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How to Create a Sustainable Supply of Goods

NPOs' Impact on Peruvian Cocoa Farmers' Quality of Life

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Abstract

In order to create a sustainable supply of goods, there is a need for improving the producers' quality of life. Within cocoa production in Peru, one of the major challenges for securing a future supply is that the next generation of cocoa farmers leave the farms for a more qualitative life in the cities. Therefore, the aim of this study is to investigate how the work of non-profit organisations (NPOs), especially third-party certifying NPOs, might improve the quality of life of Peruvian cocoa farmers in order to ensure a sufficient future supply of cocoa.

This study presents theories about quality of life, NPOs as well as how a qualitative life can be achieved. Data was mainly gathered through semi-structured interviews. Most interviews were conducted during a field study in Peru with different actors within the Peruvian cocoa industry. In contrast to other studies, this study analyses the work of NPOs by comparing the actions made by NPOs with the *true* challenges faced by farmers in their strive for a more qualitative life.

The empirical findings show that the main challenges for the farmers lie within the areas education and health. Despite this, actions taken by NPOs are focused within economic areas, creating a gap between the true challenges and actions. This contradicts earlier theories that NPOs should produce public goods, such as education and health, which are not sufficiently provided by the government.

Discussion is made on the reasons for this discrepancy arguing that further actions within education and health are needed for achieving increased quality of life for the farmers, and that NPOs will not serve as a sole contributor to the solution. Instead, increased collaboration between all actors, including the farmers, is needed. This will erase the information barrier to the farmers and make the NPOs, corporations, and governments act in accordance with the true challenges, thus increase quality of life for the farmers, and create a future sustainable supply of cocoa.

Key words: sustainable supply, quality of life, non-profit organisation, third-party certification, cocoa, HDI

Resumen

Para crear un suministro sostenible de bienes, es necesario mejorar la calidad de vida de los productores. En el caso del cacao en el Perú, uno de los mayores desafíos para asegurar un suministro futuro es que los productores de cacao de la próxima generación dejan las fincas para una vida más cualitativa en las ciudades. Por este motivo, el objetivo de este estudio es investigar cómo el trabajo de las ONLs, especialmente ONLs que certifican a terceros, puede mejorar la calidad de vida de los agricultores de cacao en el Perú para asegurar una oferta suficiente de cacao para los productores de chocolate.

Se presentarán teorías sobre las ONLs así como de la calidad de vida, seguidos por la teoría de cómo se logra una mejora en la calidad de vida. La evidencia empírica se basó en entrevistas semi-estructuradas. La gran mayoría de las entrevistas se realizaron en un estudio de campo en Perú, con diversos actores de la industria peruana de cacao. Comparado con otros estudios, los desafíos analizados se basan en los *verdaderos* obstáculos que enfrentan los agricultores de cacao en su búsqueda por mejorar su calidad de vida.

El estudio concluye que los principales desafíos de los agricultores se encuentran en el ámbito de educación y salud. A pesar de esto, las acciones tomadas por las ONLs se centran en áreas económicas, generando una brecha entre los verdaderos desafíos y las acciones tomadas. Esto contradice las teorías previas que señalan que las ONLs deberían enfocarse en la provisión de bienes públicos que no son adecuadamente suministrados por el gobierno.

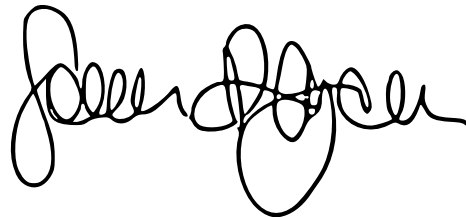
Se realiza una discusión acerca de la razón de esta discrepancia, señalando que mayores acciones son necesarias en lo que respecta a educación y salud para poder alcanzar mejoras en la calidad de vida, y que las ONLs no pueden ser la única solución. En lugar de eso, se necesita aumentar la colaboración entre todos los actores, incluyendo los agricultores. Esto borrará la barrera de la información de los agricultores y se hace que las ONLs, empresas y gobierno actúen de acuerdo con los verdaderos retos, lo que aumenta la calidad de vida de los agricultores.

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Abbreviations

ACOPAGRO	Cooperativa Agraria Cacaotera [<i>Agricultural Cocoa Cooperative</i>]
AIDS	Acquired Immunodeficiency Syndrome
APPCACAO	Asociación Peruana de Productores de Cacao [<i>Peruvian association for cocoa producers</i>]
CLAC	Coordinadora Latinoamericana y del Caribe de Pequeños Productores de Comercio Justo [<i>Latin American and Caribbean Network of Small Fair Trade Producers</i>]
DEVIDA	La Comisión Nacional para el Desarrollo y Vida Sin Drogas [<i>Peruvian National Commission for Development and Life without Drugs</i>]
EU	European Union
FAO	Food and Agriculture Organisation of the United Nations
FAOSTAT	Statistical department of the United Nation Food and Agriculture Organisation
GDP	Gross Domestic Product
HDI	Human Development Index
HDR	Human Development Report
HIV	Human Immunodeficiency Virus
ICCO	The International Cocoa Organization
INEI	Instituto Nacional de Estadística e Informática [<i>Peruvian National Institute for Statistics and Information</i>]
ISO	International Organization for Standardization
MDGs	Millennium Development Goals
NGO	Non-Governmental Organisation
NPO	Non-Profit Organisation
OECD	The Organisation for Economic Co-operation and Development
ONLs	Organización No Lucrativa [<i>Non-Profit Organisation</i>]
PISA	Programme for International Student Assessment
SAN	Sustainable Agriculture Network
SIDA	Swedish International Development cooperation Agency
UN	United Nations
UNDP	United Nations Development Programme
WHO	World Health Organisation
WHOQOL	World Health Organisation Quality of Life

1. Introduction

Globalisation has made the world smaller than ever. Lead times are shorter and goods can easily be shipped from the other side of the globe in a few weeks. Even though being closer, the rapid growth has created a distant world of consuming countries in the North¹ and producing countries in the South with a large discrepancy within quality of life and ability to improve it. This has enhanced the discussion on responsibility and sustainability. Who can really be responsible for improving the quality of life for Southern producers in order to sustain a future supply of goods; corporations, consumers, governments, or non-profit organisations (NPOs)?

A crop that risk to run out in a near future is cocoa. This has been known within the industry for years and reached the public when Kennedy's confection recently reported that cocoa will run out in 2020 (Kennedy's confection, 2013). In order to overcome this risk, corporations like Mondelez² and Cloetta engage in activities to improve the quality of life for the producers (Mondelez, 2014; Cloetta, 2014), mainly by the help of third-party certifying NPOs which today serve as one of the most promising solutions for increased sustainability (Raynolds et al, 2007; Taylor, 2005). In order to investigate the development of a more qualitative life for the producers and the role of NPOs, this study will use the case of cocoa production in Peru.

The current quality of life for Peruvian cocoa farmers is very poor. 90 per cent of the total world's production of cocoa originates from small-scale farmers (ICCO, 2014) and in Peru, the living conditions for cocoa farmers living in the jungle and highlands are very tough. It is not uncommon that they lack public services such as water and electricity due to a weak government in those rural areas. Traditionally, farmers in Peru struggle with poverty, meaning limited access to credits and education, which in turn affects the technology and agricultural development in their work. (Fernández, 2012) Hence, the ability for cocoa farmers to impact their already critical quality of life is very limited and includes a lot of challenges. As a response to the critical living conditions, farmers seek for more qualitative lives by moving to the cities. For example, almost three million people immigrated to the capital Lima in 2007, which is over 20 per cent higher than in 1993 (INEI, 2014c). This development is also in line with the worldwide urbanisation megatrend (PwC 2013, O'Sullivan, 2013).

Since third-party certifying NPOs (sometimes referred to as NGOs) became known as a promising solution for sustainability, literature on their actions has emerged but is still quite scattered. Most published studies focus on the effects of the Fairtrade certification, using the case of coffee farmers. The actions by certifications are most often focused on economic matters, and some prove very positive effects, mostly because of higher yields in the farmers' production (Arnould et al, 2009; Barham et al, 2011; Bolwig & Gibbon, 2009) showing that the increase in yields is more important than the actual price premium (Barham et al, 2011). Others find that even though higher prices are paid to the producer, the household income does not necessarily increase due to low volumes and higher labour costs (Méndez et al, 2010;

¹ In most literature, the terms "North" and "South" are used to represent differently developed regions, where "North" represents developed, often consuming, countries and "South" represents less developed, often producing, countries. In this study, these terms will be used as synonyms.

² Manufacturer of Marabou chocolate.

Ruben & Fort, 2012). However, Bacon (2005) argues that the main economic impact on farmers is that the farmers' vulnerability gets reduced with third-party certifications.

Barham et al (2011) conclude that economic impact is not all, and an integrated view is needed for solving the farmers' challenges. Some that have studied other effects than just economic impacts are Bacon et al (2008) and Arnould et al (2009), which show positive effects also on increased livelihood, such as increased education and health, due to third-party certification, even though Arnould et al (2009) do not get a significant relation.

As seen above, studies of the third-party certifications focus on the quantitative impacts of the certifications, proving or disproving promised impacts from the third-party certifying NPOs. Bacon et al (2008) however compare the actions of the third-party certifying NPOs with the challenges stated in the Millennium Development Goals (MDGs) (UN, 2001), but no literature is found that compares the actions of third-party certifying NPOs with the challenges mentioned by farmers themselves. Because of this, no conclusion can be made whether the work of the NPOs truly contribute to a more qualitative life for the farmers or not, which is a crucial factor for sustaining a sufficient cocoa supply in the future.

Either way, NPOs are clearly taking a greater role in the development and almost all studies on the subject conclude that NPOs play an important role in changing the farmers' conditions for the future. Many comment however that increased partnership and collaboration between NPOs, corporations, and governments within the industry will be important for sustaining a more qualitative life for farmers (Bacon, 2005; Bacon et al, 2008; Barham et al, 2011; Méndez et al, 2010; Taylor, 2005). However, it is still unclear whether the NPOs actually will serve as the single solution for creating a more qualitative life for the farmers, and if not, what role NPOs will serve in the future development.

In order to investigate this issue, this study will investigate the *true* challenges that cocoa farmers face in their strive for a more qualitative life and compare them with the actions taken by different NPOs in order to discuss what role NPOs might have in achieving a more qualitative life for the farmers.

The study is divided in chapters, starting with a theoretic chapter 2. *Theoretical Framework*, which presents literature about quality of life, NPOs and theories on how to achieve quality of life. Further, in chapter 3. *Method*, the research method will be explained as well as the analysis model used, data selection and validity. Chapter 4. *Findings* present findings divided by Challenges (for farmers) and Actions (made by NPOs) and analysis between the two is presented in 5. *Analysis*. Later, chapter 6. *Discussion* contains a discussion on the reasons to the results of the analysis. Finally, chapter 7. *Conclusion* contains conclusions on the research questions as well as implications.

1.1 Aim of the Study

The aim of this study is to investigate how the work of NPOs, especially third-party certifying NPOs, might improve the quality of life of Peruvian cocoa farmers in order to secure a sufficient future supply of cocoa. This will be studied by examining what challenges Peruvian cocoa farmers face in the strive for a qualitative life and what actions NPOs take in order to overcome these challenges, as well as how this work impact the development of a qualitative life.

1.2 Research Questions

In order to investigate the aim of this study, the following questions will be answered:

- What challenges do Peruvian cocoa farmers face in their strive for a more qualitative life?
- What actions do NPOs take in order to overcome these challenges?
- What role does NPOs have in the development of a more qualitative life for Peruvian cocoa farmers?

Disclaimer

The opinions expressed by the interviewees in the study may not reflect the opinions of the employing organisation.

2. Theoretical framework

In the theoretical framework three theory sections are included; Understanding Quality of Life, Understanding NPOs, and Achieving Quality of Life. These treat different areas that all are necessary in order to gain proper understanding of how to possibly reach quality of life. The first section *2.1. Understanding Quality of Life* intends to give an overview of the literature written about quality of life, explaining different approaches and dimensions. The possibility of measuring quality of life as well as intentions to do so will also be presented in this section. After giving a comprehensive understanding of the subject quality of life, the theoretical framework continues with the second theory section, *2.2. Understanding NPOs*. In order to explain the phenomenon NPOs, this section will explain why NPOs have emerged and what they are aimed to do. Also the concept of third-party certifying NPOs will be explained more explicitly together with how these have been discussed in the literature. Finally the third section *2.3 Achieving a Qualitative Life* is included in order to explain the complexity in achieving quality of life as well as different theories on what to focus on in order to achieve quality of life are explained.

2.1 Understanding Quality of Life

The enhanced focus on responsibility and sustainability has made various actors initiate actions in order to improve the quality of life for producers. This focus can also be seen within most governmental policies. Since the outcomes of social policies by governments often intend to increase quality of life, Schussler and Fisher (1985) argue that understanding the measure is crucial. Even though no universal model exists for quality of life, governments have tried to address quality of life in different aspects. For example, the government in Buddhist Bhutan has taken this one step further, having “gross national happiness” as the major goal (Bond, 2003).

Numerous authors have tried to create an explanation to the components of how to develop a qualitative life, often labelled as human development. Earlier, human development was argued to be explained solely by looking at a country's economic growth. However, this has lately been disproved by many. For example, Sen (1985) and Despotis (2005) show how countries with similar economy can be differentially effective in converting income to human development, which proves the need for other variables in measuring human development. Also Easterlin (1995) proves in a series of findings through time that there is no relation between raising incomes of all and increasing happiness of all. Nevertheless, Deaton (2008) argues that looking at economy is still important in the need of a benchmark and shows a very strong relationship between per capita GDP and life satisfaction. What could be an explanation is Veenhoven's (1990) findings that increased income will only increase happiness up to a certain income level where there is no poverty and low child mortality, for example.

Alkire (2002) argues that there are reasons for explaining human development in different dimensions. This is because of the importance to develop a multidimensional concept, offer practical solutions, as well as to increase the understanding of today's globalised world. She also argues that by describing human development through dimensions, people from different cultures and economies may make more informed and reflective choices.

2.1.1 Measuring Quality of Life

“In social investigation and measurement, it is undoubtedly more important to be vaguely right than to be precisely wrong” (Sen, 1990, p.45)

Many have made contribution to descriptions on dimensions of quality of life. The reasoning behind these dimensions could derive from empirical studies or just personal thoughts. One of the most influential, Nobel laureate Sen has together with Nussbaum (1993) developed a more complex approach, called the capability approach, which states that well-being can be described by a number of functions and capabilities that enable individuals to do what they want and thus have a qualitative life.

One fundamental issue of quality of life is the importance of considering cultural aspects when doing cross-cultural assessment (Alkire, 2002; Coons et al, 2000; Diener, 1984; Lindström, 1992; Saxena et. al, 2001; Saxena, 2005; Schimmack et al, 2002; WHOQOL Group, 1995). Since many of the measurements of quality of life are made in the North, they may exclude factors that are more important in Southern cultures, such as spirituality (Saxena, 2005), and collectivistic behaviour (Schimmack et al, 2002).

For example, in the case of culture within the cocoa industry, the cocoa producing countries in the South are in general more collectivistic, and the cocoa buyers and the chocolate producing countries in the North are more individualistic. Based on research made by the Hofstede Center (The Hofstede Center, 2014), if measuring individualism on a scale 0-100, cocoa producing countries measures between 10 – 30 while chocolate producing-countries measures 70 – 90 on the same scale.³

One organisation that has played an important role for the human development worldwide is the United Nations (UN). One of the member states' latest and most actual missions is the work with MDGs, signed by 189 states in 2000 to be achieved by 2015 (UN, 2001). Even though they might not be fully achieved in 2015, the MDGs are an important attempt to address the eight biggest challenges for human development on a global agenda and to channel global initiatives for an enhanced quality of life for all (Sachs, 2012).

Even though measuring quality of life seems to be an impossible task, one measurement from the UN is the Human Development Index (HDI), which measures human development in dimensions or domains. This will be described in further detail below.

2.1.1.1 Human Development Index

In 1990, the United Nations Development Program (UNDP) published their first annual Human Development Report (HDR) on world development. The report included the HDI, developed by professors ul Haq and Sen, grading countries on a scale 0-1, depending on their human development (UNDP, 1990). The HDI captures three basic components of human life: longevity (health), knowledge (education) and basic income for a decent living standard

³ Cocoa producers are defined as Nigeria, Ghana, Indonesia, Ecuador, and Peru, and chocolate producers are defined as Belgium, Switzerland, Sweden, United Kingdom, and USA.

(economy). The two first components refer to the formation of human capabilities, and income to “a proxy for the choices people have in putting their capabilities to use” (UNDP, 1990, p.14). The motivation of the selection of the measures is included in the HDI and can be seen in the HDR 1993 (UNDP, 1993, p.104):

Human development is a process of enlarging people's choices. In principle, these choices can be infinite and change over time. But at all levels of development, the three essential ones are for people to lead a long and healthy life, to acquire knowledge and to have access to resources needed for a decent standard of living. If these choices are not available, many other opportunities remain inaccessible.

This multidimensional measure was at its release a controversy from the previous sole focus on economic growth, and HDI has ever since been a remarkably successful addition to the human development discourse (Klugman et al, 2011). Hence, the construction of HDI has naturally been a subject of discussion by many. McGillivray (1991) argues that HDI is just another redundant composite development indicator with flaws, and that it should rather be seen as an ideological statement. Further, Srinivasan (1994) argues that the HDI is conceptually weak and points at several deficiencies within the calculation and the HDI's incomparability. Critique and arguments are also presented regarding the construction of the index formula and what factors to include in the index factors (see Desai, 1991; Stiglitz et al, 2009).

Constructive critique on improvements is suggested by Sagar and Najam (1998). They partially argue about the importance of including a sustainable aspect to the index, as they found a lack of aspects regarding environmentally sustainable development in the HDI. As an opposite, Neumayer (2001) rejects this argument of including a sustainable dimension due to its difference from human development as well the lack of a clear gain of development.

Since the time of its first release, the construction of HDI has been under development as a response to the critique. In 2010, the 20th HDR included a set of major changes to the index, including calculation changes and adjustments to what aspects to include in the calculations. Additionally, the HDR presented three new indices in order to further diversify the aspects on human development: the Inequality-adjusted HDI, Gender Inequality Index and Multidimensional Poverty Index. (UNDP, 2010) However, as argued by Klugman et al (2011), HDI has never aimed to be a perfect and exhaustive measure of human development, the index should rather be seen as a starting point of a development discussion rather than its endpoint.

2.2 Understanding NPOs

Ever since Weisbrod (1975) and Hansmann (1980) argued for increased dignity of the worldwide growing NPOs (sometimes referred to as NGOs) in society, NPOs have been seen as a third type of institution together with governments and corporations. Weisbrod (1975) describes the rise of the NPOs as a response to governmental initiatives, explained by the median voter phenomenon. Since governments are democratically voted, it will only initiate actions of interest of the median voter, which in turn will create two groups of dissatisfied voters; the ones wanting more public involvement and the ones wanting less public involvement. The ones wanting more public involvement are the ones most likely to start

NPOs in order to create an organization replacing the government in specific matters. (Weisbrod, 1975)

No specific definition of a NPO seems to exist (Salamon, 1994), other than its constraint to distribute profit (it is, however, allowed to *earn* profit) (Hansmann, 1980). However, there is a consensus that the rise of NPOs can be seen as a civil response to a malfunctioning government (Becchetti & Huybrechts, 2008; Najam, 2003; Salamon, 1994; Weisbrod, 1997). The rise of NPOs is today so obvious that NPOs has become a natural part of a society that coexists with governments in modern times (Grönbjerg & Paarlberg, 2001).

The relation between NPOs and government becomes obvious when looking at the products produced by NPOs. Literature divides outcomes from NPOs into *public goods* and *trust goods*. The *public goods* are goods traditionally produced by government that everyone in society can benefit from, such as healthcare and defence. Due to the uncertain demand and risk of free-riding, corporations will unlikely produce such goods. Further, *trust goods* are intangible goods that represent trust for an actor or institution. This has grown in the globalized world, where there is a great distance between producers and customers of products or services, making it difficult for the customers to follow up on how a service is performed (e.g. fair trade initiatives in Peru or Africa). Because there is a risk corporations may benefit from this information gap, products affiliated with NPOs will act as more trusted options for customers and thus offer a trust good. (Becchetti & Huybrechts, 2008; Ferris, 1998; Hansmann, 1980)

2.2.1 Third-Party Certifying NPOs

Today's increased focus on environmental and social sustainability (often described as the triple bottom line; profit, people, and planet (Elkington, 1994)), most usually lobbied by different NPOs, has fostered increased collaboration between institutions in order to improve the conditions and standards for producers in the South (Raynolds et al, 2004; Renard, 2005). This is explained as a response to the increased pressure during the 90s on corporations to take responsibility for the conditions for producers throughout their supply chain. As argued earlier, since corporations may have difficulties earning trust for their actions, especially in remote locations, many have voluntarily introduced different certification schemes in order to prove a certain standard on their product to their customers. This type of standard generally includes (1) a scheme of rules (or standards) for compliance and (2) an audit process. Companies may do the schemes themselves, but in order to strengthen the accountability of their actions, a new type of organisation has grown stronger: the third-party certification. Third-party certifications are often NPOs with their own developed standards and audits that a corporation voluntarily can adapt or include them in their supply chain. (Gereffi et al, 2001)

By being an external, and thereby a more objective, part, third-party certifying NPOs have become an important actor in the movement towards increased environmental and social sustainability by bridging the consumers in the North with the producers in the South. By providing consumers with further information about the conditions of the producers, the information gap and distance decrease and hence create a trust good (Raynolds, 2002; Hansmann, 1980). Different third-party certifying NPOs have different focus, where some of the biggest include standards for social justice and ecological matters within agro-food production. Through their standards, these organisations take governments' place and therefore

represent a shift from traditional public to modern private regulation (Raynolds et al, 2007). This way, the standard systems have grown to be a system of transnational private governance (Gereffi et al, 2001).

2.2.1.1 Criticism of Third-Party Certifying NPOs

Even though the third-party certifying NPOs have been successful actors for sustainability, they have not only been a subject of appreciation. Since starting as a movement from the Southern producers, the increased attention tends to turn the organisations into bureaucratic institutions, gaping their visions and goals (Renard, 2005). Growing with an increased number of stakeholders also means more parties involved when setting the standards. Recent literature discusses the topic of the marginalization of the small-scale producers as the distance between the third-party certifying NPOs and producers increases (Hatanaka, 2010; Mutersbaugh 2002; Renard, 2005).

Since many of the standards of third-party certifying NPOs are influenced by Northern ISO and EU standards, the ability to adapt the standards to local cultures in the south can be argued to be limited. Mutersbaugh (2002) and Hatanaka (2010) argue that this is one of the third-party certifying NPOs' main liabilities, which in turn may limit their effectiveness. Freidberg (2003) takes this argument further and explains that the third-party certifying NPOs as a new type of neocolonialism.

Konefal and Hatanka (2011) argue for the importance of a continuous development of the standards in order to keep a close relation to the producers and thus credibility for the third-party certifications. They suggest that the standards and audit processes should be accompanied with a clear feedback process from the producers to the standard setters in order to achieve closer relation and higher credibility.

Further, one common issue and critique against third-party certifying NPOs in their relation to the producers is the affiliated producers' lack of knowledge about the certifications' movement for increased environmental and social sustainability. Field research made by Valkilia and Nygren (2010) and Murray et al (2006) show that the producers do not understand the purpose of engagement and instead only focus on the short-term earnings. Because of this, questions arise about the true empowerments of the producers the third-party certifying NPOs create (Valkilia & Nygren, 2010), and the importance of educating the producers on the vision of increased environmental and sustainable development in order for them to fully utilize the long-term benefits, or else the incentive for being a certified producer will be lost (Murray et al, 2006).

2.3 Achieving a Qualitative Life

There are no quick fixes to achieve a qualitative life for everyone in a country. As argued earlier, many factors need to be taken into account and they are often interlinked. Simplifying quality of life as a linear relation to GDP per capita is not sufficient enough. For example, Lindström (1992) argue that the sole focus on GDP serves as a paradox in human development since the factors contributing to higher the standards of life of the population often are related to a lowering of the GDP per capita, such as social insurance or extended healthcare.

Hence, the difficulty lies within investing in the right factors and strengthen the country in different aspects in order to achieve a prosperous human development. Both Suri et al (2011) and Ranis et al (2000) prove a strong relationship between economic growth and human development in both ways, meaning economic growth foster human development and that human development foster economic growth. Also, Barro (1991) highlights the importance of human development, proving that if a poor country has high human capital (yielding human development) per person, in relation to their level of per capita GDP, they will economically catch up with the rich countries, but not otherwise.

There are also discussions on the relation between spendings on human capital and actual outcomes. For example, Gupta et al (2002) find that spendings on education do increase the education attainment. The same relation between spendings on health and outcomes on health services have also been proved, even though the relationship is weaker than the relation for education (Ogbu and Gallagher, 1992; Gupta et al, 2002). Baldacci et al (2008) find that education capital and health capital have positive contributions to output growth, but education capital contributes stronger than health capital. Also, they argue that education and health have strong interlinkages and that health capital contributes to the accumulation of education capital. Further, Mauro (1998) finds a relation between low governmental spendings on education, and to some extent health, and corruption in a country.

Clearly, there is a strong linkage between the three areas economy, education, and health in a country, and it is important to invest in all areas for a prosperous human development. Sachs et al (2004) explain that if a country only focuses on economy when trying to overcome poverty, it can get stuck in a poverty trap. A poverty trap is a vicious circle of events due to the fact that people are simply too poor to carry out the investments needed to overcome hunger, disease, and inadequate infrastructure. In turn, this will lead to low or negative economic growth per person, which yield higher poverty in future (Sachs et al, 2004). Sachs and McArthur (2005) explain that in order to overcome the poverty trap and make the countries achieve self-sustaining economic growth on their own, developed countries need to make investments in also health, education, and basic infrastructure, rather than just sending economic aid to defeat the poverty.

3. Method

This chapter aims to present the methods this study is formed by. Described is the *Research Design, Definitions, Data Selection, Data Gathering, Analysis Method and Validity*.

3.1 Research Design

This study is based on a qualitative research method, as it can give a deeper understanding of a phenomenon (Silverman, 2011). The choice of a qualitative method rather than a quantitative method is based on the aim of this study which seeks to examine the quality of life for Peruvian cocoa farmers by investigating true challenges faced by the farmers themselves, thus require a contextual and deep understanding of perceived quality of life.

Further, both deductive and inductive reasoning were used during this study. According to Bryman and Bell (2011), deductive studies mean collecting findings and observations based on a theory, while inductive studies reversely form theory based on observations and findings. Often, but not always, deductive studies use quantitative research methods while inductive studies often use qualitative research methods.

First, in order to confirm an analysis model regarding quality of life, deductive reasoning were used in this study, starting with examining theory regarding how to categorise quality of life, forming a hypothesis on the dimensions of quality of life. This hypothesis was derived from theories of human development stated by the HDR. The dimensions were tested during the first interviews which clearly confirmed that the three dimensions economy, education, and health are important components of quality of life. Further, as the empirical data within the dimensions of quality of life were gathered, an inductive approach was used in order to put the findings into a broader context. Hence, additional theory about human development was added to study the implications of the empirical findings.

3.1.1 Analysis Model

As argued earlier, an analysis model was needed to investigate quality of life for Peruvian cocoa farmers. Literature within the area of quality of life contains various models to choose from when creating a measurement (see e.g. Alkire, 2002). The aim with this study is however not to create a measure of quality of life but to investigate dimensions of quality of life from different perspectives. Hence, it is important to create limitations as to what dimension to study.

The dimensions used in this study are economy, education, and health and derive from the well-known UN measurement HDI, described in detail previously. The reason for this choice is mainly because of three factors. First, based on the reasoning behind the UN's description of the components of human development (UNDP, 1993, p. 104) "*...The three essential ones [choices] are for people to lead a long and healthy life, to acquire knowledge and to have access to resources needed for a decent standard of living*", the three dimensions economy, education, and health capture the components of human development. Secondly, the three dimensions form a simple model which is easy to understand and applicable worldwide. As Klugman et al (2011) argue: one of the reasons for the success of HDI is its simplicity. Third, even though criticised for its construction (Desai, 1991; McGillivray, 1991; Sagar & Najam, 1998; Srinivasan, 1994; Stiglitz et al, 2009), the HDI has never aimed to cover a complete

picture of human development, rather starting a discussion on the subject (Klugman et al, 2011). This is also in line with the purpose of this study: since it is not possible to capture a complete truth, but rather investigate perspectives on the reality for cocoa farmers.

In order to justify the dimensions, they were compared with the WHOQOL that investigates quality of life from a health perspective, often seen as the most rigorous measurement available that is adaptable for different cultures (Bowden & Fox-Rushby, 2003). This measurement is profoundly different from the HDI because of its focus on physical health. However, one of the WHOQOL domains is called "Environment" and focuses on the persons' physical environment. Here, questions are asked about economy, education and health which further justifies the chosen dimensions of interest and their relation to quality of life. (WHOQOL Group, 1995)

Moreover, the three areas of interest are also compared with the eight UN set MDGs (UN, 2001); (1) Eradicate extreme poverty and hunger, (2) Achieve universal primary education, (3) Promote gender equality and empower women, (4) Reduce child mortality, (5) Improve maternal health, (6) Combat HIV/AIDS, Malaria and other diseases, (7) Ensure environmental sustainability, and (8) Global partnership for development. Also here, the areas of economy, education, and health are present which is in line with previous literature presented.

Based on the above mentioned dimensions and concluding similarities to other measurements, the dimensions used in this study are; economy, education, and health.

3.2 Definitions

Below follows a description of concepts used in the study.

Economy - Farmers' access to financial resources.

Education - Access and quality of basic (primary) education, farming education and health education.

Health - Access and quality of healthcare such as hospitals and doctors.

Quality of Life - Access to factors increasing quality of life, here defined as economy, education, and health.

Human Development - The process in which quality of life increases. In the HDR from 1993 (UNDP, 1993, p.104) human development is defined as "(...) to lead a long and healthy life, to acquire knowledge and to have access to resources needed for a decent standard of living", hence health, education and economy are the dimensions of human development which aim to create a qualitative life.

Non-Profit Organisation (NPO) – This term is widely used and often referred to as Non-Governmental Organisation (NGO) or other similar organisations including voluntary, charitable, independent, or philanthropic organisations. NGOs often refer to entities created by governments, but not acting as government yet in close collaboration. (Najam, 2003) Since the focus of this study is on the third-party certification organisations that are all referred to as NPOs by themselves, the term NPO is used. However, the nature of these organisations may be very similar to the NGOs.

Third-Party Certifying NPO – The nature of these organisations is described further in the theory section, 3.2.1 *Third-Party Certifying NPOs*. These organisations act as NPOs, working together with corporations in order to approve certain standards they have developed. The approval of their standards is often seen as a label on certified products, making these organisations sometimes called 'labelling organisations'.

Cooperatives - A type of non-profit organisation (NPO), often founded by a set of farmers themselves, with up to ten thousands of associated farmers. The cooperative serves as the connection between the small-scale farmer and the world market by collecting cocoa from many farmers selling it to exporters. The cooperatives are also the parties that become certified by third-party certifying NPOs, either by certifying parts of or all of the farmers associated. The cooperatives often focus on giving the farmers the best possible price for their products through educating farmers in technical and agricultural matters. Many cooperatives also have different activities and projects impacting the quality of life of the farmers, for example within education and health areas.

3.3 Data Selection

Below, data selection is described divided in Field Study in Peru, NPOs, Companies, Farmers, and References.

Field Study in Peru

Knowing that Côte d'Ivoire, Indonesia and Ghana are the world top producing countries of cocoa in the world (FAOSTAT, 2014b), focus was however put on South America due to feasibility. Factors such as language difficulties, the level of development in the countries, as well as political situation were of impact. There are mainly three cocoa producing countries of interest in South America; Brazil, Ecuador, and Peru. The choice of Peru was mainly made due to its high concentration of high quality cocoa, but also based on the vast growth in cocoa exports during the 21st century. Peru also served as the world's second largest exporter of organic cocoa in 2007, showing an already developed trend of increased actions towards a sustainable cocoa production. (Promperú, 2008)

The field study was made during nine weeks in Peru. This timeframe limited the possible amount of interviews to be conducted. Focus was put on finding a diverse view on the farmers' quality of life by interviewing different actors within the industry. The following section describes the selected interviewees.

NPOs

The target group of the study is NPOs, which are categorised, in the following three groups; third-party certifying NPOs, cooperatives, and other NPOs. More information about the NPOs can be found in Appendix A.

Third-Party Certifying NPOs

According to recent studies by KPMG and TCC, the three largest third-party certifications within cocoa are Fairtrade, Rainforest Alliance, and UTZ (KPMG, 2012; TCC, 2010). This market dominance is also seen on the Swedish market. Personal contact with some of the biggest Swedish chocolate manufacturers, Mondelez and Cloetta, confirms this usage. Marabou only uses Rainforest Alliance certified cocoa in their products and Cloetta will turn solely to UTZ certified cocoa during 2014. Additionally, supermarkets such as ICA sell Fairtrade certified cocoa within their white-label Eco-line.

Out of these three major brands, the ones investigated in this study are Fairtrade and Rainforest Alliance. This is because these organisations have contact persons in both Sweden and Peru, which makes them of larger interest for this study.

Cooperatives

The cooperatives interviewed in this study are ACOPAGRO and CAC Alto Urubamba. Interviewing the cooperative ACOPAGRO was suggested by Rainforest Alliance, due to their progress within agricultural processes as well as the special conditions of the region where many of the farmers recently changed from coca to cocoa production. The selection of interviewing the cooperative CAC Alto Urubamba is based on the interest to interview a cooperative from another region than ACOPAGRO, but also their access to functioning e-mails and cell phones. Also, information about the cooperative was given during a conference administrated by APPCACAO, "Annual meeting for woman cocoa producers" on the 8th of March in Lima, Peru. The region of Cusco where CAC Alto Urubamba is located have both higher public expenditure per student in primary school as well as more doctors per capita than the San Martín region where ACOPAGRO is located (INEI, 2014d,e), why this comparison was of interest.

Other NPOs

Interviews were also conducted with NPOs other than third-party certifying NPOs and cooperatives, although working together with the cooperatives. These are APPCACAO, Central Café & Cacao, and SOS Faim. They are selected from recommendation made by previous interviewees and the existence of available and functioning contact information.

Companies

In order to get a more diverse picture of the situation for the cocoa farmers, an exporting company was interviewed (Ecoandino). The company has affiliated farmers and serve the same purposes as a cooperative in many ways. Ecoandino is chosen because they have a website providing functioning contact details.

Prior to the field study, interviews were also conducted with the Swedish chocolate manufacturers Mondelez and Cloetta in order to investigate their view on the cocoa industry. They were chosen due to their big market share in the Swedish chocolate market.

Farmers

Two farmers were interviewed in the study. The farmers were chosen because of their affiliation with the cooperative ACOPAGRO, which arranged the meeting with the farmers.

References

When referring to conducted interviews in the text as well as when quoting from the interviews, consideration has been taken with regards to the nature of the information. In cases where the specific professional position of the interviewee is important for the credibility this information is available. However, when the interviewee serve mainly as a person very familiar with the conditions of the Peruvian cocoa farmers or the nature of the industry, the exact position has not been specified. This is also the case when it could be in disadvantage for the interviewee to be acknowledged even by the position within the organisation. Although, information regarding which organisation the interviewee works for will be available in all cases.

In the cases where the specific position of the interviewee is not acknowledged, a classification into management, associate, auditor or farmer has been applied.

3.4 Data Gathering

Naturally, there are two types of data collection; primary data and secondary data (Collis & Hussey, 2009). Both types of data have been used in this study, and the processes of gathering the different types of data are described below.

3.4.1 Primary Data Collection

In the process of gathering data for the empirical findings, interviews were conducted with various actors present within the Peruvian cocoa industry in order to gain a complete understanding of the life of the Peruvian cocoa farmer as possible. Hence, interviewees represented third-party certifying NPOs, cooperatives, other NPOs, companies and farmers. How respective interviewee was chosen is described in detail in section 4.3. *Data Selection*.

Critique regarding the reliability can however be put towards the selection of interviewees. Since information technology is not very developed in Peru, it is difficult to find contact information to cooperatives and other NPOs, and nearly impossible to find contact information to farmers (especially since most lack access to electricity). Together with time limitations for conducting the field study, only a rather small number of NPOs, companies and farmers could be interviewed. Of the 21 interviews, only two were made with farmers. This is clearly a limitation to the study, which is explained by the difficulties in getting in touch with the farmers. Since most farmers live in very rural areas without any proper roads or ways to communicate, it is necessary to get help from a cooperative to meet farmers. For example, the farmers interviewed were reached by a 30h bus trip, 3h taxi ride, and finally a 40 minute moto taxi-ride with help from the cooperative ACOPAGRO. Hence, in order to interview more farmers for the study, more time would have been needed. However, many of the other

interviewees, such as persons at APPCACAO, Central Café & Cacao, and ACOPAGRO had all experience from being a cocoa farmer themselves, thus providing a true perspective of the life of a cocoa farmer in Peru.

During all interviews with persons affiliated to an organisation, there might be a bias relation and risk that the interviewee enhances the positive arguments. Hence, this has been taken into account when conducting the analysis, with respect to the difficulty to differentiate a bias from non-bias argument.

Prior to the interviews all interviewees have been prepared with the area of interest for the interview, however not what exact questions were to be asked. Because of this, they were not able to prepare exact answers. Most interviews were been recorded and later transcribed and translated to English directly after the interview. A complete list of how the interviews have been recorded can be found in Appendix C.

The vast majority of the interviews were conducted in a semi-structured way. Different interview questionnaires were used for different types of organisations and can be found in Appendix B. The choice of using semi-structured interviews is based on Bryman & Nilsson (2008) where one of the main reasons for a less structured method when making qualitative studies is to let the interview take new directions in order to gain understanding of the respondent's own experiences of what is relevant and most important. In order to achieve this, questions have also been formulated to be more open and in accordance with Bryman & Nilsson (2008), supplementary questions were asked depending on the interviewees' answers. However, one of the weaknesses discussed by Denscombe (2010) with using a semi-structured method is the so called "interviewer effect", meaning that the information the interviewee are willing to give is affected by how the interviewer is perceived. By clearly stating the purpose of the interview as well as the topics that are to be dealt with this effect can be diminished.

Additionally, what needs to be taken into consideration is that in the majority of the interviews there has been more than two people present, either interviewers or interviewees, which in accordance with Collis & Hussey (2009) might affect the answers given.

As a majority of the interviews were conducted in Spanish, the language barrier had to be taken into account, as the interviews couldn't be conducted in a common mother tongue. As one of the authors, Sandra Bowall, earlier both travelled in Peru and lived in Santiago, Chile, for six months, her understanding of the South American culture together with her Spanish skills lessened the cultural impact and the language barrier. Both authors also took a one-week intensive Spanish course when arriving in Peru in order to better cope with the language barrier.

3.4.2. Secondary Data Collection

The secondary data collected includes *Theory*, *Statistical Data*, and *Non Academic Sources*.

Theory

Theory was collected mainly by using the databases "Scopus" and "Web of Science". These provide two of the world's largest databases on theoretical articles. Searches have been made

on words such as “Quality of life”, “Third-party certification”, “Non-profit organisation”, and “Human development”. Further, articles were found in reference lists of other articles and chosen on the basis of number of citations in order to increase credibility. Articles have also been found from recommendations made by different representatives from the University of Gothenburg with knowledge in the subject.

In general, the theory about NPOs is rather old, but the theory about third-party certifications is mostly newly published since the phenomenon is quite new. Although what was found when conducting the literature review was that a considerable amount of the articles on the subject, also of the cited ones, were not published, hence not used in this study. Also, a fact that should be taken into account is that most theory about NPOs as a phenomenon used in this study are conducted in North America.

Theories regarding quality of life and human development used in this study are focused on the relationships between different types of human capital and economic growth. The theories are often based on empirical studies, proving or disproving relations between different factors. Most literature within the field is rather new, being from the later 20th and early 21st century.

Statistical Data

Different databases were used to retrieve different statistical information. The statistical database INEI is the Peruvian national institute of statistics and information responsible of coordinating and supervise the country's official statistics. (INEI, 2014f)

FAOSTAT is the statistical division of the UN Food and Agriculture Organization (FAO), providing statistics on the hunger, food and agriculture for 245 countries and territories worldwide. (FAOSTAT, 2014b)

OECD is the UN Organisation for Economic Co-operation and Development. They work as a platform where governments can collaborate with joint problems. Hence, in their database information regarding worldwide education levels (PISA) can be found. (OECD, 2014)

Non Academic Sources

In order to complete the study, also non academic sources are used. Especially when discussing how to define quality of life, many sources from the UN are used. Those are often based on academic research, yet the reports such as the HDR are not academic in itself. Similarly, the model used for describing quality of life was mainly built on theories derived from HDI. The first HDI report was published in 1990 and has ever since been a subject of discussion within theory, why most literature is from within this timespan. The theoretical scope defining the model can be argued to be rather narrow since a big emphasis is put on the UN organisations WHO, UNDP and the MDGs (created by the UN).

Further, in order to collect more data about the interviewed NPOs, their websites were used to find their stated aim and vision. From the third-party certifying NPOs, standard documents were also gathered from their websites.

Finally, data from business reports are used in the introduction to describe the current situation within the cocoa industry, such as a report from the Swedish Honorary Consulate in Peru, Credit Suisse, and PwC, which are all considered to be credible sources. Also newspaper articles are used twice in the study to illustrate the public concerns (Kennedys' confection and The Telegraph).

3.5 Analysis Method

After collecting empirical data, a gap analysis was made in order to investigate differences between challenges faced by the Peruvian cocoa farmers in their strive for a more qualitative life and what actions were taken by the NPOs, based on the three earlier confirmed dimensions of quality of life; economy, education, and health.

Collis and Hussey (2009) explain that there are three main features of qualitative data analysis; (1) Reducing data, (2) Restructuring, and (3) Detextualizing. Accordingly, in order to investigate the existence of gaps between challenges for farmers and actions performed by the NPOs, collected data was first reduced to only concern the confirmed dimensions of quality of life (economy, education, and health). Further, the data was restructured and mapped by the dimensions, challenges and actions, which illustrated clear discrepancies. Because of the qualitative nature of the findings, no detextualizing have been made with putting the data in diagrams, but rather an extensive theoretical discussion on the implications of the discrepancies found from restructuring the data were made.

Further, since this study is conducted in a cross-sectional manner, and does not illustrate development over time, no recommendations for the future can be made. Instead, the discussion gives a view of the situation for Peruvian cocoa farmers today.

3.6 Validity

In order to answer the research questions and fulfil the aim of the study different methods could be used. According to Esaiasson et al (2012) the validity problem increases with a bigger distance between the theoretical definition and operational indicator. Hence, to achieve a good operationalization of the research questions reasoning validity was used, implying a need for discussing advantages and disadvantages with different possible operationalization methods in order to find the optimal one.

One alternative method would have been to gather data through surveys with a number of Peruvian cocoa farmers. However, apart from the obvious difficulties with conducting a survey study due to the farmers' living condition, especially regarding communication issues as well as the illiteracy rate in the rural areas of the country, this method would also imply some restraints. In order to really understand the true challenges for the farmers the survey would limit the possibility for supplementary questions to gain deeper understanding of the interviewees' own experiences. Accordingly, it would not have been possible to compare the actions taken by NPOs with the true challenges for the farmers, thus not fulfil the aim of this study.

The study could also have been conducted by only analysing statistical data such as GDP per capita, illiteracy rate in the rural areas or doctors per capita, in order to analyse the farmers'

quality of life. Although again failing to find the true challenges. This type of data would have allowed a broader statistical set of data creating a different kind of analysis, however neither this method would then fulfil the aim of the study of comparing the true challenges for the farmers with the actions taken by the NPOs.

Further, if choosing interviews as the method for data gathering structured, semi-structured or unstructured interviews can be conducted (Denscombe, 2010) all generating different approaches. Although, with the aim to answer the research questions, semi-structured interviews (see section 4.4 *Data Gathering*) provides the best possibility to gain an understanding of the interviewees own experiences. Additionally, in order to get a more diversified picture of the challenges faced by the farmers as well as actions made by NPOs to overcome these, interviews have been conducted with farmers but also with persons well connected with the Peruvian cocoa industry. By only conducting surveys with a single actor within the industry (NPOs, corporations, or farmers) this broad picture would not have been possible.

In order to reflect the interviewee's own experiences regarding both the challenges for Peruvian cocoa farmers as well as for the action taken by the NPOs to overcome these challenges, yet also making sure to gain an understanding of all perspectives of quality of life, a combination of open and specific questions were used. Thus, starting with a general question treating the subject of what challenges the farmers face in the strive for a qualitative life, followed by supplementary questions (see Bryman & Nilsson, 2008) to gain a better understanding of the challenges. Then, more specific questions were asked regarding the perspectives of economy, health and education. The same was made to gain an understanding of the actions taken by the NPOs.

Further, to reach concept validity it is also important to decide whether to use impressions and observations or only to use the answers from interviewees as gathered data. In this study, analysis is only made from the interviewees' answers, because it is almost impossible to analyse other data due to cultural differences since the majority of the interviews were conducted in Peru. However, the authors understand that observations could be useful to study, especially as some of the topics within quality of life can be argued to be sensitive and therefore difficult to tell verbally. (Esaiaasson et al, 2012)

Theoretically, in order to define quality of life as economy, education, and health, the framework used by HDR was used. As explained in the theory chapter (*section 3.1 Understanding Quality of Life*), the true components of a qualitative life may be discussed in infinity. What defines a qualitative life may also be different for different persons. This is discussed in the theory of subjective well-being, where many argue (see Diener, 1984; Diener, 2000; Schimmack et al, 2002) that only quantitative measures can not decide a person's quality of life, hence it is rather about the perceived quality of life that matters. According to this, it is nearly impossible to generalise a few "true" areas that defines quality of life. However, based on the thoughts of the well-established organisation UN, the authors argue that the areas used in this study are important measures of what could be argued to be a qualitative life, although being aware that using only three components imply a risk of missing important variables.

4. Findings

In this section, empirical data is presented in accordance with the three dimensions economy, education, and health divided by *Challenges* and *Actions*.

4.1 Challenges

“We cannot say that the producers are having a good life, that would be a lie” – (Rainforest Alliance, 2014d)

When asking the interviewees about the biggest challenges for Peruvian cocoa farmers, the answers almost exclusively regarded challenges within the areas of economy, education and health. Even though described from different perspectives, they all agreed on the importance of the three areas as main components of a qualitative life. Additionally, none of the interviewees were able to point out one of the three as the most important factor, emphasizing the importance of the combination of improving all three aspects.

One other thing agreed upon were the severity of the challenges in the rural areas of Peru does not create a very tempting future for the next generation of cocoa farmers. Quotes like *“the youngsters think the countryside is a like a jail”* and *“no one wants to be a farmer”* (Rainforest Alliance, 2014a) were common when talking about the future with the interviewees. As a consequence, many sons and daughters of the farmers are searching for a more qualitative life in the cities.

4.1.1 Economy

Peru is a country with a vast economic growth during the last couple of years. However, this growth has not been distributed over the population. The differences are mainly seen between the urban (70 per cent) and rural population (30 per cent) leaving the distant rural population behind in many matters, especially public services. According to statistics from INEI, poverty level in the urban areas reached 17 per cent compared to 53 per cent in the rural areas 2012. (INEI, 2014b) Many of the interviewees witnessed about that rural areas lack access to public supplies such as electricity, potable water, and proper roads (Central Café & Cacao, 2014a; CLAC, 2014).

As a consequence of the lack of access to economic resources for many farmers, the search for money incentivises the *coca* farming, usually yielding more and faster money for the farmer. Some report that Peru nowadays serves as the world's largest producer of coca (The Telegraph, 2010), which in many cases equals cocaine production, drug trafficking and terrorism. Because of this, numerous projects (governmental DEVIDA for example) try to persuade coca farmers to farm other crops, such as cocoa.

“You need to understand our previous situation. My 4-year old son was running in the coca fields with a gun in his hands. Before we had more money, but we could not buy anything – now we do not have as much money, but we have an easier life”
Cocoa farmer, previous coca farmer (ACOPAGRO, 2014b)

Also, together with Peru's vast economic growth come higher prices. However, one interviewee explained that even though prices on chocolate have gone up for customers, the price given to the farmer has decreased in the last years, now only giving eight per cent of the customer price to the farmer (Rainforest Alliance, 2014a). Also, the prices on commodities as well as salaries in Peru have increased due to the economic growth, but not in line with the incomes of the cocoa farmers (Central Café & Cacao, 2014a). As one interviewee said – *“the product we sell won't make us rich”* (ACOPAGRO, 2014c).

As a consequence, farmers sometimes look for fast money. A cooperative and the exporting company explained that they experience a problem with farmers sometimes selling their products to intermediaries instead of through the cooperatives to get money faster when they are in need of cash. The intermediaries care less about quality and therefore pay a lower price. (Central Café & Cacao, 2014a; Ecoandino, 2014b)

As a cocoa farmer, there are however aspects on income that are possible to work with, either to increase the quantity of produced cocoa or increase the price of the cocoa by increasing the quality. These options were often mentioned as the major alternatives for farmers to increase their income. In order to increase the income, the challenge primary lies within education and how to farm with higher quality and higher productivity. These challenges will be discussed further within the section *5.1.2 Education - Farming Education*.

One structural challenge with increasing the quantity of produced cocoa lies within the size of the farms, almost exclusively being small-scale. A farm is normally between 0.5 – 3 Ha, which is why the cocoa farmers themselves have a difficult position negotiating with buyers. The size of the farm also limits the income, since there is a limit to how much cocoa can be produced. (Central Café & Cacao, 2014a; Ecoandino, 2014b; Rainforest Alliance, 2014b; Sos Faim, 2014a).

The other side of the economic challenges is naturally the cost-side. One important aspect of costs is the cost of capital and the ability to take loans for investments. Interviewed, farmers explained that one big challenge was that they would get a 50 per cent interest rate if they would ask for a loan from the bank (ACOPAGRO, 2014b,c), implying an almost impossible situation to invest in their farms.

4.1.2 Education

The educational challenges can be seen in three major areas for Peruvian cocoa farmers; basic education, farming education, and health education. These areas will be discussed in detail below.

Basic Education

Within the basic education, such as primary-school, Peru is not a high performer compared to other countries' PISA scores (OECD, 2013). Also, according to statistics from INEI, illiteracy is high in Peru and clearly illustrates the differences between the rural and urban population. Even though there has been a slight improvement, the last years, in illiteracy was three per cent in the urban areas and 16 per cent in the rural areas in 2012 (INEI, 2014a).

According to many interviewees, one major issue with the schooling system in Peru is the schooling system itself. Rainforest Alliance (2014a) commented, like many others, that the schooling system in Peru is “*very, very poor*”. SOS Faim explained that in Peru in total there are 500,000 schools, 40,000 of those lack electricity and many often also hygienic supplies such as toilets and water. These schools represent 60 per cent of the schools in the rural areas of Peru which is why it is a big problem. Additionally, he claimed that since the schools lack electricity, it is common that also the homes lack electricity, which makes it difficult for the children to do their homework. (SOS Faim, 2014a)

Many interviewees emphasized that the children want to go to school, and the parents as well as the cooperatives encourage them to educate themselves (ACOPAGRO, 2014a,b,c; APPCACAO, 2014a,b; CAC Alto Urubamba, 2014a; Central Café & Cacao, 2014a). However, this is many times difficult as the quality of the education is very poor and teachers do not always comply with their scheduled classes (CLAC, 2014; Rainforest Alliance, 2014a; SOS Faim, 2014a).

As a consequence of the very low level of basic education, the certification process is sometimes complicated since it requires a basic level of education in order to understand and comply with the standards. CLAC described that experienced challenges when trying to make uneducated farmers understand the concept of Fairtrade and the standards (CLAC, 2014). Additionally, the cooperative CAC Alto Urubamba expressed difficulties complying with the traceability requirements from Rainforest Alliance since some of their associated farmers are unable to read and write (CAC Alto Urubamba, 2014a).

Farming Education

Within farming education, challenges were found within both agricultural education and education on business knowledge.

Many interviewees discussed the importance of good agricultural knowledge for farmers. Due to poor knowledge, farmers struggle with low productivity and low quality on their cocoa, which in turn yield lower income (ACOPAGRO, 2014a; Central Café & Cacao, 2014a; Rainforest Alliance, 2014b). For example, a Rainforest Alliance associate (2014a) explained that the biggest challenge within quality is to standardise practice. For example, he explained that only in a small valley there can be 20 different ways of drying beans, which makes it impossible to sell all beans for the same price since the quality differs. Hence, standardised practice is crucial for a higher price matching the true quality (Rainforest Alliance, 2014a).

Another side of farming knowledge is business knowledge, where some commented that farmers usually are undereducated. SOS Faim (2014a) mentioned that farmers need to learn business management in order to become organised and work in cooperatives. APPCACAO (2014a) highlighted the importance of this by giving an example from the north of Peru where the result of farmers organising their businesses resulted in ability to export cocoa, which increased the income by tenfold or more.

Health Education

Within health education, many interviewees mentioned that one of the greatest challenges within health is the farmers' lack of knowledge about a healthy lifestyle. "*People do not understand they should drink clean water – education is key*" one Rainforest Alliance representative (2014b) said. Many also commented that farmers do not understand the importance of eating nutritious food, even though they have access to it, which sometimes can lead to sickness (Rainforest Alliance, 2014b; Ecoandino, 2014b). Another area where this becomes a problem is within the farming process, where some do not understand the importance of ergonomics and that techniques used in the farming process can be unhealthy, for example, that gas used in the production process is dangerous to inhale (Rainforest Alliance, 2014a,b).

4.1.3 Health

The challenges within health are mainly mentioned within two areas: challenges with health education (mentioned above) and structural challenges with providing healthcare. The structural challenges were often associated with lack of access to healthcare within a reasonable distance. Many interviewees commented that healthcare in general is poor in Peru, but clearly worse in the rural areas. If farmers have access to a hospital at all, they often provide poor professionals, medicines, and techniques (Rainforest Alliance, 2014a,b,c,d; CLAC, 2014). One interviewee said that "*the government send the poorest professionals where they are needed the most*" (Rainforest Alliance, 2014a). Specialist doctors are very rare and maternal mortality is a common problem in the rural areas (ACOPAGRO, 2014b). Unfortunately, many interviewees could tell revealing stories about the consequences of too remote hospitals. In general, as the regions to a large extent are governed by local governments, the level of public services varies a lot between regions. For example, interviewees in the Cusco region explained that there are no problems with finding either good schools or healthcare in the region (CAC Alto Urubamba, 2014a).

4.2 Actions

In order to deal with challenges for Peruvian cocoa farmers, many actors exist and operate on different levels. Most farmers (about 70 per cent according to Rainforest Alliance (2014d)) are affiliated with either exporting companies or cooperatives, which both function as the main connection between the farmer and the market. The vast majority of the interviewees highlighted the importance of the cooperatives, since the cooperatives give the farmers a market, and get in return a decent price for the product (Central Café & Cacao, 2014a). As a manager from the organisation Central Café & Cacao explained, the companies demand volume and the cooperatives set the prices. So, if there were no cooperatives, the companies would set the prices and they would be much lower. (Central Café & Cacao, 2014b)

4.2.1 Economy

In order to increase the available economic resources for the farmers, stakeholders act on both the income and cost side. On the income side, interviewed parties strived to increase both sold quantity and the price of the cocoa in different ways.

Quantity and Price

In order to increase quantity, organisations work with both increasing the market and the produced quantity. When talking to the cooperatives, the third-party certifications are often

seen as equal to new markets: hence, there are possibilities to increase sold quantity, rather than initiatives for a sustainable future. Cooperatives usually have two or more certifications and describe them as similar and relatively easy to acquire (Central Café & Cacao, 2014a; CLAC, 2014). For the farmers, what particular certification is applied is rather irrelevant (ACOPAGRO, 2014b,c). Further, actions within farming education will be discussed in section 5.2.2 *Education* below.

Other than quantity, the price is the driving factor for increased income. In order to increase the price, Peruvian cocoa farmers need to focus on the quality of their cocoa. Because of the structure of the world-wide cocoa supply (where 66 per cent is produced in Africa, (FAOSTAT, 2014a)), many interviewees commented that Peru will never be able to compete on cheap high-quantity cocoa, but rather with exclusive high-quality cocoa (APPCACAO, 2014b; Central Café & Cacao, 2014a).

Further, farmers can work on the type of cocoa they are farming. Central Café & Cacao (2014b) explained that by changing towards a higher quality cocoa (especially to the one named Criollo[4]), it is possible to increase the price up to 50 per cent, from 3,000 to 4,500 dollar per tonne, which they are helping the farmer to convert to. Another way to earn more money is to produce organically (which also can be certified through a third-party certification). In general, an organic crop yields 1 PEN (2,3 SEK) more per kilo, which is a big incentive (Central Café & Cacao, 2014a; Rainforest Alliance, 2014a).

Fairtrade

One third-party certifying NPO that has taken another approach to farmers' economy is Fairtrade. With the certification, farmers are given a specific minimum price for their products plus a Fairtrade premium which is assigned to social investments. Many interviewees mentioned that this is a big contribution to the quality of life for the farmers (APPCACAO, 2014a; CAC Alto Urubamba, 2014a). As an example, APPCACAO told about a major investment in drying facilities in the Piura region that never could have been done without the premium (APPCACAO, 2014a). Also, CAC Alto Urubamba explained that "*without the Fairtrade premium, we cannot help the small producers*" (CAC Alto Urubamba, 2014a).

CLAC said that the premiums help farmers to improve both their organisations and their lives. Fundamentally, most premiums in Peru go to programs within health and education. (CLAC, 2014).

Credits

On the cost-side of the economic situation, many parties worked with giving the farmers credits. Both the producing company Ecoandino and all interviewed cooperatives (ACOPAGRO, 2014a; CAC Alto Urubamba, 2014a; Central Café & Cacao, 2014a; Ecoandino, 2014b) commented that they offer credit services to the farmers for financing for example equipment or pre-payment of workforce. The NPO SOS Faim also explained that they can offer services within credits, by giving security services towards a bank (SOS Faim, 2014a). As an example, one farmer explained how he, thanks to a credit given by a cooperative, could

invest in a watering system, and why he no longer needed to be afraid of losing the whole family's income in case of drought. (ACOPAGRO, 2014b)

4.2.2 Education

As described earlier, challenges within education can be seen within the three areas basic education, farming education, and health education. Because of this, the activities found through the interviews are described with the same structure.

Basic Education

In order to work with the challenges faced within basic education, few actors were taking actions. Central Café & Cacao mentioned that some cooperatives worked on encouraging the children to go to school as well as helping farmers financially with buying school supplies (Central Café & Cacao, 2014a). In order to keep the teachers longer in school, CLAC also mentioned that organisations sometimes pay teachers to stay in the rural cities longer instead of travelling back to the big cities (CLAC, 2014).

Farming Education

As with the challenges, actions within farming education were found within agricultural education and business education.

The primary actions the interviewees stressed were improving the education on farming high quality cocoa. The cooperatives and the company interviewed commented that within quality, the third-party certifications play an important role assuring the market a certain quality (ACOPAGRO, 2014a; CAC Alto Urubamba, 2014b; Ecoandino, 2014b). As both APPCACAO and CAC Alto Urubamba explained it, the standards from the third-party certifications also serves as parameters for production and quality to relate to that more easily get the development on track (APPCACAO, 2014b; CAC Alto Urubamba, 2014a), and hence is as an important factor within farming education.

One other way of improving the quality is by using better technical equipment (often provided by cooperatives) as well as increasing the technical knowledge of the farmers. (ACOPAGRO, 2014a; CAC Alto Urubamba, 2014a; Central Café & Cacao, 2014a). Further, both Ecoandino and the cooperatives mentioned that they can support the farmers with investments and education for increased productivity, one of the key challenges for increased sold quantity of cocoa (ACOPAGRO, 2014a; Ecoandino, 2014a; CAC Alto Urubamba, 2014a).

Within business education, one very concrete example of an action was the organisation Central Café & Cacao that had developed their own educational program ESAF, including education within "Managing human resources in a farm", "Business management in a farm" and "Managing certification standards" (Central Café & Cacao, 2014a). Further, CLAC mentioned that many organisations choose to improve their administrative and organisational skills with help from the Fairtrade premium (CLAC, 2014). Rainforest Alliance also mentioned the importance of educating farmers on management. Hence, they highlighted that they look at the complete management of the organisation when auditing for certification. They claimed that being certified by Rainforest Alliance should not only be about following certain

standards, but understanding that everything about the business is integrated (Rainforest Alliance, 2014d).

Health Education

CLAC mentioned that they just finished a project where they taught young people about first aid. Some parties also had their own initiatives within health education, including nutritive education (APPCACAO, 2014b; CLAC, 2014), and information about how they can prevent injuries by working with more ergonomic methods and using proper protection (Rainforest Alliance, 2014a).

The majority of the interviewees (ACOPAGRO, 2014a; APPCACAO, 2014b; Rainforest Alliance, 2014a,b,c,d; Ecoandino, 2014b; CLAC, 2014) mentioned that they organised occasional initiatives in order to increase the awareness of a healthy lifestyle for the farmers.

4.2.3 Health

As mentioned above, actions within health are seen within education on health. Below, the very few actions to cope with the structural challenges with health are described.

The majority of the actions made within health focused on supplying extra healthcare where the care provided by the local governments was too poor. Some actors sent doctors to the farmers twice a year or even more, and some cooperatives interviewed had their own doctor stationed (APPCACAO, 2014a,b; CLAC, 2014; SOS Faim, 2014a). One Rainforest Alliance associate also commented that many farmers put their Fairtrade premium on different healthcare initiatives, such as providing gynaecological examination (Rainforest Alliance, 2014a).

5. Analysis

Looking at the empirical findings, the situation for Peruvian cocoa farmers is clearly critical. The farmers are struggling and there is an obvious need for improvement within many areas in order to achieve quality of life. However, the activities performed by different NPOs and companies interviewed have a huge impact in a truly positive way. Most interviewees looked at the future with high ambition and fighting spirit, convinced that better times are to come but can only be reached through a lot of work. They also agreed on that working with cooperatives is an important enabler for achieving an increased quality of life for the farmers. The work of the third-party certifying NPOs and other NPOs were very supporting and are also seen as important components for a more prosperous future. There were no doubt that third-party certifying NPOs do have a positive impact on the farmers, the challenge is rather about how to maximise the actions in order to achieve qualitative lives for all farmers in the future.

This chapter will first compare the challenges and actions presented in the empirical findings in order to analyse if there is a gap between the two. After the gap analysis the second part of the chapter aims to analyse whether the NPOs fulfil their visions in order to understand why potential gaps may arise.

5.1 Gap Analysis of Challenges and Actions

Comparing challenges faced by Peruvian cocoa farmers in their strive for a more qualitative life mentioned during the interviews and the activities performed by the different parties, there is an obvious gap found, especially within the education and health areas. This will be discussed in further detail below.

5.1.1 Economy

Focusing on access to economic resources, actions were mainly taken by NPOs to increase income, both by increasing sold quantity and price. Because of the small-scale nature of cocoa farms, most actions were taken to educate farmers on agricultural efficiency and how to produce more qualitative cocoa such as organic or Criollo cocoa. Further, on the cost side, cooperatives and the company interviewed offered help with credits to enable investments for the farmers (ACOPAGRO, 2014a; CAC Alto Urubamba, 2014a; Central Café & Cacao, 2014a; SOS Faim, 2014a; Ecoandino, 2014b).

5.1.2 Education

Within the education area, Peruvian cocoa farmers face many challenges. As mentioned earlier, NPOs were clearly focused on farming education, in order to increase the productivity as well as quality of their products. This was also argued to be the most important areas to focus on in order to increase access to financial resources. With the standards from the third-party certifying NPOs, pressure was put on the farmers to produce in line with certain standards, adding structure to the process itself which in turn enabled better managed processes. Some were also taking action on the business side of the farming education, and taught farmers management on their own farms (Central Café & Cacao, 2014a,b).

Regarding basic education, only a very few (Central Café & Cacao, 2014b; CLAC, 2014) were taking actions. However, the actions taken were not focused on the structural challenges with

the bad quality, and sometimes absence, of schools and unskilled teachers. Most interviewees commented that the structural challenges were up to the government to handle, not the NPOs.

Similarly, actions within the area of health education were very few. Some cooperatives were initiating their own programs and information campaigns on the subject, especially since the farmers' knowledge in the area was very low according to many interviewees. (ACOPAGRO, 2014a; APPCACAO, 2014b; Rainforest Alliance, 2014a,b,c,d; Ecoandino, 2014b; CLAC, 2014)

5.1.3 Health

The structural challenges within health for the Peruvian cocoa farmers were said to be similar to the challenges within education: the bad quality and sometimes absence of the facilities (hospitals) and quality of the professionals (doctors). Very few NPOs talked about actions within the area, only some described actions such as providing a doctor to farmers with a certain frequency, or single examinations when funding was provided. (APPCACAO, 2014a,b; CLAC, 2014; SOS Faim, 2014a)

5.1.4 Results of the Gap Analysis

As seen above, the findings are very clear that the main challenges for the Peruvian cocoa farmers to increase their quality of life lies within the areas of education (as in basic and health education) and health. This is mainly due to the bad quality, or even absence, of facilities (schools and hospitals) and professionals (teachers and doctors), which also are the areas where there is the least actions by the NPOs. Instead, most actions from the NPOs are focused on economic challenges.

This gap is not surprising when compared to previous studies. Just as Arnould et al (2009), Bolwig and Gibbon (2009), and Barham et al (2011) find, the third-party certifying NPOs do impact the economic situation, mainly by focusing on higher yields. Further, the low level of actions within the education and health areas are in line with the findings of Bacon et al (2008) and Arnould et al (2009), saying that impacts are found within education and health, even though the relation to affiliation with third-party certifying NPOs is rather uneven.

Further, as described earlier, many interviewees highlighted the importance of acting on both economic, education, and health areas. This is also highlighted by Suri et al (2011) and Ranis et al (2000), finding a strong interlinkage between economic growth and human development in both ways. Also Sachs and McArthur (2005) highlight the importance of investing in education and health when trying to overcome poverty. Hence, the gap with lacking actions within education and health areas implies that the NPOs do not contribute to creating a qualitative life for the farmers.

5.2 NPOs' Vision Fulfilment

In order to investigate the reasons to why NPOs do not engage more in education and health activities, the vision of the organisations can be studied. Either, NPOs are not fulfilling their visions to provide missing public goods, or either they are fulfilling their visions, however their visions are not in line with the areas investigated in this study. This will be explained in further detail below.

5.2.1 Third-Party Certifying NPOs' Vision

Even though theory argues that NPOs *should* engage in providing public good, NPOs do not necessarily *intend* to do so. For example, neither Rainforest Alliance nor UTZ state they should focus on education or health, only economic challenges for farmers, (Rainforest Alliance, 2014f; UTZ, 2014c). According to their standards, this is mainly done by educating farmers on farming knowledge for increased efficiency and increased quality (Sustainable Agricultural Network, 2010; UTZ, 2009). Fairtrade aims to promote more fair trading and focus mainly on the price of the products, yet also vision to make “*producers [...] enjoy secure and sustainable livelihoods, fulfil their potential and decide on their future*” (Fairtrade International, 2014). Hence, the economic challenges are in focus for the third-party certifying NPOs, which also is proved by the empirical findings.

5.2.2 Cooperatives' Vision

Looking at the cooperatives, their actions are very similar to the third-party certifying NPOs, not providing much public goods within education and health. One reason for this can be found in the aims of the organisations, just as with the third-party certifying NPOs. However, both cooperatives interviewed state that they aim to increase the quality of life of farmers and that this will be done by increasing the income for farmers through increased productivity and quality of their crops (CAC Alto Urubamba, 2014a; ACOPAGRO, 2014a).

Hence, the discrepancy lies within the definition of quality of life. The cooperatives associate the quality of life solely with increased income, while this study explains quality of life as a combination of economy, education, and health.

5.2.3 Other NPOs' Vision

The other NPOs interviewed, SOS Faim, APPCACAO, and Central Café & Cacao, worked with similar actions as the cooperatives, mainly by supporting the cooperatives. Even though operating on higher levels, the aims of these organisations are even less focused on quality of life than the other NPOs interviewed. SOS Faim state they work for a world without hunger and poverty by increasing the incomes for farmers by increasing efficiency and decreasing interest rates by offering help with credits (SOS Faim, 2014b). Further, APPCACAO vision to work for promoting the image of qualitative cocoa in Peru (APPCACAO, 2014e), and Central Café & Cacao work similarly, for promoting and improving Peruvian quality cocoa and coffee, and state that their work will “*strengthen the families*” (Central Café & Cacao, 2014c).

5.2.4 NPOs' Vision Fulfillment Analysis

Even though much of the work made by NPOs and affiliates is very positive and truly has an impact on the farmers' prosperity, the stated aims of the NPOs are very surprising. According to Weisbrod (1975) and Hansmann (1980), the purpose of the NPOs is to engage in governmental issues and provide “missing” public goods, such as education and health. And according to some (Becchetti & Huybrechts, 2008; Najam, 2003; Salamon, 1994; Weisbrod, 1997) the rise of the NPOs can be seen as a civil response to a malfunctioning government. Hence, the actions by the NPOs would be expected to be more focused on the areas of education and health. Probable reasons for this discrepancy will be discussed in the next chapter.

6. Discussion

Described in the end of the analysis chapter, there is a discrepancy between what the literature states that NPOs should do and what they aim to do. This discrepancy will be discussed further in this chapter, presenting three possible reasons from different perspectives; alternatively (1) the NPOs have insufficient (local) understanding, (2) they are too focused on the product, or (3) they are limited by external factors. These will be described in further detail below.

6.1 NPOs' Insufficient (Local) Understanding

One reason that the third-party certifying NPOs keep their focus on economic challenges could be that the standards are too general and global. As Freidberg (2003), Mutersbaugh (2002), and Hatanaka (2010) discuss, there might be a disconnection between the standards and the true challenges for the farmers. Interviews with CLAC (2014) and Rainforest Alliance (2014b) confirmed this, revealing that they experienced problems with standards that are too global. Hence, the reason for focusing on economy by third-party certifying NPOs may be because the economic challenges are much larger in other countries, such as in the major cocoa producing countries Côte d'Ivoire and Ghana in Africa.

One solution to this issue is, however, provided by Fairtrade through their Fairtrade premium. As described earlier, the premium is given to the cooperatives and is strictly meant to be spent on social development according to the democratic vote of the cooperative, with certain limitations. This way, farmers locally decide on how to distribute the premium and hence erase eventual disconnection between standard setters and actual beneficiaries.

6.2 Too Much Product Focus

Most activities by the NPOs focus on the economic challenges and in particular initiatives surrounding the product, cocoa, by increasing productivity, quality and education on farming. This creates a clear line between actions concerning the product and the producers' living conditions (such as increased access to and quality of education and healthcare). This focus might be driven by the industry's challenge with decreased cocoa supply, focusing on the product. However, can corporations really be responsible for challenges that do not concern their corporate focus and expertise - the actual product?

If focusing too much on the product when engaging in development actions, the true problem may not be solved. An example of this from the Pakistan football stitching industry is presented by Kahn et al (2007). There, corporations and NPOs tried to defeat child labour to erase consumer concerns about the production, but even though their actions lowered child labour, they also created a lot of other complications surrounding child labour which made the lives of the children and their families worse than before. As it turned out, most children and stitches preferred the old regime before the actions. Kahn et al (2007) explain "*what mattered, it seemed, was that the sensibilities of western consumers had been soothed, as the reputation of the branded balls was restored; that the NGOs had played their soothing role without raising awkward questions; and that manufacture of the balls would be uninterrupted so that the entertainment industry could be supplied, and damage to industry's profits averted*" (Kahn et al, 2007, p. 1070).

In this way, the actions by corporations and NPOs in Pakistan did not see the true problem and its interlinkages due to the lack of incentives to do so. Because of pressure from stakeholders, corporations and NPOs may experience difficulties with taking responsibility for the surrounding livelihood, or anything other than the product itself. This is similar to the critique of the third-party certifying NPOs with their North-lobbied standards, making them a new type of neocolonialism (Freidberg, 2003).

Even though the responsibility of producers' living conditions such as providing education and health may not always lie in the hands of the corporations, the sole focus on their own challenges may not serve as a solution. Since the biggest challenge for the cocoa farmers in Peru is not within productivity but within education and health, efforts are wrongly aimed. Accordingly, by solely putting focus on the product, they try to solve *their* challenge with future diminishing supply, making the actual beneficiary the corporation, not the farmer.

6.3 Limitations by External Factors

Explanations of the discrepancy between challenges for farmers and aims of NPOs may be found by looking at external factors such as cultural differences within public governance. As argued earlier, Grönbjerg and Paarlberg (2001) state that NPOs and government should co-exist. Hence, if NPOs should work with supplying public good, it is intelligible that some type of collaboration is needed with the government. As noticed by The Hofstede Center (The Hofstede Center, 2014), culture differs a lot between the Northern consuming and Southern producing countries, why it is of importance to address when assessing quality of life between countries (Alkire, 2002; Coons et al, 2000; Diener, 1984; Lindström, 1992; Saxena et. al, 2001; Saxena, 2005; Schimmack et. al, 2002; WHOQOL Group, 1995).

One representative from Rainforest Alliance explained "*in our countries, informality is cultural*" (Rainforest Alliance, 2014d). This cultural challenge may be one reason to why NPOs do not engage as much in public goods, since it might be too difficult to cooperate with the governments because of their lacking governance skills. For example, Sachs and McArthur (2005) also discuss this, saying that lacking public governance is one of the main reasons to why states fail to achieve the MDGs.

Also, during a talk with a representative from the Swedish consulate, an example was given about a rural municipality where top politicians do not use their whole annual budget because they do not know how to use it, but still ask for more money the next year. (Swedish Honorary Consulate, 2014). Hence, as various interviewees also confirmed (SOS Faim, 2014a; Rainforest Alliance, 2014c,d), it is not mainly the money that is the problem in Peru, it is the governance. This is also seen on farmer level. Described by APPCACAO (2014a) when farmers in the North of Peru gained knowledge in business management, they increased their exportation tenfold or more.

Additionally, funds and incentives aimed to help the farmers' situation may never reach the farmers as there are too many organisational difficulties along the way (SOS Faim, 2014a). Many interviewees witnessed the challenges with corruption in the country (CAC Alto Urubamba, 2014a,b; Central Café & Cacao, 2014b; Rainforest Alliance, 2014d). According to

the findings of Mauro (1998), high corruption may itself be a reason for low governmental spendings on education and health.

7. Conclusion

This study investigates the challenge to create a sustainable supply of goods by improving the quality of life for farmers, by using the case of Peruvian cocoa farmers. The true challenges for the cocoa farmers in their strive for a qualitative life are found, as well as NPOs' actions to overcome these challenges. Even though it is very unlikely that cocoa supply will *entirely* run out by a certain date, especially since the market tend to manage mismatches between supply and demand itself, a continued trend of decreased cocoa supply will most probably change the market conditions. How this will impact the chocolate manufacturers and the role of NPOs is impossible to tell, it will however probably lead to a change in resource distribution towards the farmers, meaning that the actors will face other types of challenges in the future.

Irrespectively, quality of life for the cocoa farmers is still of interest, not least from everyone's obvious right to have a qualitative life. Also from a corporate perspective, increased quality of life for the farmers would be of highest interest in order secure a sufficient future cocoa supply. Concluded from the empirical findings, the greatest challenges for Peruvian cocoa farmers in their strive for a qualitative life lie within education and health. These are however the areas where the least action are made by the NPOs. Instead, the main focus of the NPOs lies within overcoming the economic challenges for the farmers. Hence, the current actions taken by NPOs do not contribute to overcome the true challenges faced by the farmers. This contradicts earlier theories that NPOs should produce public goods, such as education and health, which are not sufficiently provided by the government (see Weisbrod, 1975 and Hansmann, 1980),

In the previous chapter, discussion regarding possible reasons for this discrepancy is made. The reasons discussed are insufficient local understanding of the third-party certifying NPOs, too much product focus, and limitations by external factors, such as inefficient public governance, which all seem to have one thing in common - the poor understanding of the farmers' true challenges. For third-party certifying NPOs, their standards tend to become too global due to the lack of understanding the true local challenges (Freidberg, 2003; Hatanaka, 2010; Mutersbaugh, 2002). Corporations risk investing in actions not supporting a more qualitative life due to the poor understanding of the true challenges (see Kahn et al, 2007). And finally, the Peruvian government may not be able to act on the true challenges due to lacking governance skills (see Sachs & McArthur, 2005), or they simply do not realise that increased public goods are needed within the education and health areas for the farmers.

Knowing this, the farmers seem to be isolated by an invisible information barrier, since almost no actor understand their true challenges and hence risk to act on other challenges than the ones actually being faced by the farmers. This barrier is also present from the opposite direction, as some show that the farmers rarely understand the true implications of being certified, even less the aims of the third-party certifying NPOs (Valkilia & Nygren, 2010; Murray et al, 2006).

Actors that however decrease this information barrier to the farmers are the cooperatives, providing an arena for discussing the true challenges together with the farmers and initiate actions accordingly. As found in the empirical findings, the cooperatives are very appreciated by most parties within the industry. The success of the cooperatives is also proven since the

other NPOs investigated (APPCACAO, Central Café & Cacao, and SOS Faim) work with strengthening the cooperatives. By the cooperatives, the farmers are invited to participate in a discussion about the challenges and hence provide a thorough understanding of their true situation.

Mentioned by many, collaboration between actors is seen as the key for future development. NPOs may serve as an important actor in this, but will not serve as a panacea for all challenges (Bacon, 2005; Bacon et al 2008; Barham et al, 2011; Méndez et al, 2010; Taylor, 2005). Emphasis should however be put on inviting the farmers in this collaboration, similarly to the model used by cooperatives. Doing this, the NPOs will play an important role by bridging the information barrier and enhance the understanding of the farmers' situation. Hence, third-party certifying NPOs may adapt their standards more correctly (see Konefal and Hatanka, 2011), corporations may focus their actions more accurate, and the government may supply the sufficient public goods and thus create a more qualitative life for the Peruvian cocoa farmers.

Suggestions for Further Research

Further research could be made regarding how farmers might be impacted by the future cocoa supply level and eventual market power shifts. Additionally, in this context it would also be interesting to see how the role of the NPOs changes if the conditions for farmers are impacted, as whether they still would focus on actions within economic areas or increase their activities within education and health. It would also be interesting to see if a similar investigation to the one conducted, made in other cocoa producing countries such as Ghana, to see if the same challenges and actions are found.

Further, in line with the discussion made earlier in this study, further research could be made on how to create a third-party certification standard with combined local and global understanding (preferably with higher involvement of the farmers), research on what responsibility corporations actually can take upstream and downstream their supply chain (see Scherer & Palazzo, 2011), as well as how an optimal collaboration between corporations, NPOs and government would work in order to achieve a higher quality of life for cocoa farmers.

7. References

For references regarding interviews, please see Appendix C.

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Appendix A – NPOs Used in This Study

Third-party Certifying NPOs

Fairtrade

Fairtrade was founded in 1997 and have today about 1150 certified producer organizations in their network in 70 countries with six million farmers and employees. (Fairtrade Sweden, 2014). Fairtrade's strategy aims to "promote sustainable development and to reduce poverty through fairer trade" (Fairtrade International, 2011, p. 4). Their compliance scheme together with giving farmers a determined Fairtrade price for their crops (in case the market price is below that value) and also a Fairtrade premium, they aim to "improve small producers' and workers' social and economic well-being, as well as to their empowerment, and to environmental sustainability" (Fairtrade International, 2011, p.4)

In South America, Fairtrade is working through a producer network called "CLAC" - Coordinadora Latinoamericana de Pequeños Productores de Café [Latin-American coordinator of small-scale coffee producers]. (CLAC, 2014b)

Rainforest Alliance

Founded in 1986, Rainforest Alliance's mission is to "conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices and consumer behaviour". They aim to do this by helping farmers to create greater economic benefits by protecting ecosystems within and around their operations, through environmental and social standards (Rainforest Alliance, 2014e).

Rainforest Alliance certify their forests and farms through "The Sustainable Agriculture Network" (SAN), a coalition of independent non-profit organizations promoting social and environmental sustainability of agricultural activities. SAN have certified 850 plantations and over 700 producer groups in 45 countries (SAN, 2010).

UTZ

Launched in 2002, UTZ Certified emerged from an idea about increased care for people and environment from a coffee producer in Guatemala and coffee roaster in the Netherlands. The name UTZ comes from "Utz Kapeh" which is Mayan and means "good coffee" (UTZ, 2014a) Today, UTZ Certified enables farmers to produce higher volumes at lower cost by improving their productivity, product quality and efficiency with care for people and environment. UTZ do this by their coaching farmers in technical and agronomical matters. Besides providing own training, UTZ also execute the certification and annual revision on the farms. (UTZ, 2014b)

UTZ have no office in Peru, but have worked with numerous cocoa cooperatives and producers in the country.

Cooperatives

ACOPAGRO

Located in the Huallaga Central valley in the San Martin region Peru, ACOPAGRO was founded as a cooperative in 1997. Then there were only 27 associates (farmers); today there are a bit over 2000 associates. The starting point for the cooperative was a UN program with focus on converting coca farmers towards cocoa farming instead, providing technical assistance, credits and organisational empowerment. (ACOPAGRO, 2014e)

Rainforest Alliance, Fairtrade, UTZ as well as various BIO certifications certify ACOPAGRO. (ACOPAGRO, 2014d)

CAC Alto Urubamba

Founded in 1966 and located in Quillabamba, Cusco region. The cooperative sell both cocoa and coffee beans and are certified by Fairtrade (CAC Alto Urubamba, 2014c). They have also started the process of receiving the Rainforest Alliance certification. (CAC Alto Urubamba, 2014a)

Other NPOs

APPCACAO

APPCACAO, Asociación Peruana de Productores de Cacao, [Peruvian association for cocoa producers] was founded after the second national cocoa meeting in 2004. Through its 20 associated cocoa cooperatives in Peru, APPCACAO represent more than 15 000 cocoa producers, having the aim of diminish the differences in profitability between these producers by providing information regarding international price levels, production methods or pricing. (APPCACAO, 2014f)

One of the events held by the organisation is the annual meeting for female cocoa producers, creating an arena for discussing important topics and share experiences. Another big event is the cocoa salon that is held once a year in order to promote Peruvian cocoa and chocolate. (APPCACAO, 2014b)

Central Café & Cacao

Founded in 2003 Central Café & Cacao work the cooperatives in order to help them empower themselves with regards to production systems within cocoa and coffee, organisational structure as well as human resources (Central Café & Cacao, 2014c). One method to achieve this have been their own educational programme, ESAF, including education and books within areas such as “Managing human resources in a farm”, “Business management in a farm” and “Managing certification standards” (Central Café & Cacao, 2014a).

Today they are associated with 13 cooperatives located in the centre and south parts of Peru. Having financial support from organisations such as Belgian SOS Faim, FONDOEMPLEO and USAID/Peru. (Central Café & Cacao, 2014c)

SOS Faim

Having 80 partners in 12 African and South American countries SOS Faim is based on two independent NGOs from Belgium and Luxembourg, hence getting donations from both countries. The main goal of the organisation is to reduce hunger and poverty in rural areas and this is to be achieved through supporting farmers in developing countries as well as raise awareness in Northern populations. (SOS Faim, 2014b)

In Peru the SOS Faim associate explained that their work can be divided into three strategies; (1) lobbying towards the politicians, mainly within the areas agriculture and family agriculture, (2) rural financing, helping cooperatives gain financing, (3) increase productivity through better organisational education. (SOS Faim, 2014a)

Appendix B – Interview Structures

Interview structure Third-party certifying NPOs

(Rainforest Alliance, CLAC)

Nature of the certification standards

- Please tell me about your organisation
[Por favor, dígame sobre su organización]
- What is your role in the organisation?
[¿Cual es su responsabilidad en la organización?]
- How many cocoa networks and farmers do you work with in Peru?
[¿Con cuántos agricultores y cooperativas de cacao trabaja en Perú?]
- How long has the organisation been in Peru?
[¿Hace cuando queda la organización en Perú?]

Perception of farmers' quality of life

- How is the situation today for Peruvian cocoa farmers?
[¿Como es la situación hoy, para los productores cacaoteros peruanos?]
→What are the biggest challenges that the cocoa producers face?
[¿Cuales son los desafíos más grandes, que tienen los cacaoteros?]
- Being a cocoa farmer today, what challenges lies within the following dimensions?
[¿Para un cacaotero hoy, cuales son los desafíos más grandes entre estas dimensiones?]
→Economy, education and health
[Economía, educación y salud]
- As the standards of the program to a large extent are developed in northern countries, do you experience any cultural clashes when working with the farmers?
- *[A medida que se desarrollan las normas del programa a un gran parte en los países del norte, ¿experiencia algunos choques culturales cuando se trabaja con los agricultores?]*
→How do you work in order to mitigate these clashes?
[¿Como se trabajan ustedes para reducir estas choques?]

Actions and dimensions included in the standards

Becoming certified

- How do farmers learn to know about your organisation?
[¿Cómo se aprenden los productores de su organización?]
- Why do cocoa farmers wish to be a part of your certification?
[¿Porque desean los productores ser certificadas de du organización?]
- What do the farmers need to do in order to become certified?
[¿Que tienen que hacer los agricultores para obtener la certificación?]
→Costs, changes in organisation and production
[Precios, cambios en la organización y en el producción]
- How you help farmers in becoming certified?
[¿Como ayudan a los productores para obtener su certificación?]

Being certified

- What do cocoa farmers get in return when they're certified?
[¿Que ganan los productores cuando están certificadas?]
→From your dimensions?
[¿De sus dimensiones?]
→From our dimensions? (economy, education, health)
[¿De nuestras dimensiones?(economía, educación, salud)]
- What is your contact with the farmers when being certified?

[¿Cual es su contacto con los productores después de que los están certificados?]

Future

- How do you believe your standards will develop in the future?
[¿En el futuro, como piensa las normas van a desarrollar?]
- How and why will the program grow?
[¿Como van a desarrollar su programa, y porque?]

Interview structure Other NPOs

(APPCACAO, Central Café & Cacao, SOS Faim)

Nature of the organisation

- Please tell about your organisation
[Por favor, dígame sobre su organización]
- What is your role in the organisation?
[¿Cual es su responsabilidad en la organización?]
- How many cocoa networks and farmers do you work with in Peru?
[¿Con cuántos agricultores y cooperativas de cacao trabaja en Perú?]
- How long has the organisation been in Peru?
[¿Hace cuando queda la organización en Perú?]

Relation to farmer

- How do farmers learn to know about your organisation?
[¿Cómo se aprenden los productores de su organización?]
- What is your relation to the cocoa farmers once being a part of your network?
[Cual es su contacto con los productores cuando están un miembro del su red?]

Perception of farmers' quality of life

- How is the situation today for Peruvian cocoa farmers?
[¿Como es la situación hoy, para los productores cacaojeros peruanos?]
→What are the biggest challenges that the cocoa producers face?
[¿Cuales son los desafíos más grandes, que tienen los cacaojeros?]
- Being a cocoa farmer today, what challenges lies within the following dimensions?
[¿Para un cacaojero hoy, cuales son los desafíos más grandes entre estas dimensiones?]
→Economy, education and health
[Economía, educación y salud]
- What role do you believe that NPO's will play in the development of the cocoa farmers quality of life?
[¿Que función, piensa que ONGs van a tener en el desarrollo del cualidad de vida de los productores de cacao?]
→What dimensions will be affected?
[¿Cuales dimensiones van a ser afectados?]
→What is good and what can be better?
[¿Que funciona bien y que puede mejorar?]

Future

- How do you believe your organisation will develop in the future?
[¿En el futuro, como piensa que su organización va a desarrollar?]
- How do you believe the quality of life for Peruvian cocoa farmers will develop in the future?
[¿En el futuro, como piensa que la calidad de vida va a desarrollar?]
- Who will be the most influential part in the development, the government, corporations or organisations such as Fairtrade, Rainforest Alliance or UTZ?
[¿Que instancia va a influir el desarrollo más, gobierno, el gobierno, empresas o organizaciones como Comercio justo, Rainforest Alliance, UTZ?]

Interview structure farmers

Background information

- For how long have you been a cocoa farmer?
[¿Cuántos años ha producido el cacao?]
- Since when are you a member of the cooperative?
[¿Desde cuándo esta usted un socio de la cooperativa?]
- Are you producing other products than cocoa?
[¿Está usted produciendo otros productos distintos del cacao?]

Being member of a cooperative

- What is the biggest difference between being part of an cooperative and not?
[¿Cual es la diferencia más grande entre ser un socio de una cooperativa y no?]
- What does your cooperative help you with?
[¿Con que puede ayudar su cooperativa?]
- How is your life now compared to before being an associate in the cooperative?
[¿Cómo esta su vida a hora en comparación a antes que había socio de la cooperativa?]

Perception of quality of life

- Can you describe a normal week on the farm?
[¿Puede describir una semana normal en la finca?]
- What are the biggest challenges with being a cocoa farmer?
[¿Cuáles son los desafíos más grandes de ser un cacaotero?]
- What are the biggest challenges within health?
[¿Cuáles son los desafíos más grandes en la tema de salud?]
 - Are there any doctors?
[¿Hay médicos?]
- What are the biggest challenges within education?
[¿Cuáles son los desafíos más grandes en la tema de educación?]
 - Do the children go to school?
[¿Los niños van a la escuela?]
- What are the biggest economical challenges?
[¿Cuáles son los desafíos económicos más grandes?]

Third-party certifications

- In what way have the certifications impacted your life?
[En que manera han afectado su vida los sellos?]
- What impact do you have on the standards?
[¿Qué impacto tiene usted en las normas?]

Future

- Do your children want to become cocoa farmers in the future?
[¿Sus hijos, quieren trabajar como cacaoteros en el futuro?]
 - Do you or your cooperative work with any incentives for the children to stay on the farms?
[¿Trabaja usted o la cooperativa con incentivos para que los niños a mantenerse en las fincas?]
 - If there would be any new projects starting here, what would be the best help?
[Si hubiera cualquier nuevo proyecto comienzan aquí, ¿qué sería lo mejor tema de la ayuda?]
 - What do you think about the future?
[¿Qué piensa usted sobre el futuro?]
-

Interview structure Exporting Company

(Ecoandino)

Nature of the organisation

- Please tell me about your company
[Por favor, dígame sobre su compañía]
- What is your role in the organisation?
[¿Cual es su responsabilidad en la organización?]
- How many cocoa networks and farmers do you work with in Peru?
[¿Con cuántos agricultores y cooperativas de cacao trabaja en Perú?]
- How long has the organisation been in Peru?
[¿Hace cuando queda la organización en Perú?]

Relation to farmer

- How do farmers learn to know about your organisation?
[¿Cómo se aprenden los productores de su organización?]
- What is your relation to the cocoa farmers once being a part of your network?
[Cual es su contacto con los productores cuando están un miembro de su red?]

Perception of farmers' quality of life

- How is the situation today for Peruvian cocoa farmers?
[¿Como es la situación hoy, para los productores cacaoteros peruanos?]
→What are the biggest challenges that the cocoa producers face?
[¿Cuales son los desafíos más grandes, que tienen los cacaoteros?]
- Being a cocoa farmer today, what challenges lies within the following dimensions?
[¿Para un cacaotero hoy, cuales son los desafíos más grandes entre estas dimensiones?]
→Economy, education and health
[Economía, educación y salud]
- What role do you believe that NPO's will play in the development of the cocoa farmers quality of life?
[¿Que función, piensa que ONGs van a tener en el desarrollo del cualidad de vida de los productores de cacao?]

→What dimensions will be affected?

[¿Cuales dimensiones van a ser afectados?]

→What is good and what can be better?

[¿Que funciona bien y que puede mejorar?]

Future

- How do you believe your company will develop in the future?
[¿En el futuro, como piensa que su compañía va a desarrollar?]
- How do you believe the quality of life for Peruvian cocoa farmers will develop in the future?
[¿En el futuro, como piensa que la calidad de vida va a desarrollar?]
- Who will be the most influential part in the development, the government, corporations or organisations such as Fairtrade, Rainforest Alliance or UTZ?
[¿Que instancia va a influir el desarrollo más, gobierno, el gobierno, empresas o organizaciones como Comercio justo, Rainforest Alliance o UTZ?]

Interview structure cooperatives

(ACOPAGRO, CAC Alto Urubamba)

Nature of the cooperative

- Please tell me about your organisation
[Por favor, dígame sobre su organización]
- What is your role in the organisation?
[¿Cual es su responsabilidad en la organización?]
- How many farmers do you work with?
[¿Con cuántos productores trabaja?]

Relation to farmer

- How do farmers learn to know about your cooperative, do you find them or do they find you?
[¿Como se aprenden los productores de su cooperativa, ellos buscan a ustedes o ustedes buscan a ellos?]
- What is your contact with the cocoa farmers once being a part of the cooperative?
[¿Cual es su contacto con los productores cuando están un miembro de la cooperativa?]

Perception of farmers' quality of life

- How is the situation today for Peruvian cocoa farmers?
[¿Como es la situación hoy, para los productores cacaoteros peruanos?]
 - What are the biggest challenges that the cocoa producers face?
[¿Cuales son los desafíos más grandes, que tienen los cacaoteros?]
- Being a cocoa farmer today, what challenges lies within the following dimensions?
[¿Para un cacaotero hoy, cuales son los desafíos más grandes entre estas dimensiones?]
 - Economy, education and health
[Economía, educación y salud]

- What role do you believe that NPO's will play in the development of the cocoa farmers quality of life?
[¿Que función, piensa que ONGs van a tener en el desarrollo del cualidad de vida de los productores de cacao?]
 - What dimensions will be affected?
[¿Cuales dimensiones van a ser afectados?]
 - What is good and what can be better?
[¿Que funciona bien y que puede mejorar?]
- How do you work with certifications?
[¿Como trabajan con sellos?]

Future

- How do you believe your cooperative will develop in the future?
[¿En el futuro, como piensa que su cooperativa va a desarrollar?]
- How do you believe the quality of life for Peruvian cocoa farmers will develop in the future?
[¿En el futuro, como piensa que la calidad de vida va a desarrollar?]
- Who will be the most influential part in the development, the government, corporations or organisations such as Fairtrade, Rainforest Alliance or UTZ?
[¿Que instancia va a influir el desarrollo más, gobierno, el gobierno, empresas o organizaciones como Comercio justo, Rainforest Alliance, UTZ?]

Appendix C - Interview Overview

Date	Reference	Type of organisation	City	Country	Role	Type of meeting	Interview language	Type of method	Type to recording
2014-03-18	ACOPAGRO-a	Cooperative	Juanjuí	Peru	Management	Meeting	Spanish	Semi-structured interview	Recorder + Notes
2014-03-18	ACOPAGRO-b	Cooperative	Juanjuí	Peru	Farmer	Meeting	Spanish	Semi-structured interview	Notes
2014-03-18	ACOPAGRO-c	Cooperative	Juanjuí	Peru	Farmer	Meeting	Spanish	Semi-structured interview	Notes
2014-03-18	ACOPAGRO-d	Cooperative	Juanjuí	Peru	Associate	Meeting	Spanish	Semi-structured interview	Recorder + Notes
2014-03-10	APPCACAO-a	Other NPO	Lima	Peru	Management	Meeting	Spanish	Semi-structured interview	Recorder + Notes
2014-03-10	APPCACAO-b	Other NPO	Lima	Peru	Management	Meeting	Spanish	Semi-structured interview	Recorder + Notes
2014-03-10	APPCACAO-c	Other NPO	Lima	Peru	Management	Meeting	Spanish	Semi-structured interview	Recorder + Notes
2014-03-10	APPCACAO-d	Other NPO	Lima	Peru	Management	Meeting	Spanish	Semi-structured interview	Recorder + Notes
2014-03-28	CAC Alto Urubamba-a	Cooperative	Quillabamba	Peru	Management	Meeting	Spanish	Semi-structured interview	Recorder + Notes
2014-03-28	CAC Alto Urubamba-b	Cooperative	Quillabamba	Peru	Management	Meeting	Spanish	Semi-structured interview	Recorder + Notes
2014-03-25	Central Café & Cacao-b	Other NPO	Lima	Peru	Management	Meeting	Spanish	Semi-structured interview	Recorder + Notes
2014-03-10	Central Café & Cacao-a	Other NPO	Lima	Peru	Management	Meeting	Spanish	Semi-structured interview	Notes
2014-03-04	CLAC	Third-party certifying NPO	Lima	Peru	Management	Meeting	Spanish	Semi-structured interview	Recorder + Notes
2014-02-07	Cloetta	Chocolate retailer	Linköping	Sweden	Director Corporate Responsibility Communications and IR	Meeting	Swedish	Semi-structured interview	Notes
2014-03-12	Ecoandino-a	Exporting company	Lima	Peru	Management	Meeting	Spanish	Semi-structured interview	Recorder + Notes
2014-03-12	Ecoandino-b	Exporting company	Lima	Peru	Management	Meeting	Spanish	Semi-structured interview	Recorder + Notes
2014-01-07	Mondelez	Chocolate retailer	Upplands Väsby	Sweden	Public Affairs Manager	Telephone meeting	Swedish	Semi-structured interview	Recorder + Notes
2014-03-03	Rainforest Alliance-a	Third-party certifying NPO	Lima	Peru	Management	Meeting	Spanish/English	Semi-structured interview	Recorder + Notes
2014-03-06	Rainforest Alliance-b	Third-party certifying NPO	Lima	Peru	Management	Meeting	Spanish	Semi-structured interview	Recorder + Notes
2014-03-21	Rainforest Alliance-c	Third-party certifying NPO	Lima	Peru	Auditor	Meeting	Spanish	Semi-structured interview	Recorder + Notes
2014-03-21	Rainforest Alliance-d	Third-party certifying NPO	Lima	Peru	Management	Meeting	Spanish	Semi-structured interview	Recorder + Notes
2014-03-25	SOS Faim	Other NPO	Lima	Peru	Associate	Meeting	Spanish	Semi-structured interview	Recorder + Notes
2014-02-13	Swedish Honorary Consulate	Swedish Honorary Consulate	Lima	Peru	Commercial Officer	Meeting	Swedish/English	Unstructured interview	Notes