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Survey

A qualitative meta-synthesis of the benefits of eco-labeling in developing countries

Anna Carlson *, Charles Palmer

Department of Geography and Environment, London School of Economics, Houghton Street, London WCA2 2AE, United Kingdom

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ABSTRACT

Eco-labeling (or environmental certification) is often promoted as a regulatory instrument capable of incentivizing sustainable resource use, even in the absence of stringent government environmental regulations. Despite slow uptake in developing countries and high producer costs, a growing body of case study evidence suggests that producers benefit in varied ways from certification. A qualitative meta-synthesis approach is applied to this body of evidence in order to assess the type and extent of producer benefits reported in case studies of Forest Stewardship Council (FSC) and Marine Stewardship Council (MSC) certification, in developing countries. While benefits from price premiums and market access appear to be limited, less tangible benefits were more common, including learning, governance, community empowerment, and reputational benefits. These benefits may justify the cost of certification.

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1. Introduction

Beginning with the Forest Stewardship Council's (FSC) label for forest products, the past two decades have seen a proliferation of eco-labeling schemes in the forestry and, more recently, in the fishery sectors of many countries around the world. An eco-label, also known as environmental certification, is a market-based instrument that awards a label or certification to a company or product in recognition of having met certain environmental impact standards (Washington and Ababouch, 2011, p. 21). Certification and eco-labels, in theory, send a clear signal of 'environmental stewardship' to consumers who may be willing to pay a higher price in order to incentivize the joint production of sustainably-harvested commodities, like timber or fish, and ecosystem services (Ferraro and Kiss, 2002; Ferraro and Simpson, 2002; Groom and Palmer, 2010; Groom and Palmer, 2014). Arguably, to some extent the positive externalities of joint production might be internalized by producers, via 'price premiums' (Bulte and Engel, 2006).

Many Non-Governmental Organizations (NGOs), most notably the Worldwide Fund for Nature (WWF), have championed eco-labels as solutions to limited and often ineffective governance of forest and fishery resources in developing countries (Cashore et al., 2006a, p. 8). But while the global market share of eco-labeled products has grown rapidly over the past 20 years, most of this growth has been in developed countries (Cashore et al., 2006a, p.8). By contrast, certification uptake has been slow in developing countries despite the efforts of NGOs to subsidize certification costs, build consumer demand for certified products, and lobby for favorable regulatory environments in these countries (Gulbrandsen, 2010).[1] Common issues related to the adoption of eco-labels include high costs, excessive bureaucracy, a failure to achieve meaningful environmental stewardship, and an inability to address wider social issues (Greenpeace, 2009; Gulbrandsen, 2010; Higman and Nussbaum, 2002; Nussbaum et al., 2001).

Previous work highlights the high costs of certification in developing countries (Fischer et al., 2005; Nussbaum et al., 2001; UNEP, 2009). Yet, these may, under certain conditions, be outweighed by the financial benefits from certification. For instance, the WWF (2015) found that 'improved' premiums, access to high-value timber markets, and low post-certification costs led to substantive net financial benefits in a small sample of tropical timber producers. It also found that it took up to six years for producers to break even on their FSC investment. Research on eco-labelling in developing countries is, however, dominated by a growing body of qualitative, case study evidence, which suggests that producers in these countries may have benefited from certification in a number of previously unforeseen ways. A range of governance and social benefits, like improved stakeholder relations and strengthened

[1] For the purposes of this study, 'developing countries' are defined as those classified as either middle-income or low-income by the World Bank (World Bank, 2014). Although over half the world's forests are located in these countries, over 80% of the FSC-certified forests are found in Europe and North America (FAO, 1997; FSC, 2015, p. 2). Similarly, developing countries provide "about 60% by volume and about 50% by value of the global fish and fishery products" (Pérez-Ramírez et al., 2011, p. 298). Yet, only 19 of the 231 MSC certified fisheries are located in such countries (MSC, 2015a, 2015b).

* Corresponding author at: Piazza Zama 4, 00183 Rome, Italy.
E-mail addresses: akbcarlson@gmail.com (A. Carlson), c.palmer1@lse.ac.uk (C. Palmer).

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resource tenure, has emerged. These government and social benefits also have the potential to benefit producers financially, albeit in the long-term.

This paper reviews the literature in order to identify and assess the extent of different types of benefits that have accrued to certified producers in developing countries. The hypothesis to be assessed is the proposition that certification may result in substantial governance and social benefits for producers, which have the potential to offset certification costs. In exploring this hypothesis, our review contributes to the literature in two ways. First, our review focuses on the less tangible benefits of certification. Research that examines the benefits of certification typically focuses on price premiums and environmental impacts, likely because data on these topics are more readily quantifiable. Context-specific case studies, however, suggest a growing role for these less tangible benefits to producers. Despite having the potential to translate into long-term financial benefits, the extent of such benefits in the case study literature remains relatively unknown. Second, our review examines the benefits of certification in developing countries. By contrast, much of the current literature on certification benefits focuses largely on developed countries, in part, due to the limited uptake of certification schemes in developing countries.

We apply a relatively novel methodology, qualitative meta-synthesis, to the case study literature in order to understand the extent to which the findings in this literature may be context-specific or can be generalized to broader scenarios. Specifically, we compare and assess the benefits from participation in the certification programs of the FSC and its close cousin in the fisheries sector, the Marine Stewardship Council (MSC). These two eco-labels were selected for three reasons. First, they are two of the largest, most independent, and most global certification schemes (Eden and Bear, 2010, p. 89). Second, the primary objective of both labels is the environmental stewardship of a specific natural resource. Finally, and most importantly, the MSC was modeled after the FSC, and therefore the two eco-labels share similar governance frameworks, which allows for comparison.

Additional background to the FSC and MSC eco-labels, coupled with an overview of the costs and benefits of certification in developing countries, is presented in Section 2. In Section 3, we introduce the qualitative meta-synthesis methodology and define the criteria for case study inclusion. Section 4 presents the findings of the meta-synthesis, which are discussed in Section 5, while Section 6 concludes.

2. Background

2.1. FSC and MSC Certification

In order to compare outcomes of FSC and MSC certification, it is important to first understand the similarities and differences between these labels. As previously mentioned, the creation of the MSC was directly modeled after the FSC label. The circumstances under which each label was created, however, were different. The FSC program was created with broad stakeholder support in reaction to failed international forestry regulation (Gulbrandsen, 2005, p. 10; Auld et al., 2008b, p. 189-190). The MSC label, on the other hand, was built on previously established international fishing agreements and was created as an NGO-business partnership between the WWF and Unilever, one of the world's largest suppliers of frozen fish (Gulbrandsen, 2010, p. 117, 122).

Although the governance frameworks of the FSC and the MSC are similar, there are important differences between the two labels. The FSC by-laws state that it was created to, "promote environmentally appropriate, socially beneficial, and economically viable management of the world's forests" (FSC, 2002, p. 1). To this end, the main decision-making body of the FSC, the General Assembly, consists of three chambers: economic, environmental, and social (Garrelts & Flitner, 2011, p. 397). The MSC, in contrast, was created to address, "(1.) The state of target fish stocks, (2.) the impact of fishing on the ecosystem, and (3.) the performance of the fishery management system" (Gulbrandsen, 2010, p. 123). To achieve these goals, the MSC's Stakeholder Council (similar to the FSC's General Assembly) consists only of an economic ("Commercial") and an environmental ("Public Interest") chamber. In creating the MSC, it was decided to omit a focus on social issues in order to more efficiently address issues of environmental stewardship and economic development (Gulbrandsen, 2010, p. 118).

Both the FSC and MSC set their own standards for certification. The actual certification auditing process, however, is not conducted by the organizations themselves, but rather by external certification bodies. Both certification programs consist of two primary types of certification: the forest or fishery management certification, which attests to the forest or fishery's compliance with certification standards; and, the Chain of Custody certification, which ensures that products are kept separate from non-certified products throughout the production and supply chain processes (FSC website, n.d.; Gulbrandsen, 2010, p. 126–127). This review is concerned with the former. Information on the two certification schemes, as well as guidelines for obtaining certification, is presented in Table 1 below.[2]

2.2. Costs and Barriers to Certification in Developing Countries

A wide literature discusses the barriers to certification for producers in developing countries. The most oft-cited barriers, in both the FSC and MSC certification programs, are the private costs of certification, lack of familiarity with certification programs, disputed access rights and land tenure, and a lack of government support to producers (Fischer et al., 2005; Gulbrandsen, 2010; OECD, 2003).

Private economic costs of certification are incurred at all three stages of the certification process: preparation for certification, auditing, and compliance (Fischer et al., 2005, p. 11–12). For example, to participate in FSC auditing, producers must pay all costs of auditing, including auditor travel and fees, as well as FSC oversight costs (Fischer et al., 2005, p. 12). Producers are also often required to make potentially costly changes to operations or equipment in order to achieve certification. On the basis of data from a limited sample of six companies operating in tropical forests, pre-certification costs were estimated by the WWF (2015) to be US$4.95 per cubic meter of wood harvested, almost twice the cost estimated for companies operating in boreal and temperate forests. By contrast, logs in the countries surveyed by the WWF, including Cameroon and Indonesia, typically fetched a minimum of US$ 100–150 per cubic meter, a price which rises rapidly if logs are processed (e.g. for plywood) (see ITTO, 2015). In addition to pre-certification costs, producers also incur post-certification costs, such as for recurring audits and monitoring, which were found to be lower in tropical forests (US$3.47 per m^3) than in boreal or temperate forests (US$ 4.07 per m^3) (ITTO, 2015).

Although not directly comparable, MSC certification is also relatively costly. A UNEP study (2009) calculated the total costs of certification for some of the first MSC certified fisheries in the developing world, including pre-assessment, assessment, and annual auditing, to range from $85,000 to $735,000 (p. 41). Whether certifying forests or fisheries, such costs often represent a substantial initial investment for producers in developing countries. Recognizing this, initial funding often has come from or been subsidized by NGOs or governmental organizations (Pérez-Ramírez et al., 2011 and UNEP, 2009). Without external funding, FSC certification can also be prohibitively costly for developing country producers, particularly small-scale producers (Nussbaum et al., 2001, p. 3).

In addition to these costs, developing country producers face a number of other barriers that further raise the cost of certification. A lack of familiarity with certification programs and processes is one such barrier. The complexity of certification processes contributes to making FSC and

[2] For further information regarding the development, organizational structures, and certification processes of both the FSC and MSC, see Auld et al. (2008a); FSC (2002); Garrelts and Flitner (2011); Gulbrandsen (2005, 2009, 2010); MSC (n.d.), and MSC (2012).

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