

FAO/GOVERNMENT COOPERATIVE PROGRAMME

FAST-TRACK PROCEDURE

PROJECT DOCUMENT

**Preparations for the Establishment of a Multi-Stakeholder Forum
for Sustainable Banana Production and Trade**

MTF/GLO/242/UK

Donors: Government of the United Kingdom and others

Multi-country project

Executing Agency: FAO

Duration: two years

Estimated Starting Date: March 2009

1. BACKGROUND

Bananas: economic significance and challenges for exporting countries

Bananas are the world's most exported fresh fruit both in volume and value. In volume, world exports of fresh bananas exceeded 14.1 million metric tonnes in 2006¹. Global imports were estimated at 12.6 million metric tonnes.² In the fresh fruit industry, bananas have the highest export ratio, since approximately one quarter of global banana production is exported as opposed to 11 percent for apples and less than 3 percent for mangoes. Bananas are exported primarily from developing countries to industrialized countries, the latter accounting for close to 90 percent of world net imports. With global exports worth some US\$5 billion in 2006, bananas are an essential source of income and employment for hundreds of thousands of households in developing countries, notably in Latin American, the Caribbean, Southeast Asia and West Africa. Yet, the livelihoods of banana producers, workers and their families have been threatened by two phenomena. First, the banana industry has suffered from global oversupply, which has resulted in recurrent price falls. The latest episode of price collapse in the late 1990s - early 2000s was very severe. Although prices picked up in 2005, this rebound was mainly due to temporary factors such as unusually-violent hurricanes, strong economic growth in emerging markets and market liberalization in the European Union (EU). Prices are expected to contract again in the medium term as these demand factors recede and recently-established plantations enter full production. The second threat is the widespread use of unsustainable production and trade methods. These methods have contributed to the depletion of natural resources and have had adverse impacts on the health of farmers, workers, their families and local communities. High levels of agrochemical usage in often fragile tropical and sub-tropical environments present real and growing threats to local ecosystems, on and off-farm, downstream and in coastal areas where river systems empty often considerable loads of pollutants into adjoining seas. Low wages for workers, combined with frequent violations of labour rights, including in some countries, assassination of trade union leaders make the industry a source of social tension and potential disorder. Overproduction, with supply outstripping demand, combined with intense downward pressure on prices from highly competitive retail chains produce low levels of returns throughout the industry, and exacerbate the tendency for the industry to minimise costs by depressing wages and avoiding potentially expensive investment in environmental protection.

These two phenomena are mutually reinforcing. When prices collapse, producers are pressured into using methods that are cheaper in the short term but unsustainable. In turn, the widespread use of unsustainable methods depresses prices. Several commentators have argued that fierce competition in an oversupplied global banana market has led to a 'race to the bottom' that is detrimental to farmers, workers, the environment and eventually the entire economy of the producing countries.

¹ plantains excluded

² The difference between exports and imports is mainly due to fruit shrinkage and loss in transit, in addition to possible under-reporting by some importing countries.

Bringing together the industry's stakeholders: a brief history

The proposed Banana Multi-Stakeholder Forum (MSF) is the outcome of a long process, which has entailed building understanding and trust between potential partners, many of which have been in conflict for a period of years. A first International Banana Conference was convened by a consortium of Civil Society Organizations (CSOs) in 1998 and a second (IBC2) in 2005. Both conferences were held in Brussels. The conferences were convened in order to bring together stakeholders from the entire banana production and distribution chain, to reflect on the difficulties and challenges which faced the industry. The stakeholders ranged from small producers and representatives of field workers, through large multinational producers, exporters, ripeners and traders to retailers selling the fruit from supermarket chains in importing countries. There was no dissent at the first Conference from the view that the difficulties and challenges were considerable.

At the time of the first Conference, the industry tended to favour systems of self-regulation and a number of voluntary initiatives were being established aimed at providing environmental protection and securing minimal workers' rights. However at the second conference there was general agreement that conditions in the banana industry, both environmentally and socially had actually mostly deteriorated further in the intervening period between the two conferences rather than improved, partly due to falling prices. The second conference ended with a decision *inter alia* to establish a permanent multi-stakeholder forum to undertake the challenging task of reversing this decline and raising standards across the industry in order to generate a banana industry and trade which were environmentally, socially and economically sustainable.

Since that time a number of meetings have been held, the most important of which were a seminar in October 2007, held at UNCTAD in Geneva, which brought together representatives of CSOs, governments and inter-governmental organizations and an "Industry Workshop", held in Amsterdam in October 2008, which brought together CSOs and industry representatives (including delegates from 3 of the 5 biggest multinational banana companies). The two meetings confirmed the commitment from key players to participate in the proposed forum. In particular, the Industry Workshop resulted in the creation of a Preparatory Committee with active participation from industry and CSO representatives which will prepare the first forum meeting. Another outcome was the establishment of a working group to prepare a budget and raise funds.

2. RATIONALE

2.1 Problems/Issues to be addressed

While import prices for bananas have been relatively high for 3 years, exporter and producer prices have only increased marginally and much less than input prices, putting pressure on small farmers, workers and natural resources. Downward pressure on prices has dire consequences for suppliers and impedes social and environmental progress in the sector as explained above. Faced with urgent economic, environmental and social problems, the various stakeholders of the banana sector (farmer groups, worker unions, producing and trading companies) have now become much more open to constructive

dialogue among themselves to seek solutions. However, there is no international forum where they all can meet, as the membership of the Intergovernmental Group on bananas and tropical fruit (IGG) is restricted to governments. The creation of an international forum where all the stakeholders are represented would enable participants to agree and undertake industry-wide research of practical solutions.

2.2 Stakeholders and Target Beneficiaries

The stakeholders in the MSF will include representatives from all the major geographic regions which contribute to world trade either as producers or consumers, including on the producer side Central and South America, the Caribbean, Africa, the EU and the Philippines and on the consumer side, among others, the USA, EU member states and the Russian Federation.

Stakeholders will be drawn from three major constituencies: CSOs, Private Enterprise and Governmental Institutions.

The CSO group includes small-farmer associations (e.g. from the Windward Islands and Ecuador, among others), trade union representatives of banana field workers and packers (e.g. Colsiba from Central America, Gawu from Ghana among others, along with representatives of the IUF, the International Union of Foodworkers), environment and development NGOs, consumer associations and Fairtrade organizations.

The Private Enterprise group includes national producers, national producer organizations, multinational producers and traders, exporters, ripeners, importers and representatives of major retail chains, distributing bananas particularly in developed countries (e.g. Wal-mart, Tesco, and Ahold among others).

The Government group includes both government representatives of producing and importing countries and also inter-governmental institutions, notably UNCTAD, FAO and the ILO.

There will also be places available for specialist agencies, such as research organizations.

Broad Reasons for Engagement by these Stakeholders

The CSOs involved have a clear interest in supporting moves towards raising standards across the industry, as these impacts directly on their memberships or on the workers and small producers for which they undertake advocacy work.

Members of Private Enterprises increasingly acknowledge that low standards are detrimental to the long term survival and success of their businesses. While private enterprise is generally committed to competing in a “level playing field”, intense competition, leading to cost-cutting approaches which in turn tend to foster low environmental standards and failures to uphold social and labour standards make companies vulnerable to negative publicity and campaigns by CSOs, targeted at offending players. Raising standards across the board has the potential to allow intense

competition to continue but without the dangers to brand image which these players currently face.

Retailers are particularly vulnerable to damage to their brands and many have instituted auditing and other procedures, using a range of voluntary standards, which are aimed at ensuring that labour violations and environmental catastrophes are avoided. However the proliferation and lack of transparency of the numerous standards available have left the retailers in vulnerable positions. The current approach also entails considerable expense and duplication of resources. Many retailers would welcome a better coordinated and agreed approach which would make them less exposed in the future and the forum would provide a unique opportunity to achieve this.

Exporting governments have a clear interest in maintaining export revenues and in ensuring employment in an industry which is frequently a major contributor to their local economies. However intense price competition means that success may be most easily obtained by keeping standards in the industry low. This in turn perpetuates low wages and environmental pollution, reducing the benefits of success to exporting governments. Again, raising standards may potentially allow continued export earnings but with better rewards accruing to their populations, as well as a reduced downside in terms of social disharmony and ecological damage.

Importing governments from developed countries tend to favour trade as a means of aiding development overseas. Currently the negative impacts of banana production systems may offset the potential gains from trade. Redressing this contradiction by raising standards across the board can potentially help importing governments to realise their developmental objectives while allowing them to continue to source essential foods.

The above-mentioned UN agencies have a clear remit and hence interest in improving terms of trade, agricultural standards and labour conditions worldwide.

2.3 Project Justification

As the process of building trust and understanding has unfolded over the last 14 years since it began, there has been a major change of atmosphere, as exemplified during the recent Industry Workshop held in Amsterdam in October 2008. At that workshop it became evident that there was a real determination among industry participants to find workable solutions to problems which had so far proved intractable. In particular, there was a feeling that there were a number of potential short-term win-win situations which could be developed, notably in the area of environmental management. For example, systems approaches to managing banana plantations, devised by CIRAD, France could allow for dramatic reductions in the use of agrochemicals to roughly a tenth of their current levels. These approaches have already been shown to be effective in a range of national settings and could be diffused rapidly through the forum to constitute a new industry standard with much lower environmental impacts and greatly reduced dangers to human health and safety.

On the social side, there was a universal acceptance of the ILO's Core Conventions and also of the ILO's Decent Wages initiative, which could allow for major steps forward in adoption and enforcement.

At the economic level, there was also clear recognition that the moment had arrived to explore ways in which retailers could commit to paying sustainable prices, which would be capable of covering the costs of Decent Wages, adherence to the Core Conventions and adoption of improved environmental management systems, whilst at the same time avoiding the dangers of collusion on price. In the longer term there is an interest in exploring the feasibility of an International Banana Agreement to achieve a more sustainable balance between supply and demand in the banana sector. Developing a more formal system of governance for the operation of the forum itself would be a necessary precursor to such a long-term development and is likely to be the focus for one of the working groups adopted at the inaugural forum meeting in December 2009.

While industry stakeholders would like to see a forum established, they believe it is essential that the forum be moderated by a neutral organization. They have trust in the United Nations agencies, in particular FAO and UNCTAD which have taken part in and facilitated the discussion process in recent years. They want them to initiate the forum and facilitate it. As the forum expands and yields concrete benefits for the industry, they will be prepared to contribute funding to ensure its sustainability. However, public funding is needed in the initial stage.

2.4 Past and Related Work

FAO's Trade and Market Division has worked on banana trade policy and markets for decades. It has participated in the two international banana conferences mentioned above and in recent workshops organized by UNCTAD and a consortium of NGOs to prepare the ground for the forum. It has played an active role in the informal preparatory group.

2.5 FAO's Comparative Advantage

As an intergovernmental organization, FAO is trusted by all stakeholders to play the role of a neutral facilitator. Its technical expertise in banana production and trade is widely recognized. It can give the forum the objectivity, independence and credibility that are prerequisites for its success. Several stakeholders have insisted that it is essential that the MSF be moderated by a neutral organization.

In addition, FAO holds the secretariat of the IGG on Bananas and Tropical Fruits, whose members include governments of banana importing and exporting countries.

3. PROJECT FRAMEWORK

3.1 Impact (long term)

Banana production and trade has become sustainable from the economic, social and environmental perspectives as the industry has adopted best practices for production, trade and labour management. This benefits producers, farm workers, exporters, local communities, the environment and the economies of producing countries. In addition, importers, distributors, retailers and consumers benefit from higher product quality, while the first three of these also reduce their exposure to reputational risk.

3.2 Outcome and Outputs

Outcomes of the project

1. An international forum promoting sustainability in the banana industry has been launched and enjoys active participation from a wide range of industry stakeholders (producers, trade unions, exporters, traders, importers, distributors and retailers) as well as support from civil society organizations (e.g. consumer associations, human rights and environmental groups), researchers, governments and intergovernmental organizations. The forum is supported by a Secretariat hosted by United Nations agencies.
2. The multi-stakeholder forum (MSF) has produced and adopted a programme of work for the period 2010-2011 with activities aiming to improve the sustainability of banana production and trade. These activities focus on concrete outputs that can be achieved in the short run and benefit a wide range of stakeholders
3. The forum has established thematic working groups to undertake joint field research on best practices in specific areas where key improvements can be achieved rapidly for more sustainable production and trade (e.g. use of integrated pest management methods, health and safety at work, reduction of pesticide use)

The intention, endorsed by all the participants in the process so far, is to establish a “permanent forum” which meets face to face every 2 years. In between successive forums, work will be carried forward by a number of Working Groups (between 4 and 6), which will exchange information and ideas via a series of internet fora and meet face to face twice a year. The Working Groups will report back to the Forum and its Secretariat.

Outputs in Year 1:

- Official launch meeting of the Forum held (150 participants expected)
- 2 meetings of the Preparatory Committee held
- Electronic conferences (minimum 2) held
- Forum Charter produced and approved
- Forum website set up and operational
- Forum Secretariat established and operational
- Discussion briefs produced and circulated among members
- Forum programme of work 2010-2011 produced and approved
- Budget for work programme drawn up and funding identified
- Working Groups established

4. IMPLEMENTATION AND MANAGEMENT ARRANGEMENTS

4.1 Institutional Framework and Coordination

The forum will be jointly convened by FAO and UNCTAD with both organizations providing a range of facilities to the forum.

Planning and logistics for the first forum meeting will be undertaken by an informal transitional Preparatory Committee of participants from each of the three major constituencies (CSOs, Private Enterprise and Government, in this case specifically representatives of inter-governmental bodies, the FAO, UNCTAD and the ILO) who have volunteered to steer the process through its initial stages, until such time as a more formal governance structure can be put in place. The Committee will be supported by a Secretariat and will meet twice in 2009. One meetings will be held in FAO and the other in UNCTAD.

For practical reasons, the inaugural forum meeting will be held at the end of 2009 at FAO's headquarters in Rome, immediately before the Intergovernmental Group on Bananas and Tropical Fruits (IGG), allowing easy access to the forum for government participants with an interest in bananas who will already be attending the IGG meeting. Taking the venue of the forum meeting into account, it has been decided that the Secretariat should be located at the FAO in Rome at least for the first year. In spite of the foregoing, UNCTAD will be fully involved and in future years the Secretariat may be located in either of the two organizations.

4.2 Strategy and Activities

Stakeholders will be allowed the space to develop at their own pace and to arrive at shared and agreed conclusions in the most democratic way possible, taking into account all the difficulties involved.

Under the supervision of the Preparatory Committee and with the active support of its members, the Secretariat will implement the following activities in 2009:

- Establishment of a Secretariat (initially hosted by FAO)
- Establishment of a website providing information on the forum and facilitating interactions between members
- Production of a draft charter detailing the forum's mission, objectives, activities, structure, membership and rules of procedures for discussion by forum members
- Production of a draft programme of work and budget 2010-2011 for discussion by forum members
- Preparation of briefs and papers for discussion by forum members
- Facilitation of electronic conferences to prepare the ground for the meeting of the MSF (in particular to collect ideas and proposals from members and obtain their feedback on draft documents such as the charter, the work programme, etc.)
- Organization of the first meeting of the MSF in late 2009
- Identification of sources of funding and fundraising

Between 4 and 6 thematic Working Groups will be established at the end of the Forum. The topics which will form the focus for the Working Groups will be decided at the inaugural meeting of the forum, so as to ensure a participatory and inclusive *modus operandi*. At least one of the groups will focus on an environmental theme, a second on a social theme and a third on an economic theme. A fourth group will focus on issues of governance, so that a formal, participatory, democratic structure can be established in the long term.

The emphasis will be on developing practical ways for improving environmental, social and economic sustainability. Synergies between different thematic working groups will be identified and disseminated to forum members by the Secretariat.

4.3 Timeframe for the initiative

Together with the Preparatory Committee, FAO will establish a Secretariat from March 2009. A full time worker will then be hired to assist the officer from the FAO's Trade and Markets Division who will manage the Secretariat. One of the assistant's first tasks will be to establish and run a website that will serve as information and enquiry point for the forum. The Terms of Reference for the assistant are provided in Annex 2.

The first Preparatory Committee meeting (one day) is scheduled to be held in late March-early April 2009 at FAO, Rome and will involve approximately 20 participants taken in more or less equal measure from the three major constituencies. The second Preparatory Committee meeting (1.5 day) will be held at UNCTAD in Geneva, in the late summer 2009 according to the availability of participants.

At least two electronic conferences will be run between May and October 2009 to facilitate discussion among members, collect their ideas and proposals, build consensus and obtain their feedback on proposals and draft documents such as the charter, the work programme, etc.

The draft charter and work programme will be produced in the period July-August 2009.

The inaugural meeting of the Multi-stakeholder Forum will be held in late 2009 at FAO, Rome and will last for two days. The forum will be attended by approximately 150 participants.

Working Groups will be established at the end of the Forum meeting and will begin work on specific themes to be agreed at the forum in early 2010.

4.4 Inputs

4.4.1 Inputs by FAO

FAO will provide a part-time officer for the coordination of the preparation work, the management of the Secretariat and overseeing the organization of meetings. It will provide an office with computer and telecommunication equipment for the assistant and will cover the operational costs of the Secretariat during at least the first year. It will provide the facilities for the inaugural meeting of the MSF.

4.4.2 Donor Inputs through FAO

Funding is being sought by the Budget and Fundraising Working Group (WG) acting on behalf of the Preparatory Committee to finance the following:

- CSO participation in the two Preparatory Committee meetings and the forum itself (primarily travel and accommodation)
- Practical facilities for these events (interpretation, lunches, materials and logistical support). The forum will be tri-lingual in English, Spanish and French.
- A salary for the assistant-secretariat post plus materials for the Secretariat.

4.4.3 Inputs by beneficiary industry groups

Representatives from Industry and Governments will cover the costs of their participation in the MSF (travel, accommodation, meals, etc.). Contributions towards funding will also be sought from industry groups for the activities of the working groups from 2010.