



Reflecting on Sustainability Standards: Trade and the Sustainability Crisis





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Contents

Acknowledgements	iv
Abstract.....	v
1. Introduction	1
1.1 The sustainability crisis.....	1
1.2 Transitioning to sustainable trade: The role of sustainability standards	2
1.3 The UNFSS Academic Advisory Council (AAC).....	3
2. Sustainability Standards and Environmental, Social and Economic Concerns.....	5
2.1 Introduction.....	5
2.2 Sustainability standards and environmental concerns.....	5
2.3 Sustainability standards and social concerns	7
2.4 Sustainability standards and economic concerns	9
3. Conclusion and Implications for Trade Policy.....	11
References.....	13
Annex 1: UNFSS Academic Advisory Council Members	14

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This paper is the result of the Voluntary Sustainability Standards' Academic Advisory Council (AAC) Roundtables, jointly organized by the United Nations Forum on Sustainability Standards (UNFSS)^a and EVIDENSIA, in collaboration with the KU Leuven Center for Global Governance. Under the leadership of Santiago Fernandez de Cordoba (UNCTAD) and Axel Marx (KU Leuven), it has been prepared by Niematallah Elamin and Siti Rubiah Lambert from UNCTAD and Charline Depoorter from KU Leuven.

This paper has benefitted from the Roundtables impulse givers from three different sessions. Graeme Auld (Carleton University), Benjamin Cashore (National University of Singapore) and Eric Lambin (Stanford Woods Institute for the Environment) during the Sustainability Standards and Environmental Concerns, 10 February 2021. At the roundtable on Sustainability Standards and Social Concerns, 5 May 2021: Elizabeth Bennett (Lewis and Clark College), Verena Bitzer (Maastricht University) and Miet Maertens (KU Leuven). And at the roundtable on Sustainability Standards and Economic Concerns, 17 June 2021: Mercedes Aráoz Fernández (Universidad del Pacifico), Thomas Dietz (University of Muenster) and Stefano Ponte (Copenhagen Business School). The Roundtables were co-chaired by Santiago Fernandez de Cordoba (UNCTAD), Bernard Hoekman (European University Institute), Axel Marx (KU Leuven) and Vidya Rajan (EVIDENSIA).

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^a The United Nations Forum on Sustainability Standards (UNFSS) is a joint United Nations platform working on advancing the understanding of Voluntary Sustainability Standards and their role to achieve the Sustainable Development Goals. UNFSS members are FAO, ITC, UNCTAD, UNIDO and UNEP. UNCTAD is the Secretariat. For further information go to www.unfss.org.

Abstract

This paper summarizes the Voluntary Sustainability Standards' (VSS) Academic Advisory Council Roundtables. The roundtables aimed to foster the debate on the possibilities and limitations of sustainability standards as tools to environmental, social and economic sustainability. They were jointly organized by the United Nations Forum on Sustainability Standards (UNFSS) and EVIDENSIA, in collaboration with the KU Leuven Center for Global Governance.

This paper summarizes the discussions and outcomes of the three roundtable discussions. It brings different perspectives on VSS together which can inform and contribute to a comprehensive understanding of VSS effectiveness through GVCs. Through this paper, the “effectiveness” of VSS is defined along multiple dimensions, all of which are covered and assessed. A first dimension, goal-attainment effectiveness, focuses on the impact of VSS on a range of social, economic and environmental indicators. A second dimension, process effectiveness, analyses the degree to which VSS are adopted by economic operators and the drivers for adoption. A third dimension, constitutive effectiveness, focuses on the degree to which VSS change the overall approach of actors involved in the policy process towards sustainability, i.e., the degree to which their theories of change are used more widely. VSS role on international trade is also debated and discussed.

1. Introduction

1.1 The sustainability crisis

The 1987 Brundtland Report of the United Nations' World Commission on Environment and Development introduced the concept of "sustainable development" into common usage and defined it as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (WCED, 1987, p.43).

Sustainability encompasses three pillars (economic, environmental, and social) which are interdependent and can be mutually reinforcing. The environmental eco-system sets the natural limits to the social system, and the economic system is in turn constrained by the social system and environmental eco-system.

Today, three decades after the Brundtland Report, the need to pursue development within the boundaries of the social and environmental systems' boundaries remains as critical as ever. Human's impact on the environment has led to changes that triggered several environmental crises, including climate change, biodiversity loss, and deforestation, among others.

In addition, it has been proven that economic growth alone is not sufficient to eradicate poverty and ensure equity and social progress. Up to now, hazardous workplaces continue to exist, and discrimination remains a challenge. Moreover, according to the latest global estimates, 152 million children are in child labour and 25 million adults and children are in forced labour (ILO, 2019).

The pursuit of sustainability, as it is known today, is one that balances the competing and complementary priorities of environmental protection, economic growth, and social equity. There will be no meaningful progress trying to resolve climate change and degradation of global ecosystems without also addressing social equity and the associated economic concerns. The United Nations Sustainable Development Goals (SDGs) adopted in 2015 as part of the 2030 Agenda for Sustainable Development provide a holistic framework that define the international policy agenda and cover a broad range of socio-economic, developmental, and environmental topics.

To tackle the current environmental concerns and support the needs of the present and future generations, the United Nations 2030 Agenda signifies the areas of critical importance to protect the planet, through sustainable consumption and production, sustainably managing natural resources, and taking urgent action on climate change. In addition, social and economic sustainability have been recognized as central to growth and poverty reduction. Improving workplace practices beyond legal compliance fosters sustainability. Social concerns such as decent work, labour rights, fair wages, and equal opportunities are fundamental for sustainable growth.

In this framework, international trade is expected to play a role as a means of implementation for the achievement of the SDGs. While the expansion of international trade in the last decades has brought economic and societal benefits around the globe, it has however also had social and environmental consequences.

Given the concerning sustainability crisis, the world needs rapid transitioning to sustainable pathways. With respect to the role that international trade plays in the sustainability crisis, it is essential to shift towards sustainable trade and sustainable value chains, in order for the international trading system to support the long-term national and international goals of economic growth, environmental protection, and social equity.

Sustainable trade takes place when the international exchange of goods and services yields positive social, economic and environmental benefits. By one measure, more than 80 per cent of world trade now occurs within GVCs (UNCTAD,2013). Today, there is a growing recognition that to achieve sustainable and inclusive growth, there is a need for responsible business practices through the entire value chain, and for not only more, but a better investment. It is vital to ensure that cross-borders value chains are sustainable, in a way that the adverse environmental, social and economic impacts are addressed and mitigated (OECD et al. 2017)

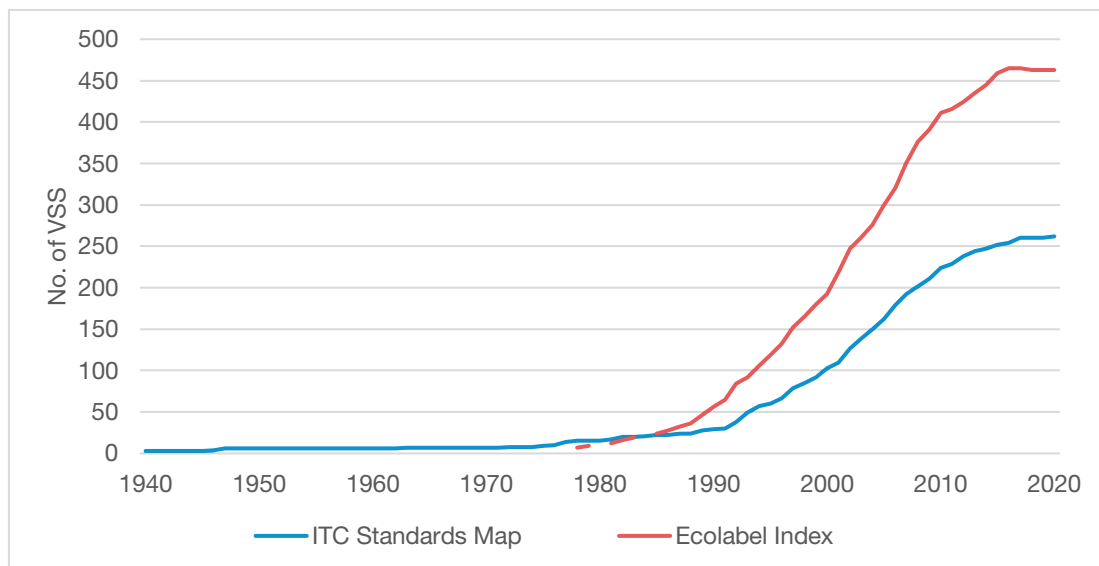
Moving towards a more sustainable trading system therefore requires an in-depth discussion of appropriate policy-tools. This raises questions about the potential of sustainability standards as tools that contribute to this transformation towards sustainability. The United Nations Forum on Sustainability Standards (UNFSS), the Leuven Centre for Global Governance Studies (KU Leuven) and EVIDENSIA organized three roundtable discussions to foster the debate on the possibilities and limitations of sustainability standards as tools that contribute to environmental, social and economic sustainability concerns. This paper summarizes the discussions and outcomes of the three roundtable discussions. Through the knowledge exchange and policy dialogues, these roundtable discussions aimed to provide inputs and develop a common groundwork upon which further debate and research on this field could be carried out.

1.2 Transitioning to sustainable trade: The role of sustainability standards

Over the last decades, Voluntary Sustainability Standards (VSS) have emerged as new tools to address key global sustainability challenges such as biodiversity, climate change, and human rights. UNFSS describes VSS as "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" (UNFSS, 2013, p.3).

VSS have proliferated and are covering an increasing number of sectors and production area. As of July 2021, 306 VSS were active in 194 countries and 15 sectors according to the International Trade Centre (ITC) Standards Map, and 456 were active in 199 countries and 25 sectors according to the Ecolabel Index (see Figure 1).¹ The number of certified products and the area of certified production land have also continued to grow (Meier et al., 2020). Such growth is driven by the strong demand for products that are certified according to sustainability standards mainly emanating from large buyers and retailers (UNFSS, 2013, 2020; Marx & Wouters, 2015).

Figure 1. Evolution of the number of VSS active worldwide, 1940–2020



Source: UNCTAD report "Better Trade for Sustainable Development"

¹ ITC Standards Map and Ecolabel Index follow different methodologies in constructing their databases. The ITC Standards Map is more restrictive in recognizing and reviewing VSS. Also, the Ecolabel Index includes a significant number of corporate codes of conducts which are (by definition) not VSS. See <https://www.sustainabilitymap.org/standards>, and <http://www.ecolabelindex.com/>.

VSS are used in global supply chains in various sectors and industries such as agriculture, mining, forestry, and fisheries. According to the ITC Standards Map, the most covered sectors are agricultural products and processed food.

While VSS are found in all countries, there is considerable variation between countries, which can be expected on the basis of the size of the economy and each country's income status. With a few exceptions, low-income countries tend to count fewer VSS than high- or upper- middle-income countries (UNFSS, 2020). ITC (2017) states that around 74% of the standards in the Standards Map database are active in OECD countries. In addition, countries in the Middle East and North Africa, Sub-Saharan Africa, and Central Asia have access to a lower number of standards than the global average of 33 per country.

VSS aim to ensure that products and production processes comply with a set of socio-economic and environmental requirements. UNFSS (2018) finds that several VSS contribute to achieving multiple SDGs, including SDG 8 (Decent Work), SDG 16 (Peace, Justice and Strong Institutions), SDG 15 (Life on Land), SDG 5 (Gender Equality), SDG 9 (Industry, Innovation and Infrastructure), SDG 7 (Affordable and Clean Energy) and SDG 10 (Reduced Inequalities).

VSS diffuse their standards along global value chains (GVCs), which play an important role in international trade. Depending on the governance of GVCs, social and environmental standards can be up- or downgraded throughout the value chain. Several observers see opportunities to foster sustainable development and responsible business practices by enabling lead firms in GVCs to engage in social and environmental upgrading (UNCTAD, 2021). Social upgrading refers to 'improvements in labour-related standards, such as wages, working hours, worker's safety and others which contribute to better social conditions and quality of life for workers' (Ponte, 2019, p. 138). Environmental upgrading refers to 'a process of improving or minimizing the environmental impact of GVC operations, including production, processing, distribution, consumption and disposal, reuse and recycling' (Ponte, 2019, p. 142).

Therefore, VSS can be considered as important tools to achieve the SDGs and, ultimately, socio-economic and environmental sustainability. That is, hypothetically, compliance with VSS requirements eventually contributes to mitigating environmental crises, and to improving social and economic sustainability in terms of empowerment and inclusion of smallholders in the value chains, food security, improved livelihood, job creation and poverty alleviation, among others. However, this depends on the effectiveness of VSS. VSS effectiveness is the overarching theme of the organized roundtables and is further introduced in section 2.

Building a way forward in understanding the effectiveness of VSS is the key objective of the UNFSS Academic Advisory Council (AAC). The next section briefly explains the rationale behind the UNFSS AAC and its roundtable discussions.

1.3 The UNFSS Academic Advisory Council (AAC)²

In the interest of consolidating knowledge on VSS, UNFSS and the Leuven Centre for Global Governance Studies (GGs) of the University of Leuven, with the support of the Research Foundation – Flanders (FWO – International Coordination Action) and the Swiss State Secretariat for Economic Affairs (SECO), established a "Voluntary Sustainability Standards (VSS) Academic Advisory Council (AAC)".

The VSS ACC brings together an international mix of experts from various academic backgrounds, ranging from public international law, over international political economy, economics and public management, to human rights and sustainability studies. This type of multidisciplinary approach not only reflects the implicit acknowledgement of the complexity and multi-faceted nature of analysing VSS effectiveness, and the challenges associated with it. It also offers researchers from different thematic and methodological schools a chance to collaborate with and learn from one another. Such collaboration allows the academics involved to create a more comprehensive understanding of their research topics.

² The AAC is co-chaired by Mercedes Araoz Fernandez, Santiago Fernandez de Cordoba, Bernanrd Hoekman and Axel Marx. For more information on AAC members see Annex 1.

Against this background, the objectives of the VSS AAC include:

1. Establishing a network of experts on VSS, with researchers, universities and research centers.
2. Foster pioneering research and academic debate in this field via knowledge exchange and policy dialogues.
3. Bring together for the first time the divergent strands of research on VSS while widening its engagement in the fields of sustainable development, trade policy, public governance, international political economy, etc.
4. Provide inputs to the empirical and theoretical research and develop a common foundation upon which further research can be conducted.

The UNFSS ACC organised three roundtables on sustainability standards and (1) Environmental Concerns, (2) Social Concerns, and (3) Economic Concerns. The aim of these roundtables was to foster the debate on the possibilities and limitations of sustainability standards as tools that contribute to the environmental, social and economic sustainability concerns. Through the knowledge and information exchange and policy dialogues, the roundtable discussions intended to provide inputs and develop a common groundwork upon which further debate on this field could be carried out.

This paper summarises the three AAC's roundtables to reflect on the most recent discussions on sustainability standards, trade, and the sustainability crisis. It presents the main takeaways of the discussions and develops a common foundation upon which further research and discussion in this area could be conducted.

2. Sustainability Standards and Environmental, Social and Economic Concerns

2.1. Introduction

The objective of the roundtables was to bring different perspectives together which can inform us on and contribute to a comprehensive understanding of VSS effectiveness through GVCs. In the context of the roundtables, the “effectiveness” of VSS was defined along multiple dimensions, all of which were covered and assessed. A first dimension, goal-attainment effectiveness, focuses on the impact of VSS on a range of social, economic and environmental indicators. VSS focus on many different sustainability issues related to the three dimensions of sustainability, including: children’s rights and wellbeing, climate change, forests and ecosystems, freshwater and oceans, health and wellbeing, livelihoods and communities, plant and wildlife conservation, control of pesticides and fertilizers, rights of indigenous peoples and local communities, wages and workers’ rights, enhancing access to global value chains and export markets, enhancing innovation and knowledge, ecosystem services payment, and improving the quality and sales of products. A second dimension, process effectiveness, analyses the degree to which VSS are adopted by economic operators and the drivers for adoption. A third dimension, constitutive effectiveness, focuses on the degree to which VSS change the overall approach of actors involved in the policy process towards sustainability, i.e., the degree to which their theories of change are used more widely.

These dimensions of VSS effectiveness and their role on international trade were discussed during three roundtables, each focusing on a specific dimension of sustainability: environmental, social and economic.

2.2. Sustainability standards and environmental concerns

The first roundtable was organized on 10 February 2021 and focused on how and to what degree VSS address environmental concerns such as the protection of forests and biodiversity, climate change and other environmental challenges. Eric Lambin (Stanford University and Université Catholique de Louvain), Graeme Auld (Carleton University) and Benjamin Cashore (National University of Singapore) discussed several dimensions of the relationship between VSS and environmental concerns such as climate change and deforestation.

Eric Lambin focused on deforestation and land use planning and provided a detailed overview of empirical studies trying to address environmental issues. He framed this in the context of a wider set of policies that aim to confront deforestation, from the national to the international level. In order to assess the contribution VSS can make, he noted that it is relevant to look at the sequence in which policy measures on deforestation are introduced. Some policy initiatives are relatively new, such as VSS, and hence their potential impact is to a degree constrained by their ‘newness’. In this context, he signaled two essential points in order to enhance the impact of VSS:

- First, he stressed the importance of increasing the uptake/adoption of VSS by economic actors. Adoption is an important dimension of effectiveness: the more VSS are used, the larger their potential impact. Lambin illustrated the need to increase VSS uptake by providing empirical evidence on adoption. He observed that for some commodities, the uptake of VSS is relatively high, while it is lower for other commodities which contribute significantly to deforestation. Consequently, scaling up the use of VSS will increase their impact.
- Second, and as a way to achieve this increase in adoption, VSS could be further integrated in public policies and company commitments towards addressing deforestation. More concretely, Lambin suggested that governments in *producing countries* should integrate sustainability standards into public policy, that governments in *consuming countries* should increase the demand for eco-certified commodities, and that private companies should integrate sustainability standards in their sourcing practices. This further integration can lead to more elaborate jurisdictional approaches to sustainable resource use, which Lambin defines as formalized collaborations between government entities, actors from civil society and/or the private sector in a jurisdiction.

Graeme Auld provided a more meta-reflection on the ability of VSS to tackle environmental concerns. He started by arguing that VSS, taken alone, are unlikely to solve environmental problems but their performance could be

better or worse. The goal should hence be to improve their performance. He offered several reflections on how we can think about improving VSS performance, as follows:

- A first reflection focuses on our understanding of environmental concerns, the important contribution science can make to enhance this understanding, and the role of science in VSS. He noted that a scientific understanding of the environmental issues is integrated in VSS but only to a limited degree, and that there is significant variability in scientific input into standards. As a result, it is unclear whether existing standards are the 'best' or the 'right' standards to address environmental concerns. Often, standards in VSS are the product of various inputs and views on how to tackle specific environmental issues in a context of uncertain science. Science does not always offer a clear path to resolving an environmental issue and, in this context, VSS have to choose between different paths to solve an environmental issue. The selected path is often not only a reflection of a scientific debate but also a political outcome which reflects power relations within VSS. Different versions of standards can exist to address a specific issue and the choice to go with one over another speaks to the power certain actors and stakeholders have in determining the focus of VSS. In analyzing the impact of VSS to resolve environmental issues, we should be aware that we are often evaluating just one path of many.
- Auld's second reflection started from the observation that VSS are not solitary or unitary interventions but operate in a complex context. Effects of VSS are always a product of interactions. VSS and the organizations that run them need to be understood in their political and market context and historical trajectories. In this context, they often have a limited sphere of influence. They can achieve certain things such as developing standards, convening discussions, organizing conformity assessment and coordinating verification, promoting their label and lobbying governments. But the effects of VSS organizations and standards are also conditioned by the nature and specificities of markets, value chains and technologies, government policies, business strategies and NGO strategies. These conditions and histories matter and have implications on the effects of VSS. For example, competition between standards may create upward or downward pressures on the stringency of standards.
- A third reflection focused on the important role governments can play, as was also noted by Eric Lambin. Auld argues that governments have the potential to play an important beneficial role by creating conditions for ratcheting up standards, increasing adoption, and fostering learning on sustainability issues, among others. But he also notes that governments are not always willing or able to play this role.

The third contribution by Benjamin Cashore focused on a paradox. On the one hand, he observed that there are many policy and private initiatives to address environmental challenges such as forest protection and biodiversity loss. He gave the example of forest governance and listed several initiatives including firm level environmental governance systems, zero deforestation commitments by firms along the value chain, projects related to reduced emissions from deforestation and degradation (REDD+), legality verification along global value chains, forest law enforcement, governance and trade initiatives, and forest certification and VSS. On the other hand, he observed that despite the multiplicity of policy tools designed to improve "good governance" and solve critical challenges, environmental problems are still worsening. To understand this paradox, Cashore suggested that we need to investigate this disconnect between proliferation of interventions and the problems that they are trying to solve. He offered two possible ways to start reflecting on this paradox:

- One possible way is to focus on what he labels the 'good governance norm complex' and problematize the current focus on policy design and synergies between policy instruments. Contrary to Lambin and Auld, he suggested that integration of private initiatives in public policy is not always beneficial and that we tend to focus mostly on possible synergies while treating countervailing or negative effects as implementation or policy 'design' challenges. He highlights the fragmentation of policy instruments as one reason why we are not able to significantly address environmental challenges.
- A second possible way to explore the disconnect is to better understand and define the problem. He notes that there are many ways to conceptualize problems and that problem conceptualization has policy implications. He identifies four types of problem conception: commons, optimization, compromise, and prioritization as a new type of problem conception which is applicable to large scale challenges such as species loss and climate change. He shows that they imply different policy options and choices (privatization, use of cost-benefit analysis to decide on trade-offs, etc.). Hence, getting the problem conception right is a first step in addressing the issue. He ends by applying this to VSS and

argues that VSS need to make explicit what their problem conception is as it will guide their policy options.

During the discussion, several issues were raised and discussed, *inter alia* on the influence of industry on the uptake of VSS, downward pressures on the stringency of standards due to competition in the coffee sector, how to analyze interactions of VSS and other policy instruments, the impact of the Paris agreement on VSS, the role of VSS in due diligence regulation and the European Union regulation on deforestation-free value chains, the feasibility and desirability of making voluntary standards increasingly mandatory, the need to move from a sustainable development paradigm to a new development paradigm, and the relationship between regulatory enforcement and the emergence and proliferation of VSS.

2.3. Sustainability standards and social concerns

A second roundtable, organized on 4 May 2021, focused on social issues and brought several disciplinary perspectives to the table by including an overview of quantitative and qualitative studies. Miet Maertens (University of Leuven) focused on the impact of VSS on specific socio-economic indicators, Verena Bitzer (Maastricht University) focused on the empowerment of farmers, and Elizabeth Bennett (Lewis & Clark College, Harvard Kennedy School) provided a more general assessment on the effectiveness of VSS.

Miet Maertens highlighted that VSS engage with social concerns in different ways. She introduced some of her research findings based on originally collected survey data assessing the social impacts of VSS (on income, wages, poverty, schooling, job satisfaction, employment conditions, and worker empowerment) in different countries and agricultural sectors, and on different vulnerable groups of people, distinguishing between smallholder farmers, plantation and agro-industry workers, and cooperative and farm workers. Based on this, she made three important remarks:

- First, there is a high heterogeneity of results when assessing the social impacts of VSS.
- While more significant impacts are found for socially-oriented VSS, there is overall a large variability in the social impacts of VSS. More specifically, VSS have different impacts on different groups of people and across contexts, and they seem to address some social issues better than others. Miet Maertens hence insisted on the need to understand such heterogeneity of results.
- Following this, she highlighted that the potential impacts of VSS also depend on exogenous factors such as the regulatory environment in which they operate, the presence of trade unions, or market demand, although most quantitative studies on VSS impacts try to control for such confounding factors.
- As a concluding remark, she insisted on the need to keep questioning and studying the impacts of VSS, especially on cooperative and farm workers as well as on smallholder farmers. In particular, it is crucial to understand not only *when* standards work, but more importantly, *why* they do or do not work.

Verena Bitzer complemented that perspective and focused on how VSS empower farmers. She made the distinction between VSS that follow a logic of control and those following a logic of empowerment. On the latter, she raised the questions of whether VSS empower farmers and of how farmers perceive their empowerment. She put forward four dimensions to assess the concept of empowerment as both a process and an outcome: power over, power with, power to, and power within. Based on her research studying the comparative effects of Fair Trade and of the Small Producers Symbol on farmers' empowerment in South America, she made three important points:

- First, she showed that VSS not only differ in how they empower farmers in practice, but also in how they *aim* to empower farmers within their governance structure. She thereby highlighted that the diversity of VSS governance is one determinant for the heterogeneity of their impacts.
- Second, she argued that empowerment of farmers through VSS is also dependent on supply chain commitments. Powerful actors in supply chains therefore have a crucial role to play in the empowerment of farmers through diffusing VSS and through the way they engage with their suppliers.
- Bitzer concluded by highlighting that VSS play a role in farmers' empowerment but not necessarily through price premium, as empowerment also involves other dimensions such as farmers' feeling of

empowerment, their satisfaction, their ability to decide on the use of agricultural production, or their say in decision-making.

In a final contribution, Elizabeth Bennett raised the questions of what VSS can really contribute to sustainability and how to improve VSS to enhance their impacts. In particular, she argued that while increasing the uptake of VSS can contribute to improving environmental concerns, it might not be the way forward to tackle social issues. This is shown by the heterogeneity of results across contexts regarding the social impacts of VSS, as presented by Miet Martens and Verena Bitzer. Hence, she expressed two important pathways to enhance VSS' contribution to social sustainability:

- First, departing from VSS uptake, she identified 8 dimensions to be improved in order to enhance VSS impacts:
 - (1) governance, representation and standard-setting process – as there is limited opportunity for farmers and targeted groups to participate in the governance of VSS;
 - (2) standards' content, scope and implementation – as there is a gap between claims that VSS make and their practices on the ground;
 - (3) auditing – as audits can be falsified, rarely account for local differences, and give little voice to workers and local stakeholders;
 - (4) suppliers' experiences – as suppliers, and smallholder farmers in particular, face barriers in accessing certification and in reaping the benefits of certification;
 - (5) behaviour of buyers and brands – as many use their power to make suppliers compete on lowest price and do not adopt a whole-of-the-supply-chain approach in requiring certification;
 - (6) consumer discretion and demand – as the supply of certified products still exceeds the demand, leading certified products to be sold as non-certified;
 - (7) supplier country conditions – as the wider regulatory environment influences the adoption of VSS and the stringency of conformity assessment; and
 - (8) relationships among relevant actors – as the effectiveness of VSS is partly shaped by the extent to which the interests of relevant actors are aligned.
- Second, Bennett made the point that VSS should focus on what is possible and on the issues they can better solve. Most VSS adopt a broad sustainability approach; yet, it might be desirable – and more efficient in terms of resource allocation – for VSS to focus on the issues they are good at solving. In that sense, she also highlighted the need to further explore the “decoupling issue”, i.e. the gap between the claims VSS make and their practices, and therefore to investigate the implementation aspects of VSS on the ground.

In his comments, Axel Marx emphasized the complexity of addressing social issues and argued that this complexity plays out in at least two ways: (1) the number of issues captured under the broad umbrella of social issues, and (2) the diversity of actors involved. According to him, the key question emerging out of the discussions is: what are the possibilities and limitations of VSS with regard to addressing social issues? On a more general level, he raised the question of whether there are some issues or parameters on which VSS perform better and should concentrate more, in line with Bennett. He called for acknowledging that VSS may not be the best suited instrument to deal with some social issues, in particular structural issues such as freedom of association and collective bargaining. Being more selective and concentrating on specific social issues might also allow to manage expectations on what VSS can or cannot achieve, which will become increasingly important in the coming years, especially as VSS are increasingly recognized as a global governance tool and integrated in public policy.

During the discussion, several issues were raised and discussed, inter alia focusing on how VSS enforce no-child labour rules and promote schooling of children, the attribution of effects of VSS versus other causes, how to include social standards in fishery certification, the incorporation of labour rights in Fairtrade schemes, how to help farmers choose VSS, the integration of VSS in due diligence measures, why uptake and adoption is less relevant for addressing social issues through VSS compared to addressing environmental issues, the relationship between VSS and trade unions and how to foster further collaboration between both, how to balance obtaining price premiums via VSS without selling more versus selling more without price premiums,

focusing on a broad range of social issues versus focusing on a narrow set of social issues, and the possible danger that VSS will substitute public policy.

2.4. Sustainability standards and economic concerns

The final roundtable, organized on 17 June 2021, explored the relationship between VSS and economic issues. Stefano Ponte (Copenhagen Business School) focused on global value chains and the role of VSS therein, Thomas Dietz (University of Muenster) shared his insights on the economic impacts of VSS, and Mercedes Aráoz Fernández (Universidad del Pacifico) provided a practitioners' perspective from a developing country.

Stefano Ponte provided an overview of the broad trends in sustainability and business and, based on that, highlighted several reflections on the role VSS. Based on the main findings of his latest book “Business Power and Sustainability in a World of Global Value Chains (GVCs)”, he raised three key questions: (1) is sustainability becoming important for business in a world of GVCs; (2) is business helping solve sustainability crises; and (3) what is the role of VSS in helping to orchestrate sustainability in this context? Ponte highlighted three main key findings from his empirical work and research:

- First, sustainability is key in understanding the contemporary global economy and is becoming mainstream.
- Second, lead firms in GVCs are leveraging sustainability to maximize green capital accumulation.
- Third, and the most problematic point, these lead firms actually capture value from suppliers, especially those in the Global South, which might have adverse effects from a sustainability perspective. Turning his attention to VSS, Ponte suggested that VSS might work well for lead firms in GVCs, but might not be so beneficial for small suppliers in the Global South.

Ponte also emphasized the need for new and stronger approaches, and argued for the “value to value” principle. That is, if a supplier is adding value to the sustainability dimensions, for example to environmental protection, this needs to be recognized in terms of price premiums and other incentives, beyond the price premiums that VSS already offer and that tend to decrease over time.

Thomas Dietz focused his presentation on assessing the effectiveness of VSS. His presentation included the findings of his research in the coffee sector and focused on the on-ground effect of certification. His research included household-level data collected in three countries (Honduras, Colombia, and Costa Rica) and assessed various economic impacts of certification, including profits, household income, poverty and wealth, productivity, record keeping, higher prices, soil analysis, GAP training, lower costs and access to finance. The result revealed that 29% of the indicators studied across countries were positively impacted by VSS adoption, more than 50% were insignificantly impacted, and 14% were negatively impacted. Dietz also presented and compared the results of the major coffee VSS individually. He pointed out two main takeaways from the analysis:

- First, although VSS seem quite successful in providing higher prices to producers, they have considerably less positive impact on gross profit and household's income.
- Second, when using panel data from Costa Rica and providing a longitudinal analysis, he observed a positive development over time. This led him to conclude that the economic effects of certain VSS may improve over time. This is a potentially important finding in discussions on the effectiveness of VSS.

Finally, Mercedes Aráoz Fernández focused on the practitioners' and policy-makers' point of view and discussed the various ways to assist smallholders and farmers in entering VSS-compliant markets. She highlighted two main points: the need to include sustainability in the policymaking framework, and the necessity of providing supporting policies to assist smallholders and small producers. Taking Peru as an example, she identified the need for transforming the institutional policymaking framework to include sustainability through designing and implementing value chain driven environmental and social policies. She also identified some VSS-related limitations that need to be addressed by standards organizations as well as governments. The multiplicity of VSS, high cost implications for getting certified, and the complexity of the certification process are all limiting factors for small producers. From her perspective, harmonization between VSS seems to be one of the potential solutions to these problems and should be high on the political agenda. She also highlighted several factors through which governments could assist smallholders, including investing in technology and innovation, process upgrading, value chain upgrading, promoting the inclusion of small holder farmers and

fishermen in global value chains, building capacity, providing information and access to finance, trade facilitation and logistics, and policies that support inclusive labour markets, among others. Aráoz Fernández concluded by signifying the importance of informed policies through research. She highlighted the need for evidence-based studies on the impact of VSS.

In her comments, Vera Thorstensen (Getulio Vargas Foundation) raised two main issues for further discussion and consideration: the proliferation of VSS in new sectors such as banking and finance, and the need to investigate the efficiency of the accreditation process of the certification bodies.

During the discussion, several issues were raised and discussed, *inter alia* on audit fatigue, the role of ALEDI (Latin American Integration Association) in recognizing VSS, the possible effect of increasing production of certified produce versus other commodities on household income, how VSS differ in supporting suppliers, the measurement of 'negative' effects of certification which focuses on reduction of profit and increase of costs, the willingness of governments in Latin America to get involved in the harmonization of VSS, the relationship between VSS and ESG (Environmental, Social and Governance) in companies and the role of VSS in green finance.

3. Conclusion and Implications for Trade Policy

To enhance VSS' role in advancing sustainable development through GVCs, it is essential to tackle the challenges related to their uptake, impact and effectiveness. Following the three-roundtable discussions, different policy recommendations can be considered to address these challenges. Here, we highlight six key mechanisms for further transformation which we distilled from the discussions:

1 – Advancing the understanding of VSS and their impacts on sustainable development

The currently available evidence on the impact of VSS on sustainability concerns and their contribution to sustainable trade is, to great extent, case-specific and does not provide a conclusive result. Besides, the roundtables discussions showed that there is a gap between the claims VSS make and their practices. It is therefore essential to investigate the implementation aspects of VSS on the ground. It is also necessary to understand not only when standards work, but more importantly, why they do or do not work. Hence, it is fundamental to keep questioning and investigating the role and impact of VSS on ground, which can help align research agenda with policy agenda.

Also, more considerable recognition needs to be devoted to the channels through which VSS potentially impact sustainability aspects. Empirical research across countries, sectors, and products is essential to identify the specific policy implications related to impact of VSS.

Many questions have not been empirically fully addressed yet. Among these questions: (1) Are developing countries negatively or positively affected by VSS in their trade opportunities? (2) Are developing countries more affected by VSS in their trade opportunities than developed countries? And (3) Are small/medium-sized firms more adversely affected by VSS than large firms?

From a policy point of view, additional questions need to be addressed, for example whether policies that support VSS adoption (directly or indirectly) ultimately have an effect on VSS adoption and therefore on trade; what policies generated an observed impact on trade; and what VSS-related policies work best for developing countries in their attempt to compete in global markets.

2 – Scaling up VSS through public and trade policy

It is essential to transform the institutional policymaking framework to include sustainability. VSS uptake could be enhanced by systematically integrating VSS in public policy instruments and trade policy and make them part of hybrid policy arrangements to address sustainability issues.

In the last three decades, VSS have been increasingly integrated in Free Trade Agreements (FTAs), although this concerns only a minority of FTAs. Other public policies or trade instruments in which VSS have been or could be integrated include preferential trade agreements (PTAs), market access regulations, and export promotion measures.

Private companies have also an important role to play and should be incentivised to integrate sustainability standards in their sourcing practices. NGOs, foundations and other institutions need to continue advocating for sustainability practices in supply chains and raising awareness about sustainability standards. This could in turn enhance the demand for certified products, which has currently not kept up with the supply.

However, it is essential to mention that the integration of private initiatives in public policy does not necessarily guarantee improved impact. It is therefore important to continue monitoring their practices on the ground as well as their actual impacts.

Additionally, integrating sustainability standards into public policy raises questions in terms of financial, information and infrastructural feasibility in developing countries. Structural support for farmers and producers can facilitate their uptake of sustainable practices.

3 – Collaboration, consistency and mutual recognition

While there is supporting evidence that public policies, NGO-led certifications, and companies' standards interact in some ways that amplify the impact of VSS, other evidence shows the opposite.

The lack of harmonization or recognition of equivalence between VSS increases the compliance and information costs and often results in the need to comply with multiple standards for a single product. Hence, it is vital to work towards supporting and promoting mutual recognition between VSS. Mutual recognition entails that VSS recognize each other as being equivalent in terms of standards and conformity assessment. Promoting mutual recognition can decrease costs of compliance, increase access to markets, and might foster the development of common regulatory frameworks between VSS.

It is also important to foster complementarity between VSS and other regulatory tools. The first roundtable discussion introduced the Jurisdictional Approaches to sustainable resources, which are defined as formalised collaborations between government entities, actors from civil society, and/or the private sector in a jurisdiction. This increases the likelihood that these policies will be aligned to pursue a common goal.

4 – Being more selective on what VSS could address

VSS should be more selective in the sustainability issues they aim to address and should concentrate on the ones they can solve best. This might not only allow to manage expectations on what VSS can or cannot achieve, but it can also lead to their integration in more appropriate policy frameworks.

5 – Leverage the support to smallholders and producers in developing countries

VSS can be useful means to enhance access to markets and trading opportunities. However, such effect plays out differently for lead firms in GVCs than for smallholder producers in developing countries.

The multiplicity of standards, the complexity of the certification process, the certification costs, the compliance costs, and the lack of financial benefits are examples of factors that typically exclude smallholder producers in developing countries from VSS-compliant markets.

International organizations and donor agencies can help address some barriers to certification in developing countries. It is essential to create enabling environment to meet the objectives of the various actors involved in VSS adoption. This includes investing in technology and innovation, process upgrading, value chain upgrading, capacity building, providing information and access to finance, and policies that support inclusive labour markets among others.

It is also fundamental to strengthen the empowerment potential of the standards systems to create stronger incentives for producers and other actors to use and adopt VSS and address the power imbalances within global value chains.

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