



SUSTAINABLE Coconut &
Coconut Oil Roundtable

PROPOSED GOVERNANCE STRUCTURE FOR A PRE COMPETITIVE INDUSTRY LED PLATFORM ON SUSTAINABLE COCONUT

Commented Version 1.0

4th September 2021 - **28th March 2022**

Funding organization:



ABSTRACT

Building on the previous study “Consultation on the governance for a future formalized Sustainable Coconut Platform - From a meeting series only to formalized Sustainable Coconut Platform - Version 1.0: August 30th 2021, this document’s purpose is to propose a draft governance structure for the formalization for a pre competitive platform on sustainable coconut.

The results of the above-mentioned consultation have been used to propose a conditional governance structure that could fit the requirements and desires of charter signatories and other stakeholders. With these considerations in mind, the successful integration and effective management of setting up this governance process can only really go further once a secretariat or founding members working to develop it have been identified.

This draft document forms a basis of discussion for the future organization’s governance. For convenience in this document, all below reference to the future organization will be made using the term “the platform”.

From January to March 2022 a Taskforce reviewed the existing proposal and commented, added, adjusted where applicable. The respective recommendations are highlighted in green writing this document. Where no additions are highlighted the Taskforce agrees with the existing proposal.

Name of the organization

The name of the organization already has strong implications towards its governance structure and approach. The Taskforce considers it extremely important that the name of the organization includes the word “sustainable”. The word “impact” is considered not so important.

Proposals for the name are:

- Sustainable Coconut Initiative
- Sustainable Coconut Roundtable
- Partnership for Sustainable Coconut (PSC)



ELEMENTS OF GOVERNANCE AS HIGHLIGHTED IN THE STATEMENT OF WORK

- Membership plan
- General Assembly*
- Board of Directors structure & selection
- Decision making
- Fund raising and budgeting
- Legal structure
- Activities/Benefits provided or supported by the structure

**Additional element included by the author due to its strategic importance nature*

Membership plan

Eligibility

“The platform” could be composed of ordinary members and affiliated members:

Ordinary members: Companies/*organizations* participating to the coconut industry including *Farmers Organizations* (directly involved in coconut supply chains)

Note: The Taskforce recommends a two-tiered approach on fees for the ordinary members (see below on Fundraising and Budgeting)

Affiliate members: Companies/*organizations* NOT participating to the coconut industry (only indirectly involved in coconut supply chains) such as:

- Civil Society Organizations
- Associations
- Trade bodies
- Service providers
- Accreditation bodies/standard setting organizations
- Academia & Research organizations
- Financial Organizations
- Governmental organizations

Companies participating to the coconut industry could qualify for ordinary membership.

Companies NOT participating to the coconut industry could qualify for affiliate membership.

Clear guidelines on the membership categories need to be established upon setting up the organization.

Admission procedure

Parties willing to become members of “The platform” could submit an application form to the appointed secretariat. Their acceptance as new member could be effective upon examination and approval of their application by the Board of Directors.

“The platform” membership period could be of 1 year.

The Taskforce recommends not to opt for an annual application cycle as this would get burdensome for members and the secretariat. Annual payment of fees would ideally serve as continuous validation of membership.

The Taskforce recommends no due diligence for admission procedure in the beginning. It is likely that the organization will have to market its membership, particularly at the start. A simple and smooth admission procedure is thus key for success. Once the organization is up and running this should be re-assessed. Due diligence on company level, i.e. beyond coconut, may then be considered to avoid reputational issues.

Rights of members

Ordinary members

- Ordinary members will have the right to vote at each meeting of the General Assembly.
- Ordinary members can have access to all the material produced by “the platform” for its members under its knowledge and advocacy activities.
- Ordinary members or their representatives are eligible for election on the Board of Directors in general assembly.
- Ordinary members can participate in any of the meetings of the General Assembly and thematic Working Groups.

Affiliate members

- Affiliate members do not have voting rights.
- Affiliate members can attend and participate in any of the meetings of the General Assembly, and thematic Working Groups without voting rights.
- They have limited access to “the platform” information developed under its knowledge and advocacy activities.
- Other rights of affiliate members are to be determined in more details by the Board of Directors.

The Taskforce recommends defining benefits of being a member for each membership group (farmers, traders, end users, affiliates) at the start.

Membership criteria

Members could be expected to:

- Endorse the sustainable coconut charter.
The Taskforce highly agrees to define signing up to the Coconut Charter as a precondition for membership. At the same time, the Taskforce identified the topic of Human Rights to be missing in the Charter. Specifically with a view on the upcoming human rights due diligence requirements (supply chains due diligence) it seems important to revise the topics covered by the Charter regarding the inclusion of human rights as appropriate in a smallholder context.
- Develop a concrete action plan (based on a template provided by the organization) to their best ability within their own organizations aligned with the sustainable coconut charter during the 1st year of membership. Report progress against action plan once a year.
- The Taskforce recommends to offer a practical tool for this (see section on activities/ benefits below). Since members are likely to put considerable effort into annual reports, this tool should be simple and easy to translate-into. Some companies may have more direct involvement in progress against the charter than others, so reporting needs to include indicators applicable at every level and double-counting should be avoided, e.g. a supplier and a brand should not be able to claim the same results leading to counting these results twice.
- Operate transparently and inform “the platform” on a yearly basis on plans, activities and results. The Secretariat should develop a template for this reporting procedure.
- Commit to active participation in platform working groups.

General Assembly

The General Assembly could be the main body of “the platform”. It is made up of all members of “the platform”. The General Assembly represents all members of the “the platform” through an annual meeting.

Strategic direction & governance decisions

- Approving the strategic direction priorities and agenda of work proposed by the Board of Directors at the annual meetings.
- Approving any major amendments in previously agreed proposals on strategic direction, priorities and agenda of work.
- The ordinary members of “the platform”, attending or being represented at the General Assembly, shall elect and/or revoke the members of the Board of Directors during the general assemblies or specially appointed meetings.

- Affiliate members do not elect and/or revoke the members of the Board of Directors.
- Approving any proposal to change the governance or structure of the “the platform”. proposed by the Board of Directors at the annual meetings.
- Approving any change in membership criteria.

The Taskforce proposes a lean industry-led governance approach at the start. In the mid- to long-term the organization should likely open up towards a partial participatory model, i.e. including further members in decision-making processes (see also next section on Board of Directors).

The approach of a General Assembly seems too complex and may over-burden the organization at the start, specifically in an industry-led approach as proposed. A General Assembly makes most sense where there are different interest categories voting on sustainability issues that require compromise and balance. The Taskforce thus recommends to opt for a lean approach where the Board of Directors sets the direction during the first term. If/ when a General Assembly takes place, it should be combined with a wider meeting/congress to a) attract sponsorship for the meeting and b) serve towards a greater purpose.

Board of Directors composition & selection

The Board of Directors is the main body that provides the strategic directions, budgeting and work themes of “the platform”.

Composition

- ~~• The “platform” could be managed by a Board of Directors, designated by the General Assembly for a period of three years.—~~
- The number of members of the Board of Directors could not be less than three and could be determined by a decision of the General Assembly. (see below)
- ~~• The founding members and the secretariat lead could have permanent seats in the Board of Directors. (see below)~~
- An ordinary member may not provide more than one member from their own organization for the Board of Directors at the same time.

The Board seems too large for a lean industry-led organization. Each member should have one vote (1 member = 1 vote).

The Taskforce recommends a term for the Board of two years. This would imply the founding members not having permanent seats in the Board of Directors. The secretariat should have a permanent seat as entity (not bound to an individual). It is important to foresee a process to recall Board Members before the end of their seat in case necessary. Further, the role of the secretariat needs to be elaborated. As the third key player (membership, board, secretariat) the Taskforce recommends for the secretariat to take the lead in the organization’s technical direction and priorities. The Board then endorses through decisions.

Once the organizations opens up towards a partial participatory model (see above), the Taskforce suggests a leaner structure than currently proposed: 2 industry seats, 1 civil society seat, 1 government seat, 1 farmer group seat, and the Executive Director.

The committees of the advisory board are suggested to include: Agronomy and Environment (including plant science and climate issues), Farmer Livelihoods, Markets (Sales and Trading), Government Networks, and Financing Impact (including climate finance and impact programs).

Meetings

- The Board of Directors should meet at least twice a year with additional meetings to be held as required and agreed by all parties on the Board of Directors.
- Additional meetings will be called by the secretariat in consultation with members on the Board of Directors.

Decision making

Decisions on the strategic directions, budgeting and work themes of “the platform” could be taken through a voting system. It could be set as follows:

Composition

- Voting is compulsory: all votes of the Board of Directors will be counted towards decision-making
- For most decisions, majority vote with a quorum can be imposed. For major decisions such as the expulsion of a member, a consensus from 2/3 of members from the Board of Director could be considered as majority and enforced.
- Minimum attendance of 50% to official events and meetings is mandatory or voting rights could be rescinded
- Voting will take place after meetings
 - Relevant information of proposed options could be prepared and sent to the members by the secretariat after meetings
 - Members could receive a poll for each option and are required to cast their votes 3 days after the poll is sent
 - All non-responses could be interpreted as abstinence

Fund raising and budgeting

The Board of Director oversees, discusses and approves the budget of the “the platform”

- “The platform” fixed expenses (secretariat salary, daily operation fee, etc.) could be covered by membership fees.
- “The platform” variable expenses could be covered by additional funds coming from grants.
- In the first year of existence, “The platform” could receive seed-funding from its founding members and target external grants.
- In kind participation, if judged relevant by the Board of Directors could be considered as a membership fee/seed funding.
- Donations from supporting organizations that share the vision of “the platform” can be thought by the secretariat and Board of Directors.

Membership fees could be tiered according to the size of the company determined by its revenue or size:

Ordinary Membership Tier 1	X\$
Ordinary Membership Tier 2	X\$
Ordinary Membership Tier 3	X\$
Affiliate Membership Tier 1	X\$
Affiliate Membership Tier 2	X\$
Affiliate Membership Tier 3	X\$

On funding the Taskforce recommends the following:

- Donor-funding plus membership fees are needed particularly in the beginning. The organization thus needs to leverage external funding for the start-up costs.
- Tiers for membership fees should be simple and straight forward: flat fees based on the size of the company (staff, volume or turn-over) and NOT based on traded coconut volumes as this is too tricky to monitor.
- Fees should be realistic for companies that are large but small in coconut e.g., private actors (ordinary members) could pay 5,000-10,000 Euros. The Taskforce strongly recommends conducting market research around the fee structure to ensure the value proposition of the organization is reasonable. For ordinary members the Taskforce recommends a two-tiered fee structure based on coconut volumes traded. These should be reported to the Secretariat, which needs to define a threshold of traded volumes to determine, which organizations pay 5,000 Euros and which ones pay 10,000 Euros. The self-reported volumes could be checked by the Secretariat for correctness. Farmer organizations should be granted membership for free despite being part of the supply chain. Affiliates should pay around 1,000-2,000 Euros per year.
- Membership fees should not count towards projects but finance the governance structure of the organization.
- An initial joining fee, only payable in the first year, on top of the membership fee could help with some of the set-up costs.
- Members of the Coconut Alliance (develop project) should automatically be able to become members of the organization during the duration of the GIZ project. Additional requirements/contributions besides signing the Coconut Charter should not be required. After project end, they (hopefully) sign up independently based on requirements and membership fees then valid.

Legal Structure

“The Platform” is an association created by organizations carrying out their activities in and around the entire supply chain of coconut.

The consultation “governance for a future formalized Sustainable Coconut Platform - From a meeting series only to formalized Sustainable Coconut Platform - Version 1.0: August 30th 2021” gave some insights into the legal structure thought for “The platform”.

Relevant extract from the consultation:

- All respondents confirmed the wish to see the formation of a formal "industry led" international non-profit organization that specializes in coconut sustainability in order to catalyze the ambitions of the sustainable coconut charter and transform the coconut industry towards a responsible and resilient sector through impact projects at scale.
- The respondents considered that a formal, independent structure with its own governance mechanisms is needed to capture the enormous potential of such roundtable to catalyze the ambitions of the sustainable coconut charter and transform the coconut industry towards a responsible and resilient sector.
- The respondents considered that this organization should be either fully independent or hosted by a larger membership organization.
- All the respondents considered that while primary decision making around the Sustainable Coconut Initiative as a meeting series have been taken by Barry Callebaut and USAID Green Invest Asia (the co-founders of the meeting series), this arrangement is unlikely to lead to the most successful outcomes and potential for impact for longer-term sustainability of the Initiative.
- The respondents recognize that before next steps can be taken, a credible future secretariat lead who can carry a proposal for this future organization should be stepping up to federate few members and drive the creation of this platform through its pre-launch and launch phase.

Considering the above insights, below are proposed elements to consider in the formation of the legal structure thought for “The platform”:

- “The Platform” could be an association without profit purpose.
- It can be incorporated and have registered office anywhere globally, preferably in countries where legally favorable non-profit organization condition exists and showcasing stability and safe haven for such organizations. (Top countries include: Switzerland, France, Germany...)
- This decision should be taken by the board of directors upon its formation.

The Taskforce does not have a specific recommendation on the headquarters of the organization. Europe is considered a suitable location. At the same time, the Philippines as coconut producing country would welcome hosting the organization. This could be supported by the Philippine Coconut Authority. Implications for other coconut-producing countries would have to be considered in this case.

Activities/Benefits provided or supported by the structure

Responding to stakeholders and recognizing significant shifts in industry and development thinking (fit of current sustainability assurance programs, lack of impact in the supply chain), the following activities have been identified through the “Consultation on the governance for a future formalized Sustainable Coconut Platform” conducted in July/August 2021 with their benefits attached.

The Taskforce elaborated a rough outline of a Theory of Change outlined below. This includes five main intervention areas:

- Offering a platform for collaboration
- Advocacy for/collaboration with government programs
- Collaborative funds for impact projects
- A joint monitoring framework
- Advocacy towards industry and public players covering the whole supply chain

KNOWLEDGE & ADVOCACY / RAISING AWARENESS

Activity	Benefits
Regular roundtable events for building knowledge and awareness	Share experiences and best practices around members’ sustainable journey; foster knowledge (Case Studies, Panel Discussions etc.); network; engagement with external stakeholders.
Research activities on sustainable coconut	To allow objective and facts-based evidence to support knowledge and decision making of members.

ACHIEVING RECOGNITION & ASSURANCE FOR SUSTAINABLE SUPPLY CHAINS

Activity	Benefits
Developing assurance claims based on the sustainable coconut charter	To allow members to develop fit-for-purpose claims for their impact programs
Developing an M&E Tool based on the sustainable coconut charter	To be able to verify sustainability programs progress against the sustainable coconut charter

Assurance is not considered a priority by the Taskforce. It is likely coming alongside substantial costs. Activities around assurance could come in later if the organization considers it necessary. The Taskforce rather proposes to work via a monitoring framework with a few selected Key Performance Indicators. This goes in line with an M+E Tool based on the Charter to provide a common approach for demonstrating progress.

IMPACT / TRANSFORMING COCONUT SUPPLY CHAINS

Activity	Benefits
Working groups	To allow to find solutions to the industry's multi-stakeholder's and structural challenges.
Support to the development of impact programs	To connect members to project opportunities
Design & implement robust landscape interventions	To pilot new approaches going beyond farm level programmes only
Support to the development of sourcing projects	To connect members to sourcing project opportunities
Identify & involve local, capable stakeholders into programs	To allow programs to be run in partnership with organizations who have a local knowledge and expertise

ADVISORY & SUPPORT TO MEMBERS

Activity	Benefits
Conduct Assessments, Verifications, Advisory services	To help provide members with advisory, training and capacity development services related to impact programs in coconut supply chains
Develop Market Intelligence	To help members on understanding market dynamics in relation to their impact on the sustainability of supply chains.

Comment from the Taskforce on these advisory and support offers: The potential added value will have to be examined carefully. Members will already have plenty of options for such services.



Theory of Change

The Taskforce elaborated a rough outline for a Theory of Change. Thereby the organization should address the following issues in the coconut sector:

- Farmers' livelihoods and Human Rights + Labor Issues
- Unsustainable farming and unattractiveness for the next generation
- Lack of farming capacities/knowledge
- Lack of investment climate/lack of replanting at scale
- Misaligned incentives and structural barriers in the industry

These issues should be addressed via the following activities/offers:

- Capacity building for farmers/self-sustaining capability and capacity building : inputs, trainings, replanting
- Traceability + transparency
- Market linkages + incentives
- New finance solutions
- Increase awareness among private actors on farmers' needs + consumer advocacy
- Monitoring + verification

Estimated expectations of donors/companies towards the organization are:

- Multi-stakeholder organization with end-to-end supply chain coverage
- Pre-competitiveness
- Blended finance solutions across agri, technology, climate and poverty alleviation
- Platform for advocacy, knowledge-sharing, collaborative projects with market linkages (value-creation at all levels)

The following graph sums up the proposed rough outlined of the Theory of Change for the organization:

