IFOAM

Policy Brief

Approved by the IFOAM World Board in June 2011

How Governments Can Support Participatory Guarantee Systems (PGS)

Summary of Policy Recommendations

To encourage and enable organic agriculture to grow, support of Participatory Guarantee Systems (PGS), as well as third-party certification is imperative. PGS promote the growth of the organic sector as well as job creation and livelihood improvements in the agricultural sector. Depending on the stage of development of the organic sector and the regulatory framework in the country, this can be accomplished in numerous ways:

1. Promote, rather than regulate, an emerging organic market.
2. Leave compliance with the organic regulation voluntary.
3. Include exemptions in the organic regulation.
4. Adapt group certification, with PGS-compatible requirements.
5. Include PGS as one of the conformity assessment systems permitted under the regulation.

What are Participatory Guarantee Systems and why support them?

Participatory Guarantee Systems (PGS) are locally focused quality assurance systems. They certify producers based on active participation of stakeholders and are built on a foundation of trust, social networks and knowledge exchange[1].

PGS represent an alternative to third party certification, especially adapted to local markets and short supply chains. They enable the direct participation of producers, consumers and other stakeholders in:

- The choice and definition of the standards,
- The development and implementation of verification procedures,
- The review and decision process to recognize farmers as organic.

Participatory Guarantee Systems are also sometimes referred to as 'participatory certification'. Participatory Guarantee Systems share a common objective with third-party certification systems in providing a credible guarantee for consumers seeking organic products. The difference is in the path to accomplish this. Third party certification is based on reviews of applications, which include operator internal procedures

such as organic system plans, and an annual inspection visit by a trained independent inspector. Participatory Guarantee Systems have a much more intensive interaction between the farmer and the guarantee organization and uses different tools to maintain integrity. PGS integrate capacity building and allow farmers and reviewers to help solve practical problems which will enable producers to follow the standards. The direct relationship to the process, and the fact that it is owned by the farmers and related stakeholders, encourages more responsibility and active involvement in the design of production and certification processes. PGS offers the following benefits:

- **Improved access to organic markets through a guarantee system for small scale producers**: in PGS, costs are mostly in the form of voluntary time involvement rather than financial cash expenses. Moreover, paperwork is reduced, making it more accessible to small operators.
- **Increased education and awareness among consumers**: by involving organic consumers in the review process, PGS help build a base of engaged and knowledgeable consumers who understand the benefits and challenges of organic production.
- **Promote short supply chains and local market development**: because they are based on direct personal relationships and because they often carry 'endogenous development' values, PGS help consumers and producers to establish and favor direct or short-distance market relationships.
- **Empowerment**: PGS are grassroots, non-profit, bottom-up organizations. Empowerment comes from the democratic structures of PGS and the fact that in PGS, the communities (producers and consumers) have the ownership of the conformity assessment system. It reinforces social capital and builds collective responsibility and capacity.

Across the world, solid Organic Agriculture movements have emerged based on an historical basis of Participatory Guarantee Systems.

Challenges of current policies for Participatory Guarantee Systems

Despite the range of benefits described above, very few countries have taken measures to support the growth of organic PGS initiatives. In many cases, governments are even inhibiting PGS development by setting up organic regulations that do not take them into account.

From more than 70 countries with an organic regulation in place or under development, only a handful has taken PGS into consideration when developing their organic laws and regulation. In many cases, government organic regulations restrict the use of the word 'organic' or its equivalents ('ecological', 'biological', etc) only to organic producers that are certified by an accredited third party certification body (based on ISO Guide 65). This directly excludes alternative guarantees, such as PGS. As a result,

organic farmers involved in these systems can no longer call themselves or their products 'organic', and they fall out of the statistics and open market of the organic sector.

In many countries (e.g. Eastern Europe, countries applying for EU-third country status), the bottom-up development of a local organic market is now rendered almost impossible: the overnight application of an EU-style organic regulation denies these countries the possibility of going through a participatory sector development similar to the one that occurred in Western Europe for about three decades.

In Japan, for example, it is estimated that there are even more serious organic farmers outside of the JAS regulated system than inside. Many organic farmers end up preferring to sell their products without the official JAS organic claim rather than bear the costs and paperwork requirements of third party certification. In France, due to the EU regulation, pioneer organic farmers certified by the French PGS Nature & Progrès (a founder of IFOAM), are not longer allowed to sell their products as 'organic', unless they seek an additional third party certification. In Italy, very small farmers are gradually dropping out of the certified organic sector due to unbearable certification costs: the average size of certified organic farms in Italy is now much larger (about 4 times) the average size of all Italian farms. In Spain, several attempts to re-create short organic supply chains and to involve producers and consumers have emerged, but are always facing the problem that they cannot legally refer to the organic mode of production, which is their core objective. In the US, Certified Naturally Grown, an association of about 800 dedicated organic farmers producing according to the NOP standard but not third-party certified, faced legal charges because they used the word 'organic' on their website and promotional materials.

Policy Recommendations

The aforementioned policy constraints affect the livelihood of existing organic smallholders and inhibit the conversion of more smallholders to organic practices.

In order to encourage the adoption of organic practices and expand the organic sector beyond certified organic operators, there is a need to support PGS within national organic policies and regulations. Several international organizations have provided recommendations in this regard:

"*Compulsory requirements for mandatory third party certification should be avoided as they will not enable other alternatives to emerge. Other conformity assessment procedures, such as participatory guarantee systems, should be explored*". This is one of the 35 recommendations included in the UNEP-UNCTAD publication Best Practices for Organic Policy[2].

"The ITF recommends that consideration be given to emerging alternatives to third-party certification, such as participatory guarantee systems" was the recommendation from the joint FAO, IFOAM and UNCTAD International Task Force on Harmonization and Equivalence in Organic Agriculture[3].

IFOAM, the International Federation of Organic Agriculture Movements recognizes the diversity of Organic Agriculture and the great potential of PGS[4] and calls for governments to develop and improve their organic policies and regulations so that they can become supportive of PGS. Depending on the stage of development of the organic sector and the regulatory framework in the country, there are several ways in which this can be achieved. Some of these ways can be combined. Depending on their competence, local governments and municipalities can also play a role in supporting development of PGS. This can take the form of enabling policies, but also of programs or projects dedicated to support capacity building, setting-up and development of such participatory guarantee systems. Activities that may be supported in this regard include, not only control aspects, but also awareness raising of consumers, product marketing, strengthening of producer organization, etc.

1. Promote, rather than regulate, an emerging organic market

In many countries the organic sectors want endorsement and support and turn to their government for that. Mistakenly they believe that a mandatory organic regulation is a prerequisite for government support for the sector. Governments must consider carefully the advantages and disadvantages of regulating the organic sector. In early stages of development, it is likely to inhibit, rather than facilitate, the development of a domestic organic market and the adoption of organic practices.

In early stages of development of the domestic organic sector, it is more important to develop laws that will promote Organic Agriculture rather than to regulate organic labeling. Governments can support the development of a domestic (or regional) organic standard. It is recommended that, initially, such a standard be voluntary[5]. Where a national or regional standard has already been developed by the organic sector, government should consider endorsing or adopting it as the official national organic standard, and make it freely available for producers, certifiers and PGS initiatives to use.

The absence of a labeling regulation means that there will be no active quality assurance mechanism from the side of the government. However, if need to, governments may still act upon suspicion or complaints using general consumer protection regulations as is often the case in many other trade sectors. For such actions, a national organic standard can serve as a legal reference, as in the case of New Zealand.

COUNTRY EXAMPLES

New Zealand has no organic market regulation, but organic claims in the market place have to be truthful, i.e. the products should follow the NZ organic standard. Market surveillance is regulated in the Fair Trading Act. Several cases have been brought to court. The organic market in New Zealand was worth around 350 million New Zealand dollars 2009. For export market access there is a voluntary, government managed certification scheme that is accepted by the EU, USA and Japan and exported organic products for 180 million New Zealand dollars 2009.

In the **USA** the organic market grew to a size of approximately US$ 800,000 a year before a federal organic law was passed in 1990.

Australia has a similar system as New Zealand.

In **East Africa** there is a public standard adopted by the East African Community. Adherence to the standard is voluntary. There is also an East African Organic Mark administered by the national organic movements. The mark can be used on products certified by a certification body, or a PGS scheme.

Namibia: The standards authority and the government supported the development of a Namibian National Standard. The Namibian Organic Association (NOA) owns the standard and the Namibian Organic Mark. The primary assurance system for local markets is PGS which is administered by the NOA. The Organic Mark can be used by growers certified through the PGS, while third-party certifiers can operate alongside the PGS. Third-party certification is primarily used for export markets. The Namibian Standard was developed in line with a standard compliant with the IFOAM Basic standard, which facilitates an easy migration of PGS-certified farmers to third-party certification when and if required.

2. Leave compliance with the organic regulation voluntary.

One can have a fully developed organic regulation in place, and still leave it voluntary. Apart from examples in the organic sector, the EU Eco-labeling scheme is another such example.

For example, compliance with such a voluntary organic regulation can grant operators the right to use an official national organic logo and to access international markets (when your country has achieved equivalence status with importing countries). Operators who are not certified under the regulation may still be allowed to make organic claims, but may not use the official logo or statements such as "certified in accordance with the national organic regulation N°…..". This can be a good compromise, enabling consumers to easily identify and trust certified organic products, without excluding from the organic sector more grassroots approaches such as PGS, direct sales, CSA or Tekei systems, etc.

Regulation example: India

Compliance with the National Program for Organic Production (NPOP) since 2004 is only compulsory for products that are exported as "organic." The rules require that exported organic products are certified by a certification body accredited by the government agency APEDA. The organic export program is recognized by EU, and APEDA accredits certification bodies to the US organic regulation. Domestic products sold as organic can voluntarily comply with the NPOP or not.

3. Include exemptions in the organic regulation.

Even if a compulsory regulation is in place, categories of operators or market channels requiring 3rd party certification can be exempted. There are several ways in which such 'exemptions' can be made, for example:

- Exempting very small farmers selling on the local market from certification - in this case you have to define what the threshold is for '(very) small farmers'.
- Exempting direct sales to consumers from certification.

One might add specific requirements for operators who want to access such exemptions, for example that operators must belong to local organic producer associations, must grant access to their production units to the public or the competent authority, must be 100% organic (no split or parallel production), etc.

Regulation example: United States of America

Paragraph 205.101 of the NOP regulation states that "*[a] production or handling operation that sells agricultural products as "organic" but whose gross agricultural income from organic sales totals $5,000 or less annually is exempt from certification […] but must comply with the applicable organic production and handling requirements […] and the labeling requirements. The products from such operations shall not be used as ingredients identified as organic in processed products produced by another handling operation.*"

Note: the US case could be used as an example of an approach but the financial threshold should be sufficiently high to include all full time operators of the desired category.

Regulation example: Brazil

Law 10831 of December 2003 is a short law that provides the framework for the regulation of organic agriculture in Brazil. Its article 3 § 1 states that "*Where direct trading takes place between consumers and family farmers taking part in proper social control organization processes previously registered with the appropriate inspection body, certification shall be optional as long as product traceability is assured to consumers and inspection body alike, as well as free access to production and processing sites.*"

The Decree 6323 of December 2007 clarifies that products sold in direct sales can bear the national organic logo if verified through the national Organic Conformity Assessment System (defined as registered PGS and third party certifiers). If not, these products should bear the phrase "organic product not subject to certification in the terms of Law n. 10831…"

Regulation example: Uruguay

Article 27 of Chapter IV of the Decree 557.17.11.08 of November 2008 states that "*Direct sales from the producer to the final consumer can be performed without the need of certification in the conditions and in conformity with the regulations established by the Ministry of Livestock, Agriculture and Fisheries*".

Note: Such exemptions do not encourage the development of PGS initiatives as such but will relieve PGS members from the burden of double-certification. Small producers may be exempted from the obligation of certification, but may not be exempted from complying with the organic production rules.

4. Adapt group certification, with PGS-compatible requirements.

The majority of organic producers worldwide are certified through group certification. Group certification, regardless of geographic location, is recognized as a valid certification option in most socio-environmental labeling schemes[6]. The group certification system is well codified by a range of requirements that describe how the internal control system of the group should be set-up and operate. Organic regulations should recognize the validity of group certification as equal to individual certification, and include specific requirements for it. These requirements should be in line with internationally accepted requirements and guidelines for group certification, such as the ones developed by IFOAM.

Governments can develop special provisions for group certification adapted to enable Participatory Guarantee Systems for the national market only. Such adaptations include:

- Allowing for a diversity of production systems and marketing by individual members of the group.
- Keeping documentation requirements to what is necessary to guarantee the organic integrity of the products in the local situation (e.g. do not require detailed product flow control in cases where small diversified organic farmers are 100% organic).

Regulation example: Chile

The law N. 20.089 of December 2007 creates the national certification system for organic products. This law restricts the use of the words 'organic' and equivalent words, as well as of the national organic seal, to certified producers but specifies that 'alternative certification systems' can be used for direct sales by small family farmers, peasants and indigenous people. Certain requirements are defined for the systems such as the maintenance of an Internal Control System and the submission of an annual report of their activities to the Supervisory Body. They are supervised by the Agriculture and Livestock Service. (Articles 3, 25, 26, 27 and 92)

The regulation can require such groups to be monitored by a certification body (carrying out only a certain percentage of re-inspections) or to be approved/certified/ accredited directly by the national competent authority.

5. Include PGS as one of the conformity assessment systems permitted under the regulation.

This is certainly the best way to support Participatory Guarantee Systems. Governments can develop organic regulations that define organic certification as conducted by either:

- A third party certification body with the appropriate accreditation;

OR

- An approved Participatory Guarantee System.

This second option may be limited to the domestic, national or regional market, or to any other geographical limitation as appropriate.

In this scenario, the regulation should describe the process by which Participatory Guarantee Systems can get approval. For example, PGS initiatives may be approved by the national supervisory body, or by the state competent authorities in Federal States, by regional or provincial governments, or even by smaller administrative units. In countries with one strong organic umbrella association representing the sector, governments may consider delegating to the association the task to approve PGS initiatives. The approval of PGS may be limited to selling their products as organic within the geographical territory for which they have been approved.

The definition of PGS and their legal approval requirements should preferably be based on the PGS definition, key features, key elements and characteristics elaborated by IFOAM. Moreover, PGS initiatives and PGS-certified operators should be requested to keep an "open-gate" policy and grant access to their production and management units and documentation to the public and the authorities.

Operators certified through such approved PGS should be allowed to make organic claim, use the national organic logo or alternate mark, and benefit from other kind of supports granted to organic producers such as subsidies, tax-exemptions, etc.

Regulation example: Brazil

Law 10831 of December 2003 is a short law that provides the framework for the regulation of organic agriculture in Brazil. Its article 3 states that, unless in the case of direct sales between consumers and family farmers, organically traded products shall be certified by an officially recognized body, which includes "*various certification systems in operation in the country*".

The Decree 6323 of December 2007 regulates the above law and clarifies that the Brazilian Organic Conformity Assessment System, identified by a unique seal throughout the national territory, is formed by the Participative Organic Quality Assurance Systems [PGS] and by Certification by Audit [third party certification]. A special section of the decree regulates the functioning and the accreditation process of PGS and states that the Ministry of Agriculture and the Ministry of Environment shall provide support for the establishment of PGS initiatives in the country. (Chapter III of the section Control Mechanisms: Article 29.2 and 30 and Section IV)

Note: None of the options 2 to 5 will prevent your country from gaining equivalence with other importing countries. For example, Costa Rica, which adopted option 5, is on the EU third-country list, and India, which adopted scenario 2, also on the EU third country list and has its accreditation system approved as equivalent by the US NOP.

Regulation example: Uruguay

The decree 557.17.11.08 of November 2008 establishes a national certification system for organic agriculture. Its Definitions section defines the concepts of 'Participatory Certification', 'Participatory Guarantee System' and 'Participatory Certification Entity'. It sets requirements that Participatory Certification Entities should comply with in order to be registered, including compulsory representation of producers and consumers and transparency requirements, and their responsibilities as certification organizations. (Definition section: Article 4, Section II.2, Section II.3: Article 18)

Notes

1. IFOAM Definition. See http://www.ifoam.org/about_ifoam/standards/pgs.html
2. UNEP-UNCTAD CBTF, 2008
3. FAO, IFOAM & UNCTAD, 2008
4. IFOAM, 2009
5. UNEP & UNCTAD, 2008
6. See for example the ISEAL common requirements for Group Certification.

References

- FAO, IFOAM and UNCTAD ITF 2007: Best practices for organic marketing regulation, standards and conformity assessment: Guidance for developing countries, at http://unctad.org/trade_env/itf-organic/meetings/misc/ITF_Reg_Guide_Final_20070116.pdf
- FAO, IFOAM and UNCTAD ITF 2008: Summary Report International Task Force on Harmonization and Equivalence in Organic Agriculture 2003-2008, accessible at http://r0.unctad.org/trade_env/itf-organic/meetings/itf8/ITF_Summary_Report_081216db_%20final.pdf
- IFOAM, 2009: The Full Diversity of Organic Agriculture: What we call Organic, (infosheet available at http://www.ifoam.org/press/positions/full-diversity-organic-agriculture.html).
- IFOAM PGS Portal: http://www.ifoam.org/about_ifoam/standards/pgs.html
- ISEAL, 2008: P035 ISEAL Common Requirement for the Certification of Producer Groups, Public Version 1, November 2008, available at: http://www.isealalliance.org/resources/p035-iseal-common-rqmts-for-producer-group-cert-v1-nov08
- UNCTAD-UNEP CBTF, 2008: Best Practices for Organic Policy – What developing country Governments can do to promote the organic agriculture sector (accessible at http://www.ifoam.org/growing_organic/cbtf_bestpractices_unep_unctad.php)

IFOAM - Defining Organic Landmarks since 1972

The Definition of Organic Agriculture

Organic Agriculture is a production system that sustains the health of soils, ecosystems and people. It relies on ecological processes, biodiversity and cycles adapted to local conditions, rather than the use of inputs with adverse effects. Organic Agriculture combines tradition, innovation and science to benefit the shared environment and promote fair relationships and a good quality of life for all involved.

The Principles of Organic Agriculture

Organic Agriculture is based on the principles of health, ecology, fairness and care.

The Scope of Organic Agriculture

IFOAM regards any system that is based on the Principles of Organic Agriculture and uses organic methods, as 'Organic Agriculture' and any farmer practicing such a system as an 'organic farmer'. This includes various forms of certified and non-certified Organic Agriculture. Guarantee Systems may be for instance third party certification, including group certification, as well as participatory guarantee systems.

Standards & Regulations

The IFOAM Family of Standards draws the line between organic and not organic. It contains all standards and regulations that have passed an equivalence assessment against a normative reference approved by IFOAM's membership. IFOAM encourages governments and standard users to recognize other standards in the Family as equivalent.

IFOAM Positions

IFOAM has developed positions on a range of topics. These include: Use of Nanotechnologies and Nanomaterials in Organic Agriculture; The use of Organic Seed and Plant Propagation in Organic; The Role of Smallholders in Organic Agriculture; The Full Diversity of Organic Agriculture; The Role of Organic Agriculture in Mitigating Climate Change; Smallholder Group Certification for Organic Production and Processing; Position on Genetic Engineering and Genetically Modified Organisms; Organic Agriculture and Food Security; Organic Agriculture and Biodiversity.

IFOAM Policy Briefs

IFOAM has policy briefs on 'How Governments Can Regulate Imports of Organic Products Based on the Concepts of Harmonization and Equivalence' and 'How Governments Can Support Participatory Guarantee Systems (PGS)'.

IFOAM Head Office
Charles-de-Gaulle-Str. 5
53113 Bonn, Germany
Tel: +49-228-92650-10
Fax: +49-228-92650-99
headoffice@ifoam.org
www.ifoam.org