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 20230 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.
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”


• 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)*
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.
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:

- 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 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.
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
- **✗** Opposition towards VSS
- **✓** Lack of incentives
- **✗** 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
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
- www.unfss.org