WWF

REVIEW

SEPTEMBER

2010

Certification and roundtables: do they work?

WWF review of multi-stakeholder sustainability initiatives

WWF WOULD LIKE TO THANK ALL CONTRIBUTORS AND PARTICIPANTS TO THIS REVIEW AND LOOKS FORWARD TO FURTHER DIALOGUE AND COLLABORATION ON THESE ISSUES.

September 2010

WWF is one of the world's largest and most experienced independent conservation organisations, with over 5 million supporters and a global Network active in more than 100 countries.

WWF's mission is to stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature, by: conserving the world's biological diversity, ensuring that the use of renewable natural resources is sustainable, and promoting the reduction of pollution and wasteful consumption.

CONTENTS

LIST OF ACRONYMS

ASC:	Aquaculture Stewardship Council
AWS:	Alliance for Water Stewardship
BCI:	Better Cotton Initiative
BMP:	Best Management Practices
BSI:	Better Sugar Initiative
CoC:	Chain of Custody
CSR:	Corporate Social Responsibility
DFID:	Department for International Development
EB:	Executive Board
EU:	European Union
GHG:	Greenhouse Gas
FLEGT:	Forest Law Enforcement, Governance and Trade
FSC:	Forest Stewardship Council
HCV:	High Conservation Value
IIED:	International Institute for Environment and Development
IISD:	International Institute for Sustainable Development
IFC:	International Finance Corporation
IOs:	International Organisations
ISEAL:	International Social and Environmental Accreditation and Labelling
LULUCF:	Land use, Land Use Change, and Forestry
MSC:	Marine Stewardship Council
MSI:	Multi-stakeholder Sustainability Initiative
MTI:	Market Transformation Initiative
NGOs:	Non Governmental Organisations
PPA:	Partnership Programme Agreement
RA:	Rainforest Alliance
RSPO:	Roundtable on Sustainable Palm Oil
RSB:	Roundtable on Sustainable Biofuels
RTRS:	Roundtable on Responsible Soy
SD4C:	Social Development for Conservation team of WWF
SECO:	State Secretariat for Economic Affairs (Switzerland)
TOR:	Terms of Reference
UK:	United Kingdom
US:	United States
WG:	Working Group
WRT:	Water Round Table

EXECUTIVE SUMMARY

Multi-stakeholder Sustainability Initiatives (MSIs) are voluntary market-based approaches that aim to transform business practices by developing more responsible production, sourcing, and manufacturing practices for a given sector or product. This review asks the question: are MSIs measurably and permanently shifting markets towards improved economic, environmental and social outcomes?

TODAY FSC AND MSC ARE LEADING CERTIFICATION SCHEMES IN THEIR RESPECTIVE FIELDS

WWF's Review

- Undertaken from January to May 2010.
- Conclusions are based on the findings of 22 interviews conducted with both WWF staff and external stakeholders, and an impact desktop review of FSC and MSC.
- Although this review was mainly designed for internal use to inform WWF's engagement in MSIs, the present condensed version of the report has been developed to share general conclusions and recommendations with external partners and organisations, so that they can usefully contribute to the future development and uptake of MSIs.

There are inherent challenges with identifying measurable, permanent impacts of MSIs. First, there is insufficient comparable and meaningful data available to draw definitive conclusions and relationships. In addition, it is still too early to recognise the impacts of certifications and schemes that are in the development stage. However, this review concludes that MSIs can produce positive economic, environmental and social impacts.

Economic impacts:

There is general agreement that MSIs have an impact on supply chains and critically re-orientate decisions about the depth of corporate social responsibility. Some positive impacts for business were noted, including improved efficiency within a supply chain (e.g. better managed processes, higher production and quality, cost savings); decreased risk; higher transparency; and increased awareness about problems in the supply chain. Evidence of enhanced market access is more mixed.

Environmental impacts:

Positive environmental impacts are recorded at the management unit (e.g. improved biodiversity protection resulting from 'good forest management practices' and reduced fish by-catch mortality), yet there is little quantitative evidence about the long-term impacts of certification on biodiversity and the environment. Nonetheless, MSIs fill an important gap in the governance of natural resource use. Over the years, MSIs and certification have raised the bar and have contributed to strengthen and improve the regulatory and policy context for natural resource management.

Social impacts:

Information and evidence from social impacts is more mixed. While positive impacts on workers and local communities are reported, there is limited evidence of direct poverty-related impacts such as improved food security and livelihoods. In addition, the cost of certification can be a barrier and MSIs tend to favour large-scale operators at the expense of small ones.

The review makes 16 recommendations and prioritises the following recommendations based on its five concluding areas:

1) Enhancing the effectiveness of MSIs:

To increase MSI uptake, governments and international organisations in consumer and producer countries should establish complementary mechanisms to create an enabling environment. Such mechanisms could include national legislation, public procurement policies, tax incentives and tax relief, and start-up grants. Financial institutions also have an important role to play to support and enable MSIs.

2) Understanding MSI impacts:

Existing MSIs need to strengthen their monitoring and evaluation (M&E) capacity; developing MSIs should create and implement M&E metrics/programmes from the onset. M&E should be systematically conducted on a regular basis to obtain comparable, benchmarking data.

3) Interactions between MSIs and Markets:

More detailed information is needed on the players driving demand within particular supply chains. This includes information on who drives demand at different points of the supply chain, as well as greater understanding of large developing country markets.

4) Social impacts of MSIs:

International capacity to define, monitor, and evaluate the social impacts of MSIs needs to be expanded by (i) exploring available methods and tools, such as the International Finance Corporation's (IFC) Policy and Procedures on Social Sustainability and Performance Standards, and (ii) disseminating and applying the work of existing MSI impact research networks, such as the Solidaridad/ISEAL Impacts Research Group.

5) Improving MSI operations:

MSIs need to develop sound business plans, appropriate scopes, and increased capacity at the secretariat level to become economically viable and financially sustainable. New MSIs should develop business plans at the start of the process in conjunction with standards development. Business partners may also be able to encourage MSIs to develop viable business models, attract the right people, and attain sufficient resources and investments.

What are MSIs?

Multi-stakeholder Initiatives (MSIs) are voluntary, market-based approaches that employ multi-stakeholder consultation and negotiation to develop a set of principles, criteria, and indicators for more responsible production, sourcing, and manufacturing practices within or across a given sector or product .

Many MSIs result in the development of a standard that includes product labelling as well as comprehensive verification, accreditation, and certification. However, MSIs do not always result in certification schemes; for example, they may be comprised of roundtables that develop standards and/or share best management practices (BMP).

Cotton market, Pakistan.

1. BACKGROUND AND OBJECTIVES

Background

WWF has been a key driver of MSIs since the early 1990s when the Forest Stewardship Council (FSC) and Marine Stewardship Council (MSC) were established.

These initiatives are now leading certification schemes in their respective fields. Building upon these successes, today WWF is involved in several MSIs across a range of commodities and industries as a way to transform business practices (see Table 1). Given WWF's engagement in and commitment to MSIs, there is a need to assess the strengths and weaknesses of these initiatives. Through this review, WWF strives to identify MSIs' strengths and challenges, and help build a common framework for assessing the credibility and effectiveness of MSIs.

Objective

The main objective of the review was to assess the impacts that MSIs have on the ground by asking the question: are MSIs measurably and permanently shifting markets towards improved economic, environmental and social outcomes?

Challenges

Numerous reports and methodologies attempt to review and/or compare MSIs and their impacts (economic, social and environmental). In general, the reliability and validity of these studies remain limited given poor data availability and the lack of systematic and comparable data collection methodologies.

There are evidently few or no impacts of MSIs that have just finalised their standards or which are not yet completed (e.g. BSI, RTRS, RSB, and BCI). For these initiatives, monitoring and evaluation data will be important to address critics' claims of green washing.

'Impact' level data (e.g. on land conversion, deforestation, water use, greenhouse (GHG) emissions or income, livelihoods) is hard to measure, let alone claim as a result of MSIs (attribution problem), especially in complex multi-stakeholder environments.

The review inevitably grappled with these challenges. It nonetheless aimed to achieve a better understanding of the impacts of MSIs in order to inform WWF strategy on MSIs, being clear on what these market-based tools can potentially deliver, and what they cannot do. WWF is also considering repeating this study in future years once additional standards have come to market and more data is available.

Methodology

The methodology for conducting this review was based on a literature review of MSI impacts, notably looking at MSC and FSC impact studies, and telephone interviews with MSI experts from the WWF network, government agencies, standard-setting bodies, NGOs, and the private sector. A list of the 22 interviewees can be found in Annex 3.1.

Table 1. Overview of MSIs

MSI	Acronym	Commodity	Started	Market share	WWF's role	Standard update
Forest Stewardship Council	FSC	Timber	1993	5% of world's productive forests[1]	Founding Member and on its Board of Directors	FSC products available on market
Marine Stewardship Council	MSC	Fisheries	1999	12% of global capture production[2]; 50% of whitefish market; 0.5% of tuna market[3]	Founding Member and on its Board of Directors	MSC products available on market
Roundtable on Sustainable Palm Oil	RSPO	Palm oil	2003	5%[4]	WWF is a founding member and sits on Executive Board (EB)	CSPO labelled palm oil available on the market
Round Table on Responsible Soy	RTRS	Soy	2004	0%	WWF is a founding member and sits on EB	Standard finalised and being field-tested; no RTRS soy available yet
Better Cotton Initiative	BCI	Cotton	2004	0%	WWF is a founding member and sits on EB	Standard being field-tested; no BCI cotton available yet
Better Sugar Initiative	BSI	Sugar	2004	0%	WWF is a founding member and sits on EB	Standard finalised and being field-tested; no BSI sugar available yet
Roundtable on Sustainable Biofuels	RSB	Biofuels	2007	0%	WWF is an active partner and sits on environmental WG	Standard being field-tested; no RSB biofuels available yet
Sustainable Beef Roundtable	SBR	Beef	2010	0%	Convener/facilitator, and stakeholder	Standard being field-tested in US and Brazil
Aquaculture Stewardship Council	ASC	Aquaculture	2010	0%	Co-Founding Member and Chair of the Supervisory Board	Standards for 12 aquaculture species: Tilapia standard is finalised; the remaining 11 are under development
Water Roundtable	WRT	Freshwater	2010	0%	WWF is a Board Organisation of the convener, AWS, and is a stakeholder	Process to develop international water stewardship standards started June 2010; plans to launch Regional Initiatives in near future

[1] As of July 2009, FSC certified forests represent the equivalent of 5% of the world's productive forests. See http://www.fsc.org/facts-figures.html
[2] As of August 2010, MSC-certified fisheries (including those in some stage of the certification process) record catches of close to 7 million metric tons of seafood – over 12% of the global capture production for direct human consumption. See http://www.msc.org/newsroom/key-facts-about-msc
[3] WWF estimates based on latest data gathered from MSC and other sources.
[4] WWF estimate based on 2,501,875 MT certified palm oil (as of August 2010) and 48,000,000 MT total palm oil. See http://www.rspo.org

Important clarifications:

- This review is not an in-depth quantitative evaluation of the economic, social and environmental impacts of MSIs, and was never meant to be. The main goal for undertaking this quick and broad review was to give WWF a better sense of where MSIs going, and on that basis, adapt (where necessary) WWF approach to MSIs.
- Information sources for this review are (i) available literature on MSIs and their impacts (see bibliography) and (ii) the 22 interviews conducted. Informal discussions were also held with several WWF colleagues and other stakeholders. This review did not conduct research for primary and in situ data collection.
- The list of interviewees strives to strike a balance between WWF staff, governments, environmental and developmental NGOs, and representatives of the private sector and of standards bodies. Priority was also given to stakeholders that have knowledge and expertise on MSIs, and thus who have direct interactions with these processes. This sample provides a good illustration of various views and opinions about MSIs; however, it is not (and does not claim to be) representative of all stakeholders' views on MSIs.

Brazil: the symbol of the FSC is spray-painted onto stacks of processed timber.

2. CONCLUSIONS AND RECOMMENDATIONS

2.1. MSIs are an important tool in the toolbox

This review does not provide a definitive answer to questions about MSI effectiveness and the cost-benefits of MSI-reported achievements. However, it does identify the strengths and weaknesses of MSIs as perceived by respondents (see Annex 3.3 for a sample of direct quotations).

MSIs CAN REACH ACROSS FRONTIERS AND TRULY TACKLE GLOBAL PROBLEMS

Almost all of the 22 people interviewed consider MSIs to be a part of the solution for multi-issue, multi-country, and multi-stakeholder commodities/sectors. The following main strengths of MSIs were identified:

- **Multi-stakeholder processes:**

  MSIs bring credibility, accountability and transparency in the supply chain by bringing different actors to the table.

- **Solutions-oriented:**

  MSI outputs are more likely to work as all key actors of the supply chain are engaged.

- **Global initiatives:**

  MSIs can reach across frontiers and truly tackle global problems.

- **Effective complementary instrument:**

  MSIs can fill an important gap in the governance of natural resource use.

Respondents emphasised that MSIs alone cannot solve the challenges of sustainable commodity production, and also identified the following weaknesses of MSIs:

- **Slow uptake and small market share:**

  For some certifications, market uptake has been relatively slow, leading to small market shares for certified commodities. Today, only a small percentage of all forests are FSC-certified and only a small percentage of all fisheries are MSC-certified (the exception is whitefish, which has a relatively high uptake primarily because there are relatively fewer, larger whitefish fisheries in existence). As a result, total impacts on conservation and development (which are largely unmeasured) remain limited. The same applies to many agricultural commodities for which MSIs have only been recently developed.

- **Focused on international markets:**

  MSIs mostly focus on the part of the production which enters international trade. It is unclear whether and how MSIs influence local production, sourcing, and manufacturing practices for those commodities of which a significant part is produced and consumed domestically, or where there is no domestic demand for products produced to MSI standards (e.g. sugar in India, palm oil in Indonesia and beef in Brazil).

"MSIs are an important tool in the toolbox but they are not a panacea"

Interviewee

- **One tool in the toolbox:**

  As one interviewee noted: "MSIs are an important tool in the toolbox but they are not a panacea." It is important to work with all relevant stakeholders to ensure that the necessary complementary mechanisms are in place to make MSIs work. Without proper governance by governments and multilateral agencies (e.g. to address land use and property rights; to tackle corruption; to reduce poverty), MSIs will continue to fight an uphill struggle.

- **Coalition of the active:**

  MSIs are resource intensive for both participating members and the MSIs' secretariats. There is a risk that this will affect the participatory nature of MSIs and create a coalition of the active as opposed to being truly inclusive.

- **Acknowledged limitations:**

  Respondents noted that it is important to understand both the strengths and limitations of MSIs (e.g. trade barriers, cost, lack of straightforward financial benefit, complexity of the system for small-scale operators, consumer confusion etc.), being clear on what they can and cannot do (or deliver).

Enhancing the effectiveness of MSIs

Key recommendation

1. To increase MSI uptake, governments and international organisations in consumer and producer countries should establish complementary mechanisms to create an enabling environment. Such mechanisms could include national legislation, public procurement policies, tax incentives and tax relief, and start-up grants. Financial institutions also have an important role to play to support and enable MSIs.

Additional recommendations

2. There is a need to explore non-market based mechanisms that can drive better management practices for domestic production (e.g. regulatory waivers in exchange for certification).

3. NGO campaigns, company scorecards, or better verification systems can help move laggards and marginalise free-riders, maintaining pressure on the MSI process.

2.2. Impacts are found but evidence-based data is insufficient

How are 'impacts' defined?

Impacts are positive and negative long-term (ten years and beyond) effects resulting from the implementation of a standards system, directly or indirectly, intended or unintended.

How should 'impacts' be measured?

A robust evaluation of a certification's impact includes three main principles:

- Examine performance over time (pre – and post – certification data needed).
- Compare participants to a group of non-participants with similar characteristics.
- Address selection bias where possible (see Hiscox et al (2009) for guidance).

The desktop reviews and interviews indicate that MSIs can have positive economic, environmental and social impacts. For example:

- **Environmental impacts:**

  Positive environmental impacts have been recorded, such as improved biodiversity protection and reduced fish by-catch mortality. However, little quantitative data is available.

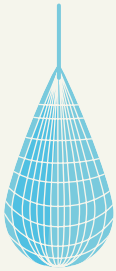
- **Economic impacts:**

  Businesses can experience improved efficiency within a supply chain (better managed processes, higher production and quality, cost savings); decreased risk; higher transparency; and increased awareness about problems in the supply chain.

- **Social impacts:**

  While positive impacts on workers and local communities are reported, there is limited evidence of direct poverty-related impacts such as improved food security and livelihoods. In some cases, certain social impacts may be argued to be beyond the scope of the MSIs under review.

However, the scale of impacts of MSIs on markets and supply chains is questioned by some of the interviewees because (i) evidence-based data is insufficient; (ii) MSIs may not address sustainability issues comprehensively as they are focused on a single crop, field or plantation; (iii) their outcomes are a result of negotiation and compromise, thus there is a risk to lower the bar; and (iv) MSIs face challenges to effectively engage bad performers and address the issue of green-washing.



POSITIVE ENVIRONMENTAL IMPACTS HAVE BEEN RECORDED SUCH AS REDUCED FISH BY-CATCH MORTALITY FOR MSC

This review finds that it is difficult to draw generalisable conclusions about MSI impacts because there is insufficient comparable and meaningful data available. There are several reasons for the lack of data:

- **M&E systems not in place:**

  Most (if not all) MSIs did not design and implement monitoring and evaluation impacts systems early on. The MSC and FSC reviews show that there is an important time lag between the establishment of a voluntary standards system and the development of sufficient organisational capacity to set up systems to measure impacts.

- **Standards not yet implemented:**

  Many MSIs are still under development and there is understandably little impacts data available yet. There is also a time factor that needs to be taken into consideration as some economic, social and environmental impacts may happen several years after the MSI was launched.

- **Challenges with attribution:**

  As shown by the literature review (Annex 3.4), there are limitations to establishing a clear link between X standard and Y impact on the ground. This is why looking at the percentage of certified products available or traded is often used as a proxy indicator for impacts.

Because sufficient impacts data are currently lacking, arguments supporting or criticising MSIs cannot be substantiated with concluding evidence-based information.

Understanding MSI impacts

Key recommendation

4. Existing MSIs need to strengthen their monitoring and evaluation (M&E) capacity; developing MSIs should create and implement M&E metrics/ programmes from the onset. M&E should be systematically completed on a regular basis to obtain comparable, benchmarking data.

Additional recommendations

5. Systematic, publicly available data (both quantitative and qualitative) are needed to draw meaningful, generalised conclusions about a scheme's impact. In addition to MSIs, stakeholders such as research institutes, universities, NGOs, International Organisations (IOs), and governments have a role to play in this effort.

6. In the context of limited capacity and scarce financial resources, MSIs may consider developing 'light' metrics and simplified data collection methods to measure interim progress of MSIs.

7. All MSI stakeholders should support the development and implementation of ISEAL's Code of Good Practice for Assessing the Impacts of Standards Systems. This code can provide guidance and lead to standardised protocols on data collection and impact measurement.

2.3. A good understanding of market dynamics is required for MSIs to transform markets

A solid understanding of market dynamics (including market actors) is required for MSIs to effectively transform markets. This means being able to answer the following questions at a global level and – especially for fragmented markets – at a national and/or regional level:

- What is the market and how is it structured and organised?
- What are the products?
- Who is supplying?
- Who is consuming?
- Who is driving demand?
- What are the incentives and disincentives to change market players' behaviours?
- How can incentives for change be created?
- What trends will affect near and medium-term standard development?

Understanding who drives and shapes demand, notably in emerging economies such as China, India, Indonesia, and Brazil, is key. It will be difficult for MSIs to transform markets if there is insufficient demand for more sustainable products. At the same time, MSIs can help to influence demand for certified commodities by educating market players on the risks of relying on unsustainable supply chains.

Interviews also emphasised the importance of understanding key actors and their motivations:

- **Know the big players:**

  MSIs can have important impacts with large corporations as drivers (e.g. Unilever, Coca Cola). Change can happen at a large scale when a critical mass of influential players in the marketplace makes the first move and pulls the rest of the market (i.e. producers, manufacturers, processors, retailers, investors, etc) towards improved environmental and social performance.

- **Know the motivation:**

  Some interviewees suggested that a moral imperative such as 'do the right thing' may be less compelling than a strong economic business case or regulatory measures that 'level the playing field'. In addition, some were concerned about using incentives, such as price premiums, that tend to be eroded especially in commodity markets.

CHANGE CAN HAPPEN AT A LARGE SCALE WHEN A CRITICAL MASS OF INFLUENTIAL PLAYERS IN THE MARKET PLACE MAKES THE FIRST MOVE.

Understanding the Interaction between MSIs and Markets

Key recommendation

8. More detailed information is needed on the players driving demand within particular supply chains. This includes information on who drives demand at different points of the supply chain, as well as in large developing country markets.

Additional recommendations

9. MSIs should identify the incentives (e.g. market access, price premiums, improved reputation, risk management etc.) and disincentives (costs of certification, low technical skills etc.) when assessing a new scheme's ability to achieve market transformation.

2.4. Information and evidence on social impacts is mixed

Specific attention was given during the course of this study to the potential social and poverty-related impacts of MSIs. Overall, this review shows that although anecdotal information is available, there is generally insufficient scientific data providing robust evidence of the social impacts of MSIs. Interesting findings can be drawn from the FSC and MSC desktop reviews:

LITERATURE SURVEYED SHOWS FSC CERTIFICATION HAS IMPROVED THE WORKING CONDITIONS OF EMPLOYEES

- **Need for quantitative results:**

  Positive impacts on workers for FSC and on local communities for both FSC and MSC have been reported. However, there is limited evidence of direct poverty-related impacts such as improved food security and livelihoods. In many cases, quantifying social impacts may simply be infeasible.

- **Positive impacts:**

  The literature surveyed shows that FSC certification has improved the working conditions and training of employees; created employment opportunities for local people; enhanced the mechanisms to solve disputes; and provided guarantees that local communities maintain control of their forests. FSC certification also increased acceptance of community representatives in policy forums.

- **Unintended impacts:**

  Evidence from social impacts of FSC and MSC is more mixed compared to economic and environmental impacts. Despite instances of positive social impacts, the costs of certification can be a major constraint to some communities. In addition, the shift towards more scientifically rigorous models of management may sometimes come at the expense of valid local customs.

In addition to describing the social impacts of MSIs, interviewees and the literature identified challenges that MSIs face addressing complex social issues within current MSI certification schemes and standards. For example:

- **Lack of social criteria:**

  There are different opinions and perceptions about what social aspects are covered and should be covered by MSIs. In particular, the extent to which MSIs should address systemic socio-economic development challenges such as rights to education, health, food, and poverty alleviation.

- **Lack of representation:**

  Most MSIs lack adequate expertise on social issues because there is currently inadequate representation of social groups. However, it has proven difficult to engage social NGOs and representatives of smallholders and local communities (who may not be well organised).

- **Complexity and scope of social issues:**

  Social issues go beyond what can be discussed in the context of MSIs and relate to political problems that cannot be resolved by a standard only (e.g. land ownership and land property rights).

- **Focus on large operators:**

  There is a feeling amongst several interviewees that MSIs are designed for large-scale operators and thus may not equally benefit small-scale operators. One interviewee noted that "some of the standards are inappropriate for smallholders; they are not scaled to suit the complexity of operations".

- **Engaging small operators:**

  Small-scale producers and operators often lack the capacity and resources to engage in standard setting and certification processes. Several MSC studies refer to "barriers to small or developing country fisheries to participate in MSC certification" either as a result of capacity, time, cost, or data deficiencies. To address these issues, MSIs, including RSPO, RTRS, and BSI, are creating smallholder taskforces and pilot projects for smallholder cooperatives. The literature also points to a number of ways MSIs can structure certification programmes to enable community participation, including considering group certification approaches to realise economies of scale and reduce risk for small players; building local certification capacity and new financial mechanisms; and developing locally-appropriate standards.

Understanding the social impacts of MSIs

Key recommendation

10. International capacity to define, monitor, and evaluate the social impacts of MSIs needs to be expanded by (i) exploring available methods and tools, such as the International Finance Corporation's (IFC) Policy and Procedures on Social Sustainability and Performance Standards, and (ii) disseminating and applying the work of existing MSI impact research networks, such as the Solidaridad/ ISEAL Impacts Research Group.

Additional recommendations

11. MSIs should develop specific strategies and action plans for better engaging social experts and organisations, as well as representatives of smallholder groups and local communities.

12. While MSIs and related standards usually cover core ILO standards, including health and safety improvements at work, MSI stakeholders need to better define (i) what is appropriate and realistic for a voluntary standard to deliver on the social front and (ii) what lies outside the realm of the MSI.

2.5. Improvements to MSIs are needed

MSIs are positioned to gain significantly from operational improvements. First, improvements will help MSIs ensure that they remain credible and effective. Second, MSIs have an opportunity to magnify their impacts by creating faster processes, lowering transaction costs, engaging more actors, and effectively scaling-up programmes. Third, many MSIs are or could soon be in a critical transition phase from a standard setting body to a standard implementation agency.

This transition to implementation means MSIs need to shift skill sets and address market demand more effectively. This review identified general ways to help MSIs realise their potential.

- **Implement checks and balances:**

  As standards get rolled out to the market place, monitoring the performance of the MSI membership becomes critical. All parties should have a clear understanding of their targets and of repercussions for failing to meet targets. Few MSIs incorporate 'check and balance' mechanisms which penalise free-riders and reward the best performers. This is critical in maintaining MSI credibility in the face of attack by groups that question the compromises that are made during multi-stakeholder negotiations.

- **Don't reinvent the wheel:**

  Many interviewees emphasised the need for sharing lessons as well as processes within and across MSIs. For example, technical assistance could be harmonised where possible to allow producers to comply with a variety of standards through a common technical assistance programme.

- **Manage workload and prevent stakeholder fatigue:**

  Many (if not all) stakeholders and MSIs have underestimated the amount of work that MSIs represent; time and commitment are crucial to success. While capacity can in part be addressed by setting up professional MSI secretariats, the proliferation of MSIs and the complexity and breadth of issues discussed is resulting in stakeholder fatigue. This is especially true for multi-products stakeholders such as retailers, traders, and investors.

- **Engage a 'neutral broker':**

  Interviewees highly recommended the use of independent facilitators, noting that stakeholders are often too close to the issues to facilitate the process themselves.

- **Collaborate:**

  Many interviewees emphasised the need for MSIs to engage with more governments, NGOs, universities, research centres, and financial institutions. Such collaboration can help to fill 'gaps' in current government regulations, establish capacity to collect monitoring and evaluation data, improve sustainability impacts, and more effectively transform markets.

TO REMAIN EFFECTIVE AND CREDIBLE, MSIs NEED A SOUND BUSINESS PLAN AND EFFECTIVE 'CHECKS AND BALANCES'

Improving MSIs operations

Key recommendation

13. MSIs need to develop sound business plans, appropriate scopes, and increased capacity at the secretariat level to become economically viable and financially sustainable. New MSIs should develop business plans at the start of the process in conjunction with standards development. Business partners may also be able to encourage MSIs to develop viable business models, attract the right people, and attain sufficient resources and investments.

Additional recommendations

14. All parties involved in MSIs should have public, written, time-bound, and, if possible, quantifiable targets. Parties should also have clear entry and exit strategies for working with the MSI.

15. As MSIs move from the standard development to the implementation stage, they need to develop effective decision-making processes, clear systems of 'checks and balances,' and complaints/dispute resolution systems to ensure that any free-riders and worst performers are identified and corrected.

16. MSIs need to work more collaboratively to better address cross-cutting issues (e.g. climate and water), streamline processes (e.g. common technical assistance programmes), and reduce stakeholder fatigue.

ESTABLISHING SUSTAINABLE PRODUCTION STANDARDS

Through its engagement in MSIs, WWF aims to influence the largest companies on both the production and buying sides of any given commodity chain. The primary goal of MSIs is to establish sustainable production standards through consensus on the key impacts and performance targets of a given commodity. Addressing and reducing land conversion driven by soy and palm oil production is key for the RTRS and RSPO. Both standards include a direct reference to protecting High Conservation Value Areas. The BCI and BSI standards aim (amongst others) to reduce water use and water contamination due to cotton and sugar production respectively. For example, the BSI standard has specific criteria and targets in terms of net water consumed per unit mass of product.

The Brazilian farm illustrated cultivates soya beans with a rotary irrigation system, which uses less water than conventional agriculture.

3. ANNEXES

3.1 List of interviewees

"The beauty of MSIs is their multi-stakeholder process"

Interviewee

1.	Jason Clay, Senior Vice-President Market Transformation	WWF US
2.	Paddy Doherty, Impacts Manager	ISEAL Alliance
3.	Richard Donovan, Vice-President Forestry	Rainforest Alliance
4.	Mark Eckstein, Managing Director International Finance	WWF US and MTI
5.	Hans Peter Egler, Head Trade Promotion	State Secretariat for Economic Affairs (SECO) Switzerland
6.	Ignacio Galivan, Sustainability Strategy Manager	British Petroleum (BP) Biofuels
7.	Adam Harrison, Senior Policy Officer, Food and Agriculture and Vice-President Roundtable of Sustainable Palm Oil	WWF UK
8.	Carsten Schmitz-Hoffman, Head of Section Agriculture & Trade Standards	GTZ
9.	Henrik Lampa, Environmental Supply Chain Manager and Board Member Better Cotton Initiative	Hennes & Mauritz (H&M)
10.	Cassio Franco Moreira, Coordinator of the Agriculture and Environment Programme and Vice-President of the Roundtable on Responsible Soy	WWF Brazil
11.	Yemi Oloruntuyi, Programme Manager, Developing World Fisheries	Marine Stewardship Council (MSC)
12.	Richard Perkins, Senior Commodities Adviser	WWF UK
13.	Jason Potts, Programme Manager Sustainable Markets and Responsible Trade	International Institute for Sustainable Development (IISD)
14.	Roberto Smeraldi, Director	Terra Amazonia (Friends of the Earth Brazil)
15.	Rod Taylor, Director Forests	WWF International
16.	Johan Verburg, Private Sector Programme	OXFAM Novib
17.	Jose Villalon, Director Aquaculture Programme, WWF Aquaculture Dialogues	WWF US
18.	Bill Vorley, Head Sustainable Markets Group	International Institute for Environment and Development (IIED)
19.	Jan Kees Vis, Director Sustainable Agriculture	Unilever
20.	Jaap van de Waarde, Regional Programme Adviser	WWF Netherlands and previously seconded to WWF CARPO
21.	Fiona Wheatley, Sustainability Manager and Representative on RSPO	Sainsbury's PLC UK
22.	Hari Morar, Technical Director International & Co-Chairman of BSI Steering Board	Tate and Lyle

3.2 Interview questions

"Previously, information on fisheries was the preserve of scientists, now with the introduction of the MSC system, there is more transparency and access to fisheries information"

Interviewee

Background

- Please specify your role in working with MSIs? Researcher, NGO, standard-setting body, certification body, producer, other?
- Area(s) of specialisation.
- Sector of specialisation.
- Years of experience working with MSIs?

Introduction

- What are the main benefits of MSIs?
- Identify the main challenges, concerns or constraints you have had in your work with MSIs?

Impacts

- What impacts do MSIs have on the supply chain and markets?
- Did your organisation or research observe improved commercial or trade performance in the sector in question? How were these monitored and evaluated?
- Did your organisation or research observe improved natural resource management practices? How were these monitored and evaluated?
- Did your organisation or research observe improved poverty reduction, and/or labour and social practices? How were these monitored and evaluated?
- What are the main benefits in assessing the impacts of MSIs?
- What improvements could be made to MSI governance systems to achieve positive impacts?

Uptake and implementation

- In your organisation or experience what approaches were used to overcome challenges and problems in implementing MSIs? Which ones were the most effective?
- Compare your initial expectations of MSIs versus what you actually have observed in practice.
- Did your organisation or research observe replication or the potential for replication of the MSI in other sectors?

Lessons learned

- Identify two key ingredients for success of MSIs that you would like to share (e.g. whether in terms of implementation, credibility, impacts etc).
- Describe two examples of 'good practice' in assessing the impacts of MSIs demonstrated by your organisation or observed in your research that you would like to share.

Further information

- Do you wish to add further comments or experiences not covered by the questionnaire concerning market transformation and MSIs?

3.3 Interview quotes

Table 2. Main benefits and challenges of MSIs based on interviews (with quotes from interviewees)

Benefits of MSIs		Challenges of MSIs	
Is a platform for dialogue	'The sheer willingness of large multinational corporations to talk to NGOs (and standard setting bodies) is fundamental". "The beauty of MSIs is their multi-stakeholder processes".	Can be dominated by one party	"The contradiction of MSI: being able to wear a participatory flag while being interest driven".
Is a credible and accountable process	"The standards that are developed are valuable". "Governance is the key element of a more inclusive decision-making process".	Is a time consuming and costly process	"The more stakeholders are involved, the richer the process; but it takes time to travel to the venue and some stakeholders are excluded because it is too costly for them".
Enhances ownership and commitment	[there is a..] "Notion of accountability to some kind of a stakeholder group with differing views".	Lacks commitment and ownership	"All NGOs are not unanimously behind MSIs in the same way all donors are not behind MSIs."
Is a powerful market-based tool	"Credible voluntary standards provide a level of comfort in making investment decisions because they are third party audited." "MSIs can be used as first or second party but ultimately the world sees the value in independent verification".	Lacks capacity and efficiency	"The challenge for the RSPO is that there is not a huge amount of capacity, resources have been limited until relatively recently when certified palm oil started trading and transaction fees are received". "There is a tension between the reality of democracy, which is not efficient and trying to run an organisation; and this coupled with trying to insert democratic principles into a business operation".
Fosters transparency	"Transparency is key for a more comprehensive specification of products, evaluation of externalities and more efficient organisation within the supply chain".	Large scale trumps small scale	"Some of the standards are totally inappropriate for small holders; they are not scaled to suit the complexity of operations".
Stimulates information sharing and knowledge	"Previously information on fisheries was the preserve of scientists, now with the introduction of the MSC system, there is more transparency and access to fisheries information".	Lacks impacts data	"In the Congo basin, people are saying 'FSC is not good enough' and it is very difficult to respond to such criticism as there is no data available."
Fills a governance gap	"MSIs fill a huge gap in governance of natural resource use because of failure of multilateral agreements."	Ignores the State	"One important challenge is to get governments to regulate the 6-8 main issues addressed by the voluntary standard so that we start moving up the worst performers by setting a minimum regulatory framework".
Focuses efforts on what is most important	"MSIs create for society a consistent framework for independent verification and the quality of performance of a particular entity or a benchmark to evaluate".	Looks at the problems partially	"How do MSIs address issues beyond the crop level?"
Makes an impact on markets	"You have to build a roundtable process to transform commodity markets". "A major benefit is to partner with industry".	Is not performance led	"The challenge is to identify whether you are only setting the framework or whether you are doing better?" "There is a 'mis-weighting' between procedural requirements and performance requirements."

Benefits of MSIs		Challenges of MSIs	
Is solutions-oriented	"Through discussion, stakeholders have to 'move' and converge around an acceptable standard of performance."	Answers part of the problem	"If a certain loan applicant does not want to agree to use a voluntary standard, in some cases he can just go elsewhere".
Helps manage risk	"If you include critical actors then the process is less prone to attack".	Does not manage expectations	"MSIs are an important tool in the toolbox but they are not a panacea (after all we are dealing with complex issues here)".
Helps reduce cost and improve efficiency	"More and more actors are involved in standard implementation; this is delivering better managed process resulting in higher production and quality, sometimes also cost savings and better access to markets. Plus reduction in costs equals economic efficiencies and this affects investment."	Is costly	"MSIs are accelerators of market modernisation, professionalisation and consolidation, and thus make it more difficult for poor players to act/ survive in these markets".
Provides traceability	"They are a tool which can inform buyers and consumers about the production process and it also allows for traceability".	Creates confusion	"Proliferation of MSIs is negative". "There is a lack of rational strategy across voluntary standards as a sector"
Acts as a leverage for improvement	"Even where governance is weak, MSIs can help get progress and push for continuous improvement".	Risks to lower the bar	"Reaching consensus means the outcome is compromised, especially from WWF's perspective". "How do we get business engaged without comprising our objectives and ensuring that they are met?"
Achieves consensus on environmental issues	"FSC allows WWF to engage in a way that links our conservation goals to a specific instrument."	Does not address social issues well	"MSIs don't have to be pro-poor but be careful that they do not become anti-poor".

3.4 FSC & MSC desktop review summary

The overall goal of conducting the impact desktop reviews of FSC and MSC was to get a better sense of what changed as a result of FSC and MSC certification, whether any conclusion can be drawn in terms of improved forest and fisheries management, and what can be learned for the benefit of newer schemes. This exercise was not meant to be comprehensive; rather, it focused on a limited set of studies considered most relevant and critical in terms of better understanding the impacts of FSC and MSC on the ground (see referenced documents below).

Table 3. Main reports used in the FSC impacts desktop review.

Reference	Published by	Number of cases
Cashore et al, 2006	Yale School of Forestry & Environmental Studies	Lessons from 16 countries
De Corso et al, 2008	Wageningen University	Eight socio-economic case studies
Hughell & Butterfield, 2008	Rainforest Alliance	Comparative study of area with 2 million hectares protected area, FSC and buffer (Guatemala)
Ivanova, 2007	University of Bradford	Analysis based on studies on security, resource management etc.
Karmann and Smith, 2009	FSC International	180 studies on effects of FSC-certification
Van Kreveld and Roerhorst, 2009	WWF Netherlands	Biodiversity impact review (50 studies) in tropical natural forests
Kuijk et al, 2009	Tropenbos	Biodiversity impact review (67 SFM-studies) in tropical, temperate and boreal natural forests
Peña-Claros et al, 2009	Wageningen University	Audit reports of 129 FSC certified FMU's in tropical natural forests

Table 4. Main reports used in the MSC impacts desktop review.

Reference	**Published by**	**Number of cases**
Accenture, 2009	WWF International	Using a comparative framework assesses 17 fishery eco-label systems including MSC
Agnew et al., 2006	MRAG UK Ltd and MSC	Analyses impacts of 10 MSC-certified fisheries
Carey, 2008	ISEAL Alliance	Focuses on one MSC-certified fishery
Greenpeace, 2009	Greenpeace	Assesses the MSC standard system and impacts
Gulbrandsen, 2009	J. of Marine Policy*	Assesses the MSC standard system and impacts
Jacquet et al., 2009	Oryx – Fauna and Flora International J. of Conservation*	Assesses the MSC standard system and impacts
Marine Stewardship Council, 2009	Marine Stewardship Council	Discusses impacts of 42 MSC-certified fisheries
Tindall et al., 2008	MRAG, DFID and GTZ	Discusses impacts of MSC and five other fishery eco-labels on developing countries
Ward, 2008	J. of Fish and Fisheries*	Assesses two fisheries standard systems
	*peer reviewed/refereed journals	

FSC CERTIFICATION POSITIVELY IMPACTS ON FOREST PLANNING, SILVICULTURE AND BOIDIVERSITY PROTECTION

Therefore, this section does not capture impacts of FSC and MSC certification which are not reported in the literature surveyed but which may be voiced by experts or discussed at conferences. For example, it is often said that FSC and MSC have influenced the development of other forest and marine certification schemes and that they have increased corporate awareness and drive for CSR. Similarly, FSC proponents argue that FSC has resulted in improved participation and representation of Indigenous Peoples in policy forums and corporate decision-making.

The main findings of the FSC and MSC review show that:

1. There are positive, negative, and mixed impacts, but quantitative information on comprehensive ecological, economic, and social impacts remains limited.

- There are **positive environmental impacts** resulting from FSC and MSC certification. FSC certification positively impacts forest planning and inventorying, silviculture, biodiversity protection, and monitoring and compliance. The most frequently discussed environmental impact from MSC certification is improved fishery management leading to reduced by-catch mortalities.
- FSC and MSC certification have **both positive and negative economic impacts.** Improved market access and obtaining a price premium are most frequently quoted as positive impacts. On the other hand, the cost of certification and the tendency to favour large-scale operators at the expense of small ones (especially for MSC) are negative.

- **Evidence from social impacts is more mixed.** Positive impacts on workers for FSC and on local communities for both FSC and MSC have been reported. However, there is limited evidence of direct poverty-related impacts such as improved food security and livelihoods.
- Despite evidence of positive economic, environmental and social impacts at the level of the forestry management unit or for a specific fishery, only a small percentage of all forests are FSC-certified and only a small percentage of all fisheries are MSC-certified. Thus, **total ecological and social impacts remain limited.**

>125MILLION
HECTARES OF FOREST WORLDWIDE CERTIFIED TO FSC STANDARDS

2. While the references discussed in the FSC and MSC desktop reviews demonstrate a range of impacts resulting from the implementation of these two standards, impact data on voluntary standards systems remains limited. Although it is intuitively appealing to believe certification will improve forestry and fisheries ecosystems, there is no replacement for evidence-based research. Moreover, there has been a time lag between the establishment of a new voluntary standards system, and the development of sufficient organisational capacity to set up systems to measure impacts. Following the maxim of management expert Peter Drucker, "What gets measured gets done. What is measured and fed back gets done well."

3. Certification alone cannot solve the challenges of sustainable forest or fisheries management. As Wenban-Smith et al. (2007) stated: "[Certification] is a tool which works. It is time for governments and international institutions that aim to promote more sustainable management of tropical forests to make more and better use of it." The reviews below show that it is up to all stakeholders to ensure that the tool is properly and effectively used in conjunction with other complementary tools and policies such as government regulation, consumer awareness, etc.

Lessons for new MSIs

- Publicly available information and scientific studies are needed to be able to determine the impacts of a scheme. New standard-setting bodies should develop and implement impact monitoring and evaluation metrics and programmes early on.
- It is important to identify the incentives (e.g. market access, differentiated market price, improved reputation) and disincentives (costs of certification, low technical skills etc.) when aiming to assess if a new scheme could achieve its intended target (e.g. market transformation).
- It is important to understand the limitations of the certification tool (e.g. trade barriers, cost, lack of straightforward financial benefit, complexity of the system for small-scale operators, consumer confusion etc.) and to work with all relevant stakeholders to ensure that the necessary complementary mechanisms are in place to make certification work.

US$1.5BN
ESTIMATED MARKET FOR MSC CERTIFIED SUSTAINABLE SEAFOOD

FSC and MSC in numbers

Statistics on the significance and market uptake of FSC and MSC vary significantly depending on information sources. Examples of available statistics are provided below; please note that some of these figures are estimates.

FSC:

- More than 125 million ha forest worldwide are certified to FSC standards, distributed in over 80 countries (March 2010 data from FSC website).
- FSC certified forests represent the equivalent of 5% of the world's productive forests (July 2009, FSC website).
- 411.3 million m^3 of certified wood was sold in 2009 and 32.3% of this is FSC, i.e. 132.8 million m^3 (Forest Products, Annual Market Review, 2007-2008, UNECE-FAO).
- With over 16,000 certificates (March 2010), the number of companies along the forest product supply chain committing to FSC certification peaked at 50% in 2008 (FSC website).
- The value of FSC labelled sales is estimated at over US$20 billion (2008, FSC website).
- According to GFTN data, it is estimated that 70.26% of the total market for FSC products is within GFTN participants. There is circa US$23.5 billion sales of FSC going through GFTN participants each year.
- If the above figure is extrapolated against the volume of FSC certified wood estimated by FAO, the global figure of FSC sales value is estimated to amount to circa US$33.4 billion (GFTN trade participants' data). This figure assumes a perfect correlation between the volume and the value of FSC wood. The potential area of weakness in the assumption is that the FSC materials are of 'average value' and therefore can be extrapolated perfectly.

MSC:

- MSC fisheries represent 7% of the annual global wild harvest. 11.3% of harvest for human consumption are certified or in full assessment. This certified seafood is used in over 2,500 different MSC labelled products in 52 countries (MSC, 2009).
- 7% (c. 5.25 million t) of the annual global landings of marine fisheries were MSC certified (Jacquet et al., 2009).
- Close to 50% of the whitefish market is MSC certified while only 0.5% of the tuna market is (MSC data).
- MSC estimates that the market for MSC certified sustainable seafood is estimated to be worth over US$1.5 billion (MSC, 2009).

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MSC sustainable seafood – labelled with the Marine Stewardship Council certificate.

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MSIs in numbers

10

Multi-stakeholder Sustainability Initiatives (MSIs) launched or actively supported by WWF to transform business practices across a range of commodities and sectors such as timber, agriculture, marine and aquaculture products.

842

individuals and organisations are members of the Forest Stewardship Council (FSC), of which companies represent about 18%.

22

government, business and NGO representatives interviewed for this WWF review.

2.5 MILLION TONNES

of sustainable certified palm oil have been produced since November 2008.

Why we are here

To stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature.

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