Voluntary Sustainability Standards (VSS),
Trade and Sustainable Development

Santiago Fernández de Córdoba
Senior Economist, UNCTAD
UNFSS Coordinator
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)
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

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 planforms 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

- 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

SDG 8 - Requirements with highest SDG Coverage

- No discrimination at work (ILO 111): 86
- Criteria related to child labor and minimum age (ILO 138): 88
- Conditions of employment: general principle: 86
- Workplace safety: 81
- Working conditions overarching principles: 81
- Voluntary employment – No forced labor (ILO 29 & 105): 81
- Training on health & safety issues: 81
- Safety at work – legal compliance: 81
- Freedom of association (ILO 87): 81
- Collective Bargaining (ILO 98): 80

Source: UNFSS Flagship on ITC Sustainability Map Database
Who Pays for the Implementation of VSS?

Implementation Costs

- Producers alone: 45
- Producers and supply chain players: 25
- Supply chain players: 10
- Standards system: 6
- Producers, standards system and supply chain players: 2
- Producers and standards system: 1

Number of VSS providing support through

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

Source: UNFSS Flagship on ITC Sustainability Map Database
## What Tools to Support VSS work for SD?

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<th>Direct effect</th>
<th>Indirect effect</th>
<th>Structuring VSS landscape</th>
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<td>Level of sustainable development</td>
<td>Level of uptake</td>
<td>Institutional design</td>
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<tr>
<td>Information</td>
<td>1. Promote particular policies in standards</td>
<td>2. Provide information on VSS and their benefits</td>
<td>3. Promote involvement of particular stakeholders in governance of VSS</td>
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<td>5. Subsidize VSS; Benefit more/less stringent or elaborate standards by public procurement</td>
<td>6. Use taxes or subsidies for those getting certified with or committing to VSS; subsidize baseline standards</td>
<td>4. Provide information for comparison across standards; conduct benchmark studies</td>
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<td>Economic incentives</td>
<td>9. Delegate compliance to standards; legally define requirements for VSS</td>
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<td>11. Public accreditation of third party monitors or VSS organizations; legally define institutional requirements for VSS</td>
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<td>13. Develop new VSS together with business and/or civil society; build platforms to stimulate substance of VSS</td>
<td>14. Develop partnerships with VSS and their stakeholders to promote insights; build partnerships for capacity building</td>
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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).
Thank You

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