainforest Alliance, SQF , SAI Platform	Fairtrade, GLOBALG.A.P., SAI Platform

Table 2: Sectors with high export potential and voluntary certifications

Source: ITC Trade Map (ITC 2013a)

6.4.3 Limiting factors and challenges

Even though there are differences between the various standards, there are certain limiting factors and challenges that apply to all voluntary standards. For example, a lack of investment in public or private organizations resulting in weak institutional capacity regarding certification, audits, testing equipment and laboratories can become a barrier for producers seeking to enter demanding export markets or to get certified. Moreover, limited port infrastructure, poor road conditions, restricted access to finance, lengthy bureaucracy and irregular business practices were factors mentioned by producers as bottlenecks for their plans to expand internationally. Low managerial capacity both at farm and cooperative level was identified during the interviews as another major constraint for successful certification processes. Finally, it is important that the process is dominated by the companies themselves, rather than by external institutions or donors. A study by Divney illustrates the extreme case where some smallholders, although being certified, were unaware of the certification goals, expected impact and requirements that had been met on their behalf (Divney, 2007).

Figure 12 illustrates the key obstacles and challenges that an export-oriented producer is confronted with at the different stages of the value chain. Many of these factors limit the ability of Mozambique's enterprises to successfully po-

sition their products in the global market and, at the same time, the expansion of voluntary standards. The following paragraph describes the most important bottlenecks in greater detail:

Limited market information or relationship with buyers: With notable exceptions, most producers and processors in Mozambique are quite disconnected from market information and lack awareness of market requirements, conditions and opportunities.

Management capabilities and entrepreneurial spirit: Most people interviewed seemed to agree that there was still a limited pool of capable professionals to manage bigger enterprises and relationships with international markets. Limited entrepreneurial drive was also cited frequently as a challenge for expanding the private sector activities in the country.

Limited capacity building and extension services: Only few capacity building and extension services are offered for small and mid-sized producers, and even less focus on export-oriented topics. Some of these services are integrated into outgrower schemes, but for producers grouped in associations or individual farmers outside these systems, a lack of opportunities was reported.

Financing: Several experts interviewed referred to the gap in financing options available for agriculture. Commercial banking has developed in Mozambique over the last decade and micro-lending institutions have also flourished. However, it seems that in between the two there are few opportunities available and, when available, interest rates were found to be prohibitive high by interviewed producers.

Thin institutional and support structure: Mozambique still depends largely on neighboring countries for voluntary certifications and laboratory testing. Moreover, local consultancy services for certification processes are very limited.

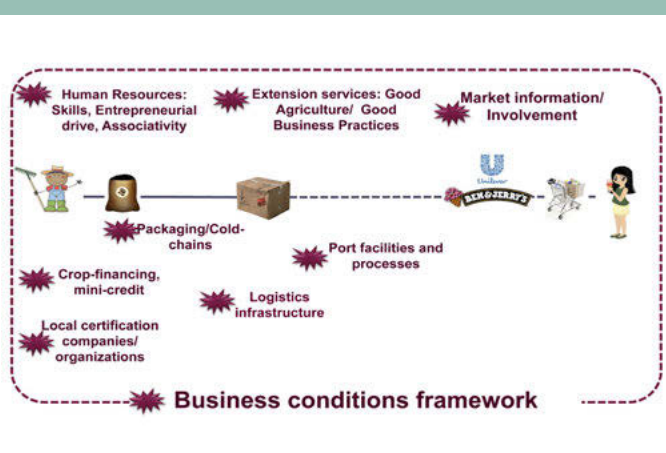


Figure 12: Voluntary standards for exports: Limiting factors

Source: Own illustration

7 Recommendations

Mozambique has the potential to become a successful exporter in certain sectors. Voluntary standards, integrated into a holistic export development process, can support quality-driven processes, agricultural best practices and generate positive economic, social and environmental impacts for producers and their communities. However, there is still a long way to go in fully exploring that potential. The public sector needs to create an enabling business environment, improve the export infrastructure and provide basic education and health services. In the private sector, a critical mass of export-oriented companies needs to evolve, which would increase the demand for support institutions and services, including those concerned with voluntary certification.

Figure 13 summarizes the key recommendations that are described in the following paragraph:

1. **Create an inventory of current initiatives:** Although some efforts have already been made by public institutions, there is no complete inventory available on current initiatives on voluntary standards that includes information on, inter alia, involved enterprises, trainers, certification agencies, donors and products.

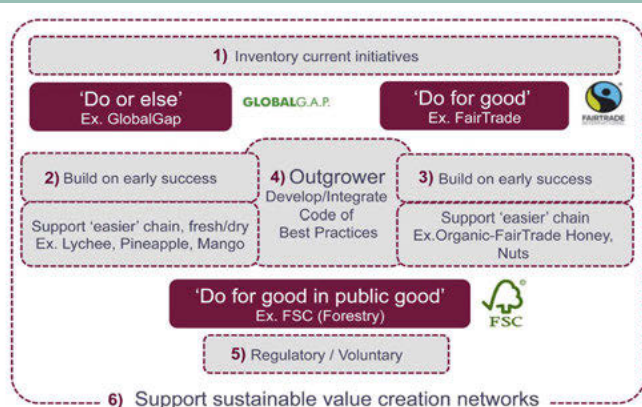


Figure 13: Summary of recommendations

Source: Own illustration

2. **Assess the certification preparedness level in selected regions or crops:** A simple tool based on a questionnaire could be developed to assess the overall level of preparedness of producers in selected regions or linked to specific crops. This could help assess the agricultural, management and work practices used by producers. The results of this assessment would indicate how far the individual producer or the group of producers are from satisfying the requirements of the most popular standards and guide necessary adjustments.²
3. **Support selected GLOBALG.A.P. initiatives:** The requirements of sanitary standards are highly demanding. Depending on the result of the certification preparedness assessment, efforts could be focused on capacity building, extension services and good agricultural practices in line with GLOBALG.A.P. requirements, even though some of the producers involved might not (yet) be ready to go ahead with certification. Producers and producer groups that have benefited from previous programs might be included in new initiatives that support certification preparedness or certification processes. Finally, market information and linkages could also be beneficial to provide producer groups with market opportunities and incentives for investments to increase quality standards and processes.
4. **Support selected Fairtrade / organic or other “Do for Good” voluntary standards:** A number of initiatives have been developed in certain sectors, such as honey, cashew nuts and mango. The potential of dried fruits should be further explored as well. These initiatives can be supported to acquire certification and to develop a plan for market entry and for building relationships with buyers. Depending on the nature of associations, they generally need support in this phase in terms of management capabilities and capacity building. Awareness of and information on these types of standards could also be beneficial for other groups of producers and sectors.
5. **Assess current state of outgrower models and promote best practices alongside the adoption of voluntary standards:** Significant opportunities exist for the insertion of smallholder farmers into global

² The Trade for Sustainable Development (T4SD) project at the International Trade Centre is currently developing a benchmarking tool to assess producer preparedness relative to one or more voluntary standards.

value chains through outgrower systems. Thereby, they can benefit from pre-financing, capacity building and other services, while becoming competitive for international markets. However, these schemes can also lead to abuse or result in limited impact at the small producer level due to their power structure. It is recommended to explore the different models of outgrower schemes and to identify the most appropriate forms in the context of voluntary standards.

6. **Explore alternatives in public goods and extractive industries standards:** Due to the close connection with public regulations, it is recommended to explore alternative strategies to support Mozambican producers in this field. A strong political decision to enforce

national regulation could be supported by technical instruments, which could lower the relative costs of international sustainability certifications and make them more attractive to local producers that want to engage in sustainable global value chains.

7. **Support voluntary standards and value creation networks:** It is recommended to improve the business environment and strengthen the institutional support for producers engaging in voluntary standards. This could include advice for national institutions, development of local certification capabilities, organization of training of trainer workshops for consultants, and improvement of laboratory and testing capabilities.

8 Conclusions

Overall, there are significant opportunities for Mozambique to expand its international presence in a number of sectors, eight of which were identified in this study. Still, the level of export readiness and the business environment need to be improved to generate more business opportunities and employment.

Voluntary sustainability certifications can play a role in the development of the export sector, contribute to sustainable development, and generate a positive impact for the livelihoods of producers and their communities. But it is very important that any action taken in this area is

closely linked to market opportunities and integrated into the overall export development process.

“Sustainability is a new idea to many people, and many find it hard to understand. But all over the world there are people who have entered into the exercise of imagining and bringing into being a sustainable world. They see it as a world to move toward not reluctantly, but joyfully, not with a sense of sacrifice, but a sense of adventure. A sustainable world could be very much better than the one we live in today.”

(Meadows, Randers & Meadows, 2004, p. 253)

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