

WORKSHOP ON SUSTAINABILITY & VOLUNTARY CERTIFICATION IN KENYA SECTOR

Developing an action plan to address opportunities and challenges



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FORUM PARTNERS

International Institute for Sustainable Development

The International Institute for Sustainable Development (IISD) is an independent Canadian research think-tank, established 1990 to championing sustainable solutions to 21st-century problems. IISD's mission is to promote human development and environmental sustainability through research, analysis and knowledge products that support sound policymaking.

One of our programs is in **Sustainable Agriculture and Sustainable Trade** with a focus on *Voluntary Sustainability Certification (VSC)*. Some of the VSC related programs include: Impact Assessment (COSA); Finance (FAST); Policy (UNFSS); Technical Assistance (SCAN); Sustainable Market Information (SSI).

Tea Directorate, Kenya

The Tea Directorate is a department of the Agriculture and Food Authority (AFA). The general mandate of AFA –Tea Directorate as guided by the Crops Act 2013, and AFA mission is to is Develop, Promote & Regulate the Tea Industry to profitability and sustainability.

Kenya Private Sector Alliance (KEPSA)

KEPSA is the private sector apex and umbrella body set up in 2003, to bring together business community in a single voice to engage and influence public policy for an enabling business environment. The Kenya Private Sector Alliance (KEPSA) is a limited liability membership organization. With current membership of over 500,000 direct and indirect members organised through Business Membership Organizations and Corporate members, KEPSA is a key player in championing the interests of the Kenyan business community in trade, investment and industrial relations.

Sustainable Inclusive Business, Kenya

Sustainable Inclusive Business-*the Knowledge centre* is an initiative of KEPSA Foundation supported by the Embassy of the Kingdom of the Netherlands in Nairobi. Established in 2015, the knowledge centre aims to be a neutral platform that empowers, supports & connects businesses to reduce their footprint and raise their positive impact on the environment and society by Facilitating Dialogue, Sharing Knowledge, Building Partnerships and Providing Business Support. It focuses on four main thematic areas; People, Redefining Businesses Value, Biodiversity and Circular Economy.

Sustainable Inclusive Business has actively promoted Circular Economy through workshops, roundtable meet, matchmaking events and recently it's involvement in the First National PET Forum and subsequently the Blue Economy side event on Marine Plastics. Under the stewardship

of the Project Director, Ms Karin Boomsma, Sustainable Inclusive Business continues to promote Sustainability and Inclusiveness throughout Kenya and beyond.

Attendee Demographics

The meeting included a mixture of presentations, testimonials from producers and working groups on specific issues. The meeting was attended by players across the tea value chain and from all major tea producing counties in Kenya.

Which county do you represent?

kericho county

Which Sector do you represent?

What role do you play in the tea value chain?

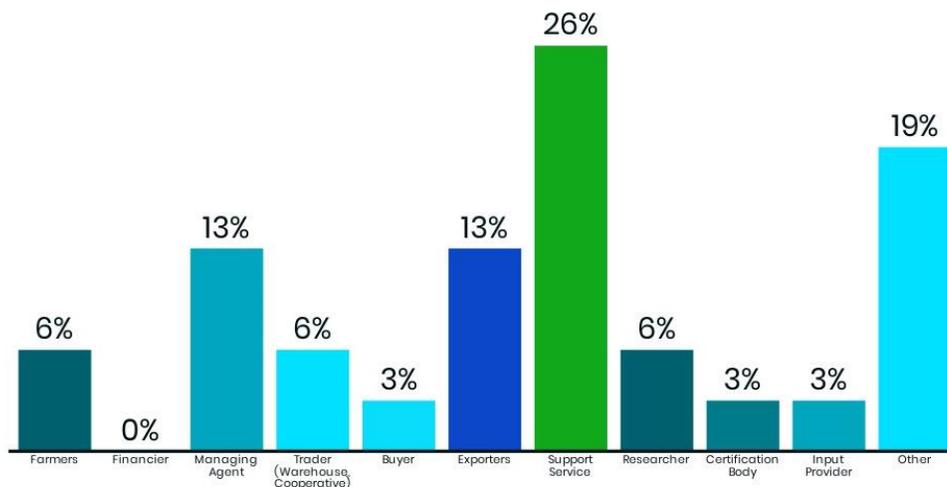


Figure 3: Role played by attendees in the value chain

Attendees were drawn from across the tea value chain bringing a lot of knowledge and expertise from the sector and expecting to draw a lot of knowledge and lessons from the forum. 26% of the delegates offer support services to the tea sector, 13% were exporters and Managing agents, 6% were farmers, traders and researchers. Here are some of the sampled views from the delegates.

[Audience Feedback: Click to Download](#)

BACKGROUND

Voluntary Sustainability Certification (VSC) has become increasingly important in international commodity sectors and their growth and impact in the Kenyan Tea Sector is a clear example. However, VSC have shown both positive aspects and challenges in the sector. Therefore, it is critical to identify and address the opportunities and challenges VSC present. Stakeholder consultation in the Kenyan Tea sector identified several key issues related to VSC, including: costs of certification (fixed and variable), relevance of certification requirements to the local situation, effectiveness of auditing processes, interest in national standards, limited demand for certified product and leakage of non-certified product into certified supply chains.

Furthermore, to properly understand the impact of VSC and how to most effectively use them, credible impact data on the environmental, social and economic costs and benefits of these programs is needed.

As well, the methodologies used to collect this data must be sound and comparable, to effectively share data sets and have a comprehensive understanding of what is and is not working. It is clear that a better understanding on key issues is required, such as: income impacts; production and compliance costs; access to services and affordable finance; opportunities for women and youth; natural resource and environmental management; and impact on poverty. This information is essential to use VSC as a tool to achieve sustainable development goals for the sector and in particular to address smallholder poverty concerns and overall sustainable development.

The scope of these challenges requires a comprehensive and joint response from the stakeholders in the sector.

Therefore, to address these issues, the facilitating organizations (Kenya Tea Directorate, Sustainable Inclusive Business and the International Institute for Sustainable Development (IISD)) are convening stakeholders for a meeting to focus on identifying and addressing challenges related to VSC and developing credible data collection and sharing systems. Based on this process a collective action plan will be developed and presented to the stakeholders to respond to the challenges and bottlenecks related to VSC in the Kenyan Tea Sector.

OBJECTIVE

Increase sustainability in the tea sector in Kenya and expand the benefits received by producers, as well as supporting national and sector sustainability strategies, by improving the effectiveness of VSC as a sustainable development tool. The meeting brings together the key stakeholders in the tea sector to collectively identify and address challenges and opportunities related to VSC and to share effective and efficient methodologies and share credible data and information.

The specific objectives of the meeting were to:

- (a) Present the issue of VSC internationally and in the sector.
- (b) Identify challenges and opportunities related to VSC in the sector and the information and capacity building needs required to address them.
- (c) Discuss the importance of impact data collection, the types of data that are needed and how to gather and share information and data.
- (d) Advance an action plan for moving this work forward with the possibility of creating a multi-stakeholder platform to develop and implement this action plan.

KEY INSIGHTS FROM THE FORUM

Audience, Speakers & Panel	Key Insights & Recommendations
Government(s), National and County	<ul style="list-style-type: none"> ▪ Develop strong Kenyan standards for the tea sector eliminating the need for the multiple standards. ▪ Harmonise existing standards. The Director General AFA mentioned that the government is exploring ways to address this. <p>“The concern of Tea sectors is multiplicity of International Standards (Ethical Tea Practices and Quality) that tea producers are undergoing. The current status is that the Tea Sector has multiple and costly international standards, and phytosanitary standards, KEBS and ISO certification programs. The Government has set ways to intervene by exploring ways to harmonize the standards. This is an initial step to negotiate with the various standards bodies” - Mr. Anthony Muriithi, Director General, Agriculture and Food Authority.</p> <ul style="list-style-type: none"> ▪ Working with producers, marketers and other value chain actors to create product traceability and establish sustainable markets for Kenyan tea. ▪ Regional Coordination could bring value and savings by having common standards for the East African Community. This would make tea from the East African region more competitive globally and increase income to the producers. ▪ Creation of a National Food Policy that incorporates all crops including tea, to provide guidelines on management, farming, marketing and distribution of these crops. This would contribute to food security in line with the President’s Big Four Agenda and the Sustainable Development Goals (SDGs).
Certification & Certification Bodies	<ul style="list-style-type: none"> ▪ There’s need to address the issue of multiplicity of certifications. ▪ Prohibitive costs of certification and implementation. The costs of acquiring, renewing and implementing the certifications is too high. ▪ Sensitization of roles and benefits of standards/certification to the producers and multi stakeholder engagement in development of standards. ▪ Certified farms and crops report positive Economic, Social and Environmental impact. It therefore makes Economic, Social and Environmental sense to be certified. ▪ There is a gap between what certification and sustainable standards can deliver and what is expected from it. Certification alone cannot deliver impacts such as improving farmers’ livelihoods beyond poverty and assuring companies social risk-free commodities. While certification falls short of expectations, it’s benefits and impact on farmer practices are often overseen.

	<ul style="list-style-type: none"> ▪ Widen the re-certification duration this will help producers save money. ▪ Addressing the issue of smallholder marginalisation due to the high cost of the certifications and the perception that certifications do not target the 'high hanging fruits'.
Producers	<ul style="list-style-type: none"> ▪ There's need to embrace good agricultural practices by embracing Voluntary Sustainability Certification (VSC). VSC's helps to address issues such as: <ul style="list-style-type: none"> · Legal and institutional framework · Productivity & Sustainability · Financial and good governance reporting systems · Worker welfare/ social accountability, occupational health & safety · Environment protection & conservation ▪ Work closely with marketers and government agencies to market the good aspects of Kenyan tea e.g. fact that it is organically grown, free of pesticides. ▪ Promote and encourage consistency of produce throughout all producing areas and season.
All Stakeholders	<ul style="list-style-type: none"> ▪ A roundtable session bringing together stakeholders to address issues affecting the tea sector including issues relating VSC's. A National Coordination Unit should be created a steered by the private sector to find lasting solutions.

OPENING

Mr. Anthony Muriithi, *The Director General, of Agriculture and Food Authority*

In his opening speech, The Director General, of Agriculture and Food Authority, Mr. Anthony Muriithi acknowledged the value of this platform by bringing together the tea industry stakeholders and partners to deliberate and share ideas on how to secure sustainability and competitiveness of the industry.

He reckoned that the tea industry remains the country's leading socio-economic driver, directly supporting livelihoods of over 684,000 farmers who are engaged in tea growing and to over 5 million Kenyans, directly and indirectly involved in the tea industry value chain. The sub-sector also accounts for 2% of the country's Gross Domestic Product and 8% of total exports.

In spite of the great contribution to the livelihoods of many farmers and to the economy, the tea sector continues to face a myriad of issues which are currently being addressed. They include:

1. *Multiplicity of International Standards Harmonization of standards*

There's a need to address the issue of multiplicity of International Standards (Ethical Tea Practices and Quality) that tea producers are undergoing. The multiple and costly international standards, phytosanitary standards, KEBS and ISO certification programs really need to be harmonised. The government is already trying to address this by harmonising the standards.

2. *Payment of 75% of the auction price to farmers.*

The latest payments to farmers by KTDA fully complied with the recommendation and will be sustained to all subsequent payments. Plantations/Estates companies buying green leaf from farmers have also been requested to follow suit with a view to ensuring more benefits to farmers.

The farmers' earnings are significantly getting low year by year attributed to;

- Increased cost of labour
- Increased cost of energy
- High certification cost.

3. *Value Chain Review*

A study has been conducted across the value chain with a view to identifying specific challenges and opportunities that will lead to execution of informed initiatives for the industry's sustainability and competitiveness.

4. *Collaboration*

The ongoing collaboration between the Tea Directorate and Export Promotion Council (EPC) to support tea SMEs is encouraging. The promotion of SMEs in tea will open a window for the

youth to be involved in tea trade. Also we have open doors for partners who are willing to support our Tea industry in studies on challenges and opportunities that we need to address and embrace globally; among them are IISD, SIDA, Sustainable Inclusive Business and Internal Trade Center.

He further highlighted some of the key issues related to Voluntary Sustainability Standards as identified by the Tea Directorate through stakeholder engagement. They include:

- a) Costs of certification (fixed and variable)
- b) Relevance of certification requirements to the local situation
- c) Effectiveness of auditing processes
- d) Interest in national standards
- e) Limited demand for certified product
- f) Leakage of non-certified product into certified supply chains.

Call to Action: A collective action plan needs to be developed to address those challenges.

Talking Points

VOLUNTARY SUSTAINABILITY STANDARDS IN KENYA TEA SECTOR

Mr. Chris Wunderlich, *IISD*

What are Voluntary Sustainability Standards/Certification (VSS/VSC)?

They are mainly developed by private bodies commercial and non-commercial entities (NGO). Typically, they cover health, safety, environmental, economic, social and animal welfare issues. They are used as communication tools to consumers and businesses. They can be legally non-mandatory – but can become “de facto” market entry hurdle. “Credence characteristics”- Attributes which cannot be verified through examination of the product- production; processing; management; traceability; environmental, social, economic practices! They most prominent in food and agricultural sector; but also significant in textiles/clothing, toys, timber products, natural cosmetics, bio-fuels & electronics etc. In agriculture, they are used to promote sustainable agriculture. Sustainable agriculture is driven by:

- Increasing concerns over environmental, social, economic impacts
- Linkage between (Sustainable) agriculture & key concerns (climate change, water conservation, urban migration)
- Rapid market growth for big certified sourcing claims
- Tool for Sustainable Development- comprehensive, multi-stakeholder approaches- PPPs

According to the Food and Agriculture Organisation (FAO), the private sector is largely driven to embrace sustainability standards by:¹

- They help in supply management
- Instances where there is pressure from shareholders or customers
- Buyer/Sourcing requirements
- Pressure from NGOS or civil society
- Opportunities for co-financing
- Instances where they help avoid/address regulations
- Improve relationships with key actors
- Where standards bring about Savings and reduced costs.

¹ Source: CIAT 2015

Potential Concerns for VSC's

A study conducted revealed the following concerns by policy makers from producer countries regarding sustainability standards.

a) Market Access:

- Sustainability standards pose a threat of market restriction to producer countries. “Sustainability” is also used to protect domestic markets.

b) Standard-setting:

- External non-state actors setting standards
- Threat to national sovereignty (exclusion from standard-setting)
- Whose sustainability (democratic national governments or distant consumers/brands)?

c) Standards applicability:

- Standards/criteria/processes, potentially inappropriate to local situation
- Too stringent for producers' and local institutions capacities
- Inflexibility to adapt to local realities (lack of appreciation for cultural/geographical/social diversity)

Sustainability Certification is globally a growing & dynamic reality. There are clear benefits but also real challenges. In Kenyan Tea Sector, Sustainability Certifications are at scale & having impact at many levels. Objectives often parallel/compliment national & sector strategies, VSCs potential implementation tool for Sustainable Development Strategies. It is important that benefits & challenges (in particular for smallholders) be addressed (e.g. needs assessment).

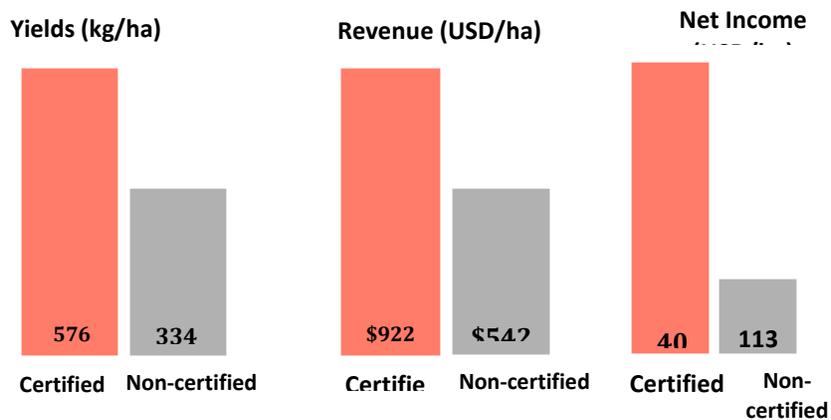
THE VALUE OF STANDARDS BY UTZ & RAIN FOREST ALLIANCE

Mr. Michael Orang’l Onchabo, UTZ & Rain Forest Alliance

a) Economic Impact: Increased yields, revenue and net income.

Research conducted in Ivory Coast by Rainforest Alliance showed that certified crops increased in yield, net income and revenue.

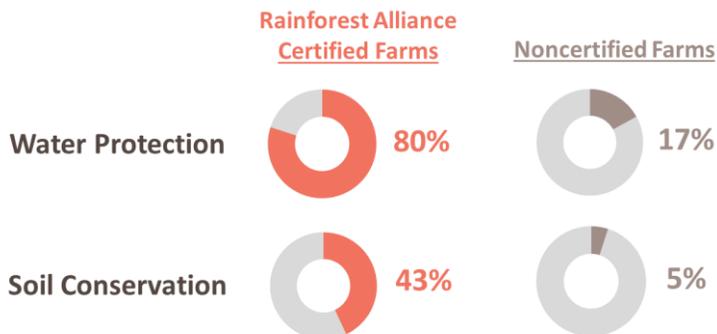
Researchers studied 600 farmers who were RA-4C-UTZ certified, Fairtrade-Organic certified, or non-certified. RA-4C-UTZ certified coffee farms had a poverty incidence 20% lower than the non-certified group, and household incomes about 1 million Ugandan Shillings (about \$280 USD) greater than non-certified. Price paid for coffee was similar across all farms. Researchers found the difference in income was due mostly to higher yield and steady input and labor costs.



Graph 1: Economic Impact

b) Environmental Impact

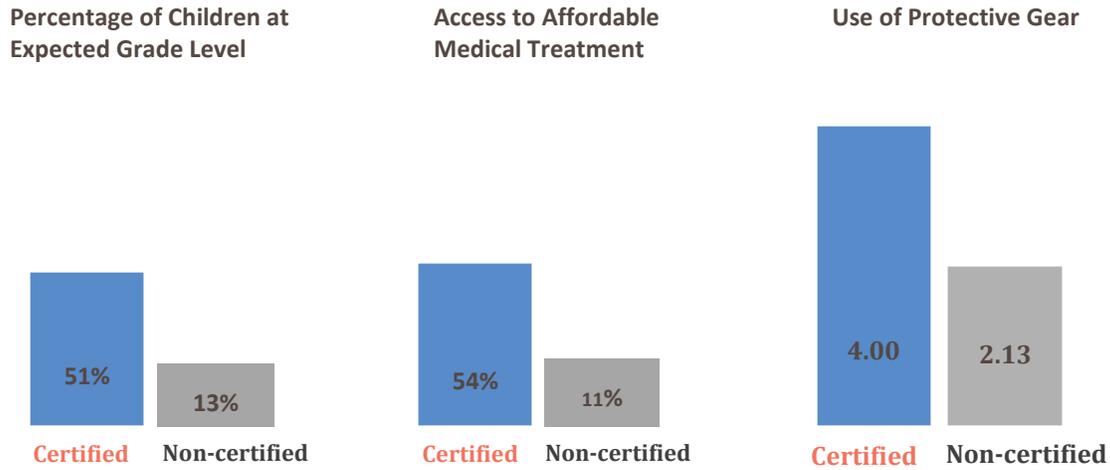
Certified farms protect water and soil more than the non certified ones.



Graph 2: Environmental impact

c) Social Impact

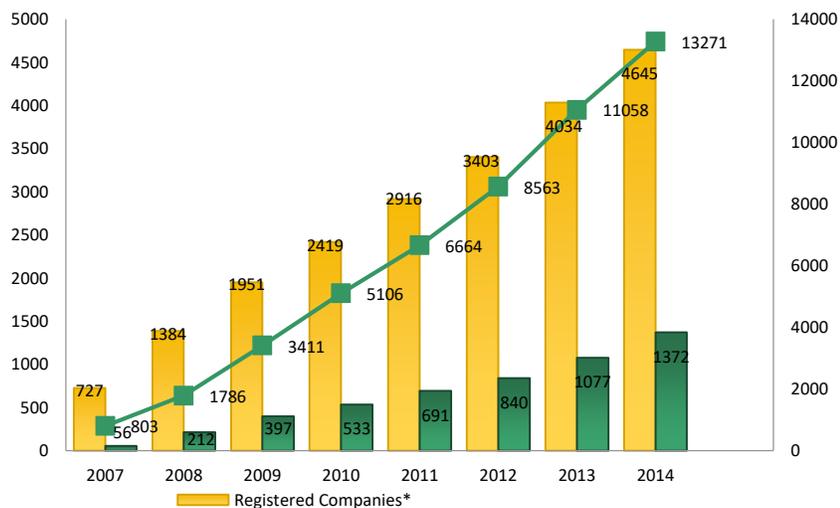
There's evident higher social impact in regards to access to healthcare, use of protective gear in farms and reduced child labour within certified farms.



Graph 3: Social Impact

d) Market Highlights

Evidently, there is increased demand for certified products. The market demands produce that consumers can differentiate as sustainably grown. Since 2007, the number of license agreements has risen from 56 to 1372.



Graph 4: Market trends

SUSTAINABILITY AND VOLUNTARY CERTIFICATION

Ms. Jane Ngige, IISD Consultant on Standards

Voluntary Sustainability Certifications are proven to help producer countries in:

- **Market Access:** They open up the possibility of accessing various markets. Kenyan tea for example has found a market in many European countries such as the UK due to the certifications.
- **Supply Chain Management:** Across the supply chain that involves growing, picking, withering, rolling, fermenting, drying, blending and packing producers are guaranteed of responsibility by the various actors to ensure quality.
- **Trade Facilitation:** Certifications guide producers through establishment of markets and trade partnerships.
- **Productivity and competitiveness:** Certifications are proven to help producers increase their productivity and increase competitiveness in the market.

IMPLEMENTATION OF VOLUNTARY SUSTAINABILITY CERTIFICATION (VSC) IN THE KENYA TEA INDUSTRY: STATUS AND CHALLENGES

Mr. Willy Mutau, Agriculture and Food Authority (AFA)

In August 2015, a Tea taskforce was commissioned to investigate the challenges facing the Tea Industry and come up with recommendations to Improve Performance. The report was adopted in 2016 and implementation started in 2017.

Among the challenges identified by the Taskforce report included;

- Multiplicity of international standards.
- There exists many International market driven/voluntary certification Standards including UTZ, Fair Trade, Rain Forest Alliance among others which the Tea Industry is required to implement to access certain international markets.
- High **cost** of implementation of these standards and there is duplication of requirements which are similar across these standards.
- Implementing these Standards separately is time and effort consuming.

Status on Industry Implementation

Currently most of the tea producers and factories implement Rainforest Alliance, Fairtrade, UTZ, Koshaer and ETP certifications. Tea producers have fully implemented these market driven certifications over the last 20 years progressively. The current number of certification are:

- **69** KTDA Managed Tea Factories are **RA** certified and **21** Tea Factories are Fair trade certified.
- Others players combined have a total of **26 RA** certification, **4** Fair trade, **3** Organic certification, **6** UTZ, **2** Koshaer certification.
- Food safety management system (ISO 22,000) stands at **75** Tea factories

Recommendation by Taskforce Report

To address this challenge, the government should explore ways to harmonizing these standards. Involve the tea stakeholders, negotiate with scheme owners and certification agents. This will cut on the cost of implementation, time taken and harmonize duplication of requirements in these Standards.

CHALLENGES & OPPORTUNITIES

The challenges faced by the tea sector present opportunities for the stakeholders. Here are some of the challenges, solutions and the actors as highlighted by the attendees.

CHALLENGE	ACTION/Solution	ACTORS
1. Prohibitive costs of certification implementation.	<ul style="list-style-type: none"> Harmonisation/Merger/Amalgamation Mutual recognition of certificates 	<ul style="list-style-type: none"> Government of Kenya through the Ministry of Agriculture and the Tea Directorate. Certification bodies
2. Multiplicity of standards	<ul style="list-style-type: none"> Create one standard 	<ul style="list-style-type: none"> Government of Kenya through the Ministry of Agriculture and the Tea Directorate. Certification bodies
3. Lack of tangible benefits upon certification. (Effectiveness of the standards)	<ul style="list-style-type: none"> Sensitization on benefits of certification. Cost benefit analysis of certification. 	<ul style="list-style-type: none"> Producers Buyers Certification Bodies Marketers
4. Top Bottom approach of implementation	<ul style="list-style-type: none"> Sensitization of roles and benefits of standards. Multistakeholder engagement in development of standards. 	<ul style="list-style-type: none"> All value chain actors.
5. Lack of technical and admin capacity on standards.	<ul style="list-style-type: none"> Train TOTs Establish local capacity 	<ul style="list-style-type: none"> Certification bodies.
6. Forced adoption of standards	<ul style="list-style-type: none"> Make the adoption of standards voluntary. 	<ul style="list-style-type: none"> Certification bodies Marketers

OPPORTUNITY	ACTION	ACTORS
1. Market access retention.	<ul style="list-style-type: none"> Mark of origin 	<ul style="list-style-type: none"> Government and Marketers
2. Branding	<ul style="list-style-type: none"> Creating traceability for Kenyan tea. Establish sustainable markets for Kenyan tea. 	<ul style="list-style-type: none"> Producers Government agencies
3. Knowledge transfer from advance tea regions and markets.	<ul style="list-style-type: none"> Exposure for producers (especially the smallholder farmers) 	<ul style="list-style-type: none"> Producers Certification bodies
4. Alignment to national polices	<ul style="list-style-type: none"> Align the standards to national policies to avoid the multiplicity of the same. 	<ul style="list-style-type: none"> Government agencies Regulatory bodies Certification bodies
5. Creation of Kenyan Tea standards	<p>Informed by the multiple standards, industry actors supported by the ministry of Agriculture should create its own standards to supplement the existing ones.</p>	<ul style="list-style-type: none"> KEBS Ministry of Agriculture Tea Directorate Producers Marketers

RECOMMENDATIONS

1. Develop strong Kenyan standards for the tea sector eliminating the need for the multiple standards.
2. Harmonise existing standards. The Director General AFA mentioned that the government is exploring ways to address this.
3. Working with producers, marketers and other value chain actors to create product traceability and establish sustainable markets for Kenyan tea.
4. Regional Coordination could bring value and savings by having common standards for the East African Community. This would make tea from the East African region more competitive globally and increase income to the producers.
5. Creation of a National Food Policy that incorporates all crops including tea, to provide guidelines on management, farming, marketing and distribution of these crops. This would contribute to food security in line with the President's Big Four Agenda and the Sustainable Development Goals (SDGs).
6. There's need to address the issue of multiplicity of certifications.
7. Prohibitive costs of certification and implementation. The costs of acquiring, renewing and implementing the certifications is too high.
8. Sensitization of roles and benefits of standards/certification to the producers and multi stakeholder engagement in development of standards.
9. Certified farms and crops report positive Economic, Social and Environmental impact. It therefore makes Economic, Social and Environmental sense to be certified.
10. There is a gap between what certification and sustainable standards can deliver and what is expected from it. Certification alone cannot deliver impacts such as improving farmers' livelihoods beyond poverty and assuring companies social risk-free commodities. While certification falls short of expectations, it's benefits and impact on farmer practices are often overseen.
11. Widen the re-certification duration this will help producers save money.