International Coffee Council
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United Nations Forum on Sustainability Standards

Background

1. The attached document contains information about the United Nations Forum on Sustainability Standards (UNFSS), a platform created by five UN agencies (FAO, UNEP, UNIDO, ITC and UNCTAD), with the aim of facilitating and strengthening the effective and active participation by developing countries on international dialogue on voluntary sustainability standards. The UNFSS structure will comprise a Steering Committee of the five UN agencies and an Advisory Panel of high-level experts which will facilitate the conceptualization, structuring and focus of UNFSS debate and activities. The ICO has agreed to participate in the Panel, given the importance of this issue.

Action

The Council is invited to consider this document.
Project Summary:

The rapid growth of Voluntary Sustainability Standards (VSS) has brought both benefits and constraints to developing countries (see annex on a short summary of the key issues in this regard). Although voluntary in nature, their expansion has made it increasingly clear that to maximize benefits from such standards and effectively manage their impact on sustainable development and market access, developing country governments must have access to comprehensive, credible and independent information, engage directly with a wide variety of key actors and evaluate and place VSS within a broader pro-poor sustainable development strategy. By increasing their access to credible information and engaging with key actors, governmental and private sector decision makers can expand their knowledge of VSS; directly influence their development (inter alia, their transparency, inclusiveness, governance, costs, requirements and applicability); identify opportunities and threats posed by VSS and effectively integrate them into national strategies to leverage the catalytic effects of VSS and promote their own sustainable development agendas (particular attention will have to be paid to least developed countries (LDCs) and small-scale producers and farmers’ enterprises (SMEs)). This necessitates policy coherence, institution building, improved technical and quality-assurance capacities, as well as effective national stakeholder dialogue and the development of public-private partnerships (see figure below).
The United Nations Forum on Sustainability Standards (UNFSS) proposed in this document is designed to facilitate a dialogue for the exchange of knowledge and provide a forum for intergovernmental actors to communicate among each other and engage with key target groups that can address their information needs and whom they wish to influence. UNFSS will be coordinated by a steering committee consisting of UNEP, UNCTAD/SCI, FAO, UNIDO and ITC (and supported by a multi-stakeholder advisory panel). The analytical, empirical and capacity-building activities necessary for fuelling constructive UNFSS dialogue will be provided by the member institutions of TSPN and the SCI.

**Objective:** Key decision-makers of governments and the private sector in developing countries should be sufficiently informed about the strategic importance of and main policy requirements for VSS in order to develop pro-active strategies that maximize the developmental contribution and export market access benefits of VSS while reducing the potential negative impacts of VSS. Special attention will be paid to LDCs and the contribution VSS, notably for agricultural products, can make to further a sustainable transformation of agriculture in LDCs and enhance the capacity of small-scale farmers to actively use VSS for improving their productivity, quality of produce, reducing production costs and creating sufficient local forward and backward linkages that effectively reduce rural poverty and boost local development. In this way, UNFSS activities will contribute to poverty alleviation, strengthening of food security, improvement of resource/material/energy efficiency, and enhanced mitigation of and adaptation to climate change. The UNFSS will also strengthen effective and active participation of developing country representatives in international discussions on VSS, in particular in the WTO and the UN, as well as in standard-setting bodies.

**Mechanism to achieve objective:** Establishment of the UNFSS -- an open-ended UN forum linked to a coordinated engagement with key multi-stakeholder platforms to facilitate knowledge transfer, identify gaps and develop responsive strategies related to the developmental and market-access impacts as well as implementation of VSS. The UNFSS will contextualize VSS against a three-fold perspective: (i) couching VSS into the developmental context in exporting developing countries (with a particular focus on poverty alleviation in LDCs and strengthening capacity of SMEs); (ii) examining VSS within the overall context of the life cycle of a product and related services; and (iii) placing VSS into a risk avoidance, risk minimization and risk management context.

**Structure:** The UNFSS is open to all UN Member States, but particularly seeks and facilitates developing country participation, targeting both key decision makers in governments, the private sector and supportive

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1 The SCI (Sustainable Commodity Initiative) is a partnership between UNCTAD and the International Institute for Sustainable Development (IISD) to promote sustainability in commodity sectors, through multi-stakeholder platforms that create enabling infrastructure programs focused on capacity building, finance, impact assessment and information sharing and strive to internalize the costs of sustainable production and trade. For more information, see www.sustainablecommodities.org.

2 The TSPN (Trade Standards Practitioners Network) aims at a pro-developmental use of voluntary sustainability standards by turning them into catalysts for sustainable development. The Network's mission is to improve the effectiveness of initiatives that support developing country capacity and participation in the development and implementation of trade-related social, environmental and food-safety standards through policy research, knowledge management and exchange, and the dissemination of capacity-building best practices. In doing so, the TSPN seeks to foster more sustainable, competitive, and equitable developing country roles in global value chains. Currently funded by the World Bank and GTZ, TSPN is a collaborative effort of some 30 institutions (including research centres, standard-setting bodies, bi- and multilateral organizations, and NGOs) that builds upon the strengths of individual institutions while working as a community to achieve the shared goals. For more information, see: www.tradestandards.org.
civil society and academia. The Forum is facilitated by a steering committee consisting of UNEP, FAO, UNCTAD/SCI, UNIDO and ITC. A multi-stakeholder advisory panel with appropriate developing country representation and reflecting an appropriate balance between the targeted key decision makers’ groups (i.e. from government, the private sector and civil society) will support the process. Analytical work on key issues related to impacts, enabling infrastructure, capacity building and strategic planning that feeds UNFSS dialogue will be provided by member institutions of TSPN and the SCI. Structured engagement between the UNFSS participants and key multi-stakeholder initiatives from the private and public sector will also be facilitated by the UNFSS. A special effort will be made to include and assure the participation of an adequate number of LDCs and business community representatives in the advisory panel.

**Product/area focus:** UNFSS activities will in principle cover VSS in all product groups, but will give particular attention to VSS in the agri-food sector (particularly fresh fruit and vegetables and tropical beverages), the link between food production and climate-change mitigation/adaptation, as well as, VSS related to areas of material/resource/energy efficiency (including carbon footprint). The work on specific thematic subjects or clusters as well as on product groups may be carried out in working groups, which implement their activities within the structure and under the guidance of the Forum, while retaining a certain autonomy on determining the breadth and depth of their activities.

This proposal specifically covers the first 18 months of activities of the UNFSS in 3 areas:

1. **Establishing UNFSS and priority setting:** As the Forum is designed to respond to the information needs of key decision-makers, a process to identify and prioritize participants needs related to VSSs will be facilitated. This will include a discussion on how to respond to the special needs of the private sector and VSS implementers in LDCs. As well the most effective system for discussing and disseminating information internally within the Forum and externally will be decided upon by the Forum members. In this way, the UNFSS’s information gathering and sharing activities will be based on and can respond to the prioritized demands of its members.

2. **Analytical framework, technical reports on prioritized issues and case studies:** Based on the needs prioritized by the Forum members, specific studies will be generated, presented and discussed. This will include operationalizing an analytical framework for developing countries to understand the potential impacts of VSSs on their sustainable development strategies, including economic, social and environmental impacts. Through TSPN an initial analytical tool has been developed, and this will be peer-reviewed through the UNFSS, field-tested and training of trainers sessions will be conducted to adapt and pilot the tool with target producer groups.

3. **Engagement with key stakeholders/information sources:** The Forum will establish consistent engagement with leading institutions and experts, from both the private and public sector, to provide the most accurate and credible information possible. In particular focus will be on linking supply capacity and market demands with sustainable development and poverty alleviation objectives. Forum participants will be able to interact with these entities to build knowledge and understanding over time. As well these entities will have the opportunity to learn from the Forum participants about their concerns, local situation and ideas related to VSSs. In this way, a constructive two-way dialogue will be created that can progressively build knowledge and mutual understanding on VSSs and strategies to address them beneficially. The debate and dialogue will be based on case studies and technical reports for the prioritized subjects and areas.
2. **Project description:**

Building on the experience gained from UNCTAD's Consultative Task Force (CTF) on Environmental Requirements and Market Access for Developing Countries, the time has now come to turn the CTF into the "United Nations Forum on Sustainability Standards" (UNFSS) as a unified platform to facilitate dialogue and information sharing between developing country governments and key stakeholders (including in the private sector), as well as to become the springboard for the development of a coherent program of public policy and private initiative. To achieve this end, and address the scale of the issue, key UN bodies working in the area of sustainability standards, commodity sector development, and sustainable agriculture have been brought together to steer and closely collaborate in this process, breathing real life into the concept of a "one UN approach". In addition to UNCTAD, they include UNEP, FAO, ITC and UNIDO, backed up by a large number of other institutions linked through the TSPN network and the SCI that can provide the analytical, empirical and capacity-building support required by the UNFSS.

3. **Objectives:**

The UNFSS aims to:

- Achieve a regular and well-informed dialogue among developing country decision makers in government, the private sector and civil society. The forum’s focus will be on understanding, anticipating, coping with and maximizing the pro-poor sustainable development benefits of VSS, particularly in LDCs.
- Facilitate an efficient exchange of experiences among developing countries on best practice in pro-actively dealing with VSS.
- Coordinate all VSS-related activities of the key UN organizations and other relevant and interested bodies and thus enhance focus, efficiency and synergies of concerned analytical and capacity-building activities.

These objectives will be achieved by:

- Providing credible, independent analysis of the effectiveness and impact of VSS in developing countries, including on SMEs.
- Assisting interested countries and producer groups, particularly in LDCs, in effectively analyzing, and where appropriate, implementing VSS (i.e. translating UNFSS-developed concepts into action).3
- Gathering information and assuring constructive dialogue, linking with key stakeholders through specific and well-respected stakeholder platforms and programs.
- Drawing into UNFSS dialogue decision makers and national experts in developed countries on standard setting and standard governance issues.
- Responding to identified knowledge gaps of VSS, enhancing coordination with and making full use of analytical and empirical work of other institutions, in particular under the coordination of TSPN and SCI.

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3 By way of illustration, a draft Guide for Decision Making on Food Related Voluntary Sustainable Standards is already being prepared by TSPN. The Guide is planned to be extensively discussed by UNFSS and interested countries would be assisted by UNFSS and TSPN in field-testing the Guide.
Using the UNFSS policy dialogue to facilitate informed discussion in other international forums on VSS, in particular in the WTO, but also in FAO, UNCTAD, UNEP, and UNIDO as well as ISO.

4. Structure of the UNFSS:

The UNFSS is open to all UN Member States, but also relevant stakeholders from the private sector and civil society. The Forum particularly seeks and facilitates participation of key public and private decision makers from developing countries, with particular focus on LDCs.

Overall coordination of UNFSS activities will be done by the UNFSS secretariat (at the beginning established within UNCTAD), with the main analytical, empirical and capacity-building activities farmed out to TSPN member institutions (coordinated through the TSPN secretariat), on the one hand, and the Sustainable Commodity Initiative, on the other.

The UNFSS activities will be guided by a steering committee consisting of UNEP, SCI, FAO, UNIDO and ITC. An advisory panel will be formed to support, further inform and guide the development of the forum. Its composition will include two representatives of each of the following categories: producer associations; processors/traders; standard-setters/certifiers; NGOs; and research institutions (as required, specialized international institutions such as ILO, ISO or WHO will also be invited to temporarily join the advisory panel). The advisory forum should have appropriate developing country representation (including from LDCs) to assure ownership and engagement.

The UNFSS will primarily target key public and private-sector decision makers and national experts from developing countries (with special focus on LDCs) and facilitate engagement with specific multi-stakeholder groups and programs. For the effectiveness and viability of the UNFSS this engagement with other multi-stakeholder groups must be well organized, structured and focused on key groups and programs. Cooperative arrangements with some of these key groups and initiatives already exist and will be fully exploited under the UNFSS.

The advisory panel and these key stakeholder groups, facilitated by the steering committee, will function as a resource for the UNFSS, providing specific information and, within a structured process, facilitating communication between various stakeholders. The box below provides a graphical representation of this structure:

Structure of the United Nations Forum on Sustainability Standards (UNFSS):
The TSPN will coordinate the activities that respond to the analytical and empirical information requirements of the UNFSS. This will include exploring possibilities for forging partnerships and undertaking joint projects with other TSPN partners to improve informed decision-making at political and producer level in regard to VSS as well as to improve capacity for implementing VSS in developing countries. TSPN has recently designated this issue as one of its main pillars of activities, for which it will collect and generate much-needed analytical and empirical information on best practices and related to gaps identified through UNFSS dialogue aiming at the development of an analytical framework for developing country decision makers on VSS (for more information, see: www.tradestandards.org)

In close coordination with TSPN, another key source of analytical, empirical and capacity-building activities to be fed into UNFSS dialogue is from the SCI. It will provide much needed information resulting from activities of the SCI's Committee on Sustainability Assessment (COSA), the Sustainable Commodity Assistance Network (SCAN), the State of Sustainability Initiatives (SSI) and the Finance Alliance for Sustainable Trade (FAST) program (for more information, see: www.sustainablecommodities.org).

UNFSS will also have a close interrelationship with ongoing discussions in the WTO, in particular the SPS, TBT and CTE Committee and intergovernmental discussions on VSS in other UN forums, such as UNIDO and UNEP, or relevant international institutions, such as ISO.4

As regards the main areas and products, UNFSS activities will in principle cover VSS in all product groups, but will give particular attention to VSS in the agri-food sector (particularly fresh fruit and

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4 At the spring session of the WTO SPS Committee on 30-31 March 2011, the Committee discussed the report of the ad-hoc working group on SPS-related private standards (document G/SPS/W/256). The report, which is the result of two years of extensive discussion and exchange of information in the working group, recommends six action points for further work in the Committee, of which only 5 were endorsed by the Committee (document G/SPS/55). The sixth action point proposed that WTO "members are encouraged to exchange relevant information regarding SPS-related private standards to enhance understanding and awareness on how these compare or relate to international standards and governmental regulations, without prejudice to the different views of Members regarding the scope of the SPS Agreement". This issue as well as some others discussed in Annex 1 of the report for possible action could be addressed by UNFSS, which illustrates the supplementary role of UNFSS activities and debate for WTO discussions.
vegetables and tropical beverages), the link between food production and climate-change mitigation/adaptation, as well as VSS related to areas of material/resource/energy efficiency (including carbon footprint).

Although most of the institutions forming the UNFSS have specific mandates on VSS, available (regular budget) resources for required international dialogue, exchange of experience and best practice on pro-actively dealing with VSS are far from sufficient for allowing an informed dialogue and related analytical/empirical and (upon specific request) capacity-building activities. Quite a number of these activities are already funded by extra-budgetary sources, including through co-funding arrangements with several NGOs (a prominent example being the SCI). Furthermore, regular budgetary resources will be unavailable for funding participation of developing country experts in UNFSS meetings.

5. Activities:

A. Priority-setting workshop:
   - Inaugural workshop to establish UNFSS priorities, work plan and information strategy.
   - Engagement with key stakeholders and information sources to confirm their participation in providing consistent information to the Forum.

B. Analytical framework, thematic studies and case studies:
   - Drafting and publication of informational material on the UNFSS

C. Focused informational and dialogue meetings:
   - Two annual meetings of the forum members to discuss prioritized issues. A theme for each meeting will be chosen and specific representatives from the multi-stakeholder programs presented above (and others identified in activity B) will be invited in response to specific needs. These meetings will be held at the UN offices in Geneva (to the extent possible, these meetings will be held back-to-back with relevant WTO and UN events)
   - Two information meetings of the UNFSS at the WTO (at the SPS, TBT or CTE, as appropriate) to present key findings and recommendations and stimulate informed dialogue.
   - Quarterly meetings of the multi-stakeholder advisory panel.

6. Specific deliverables:

a) Peer review, field testing, training of trainers and piloting of the analytical framework for developing country decision makers to examine the developmental and market-access impacts and existing gaps of VSS within their specific context, and identify actions to bridge those gaps.

b) Analytical, empirical and capacity-building activities, focusing on technical assistance needs, impact assessment, linkages between private and public standards and finance constraints and requirements to inform policy development and private-sector decision making (linked with partner organizations). The specific objective is to build or strengthen national capacity for creating an appropriate enabling technical, institutional, policy and networking environment for pro-active VSS implementation.

c) Disseminating information on UNFSS results and findings, including: policy-briefs, periodic newsletter, case studies and more in-depth studies on specific issues (based on forum members
demand). Sample topics would include, inter alia, cost/benefit analysis of standards implementation; technical assistance requirements, linkages between standards and climate change; finance mechanisms and requirements.

d) Bi-annual meetings and informational sessions of the UNFSS and the Advisory Panel, linked to relevant events of WTO committees.

7. **Monitoring and Evaluation:**

The project will establish a comprehensive M&E system from the beginning with two objectives:
1. To measure the effective implementation of the project and completion of deliverables.
2. To measure the value of the project to developing country delegates and the change in their understanding of VSSs.

For the second objective, an initial survey will be conducted of delegates on their understanding of the relevant issues, how they currently (if at all) address VSSs and what policies towards VSSs are in place. This survey will then be applied near the end of the project to measure change.

Key M&E indicators will include:
- Evaluation of publications (policy briefs, background information, case studies etc.)
- Evaluation of events (seminars, workshops, meetings).
- Change in participants’ knowledge of VSSs
- Change in participants’ use of VSSs
- Change in participants’ support of VSSs

8. **Timeline (18 months- 6 quarters):**

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9. **Risk Assessment:**

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<td>Low participation of developing country delegates</td>
<td>a) Effective promotion (demonstrating value)</td>
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<td>b) Demand based agenda to increase their interest</td>
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| Independence and neutrality of UNFSS questioned | a) Clearly demonstrate credible, neutral position, through reports, presentations and response to participants' demands.  
b) Show financial independence, and that the agenda is not donor driven  
c) Enhance the role and efficiency of the advisory panel |
| Similar structure is created by another entity | a) No other group has the convening power, and neutral credible stance as the UNFSS and its steering committee.  
b) Monitor other activities and inform them of the UNFSS’s process |
| Stakeholders/experts do not want to participate | a) Have efficient communication with stakeholders, demonstrating importance and value of their participation.  
b) Treat all with respect and professionalism to maintain their interest in participating. |
| Insufficient funding support | a) Approach (with the assistance of Sweden) other potentially interested donors to support UNFSS, in particular specific thematic, sectoral or regional activities  
b) Organize donor briefings on planned UNFSS activities and required funding need  
c) Intensify collaboration with the planned international donor platform on VSS (advocated by Germany and Switzerland) |

10. Contact information:

The preliminary secretariat of UNFSS is being coordinated by Ulrich Hoffmann and Christopher Wunderlich. The contact information is as follows:

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ANNEX

Main Development and Trade Challenges related to Voluntary Sustainability Standards

1. Context:

Voluntary sustainability standards (VSS) comprise requirements mostly related to health, safety, environmental, social and animal welfare issues. Many of the requirements are about so called "credence characteristics" of a product, i.e. attributes that neither the trader nor the consumer can verify through direct examination of the product. VSS, although legally non-mandatory, can become a de facto market entry hurdle if used by key market players through their commercial leverage. Some VSS may also be referenced in government-set technical requirements. Several VSS are combined with labels that are recognizable by end-consumers (some of these VSS may lead to price premiums). Many, however, are business-to-business standards that cannot be recognized by end-consumers.

While not exclusively a developed-country phenomenon, consumers in OECD countries increasingly want the goods and services they purchase to meet specific health and safety requirements (as regards product characteristics), on the one hand, and environmental and social sustainability criteria on the methods of production of these goods and services, on the other hand. Governments have traditionally reacted by developing policies, regulations and technical requirements, mostly however confined to product characteristics. NGOs and private companies are taking on a new role in the development of VSS and codes of conduct on modes of production and processing, placing emphasis on their environmental, social and economic impacts. In a number of sectors, VSS have already become a market reality.

VSS are most prominent (in terms of quantity, level of sophistication, and multi-dimensionality) in the food and agricultural sector, notably for fresh produce, which can be regarded as trendsetter for all sectors. VSS are also of quite some importance in textiles and clothing, the footwear sector, toys, timber and timber products, natural cosmetics, liquid biofuels as well as electrical and electronic goods. Also, waste management and handling are subject to a multitude of mandatory and voluntary sustainability standards. Energy and material/resource efficiency standards are emerging in several energy- and material-intensive sectors as a supplement to other market-based and fiscal instruments of environmental cost internalization. Carbon-footprint standards are emerging as a new frontier, in particular for areas and sectors where first and second-best carbon-pricing tools are impractical or politically difficult to adopt.

2. Main development and trade challenges

VSS are much more dynamic than regulatory requirements and a constantly moving goalpost (some VSS are revised every 2-3 years). They tend to become very stringent and prescriptive, complex, and often multi-dimensional.

Whenever there is insufficient top down guidance (i.e. governmental regulation or international strategies) or ineffective market mechanisms (e.g. emission markets), VSS may fill that vacuum in order to respond to the corporate interest of predictability related to investment. In this light, VSS may become proxies for first and second-best internalization instruments.

Often, several VSS have to be met for effective market entry of a single product. This significantly complicates compliance and drives up testing and certification costs, which thus become the single most important cost item for small-scale producers (going up as high as 50% or more of total revenues). For
several food items sold in globally active supermarkets, for instance, GLOBALGAP, organic and fair-trade certification might be required.

Against this background, VSS tend to reinforce already existing capacity weaknesses at producers' level in developing countries such as poor physical and institutional capacity, skills, policy coherence and public-private sector dialogue. Therefore, VSS could enhance the risk of marginalization of small-scale producers and poor countries or regions, in particular among LDCs.

Conversely, markets dominated by VSS have been very dynamic, with annual growth rates distinctly higher than in conventional markets. Moreover, apart from some national and international benefits (in terms of resource conservation, pollution prevention or public health) VSS can lead to enterprise-level cost savings in terms of material input, health and occupational safety expenses, and environmental costs, as well as better management practices.

As VSS can be set by anybody, there is the risk that they are being misused for vested commercial interest in creating or defending market niches. There is the real danger that market access requirements will be based not on scientific facts, but on proof of compliance with a loosely connected amalgam of mixed subjective and scientific criteria. This makes it difficult to distinguish environment and social protective measures from trade-protectionist ones.

Understandably, developing country decision makers (both at government and business level) are very wary about these developments. Their lack of supply capacity and difficulty in determining justifiable VSS tend to put decision makers into a mere passive, reactive corner that mostly deals with VSS from a market access perspective only. VSS thus become an end in themselves, rather than being pro-actively used as a means for achieving or contributing to specific sustainable development objectives.

What is important to address is that VSS are scrutinized that they are (i) proportionate to the risk they claim to address; (ii) scientifically-based; and (iii) that their burden of compliance is distributed fairly. Developing countries also need support in developing pro-active policies on VSS aimed at (a) making VSS a means for achieving or contributing to specific sustainability goals (this is the very rational for public and donor funds being used for VSS compliance); and (b) developing a coherent national strategy that collectively deals with VSS as a function of developmental priorities and poverty-eradication strategies.

Mistakenly, VSS are still seen by most key policy makers in developing countries as a technicality, not as a strategic policy issue of (i) internalization of environmental and social costs; (ii) promotion of sustainable production and consumption methods (including opportunities for energy/material/resource efficiency and related cost savings); and (iii) sustainable competitiveness in growing and lucrative markets (whereas global conventional food sales, for instance, expanded by 2-4 % in recent years, global market sales of products certified under various sustainability standards increased by 10-15% for organic products, 30% for Utz certified products; 35% for fair-trade products, and 105% for Rainforest Alliance certified items).

Although still an exception rather than the rule, VSS also play an increasingly important role in South-South trade and even for access to national markets. A prominent case in point is intra-Asian trade in fresh food and vegetables and the domestic fresh food markets of Thailand and Malaysia.