



Fostering the Development of “Green” Exports Through VSS



**Project headed by: United Nations Conference on Trade and
Development (UNCTAD)**

Introduction

What do IKEA, McDonald's, Starbucks, H&M all have in common?



They are all:

- Global franchise retailers
- Brands that are internationally recognized
- Companies that **made commitments** to make their businesses and products **more sustainable**

Sustainability plays a major role within the global market and Voluntary Sustainability Standards (VSS) are increasingly used as a viable tool.



Overview

Issues and topics that will be addressed in this note:

- Defining VSS: what is it and what are its potentialities and benefits
- Current state of VSS and complications that it faces
- How this project can help untangle these problems



What are VSS?



- World's largest furniture retail store, known for its low cost, “ready-to-assemble” products
- 350+ stores in over 40 countries
- One of the most profitable companies globally.
- Produces 1% (130,000 tons) of world's cotton production.

IKEA & Sustainable Cotton



- Launched program in 2015 in partnership with WWF which commits IKEA to use 100% cotton from **sustainable sources**
- Sustainable sources means that cotton use in **ALL IKEA products** are made:
 - With reduced levels of pesticide and water
 - Without forced child labor
 - By farmers who are supported and trained on efficient agricultural practices
- IKEA invested over\$ 4 million USD in cotton from more sustainable sources so far

Why does IKEA implement this program even though they can buy cotton cheaper for the same quality?

Because consumers are becoming more conscious about sustainability



More and more people in the world consider **sustainability** as one of the important factors when deciding to buy a product.

- 88 % of consumers say they will continue to be loyal to companies that have a good sustainability reputation.
- 76% of consumers take a company's sustainability stance into consideration when deciding to purchase a product.
- Given similar price or quality, 90% of global consumers would switch brands that is associated with good cause.

(2015 Cone Communications/Ebiquity Global CSR Study)



How do we know which sustainable products are credible?

By assessing the product through a set of guidelines called **Voluntary Sustainability Standards (VSS)**

- VSS are formulated to **measure or evaluate** whether the product is produced through **good social and environmental practices**
- Examples of VSS metrics: Reduced use of pesticides, pays fair wages to workers, follows labor standards
- Often VSS are certified and given labels on their products as “proof-of-approval”



Examples of VSS labeled products



Some Examples of VSS

Forest
Stewardship
Council



Organic
Certified
Labels



FAIRTRADE

Fair Trade
International



GLOBALG.A.P.



Rainforest
Alliance

Global G.A.P.

Markets for VSS are growing

- **VSS products are all over the world**

Currently over 450 VSS certifications/ eco-labels in 199 countries and 25 industrial sectors

- **VSS uptake is increasing**

Certified production of all commodity sectors increased an average of 41% in 2012.

- **VSS are gaining traction in mainstream markets**

- Exports for VSS certified products are worth \$36 billion USD
- Certified coffee now accounts for 38% of market share, 22% for cocoa



Potential benefits from VSS to producers?

- Improved access to more profitable markets
- Price premiums from VSS crops can lead to increased profits and improve livelihoods of farmers
- Can help farmers to upgrade their production methods, improve productivity, and increase quality of crops



Potential benefits from VSS to businesses?

- Can increase market share through capturing growing consumer demand
- Increase brand trust and loyalty



Potential benefits from VSS to governments?

- Can use VSS as a tool for trade promotion and to increase national trade activity
- VSS mechanisms can be used to deliver a public policy objective or be used to help reach their goal for their sustainable development agendas



However, most developing countries have **capacity gaps** which make it hard to reach toward the full potentials and efficacy of VSS



What are these capacity gaps?

1. Implementation of VSS are can be costly
2. Certification for VSS can be complex and expensive
3. Premium does not always go to the local producers and small holder farmers who need it the most
4. Lack of knowledge on VSS
5. Lack of cooperation and collaboration among stakeholders on using VSS



Capacity gaps make VSS inaccessible for those **most in need**

- Small-scale farmers accounts for **over half** of the entire commodities market
- They can potentially benefit the most from implementation of VSS
- Nevertheless, they tend to be the **most excluded** from implementing VSS



How this project aims to address these shortcomings

- **Organize workshops** to deepen the understanding of VSS and to share information on the key concerns and challenges surrounding VSS
- Establish a multi-stakeholder **platform** to discuss, exchange, and build on ideas on how to improve the capacity of the country's use of VSS
- Create a concrete **plan** (Nation Action Plan) that would map out options on how to incorporate VSS
- Target countries: Lao PDR, Vanuatu, the Philippines
- Project duration: March 2017 ~ December 2019



Anticipated outcomes of this project

- Increase national capacity to enhance “greener” sustainable exports
- Establish a dynamic network surrounding VSS that would lead to more communication and coordinated efforts among stakeholders
- For countries to be equipped with better knowledge on VSS to be able to strategize how VSS could contribute to inclusive economic growth and sustainable development





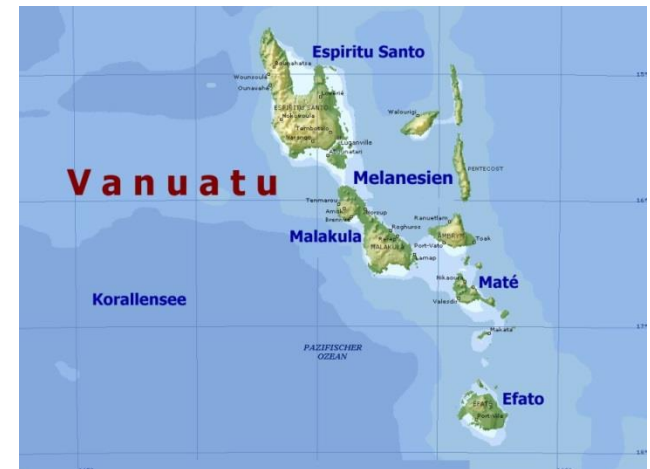
Target Country: Vanuatu

Current situation:

Already identified target green products (coconuts, cocoa, sandalwood) through the UNCTAD NGER project

Challenge: VSS still relatively new territory

- VSS does exist but is very limited
- Many local producers do not know much about VSS
- Facilities for VSS certification are lacking





Target County: Lao PDR

Current situation:

Enhanced commercial linkages between local small scale farmers and tourism industry through previous project on organic products (Lao Agricultural Organic Forum)

Challenge:

- A growing interest in exporting organic products but lacks
- Local producers know little about VSS and their potential benefits





Target Country: the Philippines

Current situation

- Have had experience in exporting certain national products using VSS schemes (e.g. coconut oil, bananas, pineapples)
- Has an existing national multi-stakeholder body for promoting sustainable development (PCSD)

Problem:

Have not yet been able to holistically assess VSS's effectiveness



Project Implementation

Phase 1

- **National Start-up Workshop:** Sharing of information/discussion among stakeholders

Phase 2

- **National Case Study:** Map out key concerns and challenges, and identify strategic options

Phase 3

- **National Concluding Workshop:** Establish National Stakeholder Platform and discuss a National Action Plan (NAP) which will map out the roles and sequences

Phase 4

- **Regional Peer Review:** Share experiences on the progress of National Stakeholder Platform and strategies towards making VSS as a tool for sustainable development

THANK YOU

