

Food-related Voluntary Sustainability Standards: A Strategy Guide for Policy Makers

Trade Standards Practitioners Network

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Preface

This guide was written by Bill Vorley (IIED), Annemieke Beekmans (Aidenvironment), and Steve Homer (SMH Projects) under the umbrella of the Trade Standards Practitioners Network (TSPN). The Network's mission is to better integrate developing countries into standards-based markets related to voluntary social, environmental and quality standards in the agricultural, fishery and forestry sector. TSPN's membership base includes more than 30 multilateral donor and development agencies, bilateral organizations, standard-setting bodies, NGOs, research institutes and other practitioner organizations.

The TSPN Steering Committee has initiated Working Groups on a range of topics including improved informed decision making of developing country stakeholders on voluntary standards. This guide is produced under the auspices of this working group, which is composed of representatives of the following TSPN members: FAO, UNCTAD, ISEAL, and GTZ.

In November and December 2009 the TSPN initiated an e-dialogue on the use of voluntary standards with the objective of getting input from representatives of decision makers about their actual needs when responding to the requirements of standards based markets.

Opinions expressed are those of the authors. Any reference to a particular standard does not indicate endorsement by TSPN.

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1. Introduction

1.1 Why this report? The need for strategy on Voluntary Sustainability Standards

The export agri-food sector links some of the world's most demanding brands and consumers with many producers in developing countries. The higher prices paid and stable markets for these products offer an opportunity for producers to achieve potentially greater economic benefits than operating in local markets or in the sole production of local staples.

A growing feature of international markets for many agrifood products is **private voluntary standards for sustainability**. On high value and fresh products and more recently for major commodities, buyers are demanding proof of sustainable production, from pesticide and water management to greenhouse gasses, from labour standards to biodiversity. These **voluntary sustainability standards (VSS)** are often developed by industry consortia, NGOs, or partnerships between them. They link producers, exporters and buyers across national boundaries. They use the power of the supply chain in an attempt to drive sustainable production, to build and protect the reputation of brands, and to secure future supplies. VSS are likely to grow in importance, as issues of climate change, water footprinting and food insecurity become more pressing.

With VSS, there are expectations that the supply chain can succeed where intergovernmental processes have failed, even to the extent of preventing tropical deforestation caused by the spread of the agricultural frontier.

Markets for agrifood products covered by VSS are growing rapidly. A new report from the "State of Sustainability Initiatives" states that over the past five years, "sustainable" coffee sales have grown by 311 per cent to reach 15 per cent of global production. Roughly equivalent figures for bananas are 1,500 per cent growth and 12.5 per cent of global sales.

In policy discussions, VSS are usually associated with high value products, especially fruits and vegetables and established consumer niches, especially organic. But VSS will be increasingly common features of mainstream trade in commodities, and a defining factor of globalization.¹ Compared to the application of VSS with high value products, it is the spread of VSS into mainstream commodity markets that will reshape market access for the largest numbers of small-scale producers in developing countries. The migration from niche to mainstream is clear for some certification schemes, with examples of chocolate manufacturers converting whole brands to Fairtrade, Rainforest Alliance and Utz certification.

Even though VSS are private institutions, they are part of intense competition between nations for export markets. Thus policy makers are often drawn into the battle to grow or defend markets through VSS, and get called upon to invest in building infrastructure (soft and hard) and provide supporting policies to create a facilitating environment for private standards. But unlike private standards for **food**

¹ UNIDO (2009). Round Table - Sustainability standards in international trade: hurdles or opportunities? Briefing note. 9 December 2009.

www.unido.org/fileadmin/user_media/UNIDO_Header_Site/Subsites/Green_Industry_Asia_Conference_Maan/When_these_standards_become_de_facto_conditions_of_market_entry_the_term_“voluntary”_does_not_tell_the_whole_story_ila_GC13/EUNIS_Sustainability.pdf

safety, which are closely attuned to regulatory requirements in importing countries,² VSS operate in much more contested ground where civil society organizations and businesses are defining “sustainability”, and where production standards are being set far ahead of public regulation. Sustainability standards, if designed to reassure consumers in destination countries, may be much at odds with national goals and priorities for sustainable development in exporting countries.

But in principle VSS can benefit exporting countries as well as value chain businesses. These standards can offer developing country policy makers an opportunity to use the power of the market to support national policies to improve the sustainability of agricultural production, in terms of protection of natural resources and prosperity of rural livelihoods.

VSS also present barriers and costs, to governments, to producers and to businesses. For governments and decision makers they pose dilemmas about the role of governmental institutions and require tough choices in priority setting and allocation of resources. A national strategy for dealing with VSS is needed.

Policy makers may want to develop a VSS strategy as part of a pro-active role to support their national farmers and agribusiness in the development or defence of export markets. Or more likely they may find themselves having to respond to producer organisations, companies or trade associations which are demanding public investment to scale up implementation of VSS, perhaps after successful pilot projects. They may be asked to invest in infrastructure such as laboratories and standards bureaus. They may be lobbied to subsidise VSS certification or farmer training. Donors and NGOs may also be advocating a strategy of export-led growth in high-value (and high-standard) agrifood products, with promises that these markets will “work for the poor”. There is also the implicit threat that by doing nothing, countries risk losing markets to other exporting nations, or even risk a national boycott by leading agrifood traders, processors and retailers. Last but not least, civil society organisations may be mounting campaigns against VSS, as has been seen with Round Table for Responsible Soy (RTRS) certification in Latin America.

In all these situations, options need to be weighed and evaluated against national priorities, usually under conditions of multiple pulls on limited resources. Policy makers can drown in details and miss the important picture. In the complex territory between private sector action and public policy, there is a need to clarify roles in setting strategy, to align institutions and resources, to providing incentives, and to correct bad practice.

The guide is to **support informed strategy development related to markets where voluntary sustainability standards are or will be present, as part of national development goals**. The guide is primarily directed to official public policy makers. It aims to provide a framework for analysis that will support key public policy makers to:

- understand where VSS fit in successful strategies for exports that also support national sustainable development goals;
- understand risks and pitfalls, and alternatives to high-standards markets;
- facilitate standards compliance through and supporting institutional framework; and where possible
- influence VSS to better fit local needs and realities.

² Henson S and Humphrey J (2009). The Impacts of Private Food Safety Standards on the Food Chain and on Public Standard-Setting Processes. Paper Prepared for FAO/WHO. May 2009
www.fao.org/docrep/012/i1132e/i1132e00.pdf

It is not a guide to select and promote specific standards, which is normally outside the mandate of governments. Neither is it designed as a complete decision tool or a complete guide to each standard – there are other resources for that purpose (see Section 6).

The guide focuses on both **high value agri-food products**, such as fresh fruits and vegetables where sustainability has been wrapped around food safety standards, as well as **commodity crops** where most sustainability standards are a more recent phenomenon. The guide concentrates on **international (export) markets**, while recognising that voluntary standards are also becoming features of parts of domestic markets, as large-scale modern retail and food manufacturers start to drive modernisation and restructuring in agrifood. Lastly, the guide focuses on **private ‘voluntary’** standards rather than public standards and technical regulations that often form the minimum entry criteria for access to export markets. The guide does *not* focus on food safety standards, though it should be noted that some of the most widely used VSS are rooted in public food safety standards, especially CODEX. The guide also does not deal with the broader institutional framework that is required for effective export trade.

The guide is intended as a living document that can be updated and revised.

The guide is structured as follows. Section 1 gives an introduction to the issues facing policy makers related to VSS. Sections 2 and 3 describe the main elements of standards and certification programmes. Section 4 proposes a framework for the design of strategies that align VSS to markets and national policies. Section 5 is a short summary. Information resources are listed in Section 6.

1.2 Voluntary sustainability standards: aids or obstacles to national development?

From a decision makers’ perspective, VSS can appear both as tools for, and obstacles to, development. It is therefore important to first summarise the debate about the potential benefits of, and policy makers’ concerns about, voluntary sustainability standards. There is a separate civil society critique³ of VSS which is not elaborated here.

In terms of **hopes and potential benefits** from VSS, policy expectations often centre around building national reputation and comparative advantage on the world market. They are a way to align private actions with national sustainability strategies, channelling investment to parts of the economy that public policies do not reach, without the need for major public investment. This includes stronger technical support for farmers from the private sector which can fill some gaps left by the collapse of public extension services.

At the farm level, standards and certification as seen as beneficial learning tools for farmers to upgrade their production and management capacities. Certification can improve productivity and product quality, reduce costs, diversify markets and establish longer-term relationships with other farmers and with their buyers, all of which can lead to financial benefits and increased profits. There is also an expectation of market premiums in supplying certified markets. There are wider benefits from inclusion into higher-value export markets, of which VSS are a part; these include: export revenue, jobs on in farms, processing and services, economies of scale, and innovation. There are expectations of positive spill-overs in the quality and safety of produce entering the domestic market, as well as the improved occupational health and welfare of farm workers.

³ Eg www.corporateeurope.org/agribusiness/content/2010/06/open-letter-opposes-responsible-soy

At the level of food brands and retailers, VSS can help manage reputational risk and protect and build shareholder and customer value. They have an added benefit to these lead firms of improved supply chain integrity, through the traceability and management systems demanded by standards.

Other expectations especially from NGO partners, is enhanced soil fertility, water quality, and other environmental benefits that are the *raison d'être* of sustainability standards.

In terms of **concerns** about VSS, policy makers in developing countries have expressed fears that they are a threat to free trade, with risk of exclusion from valuable export markets, and barriers to entering new markets. This has revived old concerns about “sustainability” being used to defend domestic markets against a tide of imports; in the 1990s voluntary European ecolabelling schemes were accused of a lack of transparency and not being consistent with WTO disciplines, thereby hampering the participation of developing countries.

The perception of VSS as threats to national sovereignty is magnified by the fact that the state is rarely involved in VSS standard setting. “Sustainability” is seen as defined by a new elite of external (often northern) non-state actors in ways that may be inappropriate for local realities. Governments are asking whose “sustainability” is being defined: that of democratic national governments, or those of distant consumers and brands? With some of the recent commodity standards, policy makers can feel hostage to an external process that may lead to a boycott of their produce if VSS are not adopted. Standards can be seen as an imposition which arrive with very little scope to adapt to local farming systems, little appreciation of cultural, geographical and social diversity, and with few or any market premiums. Implementation of VSS then becomes more a way to fulfill market requirements, rather than a way to encourage what is good (and sustainable) in local agriculture.⁴

Standards are often seen as too stringent, relative to the level of organization and capacities of farmers. VSS are viewed as favouring producers who are organised and have assets. Benefits, costs and risks of VSS may be seen as unequally distributed. The burden of compliance and certification costs is seen to be carried by producers and exporters, while the benefits are accrued by lead firms and brands. On larger farms and estates, costs can be absorbed more easily and participants benefit from economies of scale. From an equity perspective, therefore, VSS can be problematic for policy makers, as they can accelerate the consolidation of production in the hands of wealthier farms. This is reflected on the international stage. There is concern that only countries that have built deep institutional capacities to deal with VSS, such as Chile, Ecuador, Costa Rica, S Africa, and Kenya, will corner the market in certified products, and make it very difficult for new entrants to find a place. Also, only richer countries and companies are seen as having the resources to participate in the standard setting process, so the potential for poorer countries and small-scale producers to influence standard setting is very constrained.

Proliferation of standards and related multiple inspection and certification requirements can lead to VSS fatigue. This challenge will only grow if buyers decide to embed climate change and carbon credit requirements into their purchasing policies. There is concern of a lack of harmonization and equivalence between the VSS, despite the fact that certification schemes are increasingly overlapping with one another in terms of their focus and certification criteria.

Policy makers and civil servants are often aggrieved about state resources and institutions being demanded to support the production of private goods. A supporting environment for VSS may need costly investments in support services and infrastructure, such as residue testing labs. This can divert

⁴ There is however another angle to the sovereignty question: through multi-stakeholder processes VSS may **enfranchise marginalised groups** such as indigenous peoples whose rights have been ignored by national policy.

resources away from other important development priorities, especially aimed at the poorest of the poor.

There are concerns too that developing country producers are being coerced into certification where it may not be warranted in terms of market demand and price. It may be the case that simple compliance with public standards is sufficient, as the total market demand for VSS-certified produce is comparatively small.

VSS are seen in some quarters as oversold as stand-alone tools for sustainable development. This creates unrealistic expectations about their ability to resolve complex natural resource challenges, and exaggerated marketing claims made to consumers.

2. Main elements of standards and certification programmes

This section describes some of the most important components of standards and certification programmes. It is subdivided into four sections:

- Standards and performance criteria
- Assessment processes and requirements
- Traceability and chain of custody
- Claims, labels and certification marks

This overview will provide background on the basic components of different standards and how they may differ from each other.

2.1 Standards and performance criteria

According to the International Organization of Standardization (ISO), standards can be defined as “documented agreements containing technical specifications or other precise criteria to be used consistently as rules, guidelines or definitions, to ensure that materials, products, processes and services are fit for their purpose.”

One can distinguish *product standards* and *process standards*. Product standards concern the physical characteristics of the product and are generally certified under ISO Guide 65, which specifies general requirements for independence and transparency for third-parties operating a product certification system. The most commonly used process-based systems are the ISO 9000 series for quality management systems and ISO 14001 for environmental management systems. The fundamental problem with process-based systems is that as long as the business complies with the law and has mechanisms in place to ensure that its management system improves relative to itself, it can be certified. In other words, it receives a certification of its effort, not its actual performance. Social and environmental standards in agriculture – including organic and Fairtrade – are essentially process standards;⁵ however they may be sector- or even crop-specific and so can appear to be product standards.

Process standards can be further divided into *management system standards* and *performance standards*. Management systems standards set criteria for management procedures, for example for documentation or for monitoring and evaluation procedures. Performance standards, in contrast, set

⁵ FAO, Environmental and social standards, certification and labeling cash crops, 2003

verifiable requirements for factors such as the non-use of certain pesticides, or the availability of sanitary services.

Most standards have the following elements:⁶

- **Principles:** fundamental statements about a desired outcome
- **Criteria or technical specifications:** the conditions that need to be met in order to achieve a Principle
- **Control points or indicators:** measurable states that allow the assessment of whether or not associated criteria are being met
- **Means of verification:** the type of information or observations that are used to demonstrate that the required state is being realized
- **Guidance** for compliance
- **Governance:** general regulations

When a standard also has a protocol attached telling the user how to apply the standard or how to measure and verify the outcomes this is often known as a **scheme**. A scheme may require **membership** of the standard owning organization and further mandatory reporting depending on the scheme membership rules.

2.2 Assessment processes and requirements

As stated in the previous section, one key way in which standards differ from each other is in their required means of verification and assessment of compliance. Standards can be compared on the governance and regulation of their scheme. This section explains how standards implement their requirements in terms of *verification*, *certification* and *accreditation*.

The ISEAL Code of Good Practice for Setting Social and Environmental Standards⁷ cites best practice as the separation of standard ownership, certification and accreditation, in order to promote transparency and choice of certification body. For a number of VSS including FLO and Rainforest Alliance, the auditors and the certification body are departments of the scheme itself. In the world of food safety standards, separation of scheme owner, certification body and accreditation body is a prerequisite of Global Food Safety Initiative (GFSI) standards. The schemes also have to be open to all certification bodies who meet the required technical and governance criteria.

2.2.1 Verification

Verification is defined as “confirmation, through the provision of objective evidence, that specified requirements have been fulfilled. An assessor or inspector audits or verifies that requirements of a standard have been fulfilled. The results of verification are used as the basis for a decision on certification.”⁸

Three main methods of verification on whether a supplier adheres to a particular standard are used:⁹

- **First party or self-verification:** Allows the person or organization that is undergoing evaluation to assess itself. A first party audit includes internal audits or peer reviews to verify that

⁶ ISEAL, *Emerging Initiatives; Setting Standards*, July 2007

⁷ www.isealalliance.org/code

⁸ ISEAL, *Emerging Initiatives; Overview*, July 2007

⁹ ISEAL, *Emerging Initiatives; Overview*, July 2007

requirements of a standard have been fulfilled, and guarantees of compliance are provided by the person or organization itself.

- **Second party verification:** Assessment is undertaken by a person or body that is related to, or has an interest in, the person or organization being evaluated. Examples of second party verification systems are when a client or purchaser of products from the organization is responsible for the assessment.
- **Third party verification or certification:** Assessment is undertaken by a person or body that is independent of the person or organization being evaluated, and has no interests in that person or organization. Third party verification requires accreditation bodies (see below) to identify and 'accredit' the acceptable third party verifiers.

First and second party verification share the characteristic that no independent assessor is a part of the system. For example in certification of organic farming, first and second party verification approaches are subsumed under "participatory guarantee systems." Internal inspections form an important part of many standards that recognize farmer groups as a single certified entity. The rules and requirements for carrying out the first or second party verification will often be detailed under the general regulations of the standard or scheme. Sample based verification will often be carried out by third party verification.

2.2.2 Certification

Certification is a procedure by which a third party gives written assurance that a product, process or service is in conformity with a certain standard or set of standards. Certification can be seen as a form of assurance communication along the supply chain. The certificate demonstrates to the buyer that the supplier complies with certain standards based on either the third party inspection or another specified monitoring methodology.

The organization performing the certification is called a **certification body** or **certifier**. The certification body might carry out the actual inspection or contract the inspection out to another approved competent body or individual. The certification decision, i.e. the granting of the written assurance or "certificate", is based on the inspection report, possibly complemented by other information sources. The granting of a certificate of conformity may be subcontracted by the standard owner to the certification body or issued by the standard owner itself.

The system of rules, procedures and management for carrying out certification is called the certification programme. One certification body may execute several different certification programmes and will be itself subject to procedural inspection by an accreditation body under ISO 17021.¹⁰

Where a standard allows **group certification**, a number of small-scale producers can be brought together under a single 'group manager' (which can be an individual, organisation, company, association or other legal entity) who acts both as a source of information and is also able to organise a certification process. This allows each individual group member to benefit from the economies of scale of being part of a larger unit. Although group certification is an option for small farmers and it costs less pro rata across the group, there are down sides. Firstly the certificate is dependent on all of the farmers being compliant. If one farmer is non-compliant, all others in the group lose the ability to use the certificate. Secondly, the owner of the certificate often controls the market access provided by the certificate. If a lead farmer or exporter is the owner of the certificate, or even a farmer group,

¹⁰ ISO/IEC 17021:2006, Conformity assessment – Requirements for bodies providing audit and certification of management systems

products sold through any entity other than that group cannot be called certified, even though the products are identical and grown in the same way as those that are marketed through that group.

2.2.3 Accreditation

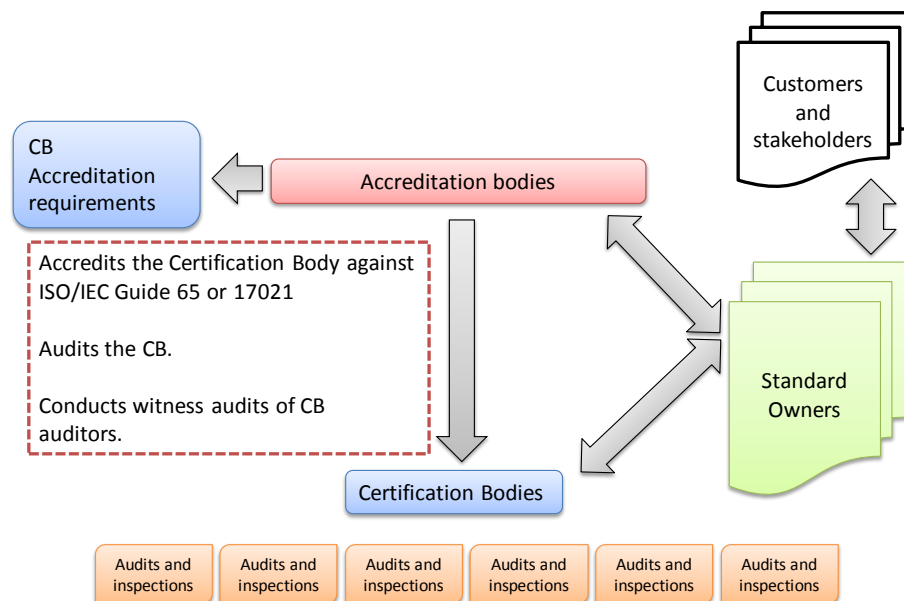
Many certification bodies also have independent verification systems using accredited third party auditors to guarantee that the certification body has undertaken its tasks correctly. VSS may have to be accredited by a governmental or parastatal institute, which evaluates compliance with guidelines set by ISO (ISO 65), the European Union or some other entity for the operation of certification and inspection bodies. It is up to a standard-setting body to decide whether the processes and methods used by certification bodies are satisfactory for implementation of its own standard.¹¹

A survey of voluntary sustainability initiatives by the SSI project found that 70 per cent of the initiatives surveyed reported compliance with ISO 65 or application of an independent accreditation system.

In most countries, accreditation is not an obligation for certification bodies. The fact that a certification body is not accredited does not, by itself, mean that it is not a reputable organization. For example, a certification body operating nationally in a highly specific sector might enjoy such a good reputation that it does not feel there is any advantage for it to go to the expense of being accredited.

The relationship between accreditation and certification is presented in Figure 1:

Figure 1. Relationship between accreditation and certification of voluntary standards



While most VSS systems use third party audited certification, the Better Cotton Initiative (BCI) is employing an “inclusive enabling system” to apply its principles and criteria, as an alternative to certification.¹²

2.3 Traceability and chain of custody

¹¹ FAO, Environmental and social standards, certification and labeling cash crops, 2003

¹² http://assets.wwf.ch/downloads/qa_shortfacts_cotton.pdf

For some standards, particularly those that are consumer-oriented, it is important to be able to make claims about the integrity of the product being delivered. Traceability is the capacity to track products and their ingredients or components back to their original source. This means having both a standard for chain of custody and a certification system to verify the integrity of the chain at each stage of the production process.¹³ The basic characteristics of traceability systems are:

- Identification of units/batches of all ingredients and products
- Information on when and where they are moved or transformed
- A system linking these data

For standards that allow a market claim to be made, a traceability system will need to be in place.

The following types of chain of custody exist:¹⁴

- **Identity Preserved (IP):** assures that the certified product and its derivatives delivered to the end user is uniquely identifiable to the supplier and is kept physically isolated from all other sources throughout the supply chain, including other certified products from different sources. The product is then traceable from the primary production unit through to the final end user.
- **Segregation:** assures that products delivered to the end user come only from certified sources. This model differs from the Identity Preserved supply chain model in that it permits the mixing of certified products from a variety of sources.
- **Mass Balance:** administratively monitors the trade of certified products and its derivatives throughout the entire supply chain. The mass balance system allows for mixing of certified and non-certified products at any stage in the supply chain provided that overall company quantities are controlled. The mass balance model is constructed in such a way that volumes of certified product shipped will never exceed volumes received by the end user.
- **Book and Claim:** provides tradable certificates for certified products to the supply base. The supply base may then offer these certificates (for example on a web-based transaction system) to end users who choose to support specific volumes of certified products and or their derivatives. The book and claim system allows for the transfer of certified sustainable volume credits from a supplier to the end user independently of the physical supply chain. End users have the advantage of being able to support certified producers without having to establish a new supply chain and actually purchase their products. Instead, they pay a premium directly to the producer and associate it with their other, potentially uncertified purchases.

Mass Balance and Book and Claim supply chain systems have particular utility with bulk commodities, where the costs of operating segregation are very high. The Roundtable on Sustainable Palm Oil (RSPO) standard for sustainable palm oil allows all four systems, and regulates the type of market claims that companies can make for each.¹⁵

2.4 Claims, labels and certification marks

There is a range of **claims** that certification schemes can make, as well as different ways of making them:

¹³ ISEAL, *Emerging Initiatives; Overview*, July 2007

¹⁴ RSPO, *RSPO Supply Chain Certification System*, November 2009

¹⁵ http://www.rspo.org/files/resource_centre/RSPO_Guidelines_on_Communications_Claims.pdf

- Claims can either be made on-product or off-product. On-product claims relate directly to the specific product that is being sold, and include a claim about that product on the product packaging itself;
- Claims can be targeted to end consumers or business-to-business; or
- Claims can be product or service-specific or can relate to the corporate entity.

A certification **label** is a label or symbol indicating that compliance with standards has been verified. Use of the label is usually controlled by the standard-owner. The label can be owned by the certification body.¹⁶ A logo can be any graphic element, symbol or mark of an organization or brand, whereas a label is a symbol or mark that specifically indicates demonstrated compliance with a standard (certification).¹⁷ The decision on whether to invest in the development and application of a label or certification mark depends in large part on whether the sustainability claim is aimed at end consumers.

Labels or certification marks can also make different kinds of claims, including:

- Having a management system and performance targets in place;
- Achieving a certain level of performance;
- Making continuous improvements; or
- Percentage-based claims (where part of the product inputs are certified).

Increasingly claims made by labels through self-declaration are being challenged by regulators keen to ensure that the consumer is well informed by the labels. ISO has developed standards for three types of environmental claims on goods and services: Type 1, based on third party certification for specific goods and services; Type 2, based on self-declarations; and Type 3, based on life-cycle impacts.¹⁸

3. Voluntary Sustainability Standards

In the following section an overview of the most relevant voluntary sustainability standards will be given. This is not intended as an exhaustive guide, but policy makers should understand the variations in origin, types and scope of VSS when dealing with policy choices.

Most VSS have their roots in emerging civil society concerns in the early 1990s, which shifted public attention first to labour standards and fair business practice, and eventually to animal welfare, biodiversity and climate change. They challenged the **provenance** or credence value of a product and questioned how it came to be produced, rather than the safety or integrity of its technical composition. This increased importance of provenance also saw a move toward standards that do not have a single pass/fail point, but either graded or measured outcomes. By comparison, public and private standards that measure conformity under ISO guide 65 and 17011 use a structure that provides a yes or no verification to each control point.

Standards which are formulated to achieve sustainable development would normally address the following issues:

- Social

¹⁶ FAO, Environmental and social standards, certification and labeling cash crops, 2003

¹⁷ ISEAL, *Emerging Initiatives; Overview*, July 2007

¹⁸ ISO 14020:2000 Environmental labels and declarations -- General principles

- Environmental
- Economic

For the purposes of standard setting, those issues are typically broken down into elements as listed in Table 1. Social criteria rely heavily on International Labour Organization (ILO) conventions; there is less agreement between the different VSS on environment and economic aspects. Market forces are pushing voluntary standards towards comprehensive “meta” standards covering the range of elements in Table 1, to enable companies to apply them to mainstream trade. For example Fairtrade, which was established around fair pricing and equitable share of profits for small-scale farmers, is now also being used as a proxy labour standard in the absence of an Ethical Trading Initiative (ETI) consumer label. There is however a counter tendency in some commodities, to refocus on only the most relevant environmental and social impacts of production; this has been the approach of the Better Cotton Initiative Principles and Criteria.

Table 1. Elements of Voluntary Sustainability Standards (source: SAI platform, 2009¹⁹)

<p>Sustainable farming system</p> <p>Site selection and management: site history; risk assessment of surrounding area; soil mapping</p> <p>Planting material: variety; seed quality; crop husbandry; genetically modified plants</p> <p>Integrated Crop Management: rotation practices; cultivation techniques; nutrient management; fertilizers; sludge;</p>
<p>Integrated pest management; agrochemicals</p> <p>Sustainability management system: continuous improvement; management responsibilities; record keeping; training</p> <p>Access to information and support services: regular advice from experts</p>
<p>Economic Sustainability</p> <p>Safety, quality and transparency: safety; quality; post-harvest treatment; residue levels; stocking maintenance</p> <p>Financial structure: long-term financial stability; cost-benefit structure</p> <p>Relation to the market: trading channels; negotiations; marketing</p> <p>Diversification: diversifying into other crops or non-farming activities</p>
<p>Social Sustainability</p> <p>Labour conditions: ILO Conventions; worker safety; wages; working hours; discrimination; forced labour; freedom of association</p>
<p>Child Labour</p> <p>Training: training of workers</p> <p>Strengthening local economy: contributing to livelihood of producers and local communities</p>
<p>Environmental Sustainability</p>

¹⁹ SAI Platform (2009). *Agriculture Standards Benchmark Study 2009*. Sustainable Agriculture Initiative (SAI) Platform. Brussels www.saiplatform.org/uploads/Library/Benchmarking%20Report%20-%20TEASER.pdf

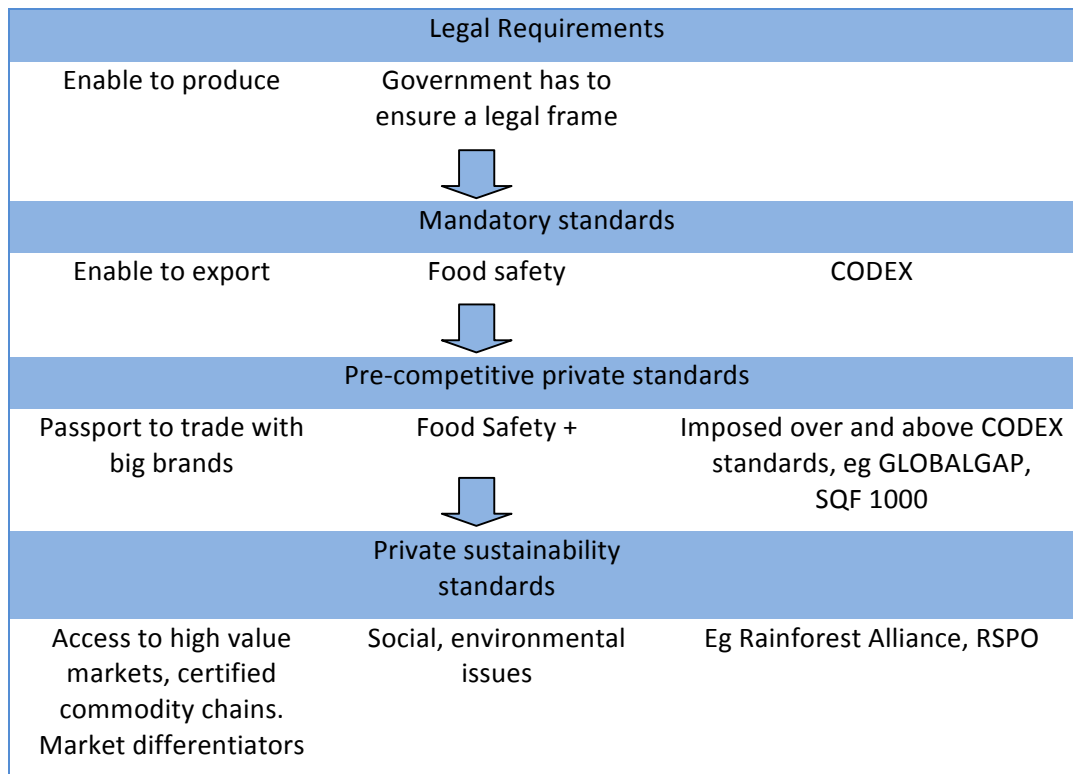
Soil conservation: cultivation techniques; soil structure and fertility
Water conservation: water use/quality management; irrigation; wastewater management
Biodiversity conservation: endangered species; diversity of flora/fauna; protection; restoration
Integrated waste and crop by-product management: use of crop by-products; waste recycling
Energy conservation: renewable sources of energy; reduce air pollution; global warming; fuel usage
Air conservation: preserving/improving quality of air

In terms of **governance and regulation** the majority of VSS are **member-based organizations**, with **NGOs** a dominant force at the board level.²⁰ The majority of the initiatives surveyed relied on grants for 50 per cent or more of their annual revenues, which raises questions about the long term sustainability of their business models.

3.1 VSS in the context of legal requirements and mandatory standards

When VSS are viewed in the context of legal requirements and mandatory agrifood standards, there are four levels to consider (Figure 2).

Figure 2. Voluntary sustainability standards in the context of legal requirements and mandatory standards



²⁰ SSI (2010). The State of Sustainability Initiatives 2010 Review: Sustainability and Transparency. [website]

Legal requirements enable countries to produce nationally and potentially to export. Legal requirements are embedded in national laws and international agreements such as WTO, FAO, WHO, OIE, and ILO.

For accessing most export markets **mandatory standards** and specifications also have to be met for both the country of origin and destination. The requirements are still largely focused on food safety and based on CODEX and governed under the WTO agreements on Application of Sanitary and Phytosanitary Measures (SPS) and on Technical Barriers to Trade (TBT). The proof that an entity or country meets standards like CODEX or has the competent infrastructure to manage inspections is often a prerequisite for considering export potential. Particularly for high value food markets, this is the first step before the level of private voluntary standards becomes relevant; though some private standards are very closely associated with legal requirements.

A national policy maker must decide where the industry or sector can be positioned in this regulatory frame and create programmes to support and develop these policies before or in parallel, provided the government wants to create an enabling environment for certain voluntary standards that help meet specific national sustainable development objectives. A recognized competent framework of supporting bodies should be in place before considering the implementation of VSS. As shall be described later, the setting up of an institutional infrastructure depends on the intended scale of exports and VSS use.

GLOBALGAP and equivalent harmonized pre- and post-farmgate meta-standards (IFS, BRC, SQF1000) have their roots in food safety and quality assurance. The industry consortia that develop these private standards are primarily interested in the insurance provided by **private delivery mechanisms for public regulation**. A similar approach conducted through the public sector would, by comparison, encounter trade policy hurdles.

There has been a history of confusion in policy circles and some conflation of public standards and VSS, especially mistaking GLOBALGAP for a mandatory European standard, which it is not. This has led to misallocation of resources and political energy; for instance if a country's horticulture exports are primarily destined for European wholesale markets rather than the top retailers, GLOBALGAP will not normally be a market requirement. Nonetheless, wholesalers that sell to food service companies are finding that traceability requirements are still required and therefore often look for GLOBALGAP as an easy way to describe that the product has come from a certified source. As growing volumes food in developed countries are consumed in retail and food service outlets, the availability of channels to market for legally safe but uncertified food is shrinking.

As mentioned in Section 1, most VSS are far less closely attuned to public regulatory requirements than private standards associated with food safety. In general voluntary sustainability standards make demands of production which **far exceed public regulation**. Companies are responding to consumer and investor signals, and do not feel that they have time to wait for international agreement on what is "sustainability" in order to act. There is no CODEX for sustainability.

3.2 VSS in the context of market structure and governance

To understand trends in VSS, it is also necessary to also put them into the context of market structure and governance. Some VSS have become important **market differentiators** for brands and retailers, with sustainability positioned as an **extension of product quality**. This is driven by the following trends:

- The spread of retailers into the business of manufacturing, and the growth in market share of retailers’ own brands (now constituting 41% of modern grocery sales by value in the UK and 21% in the US), with the associated fight for market share between manufacturer and retailer brands.
- The highly concentrated nature of the market, where in each country a handful of retailers are gatekeepers between food suppliers and consumers.
- The trend for shoppers to subcontract their trust to the retail brand, rather than to seek out and weigh different ecolabels against one another.
- The need to protect brand value for shareholders, including powerful institutional investors.
- Increased consumer expectations of the most discerning retail brands to procure certified “sustainable” products, whether fresh products or commodity ingredients.

Following on from 3.1, the opportunity for differentiation on sustainability is far higher than for food safety. Brands will adopt mix of legal, pre-competitive and VSS standards; the latter as a differentiator. The risk for exporters of such a dynamic environment for VSS is that investment in compliance with one initiative may be wasted if consumer and lead firm interests move on to the next big issue.

3.3 Overview of major voluntary sustainability standards

There are many ways to capture the diversity of VSS. The large number of voluntary standards can be roughly divided between **business-to-business** standards and **consumer targeted** standards. Business-to-business standards assist organizations in making decisions about suppliers and business partners. Consumer-oriented standards as discussed often have a certification mark or logo that can be used on packaging to differentiate a product to its final consumer. This section provides examples of both of these types of standards, also serving to demonstrate that there continues to be an overlap in the classifications and distinctions, and that there is a trends towards convergence of standards around a shared set of “sustainability” issues.

	Business to Business	Consumer label
Niche standards	SA8000	Organic Fairtrade
Meta-standards for good agricultural practice (GAP)	GLOBALGAP	Rainforest Alliance Utz Certified
Commodity-specific standards	RSPO RTRS	MSC
Individual company standards		Tesco Nurture

3.3.1 Business-to-business standards

SA8000²¹ - Labour Rights

SA8000 is based on the conventions of the International Labour Organization (ILO) and has been

²¹ www.sa-intl.org

developed by the Social Accountability International (SAI). This certification sets minimum standards for working conditions and gives a company a strategy for managing social workplace issues. There are 19 different certifying agencies approved by SAI.

Similar European organizations emerged at the same time and continue to offer multi-stakeholder coverage of labour rights issues such as BSCI²² and ETI²³ but these organizations do not regard themselves as scheme owners and do not offer recognition through certification bodies.

The SA8000 principals (Table 2) are generally the same as those for each of the mainstream labour rights standards as they are all based on ILO conventions. Measurement of subjective issues such as fair wage and living wage are treated differently depending on the stakeholder composition and focus of each organization.

Table 2 SA8000 Principles

Issue area	Basic criteria
Child labour	No workers under age of 15
Forced labour	No forced labour, including prison or debt bondage labour
Health and safety	Provide a safe and healthy work environment; take steps to prevent injuries; regular health and safety worker training
Freedom of Association	Respect the right to form and join trade unions and bargain collectively
Discrimination	No discrimination based on race, caste, origin, religion, disability, gender, sexual orientation, union or political affiliation, or age; no sexual harassment
Discipline	No corporal punishment, mental or physical coercion or verbal abuse
Working hours	Comply with the applicable law but, in any event, no more than 48 hours per week with at least one day off for every seven day period
Compensation	Wages paid for a standard work week must meet the legal and industry standards and be sufficient to meet the basic need of workers and their families
Management systems for Human Resources	Facilities seeking to gain and maintain certification must go beyond simple compliance to integrate the standard into their management systems and practices.

GLOBALGAP²⁴ - Good Agricultural Practice

GLOBALGAP began in 1997 as an initiative of the Euro-Retailer Produce Working Group (EUREP), It is owned by a not-for-profit body the EHI Institute²⁵ and managed by a wholly owned private entity FoodPlus GmbH. The aim is to establish one harmonizing standard for Good Agricultural Practice (G.A.P.) with different product scopes built on an integrated farm assurance scheme capable of fitting

²² www.bsci-eu.org

²³ www.ethicaltrade.org

²⁴ www.GLOBALGAP.org

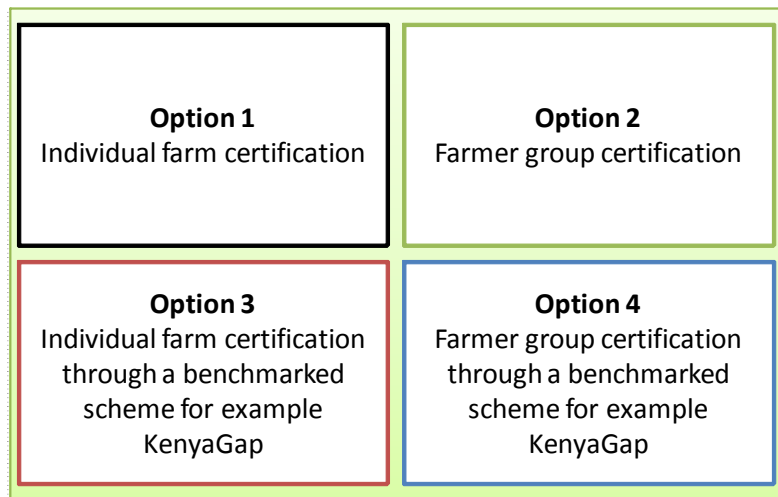
²⁵ EHI is a scientific institute of the retail industry. The 500 members of EHI include international retail companies and their associations, manufacturers of consumer goods and capital goods, and various service providers

the whole of global agriculture. The idea behind GLOBALGAP was to take costs and complexity out of the certification process by using a harmonised standard across the industry rather than have growers and suppliers deal with multiple retailer-specific standards. It has thus become a consolidated delivery system for food assurance. The GLOBALGAP certification process uses International ISO 65 norms and the standard is based on the Hazard Analysis and Critical Control Point (HACCP) system, up to the farmgate. This means that a producer wishing to be certified must be able to track and control not only farm-level activities, but also inputs like feed and seedlings. BRC²⁶ is the associated post-farmgate standard.

The primary focus of the standard is to prevent food contamination and, although the GLOBALGAP standard does include criteria on social and environmental practices, GLOBALGAP places an emphasis on complementing, rather than duplicating, existing social and environmental standards. The GLOBALGAP standard is published as modules, with slightly different versions for fresh fruit and vegetables, meat products, flowers and ornamentals, grains, and so forth. There is also an Integrated Farm Assurance version for farms with several types of concurrent operations.

GLOBALGAP allows certification under four options which includes group certification (Option 2) with potential to bring compliance costs down for smallholder farmers (Figure 3). A network of approved national technical working groups²⁷ make approved adaptations and amendments to the control points and auditor interpretation. GLOBALGAP also has a benchmarking system to recognise the equivalence for national and private standards. The benchmark system compares the control points and the governance (general regulations) to the GLOBALGAP normative scheme documents. An example is KenyaGAP, a private-public initiative to customise GLOBALGAP to Kenyan conditions, including national interpretation guidelines, and to further reduce certification costs.

Figure 3. Options for GLOBALGAP certification



3.3.2 Commodity-specific standards

Commodity-specific, sector-wide initiatives have also been developed through **multi-stakeholder initiatives** (often called “round tables”) to advance sustainability. These are setting baseline standards for the mainstream market (Table 3). Building on the success of the Forest Stewardship Council (FSC)

²⁶ www.brcglobalstandards.com

²⁷ www.GLOBALGAP.org/cms/front_content.php?idcat=2

and Marine Stewardship Council (MSC), initiatives in agrifood include the Roundtable on Sustainable Palm Oil (RSPO), Round Table on Responsible Soy (RTRS), the Common Code for the Coffee Community (4Cs) Association, and the Better Sugarcane Initiative (BSI) (Table 4). Many of these initiatives, but not all, have developed baseline standards for sustainable or responsible production, and some have developed certification and/ or verification standards as well. The initiatives are generally composed of a range of industry and civil society actors working in a multi-stakeholder governance structure. They should be distinguished from industry learning and support platforms such as the SAI Platform or the Ethical Tea Partnership, and from public-private partnerships such as the Cadbury Cocoa Partnership.

The most significant difference between commodity-specific standards and the other categories is that the commodity-specific standards explicitly aim to change production in the entire sector. The stated goals of the organizations are to eventually make the sustainability standard the ‘mainstream’ of commodity production. As can be seen from Table 3, the market share of those initiatives that have developed standards and certification is currently quite low, but in most cases is rising quickly. There are however strains in the multi-stakeholder approaches, especially around sovereignty and the absence of governments from decision making and governance structures. Their applicability to trade *between* emerging economies, which will form an increasing share of global commodity trade, has yet to be proven.

The existing commodity-specific standards are not consumer-oriented and usually do not use on-pack labels or claims. Instead, they rely on the purchasing commitments of traders, manufactures and retailers to drive demand. Since these commodities are traded in bulk along fragmented chains, ‘book-and-claim’ processes are more common than segregated supply chains with traceability systems. Price premiums for certified materials, where they exist, are generally small and expected to drop as the standards move towards their goals of mainstream implementation.

Table 3: Multi-stakeholder sustainable commodity initiatives. Based on WWF²⁸

Initiative	Started	Standard / Principles & Criteria	Global market share 2009
Forest Stewardship Council	1993	Yes	5% of productive forests
Marine Stewardship Council	1999	Yes	12% of global capture market
4C Coffee Association	2002	Yes	8.5%
Roundtable on Sustainable Palm Oil	2003	Yes	5%
Round Table on Responsible Soy	2004	Yes	0%
Better Cotton Initiative	2004	Yes	0%
Better Sugar Cane Initiative	2004	Yes	0%
Roundtable on Sustainable Biofuels	2007	Yes	0%

²⁸ WWF (2010). *Certification and roundtables: do they work? WWF review of multi-stakeholder sustainability initiatives*. WWF Review, September 2010.

Aquaculture Stewardship Council	2010	In development	0%
Sustainable Beef Roundtable (proposed)	2010?	No	0%

3.3.3 Company-specific standards

In addition to pan-industry standards and certification schemes, there is a growing list of company-specific VSS in the market. These are a mix of business-to-business standards and consumer-facing labels and brands. Company standards can support a brand such as Starbucks’s CAFÉ (Coffee and Farmer Equity) Practices, which evaluates production according to product quality, economic accountability, social responsibility and environmental leadership

Company-specific initiatives also come in the form of sustainability **product ranges** such as Royal Ahold’s *Puur & Eerlijk* range or Carrefour’s *AGIR* range. These bring organic, fair trade ethical and eco-products (usually from existing VSS such as organic, Fairtrade, MSC etc) under the umbrellas of retailers’ own brands. This is a very interesting strategy for retailer own brands to capture some value from existing third-party initiatives, without adding to their suppliers’ transaction costs through a separate certification scheme.

The largest retailers do however have their own VSS, such as Tesco’s *Nurture* range, a set of producer standards and consumer label for own brand fruits and vegetables which is positioned as “an exclusive independently accredited scheme to Tesco.”²⁹ The Walmart *Sustainability Index* – which is currently in development – is likely to evolve into a major private force in global agrifood trade.

Compared to the third-party standards, company standards are almost impervious to external stakeholder influence.

3.3.4 Major consumer-oriented standards

Organic Agriculture

The European Union, United States, Canada and Japan as well as several developing countries have national regulations for organic food, and if producers want to export their products and label them as organic in these markets they need to meet the organic labelling regulations of the importing countries. There are several standards and organizations that help implement those standards (see Section 6). In some markets there is also a strong presence of private organic labels with standards over and beyond those set by public regulations. These include Bio Suisse (Switzerland); Naturland (worldwide), the Soil Association (UK), and KRAV (Sweden).

Fairtrade

Fair Trade organizations work to improve market access and trading conditions for small-scale producers and plantation workers. The association of the four main Fair Trade networks FINE defines Fair Trade as “a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South. Fair Trade organisations, backed by consumers, are engaged actively in supporting producers,

²⁹ www.tesco.com/nurture

awareness raising and in campaigning for changes in the rules and practice of conventional international trade”.

The system developed by Fairtrade Labelling Organizations International (FLO), built around the Fairtrade, Transfair and Max Havelaar, is the predominant Fair Trade scheme for agricultural products. FLO labelled products are certified by FLO-Cert, the certification body of FLO, which inspects and certifies producer organisations. There is a minimum guarantee price to the producer, plus a Fair Trade premium to be used for organizational strengthening and projects that enhance social, economic and environmental development. Standards also encompass principles of ethical purchasing to ensure that the conditions for the production and trade of a product are socially and economically fair and environmentally responsible.

In addition to smallholder standards, there are FLO plantation standards for bananas, cut flowers, fresh fruit, juices, ornamental plants, tea and wine.

Mainstreaming of Fairtrade has been achieved through brands or retailers converting a whole product range or category, such as bananas or confectionary.

There is a shift towards multiple certification, particularly in the case of Fairtrade and organic. In addition to this shift, the two certification schemes have also been seen to be increasingly overlapping with one another in terms of their focus and certification criteria.

3.3.5 GAP-based standards with consumer label

Rainforest Alliance

Rainforest Alliance (RA) was established in 1987, primarily to protect ecosystems and the people and wildlife that depend on them. It began with forest certification in 1990 and moved to agricultural products in 1994. Under the auspices of the Sustainable Agriculture Network (SAN), RA and its partner organizations work with farmers to bring their coffee, cacao, banana, citrus, fern and cut flower operations up to the SAN’s standards for protecting wildlife, wild lands, workers’ rights and local communities. The SAN awards the Rainforest Alliance Certified seal to farms, not to companies or products. Unlike Fairtrade, RA’s emphasis is on how the farm is managed, rather than how products are traded. Farmers may apply for certification for all land under production and companies may request that all of their source farms be certified. In addition, companies must register with the Rainforest Alliance in order to purchase and sell product as RA certified. The SAN has a set of ten principles that address specifically human rights, labour, environment and anti-corruption principles (see Table 4).

Table 4. Rainforest Alliance Principles and Criteria³⁰

SAN Principles	Critical Criteria
1. Social and Environmental Management System	Farm must have a segregation system for certified and non-certified materials
2. Ecosystem Conservation	Existing natural ecosystems must be identified, protected and restored. Areas unsuitable for agriculture must be reforested / restored.
3. Wildlife Protection	Hunting, capturing and trafficking wild animals must be prohibited

³⁰ Rainforest Alliance and UN Global Compact, Measuring business success from sustainability certification, May 2007

	on farm.
4. Water Conservation	The farm must not discharge wastewater without demonstrating compliance with legal requirements.
5. Fair Treatment and Good Working Conditions for Workers	The farm must not discriminate in its labour and hiring policies. Workers must receive legal minimum or average wages. Child and forced labour is not permitted.
6. Occupational Health and Safety	Personal protective equipment must be provided for all workers coming into contact with agrochemicals.
7. Community Relations	Non-binding commitment to relate positively with community through public consultations, contributions to local economic development, etc.
8. Integrated Crop Management	Genetically modified crops and prohibited chemical and biological substances are not used.
9. Soil Management and Conservation	New production areas must only be located on land with the climatic, soil and topographic conditions suitable for intensity level of the agricultural production planned.
10. Integrated Waste Management	Non-binding requirement to manage and reduce waste.

Utz Certified

Utz Certified (originally Utz Kapeh) began as an initiative in 1997 under the Dutch Ahold Coffee Company, along with Guatemalan coffee producers, to create transparency along the supply chain and reward responsible coffee producers. In 2002, Utz became an independent organization and has since expanded to other commodities (cocoa, tea). Utz is founded on the basis of good agricultural practice (specified by GLOBALGAP) and places a strong emphasis on responsible farm management, plus the guidelines outlined in the SA8000 global social accountability standard. Utz Certified operates a traceability system that is also being used to track products not using the Utz Certified label, such as RSPO-certified palm oil.

The Utz Certified Code of Conduct covers three categories: Good agricultural and business practices, social criteria, and environmental criteria (Table 5). Although Utz Certified does track the price premiums that are received by growers, it does not specify a required premium to be paid. Because the scheme is targeted at supporting brands of processors and retailers it is less concerned with using it the label as a niche marketing tool and customer selling point.

Table 5. Summary of Utz Certified Code of Conduct

Category	Summary of Requirements
Good Agricultural and Business Practices	Monitoring of business processes Proper training of workers Accident and emergency procedures Hygiene rules and practices Traceability of product Annual internal inspections
Social Criteria	Application of national laws and ILO conventions No forced and child labour No discrimination, respectful treatment of workers

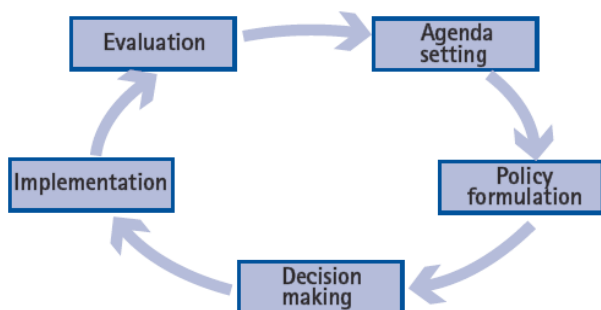
	Freedom of association and collective bargaining Freedom of cultural expression Protective clothing for work with chemicals Access to health care for workers and their families Access to education for children Access to decent housing and clean drinking water
Environmental Criteria	Reduction and prevention of soil erosion Responsible and minimal use of agrochemicals Integrated Pest Management Minimized water and energy use Optimized use of sustainable energy sources Protection of water sources No deforestation of primary forests Protection of endangered species

4. Framework for developing a national VSS strategy

Voluntary sustainability standards can be a tool and catalyst for sustainable development. But if implementation is poorly managed and disconnected from national sustainable development policies, a VSS strategy can be an inefficient use of public resources.

The challenges for policy makers, as set out in Section 1, are to (a) understand where VSS fit in successful strategies for exports that also support national sustainable development goals; (b) to understand the risks and pitfalls; (c) to facilitate standards compliance through a supporting institutional framework; and where possible, (d) to influence VSS to better fit local needs and realities.

This section sets out a framework to support strategic decision making and policy formulation on (a) – (d). The process of orienting an existing production sector to voluntary sustainable standards will follow the generic stages of a **policy cycle** shown here.³¹



At each of these stages, several key considerations for integrating sustainability concerns and VSS should be taken into account.³² This section of the guide provides guidance on each step to construct a

³¹ The approach outlined in this chapter is adapted from two publications of the United Nations Environment Programme: 'Integrated policymaking for sustainable development' and 'Integrated assessment: Mainstreaming sustainability into policymaking,' both from August 2009.

³² Adapted from UNEP 'Integrated Assessment: Mainstreaming Sustainability into Policymaking,' 2009

strategy and policy around voluntary sustainability standards. Most emphasis is placed on agenda setting and policy formulation. References to some relevant existing documents, websites and tools are also provided for further information.

The case of developing a VSS strategy into an agrifood sector may require factoring specific considerations into this part of the policy cycle. In particular, it is important to:

- **Frame the issue in sustainability terms** -- Focus on the links between important social, environmental and economic issues and the agrifood sector of interest.
- **Manage the entry of the issue onto the agenda** -- Strategize with lead coordinating agencies to ensure that VSS targets sustainability concerns.
- **Seek viable policy windows** -- Closely link other policy processes, such as reviews of agriculture or trade policies, and negotiation of economic partnerships.
- **Set policy objectives using SMART indicators** -- Establish specific objectives for the policy to help clarify the need for intervention in specific sectors, and to encourage support from other actors once goals are expressed concretely. Objectives should be expressed at the general, specific and operational levels.
- **Reconcile the interests of different stakeholders** – Conduct public consultations that involve all actors likely to be affected by VSS; identify relevant actors and understand their priorities and concerns – see Table 6.

Table 6. Stakeholder analysis and public consultation processes³³

Basic Steps	Objectives
1. Draw up a stakeholder table	<ul style="list-style-type: none"> • Make full and short lists of stakeholders, classified as primary stakeholders (affected by the issue) and secondary stakeholders (intermediary organizations in funding, implementing, organizing, etc.) • Identify stakeholder interests as comprehensively as possible
2. Analyze relationships between stakeholders	<ul style="list-style-type: none"> • Describe stakeholder relationships and how they influence each other • Seek insight into potential coalitions and conflicts
3. Analyze power relations	<ul style="list-style-type: none"> • Determine types of influence that different stakeholders have • Determine overall power to influence planning processes
4. Design appropriate approaches	<ul style="list-style-type: none"> • Determine who to involve, and when and how to involve them • Decide which stakeholders are represented on steering committee • Decide which stakeholders consulted based on their expertise and/or interests • Decide which stakeholders to involve as partners • Decide which stakeholders to direct involve and keep closely informed due to their major powers

³³ Adapted from: 'Sustainable Development Strategies Resource Book' at www.nssd.net/pdf/resource_book/SDStrat-05.pdf and UNEP 'Integrated Assessment: Mainstreaming Sustainability into Policymaking,' 2009 www.unep.ch/etb/publications/AI%20guidance%202009/UNEP%20IA%20final.pdf

An informed and constructive dialogue at the national level can help to demystify the issues of VSS in the pursuit of effective strategy. There are particular benefits to running this as a **multi-stakeholder process** that jointly investigates opportunities and risks as part of the strategy design. That process can set priorities not only for government but also business, civil societies and (where relevant) donors (see Section 6).

4.1. Step 1: Agenda setting

As set out in Section 1, agenda setting and allocation of public resources around VSS can be contentious, considering that VSS pertain mainly to export crops and private goods; and that public institutions are usually excluded from VSS negotiation and standard-setting.

Agenda setting is informed by scans of the market, standards, and institutions and policies, presented here as three scans. In the market and production scan, agricultural opportunities are identified based on agronomic potential within the country or region and the existing opportunities to enter an export market sector. In the standard scan, existing VSS are analyzed based on their ability to meet policy objectives and their ability to promote trade opportunities with identified markets. In the institutions scan, actual and potential institutional support is assessed to assist standard implementation and identify gaps.

These scans enable a balanced understanding of the risks and opportunities associated with each possible option. Policy makers will probably rely on private sector actors to conduct much of the scanning. Much of this information may be available from the private sector, or if not, the private sector can commission it.

4.1.1 Market and production scan

Market scanning and analysis is an essential part of VSS decision making. The potential to supply an export market will fundamentally be based on agronomy, the ability to produce these products, existing and prospective supply capacity, strategic international competitiveness, and related supportive infrastructure and investment.

From a public policy perspective, it is most reasonable to examine sectors in which existing commercial opportunities are already present and which at the same time have a positive social impact. If the country's producers are already supplying a market – either high value or commodity – where VSS are becoming a new requirement, then this analysis is more about risk, and opportunity to defend (and possibly grow) the position in that market.

The resurgence in prices of global commodities since 2007-2008 has reshaped the market landscape, with staples and bulk commodities – which have lower barriers to market entry than 'high value' export crops – becoming much more attractive. The relative merits of both tracks must be part of the market scan.

The market scan will have to contextualize the above information by offering a quick analysis of some basic market characteristics, including levels of competition and market saturation.

The **supply chain** should also be assessed for intentions to adopt VSS in the identified market, with a focus on lead firms which set the terms and conditions of transactions as well as define product specifications. Key drivers for lead firms will be:

- Attractiveness of the standard's benefits, such as security of supply, quality control, improved market position, cost and risk reduction

- Stated company targets (e.g. for ‘sustainable sourcing’)
- Previous track record in supporting chain-wide activities

4.1.2 Scan of standards

Once commercial opportunities to supply a specific export market have been determined, attention can be paid to standards, including VSS, and regulation. The goal is to identify whether VSS are (or soon will be) required to access the market and whether VSS will add competitive value to the country’s exports. If VSS are required, this step should identify the relevant standards.

A first assessment can also be made as to whether or not implementation of VSS is realistically feasible. Often several buyers ask for different VSS in the same market. As discussed previously in this guide, types of standards and regulations range from mandatory international requirements – primarily related to food safety – to national requirements, mainstream standards, and niche standards. These standards will cover a range of issues, including social, environmental and economic sustainability. There can be big range in requirements between different products of the same crop. For example, mango juice does not have the same requirements as the export market for whole mangos.

The next step is to **assess the costs and potential barriers to the standard’s adoption for producers**. Many costs and benefits of VSS implementation may impact different actors. However, most standards will include some production-level requirement, and producers may be the ones who require significant extension service support for standard implementation. Important points to check are the following:

- Are the standards prescriptive or rather results oriented? Are they flexible enough to be adapted?
- Are they suited to the local conditions of the producers?

The scan will include an assessment of the technical requirements for implementing the standard in terms of changing production practices. Here it will be necessary to examine:

- Direct technical costs of adopting new practices.
- Organizational costs when applicable.

The production scan must also assess the standard’s method of verification of compliance, and include this category of cost in the assessment:

- Costs of verification/testing and monitoring, comparisons when standard allows more than one option.

Finally, the potential direct and indirect **production-level benefits must be assessed**, including:

- Presence of any market premiums for VSS, and share of potential market premiums paid to producers.
- Added value of best management practices (input reduction, yield increases, added production stability, occupational health benefits, increased motivation of workers, reduced absenteeism, enhanced soil fertility and other environmental benefits – see Annex.
- Growth in market share and market access.
- Added price stability.

It is important to also consider smallholders and outgrowers in the chain, in terms of their market position and ability to adopt the standard:

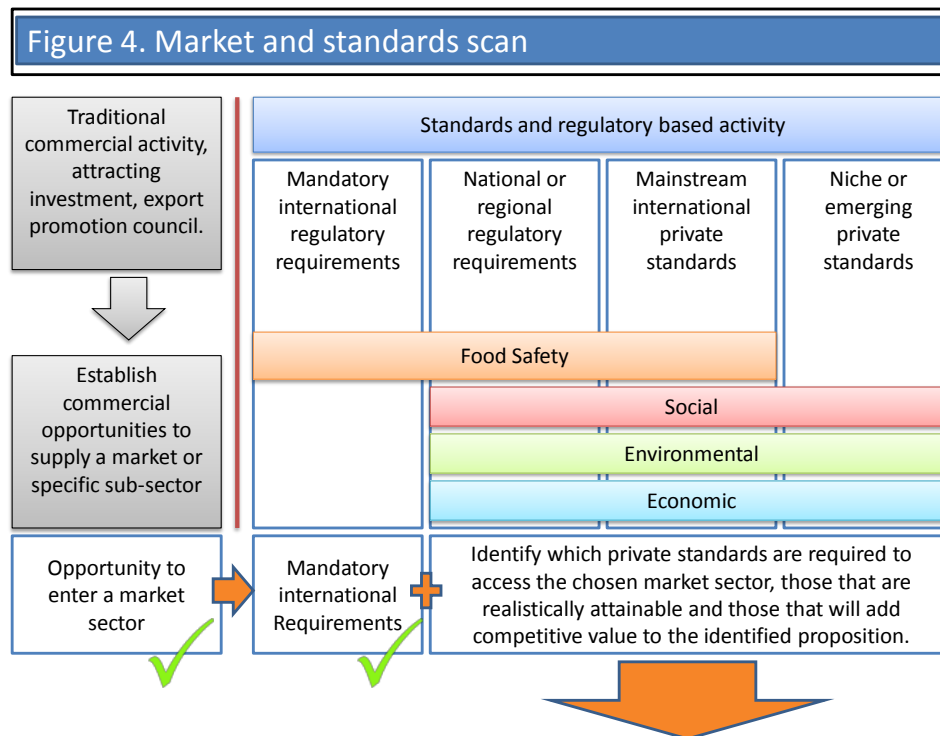
- Is it an exploitable market niche for smallholders? Is that opportunity enduring and unique?
- How appropriate is the standard for smallholder producers? The majority of sustainability standards and associated certification and audit regimes are more suited to large-scale producers, while others prioritize smallholders.

To determine if the standards meet national sustainable development policy objectives, the expected positive **outcomes** of VSS can be itemized supported by **evidence of impacts** of VSS on the ground. This is especially important because allocation of scarce public resources to support VSS-based export strategies will often be contentious. Evidence of positive outcomes include improved farm livelihoods from **improved productivity** associated with the increased farm monitoring and extension services that come with the application of VSS. It can also come through improvements in both the number and conditions of **wage labour**.

This evidence needs to be related to the conditions under which impacts are most likely to be positive (see Annex), including:

- Pre-existing **producer organisation**
- Pre-existing **assets and market linkages**
- Pre-existing or potential for, **quality production**

The ingredients of the market and standards scan are summarised in Figure 4.



4.1.3 Institution and Policy Scan

The primary objective of the institutional scan is to assess **actual and potential institutional support** available to assist standard implementation and identify **gaps**. It can also identify opportunities to tailor the VSS, where at all possible, to local needs and conditions. This scan is a critical part of the whole process, as it addresses governmental roles and responsibilities.

Here again, it is important to note that standards are part of a web of institutional capacities that form the backbone of competitiveness and comparative advantage of the few developing countries that dominate exports of compliant products. Often that institutional capacity is not present, and private, governmental, and donor efforts do not live up to their expectations (see Box 1). A facilitating environment for VSS will have much in common with a facilitating environment for exports. This explains why the 2010 *State of Sustainability Initiatives* reports that in every commodity sector that was analysed, 'sustainable production was found to be dominated by more developed markets or markets with an established history in supplying sustainable markets.'³⁴ Interventions focused only on standards compliance without attention to that set of public and private capacities will leave a legacy of certified farms without markets, or a legacy of donor dependence.

Box 1. Experience of two decades of private, governmental, and donor efforts to promote Ugandan horticultural exports.

'[T]he challenge of standards compliance is just one among a set of challenges faced by this industry. In recent years, the dedicated attention by donors and the government to standards compliance may have overlooked many of the more fundamental matters of management, applied research, technology transfer, and access to finance, which are required to ensure sustainable participation in international markets. Support to maintain and consolidate limited gains in some export sectors and to address underlying industry constraints is needed, but with a focus on approaches that integrate compliance issues within the wider set of production and marketing factors....

'Thus, development assistance interventions focused on standards compliance and related upgrading are likely to have greater and more sustainable impact when applied in contexts where many other technical and supply chain problems have been resolved and where there are clear market signals that compliance is demanded.'

Rios et al., 2009³⁵

The first issue that must be addressed is whether or not VSS have the support of relevant national governmental ministers and departments. Without such support, introduction and implementation of new standards may be prohibitively difficult.

The institutional scan then assesses the technical and organizational requirements for primary producers and intermediaries to meet VSS. The scan should also provide an understanding of the chain's potential to apply chain of custody, segregation, and verification guarantees, if the standard requires traceability. Relationships and technical abilities along the chain will contribute to, or hinder, the adoption of the chain of custody requirements of the standard. For example, a standard allowing Book and Claim verification will be much more easily introduced in a fragmented and dispersed chain than one requiring identity preservation of particular materials.

These requirements are compared against available resources and institutions. They are also

³⁴ SSI (2010). *The State of Sustainability Initiatives 2010 Review: Sustainability and Transparency*. www.iisd.org/standards/ssi.asp

³⁵ Rios LD, Jaffee S, Henson S and Mugisha J (2009). *Not yet up to Standard: The Legacy of Two Decades of Private, Governmental, and Donor Efforts to Promote Ugandan Horticultural Exports*. World Bank, University of Guelph, University of Makerere. [http://vle.worldbank.org/bnpp/files/Not%20yet%20up%20to%20standard\(Uganda\).pdf](http://vle.worldbank.org/bnpp/files/Not%20yet%20up%20to%20standard(Uganda).pdf)

compared against constraints, including knowledge and skill gaps, including limited access to finance, perverse incentives or regulations, and insufficient access to information.

Finally, the institutional and policy scan will estimate the degree of external support (state, business or donor) that could overcome constraints and help implement VSS, and examine:

- Availability, reliability, terms of facilitating / coordinating institutions
- Availability, reliability, terms of matching funding (commercial or development)
- Availability, reliability, terms of existing training and extension services
- Effective multi-stakeholder dialogue and related public-private partnerships

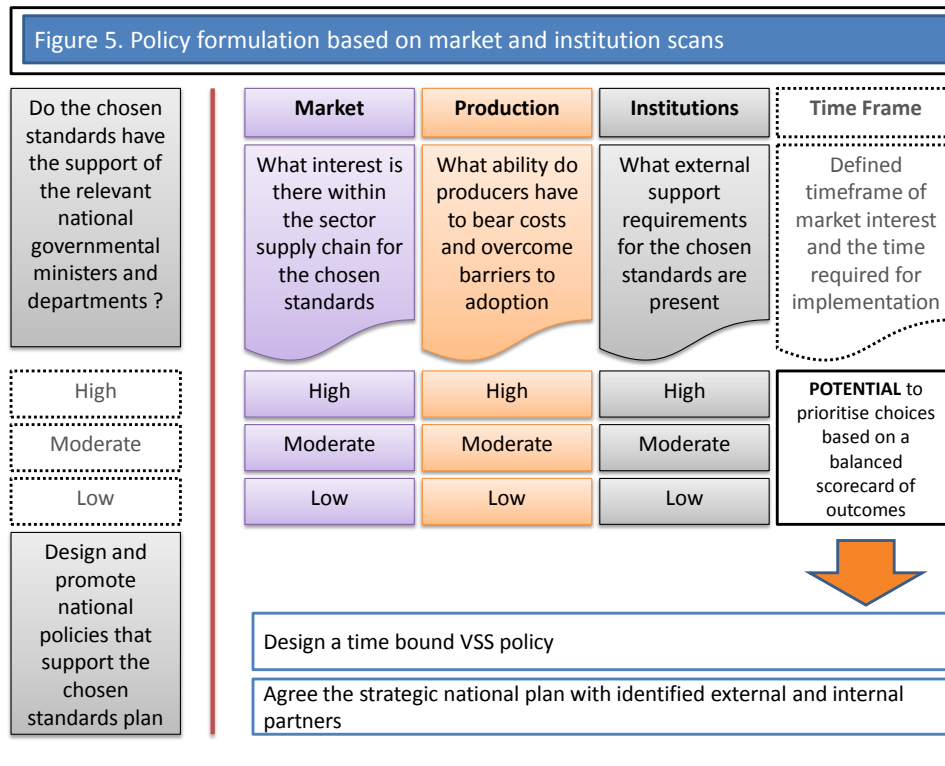
An institution scan will primarily rely on stakeholder and supply chain analysis.

The institutional scan also has to focus on the policy environment. The VSS in the identified market sector are matched against national policy objectives. These can include social, environmental and/or economic priorities. It is necessary to also consider whether the standards meet existing trade promotion messages, or whether trade promotion messages can be adapted to support the standards that are identified. If a standard is identified which supports sustainable development objectives but will not have market support, implementation is not likely to be successful.

The institution scan should also include the **standards and certification bodies themselves** – what are the opportunities for adapting the standards and certifications to better reflect local conditions? This is further developed in 4.2.

There are some useful practical guides for institutional mapping, including Chapter 3 of the IIED/Wageningen guide to *Chain-wide Learning for Inclusive Agrifood Market Development*; or the SWOT and 5M approach used in the FAO guide for producer organizations regarding exported organic and fair-trade certified products (see Section 6 – Further Resources).

To summarise Step 1, the scans can be used for policy formulation as set out in Figure 5.



4.2 Step 2: Policy formulation

After Step 1 above, a policy maker, preferably with the support of a multi-stakeholder process, should now have identified the opportunities (and risks) of voluntary sustainability standards within national policy objectives, and their potential for implementation. The policy maker will have an account of the costs and expected positive impacts of VSS and the potential support and challenges to implementation, under resource constraints and multiple calls on state resources.

The next step is policy formulation, which identifies **legitimate areas of public investment** to generate **public goods**. The strategy design process presented in this section may help policy makers balance different priorities and finalize the options for supporting the adoption of VSS.

It is necessary to set **policy objectives** to clarify goals and allow future evaluation, **and meet national policy objectives**. Those objectives can be set at three levels, as follows:

Three levels of objectives³⁶

General objectives

Overall goals of a policy, expressed in terms of its outcome and measured by global indicators.

Example

General objective: Promote economic development of rural areas

Indicator: Rate of economic growth in specific areas

³⁶ Adapted from: European Commission Integrated Assessment Guidelines

Specific objectives	Immediate objectives that need to be reached in order for general objectives to be achieved. Expressed in terms of direct and short-term impacts. <i>Example</i> Specific objective: Levelling the playing field for small-scale producers and SMEs, to facilitate market access Indicator: Increasing market shares by smallholders for certified products
Operational objectives	Outputs of the intervention, expressed in terms of deliverables under direct control of the policy implementers. <i>Example</i> Operational objective: Introduce a specific sustainability standard Indicator: Portion of supply chain certified

The process of policy formulation is also important, especially since a strategy on voluntary sustainability standards will need to be compared with other policy options –such as promotion of domestic markets or commodity trade – before it is chosen as the best way to address the identified sustainability issues. This requires policy coherence between government agencies and inter-agency collaboration. Inter-agency committees may have already been established at the agenda setting stage, and will help ensure commitment from senior officials in other organizations. At this stage, formal procedures to resolve conflicts in policy formulation and implementation can be designed.

4.2.1 Policy instruments

Policy formulation requires a **review of different policy instruments** that can leverage public institutions, regulations and resources. These can be divided between four types:

- Infrastructure
- Capacity building
- Incentives
- Influencing and adapting standards systems

An instrument in frequent demand is **standards infrastructure** such as testing laboratories and quality assurance that should be recognized by foreign certifying bodies.

Capacity building can be approached through:

- **Training and support services.** There may already be schemes associated with VSS that tailor training and support to certification. An example is the Soy Producer Support Initiative initiated by Solidaridad, WWF and the Round Table on Responsible Soy (RTRS). It is channelling support to 25,000 small-scale soy farmers in Argentina, Bolivia, Brazil, Paraguay and India, preparing them for certification. Farmer support is also a central pillar of the Better Cotton Initiative (BCI), and BCI will coordinating a programme of activities for this purpose.³⁷
- **Assistance for group formation**, or at least the removal of disincentives against economic organisation of producers

³⁷ www.bettercotton.org/index/146/farmer_support.html

Incentives and subsidies that can level the playing field for small-scale producers³⁸ include:

- **Subsidised audits and certification** for VSS compliance.
- **Preferential access to inputs and services**, especially finance, for certified producers.
- **Public procurement**, stipulating certified foodstuffs from small-scale suppliers within public procurement contracts.

Policy instruments for **influencing and adapting VSS systems** are numerous:

- **Supporting the participation and voice of marginalised groups such as smallholders in the standard setting process.** The ISEAL Code of Good Practice on Setting Social and Environmental Standards Standard states that participation in standards consultation should be open to all interested parties and that participation and decision-making reflects a balance of interests among interested parties in the subject matter and in the geographic scope to which the standard applies. Also, interested parties should be provided with “meaningful opportunities to contribute to the development or revision of a standard.” But “interested parties” may be dispersed, heterogeneous, and may well not understand or value VSS. An example of a deliberate attempt to bridge that gap has been the GLOBALGAP African Ambassador,³⁹ appointed to represent the needs of small producers in developing countries and emerging markets in the GLOBALGAP technical working groups. This was supported by DFID and linked with Horticultural Associations in Ethiopia, Ghana, Kenya, Malawi, Rwanda, South Africa, Uganda, Zambia and Zimbabwe. Another example is the RSPO Smallholders Task Force⁴⁰ which is aimed at promoting the interests of smallholders in the RSPO process.
- **Promoting smallholder-specific elements to standards and certification** with group certification being the most obvious adaptation. Smallholder-specific elements have been built into FLO and Utz Certified systems.⁴¹ Utz Certified has a stepwise certification approach that reduces up-front investment, whereby producers are certified based on an annually increasing number of requirements. Costs can be lowered for VSS compliance, for instance through advocating for mutual recognition between standard systems and combined audits, or advocating peer reviewing systems rather than using expensive inspectors from outside.
- **Direct engagement with, and influence over, the standard-setting process.** Policy makers have a legitimate role in lobbying VSS bodies to achieve some alignment with national policies for sustainability and poverty reduction. In reality, engagement by national policy makers with most private standard-setting processes is difficult. Government representatives are regarded as ‘slow’ participants in multi-stakeholder processes because it is necessary for them to communicate with superiors to ensure they have appropriately represented the national position.
- **Supporting the establishment of nationally adapted standards** which can be benchmarked against a global private standard. Policy makers can use the approach taken by private standards to drive upgrading of their domestic markets. An example is KenyaGAP, a public-private initiative to reduce costs and improve local appropriateness of certification to GLOBALGAP standards. Although KenyaGAP has not yet found acceptance in the international

³⁸ Insert example of FELCRA and RSPO in Malaysia

³⁹ www.GLOBALGAP.org

⁴⁰ www.rspo.org/?q=page/529

⁴¹ Ref SSI report

market, despite huge investment and a five-year benchmarking process, KenyaGAP has now found an excellent application for all produce sold through formalised channels within Kenya including food service outlets. This represents the enfranchisement of a private standard into public policy. Other national GAP standards are MS-GAP in Malaysia, ThaiGAP, VietGAP and ChinaGAP. These national GAP standards may allow for a “lighter” regulation of domestic production, providing a transition to full benchmarking to the international standard.⁴² Another example of a public-private initiative is the East African Organic Products Standard (EAOPS) which will provide a highway to the European market when it gets benchmarked to the European organic standard. The establishment of nationally adapted VSS is however, an extremely resource-intensive route. There are other risks involved in this approach too, in terms of the integrity of the standard if the government is the standard owner, certification body and accreditation body.

- **Investment in a local certifier**, such as Africert.⁴³
- Advocate for a **harmonised and comparable system of VSS reporting and impacts measurement**, to stimulate the continued improvement and impact of VSS.
- **Support an informed debate on VSS at the WTO**

Each policy instrument needs to be **costed**, and weighed against alternative scenarios including alternatives to high-standards markets.

4.2.2 Financial strategies

Policy formulation requires an examination of **sustainable financial strategies** that can support a national VSS strategy that can become largely independent from donors. Long-term funding may be generated by the added value of VSS in export markets. However, short-term seed funds will be needed, and any necessary large investments for long-term infrastructure development should be anticipated.

This policy formulation stage should include a review of available external support. Again, the VSS and associated stakeholder initiatives offer a range of opportunities (see also 4.2.1). For example, Fairtrade has established a Producer Certification Fund to assist producer groups that may find the costs of Fairtrade certification difficult to meet. The **Ethical Tea Partnership** has redefined its role to supporting the tea sector to facilitate third-party certification where this is of interest to producers and ETP members. The mission of ISEAL is also moving in this direction.

Certification schemes can also pull in development cooperation funding for training and certification. However, there is a risk with subsidising certification costs that when funders withdraw there will be a large producer fall-out once producers and value chain actors are exposed to the true costs of certification. A study of GLOBALGAP in Kenya showed how many smaller horticulture exporters were highly reliant on donor assistance for adherence to private standards, and that the withdrawal of those

⁴² UNCTAD (2007). Challenges and Opportunities Arising from Private Standards on Food Safety and Environment for Exporters of Fresh Fruit and Vegetables in Asia: Experiences of Malaysia, Thailand and Viet Nam

⁴³ www.africert.co.ke

funds led to producers failing to certify or dropping out of the compliance system within one to two years of first being certified.⁴⁴

Long term co-investment between chain partners – where certification is regarded as part of the regular costs of doing business - is likely to be more sustainable in the long-term. Many producer groups receive assistance in paying their certification fees from their commercial partners such as exporters – again, there is empirical evidence of this in the case of GLOBALGAP in Kenya.⁴⁵

4.3 Step 3. Decision-making

Like any policy, a VSS strategy will create winners and losers by affecting the status quo. It is necessary to effectively communicate the strength of chosen policy options and demonstrate how, ideally, win-win outcomes are achieved. This can be assisted by undertaking the following:

- **Share transparent decision criteria.** Related to the process of setting policy objectives in the previous step, establishing the criteria by which different approaches are evaluated allows for a transparent decision-making process, including costs, expected outcomes (defence of market position, export promotion, rural livelihoods, environment). It must be possible to communicate the different criteria to various stakeholders in the process. It is important to avoid known biases at the decision-making stage, including biases against qualitative measurements and biases towards expected positive impacts and minimization of risks.
- **Establish a baseline scenario.** A baseline or ‘business as usual’ scenario describes what can be expected to happen if no policy is introduced. Measuring a baseline scenario will allow the implications of not intervening to be realistically assessed.
- **Assess sustainable development implications of different options.** Many tools and techniques, such as cost-benefit analysis, can be used for policy assessment.

4.4. Step 4: Policy implementation

The implementation phase of a new policy requires systematic preparation to improve chances of success. Introduction of a strategy on VSS will likely begin with pilot projects to demonstrate the feasibility of different interventions at the producer, market and policy level (section 4.2). Ineffective implementation will mean that such projects are not adequately implemented or are never scaled-up. There are several important strategies for the implementation phase:

- **Consider implementation challenges** throughout the policy cycle. By agenda setting and scanning as a multi-stakeholder process, by reconciling the interests of different stakeholders, by building supportive constituencies in relevant organizations throughout the process, by insisting on policy coherence (there may be up to 50 government bodies dealing with standards at any one time), and by setting SMART policy objectives early on, implementation challenges can be minimized.

⁴⁴ IIED and NRI (2009). Costs and benefits of GLOBALGAP compliance for small-scale farmers: synthesized findings, in Borot de Battisti, A., MacGregor, J., Graffham, A. (2009) *Standard bearers: Horticultural exports and private standards in Africa*. International Institute of Environment and Development, London

⁴⁵ Blackmore E and MacGregor J (in press). Private Voluntary Standards, co-investment and inclusive business. Chapter 12 in Dagmar Mithöfer & Hermann Waibel (Eds.). *Vegetable production and marketing in Africa -- socio-economic research*. CABI.

- **Manage stakeholder dynamics.** The stakeholder analyses conducted earlier in the process should be continually used to consider evolving interest and resources of different stakeholders. It is especially important to guard the interests of producers because of their crucial role in farm-level standard adoption.
- **Mobilize resources** proactively

4.5 Step 5: Policy Evaluation

Policy evaluation is an important stage in the iterative policy cycle. The evaluation stage will determine whether pilot projects should be scaled up as well as whether the policy format (voluntary sustainability standards) could be extended to other sectors. Planning and undertaking policy evaluations in a systematic way will ensure that results are both accurate and useful.

- **Specify the scope and criteria of evaluation and link to policy objectives.** Voluntary standards will have an impact at the production level, within the supply chain, and at broader levels through the introduction of more sustainable practices. Though impacts can be evaluated at specific levels, it is necessary to be aware of linkages between them as well.
- **Conduct Participatory Monitoring and Evaluation (PME).** Engaging stakeholders at various levels in monitoring and evaluating the effects of the standard's implementation allows for more adaptive management when problems arise. PME may also increase support for the process if stakeholders design their own success indicators and see their concerns being prioritized.
- **Ensure policy learning.** Transparent assessment of the successes and challenges in the policy implementation stage can enhance policy learning. Effective policy learning will help avoid future challenges in scaling-up an approach or expanding standards to new sectors.

5. Summary

Whether supported by governments or not, voluntary sustainability standards are market drivers that are here to stay. VSS have become more diverse and pervasive. They are features of export markets and also increasingly associated with the formal part of domestic markets in developing and emerging economies.

There are some characteristics of VSS that distinguish them from voluntary standards on food safety, for which there has been much more debate and analysis. VSS are less about using private delivery mechanisms for public regulation, and more about food brands and retailers responding to consumers and investors, and the struggle for brand differentiation. Sustainability standards will never have a "codex" as there is no agreed baseline in the marketplace of what sustainable food production looks like. In this very dynamic environment, there are fewer incentives for industry harmonization compared with food safety. Climate change and water footprinting add new demands and complexity. Standards institutions have become quite powerful market and policy actors in their own right.

Voluntary sustainability standards present big challenges for public policy, as they are mainly non-governmental processes that deliver a mixture of private and public goods, and yet make many demands of public policy.

Governments do have a role in VSS setting strategy, in aligning institutions and resources, in providing incentives, in levelling the playing field for small-scale producers, and in challenging bad practice. When public investments are made, normally the challenge for policy makers is to ensure that those investments produce a public good, rather than supporting activities which the private sector would or should be paying for. Farm productivity and product quality are valuable co-products of VSS, and will usually be the main incentive for VSS adoption. The market will likely not pay for a “sustainable” product in the long term. In addition, certification can be a successful means for farmers to diversify their markets and to establish longer-term relationships with other actors in the supply chain based on co-investment and collaboration.

VSS are only one tool among many available to policy makers, and they may have negative as well as positive effects. Expectations from VSS as stand-alone instruments for driving sustainable development may be too high. Large parts of trade are not influenced by VSS, including growing volumes of trade with emerging economies. Aiming at the most demanding markets may not be the most appropriate strategy for countries which lack the required public and private institutional infrastructure.

The policy cycle model presented in section 4 can apply to most forms of public or private policymaking. Introducing sustainability concerns into policy making can potentially raise the profile of voluntary sustainability standards as policy tools. However, since the promotion and implementation of standards requires the support of so many different actors at both government and supply chain levels, it is important to proceed with policy development strategically.

This guide has shown key strategic considerations that should be taken into account at specific stages of the policy cycle. This process-oriented approach must also be complemented with the specific information gained by market and institutions scans. Additionally, a policy maker can make use of the tools and references presented throughout this guide to adapt this generic advice to specific national circumstances.

6. Further information and resources

Information resources, decision support

- **ATTRA** Sustainable Agriculture Information Service (US focus) www.attra.org
- **Committee on Sustainability Assessment (COSA)** www.iisd.org/standards/cosa.asp Supports the provision of objective data and analyses on the social, economic and environmental costs and benefits of all of the major sustainability standards. Reports under the UNCTAD/IISD Sustainable Commodity Initiative.
- **CTA.** <http://agritrade.cta.int> Web portal on international agricultural trade issues in the context of ACP-EU relations
- **FAO** guide for decision makers on exporting organic and fair-trade products www.fao.org/organicag/organicexports/export-guide/it/ . FAO report *Impacts of Private Food Safety Standards on the Food Chain and on Public Standard-Setting Processes* (www.fao.org/docrep/012/i1132e/i1132e00.pdf). FAO FAO, Regulations, Standards and Certification for Agricultural Exports, 2006: www.fao.org/docrep/010/a0791e/a0791e00.HTM
- **Global Social Compliance Programme** GSCP. www.gscpnet.com A business programme for social and environmental harmonization in the global supply chain.
- **International trade Centre ITC** www.intracen.org Joint agency of the WTO and UN to help developing and transition countries achieve sustainable development through exports.. Includes a **portal on Trade for Sustainable Development (T4SD)** as an depth comparative dataset on VSS, which is in development -- for a summary of the T4SD approach, see <http://vi.unctad.org/files/studytour/stcol09/docs/stcolhagen.pdf>
- **ISEAL Alliance** www.iseal.org. International Social and Environmental Accreditation and Labelling Alliance established to strengthen the integrity of social and environmental certification systems. Works with established and emerging voluntary standard systems to develop guidance and help strengthen the effectiveness and impact of those standards. Works with companies, non-profits and governments to support their referencing and use of voluntary standards. Links to the *ISEAL Code of Good Practice on Setting Social and Environmental Standards* and the *Code of Good Practice for Assessing the Impacts of Social and Environmental Standards*
- **Sustainable Commodity Assistance Network (SCAN)** framework under the UNCTAD/IISD Sustainable Commodity Initiative: www.iisd.org/markets/tech/scan.asp
- **State of Sustainability Initiative SSI** Global initiative dedicated to improving understanding of voluntary standards and sustainability initiatives operating in commodity markets. Reports www.iisd.org/standards/ssi.asp . including *The State of Sustainability Initiatives 2010 Review: Sustainability and Transparency*
- **Tropical Commodity Coalition.** www.teacoffeecocoa.org Presents annual analysis of the recent market developments in the certified cocoa, coffee and tea sectors.

- **UNCTAD Trade and Environment** resources including country and regional studies on VSS for good agricultural practice www.unctad.org/trade_env/documents/PUBLI.asp .
- **UNEP-UNCTAD Capacity Building Task Force on Trade, Environment and Development** www.unep-unctad.org/cbtf . Aims to strengthen the capacities of developing and transition countries to effectively address trade-environment-development issues.
- **UNIDO** resources on **Trade Capacity Building**. Including publications *Global Value Chains in the Agrifood Sector* www.unido.org/fileadmin/user_media/Publications/Pub_free/Global_value_chains_in_the_agrifood_sector.pdf and *From Farms to Markets: Providing Know-how and Finance* www.unido.org/fileadmin/user_media/Services/Industrial_Competitiveness/Trade_Capacity_Building/CairoConference2008/agribusinessreport_s.pdf . UNIDO **Private Standards project** www.unido.org/index.php?id=1001200
- **USAID microLINKs** Enterprise Development & Value Chain Resources www.microlinks.org
- **World Bank-Netherlands Partnership Programme BNPP** <http://vle.worldbank.org/bnpp/> – especially publications on Trade

Certification schemes

Organic

General:

- www.fao.org/organicag/default.htm
- <http://www.unep-unctad.org>;
- www.organic-research.com
- www.ifad.org/evaluation/public_html/eksyst/doc/thematic/organic/asia.pdf

International

- IFOAM www.ifoam.org
- Codex Guidelines for organic foods www.codexalimentarius.net/download/standards/360/cxg_032e.pdf

Public organic standards

- EU: EU Organic Standard <http://organicrules.org>
- US: American Organic Standards www.ota.com
- Japan: Japanese Organic Standard www.maff.go.jp/soshiki/syokuhin/hinshitu/organic/eng_yuki_59.pdf
- Canada: Canada Organic Standard www.tpsgc-pwgsc.gc.ca/cgsb/on_the_net/organic/index-e.html

National private organic standards

- Bio Suisse (Swiss Organic Agriculture) www.bio-suisse.ch
- Bioland (Germany) www.bioland.de
- Demeter www.demeter.net

- KRAV (Sweden) www.krav.se
- Naturland (Germany) www.naturland.de
- Soil Association (UK) www.soilassociation.org
- Uganda Organic Standard www.nogamu.org
- East Africa Organic Products Standard www.ifoam.org/growing-organic/osea_public_report.php

Fairtrade

- **Fairtrade Labeling Organization International (FLO)** www.fairtrade.net. Certifies products www.flo-cert.net ? Small producers: bananas, cane, sugar, cocoa, coffee, fruit and vegetables, herbs and spice, honey, nuts and oil seeds, quinoa, rice, seed cotton, tea, wine. Plantations: bananas, cut flowers, fresh fruit, juices, ornamental plants, tea, wine. National members (eg TransFair or Max Havelaar) act as accredited certifiers.
- **European Fair Trade Association** www.european-fair-trade-association.org Follows FLO standards and adds requirements for special target groups (women, ethnic minorities, politically persecuted, etc)
- **Fair Trade Federation** www.fairtradefederation.org .FTF allows logo use after *organization* rather than *product* certification
- **World Fair Trade Organization (WFTO)** www.wtfo.com. FTO Mark identifies fair trade *organizations* rather than *products*.

GAP standards

- GLOBALGAP www.GLOBALGAP.org
- Rainforest Alliance www.Rainforest-Alliance.org
- Utz Certified www.utzcertified.org

Guides for chain mapping and multi-stakeholder processes

- *Chain-Wide Learning for Inclusive Agrifood Market Development*. IIED/Wageningen www.regoverningmarkets.org/en/resources/global/chain_wide_learning_guide_for_inclusive_agrifood_market_development
- *Making Value Chains Work Better for the Poor: A toolbook for practitioners of Value Chain Analysis*. [www.markets4poor.org/Making%20Value%20Chains%20Work%20Better%20for%20the%20Po](http://www.markets4poor.org/Making%20Value%20Chains%20Work%20Better%20for%20the%20Poor)
[or](http://www.markets4poor.org/Making%20Value%20Chains%20Work%20Better%20for%20the%20Po)
- GTZ *Value Links* Manual www.value-links.de/manual/distributor.html

Annex 1 Evidence of impact of Voluntary Sustainability Standards

Unfortunately evidence of VSS impact is rather scant except for Fairtrade, though is now receiving much more attention. Many assessment tools have been developed to help assess the positive impacts of different standards, and ISEAL have developed a Code of Good Practice for assessing the impacts of social and environmental standards.⁴⁶

Impact studies of Fairtrade are greater in number, though few have the empirical rigour of the comparative study of coffee and banana producers in Peru, Costa Rica and Ghana;⁴⁷ in most cases, involvement in Fairtrade increased output and/or yield of their key crops. They also found that positive average net household income effects.

Robust empirical studies on impacts of VSS on the environment are also few a far between, and without longitudinal studies, there is always the risk that “impacts” of certification are actually due to certification being attracted to better performing farms. Studies usually find that certified farms significantly outperform noncertified farms on a wide range of environmental assessment criteria, such as Melo and Wolf’s 2005 study of banana production in Ecuador.⁴⁸

The conditions under which standards and certification will be beneficial for farmers – especially smallholders – is highly context-specific, depending upon the nature of the original farming system employed by farmers, their pre-existing links to markets, the ways in which they are organised, whether they can access external support and how developed the certified market is for the commodity in question. It also depends on the nature of the standard; for instance if adoption is likely to drive upgrading in productivity and quality. In fact, many of the beneficial impacts of standards and certification are impossible to distinguish from the wider aspects of value chain access of which VSS are a part. For example, **contracts** enable some smallholders to access trade credit through designated input sellers for seeds, fertiliser or chemicals.

A first important note is that **producer organisation** is key for certification of small-scale producers, who form the majority of the rural poor and who are normally central to national development objectives. **Internal management and control systems** within producer groups are vital for successful engagement with certification. Although group organisation is not compulsory for all certification schemes, the costs of compliance and certification can be prohibitive and economies of scale cannot be achieving and transaction costs are likely to be high for developing links to market. Producer organization can be initiated by producers, businesses or NGOs. But certification is most successful where there is already an ethos of organisation and cooperative endeavor, rather than an organization that has been convened only to get benefits from certification.

A second important note from studies of impact is that **pre-existing assets** have a strong influence on likelihood of producers to benefit from specific certification programmes. Certification is typically most successfully when farmers are already linked to markets and can utilise these links to obtain support and co-investment for certification. Where smallholder farmers had been able to obtain VSS

⁴⁶ www.isealalliance.org/content/impacts-code

⁴⁷ Ruben R, Fort R and Zúñiga-Arias G (2009). Measuring the impact of fair trade on development. *Development in Practice*, 1364-9213, 19, 777 – 788

⁴⁸ Melo CJ and Wolf SA (2007). Ecocertification of Ecuadorian Bananas: Prospects for Progressive North–South Linkages. *Studies in Comparative International Development* 42, 256-278.

certification with assistance of NGOs before a market linkage is in place, the organisation can find it difficult to sell the products.

Third, for many farmers on the economic or geographic margins, standards and certification are likely to be successful only where there is already, or potential for, **quality production**. The chances of success are also higher if support from exporters, buyers or NGOs is available to invest in the costs of certification or the training needed to establish effective farmer groups, internal control systems and management capacity and appropriate agricultural practices. Certification merely allows good producers to differentiate themselves from poor performers, but has limited impact on the behaviour of poor performers.⁴⁹

Fourth, positive impacts on farm livelihoods can then arise from **improved productivity** associated with the increased farm monitoring and extension services that come with the application of VSS, rather than from market premiums which will usually be small, and last only until global supply of certified product is in balance with demand. Private extension support translates into increased productivity and improved quality at the farm level; this has been recorded from GLOBALGAP certification of fresh vegetables in Madagascar⁵⁰ and Rainforest Alliance certification of cocoa in Côte d'Ivoire. In Africa this is also part of the organic certification story; organic conversion in tropical Africa is generally associated with increases rather than reductions in yield in contrast to the experience in developed countries,⁵¹ and organic markets typically require high quality and market premiums are often related to high quality rather than certification.

Fifth, poverty reduction may be achieved through improvements in both the number and conditions of **wage labour** rather than producers. A study in Senegal showed how VSS have been part of changes in the sector that increased the number of plantations with poorer households benefiting through opportunities in the labour market.⁵²

⁴⁹ Consumers International and IIED (2005): 'From bean to cup: how consumer choice impacts upon coffee producers and the environment.' www.consumersinternational.org/Shared_ASP_Files/UploadedFiles/FDB0EF2D-14FE-4558-B219-A7FD81E089FB_Cicoffeereport.pdf

⁵⁰ Minten B, Randrianarison L and Swinnen JFM (2009). Global Retail Chains and Poor Farmers: Evidence from Madagascar. *World Development*, 37, 1728-1741

⁵¹ Bolwig S, Gibbon P, Odeke M, and Taylor A (2008). Certified organic export production – implications for economic welfare and gender equity amongst smallholder farmers in tropical Africa. UNCTAD. www.unctad.org/en/docs/ditcted20077_en.pdf

⁵² Maertens M and Swinnen JFM, (2009). Trade, Standards, and Poverty: Evidence from Senegal," *World Development*, 37 161-178,