

MEETING SUSTAINABILITY GOALS

VOLUNTARY SUSTAINABILITY STANDARDS AND THE ROLE OF THE GOVERNMENT

2nd Flagship Report of the United Nations
Forum on Sustainability Standards (UNFSS)



UNFSS | United Nations Forum on Sustainability Standards



A Platform of International Dialogue on Voluntary Sustainability Standards



About the UN Forum on Sustainability Standards (UNFSS)

The United Nations Forum on Sustainability Standards (UNFSS) is a platform created to analyze voluntary sustainability standards (VSS) and disseminate information about them.

UNFSS is rooted in existing mandates and activities of participating United Nations agencies. Its value lies in pooling resources, synchronizing efforts and assuring policy coherence, coordination and collaboration, in line with the “One UN” concept. UNFSS is coordinated by a steering committee consisting of Food and Agriculture Organization (FAO), International Trade Centre (ITC), United Nations Conference on Trade and Development (UNCTAD), United Nations Environment Programme (UNEP), and United Nations Industrial Development Organization (UNIDO). UNFSS works in partnership with VSS experts representing civil society, producer associations, processors and traders, standard-setting organizations and certifiers, trade negotiators, consumers, and researchers.

UNFSS facilitates dialogue and knowledge exchange, providing a forum for intergovernmental actors to communicate with each other and their target groups to address information needs and influence concerned stakeholders.

About the Report

The UNFSS Steering Committee, consisting of the members representing the five UN agencies (FAO, ITC, UNCTAD, UNEP and UNIDO), derived the outline of this report. Chapter I of the report was written for UNFSS by Mai-Lan Ha (Senior Research Associate) and Jason Morrison (Program Director, Corporate Sustainability Program) of the Pacific Institute.* Mai-Lan Ha also helped Chapter II of the report by collecting valuable commentaries from eminent VSS experts: Daniele Giovannucci (Committee on Sustainability Assessment/COSA), Rainforest Alliance, Aimée Hampel-Milagrosa (German Development Institute/DIE), Pieter Glasbergen (Maastricht University International Centre for Integrated assessment and Sustainable development/ICIS), Ulrich Hoffmann (Research Institute on Organic Agriculture/FiBL), Halina Ward, International Organization for Standardization (ISO) and Norma Tregurtha and David D’Hollander (ISEAL Alliance). Miho Shirotori of UNCTAD edited the report on behalf of UNFSS. Susan Graham and Maxim Gubarev of UNCTAD proofread the report, and Jenifer Tacardon-Mercado formatted it for the web-based publication. Rafe Dent helped with uploading the report to the UNFSS website (www.unfss.org). Santiago Fernandez de Cordoba of UNCTAD, with a help from Paul Kuku of UNCTAD, overcame administrative challenges to make this report come true.

*Mai-Lan Ha is Senior Research Associate, and Jason Morrison is Program Director of Corporate Sustainability Program of the Pacific Institute. For the past three decades, the Pacific Institute has focused on finding real world solutions to problems like water shortages, global warming, and environmental justice. Since 1987, Pacific Institute has cut across traditional areas of study and actively collaborated with a diverse set of stakeholders, including leading policymakers, scientists, corporate leaders, international organizations such as the United Nations, advocacy groups, and local communities. This interdisciplinary and independent approach helps bring diverse groups together to forge effective real-world solutions.

CONTENTS

Chapter I Voluntary Sustainability Standards and the Public Interests

A.	The Promise of Voluntary Sustainability Standards (VSS)	1
	Impacts of Voluntary Sustainability Standards.....	2
	1) Economic Benefits.....	3
	2) Environmental Benefits	3
	3) Social Benefits.....	3
	Challenges Facing VSS	4
B.	Governments and VSS: Driving Transformational Changes.....	7
	The Drivers for Government Involvement with VSS.....	7
	1) Setting Underlying Conditions for Effective VSS Implementation	8
	2) Tailoring VSS for Local Applicability.....	9
	3) Aligning Public Policy Goals with VSS to Amplify the Benefits	10
	4) Facilitating Multi-stakeholder Partnerships for VSS.....	10
	Rationales for VSS Engagement with the Public Sector.....	12
C.	VSS, International Trade Regime, and the Potential for Meta-Governance.....	13
	VSS and the WTO Agreements	13
	VSS and “Mega” Regional Trade Agreements	14
	The Potential for “Meta-Governance”	15
D.	Concluding Thoughts.....	16

Chapter II Contributions from Experts

“Measuring the success of Sustainability Standards is the key”	
- Committee on Sustainability Assessment (COSA)	23
“Governments can promote national-level standards to achieve sustainability outcome”	
- Rainforest Alliance	26
“Success of VSS depends on the national sustainable development strategies”	
- Aimée Hampel-Milagrosa, German Development Institute (DIE)	29
“Are Southern governments reclaiming sustainability standard-setting?”	
- Pieter Glasbergen	32

“Business-as-usual is insufficient against the scale of required fundamental changes” - Ulrich Hoffmann	35
“Use an actor-centered approach when specifying the government’s role vis-à-vis VSS” - Halina Ward	39
“Can we improve the accountability of Voluntary Sustainability Standards?” - Response from International Organization for Standardization (ISO)	43
“Governments and VSS can work together to achieve transformational outcome” - Norma Tregurtha and David D’Hollander, ISEAL Alliance	46



UN Photo by Martine Perret



ACRONYM DEFINITION

ANH	National Agency for Hydrocarbons
BCI	Better Cotton Initiative
CmiA	Cotton made in Africa
COSA	Committee on Sustainability Assessment
CSPO	Certified Sustainable Palm Oil
CSR	Corporate social responsibility
EO	Equitable Origins
FAO	Food and Agriculture Organization
FIBL	Research Institute on Organic Agriculture
FSC	Forest Stewardship Council
GAP	Good Agricultural Practices
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
IAM	Government's Cotton Institute of Mozambique
ICIS	International Centre for Integrated assessment and Sustainable development
ICREA	International, Commodity-related Environment Agreements
IDH	Sustainable Trade Initiative
IFOAM	International Federation of Organic Agriculture Movements
IIED	International Institute for Environment and Development
IISD	International Institute for Sustainable Development
ILO	International Labour Organization
IOB	Policy and Operations Evaluation Department, Ministry of Foreign Affairs, the Netherland
ISO	International Organization for Standardization
ISPO	Indonesian Standard for Palm Oil
ITC	International Trade Centre
ITF-HEOA	International Task Force on Harmonization and Equivalence in Organic Agriculture
IUCN	International Union for Conservation of Nature
MSC	Marine Stewardship Council
NAFTA	North American Free Trade Agreement
NGOs	Non-governmental Organizations
NPR	Non-product-related
OECD	Organization for Economic Cooperation and Development
PEFC	Programme for the Endorsement of Forest Certification
PPMs	Process and productions methods
PSS	Private sustainability standards
RSPO	Roundtable for Sustainable Palm Oil
SAN	Sustainable Agriculture Network
SDGs	Sustainable Development Goals
SMEs	Small and medium-sized enterprises
SPS	Application of Sanitary and Phytosanitary Measures
STDI	Standards and Trade Development Facility
TBT	Technical Barriers to Trade
TPP	Trans-Pacific Partnership

TTIP	Transatlantic Trade and Investment Partnership
UNCTAD	United Nations Conference on Trade and Development
UNDESA	United Nations Department of Economic and Social Affairs
UNEP	United Nations Environment Programme
UNICEF	United Nations Children's Fund
VSS	Voluntary sustainability standards
WAIPA	World Association of Investment Promotion Agencies
WTO	World Trade Organization
WWF	World Wildlife Fund



UN Photo by John Isaac



INTRODUCTION

Voluntary Sustainability Standards (VSS) have emerged in the past 2 decades as standards specifying requirements relating to a wide range of sustainability metrics, including respect for human rights, workers' health and safety, decent income, environmental degradation, and others.

Many VSS schemes are developed in partnership with a range of non-governmental actors such as civil society groups and businesses. The selling point of VSS is that such schemes provide producers with market incentives to opt for more sustainable production processes, thereby bringing greater surety and transparency to the management of sustainable supply chains. VSS schemes can also increase consumer awareness around issues such as ethical production, producer well-being, and corporate social responsibility.

The increased prominence of VSS has also led to the realization that an international forum where such issues can be explored and discussed can be beneficial to both governments and VSS system practitioners. The United Nations Forum on Sustainability Standards (UNFSS), formed in 2013, was created to provide information and analysis on VSS. In particular, the Forum has focused on understanding the contribution VSS can have in helping developing countries achieve their sustainable development goals.

In 2013, UNFSS issued the first Flagship Report which presented an array of salient VSS and public policy issues and developed an inventory of some of the leading initiatives working on VSS. One key theme highlighted in the first Flagship Report was the interplay of VSS and public governance (UNFSS 2013). In particular, the report elucidated tensions at the nexus of VSS and public governance. It noted, for example, that participation or direct support by governments in the development of the schemes might undermine existing governmental positions negotiated through intergovernmental processes. It also noted that potential competition between government and private sector-led standardization efforts could lead to interference or duplication between the two processes, in turn producing less effective outcomes.

These issues are brought into sharp focus when new VSS are being developed—one of the major critiques of VSS relates to whether, and how, governments are involved in the creation of emerging systems.

In September 2015, the United Nations (UN) member States adopted a new set of development goals to be achieved over the next 15 years, i.e. the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs). The 17 goals and 169 targets included in the SDGs are to stimulate action in five areas of critical importance for humanity: people, planet, prosperity, peace and partnership.

The 2030 Agenda stipulate that the SDGs “are integrated and inseparable and balance the three dimensions of sustainable development: the economic, social and environmental”, and encourage government, businesses, and civil society to promote synergies between their actions. In this regard, VSS, along international standards such as those developed by the International Organization for Standardization (ISO), may be expected to play an increasingly important role in complementing governmental engagement towards achieving sustainable development.¹

¹ While ISO is not considered as a VSS-developer due to its wide scope of initiatives that cover many areas not directly related to sustainability, ISO standards contribute to the establishment of an infrastructure for sustainable consumption and production, and promote sustainability management for any type of organization in support of the 2030 Agenda for Sustainable Development.

Five 'P's – Key areas of focus of the 2030 Agenda for Sustainable Development (incl. the Sustainable Development Goals)

The preamble to the 2030 Agenda describes the areas of critical importance for humanity and the planet in the coming 15 years as:

- **People** – to end poverty and hunger and to ensure that all human beings can fulfil their potential in dignity and equality and in a healthy environment;
- **Planet** – to protect the planet from degradation, including through sustainable consumption and production, sustainably managing its natural resources and taking urgent action on climate change, so that it can support the needs of the present and future generations;
- **Prosperity** – to ensure that all human beings can enjoy prosperous and fulfilling lives and that economic, social and technological progress occurs in harmony with nature;
- **Peace** – to foster peaceful, just and inclusive societies which are free from fear and violence (there can be no sustainable development without peace and no peace without sustainable development);
- **Partnership** – to mobilize the means required to implement the Agenda through a revitalized Global Partnership for Sustainable Development, based on a spirit of strengthened global solidarity, focused in particular on the needs of the poorest and most vulnerable and with the participation of all countries, all stakeholders and all people.

The preamble concludes by stressing that focusing on the “interlinkages and integrated nature” of the SDGs will be crucial in realizing the purpose of the new Agenda.

Against the above background, the 2nd Flagship Report of UNFSS seeks to further dissect the interplay between VSS and public governance processes by striving to answer the following question:

What are the optimal dynamics between public policy processes and voluntary sustainability standards to ensure sustainability objectives are most effectively met?

In Chapter I, the report delineates how VSS can optimally contribute towards more sustainable patterns of development. In particular, it explores:

- 1) How can governments effectively support or engage with VSS in such a way that VSS contribute for advancement of the SDGs?
- 2) In which areas does public sector engagement in VSS need to be expanded and/or strengthened?

More specific and pointed questions that are discussed throughout the introductory chapter are summarized in the box below.

Chapter II presents reflective commentaries of VSS experts on these questions.

CHAPTER I

Voluntary Sustainability Standards and the Public Interest

A. The Promise of Voluntary Sustainability Standards (VSS)

When Voluntary Sustainability Standards (VSS) emerged in the late 20th century, they were heralded as innovative new instruments to help meet some of the most pressing sustainability challenges. Disappointment in the lack of meaningful government policy commitments and/or ineffective implementation of traditional command-and-control regulatory systems spurred the emergence of these market-based instruments.

VSS schemes are developed in partnership with a range of non-governmental actors such as civil society groups and businesses. The selling point of VSS is that such schemes bring greater transparency to how sustainably supply chains are managed, and that they provide market incentives to altering production processes towards more sustainable ones. VSS schemes can also increase awareness of consumer around issues such as ethical production, producer well-being, and corporate accountability.

While VSS schemes vary in terms of the sectors of focus and the targeted issues, they do share a number of similar elements:

- They address activities of organizations rather than individuals;
- They address social and environmental issues or impacts arising out of the activities of organizations as market actors;
- They are normative and set expectations for organizational management, practice, or behaviour;
- They are designed for repeated use or refer-



ence by the organizations they address;

- They are not directly legally enforceable without action on the part of some other actor to “harden” the norms; and
- Their uptake and external legitimacy does not inherently depend on involvement or action by state or public sector actors (Ward and Ha 2012).
- Yet, amid these similarities is a variety of distinguishing characteristics:
- Some apply to specific products (such as palm oil), and others focus on a particular issue (such as labour);
- They may use a variety of conformity assessment methods (e.g., self-assessment vs. third-party verification);
- Some are market driven (to enhance ability to enter new markets) while others are mission driven (to meet a specific purpose or goal);
- Some appeal directly to consumers, while others are most useful in business-to-business arrangements; and
- Regarding the nature of how they are formed, some are developed by the private sector, multi-stakeholder roundtables, and others by NGOs.

The ambition was that these instruments could complement government action, providing governments with a tool to tackle pressing sustainability issues. The VSS were also thought to offer a precursor for government action, showing what is possible among the private-sector actors and allowing for eventual government uptake.

Early studies noted this potential, for example, in already highly regulated states like California. The “California effect” explains the motivation of firms who function in regulated and coveted markets to push for increased environmental or social regulations (Cashore et al., 2007). The theory maintains that highly regulated firms will support more stringent regulations if those regulations are eventually applied to their competitors.

The research then proposes a carrot-and-stick strategy for bringing about more stringent regulation. The “carrot” is for governments to reward companies who are performing well in already highly regulated markets. By seeing such benefits, other businesses are incentivized to improve their own performance to

reap the benefits of good (i.e., rewarded) practice. In conjunction with this, a “stick” is that bad performers are punished by not being allowed into lucrative markets. The idea was that such a carrot-and-stick approach would encourage not only the uptake of the standards but also public policies aiming at improving environmental and social conditions.

Impacts of Voluntary Sustainability Standards

The question now is whether VSS has been able to deliver on their promise to bring about fundamental, lasting changes in sustainability practice.

Historically, VSS impact studies have focused on understanding the market penetration rates of certified products. For example, early studies on the impact of VSS often reported the growth of certified coffee as a proportion of the international coffee market, using certification rates as a proxy for social and/or environmental impact. The aspiration was that increasing uptake of certified goods would eventually lead to a tipping point where fundamental changes to production processes toward more sustainable methods would become the norm across industries.

Overall, these studies show that certified products’ market share has increased and some are becoming mainstream alternatives (IISD & IIED, 2014). The studies find that “the average annual growth rate of standard-compliant production across all commodity sectors in 2012 was a stunning 41 per cent” with sugar growing at 74 per cent, cocoa at 69 per cent and cotton at 55 per cent. For certified coffee, for instance, its production now represents 40 per cent of global production compared to 15 per cent in 2008 (IISD & IIED, 2014).

However, the degree to which such uptake has led to meaningful sustainability impacts remains unclear. Numerous findings that suggest VSS are associated with environmental, social and productivity benefits appear to be context specific. Further research is needed to better understand the nature of the impacts, contributing factors, and the generalizability of findings across space and time.

In the past five years, there has been a shift beyond measuring uptake rates towards understanding how adoption of VSS has brought about positive change for producers, for communities, and for the environment. These studies will help us better understand how

VSS can help countries meet the SDGs. As the data is fairly new and limited in scope, long-term impacts are hard to quantify. Studies so far have shown that VSS generally have moderate impacts on economic, social, and environmental issues (COSA, 2015). These will be elaborated in the following.

1) Economic Benefits

The economic benefits of VSS that would contribute to the SDGs, including the SDGs 1 (poverty reduction), 8 (sustainable economic growth and employment), 9 (sustainable industrialization), and 10 (reduction in inequality), are tied to the potential that implementation of VSS and its related capacity building projects may help increase farmers' productivity. This in turn would lead to higher income for farmers, more stable relationships with their buyers, and greater access to resources. In Kenya, for example, support for the implementation of Rainforest Alliance Certification and its training in Farmer Field Schools led to increased productivity and higher yields (IOB, 2014).

While increased productivity may bring about larger yields and increased revenue, net income for farmers may be modest not significantly increase due to costs involved in certification, such as audits and other requirements (IOB, 2014). Some studies "... generally find that Fairtrade farmers receive higher prices, have greater access to credit, [and] perceive their economic improvement as being more stable" (IOB, 2014). Yet, other studies have shown that economic gains from sustainable value chains accrue essentially to processor and retailer, rather than to the farmers. The Cocoa Barometer finds that, in supply chains of certified cocoa, the value added for farmers is around 6.6 per cent while processors and retailers garner 35.2 per cent and 44.2 per cent, respectively (Barometer Consortium, 2015).

Some studies have shown that producers of certified products have increased access to lucrative markets, though this has also been inconclusive. The most recent study released by WWF regarding the economic benefits of the Forest Stewardship Council (FSC) VSS highlights that in some cases, FSC certification, particularly for larger, better managed enterprises, has improved access to European markets. However, this was not found to be the case for all FSC products (WWF, 2015, 8).

2) Environmental Benefits

There has been some case-specific evidence that VSS may generate environmental benefits. Most VSS, such as the Marine Stewardship Council (MSC) and the Rainforest Alliance among others, stipulate certain types of practices, such as limited use of agro-chemicals, policies on deforestation, soil conservation, waste, and water management, to control negative environmental externalities arising from value chains.

Studies up to now have mostly focused on uptake of such practices, which could have impacts on local environmental conditions. For example, the Rainforest Alliance and the Sustainable Agriculture Network's (SAN) study on environmental issues for certified coffee farms focused more on processes implemented, such as percent increase in the adoption of water protection measures or percentage of water sources protected, than the environmental outcomes of such initiatives (SAN, 2015).

3) Social Benefits

Socially oriented VSS aim to eliminate the most egregious practices such as forced labour, human rights violations, and child labour. They often require adherence to local laws or international best practices on these issues. There is evidence that certification schemes have reduced the likely occurrence of some of these practices, such as child labour (IOB, 2014). Certain schemes also focus on utilizing price premiums as mechanisms to reinvest in local community programs. These have led to investments in educational facilities, infrastructure improvements, and increased access to water, sanitation, and hygiene (IOB 2014, 39).

The 2014 State of Sustainability Initiatives Report analyzed sixteen VSS schemes to understand how well they covered a range of social impact areas such as human rights, labour rights, and gender. It found that, on average, the schemes only covered 51 percent of the social criteria. While the majority of the schemes covered labour rights and occupational safety, very few addressed gender or employment benefits (28 and 26 percent, respectively) (Potts et al., 2014).

Better measurement of the long-term impacts on labour, environment, and livelihoods will be critical to demonstrating whether VSS can meet their potential. Thus, there is increasing interest and resources being put into developing this evidence base, which is moving from case-specific or anecdotal evidence

Impact Studies Highlights

ISEAL Alliance: Commissioned research to understand the poverty impacts of certification by undertaking baseline studies in Kenya, India, and Indonesia. <http://www.isealalliance.org/online-community/resources/certification-and-poverty-impacts-what-we-are-learning-from-three-baseline-studies->

Committee on Sustainability Assessment: broad base assessment that looked at the impact of standards systems by looking at 18,000 surveys from 2009 and 2013 in Africa, Asia, and Latin America for coffee and cocoa. <http://thecosa.org/news-and-insight/publication/the-cosa-measuring-sustainability-report/>

Sustainability Impacts Learning Platform: a joint effort by ISEAL, the Sustainable Food Lab, and WWF. Meant to facilitate knowledge-sharing, collective learning, and collaboration. <http://www.sustainabilityimpactslearningplatform.org/>

Certification bodies have recently begun to publish monitoring and evaluation/impact reports. There are increasing numbers of impact studies being conducted by VSS, consultants, as well as academics to better understand impacts of VSS.

and individual goal assessments (which may signify incremental improvements but fail to address systemic problems) towards broad-based assessments of the overall impact that such systems have for broader sustainability objectives.²

Challenges Facing VSS

Developing an evidence base is vital also to tackle a number of critical issues, which have been identified by VSS practitioners as potential barriers that inhibit the continued growth of VSS and, more importantly, that could pose potential problems to lasting changes in sustainability practices.

Potential challenges include:

- *Ensuring that VSS benefit those who need it most*

There are fundamental questions about whether broad-based implementation of VSS can bring a wide swath of producers out of extreme poverty. To date, certification benefits have typically gone to larger, more organized producers in regions that have more developed production capacities, such as Latin America, and who tend to be

generally better off than small enterprises and smallholder farmers (IOB, 2014).

In addition, there is evidence that the benefits of VSS have been mostly concentrated with traders, brands, and retailers at the both ends of the value chain rather than with the producers. This leads to questions about whether VSS can fundamentally shift the underlying production system and ensure more livelihood gains for those who need them most (Hoffmann and Grothaus, 2015).

For example, the Cocoa Barometer's latest study found that, although price premiums are an important incentive, "on its own [it] does not seem to have a great impact on the actual income of farmers.... On average, the financial benefits of certification before deduction of costs ... at best increase a farmer's income by 10 per cent of which you have to deduct the costs of member fees and audits" (Barometer Consortium, 2015).

Even in the case of the Fairtrade certification, whose products generally fetch higher prices, studies have found that "profitability is less apparent, with more than half of the studies showing either no significant effect from certification or a negative effect ... while the additional income from Fairtrade is relatively modest" (Loconto and Dankers, 2014). In

² For more on impact assessment processes, particularly in food systems, please see Schader et al. 2014.

some cases, the difference between the incomes accrued to VSS-certified producers and that to non-certified producers was insignificant.

- Proliferation of standards and lack of interoperability

Over the past two decades, the number of VSS has surged from a handful to over 400 standards today. Many of these VSS focus on similar issues but they lack interoperability. That is, elements of individual systems may not be aligned with others in terms of content, are not recognized by other systems as equivalent, or support opportunities for collaboration in the areas such as training or inspection.

The rise in the number of standards has brought up questions related to the credibility of VSS, given the range of claims and the confusion that they create for producers, buyers, and consumers. Moreover, the multiplicity of VSS schemes has led to a situation in which each individual standard seeks to increase its own market share, creating competition among certification schemes and ultimately weakening their interoperability.

Interventions that increase mutual recognition and interoperability will help key stakeholders navigate the landscape of standards and provide a greater understanding of which standards are legitimate. Efforts such as the UNCTAD–FAO–IFOAM International Task Force on Harmonization and Equivalence in Organic Agriculture (ITF–HEOA) have sought to bring together the range of actors involved in the certification of organic agriculture, and were able to come up with practical equivalence tools to reduce barriers and confusion.³ However, progress is still fairly limited and the number of new standards coming into the marketplace outpaces efforts of harmonization. This might result from a general lack of political will or interest by

³ IFOAM implemented these tools in the organic sector to recognize equivalent standards and conformity assessment systems. Furthermore, it adjusted its organic accreditation program to promote equivalence among standards schemes. Currently, however, there is little uptake of this recognition at the level of certification and thus, little impact on reducing barriers to trade.

VSS practitioners in increased harmonization (Derx, 2013).

- Applicability of VSS in local operating contexts

International VSS are sometimes perceived to be too top-down in that their norms or regulations are not universally applicable thus difficult to implement in some local contexts. In some countries, there are concerns that VSS do not sufficiently take into account the local culture, technical issues, or environmental conditions. In response, organizations such as the ISEAL Alliance, a VSS membership-based umbrella organization promoting the use of VSS, have developed good practice guidance for the local applicability of international standards (ISEAL Alliance, 2015).

- Costs of VSS implementation

A major challenge of VSS implementation is the cost of certification. For particular commodities, such as cocoa, the cost of certification can be prohibitively high, such as in certain contexts in West Africa, where 70 per cent of global supply is sourced. When the cost of certification is covered by buyers, it often leads to power imbalances in the relationships between buyers and sellers.

- Credibility, legitimacy, and accountability of standards

There has been some debate as to whether VSS can demonstrate its credibility and legitimacy internally, i.e. how the VSS system is developed and implemented within the value chain, and externally, i.e. how the VSS systems are accepted by companies, communities, consumers, and governments. One of the key elements that ensure legitimacy is the accountability structures of VSS which may include the internal decision making process and the transparency of the initiative. Some studies have pointed to the lack of adequate decision-making power for groups who are most affected by VSS, such as those from producer regions (Fuchs et al., 2011).

External legitimacy of VSS would depend on its accountability towards sustainability outcomes for consumers, producers, society,

and the environment. In addition, failures in certification audits may lead to products entering the marketplace that do not meet their promises, leading to a loss of trust in the systems (Hoskins, 2016).

Some studies have noted that VSS might in fact be impeding the ability of governments to perform their necessary sustainable development functions (Bendell et al., 2010). In order to avoid such situations, some studies have suggested that governments play a greater role in development and implementation of the VSS schemes, in order to assure the necessary external legitimacy (International Trade Centre, 2011).

- *Ability to generate transformational impacts*

At the end of the day, the overarching question is whether VSS can bring about truly transformational change to sustainable development. This can be achieved by generating a significant positive impact on poverty and social well-being, and by driving systemic changes at the local and national levels towards protecting natural resources and welfare in communities. Answering this vital question will be critical to understanding the systemic role that VSS can play in the implementation of the SDGs.

Although some VSS look to tackle fundamental issues of global commerce and production systems (such as fair wages or labour conditions), it is unclear whether any of these approaches can bring about broad systemic change that can meaningfully address the range of societal and environmental challenges in which the VSS reside and which are fundamental to the SDGs.

Some analysts have noted that commodity-specific approaches may prove to be difficult to achieve transformational impacts via VSS. The Roundtable for Sustainable Palm Oil (RSPO) develops a set of environmental and social criteria for companies to produce Certified Sustainable Palm Oil (CSPO).⁴

While its objective is to minimize the negative impact of palm oil cultivation on the environment and communities in palm oil-producing regions, RSPO has been criticized

as not effectively serving to limit deforestation, monoculture, and greenhouse gas emissions (Greenpeace, 2013).

Ambiguity over VSS ability to bring about transformational changes towards achieving sustainable development needs to be addressed in order to ensure that VSS is not just incremental, site-level operational improvements that mostly benefit the global companies that use those (Hoskins, 2016).

Some analysts have highlighted the failure of VSS to appropriately engage governments in their development, particularly in regions where State control is strong and where governments see it as their primary responsibility to regulate industry and other actors (Vandergeest 2012).

For example, government officials and community members in Thailand have criticized the development process of a shrimp aquaculture standard due to the perception that it lacked governmental or intergovernmental input. In addition, there was significant acrimony by government representatives who viewed the standard as a deliberate attempt to work around rather than with existing government regulatory agencies. Ultimately, lack of support in general, and open hostility at times, by governments can lead to the collapse of a VSS at the national level (Vandergeest 2012).

⁴ See the RSPO website (<http://www.rspo.org/about>).



Photo: Fotolia ©Elenathewise

B. Governments and VSS: Driving Transformational Changes

One possible avenue for addressing these concerns about VSS is to improve governments' role in their development and implementation. VSS reside within a broader socio-economic system whereby market forces and government policy affect how well VSS function. In terms of both amplifying the benefits and addressing the identified deficiencies of VSS, the posture of governments is a critical factor.

The section below explores the drivers for government action in relation to VSS and the expanded role that governments could play.

The Drivers for Government Involvement with VSS

While many VSS were created outside of public policy processes, a number of governments have identified VSS as an important tool that can help public sector entities promote their own green growth policies.

One study exploring ten cases of government engagement with VSS highlighted an array of drivers. The study's authors organized the main drivers into two categories: governance and mission. By governance drivers, the authors noted that governments were

particularly keen to use VSS when they allowed for "alignment to international norms or multi-stakeholder decision-making" or included best "operation practices".

This essentially allows governments to outsource some of the more burdensome aspects of policy implementation. At the same time, adopting VSS allows governments to utilize systems that are adhering to the best practices of date, that can provide governments with greater credibility and international recognition (Carey and Guttentstein, 2008).

Key Question:

What underlying conditions and/or critical success factors are needed for governments to embrace the use of VSS to meet the SDGs? Is government adoption of VSS an abdication of government responsibilities to regulate private actors or does it bring about greater legitimacy to VSS? Is it both?

As regards mission drivers, the authors cite several examples where governments use VSS when the stated objectives of the standards align closely with the sustainable growth objectives that governments have set out, such as improving working conditions or increasing the value of "green" exports. The local context will determine how governments decide to use VSS, and it is often the case that a combination of both mission and governance drivers will apply.

Some developing country governments have recognized the potential of VSS to increase market access for exported products and services. For example, the Laotian government has collaborated extensively with organic and other VSS schemes under the belief that doing so will help increase their access to lucrative external markets. Likewise, in Indonesia and India, where governments have taken a prominent role in developing national certification schemes (cocoa in Indonesia and tea in India), the rationale for doing so explicitly acknowledges the promise that such schemes offer increased international market access for domestically produced goods.

Rather than acting as de facto trade barriers, these governments recognize that VSS are a response to increasing consumer awareness of sustainability issues and market demand for sustainably produced goods (Vandergeest, 2012). Indonesia, for example, developed the Indonesian Standard for Palm Oil (ISPO), after a number of years working with the Roundtable for Sustainable Palm Oil (RSPO) because the government saw palm oil regulation as something that should be within its own sphere of influence and responsibility and a point of national pride. The government also saw that creating its own standard could lead to increasing opportunities in emerging markets where the demand for certified palm oil is strong (Wijaya and Glasbergen, 2016).

In contrast, governments of developed countries, whose economies have become reliant on imports of sustainably-produced products, have identified VSS as a useful mechanism for managing the negative social and environmental externalities that are often embedded in imported primary or manufactured goods. They see an increasing use of VSS by major businesses as a welcome opportunity for controlling the risk of having non-sustainable practices in their supply chains.⁵

⁵ For example, major companies such as Nestle and Coca-Cola have made responsible sourcing targets for major commodities. In order to meet these targets they are turning to VSS as an implementation mechanism. See for example:

<http://www.coca-colacompany.com/content/dam/journey/us/en/private/fileassets/pdf/2013/07/sustainable-agricultural-guiding-principles.pdf>,

<http://www.coca-colacompany.com/content/dam/journey/us/en/private/fileassets/pdf/sagp/COFFEE.pdf>, and <http://www.nestle.com/csv/rural-development-responsible-sourcing/responsible-sourcing/pulp-paper>

Therefore, even with the recognition of challenges that VSS face, governments may be motivated to play certain roles to help increase the positive aspects of VSS in line with their own policy objectives towards meeting the broader SDG targets. These roles include:

- 1) Establishing baseline regulatory environments for VSS to function;
- 2) Assuring coherence between public sustainability policy requirements and VSS;
- 3) Engaging in VSS governance or standards setting processes;
- 4) Devising support policies, such as financing, awareness-raising, referencing VSS in regulations, or public procurement, to incentivize uptake; and
- 5) Facilitating stakeholder roundtables as neutral brokers for VSS development and implementation.

The following sections illustrate how these different roles have played out in a variety of cases. Governments will need to undertake several of these roles simultaneously to increase the likelihood of successful VSS implementation.

1. Setting Underlying Conditions for Effective VSS Implementation

A key impediment to successful VSS implementation is an inadequate national policy and/or regulatory environment. For VSS to work at the national level, a government commitment to sustainability may not be enough if competing and conflicting regulations exist. Standards systems need an effective regulatory environment around key issues such as contract law, property rights, compliance assessments, land management, and forestry and fisheries management (Gulbrandsen, 2014).

Where effective regulations do not exist, VSS fail to achieve the intended benefits to local communities. At the very least, local regulatory problems increase the compliance costs and limit the benefits of VSS certification. For example, the aforementioned WWF study on the economic impacts of FSC certification highlights a number of challenges that hinder progress towards improved forest management which include the following:

- Opacity in land tenure rights, particularly related to government ownership of land concessions - Conflicts from land tenure are often difficult and time consuming to resolve, increasing costs for FSC certification;
- Inconsistent and conflicting government policies that cause confusion for sustainable forest management - This can occur in national government policy addressing different aims (e.g., conservation vs. agricultural expansion) and within government offices at different geographic scales (i.e., national vs. provincial or local government);
- Weak institution and corruption – In many countries, weak institution undermines enforcement of even the most minimal sustainable forest management standards. Worse still, in some cases endemic corruption inhibits the ability to implement key provisions of FSC certification. (WWF, 2015)

A 2010 study of forestry and labour VSS schemes in Indonesia (Bartley, 2010) reinforces the above findings. Even though the government had pledged to implement sustainable forestry practices, the realities on the ground may have made this difficult to achieve. The study reveals that the political economy of the country, that saw promotion of agricultural (such as palm oil) exports and timber-related industries as opportunities, may have resulted in a certain, at times unfair, land use regime and improper application of regulation that exacerbated deforestation. Such a condition made it extremely difficult for certification schemes to be implemented in a credible manner.

In addition, the effectiveness of VSS schemes rely upon government functions, such as national statistical and data collection services. The absence of reliable data makes it impossible for VSS schemes to properly assess the impacts they are generating (Gulbrandsen, 2014). In this context, FAO highlighted a number of government actions that can enhance the effectiveness of VSS which include: (i) Supporting the development of measurement and monitoring systems that can provide evidence that the VSS are having a positive impact; (ii) Raising awareness about small producers' needs, and providing information and insights about local context; and (iii) Strengthening the scientific verification of standards and advising on the content of VSS (FAO 2013).

2. Tailoring VSS for Local Applicability

One of the main uncertainties surrounding VSS relates to whether such schemes can help intended beneficiaries with the greatest need. In the cocoa industry, for example, the inability of VSS to lift smallholder farmers out of the abject poverty has led some national governments to step in to create locally relevant standards geared towards supporting the needs of that constituency.

The cost of certification for multiple international cocoa-related VSS has been problematic for farmers. When producers were not expected to cover the costs of certification, such costs were borne by the buyers (i.e. traders, exporters, industries). This obliged producers to sell only to those buyers who paid for the certification program, which weakened their bargaining position.

Key Question:

Is the dynamic of government intervention and localization of standards leading to better outcomes that address issues such as ensuring benefits to local stakeholders or further muddying the market around standards system and exacerbating the issue of proliferation? If the latter, how might this be overcome?

In this regard, the Indonesian Cocoa Board, a government entity housed within the Ministry of Agriculture, recently announced that it would look into the creation of an Indonesian Standard for Cocoa (ISCocoa) in response to the perceived need to harmonize and streamline the number of standards related to cocoa, and to create a unique Indonesian brand for cocoa, and thereby realize benefits for domestic cocoa farmers in line with meeting the Indonesian government's sustainable development policies.

Also, in response to the proliferation of cocoa-related VSS schemes that led to confusion for local producers (nur Aini and Soetanto, 2013), ISCocoa and the supporting certification scheme is looking to harmonize existing national and international industry standards, localize implementation methods, and create a stronger economic pillar to increase local benefits. It is envisaged that ISCocoa will draw upon international standards, such as the Rainforest Alliance and UTZ, and incorporates elements of local practice and Indonesian regulations, in order to integrate local realities into the standard while retaining key elements of best practice captured in international standards.

3. Aligning Public Policy Goals with VSS to Amplify the Benefits

Some governments have recognized the potential of VSS to further their own policy objectives and have established broad national or regional regulations that relied on VSS in their implementation in order to drive better outcomes. For example, the Organic Regulation and the Timber Regulation of the European Union (EU) are built on VSS in line with public policy priorities.

The EU Organic Regulation came into force in the 1990s in response to the need to ensure the credibility of the organic movement, which was becoming increasingly popular. The regulation created a framework within which VSS “(...) perform(s) the essential function of providing a baseline that guarantees the quality and integrity of all organic production and processing,” which is vital for ensuring trust in systems that serve the public interest. VSS work within this regulatory system that sets out the minimum guarantees, and provides the freedom to innovate and to work directly with producers and actors where they have strengths (Fladl and Hulot, 2009).

The EU Timber Regulation goes a bit further, moving some VSS to the fore through the power of public procurement. The EU Timber Regulation sets out a range of national timber procurement policies that focus on timber purchases from legal and sustainable sources. Beyond the EU, timber procurement policies have also been enacted by the governments of Japan, New Zealand, and Norway. These governments are relying on VSS to ensure that their public procurement of timber products meets their own stated regulations and policy objectives. Several countries have even developed mechanisms to evaluate international and national standards that might be used to meet their own sustainability criteria regarding timber (Gulbrandsen, 2014), such as the Central Point of Expertise on Timber in the United Kingdom and the Timber Procurement Assessment Committee in the Netherlands.

In the case of the EU's Timber Regulation, its decision not to accept the use of certain national level standards under the umbrella organization, Programme for the Endorsement of Forest Certification (PEFC), led to major changes in the PEFC system. The United Kingdom and Norwegian assessment bodies found that a number of schemes under the PEFC did not meet their criteria for sustainable forest management, citing “unbalanced governance, inadequate public consultation during the certification process, and the lack of public disclosure of auditing outcomes”

(Gulbrandsen, 2014). The governments allowed the schemes under PEFC six months to improve their standards. In response, PEFC undertook measures to improve all standards under its umbrella organization. Government decisions to not use or endorse certain national PEFC schemes led to a positive change in the VSS systems, directly influencing the internal governance to serve the countries' broader public policy goals.

For developing countries, increased participation in localization efforts can help dispel concerns that VSS are causing undue pressures and acting as barriers to trade for their local producers. One such example is that of ISCOCOA, cited previously. Other countries have taken similar approaches, such as China and Kenya who created ChinaGap and KenyaGap, respectively. The national standards are benchmarked against the GlobalGap standard but adapted for domestic markets and local producers. These efforts look to bring about local ownership and ensure local relevance, while also enabling increased export market access for certified products.

Others have created their own standards, such as Ekolabel Indonesia, Thai, Singapore, and Hong Kong Green Labelling Schemes, that strive to ensure more environmentally responsible practices that both meet sustainability goals and increase sales in foreign as well as local markets.

4. Facilitating Multi-stakeholder Partnerships for VSS

Rather than taking individual action, governments can join forces with the private sector and civil society to amplify the sustainability benefits of VSS. Public-private partnerships have the potential to serve a number of functions such as:

- Increasing government financial support for VSS systems to help extend the reach of schemes and provide necessary training and incentives for local smallholder farmers;
- Launching new joint initiatives that tailor VSS in ways that address localization concerns;
- Providing a non-biased platform that brings together a range of stakeholders; and
- Adding domestic legitimacy for VSS systems and their aims.

Key Question:

What are the benefits to forming public-private partnerships to develop and implement VSS and to bring about the desired outcomes? Do they help address the challenges laid out earlier, if so how? When should they be used and are they a better alternative to government action alone?

An example of such a partnership is the Sustainable Trade Initiative (IDH), which was established in 2008 by a number of ministers from the Netherlands in partnership with business, NGOs, and trade unions via the Schokland Agreements.

The agreement led to a public-private partnership that sought to bring about sustainable trade with the eventual goal of meeting the Millennium Development Goals. From the very beginning, IDH was reliant on government support in a number of areas, including:

- Financial support from the Netherlands' office for foreign trade and development cooperation, the Swiss State Secretariat for Economic Affairs, and the Danish Ministry of Foreign Affairs;
- Providing a neutral knowledge platform for frank discussions that helped develop and further the uptake of standards; and
- Identification of initial program sectors focused on particular product groups such as cocoa, soy, tropical timber, and natural stone.

The program draws on matching funds from private sector entities for specific program categories. While much of the public sector role in IDH has been providing the financial support for its establishment and continued growth, the Initiative is also focused on developing and scaling up new standards. For example, IDH was fundamental to the establishment of the localized national tea standard in India, Trustea, which was formed in response to:

- The difficulty of implementing a global, “top down–fit all approach” for tea;
- The need to take into account cultural and technical issues and to engage in a system “rooted in local realities”; and
- The cost of implementing international standards in Asian low-margin business models (Chattopadhyay, 2013).

IDH brought in additional key players like Tata Global Beverages, providing a crucial balance to large multinationals such as Unilever in terms of developing standards for the tea sector. IDH has also focused on increasing the use of sustainable commodity standards by developing training programs to reach more countries, such as the Better Cotton Initiative's (BCI) Fast Track Program.

Beyond this, one of IDH's crucial functions has been to serve as a neutral broker or convener for discussions related to VSS. As the IOB report by review highlighted, “several BCI stakeholders indicated that [IDH's] main role is now more about that of a convener/knowledge broker, bringing in expertise based on work in other sectors and helping to devise strategies” (IOB 2014, 74).⁶

A major advantage of increased government interaction in VSS schemes is the legitimacy that public sector engagement confers. For example, the development of the EU Organic Regulation directly involved the International Federation of Organic Agriculture Movement (IFOAM), a leading VSS on the topic with deep expertise on organic issues. IFOAM's involvement at the very beginning of the regulation's development not only points to how VSS can gain increased legitimacy by playing a role in regulation development, but also legitimizes the role of VSS more broadly. The EU Organic Regulation's reliance on, and explicit support for, VSS further ensures this outcome. Likewise, in the case of the EU's Timber Regulation, the government's active involvement in improving key governance features lends increased legitimacy to the schemes that benefit the public.

⁶ IOB stands for the Policy and Operations Evaluation Department (IOB) of the Ministry of Foreign Affairs, the Netherlands.

Rationales for VSS Engagement with the Public Sector

To address concerns related to the legitimacy of VSS described above, it is clear that standard-setting bodies will need to further involve governments in the development of standards.

Over the past few years, a number of standards have focused on new industry sectors, such as oil and gas (Equitable Origin) or sports (GEO certification for golf). Development of the Equitable Origins (EO) standard focused on ensuring that government sector input and comments were gathered while the standard was being drafted. In particular, the EO team and standards-setting committee actively encouraged the governments of Colombia and Ecuador, where the standard's initial roll-out is focused, to provide comments and input into the draft. The standard draws upon both local regulations and international standards, where they exist, in areas such as labour, water, and land use. However, in many cases, the standard goes beyond local regulatory practices.

In addition, since the release of the standard, EO is actively engaging with governments to find directional alignment with future national and regional policies. For example, in Colombia, EO actively engaged with the National Agency for Hydrocarbons (ANH) to share how the EO standard could supplement existing regulatory requirements to improve transparency, accountability, and environmental and social conditions in Colombia.

The engagement also allows government representatives to participate in future revision processes, and allows EO and local government bodies to explore how they can collaborate further to meet related sustainability goals such as ecological conservation efforts in the Amazon (Vila, 2014).

Key Question:

Is greater government intervention in VSS development and implementation desirable for VSS systems? What are the major benefits and disadvantages of doing so?

EO's engagement also went beyond Colombia to inform broader regional trade discussions through platforms such as the North American Free Trade Agreement (NAFTA) and the Trade, Investment, and Innovation Working Group of the Canada-Mexico Partnership, where representatives of EO directly engaged with ministry officials and other trade representatives to discuss:

- How the EO standard might be used in legislation at the national level and agreements at the regional level;
- How the EO standard can be aligned with regional sustainable development policy goals; and
- The application of the EO standard with respect to issues such as gender, finance, and transparency.

An in-depth discussion of these issues was deemed vital to ensuring successful local use and implementation of the EO standard (Garrett, 2015).



UN Photo by M Wild

C. VSS, International Trade Regime, and the Potential for Meta-Governance

Under the 2030 Agenda for Sustainable Development, trade is recognized as a means of implementation for the achievement of the SDGs. However, even when certain VSS schemes directly constrain market entry of exports from developing countries, trade conflicts arising from VSS are in most cases outside the auspices of multilateral, regional or bilateral trade agreements.

VSS and the WTO Agreements

The SDG Target 17.10 calls for a “universal, open, transparent, predictable, inclusive, non-discriminatory and equitable” multilateral trading system under WTO. There has been a growing concern over potential trade-distortionary impact of VSS (Thorstensen, et al., 2015). Various efforts have been made to bring the issue into discussions at the WTO, e.g. under the frameworks of the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS) and the Agreement on the Technical Barriers to Trade (TBT). However, no agreement has yet to be arrived as regards how VSS’ impact upon market access conditions could be treated in the WTO setup.

The SPS Agreement spells out specific SPS areas where states may take action on issues related to health and life. These areas are defined in the General Agreement on Tariffs and Trade (GATT) as provisions “that are ‘necessary to protect human, animal or plant life or health’”. Under the SPS Agreement, the WTO Members are allowed to take necessary actions for these purposes, but such actions must be “based on scientific principles and not be maintained without scientific evidence”. Under this framework, VSS on food safety are related to the SPS Agreement, though today such standards would most likely be considered via the Standards and Trade Development Facility (STDI), a global partnership of five international and inter-governmental agencies which aims to help developing countries implement international sanitary and phytosanitary standards.⁷

A longstanding concern of many developing-country exporters has been that VSS may be used to limit the access to developed countries’ agricultural markets. A study conducted by Vitalis in 2002 for the Organization for Economic Cooperation and Development (OECD) looked specifically at potentially trade-distorting impact of eco-labelling. Vitalis speculated that there has been a correlation between the rise in VSS and the decrease in tariff measures from developed countries, perhaps marking an attempt by developed country

⁷ The STDI’s partner organizations are: FAO, World Bank, World Organization for Animal Health (OIE), World Health Organization (WHO) and the WTO.

producers to institute a “marketing edge to help alleviate the impact of tariff reduction” (Vitalis, 2002).

More recent studies have shown that as tariffs have fallen, there has been an increase in non-tariff measures as a potential barrier to trade (UNCTAD, 2015). The extent to which this might be applied to VSS is still an issue for further discussion.

VSS have been raised as an issue of concern to the SPS committee. In 2005, St. Lucia and the Grenadines raised concern over EurepGap measures on banana imports. EurepGap is a voluntary standard developed by European retailers that seeks to set standards around good agricultural practices, particularly those related to food safety issues and pesticide use. St. Lucia and the Grenadines challenged EurepGap’s requirements regarding pesticide use on banana exports, which were more stringent than existing European Government regulations and were therefore a trade barrier. The concern, supported by Jamaica, Peru, Ecuador, and Argentina, was that the governments were responsible for the actions of non-governmental entities within their borders (“SPS CTTE Considers” 2005). The case however has never been filed as a dispute settlement case at WTO.

As regards the TBT Agreement, several articles in the Agreement may be relevant to VSS. Article 2 refers to the responsibility of member governments not to create or adopt technical regulations that create “unnecessary obstacles to international trade” while adopting “existing international standards” for their own regulations. In regard to non-governmental bodies and their standards, it places the onus on member states to utilize “reasonable measures” to ensure the non-government-initiated standards comply with the provisions of Article 2.

In addition, Article 4 of the Agreement defines how VSS development should meet the Code of Good Practice as defined in Annex 3 to the TBT Agreement. The Code of Good Practice applies to the development of all standards and suggests they follow substantive provisions that include:

- To follow the principles of non-discrimination;
- To avoid creating unnecessary obstacles to international trade;
- To comport standards with existing international standards (except where such international standards would be ineffective or inappropriate);

- To engage with relevant international standardizing bodies;
- To avoid duplication or overlap of the work of other international standardizing bodies;
- To specify standards for product requirements in terms of performance rather than design or descriptive characteristics; and
- To ensure transparency and consultation with interested parties.

Over the years, many VSS schemes have looked up to the TBT Code of Good Practice as a useful guideline. Already in 2000, for example, ISEAL published guidance for its members to manage perceptions that VSS create trade barriers. Though this is a step forward, the ISEAL membership is also limited, covering some 22 systems out of the hundreds in existence. One of the major concerns related to VSS is whether they meet the strict scientific basis or risk analysis set out by some governments, or if they undermine the hard-fought-for agreements made between governments.

Another issues facing VSS in the WTO framework lies in efforts to advance mutual recognition of government public policy and VSS. If government uptake, utilization, or support of VSS increases, they may become grounds for trade disputes if and when standards are incorporated into official government policy.

The eco-labelling decision made by WTO over dolphin-safe labelling and tuna imports between the United States and Mexico was the landmark that may have bearing on the future relationship between VSS certification and government policy. A WTO panel decision found that the voluntary use of eco-labelling of dolphin-safe tuna constituted a technical barrier to trade (WTO, 2015). Although this decision was brought against a government-sponsored voluntary program, it may have implications for any government endorsement of VSS, as described earlier in this paper.

VSS and “Mega” Regional Trade Agreements

To address the perception that VSS may be turned into non-tariff barriers to trade, governments in developing countries can strive to play a larger role in the development and implementation of standards systems, maintaining relevance for local contexts and

taking into account the TBT Code of Good Practice and TBT-Plus provisions emerging from new regional trade arrangements.⁸

Key Question:

Will mega-trade agreements pose as significant an issue for VSS as they initially seemed? How might they impact government's ability to use VSS to regulate environmental and social issues?

In the past decade, while the WTO Doha Round of negotiations experienced serious deadlock, there has been a proliferation of bilateral and regional trade agreements. Of particular note are two large free trade agreements: one is the Trans-Pacific Partnership (TPP) that was concluded in 2015, and the other is the Transatlantic Trade and Investment Partnership (TTIP) that is still being negotiated.

Due to the vast economic size in aggregate of the countries involved, these agreements are often labelled "mega" trade agreements. The TPP involves twelve countries (the United States, Canada, Peru, Japan, Singapore, Vietnam, Malaysia, Australia, New Zealand, Brunei, Mexico, and Chile), representing nearly 40 percent of the global GDP. TTIP involves the United States and all countries in the European Union.

In addition to traditional trade issues, such as tariff reduction, these new-era trade agreements focus on "next generation" trade issues that emphasize the "behind-the-border" issues deemed to be potential barriers to trade such as domestic subsidies, intellectual property rights, state-owned enterprises, and regulations over health, labour, and environmental protection.

The potential impact of these new agreements on VSS is currently unclear, but summaries of the TPP for instance highlight that VSS may actually be gaining prominence as acceptable mechanisms through which regulation of environmental and social issues

can be managed. The Environmental Chapter of the final agreed text of the TPP refers specifically to the ability of voluntary mechanisms to protect natural resources and the environment. It allows for "private sector entities or non-governmental organizations to develop mechanisms for the promotion of products based on environmental qualities" (Article 20.11, TPP Environment Chapter) when these mechanisms take into account scientific and social information based on relevant international standards, guidelines, and practices, and promote competition.

Likewise, at the G7 Meeting in 2015, leaders also promoted the use of internationally recognized labour, social, and environmental standards in their supply chains, and encouraged voluntary due diligence plans (G7, 2015). These trends may increase the legitimacy of VSS and create an avenue for increased uptake.

The Potential for "Meta-Governance"

This paper has examined some of the key dynamics and interactions between government and VSS, with an underlying recognition that a tension exists between what has been considered the sovereign role of government to define public policy and to regulate commercial enterprises, and the perception that government action alone is not enough.

Key Question:

Will intergovernmental intervention be necessary to resolve major cases of friction where the development of VSS is seen as undermining public sector processes? Are there any other solutions?

It has also explored how governments might take action to promote VSS and/or to ensure VSS are providing public benefits. A recent focus in the VSS community has been on attempts to better understand and measure the sustainability impacts associated with VSS implementation and certification.

Much interest and research is focused on assessing benefits to livelihoods and wages as a result of VSS implementation. A number of VSS are considering "living wage" reviews of their standards to determine how best to ensure that livelihoods of VSS-applying producers/manufacturers are sufficiently protected or improved. At the same time, national and regional governments may raise minimum wage standards,

⁸ These provisions go beyond the WTO TBT obligations under its agreement. These usually touch on issues of increasing transparency related to the development of standards, and allowing parties (usually State representatives) to participate in the development of standards, regulations, and conformity assessment procedures. For examples of TBT plus discussions please see: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2263159, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2625640

potentially creating a new area of conflict. In the past, these circumstances led to the use of international intergovernmental processes via “meta-governance” standards to accommodate both government needs as well as the ambitions of VSS.

For example, in the development of the Marine Stewardship Council standard, governments from major fish-exporting countries protested and resisted the development of the standard, as it was seen to encroach upon a realm that had historically been under the purview of government regulation, particularly regarding cross-boundary issues. Instead, governments turned to FAO to develop a standard for fisheries. In the end, the FAO standards explicitly cite the role that ecolabels play in promoting greater sustainability, and set the criteria for sustainable fisheries. This outcome eventually paved the way for acceptance of the MSC standard, as it was the only standard that could meet the criteria set out by FAO (Gulbrandsen, 2014).

The role of FAO in setting the meta-governance standard was a key to the success and acceptance of the MSC in countries that had previously opposed the initiative. This case suggests a role that the international organizations, such as International Labour Organization (ILO) and UNEP, can play in promoting better labour practices, aligning conflicting VSS definitions of a living wage, and improving sustainable environmental practices.

Meta-governance might also play a constructive role in addressing issues such as the legitimacy, credibility, and good practice of VSS. Though there are no current government-led efforts in this arena, there are examples that show how the private sector and the VSS systems themselves have addressed some of the core concerns highlighted in this paper. The Global Food Safety Initiative, like the ITF-HEOA, is a meta-regulatory initiative that looks to harmonize food safety rules from a number of different standards. Another example is the VSS membership-based ISEAL Alliance, which strives to set a variety of good practice guidelines and to play a critical role in trying to distinguish legitimate standards from less credible ones.⁹

⁹ For more information and an analysis of the initiative please see: Discussion Paper #1, “Meta-governance in the Realm of Voluntary Sustainability Standards: Early Experiences and their Implications” <http://unfss.org/documentation/discussion-paper-series/>

D. Concluding Thoughts

As VSS incrementally move from niche towards mainstream, their continued growth requires public authorities to consider whether such market-based systems can effectively function within existing (and emerging) policy and regulatory structures, and can meaningfully help governments meet their own sustainability goals and strategies.

The elusive promise of VSS to bring about transformational systemic changes to today's production systems will undoubtedly require amplified and concerted action in both public and private sectors. This would include large corporations using VSS to meet corporate sustainability goals and, more importantly, for governments to take more proactive measures to ensure that VSS contribute to public benefits.

As discussed, the impact of VSS is unclear, and for the most part deals with making stepwise changes to minimize negative impacts while perhaps not addressing the broader systemic issues. Though they are covering a growing proportion of the market share, they nevertheless are not bringing about the transformational changes that were expected, and a focus on commodity-specific standards might make small improvements but lead to other unintended sustainability impacts.

To make this bigger shift will require a rethinking of how VSS might be used within a larger suite of options and to bring about greater internalization of costs associated with conventional production.

Yet, the traditional dichotomy between a government setting minimal social and environmental regulatory requirements while VSS “ratchet-up” and push for beyond-compliance practices isn't as black and white as it appears. As we have seen, governments can and will need to play an important role in pushing certain VSS to perform better to meet policy objectives, or ensuring that VSS benefits are more broadly shared across their domestic economies and societies.

The future success of VSS, in terms of increasing market uptake, but more importantly increasing their sustainability impact, will depend upon a number of factors relating to the public sector, specifically by ensuring they more effectively meet public sector sustainability objectives. Some of factors that determine the success of VSS include the following.

- Governments have significant power via public policy levers to ensure credibility of VSS, as well as to promote better VSS outcomes by assuring coherence between VSS and public policy objectives.
- Governments' role is to ensure that VSS can contribute to local needs by managing issues such as the proliferation of standards, ensuring VSS are relevant to local contexts, and enhancing the economic mechanisms of VSS is inclusive.
- Governments have a critical role in establishing robust local governance systems and other needs (such as data and information) that enable VSS to function properly.
- Governments may work in coalition with civil society and the private sector to draw on different strengths of each sector in order to amplify the benefits of VSS.
- Governments that are signatory to major trade agreements may be able to use such opportunities to engage with VSS to ensure coherence between their trade commitments and VSS.
- At times, intergovernmental organizations will need to address areas of major conflict between VSS and public governance. The intergovernmental policy process confers a level of legitimacy required for uptake and acceptance of VSS.

These elements offer a starting point for understanding and achieving the success of VSS, which may lead to a much deeper analysis of the political economy dimensions of VSS. As we have seen, understanding local inabilities to overcome regulatory roadblocks will go a long way towards ensuring the ability of VSS to contribute to the achievement of governments' sustainable development goals.

Bibliography

- Barometer Consortium (2015). "Cocoa Barometer 2015—USA Edition." <http://www.cocoabarometer.org>
- Bartley, Tim (2010), "Transnational Private Regulation in Practice: The Limits of Forest and Labour Standards Certification in Indonesia." *Business and Politics* 12, no. 3 (2010): 1–34.
- Bendell, Jem, Phyllida Jay, and Mark Bendell (2010). "These Pages Have been Regulated for You: Issues Arising from the Governance of Markets by NGOs." In *Evaluating Transnational NGOs: Legitimacy, Accountability, Representation*, ed. Jens Steffek and Krstina Hahn. Basingstoke, UK, and New York: Palgrave MacMillan.
- Carey, Christine, and Elizabeth Guttentstein (2008). *Governmental Use of Voluntary Standards: Innovation in Sustainability Governance*. London: ISEAL Alliance.
- Cashore, Benjamin. Auld, Graeme. Bernstein, Steve. and McDermott, Constance (2007). "Can Non-State Governance 'Ratchet-Up' Global Environmental Standards? Lessons from the Forest Sector." *Reciel* 16, no. 2 (2007): 158–172.
- Chattopadhyay, Dr. S., and Babaycon, R.K. (2013). *The India Sustainability Tea Program*. Kolkata: Tea Board, India, 2013.
- COSA (Committee on Sustainability Assessment (2013). *The COSA Measuring Sustainability Report: Coffee and Cocoa in 12 Countries*. Philadelphia: COSA, 2013 <http://thecosa.org/wp-content/uploads/2014/01/The-COSA-Measuring-Sustainability-Report.pdf>
- Derckx, Boudewijn (2013). *Meta-governance in the Realm of Voluntary Sustainability Standards: Early Experiences and their Implications*." UNFSS Discussion Papers No. 1 <https://unfss.files.wordpress.com/2013/03/unfss-dp-no1.pdf>
- FAO Food Control and Consumer Protection Group (2013). "Roles of Public Actors in the Voluntary Standards." In *Voluntary Standards for Sustainable Food Systems: Challenges and Opportunities*, ed. Alexandre Meybeck and Suzanne Redfern. Rome: FAO, 2013: 215–234.

- <http://www.fao.org/docrep/019/i3421e/i3421e.pdf>
- Fladl, Maria, and Hulot, Jean-Francois (2009). "The New Legislative Framework for Organic Farming." In *The New EU Regulation for Organic Food and Framing*, ed. C. Mikkelsen and M. Schlüter. Brussels: IFOAM EU Group, 2009: 14–18.
- Fuchs, Doris. Kalfagianni, Agni . and Havinga, Tetty (2011). "Actors in private food governance: the legitimacy of retail standards and multi-stakeholder initiatives with civil society participation." *Agriculture and Human Values* 28, no. 3 (2011): 353–367.
- "G7 Leaders' Declaration." G7 Summit, Elmau, Germany, 7–8 July 2015. <http://www.consilium.europa.eu/en/meetings/international-summit/2015/06/7-8/>
- Gandhi, Samir R. (2005). "Regulating the Use of Voluntary Environmental Standards within the World Trade Organization Legal Regime: Making a case for Developing Countries." *Journal of World Trade Issue* 39, no. 5 (2005): 855–880.
- Garrett, Josh (2015). "EO100 Standard to Guide Mexico-Canada Discussions on Energy Development." January 22, 2015.
- Greenpeace International (2015). "Certifying Destruction: Why consumer companies need to go beyond the RSPO to stop forest destruction." Amsterdam: Greenpeace International, 2015.
- Gulbrandsen, Lars H (2014). "Dynamic governance interactions: Evolutionary effects of state responses to non-state certification programs." *Regulation and Governance* 8 (2014): 74–92.
- Hoffmann, Ulrich. and Grothaus, Frank. (2015). "Assuring Coherence between the Market-access and Livelihood Impact of Private Sustainability Standards." *UNFSS Discussion Paper No. 6*, 2015. <http://unfss.org/documentation/discussion-paper-series/>
- Hoskins, Tansy. (2016). "Supply Chain audits fail to detect abuses, says report." *The Guardian Sustainable Business*. January 14, 2016. <http://www.theguardian.com/sustainable-business/2016/jan/14/supply-chain-audits-failing-detect-abuses-report>
- IISD and IIED (International Institute for Sustainable Development, International Institute for Environment and Development) (2014). "The State of Sustainability Initiatives Review 2014: Standards and the Green Economy." 2014.
- International Trade Centre (2011). "The Interplay of Public and Private Standards." *Literature Review Series on the Impacts of Private Standards: Part III*, 2011.
- IOB Review (2014). "No. 397: Riding the Wave of Sustainable Commodity Sourcing: Review of the Sustainable Trade Initiative IDH 2008–2013." The Hague: Netherlands Ministry of Foreign Affairs, Policy and Operations Evaluation. 2014.
- ISEAL Alliance (2015). "Ensuring Global Consistency and Local Applicability: Guidance on standard-setting as a strategy for improving the local relevance of sustainability standards." April. 2015. <http://www.isealalliance.org/online-community/resources/iseal-guidance-ensuring-global-consistency-and-local-applicability>
- Loconto, Allison and Dankers, Cora. (2014). *Impact of International Voluntary Standards on Smallholder Market Participation in Developing Countries: A Review of Literature*. Food and Agriculture Organization of the United Nations. Rome, 2014. <http://www.fao.org/3/a-i3682e.pdf>
- Meltzer, Joshua (2015). "Standards and Regulations in the Trans-Pacific Partnership Agreement: Implications for India." 2015.
- Nur Aini, Febrilia. and Soetanto, Abdoellah (2013). "Cocoa Sustainability Certification in Indonesia." Indonesian Coffee and Cocoa Research Institute, 2013.
- Potts, Jason. Lynch, Matthew. Wilkings, Ann. Huppe, Gabriel. Cunningham, Maxine. and Voora, Vivek (2014). *The State of Sustainability Initiatives Review 2014: Standards and the Green Economy*. https://www.iisd.org/pdf/2014/ssi_2014.pdf
- Raynolds, Laura, Murray, Douglas. and Helder, Andrew (2007). "Regulating sustainability in the coffee sector: A comparative analysis of third-party environmental and social certification initiatives." *Agriculture and Human Values*, 2007: 147–163.

- Rigod, Boris (2013). "TBT-Plus Rules in Preferential Trade Agreements." 2013.
- Roberts, Michael (2009). "The Compatibility of Private Standards with Multilateral Rules: Legal Issues at stake." FAO, 2009.
- SAN (Sustainable Agriculture Network). "Factsheet 2015." 2015.
- Schluter, Marco, and Blake, Francis. (2007). "History of the EU Organic Regulation and its Recent Revision." *The New EU Regulation for organic Food and Farming*, International Federation of Organic Agriculture Movements EU Group: 8–13. 2007.
- Schader, Christian, Grenz, Jan, Meier, Matthias S. and Stolze, Matthias. (2014). "Scope and Precision of Sustainability Assessment Approaches to Food Systems." *Ecology and Society* 19, no. 3 (2014): 42. <http://dx.doi.org/10.5751/ES-06866-190342>
- "SPS CTTE Considers Private Sector Standards; Struggles Continue with S&D." *Bridges* 9, no. 24, 6 July 2005. <http://www.ictsd.org/bridges-news/bridges/news/sps-ctte-considers-private-sector-standards-struggles-continue-with-sd>
- Sustainable Food Lab. "Assessing the Sustainability of Smallholder Sugar in Paraguay." 2013.
- Thorstensen, Vera, Weissinger, Reinhard. and Sun, Xinhua. (2015). *Private Standards—Implications for Trade, Development, and Governance*, E15 Initiative Think Piece, E15 Initiative Task Force on Regulatory Systems Coherence, September 2015. <http://e15initiative.org/wp-content/uploads/2015/07/E15-Regulatory-Thorstensen-et-al.-final.pdf>
- TPP. *Trans-Pacific Partnership*. 2016. <http://tpp.mfat.govt.nz/text>
- UNFSS (2013). *Voluntary Sustainability Standards: Today's Landscape of Issues & Initiatives to Achieve Public Policy Objectives*. Geneva: UNFSS, 2013. <http://unfss.org/documentation/flagship-report/>
- UNCTAD (2015). Key statistics and trends in international trade 2015. (http://unctad.org/en/PublicationsLibrary/ditctab2015d1_en.pdf)
- UNCTAD (2016). Trading into Sustainable Development: Trade, Market Access and the Sustainable Development Goals. 2016. <http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=1474>
- USTR (United States Trade Representative). *2013 Report on Technical Barriers to Trade*. April 2013. <https://ustr.gov/about-us/policy-offices/press-office/reports-and-publications/2013/TBT-report>
- Vandergaest, Peter, and Unno, Anusorn (2012). "A new extraterritoriality? Aquaculture certification, sovereignty, and empire." *Political Geography* (Elsevier), 2012: 1–10.
- Vila, Ben (2014). "EO Offers Advice on "Challenges to Hydrocarbon Development in the Amazon" at Government Meeting in Colombia." *Equitable Origin Blog*, November 3, 2014.
- Vitalis, Vangelis (2002). "Private Voluntary Eco-labels: Trade Distorting, Discriminatory, and Environmentally Disappointing." Background Paper for the Roundtable on Sustainable Development: Eco-labelling and Sustainable Development, 2002.
- Ward, Halina, and Ha, Mai-Lan (2012). *Voluntary Social and Environmental Standards and Public Governance: Reviewing the Evidence and Setting Principles for Standards-Setters*. September 2012. <http://pacinst.org/wp-content/uploads/2013/06/pacinst-standards-and-public-governance-review-nov-2012.pdf>
- Wijaya, Atika and Glasbergen, Pieter. (2016). "Toward a New Scenario in Agricultural Sustainability Certification? The Response of the Indonesian National Government to Private Certification." *Journal of Environment & Development* 0(0) (2016): 1-28.
- Wouters, Jan, Marx, Axel. and Hachez, Nicolas (2008). "Private Standards, Global Governance and Transatlantic Cooperation." Leuven Center for Global Governance Studies, 2008.
- WTO (2015). Committee on Technical Barriers to Trade. "Second Triennial Review of the Operation and Implementation of the Agreement on Technical Barriers to Trade." G/TBT/9. 13 November 2000. <https://docsonline.wto.org/dol2fe/Pages/SS/DirectDoc.aspx?filename=t%3A%2Fg%2Ftbt%2F9.doc>

WTO (2015). United States – Measures Concerning the Importation, Marketing, and Sale of Tuna and Tuna Products. https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds381_e.htm

WWF (2015). “Profitability and Sustainability in Responsible Forestry: Economic Impacts of FSC Certification on Forest Operators.” Gijs Breukink, Joshua Levin, Karen Mo, authors. 2015. <http://www.worldwildlife.org/publications>



UN Photo by Mark Garten

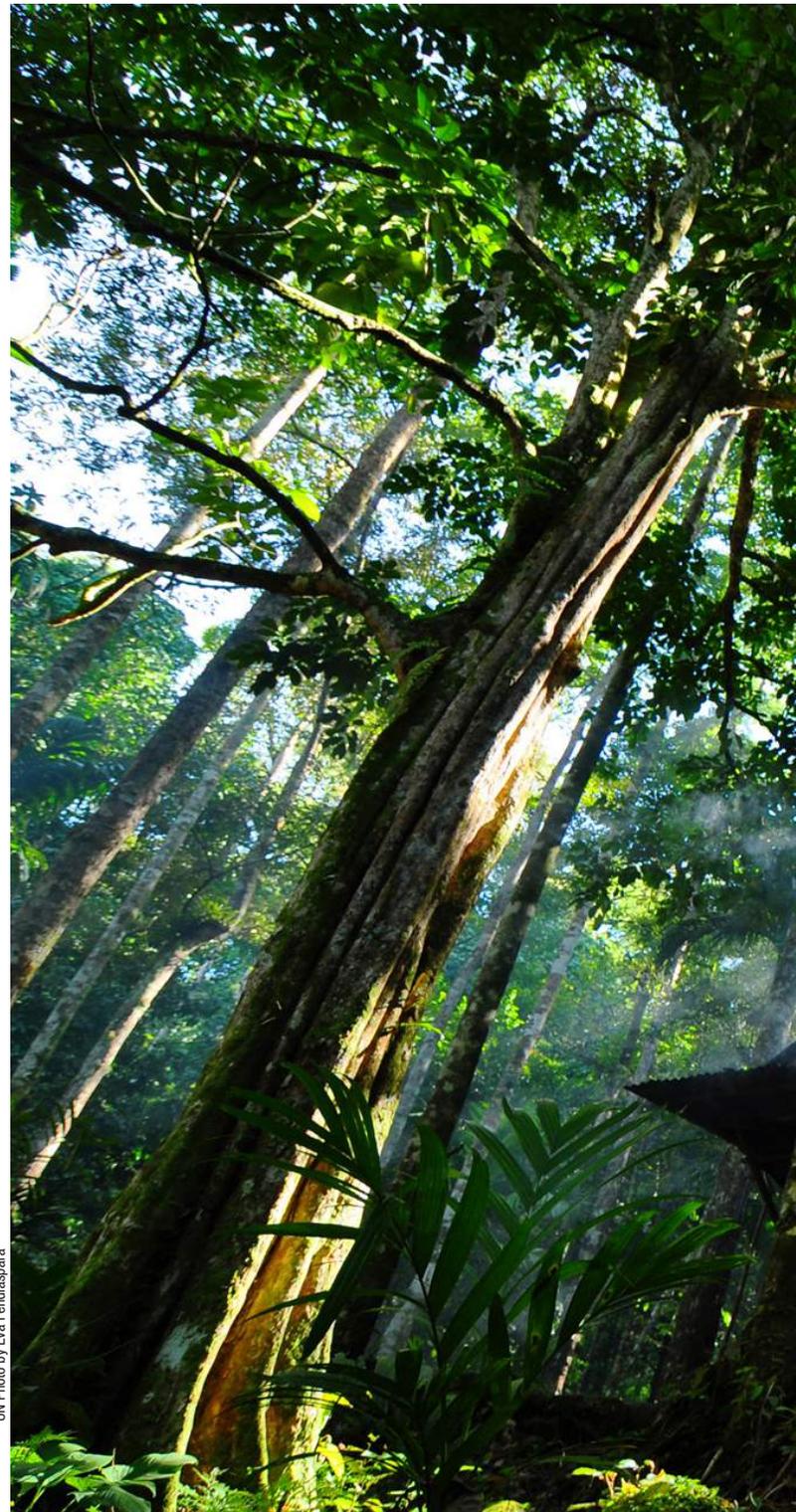
CHAPTER II

Contributions from Experts

This chapter presents commentaries from the following experts on voluntary sustainability standards (VSS):

- [Daniele Giovannucci](#), Committee on Sustainability Assessment (COSA)
- [Rainforest Alliance](#)
- [Aimée Hampel-Milagrosa](#), German Development Institute
- [Pieter Glasbergen](#), Maastricht University International Centre for Integrated assessment and Sustainable development (ICIS)
- [Ulrich Hoffmann](#), Research Institute on Organic Agriculture (FiBL)
- [Halina Ward](#), Independent analyst and advisor
- [International Organization for Standardization \(ISO\)](#)
- [Norma Tregurtha and David D'Hollander](#), ISEAL Alliance

These commentaries provide some unique perspectives on the themes laid out by the introductory chapter, highlighting areas where there is ongoing good work that strengthens sustainability outcomes via joint co-regulation by VSS and governments at the national level. They also provide recommendations for a path forward in order to address some of the trickier aspects of VSS and public policy and how UNFSS can continue to play a critical role in bringing together key constituencies for discussions that can tackle the issues laid out here.



Several themes emerged in the commentaries including:

Greater attention is being paid to understanding the impact of VSS. Increasingly, VSS systems, independent academics, and researchers are delving into studies to better understand the major sustainability outcomes and impacts of VSS. Over the past 3 years, there have been more studies that have looked at environment and social outcomes of VSS that go beyond single site level practices towards a much broader based understanding of the potential and real outcomes of VSS to bring about transformational change.

However, commentators also noted that there are impediments to good quality impacts data because of a lack of agreement on the indicators to be used for social, environmental, and economic progress and the need for a harmonized approach to metrics that can speak to these outcomes.

Governments can and are playing a wide variety of roles in support of VSS generating desired outcomes. Commentators pointed to a number of new areas and shifting roles for government as they relate to VSS as the following.

- Governments are increasingly more involved in the development of national, in order to reclaim their traditional regulatory functions in some cases, and to reduce negative externalities of VSS, e.g. VSS' potentially trade-distorting impact on their exports, in other cases. One commentator highlighted the potential of marketing national level VSS products to regional buyers, such as palm oil in Asian markets, where the demand growth is higher than that in the European markets.
- Governments have a pivotal role to play in setting the baseline regulatory and environment that enable good sustainability practice to thrive, such as those related to good land use policy.
- Governments can play a critical role in defining and ensuring good practice as it relates to VSS, such as ensuring that VSS are inclusive, transparent and have appropriate accountability measures. This will also help address issues of proliferation of standards, enabling the most legitimate standards to be appropriately recognized.
- Governments can look to maximize the dis-

tributional aspects of VSS, maximizing some of the benefits of VSS to non-VSS producers as well as to address power imbalances between VSS producers and the owners/managers of supply chains.

- There are good examples of equivalence or partnership between governments and VSS that address concerns over competition between the two systems.

A number of commentators highlighted the usefulness of co-regulation to meet broader sustainability objectives though partnerships among VSS, producers, civil society and governments. One commentator suggested reviving an idea called the International Commodity Related Environmental Agreement (ICREA) that would help commodity exporting countries implement more sustainable production methods in order to address some of the challenges facing VSS including systemic flaws that limit their reach and impact.

Potential Areas for Consideration by UNFSS

Commentators highlighted three areas where UNFSS can play a critical role:

- 1) Helping to harmonize metrics and methods for understanding the impact of VSS to ensure positive outcomes are universally understood and based on sound science;
- 2) Helping to define what good practice for co-regulation looks like by bringing together all relevant stakeholders through a global consultation process to bring about a common understanding for how to use VSS in policy processes; and
- 3) Serving as a potential clearing house for VSS that focuses on developing robust VSS criteria that ensures the integrity of the systems.

These are initial highlights and themes at this stage of the work. UNFSS looks forward to continued engagement with all relevant stakeholders to further define and share insights into how to best bring the world of VSS together with public processes in order to help achieve the 2030 Agenda for Sustainable Development.

“Measuring the success of Sustainability Standards is the key”

Committee on Sustainability Assessment (COSA)

COSA, the Committee on Sustainability Assessment, is a global consortium of more than 40 institutions advancing the measurement of sustainability in our food and agriculture systems.

Daniele Giovannucci is President of COSA. Prior to COSA, he served as Senior Consultant to the World Bank Group, has led national strategies with nearly a dozen governments, and chaired the global teams formulating the strategic input on Food and Agriculture for the United Nations Division for Sustainable Development (“Sustainable Development in the 21st century”). With COSA, he actively advises governments, corporations, and institutions including UNFSS.

The introductory chapter of the UNFSS Flagship Report offers a robust and useful summary of the main issues emerging in the evolution and use of Voluntary Sustainability Standards (VSS) world-wide. Key topics – from the role of public policy and governance to the impact of VSS on trade – are raised and framed by provocative questions whose answers will shape the development of VSS over the coming years.

This response will argue that the success of VSS depends on their ability to deliver results and to demonstrate their impacts sufficiently so that their adoption and use can be well justified in any policy agenda or investment. If VSS have a commitment to assess their impact on social, environmental, and economic sustainability in the communities they seek to serve, they will be equally committed to measuring and learning about best and worst practices to stimulate their continuous improvement.

Given the unquestioned importance of sustainability issues from a public and private perspective, the metrics must be robust and consistent (for learning and transparency). And such metrics are necessary for public sector involvement to achieve sound levels of both performance and accountability.

How do we measure the success of VSS?

The success of VSS has to date primarily been measured by market penetration rates of certified products, as the UNFSS report mentions. This is predicated on the assumption that increasing the



market volume of certified goods will incentivize the adoption of practices associated with certifications which in turn should trigger social, environmental, and economic improvements in producer communities.

By this measure, VSS enjoy growing success as the market share of certified products has been on an upward trajectory since their introduction. In 2012, the average annual growth rate of certified production across a number of agricultural commodities was 41 per cent (SSI, 2014). Therefore, we might expect to see a corresponding improvement in the social, environmental, and economic elements of sustainability in communities that produce certified goods.

Yet there is little credible evidence to support any such claim, and it is unlikely that sustainability grew by anything like 41 per cent. Of course, such parallel growth would be a simplistic expectation but the fact remains that we do not know what we might expect or what we are actually getting for the growth in the VSS. The lack of understanding is the fundamental weakness of the trust-based system that underpins the VSS.

Indeed, since standards are mostly unregulated and sparsely studied,¹⁰ standards are themselves subject to information scarcity regarding their actual impacts and effectiveness (Blackman & Rivera, 2010; UNFSS 2013). This makes it difficult for many of them to increase effectiveness and to make choices which ensure continuous improvement (Potts *et al.* 2014).

The answer to why this useful information is scarce is complex and begins with a lack of agreement on the indicators associated with social, environmental, and economic progress and a corresponding lack of quality and standardization of measurement data through which standards can learn and hold themselves accountable.

Lack of rigor in how assessment is typically conducted is a threat to the ultimate success of the VSS. As Blackman, Rivera and others have noted, the quality of the basic science can call into question some claims both pro and con the VSS effects. While in recent years a number of efforts to measure sustainable practices have emerged in response to the lack of data, they are mostly inadequate and suffer from a lack of neutral science-based approaches. Many are unilateral or single-group approaches.

¹⁰ While the literature is growing and improving, Blackman & Rivera (2010), along with other reviewers, point out that much of it has not met criteria for good research. The Organic or Bio standard is the exception to regulation.

Others are largely representative of private interests (i.e. consultancies or corporate consortia that may or may not be oriented to serve the public good). Regardless of their genesis or perspective, all of these are advancing the awareness of the need for sound metrics, but disparate efforts are not enough to guarantee that standards can actually improve sustainability.

So what can be done to align efforts, improve data, measure what matters, and improve sustainability?

Start with the benefits: alignment and harmonization

From their inception, standards have claimed to offer benefits that are central and vital to the concept of sustainable development. More recently, they have aligned their approach with global initiatives like the Sustainable Development Goals¹¹ and have articulated benefits of adoption to include: a) Improved economic conditions and livelihoods for producers¹² (SDGs 1, 2, 8); b) Greater participatory governance in international supply chains¹³ (SDG 12); and c) Improved social and environmental outcomes¹⁴ (SDGs 1-8, 10-15). Corporate supply chains are likewise looking for clear benefits and are articulating their interests in alignment and harmonization primarily as measures for Sustainability Returns on Investment. Agreement defining what matters (and how to measure what matters) is a powerful step towards effectiveness that requires public and private alignment to be fully realized. As the old adage goes, “you cannot manage what you cannot measure.” These benefits cannot be easily realized without sound and reliable (science-based) metrics and broad levels of acceptance or alignment.¹⁵

¹¹ <http://www.undp.org/content/undp/en/home/sdgoverview/post-2015-development-agenda.htm>

¹² The Fairtrade Standards are designed to tackle poverty and empower producers in the poorest countries in the world. (<http://www.fairtrade.net/standards.html>)

¹³ IFOAM's five strategic pillars include: uniting the organic movement, facilitating production and trade, promoting sustainability in agriculture, assisting organic development, and building organic leaders' capacity. <http://www.ifoam.bio/en/w hat-w e-do-1>

¹⁴ The Rainforest Alliance is an international nonprofit organization that works to conserve biodiversity and ensure sustainable livelihoods. (<http://www.rainforest-alliance.org>).

¹⁵ A defining element of such indicators is that they ought to be drawn from credible multi-stakeholder consultations and align with existing major international agreements to help



Photo: ©ThoiryK@panoramio.com

An improvement would have such metrics being somewhat standardized so as to be consistently applied across VSS, and indeed any standards. The concept of commonly shared methods to measure indicators is not unique; it has been widely used since the beginning of trade and includes agreements on weights and product grading standards. Measuring with consistent methods permits comparability and a transparent understanding in the many diverse contexts where standards operate.

This is an essential basis for building our shared learning about what constitutes effective practices over the long term. Outcomes depend on regional variables and individual circumstances. That said, the capacity of common metrics to gather and track scientific information in a consistent manner provides both policymakers and producers a unique ability to understand the conditions for improving sustainability locally.

We believe that the overall objectives of the VSS are important enough to warrant that we seriously discern and address relative strengths and weaknesses as well as expose less functional standards among a list that has burgeoned now to include 465 ecolabels claiming a range of benefits that are not always clear and rarely demonstrated.¹⁶

This lack of metrics harmonization is now beginning to change as leading standards bodies (such as UTZ Certified) are working with organizations (such as ISEAL) to more regularly engage with a consistent and rigorous set of metrics as well as independent assessment. The private sector is also interested;

ensure neutrality. See for example: <http://thecosa.org/wp-content/uploads/2014/10/COSA-Indicators-201410161.pdf>

¹⁶ <http://www.ecolabelindex.com/ecolabels>

leading organizations (such as the Sustainable Food Lab) have worked towards a set of common metrics noting that, unlike the relative simplicity of financial information, many businesses also struggle to capture the sustainability information that does not have standardized protocols (Sustainable Food Lab, 2015).

It is important to also understand that metrics must operate at different functional levels of application. For example, sector policies are most effective when informed by cogent understanding of the field-level and trade-level needs. Therefore, metrics will optimally inform policy when they can capture the multi-dimensional perspectives (environmental, social, and economic) of producers and communities, and thus better represent sectoral and landscape-level realities.

Way Forward

As a platform that can bring together actors across the VSS spectrum as well as the important public and private bodies whose policies can help or hinder the effective use of standards, UNFSS has a vital role as a convener and a promoter of policies and best practices that ensure their impact. Since the objectives of VSS align with policy in most countries, the involvement of governments is a critical factor to ensure both the understanding and effective use of such tools.

Given the dearth of data available, and the size of the task, investing in robust measurement initiatives will be an important focus for public-private partnerships. Initiatives (such as UNFSS) offer valuable neutrality that will be necessary to assure the successful use of VSS for the public good.

Ultimately, the motivation for all standards is to improve the lives and livelihoods of farmers and the sustainability of their communities. That motivation must be combined with a shared focus on useful and rigorous measurements for it to be fully realized.

“Governments can promote national-level standards to achieve sustainability outcome”

Rainforest Alliance

Founded in 1987, the Rainforest Alliance is a leading international environmental NGO working to create environmental, social and economic change in over 70 countries. Our mission is to conserve biodiversity and ensure sustainable livelihoods by transforming land use practices, business practices and consumer behavior. Since our founding, we have brought over 50 million hectares of forests and farms to certified standards, and trained 1.4 million people in sustainable land use practices.

Since its founding in 1987, the Rainforest Alliance has sought to conserve biological diversity and improve livelihoods through transformative actions undertaken by producers, businesses, and consumers through voluntary sustainability initiatives. As longtime certification auditors, trainers, and participants in Sustainable Agriculture Network (SAN) and Forest Stewardship Council (FSC) standards development, the Rainforest Alliance welcomes the efforts of UNFSS to position VSS as a driver of sustainable development, particularly in developing countries. We also applaud the Flagship Report as a means to share up-to-date knowledge and perspectives on VSS and their potential complementarity with government action.

This brief commentary by the Rainforest Alliance highlights two points related to the Flagship Report: 1) the presentation of information on VSS impacts; and 2) the role of national-level standards and government initiatives alongside VSS to drive sustainability in diverse contexts.

Impacts of VSS

The introductory chapter notes that a central question about VSS is how well they have been able to fulfill their promise of driving lasting sustainability progress, particularly on the ground. Unfortunately, the chapter does not accurately represent the present state of knowledge about VSS impacts. While the chapter acknowledges that “in the past five years, there has been a shift beyond measuring uptake rates and instead towards understanding how adoption of VSS has brought about positive change for producers, for communities, and for the environment,” the report’s subsequent literature review fails to reference the results of several new evaluations and impact assessments.



UN Photo by Eskinder Debebe



Photo: ©ThoiryK@panoramio.com

We refer the authors to two free online resources that consolidate the substantial literature on VSS impacts: the [Sustainability Impacts Learning Platform](#) and the [ISEAL Alliance's website on the sustainability impacts of VSS](#). Additionally, many VSS systems publish regular impacts reports that review recent independent research related to that system and present other current data; for instance, the [2015 SAN/Rainforest Alliance Impacts Report](#) synthesizes results of nearly two dozen impact studies and provides citations and links so that readers can examine the original findings themselves.

Following are just a few examples of findings from the diverse body of recent literature (much of it peer-reviewed) on impacts of VSS: research of Ximena Rueda and Eric Lambin in Santander, Colombia, used a combination of field surveys and geospatial analyses to learn that SAN/Rainforest Alliance certified farms had higher tree diversity and contributed more to the restoration of tree cover at a landscape level than non-certified farms.¹⁷ Elisa Hardt and colleagues used spatial analysis and habitat modeling to find that SAN/Rainforest Alliance certified coffee farms in Brazil controlled deforestation and supported habitat

connectivity better than non-certified farms.¹⁸ A recent study by Daniela Miteva and colleagues compared FSC-certified and non-certified forestry concessions in Indonesia over eight years and found that FSC certification significantly reduced deforestation and air pollution¹⁹; similar findings on the role of FSC certified community-managed forests in reducing deforestation have been reported for the Peten region in Guatemala.²⁰

Relationships among VSS, standards at the national level, and government initiatives

Regarding the involvement of governments in the creation of national-level standards, the Rainforest Alliance supports the idea demonstrated in Chapter I suggesting national level standards can foster local

¹⁷ Rueda X, Lambin EF. 2013. Responding to globalization: impacts of certification on Colombian small-scale coffee growers. *Ecology and Society* 18(3):21. Also, Rueda X, Thomas NE, Lambin EF. 2015. Eco-certification and coffee cultivation enhance tree cover and forest connectivity in the Colombian coffee landscapes. *Regional Environmental Change* 15: 25–33.

¹⁸ Hardt E, Borgomeo E, dos Santos RF, Pinto LF, Metzger JP, Sparovek G. 2015. Does certification improve biodiversity conservation in Brazilian coffee farms? *Forest Ecology and Management* 357: 181–194.

¹⁹ Miteva DA, Loucks CJ, Pattanayak SK. 2015. Social and environmental impacts of forest management certification in Indonesia. *PLoS ONE* 10(7): e0129675. doi:10.1371/journal.pone.0129675

²⁰ Hodgdon BD, Hughell D, Ramos VH, McNab RB. 2015. Deforestation trends in the Maya Biosphere Reserve, Guatemala 2000-2013. http://www.rainforest-alliance.org/sites/default/files/publication/pdf/MBR-Deforestation_150213-2.pdf

support for sustainability efforts. These standards are introduced to give tangible form to government sustainability policies and can help producers achieve basic levels of legality and responsible practice. For example, the [Indonesian Sustainable Palm Oil](#) system (ISPO), which is applicable to all oil palm growers in Indonesia, whether large plantations or smallholdings, sets guidelines for reducing greenhouse gas emissions and protecting the natural environment.

However, there are some factors that may limit the effectiveness of national-level standards in creating incentives for sustainability in trans-national value chains and in driving producers towards high performance levels. First, these standards tend to carry little or no recognition in international markets, and therefore have not taken the place of internationally recognized, credible third party VSS that enable companies to communicate and make claims about the sustainability of their supply chain. As a result, national-level standards have tended to be most effective for crops with a robust domestic market; the Trustea label for India's tea sector is a good example of this.

An additional limitation is that, in comparison with leading international VSS that aim to address sustainability rather holistically, national standards may focus on specific areas of local interest or concern, or may omit specific requirements of international concern because of in-country resistance from producers or other stakeholders. For example, the Trustea label permits the use of certain agrochemicals that are not allowed under many international standards.

Rainforest Alliance also supports government engagement in multi-stakeholder partnerships for sustainable commodity production and trading, and we have observed each of the benefits listed in the chapter: increased financial support for smallholder

training; joint initiatives that are tailored to local concerns; the creation of multi-stakeholder platforms; and increased domestic legitimacy. In our experience, multi-stakeholder platforms can be an effective means of sharing information and fostering sector dialogue around critical sustainability issues.

For instance, the Vietnam Coffee Coordinating Board comprises representatives of farmer organizations, community based organizations, private sector, and civil society and makes recommendations to the government on sustainability policy and field based initiatives. However, some multi-stakeholder platforms are more inclusive than others; when such initiatives exclude minority groups, marginalized producers, or other key value chain participants and stakeholders, they are less likely to devise lasting solutions to benefit the local populace and environment.

In conclusion, our experience as a VSS auditor, standard developer and implementer of technical assistance is that governments can have an important role to play as a developer of national-level standards for use in domestic markets, as a convener of local stakeholders and sectoral roundtables or dialogues, and as a source of support for smallholder training and other local initiatives that are complementary to the objectives of VSS.

Most importantly, governments should be the proponent of policies and regulations, land use planning and zoning programs, improved governance and enforcement, resolution of land use conflict and disputes, or other policy frameworks that can improve the enabling environment and thereby mutually support the transformative change envisioned by VSS.

We value the efforts of UNFSS to further explore the interplay between public governance and VSS, and thank UNFSS for the opportunity to comment on this Flagship Report.

“Success of VSS depends on the national sustainable development strategies”

Aimée Hampel-Milagrosa, German Development Institute (DIE)

Aimée Hampel-Milagrosa is a Senior Researcher in Department II “Sustainable Economic and Social Development” of the German Development Institute (DIE). She works on Upgrading of micro, small and medium enterprises (MSMEs), agricultural value chains, investment climate, informality and gender in South, Southeast Asia and Sub Saharan Africa.



The UNFSS 2nd Flagship report picked up on one of the most critical - and difficult - issues that remained unanswered in the first Flagship report; the role of government in voluntary sustainability standards. Historically speaking, standards belong to the realm of the private sector, from conceptualization to implementation, from certification and re-accreditation. The private sector (in this regard, domestic and international retailing) has an inherent interest in the creation and implementation of standards for a variety of reasons such as reputational and profit purposes or, for some, real corporate social responsibility.

Reputation is very important for the private sector because the brand essentially carries the *image* and *experience* that the company sells and gains profits from. Take the example of the international retail chain Wal-Mart, whose reputation for labour exploitation, unsustainable sourcing and unfair competition in developing countries is renowned. In 2012, Wal-Mart started a global campaign for sustainable retailing, focusing on efficient energy use, waste reduction and recycling; including company strategies for responsibly produced and responsibly sourced products.²¹ Furthermore, they introduced their own Wal-Mart Sustainability Index - a checklist of 16 questions - that pushed their global suppliers to “*highlight steps they are taking towards sustainability*”. Though the Index’s scientific basis is currently questioned, the retailing giant has clearly signaled its move towards more sustainable practices.²²

Activities under corporate social responsibility, whether based on improving company reputation, meeting consumer expectations or real concerns for a sustainable supply chain, is another reason for the private sector to engage in voluntary standards.

²¹ See <http://corporate.walmart.com/global-responsibility>

²² See <http://ilsr.org/wp-content/uploads/2012/04/topten-walmartsustainability.pdf>

The Aid by Trade Foundation, for example, created the label Cotton made in Africa (CmiA) to differentiate sustainably grown cotton purchased from smallholders in Ivory Coast, Burkina Faso, Ghana, Malawi, Mozambique, Tanzania, Zambia, and Zimbabwe using the CmiA criteria.²³

These contract farmers are trained to produce cotton sustainably using CmiA guidelines for Good Agricultural Practices (GAP) and, in return, a Demand Alliance of more than 20 international brands and retailers source exclusively from CmiA accredited-farmers. The Demand Alliance, led by the German-based Otto Group of Companies, are dedicated to supporting the livelihoods of small African farmers, while at the same time using fair-priced and sustainably-produced raw materials. The CmiA Demand Alliance uses the CmiA label on their textiles and apparels - which in turn appeals to socially and environmentally conscious consumers.

For years the German retailer group REWE has successfully integrated sustainability throughout its business by means of their own consumption as a company and through the strict use of voluntary sustainability standards on the products they sell.²⁴ The company itself has reduced its greenhouse gas emissions per square meter of sales floor by 30 per cent from 2006 to 2012²⁵, has developed its own green building standard (for construction purposes), and only buys its electricity from 100 per cent renewable sources.

With regard to sustainability standards among its products, REWE has developed its own framework for hot spot analysis for problematic items in order to monitor suppliers' compliance with REWE standards²⁶ and prides themselves in the ProPlanet label for many of their conventional products. ProPlanet is a REWE-developed private standard for groceries, daily items and services that are sustainably produced not only ecologically but also socially. Categorized under the ProPlanet label is the Marine Stewardship Council certification, which the company possesses for more than 80 per cent of all wild fish products under the REWE brand name.²⁷

²³ <http://www.cottonmadeinafrica.org/de/>

²⁴ See Altenburg, Kulke, Hampel, Peterskovsky and Reeg, 2016

²⁵ REWE aims to reach a reduction of 50 per cent GHG emissions per square meter of sales floor by 2022.

²⁶ Examples of problematic items are flowers from Kenya or footballs from Pakistan.

²⁷ The MSC is a UK-based private non-profit organization

Against this background, the government's historical involvement in "standard" setting is geared more towards control and regulation of private actors. Governments regulate specific aspects related to production, sourcing, processing and marketing of goods to achieve social, economic and environmental goals for the country. For example, the Government of India's regulation pertaining to local sourcing requirements (LSR) for international retail chains that are planning to operate in the country is a measure that forces retail giants to integrate local micro, small and medium sized enterprises into their supply chains.²⁸ The purpose is to encourage inclusive, not necessarily sustainable, development. Major retail chains (such as the British Tesco, French Carrefour and German Metro) argued against LSR pointing out its cost ineffectiveness (for example, sourcing from numerous small farmers rather than a single supplier means multiple transaction costs) and the inherent inability of micro, small and medium enterprises to meet private quality standards of the retail giants. In response to protests, the Indian Government has loosened this regulation such that retailers are allowed to slowly introduce LSR over a few years.²⁹

In this simple example, we witness the difference between regulation and voluntary standards and discern that standards could be a mechanism that divides the government and private sector. In many cases, private voluntary standards have created the gulf between the willingness of the private sector to carry out sustainability and inclusivity in their business and the ability of smaller enterprises to integrate themselves in global value chains.

The recent adoption of the 17 SDGs has bound economies worldwide towards ending poverty, protecting the planet and creating prosperity for all; and governments with limited resources are now up against the clock to find innovative ways to finance development. Embracing the use of VSS is an innovative way of partnering with the private sector to reach the SDGs of "People, Planet, Prosperity, Peace and Partnership".³⁰

Until recently, government-private sector partnerships with regard to establishing VSS are the exception

that together with scientists, aquaculturists and other NGOs, developed standards for certification for sustainable fishery.

²⁸ Murkherjee and Patel, 2005

²⁹ See Hampel, Brannkamp, Cremer, Haddad, Pannwitz, Wehinger, 2016 (forthcoming)

³⁰ See <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>



Photo: ©ThoiryK@panoramio.com

rather than the norm, and no clear cut models of public private partnerships are available. Working with the private sector through sustainability standards is an excellent way to operationalize financing for sustainability and make it easier for the private sector to make their value chains more inclusive.

For this to work, the government and the private sector have to stop their current approach of working in silos. Both parties have to actively engage and complement the interests of each other rather than considering one another as antagonists. A successful partnership between Equitable Origins (EO), an international standard for socially and environmentally responsible energy development, and the Colombian National Agency for Hydrocarbons demonstrates that it is possible. The Colombian government worked to align national goals of sustainable energy development with EO's transparency and accountability mechanisms. The partnership was a success that the government now participates actively in future revision processes, to conform EO to wider sustainability goals of the Colombian government such as their Amazon conservation efforts.

From a private sector perspective, government cooperation in the creation and implementation of VSS, though rendering more transaction costs, lends more legitimacy and credibility to the standard itself. The critical question, however, is: how much government intervention is warranted? How much could governments nudge - or push - VSS to align towards their own goals? There is no easy answer.

The experience of the Thailand government with their own Q-GAP (voluntary standard for good agricultural practices) that was implemented by the government across all stages is an interesting example. Though aligned with other ASEAN GAP programmes, the

Q-GAP (later re-launched in 2013 as Thai Agricultural Standards, TAS) was quickly deemed insufficient for export purposes by the Thai private sector. A new VSS called the ThaiGAP (this later evolved to ThaiGAP Level2) that was benchmarked against the GlobalGAP³¹ was more successful as it was considered easier to comply with and less costly than previous standards. The difference here is that the development of the VSS ThaiGAP and ThaiGAP Level 2 was a public private partnership between the Thai government, small and medium-scale export companies, the German Technical Cooperation, Thai universities and local farmer groups.

Accordingly, no voluntary sustainability standards could be successfully implemented in the short term nor could be aligned to national goals in the long term if "sustainability" as a whole is not integrated in the country's overall development strategy. While the success of any sustainability standard critically depends on national and global development strategies that go far beyond the standard itself, the implementation of the sustainability standard significantly contributes to achieving development goals. VSS that are aligned with national and global development goals will have the biggest impact on progress because they span the chasm between public and private spheres.

The interpretation and approach to sustainability varies from economy to economy. Nevertheless, it is exactly this differentiated perception that underscores the value of governments partnering with the private sector in developing and refining VSS.

³¹ GlobalGap of 2012, formerly EurepGAP of 1997, is a pre-farm gate standard that covers the processes from farm inputs and all activities in the farm until the produce leaves the farm

“Are Southern governments reclaiming sustainability standard-setting?”

Pieter Glasbergen

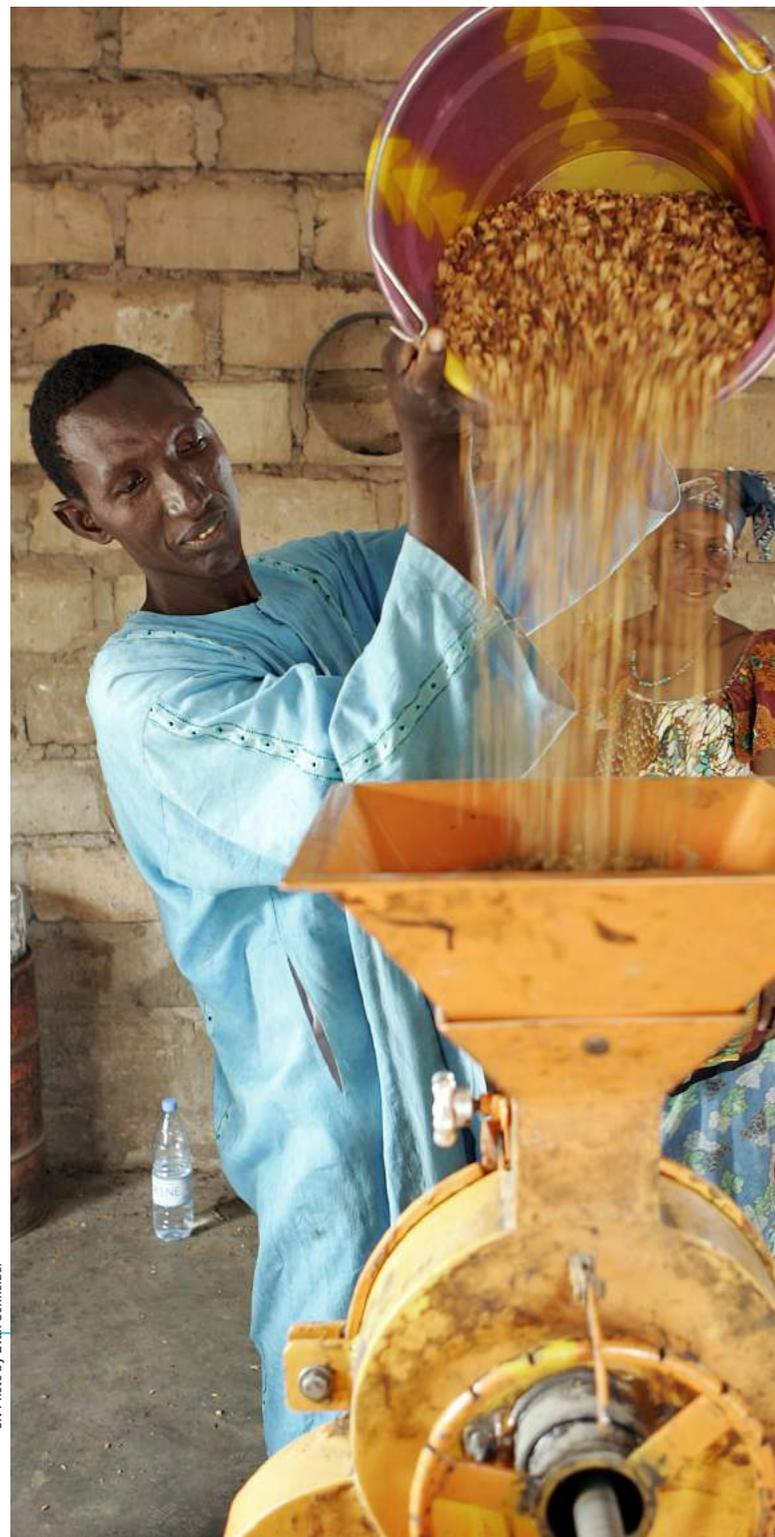
Pieter Glasbergen is Honorary Professor Governance for Sustainable Development, Maastricht University – ICIS, Emeritus professor of Utrecht University and the Netherlands Open University, and Chair Maastricht, Utrecht, Nijmegen Programme on Partnerships.

With this comment I would like to draw the attention to an emerging new relationship between governments and voluntary sustainability standards. For long, we have focused on the role of governments vis-à-vis private Initiatives by collaborative arrangements of businesses and NGOs, for example, as arrangements to induce a more sustainable change in agricultural value chains (Bitzer and Glasbergen, 2015).

Our discussion particularly addressed the question whether governments should be involved and in what ways. Interesting is that this question was mainly asked while taking the Northern-based private standard-setting and certifying arrangements as a starting point for further reflection. Much attention has also been given to the roles of Northern governments. Much less we discussed the Southern effects of the certifying arrangements.

In developing countries, the private initiatives are often seen as an external pressure for change. Many of these countries, the economies of which largely depend on the production of agricultural commodities, struggle with uncertainties about the impacts on their production sectors. The private sustainability regimes developed new conditions under which their agricultural commodities are supposed to be traded. Hence such regimes influence economic development policies of those developing countries, and challenge activities that are thought to be the domain of the state, such as protection of human rights and natural resources.

However, the tides seem to be changing. Schouten and Bitzer (2015) refer to this change as “the reposition of producer countries in global value chains”. This conceptualization recognizes that both producers and governments in a Southern context tend to develop their own standards. Examples of the first category are Soja Plus as a rival standard of the Round Table on Responsible Soy and the Sustainable Initiative of



UN Photo by Evan Schneider

South Africa, an ethical program of the South African fruit industry.

Some Southern governments start to work in projects with NGOs and companies, such as the recently (2013) consolidated long-term collaboration agreement of UTZ and the government of Minas Gerais, Brazil. The alliance, which relies on the alignment of the UTZ Code of Conduct and the Certifica Minas Café certification standard, is supposed to benefit over 1,800 Minas Gerais coffee-farming producers by facilitating them access to international markets through the network of UTZ. The UTZ/Certifica Minas Café alliance is the first one in its type and marks a milestone in the way voluntary standards align with national and regional certification schemes. It is supposed to work as a model for effective collaboration elsewhere.

Other examples are China's attempts to promote its own domestically driven forest certification scheme, Argentina's move from private forest certification to the state-guided governance of the Program for the Endorsement of Forest Certification, and the initiatives of Indonesia and Malaysia to develop their own standards on sustainable palm oil.

An even more fundamental change is taking place where national governments of developing countries (re-)take their role as central actors in regulating a more sustainable agriculture, presumably at the detriment of private governance arrangements. Indonesia is leading in this trend. The national government is far in the process of introducing its own standards for sustainable palm oil and reduced its relations with the Round Table on Sustainable Palm Oil (RSPO). Indonesia is also planning to develop its own sustainability standards and certification schemes regarding coffee and cocoa. Although it is expected that the first standards will not be very stringent in sustainability requirements, they will be mandatory and (in a later phase) include smallholder production.

Several factors underlie this repositioning of Southern countries in relation to private regulations. Research from Indonesia on the Indonesian Standard for Sustainable Palm Oil (ISPO) shows, first, that the Indonesian government started to see the development of sustainable palm oil regulation as a national problem and, therefore, as a government responsibility. National pride plays a role in this reasoning. Indonesia would like to assert its identity as a nation by establishing ISPO as a national standard. This identity is expressed in the reluctance to be led by Northern actors and reconfirms its mandate to regulate.

Second, the RSPO came to be seen as an illustration of an unbalanced power relationship between consumer countries and producer countries. In the eyes of the Indonesian producer organization GAPKI, the RSPO could not deliver what it was supposed to deliver: improving access to the market and dismissing allegations that the Indonesian palm oil is unsustainable.

Third, the government came to see the private sustainability certification scheme more as a trade barrier, while a public standard came to be seen as a trade opportunity. The Indonesian government aspires to use ISPO to expand new emerging markets of palm oil. RSPO-certified palm oil is mostly asked by European buyers. However, the increasing demand for palm oil is coming from Asian countries rather than European countries (Wijaya and Glasbergen, 2016; Hospes, 2014).

The process of reclaiming Southern public authority that we see progressing indicates a new scenario for the future relationships between Southern governments and the private sector regarding sustainability standards. The mechanism that unfolds can be described as the unfolding of a learning process. Confronted with many VSS, Southern governments first seem to regard them as something the market actors have to deal with; there is no need of the government to be involved. In what can be seen as an interim period, the government recognizes that sustainability certification might become a prerequisite for global trade, and starts to cooperate with private certification schemes. In that phase, they may play a role as a technical advisor and provider of the legal infrastructure to sustain the regulation. In the third phase, the government, for reasons mentioned above, changes its attitude and develops its own public sustainability standards and certification scheme (Wijaya and Glasbergen, 2016).

Thus, what we see here is that the private schemes might pave the way for Southern governments to become aware of and recognize the relevance of sustainability claims for their trade and public standards and certification instead of voluntary ones as a tool to best handle them.

However, although the trend is set, it is too early to conclude that this will be the future scenario, in which Southern sustainability standards will replace the voluntary private schemes. Particularly uncertain is if the often weak governments in the South will be able to develop the implementation capacity to enforce their own standards. As far as smallholders are

involved, this will be an immense challenge as there are millions of them in coffee, cocoa and palm oil that need to be reached (Glasbergen en Schouten, 2015).

References

Bitzer, V., & Glasbergen, P. (2015). Business–NGO partnerships in global value chains: Part of the solution or part of the problem of sustainable change? *Current Opinion in Environmental Sustainability*, 12, 35–40.

Glasbergen, P., & Schouten, G. (2015). Transformative capacities of global private sustainability standards: A reflection on scenarios in the field of agricultural commodities. *The Journal of Corporate Citizenship*, 58, 85–101.

Hospes, O. (2014). Marking the success or end of global multi-stakeholder governance? The rise of national sustainability standards in Indonesia and Brazil for palm oil and soy. *Agriculture and Human Values*, 31(3), 425–437.

Schouten, G., & Bitzer, V. (2015). The emergence of Southern standards in agricultural value chains: A new trend in sustainability governance? *Ecological Economics*, 120, 175–184.

Wijaya, A., and Glasbergen, P. (2015). Towards a new scenario in agricultural sustainability certification? The response of the Indonesian national government to private certification. *Journal of Environment and Development*, DOI: 10.1177/1070496516640857, 2016.



UN Photo by Ray Witin

“Business-as-usual is insufficient against the scale of required fundamental changes”

Ulrich Hoffmann

Ulrich Hoffmann is Chief Economist (Sustainability Issues) at Research Institute on Organic Agriculture (FiBL). He was the former editor-in-chief of UNCTAD's Trade and Environment Review and one of the founding fathers of UNFSS.*

* The author gratefully acknowledges comments by Frank Grothaus, formerly a member of the UNFSS support team, on an earlier version of this commentary.

The performance and impact record of private sustainability standards (PSS) in the past 20 years is not particularly impressive. One must realistically conclude that such standards are one, not unimportant tool whose real impact should, however, not to be overrated.

As the introductory chapter correctly sums up in retrospect, with very few exceptions (one being organic agriculture), PSS have not paved the way for systemic changes to true sustainability in commodity markets, nor have such standard-compliant products reached market shares that underpin their mainstreaming. Rather, the majority of PSS led to incremental improvements of certain conditions, which largely made them risk-management and damage-limitation tools.³²

Far more important has been the role of PSS as supply-chain-management tools that underpin rather one-sided relations of dependence and swaying power, primarily in favor of large, globally active retailers, processing companies and agro-chemical

³² A recent document of the ISEAL Alliance emphasizes that “Companies have supported sustainability standards and certification over the last fifteen years to be leading tools in driving a market-based solution to improved social, economic and environmental production, using the power of consumer choice and globalizing supply chains to incentivize farmers and enterprises to **improve** their practices.... However, standards systems and their stakeholders recognize that even with impressive growth and impact, the scale of the challenges that we are collectively seeking to address means that we are unlikely to achieve the transformation we need with a model that recognizes better practices at the scale of the individual farm or production unit.”

ISEAL Alliance, How sustainability standards can contribute to landscape approaches and zero deforestation commitments, April 2016. Available at: www.isealliance.org/sites/default/files/ISEAL_Standards%20Contributions_to_Landscape_Approaches_April16_Final.pdf



conglomerates. PSS thus, on the one hand, are the result of changes in the structure and power balance of many agricultural and food markets in the last two decades (i.e. hundreds of millions of producers and billions of consumers being under the influence and control of an ever-smaller number of huge trading, processing, agricultural-input and retail companies). On the other hand, PSS are the putty that keeps the divergent actors together in long global supply chains.

At the same time, it should not be forgotten that PSS are a brainchild of the era of neo-liberalism, which is now increasingly being questioned as having placed market efficiency above shared prosperity. The social dissatisfaction with the results of neo-liberalism-dominated globalization has led to an upsurge of political movements in many countries that advocate protectionist measures, a backlash to globalization, a re-focusing on national development interests and a stronger role of governments in industrial and trade policies.

To avoid a major, politically and socially driven backlash to globalization, its ways and means will have to be re-examined and very likely re-architected. It would be naive to believe that PSS would also not come under such scrutiny in the light of the fact that they cause, or are linked to, trade, sectorial (in particular agricultural), and development-policy problems (to name but one, the insufficient coherence between trade and development-policy objectives of PSS).³³

³³ UNCTAD's Trade and Development Report 2016 comes to the following conclusion: "While global value chains may provide important opportunities for firms in developing countries to enter export markets ... , increase production, employment and incomes, earn new capabilities and gain access to new technologies, there is little evidence that they have been instrumental in the development of a vibrant industrial sector over the past two decades. They are often based on low-value-added activities and low-cost labour, and, in most cases, have failed to establish a basis for more sophisticated domestic production. In this context, integration into global value chains should not be seen as 'a panacea' for development, let alone as an alternative to a proactive industrial policy. Rather, they should be viewed as providing a 'window of opportunity' that can support learning, upgrading and industrialization. However, they can also lead to lock-ins, enclaves and fallacies of composition. Hence, some opportunities for upgrading and industrial development exist, but they generally take place in the context of asymmetric power relations between lead firms and supplier firms and countries. More broadly, the rise of global value chains has resulted in a consolidation of power and increasing appropriation of profits by lead firms This makes it more difficult for developing countries that

It is not unlikely that PSS might get off even strengthened from that scrutiny given that such standards are widely seen as harbingers of an economically and environmentally more sustainable global production and trading system. At the same time, however, the modest performance record of PSS, the asymmetrical power relationships in setting and using PSS, the perception of many developing countries that PSS are mostly pursuing Northern interests and are reflecting Northern circumstances as well as the impression that PSS have done little to overcome the disadvantaged and exclusionary positions of developing countries in the international economic relations are all likely to prompt interest in increasing the direct and indirect governance role of states in PSS framing, setting and use.

Elaborating on recent experience in Indonesia, Wijaya and Glasbergen refer to five factors that seem to underpin a trend, in which Southern governments step up efforts of reclaiming authority from (mainly) Northern actors: (i) the increasing body of experience with PSS and related learning; (ii) the spread of PSS has prompted governments to reconsider the enforcement of their own regulation on social and environmental issues; (iii) persistent feelings of disadvantage and exclusion as well as the Northern stamp determining the objectives and circumstances for PSS setting; (iv) the now better developed corporatist governance characteristic in developing Southern standards; and (v) the changing market opportunities as regards national and regional markets.³⁴

As elaborated in Hoffmann and Grothaus,³⁵ PSS, as a micro-economic tool, have so far failed to reach a critical mass for truly sustainable market transformation

pursue very similar export-oriented development strategies to increase bargaining power in value chains and upgrade their economies in the longer run." UNCTAD, Trade and Development Report 2016 (UNCTAD/TDR/2016), New York and Geneva, 2016. Available at: <http://unctad.org/en/Pages/analysis.aspx>

³⁴ Wijaya, A. and P. Glasbergen, Toward a new scenario in agricultural sustainability certification? The response of the Indonesian national government to private certification. *Journal of Environment and Development*, Vol. 25 no. 2 (June 2016), pp. 219-246. Available at: <http://jed.sagepub.com/content/25/2/219.abstract>

³⁵ Hoffmann, U. and F. Grothaus, Assuring coherence between the market-access and livelihood impact of private sustainability standards. UNFSS Discussion Paper, No. 6, Geneva, May 2015. Available at: <https://unfss.files.wordpress.com/2013/02/unfss-discussion-paper-6-final-28may-2015.pdf>

ICREA type	Internalisation instrument
Transfer ICREA	International compensation fund for commodity-specific environmental projects and programmes. Fund contributions are contractually agreed and proportional to imports.
Policy Synchronisation	Synchronised introduction of environmental standards or other environmental policies with regard to a particular export sector.
Eco-label ICREA	Issuing and certification of commodity-specific international eco-label to create a market premium for sustainably produced commodities.
Voluntary fund ICREA	International compensation fund for national commodity-related environmental projects and programmes

not because of their inefficient use or lack of sufficient capacity-building support, but as a result of systemic causes:

- The competitive pressure under which key corporate players are in global supply chains limits their interest in and preparedness for upscaling the reach of PSS beyond a certain critical mass of better organized and logistically welllocated producers.
- Many PSS are unlikely to create on their own sufficient impact and leverage for real transformational change.³⁶
- The pressure of conventional markets on costs of production that do not internalize environmental damage or true social costs and the additional costs of sustainability-standards-compliant producers, in particular for inspection and certification, remain a serious hurdle for increasing the market share of PSS beyond a certain threshold.³⁷

To better harness the potential of PSS as micro-economic tool for supporting the achievement of public sustainable development policy objectives, developing country governments should indeed

³⁶ Transformational change, as distinct from incremental improvements, refers to the effectiveness of Standards in overcoming major social, environmental or economic problems that prevent true sustainability of local development, supply chains and life cycles of products. By way of illustration, in agriculture, transformational change is the concrete contribution of PSS to secure truly sustainable and resilient food systems, based on agro-ecological intensification and closed nutrient cycles that strengthen the reproductive capacity of the system.

³⁷ The first and the third bullet could rather effectively be addressed by International Commodity-related Environment Agreements, as elaborated on below.

play a much more proactive role in re-governing and framing the setting and use of PSS so that public developmental interests (and not only or mostly Northern company and consumer interests as well as Northern conditions and their trans-nationalization) become a key determining factor.³⁸

Two tracks of a more proactive engagement of developing country government are already visible: (i) governments are setting frameworks for PSS reflecting national sustainable development objectives (e.g. Indonesia's recent discussion and development of national sustainable palm oil, cocoa and coffee standards);³⁹ and (ii) governments engage in the 'institutionalization' of meta-governance of PSS, for instance through activities of WTO and UNFSS.

While on the first track there are doubts on whether governments will take responsibility for large system change and can assure effective enforcement, the second track has the shortcoming that it might focus too much on procedural rather than on substantive issues of PSS setting and implementation⁴⁰ or is too slow (as in WTO⁴¹).

³⁸ The national platforms on private sustainability standards (already created in India) and under preparation in China and Brazil are a promising first practical step in this direction.

³⁹ For a more in-depth analysis and examples see the commentary of P. Glasbergen in this report.

⁴⁰ For a more elaborate analysis in this regard see: Glasbergen, P. and G. Schouten, Transformative capacities of global private sustainability standards. A reflection on scenarios in the field of agricultural commodities. The Journal of Corporate Citizenship. Issue 58 (June 2015). Available at:

https://www.researchgate.net/publication/280234447_Transformative_Capacities_of_Global_Private_Sustainability_Standards_A_Reflection_on_Scenarios_in_the_Field_of_Agricultural_Commodities

⁴¹ A recent EUI Working Paper of Mavroidis and Wolfe

At this juncture, a third possible track for public re-governance of PSS and for strengthening public-private partnerships should be explored, which was intellectually developed in the mid-1990s, but now seems to fall on particularly fertile political and economic ground given the debate around the destiny of globalization and the pitfalls of neo-liberalism: the creation of International, Commodity-related Environment Agreements (ICREAs).⁴²

Put simply, ICREAs aim to help commodity exporting countries implement more sustainable production methods either through eliminating the competitiveness impacts of environmental policies, providing revenue for improving production methods or providing a price premium for sustainably produced commodities. To be successful, ICREAs need to be sector specific, multilaterally agreed, implemented with full government support, and exempt from challenges in WTO (as other existing plurilateral agreements). For the prevailing circumstances in the 1990s, the following possible types of ICREAs were proposed:⁴³

provides a very good evaluation of the systemic challenges and the related lack of progress in the WTO discussion on PSS. The authors conclude that “the governance issues raised by the proliferation of private standards go beyond the concerns of small traders to the heart of the rules that structure modern economies. A process that precludes participation by small firms in developing countries may also preclude the engagement of citizens in large countries. Reification of old-fashioned distinction between public and private ordering fails to address the realities of 21st century governance”. Mavroidis P.C. and R. Wolfe, Private standards and the WTO: Reclusive no more. European University Institute (EUI) Working Papers. Badia Fiesolana, Italy, March 2016, pp. 14-15. Available at: www.eui.eu/RSCAS/Research/

⁴² ICREAs are the brainchild of a Dutch economist, Henk Kox of the Free University of Amsterdam, developed in the early 1990s. The proposal for the creation of ICREAs was discussed at intergovernmental level at UNCTAD and garnered much interest and support from developing countries. For more information, see: UN Commission on Sustainable Development, Third Session, General Discussion on Progress in the Implementation of Agenda 21, Focusing on Cross-sectoral Issues and the Critical Elements of Sustainability (E/CN.17/1995/1). New York, 1995. Available at: <http://www.un.org/esa/documents/ecosoc/cn17/1995/ecn171995-12.htm>

⁴³ For more elaborate information on ICREAs, their types and the related intergovernmental discussion see: Kox, H.L.M. International Commodity-Related Environmental Agreements and the GATT system of trade rules. Research Memorandum 1993-76 of the Faculty of Economics Sciences, Business Administration and Econometrics of the

Nowadays with the existing large number of PSS and the stock of experience on the pros and cons of their use, one would limit the design of ICREAs to linking an eco-label ICREA (based on one or several PSS) to a transfer one. Thus related Financial Fund can, inter alia, be fed by an import levy charged at border-crossing in importing countries. Governments of exporting countries get drawing rights on the fund, according to an agreed distribution code. The agreement further includes broadly formulated guidelines on the type of project and programmes, which are eligible for funding or soft loans from the ICREA Fund. Governments of exporting countries submit the funding proposals.

ICREAs with such architecture would go quite some way in addressing the systemic flaws and shortcomings of PSS limiting their reach and impact, re-establishing public governance of markets, giving Southern governments and producers a fair voice in the creation and running of the agreements, and overcoming the significant cost problems associated with PSS implementation and compliance.

Such approach would also have the advantage that its ‘re-governance of markets’ may indeed give stronger incentives to producers and consumers than existing PSS and induce large-scale and permanent change towards evolving production and consumption methods and pattern for truly sustainable market transformation.

UNFSS could rekindle the international dialogue on the usefulness and most suitable architecture of ICREAs and identify commodities and product groups for which such agreements might be promising.

Free University of Amsterdam. Amsterdam, December 1993. Available at: <http://degree.ubvu.vu.nl/repec/vua/wpaper/pdf/19930076.pdf> and Friends of the Earth International, The Citizens’ Guide to Trade, Environment and Sustainability. Commodity production and International Commodity-related Environment Agreements (ICREAs). Available at: www.iatp.org/files/Commodity_Production_and_International_Commodi.pdf

“Use an actor-centered approach when specifying the government’s role vis-à-vis VSS”

Halina Ward

Halina Ward is an independent sustainability consultant. Her previous roles include Director of the Foundation for Democracy and Sustainable Development, Programme Director of the Business and Sustainable Development Programme of the International Institute for Environment Development, and Senior Research Fellow with the Royal Institute of International Affairs.



UN Photo by Carolyn Redemius

The introductory chapter in this Report asks ‘what are the optimal roles/dynamics between public policy processes and voluntary sustainability standards to ensure sustainability objectives are most effectively met?’ Its central concern therefore is a set of outcomes – namely those associated with sustainability, and particularly as encapsulated in and addressed by the Sustainable Development Goals (SDGs).

There is an alternative entry point for considering the dynamic relationship between voluntary sustainability standards (VSS) and governments or public authorities. This is to put actors rather than outcomes at the center, considering how, normatively, the complex web of VSS ought to relate to *them*.

An actor-centered approach also finds resonance in the well-established ideas that sustainable development itself is a process as much as a goal, and in that one of its “fundamental prerequisites” is broad participation in decision-making.⁴⁴ Within the SDGs, this broad idea is reflected in SDG 16; to “*promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels*”;⁴⁵ and in the commitment to a Global Partnership that brings together governments, the private sector, civil society, the United Nations and other actors; and that is at the heart of the Means of Implementation for the SDGs.⁴⁶

⁴⁴ Agenda 21, UN Doc. A/CONF. 151/26 (1992), at Section III, paragraph 23.2

⁴⁵ United Nations General Assembly, *Transforming our World: the 2030 Agenda for Sustainable Development*, A/RES/70/1, 21 October 2015, Goal 16. Available online via <https://sustainabledevelopment.un.org/post2015/transformingourworld>

⁴⁶ *Ibid*, Means of Implementation, Paragraph 39

Public authorities, states, and governments are different to other actors in the VSS arena. Public policy is set by public actors and representatives. States and/or their agencies enforce laws and regulations. States enter into intergovernmental commitments. And to a greater or lesser extent, governments, states and public authorities are guardians of the 'public interest' at different levels.

This is far from suggesting that other actors have no role to play in these activities – but the political and social roles of governments, states, and public authorities undeniably have some unique characteristics. If these are inherently valuable in any particular setting, the dynamic between public policy processes and VSS must respect and seek to contribute positively to them.

The practical experience of deliberation over an international guidance standard on organizational social responsibility offers some clear pointers. (See further Ward, 2011). Over the period 2005-2010, an international group of over 400 experts took part in an international working group process within the International Organization for Standardization (ISO) to develop an international guidance standard on organizational social responsibility. The standard, ISO 26000, was adopted in 2010.

Throughout the negotiation process, the international working group participants were grouped according to a series of stakeholder groups. The groups included consumers, non-governmental organizations (NGOs) and trade unions. Governments were also a 'stakeholder group', though their positions and priorities were, unsurprisingly, diverse. Some government experts saw the guidance standard as an opportunity to increase exports of products produced in environmentally or socially positive ways. Others were concerned with protecting 'their' producers against any negative market access impacts. Others worked specifically on corporate social responsibility and saw the standard straightforwardly as a means to enhance voluntary adoption of environmentally and socially responsible business practices.

Within the working group, government experts and their interventions were treated no differently to those of any other group in the process.

This caused a number of challenges.

In the first place, government representatives were on occasion not in a position to modify positions that had been developed through long domestic or international policy processes, some of which had been taken into intergovernmental negotiations as

statements of state positions on relevant matters of international law. Extended discussions over whether the 'precautionary principle' should have a place within the guidance standard offered one example.

On occasion, an apparent intransigence on the part of some government experts in the ISO 26000 working group caused considerable frustration; for the rules of the process, themselves determined by ISO, were designed around consensus decision-making. Equally, international organizations and government experts had no political or economic power to deploy when convincing other experts of the legitimacy of their positions; only the authority of cogent and persuasive argument.

In another highly sensitive area, working group experts sought to develop guidance for organizations operating in circumstances where there might be conflicts between national laws and the norms of widely adopted intergovernmental agreements.

A handful of government experts brought to the process an acute understanding of the potential implications of the guidance standard for implementation of their obligations under the Technical Barriers to Trade Agreement of WTO. Some of the key provisions of this Agreement are outlined in the introductory chapter. In the context of the ISO 26000 process, government experts had a unique set of concerns: of all the stakeholder groups in the process, only they were the bearers of WTO's legal obligations. But there was sometimes an air of impatience within the group with the highly technical discussions that ensued when a provision of the draft guidance standard risked interacting with the WTO rules in ways that could encroach on the policy space of states.

The ISO 26000 working group process incorporated a series of findings that point to the value of recognizing, and finding ways to defer to, the unique roles and characteristics of public sector actors in relation to sustainability. Unique roles are those that inherently cannot be fulfilled by other stakeholders.

In 2012, Mai-Lan Ha of the Pacific Institute and I developed a series of principles for initiators and developers of VSS, rather than for governments. Our concern was to guide positive relationships between VSS, public policy, public governance, and the role of the state (Ward and Ha, 2012). Our central focus on standards-setters and developers, however, meant that the principles did not address the full range of public sector roles and tools for maximizing positive sustainability outcomes from VSS. The work was 'actor-centric', but it was not comprehensive.



UN Photo by BZ

It is also important, as the introductory chapter suggests, to consider the distinctive roles of other stakeholders, and the role of governments and public sector in turn in relation to those roles. In particular, public sector actors have important roles to play in securing the 'enabling environment' for civil society, consumers, and private sector actors in producer and consumer countries to play the best roles that they can in delivering positive sustainability outcomes from VSS.

As the introductory chapter recognizes, one of the key roles of *governments* is to 'establish baseline regulatory requirements for VSS to function'. This is an 'enabling' role that goes far beyond any direct regulation of VSS, to encompass the broad characteristics of good governance in a pluralist market-oriented society. For example, the introductory chapter mentions contract law, property rights and compliance assessments. But the 'baseline regulatory requirements' can also be usefully understood to encompass the broad enabling environment for different stakeholders – including producers large and small, citizens, consumers, and civil society – to engage directly in shaping the norms of VSS whose application affects their interests and needs.

The equity problems that can be raised by some VSS, especially those that do not pay sufficient attention to local communities' needs, can be addressed by paying attention to the very same public governance issues that may have motivated the creation of VSS in the first place.

Pacific Institute cites ISEAL research which suggests that there are two principal sets of drivers for government involvement with VSS: *governance* drivers and *mission* drivers. ISEAL's characterization of governance drivers principally relate to governance functions performed by standards, and mission drivers relate principally to the environmental or social goals associated with the standards (see Ward and Ha, 2012). But the lens is not sufficiently broad to capture the full range of government and public sector roles in VSS, as well as their interactions with VSS.

Against this background, the introductory chapter highlights five roles that governments can play to help '*increase the positive aspects of VSS in line with their own sustainability policy objectives*'. This framing might be criticized for its optimism, for often the driver for producer country government engagement with VSS, as with corporate social responsibility (CSR) more generally, might be the defensive one of decreasing negative impacts of VSS upon producers who do not reap the benefits, rather than 'increasing the positive' (UNDESA, 2007).

The five roles suggested in the introductory chapter should work reasonably well. However, they may suffer from not being sufficiently broad to encompass the full breadth of intersections between VSS, government (or public sector actors), and public policy.

In conclusion, and with this in mind, I would highlight two other roles for public sector actors in relation to VSS, which a broad and actor-centered perspective may cover. Each merits further consideration when

responding to the central question of the introductory chapter: “*what are the optimal roles/dynamics between public policy processes and voluntary sustainability standards to ensure sustainability objectives are most effectively met*”.

1) Channeling distributional impacts and opportunities: Public sector actors, including bilateral and multilateral donors, can play a catalytic and convening role in maximizing positive spillovers from domestic production that is covered by, and potentially benefits from, VSS (including production by foreign investors) to domestic production that is not covered by VSS. Experiences from local content policy in international investment, and from enterprise development more broadly, offer potential inspiration for public actors here.

Separately, through advocacy, engagement in VSS governance, and by supporting analysis of VSS impacts, public sector actors can help to redress the negative impacts of supply chain power imbalances. These too often mean that the costs and benefits of VSS are not equitably distributed along the value chain from primary producers to retailers (UNDESA, 2007).

Each of these areas potentially lends itself to public-private partnership approaches. In the introductory chapter’s characterization of roles, they can partially be understood as connected to the process function ‘facilitating multi-stakeholder partnerships for VSS’. But this does not do sufficient justice to the political economy of VSS whose impacts may on occasion be negative for stakeholders, such as smaller producers, that national public policy may seek to protect.

2) VSS, trade and investment promotion: Understanding of VSS and the market opportunities that they create could usefully be more effectively integrated into the work of trade and investment promotion agencies. A survey carried out by the World Association of Investment Promotion Agencies in 2010 (VCC and WAIPA, 2010) concluded that investment promotion agencies were not always proactive in seeking projects that follow well specified, internationally set principles or standards.

To the extent that VSS are aligned with producer or host state public policy goals related to the promotion of sustainable trade or investment, this could be a fruitful *locus* for further public

engagement. In the case of investment in particular, it also offers a springboard for various forms of public-private cooperation to enhance the sustainability outcomes of VSS.

At intergovernmental level, bilateral and regional trade and investment agreements are also an evolving arena for government-to-government cooperation on VSS. The introductory chapter of this report asks how ‘mega-trade’ agreements might impact government’s “*ability to use VSS to regulate environmental and social issues*”.

But trade and investment agreements offer touch-points for bilateral and regional cooperation on VSS that go well beyond the regulation of non-tariff barriers to trade. A recent survey of CSR clauses in trade and investment agreements (Peels *et al* 2016) notes that signatory states typically commit to encourage enterprises voluntarily to incorporate CSR mechanisms or to facilitate and promote trade in goods subject to CSR schemes.

A next-generation question is how VSS-related provisions in trade and investment agreements, including on technical cooperation, could help strengthen alignment between VSS and the shared sustainability-related public policy goals reflected in the SDGs.

References

- Peels R, Echeverria E, Aissi J and Schneider A (2016). Corporate Social Responsibility in International Trade and Investment Agreements: implications for States, Business and Workers, ILO Research Paper No 13, April 2016.
- UNDESA (2007). “CSR and Developing Countries: What Scope for Government Action?” Sustainable Development Innovation Brief Issue 1, United Nations, February 2007
- Investment Promotion Agencies and Sustainable FDI: moving toward the fourth generation of investment promotion, Vale Columbia Center on Sustainable International Investment (VCC) and World Association of Investment Promotion Agencies (WAIPA), 2010.
- Ward H (2011). “The ISO 26000 International Guidance Standard on Social Responsibility: Implications for Public Policy and Transnational Democracy”, *Theoretical Inquiries in Law*, Volume 12 Issue 2, 2011, pp 665-715

“Can we improve the accountability of Voluntary Sustainability Standards?”

Response from International Organization for Standardization (ISO)

ISO is an independent, non-governmental international organization with a membership of 163 national standards bodies. Through its members, it brings together experts to share knowledge and develop voluntary, consensus-based, market relevant International Standards that support innovation and provide solutions to global challenges.

ISO has published more than 21000 International Standards and related documents, covering almost every industry, from technology, to food safety, to agriculture and healthcare. ISO International Standards impact everyone, everywhere.

The issue of government support for standards in general and standards that aim at improving sustainability performance in particular, which includes standards referred to as “Voluntary Sustainability Standards” (VSS), is complex. These comments can therefore only address a limited number of key issues as perceived by the authors of this paper.

The overall context

There is no doubt that sustainability and the transition towards a sustainable development path, as expressed in the Agenda 2030 and the Sustainable Development Goals (SDGs), is a key, if not the key challenge of this century. Standards, if used appropriately, can contribute to this transition as an important tool, but cannot – on their own – accomplish such a transition.

Use of standards by governments

The importance of the use of standards to support public policies, both in legislation, but also in non-legislative matters (e.g. public procurement), is widely recognized and there are many examples for the use of standards by governments and the use of standards in support of regulation.

A key success factor for the use of standards by governments is that a close interaction exists between governments and standards developers, which may often take the form of direct participation by regulators or other relevant government actors in the development of standards aimed at supporting public policy, including in the form of regulation or, at least, involvement through the periodic review of ongoing standardization projects or outcomes of such projects by government actors.



UN Photo by Station Winter



UN Photo by Fred Noy

According to ISO, “standards” are documents “developed by consensus and approved by a recognized body”.⁴⁷ Standards development should follow certain principles such as openness, transparency, consensus and impartiality. Standards development should also have the ability to take into account all relevant interests, facilitate the participation of stakeholders with limited resources (such as consumers, SMEs and civil society), and support the engagement of developing countries.

Standards developed under such conditions have greater societal legitimacy and their use by governments in public policy initiatives and in regulation is strongly facilitated. As a consequence, “the possibility of standards impinging upon regulatory authority of governments”⁴⁸ can be significantly reduced or even avoided.

Voluntary Sustainability Standards – Aspects of concern

As pointed out in our previous comments, we do not agree with the sometimes implicit, sometimes even explicit claim that the only standards that address sustainability issues are those generally referred to as “VSS”. ISO standards have made and are making

⁴⁷ See ISO/IEC Guide 2:2004 “Standardization and related activities – Vocabulary”, definitions of “standard” and “consensus”

⁴⁸ Draft UNFSS-Flagship report (2016), p. 3, the original formulation has been slightly rephrased.

a significant contribution to addressing sustainability challenges and can be used as a key instrument to help implement the SDGs.

As stated in the introductory chapter, it is estimated that there are over 400 VSS today that have grown from a handful two decades ago. In a recent presentation of the International Trade Centre (ITC) the number of VSS is estimated “at somewhere between 450 to several thousands.”⁴⁹

We believe that this is one of the key challenges of VSS: The lack of wide-scale, multiple stakeholder engagement in the development of these standards which results in proliferation, overlap and competition between these standards.

In our view, some VSS are essentially business ventures that compete against each other with the objective to capture certain segments of the market. In such a situation, multiple certification schemes may exist side-by-side that result in additional costs for small-scale producers wishing to undergo certification as a precondition for market access – a financial burden that can be particularly severe for producers from developing countries.

The following list provides a number of concerns that from our perspective arise for governments regarding the use of VSS:

⁴⁹ ITC (2016), The differences between voluntary sustainability standards. Presentation. Geneva

- If there are several partially overlapping and competing VSS, which of them, if any, should a government support?
- Is the stakeholder-base of these standards broad enough and the development process open, transparent and fair (in relation to the principles outlined above) to ensure the required legitimacy for a particular VSS to be used in support of government policy?
- Is there any form of alignment between the objectives of the development of certain VSS-standards and the policy of specific (national or other) governments?
- Is a VSS-initiative itself sustainable enough (including the longer term maintenance of the standard) to qualify for use by governments at least for the foreseeable future?
- Is the scientific basis of a VSS sound enough and based on evidence so that it can be used e.g. in regulation and can stand up if contested?
- If a VSS deviates from internationally established standards, recognized e.g. in the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement), should such VSS be supported?
- What would be the likely consequences of the use of VSS as a basis for regulation or conformity assessment schemes with regard to the commitments made by governments under the WTO Agreement on Technical Barriers to Trade?

The potential of VSS and possible synergies with ISO

We believe that a major driving force for many VSS is to correct undesirable aspects of the current economic model – such as depletion of natural resources, environmental impact and particularly greenhouse gas emissions, exploitation of labour, damage to communities and habitats and much more – and to promote alternative practices contributing to sustainable development.

We see a need to join forces and work together, to share knowledge and to aim for the interoperation between different standards. Users of standards, including governments, should be in a position to adopt sufficiently coherent and interoperable standards to address sustainability challenges, avoiding to duplicate efforts or, worse, to waste time and resources because of incompatible or conflicting directions.

In such a scenario, ISO, with its network of national standards bodies from over 160 countries connecting a large number of experts in almost all sectors, could provide a broad integration and knowledge dissemination platform supported by a multitude of stakeholder groups around the world.

At least certain VSS could successfully cooperate with this platform by adding more specific, and in some cases more challenging, requirements and schemes for different segments of standards users. A form of integration with ISO standards (whichever shape this may take) may also help VSS to increase their recognition by governments, public policy makers and intergovernmental agencies.

Need for government action

We agree with certain conclusions of the report that standards alone, or as the report puts it “... the promise of VSS to bring about transformational systemic change to today’s production systems...” is unrealistic. In addition to increased awareness of societies and businesses in general, governments need to set clear signals that provide incentives for initiatives towards sustainable development. Governments need also to agree on baseline references of acceptable levels of sustainability performance, which may be different in different countries.

In such a policy and regulatory context, ISO standards and other standards, including certain VSS, can provide a framework and function as indispensable instruments in the transition towards a more sustainable development path.

“Governments and VSS can work together to achieve transformational outcome”

Norma Tregurtha and David D'Hollander, ISEAL Alliance

Norma Tregurtha and David D'Hollander both work for the ISEAL Alliance's Policy and Outreach team. ISEAL represents the movement of credible sustainability standards. Its members include 18 standards system organizations and three accreditation bodies, with an extensive geographic and sectoral reach. In the wider community of subscribers, ISEAL engages with more than 70 additional standards systems, many of them just getting operationalized. ISEAL members are multi-stakeholder standards with a sustainability focus, which includes issues such as labour rights, biodiversity, climate change, deforestation and resource efficiency (for more information on ISEAL please visit our website www.isealalliance.org).

The significance of the Sustainable Development Goals (SDGs) lies with the transformational change they aim to bring about – a change which sees governments, business, and civil society leaders co-owning the sustainable development agenda. Within the SDG agenda, there is a clear role for voluntary sustainability standards to help operationalize them across a range of geographies and sectors.

The new UNFSS Flagship Report on *Voluntary Sustainability Standards and the Role of Governments* recognizes the role of multi-stakeholder sustainability standards in implementing the SDGs and highlights their positive track record in unlocking economic, environmental, and social impacts. Building on this progress, the Report acknowledges there is an opportunity to further scale up the impact of standards beyond individual sites and bring about deep, sector transformation.

The extent to which sustainability standards can contribute to sector transformation and lead the way in ameliorating poverty, preventing deforestation, creating decent work and addressing climate change will largely depend on the “posture” of governments towards standards. Here the UNFSS Flagship Report highlights many avenues for constructive engagement and interaction between sustainability standards and government bodies.

Government and voluntary standards working together to scale up sustainable production

The ISEAL Alliance is the global association for multi-stakeholder sustainability standards and has studied the theme of governments and their use of





Photo: ©ThoiryK@panoramio.com

standards for a number of years. ISEAL's research and the experience of its members have shown that many of the challenges facing sustainability standards can be overcome through collaborative government partnerships. In this brief contribution we highlight three examples to illustrate how such constructive interactions are deepening the reach and impacts of sustainability standards and improving their local relevance, ownership and accessibility; enhancing their capacity to bring about transformational change.

Coffee Production in Brazil's state of Minas Gerais

In order to upgrade its coffee sector, in 2006 the State of Minas Gerais (Brazil) developed and launched its own standard for sustainable coffee – the Certified Minas Coffee (CMC) Standard and Certification Programme. This 'public' sustainability standard was part of a broader capacity-building and extension services programme for coffee producers, supporting them to comply with this 'local' standard. To remain relevant to international buyers, CMC sought collaboration with international sustainability standards. In the case of UTZ – an international agriculture-focused sustainability standard - CMC integrated several elements from the UTZ Code of Conduct into its standard. Rather than generating tension and competition between these two standards, this resulted in the CMC certification being recognized as equivalent to 'year 1' in the UTZ programme. Through this collaboration, Minas Gerais producers gained international access to buyers as

well as to the UTZ traceability system (Doherty, 2013). This mutual recognition increased efficiencies between the assurance models of the two standards by promoting joint audits and joint training programmes for producers.

The mutual recognition agreement between CMC and UTZ is a useful example of how equivalence processes can replace competition between government-driven standards and existing international sustainability standards. It is important to note that in the case of the CMC programme, its certification programme provided an adequate degree of credible assurance, which allowed both the content of the CMC standard and its level of verification to be considered for mutual recognition by UTZ.

Cotton production in Mozambique

Faced with decreasing yields, the Government of Mozambique adopted a Cotton Value Chain Revitalization Plan in 2011 to increase the productivity and the sustainability of its cotton sector (IAM, 2011). Prior to this intervention, the Government's Cotton Institute of Mozambique (IAM) introduced measures to minimize the use of chemical inputs and increase erosion control in cotton fields, but these measures and the extension services provided by private sector partners were found to be inadequate. IAM turned to the Better Cotton Initiative (BCI) - an international cotton sustainability standard – for support and expertise. BCI assisted in developing improved extension services in line with its principles and criteria

and the first 'better cotton' harvest in Mozambique was achieved in 2013.

Deeper interaction between Mozambique government policy and BCI developed in several stages. The first of these was the embedding of BCI's principles and criteria in the revised national cotton regulations. This put Mozambique on track to become the 'first country to make 100 per cent of its cotton production Better Cotton' (BCI, 2016). The second step, which is currently ongoing, is the development of Mozambique's national standard for sustainable cotton production, which will mirror the criteria and indicators developed by BCI and include additional sustainability criteria related to parts of the production chain not covered by the BCI standard.

In addition, the verification and certification process, currently still managed largely by BCI, will be transferred to IAM as a final third step. To this end, BCI and IAM are training and developing competent Mozambique-based certification bodies to carry out the external third-party audits. Once the national-level standard and verification process has been finalised, an agreement of 'equivalence' will ensure Mozambique-produced cotton will enter international markets as BCI certified cotton.

Palm Oil production in South-East Asia

Another pathway of government-sustainability standards interaction which is gaining attention is the development of jurisdictional approaches. A jurisdictional approach differs from the traditional certification model in that it sees sustainable practices being applied on a scale broader than individual producer units (farms, factories, forestry plots, fisheries, etc.), which many standard systems take as their primary scope of assessment. One of the benefits of this approach is that it potentially reduces the cost of verification for producers and improves their access to capacity building and support. Government buy-in is central to jurisdictional approaches. This is clearly illustrated by the example of the Roundtable on Sustainable Palm Oil's (RSPO's) role in designing and piloting a jurisdictional approach to sustainable palm oil certification in Indonesia and other Southeast-Asian countries.

The rapid expansion of the palm oil sector in Southeast Asia has generated various negative sustainability impacts, including on deforestation rates and biodiversity. To address this, RSPO was set up as an international, multi-stakeholder roundtable in 2004

to develop and implement a standard for addressing these critical sustainability concerns. In recent years sub-national governments in the region, such as the province of Central Kalimantan, have sought to engage oil palm companies, district heads and the national government to accelerate progress towards scaling up sustainable palm oil production (Havemann and Kusumajaya, 2015).

These partners are looking together at the possibility of broadening the scope of RSPO certification from individual plantations to whole jurisdictions at the district and provincial level (RSPO, 2015). In this approach, local governments have a central role in adapting the RSPO standard for local application linked to the development of palm oil development plans. As of early 2016, public commitments from the governors of Sabah (Malaysia), Central Kalimantan and South Sumatra (Indonesia) have been issued (Mallet et al., 2016).

While many areas of implementation are still being developed, the RSPO's jurisdictional approach exemplifies a new way for local authorities, international actors and companies to shape models of governance which use localized, established political boundaries. In addition to consolidating the position of local plantations and producers in the palm oil supply chain, a jurisdictional approach based on RSPO offers local governments a tool and framework for developing environmental policies and addressing critical issues related to land rights.

The examples above give a first indication of how government bodies can support sustainability standards with the means to scale their uptake, lower their compliance costs, and confer legitimacy, political support and improve 'local ownership'. Sustainability standards, in turn, provide governments with expertise on specific sustainability issues, offer access to international convening platforms, assist in developing capacity-building and extension services for producers, and provide these producers with access to global value chains. Moreover, both the content of a standard and the verification or assurance model of a credible standards system are tools that can be integrated in public policies which aim to increase the supply of and demand for sustainably-produced goods and services.

Equivalence, recognition and the need for new meta-governance approaches and tools

An important issue that emerges from the case studies, which is briefly touched on in the UNFSS Report, is how any interaction between public actors and VSS implies some form of a recognition process. When a government chooses to work with one standard or group of standards, this decision is essentially an endorsement of one standard over another. Such an endorsement serves as an incentive, promoting the uptake of the “recognized” standard. When it comes to using sustainability standards in its policy processes, governments therefore need to apply clear decision-making criteria to ensure transparency and good governance.

If the threshold for recognizing a sustainability standard is too low and does not cover the integrity of compliance activities as well as factors relating to accessibility, transparency, organizational structure, and accountability, the interaction or co-regulation risks being ineffective and open to criticism. This has been the case with the EU Renewable Energy Directive and the biofuels standards recognition approach it has adopted.⁵⁰ Similarly, when an international sustainability standard recognizes a public sustainability standard, as illustrated by the case above of coffee production in Brazil, the credibility and integrity of the government-run standard becomes a key consideration.

Innovative interactions and co-regulatory efforts between governments and sustainability standards are likely to accelerate in the context of greater public and private action aimed at realizing shared, global agenda's, such as the SDGs. With this, concerns around relevance, legitimacy, integrity and the accessibility of sustainability standards are likely to come to the fore. Some efforts have been made to identify guiding principles for sustainability standards to engage with public policy (Ward and Ha, 2012). Policy-makers, in addition to looking at the broad principles included in the World Trade Organization's Code of Good Practice for the Preparation, Adoption

⁵⁰ Studies commissioned by the World Wildlife Fund (WWF) and the International Union for Conservation of Nature (IUCN) which assessed the recognition of private sustainability standards by the European Commission under the EU Renewable Energy Directive (EU RED), found the recognition process lacked stringency and were too narrow in scope, and recommended moving towards a more comprehensive recognition process. See Schlamann, et al., 2013: IUCN NL, 2013.

and Application of Standards (Annex 3 of the Technical Barriers to Trade (TBT) Regulation), can use several resources developed by the ISEAL Alliance such as the ISEAL Credibility Principles to guide recognition or benchmarking processes.

While ISEAL's resources provide a useful point of departure, the increased interaction between government bodies and sustainability standards systems suggests the time is ripe to undertake a global consultation process to define what good practice looks like in the field of co-regulation and government recognition and the use of standards in policy processes. Rather than leaving the development of such good practice to a select group of public or private regulators or experts, we propose this be approached as a transparent, multi-stakeholder initiative with broad involvement from all relevant stakeholders.

The consultation process will provide those who have concerns about the role of sustainability standards with a platform to present and address these reservations. At the same time such a process will provide a useful framework to collate and organize good case studies and identify what effective co-regulation looks like in various contexts and areas of sustainability. The outcome of this consultation process could be a practical resource that government bodies - be they at the national, regional or local level – can use to develop and implement smart co-regulation, leveraging the full potential of sustainability standards as tools to transform markets and achieve a more sustainable global economy.

References

- BCI Better Cotton Initiative (2016). Webpage on Capacity-building. available at: <http://bettercotton.org/about-better-cotton/better-cotton-standard-system/capacity-building/> (accessed 27/03/2016).
- Doherty P (2013). National Standards: Threat or Opportunity? Research paper prepared for ISEAL Alliance Secretariat, unpublished.
- Havemann T and Kusumajaya UE (2015). Palm oil in West and Central Kalimantan, Indonesia” in Steps Toward Green: Policy responses to the environmental footprint of commodity agriculture in East and Southeast Asia. EcoAgriculture Partners, The World Bank and Clarmondial.

- IAM - Cotton Institute of Mozambique (2011). New Initiatives for Improving the Sustainability of Cotton Production in Mozambique, Paper Presented at the Technical Seminar of the 70th Plenary Meeting of the International Cotton Advisory Committee, Buenos Aires.
- IUCN - International Union for the Conservation of Nature - The Netherlands (2013). Betting on best quality: A comparison of the quality and level of assurance of sustainability standards for biomass, soy and palmoil. Report prepared for IUCN-NL by ProForest, Amsterdam
- Mallet P. et al. (2016). How Sustainability Standards can contribute to Landscape Approaches and Zero Deforestation Commitments, report prepared by the ISEAL Alliance Secretariat, London.
- Roundtable on Sustainable Palm Oil (2015) The Landscape Perspective, presentation presented at the ISEAL Alliance Annual Conference, May 2015.
- Schlamann I et al. (2013). Searching for Sustainability: Comparative Analysis of Certification Schemes for Biomass used for the Production of Biofuels, World Wildlife Fund Deutschland.
- Ward H and Ha ML (2012). Voluntary Social and Environmental Standards and Public Governance: reviewing the evidence and setting principles for standards-setters. Pacific Institute and the Foundation for Democracy and Sustainable Development.



UN Photo by Logan Abassi

