



# ISSUE PAPER

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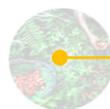
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*Sustainable certification of biofuels can be an effective tool in reducing environmental and social impacts. However, as primary producers of biofuel feedstocks, many smallholders have a difficult time obtaining certification individually due to barriers such as high costs and little implementation support. Thus, group certification of smallholders has been proposed as a solution. But, how can biofuel certification bodies address the challenges of implementing an effective group certification system without compromising the credibility of the standard? What lessons can be drawn from existing certification schemes?*

## BIOFUEL GROUP CERTIFICATION: Ensuring that smallholders can participate in biofuel markets

Biofuel sustainability standards and related certification schemes are emerging as a tool to help improve the environmental and social practices within the biofuel industry. Even though they promise to raise the bar in sustainable practices, concerns have been voiced about ensuring inclusion along the supply chain. The concern is that certain groups or types of producers may not be able to seek certification due to insufficient knowledge of standards, technical constraints, and/or economic barriers. This is particularly a concern for smallholders in developing countries – who play a significant role in the development of the biofuel sector. For them, the auditing cost associated with certification has been cited as a key obstacle which excludes those who wish to become certified under such schemes.

Because of these concerns, many of the existing certification schemes for biofuels are now considering ways to certify groups of smallholder farmers, in order to share such costs. Besides offering a cost incentive for smallholders, on a larger scale, group certification for biofuels could also promote sustainable agricultural practices and be a mechanism to increase development opportunities in the rural agricultural sector.



### Certification and standards for biofuels

Certification against an agreed standard, composed of a set of criteria and indicators, serves a double purpose: (1) as a checklist for project planning and management and (2) as a communication tool, providing the market marked access and assurance

on production and processing activities of commodities. Certification can also be a mechanism to ensure smallholders that they are receiving fair treatment. In that sense, they provide benefits to both the smallholders and consumers (below).



Standards have existed in the agricultural sector for some time now. Some of them are relevant to bioenergy, as they cover a potential bioenergy feedstock. In addition, there are also biofuel specific standards. Although this is not an exhaustive list, some standards that are relevant to bioenergy are:

- Better Sugarcane Initiative (BSI)
- Roundtable on Sustainable Palm Oil (RSPO)
- Roundtable on Sustainable Biofuels (RSB)
- Standards for Sustainable Agriculture (SAN)
- Forest Stewardship Council (FSC)
- International Federation of Organic Agriculture Movements (IFOAM)
- GLOBALG.A.P

**Defining smallholders:** According to IFOAM, the definition of smallholders is complex and depends on various indicators that have to be agreed upon by the certification body. However, some criteria according to the IFOAM Accreditation Criteria, of smallholders are (IFOAM, 2003):

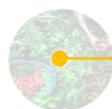
The farm units are mainly managed by family labor;

There is homogeneity of members in terms of: geographical location, production system, size of the holdings, and common marketing system;

No maximum amount of hectares per farmer is set;

The minimum size of the group must be defined and: must be large enough to sustain a viable IMS, with a minimum of 30 to 50 smallholders;

The cost of (individual) certification is disproportionately high in relation to the sales value of the product sold.



## What is group certification?

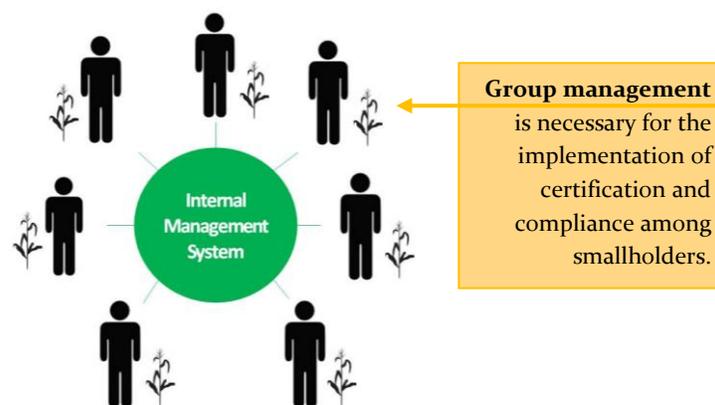
Group certification is a “certification of an organized group of producers with similar production systems, where certification applies to the group as a whole”<sup>i</sup>.

This means that a collective group of individuals, namely smallholders, can be certified, and that within the group, there is an internal management system that ensures that each individual within the group is adhering to the standards that are outlined in the certification scheme.

An internal management system (IMS) (or internal control system) within the certification scheme is a “documented set of procedures and processes that a group will implement to ensure it can achieve its specified requirements” (ISEAL, 2010).

Group certification for smallholders implies several things.<sup>ii</sup>:

- A central body ensures the group adopts the standard and manages the IMS. This can be a self-organized cooperative/farmers’ association, individual or government agency.
- All the small farms with their production and handling activities adopted are certified as a group. The individual group members may not use the certification individually.
- The group members operate under contractual or binding requirements specifying their commitment to the standard and monitoring assessments.
- The group decides on the standards to comply with through the IMS mechanism. Non-compliances are dealt with according to set procedures and sanctions.



## Biofuel group certification challenges

There are many obstacles that need to be overcome in order for group certification systems to be successful. The following challenges and solutions have been noted from practitioners and auditors in the field working in developing countries (right).

One of the major challenges towards the implementation of group certification schemes for biofuels is

lack of technical knowledge. A study conducted by the Wuppertal Institute concerning the effectiveness of biofuel certification observed that within the palm oil sector “small-scale farmers have serious problems with the implementation of standards”<sup>iii</sup> due to insufficient knowledge.

Lack of awareness of applicable schemes and how to meet standards within schemes is another challenge. Because many certification systems for biofuels encompass farming practices beyond BAU for most smallholders (e.g. GHG accounting, nitrate/ phosphate applications, etc.), there needs to be a greater emphasis on communication and knowledge sharing from the certification bodies. As well, an increase in the number of standards sometimes leads to greater confusion for smallholders about which one to apply. To overcome this challenge within a group system, the Internal Management System and subsequent Group Management should effectively communicate to the group ways to implement the various standards. Training and extension services are one way to approach this.

Becoming certified also comes with an administrative burden and cost associated with monitoring and auditing. While large processors usually are able to make the necessary adjustments and afford the certification process, for smallholders, the transaction cost may be an insurmountable barrier.

Challenges of implementing a biofuels group certification scheme	Ways that certification bodies can address them
Lack of technical know how to apply standards (at the producer, board and management levels)	Information sharing and capacity building
Lack of organizational structures (i.e. farmers groups, co-operatives)	Identifying champions and roles of different actors
Lack of access to affordable credit/ capital for auditing and monitoring	Scholarships or deductions for smallholder groups
Inadequate knowledge on setting up Internal Management Systems	Capacity building and setting common requirements for IMS
Inadequate knowledge on financial management	Capacity building and training
Value-chain players are not willing to participate and co-operate	Identifying collaborative value chain actors
Lack of raw data, documents, etc. to audit	Work directly with auditors to address gaps in data material
Struggle between the complexity of a standard and its implementation	Identify elements in standard that can be reduced for groups

This cost challenge may be another obstacle for smallholders wanting to be group certified. Although group certification is intended to reduce costs overall, the auditing and MRV costs are sometimes still too high. Some certification schemes have looked into this bottleneck and have proposed mechanisms such as scholarships and grants to smallholder groups that actively want to become certified but are economically constrained.

Additionally on the grower’s side, groups have to see that certification can offer them an incentive by guaranteeing a price premium on their products (including the cost of auditing). Capacity building and outreach on the part of the certification body can help communicate these benefits.

Another challenge lies in the dynamic between keeping standards high and robust, while also making them flexible and easy enough to implement for smallholder groups. The origin of many biofuel standards comes from the need for instruments to encourage sustainable practices, thus, the standards should not be compromised. In order to increase the involvement of smallholder groups while effectively maintaining high standards different processes can be facilitated for groups to comply. Some of these include different and more flexible processes for auditing and internal assessment systems.

Farm structures must also be addressed when formulating a group certification system (Case study box below<sup>iv</sup>). Because of the sheer range of organizational structures of smallholders, across regions and types of feedstock, certification bodies have to be able to outline effective guidelines and definitions for who it can certify as part of a group, and how IMS will operate.

Working alongside standards bodies and consumer groups to increase visibility of, and support for, group certification systems can be a means to communicate best practices to overcome some of these challenges. ISEAL is an example of an association that is working with standard systems to develop guidance and effectiveness of standards (<http://www.isealalliance.org/>).

### Case Study: Coffee farming in Kenya

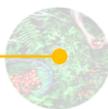
Understanding how smallholders are organized helps to define the communication strategy and the structure of the group certification. In Kenya (as in many developing countries) such considerations can be important to ensure co-operation amongst the farmers.

In the coffee sector in Kenya, the farmers are organized into farmers groups which are joined collectively into legal entities called Farmer co-operative societies. Generally, these representative farmer groups consist of about 50 members that share similar ethnic and geographic backgrounds. In each case the group selects a group leader who undergoes training and has certain competencies, such as: the ability to read and write; are farmers themselves; and have leadership skills.

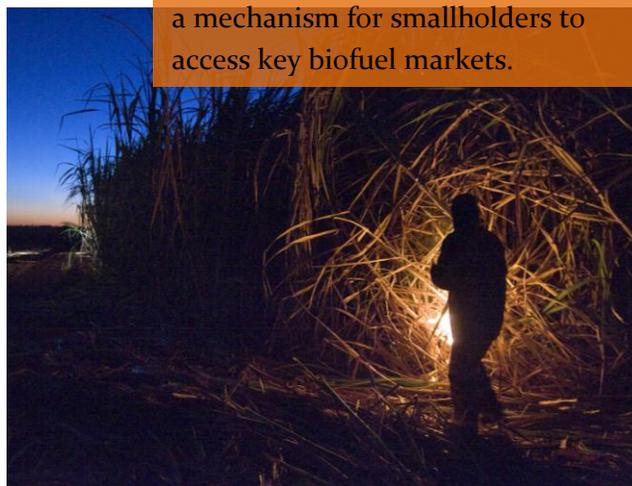
A look at the organizational structure often illustrates the importance of different roles. Individual farmers are also trainers, and agronomists are made available to travel around. The central society, at its head office, provides marketing and supply chain support. They provide quality control as well technical translation services for reports on the market and concerning quality.

### Group certification of smallholders in biofuel production: opportunities from different perspectives

As discussed, group certification is one way of allowing more smallholders to compete in markets that only permit certified biofuels to enter the



Group certification for biofuels can be a mechanism for smallholders to access key biofuel markets.



While group certification can be a potential mechanism to improve the livelihood situations of these smallholders, many other advantages of group certification for biofuels exist. From a national perspective group certification and smallholder integration into biofuel production can increase economic development opportunities; from a processor's perspective, group certification can diversify supply chains and increase the stability of supply; and from a consumer's perspective, group certification can increase the amount of sustainably certified products on the market.

### *National perspective: economic development opportunities*

From a national perspective, there can be many advantages for incorporating smallholders into biofuel certification schemes, and accordingly into biofuel markets. In some cases, such as the EU Renewable Energy Directive, certification is used as a legal mechanism to facilitate the approval of biofuel products into a national market. In the case of smallholders, if they are not certified then they cannot participate in this export market. Including smallholders in group certification schemes can thus be a powerful way for them to increase their market access.

Besides market access, it also has the potential for social multiplier effects, providing the following national benefits:

- Increasing total investment in the rural agricultural sector;
- Improved knowledge and farm management through greater information sharing among farmer groups;
- Increased income in rural areas; and

- Access to technical services and training as provided as a result of certification schemes.

Effective agricultural policies that address the economic development of smallholders have also illustrated a development multiplier effect. Studies show that growth generated by agriculture is up to four times more effective in reducing poverty than growth in other sectors<sup>v</sup>. Investing in smallholders does not only bring about market benefits, but also encourages national development goals such as increasing women's opportunity on the labor force (as more than half of all smallholder farmers in the developing world are women), and rural development benefits with possible multiplier effects.

Many of these multiplier benefits are felt beyond the farmers themselves, in the household and also within the communities in which they live. For instance, value added activities, increased spending through greater access to income, improved local markets in other consumer goods, all have multiplier impacts that impact on the local community. Government institutions can be better informed of these processes and look for ways to encourage sustainable development and advance national economic opportunities through certification and group certification.

#### *Processor perspective: making better business*

From a biofuel processor's perspective, ensuring that groups of smallholders are able to obtain certification can also be advantageous. Some advantages from this lens include:

- An opportunity to diversify the portfolio of suppliers;
- Reducing the risk of land conflicts;
- No need to purchase land/ lease land;
- Increased consumer acceptance.



Another advantage to the processor is that, while also maintaining the social order and land tenure arrangements in certain regions, a biofuel processor can source a greater and more diverse supply of biofuel feedstock along the production supply chain. Diversifying the supply chain also diversifies risk for private companies. For example, if a processor obtains all of their feedstock from one monoculture plot, the risk of that plot having a bad year because of disease, pest or drought is greater than the risk of a group of smallholder plots in different areas developing similar ailments.

Additionally, smallholder farmers have relatively low production costs and it is easier for them to manage labor intensive crops, a characteristic that many biofuel crops have. Smallholders also tend to use less energy and resources during production; which is a great opportunity to reduce the carbon footprint of commodities, something of particular importance to the biofuels sector.

The caveat to these benefits however, is the same one that is found with all cash crop production through smallholders- that the rights of local people must be protected or all benefits are negated through the possible impacts.

#### *Consumer perspective: greater acceptance and market trust*

Given some of the negative press for biofuels, certification as a marketing tool may become essential if fuel suppliers want to sell their products to consumers. Group certification can be a part of this larger marketing envelope.

For consumers, knowing that a biofuel product has been certified provides consumers the confidence that the values of sustainability are being met. Certification (and within that group certification) can become a powerful marketing tool to reach those consumers who target sustainable products.

## In practice: learning from existing group certification schemes

Biofuel certification schemes have a lot to learn from existing group certification systems. The fair trade movement grew from the need to include smallholders in the food supply chains and markets they were being excluded from. Since then, an increasing number of certification schemes are looking for ways to include smallholders in group certification and ensure fair and equal access to the new markets that are being created. The following is a discussion on the learned lessons that can be applied to biofuel group certification schemes.

**Integrate stakeholder processes into group certification building:** *Round Table on Sustainable Palm Oil (RSPO)* - In 2010, the RSPO adopted the 'Generic Guidance for the Certification of Independent Smallholders under Group Certification' and at the same time adopted a 'Group Certification Protocol' which clarifies how individual smallholders should group together to reduce the costs of both the management improvements required to qualify for certification and the costs of certification itself.

The protocol also outlines how certification bodies must go about auditing such groups. Both standards place the burden of proof of compliance on the institution overseeing the smallholders, either the 'scheme manager' or the 'group manager', although auditors are required to carry out extensive random sampling of individual farmers to ensure that members of the schemes and groups are also in compliance. Currently the RSPO is developing a special fund to assist with the costs of smallholder certification the modalities of which have yet to be announced.

These standards were developed by the RSPO's Task Force on Smallholders which was set up at the third Roundtable as a multi-stakeholder process expressly to ensure that smallholders were not marginalized from the certification process.

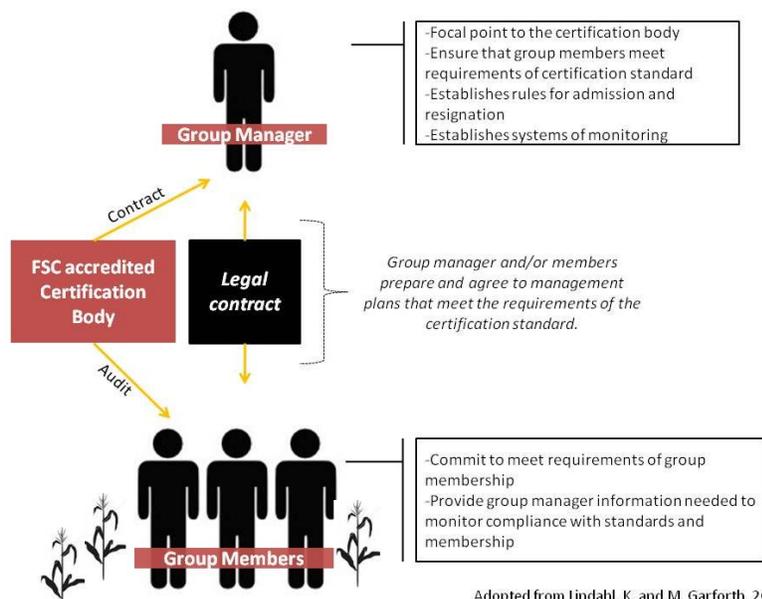
"The Task Force is an open process that encourages the involvement of all interested parties in consultations and which seeks to sponsor the participation of smallholders in RSPO meetings. The Task Force is overseen by a Steering Group which comprises the Task Force leaders, persons with special expertise on smallholders and representatives of the national interpretation working groups...the TFS has focused its efforts on

developing standards and procedures to make it possible for smallholders to get certified under the RSPO both as scheme smallholders and as independent producers, as well a raising awareness among smallholders about the RSPO, the Principles & Criteria and market options." (RSPO, 2011)

**Build capacity throughout the supply chain - Global GAP - Agricultural commodity certification schemes** can also illustrate successes and challenges. To illustrate, many critical success factors have been drawn from the experience of Global GAP in the process of group certification (below)<sup>vi</sup>.

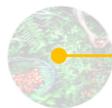
- Social cohesion of groups involved is a core challenge, so capacity building is essential to build a core of common needs outside of the certification – common marketing, production, training, etc.;
- Supply chain governance is critical, this can be strengthened through building strong support from exporters;
- There needs to be adaptation to smallholder capacities and certification bodies need to work with other organizations to translate/ simplify the standard.

**Create flexibility within the system - Forest Stewardship Council-** The Forest Stewardship Council (FSC) has learned that within group certification processes, there must be flexibility within the division of responsibilities between the group management entity and the members of the group. Below is an illustration of the contract within the group certification process<sup>vii</sup>.



*Develop inter-linkages and benchmarks with other networks - Sustainable Agriculture Network (SAN)<sup>viii</sup>* - The Sustainable Agriculture Network currently manages the Sustainable Agriculture Standard for farm groups and farms that seek to become Rainforest Alliance Certified<sup>TM</sup>. The organization is currently reviewing its group standard and integrating its learned lessons from the field, and embedding the guidelines from ISEAL Alliance's Common Requirements for the Certification of Producer Groups. Some of the lessons learned that can resonate with other certification schemes developing group standards are:

- Capacity building needs to happen both on the ground and on the policy level;
- Training farm administrators is critical to assuring the quality of the standard's implementation;
- Evaluating when high value ecosystem destruction occurred with smallholders properties is often a complex process, but targeted communications and data can resolve this issue;
- Requirements for groups should be harmonized (potentially following the guidance of ISEAL Alliance).



## Conclusion

One third of humanity lives on less than 2 hectares of land - on an estimated 500 million small farms. However, smallholders that live on these farms often do not compete equitably in markets. In recent years higher agricultural prices rarely, if ever, benefit them as the increased global demand is increasingly being met by the commercial farming sector. Global biofuel markets that only allow certified products also disproportionately exclude these smallholders who are often not able to afford the costs of certification or have insufficient knowledge of certification schemes.

Group certification can be a mechanism to include more smallholders in these markets while also promising a triple bottom line with consumers and business. Assuring that biofuel certification does not leave out smallholders, certification bodies can begin to address the multifaceted challenges in the implementation of group certification with a vision to reducing barriers. Evidence shows that the lessons learnt exist; it is just about applying them appropriately.

As smallholders increasingly look to secure and improve their livelihoods, becoming a part of the global supply chain with the aid of group certification could be an essential entry into new markets.

## AVENUES FOR SUSTAINABLE BIOFUEL PRODUCTION LOOKING AHEAD

- Continue the development of group certification systems, involving as much as possible, smallholders in the decision making process;
- Test sustainability standards with smallholders to identify barriers on the field level;
- Work together with auditors and smallholder representatives to define what is needed and what is possible, both in terms of structure/process and tools;
- Identify extension services that would appropriately address implementation challenges;
- Identify the barriers that exist with different actors in the value chain in group certification, including, smallholders, auditors, internal control systems, group leaders, etc.;
- Increase the visibility of group certification on the demand side with consumers;
- Increase collaboration amongst standards organizations, auditors, certification bodies and smallholders to solve challenges.



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<sup>i</sup> ISEAL Alliance, 2008. Common Requirements for the Certification of Producer Groups. Public Version 1.

<sup>ii</sup> RSPO, 2011. Accessed from: <http://www.rspo.org/?q=page/514>

<sup>iii</sup> J. Geibler, K. Bienge. *Success factors for standards and certification schemes for biofuels: "Sustainable palm oil" from a small-scale farmer and development perspective*. Paper presented at the 9th European IFSA (International Farming Systems Association) Symposium. Accessed from: [http://ifsa.boku.ac.at/cms/fileadmin/Proceeding\\_2010/2010\\_WS3\\_3\\_vonGeibler.pdf](http://ifsa.boku.ac.at/cms/fileadmin/Proceeding_2010/2010_WS3_3_vonGeibler.pdf)

<sup>iv</sup> Produced from personal communication with Kurugu Macharai, Solidaridad

<sup>v</sup> IFAD, 2011. *The future of world food security*. Accessed from: <http://www.ifad.org/hfs/>

<sup>vi</sup> GTZ, 2010. *Integrating Smallholders into Global Supply Chains. GLOBALGAP Option 2 Smallholder Group Certification Generic Manual: Lessons learnt in pilot projects in Kenya, Ghana, Thailand and Macedonia*. Accessed from: <http://www.gtz.de/en/dokumente/gtz2010-en-globalgap-group-certification.pdf>

<sup>vii</sup> Lindahl, K. and M. Garforth. 2001. *The effectiveness of group certification: a study of the accessibility of the Forest Stewardship Council group certification scheme to small forest holdings in western Europe. A report for the WWF European Policy Office*. Accessed from: [www.panda.org/downloads/forests/fscgroup certeffectiveness.pdf](http://www.panda.org/downloads/forests/fscgroup_certeffectiveness.pdf)

<sup>viii</sup> Produced from personal communication with Oliver Bach, Sustainable Agriculture Network, 2011

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