

# Better Trade for Sustainable Development: The role of Voluntary Sustainability Standards





## The Sustainability Crisis...

- Even before the COVID-19 pandemic, progress towards the Sustainable Development Goals (SDGs) **was not happening fast enough** to achieve the goals and targets by 2030.
- The need to **pursue development** within the environmental, social and economic systems' boundaries remains significant.
- There exist an urgent need **to move to a sustainable path** of consuming, producing and trading our goods.

## and Better Trade...

- Trade is recognized in the Agenda 2030 as a **catalyst** for economic growth and development.
- Expansion of trade **has brought welfare benefits** across the globe; however **sometimes** it has **failed to address the adverse** sustainability impacts.
- To respond to these challenges, **rather than limiting trade**, there is a need for **powerful tools and instruments that ensure** that the benefits brought by trade become more **inclusive and sustainable**.
- It is essential **to transform** towards **sustainable trade and value chains**.
- Voluntary Sustainability Standards (VSS) **could be considered** as one of these **powerful tools and instruments** that contribute to this transformation in GVCs.

## Better Trade for Sustainable Development: The role of voluntary sustainability standards



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## This report aims to:

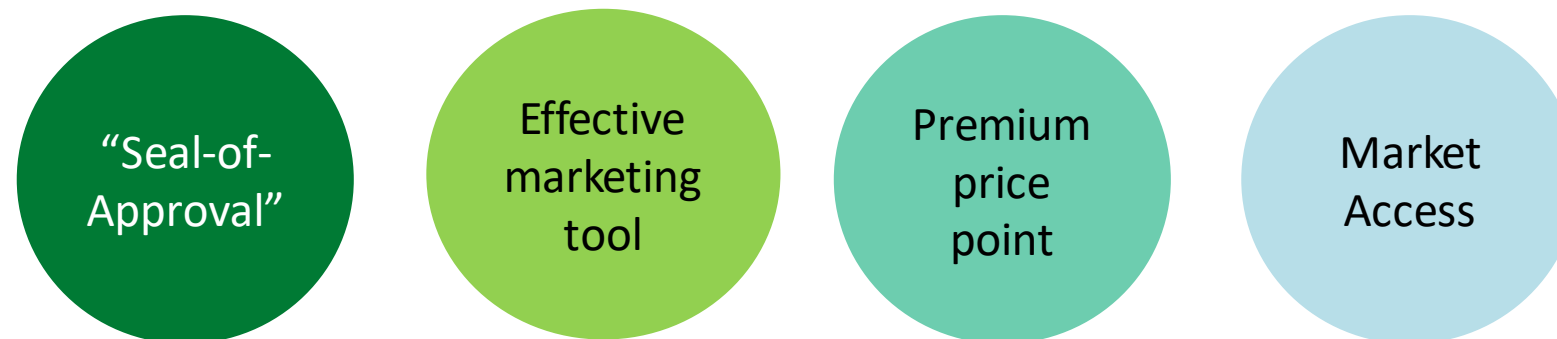
- Analyze the potentials and constraints of Voluntary Sustainability Standards (VSS) in making international trade more sustainable, in particular with regards to developing countries development opportunities.
- Examine the capabilities of VSS to increase the environmental, social and economic sustainability outcomes.
- Investigate the means of maximizing VSS contribution to sustainable development and minimizing their risks.
- Based on the above, propose structural approaches that can be considered for enhancing the potential of VSS in mitigating the sustainability crisis and advancing the achievement of the SDGs.

# WHAT ARE VOLUNTARY SUSTAINABILITY STANDARDS (VSS)

“Standards specifying requirements that producers, traders, manufacturers, retailers or service providers may be asked to meet, relating to a wide range of sustainability metrics, including respect for basic human rights, worker health and safety, the environmental impacts of production, community relations, land use planning and others”

Source: United Nations Forum on Sustainability Standards (UNFSS) (2013) [www.unfss.org](http://www.unfss.org)

- VSS acts as mechanisms that **factors impacts on sustainability from production** and help economic actors that care about these dimensions to **allocate their consumption** to certified products
- Hence, VSS systems affect supply-side of the economic activity through **consumer preferences**



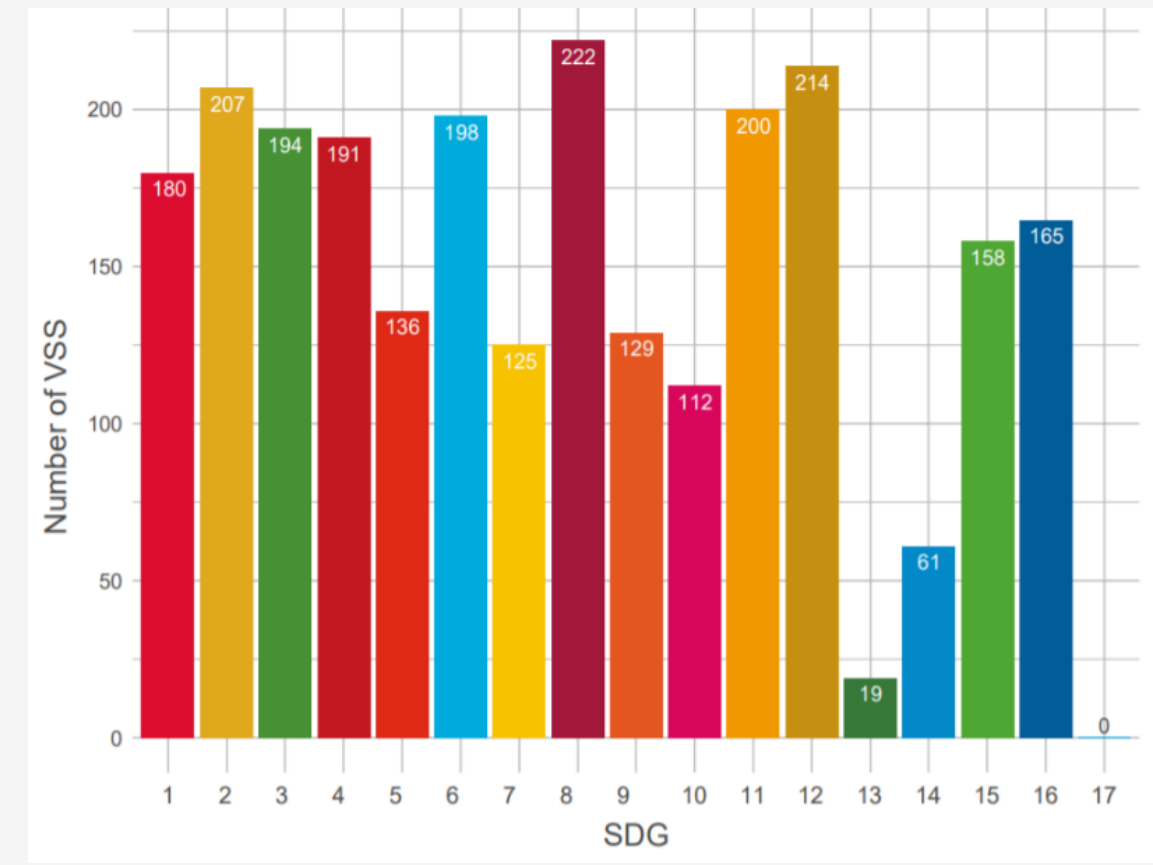
Today VSS have becomes a **de-facto market-entry condition** for exports and fundamental in Supply Chains.





# VSS and the Sustainable Development Goals

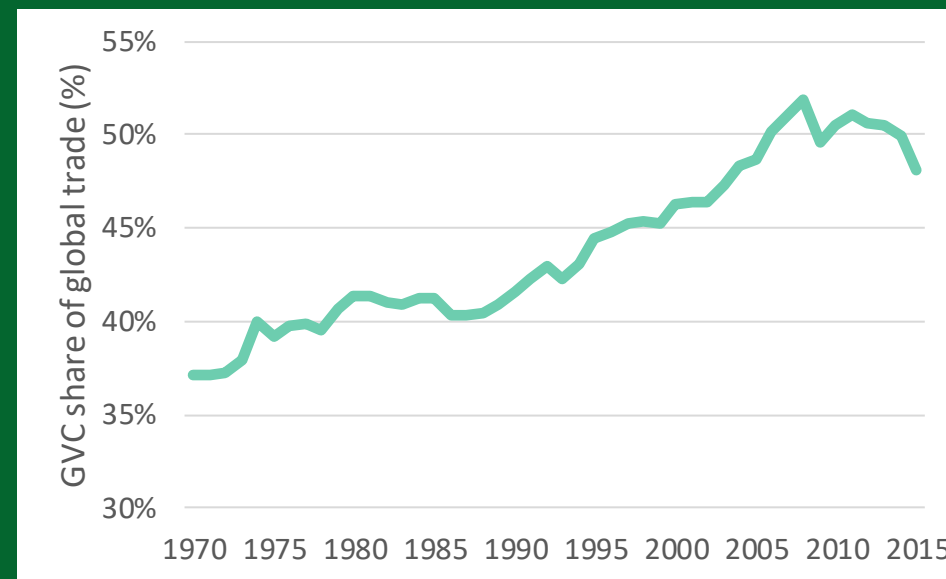
- VSS are **market-based tools** to support achieving the 2030 Agenda.
- They could contribute to the achievement of the SDGs **by complementing** the role of governments and international organizations.
- Beyond their direct relevance to SDG 12, (Responsible Consumption and Production), VSS requirements relate to a wide range of policy targets included in the SDGs, including **decent work, food security, gender equality, climate action and many others.**
- However, for this to come about many of the challenges faced by developing countries' producers need to be addressed.



Source: Bissinger et al. (2020)

## DOMINANCE OF GVCs

Today trade is **predominantly** conducted through **global value chains (GVCs)**. And about \$8 trillion worth of world trade goes through GVCs



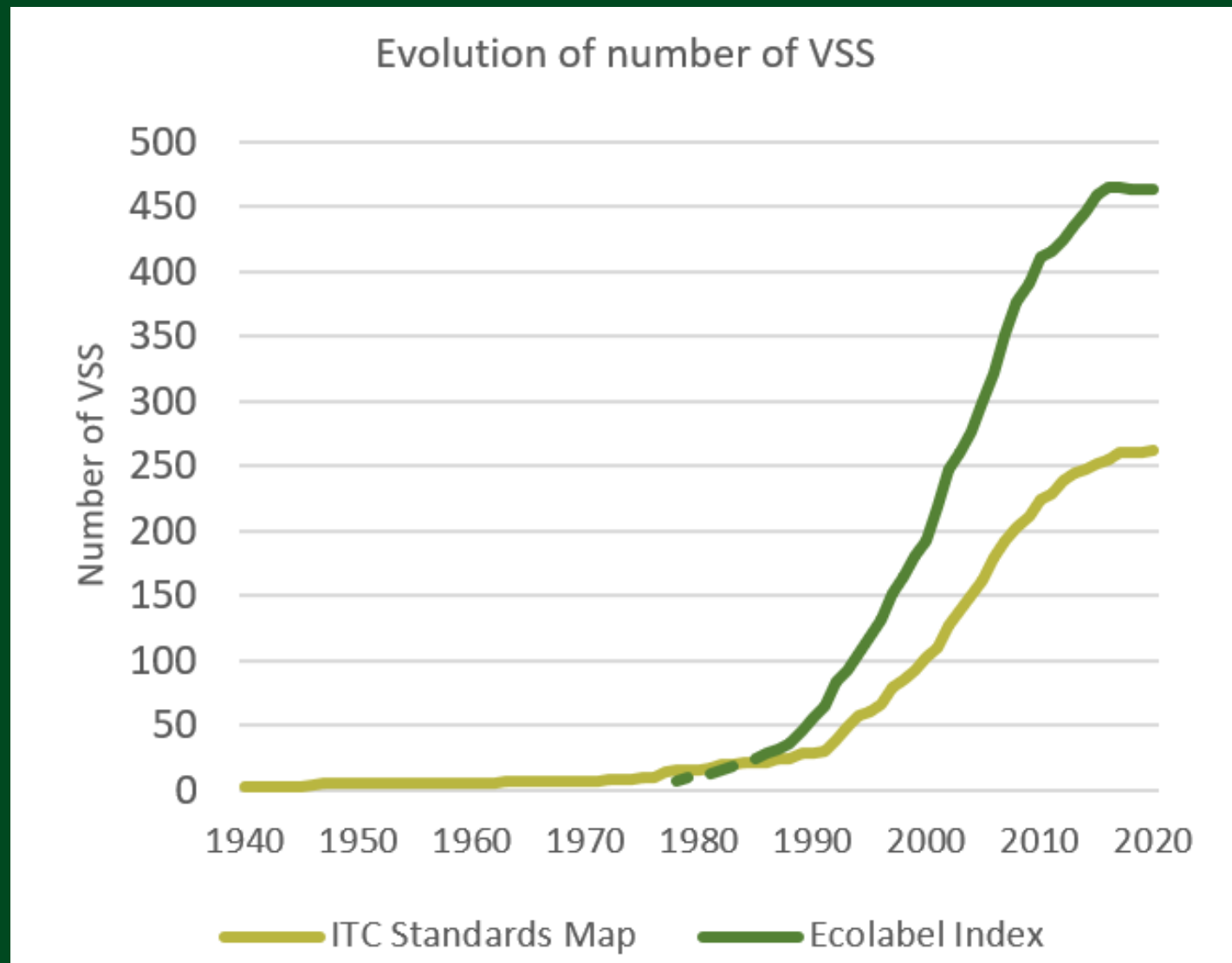
## DIFFUSION OF STANDARDS

The changing nature of trade and the dominance of GVCs allow for the **diffusion** of economic, social, and environmental standards throughout production processes.

## UPGRADING THROUGH GVCs

- GVCs can be governed in a way which enhances economic, social and environmental **'upgrading'**
- i.e. a process by which negative social and environmental consequences are addressed in global value chains.

# VSS EMERGENCE AND DEVELOPMENT



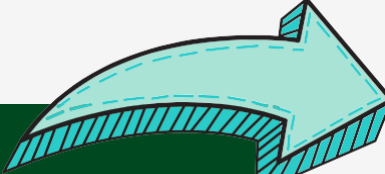
- ✓ Proliferation on VSS started in the 1990s and through the early 2010s.
- ✓ The major drives for VSS emergence and adoption include: consumer demand, brand protection, government regulations, reaction to failure of multilateral efforts, and reaction to other VSS

## VSS Effectiveness

The potential of VSS to make trade more sustainable relies on two crucial components :



Impact-dimension



They need to generate a substantial impact on the ground with regard to key sustainability parameters

Adoption-dimension



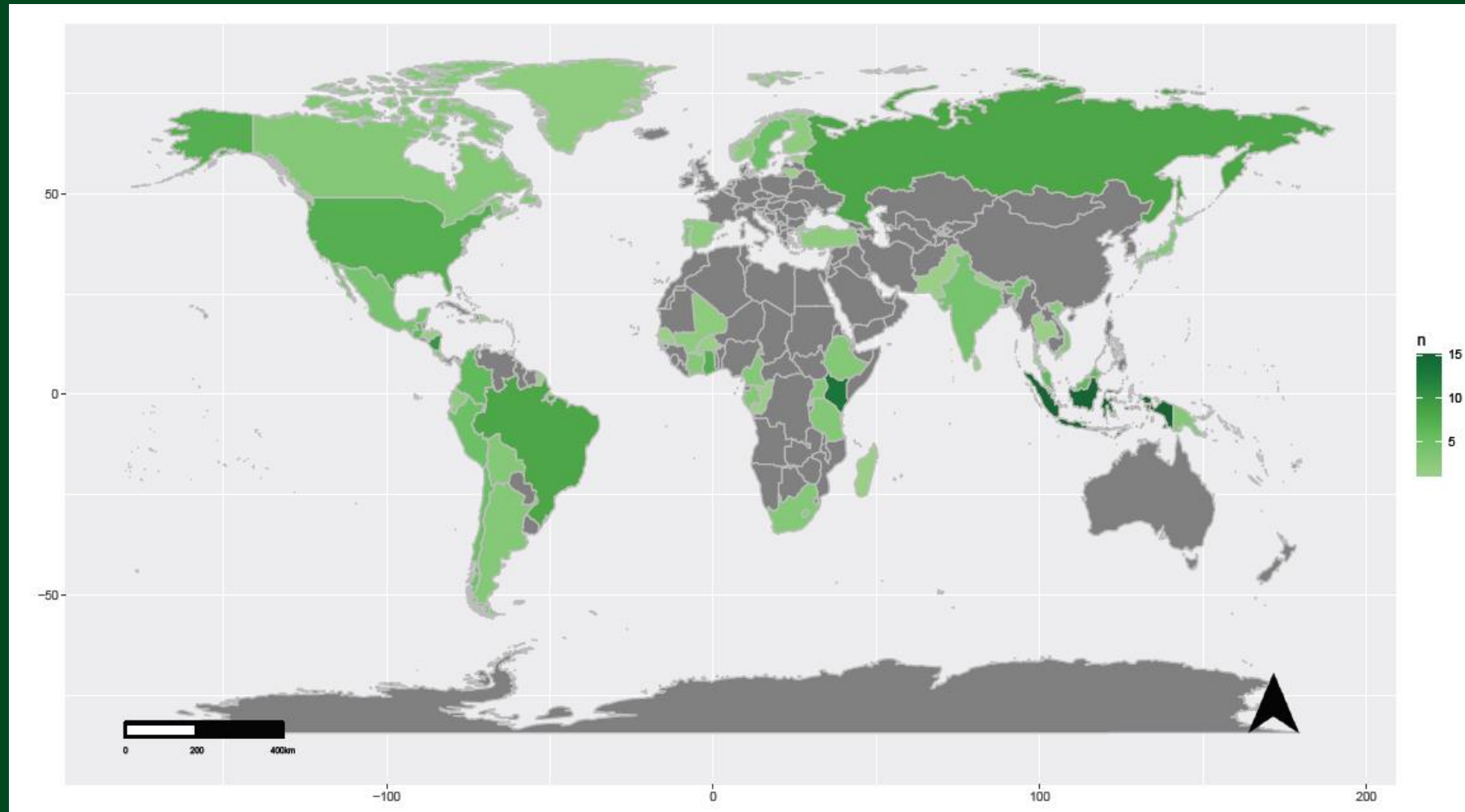
They need to be widely used



# VSS Impact

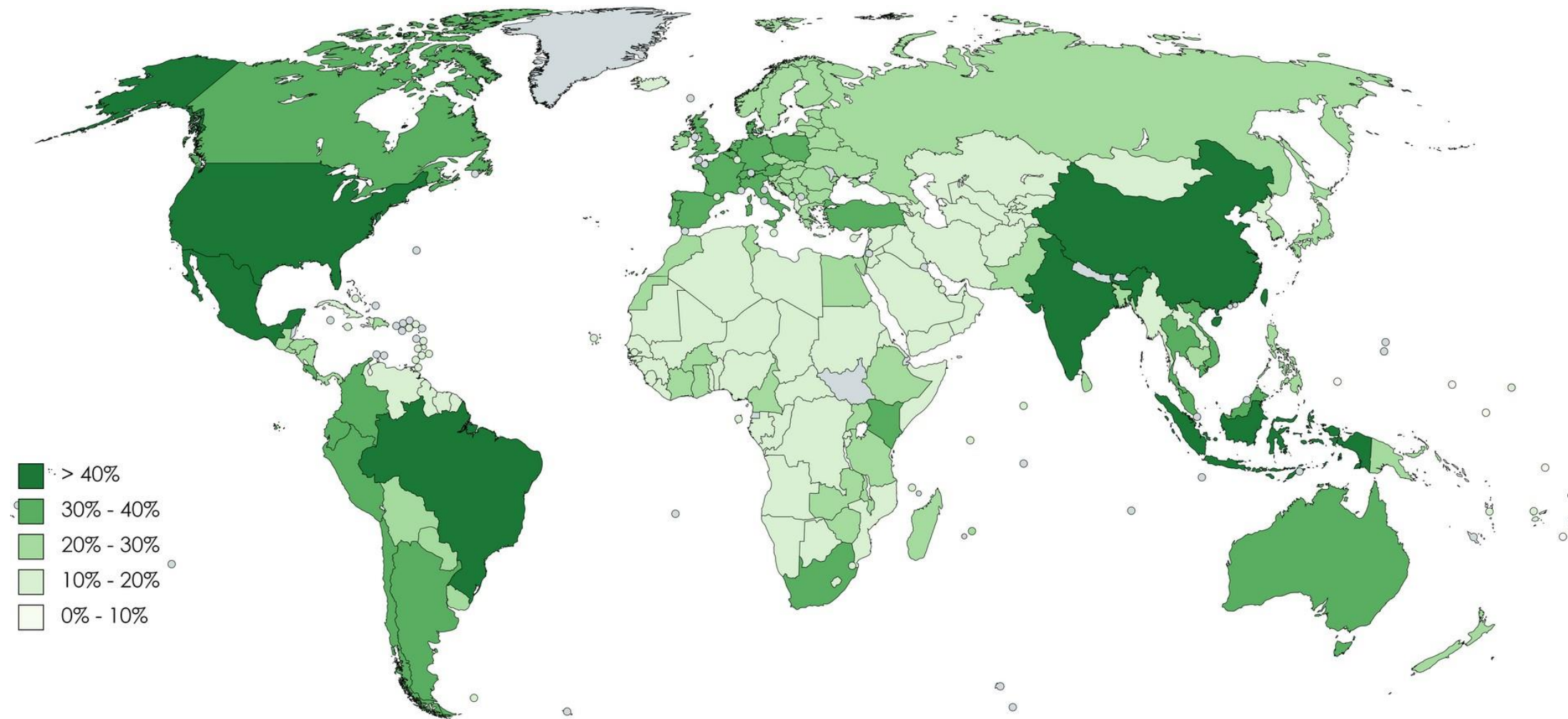
Capabilities of VSS to increase sustainability outcomes:

Overview about the countries of certified production sites studied by the available literature



- ✔ Despite the rise of a new extensive body of literature that has assessed the impacts of VSS on the ground, the evidence is still too limited to draw any firm conclusions (context specific results)
- ✔ The literature that has investigated the impacts of VSS on the ground reaches different conclusions: Positive, neutral and negative impact
- ✔ The literature evaluates the impacts of VSS on social sustainability issues more positively than for economic and environmental sustainability outcomes.

# VSS ADOPTION



✓ VSS are found in all countries, but there is considerable variation between countries.

✓ Variation in VSS adoption scores appears to align with income levels and export diversification

# VSS ADOPTION: CHALLENGES FOR DEVELOPING COUNTRIES

- ✓ Developing countries and in particular Least Developed Countries (LDCs) show lower adoption levels for some VSS.
- ✓ Countries face several barriers to VSS uptake including:



**THE COSTS INVOLVED  
IN OBTAINING VSS**



**LACK OF INCENTIVES**



**OPPOSITION TOWARDS  
VSS**



**GOVERNANCE GAP**

# SUMMARY

- Proliferation on VSS started in the 1990s and through the early 2010s.
- VSS are found in all countries, but there is considerable variation between countries => room to increase adoption
- The literature that has investigated the impacts is inconclusive: impacts are 'context' specific

# CONCLUSION AND POLICY RECOMMENDATIONS

In order to improve on effectiveness, some of the structural approaches/transformations which can be considered for enhancing the potential of VSS include:

**1** Leveraging the support by donors and multilateral organizations

**2** Integrating VSS in Public Policy

**3** Further harness the market-based potential of VSS by providing more transparency to consumers

**4** Strengthening Empowerment





## Thank you

For further information on UNCTAD's work on Trade, SDGs and Voluntary Sustainability Standards (VSS), go to:

- [vssapproach.unctad.org](https://vssapproach.unctad.org)
- [www.unfss.org](https://www.unfss.org)