Making Voluntary Sustainability Standards Contribute to the SDGs

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"Voluntary Sustainability Standards, Trade and Sustainable Development"

By

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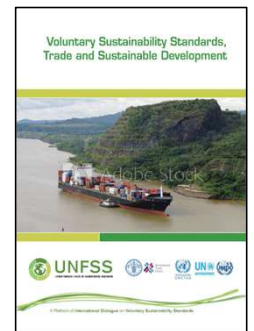
European University Institute

Voluntary Sustainability Standards, Trade and Sustainable Development

Third UNFSS Flagship (Chapter 1) Presentation

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To break the ice…

Voluntary Sustainability Standard (VSS)

- A **document**…
- that provides **requirements** (rules, guidelines or characteristics) for **products/services** or related **processes and production/performance methods**…
- defined to meet **economic, social and environmental sustainability metrics**…
- with which compliance is **not mandatory** ($\neq$ technical regulations)
- designed and approved by one or more among the following entities:
    NGOs /Corporation/Industry/Government body/International organization

The UNFSS Flagship in a nutshell

- Prospects and limits of Voluntary Sustainability Standards (VSS) to contribute to the Sustainable Development (SD) agenda
  - potentially effective tool for sustainable supply chain management, marketing, competitiveness, market access but also...
  - potential barriers to trade, GVC participation etc

- Aim of the Report:
  - contribute to this debate theoretically and empirically
  - focus on trade
  - policy perspective

Main messages/outputs

- VSS can potentially be a catalyst of sustainable development, both directly and indirectly through trade

- However, effectiveness depends on institutional design factors of VSS systems and on the fragmentation of VSS landscape

- Taxonomy of policy tools for Governments and IO

- More transparency, data and analysis is needed to further assess VSS impact on SD
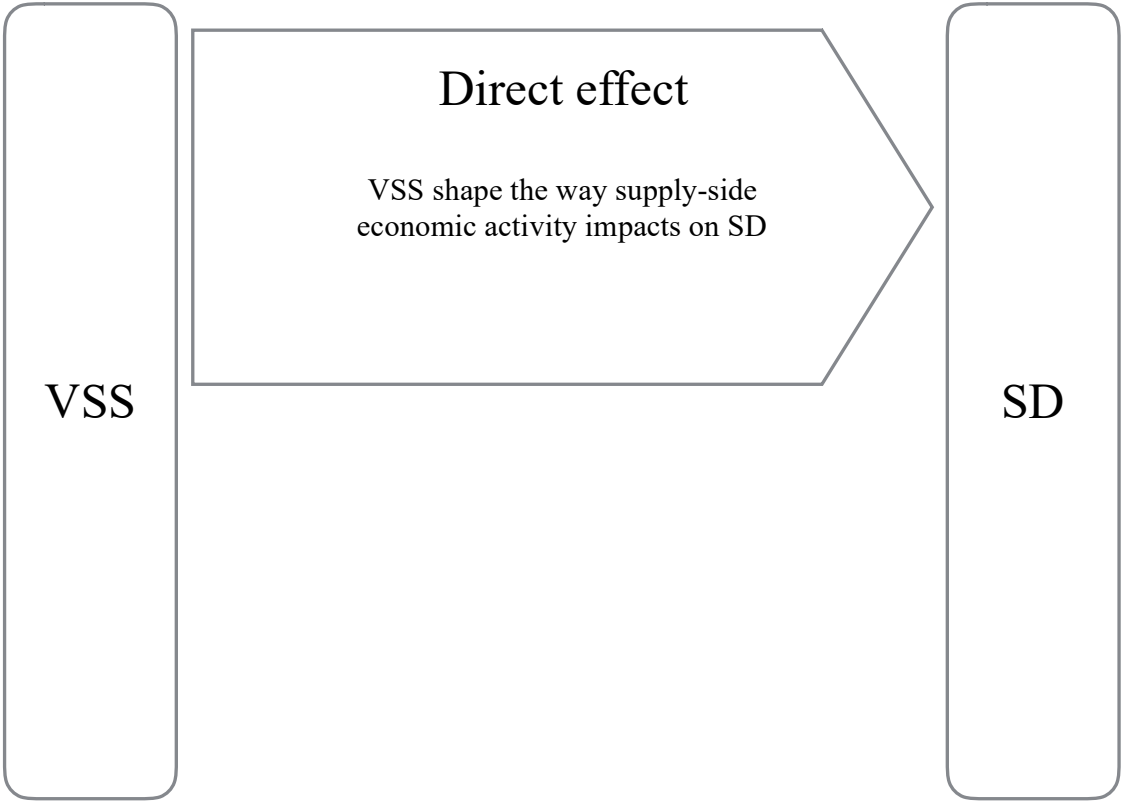
VSS Systems: definition

VSS Systems

- The **collective of organizations** responsible for the activities involved in the implementation of a VSS, including **standard-setting, capacity building, assurance, labelling, and monitoring and evaluation** (ISEAL)
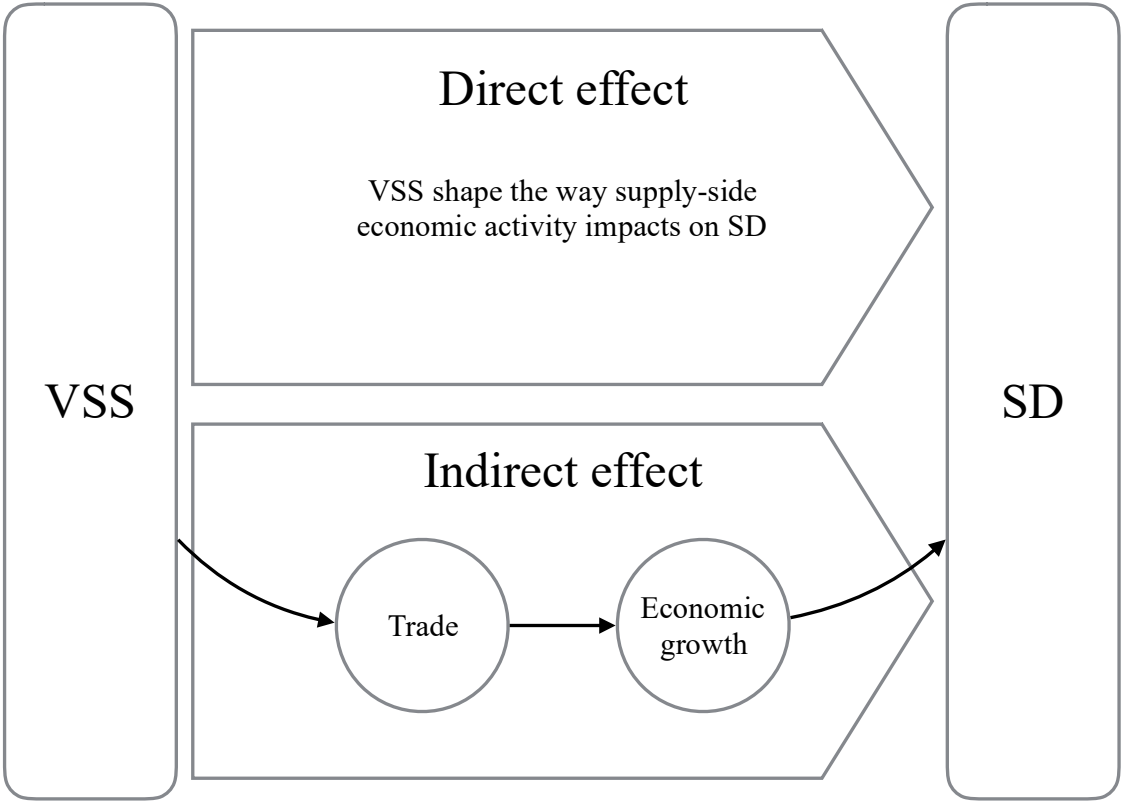
Conceptual Framework

The effects of VSS on SD

VSS → Direct effect (VSS shape the way supply-side economic activity impacts on SD) → SD

The effects of VSS on SD

VSS

Direct effect

VSS shape the way supply-side economic activity impacts on SD

Indirect effect

Trade → Economic growth

SD

The effect of VSS on trade

VSS

Trade

The effect of VSS on trade

VSS

Whether and how VSS increase/reduce **discrimination**

Whether and how VSS increase/reduce **trade costs**

Trade

The effect of VSS on trade

VSS

VSS Institutional design

VSS landscape

Product and country environment
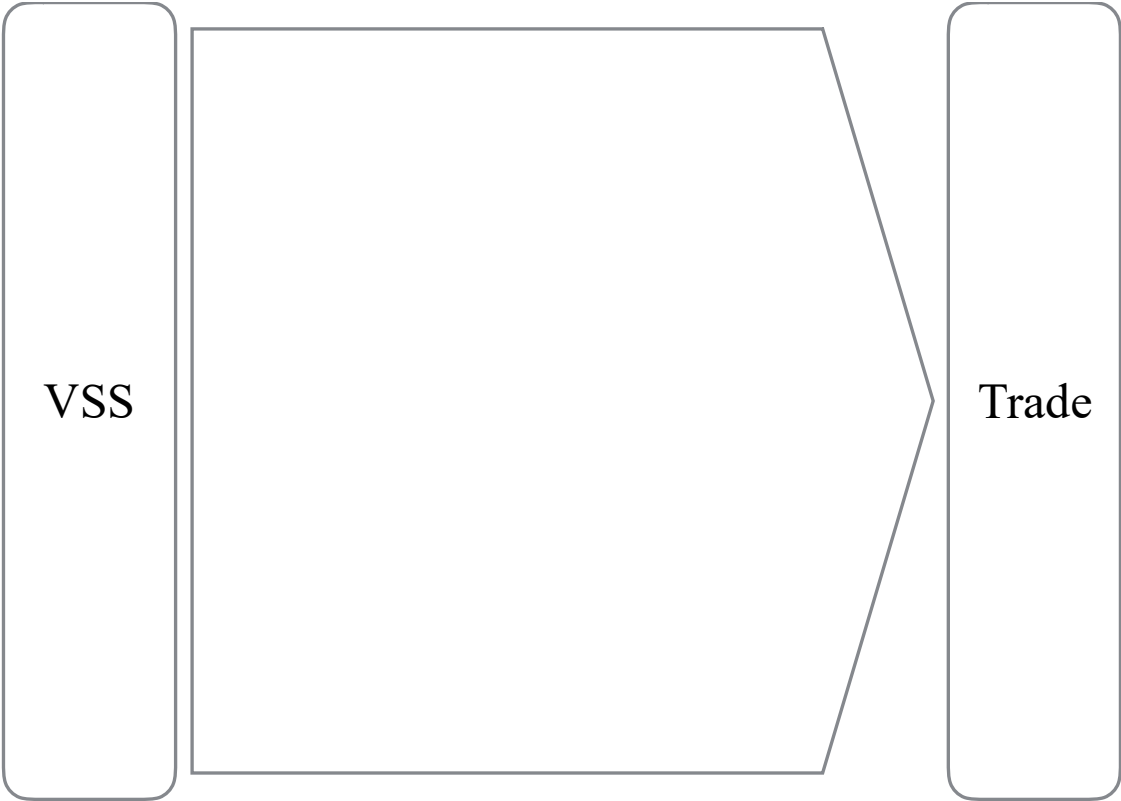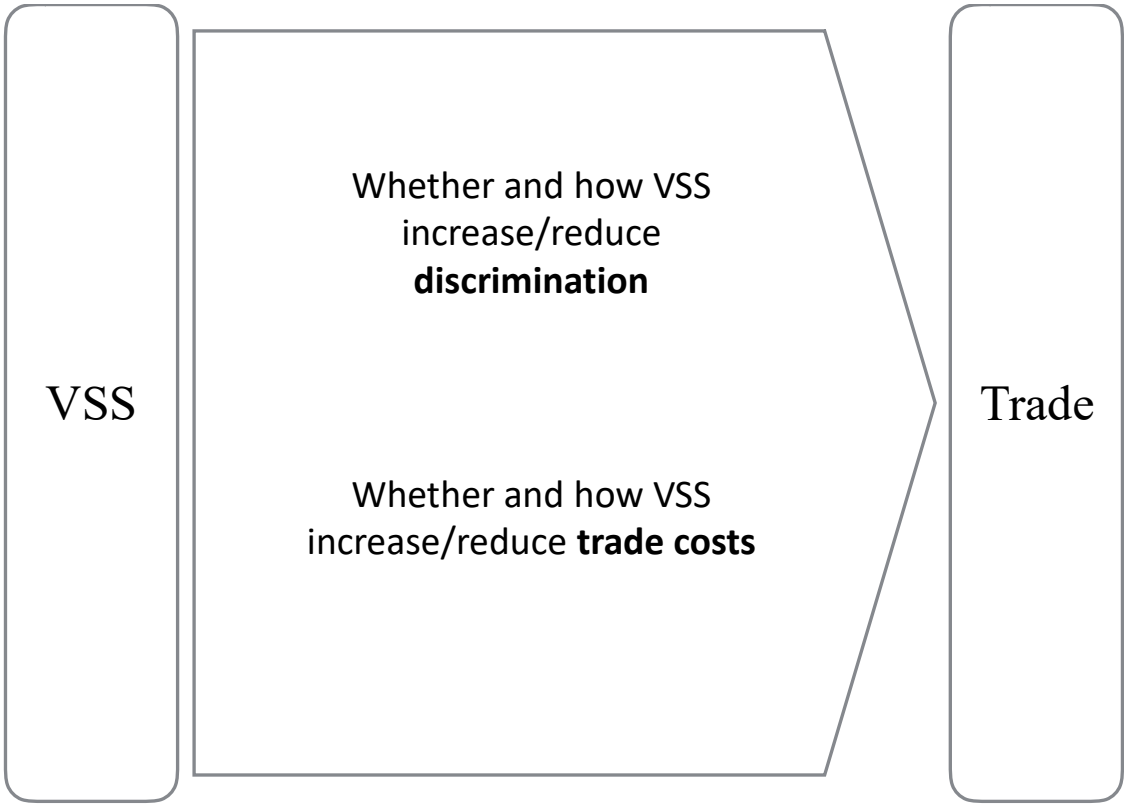
Trade
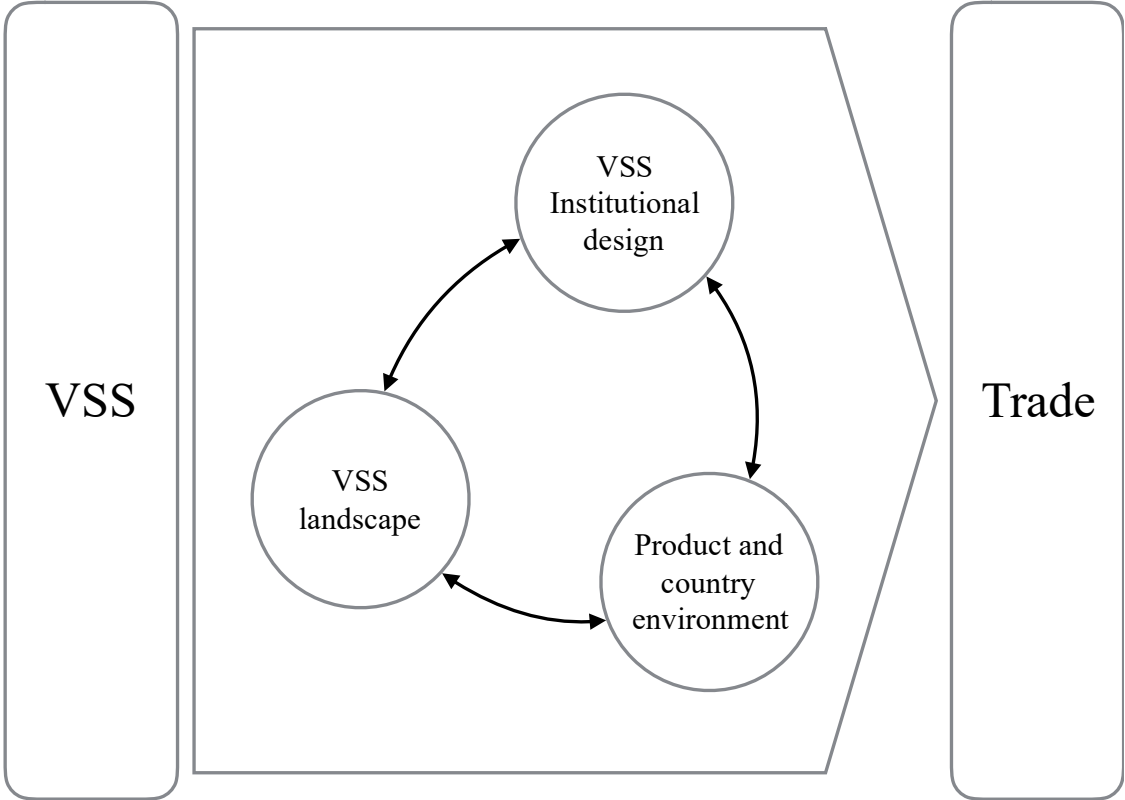
Direct effect of VSS on SD:
a benchmarking emprical analysis

Focus on 10 SDGs

Methodology

- Benchmark the 10 SDGs against the >800 requirements in ITC Standards Map

- We identify 294 sustainability requirements
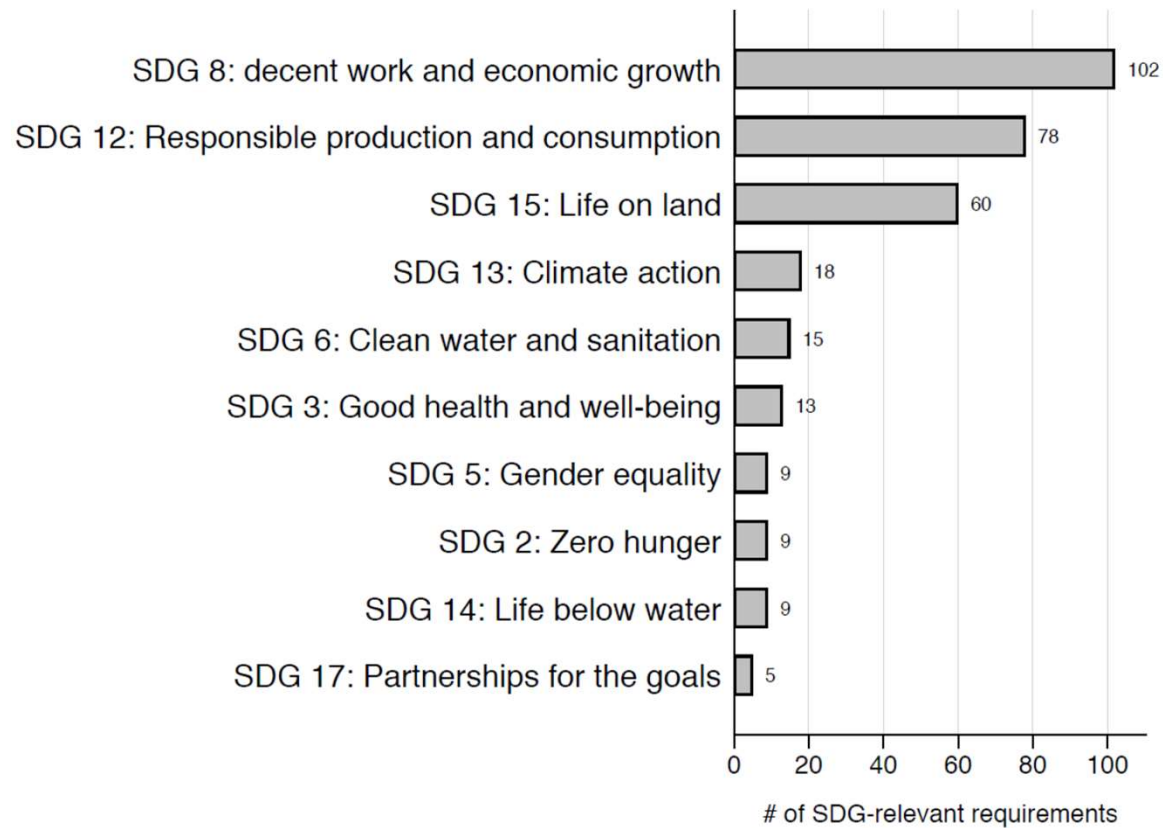   1. that directly relate to at least 1 SDG; and
    2. that are covered by at least one VSS (subset of 122 systems consistent with our definition)

- Which SDGs are best addressed in the VSS landscape?
- Which aspects of these goals are best addressed?

Results: goal to goal comparison

Figure showing a horizontal bar chart titled "# of SDG-relevant requirements":
- SDG 8: decent work and economic growth — 102
- SDG 12: Responsible production and consumption — 78
- SDG 15: Life on land — 60
- SDG 13: Climate action — 18
- SDG 6: Clean water and sanitation — 15
- SDG 3: Good health and well-being — 13
- SDG 5: Gender equality — 9
- SDG 2: Zero hunger — 9
- SDG 14: Life below water — 9
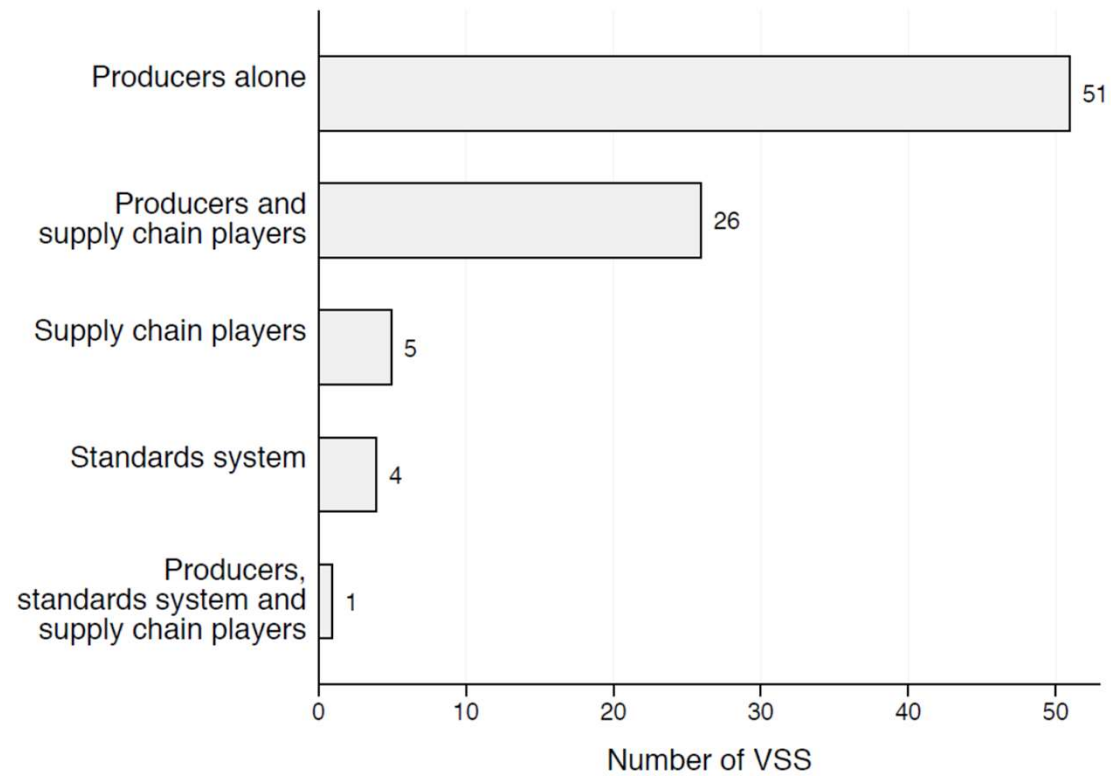- SDG 17: Partnerships for the goals — 5
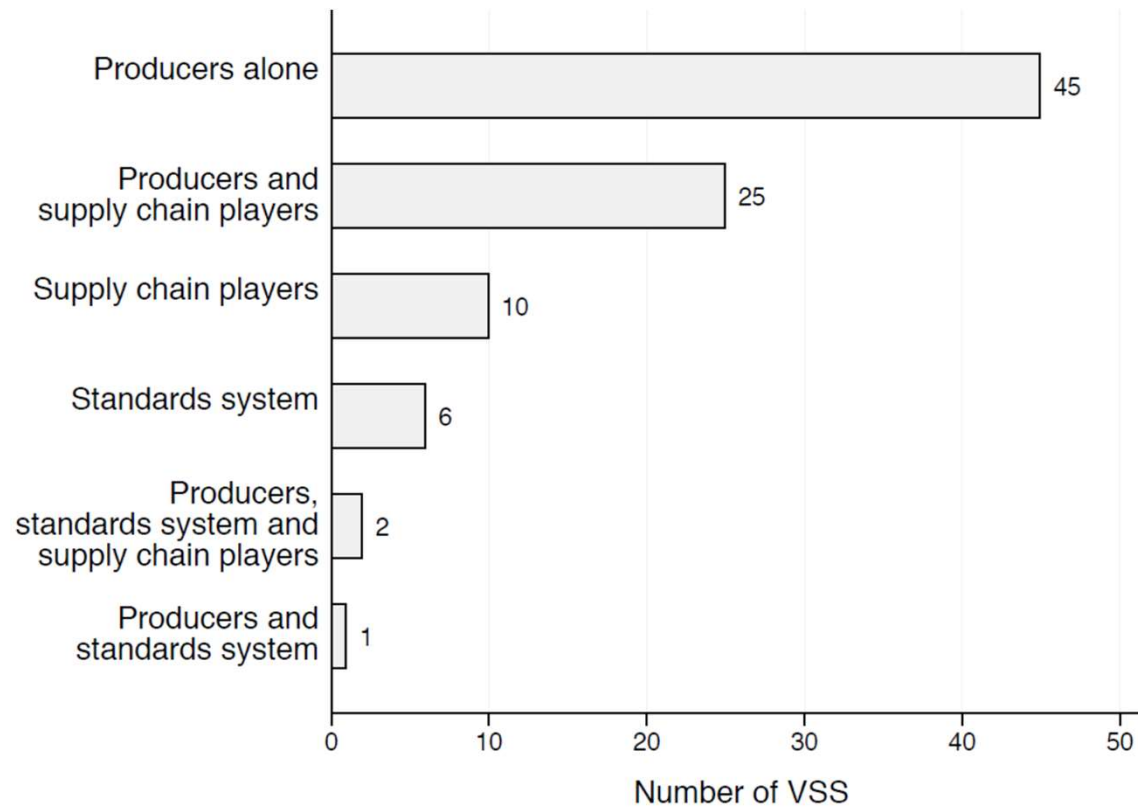
Indirect effect of VSS on SD

Methodology

- Focus on institutional features and design of VSS

- Drawn from 2016 and 2017 ITC-EUI reports

- Descriptive evidence using ITC Standards Map (population of 122 VSS)

Implementation costs

Certification costs

Support to producers

Number of VSS providing support through

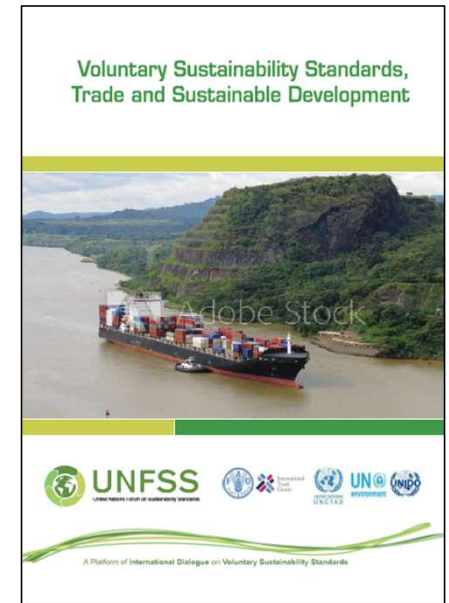|	
Supporting documents	111
Technical assistance: requirements	79
Technical assistance: beyond requirements	46
Financial assistance	16
Equipment	5
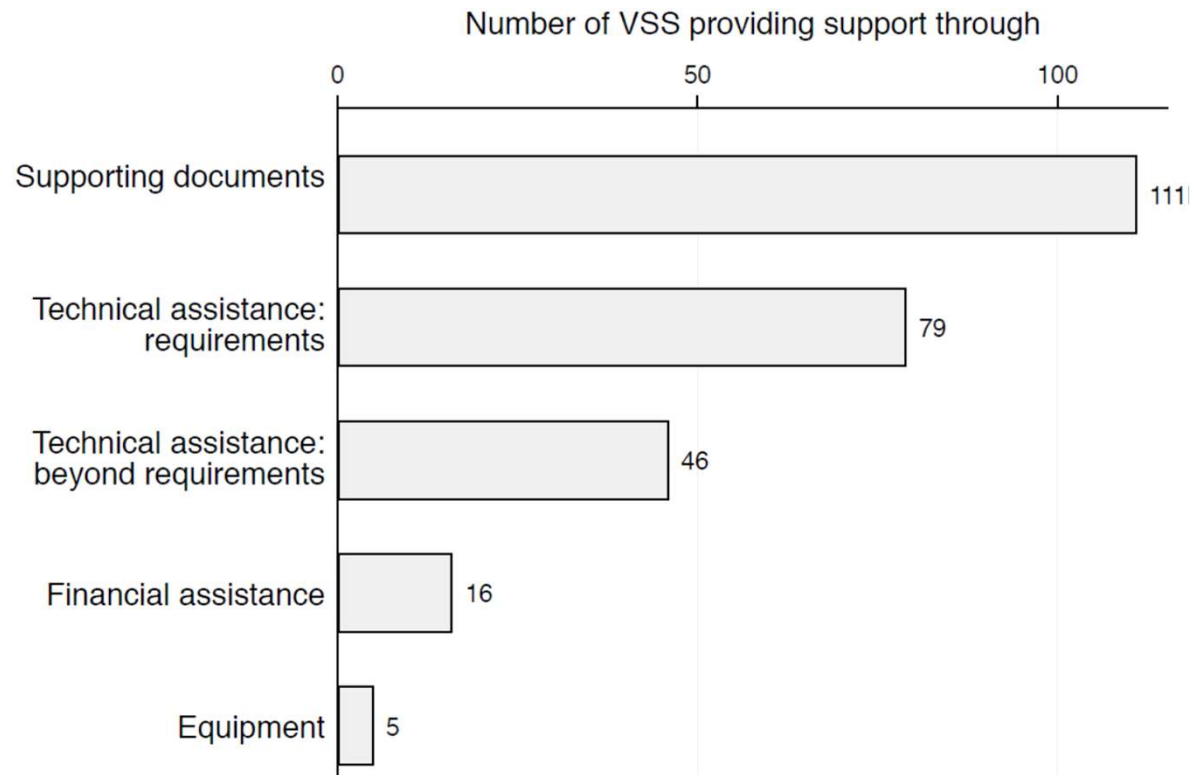
Conclusions

- Numerous points of views based on incomplete information

- Third UNFSS Flagship provides
  - Tools for assessing the SD impact of VSS
    - Need for case-by-case evaluation

  - Large N emprical assessment of relevant features/parameters in the SD dimension of VSS
    - Identify SD dimensions where VSS have higher potential
    - Describe trade-relevant parameters of VSS institutional design and landscape

  - Tools and implications for public policy design

Thank you

Voluntary Sustainability Standards,
Trade and Sustainable Development

UNFSS

Appendix

The SD motive for VSS Systems
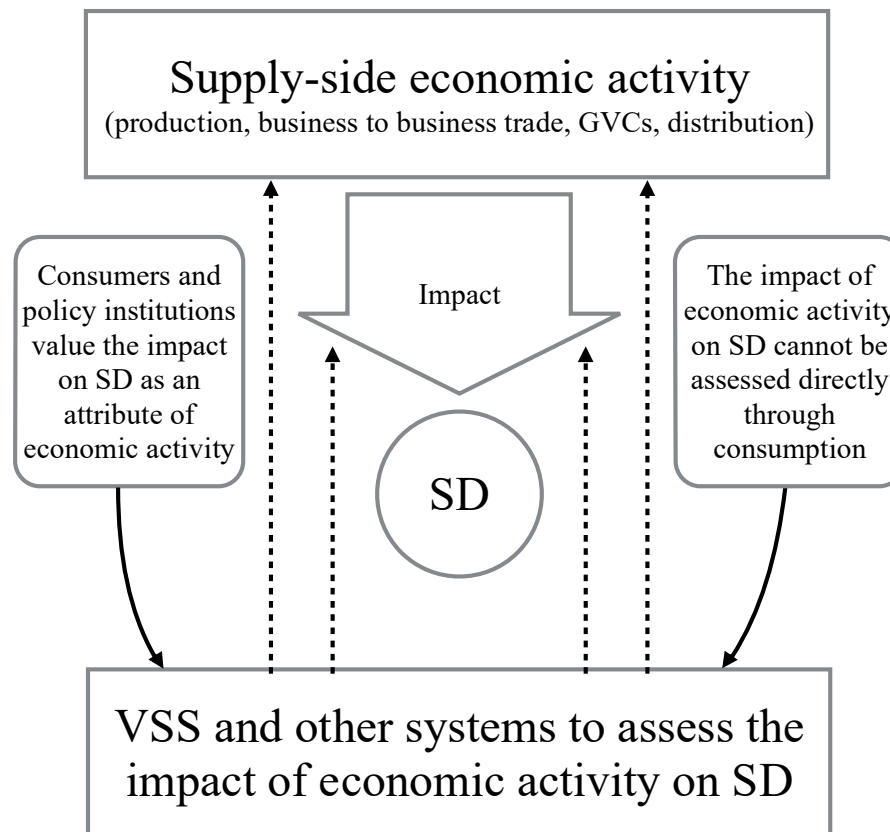
Results: unpacking SDG 8 (top 10 req)

Transparency

Number of VSS disclosing information on

- Standards and national adaptation documents: 112
- Governance structure: 93
- Certification/verification: 79
- Complaints dispute settlement resolution policies: 68
- Financial statement: 43
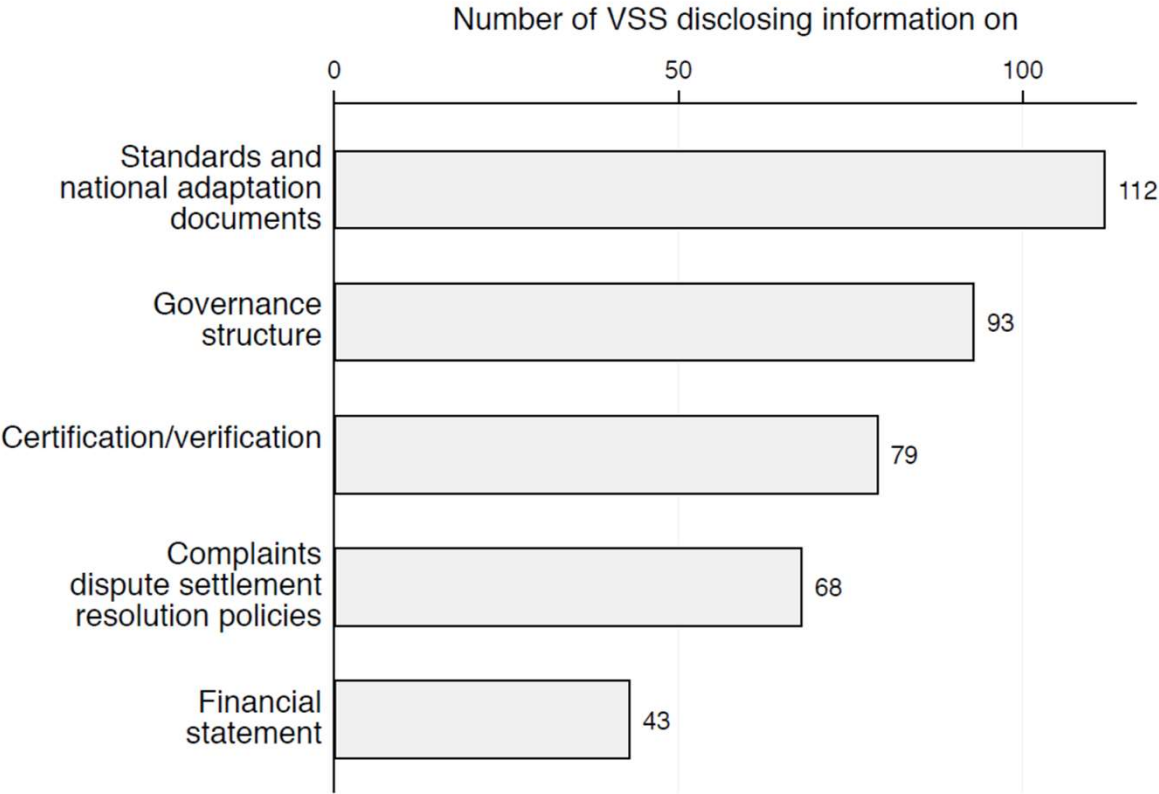
Indirect effect of VSS on SD:
VSS landscape

Highly fragmented markets

Least fragmented markets

Tea in Iran, 2 VSS

Bananas in India, 1 VSS

Forestry in Ethiopia, 1 VSS

Bananas in Indonesia, 1 VSS

Cotton in Australia, 1 VSS

Policy tools to support VSS to work for SD

What do GVTs and IOs can do to make VSS work for SD?

- VSS as a sphere of 'co-regulatory governance'

- Different types of instruments for public governance of VSS

  - Informational instruments (e.g. provide knowledge to persuade…)

  - Economic instruments (e.g. provide economic incentives to shape the behavious)

  - Legal instruments (e.g. use formal regulation)

  - Partnering instruments (e.g. public participation in VSS activities)

Tools and channels for public governance

		Direct effect		Indirect effect	
		Level of sustainable development	Level of uptake	Institutional design	Structuring VSS landscape
Instruments	Information	1. Promote particular policies in standards	2. Provide information on VSS and their benefits	3. Promote involvement of particular stakeholders in governance of VSS	4. Provide information for comparison across standards; conduct benchmark studies
	Economic incentives	5. Subsidize VSS; Benefit more/less stringent or elaborate standards by public procurement	6. Use taxes or subsidies for those getting certified with or committing to VSS; subsidize baseline standards	7. Subsidize VSS; Benefit VSS with strong procedures through public procurement	8. Subsidize baseline standards; subsidize coordination platforms among VSS
	Legal	9. Delegate compliance to standards; legally define requirements for VSS	10. Delegate compliance to standards	11. Public accreditation of third party monitors or VSS organizations; legally define institutional requirements for VSS	12. Delegate compliance to VSS using a baseline standard
	Partnering	13. Develop new VSS together with business and/or civil society; build platforms to stimulate substance of VSS	14. Develop partnerships with VSS and their stakeholders to promote insights; build partnerships for capacity building	15. Develop new VSS together with business and/or civil society; build platforms to stimulate revision of processes VSS	16. Build platforms promoting coordination among VSS

Policy cases

- GVTs promotion of domestic VSS in developing countries

- German development agency (GIZ) and the promotion of standards and metastandards

- IO and metastandard (UNFSS, FAO COFI, …)