



# Multi-Stakeholder Committee

First year

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## 1<sup>st</sup> Meeting

Friday, 16 December 2016  
The Royal Plaza, New Delhi

### AGENDA NOTE

#### Context

Private Sustainability Standards (PSS) have emerged in the past 2 decades as standards specifying requirements relating to a wide range of sustainability metrics, including workers' health and safety, environmental degradation, respect for human rights, and others.<sup>1</sup>

With almost 500 standards/labels in 199 countries and 25 industrial sectors,<sup>2</sup> the PSS system has become the new market reality as a tool for sustainable supply-chain management, marketing and competitiveness, thereby addressing the most pressing social, environmental, and financial challenges of our time. These standards are developed in partnership with a range of non-governmental actors such as civil society groups and businesses.

#### Relevance

This Platform has significant relevance as a dialogue-facilitating forum keeping in mind the setting of a developing economy. Some key criticisms that come for PSS pertain to the question of transparency, absence of a coordinated local voice, multiplicity of standards and certification processes, and the cost implications to adhere to them. This becomes particularly problematic for a producer which already faces sectoral regulations. PSS are sometimes also perceived as becoming technical barriers to trade now since in certain importing economies Governments have given tacit cognisance to specific standards, thereby increasing the pressure on their compliance, which hits the voluntary nature of these standards.

On the other hand, the business case echoing in favour of PSS is that such standards help integrate sustainability into production processes, providing producers with market incentives and improving the possibility of linking up with international supply chains. They encourage more sustainable production processes, reducing risks of non-acceptability of markets based on transparency in the management of sustainable supply chains. These standards also increase consumer awareness and acceptance regarding issues such as ethical production, worker well-being, and corporate social responsibility.<sup>3</sup>

International companies have started demanding adherence to these standards as they risk reputational damage, lawsuits, as well as pressure from investors and consumers if they fail to do so. With the global investment market recognizing and reaffirming the potential established and shown by India, especially in light of initiatives such as Make in India, Indian businesses have implemented such standards to develop competitiveness while collaborating with key firms managing quality and standards relevant for large enterprises in national and international markets.

In the domestic Indian market, these standards ensure long term sustainability of value chains and prepares the national market for rising consumer awareness and demand for product & environmental safety, livelihood

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<sup>1</sup> PSS are voluntary standards created by private entities, mainly industry organisations and collectives, normally for promoting sustainable production, business practices and consumption by creating market demand for sustainable products, and a supply to meet that demand.

<sup>2</sup> *Voluntary Sustainability Standards and Inclusive Trade: The role of Government*, Statement by Mr. Joakim Reiter, Deputy Secretary-General of UNCTAD at the WTO Public Forum.

<sup>3</sup> Introduction, *Meeting Sustainability Goals: Voluntary Sustainability Standards and the Role of the Government*, 2nd Flagship Report of the United Nations Forum on Private Sustainability Standards (UNFSS), published in 2016, at p. vii.

improvement of workers, together with improving competitiveness of industries, production practices of the fast-growing smallholder segment, and mainstreaming smallholders into the sustainability fold.

Besides existing international standards such as SA-8000, GOTS, Forest Management & Chain of Custody (FSC), Better Cotton, etc., India itself has responded to the development of standards such as Trustea, INDGAP, ZED, Voluntary Certification Scheme for AYUSH Products, Lead Safe Paints, and Medicinal Plant Produce. These have shown a promising way in India for development of private and voluntary standards, thereby achieving quality production along with introducing sustainability in process.

Keeping this emerging PSS ecosystem in mind, India could unlock the full potential of attracting international investment and business if it prepares adequately and is able to prove its commitment and alignment to sustainability, with special emphasis on corporate sustainability and responsibility. The recent launch of the UNFSS platform in India can help provide a basis for better informing stakeholders and equipping them to more efficiently identify the relevant steps to implement PSS successfully. In this process, the Indian experience should also keep in mind the key objective for Indian development and inclusion of small and medium enterprises while developing their capabilities to link up with in sustainable production and value chains. For this initiative, the QCI Secretariat has identified certain areas that require more focused attention of stakeholders in the Platform. These key areas build upon the key areas identified by the 2nd Flagship Report of the UNFSS.

### Issues for consideration

**Proliferation & interoperability of standards:** There is an increased proliferation of these standards, including the ones being made by government and non-governmental bodies. Addressing the lack of interoperability of these standards continues to be a challenge and methods need to be devised to improve the situation and facilitate inter-operability.

**Applicability of PSS in local operating contexts:** PSS designed for international value chains may not necessarily best suit the context of the Indian producer. The Platform can act as a harmonizing prism for these standards to benefit all-round stakeholder interests, with guidance from the Secretariat through its working relationship with the government and prior expertise in dealing with such cases.

**Costs of implementation of these standards:** Financial considerations from the implementation point of view for making the PSS actionable should be a concern of the Platform.

**Credibility, legitimacy, and accountability of PSS:** The Platform may involve itself in making a demand-driven holistic assessment of reliability factors that may make a PSS system or promoters of PSS systems better suited for development of the standards in the Indian

**Ability to generate transformational impacts:** Ultimately, the impact and outcome of the PSS systems should be measurable and the Platform may fuel robust sustainability reporting discipline for integration in the Indian value chains with encouragement of all-round technological inclusion from implementation to certification.

### Role of Government

When PSS are being developed, one of the major critiques of PSS relates to what should be the role of governments in the process. In the context of developing countries, producers have often expressed an inclination towards having the government as a distant backdrop for the PSS landscape especially when the standards appear to overlook localization. To better enable the PSS system, government involvement may arguably be considered as desirable, primarily in developing countries, to facilitate a platform for dialogue surrounding PSS and its owners.

Since many of the stakeholders in this Platform are statutory entities, it may be of particular interest to consider more nuanced questions<sup>4</sup> concerning PSS and the involvement of government in its regulation:

- 1) Relevant issue arising due to adoption of PSS by Government
- 2) What are the benefits to forming public-private partnerships to develop and implement PSS and to bring about the desired outcomes? Do they help address the challenges laid out earlier, if so how? When should they be used, and are they a better alternative to government action alone?

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<sup>4</sup> *Ibid.*

- 3) Mechanism of intergovernmental coordination be necessary to resolve major cases of friction especially for the ones potentially falling under the ambit of technical barrier to trade?

In its course, the Platform may also consider moving the Government for developing pro-active policies to maximize the benefits and reduce the costs of PSS-use related to improving product quality, advancing technical progress, improving access to export markets and sustainability in businesses.

The Platform may additionally observe closely the developments at the WTO Dispute Settlement Mechanism with respect to private standards and how the approach of the redress body responds to the challenges, as imposed above, in a transnational context.

### **Interlinkage with SDGs**

This Platform must also evaluate the interlinkage of PSS with Sustainable Development Goals (SDGs) and to what extent private standardization for sustainability will contribute in a holistic approach towards SDGs. These standards may play an important role in complementing governmental engagement and commitment towards achieving sustainable development.

An enquiry in this direction must commence with whether governments should embrace the use of PSS to meet the SDGs, and if yes, then, what underlying conditions and/or critical success factors are needed for governments to do so. However, it is imperative to ensure that a nuanced deliberation on the PSS does not slip its focus completely towards an SDG-centric approach.

### **Structure**

While evaluating the issues highlighted above, the Platform must preliminarily deliberate on the structure that it may want for itself and the role that the Secretariat must play in the process. Through the best practices and competent structures that QCI has studied in the run-up to this meeting, it is proposed that a quadrilateral structure with a Steering Committee, Multi-Stakeholder Committee, Ad-Hoc Bodies with specific mandate to assist on Business, Labour, and Regulation, along with a quasi-adjudicative expert panel for determining challenges in the process, may be considered for the Platform. Detailed deliberation on the same may follow through the meetings.