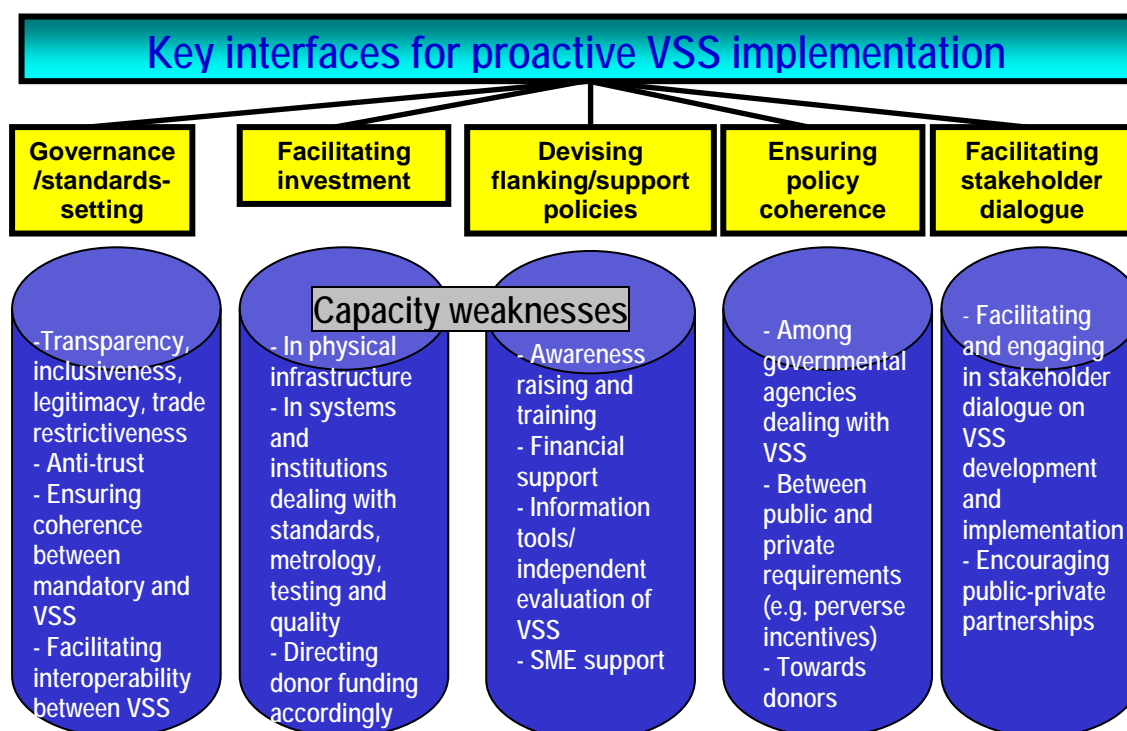




## Concept Note United Nations Forum on Sustainability Standards

### I. Project summary

The rapid growth of voluntary sustainability standards (VSS) has brought both benefits and constraints to developing countries (please see annex for a short summary of the key issues in this regard). Although voluntary in nature, their expansion has made it increasingly clear that to maximize benefits from such standards and effectively manage their impact on sustainable development and market access, developing country governments must have access to comprehensive, credible and independent information; engage directly with a wide variety of key actors; and evaluate and place VSS within a broader pro-poor sustainable development strategy. By increasing their access to credible information and engaging with key actors, governmental and private sector decision-makers can expand their knowledge of VSS, directly influence their development (inter alia, their transparency, inclusiveness, governance, costs, requirements and applicability), identify opportunities and threats posed by VSS and effectively integrate them into national strategies to leverage the catalytic effects of VSS and promote their own sustainable development agendas. Particular attention will be paid to least developed countries (LDCs) and small-scale producers and farmers' enterprises – small and medium-sized enterprises (SMEs). This necessitates policy coherence, institution-building, improved technical and quality-assurance capacities, as well as effective national stakeholder dialogue and the development of public-private partnerships (see figure below).



The United Nations Forum on Sustainability Standards (UNFSS) proposed in this document is designed to facilitate a dialogue for the exchange of knowledge and to provide a forum for intergovernmental actors to communicate among each other and engage with key target groups that

can meet their information needs and whom they wish to influence. UNFSS will be coordinated by a steering committee consisting of representatives of the United Nations Environment Programme, UNCTAD, the Food and Agricultural Organization of the United Nations, the United Nations Industrial Development Organization and the International Trade Centre. The Committee will be supported by a multi-stakeholder advisory panel.

**Objective:** UNFSS is a platform created to provide information and analysis on VSS, also known as private standards. They deal with occupational safety, environmental, social and animal welfare issues and have a particular focus on their potential value as tools for developing countries to achieve their sustainable development goals. At the same time, UNFSS will address potential trade or development obstacles these standards may create, with an emphasis on their impact on small-scale producers and less developed countries. Key decision-makers from governments and the private sector in developing countries should be sufficiently informed about the strategic importance and main policy requirements of VSS in order to develop proactive strategies that maximize the developmental contribution and export market access benefits of those standards, while reducing their potential negative impacts.

While many VSS include poverty reduction as one of the objectives they seek to achieve, adopting standards-compliant practices and accessing sustainable markets can present real challenges and constraints for smallholders, potentially leading to the marginalization of small-scale producers and less developed countries, and possibly excluding the poorest producers from the benefits they promise. As the market value and importance of VSS grow, it is becoming increasingly important to ensure that those most in need, namely the rural poor across the developing world and SMEs, are positively affected by the concurrent market transition towards sustainability. Special attention, therefore, will be paid to LDCs and the contribution VSS, notably for agricultural products, can make to further a sustainable transformation of agriculture in those countries and enhance the capacity of small-scale farmers to actively use those standards to improve their productivity and quality of produce, cut production costs and create sufficient local forward and backward linkages that effectively reduce rural poverty and boost local development.

In this way, UNFSS activities will help alleviate poverty, strengthen food security, improve resource/material/energy efficiency, and enhance the mitigation of and adaptation to climate change. UNFSS will also strengthen effective and active participation of developing country representatives in international discussions on VSS, in particular in the World Trade Organization (WTO) and the United Nations, as well as in standards-setting bodies.

**Mechanism to achieve objective:** UNFSS will be an open-ended United Nations forum linked to coordinated engagement with key multi-stakeholder platforms to facilitate knowledge transfer, identify gaps and develop responsive strategies related to the developmental and market-access impacts, as well as the implementation of VSS. The Forum will contextualize VSS against a threefold perspective: (a) couching VSS into the developmental context in exporting developing countries, with a particular focus on poverty alleviation in LDCs and strengthening capacity of SMEs; (b) examining VSS within the overall context of the life cycle of a product and related services and (c) placing VSS into a context of avoidance, minimization and management of real risks.

**Structure:** UNFSS is open to all United Nations Member States, but particularly seeks and facilitates developing country participation, targeting both key decision-makers in governments, the private sector and supportive civil society and academia. The operation of the Forum will be facilitated by a steering committee consisting of the United Nations Environment Programme (UNEP), the Food and Agriculture Organization of the United Nation (FAO), UNCTAD, the United Nations Industrial Development Organization (UNIDO) and the International Trade Centre (ITC). A multi-stakeholder advisory panel with appropriate developing country representation and reflecting an appropriate balance between the targeted key decision-makers' groups (i.e. from government, including national and regional standards bodies, the private sector and civil society) will support the process. Structured engagement between UNFSS participants and key multi-stakeholder initiatives from the private and

public sector will also be facilitated by UNFSS. A special effort will be made to include and ensure the participation of an adequate number of LDCs and business community representatives on the advisory panel.

**Product/area focus:** UNFSS activities will in principle cover VSS in all product groups, but will give particular attention to VSS in the agri-food sector (particularly fresh fruit and vegetables and tropical beverages), the link between food production and climate-change mitigation/adaptation, as well as VSS related to areas of material/resource/energy efficiency, including carbon footprints. The work on specific thematic subjects or clusters and product groups may be carried out in working groups, which implement their activities within the structure and under the guidance of the Forum, while retaining a certain autonomy on determining the breadth and depth of their activities.

This proposal specifically covers the first 18 months of activities of UNFSS in three areas:

- (a) Establishing UNFSS and setting priorities: As the Forum is designed to meet the information needs of key decision-makers on VSS development and implementation; a process to identify and prioritize participants' needs related to VSS will be facilitated. This will include a discussion on how to meet the special needs of the private sector and VSS implementers in LDCs. The most effective system for discussing and disseminating information within the Forum and beyond will also be decided upon by the Forum members. In this way, UNFSS's information-gathering and -sharing activities will be based on and can meet the prioritized demands of its members.
- (b) Analytical framework, technical reports on prioritized issues and case studies: Based on the needs identified by the Forum members, a regular analytical review and specific studies will be generated, presented and discussed. This will include operationalizing an analytical framework for developing countries to understand the potential impacts of VSS on their sustainable development strategies, including economic, social and environmental impacts. An initial analytical tool was developed,<sup>1</sup> and this will be peer-reviewed through UNFSS and field-tested. Further, training-the-trainers sessions will be conducted to adapt and pilot the tool with target producer groups.
- (c) Engagement with key stakeholders/information sources: The Forum will interact with leading institutions and experts from both the private and public sectors to provide the most accurate and credible information possible. In particular, the focus will be on linking supply capacity and market demands with sustainable development and poverty alleviation objectives. Forum participants will be able to interact with these entities to build knowledge and understanding over time. These entities will also have the opportunity to learn from the Forum participants about their concerns, local situation and ideas related to VSS. In this way, a constructive two-way dialogue will be created that can progressively build knowledge and mutual understanding on VSS and strategies to address them beneficially. The debate and dialogue will be based on case studies and technical reports for the prioritized subjects and areas.

## **II. Project description**

Building on the experience gained from UNCTAD's Consultative Task Force on Environmental Requirements and Market Access for Developing Countries, the time has come to turn it into UNFSS, a unified platform to facilitate dialogue and information-sharing between developing country governments and key stakeholders (including in the private sector). It should become the springboard for the development of a coherent programme of public policy and private initiative on making VSS, both at the standards-setting and implementation stages, work for achieving specific sustainability

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<sup>1</sup> A Strategy Guide for Policy Makers on Food-related Voluntary Sustainability Standards has already been developed by several UNFSS partners in the context of the Trade Standards Practitioners Network. A first draft was presented in November 2011. It is accessible at [www.tradestandards.org/en/Article.314.aspx](http://www.tradestandards.org/en/Article.314.aspx).

objectives of developing countries, while reducing potential developmental and market access hurdles and prohibitive compliance costs. To achieve this end and to address the scale of the issue, key United Nations bodies working in the areas of sustainability standards, commodity sector development and sustainable agriculture have been brought together to steer and closely collaborate in this process, breathing life into the United Nations approach, “delivering as one”. In addition to UNCTAD, they include UNEP, FAO, ITC and UNIDO, backed up by a large number of other institutions and stakeholder groups that will be linked to UNFSS and that can facilitate and/or provide the analytical, empirical and capacity-building support required by UNFSS.

### **III. Objectives**

UNFSS aims to reach the following objectives:

- (a) To achieve a regular and well-informed dialogue among developing country decision-makers in government, the private sector and civil society. The Forum’s focus will be on understanding, anticipating, coping with and maximizing the pro-poor sustainable development benefits of VSS, particularly in LDCs;
- (b) To facilitate an efficient exchange of experiences among developing countries on best practices in proactively dealing with VSS;
- (c) To coordinate all VSS-related activities of the key United Nations organizations and other relevant and interested bodies and thus enhance focus, efficiency and synergies of the analytical and capacity-building activities concerned.

These objectives will be achieved by the following actions:

- (a) Providing credible, independent analysis of the effectiveness and impact of VSS in developing countries, including on SMEs;
- (b) Assisting interested countries and producer groups, particularly in LDCs, in effectively analysing, and where appropriate, implementing VSS (i.e. translating UNFSS-developed concepts into action);
- (c) Gathering information and ensuring constructive dialogue, linking with key stakeholders through specific and well-respected stakeholder platforms and programmes;
- (d) Drawing into UNFSS dialogue decision-makers and national experts in developed countries on standards-setting and standards governance issues;
- (e) Identifying and responding to knowledge gaps of VSS, and enhancing coordination with and making full use of analytical and empirical work of other institutions;
- (f) Using UNFSS policy dialogue to facilitate informed discussion in other international forums on VSS, in particular in WTO, but also in FAO, UNCTAD, UNEP and UNIDO, as well as the International Organization for Standardization (ISO).

### **IV. Structure**

UNFSS is open to all United Nations Member States and to relevant stakeholders from the private sector and civil society. The Forum particularly seeks and facilitates participation of key public and private decision-makers from developing countries, with a particular focus on LDCs.

Overall coordination of UNFSS activities will be carried out by the UNFSS secretariat (at the beginning established within UNCTAD), with some analytical, empirical and capacity-building activities farmed out to associated institutions and/or networks, as required.

UNFSS activities will be guided by a steering committee consisting of FAO, ITC, UNCTAD, UNEP, and UNIDO. An advisory panel will be formed to support, further inform and guide the development of the Forum. It will include two representatives from each of the following categories:

- (a) Producer associations;
- (b) Processors/traders;
- (c) Standards-setters/certifiers;
- (d) Relevant non-governmental organizations (NGOs) and research institutions;
- (e) Trade negotiators.

As required, specialized international institutions such as the International Labour Organization, ISO or the World Health Organization, will also be invited to temporarily join the advisory panel. The advisory panel should have appropriate developing country representation, including from LDCs, and geographical and gender balance to ensure ownership and engagement.

UNFSS will primarily target key public and private-sector decision-makers and national experts from developing countries, with a special focus on LDCs, and facilitate engagement with specific multi-stakeholder groups and programmes. To ensure its effectiveness and viability, the Forum's engagement with other multi-stakeholder groups must be well organized, structured and focused on key groups and programmes. Cooperative arrangements with some of these key groups and initiatives already exist and will be fully exploited under UNFSS.

The advisory panel and the key stakeholder groups, facilitated by the steering committee, will function as a resource for UNFSS, providing specific information and, within a structured process, facilitating communication between various stakeholders.

The box below provides a graphical representation of this structure:



A key source of analytical, empirical and capacity-building activities to be fed into the UNFSS dialogue is the UNCTAD Sustainable Commodity Initiative (SCI). It will provide much-needed information resulting from the activities of the SCI Committee on Sustainability Assessment, the Sustainable Commodity Assistance Network, the State of Sustainability Initiatives and the Finance Alliance for Sustainable Trade programme (for more information, see [www.sustainablecommodities.org](http://www.sustainablecommodities.org)).

UNFSS will also have a close interrelationship with ongoing discussions at WTO, in particular with the Committee on Sanitary and Phytosanitary Measures (SPS), the Committee on Technical Barriers to Trade (TBT) and the Committee on Trade and Environment (CTE). The Forum will also be closely

involved with intergovernmental discussions on VSS in other United Nations forums, such as UNIDO and UNEP, or relevant international institutions, such as ISO.<sup>2</sup>

With regard to the main areas and products, UNFSS activities will in principle cover VSS in all product groups, but will give particular attention to VSS in the agri-food sector (particularly fresh fruit and vegetables and tropical beverages), the link between food production and climate-change mitigation/adaptation, as well as VSS related to areas of material/resource/energy efficiency (including carbon footprints).

## **V. Activities**

Priority-setting workshop:

- (a) Inaugural workshop to establish UNFSS priorities, work plan and information strategy;
- (b) Engagement with key stakeholders and information sources to confirm that they will provide information to the Forum on a regular basis.

Analytical framework, thematic studies and case studies:

- (a) Drafting and publication of informational material on UNFSS;
- (b) Preparation of analytical flagship report of UNFSS on salient issues for proactively using VSS to further specific sustainability objectives as well as specific studies on subjects as recommended by UNFSS members.

Focused informational and dialogue meetings:

- (a) Two annual meetings of UNFSS members to discuss prioritized issues. A theme for each meeting will be chosen, and specific representatives of the multi-stakeholder programmes presented above, and others identified in (b) under “priority-setting workshop” above will be invited in response to specific needs. These meetings will be held at the United Nations Office in Geneva. To the extent possible, these meetings will be held back to back with relevant WTO and United Nations events;
- (b) Two informational meetings of UNFSS at WTO (at meetings of the SPS, TBT or CTE, as appropriate) to present key findings and recommendations and stimulate informed dialogue;
- (c) Quarterly meetings of the multi-stakeholder advisory panel.

## **VI. Deliverables**

- (a) Peer review, field testing, training of trainers and piloting of the analytical framework for developing country decision-makers to examine the developmental and market-access

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<sup>2</sup> At the spring session of the WTO SPS Committee on 30–31 March 2011, the Committee discussed the report of the ad-hoc working group on SPS-related private standards (document G/SPS/W/256). The report, which is the result of two years of extensive discussion and exchange of information in the working group, recommends six action points for further work in the Committee, of which only five were endorsed by the Committee (document G/SPS/55). The sixth action point proposed that WTO “members are encouraged to exchange relevant information regarding SPS-related private standards to enhance understanding and awareness on how these compare or relate to international standards and governmental regulations, without prejudice to the different views of Members regarding the scope of the SPS Agreement”. This issue as well as some others discussed in annex 1 of the report for possible action could be addressed by UNFSS, which illustrates the supplementary role of UNFSS activities and topics of debate for WTO discussions.

impacts and existing gaps of VSS within their specific context, and identify actions to bridge those gaps.

- (b) Analytical, empirical and capacity-building activities, focusing on technical assistance needs, impact assessment, linkages between private and public standards, and finance constraints and requirements to inform policy development and private-sector decision-making (linked with partner organizations). The specific objective is to build or strengthen national capacity for creating an appropriate enabling technical, institutional, policy and networking environment for proactive VSS implementation.
- (c) Disseminating information on UNFSS results and findings, including policy briefs, periodic newsletters, case studies and more in-depth studies on specific issues, based on demand from Forum members. Sample topics would include, inter alia, a cost–benefit analysis of standards implementation, technical assistance requirements, linkages between standards and climate change, and finance mechanisms and requirements.
- (d) Bi-annual meetings and information sessions of UNFSS and the advisory panel, linked to relevant events of WTO committees.

## VII. Monitoring and evaluation

At the outset, the project will establish a comprehensive monitoring and evaluation system with two objectives:

- (a) To measure the effective implementation of the project and completion of deliverables;
- (b) To measure the value of the project to developing country delegates and the change in their understanding of VSS.

With regard to the second objective, an initial survey will be conducted on delegates’ understanding of the relevant issues, how they currently – if at all – address VSS, and what policies concerning VSS are in place. This survey will then be applied near the end of the project to measure change.

Key monitoring and evaluation indicators will include:

- (a) The evaluation of publications (policy briefs, background information, case studies);
- (b) The evaluation of events (seminars, workshops, meetings);
- (c) Changes in participants’ knowledge of VSS;
- (d) Changes in participants’ use of VSS;
- (e) Changes in participants’ support of VSS.

## VIII. Timeline: 18 months – quarters 1–6

Activity	Q1	Q2	Q3	Q4	Q5	Q6
Set-up (promotion, staffing and the like )						
UNFSS meetings and information sessions at WTO						
Advisory panel meetings						

Technical reports and issue-specific studies						
Analytical framework guide and its field-testing						
Monitoring and evaluation						
Technical and financial reporting						

Abbreviation: Q – quarter

## IX. Risk assessment

Risks	Mitigating actions
Low participation of developing country delegates	(a) Effective promotion (demonstrating value); (b) Demand-based agenda to increase their interest; (c) Clear response and follow-up to their demands; (d) Demonstrate independence and neutrality of UNFSS.
Independence and neutrality of UNFSS questioned	(a) Clearly demonstrate credible, neutral position, by means of reports, presentations and response to participants' demands; (b) Show financial independence and make clear that the agenda is not donor driven; (c) Enhance the role and efficiency of the advisory panel.
Similar structure is created by another entity.	(a) No other group has the convening power or neutral credible stance of UNFSS and its steering committee; (b) Monitor other activities and inform them of the UNFSS process.
Stakeholders and experts do not wish to participate.	(a) Communicate effectively with stakeholders, demonstrating the importance and value of their participation; (b) Treat all with respect and professionalism to maintain their interest in participating.
Insufficient funding support	(a) Approach interested donors to support UNFSS, in particular specific thematic, sectoral or regional activities; (b) Organize donor briefings on planned UNFSS activities and required funding needs; (c) Intensify collaboration with the planned international donor platform on VSS (advocated by Germany and Switzerland).

## X. Contact information

The preliminary secretariat of UNFSS is being coordinated by Ulrich Hoffmann and Christopher Wunderlich. The contact information is as follows:

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## ANNEX

### Main development and trade challenges related to voluntary sustainability standards

#### *Context*

VSS comprise requirements that are mainly related to health, safety, environmental, social and animal welfare issues. Many of the requirements are about the credence characteristics of a product, i.e. attributes that neither the trader nor the consumer can verify by means of a direct examination of the product. Although not legally mandatory, VSS can become a de facto market entry hurdle if used by key market players through their commercial leverage. Some VSS may also be referenced in government-set technical requirements. Several VSS are combined with labels that are recognizable by end consumers. Some of these VSS may lead to price premiums. Many, however, are business-to-business standards that cannot be recognized by end consumers.

While not exclusively a developed-country phenomenon, consumers in OECD countries increasingly want the goods and services they purchase to meet specific health and safety requirements (as regards product characteristics), on the one hand, and environmental and social sustainability criteria relating to the methods of production of these goods and services, on the other. Governments have traditionally reacted by developing policies, regulations and technical requirements, which are mostly, however, confined to product characteristics. NGOs and private companies are taking on a new role in the development of VSS and codes of conduct on modes of production and processing, placing an emphasis on their environmental, social and economic impacts. In a number of sectors, VSS have already become a market reality.

VSS are most prominent in terms of quantity, level of sophistication and multidimensionality in the food and agricultural sector, notably for fresh produce, which can be regarded as a trendsetter for all sectors. VSS are also of importance in textiles and clothing, the footwear sector, toys, timber and timber products, natural cosmetics, liquid biofuels, and electrical and electronic goods. Also, waste management and handling are subject to a multitude of mandatory and voluntary sustainability standards. Energy and material/resource efficiency standards are emerging in several energy- and material-intensive sectors as a supplement to other market-based and fiscal instruments of environmental cost internalization. Carbon-footprint standards are emerging as a new frontier, in particular for areas and sectors where first and second-best carbon-pricing tools are impractical or politically difficult to adopt.

#### *Main development and trade challenges*

VSS are more dynamic than regulatory requirements and a constantly moving goalpost (some VSS are revised every two to three years). They tend to become very stringent, prescriptive, complex and often multidimensional.

Whenever there is insufficient top-down guidance (i.e. governmental regulation or international strategies) or ineffective market mechanisms (e.g. emission markets), VSS may fill that vacuum in order to respond to the corporate interest of predictability related to investment. In this light, VSS may become proxies for first and second-best internalization instruments.

Often, several VSS have to be met for the effective market entry of a single product. This significantly complicates compliance and drives up testing and certification costs, which thus become the single most important cost item for small-scale producers, going up as high as 50 per cent or more of total revenues. For several food items sold in globally active supermarkets, such as GLOBALG.A.P., organic and fair-trade certification may be required.

Against this background, VSS tend to reinforce already existing capacity weaknesses at the producers' level in developing countries, such as low physical and institutional capacity, poor skills, a

lack of policy coherence and insufficient public-private sector dialogue. Therefore, VSS could enhance the risk of marginalization of small-scale producers and poor countries or regions, in particular among LDCs.

Conversely, markets dominated by VSS have been very dynamic, with annual growth rates distinctly higher than in conventional markets. Moreover, apart from some national and international benefits relating to resource conservation, pollution prevention or public health, VSS can lead to enterprise-level cost savings in terms of material input, health and occupational safety expenses, and environmental costs, as well as better management practices.

As anyone can set VSS, there is a risk of their being misused for vested commercial interests in creating or defending market niches. There is a real danger that market access requirements will be based not on scientific facts, but on proof of compliance with a loosely connected amalgam of subjective and scientific criteria. This makes it difficult to distinguish environmental and social protective measures from trade-protectionist ones.

Understandably, developing country decision-makers, both at the government and business levels, are wary about these developments. Their lack of supply capacity and difficulty in determining justifiable VSS tend to put decision-makers into a mere passive, reactive corner that mostly deals with VSS solely from a market-access perspective. VSS thus become an end in themselves, rather than being proactively used as a means of achieving or contributing to specific sustainable development objectives.

It is important that VSS be scrutinized to assess that they are scientifically based and proportionate to the risk they claim to address, and that their burden of compliance is distributed fairly. Developing countries also need support in developing proactive policies on VSS aimed at (a) making VSS a means for achieving or contributing to specific sustainability goals (this is the very rationale for public and donor funds being used for VSS compliance); and (b) developing a coherent national strategy that collectively deals with VSS as a function of developmental priorities and poverty-eradication strategies.

Mistakenly, VSS are still seen by most key policymakers in developing countries as a technicality, not as a strategic policy issue on (a) the internalization of environmental and social costs; (b) the promotion of sustainable production and consumption methods, including opportunities for energy/material /resource efficiency and related cost savings; and (c) sustainable competitiveness in growing and lucrative markets. While global conventional food sales, for instance, have expanded by 2–4 per cent in recent years, global market sales of products certified under various sustainability standards have increased by 10–15 per cent for organic products, 30 per cent for Utz-certified products; 35 per cent for fair-trade products and 105 per cent for Rainforest Alliance certified items.

Although still an exception rather than the rule, VSS also play an increasingly important role in South–South trade and in access to national markets. A prominent case in point is intra-Asian trade in fresh food and vegetables, and the domestic fresh food markets of Thailand and Malaysia.