

**PRESENTATION GIVEN AT THE TRANS LINKS VALUE CHAIN
WORKSHOP ENTITLED:**

**“Value Chain Cases in the Context of Conservation
Marketing and Certification”**

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ARUSHA, TANZANIA**

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A sustainable production system for Medicinal and Aromatic Plants

Value chain cases in the context of Conservation Marketing and Certification, Arushas 25 – 27 June 09

Julien Chupin

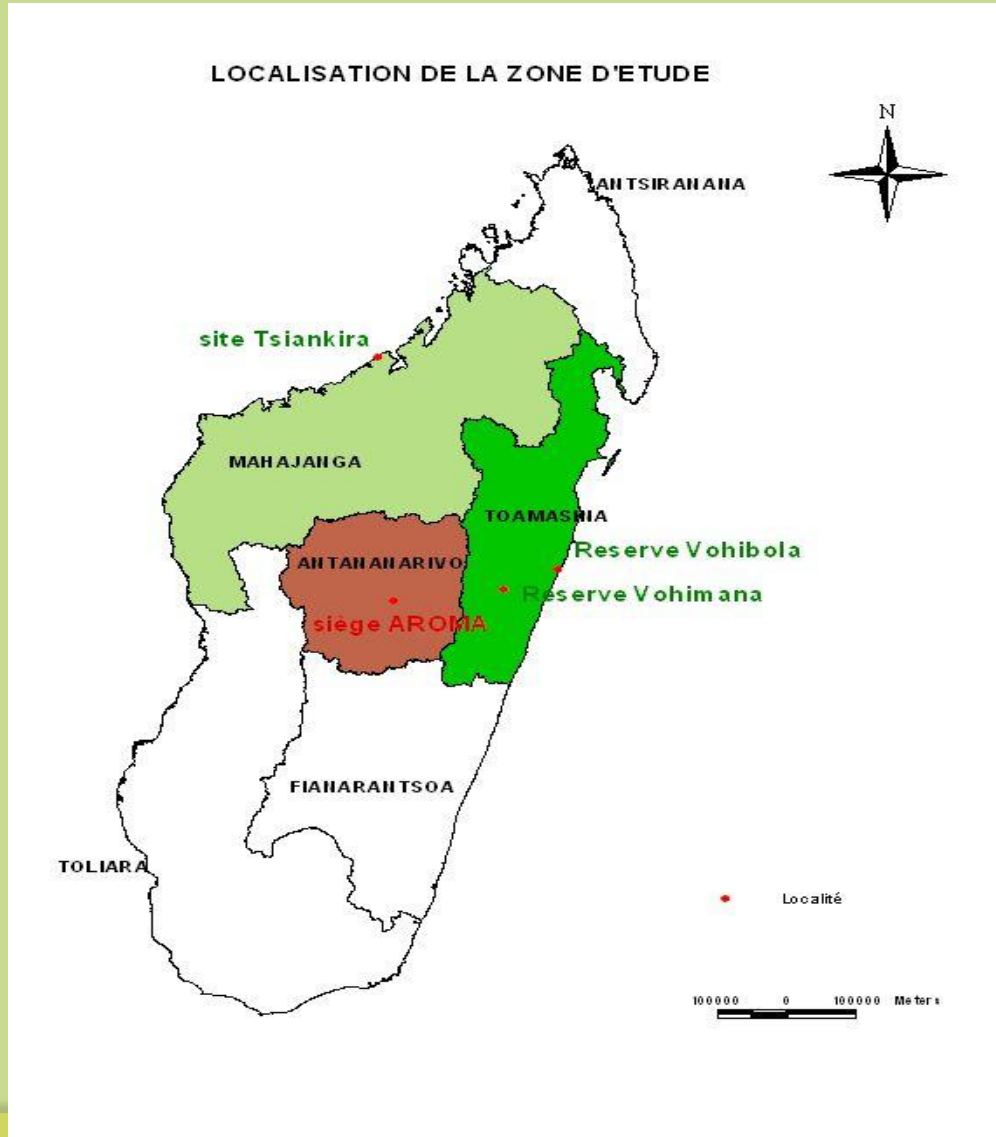


A vision based on the CBD

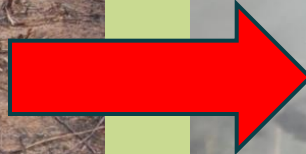
- ◎Generate sustainable value from natural resources in order to support local development and safeguard biodiversity
- ◎Local private enterprise managing the natural resources (Partnership)
- ◎Holistic approach



3 sites in Madagascar



A long conversion from traditional slash and burn agriculture to the entrepreneurial model

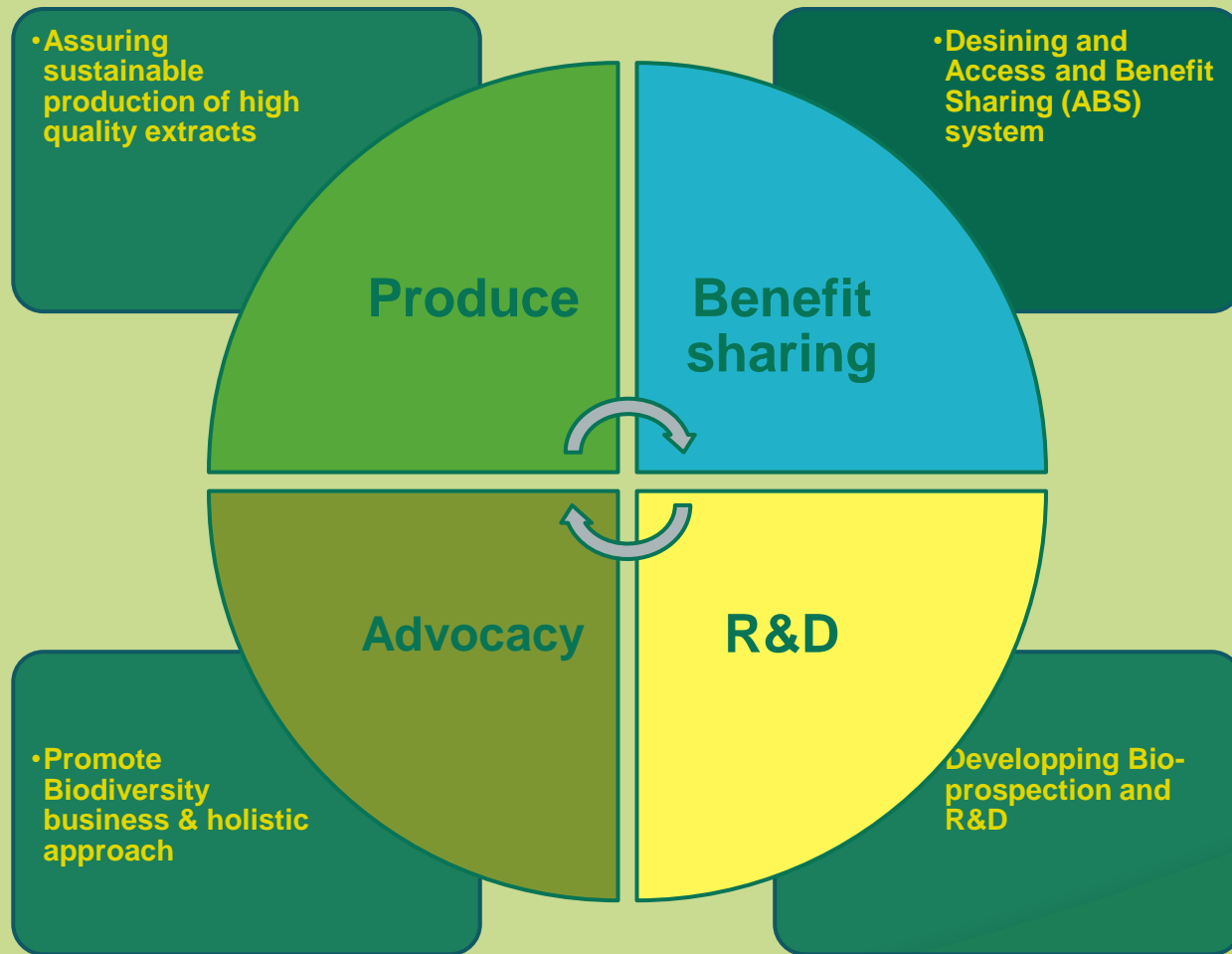


Production of essential oils



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4 objectives for marketing products in favour of conservation



Governance of the value chain

- ◎ Players
- ◎ Roles
- ◎ Legal authorisation



Ministry
Environment



Man and the
Environment



Local enterprises



Malagasy private sector



Foreign clients

Deliver authorisations
Monitoring



Manage 3 sites (from 3000 - 30000 ha)
Management contracts



Produce Essential oils, management the
natural resources, pay local taxes



Organise production
Integrated management system
Autorisation to collect & produce



Buy product
Trade contracts

Results

- Creation 3 local community enterprises
 - Production 2000 Kg essential oil
 - 300 families involved
 - Generation of 56 million MGA (23 467 €) of financial income at the local community level
- High quality products with Organic & UEBT certification
 - 2 essentials oils used by the cosmetic companies
- FSC certification on track
- Generation new development opportunities - Carbon credits
- Conservation of forest of high conservation value

4 keys to Conservation Marketing and Certification

- ◎ New business model
- ◎ Partnership as a tool for sustainability
- ◎ The role of certification
- ◎ Scaling up and duplicating the model



Strategy for developing the essential oil value chain



How to harness conservation and profit?



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Conservation & Competiveness

- ◎ Developing the essential oils value chains so that
 - high quality products were produced by the local enterprises
 - that would be competitive on world and local markets
 - while conserving local forests and benefiting the community

 How to do all that in the mean time?

An holistic strategy based on research / action

- ⊙ Bio-prospection, R&D, Transfer of technology
- ⊙ Quick start of the production → Concrete action
- ⊙ Pre-financing
- ⊙ Quality management and external certification
- ⊙ An holistical approach: education, health agriculture
- ⊙ Clear governance structure

Some building blocks

- ◎ Sustainable use of the natural resources
 - Biodiversity inventory (harvest rate, ethnobotanic)
 - Production process (carrying capacity)
- ◎ Promote local private enterprise
 - Fairprice, capacity building
- ◎ Define quality standards
 - Product standardisation
- ◎ Conservation of the habitat
 - Spatial management plan
- ◎ Clear Roles, Responsibilities and Advantages

Some tips for developing the value chain

- ◎ R&D is key to product quality & the sustainability of the enterprise
 - Product life cycle - 3 to 7 years in Cosmetic industry
- ◎ New product allows continuous work flow at production level
 - Engage employees into ethnobotanic survey



Partnership as a tool for sustainability



What capacity building?



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Partnership as a tool for sustainability

- ⦿ How to partner with the private sector, and major personal care companies to:
 - access markets
 - and improve value chain dynamics?
- ⦿ Some benefits of partnering:
 - Foreign clients pay for marketing efforts, normalisation, and sanitary red tape (€100 000)
 - Opens up the market for other uses for same ingredient (diversification)
 - Credibility



The win-win approach

The valorisation of RNR and the production of high quality extracts allow addressing simultaneously stakeholders varying problematic



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What capacity building was needed to advance the project?

◎ The process

- Identify stakeholders' challenges
- Focus on Local Communities and foreign clients
- Clear governance structure
 - Roles, Responsibilities and Advantages

Stakeholders' challenges

- ◎ **Companies** do not know how to implement sustainable sourcing
- ◎ **Local communities** are unable to realize the economic value from their biological resource and traditional knowledge
- ◎ Involving stakeholder into new system of responsibility
- ◎ The absence of a clear ABS regulatory framework

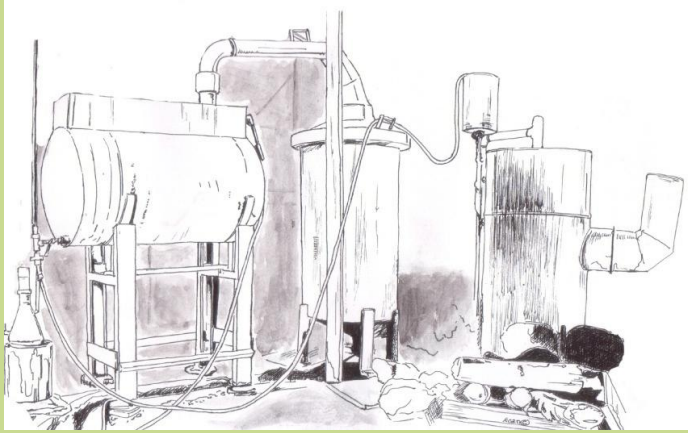
Capacity building needed at LC level

◎ Create the capacity to enter in a partnership

- Understanding the issues at stake → \$ → 😊
 - Technical, administration, finance, alphabetisation
- Define and control costs
- Understand the value chain
- And also...



Mastering quality requirements and production



Autonomus local management



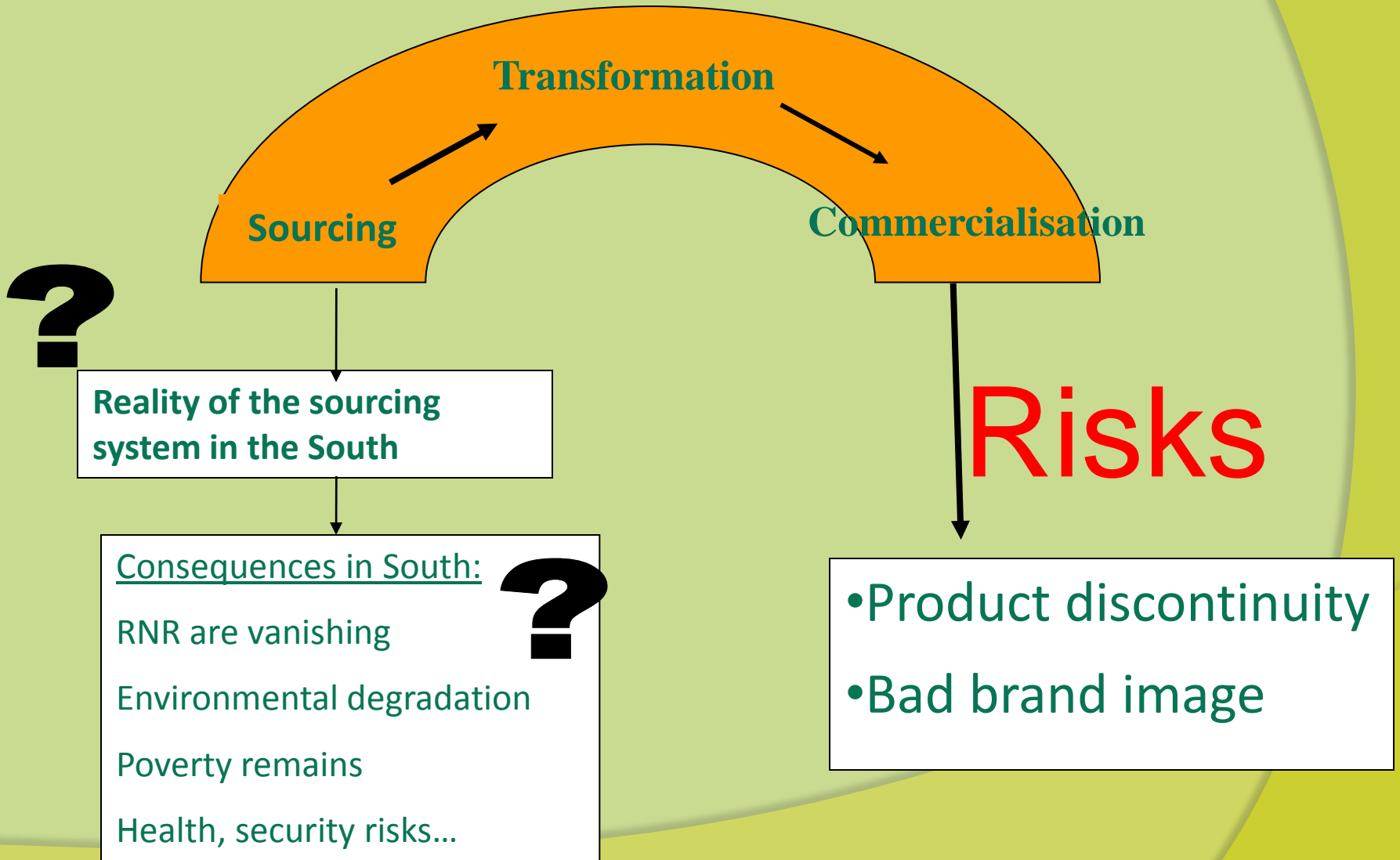
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Capacity building for foreign clients

◎ **Challenge :**

- Explain why the objectives of the Biodiversity Business is an investment opportunity which will generate positive and scalable returns
- ## ◎ Frame the issue in a business friendly manner
- ABS = risk management system
 - Fairtrade = marketing
 - Biodiversity = research playground
 - On site visit to become realistic and pragmatic

Traditional extract' sourcing system



?

Reality of the sourcing system in the South

Consequences in South: ?

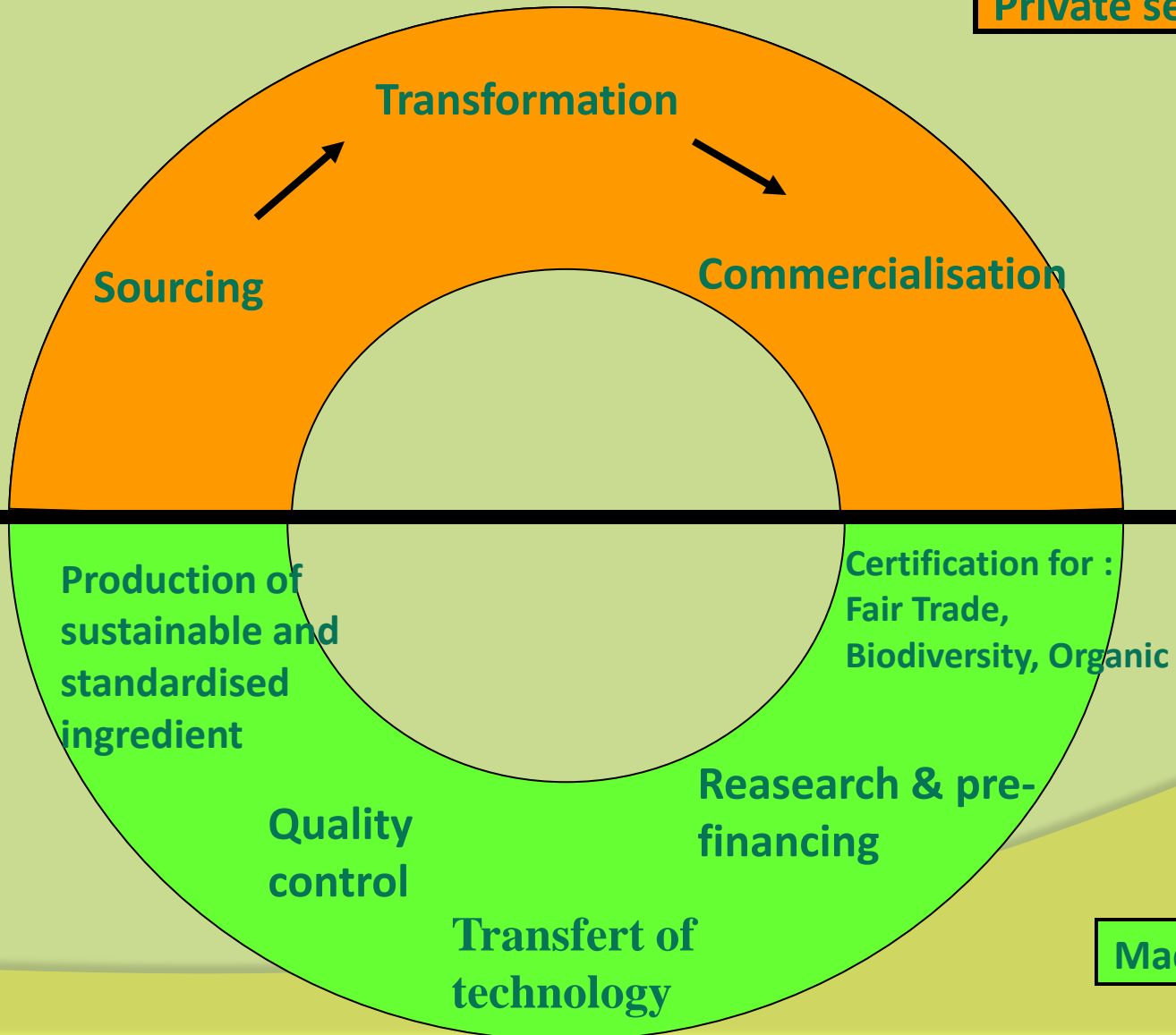
- RNR are vanishing
- Environmental degradation
- Poverty remains
- Health, security risks...

Risks

- Product discontinuity
- Bad brand image

Sustainable extract's sourcing system

Private sector



Madagascar

- ◎ The definition of the roles, responsibilities and the related advantages is key!
- ◎ Eventually the governance structure comes together...



Roles, Responsibilities & Advantages

| | Stakeholders' problematic | | |
|--------------------------------|--|--|---|
| | | Role - Responsibilities | Advantages |
| Foreign clients | <ul style="list-style-type: none"> Supply chain risk management? Limited supply innovative products | <ul style="list-style-type: none"> Guaranty to buy the product Pre-finance Fair price | <ul style="list-style-type: none"> Sustainable supply High quality product Certified product Nice story to tell |
| Man and the Environment | <ul style="list-style-type: none"> Conservation and development via the valorisation of Natural Resources | <ul style="list-style-type: none"> Capacity building Promotion & marketing | <ul style="list-style-type: none"> Case study Advocacy |
| Local Communities | <ul style="list-style-type: none"> Limited alternatives to non sustainable activities due to limited vision & expertise | <ul style="list-style-type: none"> Inform & implement sustainable use and conservation practices | <ul style="list-style-type: none"> Decent livelihoods |
| Malagasy exporters | <ul style="list-style-type: none"> Shortage high quality products High cost to initiate LC production | <ul style="list-style-type: none"> Quality assurance Production Promotion & marketing | <ul style="list-style-type: none"> Unique Selling Proposition |
| Ministry environment | <ul style="list-style-type: none"> Few models for transferring ownership of natural resources to local communities worked | <ul style="list-style-type: none"> Compliance check Steer governance structure | <ul style="list-style-type: none"> Case study for scaling up |

Roles and responsibilities in the value chain

| Research & Development | | | | Production | | | Commercialisation | | | | | Promotion | | |
|--------------------------------------|----------------------------------|------------------------------|---------------|---------------------------|------------|--------------------------------------|-------------------|-------------------------------|-------------------------|--------------|--------------|--------------|--------------------------------------|---------------|
| Bio-Prospection | Research & extracts' development | Production's standardisation | Normalisation | Collection or Cultivation | Extraction | Quality control | Exportation | Importation & Quality control | Transformation | Distribution | Final Client | Marketing | Sensibilisation | Communication |
| | Local producers | | | Local Producers | | | | | | | | | | |
| Man and the Environment | | | | | | | | | | | | | Man and the Environment | |
| Aroma Forest | | | | | | | | | | | | Aroma Forest | | |
| International customers | | | | | | | | | International customers | | | | | |
| External Research Partners | | | | | | | | | | | | | | |
| Administration and local authorities | | | | | | Administration and local authorities | | | | | | | Administration and local authorities | |
| | | | | | | | | | | | | | Press and Media | |

Page 1

Some tips for:

◎ Defining RRA and the governance structure

- Stakeholder mapping
- Systemic analysis
- Value chain mapping
- Contractual agreement in place

◎ Creating partnership

- Identify your offer & quality : Products / ingredient / forets / advantage
- Local appetite for entrepreneurship



Does certification matter?



What are the costs & benefits?



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Does certification matter?

- ◎ Why certification?
 - Governance issues
 - Clients' request
 - Strong marketing argument
 - Project validation (carbon credit, eco tourism...)
- ◎ Strong relationship to the markets and other project objectives



Does certification matter?

- ◎ Which certification?
 - Organic, fairtrade, biodiversity?
 - B2B, B2C?
- ◎ Which market?
 - Europe, North America
- ◎ Our choice:
 - Organic
 - FSC
 - UEBT
 - Wildlife friendly



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Cost - benefit analysis

The use of standards and certification has often an enabling strength:

- ◉ Level playing field
- ◉ Support the definition of the Roles, Responsibilities and Advantages
- ◉ Transparency (e.g. access to funding)
- ◉ Facilitates contract negotiation
- ◉ Allows sharing information and capacity building

Problems:

- ◉ Too many standards _ Consumers' confusion
- ◉ Certification cost for small producers is often too high
- ◉ Issues in the quality of verification and its consistency
- ◉ Limited capacity in the south to implement the sophisticated standards
- ◉ Not enough certified products to meet the market demand



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Economical analysis

| | Cost | Benefits |
|----------------|--|----------------------|
| Implementation | 25 000 € (mostly financed by donors & clients) | |
| Audit(s) | 10 000 € (financed by donors & clients) | |
| FOB Price | | + 20% / kg |
| Turnover | | 58 000€ + 20% / year |
| | 35 000 € | 11600 € |



Cost benefit analysis



Total

Cost:
100 000€

Benefit:
104 419€



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Social and environmental benefits too!



Some tips for certification?

- ⦿ Enough production?
- ⦿ What the added value at retail level?
- ⦿ Internal capacity to maintain standard?
- ⦿ What is the priority?
 - Active principle quality / organise production / marketing / conservation



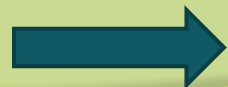
A new strategy for diversifying revenues?



- How to scale up and duplicate the model?
- Where to draw the priority between R&D and ABS system?

Old problems, new products!

- Strict conservation proved limited effectiveness
- « ***Conservation is valorisation of the natural capital*** »
- Many routes and opportunities:
 - Eco tourism, Craftmaking, Agriculture
 - Payment environmental services
 - Reforestation and carbon credits
 - NTFP, sustainable forestry, fishery...



First mover advantage

Start up cost and risk management!

- ◎ New product development comes at a cost
 - R&D cost (50 000€) ... private and public research partners are needed
- ◎ Bioethic - Biopiracy
 - Policy, contracts, publication

Helichrysum cordifolium DC.

Famille: ASTERACEAE

Genre: *Helichrysum*

Espèce: *cordifolium*

Nom vernaculaire: ramarjavona (à Vohimana)

DESCRIPTION:

Plante herbacée rampante. Rameaux juvéniles couverts d'un duvet blanc. Feuilles ovales, cordiformes à la base, à nervures principalement palmées, de 3-5 nervures. Inflorescence en capitules hétérogames, brièvement pédonculée ou sub-sessile, entourée d'un involucre de bractées dans la moitié inférieure. Fleurs petites, jaunes, environ 15 fleurs par capitule. Fruit en akène, glabre.

ÉCOLOGIE:

Distribution: plante endémique de Madagascar, présente entre 600 et 1600 m d'altitude dans les rocailles siliceuses ou en lisière de forêt.

Habitat: lisière de forêt, bordure de ravin.

Reproduction: floraison toute l'année; multiplication par graines.

UTILISATION MÉDICINALE:

La décoction des feuilles agit contre l'albuminurie.

BIBLIOGRAPHIE:

39, 49.

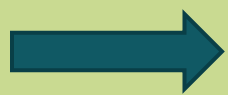


Planche 1 : *Helichrysum cordifolium*

ABS framework needed

ABS = conservation + local development
> economic drivers of deforestation

How to ensure that the advantages and benefits reach the local level and enhance participation of traditional population in the design and implementation of production project that ensure their rights.



How to design such distribution of benefits?



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Your own ABS system!

Les producteurs locaux connaissent la filière des produits



Une partie des bénéfices est réinvestie sur le terrain

La priorité est donnée aux femmes pour la collecte

Le travail des enfants n'est pas autorisé



La pérennité des actions de développement est considérée



Les acheteurs sont informés de l'origine des produits et des modes de fabrication



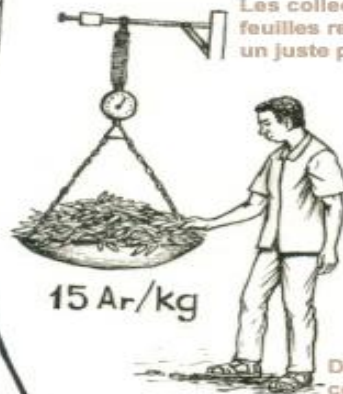
Les conditions techniques de production sont revues et améliorées

La production s'insère dans la gestion de l'environnement naturel



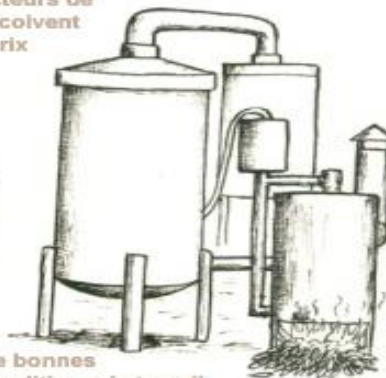
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Les collecteurs de feuilles reçoivent un juste prix

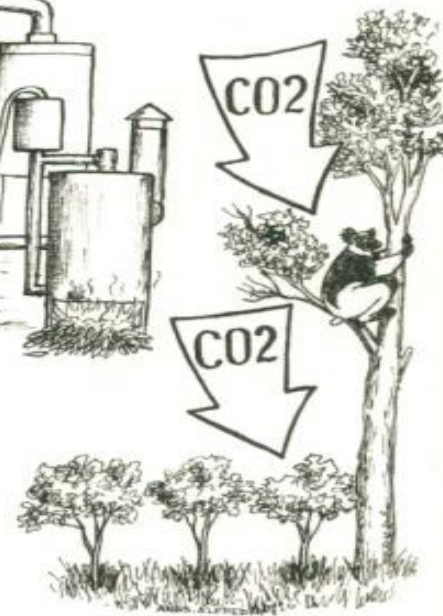
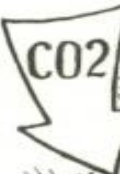


15 Ar/kg

De bonnes conditions de travail sont assurées



Exploitation durable des plantes sauvages ou pratiques agricoles bio sont garanties





THANK YOU

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