Voluntary Sustainability Standards and how they interrelate to Sustainable Production, International Trade, and Market Access

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Session 1: Definition and Significance of Voluntary Sustainability Standards in Trade

Session 2: Challenges, Opportunities, and Tools of VSS

Voluntary Sustainability Standards (VSS)

Voluntary Sustainability Standards (VSS)

"Standards specifying requirements that producers, traders, manufacturers, retailers or service providers may be asked to meet, relating to a wide range of sustainability metrics, including respect for basic human rights, worker health and safety, the environmental impacts of production, community relations, land use planning and others." (UNFSS 2013)

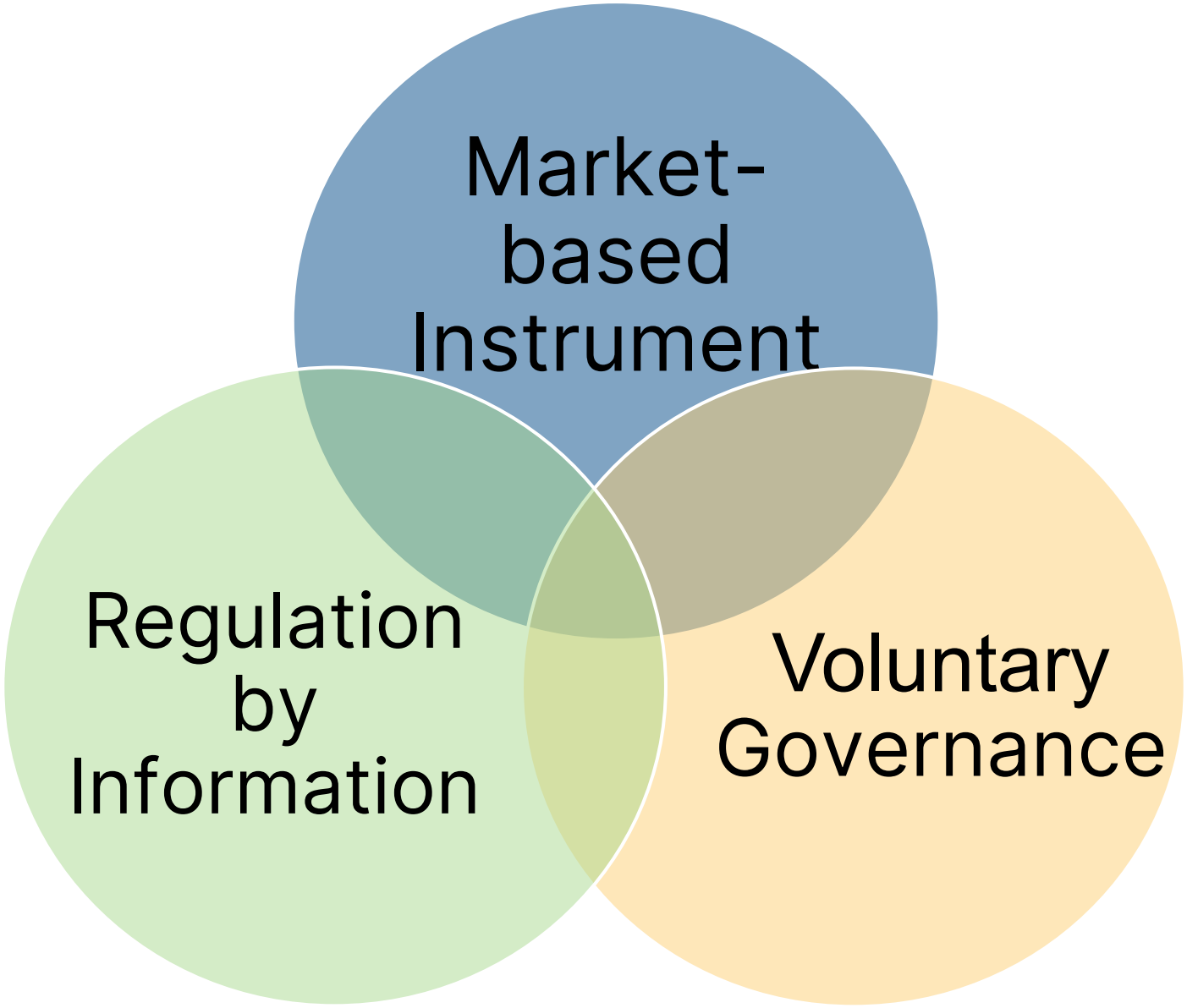
- Seal-of-approval
- Market access
- Effective marketing tool
- Price Premium



66 % of consumers are willing to pay a premium for sustainable products

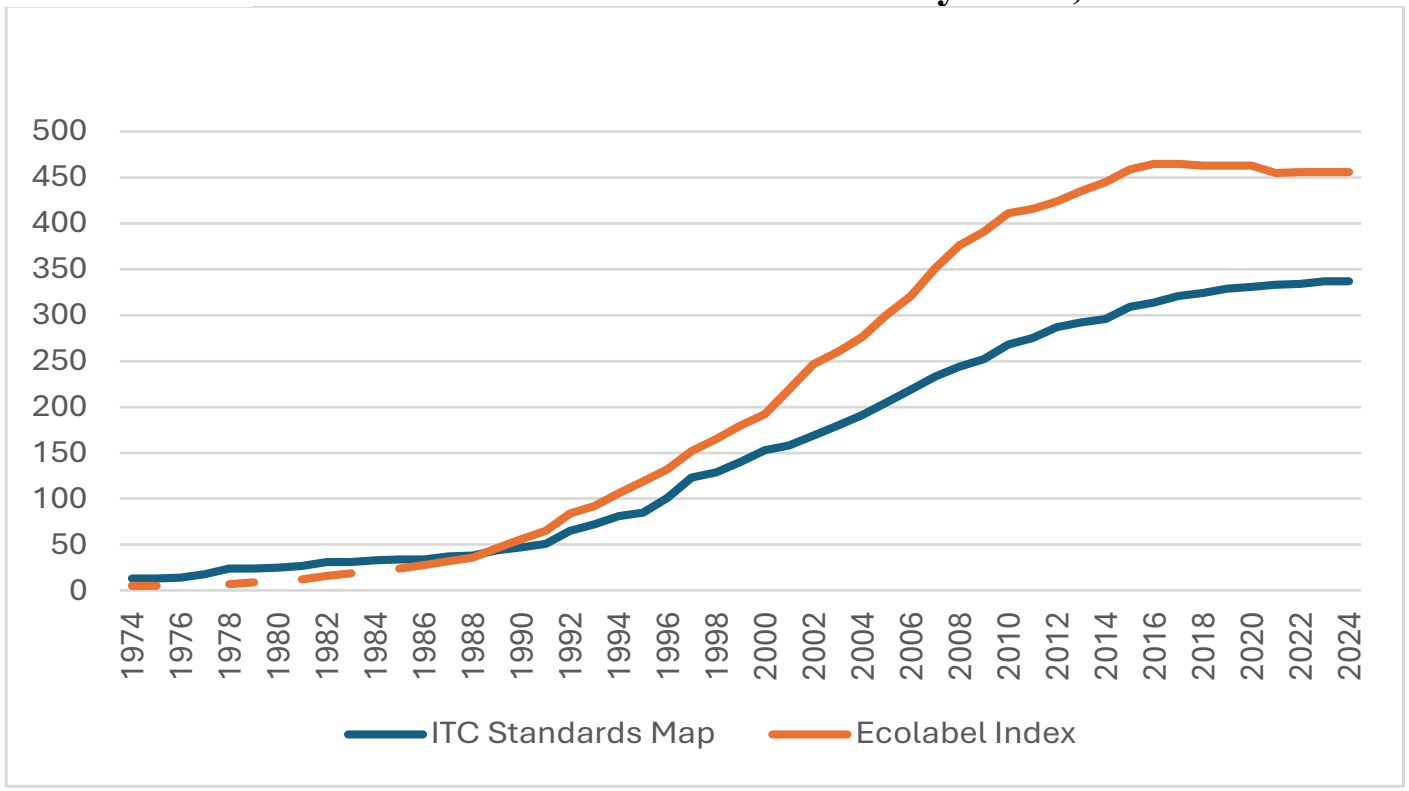
(Nielsen survey)

New Regulatory Form



A Market Reality

: Evolution in the number of VSS systems, 1974-2024



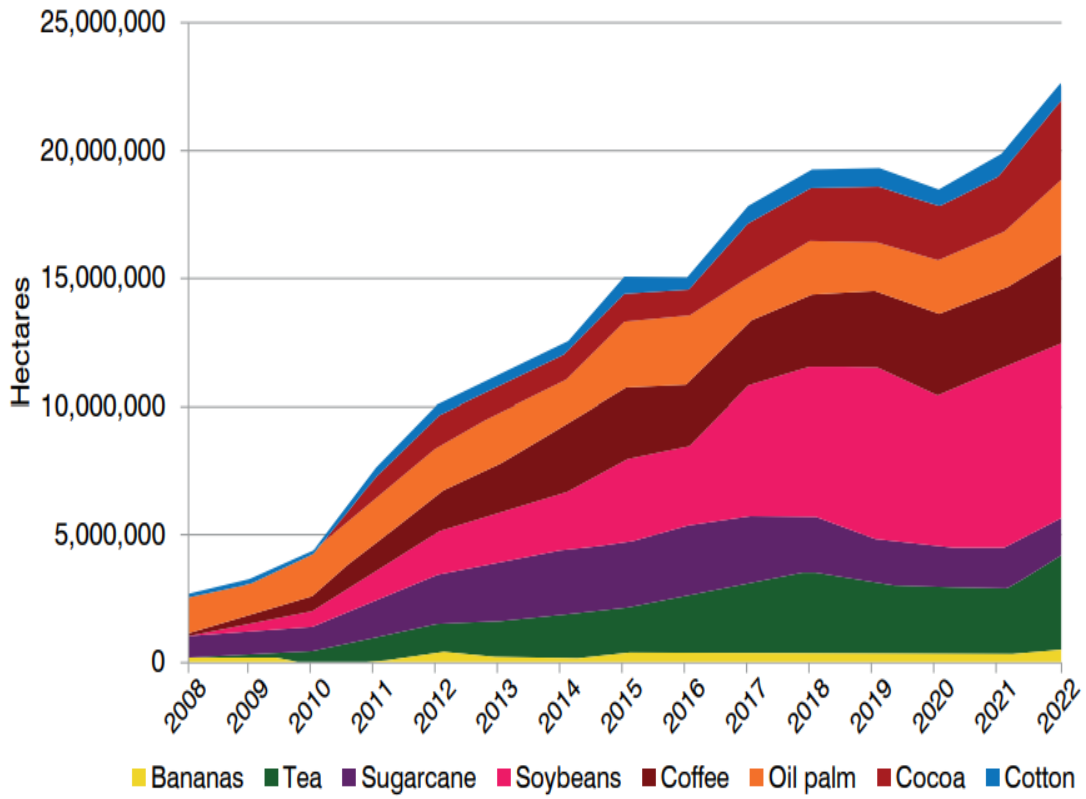
Source: ITC Standards Map (2024) and Ecolabel Index (2024).

Why?

- GROWING CONSUMER AWARENESS OF SOCIAL AND ENVIRONMENTAL ISSUES
- FIRMS' MOTIVATIONS, SUCH AS BRAND PROTECTION, PRICE PREMIUM AND MARKET ACCESS
- REACTION TO THE EMERGENCE OF OTHER VSS
- REACTION TO FAILURES OF MULTILATERAL REGULATORY EFFORTS
- GOVERNMENTS' ENGAGEMENT WITH VSS

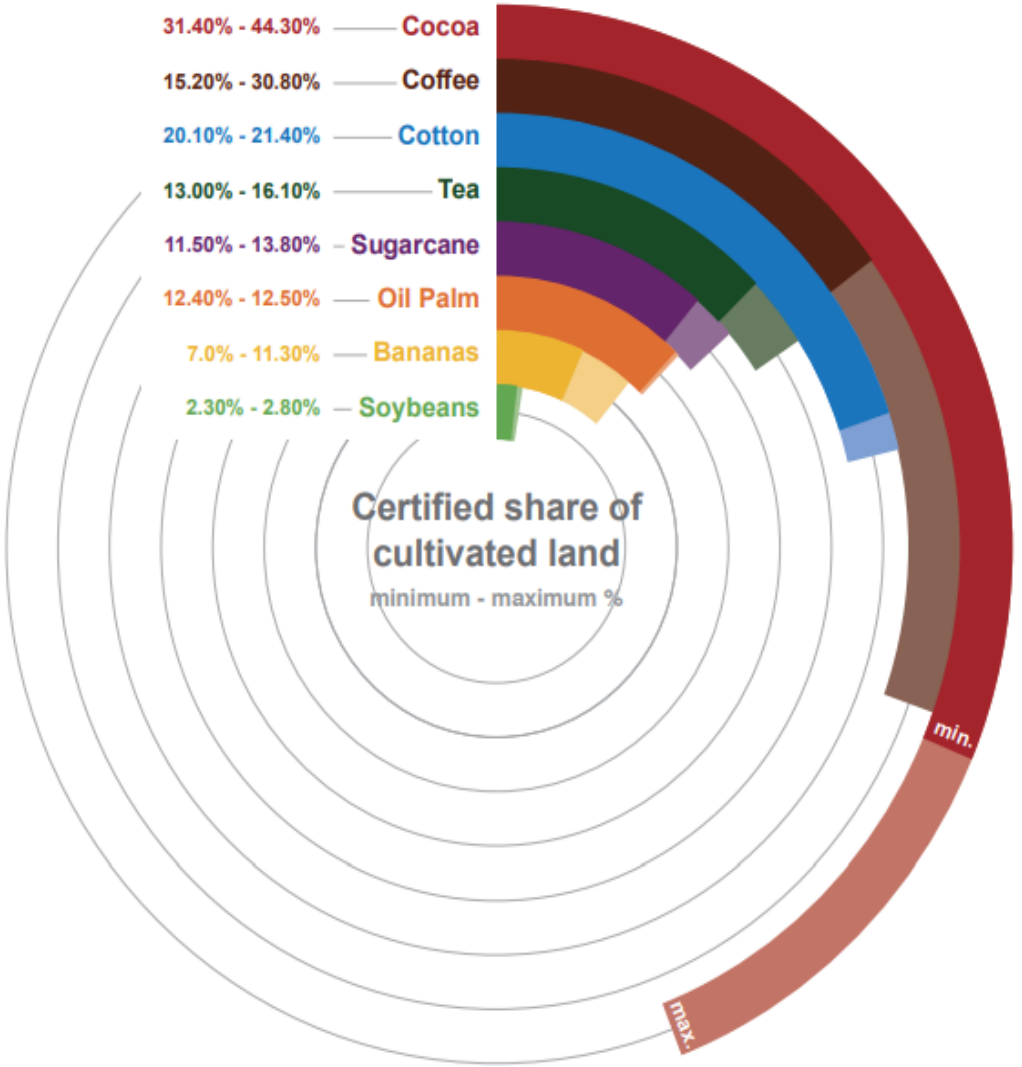
Certified agricultural production has grown

Figure 4: Evolution of minimum area certified by agricultural commodity, 2008–22



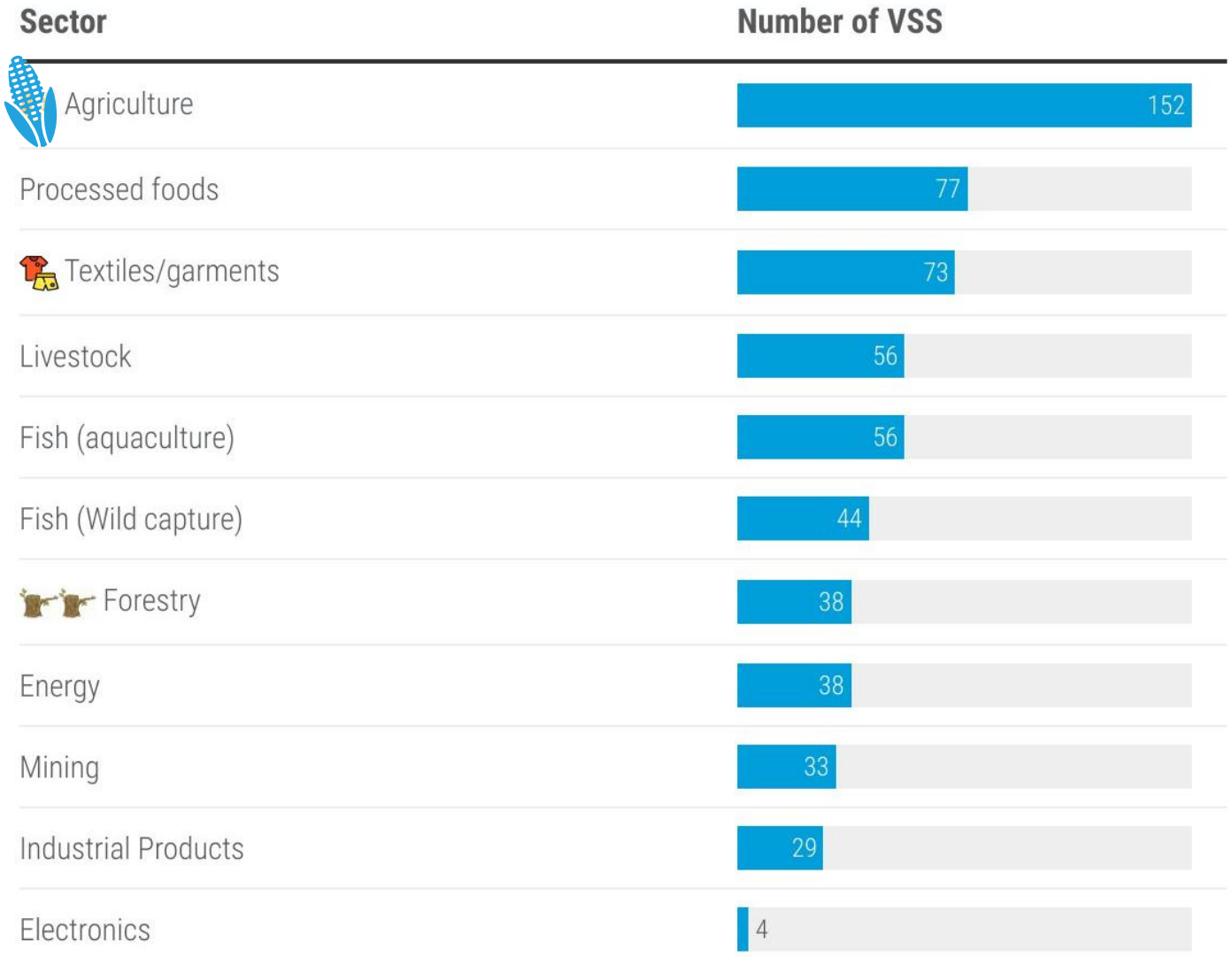
Note: The data in this table were not adjusted for multiple certifications, so the minimum possible is reported. The total VSS-compliant area corresponds to the standard with the largest compliant area operating within a given sector by country.

Sources: FiBL-ITC-IISD/SSI survey, 2024: 4C Services, 2014–16, 2018–24; Better Cotton, 2014, 2015, 2017–24; Bonsucro, 2014 – 2016, 2018 – 2024; Cotton made in Africa, 2014–16, 2018–24; Fairtrade International, 2017–24; GLOBALG.A.P., 2015, 2016, 2018–24; FiBL survey, 2008–24; ProTerra Foundation, 2014–16, 2018–24; Rainforest Alliance, 2014–16, 2018–24; Roundtable on Sustainable Palm Oil, 2019–24; Round Table on Responsible Soy, 2014–16, 2018–24; Textile Exchange 2013–24.



Source: FiBL-ITC-IISD State of Sustainability Initiatives (SSI) survey, 2024.

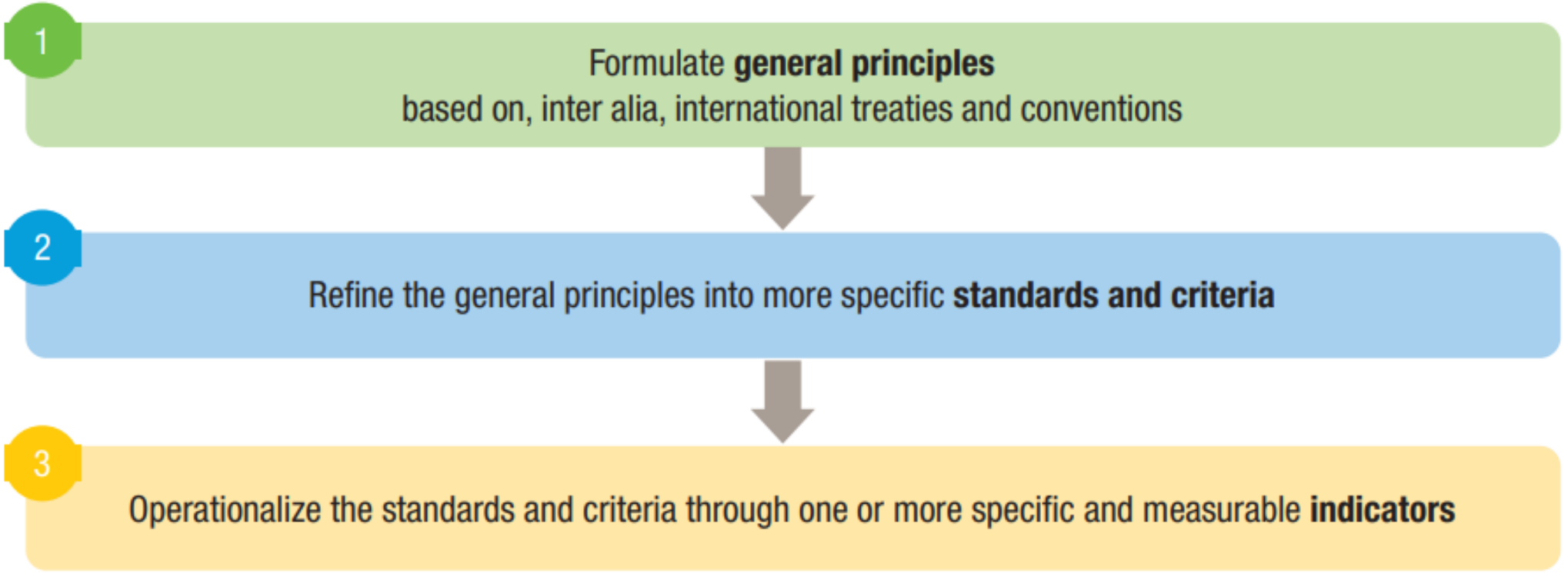
VSS by Sector



Source: UNCTAD Report: Voluntary Sustainability Standards in International Trade

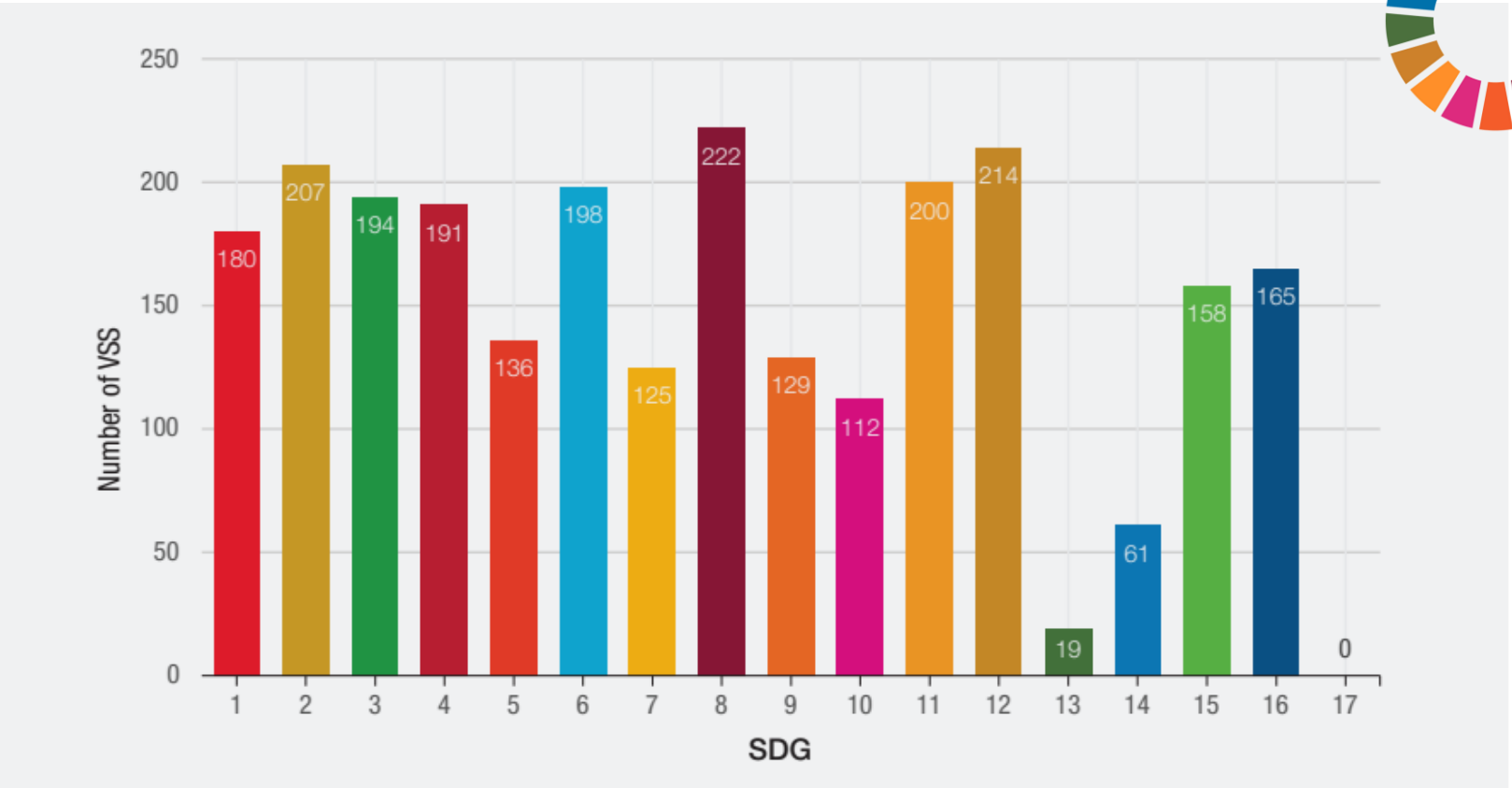
VSS are usually dominant in agricultural and food commodities, and textiles and forestry commodities.

How do VSS work



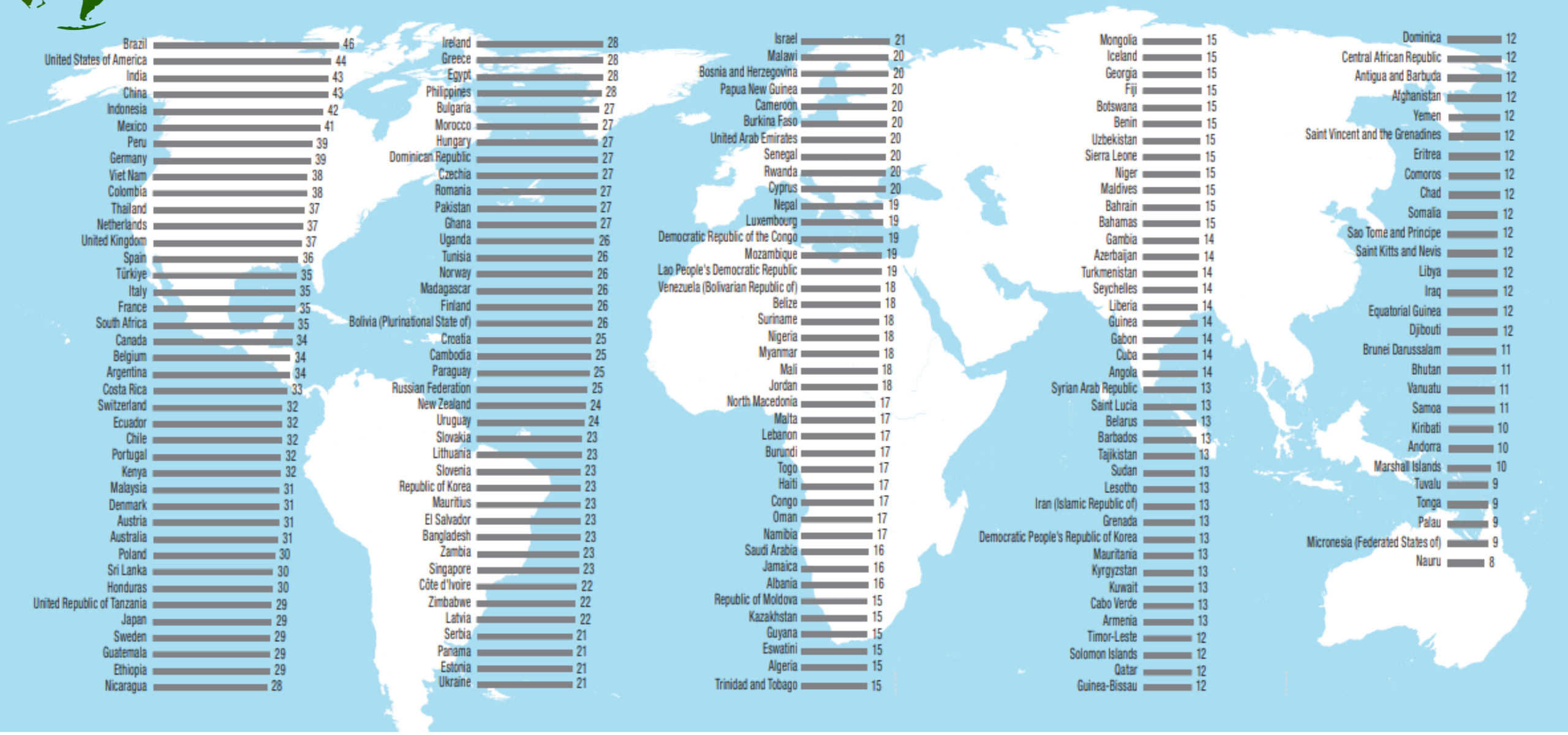
Setting sustainability Standards

Links between VSS and SDGs

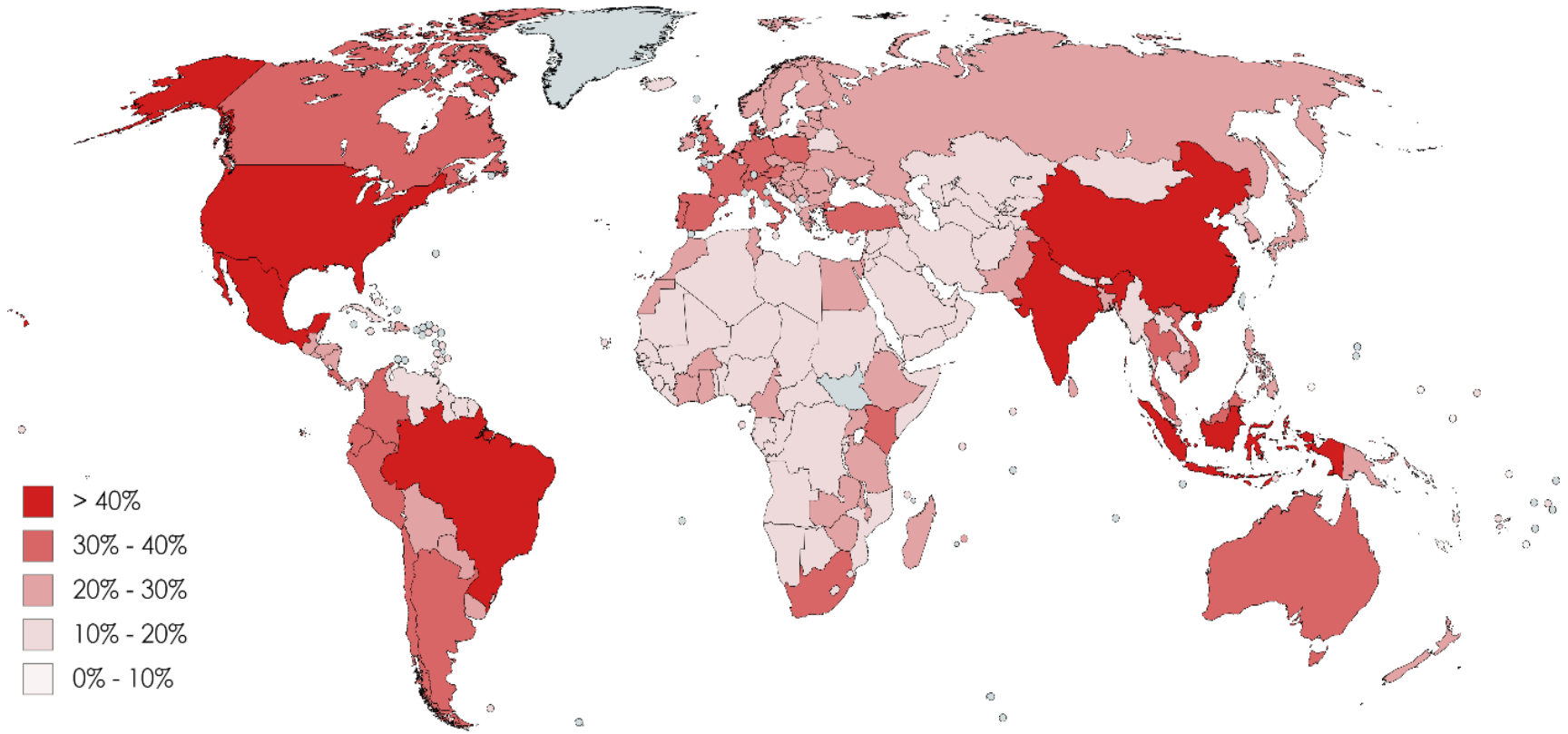


Source: "Voluntary Sustainability Standards, Trade and Sustainable Development, UNFSS 3rd Flagship (2018)

Uptake of VSS



Impact and Relevance – Trade

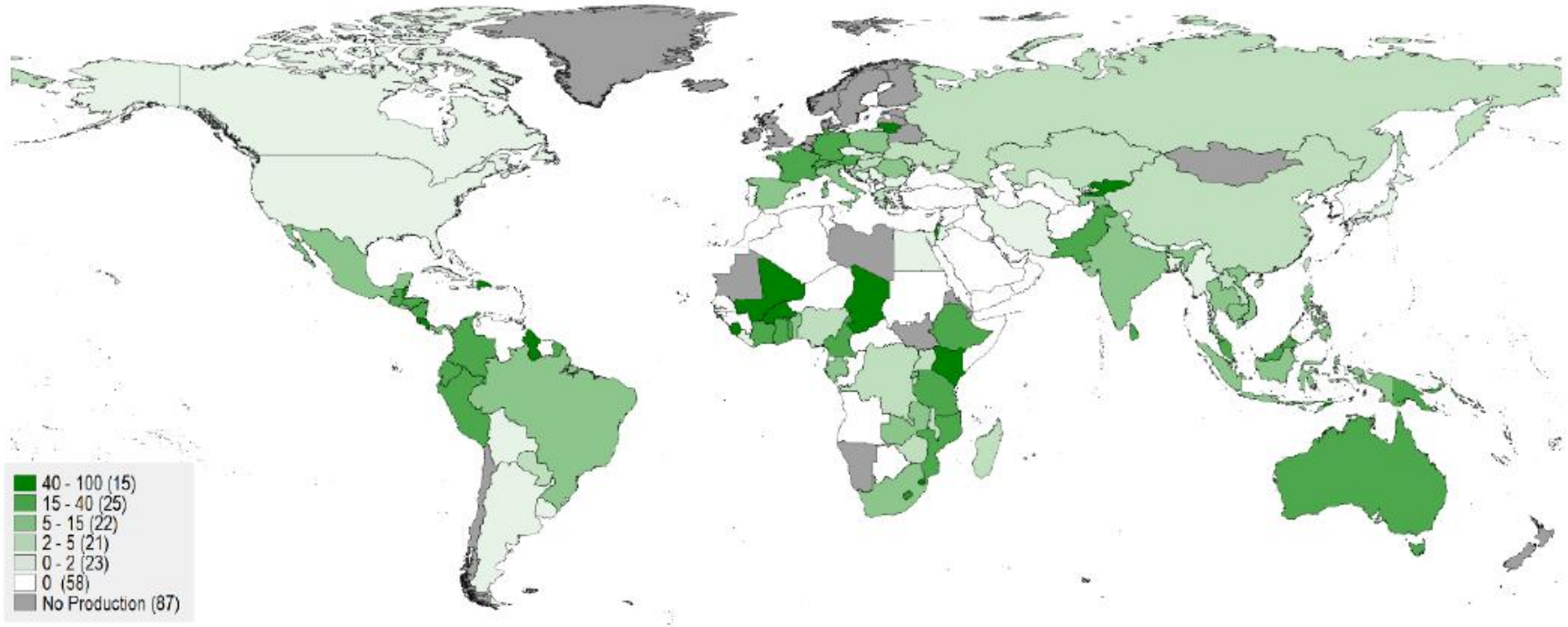


Source: Based on ITC Standards Map

Impact and Relevance – Trade

Figure 3. VSS Coverage by Country

(% of VSS-certified area of total harvested area, 2021)



Source: Based on ITC Standards Map

Challenges to VSS adoption



Challenges, Opportunities and Tools for VSS

VSS and sustainability impacts

Environmental	• Biodiversity • Climate change • Deforestation
Social	• Monetary impacts: farm productivity, income and poverty reduction • Non-monetary impacts: health, child schooling, and gender
Economic	• Trade volumes and value and demand • Transaction costs



Environment

94

9

93



Socioeconomic

111

22

118

What does the evidence research tell us on sustainability impacts?

- Evidence on VSS impacts of VSS is mixed
- Highly context specific.
- Trade-offs between sustainability dimensions can occur

VSS impacts

Environmental impacts

- Diminish deforestation
- Increase biodiversity
- Mixed results on water & GHGs

Socioeconomic impacts

Often positive:

- Higher price premiums
- Higher income
- Greater market access

Mixed / limited:

- Wages → sustainability-driven supplier squeeze
- Worker rights

VSS Uptake in Developing Countries

Development level effect

- Access to markets and GVC integration
- Reduced information and transaction costs
- Increase in income through premium, trade opportunities, productivity gains
- Contribute to achieving SDGs

Barriers to VSS uptake

- Cost of certification and compliance
- Lack of incentives
- Socio-political resistance to VSS
- Lack of inclusion of developing countries in VSS governance structures

Enabling VSS uptake in developing countries

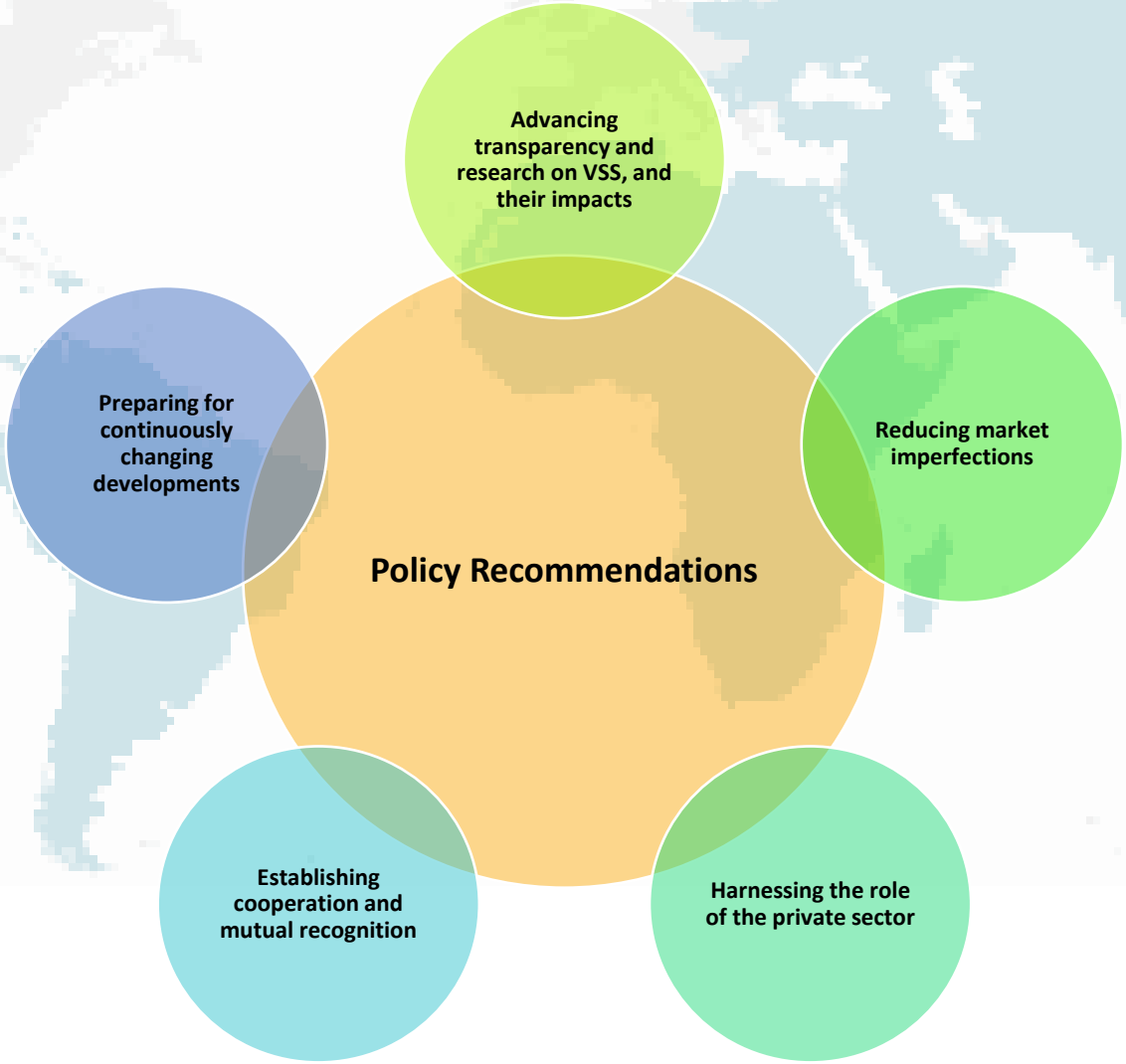
VSS challenges and developments for developing countries

Governance Gap	National and international standards	Due diligence as a new regulatory approach	VSS in policy mixes
• Regulatory governance context in which VSS operate influences VSS adoption and effectiveness • VSS can also 'overcome' or reduce the governance gap	• Complements or competitors? • Multiplicity of standards • Harmonization and mutual recognition	• Strong increase in sustainability due diligence initiatives in developed countries • Little evidence of developing countries moving towards legislation requiring mandatory DD • Explore link and complementarity between DD and VSS	• Governments can play a key role in creating enabling conditions for VSS to be widely adopted and effectively implemented. • Governments and VSS interact in different ways: governments can support or control VSS or VSS can support government policies • Each of these interactions would result in different forms of public-private policy mixes.

Conclusions and Way Forward



Conclusions and Way Forward



Public-Private Interactions

Integration of VSS in public policy instruments

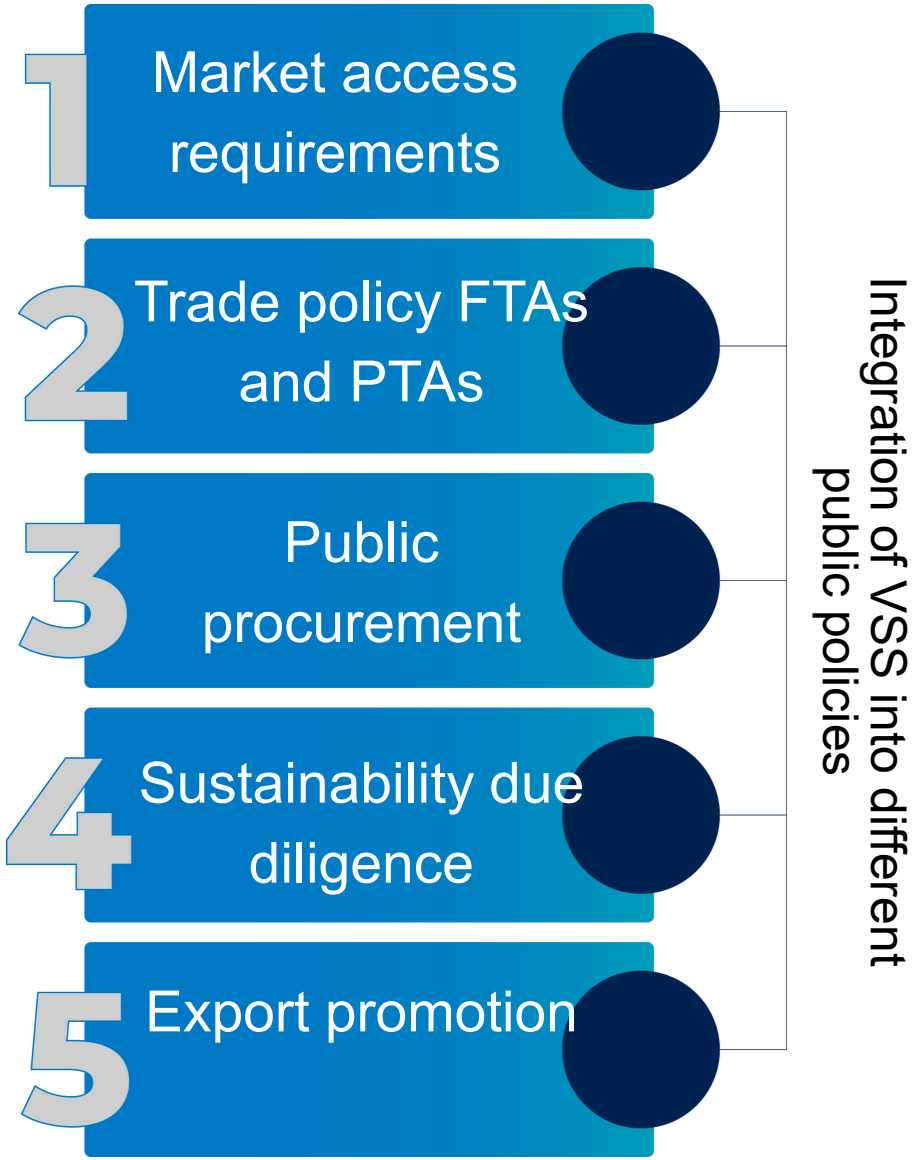
Early Application

- EU Renewable Energy Directive – VSS as proof of sustainability of imported biofuels

Further Integration

- Free Trade Agreements
- Sustainable Public Procurement
- Sustainability Due diligence
- Export Promotion

VSS in Public Policy



VSS in International Trade

- VSS enabler of trade (value, volume-price)
  - (1) efficiency gains with enhanced production methods and volume effects
  - (2) price premiums which affect export value
  - (3) lower transaction costs - compliance public standards (importing country)
  - (4) product diversification

  => Trade facilitation crucial

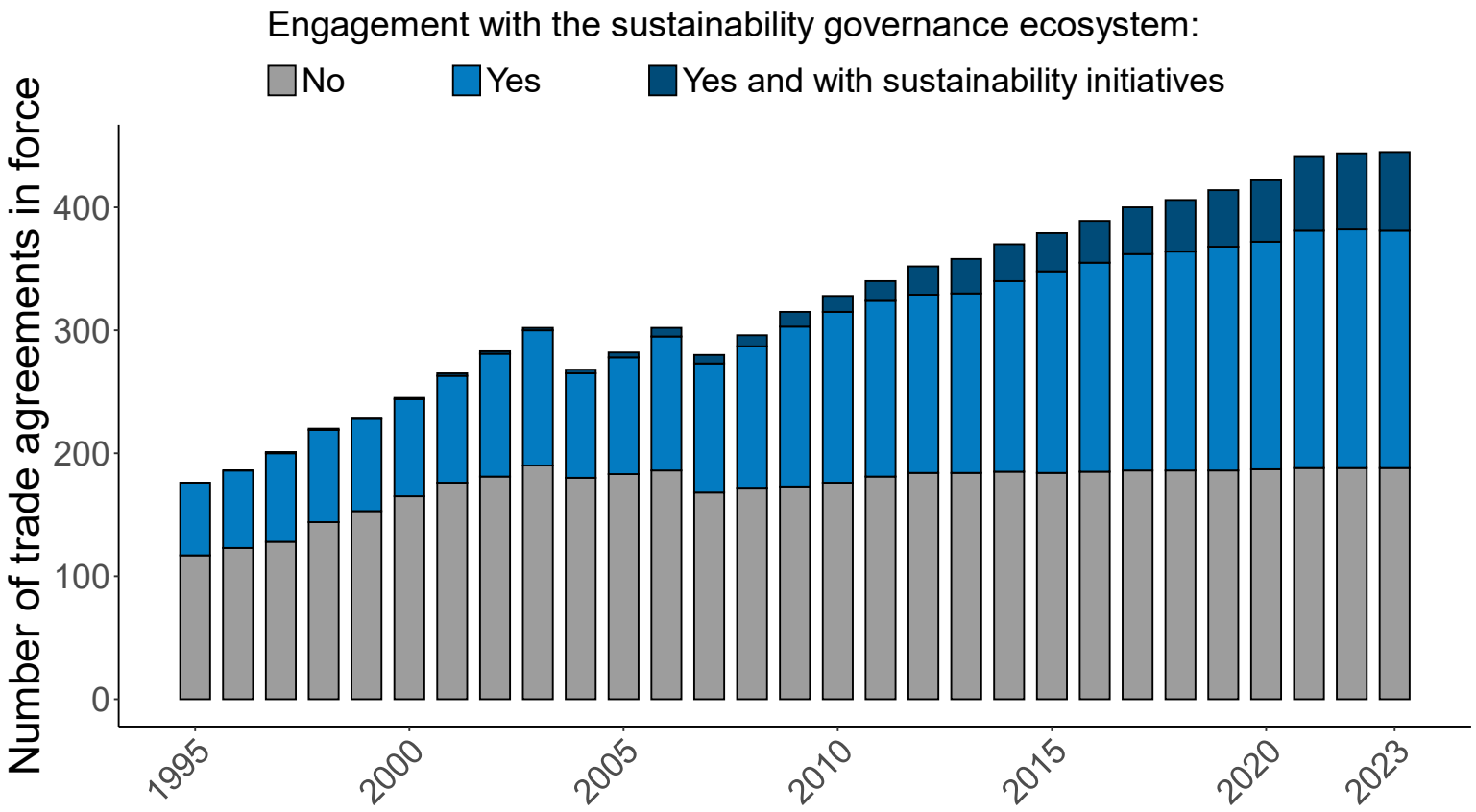
VSS in FTAs

- **Promotion** of VSS in FTAs
  - A number of FTAs include provisions which promote the support and uptake of VSS in the FTA (especially European Union FTAs) more generally
  - Recognition in provisions on governance of forests and fisheries

- VSS as **tariff differential**
  - EFTA/Indonesia FTA includes different tariffs for sustainable palm oil compared to conventional

  - EU-Indonesia CEPA (23/9/2025) – Protocol on Enhancing the Potential of CEPA to support Trade in Sustainable Palm Oil (Article 2 acknowledges that VSS are useful in supporting sustainability efforts of economic operators)

VSS in FTAs



Source: Towards more environmentally sustainable supply chains: The role of trade agreements and sustainability initiatives, OECD 2025

VSS and Sustainable Public Procurement (SPP)

- SPP practice where governments integrate social and environmental criteria into their purchasing of goods and services.

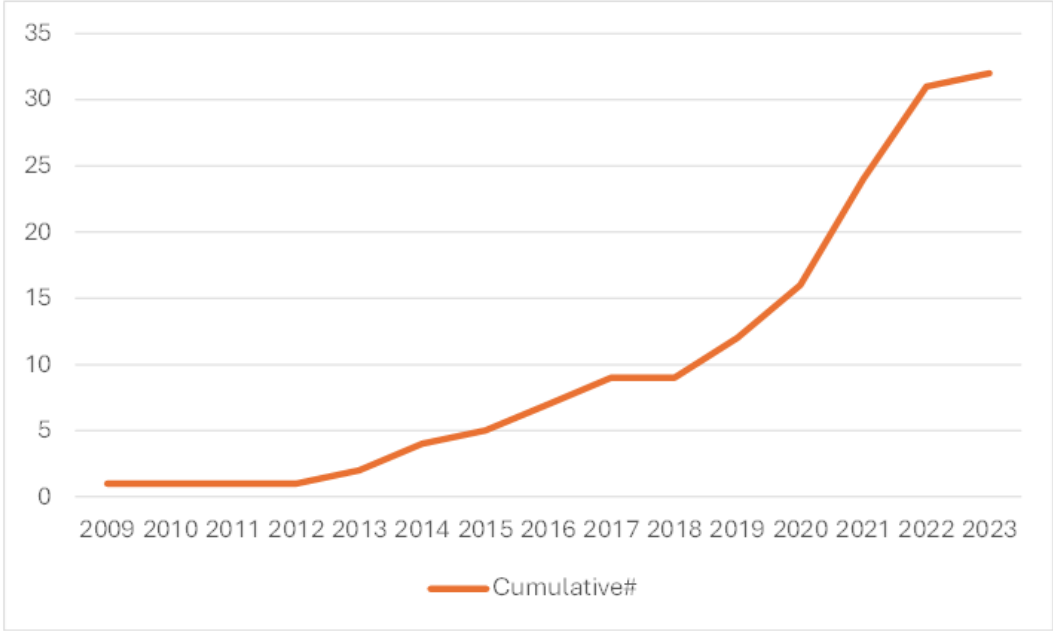
- Leverages significant purchasing power of governments.

- European Commission: '*Labels can play a particular role in developing technical specifications and award criteria, and in verifying compliance helping public buyers to save time in accordance with Art. 43 of Directive 2014/24/EU*

Sustainability Due Diligence

Risk-based due diligence refers to the steps companies should take to identify and address actual or potential sustainability (social/environmental) risks in order to prevent or mitigate adverse impacts associated with their activities or sourcing decisions.

Figure: Regulatory proposals including due diligence (reporting) requirements

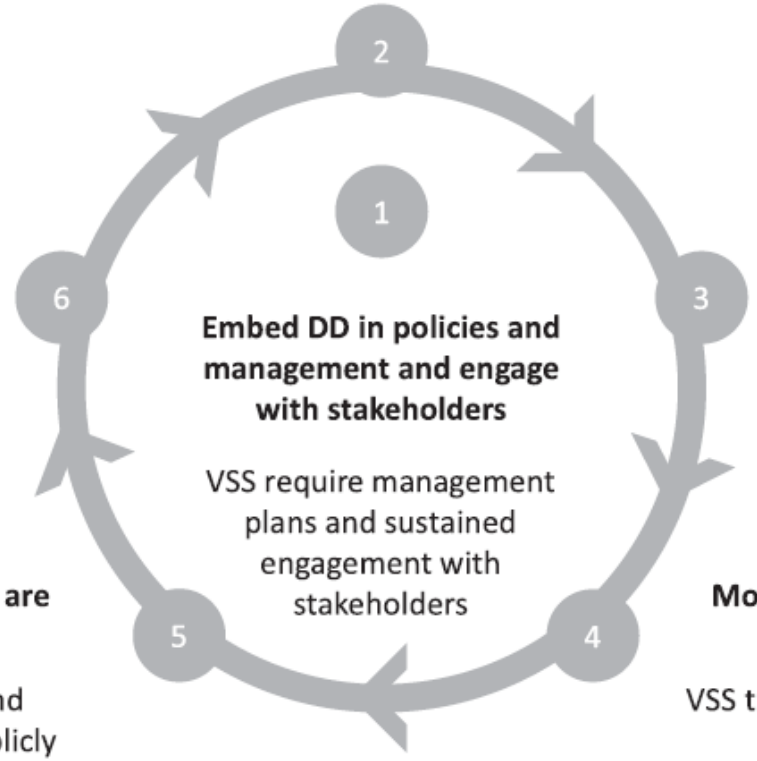


Source: Based on database of Grabs and Fatimah (2023) + own additions by authors.

Due Diligence – VSS as tool in Risk Assessment

Identify and assess adverse impacts along GVC

VSS require risk assessments, audits and traceability systems to track risks



Cease, prevent and mitigate adverse impacts

VSS require corrective action plans in case of non-compliance

Monitor performance on how adverse impacts are addressed

VSS track outcomes through top-down and bottom-up monitoring systems

Communicate how adverse impacts are addressed

VSS provide reporting templates and require audit reports to be made publicly available

Provide remedy and grievance mechanisms

VSS have grievance systems open to stakeholders which can provide remedy

VSS and Export Promotion

- Governments engage with VSS to spur economic development through improved access to export markets.
- Governments use different approaches to integrate VSS into export promotion policies:

1. VSS as conditionality:
    - Gabon: forestry concession permits conditional on forest certification

2. VSS as financial incentives
    - Vietnam: financial incentives for forest certification

3. VSS as capacity-building:
    - Mozambique: government engages with BCI for cotton export

United Nations Forum on Sustainability Standards (UNFSS)

UNFSS

United Nations Forum on Sustainability Standards

a joint initiative of FAO, ITC, UNCTAD, UN Environment and UNIDO

In 2013, five United Nations agencies established the United Nations Forum on Sustainability Standards, henceforth, UNFSS, based on their existing mandates, activities and the different expertise. UNECE joined in 2021. UNCTAD is the Secretariat of the UNFSS.

- UNFSS is a neutral and independent forum that shall endeavor to promote sustainable development.
- UNFSS aims to align and contribute to the sustainable development goals (SDGs) or any other subsequent global agenda for sustainable development.
- UNFSS is the only forum that systematically conducts analytical, empirical and capacity-building activities in the field of VSS.

UNFSS

United Nations Forum on Sustainability Standards

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UN trade & development



The objectives of the forum are:

- To identify and address issues concerning VSS by **engaging governments**, in particular of the developing countries, **and key stakeholders**, including, but not limited to, producers, traders, consumers, standard-setters, certification-bodies, trade diplomats, non-governmental organizations, and leading academicians, and facilitating meaningful dialogue between them.
- To **support stakeholders**, such as small-scale producers/SMEs, from developing and least-developed countries, to grasp the opportunities and challenges of VSS.
- To collaborate with national and international stakeholders to **support exchange of experience**, create knowledge, promote research, and cooperate on VSS and sustainable development.
- To disseminate **credible and impartial information** on issues related to VSS.

UNFSS Cornerstones

UNCTAD/ UN VSS Reports





Research & Analysis Hub

Informed Policy Dialogue

Support for National Platforms





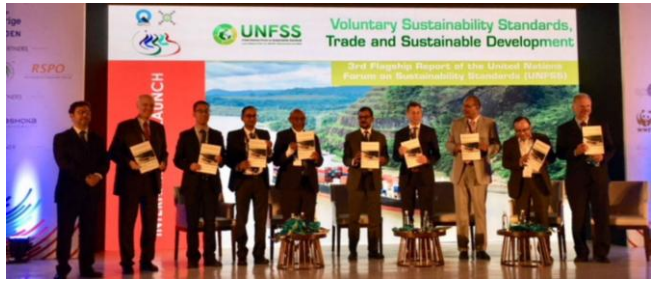
Platforms/Initiatives:

- Consists of Multi-Stakeholder Assembly, a **Steering Council**, **Sectoral Committees** and a **Secretariat**
- More than **25 countries** participating in the **VSS National Platforms/Initiatives Network**



International Convention on Sustainable Trade and Standards (ICSTS)

Berlin (2016), Qingdao (2017), New Delhi (2018), Rio de Janeiro and Pretoria (2019), New Delhi (2023)



Thank you

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