

The Systemic Impacts of Voluntary Sustainability Standards

A White Paper

October 2018

WWF supports voluntary sustainability standards (VSS) as part of its effort to reduce the negative impacts of commodity production and conserve the world's biological diversity. The ISEAL Alliance strengthens VSS in bringing about measurable change through credible standards systems. VSS are known to have a positive impact in areas where certified entities operate but VSS can also influence the enabling environment. There is not yet a lot of evidence of these so-called systemic impacts of VSS on the enabling environment. This white paper aims to contribute to this evidence gap as well as provide a working definition for the concept of systemic impacts. We welcome your comments and insights to further develop this work.

Introduction

WWF works to transform markets worldwide for the benefit of people and the planet. An important conservation strategy is to promote credible voluntary sustainability standards (VSS) in a number of sectors, including agricultural, fishing, forest, mining and textile supply chains. The ISEAL Alliance is the global umbrella organization of the world's foremost VSS operating in key commodity and natural resource sectors.

VSS are a market-driven tool to address key social, economic and environmental issues in production and processing. They have been developed to assure consumers, retailers, investors and other supply chain actors that the products they buy have been produced, traded and processed sustainably. The demand for sustainable products should give producers or manufacturers the incentive to adopt sustainability standards and benefit their enterprises, workers and the environment.

VSS are a diverse and dynamic group. Today, they exist for a wide range of primary products in agriculture, forestry, fishery and mining and for manufactured products such as textiles or electronics. VSS have also been developed for construction work, infrastructure and golf courses. Some address multiple social, environmental and economic issues while others focus on specific sustainability topics such as labor conditions or water management. Some VSS have consumer-facing labels while others are designed as business-to-business. The nature of VSS is constantly evolving to better address the respective social and environmental issues and deliver the impact they strive for.

There is growing evidence of the certification impacts that VSS can have in the sectors where they are active. We understand *certification impacts* as the changes for the certified entity (e.g. farm, producer organization, mine, fishery, etc.) as a result of the certification process, including relevant value chain actors. In terms of certification impacts, VSS have contributed to increased productivity, quality, sustainability, income, and improved livelihoods for producers, workers and their families. In addition, we observe that VSS can influence the enabling environment for the adoption of their standards and thus contribute to broader effects that support the fulfilment of VSS missions. We see this as their *systemic impacts* or changes (e.g. in coordination, policies, norms) in the enabling environment, including relevant public and private actors as well as other organizations (e.g. knowledge, training). Changes in the enabling environment typically address systemic issues and their underlying root causes.

'Systemic Impacts' – a working definition

We propose working definitions of systemic impacts that are rooted in ISEAL's definitions. For our purpose, *systemic impacts* can refer to any type of change – small or large - along a causal chain (or pathway) that results in **outcomes or impacts on the enabling environment** to achieve broader effects that support the **fulfilment of VSS missions**. This working definition is broadly applied in order to show the range of relevant examples associated with systemic impacts, as illustrated in this white paper.

Systemic impacts can be targeted by VSS themselves or by other organizations who can involve them or refer to their systems. The systemic impacts have led to increased stakeholder collaboration, knowledge development and investments as well as improved corporate behavior and public policy. However, there is not yet a lot of evidence of systemic impacts since they are less visible and difficult to capture.

WWF and ISEAL have asked Aidenvironment, an expert in VSS design and evaluation, to explore this uncharted territory. The aim of this white paper is to provide a working definition for the concept of systemic impacts as well as to gather and synthesize the evidence of systemic impacts of ISEAL Alliance standards. This can help VSS and their stakeholders become more effective in improving the enabling environment for adopting sustainable production practices. We do not intend to give an exhaustive list but provide numerous examples that represent and illustrate the systemic impacts of VSS. The insights documented below are based on a review of the relevant literature available and selected cases based on interviews with VSS and/or stakeholders involved, including Bonsucro (Latin America), GCP (Vietnam), MSC (Asia Pacific) and LEAF Marque (Isle of Jersey).

A. The certification and systemic pathways of voluntary sustainability standards

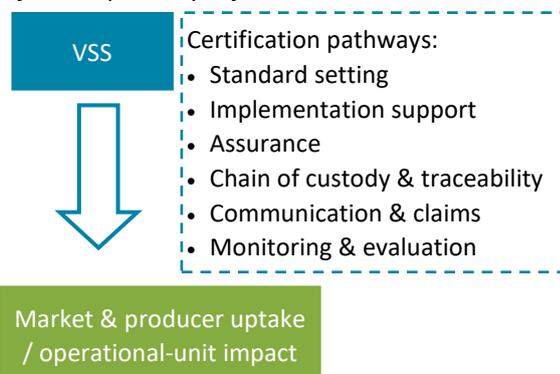
In this section, we elaborate on our understanding of the certification and systemic pathways leading to certification and systemic impacts.

Certification pathways

Most VSS follow certification pathways through activities that directly promote market uptake and standard adoption to fulfil their missions. In our view, certification pathways (or causal chains) show or describe how VSS activities are expected to lead to outcomes and impacts among certified entities. These activities directly contribute to the implementation of standards by producers and the purchase of certified products. Typical activities within the certification pathway by ISEAL members include:

- *Standard-setting*: Setting the standard with a set of social, environmental and/or economic practices or outcomes
- *Capacity building*: Supporting producers to comply with the standard through guidance, training or financial support
- *Assurance*: Providing a system that verifies whether a standard's requirements have been met
- *Chain of custody and traceability*: Offering traceability systems to track products back to their original source. Combined with a chain of custody certification, VSS assures the integrity of at each stage of the supply chain
- *Communication and claims*: marketing of the standard and/or making product claims (on-or off-pack)
- *Monitoring and evaluation*: tracking the performance of the standard's users and assessing the changes realized by implementing practices and system

Certification pathways of VSS



Certification impacts

Certification impacts can be characterized as changes at certified entities as a result of becoming and being certified. They include changes in practices, outcomes and impact that support the fulfilment of VSS missions. In most cases, benefits are mainly for producers (e.g. farmers, miners, fishers, forest managers, etc., and producer organizations) in the areas of operation but can also be for other targeted value chain actors (e.g. traders, processors, manufacturers, distributors, and brands, etc.).

VSS are monitoring certification impacts in a more credible way. Several years ago, VSS were criticized for not measuring their impact in a credible way. Nowadays, this has changed. The ISEAL Impacts Code sets out requirements on good practice for members to defining and monitoring their certification impacts.¹ Also, ISEAL's [Standards Impacts website](#) contains a large number of impact studies by ISEAL members and research related to standards that is commissioned by other organization. These studies have mainly focused on the outcomes and impacts of the certification pathways in the areas of operation.

There is increasing evidence of the certification impacts of VSS in the sectors they have been designed for. Most of the evidence shows mixed results of impact within the areas where certified entities operate. At the value chain-level, there are clear contributions of VSS to reduced operational costs and improved reputation. At the operational-level (e.g. producer), positive impacts include increased product quality, higher incomes, improved labor conditions, and reduced water contamination.

There are limitations, however, to their impact. VSS assurance may not be able to guarantee that practices continuously meet the standards in between conformity assessments. VSS may not reach all type of producers, as including the lowest performing or smallest scale producers in their systems remains a challenge. Also, they have little influence on how value is distributed between value chain actors which can limit their impact on promoting decent livelihoods of producers and workers. It has also become clear that there are root causes of unsustainable practices in the enabling environment that are difficult to address through an operational unit-focus and supply chain-driven initiative.

¹ For information on how VSS implement the ISEAL Impacts Code, please see: <https://www.isealalliance.org/get-involved/resources/iseal-member-public-system-reports>

More VSS recognize that the enabling environment influences their effectiveness, sustainability and scalability. Impact studies often show that the uptake and impact of VSS is highly influenced by contextual factors in the broader environment they operate in. These factors can relate to policy, institutions and markets as well as socio-cultural dynamics. For example, unclear land tenure policies reduce incentives for producers to make longer-term investments in their operational units. VSS are likely to be more successful in sectors with short and transparent supply chains selling to markets with high consumer awareness on sustainability issues. Their adoption may be less successful in sectors with long and fragmented supply chains selling to markets with limited awareness. Other influencing contextual factors include the degree to which small-scale producers are organized, the presence of a viable service sector, the degree of stakeholder collaboration and socio-cultural norms. For example, agricultural VSS tend to find it difficult to scale among remote and unorganized small-scale farmers without reliable market access and without access to capacity building and finance. In other words, the enabling environment matters in achieving success through the certification pathways.

Systemic pathways

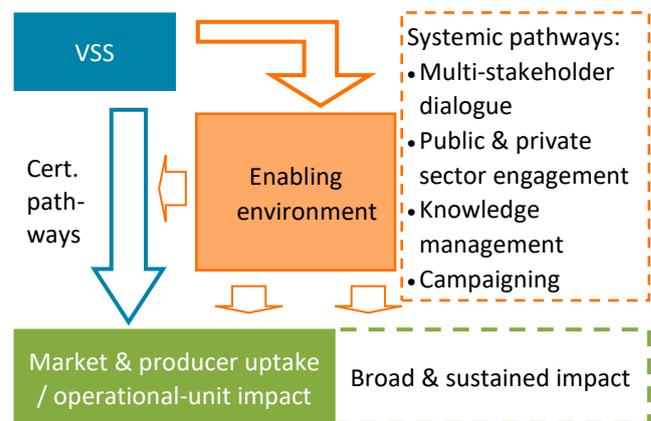
VSS are increasingly involved in pathways to influence the enabling environment. In our view, these pathways show or describe how VSS bring about changes (e.g. outcomes and impacts) in the enabling environment. These activities help create an enabling environment for more users of the standards but also contribute to a broader and more sustained impact beyond certified areas of operation. The main activities in this regard include:

- *Multi-stakeholder dialogue:* Facilitating dialogue among government, civil society, industry and producers to identify problems and develop solutions at a sector level. For example, Bonsucro and Global Coffee Platform (GCP) facilitate national platforms in producing countries, which is separate from their organizations' multi-stakeholder governance structure.
- *Private or public sector engagement:* Engaging with the private or public sector to change their policies and investments. For example, the Better Cotton Initiative (BCI) engages governments in producing countries to adopt BCI principles into national regulation.
- *Knowledge management and other support services to the production base:* The development and sharing of knowledge products such as research papers, tools, manuals and training curricula. The development and management of funds to implement sustainable practices often benefiting producers beyond the scope

of certified areas of operation. For example, the Forest Stewardship Council (FSC) pioneered the concept of High Conservation Values (HCV) areas, developed a toolkit for public and private users and later helped to create the HCV Resource Network.

- *Public campaigns:* Raising awareness among consumers on a specific issue in general or in a particular sector or region to spur action by companies. For example, Fairtrade Foundation and Fairtrade USA campaigned for consumers and industry to make more responsible choices in the banana sector.

Systemic pathways involving VSS



Systemic impacts

Systemic impacts can be characterized as changes in the enabling environment. These changes occur among public and private actors and organizations that contribute to the adoption of standards (i.e. certification impact) and broader outcomes and impacts that support the fulfilment of VSS missions. Changes in the enabling environment typically address systemic issues and their underlying root causes.

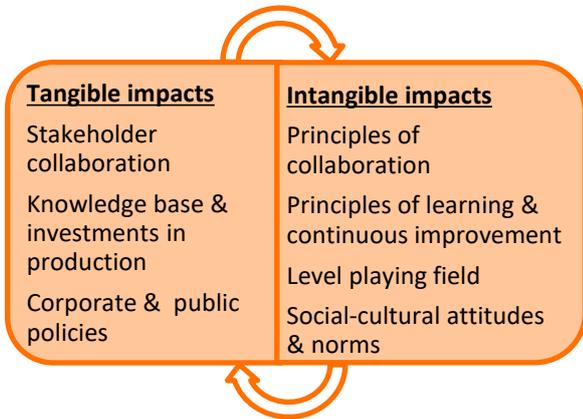
Systemic impacts include both tangible and intangible changes in the enabling environment. Tangible systemic impacts refer to changes in behavior, policies and systems by different stakeholders. Tangible changes are typically found in three areas:

- *Stakeholder collaboration:* improved 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 (pre-competitive) investments in capacity building for sustainable practices, also involving knowledge institutions

- *Corporate and public policies and behavior:* changes in supply chain behavior (e.g. procurement policies, supply chain structures and market incentives), public policies and financial sector policies

systemic issues. However, to demonstrate such dynamics would require evidence over longer time periods, which is not available.

Tangible and intangible impacts in the enabling environment influenced by using VSS



Intangible systemic impacts refer to changes in principles and values and how stakeholders relate to each other. Intangible systemic impacts in the enabling environment are realized in four different areas:

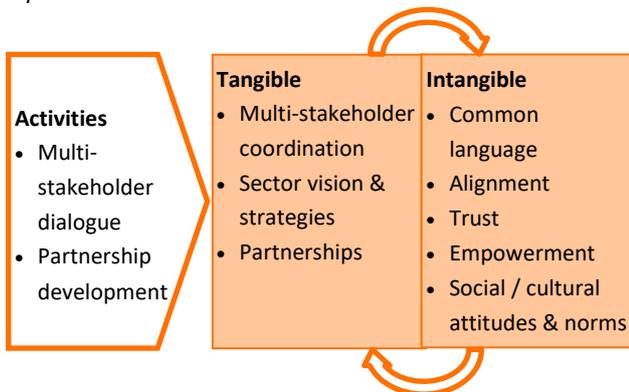
- *Principles of collaboration:* the creation of a common language, alignment and trust as well as the empowerment of certain stakeholders
- *Principles of learning & continuous improvement:* the improvement of transparency, accountability and evaluative learning between stakeholders
- *Level playing field:* improved policy coherency, fair competition and alignment in market incentives
- *Social / cultural attitudes & norms:* changes in norms, may relate to gender aspects, child labor and land ownership

In this section, we further elaborated the working definitions of systemic pathways and systemic impacts, as opposed to certification pathways and certification impacts. The next sections present detailed examples of systemic pathways and their systemic impacts.

In summary, we believe that systemic impacts can enhance the scaling of certification impacts and help to sustain impacts through changes in the enabling environment. Our review will show examples on how systemic pathways promote scaling up impact. Our review will not provide evidence of how systemic pathways sustain impact. That said, it is plausible that systemic impacts can help sustain certification impacts because in many cases systemic impacts relate to root causes and

B. Stakeholder collaboration

The systemic pathways involving VSS and the systemic impacts on stakeholder collaboration



One systemic pathway involving VSS is the facilitation of multi-stakeholder dialogues at the sector-level. This activity often occurs along with public and private sector engagement (i.e. policy influencing). Most of the systemic impacts of dialogue facilitation have to do with more frequent and intensive sector coordination. However, the results are often a mix of knowledge and tools, broader stakeholder collaboration and policy influencing. Most of the intangible impacts of this pathway are the development of a common language, alignment and trust among stakeholders as well as creating shared norms around socio-cultural issues.

Multi-stakeholder coordination

Some VSS are facilitating sector dialogues that result in greater trust and coordination. The facilitation of multi-stakeholder dialogue by VSS - beyond the governance of their standard system - is an emerging trend. VSS recognize the importance of this systemic pathway to broader impact beyond the scope of certification. It also occurs as standards systems have developed in new sectors over the past ten years or so, with several taking the form of roundtables or sector platforms. It varies based on how VSS approach and invest in this convening function.

In the palm oil sector, The Roundtable on Sustainable Palm Oil (RSPO) brings together key actors in the value chain around common issues. In certain countries, this has resulted in coordination among government, industry and civil society beyond the traditional scope of the standard system, which has the potential to scale up improved production practices. In the Sabah region of Malaysia, for example, the government announced its goal of certifying all palm operations to RSPO's Principles and Criteria by 2025 under the innovative 'jurisdictional approach'. In

2016, the government of Ecuador also made a similar commitment to certifying an area of the Amazon under palm production, which complements an existing UN-REDD initiative. This stakeholder collaboration on jurisdictional certification has also increased trust and transparency among the stakeholders involved as well as created a more level playing field for industry active in those regions.

Some standards have begun to fundamentally shift their value proposition and position themselves as sector platforms that strengthen the enabling environment for scaling up sustainable practices. Two clear examples are the Global Coffee Platform (GCP), a merger of 4C and IDH's Sustainable Coffee Program, and Bonsucro, which are presented in case boxes 1 and 2.

Case box 1: Bonsucro in Nicaragua

In promoting national platforms in sugarcane producing countries, Bonsucro encountered a particular challenge in Nicaragua. A major sugar mill and an NGO were engaged in a conflict over worker health since around 2012 as cases of Chronic Kidney Disease of undetermined causes (CKDu) were identified. By 2016, Bonsucro became involved to bring both parties to the table and create a dialogue on understanding the problem and identifying possible solutions.

As this process unfolded, the stakeholders learned of the systemic nature of the CKDu problem, i.e. that it affected workers throughout Central America and that other sectors contributed too. When the Nicaraguan Sugar Producers Association decided to engage, the Adelante initiative was founded. Adelante researched farm labor practices and CKDu's root causes to gain insights on how to make improvements on worker's health and efficiency. Between 2016 and 2018, the original mill was used as a learning laboratory on the topic and the insights are shared with Adelante's members and the sector's stakeholders.

This case shows that Bonsucro's stakeholder engagement led to an impact on the enabling environment that reaches beyond certification, Nicaragua, and even the sugarcane sector. Bonsucro led a process that created trust among industry and civil society, conducted collective research on a critical sustainability issue, and is shaping shared ethical norms on worker health.

Source: Interview with Bonsucro representative for Latin America

Multi-stakeholder coordination also occurs as a spin-off of certification with broader effects. As part of a seabob shrimp fishery's goal to become MSC certified in Suriname, the Seabob Working Group was established to address the gaps needed for certification in a transparent and inclusive way. This working group was comprised of the Surinamese government, a Dutch fish company, WWF, and local small-scale fishers and operated without MSC's involvement. They produced a country-wide stock assessment, a new national management plan and a website with information on these outputs as well as the fishing fleet. Such multi-stakeholder coordination had not occurred before to this level in Suriname and its work benefits the entire seabob shrimp sector in the country and wider region. The experience was shared with fisheries in Guyana who feel empowered to form a similar initiative.

Sector vision & strategies

VSS can be influential in creating a shared vision for a sector among stakeholders. GCP organizes platforms in the coffee sectors of Brazil, Colombia, Honduras, Tanzania, Uganda, Vietnam and Indonesia. Platforms are either newly created or built upon existing, relevant structures in-country. GCP undertakes and supports activities like dialogue facilitation, public and private sector engagement, and knowledge development. This work strengthens the platform's functional capabilities to effectively guide a country's key coffee stakeholders to developing and collaborating on a shared vision and strategy for sustainable development of their coffee sector.

Partnerships

Upscaling can be potentially accelerated via partnerships involving VSS. As stakeholders in a sector recognize that the certification impact of VSS at the producer-level can be less than expected, they acknowledge the need for genuine and robust partnerships to make deeper impact at a wider scale. Fairtrade International, together with Grameen Foundation and Incofin Investment Management, created the Fairtrade Access Fund to support farmers organizations in making longer term capital investments. Between 2012 and 2015, the fund grew to US\$10.2 million. WWF's partnership and IKEA over the past 15 years has expanded beyond IKEA's procurement of FSC-certified paper and wood to also collaborate with customs officials in China and Russia to combat illegal logging. BCI's Growth and Innovation Fund is another example of how partnerships can mobilize investment in the production base (see case box 4 in the next section).

Case box 2: GCP in Vietnam

In 2016, GCP in Vietnam began to support the Vietnam Coffee Coordination Board (VCCB), a public-private partnership established in 2013 by IDH, with the aim to become an independent, policy-making body that represents the entire coffee sector in Vietnam. VCCB acts as a facilitator of policy dialogue, coordinator of programs and investments, and monitor of Vietnam's collective action towards its coffee sector's vision.

GCP's close collaboration with the VCCB has contributed to increased stakeholder coordination by developing a sector vision and strategy, aligning industry's voice on policy to the Ministry of Agriculture and Rural Development (MARD) and mainstreaming the World Bank's 'Vietnam Sustainable Agriculture Transformation' (VnSAT) investment in the country.

GCP has had a major impact on the sector's knowledge development and tools. They developed the National Sustainability Curriculum (NSC), which is now used for VnSAT projects. GCP is developing an IT tool for sector-wide monitoring of best practice adoption, which will help Vietnam's coffee sector learn together. The platform creates peer-to-peer spaces at the provincial-level for farmers and companies to share their experiences (e.g. effective farming models). GCP's approach also allows them to apply their expertise to advise on the assurance process for other standards in the agriculture sector (i.e. GlobalGAP).

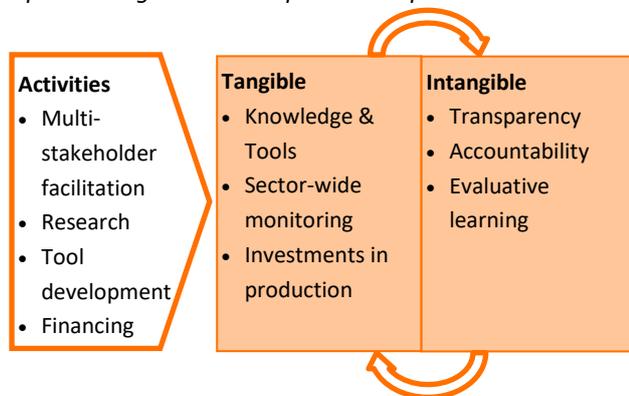
This systemic pathway has also led to a few intangible impacts. For example, trust between industry and government has increased. After the VCCB was set up, companies had a formal mechanism to engage with public officials. Transparency has been strengthened through public-private communication that provides information on the government's proposed policy reforms and on each actor's program implementation.

This case highlights the critical role that sector platforms play, particularly when led by VSS. The scope and depth of activities can positively impact stakeholder collaboration, sector knowledge and implementation support contributing to sustained impact over time.

Source: Interview with GCP Vietnam representative

C. Knowledge base and investments in sustainable production

The systemic pathways involving VSS and the systemic impacts on the knowledge base and investments in implementing sustainable production practices



Systemic pathways involving VSS commonly have tangible impacts on the general knowledge base and access to (pre-competitive) investments to strengthen a sector’s production base. These impacts are almost always seen with increased stakeholder collaboration and, in several cases, with changes in supply chain, financial and government policies and behavior.

Knowledge and tools

VSS expand knowledge and tool development beyond their own certified supply chains. Several VSS have cooperated with other VSS or stakeholders to develop common knowledge products and tools. For example, FSC, Rainforest Alliance (RA), Bonsucro, BCI and RSPO participate in the High Conservation Value Resource Network that develops common guidance for using the HCV approach, a concept originally developed by FSC. Today, the HCV approach is widely used by VSS, non-ISEAL certification schemes and other initiatives (e.g. The Swedish National Agency for Public Procurement). Over 160 consumer goods companies and financial institutions also commit to using the HCV approach. Application of the approach has helped to protect millions of hectares of old growth forest and other HCV areas in at least 12 countries. The success of this cooperation likely promotes the conditions for more forms of collaboration between stakeholders.

When VSS contribute to the knowledge base, they create a common language for sustainability. In addition to national interpretations of their standards, several VSS have developed or contributed to national sustainability curricula defining sustainable production in a country’s agricultural, fishery, forestry or mining sector.

Case box 3: ISEAL and the Global Living Wage Coalition

In 2013, the ISEAL members Fairtrade, Forest Stewardship Council (FSC), GoodWeave, Sustainable Agriculture Network (SAN), Rainforest Alliance (RA), and UTZ, along with Social Accountability International (SAI) formed the Global Living Wage Coalition (GLWC) to raise awareness on the need for living wages, create tools to conduct living wage benchmarks and develop strategies to close the living wage gap.

A living wage is defined as, “the remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.”

The coalition’s tools assist researchers and practitioners on calculating and understanding living wage benchmarks. GLWC participants’ studies are made publicly available via a knowledge database online. Benchmarks have been developed (and validated) in the following sectors: bananas, coffee, tea, floriculture, textiles, manufacturing and seafood processing.

This systemic pathway has the potential to strengthen and go beyond the labor practices many VSS require to potentially ensure that workers can afford a decent standard of living for their families. GLWC tools are used by the Malawi Tea 2020 initiative, a coalition of the tea industry, unions, government agencies, VSS and supporting parties, that aims to achieve a competitive and profitable Malawian tea industry that is able to pay a living wage.

The case of the GLWC led by ISEAL shows that activities around a focused, complex issue can result in another level of coordination, impactful knowledge and additional leverage on supply chain behavior. So far, this work has led to, for example, increased advocacy and capacity building in the banana sector in Ecuador. Also, Fairtrade has introduced a floor wage in the East African flower sector to ensure a level playing field between Ethiopian and Kenyan producers.

Source: <https://www.isealalliance.org/about-iseal/our-work/global-living-wage-coalition>

Sector-wide monitoring and learning

Some VSS lead consistent data collection for sector and global goals. Performance monitoring in a systematic way has become a prominent strategy for VSS, including FSC, BCI and Rainforest Alliance, to show their impact and improve standards. More and more, it is also shared with certified producers and value chain actors for communication and learning purposes. For example, in countries where GCP has developed a shared vision and strategy for a sustainable sector, they develop monitoring and learning systems to track progress towards goals and learn from the effectiveness of different approaches by implementing actors. GCP conducts sector monitoring through IT tools for data collection and analysis and stakeholder learning workshops from the local to national level. This development shows the progress some VSS have made in monitoring and evaluation systems and is a valuable contribution to the broad and sustained impact made by a sector.

At the global level, MSC is an official biodiversity indicator partner to the UN Convention on Biological Diversity (CBD). MSC certified data is a primary indicator for Target 6 on legal and sustainable fish stock management and a secondary indicator for Target 4 on sustainable production and consumption. The UN can track progress on meeting fish stock management targets by comparing the global catch of wild-capture fisheries to MSC certified figures. The UN CBD makes this information available to national and regional governments and uses it for reporting on the Sustainable Development Goals.

Investments in the production base

VSS have been developing implementation funds to co-finance programs. Increasingly, VSS seek to build producer capacity and make producer-level investments at large in a sector. This systemic impact takes the form of investments that do not benefit directly a single or any standard but to raise the bar at the production base to improve practice adoption. Some notable examples can be seen with RSPO, ASC, BCI, MSC and Fairtrade. Since 2015, MSC's Global Fisheries Sustainability Fund (GFSF) has financed scientific research and capacity building projects in fisheries in the global south. While the objective of this support is to help (small-scale) fisheries achieve MSC certification, the research fills important knowledge gaps and the projects allow for technical and management improvements with an impact beyond a single fishery.

VSS are collaborating with other NGOs to build capacity more broadly. UTZ, now Rainforest Alliance, is working with civil society organizations in nine producing countries to strengthen their engagement with governments and

companies on key systemic issues. In Uganda, they work with a local NGO, teacher's union and trader to apply the child labor free zone approach to change social norms on child labor and gender relations in communities in coffee-producing regions.

Similarly, Goodweave trains and advises other organizations, including other VSS, on forced and child labour in supply chains. For example, Goodweave has recently partnered with the Sustainable Agriculture Network (SAN) to strengthen each organization's response to child labor in India's tea sector. The majority of tea estates in Assam state have become certified to the SAN standard while child labor is known to be a problem in the area. By collaborating, GoodWeave applies its robust monitoring system to the tea sector while SAN reinforces the social auditing skills of local partners to use during farm certification.

Case box 4: BCI's Growth and Innovation Fund

In 2016, BCI launched the Growth and Innovation Fund to accelerate the capacity building of cotton farmers worldwide to apply Better Cotton practices. Training is accessible to farmers of all sizes and not restricted to specific supply chains. The fund draws financing from some 60 organizations from institutional actors to major companies like H&M, IKEA, Adidas, Nike, Levi Strauss and Marks and Spencer. The GIF complements BCI's strategy to engage governments on adopting Better Cotton principles into regulation.

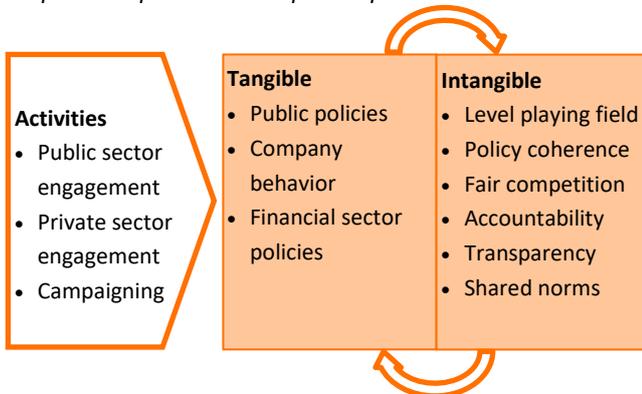
In its first year, GIF invested over 8.9 million EUR in 7 countries: India, Pakistan, China, Mozambique, Turkey, Tajikistan and Senegal, which trained over 600,000 cotton farmers on sustainable practices. The fund is managed by strategic partner and co-investor IDH, the Sustainable Trade Initiative.

The case of BCI's GIF shows that VSS can mobilize investment in a different way and finance the capacity building that is needed across certified supply chains at scale.

Source: <https://bettercotton.org/get-involved/growth-and-innovation-fund>

D. Public and corporate policies and behavior

The systemic pathways involving VSS and the systemic impacts on public and corporate policies and behavior



The systemic pathways that we found VSS are most commonly involved in are the influencing of public policy and corporate behavior. These activities are resulting in various systemic impacts to date, both tangible and intangible. Most of the systemic impacts center on public policies. More often, results are a mix of policy changes, stakeholder collaboration, knowledge and tools. All of these tangible impacts help to scale and sustain impacts in the areas where certified entities operate.

Public policies

The impact of public policy can be significant as it helps eliminate the worst production practices and shapes market behavior in a desired way. Public policy, if coherent and in line with sustainability goals, can create a level playing field for all market actors to operate in. Our review focused on 15 selected cases where the involvement of VSS influenced or resulted in public policy that promoted sustainable production, natural resource management, and responsible trade in line with VSS principles and criteria.

Direct engagement by VSS with governments can lead to policy and governance changes. In Vietnam, ASC has a Memorandum of Understanding (MoU) with the Directorate of Fisheries to strengthen its assurance system of the mandatory VietGAP standard for agriculture and aquaculture. This direct engagement is contributing to improved governance of Vietnam's responsible aquaculture policy and is part of a step-wise approach from VietGAP to ASC certification.

In Belize, Fairtrade International lobbied the government for 2 years, which eventually led to the establishment of a Labour Advisory Board, Tripartite Board and National Child Labor Committee in 2017. These changes in governance

structures are important steps in eradicating child labor across all agricultural and industrial sectors.

VSS also influence public policies and regulations through multi-stakeholder engagement. In the case of palm oil in Honduras, a dialogue between industry, civil society (including RSPO) and the government resulted in policy changes. Partly driven by the dialogue in the Sustainable Honduran Palm Oil Project consortium (PASH, in Spanish), the government adopted new environmental regulation for palm oil development and changed its policy to focus on sustainable intensification rather than expansion.

Case box 5: MSC and the Indian Ocean Tuna Commission

MSC has requirements for well-defined harvest controls for a fish stock to be certified, which applies to the entire fish stock (i.e. across an ocean). For the Maldives Seafood Processors and Exporters Association (MSPEA) to meet a condition for their certification, they recognized the benefit of reaching consensus on the same harvest control rule on skipjack tuna at the inter-governmental level within the Indian Ocean region. The Maldives fishery championed then a set of scientifically-valid harvest control rules within the relevant Regional Fisheries Management Organization (RFMO), the Indian Ocean Tuna Commission (IOTC). The IOTC is comprised of official delegations of member countries where MSC and other NGOs like WWF are observers.

The Maldives fishery convinced other member countries of these rules' benefits such as certainty on the management response to future scenarios before such an issue is present in their countries. The IOTC adopted the harvest control rules on skipjack tuna according to a precautionary principle. The intangible impact of this process is not only alignment among IOTC members but also promoting alignment and a common language for harvest control among other RFMOs like Western and Central Pacific Fisheries Commission (WCPFC) and even other fish stocks.

Although MSC did not target a systemic pathway, this decision allows for applying the MSC-aligned rule across coastal and distant water fishing nations. In addition, it may also facilitate scaling up MSC certification.

This case shows the spin-off effects of certification on the enabling environment for adopting of sustainable practices at a larger scale and wider scope.

Source: Interview with the MSC expert on tuna and harvest control rules

A common influence on the enabling environment is the integration of VSS principles and criteria into regulation. Standards' strength is that they define and operationalize a common language for sustainability, which can be useful for policy makers. UTZ has contributed to this in Brazil's coffee sector. Certifica Minas, a government agency, has integrated several elements of the UTZ Code of Conduct into their coffee standard, which has allowed for mutual recognition. Cases boxes 5 and 6 on MSC and LEAF Marque respectively show other examples of how regulation integrates VSS principles and criteria.

Case box 6: LEAF Marque and the Jersey government

In 2017, the government of Jersey, a British Isle, launched the Rural Support Scheme (RSS) which requires dairy and arable farmers to be Organic or LEAF Marque certified by 2019. The three main reasons behind the impulse to operate at the highest farming and environmental standards are: competitiveness of exports, tourism and ensuring public goods such as the natural environment and water quality. Farms can qualify for conditional environmental and business improvement grants by being LEAF Marque certified. Engaging with LEAF has enabled Jersey, with limited resources to monitor, to ensure full compliance of farms that while receiving RSS payments must minimize operational costs. This move has raised greater awareness of the need and benefits to ensuring public goods and the farmers role in delivering them. So far, the potato and dairy sectors have embraced the RSS.

This is a case of recognizing standards' principles and criteria in public policy and regulation.

Source: Interview with a representative from the Jersey Department of Environment

The integration of VSS principles and criteria into regulation has also been observed with FSC in Russia and the widely known case of Brazil where international environmental campaigns have been influencing national institutions since 1970s towards more sustainable forest governance. In Russia, FSC's private sector engagement brought international market pressure that led to a systemic impact on national forest laws and enforcement as well as policy coherence and shared norms on the importance of sustainable forest management.

VSS principles and criteria integrated into the enabling environment also leads to more direct results in reaching producers with improved practices. For example, the integration of BCI-based principles of sustainable cotton

production in national legislation creates strong incentives for the cotton industry as a whole to adopt the BCI standard. In Mozambique, the number of farmers producing Better Cotton rose steeply from 6.300 to 75.000 as the government made this move.

The presence of some VSS has influenced national governments to develop their own standards. In some sectors, governments have moved to develop standards as a national response to increasing implementation of international standards in their countries. In 2011, Indonesia launched the Indonesian Sustainable Palm Oil (ISPO) standard, which is based on existing Indonesian legislation and builds in third-party assurance. This mandatory standard can influence the worst performing palm producers that are not generally reached by relevant international standards. While a positive attempt at policy coherence and enforcement, major drawbacks to the standard greatly limit the uptake so far of ISPO and its potential impact. Indonesian legislation related to palm oil production is seen as too general to be effective in practice and ISPO is weak on worker and community rights and HCV forests and excludes traceability. That said, the strength of VSS can have the systemic impact of motivating public policymakers to revise national policies and regulations towards improved production practices.

Case box 7: FSC and Peru's Forest and Wildlife Law

In 2011, Peru tightened regulations on forest concessions' management to curb increased illegal deforestation. The revised Forest and Wildlife Law also introduced financial incentives in an effort to mainstream sustainable forest management. Forest concession holders can reduce their yearly lease payment by up to 70% if they adopt sustainable practices such those defined by FSC standards. Lower lease payments also extend to the establishment of conservation areas. In addition, forest concession holders may be further inclined to implement FSC's stricter standards due to the access to international markets and efficiency of FSC's system. The Peruvian government similarly widens its monitoring reach and shows importing countries and traders their commitment to tackling illegal deforestation.

This FSC case shows how national governments can use VSS as an extension of public policy and enforcement.

Source: http://www.standardsimpacts.org/sites/default/files/ISEAL_FactSheet_Peru.pdf

Policy incentives can also be based on sustainability goals promoted by VSS. Governments can use VSS as basis for providing regulatory relief, tax benefits, public good provision and preferential treatment in the allocation of resource access rights. Case box 7 shows the example of FSC in Peru's forestry sector.

In some European countries, standards systems serve as a basis for sustainable public procurement criteria since they are viewed as a reliable and practical reference. VSS are also valued by public procurement agencies since they are measurable. For example, Sweden proposes sustainability criteria against which public agencies can procure a range of goods and services. References are made to VSS for their aligned requirements and as a means to verify that public sustainability criteria are being met by potential suppliers. Sustainable public procurement in Sweden, including supply, is supported by the National Agency for Public Procurement (UHM) which promotes, raises awareness and builds capacity on sustainability criteria.

Corporate behavior

VSS build corporate accountability into their governance structures. RSPO members, for example, are bound to follow certain rules, even for the non-certified operations of palm oil plantations. FSC has a similar influence on corporate accountability through its Policy of Association. In the case of RSPO, each member publicly reports their relevant activities through the Annual Communication on Progress (ACOP). Any complaint when a company disrespects these rules that is unresolved gives RSPO the option to suspend the company. This mechanism offers local communities the ability to claim their rights regarding any operation of this company and subsidiaries. For RSPO, this additional lever can be very relevant in a context where the legal system is weak. Moreover, the potential consequence of suspension can have concrete financial implications for palm oil companies as was observed in the IOI Group suspension that led to considerable market devaluation.

Company behaviour can be influenced by VSS beyond buying certified products. Some VSS deliver customized services to companies that go beyond certification. These services can relate to strategy development, supply chain transparency, support on technical issues and impact monitoring and communication. For example, Fairtrade International supports companies in developing their M&E and technical expertise on issues like living wage and living income. A different influence VSS can have is that companies use their criteria and guidance in shaping their sourcing policies. In this sense, the effect of the Fairtrade

Minimum Price and Minimum Premium is less understood. There are several cases in the cocoa sector where socially-minded manufacturers use the Fairtrade policy as a reference or even basis for the prices they pay producers in their supply chains.

A few VSS use public campaigns as a systemic pathway.

For most VSS as supply chain-based initiatives, this approach may pose a dilemma and even be inconsistent with their mission. However, Fairtrade, for example, launched a global campaign in the banana sector to promote consumer awareness of sustainability issues and push companies to buy Fairtrade certified products. This led to a large UK retailer adopting the Fairtrade Minimum Prices in its company-wide procurement program. VSS can also fuel campaigns by other stakeholders, both directed at companies and governments. For example, NGOs in Australia try to influence corporate behavior by campaigning for stricter public environmental regulation referring to specific ASC criteria on certain practices.

Case box 8: ASC and the Global Salmon Initiative

In 2013, the Global Salmon Initiative (GSI) was launched by salmon farming companies worldwide to improve the environmental improvement of their operations and, as a result, raise their environmental reputation among consumers. GSI has working groups on a range of sustainability issues, such as securing sources of sustainable feed, improving disease management and improving the transparency of the industry.

Today, GSI has 17 members with operations covering 8 countries. ASC strongly supports the platform with expertise. The GSI members have committed to achieving ASC certification across 100% of farms by 2020. ASC supports this pre-competitive collaboration by providing expertise on sustainable salmon farming.

This case shows how VSS support existing platforms with expertise that benefits the sector as a whole.

Source: <https://globalsalmoninitiative.org/en/what-is-the-gsi-working-on/sustainability-certification-asc-standard/>

Financial sector policies

Policies in the financial sector can be shaped by VSS systemic pathways. Increasingly, financial institutions have included standards systems as part of the Due Diligence process and sometimes as conditions for lending or investment (i.e. certification). Recognizing VSS principles and criteria in financing arrangements can

provide incentives for improved practices in supply chains but it also contributes to the common language needed to understand and work where both finance and supply chains meet. This is not necessarily the result of direct engagement by VSS with these institutions. Although some VSS have financial institutions among their membership, other actors or forces seem to influence the financial sector (e.g. media/ NGO pressure or own responsible finance ambitions).

Case box 9: Financial sector policies

Asset managers, banks, insurance companies, pension funds and private equity increasingly use sustainability standards as frameworks to identify or assess environmental and social risks. The most explicit references to standards are made in forestry, mining and palm oil sectors. ABN Amro, Citibank Group, Credit Suisse, Deutsche Bank, HSBC, Rabobank and UBS all require customers to be certified or have time-bound plans to become certified. By recognizing VSS in their policies, the financial sector shapes market behavior and amplifies the impact of VSS.

Moreover, there is strong evidence that correlates financial performance to performance on environmental and social issues. For example, IFC found that companies demonstrating the highest social and environmental standards also deliver an 11 percent higher return than other companies.

Sources: Aidenvironment (2017) The business benefits of using sustainability standards: A meta-review, commissioned by ISEAL Alliance and http://wwf.panda.org/our_work/markets/mti_solution/better_production_for_a_living_planet/bplp_sustainable_finance.cfm

E. Opportunities to monitor systemic pathways

The above chapters highlight the main examples of systemic impacts involving VSS. While identifying these examples, we found a clear absence of information describing and appreciating systemic pathways and systemic impacts. If VSS intend to target systemic pathways and achieve systemic impacts, in view of scaling and sustaining their impact, more and better monitoring is needed to know which systemic pathways are most effective and can be addressed by VSS. Below we offer some first thoughts on an M&E framework to measure or document systemic impacts.

The need to monitor systemic impacts

Monitoring systemic impacts can inform the potential value-added by VSS and inform their strategies. While anecdotal evidence exists on systemic impacts by VSS, there have so far been limited efforts to prioritize such changes and even less to measure and document these in a systematic way. VSS can do better. Measuring the occurrence and quality of systemic impacts as well as the contribution by VSS to these systemic impacts is useful for the following reasons:

- To assess which changes in the enabling environment work best to sustain and scale results at producer-level
- To evaluate which VSS systemic pathways can contribute to these changes in the enabling environment
- To present a more complete value proposition to members, partners and donors in support of the business model

Monitoring systemic pathways is not easy but can be done. The changes found are within areas such as capacity and behavioral change, social norms, institutional change and policy commitments. These changes can take time to appear and are generally less visible, which is a challenge to monitoring. Secondly, the level of attribution by VSS to changes in the enabling environment will be difficult to determine, as many other factors can also play a role. This also poses challenges on how to communicate the findings on systemic impacts and should always be carefully done. That said, it is possible to set-up an effective monitoring framework to document systemic impacts. Some elements of this approach could be:²

- Define impact pathways which link VSS activities to expected or potential changes in the enabling environment
- Indicate how these contextual changes can lead to further changes in the areas of operation by scaling and sustaining impact
- Identify other external factors which may influence the outcomes of systemic pathways on the enabling environment



- Identify indicators which characterize the quality of the enabling environment. This could be a combination of quantitative and qualitative indicators. For qualitative indicators, scorecards could be developed with different levels of performance

Indicator	Level 1	Level 2	Level 3
Regulatory incentives for sustainability	No or perverse incentives	Some incentives, weak effect	Incentives drive sustainability performance
Evidence base	<ul style="list-style-type: none"> • Regulations • Policy evaluations 		

- Develop a measurement protocol on how, at what frequency and by whom data can be collected and how validation of the findings takes place
- As part of impact assessments, look at scaling effects by collecting data on how changes in the enabling environment can lead to further changes in areas of operation (e.g. by a comparison between countries with and without certain changes in the enabling environment, to determine its relative influence)
- Attribution of the observed changes can be made, at least an indication, by relating the observed changes to VSS-related interventions and other influencing factors, which will be largely a subjective assessment
- This assessment and the validation of the findings are ideally done with relevant stakeholders, which contributes to experience sharing and mutual learning
- Determining whether systemic impacts can help sustain certification impacts would require longitudinal studies, which can certainly be done

² The ISEAL Impacts Code offers a basic guidance on some of the following elements (see [link](#)).

F. The potential of targeting systemic pathways

After showcasing the range of VSS systemic impacts and emphasizing the need for monitoring in this new space, we conclude with some final considerations.

Systemic pathways promote standard uptake and broad and sustained impact

Certification pathways and systemic pathways can strengthen each other. Several of the examples in this paper show how systemic and certification pathways complement each other. Systemic pathways, such as policy change, can create the conditions which facilitate further standard uptake and scaling. Activities leading to certification pathways (e.g. national standards) can facilitate the integration of sustainability requirements into public policy.

Systemic pathways have the potential to result in systemic changes. Systemic impact can address root causes of unsustainable practices (capacities, policies, institutions, stakeholder relationships) and have effects that go beyond certified areas of operation. Although changes within the enabling environment are more difficult to realize and take more time, these changes can have wider and more long-term (systemic) effects than the impact of certifying operations and supply chains. Improvements in the enabling environment can raise the performance of many more actors than certification currently achieves.

Potential exists to target systemic impacts

Systemic pathways require a more strategic approach. So far, many of the above-mentioned systemic impacts have not necessarily been the result of strategic choices by VSS. In many cases, but not all, they have been secondary or unintended results of their activities to increase the uptake of standards in an effort to fulfil their missions. The evidence base presented in this paper suggests that VSS could be more explicit in improving the enabling environment in order to drive sustainable production and trade at scale. This means that VSS could engage in systemic pathways alongside their involvement in certification pathways. In other words, these two pathways should be looked at in a complementary way. Their adherence to multi-stakeholder consensus, transparency and accountability makes them well-positioned to work on systemic pathways. If VSS decide to invest in systemic pathways, it is recommended to approach this strategically. VSS like Fairtrade

International, GCP, Bonsucro and BCI already show a more strategic approach in which systemic pathways are also included in their respective Theories of Change.

Context matters... again. While systemic pathways can improve the enabling environment, there are contextual factors which may hamper the potential to achieve systemic impacts. Contextual constraints are found in the areas of governance, trade, sector dialogue and coordination, as well as the socio-cultural and natural environment. For example, in a weak governance context, it is likely to be more challenging to influence public policies than in a stronger governance context. This does not necessarily mean that policy influencing is not an option. In such a context, policy influencing via multi-stakeholder platforms may be more effective. Similarly, there may be more potential to organize stakeholders around a sector dialogue in sectors where actors are fairly concentrated and there is a certain level of mutual trust.

More focus on systemic pathways may affect the revenue model. Many VSS base their revenue model on certification fees, license fees or claims-related fees. Others primarily depend on membership fees. The revenue model that includes systemic pathways is likely to be more challenging than the certification-focused revenue model. This would require a more diversified revenue model in which pre-competitive industry investments and government funds would need to play a bigger role. A prerequisite will be to keep demonstrating the added value of these systemic pathways. Hence, the importance to monitor their impact and plausible contribution by VSS.

A concluding note

Systemic pathways aim to improve the enabling environment and this clearly adds value. Their impact can be more far-reaching and systemic than the impact of certifying areas of operation and supply chains, enhancing scaling and sustaining certification impact. This paper presented examples and evidence of the contribution by VSS to such systemic change. The examples suggest that VSS could put more emphasis to strategically target systemic impacts to fulfil their development mission. The strategy to do so can be seen as existing alongside certification pathways. This may require a strategic reorientation, new partnerships and a different business model. It may also require monitoring the systemic impacts of their broader activities to make a convincing business case to governments, companies, NGOs and donors. This approach may strengthen their value proposition towards these actors to contribute to the wide-scale and sustained sustainability performance.

Overview figure that shows enabling environment outcomes influenced by systemic pathways



Overview of identified cases of systemic pathways and impacts by VSS

The cases referenced below are a non-exhaustive list of examples identified as systemic impacts. All cases were reviewed but may not be included in the paper for editorial reasons. For further information on each case, please follow the link provided.

- Aquaculture Stewardship Council (ASC): In Australia, NGOs use specific ASC criteria to lobby for stricter environmental regulation by the government (*no link available*).
- [ASC](#): Support to improve the assurance model of the compulsory national VietGAP standard and guidance to step-up from VietGAP to ASC.
- [ASC](#): The members of the Global Salmon Initiative have committed to achieving the ASC certification across 100% of farms by 2020, as well as improved cooperation and transparency.
- Better Cotton Initiative ([BCI](#)): In Mozambique, the government embedded the Better Cotton principles and criteria in its national regulations and standards.
- [Bonsucro](#): Facilitation of dialogue between companies and NGOs in Nicaragua led to increased trust, research in root causes and industry wide commitment for Bonsucro.
- Fairtrade Foundation: A campaign on Bananas pushed a large retailer to adopt the Fairtrade Minimum Prices in its company-wide procurement program.
- [Fairtrade International](#): Lobbied for the establishment of a new Labour Advisory Board, Tripartite Board and National Child Labor Committee to take a systematic approach to eradicate child labor across all of agricultural sector and manufacturing industry.
- [Fairtrade International](#): partner in the Global Deal – an initiative bringing together the ILO, OECD, 18 national governments, 25 trade unions, 25 businesses and employer organizations, the UN Global Compact and other global organizations to promote better social dialogue in supply chains, in order to improve workers' rights and tackle inequalities.
- [Fairtrade International](#): the Farmer Future Program is a partnership between Nespresso, Fairtrade International and the Colombian Ministry of Labor to establish a coffee farmer pension plan, supporting the farmers to save whilst also leveraging a matched contribution of 20% of what the farmers contribute to the pension fund from the government.
- [Fairtrade International](#): Mondelez and Fairtrade are working together investing in on the ground capacity building through the Cadbury Cocoa Life program.
- [Fairtrade International](#): Participates, like Rainforest Alliance, in the World Banana Forum to address systemic issues across the industry. Fairtrade International and the WBF are coordinating the Living Wage Advocacy Initiative (LWIN) in Ecuador and Ghana.
- [Forest Stewardship Council \(FSC\)](#): Partnership between WWF and IKEA that uses FSC in promoting sustainable forest management in various countries.
- [FSC](#): In Peru, forest concession holders can reduce their yearly lease payment by up to 70% through the adoption of various types of sustainable practices. These include implementing credible private standards like the FSC.
- [FSC](#): In Guatemala, FSC certified producers were able to obtain 25-year land-use concessions after certification, something they had struggled to achieve in the ten years prior to certification.
- GEO Foundation: In Vietnam, GEO is working with the government to develop their sustainability policy on new golf courses (*no link available*).
- [Global Coffee Platform \(GCP\)](#): Facilitation of national platforms in various countries resulted in sector-wide targets, roadmaps, national curricula and monitoring.
- [GoodWeave](#): Works in partnership with UNICEF and the Government of Nepal to create government incentives for businesses that use child-labor free production for carpets
- [GoodWeave](#): Trains auditors in the Sustainable Agriculture Network (SAN) on forced and child labor allowing it to apply its expertise to India's tea sector.
- [ISEAL Alliance](#): The Living Wage Coalition creates awareness on the need for living wages, tools to conduct living wage benchmarks and strategies to close the living wage gap (idem for the Living Income Community of Practice).
- [High Conservation Values \(HCV\) Resource Network](#): FSC, SAN, Bonsucro and RSPO partner in the High Conservation Values Resource Network to help develop an approach to identify and protect millions of hectares of old growth forest and other HCV areas.
- [Linking Environment and Farming \(LEAF\)](#): In response to water and soil issues, the government of Jersey obliges farmers to be Organic or LEAF Marque certified. This is coupled to a Payment for Environmental Services scheme to support farmers in adopting drip-feeding.
- LEAF: The Scottish environmental agency considers LEAF certified farmers as low-risk in environmental terms which reduces the chance farmers get inspected (*no link available*).
- [Marine Stewardship Council \(MSC\)](#): Certified data is input for two indicators of the UN Convention on Biological Diversity.
- [MSC](#): Facilitated by the MSC process, the establishment of the Seabob Working Group in Surinam resulted in a country-wide stock assessment and a new national seabob fishery management plan and a website that benefits the entire sector.

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- [MSC](#): The intergovernmental Indian Ocean Tuna Commission (IOTC) adopts harvest control rules for skipjack tuna caught in the Indian Ocean, to which decision the MSC's requirements for harvest control rules have been a catalyst.
 - [Rainforest Alliance \(RA\)](#): It has worked in partnership with the Guatemalan government, the communities in the Maya Biosphere Reserve and the WCS to establish GuateCarbon, a forest-carbon project which enables the communities to earn payments from sustainable management of 660,800 hectare of forest for emissions that have been avoided.
 - [Roundtable on Sustainable Palm Oil \(RSPO\)](#): The RSPO Complaints & Grievances Procedures allows for local communities to claim their rights often filling a gap in juridical environments that fail. Using this mechanism can result in the suspension of a palm oil company, which can have market and financial implications for companies (see [example](#)).
 - [UTZ](#): In Brazil, the government owned Certifica Minas Coffee standard has used and integrated several elements from the UTZ code of conduct, which was followed by mutual recognition.
 - [UTZ](#): In Uganda, they work with a local civil society on child labor free zones to change social norms in coffee communities.
 - [UTZ](#): member (like Fairtrade International, Rainforest Alliance) of Malawi Tea 2020, a coalition to make the Malawi tea sector more competitive and sustainable. UTZ commissioned a study on the expected effects of climate change on tea production in Malawi.
 - Various: RSPO, ASC, BCI, MSC, Fairtrade International, Rainforest Alliance have developed funds in support of capacity building and producer level investments
 - Various: Financial institutions have included VSS as part of the Due Diligence process and sometimes conditions for lending or investment.