

# Voluntary Sustainability Standards and the Role of the Government

## Perspectives from Emerging Market Economies and Europe

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### UNFSS Stakeholder Launch in Berlin

How can the private and public sector cooperate to make Voluntary Sustainability Standards (VSS) work for sustainable development across the globe? To put this up for discussion, the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE), the Federation of German Industries (BDI) and the UN Forum on Sustainability Standards (UNFSS) organised a Stakeholder Launch of the 2nd UNFSS Flagship Report<sup>1</sup> on 21 October 2016 in Berlin. Around 100 representatives from emerging market economies, Germany and international organisations participated, many of them partners in DIE's Managing Global Governance (MGG) network. The launch event, complemented by preparatory and planning meetings, brought to the fore a number of core concerns and related recommendations:

- Governments should engage with business and civil society to proactively address VSS, exploring ways to increase their uptake and 'common good' benefits while mitigating their deficiencies.
- National multi-stakeholder platforms on VSS, connected to one another through a 'platform of platforms' such as UNFSS, represent a viable option to share experiences and bridge coordination and implementation gaps.
- In addition, governments, business associations, civil society and research institutions should seize the opportunity to put VSS on the agenda of the G20 and related outreach groups (B20, C20, T20).

<sup>1</sup> The [event website](#) features the detailed event programme, a range of presentations and a picture gallery as well as links to other resources such as the UNFSS Flagship Report.

#### What are Voluntary Sustainability Standards?

"A sustainability standard is a set of criteria defining good social and environmental practices in an industry or product" (ISEAL 2016). 'Voluntary' indicates that compliance is not a legal requirement for general market access (as is the case with public regulation), but rather a more far-reaching response to sustainability concerns as well as an opportunity to tap high-value market segments. While many VSS have been developed by non-state initiatives (e.g. Fairtrade, FSC, GLOBALG.A.P.), there are public (and public-private) schemes, too. VSS can become *de facto* mandatory when they dominate a given market.

#### Transformative impacts

The title of the 2nd UNFSS Flagship Report, "Meeting Sustainability Goals: Voluntary Sustainability Standards and the Role of the Government", reflects the increased expectations towards VSS. Can they contribute to the implementation of a comprehensive and universal global development agenda based on Sustainable Development Goals (SDGs)? The potential of VSS to have such transformative impacts depends on

- macro-level factors such as VSS uptake and harmonisation;
- micro-level factors such as the content and procedures of individual VSS systems.

What became clear at the Stakeholder Launch was that VSS alone will not be able to transform the global economy at large. Unfair competition in food markets and other trade distortions, for instance, go beyond their scope. However, governments joining forces with business and civil society at macro and micro levels can play a constructive role in maximising development impacts of VSS in the context of broader sustainability regulation and policies.

Voluntary Sustainability Standards (VSS) are one – but not the only – promising step towards 'trade without concerns', where no one has to fear harmful consequences.

The UN Forum on Sustainability Standards (UNFSS), founded in 2013, facilitates and strengthens the participation of developing countries and emerging market economies in the international dialogue on VSS. In particular, the Forum focuses on understanding the contribution of VSS in achieving the SDGs.

UNFSS is coordinated by a steering committee consisting of FAO, ITC, UNCTAD, UNEP and UNIDO.



## The macro level: strengthening VSS uptake and harmonisation

In his [opening statement](#), UNCTAD Deputy Secretary-General Joakim Reiter referred to the ever-increasing proliferation of VSS; the sheer number of almost 500 eco-labels may confuse both producers and consumers. The need for VSS consolidation was affirmed, for instance, by participants from Indonesia, who also pointed to possible synergies with ISO standards.

Strikingly, despite (or partly because of) the proliferation of initiatives, the share of VSS-certified products in the world market is still very low. If numbers are broken down to individual commodities, however, the share in area under cultivation is significant e.g. for UTZ-certified cocoa (15 per cent of global cocoa area) and RSPO-certified palm oil (14.5 per cent of global oil palm area) according to a recent [ITC report](#). Public and private institutions can jointly promote the uptake and harmonisation of VSS in various ways. The Indian government, for instance, adopted several VSS that had been developed by the autonomous Quality Council of India (QCI). While these schemes remain voluntary, government support may increase their legitimacy, reduce costs and provide guidance in a fragmented VSS landscape.

[Responsible investment](#) and [sustainable public procurement](#) also formed part of the discussions. Public procurement (which accounts for 15 to 30 per cent of national GDPs according to 2012 UN estimates) widely based on sustainability criteria may change the dynamics of VSS, as one of the participants from China put it.

The importance of consumer awareness to increase market shares of sustainable production was highlighted by representatives from Brazil, Mexico and South Africa, among others. Government campaigns can play a crucial role in fostering such awareness across the globe.

## The micro level: ensuring VSS benefits, addressing deficiencies

The requirements of individual VSS match many of the SDGs and related targets, which underlines their great potential to contribute to SDG implementation. However, development impacts on the ground, e.g. for producers and their communities, are still difficult to specify due to a lack of evidence-based impact assessment. In any case, such impacts may be impeded by procedural deficiencies, notably

- the sometimes non-transparent and non-science-based design of VSS;

- the limited space for participation and (Southern) ownership prevalent in some VSS systems;
- the risk of small-holders / producers being excluded from VSS schemes due to high and unevenly distributed compliance costs and a lack of implementation capacities.

Participants at the launch event were very clear about these deficiencies, which contradict government objectives and the public interest. However, state institutions can play a role in turning challenges into benefits, e.g. by supporting producers and by engaging in multi-stakeholder dialogues with VSS owners.

## Recommendations and follow-up

**Governments should proactively address VSS as an opportunity and challenge in close collaboration with business and civil society.** One focus may be on ways to increase VSS uptake, e.g. through sustainable public procurement, government adoption / endorsement of VSS as well as consumer awareness campaigns. Joint efforts to harmonise the fragmented VSS landscape and to ensure and prove the inclusiveness of schemes are needed in parallel.

**Much of the stakeholder consultations, capacity building and impact assessment to maximise VSS benefits may be channelled through national public-private VSS platforms.** The Indian government has already launched a National Platform on Private Sustainability Standards (secretariat: QCI) together with UNFSS in March 2016. Similar projects are being prepared in Brazil (launch planned for March 2017, hosted by INMETRO and FGV) as well as in China (launch planned for June 2017, hosted by AQSIQ, MOFCOM, SAC and CAS) in cooperation with UNFSS. National platforms may connect to and support each other through UNFSS as a meta-platform, inviting other global standards organisations such as ISO to join the dialogue.

**Additionally, the topic of VSS may be brought up in the G20 and related business, civil society and think tank outreach groups (B20, C20, T20).** Sustainable value chains are on the agenda for Germany's G20 presidency in 2017 already. The endorsement of global 'standards for standards' along the lines of well-established WTO criteria (transparency, openness, impartiality and consensus, effectiveness and relevance, coherence and development dimension) as well as [ISEAL principles](#) could be one of the objectives. DIE is co-hosting the [T20 process](#) in 2017 and will address the issue of VSS in the Trade & Investment Task Force.

The way forward:  
national VSS platforms  
co-hosted by  
governments,  
connecting to and  
supporting each other  
across the globe

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Managing Global Governance (MGG) provides an innovative platform for training, knowledge cooperation and policy dialogue of government and non-governmental actors from significant rising powers and Germany / Europe.

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