

CASE STUDY: WWF Market Transformation Initiative (Cotton)

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Executive Policy Summary

With population and consumption growing rapidly, for the planet to be able to sustain the need for food, fuel, fibres and other raw materials a more sustainable way is needed for producing these commodities. In response to this growing concern in 2009, the World Wide Fund for nature (WWF) launched its Market Transformation Initiative (MTI), aimed at more sustainable production and trade of “soft” commodities. The MTI focuses on fifteen commodities with the greatest impacts on biodiversity, water and climate, particularly in the most important places for conservation. The overall objective of the MTI is for 25% of the global production of WWF’s fifteen priority commodities to be meeting credible standards by 2020. Due to the large scale of this initiative, this case study focused on the value chain for Cotton in particular.

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The main route through which changes have been made in the cotton value chain is through the Better Cotton Initiative (BCI), which was formed as part of a roundtable with representatives from NGOs, academia, governments and industry. Large retailers in particular play a large part in making the BCI successful. The MTI ToC emphasizes the middle of the supply chain, focusing on the 300-500 companies that control the majority of trade in commodities rather than attempting to persuade more than 7 billion consumers to change their behaviour, or engage 1-2 billion producers directly to change their production methods.

The main approach used by the BCI was voluntary certification. This was a general approach used across all MTI value chains and was not specific to national policies of the implementation countries. The programme design focus for the MTI was business environment reform, mainly through creating standards, the use of certification and small-holder producer support. The WWF's key strategy for the cotton supply chain was to focus on how to achieve the biggest change possible, rather than the most stringent and ideal change. The BCI was very much an initial 'test of the ToC' for MTI. It was one of the earlier initiatives looking at market transformation with quite an innovative model for getting businesses to change their behaviour.

Looking at MTI and BCI outputs, outcomes and impacts, it is easy to identify that Green Growth objectives are central to the programme. At the same time, the programme's approach hinges on the improvement of the Business Environment for the production and distribution of cotton through new market structures and lower business costs. There is a strong interaction between BER and GG in this programme, however, the opportunity to combine BER and GG was only implicit at the onset of BCI in 2005, when the impact of the programme was largely about reducing environmental and social impacts at farm level. It was realised later in the programme that the MTI and BCI was also resulting in more profit for farmers and could be a means through which to help an economy (and communities) grow in an environmentally sustainable way. Social and human rights outcomes and impacts were assumed to be achieved indirectly through the certification processes. With the beginning of Phase 2 of funding for cotton in 2014 however (funded by Sida), the programme became more strategic about the synergies and trade-offs between GG and BER.

BER and GG are interacting primary objectives and therefore we can refer to BCI as an integrated BER-GG approach. This does not mean that BCI has realised all the potential synergies and trade-offs between BER and GG. Rather, there are even greater ambitions from Sida to reinforce the synergies and factor in the trade-offs, especially from the perspective of the smallholder farmers of cotton who are greatly affected by BCI.

Some key lessons have been learned through the implementation of BCI. The WWF have learnt that the level of change needed cannot be achieved simply through working with business. Governments still have a lot of influence so there is a need to look at the whole system to make sure it moves together. In addition, significant impact takes time. Initially the WWF had hoped things would move faster but it has taken 10 years to get to the current point where things are moving fast. In order to get results, consistency and persistence is required.

More generally the MTI have learnt that in other commodities there may be trade-offs, e.g. restrictions in how commodities need to be produced to enter the market could be bad for a developing countries economy. For cotton however, the standards are currently voluntary and preliminary evidence suggests that it is actually resulting in lower costs to farmers and therefore higher profit. Nonetheless, more could be done by the implementers to understand potential trade-offs and factor them in the project design.

An overall lesson that can be learned for NGO's through the BCI is that in order for an approach to be successful they need something that will work and scale up rather than the most ideal standards. This has been shown through the BCI where the voluntary standard approach has proved to be effective in a space where government regulation might not have been.

1 Background and context of the case

1.1 Background, context and key stakeholders

We now deplete ecological goods and services faster than nature can replenish, which has a huge impact on nature and people and poses a huge threat to our future. Both population and consumption is growing rapidly; according to UN estimates we will need to grow more food in the next 40 years than we have over the entire history of agriculture. For the planet to be able to sustain the needs of a growing population for food, fuel, fibres and other raw materials we need to find a more sustainable way of producing these commodities. In 2009, the World Wide Fund for nature (WWF) launched its Market Transformation Initiative (MTI), aimed at changing the way “soft” commodities are produced, traded and bought, with the aim of sustainable production. The MTI focuses on 15 commodities that have the greatest impacts on biodiversity, water and climate, particularly in the most important places for conservation. These commodities affect not only the food supply but also the livelihoods of hundreds of millions of people. The 15 commodities are timber, palm oil, cotton, bioenergy crops, dairy, pulp and paper, soy, sugarcane, beef, farmed shrimp, whitefish, tuna, wild-caught shrimp, wild-caught forage fish, and farmed salmon. The WWF focuses its works in 35 key priority places for biodiversity, the majority of which are in developing countries and emerging economies. WWF’s overall goal is a world in which people live in harmony with nature, and works to achieve this through conserving key ecosystems, promoting the sustainable use of natural resources and reducing wasteful consumption and pollution. The MTI – as a WWF programme - focuses on influencing markets for key commodities at a large scale towards more sustainable practices with substantially reduced impacts on (vulnerable) people and nature.

The MTI was a formalisation of the type of work carried out by the WWF around market changes since the early 1990s, with an aim to scale up the efforts of engaging with the largest businesses and making sustainable changes across the value chains of the 15 commodities. The MTI was one of 13 Global Initiatives supported by the entire, worldwide WWF network (this structure is currently under re-organization at present). Whilst the WWF was formalising their approach under the umbrella of the MTI, Sida, the Swedish International Development Cooperation Agency in line with Sweden’s national strategy was interested in changing markets in the countries it was already working in. Sida wanted to start engaging more fully with the private sector and chose to partner with an NGO that already had good relationships with many large businesses. In 2011 Sida formed a partnership with the WWF who helped Sida select five value chains relevant to their key countries. Sida has been providing funding towards the MTI since 2011 for timber, paper & pulp, palm oil, cotton and fisheries and core MTI functions. The Sida MTI proposal assumes a connection between the market transformation and social, human rights and economic goals at the level of end beneficiaries and – though its actions - is building the evidence base to test this hypothesis.

The overall objective of the MTI is to exceed the 25% level of global production meeting credible standards by 2020 for the fifteen priority commodities prioritised by WWF. There is also a higher goal for 75% of production to take place according to credible standards in WWF’s thirty-five priority places – the point of this is to focus action in regions of importance for development and conservation. Given the scale of this initiative, this case study will discuss the value chain for cotton (one of Sida’s five commodities) only in order to demonstrate how the MTI works.

Cotton is one of the world’s most important natural fibres and supports 250 million people’s livelihoods. The main route through which changes have been made in the cotton value chain is through the Better Cotton Initiative (BCI). BCI’s aim is to have 5 million Better Cotton farmers producing around 30% of global cotton production by 2020. In 2005 as part of a ‘round table’ initiative led by WWF which convened world experts on different commodities, the BCI was born. It was initially supported by the WWF and a collective of large organisations such as H&M and Ikea. In 2009 it was then established as an independent organisation, at which point the WWF took a step back but continued to support the programme in conjunction with Sida funding. Since its inception the BCI has grown independent of the WWF and MTI and has a large number of government, NGO and private sector funders and stakeholders.

Table 1 Key facts & Figures

Official Project Name / Reference	WWF Market Transformation Initiative (MTI) – with a focus on Cotton
Country/Countries	<ul style="list-style-type: none"> The MTI focuses on 15 commodities across key priority places including but not limited to the Amazon, Cerrado/Pantanal, Congo Basin, Coastal East Africa, Borneo and Sumatra, Greater Mekong, Coral Triangle, Arctic, Southern Chile, Atlantic Forest. The BCI focused initially on Brazil, India, Pakistan and West & Central Africa. Since then the scheme has been expanded out to China, Tajikistan, Turkey and Mozambique and continues to be rolled out to additional countries.
Total project/programme volume (USD) ¹	<ul style="list-style-type: none"> Overall estimate of the MTI programme budget = USD 26.7 million per year² BCI annual cost (based on 2015 Annual Report) = USD 5.2 million for the secretariat. This does not include the Better Cotton Fast Track Program (BCFTP) launched as an independent investment vehicle managed by IDH (the Sustainable Trade Initiative) to channel funds directly to farmer training and improvement programs. The BCFTP has now been replaced by the BCI's Growth and Investment Fund which internalizes this innovative funding mechanism.
Funders and Distribution of Funding	<ul style="list-style-type: none"> Sida support for the MTI was USD 3.6 million (31.2 million Swedish Korona) over phase 1 BCI - In 2015 83% of BCI funds came from earned income, 17% from institutional grants. The BCI has a number of funding partners including IDH, SECO, SIDA, WWF, GIZ and the Farmer Support Programme (Solidaridad).
Start & End Years	<ul style="list-style-type: none"> MTI = 2009 - ongoing BCI = 2005 - ongoing
Evaluation carried out	<p>Continuous monitoring and annual reports produced by WWF and BCI</p> <p>External evaluation commissioned by Sida: Evaluation of the Market Transformation Initiative 2014.</p> <p>Next MTI external evaluation planned for September 2017</p>

Source: BCI annual report 2015, MTI = Sida evaluation report, 2015

1.2 Programme design process and linkages to other policy strategies

The WWF has been involved in market approaches for several of the 15 commodities since the early 1990's. However the structuring and formalisation of this work under the MTI umbrella only came about in 2009 following a couple of years of increasing integration. Both the MTI and the BCI were formed as a result of consultation between various stakeholders. The MTI's aim was to identify programmes or organisations working with the key commodities and existing certification standards and to accelerate this work rather than create new programmes. For the MTI the period from 2000-2007 consisted of proof of concept work for changing markets followed by 18 months of creating a single programme of work connected through the same ToC across all commodities. Phase one of the MTI was about trying and testing how to change behaviour, and this is reflected in how the programme was designed. The WWF is now in the process of repositioning the MTI back into its regular programmes in order to allow other WWF initiatives to benefit from an upscaling of resources.

¹ Understanding the costs of MTI and BCI is difficult. Within MTI there are several initiatives with their own budgets. These budgets however have different history of funding lines and are not fully independent on WWF overall budget who sustain MTI through the various WWF offices. The numbers presented need to be taken with a pinch of salt.

² This doesn't include 1) 10 million expenditure 'on the water' action, i.e. fisheries governance, preventing illegal fishing, ensuring credible fishery certification. 2) all data on MTI related staff time in the various WWF offices (estimate this would increase expenditure by 10-20%). Euro-dollar conversion rate based on 2015 prevalent exchange rate: <https://www.irs.gov/individuals/international-taxpayers/yearly-average-currency-exchange-rates>

The BCI was formed as part of a ‘round table’ initiative led by the WWF which convened world experts on different commodities. The BCI, as a result of this consultation was initially supported by a collective of major organisations including Adidas, Gap Inc., H&M, ICCO, IFAP, IFC, IKEA, Organic Exchange, Oxfam, PAN UK and WWF. There was a large focus on getting businesses involved from the very start as WWF, through previous experience, knew they could not make changes in the supply chain without the participation of the businesses involved. Studies funded by the IFC were carried out across a range of commodities to see if there was potential for change within the value chains.

The approach of the BCI, using voluntary certification, was not designed in line with national policy of the implementation countries. It was a general approach across all value chains. There was much initial scepticism from governments that the approach would work. However, the WWF decided to focus the majority of their approach on the buying power of businesses rather than designing their approach to fit country level strategies as they felt this would have the best and quickest impact.

The programme design focus for the MTI was mainly through creating standards, the use of certification and small-holder producer support. One of the main funders for WWF’s action on the cotton value chain is Sida. Business for development was particularly high on Sweden’s agenda at the time of the MTI coming about. Therefore, the WWF’s approach of involving large businesses was welcomed by Sida. However, in line with Sweden’s policy on development, Sida favoured a poverty focus on the ground, which was complemented by WWF’s strategy of engaging at the top of the value chain to leverage support for small-holder producers in developing countries. Sida’s support has helped the WWF scale up and accelerate, and has strengthened WWF’s attention to related poverty issues. Green growth as a notion was a background issue for both Sida and WWF though the interventions that were undertaken provide an interesting example of how this can be supported as a side product of action on cotton supply chains.

When looking at the cotton supply chain, WWF’s key strategy was to focus on how to achieve the biggest change possible, rather than the most stringent and ideal change. The BCI itself was the main route to changing the value chain (it represented about 80% of WWF cotton funding) to build the institution, to attract other stakeholders to the system, to support small-holder farmers to adopt practices that are in line with the BCI and which enable them to reach new (international) markets for sustainability. WWF also provided some support towards producing organic cotton. The production of this will always be much lower in volume due to more restrictive regulations (no artificial pesticides or fertilizers) and as it is seen as a niche-premium it (theoretically) provides more money for farmers but also requires greater buy in from companies who would need to pay more for its production and its segregation through the supply chain. The WWF also supported initially the “Cotton made in Africa” programme which was started by German retailers and is now benchmarked as a way to achieve BCI compliance and market access.

The BCI was very much an initial ‘test of the ToC’ for MTI. It was one of the earlier initiatives looking at market transformation with quite an innovative model for getting businesses to change their behaviour.

2 Theory of Change, Objectives and Results

2.1 Mapping the theory of change

There is an urgent need for food, fibre and energy commodities to be produced in a more sustainable way. The WWF identified the opportunity to make progress quickly by focusing at the top of the value chain and engaging the limited number of companies (300-500) that drive the global trade in such commodities. They coupled this with “proof of concept” support and training for producers to show that the changes proposed would also have positive benefits on the ground for small-holders in particular.

The use of credible, voluntary sustainable production standards by these companies provides a positive incentive to producers while lowering risk in supply chains. If companies integrate such criteria into their corporate policy then the market share represented by these key companies can help tip entire markets towards more sustainable production. For small-scale producers in developing countries, adhering to standards to produce certified commodities can result in connections to higher value markets for more sustainable commodities, as well as guaranteed demand for their product.

The outcome sought by MTI is that more than 25% of production for priority commodities is done in accordance with globally credible sustainability standards by 2020³. 25% is prioritized as the target because it represents sufficient scale to make a real difference in production, and because it represents a ‘break-through’ or ‘tipping point’ that can help advance a transformation of the overall market. At this point sustainability begins to accelerate towards mainstream development and ultimately becomes the ‘new normal’ in the food, agriculture and forestry sectors.

WWF experience with other commodities e.g. coffee and palm oil shows that every unit of certified demand triggers two to three units of better production. **By engaging a significant enough percentage of demand, the expectation is that sustainability will enter the ‘mainstream development’ phase from about 25 to 60 % of production.** The ToC emphasizes the middle of the supply chain, the 300-500 companies that control the majority of trade in commodities and the financial sector that underwrites this trade rather than attempting to persuade more than 7 billion consumers, or engage 1-2 billion producers directly.

The primary interventions of the MTI are designed to create an enabling environment towards reaching its goals, including:

- Engaging producers and buyers to use **voluntary schemes**, and support them to produce and source in line with the standards and better practice they comprise;
- **Policy work** to ensure that public policy, in both production and import countries, facilitates sustainable trade and production;
- Efforts to strengthen the **standards systems** to ensure that they are having an impact and are accessible to small producers; and
- **Engaging the financial sector** that helps underwrite both trade and production for buyers and producers, shifting its policies and actions in the direction of sustainability.

It should be noted that all of these are influencing interventions towards stakeholders who either produce, buy or sell commodities, or who finance or regulate their markets. WWF as an NGO does not have a stake as a market actor and is relying on its ability to change the behaviour of others to achieve its goals. This makes the results achieved even more remarkable.

The overarching goal is to tip markets towards sustainability for strategically selected commodities that impact the most significant places for biodiversity and natural resource conservation globally. In addition to sustainability, commodity production is equally important to economic development and poverty alleviation in developing countries. By advancing credible sustainability standards, the WWF in

³ MIT also had a higher goal of 75 % of production according to credible standards in WWF’s 35 Priority Places of high biodiversity and ecosystems value.

partnership with Sida aims to reduce impacts of commodity production on the environment, while improving livelihoods and advancing economic development.

The MTI Theory of Change, as refined for the initiation of the Sida Phase 2 funding in 2014, is best described by the Results Chain which shows the sequence of logical steps that need to take place for the programme's activities to turn into the desired impact (see Figure 1). The Results Chain is consistent across all MTI value chains and therefore applies to BCI. Here it is interesting to highlight what are the so-called "intermediate outcomes" and "long term 2050 outcomes", which we could also call impact. The intermediate outcomes are:

Intermediate Outcome 1. More environmentally, socially, economically sustainable production

Intermediate Outcome 2. Sufficient demand and market conditions exist to make sustainable commodity trade viable

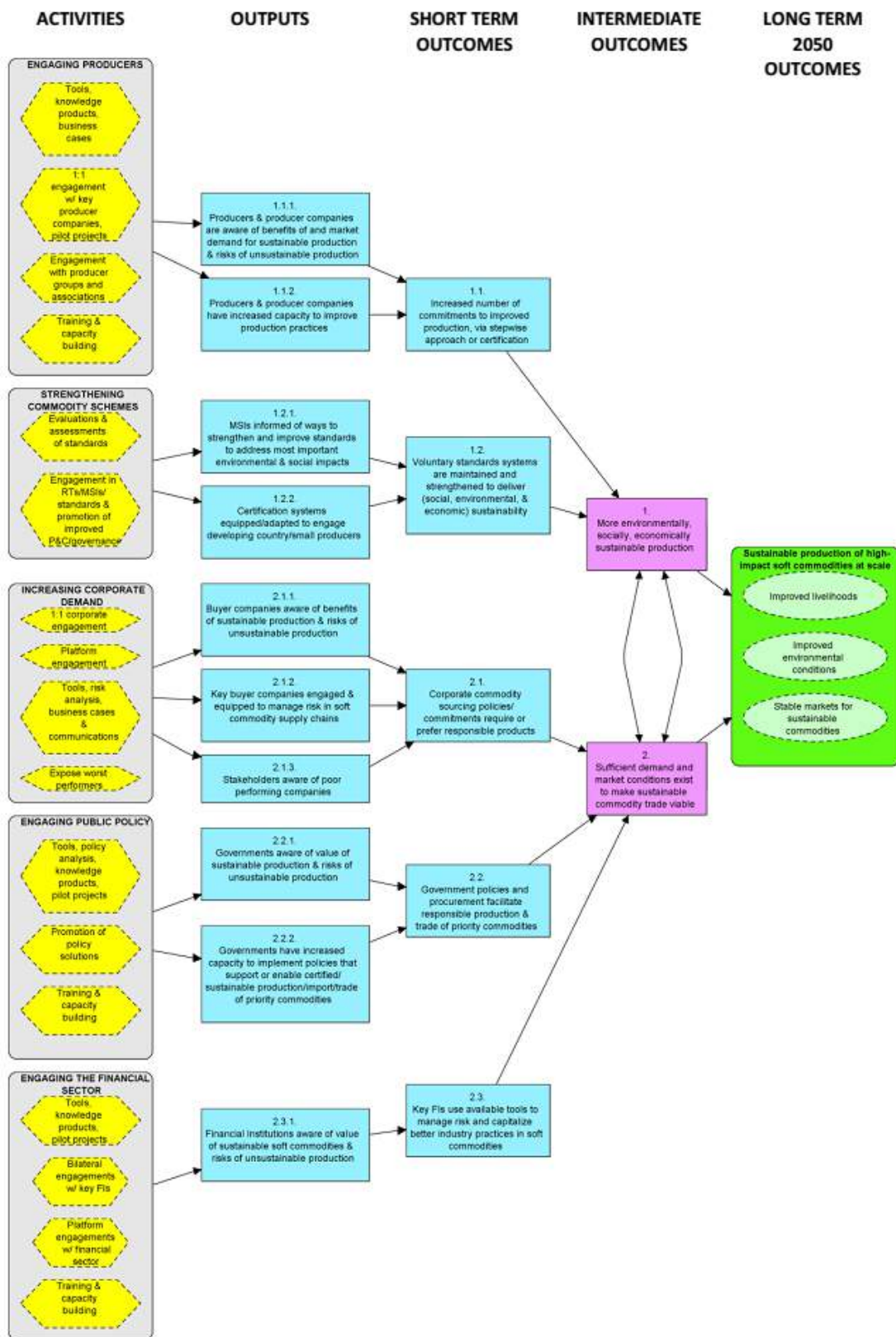
And the long term 2050 outcomes are:

Long Term 2050 Outcomes: Improved livelihoods

Long Term 2050 Outcomes: Improved environmental conditions

Long Term 2050 Outcomes: Stable markets for sustainable commodities

Figure 1: WWF Market Transformation Results Chain



Source: WWF Phase 2 proposal (2013)

It is thus clear that, although measurable targets are not defined, elements of Green Growth and Business Enabling Reforms are present at the highest levels of the MTI impacts.

Looking more in detail at the Better Cotton Initiative, BCI is made up of six interrelated components:

- Production principles and criteria – global definition of Better Cotton.
- Capacity building – supporting and training farmers in growing Better Cotton.
- Assurance program – regular farm assessment and measurement of results through 8 consistent results indicators.
- Chain of custody – connecting supply and demand for BC.
- Claims framework – increasing awareness of BCI and its results.
- Results and impact – M&E mechanisms to measure progress.

The key sustainability proposition of BCI is to ensure the cotton producers, especially smallholder farmers in developing countries, that there is and there will be a market for Better Cotton. Continuous involvement and mobilisation of large businesses – which are typically buyers of cotton – is the leverage to convince those producers. Thus, the idea is to create trust and long term commitment in order to create and maintain the behavioural change that is needed to sustain environmental outcomes.

In 2010-2013 phase of the MTI, there were 3 three year targets for the cotton value chain. The targets and results against them were as follows:

Output 1. 15 % of global cotton production is represented by demand of BCI members

Output 2. 1.3 % of global production is produced as Better Cotton

Output 3. Globally 100,000 farmers are producing Better Cotton

Table 2 Intervention Logic of the Measure

Instruments used	Intended outcomes	Intended impacts	Relevance to BER	Relevance to GG
Technical support and training of farmers	More conservative use of water and pesticides.	Sustainable production of cotton Greater profitability	High	Medium
Certification Scheme	Creation of recognised standards More conservative use of water and pesticides	Sustainable production of cotton Greater profitability	Very High	Medium
Market information access	Greater transparency Behaviour change of businesses and consumers Greater demand for sustainable cotton	Sustainable production of cotton Greater profitability	Medium	Low
Private sector engagement	Access to markets Security for farmers	Sustainable production of cotton Economic security	Low	Medium
Influencing investment	Access to markets Greater demand for sustainable cotton	Sustainable production of cotton Economic security Greater profitability	Low	Medium

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2.2 Analysis of synergy and trade-offs between BER and Sustainable Development in the theory of change

Figure 2: Definition of BER and Green Growth (sustainable development)

Business Environment Reform

The DCED defines BER as the ‘the process through which deliberate changes are introduced to the policy, legal, institutional and regulatory conditions governing business activities – and their respective enforcement mechanisms -, aimed at improving and enhancing these business activities’. BER is a process and not a single event. As such, one of the key conditions for success is the existence of necessary capacities among involved stakeholders to manage reforms over the long term.

Green Growth

The DCED defines Green Growth as economic growth that is environmentally sustainable. The underpinning principle behind GG is that the active participation of the private sector is needed to achieve environmental goals (i.e. mitigation of climate change, reduction of pollutants) insofar that they are able to reduce or change their resource use, minimise waste, develop new environmentally friendly products and services, and increase demand for such products and services. There are various definitions of what is considered GG. Generally, it implies an alignment between development, environmental and social improvement. Green Growth approaches aim to harness the benefits of continued economic development while preventing further damage to natural resources, and adapting to changing conditions.

From an analysis of the MTI and BCI stated outputs, outcomes and impacts, it is easy to identify that Green Growth objectives are central to the programme. At the same time, the programme’s approach hinges on the improvement of the Business Environment for the production and distribution of cotton through new market structures and lower business costs. It is thus clear that there is a strong interaction between BER and GG in this programme. Nevertheless, the opportunity to combine BER and GG was only implicit at the onset of BCI in 2005, when the impact of the programme was largely about reducing environmental and social impacts at farm level. It was realised later in the programme that the MTI and BCI was also resulting in more profit for farmers and could be a means through which to help an economy (and communities) grow in an environmentally sustainable way. More profits were being realised through reduced use of pesticides and water which make up a substantial proportion of the cost for farming cotton. Social and human rights outcomes and impacts were assumed to be achieved indirectly through the certification processes. With the beginning of the Phase 2 of Sida funding in 2014, the programme became more strategic about the synergies and trade-offs between GG and BER.

Let us analyse in further detail these synergies and trade-offs that are encapsulated in this programme.

The MTI’s main approach to changing the market for cotton via the BCI is through voluntary certification. A voluntary change in business behaviour often precedes more stringent regulation of an industry – and the MTI TOC expects government action to follow and take on elements of the voluntary systems. The WWF and BCI engaged key large businesses in the value chain at the very start of the programme with a view to encourage replication across the industry. It was an integral part of the theory of change to first identify the key 50-100 companies in the value chain and focus on initially working with the most ambitious of these to reach the tipping point for the rest of the industry to follow. Engaging key businesses from the very start helped open up the market for Better Cotton, as it provided guaranteed buyers for farmers engaging with the programme. This helped secure buy in from farmers who may have otherwise been reluctant to change their approach.

Linked to this, providing training to farmers was another key aspect of the programme and a key part of the proof of concept needed to convince business and (latterly) governments. This training was required

to show farmers the evidence for the ability to produce the same or more cotton through the use of more sustainable methods while reducing their costs. The explicit focus was on ensuring cotton could be produced economically and therefore continue to provide a livelihood for farmers. More implicit was the increase in profits as a result of reduced costs (a large proportion of costs for growing cotton come from the use of pesticides) and increased yields using these methods. As the WWF ToC focused on the greatest and quickest changes in markets for these commodities, the BCI did not intend to increase the cost of buying cotton for businesses as this could have resulted in less industry buy in. Therefore, any immediate economic growth benefits came from the reduction in production cost. Organic cotton production on the other hand, due to its very restrictive certification requirements, is a premium (niche) product and does rely on greater compensation to farmers (usually 10-15% premiums are paid though not all reach the farmers). Due to this “niche premium” approach, organic cotton only formed a small part of the MTI process of achieving sustainable changes in behaviour and in the market.

One of the WWF’s main objectives as an organisation is to protect natural resources. Therefore, this was an explicit aim of the MTI. In order to do this, the BCI provided training to farmers to show them the best farming practices to harvest Better Cotton. The means through which to upscale such action to protect natural resources such as water was to engage large businesses and create sustainable demand in the value chain for cotton produced in a way that directly helped conserve the amount of water needed for production. A reduction in the use of pesticides results in a decrease in the release of these harmful chemicals to the soil and water chain, resulting in a reduction in pollution.

As well protecting natural resources, the BCI also improves the lives of farmers and their families. Reduced use of pesticides has health benefits and due to less leaching into the soil can result in increased biodiversity which can be beneficial for farmers that rely on more crops than just cotton. In addition, by ensuring future supply is possible by reducing water use and helping reduce soil toxicity, these sustainable approaches also help safeguard the future income stream for these farmers and their families.

Finally, it should be said that BCI does not seem too concerned with potential unintended effects from the programme, and in particular with negative trade-offs between Green Growth and BER. The change in practice for BCI farmers seems to have been beneficial in terms of reduced costs and yield; this change was not made before BCI because of a lack of knowledge and evidence around the benefits of this resource-efficient production. While BCI is clearly focused on containing the cost of complying with the certification, there does not seem to be recognition of the fact that the certification can act as a barrier to entry in the cotton industry. The certification may well have the negative impact of pushing farmers that cannot comply into informality, especially in developing countries contexts, though this has not been experienced to date (indeed the contrary seems to be true). It remains to be seen if the voluntary certification scheme is picked up by governments and becomes mandatory. If this occurs, then there is a danger that it may act as a barrier to entry for some farmers where proof of production methods is required.

Figure 3: BER and GG synergies and trade-offs of the Better Cotton Initiative

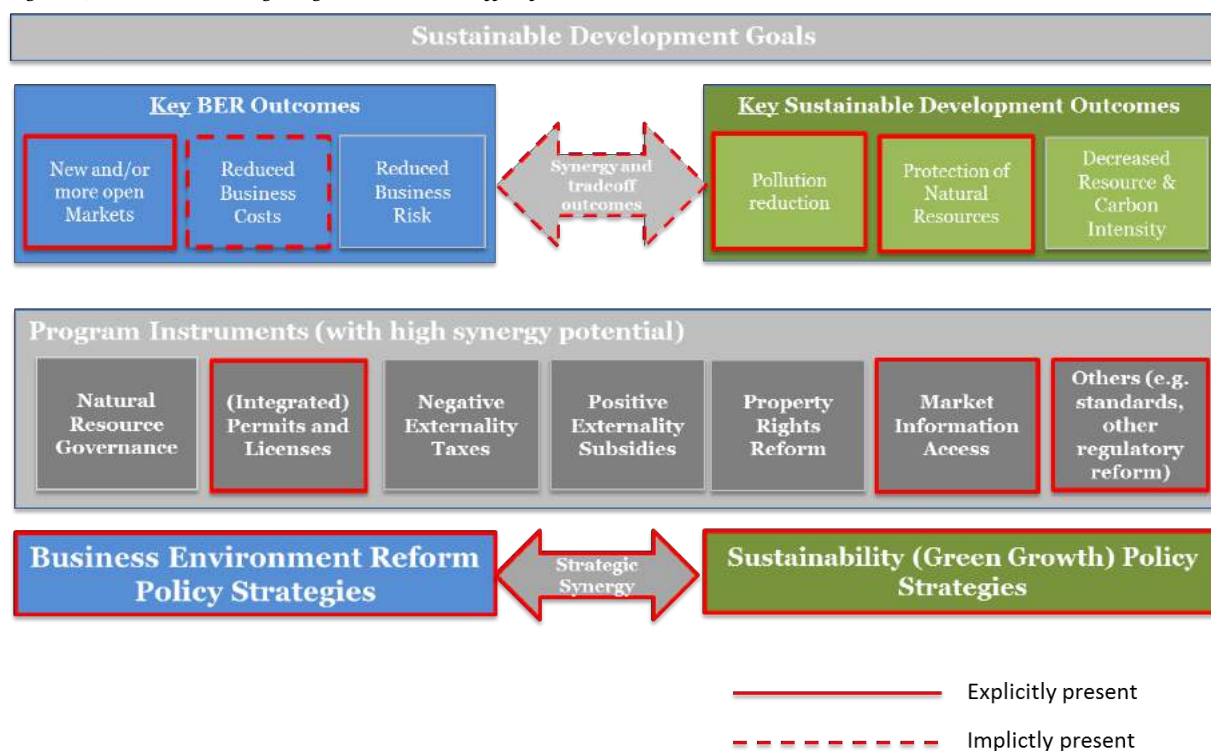


Table 3 Synergies and trade-offs: preliminary overview

	Synergies (positive)	Trade-offs (negative)
BER OUTCOMES -> Synergy with Sustainable Development Outcomes		
Market creation & higher market pressure	<ul style="list-style-type: none"> Market creation for 'Better Cotton' through engagement with large businesses leading to a proportion of farmers engaging in the sustainable production of cotton Consumer awareness of Better Cotton through WWFs and BCIs promotion of this scheme resulting in market pressure and increased demand for sustainable cotton production Higher incomes through greater yield and reduced cost due to less pesticide and water use resulting in continued investments in sustainability 	<ul style="list-style-type: none"> More economic activity through lower business costs due to decreased use of pesticides and water and creation of new markets could directly increase environmental pressures through higher economic activity.
Reduced Business Costs	Lower business costs for production of cotton due to less use of water and pesticides leading to the use of more sustainable methods for producing cotton	
Reduced Business Risks	N/A	
SUSTAINABLE DEVELOPMENT OUTCOMES -> Synergy with BER outcomes		
Pollution reduction	<ul style="list-style-type: none"> By reducing pollution in the forms of chemicals and pesticides, Better Cotton producers acquire a certificate that has a potential premium on the market and guarantees market access to the large buyers. 	<ul style="list-style-type: none"> Higher business costs through compliance with restrictive sustainability criteria and standards could potentially stifle healthy business growth.
Protection of natural resources / ecosystem services	<ul style="list-style-type: none"> By introducing sustainable production methods, the BCI producers have become more resource efficient and therefore reduced their costs. 	

	Synergies (positive)	Trade-offs (negative)
Decreased resource & carbon intensity	<ul style="list-style-type: none"> • NA 	

2.3 Programme results: Outcomes and impacts

Monitoring of the MTI has taken place throughout the programme with each value chain having short term 3 and 5 year aims against which to measure progress. At the time of this case study, the MTI has measured early results at the output level in 2014 but has not yet captured overall outcomes and impacts of the project at the aggregate level. For BCI, from the Phase 1 completion report, we can extract the following results against each of the original targets:

Output 1. 15 % of global cotton production is represented by demand of BCI members

The objective was to increase market demand for Better Cotton. In 2013, Retailer and Brand uptake⁴ of Better Cotton was 90,000 tons – 9 % of total Better Cotton volume. This was considerably below target for a number of reasons including overestimated demand by the Better Cotton Fast Track Program (BCFTP) retailers and slower-than-expected procurement by new retailers who are often not able to procure significant volumes in the first year of membership. Additionally, few spinners are proactively procuring Better Cotton: most procurement is based on confirmed orders. To address this, a working group comprised of key actors in the supply chain, with a particular focus on the mid-stream, was set up in early 2014 to develop and support a revised strategy for increasing the flow of Better Cotton throughout the supply chain.

Output 2. 1.3 % of global production is produced as Better Cotton

The objective was to increase production of Better Cotton Status. In 2013, 1.4 million acres of Better Cotton produced 965,000 tons of Better Cotton Lint—over three times the 300,000 tons goal. The total Better Cotton production reached 3.8 % of global volume.

Output 3. Globally 100,000 farmers are producing Better Cotton

The objective was to build capacity for cotton farmers in collaboration with implementing partners in country. By the end of 2013, BCI was working with 690,000 Better Cotton farmers across 13 countries.

The Phase 1 completion report also shows some early encouraging results across environmental and economic dimensions from farmers in Pakistan, India, Mali, China, and Brazil. In particular, the results point to reduction in the use of pesticides, water and fertilizers from participating farmers during the 2011-2012 period, thereby demonstrating an improvement over resource use as well as decrease in use of chemicals. At the same time, their yields and profit soared. The combined increase in yields and profits is particularly interesting as it would seem to indicate that the BCI certification brings about greater technical efficiency for the farmers in addition to better markets. Data on the use of pesticides and water was collected by farmer organizers and was a major effort, needed to prove the case for the production of Better Cotton.

BCI believe that results at the outcome and impact level will only materialise in the long term - and once entire districts or regions have moved over to the approach - and have therefore not yet been measured. Still BCI has recently commissioned a randomised control trial whereby Better Cotton farms in southern India will be selected at random to participate to BCI certification and compared to a conventional farm over several years.

⁴ Note: Uptake is a different indicator than demand. Demand of members may have been much greater than uptake which was impacted by various other aspects such as ability to procure the required amounts.

Table 4: Overview of outcomes and impacts

Type of outcomes & impacts	Evidence
Outcomes	
Market creation & higher market pressure	BCI stimulated the market for cotton to shift towards more sustainable production. In 2015, Better Cotton represents 11.9% of global cotton supply. Although the number of farmers reached and licensed by BCI has steadily increased over time up to 1.6 million in 2015, it is unclear if these producers are new entries in the market or existing farmers.
Reduced business costs	NA
Pollution reduction	All certified producers are using more sustainable methods that reduce pollution through lower use of chemicals and pesticides. Data has been collected on the use of pesticide and fertilizer use from the start of the programme and is quantified at country level. For example, in Pakistan BCI farmers reduced pesticide use by 38%. The programme also measures the area of land under BCI cultivation. This land area amounts to 3.4 million hectares in 2015.
Protection of natural resources	All certified producers are using more sustainable methods that protect natural resources such as water provision, soil quality and soil nutrients. Quantifiable results across these dimensions are not yet available. One possible indicator is farm water use which has shown positive improvement over time e.g. Pakistan BC farmers had a 21% reduction in irrigation water utilization. The programme also measures the area of land under BCI cultivation. This land area amounts to 3.4 million hectares in 2015.
Other outcomes	NA
Impacts	
Private sector-driven growth	<ul style="list-style-type: none"> Rigorous impact evaluations are yet lacking; however, some early progress measurement indicate good results in terms of cotton farms' yields and profits.
Green growth	<ul style="list-style-type: none"> Rigorous impact evaluations are yet lacking; however, some early progress measurement indicate good results in terms of cotton farms' use of pesticides, fertilizers and water.

Nathan Associates; data drawn from BCI annual reports and WWF factsheets.

3 Programme Governance

3.1 Governance

The MTI is one of 13 Global Initiatives supported by the entire, worldwide WWF network. The WWF is made up of 28 national WWF organisations. The MTI administration is currently based in WWF Netherlands; but both core and implementation team members are based in national organizations and programme offices around the world. In 2011, WWF MTI and Sida agreed on a partnership, with phase I Sida core support from 2010-2013. Sida have been key in helping to fund MTI activities, with their funding funnelled towards 5 key commodities. In particular WWF Netherlands and the MTI core team work closely with WWF Sweden in the development and administration of the MTI/Sida partnership. Sida require regular updates on how the programme is performing in terms of results. They do not however get involved in the details of the implementation.

The 'backbone' of the MTI work is the Multi Stakeholder Initiatives (MSIs) - roundtables. These are international networks of multi stakeholders and often consist of a very diverse group of constituencies around the supply chain of a specific commodity. Each value chain has its own set of stakeholders and WWF country office involvement. Funding partners in particular for BCI include WWF, Sida, IDH, C&A foundation, Federal Ministry for Economic Cooperation and Development, Swiss Agency for Development and Cooperation. Retailer and brand members include large private companies such as Ikea and H&M.

The BCI is a membership organisation and is accountable to its members. The General Assembly, consisting of all BCI members, is the ultimate authority of the BCI and elects a council to represent it. The council is an elected board whose role is to ensure that the BCI has clear strategic direction and policy to fulfil its mission (from: <http://bettercotton.org/about-bci/who-we-are/bci-council/>). Each membership category has three seats, the categories are civil society, producers, retailers and brands, suppliers and manufacturers and independent individuals.

Despite the MTI's clearly defined goals, it is important to appreciate that the partners (Sida and WWF) have different expectations concerning the results that the initiative will achieve. Sida has an expectation that the MTI will contribute to Sweden's overall goal for international development cooperation of poverty reduction. WWF has a long-term emphasis and established role in environmental and natural resource conservation. The main focus of the MTI is the promotion of the certification systems where WWF gives more attention to environmental benefits. Social and human rights outcomes and impacts are assumed to be achieved indirectly through the certification processes (Making Markets Work for People and Nature – A WWF/MTI – Sida Partnership) as well as directly through small-holder farmer training and connection with new markets.

3.2 Monitoring, Evaluation and Learning

Monitoring of the MTI has taken place throughout the programme with each value chain having short term 3 and 5 year aims against which to measure progress. However, the indicators in the logframe for Sida core support to the MTI mostly refer to quantitative measurements of up-take of certification. The longer-term goals of poverty reduction and improved livelihoods are not captured as objectives in the MTI logframe (particularly because they are longer term in nature), making it difficult to evaluate against for Phase 1 of funding. More impact-level results will be produced for Phase 2.

The M&E system for the Market Transformation Initiative centres around the Technical Progress Reports (TPRs). All WWF Priority Programmes (including MTI) produce and submit semi-annual and annual TPRs to the WWF International Secretariat. The MTI report is structured around progress towards it's:

- 2020 target of 25% sustainable production for MTI commodities
- Three cross cutting strategies of corporate engagement, Multi-Stakeholder Initiatives and financial sector engagement

- Scaling functions such as communications, fundraising and capacity building

It also documents challenges encountered, lessons learned, and adaptive management measures implemented. The TPR process is used by the MTI core team, as well as its Shareholder Executive Team, to assess progress toward its objectives, to extract best practices for multiplication, and to inform management decision-making.

As for evaluation, the MTI is a large programme of work with a number of value chains, and so an overall evaluation which looks at the whole programme is difficult. Due to the cost and capacities needed to undertake robust, and credible impact evaluations, WWF relies on other organizations to supplement its research on both social and environmental impacts of certification, to develop a large enough knowledge base to draw conclusions about certification effectiveness overall.

Separate evaluations have been undertaken for programmes under the umbrella of the MTI. An independent evaluation on the impact of the MTI was commissioned by Sida and completed in 2014. The evaluation assessed the programme in terms of relevance, effectiveness, efficiency, impact and sustainability. The progress in terms of results was assessed against the logframe of the programme, including how the programme is progressing in terms of achieving the long-term goals. The possible connection between the MTI programme and poverty outcomes and impact has been assessed through a case study of forest certification.

The BCI undertakes its own regular monitoring and reporting, with independent organisations supporting evaluations. In 2016 the BCI became a full member of the ISEAL Alliance, which works with its sustainability standard members on various projects aimed at strengthening their approach to M&E systems, learning more about the impacts of standard systems, and determining how to increase the effectiveness of standards. ISEAL has commissioned a consortium led by the Natural Resources Institute, University of Greenwich to conduct an impact evaluation study of the early impact of pre-certification technical assistance and certification on previously uncertified smallholders. The report presents baseline findings of the study, focusing on a Better Cotton Initiative (BCI) project, being undertaken by PRDIS, the implementation partner of BCI in Adoni *mandal*, Andhra Pradesh, India.

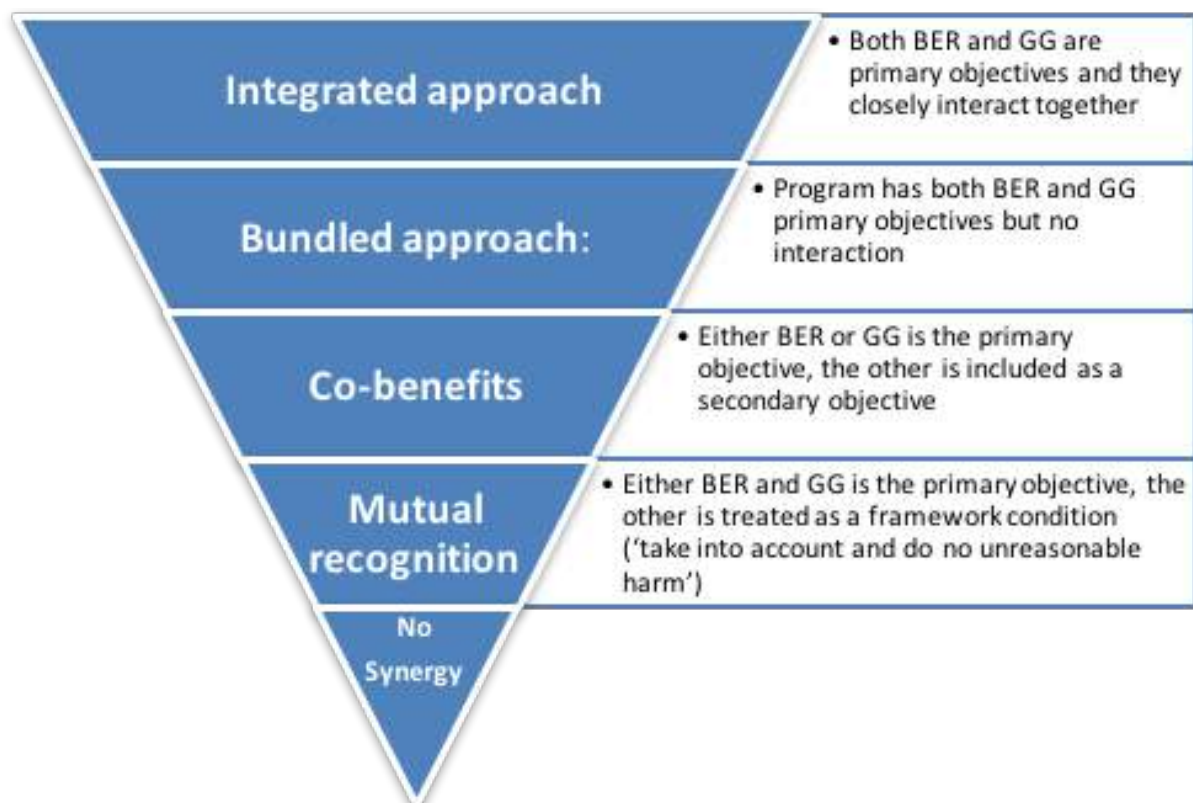
4 Good practices and lessons learnt

4.1 Conclusion on synergies and trade-offs

As illustrated in the previous sections, the Theory of Change of the BCI includes both Green Growth objectives and BER at the impact level. However, as the analysis has shown, the intention to combine BER with GG was only implicit at the onset of BCI in 2005, when the main impact of the programme was environmental and social impact reduction. The missing link was therefore with economic growth at larger scale than just the livelihoods of the farmers participating to BCI. It was realised later in the programme that the MTI and BCI could also be a means through which to help an economy grow in an environmentally sustainable way. At the onset of the Phase 2 of Sida funding in 2014, the programme introduced the economic objective at the impact level.

It is not immediately clear if the programme adopted a greater focus on economic empowerment and livelihoods as a result of this decision. However, BER and GG are interacting and are primary objectives and therefore we can refer to BCI as an integrated BER-GG approach (see Synergy ladder below). This does not mean that BCI has realised all the potential synergies and trade-offs between BER and GG. Rather, there are even greater ambitions from Sida to reinforce the synergies and factor in the trade-offs, especially from the perspective of the smallholder farmers of cotton who are greatly affected by BCI.

By its nature, BCI works across a variety of contexts as it works in 13 countries, from India to Israel, from Brazil to Senegal. This may indicate that sectoral approaches to sustainable production may work in very different locations. The role of voluntary certifications may be the key as the certification can more easily adapt to the needs of the consumers and the producers. Also, BCI allows a degree of flexibility in the way the certifications are granted.



4.2 Lessons and Good practices for Policy Makers

• Programme Design

- **Good practice:** Engaging key stakeholders such as large businesses who would support the creation of a market for Better Cotton was key in making sure the programme was successful over the long term by giving farmers assurance that there was a demand for the new way of cotton production and worth taking what would have initially been perceived as a risk.
- **Lesson learnt:** On the role of government, WWF learnt they will not get to the level of change needed by just working with business. Governments still have a lot of influence so need to look at the whole system to make sure it moves together. Countries were initially selected on the basis of them being receptive to the intervention (otherwise they would not be successful). One of Sida's learnings for phase 2 was to support more policy work at the national and international level. There have been dialogues with Sweden and other countries at the EU level to influence a bigger buy of certified cotton.
- **Lesson learnt:** The BCI began with a focus on developing countries and initially did not plan to engage with one of the largest producers, i.e. the United States. This was later recognised as a limitation in the design as reaching the right scale to shift production in the whole market was only possible once the cotton producers in the United States had also entered in the programme. The engagement with these producers is an ongoing challenge: there is a complete unwillingness from them to see their cotton industry as anything else but sustainable. A huge number of subsidies are given to local farmers so they are reluctant to change.
- **Lesson learnt:** MTI and BCI have learnt that in other MTI commodities there may be trade-offs, e.g. restrictions in how commodities need to be produced to enter the market could be bad for a developing countries economy. For cotton however, the standards are voluntary and preliminary evidence suggests that it is actually resulting in lower costs to farmers and therefore higher profit. This is a sustainable way for the economy to grow and provide benefits to the environment at the same time. Nonetheless, more could be done by the implementers to understand potential trade-offs and factor them in the project design. For example there is the risk to push non-compliant farmers into informality or out of business, especially in developing countries contexts. Another risk of the certification is to lock in the compliant technology and dis-incentivise innovation. This can be addressed by agreeing the results to be achieved in a system and to leave producers free as to the methods they use to achieve them.

• Programme implementation

- **Good practice:** Reports from the interviews indicate that initially the voluntary standard approach was perceived as being weak as it was not very stringent. However it works well at present and can be scaled up. The lesson for NGO's is that they need to understand they need something that will work and scale up rather than the most ideal standards. Furthermore, the voluntary standard approach has proved to be effective in a space where government regulation might not have been. Building a strong and appealing standard is however difficult and needs persistence from the funders and implementers.
- **Lesson learnt:** The MTI and BCI have learned that significant impact takes time. Initially the WWF had hoped things would move faster but it has taken 10 years to get to the point where things are moving fast. In order to get results, consistency and persistence is required. WWF initially started working with businesses as it takes very long to achieve results with governments – however they have learnt that working with businesses also requires stamina. Addressing both in parallel is a potentially smart solution to this quandary.
- **Lesson learnt:** The BCI has recognised a significant challenge in mobilising some of the target 100 big companies that are resistant to change. It is particularly difficult to engage

with those companies that do not have globally recognised brands and are not susceptible to public pressure.

- **Programme M&E**

- **Good practice:** To date, the Monitoring and Evaluation of the MTI and BCI seems to have focused mostly on the outputs of the programme that quantify the number of farmers reached and licensed, the area of BCI-cultivated land, and the share of the production from BCI farmers. There is little however on both actual environmental and economic achievements at the level of the farmers. Also, to prove the impact of BCI is truly sustainable, more would need to be done to gauge whether BCI farmers are escaping poverty and whether their attitudes and behaviours are changing. BCI has moved toward a Results Chain with the 2014 Phase 2 proposal, however clear metrics and definite targets have not yet been introduced, at least at the impact level. However BCI has begun a randomised controlled trial in India to prove its impact along economic and social dimensions.

Appendix A Sources and further reading

A.1 Further reading

BCI (2015). Better Cotton Initiative Annual Report.

WWF Market Transformation Initiative - Sida Partnership (2014). Making Markets Work for People and Nature Phase II – scaling up and defining impacts

WWF (2016). Making Markets Work for People and Nature Phase II - A Partnership Framework Agreement with Världsnaturfonden WWF. Annual Report July 1, 2015 – June 30, 2016.

WWF (2014). Making Better Production Everybody's Business. Results of 5 years of WWF market transformation work.

WWF (2014). Making Markets Work for People and Nature. A Partnership Framework Agreement with Världsnaturfonden WWF 2011 – Q1, 2014, *Completion Report January 1, 2011 – March 31, 2014*.

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Sida (2014). Evaluation of the Market Transformation Initiative (MTI).

WWF and IKEA Cotton Project Report - harvest data 2015.

R. Kumar, V. Nelson, A. Martin, D.Badal, A.Latheef, B. Suresh Reddy, L. Narayanan, S.Young and M. Hartog (2015) 'Evaluation of the early impacts of the Better Cotton Initiative on smallholder cotton producers in Kurnool district India: Baseline Report'. Commissioned by ISEAL and the Ford Foundation, Natural Resources Institute, University of Greenwich report, Chatham: UK.

A.2 Other sources

WWF (2016), Sida annual meeting presentation.

Sweden's Strategy for capacity development and collaboration 2011-2013

Better Cotton Initiative website, accessed at <http://bettercotton.org/>

WWF factsheet (2014) Market Transformation Initiative. Pakistan sustainable cotton initiative. Accessed at <https://www.wwpak.org/factsheets/pdf/PSCI.pdf>

A.3 Interviews

- Richard Holland, Director of WWF's Market Transformation Initiative, WWF
- Anders Gerdin, Policy Specialist, Multilateral Coordination, Sida
- Cecilia Brumer, First Secretary, Agriculture and Inclusive Growth. Embassy of Sweden in Zambia

