



UNFSS

United Nations Forum on Sustainability Standards

3rd UNFSS Flagship Launch
17 September 2018
New Delhi, India

Voluntary Sustainability Standards (VSS), Trade and Sustainable Development

Santiago Fernández de Córdoba
Senior Economist, UNCTAD
UNFSS Coordinator

A Platform of International Dialogue on Voluntary Sustainability Standards

What are Voluntary Sustainability Standards (VSS)?

VSS are requirements set by private entities that meet **economic, social and environmental sustainability metrics**

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

VSS Market Reality: No longer serving the niche market:

Today Sustainable Production value ≈ US\$50,3 billion
(agriculture and seafood commodities)

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

Over 40% of global coffee production is associated with one or more VSS
(The State of Sustainability Initiative Report)

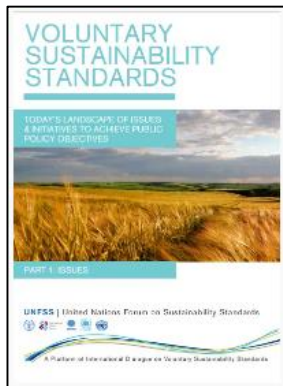
Sometimes up to 8 standards to comply with for a product to be accepted in a retail network
(RESOLVE)

Over 500 eco-labels in 199 countries and 25 industries today
(ecolabelindex.com)

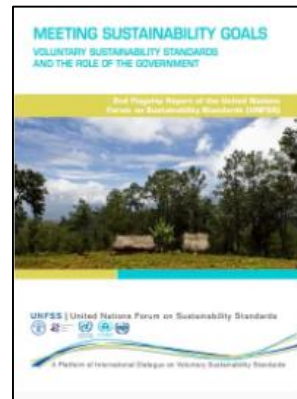


United Nations Forum on Sustainability Standards

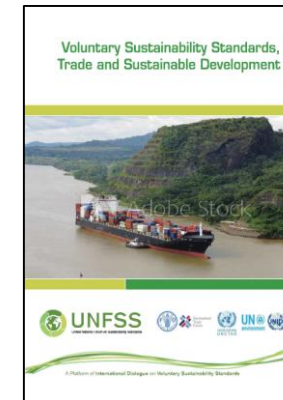
- UNFSS is a **neutral, independent and credible platform** to harness **Voluntary Sustainability Standards** potential to achieve SDG by:
 - **Stimulating** informed policy dialogue among key stakeholders
 - **Supporting** for national initiatives in developing countries
 - **Carrying** research and Analysis



Flagship Report 1
VSS Public Policy Issues
and Objectives



Flagship Report 2
VSS and the Role of the
Government



Flagship Report 3
VSS, Trade and Sustainable
Development

- Developing countries **often have problems** with VSS because:
 - they can't find **credible** standards
 - compliance is **costly**
 - small-scale producers **risk being left out**
 - standards are not harmonized causing unnecessary **multiplication**
- UNFSS functions by **pooling resources from five United Nations agencies**:



Key Findings of the 3rd Flagship

1. **VSS can potentially be a catalyst of sustainable development**
 - Analysis reveals institutional complementarities between VSS and the SDGs
2. **However, effectiveness depends on the institutional design factors of VSS systems**
 - Credibility is fundamental: rigorous standard-setting, monitoring and verification mechanism
3. **VSS systems could be facilitators or barriers to trade**
 - To avoid being barriers and reduce costs they should do more to actively support suppliers and increase transparency
4. **Concerns for multiplicity of VSS**
 - This increase compliance costs
5. **Increasing interest of VSS in developing countries**
 - Through multi-stakeholder platforms and by collaborating with International Organizations as a channel to emphasize national priorities

What makes VSS a New Regulatory Form?

➤ **Market-based instrument:**

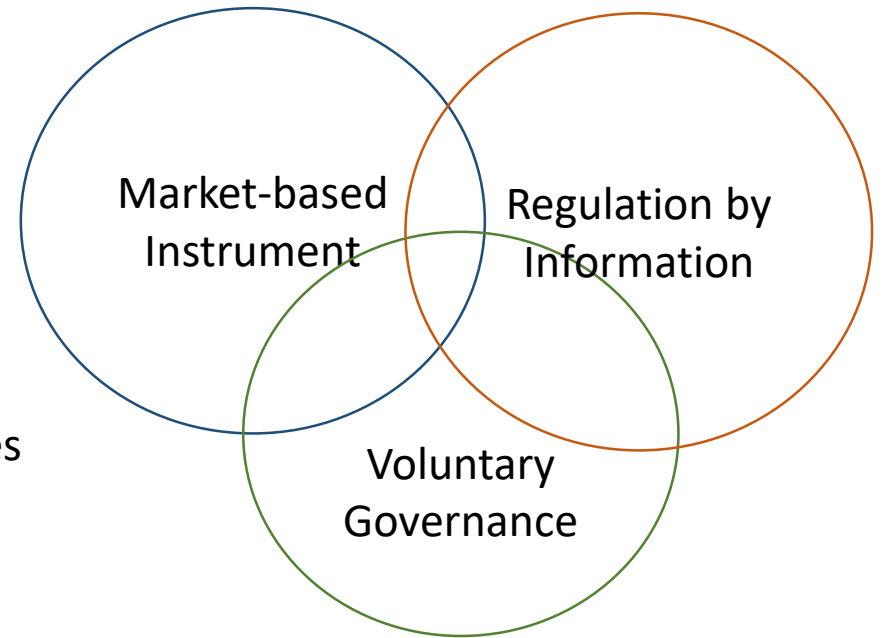
- Major retailers and brand owners use VSS as an effective marketing tool
- VSS market is rapidly growing
- Consumers are willing to pay premium for VSS-labelled products

➤ **Regulation by information:**

- Uses information (certification/labels) to create market incentives for sustainable production

➤ **Voluntary Governance:**

- Set by voluntary (often private) entities

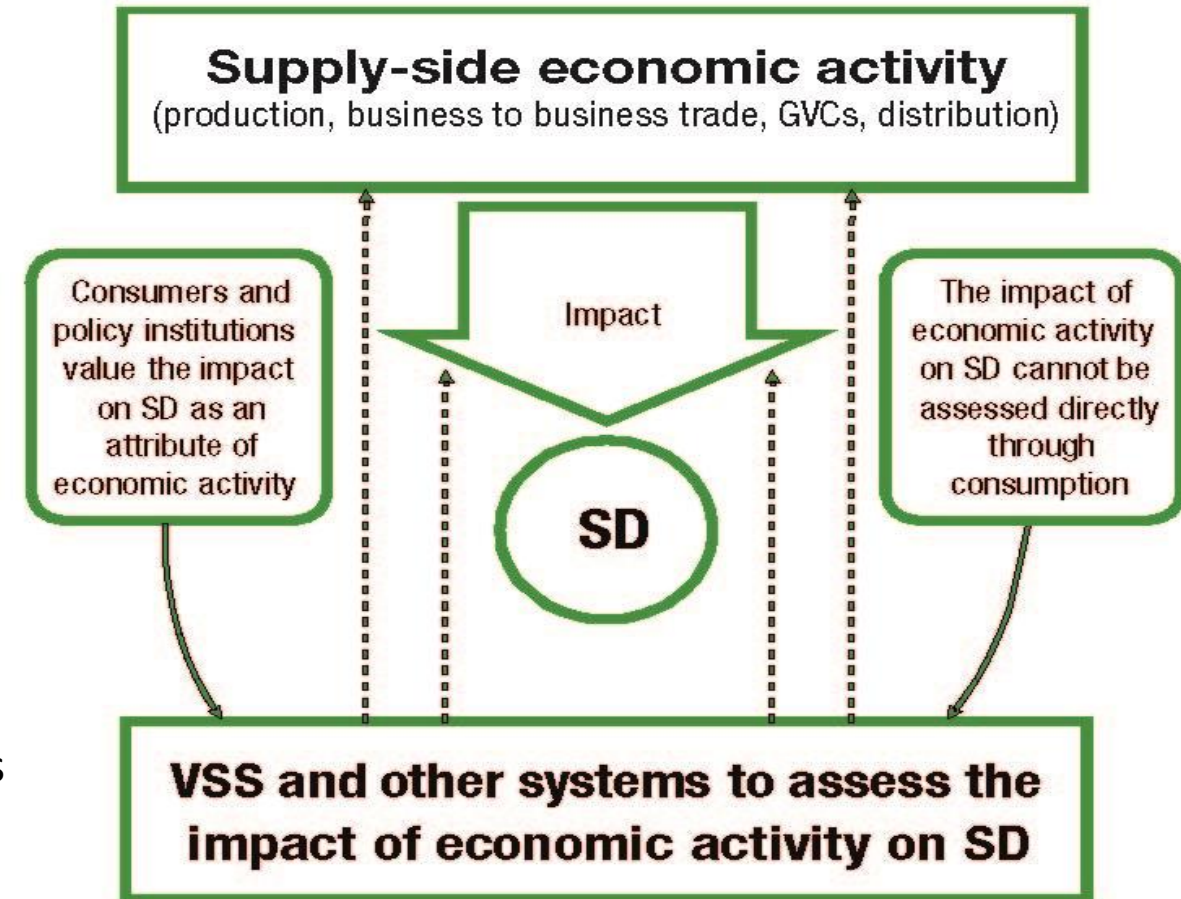


VSS thus becomes a market-entry condition for developing countries' exports

Why VSS Arise in the Global Economy?

Why?

- Consumers and governments **positively value and promote** sustainable development
- Economic activities **might negatively impact** dimensions of sustainable development
- However, the negative impacts on sustainability might be **invisible** to consumers
- VSS as mechanisms that **factor** the **impacts** on sustainability from production, and **help** consumers and governments **allocate their expenditures** toward products that respects the 3 metrics of sustainable development
- Hence, VSS systems **affect supply-side economic activity**

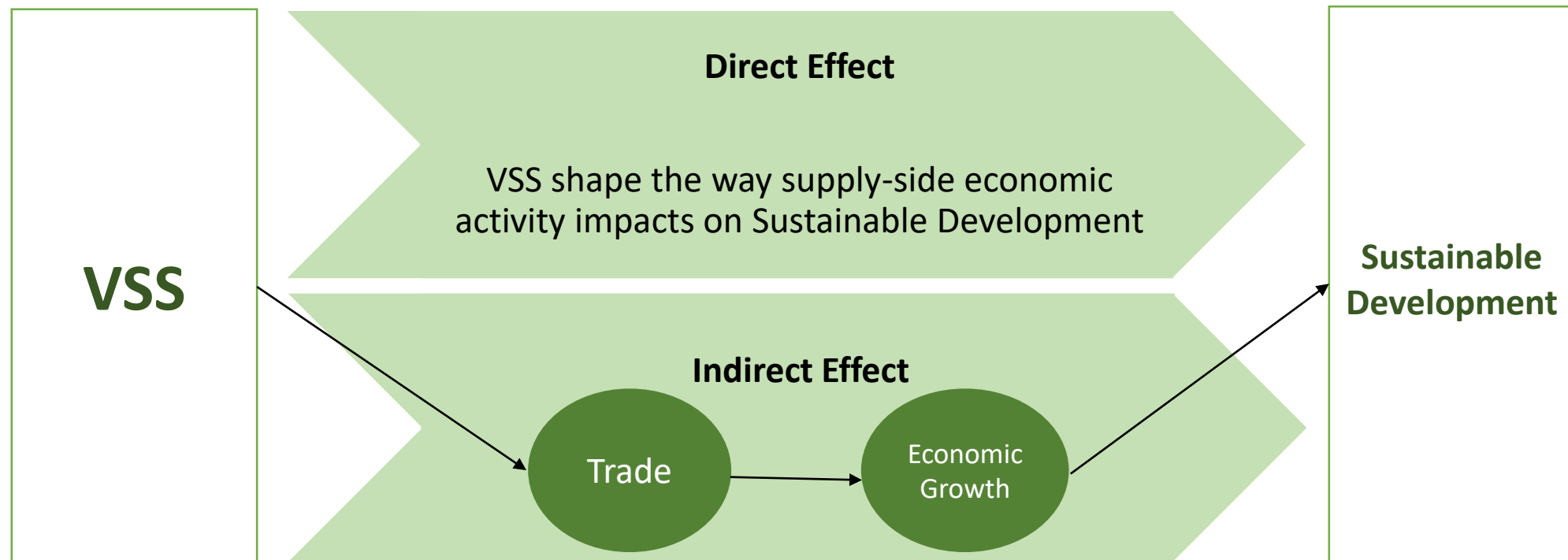


And the effects on Sustainable Development?



Two Dimensions: Direct and Indirect Effects

- Direct effects: VSS **modify** the decisions of economic actors in a way that enhances sustainability
- Indirect effects: VSS **impact on market access**. VSS may affect trade costs and create competitive advantages (or disadvantages) for firms **depending** on the specific features of VSS systems



The Effects of VSS on Trade is much debated

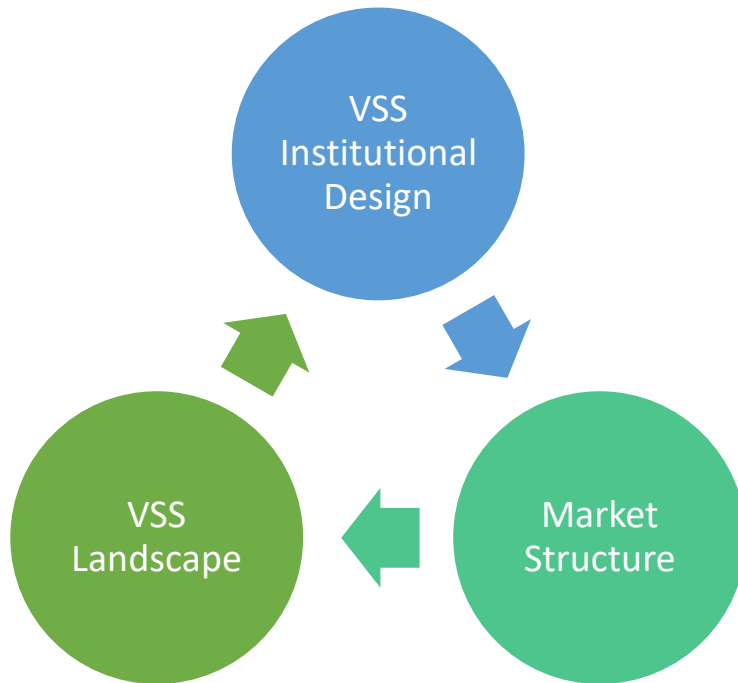
The main conclusion that can be drawn is that the impact is conditional, it **depends on relevant parameters of the economy**.

➤ Three dimensions:

- whether and how VSS imply **discrimination**
- whether and how VSS increase **trade costs**
- whether and how VSS increase **market access**

➤ Ambiguous answers which depends on certain parameters:

- **Features of VSS institutional design:** implementation costs, support activities, transparency, cost-sharing arrangements, and participation
- **Structure of the VSS landscape:** fragmentation, competition, coordination, etc.
- **Parameters of the domestic and global specific product market:** market structure; market power across on global value chain; comparative advantage, domestic governance institutions, political economy forces



WTO: some legal uncertainty about the status of voluntary standards

VSS, Enhancer or Barriers to Trade?

VSS enhance trade

- Certification may expand demands / **improve access** to importing markets
- In the long run- shift towards greater sustainability **could improve productivity**
- Could provide **healthier economic system**



VSS create barriers to trade

- **Incur costs** associated with changing production techniques and obtaining certification
- **Reduces competitive advantage**
- **Marginalizing** small-scale producers (information gap and capacity lack)

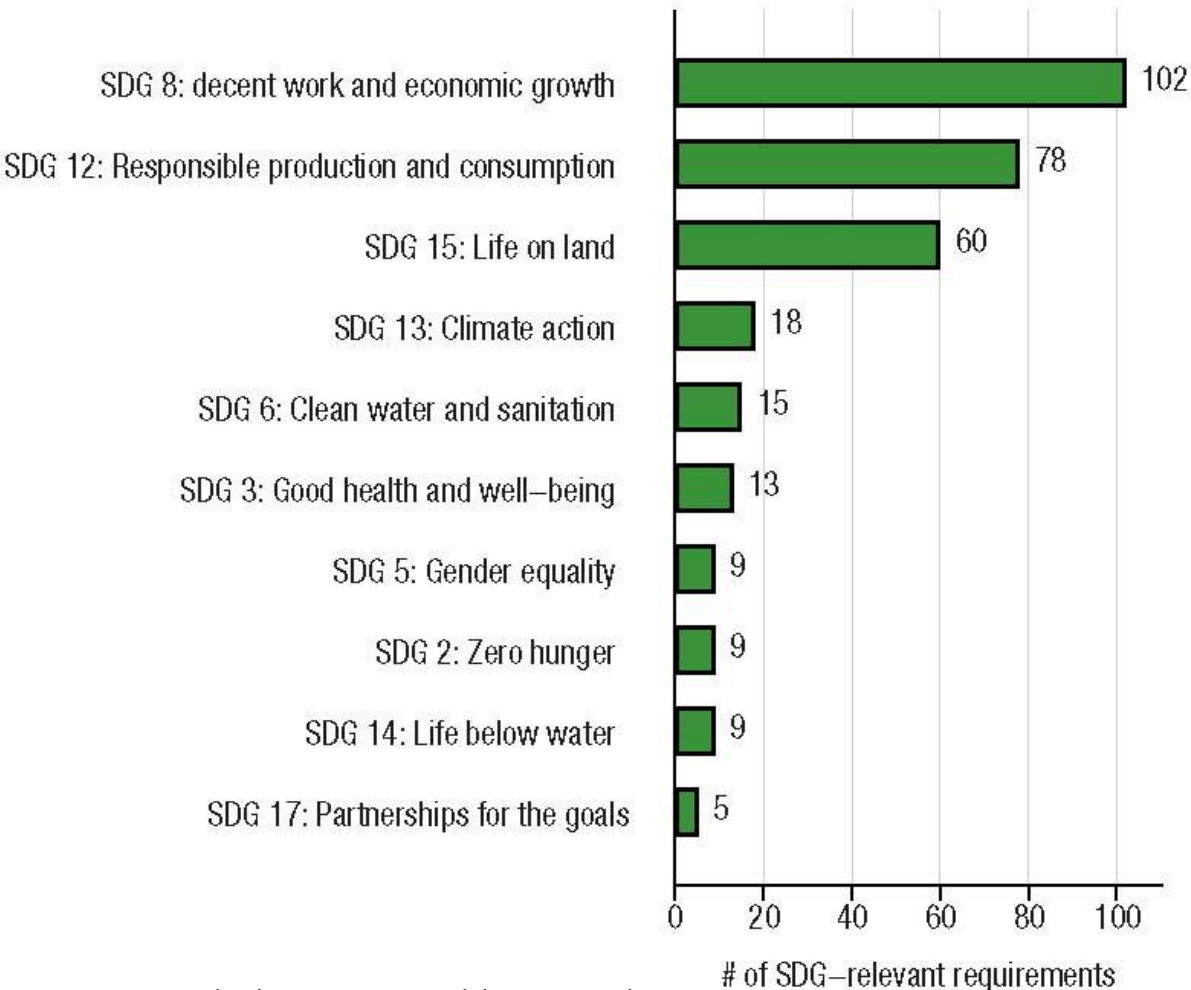
How to avoid VSS becoming a barrier to Trade?

- **Cost-sharing arrangements:** larger share of the costs are still borne by the producers themselves
- **Support mechanism:** helping producers increase their productivity and economic efficiency
- **Transparency:** reduces the cost to search and obtain information

A Benchmarking Empirical Analysis

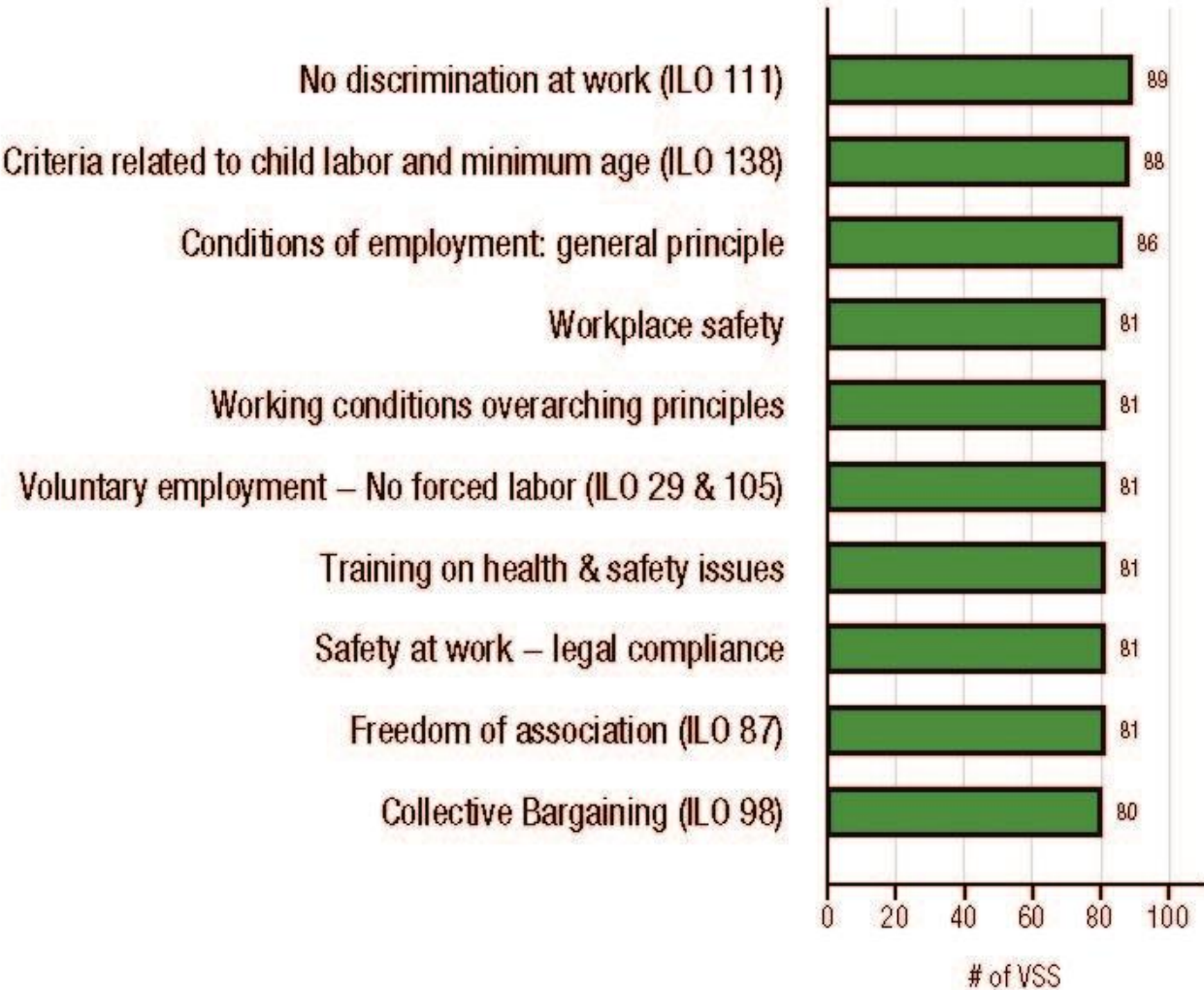


Goal-to-Goal Comparison



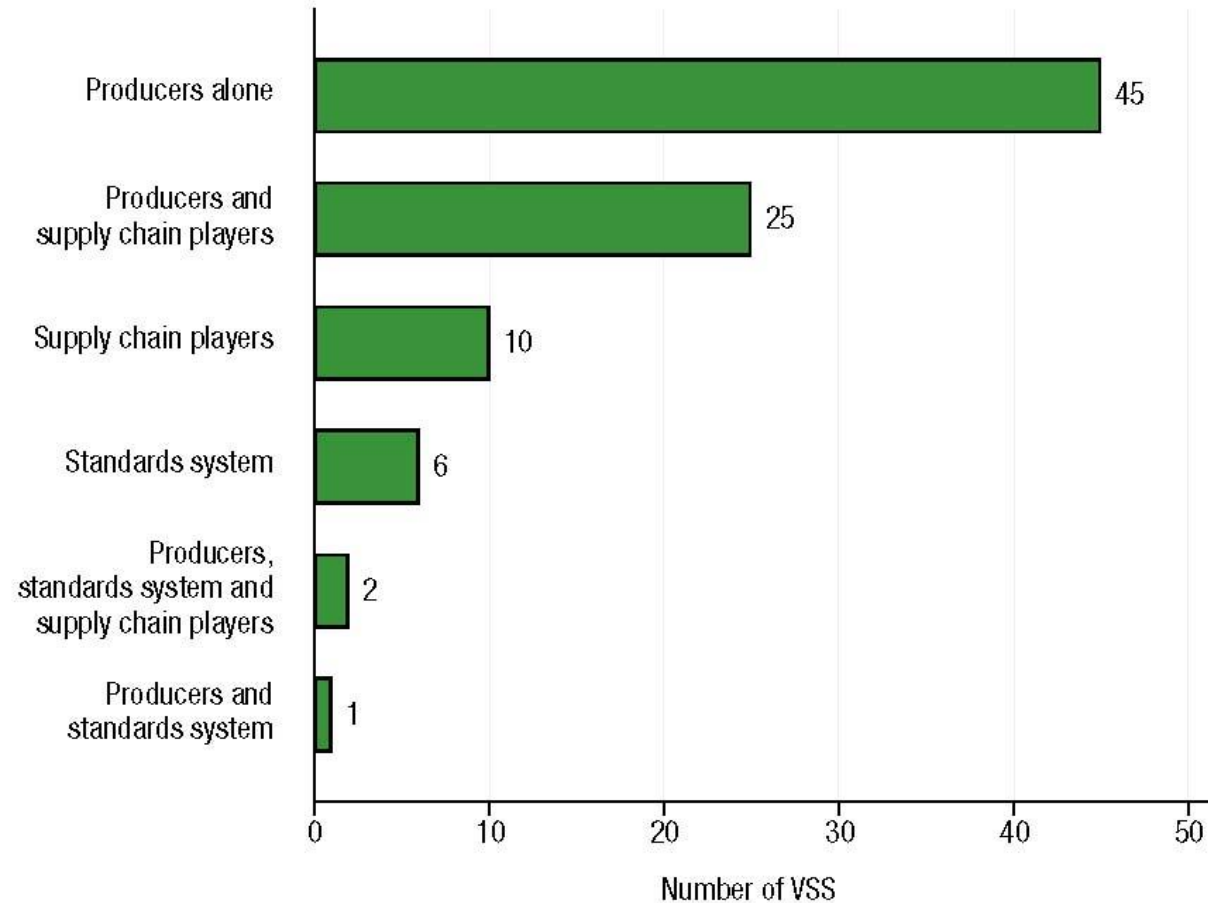
Source: UNFSS Flagship on ITC Sustainability Map Database

SDG 8 -Requirements with highest SDG Coverage

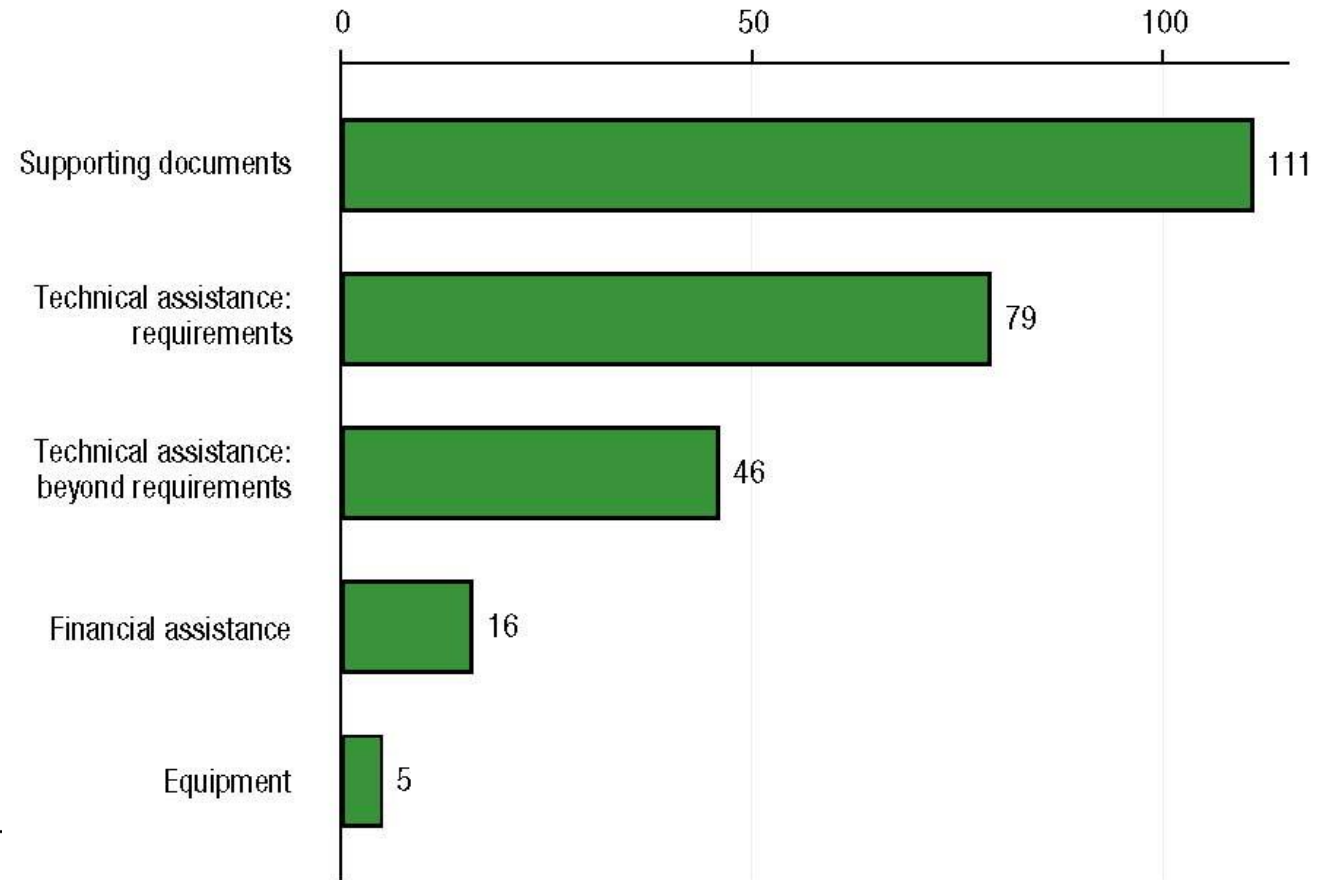


Who Pays for the Implementation of VSS?

Implementation Costs



Number of VSS providing support through



What Tools to Support VSS work for SD?

Table 2: Types of policy instruments to influence VSS trade effects

		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

VSS Move Towards Multi-Stakeholder Approach in Developing Countries

- National Platforms address challenges that producers, consumers, exporters face with regards to VSS, **namely awareness and information gaps.**
- **Also get Governments involved in the discussions**
- They:
 - Facilitates dialogue
 - Adapts external standards to domestic conditions
 - Extends international networking and collaborations
 - Knowledge-Sharing: building an ecosystem for VSS
 - Links policy making with research and analysis



INDIA

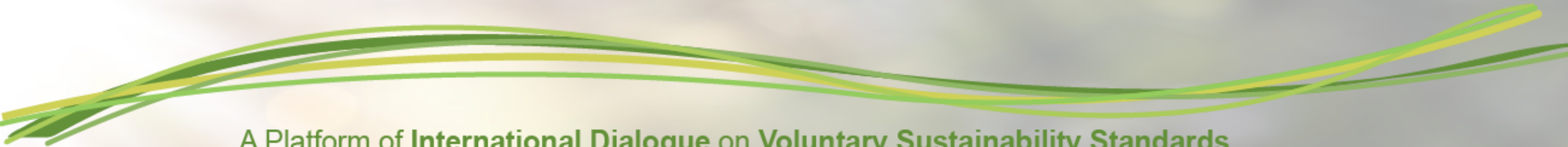
Consisting of Multi-Stakeholder Assembly, a Steering Council, Sectoral Committees and a Secretariat, hosted by Quality Council of India (QCI), with the Ministry of Commerce and Trade.

CHINA

The Secretariat is being run by the Standardization Administration of China in cooperation with the China Association for Standardization.

BRAZIL

The Platform is being run by the Brazilian National Institute of Metrology, Quality and Technology (INMETRO).



A Platform of **International Dialogue** on **Voluntary Sustainability Standards**



Thank You

www.unfss.org



UNFSS

United Nations Forum on Sustainability Standards