

## Voluntary Sustainability Standards (VSS) – Mobilising Public and Private Rule-Makers in Managing Global Governance

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### VSS as consumer and market-based instruments to implement the 2030 Agenda

Voluntary sustainability standards (VSS) offer demand-led or market-based regulatory instruments that can help implement the 2030 Agenda for Sustainable Development. In its activities with key VSS stakeholders from Brazil, China, India, Indonesia, Mexico and South Africa, the Managing Global Governance (MGG) Programme of the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE) aims to help utilise the transformative potential of VSS.

Standard-setting and monitoring procedures are designed to have effects on the (global) value chain (UNFSS, 2020, p. 1). VSS define requirements that producers, traders, manufacturers, retailers and service providers voluntarily commit to and are monitored against. These requirements usually relate to a wide range of sustainability aspects, “including respect for basic human rights, worker health and safety, the environmental impacts of production, community relations, land use planning and others” (UNFSS, 2013, p. 3).

VSS are typically initiated by actors from the private sector (e.g. retailers, suppliers, consumer groups). By allowing for more informed consumer choice they aim at creating incentives for adhering to sustainability objectives in cases when fiscal and/or political conditions for policy development and implementation are limited or absent. VSS define how to document the quality of products and services. They can be administered by:

- social movements, (e.g. Rainforest Alliance)
- multistakeholder groups (e.g. Marine Stewardship Council, initiated by WWF and Unilever)
- government agencies (e.g. Green Button/ Grüner Knopf, initiated by the German Federal Ministry for Economic Cooperation and Development (BMZ))
- individual companies (e.g. Nespresso)
- the affected sector (e.g. Common Code for the Coffee Community (4C)).

Compliance is monitored and assessed through independent certification or verification by accredited firms (e.g. SGS), nongovernmental organisations (NGOs) and local organisations. While participation in VSS is voluntary, their adoption is attractive due to the rewards and incentives for compliance.

Several examples of these rewards follow:

**Reducing monetary and non-monetary costs and risks in the value chain:** Certification provides retailers, suppliers, buyers and consumers with information about how to align sustainability with production (e.g. labour safety), operational practices (e.g. low carbon logistics) and consumption (through visible labels) (Smith et al., 2019; World Bank, 2020).

**Access to additional markets:** Standards incentivise stakeholders, such as farmers, to upgrade to good environmental practices and strengthen their competitive value, thus saving cost and reducing risks (Negi, Pérez-Pineda & Blankenbach, 2020).

**Reliable suppliers:** VSS enable buyers to reorganise their supply chain by collaborating with responsible and reliable suppliers (Negi, Pérez-Pineda & Blankenbach, 2020).

**Benefits from political and market incentives:** VSS signal efforts of the private sector how they align business models and their corporate social responsibility with national sustainability strategies. On this basis they can gain, for example, technical support for micro, small and medium enterprises, and farmers (Pérez-Pineda, 2020).

**Inclusion in higher value export markets:** VSS can lead to access to price premiums and positive spillovers in the quality and safety of domestic market products (Acosta, Eugenio & Sales, 2019).

The picture would be incomplete without mentioning **numerous stumbling blocks** to the wider adoption of VSS. They range from uncertainty over and limited information on the impacts of

The MGG network engages in knowledge cooperation, policy dialogue and training on VSS with national VSS platforms from emerging economies and other key stakeholders.

A milestone in MGG cooperation is the recently published open access book “Sustainability Standards and Global Governance” (Negi et al., 2020)



VSS, to missing standards for certification and monitoring, and (partly high) associated costs and competition among schemes that put small producers at a disadvantage. Stakeholders need to collaborate to jointly set rules and address research and information gaps.

### MGG initiatives 2015–2020: national VSS platforms, peer-exchange and knowledge cooperation

MGG has been engaged in knowledge cooperation and policy dialogue on VSS since 2015. The programme has contributed to peer-exchange, public awareness and multistakeholder initiatives with key actors from the VSS communities in Brazil, China, India, Indonesia, Mexico and South Africa, as well as the United Nations Forum on Sustainability Standards (UNFSS). It has also supported the establishment of national VSS platforms in several of the countries. National standardisation organisations are particularly important partners as they collaborate with local producers to provide a reliable and coordinated environment for sustainable business. National platforms are central hubs of information on the benefits of VSS, connect stakeholders nationally and internationally and provide advice to interested enterprises. Initially considered with suspicion as non-tariff trade barriers, VSS are now regarded as tools to support sustainable production and consumption in countries such as India, Brazil and China.

The exchange among national VSS platforms and other key actors within the MGG network has produced various results:

**Enhancement of the sustainable value-chain approach** by showcasing good practices from different sectors: For example, lessons from the Brazilian coffee VSS and India's public-private partnership approach were presented during the 2019 MGG VSS conference in Pretoria.

**Improvement of policy and regulatory frameworks** by helping marginalised actors forge partnerships with governing boards and standards committees: For instance, South Africa's Commission for Gender Equality was invited by the

South African Bureau of Standards (SABS) to join as a formal stakeholder after the 2019 MGG VSS conference.

**Better understanding of practical aspects of compliance and verification** by providing a clearing house for relevant stakeholders to speak out and share their experiences: For example, representatives of Indonesia's paper industry expressed critical views about VSS during the 2018 MGG VSS conference in Jakarta.

**Identification of private sector contributions to the Sustainable Development Goals (SDGs)** by connecting international experts and local stakeholders: MGG partners participated in the International Convention on Sustainable Trade and Standards (ICSTS) in 2018 and 2019.

**Cultivation of stakeholders' technical capacity** through knowledge cooperation: MGG partners from the International Trade Centre and the United Nations Conference on Trade and Development (UNCTAD) provided a technical workshop on the Sustainability Map, a platform allowing users to understand the VSS landscape and to connect with business partners, during the 2019 MGG VSS conference.

**Representation and inclusion of perspectives from developing countries** in global knowledge cooperation: for instance, through membership of the UNFSS Academic Advisory Council and participation as authors in the UNFSS flagship reports.

**Agenda-setting and public awareness raising** through international multistakeholder dialogues and media contributions in different MGG countries.

MGG aims to continue with activities of knowledge cooperation and policy dialogue on VSS beyond 2020. In July 2020, following its demand-driven and participatory approach, MGG consulted the network of actors working on VSS on strategic future international activities across the areas of knowledge cooperation, policy dialogue and training. More than 30 partners responded to a survey confirming the desired direction of the network's cooperation on VSS, including thematic priorities and types of future activities (see box).

### MGG VSS beyond 2020

MGG cooperation on VSS beyond 2020 will intensify the network's research, training and policy dialogue to create further opportunities for stakeholders and the wider public to take advantage of the transformative potentials of VSS. The MGG network aims to:

**Increase knowledge cooperation** by focusing on the sociopolitical, economic and ecological impacts of VSS, also in the context of COVID-19, as well as on governance of VSS.

**Diversify the design** of future MGG joint activities to cater to the various needs of different partners.

**Strategically connect research and training** towards a better understanding of the links between the SDGs, global value chains and VSS.

**Push for private sector participation** and expand **strategic partnerships** with other networks, international NGOs and local stakeholders from other developing countries to strengthen the role of MGG partner countries as **nodes of regional cooperation on VSS**.

Further information on VSS can be found at: <https://www.die-gdi.de/en/managing-global-governance/voluntary-sustainability-standards-vss/>

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