



# SECO's Engagement in Voluntary Sustainability Standards (VSS)

## **An evolving commitment to drive sustainability in Global Value Chains**

March 2021



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## List of abbreviations

Abbrev.	Signification
ASC	Aquaculture Steward Council
BCI	Better Cotton Initiative
CmiA	Cotton made in Africa
4C	Common Code for the Coffee Community
ESG	Environmental, Social and Governance
FiBL	Research Institute of Organic Agriculture
FSC	Forest Stewardship Council
IFOAM	International Federation of Organic Agriculture Movements
GEN	Global Ecolabelling Network
GVC	Global Value Chain
ISEAL	International Social and Environmental Accreditation and Labelling Alliance
ISO	International Organisation for Standardization
IPPC	International Plant Protection Convention
ITC	International Trade Centre
MDB	Multilateral Development Bank
MEA	Multilateral Environmental Agreement
MSC	Marine Stewardship Council
OIE	Office International des Epizooties/World Organisation for Animal Health
PEFC	Programme for the Endorsement of Forest Certification
PPM	Process and Production Method
RTRS	Roundtable on Responsible Soy
RSB	Roundtable on Sustainable Biomaterials
RSPO	Roundtable on Sustainable Palm Oil
SAI	Social Accountability International
SECO	State Secretariat for Economic Affairs
SNV	Schweizerische Normen-Vereinigung
SPS	Sanitary and Phytosanitary Measures
TBT	Technical Barriers to Trade
T4SD	Trade for Sustainable Development
UEBT	Union for Ethical BioTrade
UNFSS	United Nations Forum on Sustainability Standards
UNGP	UN Guiding Principles on Business and Human Rights
VSS	Voluntary Sustainability Standards
WE	Division of Economic Cooperation and Development
WTO	World Trade Organisation

# Introduction

**Global Value Chains (GVC) and their impact on people and the planet are more under scrutiny than ever.** In light of pressing global challenges linked to climate change, biodiversity loss, food insecurity, poverty, inequality and human rights violations, there is an intense debate on whether GVC are primarily a threat or a solution. Private **Voluntary Sustainability Standards (VSS)** such as Fairtrade, Forest Stewardship Council (FSC), Rainforest Alliance or Responsible Jewellery Council (RJC) play a pivotal role in responding to these challenges. On the one hand, they seek to assure that international trade and production processes meet certain economic, social and environmental criteria. On the other hand, by adopting these standards, companies aim to improve competitiveness and access to foreign markets and, in so doing, to contribute to the reduction of poverty and the creation of jobs.

## Defining Voluntary Sustainability Standards (VSS)

VSS combine a set of criteria that define good economic, social and environmental practices in an industry or product with a means of assessing compliance with those criteria. VSS are used by producers, companies, governments, financial institutions and consumers. They help the users to find the right things to buy or filter out unsustainable products from unsustainable ones. They bring about better production practices and drive long-term sustainability improvements.

To be open and transparent, standard-setting needs to involve broad and balanced stakeholder input. To reflect good practices these standards need to be reviewed and improved every few years. In most cases, they need to have a certification programme to make sure operations comply. Certification should be voluntary, with operations undergoing an audit to assess compliance. Audits can be performed by independent bodies, related bodies such as buyers, or by the operation itself.

Credible VSS also ensure a consistent, high level of certification performance, most often through accreditation bodies, ensuring that audit results are credible and the results are globally recognized. Chain of custody then tracks certified material from the field or factory to the store shelves. Labels and communications are used to express the sustainability claim about the product. Finally, VSS measure their impact on the ground to understand the effectiveness of the standard and certification and to improve the system over time.

Source: ISEAL

**Since the 1990s, the Swiss Government has acknowledged the system of VSS as market-based tools, which can influence consumer behavior and production processes.**<sup>1</sup> Concerning SECO, the commitment in the frame of its Economic Development Cooperation has been evolving and used to be in time with the emerging challenges and trends. It began in the 1990s by supporting consumer-facing labels such as Fairtrade or the rug label STEP. In the 2000s, the support mainly concerned the enabling of mainstream VSS in soft commodity sectors such as cotton, soy or coffee. In recent years, the support has been more of strategic nature by strengthening the dynamically evolving system as whole by fostering its international alignment, harmonization and transparency. In this endeavour, SECO has worked with key partners such as the International Trade Centre (ITC) as well as ISEAL, the global membership association for VSS.

**The “drivers” behind VSS have evolved quite remarkably over the past decades.** While **consumer awareness** used to be the single driver at the beginning of the “VSS movement”, today the drivers for greater sustainability in GVC arise from various other fronts, standing out the following:

- **Government regulations and policies:** Several national and European level legislative initiatives suggest a growing trend towards regulating human rights due diligence and non-financial information requirements, principally for large companies. Prominent examples are the California Transparency in Supply Chain Act (2010), the EU Directive on non-financial reporting (2014), the UK Modern Slavery Act (2015), the French Duty of Vigilance Law (2017) or the Dutch Child Labour Due Diligence Act (2019). In Switzerland, the main policy instruments concerning responsible business conduct are the Action Plans 2020-2023 on Corporate Social Responsibility, and on Business and Human Rights.
- **Corporate sustainability targets and pledges:** In the aftermath of the New York Declaration on Forests (2014), the Paris Climate Agreement (2015) and the 2030 Agenda for Sustainable Development, hundreds of multinational companies have set sustainability targets and pledged to eliminate deforestation, ecosystem destruction, and human exploitation from their supply

<sup>1</sup> In 2000, a “label strategy”, developed under the lead of SECO and BAFU, was adopted by the Federal Council, which recognizes VSS as valuable market-based tools and defines the areas where the government may support these private schemes in a subsidiary manner.

chains. Key initiatives are coordinated for example by the Consumer Goods Forum or through the Science Based Targets Initiative.

- **Finance sector:** The mainstreaming of sustainability in the finance sector is making big strides. Virtually, all leading banks, MDB and pensions funds have started to incorporate so-called environmental, social and governance (ESG) criteria into business or investment decisions. A key global framework represent the so-called Equator Principles (EPs), which is primarily intended to provide a minimum standard for due diligence and monitoring to support responsible risk decision-making.

**Against these manifold drivers, this position paper explains why and under what conditions VSS are appropriate tools to drive long-term sustainability in GVC given the current global challenges.** It also address the existing scepticism around VSS mostly due to the confusing high number, the perceived high cost of certification and the assumed lack of transparency and impact.

The position paper is structured as follows:

In section **one**, the paper goes a step back and elucidates the origins of VSS and the vibrant development of the complex system with multiple boundaries with rules and standards in the areas of environment, labour, quality and safety. Particularly, the paper stresses the interdependence with international agreements in the field of labour, human rights and environment as well as the thorny relation with the WTO/GATT system due to controversies around the so-called Process and Production Methods (PPMs). Finally, section one highlights what we have learnt about the impact of VSS and presents a synopsis based on the leading empirical evidence on this matter.

In section **two**, the paper identifies ways through which the sustainability impact of VSS can be scaled in the future. It depicts the areas in which VSS systems are internally improving to make them “fit for purpose” in view of the actual drivers for sustainability. Especially highlighted are the efforts of standards to enhance their data management and to introduce step-wise approaches so as to better integrate smallholders into certification processes. Besides, section two analyses the required efforts beyond VSS by creating more conducive framework conditions in both consumer and producers countries. Particularly addressed are the current initiatives to define common sector- (and landscape-) wide agreements and platforms based on the benchmarking and aligning of existing VSS in order to make sustainable practices the norm.

In the concluding sections **three and four**, the paper provides a summary of the main findings of the previous sections, showing why and under what conditions VSS are appropriate tools to drive long-term sustainability in GVC in the scope of SECO’s future cooperation given the current global challenges defined in the Economic Development Cooperation Strategy 2021-24.

### **ISEAL – The global membership organisation fostering good standards practice**

ISEAL, the global membership organisations for VSS based in London, plays a pivotal role in fostering good standards practice in the area of standard-setting, assurance, monitoring and impact measurement. The organisation encourages knowledge sharing across the different standards systems and promotes collaboration and harmonization. Supported by SECO, ISEAL implements the Innovation Programme to foster continuous improvement and to increase the positive social, environmental and economic impact of associated standards.

For more information: [www.isealalliance.org/get-involved/our-work/innovations-fund](http://www.isealalliance.org/get-involved/our-work/innovations-fund)

### **T4SD – The global database for more transparency and credibility**

Supported by SECO since its inception in 2009, the ITC’s Trade for Sustainable Development Programme (T4SD) has developed a comprehensive database, which nowadays serves as neutral global host of transparent information about close to 300 VSS and equivalent tools. Its frontend [www.sustainabilitymap.org](http://www.sustainabilitymap.org) provides detailed information on the system and content of registered VSS, allow for comparisons and self-assessments, enables market linkages and informs annually about the state of sustainability markets. ITC is also in direct contact with the Swiss information sites such as [www.labelinfo.ch](http://www.labelinfo.ch) and [www.kompass-nachhaltigkeit.ch](http://www.kompass-nachhaltigkeit.ch) and, which help guide consumers, company purchasing departments and public procurers.

# VSS – evolution, system and impact

## The evolution of VSS

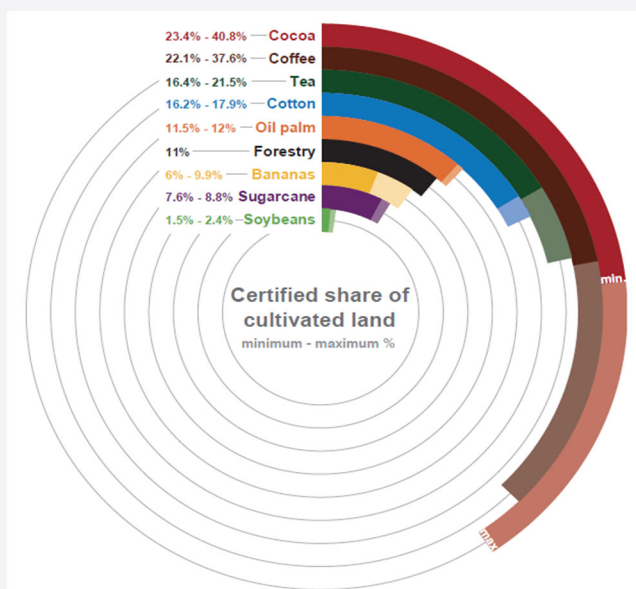
The rise of VSS can be explained by a combination of three intertwined factors. First, there has been a growing consumer awareness around sustainability issues initially organized in grassroots organisations that gave rise to organic and fair trade movements in the 1970s. Second, global trade patterns changed in view of the rapidly expanding global value chains underpinned by an exponential growth of global trade widely surpassing global economic growth rates. Third, in the aftermath of first Rio Earth Summit in 1992, there was a growing recognition of the limitations of intergovernmental collaboration in addressing GVC sustainability issues, best exemplified by the failure of the WTO ministerial conference in Seattle (1999) to tackle such issues adequately.

In this context, VSS emerged as a market-based tool designed to address the pressing social and environmental challenges within GVC. Contrary to initial grassroots movements in the 1970s and 1980s, VSS have differentiated themselves by offering a systemic approach for ensuring that certain specific sustainability practices are attained throughout the production cycle. VSS, in principle, begin with the premise that any actor within a sector may seek compliance with a given set of practices or outcomes (criteria) set forth under a given standard. VSS are therefore unique in their ability to be generally applicable across markets at a global scale. A case in point is the fairtrade standard and its respective consumer-facing label. While fairtrade was born as a movement in the 1970s, it was through defining a commonly agreed fairtrade standard for coffee that retailers started to systematically source coffee from developing countries following a common standard. Later, fairtrade standards expanded to other products such as bananas, cocoa, tea, spices, flowers or cotton.

The rationale for VSS evolved over time nonetheless. Initially, VSS merely used to be consumer-facing labels such as Max Havelaar, Rainforest Alliance, FSC or Organic for a small range of products that enticed a segment of consumers to buy sustainably. With its growing success, VSS moved beyond niche markets and started targeting mainstream markets in an increasing number of products and sectors. The trend towards mainstream markets was accompanied by a paradigm shift to consider VSS not primarily as labels that guide consumers, but as compliance tools to improve how businesses manage their supply chains and their operational processes and, eventually, their risks.

The move from niche to compliance-oriented standards resulted in the creation of new mainstream VSS for key commodities, often more geared toward business-to-business transactions. Over the past 20 years, numerous standards have been developed. Key commodities include **coffee**, with the Common Code for the Coffee Community (4C) and UTZ, **timber**, with the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC), **fish**, with the Marine Stewardship Council (MSC) and the Aquaculture Stewardship Council (ASC), **palm oil**, with the Roundtable on Sustainable Palm Oil (RSPO), **cotton**, with the Better Cotton Initiative (BCI), **sugar**, or **soy**, with Roundtable on Responsible Soy (RTRS) and ProTerra.

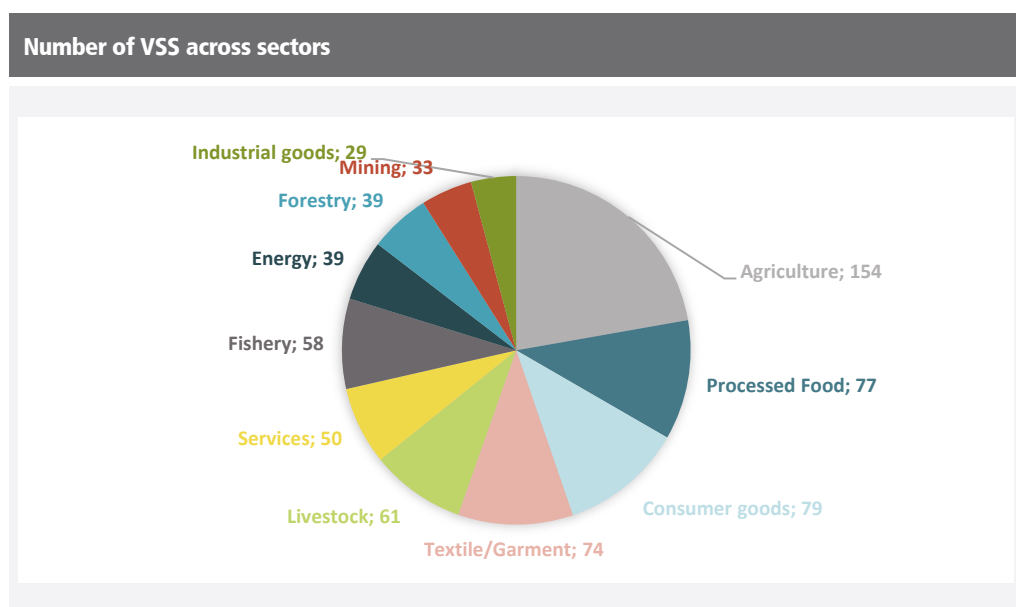
### VSS share in key commodity sectors



Source: State of Sustainability Market Report 2019, ITC/FiBL

After a steady market growth, in several sectors VSS has reached a double-digit market share. The illustration above depicts the key findings of the latest State of Sustainability Market Report 2019, an annual publication developed by ITC and FiBL, supported by SECO since its inception. Except for forestry, the publication mainly focuses on agro-commodities, where the certified share of cultivated land at global level ranges from 2% to 40%. As the graph illustrates, the team of ITC and FiBL also seeks to account for the widespread phenomenon of multiple certification and identifies a maximum and minimum share in the respective sectors therefore. Additionally, it covers several standards such as Rainforest Alliance, UTZ and GlobalGap that are targeting multi-food and agriculture products.

Although agriculture is still the key sector for VSS, in recent years VSS have expanded rapidly and have become a key factor in many sectors, including mining, energy, services, textiles and garment. This fast expansion of VSS imposed growing challenges to all stakeholders along GVC, calling for increased transparency. Since 2009, ITC has been managing a global database called Trade for Sustainable Development (T4SD) that consolidates all necessary data on VSS and equivalent initiatives such as codes of conducts or audit protocols. Under its **Standards Map**, T4SD's web portal **Sustainability Map** provides transparency on the content and governance of VSS, enables comparability between VSS and allows companies and producers to make self-assessments vis-à-vis the around 270 standards recorded in the database. The following graph shows the distribution of VSS along different sectors, based on the ITC Standards Map's classification. Since many VSS are applied across various sectors, the total exceeds the number of VSS on Standards Map.



### VSS system and its boundaries

In general, the landscape of VSS and actors involved is highly complex, which potentially challenges the credibility of both the system and the individual standards. The complexity is explained not only by the high number of standards, but also by the existence of different types of VSS, involving different modes of communication (business-to-business, business to consumers, seals, declaration, etc.), different assurance models (first, second or third party auditing and monitoring), different scopes (national, regional, international) and different standard owners (private, non-profit and in some cases public). In fact, the dynamic evolution, driven by the decentralized bottom-up nature involving a broad array of market actors, has led to a fast growing and largely uncontrolled system. In light of the increasing market relevance of VSS, the call for increased transparency and clear rules has become louder and louder. As a result, key stakeholders in the system have focussed on the further development and consolidation of the approach.

Enhanced transparency has been the key objective of the ITC's Trade for Sustainable Development (T4SD) initiative since its beginning. As pointed out earlier, ITC, the expert organisation for trade promotion within the UN system, has developed the T4SD database as a global public good. It consolidates all necessary data on VSS and equivalent initiatives in order to inform stakeholders along GVC in an objective manner. The T4SD database makes the different standards comparable in terms of their content requirements in the areas of environment, social, ethics, management and quality as well the main system criteria covering the areas of assurance, scheme management, standard-setting and claims & traceability. Of critical importance is T4SD's effort to foster harmonization among leading benchmarking organisations such as WWF, the Consumer Goods

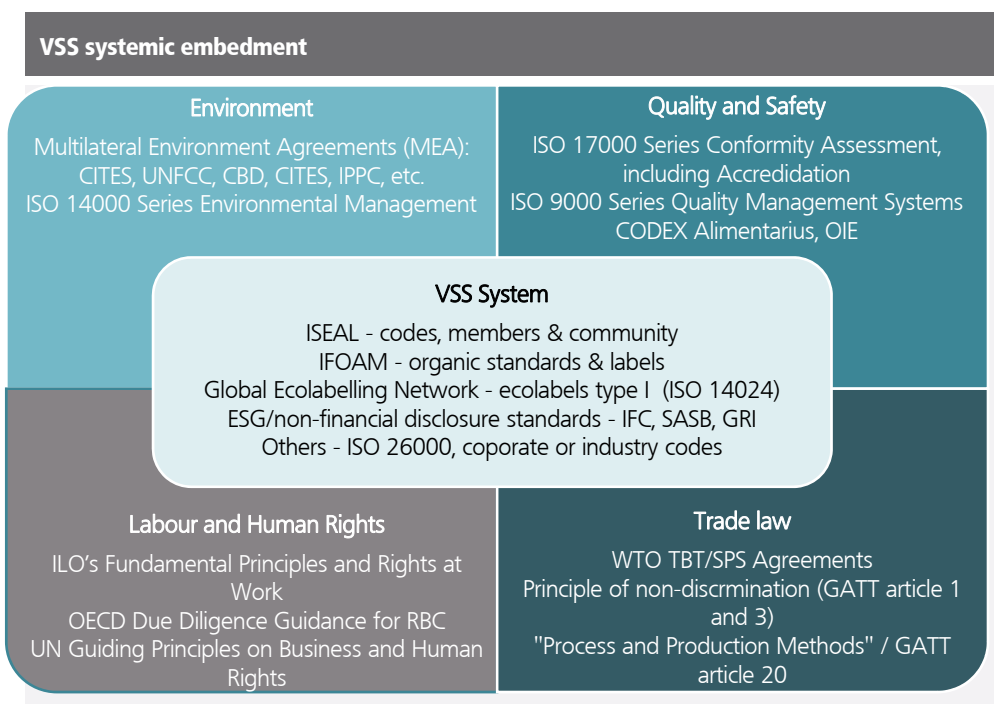
Forum and ISEAL. Through its Technical Working Group, ITC seeks to harmonize the in-built criteria in the global database for the purpose of comparison, which leads to annual updates (currently version DET 10, as of July 2020).

**Good VSS practices and continuous improvement processes is the raison d'être of ISEAL, the global membership organisation for VSS.** ISEAL plays a pivotal role in fostering the effective governance and further development of associated members and the broader standards community. ISEAL was created in 2002 by a group of pioneering VSS, including Fairtrade, FSC, MSC, Rainforest Alliance, SAI and IFOAM, to ensure better oversight and stewardship within the fast growing VSS system. Since then, ISEAL serves as the membership organisation and think tank for ambitious, collaborative and transparent sustainability systems. Headquartered in London, ISEAL defines credible practices for sustainability systems based on global consensus and provides guidance and expertise on credible standard-setting, assurance and measuring impacts.

**ISEAL's Codes of Good Practice provide a globally recognised framework for credible sustainability systems.** ISEAL's Community Members collaborate to scale and demonstrate positive impact. ISEAL's Code Compliant members go further, adhering to ISEAL's Codes of Good Practice. There are three Codes of Good Practice, focused on the core elements of a sustainability system:

- The ISEAL Standard-setting Code defines how a standard should be developed, structured and revised. It requires multi-stakeholder consultation and decision-making, and ensures clear and auditable conditions in the standard itself.
- The ISEAL Assurance Code provides a clear framework for assessing compliance with standards. It encourages assurance that is rigorous and accessible, ensuring accurate and transparent results.
- The ISEAL Impacts Code supports robust monitoring and evaluation systems. It provides standards with a roadmap to measure progress against sustainability goals and to improve practices over time.

**ISEAL is not an isolated system but is complemented by other sustainability standards schemes and aligned with international norms.** The graphic below depicts the VSS system and its embedment in international norms in the areas of trade, quality and safety, environment, labour and human rights. As outlined in the centre, other sustainability standards schemes belong to the (core) system of VSS. Although they are not considered as code-compliant members, most of them are part of the ISEAL community or consider the ISEAL codes as valuable guidance and inspiration for the further development of their respective schemes, which are briefly described later in the text.<sup>2</sup>



<sup>2</sup> In 2020, ISEAL introduced a new membership category called **ISEAL Community Member**, which does not require full compliance with all Codes as a precondition for membership. Instead, community members are committed to improving their system, sharing experiences, building trust and demonstrating transparency. The new membership structure allows ISEAL to open up and provide support to a wider range of VSS and related systems and to invite organisations to apply at an earlier stage of system development.



**Regarding the areas of environment, labour and human rights, VSS are closely aligned with the various Multilateral Environmental Agreements (MEAs) and ILO's Fundamental Principles and Rights at Work.** In its fourth Flagship Report (2020), the United Nations Forum on Sustainability Standards (UNFSS) shows that VSS normally refer to international conventions in their standard-setting practices. This embedding in public international law stresses the connection between VSS and public policies, as they start from the same normative basis.<sup>3</sup>

**From a trade perspective, VSS are, however, still a somewhat thorny issue and tend to divide WTO members into different camps.** Policy-makers in developing countries may consider VSS as potential Technical Barriers to Trade (TBTs) that create unnecessary obstacles and costs to their exporters. For many policy-makers in developed countries, on the other hand, the use of social and environmental criteria linked to so-called Process and Production Methods (PPMs) is a way to ensure the traded products have not caused environmental or social harm. Particularly non-product-related PPMs such as measures to avoid deforestation, are however controversial since they leave no physical trace in the final product. Arguing with the notion of "like" products and the underlying principle of non-discrimination (GATT article 1 and 3), the absence of detectable differences in the final product barely leaves space to treat the product differently, regardless of the PPMs used.

**Despite the ongoing controversy, a growing recognition of (both product and non-product related) PPMs can be observed in the WTO.** In fact, there is a growing body of WTO case law that tends to underpin the legality of environmental PPMs, mostly justified under GATT article XX (b and g), in case a sufficient nexus with the respective policy goal can be demonstrated.<sup>4</sup> Besides, also developing countries acknowledge the value of VSS and a recognition of PPMs in the WTO context. Proof of this are the national VSS dialogue platform that the UN Forum on Sustainability Standards has established in emerging economies such as India, Brazil, South Africa and Colombia. Besides, we also see growing interest among developing countries in the discussions on eco-labelling in the envisaged Agreement on Climate Change, Trade and Sustainability (ACCTS), where Costa Rica and Fiji belong to the initial core group, which also includes New Zealand (lead), Norway and Switzerland.

**Concerning the WTO agreements on TBT and SPS, VSS can be grouped together with other private standards covering areas such as quality, health, safety and hygiene.** These private standards are codified in the so-called three SPS "sister" agreements IPPC, CITES and CODEX, which are recognized as the relevant standard-setting bodies for animal health and zoonotic diseases, phytosanitary issues and food safety, respectively. Furthermore, the private standards are encouraged to accept the TBT Good Practice Guide, as stipulated in the WTO Agreement on TBT, Annex 3. Particularly, they need to respond to the principle of non-discrimination, strive for international harmonization and transparency, and avoid creating unnecessary obstacles to international trade.

**Many private standards that are relevant for international trade emerged in the scope of the International Organisation for Standardization (ISO).** Based in Geneva, ISO is an international NGO with 165 associated national standard bodies, including the Swiss Association for Standardization (SNV). ISO standards are relevant for VSS both in terms of governance and content requirements. The following ISO standards and guidelines stand out:

- **ISO/IEC Guide 59 Code of good practice for standardization.** This Guide, jointly elaborated with the International Electrotechnical Commission (IEC), helps practitioners and national bodies to implement the WTO TBT framework in line with the TBT Good Practice Guide. These Codes of Conduct include responsibilities to consider: inclusiveness; consensus-building attitude and skills; compliance with the procedures; efficiency; impartiality; commitment to quality and dedication of personnel and experts.
- **ISO 17000 Series: Conformity assessment.** The various standards linked to conformity assessment specifies definitions and functioning relating to conformity assessment (including the

<sup>3</sup> Particularly, VSS mostly refer to the following international conventions: Convention concerning Forced or Compulsory Labour, No 29 (1930), Convention concerning Freedom of Association and Protection of the Right to Organise, No 87 (1948), Convention concerning the Application of the Principles of the Right to Organise and to Bargain Collectively, No 98 (1949), Convention concerning Equal Remuneration of Men and Women Workers for Work of Equal Value, No 100 (1951), Convention concerning the Abolition of Forced Labour, No 105 (1957), Convention concerning Discrimination in Respect of Employment and Occupation, No 111 (1958), Convention concerning Minimum Age for Admission to Employment, No 138 (1973), Convention concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour, No 182 (1999), Convention on International Trade in Endangered Species of Wild Fauna and Flora (1973), Convention on Biological Diversity (1992), Stockholm Convention on persistent Organic Pollutants (2001), the Montreal Protocol on Substances that Deplete the Ozone Layer (1987) and Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal (1989).

<sup>4</sup> Article XX (b) concerns measures, which are 'necessary to protect human, animal or plant life or health'. Meanwhile, Article XX (g) concerns measures 'relating to the conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption'.

accreditation of conformity assessment bodies) and to the use of conformity assessment to facilitate trade. Conformity assessment interacts with other fields such as management systems (ISO 9000 Series), metrology, standardization and statistics.

- **ISO 14000 Series: Environmental Management Systems.** ISO 14001 provides requirements with guidance for use that relate to environmental systems. Specific standards in the ISO 14000 series focus on specific approaches such as audits, communications, eco-labelling and life cycle analysis, as well as environmental challenges such as climate change.
- **ISO 26000:2010 Guidance on Social Responsibility.** ISO 26000:2010 provides organisations with guidance concerning social responsibility concepts, terms, definitions, principles and characteristics of social responsibility. It also helps identifying and engaging with stakeholders; and communicating commitments, performance and other information related to social responsibility. It is not a management system standard. It is not intended or appropriate for certification purposes or regulatory or contractual use.

The ISO standards on environmental management systems and social responsibility can be regarded as part of the (core) VSS system. This is particularly the case for ISO 14024 defining the so-called eco-labelling scheme "type I", which rely on third party audits for products or services that meet transparent environmental leadership criteria based on life cycle considerations. In the following, different types of schemes are briefly described, which belong to the system of VSS even though they are not code compliant members of ISEAL.

- The **Global Ecolabelling Network (GEN)** is an international NGO based in Stockholm. Established in 1994, GEN aims to help protect the environment by improving, promoting, and developing the eco-labelling of green products and sustainable services. GEN fosters co-operation, information exchange and standards harmonization among eco-labelling programmes that have attained the status of "type 1" specified in the ISO 14024 standard. Currently, GEN has 33 full, associate, and affiliate members from countries across the globe. Although the certification programmes are voluntary, in several cases governments have been involved in the setting up of the schemes (e.g. the Blue Angel ecolabel in Germany and the Nordic Swan ecolabel in the Nordic countries). GEN is a so-called subscriber (community member) of ISEAL.
- **The International Federation of Organic Agriculture Movements IFOAM:** Founded in 1972, IFOAM is an international NGO based in Bonn. It serves as the global umbrella organisation for the organic agriculture movements and represents close to 800 members, affiliates and supporters in 127 countries. IFOAM plays a critical role in harmonizing the fragmented market of organic standards and labels. It offers a global platform for organic standard setters to discuss standards and create synergies for standard development and harmonization at the global level. In this regard, the IFOAM Basic Standard is a key benchmark for organic standards and labels worldwide. IFOAM has been a founding member of ISEAL and is still an active community member (ISEAL subscriber).
- **Social Accountability International (SAI):** Founded in 1997, SAI is an international NGO promoting the decent work agenda based on internationally recognized standards, including the Universal Declaration of Human Rights, ILO conventions, and national laws. Its SA8000 Standard is one of the globally leading social certification programme, available for organisations of any size and in any industry. The standard applies a management-systems approach to social performance and emphasizes continual improvement. Similar to IFOAM, SAI has been a founding member of ISEAL and is still an active community member (ISEAL subscriber).
- **Environmental, Social and Governance (ESG) standards:** Though not part of the VSS core system, the fast growing family of ESG standards plays a critical role in the scaling up of sustainability impacts in GVC. ESG standards for investors such as IFC's Environmental and Social Performance Standards, the Equator Principles and the Principle for Responsible Investment (PRI) as well as sustainability reporting frameworks such as the Sustainability Accounting Standards Board (SASB) or the Global Reporting Initiative (GRI) standards and ESG rating agencies and data providers have become more and more relevant in investment processes (due diligence, risk management, investment monitoring). ESG schemes do normally assess and monitor the sustainability performance of companies or even entire sectors and thus are not product specific. Often VSS are integral part of ESG policies adopted by companies since they are considered as credible tools to manage the sustainability risks in the respective supply chains.

## The impact of VSS

Over the years, the proof of impact has become a key challenge for all VSS and other sustainability tools. Whilst at the beginning of the VSS movement, it was assumed that sustainability standards had positive impacts, nowadays they no longer enjoy the benefit of the doubt. The different stakeholder groups - producers, trade, industry, retailers, governments, as well as consumers - want to know whether standards deliver on their claims to foster sustainable production and trade. Does the farmer in the field have more money in his pocket at the end of the day? Do his children go to school instead of working on the farm? Was he able to reduce the use of pesticides? Have deforestation rates been effectively decreased? Has market access and price been improved?

### Evidensia.eco – put evidence at the centre of sustainability actions and decisions

With growing commitment by governments and businesses to tackle sustainability challenges, there is a need for understanding what approaches work where, why and how. Evidensia helps practitioners and policy-makers to access and interpret credible research on the sustainability impacts and effectiveness of supply chain initiatives and tools. It does this through a growing and credible research repository and features that allow users to work with evidence, understand key gaps, locate research geographically and summarise review research visually. Evidensia also aids linking sustainability tools and corresponding research to the SDGs as all features allow to search for and use evidence relevant to the SDGs. The Evidensia team regularly generates insights and analysis on key topics by reviewing the evidence base and invites leading researchers in the field to share expert opinions.

Founding partners: ISEAL, WWF, Rainforest Alliance

### After years of widespread measurement efforts undertaken, we now have a differentiated understanding of how VSS impact and under what conditions they ensure sustainability along GVC.

Numerous impact studies have been conducted over the past decade and provide a rich body of growing empirical evidence around VSS. Evidensia is the leading repository for credible research and insights on the impacts of supply chain sustainability tools, including VSS. The site currently hosts over 750 resources including academic reports, grey literature and an increasing number of webinars, podcasts and blogs as new formats to engage users with evidence. SECO has also been involved in key assessments such as the Committee on Sustainability Assessment (COSEA) Measuring Sustainability Impact Report in 2014 and two Fairtrade Impact Studies, conducted by the Center for Evaluation (CEval). Even though the evidence from these various sources are not entirely conclusive, the following findings can be confidently extracted:

**First:** The overall picture is that certification has a positive impact on crop yield, on net income from the certified crop, on training and knowledge of smallholder producers and on environmental outcomes such as water quality, soil health and biodiversity preservation. Thus far, the research focuses mostly on agriculture. Important research gaps persist in standards' impacts on other sectors and other topics. Moreover, the scale of impact is neither guaranteed nor consistent and there are cases where certification does not drive positive outcomes and could even result in negative income because of specific contextual factors.

**Second:** Compliance with VSS represents a significant challenge for very poor and less organized smallholders. Often, the initial costs incurred for certification exceed the immediate benefits producers might expect (such as increased sales and price premiums) and challenge the rationale of VSS schemes for this segment, at least in the short-run. Consequently, VSS increasingly introduce step-wise approaches to lower the entry barriers for smallholders and comprise support measures allowing smallholders to climb the performance ladder.

**Third:** Framework conditions and (external) contextual factors tend to have a stronger influence on performance than VSS practices at the firm or producer level. Therefore, holistic approaches that cover the sustainability agenda of entire sectors or landscapes are critical to tackle systemic constraints and failures in terms law enforcement, taxation, price volatility, access to finance, climate risks, infrastructure and service delivery.

## The future role of VSS in scaling up sustainability impacts in GVC

From the findings gathered over the past decades, we see room for improvement within and beyond VSS in order to influence their uptake and impact. While the “internal agenda” concerns areas that allow VSS to become more efficient and effective, the agenda beyond address framework conditions both in producer and consumer countries. In the following section, we will look at these closely intertwined agendas in more detail.

### Improving VSS internally

**In the era of digitalization, improved data management is unquestionably the area, which will define the relevance and level of uptake of VSS in the future.** In the framework of ISEAL’s Innovation Programme, nearly all ISEAL members highlight the need to embrace digitalization to underpin their inherent USP in terms of good practices in standard setting and assurance. They are challenged by their stakeholders to scale their work by moving at the speed of globalization and providing accurate, rapid, real-time, and transparent information. The information may include raw data and analysed information on standards compliance, sustainability outcomes and impacts. Both businesses and governments are interested in using this information to support the management of a range of supply chain risks and sustainability challenges.

**The power of data can be largely enhanced by widespread harmonization and accessibility.** Only when sustainability data is open, consistent and comparable across companies, sectors and countries, it becomes an effective and reliable source in decision-making for governments and business. Such ideal conditions contrast, however, with the reality still faced by certification schemes. For VSS, there is a wealth of data stored in inaccessible audit protocols that hitherto were not actively used beyond the core certification process. In recent years, all VSS have therefore visibly scaled up efforts to create value from collected data, in part by aligning with the guidelines of ISEAL’s Impacts and the revised Assurance Code, which calls for enhanced data governance and strategy. Not surprisingly, most projects financed by ISEAL’s Innovations Fund thus seek to make VSS fit for the era of digitalization and to unlock the power of data.

#### ISEAL Innovations Fund

With support from SECO, the ISEAL Innovations Fund provides grants to support the conceptualization, testing, and roll out of innovations and collaborations with the potential to improve the effectiveness, efficiency and value of sustainability standards. Much of the fund’s portfolio of projects seeks to significantly advance the capacity of ISEAL members to be data-driven and to leverage digital technology. For example,

**By using Geographic Information Systems (GIS) to improve audits:** There are considerable benefits to using GIS tools before, during and after audits but this technology is not yet commonly used by auditors. One of the fund’s projects sought to close this gap by developing a step-by-step manual for auditors based on pilots in different sectors and geographies. This practical guidance complements ongoing efforts by sustainability standards to further increase the use of spatial data and remote sensing in their systems.

**By understanding the value of blockchain for standards systems:** It is possible that blockchain will influence global supply chains, so it is important that sustainability standards understand the value of this new technology. To date, the fund has supported two projects that explore the potential application of blockchain technology in the context of standards systems, particularly around reducing double auditing and making traceability more transparent.

**By investing in digital infrastructure built for interoperability:** The fund has supported several projects that aim to increase the value of data through improved interoperability and alignment. For instance, the First Mile Framework helps sustainability systems to align the way in which data about farmers, farms and farm practices are collected and stored. Building on this approach, the Delta Framework is working to harmonize reporting and performance measurement starting in the cotton and coffee sectors, with the potential to include other commodities. The fund is also supporting alignment at a meta-level through the creation of the Information and Data Standard for Sustainability (IDSS). This should make it easier for stakeholders to access, understand and apply existing information about a given sustainability standards’ performance and practices.

**Also the attempts to introduce step-wise approaches to lower the entry barriers to VSS for smallholders are often coupled with potential benefits of digitalization.** Small and not well-organized producers need to be included at an early development stage and be able to profit from tailor-made support measures that allow them to climb the performance ladder, rather than be excluded by resource-intensive controls and high bars. This is the reason why pre-certification tools have emerged in all value chains in which SECO has been actively engaged. In the following, we briefly outline two examples from artisanal and small-scale mining (ASM) and cocoa.

## Step-wise approaches integrating smallholders

The **Swiss Better Gold Continuous Improvement Escalator** has three steps. A first assessment allows identifying gaps of eligible ASM producers. Committed producers will be supported to take the second step by making social and environmental improvements and meeting the 14 SBGA sourcing criteria. For producers that wish to gain entry to specialist markets, a third optional step of certification by a VSS body such as the Responsible Jewellery Council, Fairtrade or ARM is possible.

The **Basic Guidelines for Sustainable Cocoa** is a tool developed by ITC in Colombia, which allows cocoa producers and producer organisations to start their journey towards improved sustainability by focusing on key social and environmental requirements and serves as a stepping stone towards more demanding VSS. The guidelines are linked to ITC's Sustainability Map and are accessible to any person or organisation. This facilitates direct users and other important stakeholders such as buyers, cooperation agencies, and public institutions to obtain relevant information.

**Most VSS have started to systematically introduce step-wise approaches.** A common way to proceed is by defining different performance levels or improvement requirements over time to fully comply with defined criteria. For example, the latest standard of the Union for Ethical BioTrade (UEBT) incorporates the step-wise approach throughout the standard and thus lowers the entry-barrier for the many smallholders, which prevail in BioTrade sectors such as natural ingredients. Other standards, such as the Better Cotton Initiative (BCI), have structured their financial model to require participating companies to provide substantial TA funds to support smallholders in their improvement journey.

### Improving VSS framework conditions in consumer countries

**In consumer countries, the “drivers” for more sustainability in GVC have diversified and complexity has therefore increased.** Historically, consumer awareness used to be the key driver for the emergence of VSS. Traders, manufacturers and retailers have responded to the rising consumer demand for sustainable products by integrating sourcing practices based on VSS. Nowadays, sustainable sourcing has manifold drivers from different backgrounds and underlying logics. While this diversification of drivers – from consumers, large companies, financial institutions and regulators – is positive for the sustainability impacts in principle, it has increased complexity and led to a further proliferation of standards or similar tools. Therefore, the call for more binding, sector-wide rules and merging of certain standards is increasing among OECD countries. Sustainable sourcing practices should become the norm and not the exception, thereby creating a level playing field for all market players.

**The OECD Due Diligence Guidance for Responsible Business Conduct has an important role in increasing harmonization and enhancing framework conditions as a precondition to scale up sustainability impacts.** Together with the sector guidance documents for extractives, conflict minerals, garment and agriculture, the OECD guidance is a key reference point in ongoing discussions on government regulations for managing sustainability risks in GVC, creating a common understanding among stakeholders.<sup>5</sup> It seeks to orient businesses on how to avoid and address adverse impacts related to workers, human rights, the environment, bribery, consumers and corporate governance that are inherent to GVC. It also offers orientation on how to implement the UN Guiding Principles on Business and Human Rights (UNGPs) as well as the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy.

**Alignment and benchmarking assessments play a pivotal role to make existing VSS and other tools compatible with OECD recommendations and policy instruments of its member countries.** Alignment and benchmark assessments are a way of systematically evaluating the sustainability performance of existing tools that aim to implement sustainability measures in their respective value chain or sector. Using a set of criteria or reference points, an alignment or benchmarking process provides its users with comparable information about the benchmarked standards or other equivalent tools. As a result, standards may be recognized as an appropriate tool to implement or enforce a particular policy. Furthermore, benchmarking assessments often identify areas in which VSS may require improvements or more alignment with other schemes or policies.<sup>6</sup>

**The benchmarking of VSS is often a pre-requisite for their broad adoption in sector-wide agreements and platforms involving stakeholders from industry and other relevant sectors.** Such

<sup>5</sup> See <http://mneguidelines.oecd.org/duediligence/>

<sup>6</sup> Due to a high demand for sustainability benchmarking, different methodologies and guidance tools have been developed, such as the OECD's own Alignment Assessment (e.g. on the [textile sector](#)), the Certification Assessment Tool of the WWF, ITC assessments Standards Map, CGF's benchmarking of corporate target's and ISEAL's Good Practice Note on Sustainability Benchmarking.

sector-wide efforts are an important step towards achieving a level playing field, in which sustainability eventually becomes the norm for all participants along the GVC. The following table provides an overview of concrete cases of sector-wide efforts in Switzerland, which seek to systematically address the prevailing sustainability issues in the respective value chains.

Sector	Sector-wide agreement/platform	Benchmarking	Standards
Soy	Established in 2010, the <b>Soy Network Switzerland</b> is the sector-wide effort of the agricultural and food sector regarding all questions of the production and import of soy for animal feed. While the initial aim of “at least 90% of soy for the Swiss market to be responsibly produced” has been reached in 2015, the network is currently seeking to increase the share of imports from Europe.	<ul style="list-style-type: none"> <li>• 2017: First benchmarking study based on the WWF CAT tool.</li> <li>• 2020: Repeated, second benchmarking study financed by SECO to monitor progress of benchmarked VSS</li> </ul>	Bio Suisse Guidelines, ProTerra Standard, RTRS Non-GM Standard, ISCC PLUS, Danube Soya and Europe Soya Standard
Cocoa	Launched in 2017, the <b>Swiss Platform for Sustainable Cocoa</b> convenes all relevant players from manufacturing, trade, retail, civil society, research and government (SECO). The goal is to increasingly import cocoa derivatives from sustainable sources to Switzerland – 80% by 2025 as an intermediate step – and to measurably contribute to the 2030 agenda.	<ul style="list-style-type: none"> <li>• 2021: Benchmarking of VSS and equivalent tools by ITC in cooperation with the German, Belgian and Dutch cocoa initiatives</li> <li>• Piloting OECD-FAO Guidance on Responsible Agricultural Supply Chains</li> </ul>	Fairtrade, Rainforest Alliance/UTZ, organic, ISO-CEN, company codes of conduct  Platform-wide Monitoring Framework to measure SDG contribution
Palm Oil	Created in 2020, the <b>Swiss Palm Oil Network</b> aims to contribute to a further development of the RSPO standard and improve the implementation of RSPO directives in the supply chain. Currently, the Swiss food supply industry already imports 100% of its palm oil from RSPO-certified and segregated sources. An implementation plan with criteria should be fully implemented until 2025.	<ul style="list-style-type: none"> <li>• 2020: SECO financed benchmarking study of VSS based on the WWF CAT tool, used also a way to further operationalize sustainability provisions in the FTA between EFTA and Indonesia (see box on page 17).</li> </ul>	RSPO Identity Preserved and Segregate, ISCC Plus
Textiles	Announced in August 2020, <b>Sustainable Textiles Switzerland 2030</b> , supported by SECO and BAFU, aims to collaborate with all actors of the Swiss textile and clothing sector to contribute to the 2030 Agenda.	<ul style="list-style-type: none"> <li>• Assessment of alignment with the OECD sector guidance for the Garment and Footwear Sector.</li> </ul>	AMFORI (ex-BSCI), Fairtrade, GOTS, Fair wear Foundation, BioRe, etc.

## Improving VSS framework conditions in producer countries

The sector-wide efforts undertaken in consumer countries to scale sustainability impacts in GVC need to be complemented by sector-wide efforts in producer countries. A holistic development agenda covering the sustainability agenda of entire sectors or landscapes is critical to tackle systemic constraints and failures in terms of law enforcement, formalization, taxation, price volatility, access to finance, climate risks, infrastructure and service delivery. It is primarily the responsibility of country authorities to strengthen the overall framework conditions and drive local private sector to also apply responsible business conduct. Nonetheless, the barriers are often manifold and imply dysfunctional framework conditions, which do not facilitate broad and inclusive trade growth and value addition. For example, unclear land tenure policies reduce incentives for producers to make long-term investments in their operational units.

VSS can however positively influence framework conditions and address some of the underlying root causes of systemic constraints. According to a recent paper developed by ISEAL and WWF, influencing these conditions includes changes in behaviour, values, policies and systems by different stakeholders. VSS are well-placed to effect change in three areas:

- **Stakeholder collaboration:** improved, trust-based multi-stakeholder coordination and alignment, the development of a shared vision & strategies, and partnership development.
- **Knowledge base and implementation support:** the development and sharing between stakeholders of knowledge and tools, sector-wide monitoring and increased investments in capacity building for sustainable practices, also involving knowledge institutions.

- **Corporate and public policies and behaviour:** changes in supply chain behaviour (e.g. procurement policies, supply chain structures and market incentives), public policies and financial sector policies in alignment with international standards.

**These tangible and intangible changes are critical to overcoming the systemic constraints in producer countries.** Effective stakeholder collaboration is instrumental to reaching strategic alignment concerning objectives, resources and monitoring among key stakeholders. A holistic agenda, in the form of national platforms bringing together government, private sector, research, civil society and international partners such as Multilateral Development Banks (MDBs), is needed to tackle the barriers that cannot be solved at the level of individual production units. This approach is followed by UNDP Green Commodities Programme (GCP), which aims at establishing national commodity platforms to support sector transformation.

### National Commodity Platforms to tackle systemic issues

UNDP's national commodity platform programme aims to bring systemic change for sustainable production and trade in the palm oil sector in Indonesia and the coffee sector in Peru. The results range from changes in stakeholders' attitudes and behaviour to the development of comprehensive national action plans that outline the work in sensible areas such as deforestation, biodiversity, decent work conditions and the formalization and support of smallholders. The role of VSS like Rainforest Alliance or RSPO in these national platforms varies and implies direct or indirect support as (sometimes shadow) benchmark or practice guide.

**To scale impact in producer countries, improving framework conditions at subnational level can be as important as the work at national level.** This is the underlying logic of so-called landscape or jurisdictional approaches, which are currently emerging in several important producer countries such as Indonesia, Brazil, Colombia, Ivory Coast, Peru or Vietnam. From a VSS perspective, the verification of entire landscapes instead of individual production units may be a key innovation driver to scale up sustainability impact. A landscape approach allows for a more systemic view on development challenges within a particular region, involving the majority of GVC stakeholders in the journey toward enhanced sustainability and thus overcoming the challenge of islands of sustainability, where less organized and small producers are often left out.

**VSS are similarly exploring how their systems can evolve to be applied at a landscape or jurisdictional scale or how to draw conclusions about performance at that scale.** The successful implementation of this new approach depends strongly on adherence to good practices in terms of monitoring, verification and claims at a landscape scale. If proven successful, landscape approaches may be taken up more broadly as sustainable sourcing tools of companies.

### Sustainable Cocoa Sourcing Landscapes in Peru



This project, supported by SECO under the Swiss Platform for Sustainable Cocoa, aims to assist the regional government of San Martin in its efforts to develop its territory sustainably following the geographic certification mark "San Martin – Green Region". Based on a multi-stakeholder process involving private, public and civil society actors, the approach seeks to pilot Fairtrade verification and sustainable land use at the landscape level. Particularly innovative is the early involvement of international market players as potential buyers of the verified cocoa.

## Conclusion

This position paper depicts the pivotal role voluntary sustainability standards may play in global value chains to address the pressing global challenges linked to climate change, biodiversity loss, poverty and food insecurity. Over the past decades, VSS have been recognized by market players as systematic tools to incorporate social and environmental criteria along GVC. In terms of impact, the empirical evidence suggests relevant contributions along all three sustainability dimensions, including enhanced levels of competitiveness and market access. Nonetheless, the growing recognition of VSS by market players has been accompanied by several challenges that will also define the perspectives of their future uptake. The paper has discussed several key challenges synthesised below:

**Clarifying the international governance and the role of Process and Production Methods (PPM):** The dynamic development of VSS has led to a complex system with a diverse range of players and multiple linkages with international rules and standards in the areas of environment, labour, quality and safety. To further clarify and thus strengthen the international governance of VSS, it is key to further strengthen and highlight the linkages with international agreements in the field of labour, human rights and environment. This would allow VSS to become increasingly considered effective enforcement tools of such international regulations. Besides, an increasing acceptance within the WTO of so-called PPMs as a complementary concept to “like products” would greatly help to mainstream sustainability concerns in international trade rules.

**Scaling of sustainability impacts:** To different degrees, VSS are confronted with criticism concerning their effective sustainability impacts, particularly on small and less organized producers and firms. Undeniably, further efforts are required to ensure more small and less organized producers and firms are equipped to effectively adopt sustainable practices as defined in VSS. There are different pathways to achieve this objective. On the one hand, by further promoting the introduction of step-wise approaches to better and earlier integrate producers and firms into the process of (pre-) certification. On the other hand, the scaling of sustainability impacts can be reached by creating more conducive framework conditions in producer countries where VSS can serve as benchmark. Agreements and platforms at sector or landscape level among key stakeholders from all relevant sectors appear to be effective ways to align objectives and resources as well as to agree on joint monitoring mechanism.

**VSS as data managers:** Internally VSS are challenged to make them “fit for purpose” by improving their data management. Standards need to embrace digitalization to underpin their inherent USPs in terms of good practices in standard setting and assurance, by providing accurate, rapid, real-time, and transparent information on compliance, progress and impacts. Both businesses and governments are interested in using this information to support decision-making and risk mitigation for a range of supply chain risks and sustainability challenges.

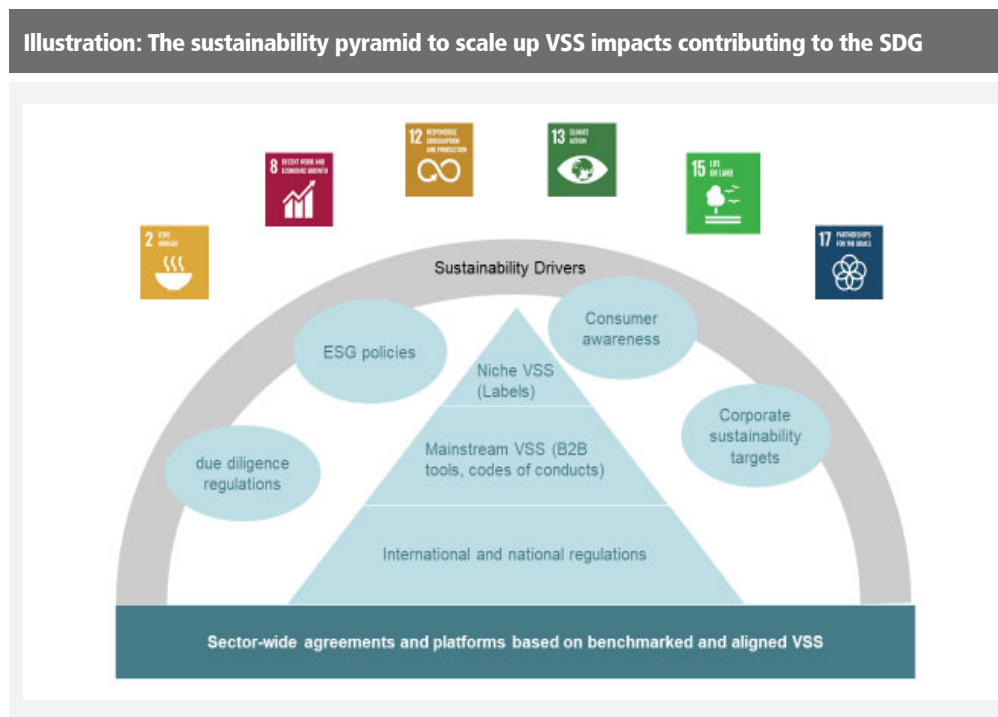
For the further evolution of VSS, it must be understood that they are just one piece of a more comprehensive set of measures aimed at making sustainability becoming the norm in GVC. Next to consumers, stakeholders such as governments, large corporate actors and financial institutions have become key drivers in pushing the sustainability agenda forward. The existence of manifold drivers from both the private and public sector implies a hybrid model, in which voluntary, market-based tools are intertwined with national and international regulations and policies. Accordingly, governments have begun to complement public enforcement mechanism by employing VSS and related tools as a means to attain public policy objectives in a growing number of policy and regulatory areas aimed at ensuring sustainability in GVC (e.g. due diligence, government procurement, trade agreements, etc.).

### Using VSS as a vehicle to implement sustainability provisions in Free Trade Agreements

The importance of sustainability concerns in FTAs has gradually increased since the introduction of dedicated Trade and Sustainable Development chapters by EFTA and its trading partners. These chapters reference key international agreements in the areas of labour, environment and human rights. Until recently, VSS have not been used in FTAs in light of the still controversial discussion on Process and Production Methods (PPM) at the WTO. However, in the Agreement between the EFTA States and Indonesia the import of palm oil has been linked to the fulfilment of certain sustainability criteria. Based on a benchmarking assessment (see also table on page 14), a list of relevant and widely accepted VSS has been established as a means to assure the fulfilment of the respective criteria. VSS will thus help to enforce sustainability provisions concerning labour conditions, human rights, biodiversity, water, use of chemicals, climate change or smallholders.



The Sustainability Pyramid below illustrates this hybrid model combining national and international regulations and VSS. Different drivers can be mutually reinforcing in their quest to contribute to the 2030 Agenda. It is important to highlight that consumers continue to be a key factor promoting market differentiation. Consumer-facing labels taking up new sustainability concerns keep on moving the needle at the top of the pyramid. The segment in the middle of the pyramid comprises VSS and equivalent tools for the mainstream market. This segment is mainly influenced by strategies and policies of large corporate actors, financial institutions and government entities. Whether industry- or government-led, the underlying commitments are of a more binding nature and closely interact with the bottom of the pyramid that consists of the mandatory rules based on national legislation and international agreements. Systemic sector-wide agreements or platforms, as described in this paper, point at new approaches developed both in producer and consumer countries combining tools along the sustainability pyramid with the ultimate goal of driving sustainability impacts at scale.



## Future SECO Priorities

Since the beginning, SECO has been a key donor and supporter of VSS as market-based tools to drive sustainability impacts in global value chains. The commitment has been evolving along with the emerging challenges, trends and drivers. Looking into the future, the following areas of work are instrumental for defining SECO's future engagement in this field:

**Strengthening linkages with Swiss policies to promote the SDGs:** The current policy developments in areas such as public procurement, due diligence processes and trade agreements suggest a growing relevance of VSS as enforcement tools to ensure sustainability criteria in GVC. This trend mainly responds to the fact that Swiss authorities have limited capacity to control compliance of rules and practices in production sites around the globe. VSS being the result of broad-based and transparent multi-stakeholder processes resonate well with the Swiss democratic culture. Additionally, they rely on effective control, enforcement and conflict mitigation mechanisms and allow for high levels of traceability. Concrete examples of such a VSS use for public assurance are the PPM provisions on palm oil in the scope of the FTA with Indonesia, the new public procurement law and ordinance providing the framework to address for example the underlying sustainability risks in the textiles and clothing value chain or the forthcoming due diligence regulations aimed at strengthening the monitoring and remediation of child labour in critical sector such as cocoa.

### Lines of action:

- Strengthen transparency around VSS through leading portals such as the ITC managed Sustainability Map or the Swiss front ends Labelinfo.ch or Sustainability Compass.

- Deepen collaboration within SECO and with other federal offices such as the Federal Office for the Environment (FOEN) to assess the potential of VSS for public policies affecting GVC.

**Strengthening framework conditions in producer countries to scale sustainability impacts through sector-wide or landscape agreements and platforms.** SECO has gained promising and insightful experience in promoting sector- and landscape-wide agreements and approaches to mainstream sustainability in producer countries. These approaches consider the convening of all relevant stakeholders within a particular sector or landscape around common objectives. Besides, they foresee the pooling of resources and joint accountability frameworks to ensure an effective implementation and monitoring of the agreed objectives. There are important nuances concerning the role of standards within such approaches. While national laws or standards serve as main benchmark in some cases, VSS are often used as implicit benchmarks when defining and further developing national standards (case ISPO). In other cases, VSS may be used as the foundation or main proxies for the respective sustainability commitments.

**Lines of action:**

- Support sector- and landscape-wide agreements and platforms in SECO priority countries (e.g. in coffee, cocoa, palm oil, textiles or tourism).
- Foster partnerships at global and national level, such as the UNDP Green Commodities Programme as well as IDH's and ISEAL's respective work on landscape and jurisdictional approaches and sector transformation.

**Managing the diversity of standards and similar tools:** The ISEAL members that comply with the different codes may be considered as the core of the VSS system. However, ISEAL is not an isolated system but is complemented by other sustainability standards and standards-like schemes and aligned with international norms. In 2020, ISEAL introduced a new membership category called ISEAL Community Member, which does not require full compliance with all codes as a precondition for membership. Instead, community members are committed to improving their system, sharing experiences, building trust and demonstrating transparency. From a SECO perspective, such an inclusive approach to engage with a wider range of standards and similar systems and is instrumental to further mainstream sustainability in GVC and to increase the number of partners committed to good standards practices following the leitmotiv of continuous improvement.

**Lines of action:**

- Support the outreach of ISEAL to expand its community membership through SECO's programmes and networks.
- Promote the adherence of Swiss-based sustainability initiatives to ISEAL's community membership and eventually, in given cases, to full membership.

**Assisting smallholders to drive inclusion based on step-wise approaches and enhanced data management:** SECO's experience has shown that VSS require in-built assistance schemes to effectively integrate smallholders into GVC. Such schemes need to go beyond individual donor-financed projects but be part of long-term partnerships with supply chain actors and the impact financing community. Therefore, VSS need to enhance their data management and to implement step-wise approaches to lower the entry barriers for smallholders and provide support measures allowing smallholders to climb the performance ladder.

**Lines of action:**

- Rely on VSS that include step-wise approaches and the support of smallholders in pre-certification stages under SECO-supported value chain projects.
- Gear SECO support to ISEAL and its members toward the inclusion of smallholders and the respective testing of innovative approaches, involving digital solutions that provide accurate, rapid and transparent information on compliance, progress and impacts.
- Seize the opportunity of the role of VSS as data managers and to link VSS compliance data with impact financing to support smallholders on their journey to become entrepreneurial.

**Increasing the role of alignment assessment and benchmarking:** The growing use of VSS as means to enforce public policies aimed at ensuring sustainability in GVC asks for the selection of suitable, credible VSS and equivalent tools. Appropriate VSS can be identified based on so-called alignment or

benchmarking assessments. The OECD uses alignment assessments to evaluate whether and to what extent standards and other tools cover the recommendations on responsible business conduct in risk-prone sectors such as textiles, mining and agriculture. Conversely, the benchmarking of existing standards and equivalent tools against clearly established goals have been undertaken based on methodologies developed by WWF, the Consumer Goods Forum, ITC and ISEAL.

**Lines of action:**

- Further development and support of alignment and benchmarking methodologies in order to make them appropriate tools for public policies and sector-wide approaches with SECO involvement, such as the Swiss Platform for Sustainable Cocoa, Sustainable Textiles Switzerland 2030 or the Swiss Better Gold Association.
- Promote international harmonization and learning in the field of alignment and benchmarking assessment with partners such ITC, ISEAL and the OECD.

Imprint

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