

Building sustainable supply chains: ITC's Trade for Sustainable Development Principles

Arancha Gonzalez

Executive Director

International Trade Centre (ITC)



Introduction

Where does the food on our plates come from? Only a few years ago, the answer would have been important to a small niche of consumers, or perhaps to respond to the inquiries of a curious young diner. This is no longer the case. Consumers increasingly demand sustainably produced food. Traceability - an essential component of proving that food is grown, processed, and traded in a sustainable manner - is becoming big business.

20 years after the Barcelona Declaration and 15 years after the United Nations Millennium Summit it is now firmly recognized that sustainability is key for building economic resilience of economies, communities and preserving livelihoods. The Sustainable Development Goals (SDGs) that will constitute the new global development agenda for the next 15 years and will be officially adopted by world leaders at the September 2015 UN Summit in New York, also places sustainability issues at its core. One only has to take a look at SDG2 - focusing on food security and promotion of sustainable agriculture to understand this.

Produce more, Produce better

The growth in prominence of sustainable agricultural production occurs against the backdrop of enormous pressure on local and global food systems. By 2050, the world will need to feed two billion more people, while coping with climate change-induced disruptions of historical patterns of rainfall and agricultural production.

Meeting the challenge of long-term food security requires producing more food from less water, soil, air, and chemical inputs; more conscious consumption, with far less food waste; and all the while, securing better livelihoods for millions of small-scale farmers while protecting eco-systems and biodiversity.

Meanwhile, the market has responded to consumer desires for sustainably produced food with a proliferation of voluntary sustainability standards and certification schemes, the results of which are visible in just about any supermarket in Europe. These voluntary standards and schemes have created lucrative new market opportunities. But they have other, less straightforward, implications. Consumers wondering what to buy might struggle to choose among a dizzying array of options, each promising variations on roughly similar sustainability goals.

More significantly, voluntary standards have also placed added pressure on farmers and agribusinesses around the world to provide evidence of good sustainability practice. In developing countries, complying with - and proving compliance with - such standards can be prohibitively expensive, especially for smaller producers.

It is difficult to argue that standards that exacerbate the economic marginalization of the poorest farmers are worthy of the term 'sustainable', given its implied balance among the economic, the environmental, and the social. At the same time, well-designed standards and traceability along supply chains, coupled with targeted technical assistance, can be invaluable tools to foster the development of sustainable food systems, increasing farmers' well-being while encouraging better environmental practices in agricultural production.

The International Trade Centre (ITC), a Geneva-based joint agency of the United Nations and the World Trade Organization, takes a two-pronged approach towards maximising the contribution of voluntary standards to sustainable development. The first deals with the standards themselves: they should be coherent, avoid needless complexity, and, where possible, move towards mutual recognition or harmonization. The second deals with traceability: technological advances are making traceability more affordable and accessible, giving buyers, retailers and consumers the assurances they need, while simultaneously making it easier to target the precise points in the supply chain where actors are falling short of sustainable practice.

Convergence of agricultural standards between Mediterranean Partner Countries (MPCs) and EU countries is a good example of the potential benefits of harmonization of standards among Mediterranean countries. In that regard, the technical assistance that CIHEAM is providing through its work in upgrading agricultural practices in developing countries has been complementary to ITC's approach to support small and medium sized producers and enterprises to better connect with value chains and markets. To ensure that these interventions are a success it will be important to engage all stakeholders, including business, and make markets part of the solution. With this as a guiding principal there is an opportunity for the ITC and CIHEAM to deepen their cooperation in the future within the scope of the Euromed partnership.

Trade for Sustainable Development Principles

Turning to ITC's approach, last year saw a launch of a set of 'Trade for Sustainable Development' principles to support sustainability practices in global supply chains. By adhering to the Trade for Sustainable Development Principles, stakeholders from across the supply chain are expected to embrace, support and enact – within their sphere of influence – a set of core values that support sustainable trade.

Sustainability is the first of the principles. We need a set of core criteria, common to all sustainability initiatives, which define 'sustainability' from the perspective of everyone in the supply chain, from primary producers to consumers. We have to reduce the burden on producers and suppliers, incentivize capacity building, and understand the impacts different measures have on the ground.

In addition to embracing the 'sustainability' values associated with trade, signatories should also adhere to the principle of transparency, which is the next core Trade for Sustainable Development principle. ITC's "Standards Map", a neutral, online database of information on nearly 200 voluntary sustainability standards and eco-labels is a vehicle for enhancing transparency about these schemes; ITC and its partners are developing a tool to evaluate and compare sustainability standards for both content and compliance processes.

Transparency is empowering: using Standards Map and self-assessment tools, we work with smallholders to sensitize them to the basic areas of good agricultural practices are required to sell on to a trader or ultimate buyer. We also work with companies and industry platforms to improve access for small and medium-sized enterprises (SMEs).

To keep transaction costs to a minimum, organizations must be open to sharing good practices. Turf wars don't help the cause of sustainable development. That is why the final principle is harmonization. While harmonizing disparate standards is not easy, there is no inherent reason why two retailers, each with their own eco-label for the same objective, cannot agree on an identical sustainability audit for a given product. We must build collaboratively on existing resources and methodologies with the aim of avoiding duplication in standards, multiplication of audits or assessment methodologies.

Since the principles were launched in October 2014, the number of signatories has grown steadily, reaching approximately 40 by mid-2015¹. They include large multinationals such as Nestlé, supply chain traceability enablers such as GlobalStandard 1 (GS1), regional producers' associations, standard-setting organizations, and business platforms gathering multiple industry players.

We hope the Trade for Sustainable Development Principles will become a foundation for standard-setting organizations, multinationals, NGOs, and others, in shaping sustainability standards rooted in the UN's post-2015 development agenda, the Sustainable Development Goals.

Sustainable supply chains traceability and targeted aid, thanks to web-based global solutions

Turning now to traceability, the next frontier for sustainability in supply chains. Currently, the absence of comprehensive digital links between supply chain actors means that they cannot adequately understand each other's sustainability and quality management attributes. Neither, of course, can consumers.

Yet as we have seen, buyers increasingly demand such information. And technological innovations – notably web-based platforms and the increasing ease of bringing together social networks and analysing large quantities of data – make it easier to track sustainability practices at each step of the production chain than ever before.

In a manner analogous to the voluntary standards themselves, the buyers' new sustainability requirements, partly stemming from the underlying consumer demand for sustainably produced goods is potentially a powerful tool for advancing sustainable trade practices – but risks leaving out smallholder farmers and SMEs unless complemented by action to integrate them into traceable, sustainable supply chains.

Smart use of technology can both enable traceability and pinpoint places in the supply chain where external capacity support could be targeted to boost sustainability practices most efficiently. This is why ITC is working with the UN Global Compact and GS1 to develop a free online system which provides a foundation for traceability and sustainability-mapping in the supply chain.

Under the system, all supply chain participants, including farms and SMEs, will be able to register and obtain a unique identifier (a number). In a dedicated online platform, these numbers will serve as a profile identifier – a 'suitcase' containing key information about the individual farmer or business, their location, or what they produce or provide as a service. Farmers and businesses will be able to volunteer information about themselves and possibly share it with other stakeholders, such as regulators and potential business partners, in a manner not dissimilar from how we share information about ourselves on Facebook or LinkedIn.

Participating in the system makes commercial sense for farmers: by signalling who they are and what they do, they can enhance their visibility in the supply chain. Built-in sustainability self-assessments will let them signal their existing practices to potential customers. For buyers and retailers, the system will enable them to manage and communicate their sustainable supply chain commitments better.

¹ See <http://www.intracen.org/t4sd/principles>

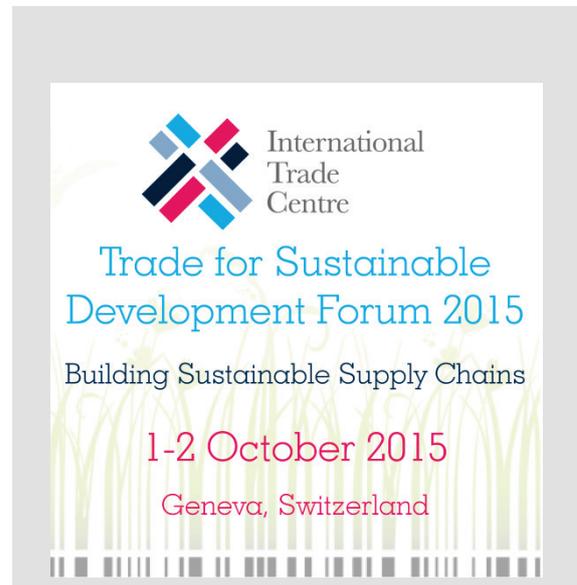
The system will also contribute to improving sustainability performance. Information associated with the profiles based on the unique numbers will enable actors at every level of the supply chain to identify sustainability issues at the various stages in the production process. Primary producers and processors in the developing world will be able to better understand relevant sustainability codes, and signal where they might need assistance.

The data can help governments, regulators and external donors determine where such technical assistance is most needed, making it possible to target aid at the crops, regions, or producers. Finally, the data will enable companies around the world to benchmark themselves against peers elsewhere.

In the medium to long run, the data yielded by the system will provide a macro picture of sustainability trends in regional and global food systems, pointing to successes and areas where improvement is necessary.

According to the World Food Programme, some 795 million people today do not have enough food to lead healthy and active lives. Without available, affordable, and nutritious food, we will not be able to achieve the post-2015 development agenda's objectives of ending hunger and other forms of extreme deprivation.

Food security gains will prove temporary unless agricultural production operates within environmental and social constraints. This is why promoting sustainable agriculture rightly figures in the prospective Sustainable Development Goals. Well-crafted voluntary sustainability standards, effective traceability, and well-directed capacity support can help get us there.



International
Trade
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Trade for Sustainable
Development Forum 2015

Building Sustainable Supply Chains

1-2 October 2015
Geneva, Switzerland

The Trade for Sustainable Development (T4SD) Forum provides a platform to share experiences, promote sustainable trade practices, and showcase different ways to enhance transparency in supply chains.

It enables discussion on voluntary sustainability standards and benchmarking approaches to improve standards implementation and usability to have a positive impact for suppliers and buyers.

This year, the Forum looks at current initiatives that connect small and medium-sized enterprises (SMEs) to sustainable supply chains. The forum will take stock of the progress and lessons learned since the Trade for Sustainable Development principles were launched in October 2014.

Promoting sustainability, transparency, and harmonization in supply chains while supporting the UN Sustainable Development Goals (SDGs) targets, the principles encourage companies and institutions to embrace these core values in order to build more sustainable supply chains.

The event brings together over 200 representatives from multinational corporations, governments, international organizations and NGOs from national, regional and international backgrounds, as they all have a stake in more transparent and harmonized voluntary sustainability standards in international trade.

The Forum is organized by the Trade for Sustainable (T4SD) programme of the International Trade Centre (ITC). The International Trade Centre is the joint agency of the United Nations (UN) and the World Trade Organization (WTO).

<http://www.intracen.org/Trade-for-Sustainable-Development-T4SD-Forum/>