

National VSS Workshop South Africa

Voluntary sustainability standards in public policy

19th August 2024



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1. Introduction to 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.”



Seal-of-approval



Market access



Effective marketing tool



Price Premium

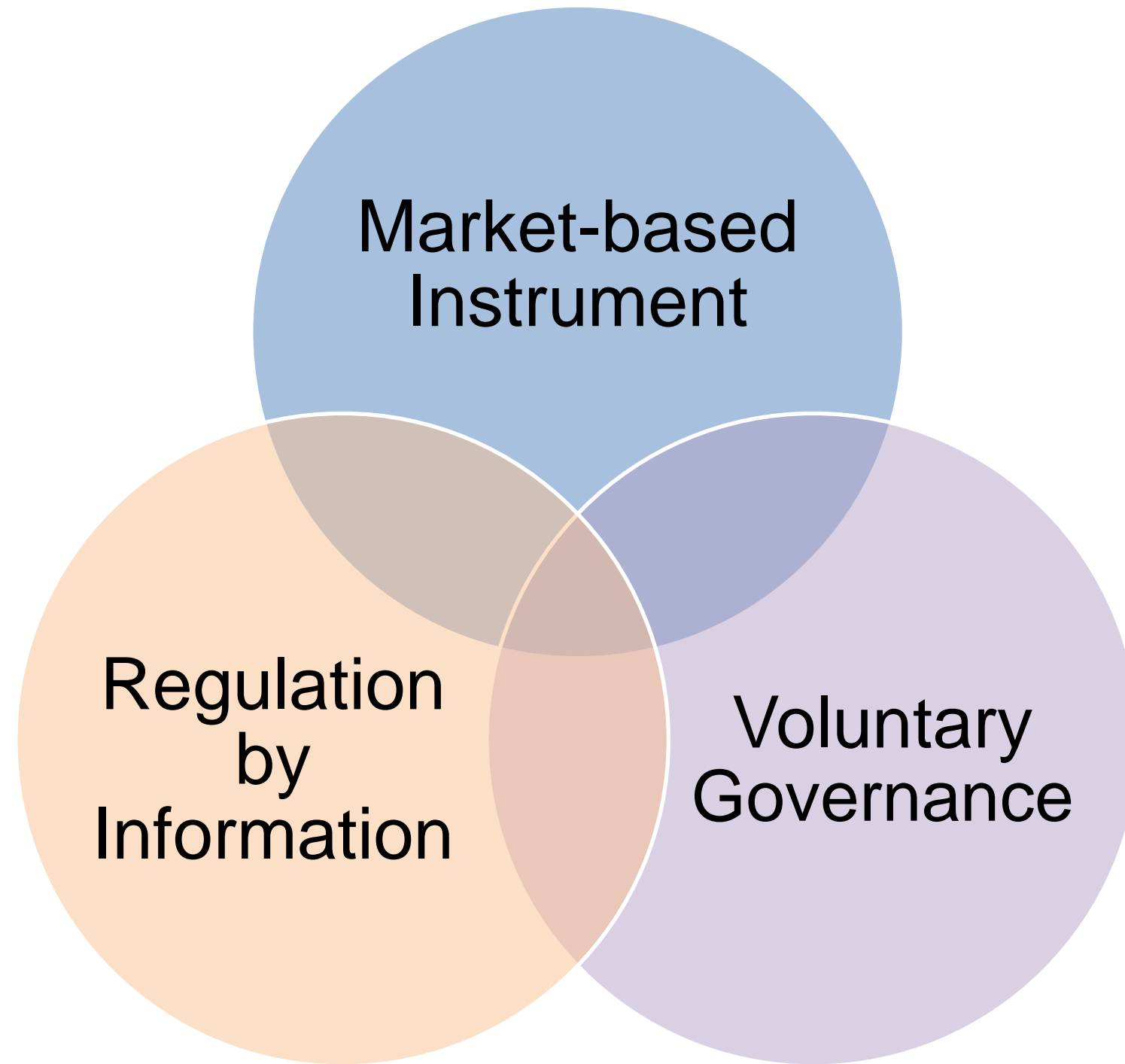


66 % of consumers
are willing to pay a
premium for
sustainable products
(Nielsen survey)

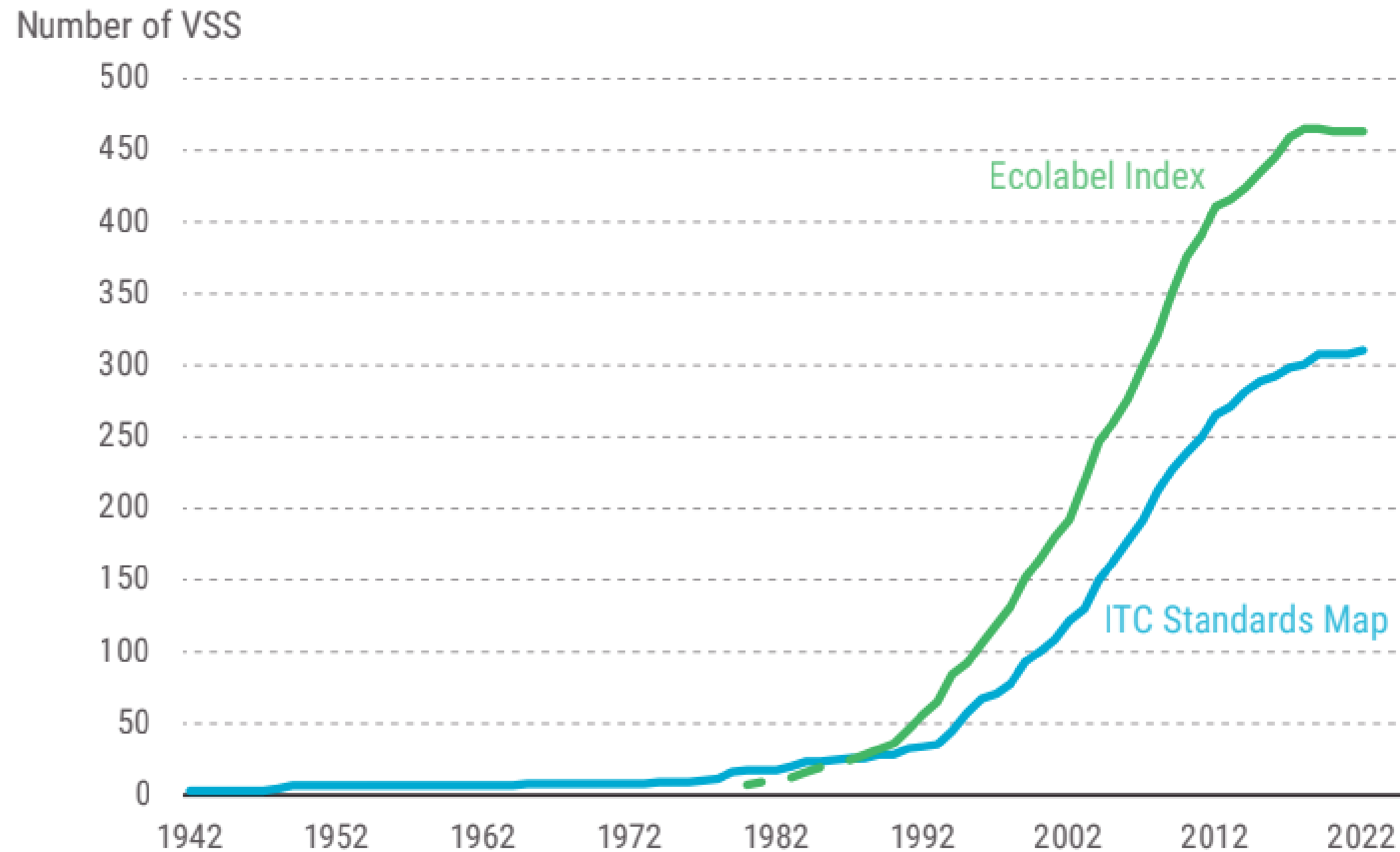




New Regulatory Form



A Market Reality



Evolution in the number of VSS

Why?



GROWING CONSUMER AWARENESS OF SOCIAL AND ENVIRONMENTAL ISSUES



FIRMS' MOTIVATIONS, SUCH AS BRAND PROTECTION, PRICE PREMIUM AND MARKET ACCESS



REACTION TO THE EMERGENCE OF OTHER VSS



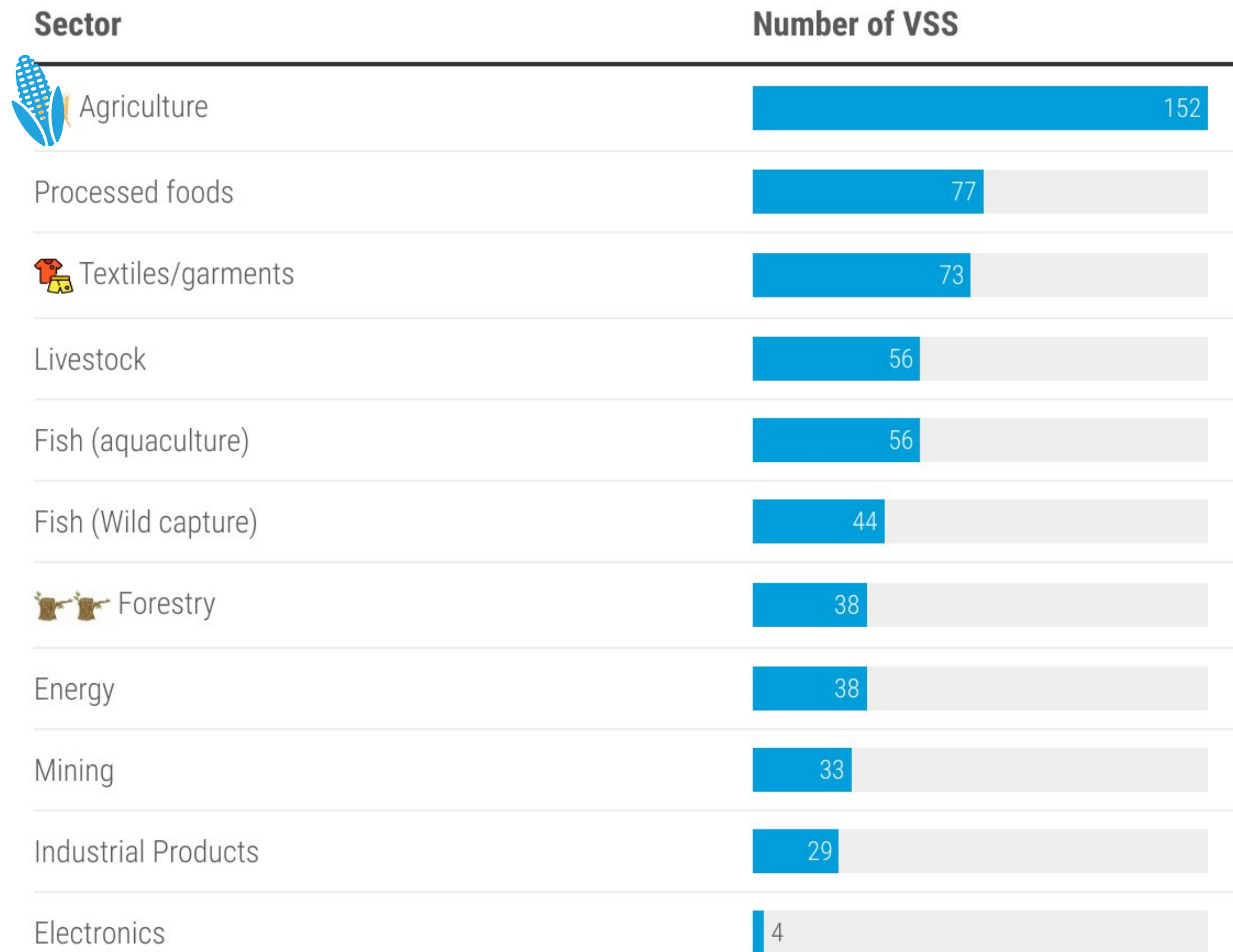
REACTION TO FAILURES OF MULTILATERAL REGULATORY EFFORTS



GOVERNMENTS' ENGAGEMENT WITH VSS



Stagnation in the growth of VSS

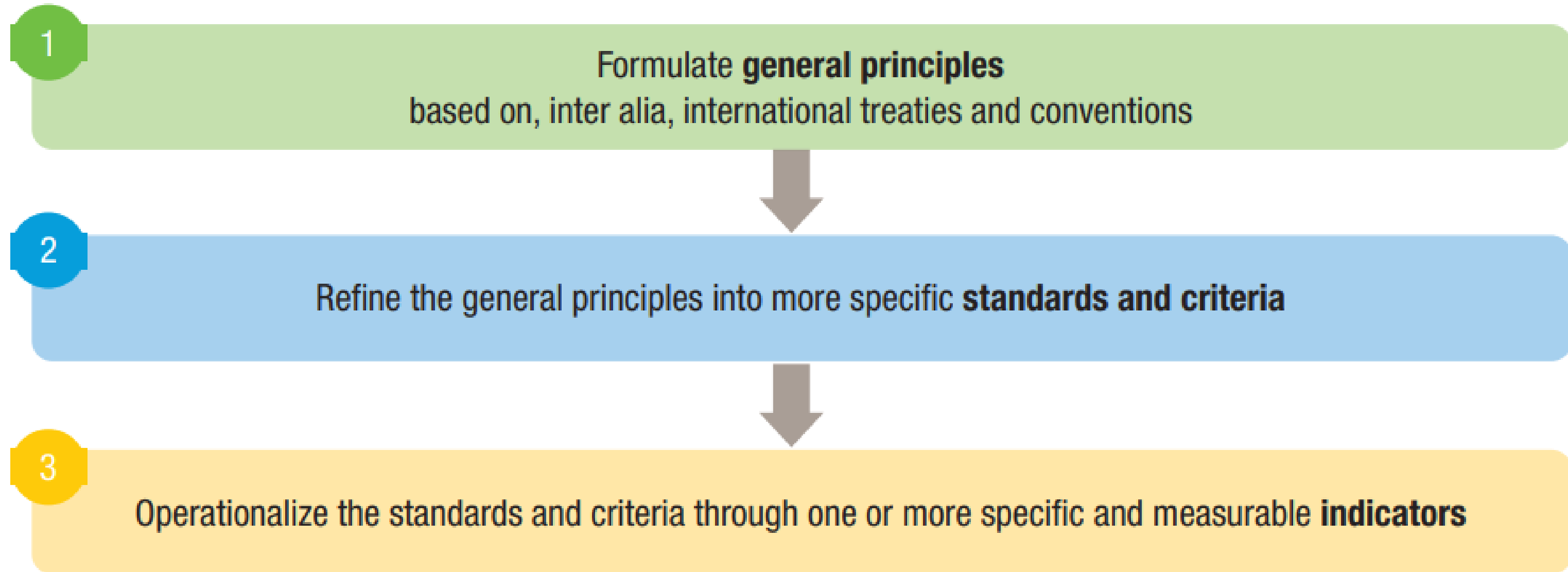


Existing VSS are concentrated in a limited number of sectors, including agricultural and food commodities, and textiles and forestry.

Source: UNCTAD Report: Voluntary Sustainability Standards in International Trade



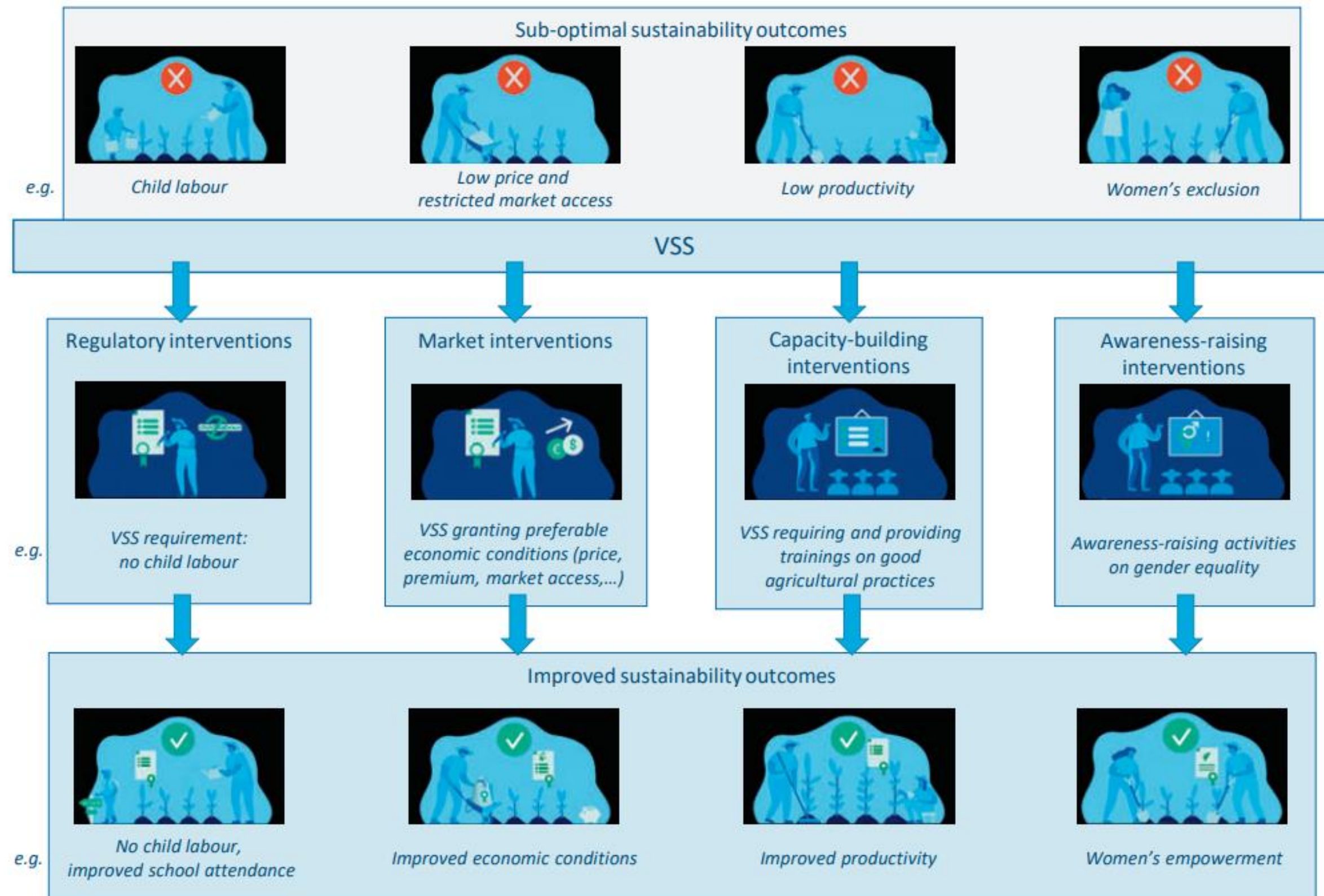
2. How do VSS work



Setting sustainability Standards



3. Effectiveness of VSS



Pathways for VSS impact

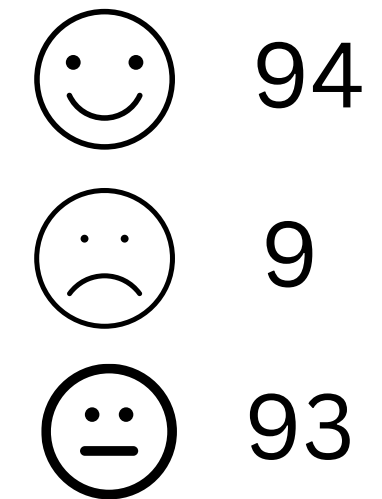


VSS sustainability impacts: Empirical evidence

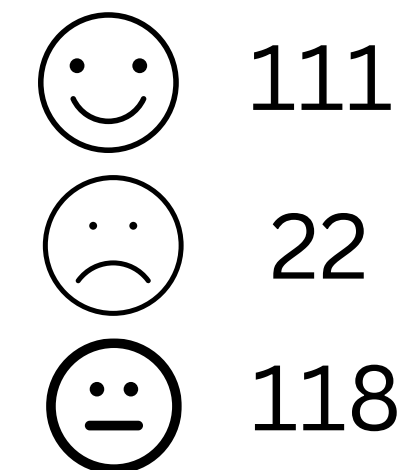
- Overall, the evidence on the impacts of VSS on different sustainability dimensions is mixed.
- Literature highlights that VSS impacts are highly context specific. More research is warranted to understand the conditions under which the standards generate positive impacts, particularly in relation to the institutional design of VSS.
- In addition, trade-offs between sustainability dimensions can occur when evaluating VSS impacts.



Environment



Socioeconomic





Uptake of VSS

Brazil	46
United States of America	44
India	43
China	43
Indonesia	42
Mexico	41
Peru	39
Germany	39
Viet Nam	38
Colombia	38
Thailand	37
Netherlands	37
United Kingdom	37
Spain	36
Türkiye	35
Italy	35
France	35
South Africa	35
Canada	34
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Argentina	34
Costa Rica	33
Switzerland	32
Ecuador	32
Chile	32
Portugal	32
Kenya	32
Malaysia	31
Denmark	31
Austria	31
Australia	31
Poland	30
Sri Lanka	30
Honduras	30
United Republic of Tanzania	29
Japan	29
Sweden	29
Guatemala	29
Ethiopia	29
Nicaragua	28

Ireland	28
Greece	28
Egypt	28
Philippines	28
Bulgaria	27
Morocco	27
Hungary	27
Dominican Republic	27
Czechia	27
Romania	27
Pakistan	27
Ghana	27
Uganda	26
Tunisia	26
Norway	26
Madagascar	26
Finland	26
Bolivia (Plurinational State of)	26
Croatia	25
Cambodia	25
Paraguay	25
Russian Federation	25
New Zealand	24
Uruguay	24
Slovakia	23
Lithuania	23
Slovenia	23
Republic of Korea	23
Mauritius	23
El Salvador	23
Bangladesh	23
Zambia	23
Singapore	23
Côte d'Ivoire	22
Zimbabwe	22
Latvia	22
Serbia	21
Panama	21
Estonia	21
Ukraine	21

Israel	21
Malawi	20
Bosnia and Herzegovina	20
Papua New Guinea	20
Cameroon	20
Burkina Faso	20
United Arab Emirates	20
Senegal	20
Rwanda	20
Cyprus	20
Nepal	19
Luxembourg	19
Democratic Republic of the Congo	19
Mozambique	19
Lao People's Democratic Republic	19
Venezuela (Bolivarian Republic of)	18
Belize	18
Suriname	18
Nigeria	18
Myanmar	18
Mali	18
Jordan	18
North Macedonia	17
Malta	17
Lebanon	17
Burundi	17
Togo	17
Haiti	17
Congo	17
Oman	17
Namibia	17
Saudi Arabia	16
Jamaica	16
Albania	16
Republic of Moldova	15
Kazakhstan	15
Guyana	15
Eswatini	15
Algeria	15
Trinidad and Tobago	15

Mongolia	15
Iceland	15
Georgia	15
Fiji	15
Botswana	15
Benin	15
Uzbekistan	15
Sierra Leone	15
Niger	15
Maldives	15
Bahrain	15
Bahamas	15
Gambia	14
Azerbaijan	14
Turkmenistan	14
Seychelles	14
Liberia	14
Guinea	14
Gabon	14
Cuba	14
Angola	14
Syrian Arab Republic	13
Saint Lucia	13
Belarus	13
Barbados	13
Tajikistan	13
Sudan	13
Lesotho	13
Iran (Islamic Republic of)	13
Grenada	13
Democratic People's Republic of Korea	13
Mauritania	13
Kyrgyzstan	13
Kuwait	13
Cabo Verde	13
Armenia	13
Timor-Leste	12
Solomon Islands	12
Qatar	12
Guinea-Bissau	12

Dominica	12
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Antigua and Barbuda	12
Afghanistan	12
Yemen	12
Saint Vincent and the Grenadines	12
Eritrea	12
Comoros	12
Chad	12
Somalia	12
Sao Tome and Principe	12
Saint Kitts and Nevis	12
Libya	12
Iraq	12
Equatorial Guinea	12
Djibouti	12
Brunei Darussalam	11
Bhutan	11
Vanuatu	11
Samoa	11
Kiribati	10
Andorra	10
Marshall Islands	10
Tuvalu	9
Tonga	9
Palau	9
Micronesia (Federated States of)	9
Nauru	8



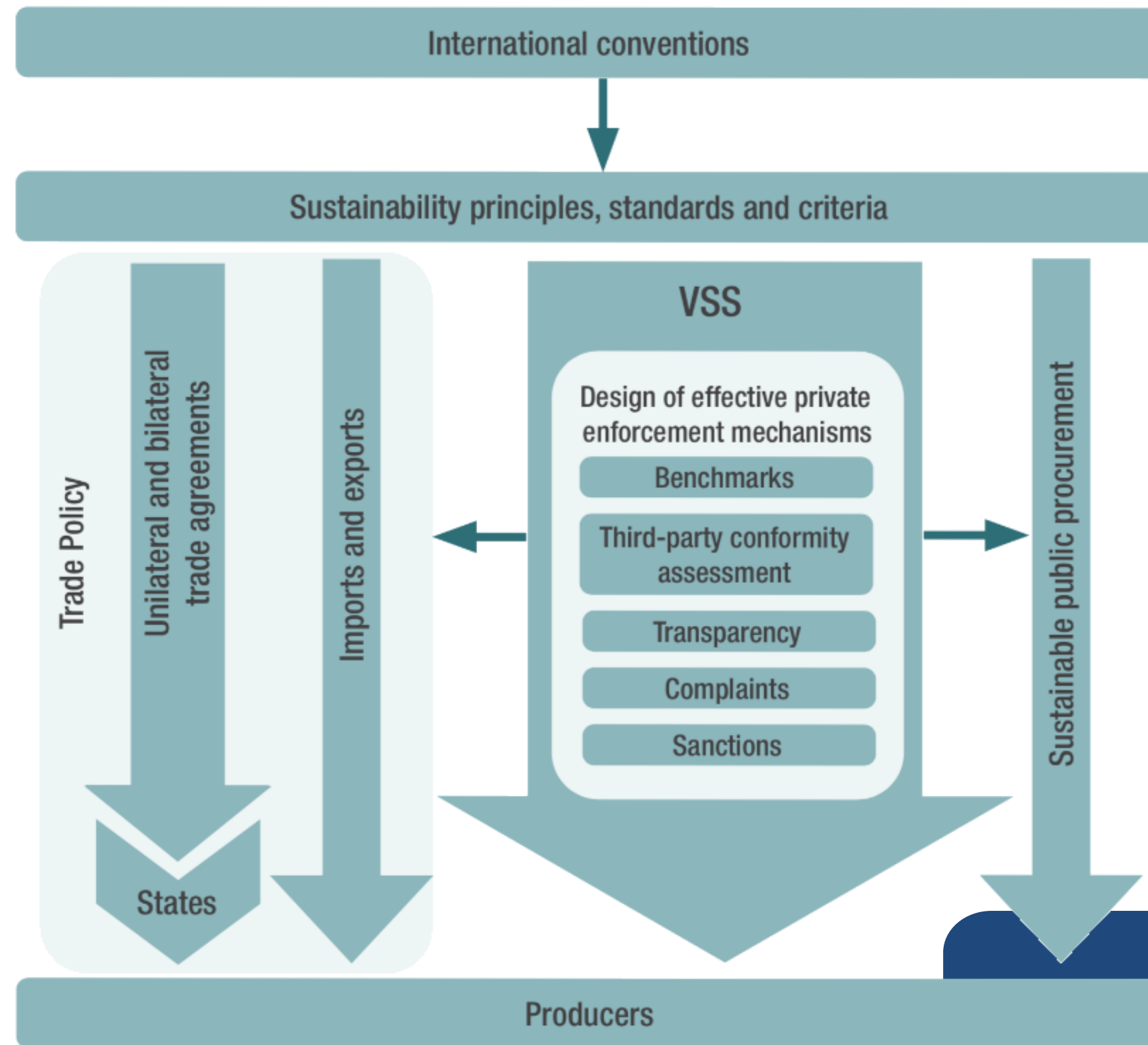
Barriers to VSS adoption



4. VSS and Public Policy



4. Links between VSS, procurement and trade policies



Market access requirements

- VSS are increasingly used in market access regulations or are incorporated by reference to them in the regulations that determine which products can access a market or not. The VSS then become a mandatory market access requirement
- The Republic of Korea's Act on the Sustainable Use of Timbers (2017) explicitly recognizes VSS as proof of compliance with legality requirements. Another interesting example where VSS play a role in market access regulations is the European Union's Renewable Energy Directive (RED). Another interesting example where VSS play a role in market access regulations is the European Union's Renewable Energy Directive (RED).
- However, the European Court of Auditors (2016) found that the European Union's assessment procedures for the recognition of VSS did not adequately take into account a number of critical aspects regarding the sustainability of biofuels. It found that some recognized VSS did not sufficiently address socioeconomic issues such as forced labour, child labour and land tenure conflicts. In addition, it found that some VSS organizations were insufficiently transparent.
- Thus, there are still some challenges that emerge when integrating VSS into market access regulations.

2 Trade policy FTAs and PTAs

3 Public procurement



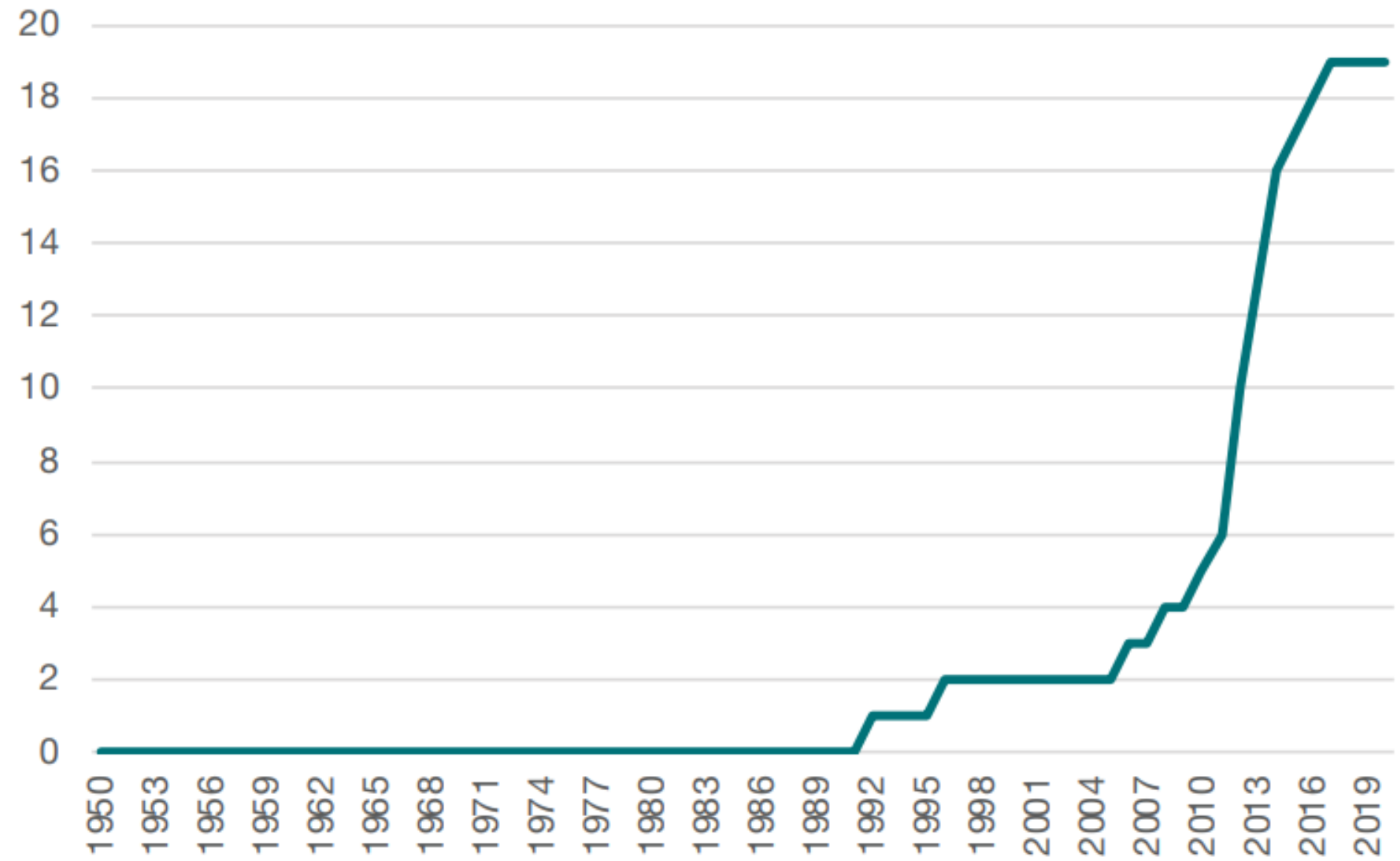
- VSS can also play a role in trade policy, more specifically through two trade instruments: free trade agreements (FTAs) and preferential trade agreements (PTAs).
- The UNFSS 4th Flagship report notes that at least 19 FTAs refer to VSS in a promotional way to encourage information exchange and cooperation on implementation and follow-up of VSS. In exceptional cases, VSS might feature more prominently in an FTA. For example, in the new FTA between the European Free Trade Area (EFTA) and Indonesia, VSS-certified palm oil products are assigned lower tariffs – or taxes – than non-certified palm oil products in order to promote sustainable palm oil production.
- VSS can also be integrated into generalized systems of preferences (GSPs). VSS and GSP schemes aim to foster sustainable development and good governance. For example, in the European Union’s special incentive arrangement for sustainable development and good governance (GSP+), a country which commits to ratifying and implementing 27 international conventions concerning human and labour rights, environmental protection and good governance can benefit from additional tariff preferences.
- Further, VSS play a specific – and increasingly significant – role since they are often involved in the operationalization of sustainable public procurement practices.
- In the majority of legal frameworks for public procurement, the principle of equal treatment and non-discrimination prevents contracting authorities from referring to any specific VSS organization or label in public procurement tenders

- 2 Trade policy FTAs and PTAs
- 3 Public procurement



Figure 10

Evolution in the number of FTAs that refer to VSS (or synonyms)



Source: Authors' calculation based on Morin et al. (2018).

- A fourth area of public policy in which VSS can play a role is so-called due diligence regulations, and, more specifically, human rights due diligence legislation
- In order to comply with different steps of due diligence, several companies are incorporating VSS into their due diligence plans and management systems, which allow them to identify and address possible adverse sustainability effects through monitoring and complaint systems.
- Governments also engage with VSS to spur economic development through export promotion measures, especially if they can help increase access to export markets.
- No data are available on the number and nature of measures which integrate VSS into export promotion, but there are several examples of countries that seek to promote their main export products through adoption of VSS. An example of this would be Gabon, which aims to increase its wood exports through certification .



What is proposed

- VSS offer potential for the transnational governance of GVCs and trade to foster sustainable development.
- But there are also challenges, especially for producers in developing countries.
- This report has highlighted some of the challenges relating to financial and technical capacity to comply with standards and to advancing an understanding of the role of VSS in governing GVCs.
- Addressing these challenges is a collective responsibility. Several actors, including international organizations, can play a proactive role in addressing the challenges by providing technical and financial support for VSS adoption and building capacity for compliance with sustainability standards



VSS challenges and developments for developing countries

Governance Gap

- Regulatory governance context in which VSS operate influences VSS adoption and effectiveness
- VSS can also 'overcome' or reduce the governance gap

National and international standards

- Complements or competitors?
- Multiplicity of standards
- Harmonization and mutual recognition

Due diligence as a new regulatory approach

- Strong increase in sustainability due diligence initiatives in developed countries
- Little evidence of developing countries moving towards legislation requiring mandatory DD
- Explore link and complementarity between DD and VSS

VSS in policy mixes

- Governments can play a key role in creating enabling conditions for VSS to be widely adopted and effectively implemented.
- Governments and VSS interact in different ways: governments can support or control VSS or VSS can support government policies
- Each of these interactions would result in different forms of public-private policy mixes.



5. Conclusionary Remarks



Developing countries continue to face significant challenges to engaging in certification



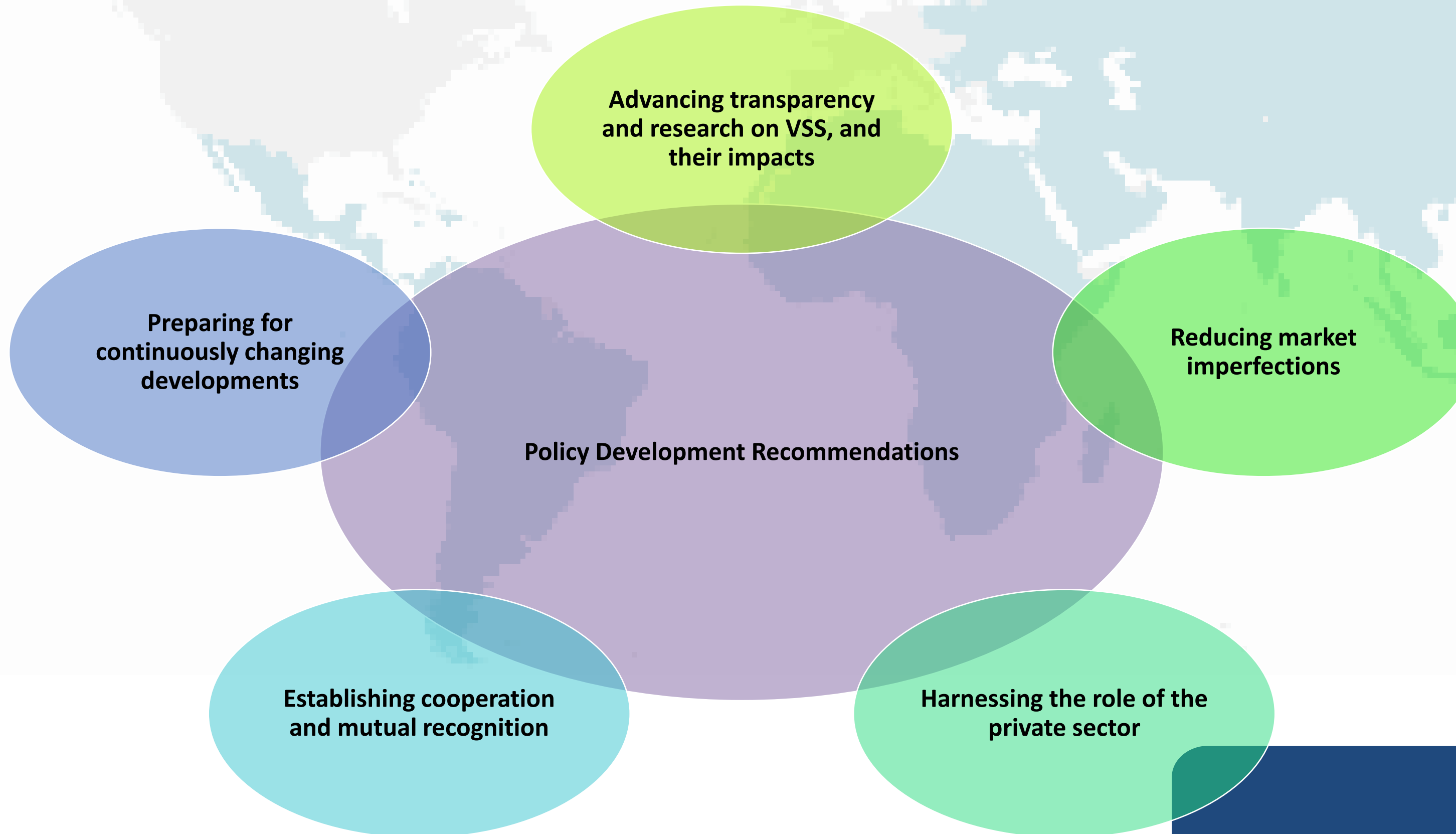
Evidence of the environmental, social and economic impacts of VSS is mixed and case-specific



VSS can play a significant role in public policies and new policy developments



5. Conclusionary Remarks



Thank you!

