

Experiences with voluntary standards initiatives and related multi-stakeholder dialogues

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Introduction

Over the past ten years the German Federal Ministry for Economic Cooperation and Development (BMZ) has supported a number of initiatives which develop and implement voluntary social and/or ecological standards or codes of conduct in sectors ranging from forestry, agriculture and coffee to textiles and dams. The role of German development cooperation varied from providing limited financial support to existing initiatives to providing advisory services for developing country governments on how to implement necessary legal frameworks in which standards initiatives can operate. BMZ has also provided financial and political support to national and international multi-stakeholder dialogues. Furthermore, the government itself initiated alliances together with the private sector in which it subsequently took on a facilitating role and/or provided the secretariat function for an initiative through its technical cooperation agency.

Standards are an instrument by which the vision of sustainable development can be translated into concrete and practicable steps which can be measured and used for binding agreements. They are an answer to the call for a socially and ecologically compatible form of globalisation. The German Government regards social and ecological standards as an important instrument to fight poverty, as they have been shown to improve living standards and the protection of natural resources in developing countries.

This paper discusses experiences from international standards initiatives and multi-stakeholder dialogues as well as lessons learnt that might be useful for new standards initiatives or related multi-stakeholder dialogues. It refers in particular to four initiatives: (i) The Common Code for the Coffee Community (4C); (ii) The AVE Sector Model to introduce social standards in the textile, clothing, footwear and toy industries; (iii) The Forest Stewardship Council (FSC); (iv) The World Commission on Dams (WCD). German development cooperation has closely followed their development through direct or indirect involvement. More detailed information is contained in Annex I-IV.

How initiatives come about - contributing factors

The development and implementation of voluntary standards often is a response to the deficiency of national governmental regulation in the globalised economy. This regulatory gap is neither being filled by international legally binding regimes, where negotiations often are blocked or moved along a downward spiral by those benefiting from the status quo.

Experience shows that standards initiatives typically come about at a time when some pressure has built up in a sector. This can be due to the phasing out of a trade agreement, as was the case with the liberalisation of the coffee trade in 1989 or with the phasing out of fibre agreements in the textile industry. It can also be due to NGO campaigns to raise consumer awareness about the working conditions or environmental impacts of industries supplying to European and North American markets.

In recent years the international debate about Corporate Social Responsibility (CSR) and associated initiatives such as the UN Global Compact have contributed a conducive business environment to the realisation of voluntary standards initiatives. Bolstered by this trend companies increasingly see the "business case" in ethical supply chain management beyond pure image gains.

¹ Programme Office for Social and Ecological Standards, with contributions from the Project "Supporting the implementation of the WCD recommendations", Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ).

Most standards initiatives are based on an alliance of partners who often sustained long-standing conflicts with each other in the past or whose relationship was at best one of mutual mistrust. To create a cooperative atmosphere small-scale projects between some of the partners concerned have proven to be conducive to establishing larger scale initiatives. In this respect the introduction of the Public-Private-Partnership (PPP) Programme into German development cooperation in 1999 has been instrumental in facilitating such small-scale pilot projects with individual companies.

Experiences with multi-stakeholder dialogues

The role of multi-stakeholder dialogues, such as national round tables, is often one of preparing the ground for standard initiatives or for accompanying their implementation. Particularly the German Round Table on Codes of Conduct² and the Ethical Trading Initiative (ETI)³ in the UK have proved very helpful in creating a common understanding of an issue among groups with very different interests and values. As a consequence of improved communication between groups in a “protected” atmosphere of independently facilitated, face-to-face and confidential discussions they have succeeded in building trust between groups which has paved the way for new co-operations and alliances in pilot projects. Multi-stakeholder dialogues on divisive issues like dams have often led to informal stakeholder networks which have proved helpful in defusing project related conflicts or advancing good business practice. Even if few tangible results over and above pilot projects, joint publications or joint conferences emanate from non-committing pure dialogue fora, they are instrumental in raising the debate onto a societal and political level.

Important ingredients of multi-stakeholder dialogue platforms are a balanced composition, independent and sensitive moderation between different groups, involvement of participants in agenda setting and identification of joint activities such as conferences, pilot projects, research or joint publications. Moreover, it is important to identify motivated individuals with a certain standing in their respective organisations who will act as champions and motivators (particularly for the early stage of establishment). It is difficult to achieve ownership by the members of a dialogue platform if it is externally funded and managed in the long term.

How to achieve credibility and legitimacy of a standards initiative – factors for success

The credibility and legitimacy of a standards initiative are the crucial factors for its acceptance and, thus, its success. While credibility directly affects consumers’ and producers’ acceptance of a scheme, legitimacy is an important factor in its recognition as not constituting a technical barrier to trade (TBT) under international trade rules. Following the guidance set by the International Organisation for Standardisation (ISO) on standard development (ISO Guide 59) and on certification (ISO Guide 65) will help a long way to achieve both credibility and legitimacy.

International agreements serve as a legitimising basis for voluntary standards initiatives. Thus, voluntary standards should build on relevant international conventions and treaties. The Code of Good Practice for the Preparation, Adoption and Application of Standards prescribes that organisations developing standards should avoid duplication with other national, regional or international standards and take the latter as their basis.

The credibility of a standards initiative is very much dependent on its level of stakeholder participation. This concerns both the governance structure, i.e. the question which interests are represented and how the decision-making process is organised, and the process of con-

² The German Round Table on Codes of Conduct brings together the private-sector, trade unions, non-governmental organisations and government for an exchange of experiences and identification of best practice for the introduction, monitoring and verification of codes of conduct. For more information see: www.coc-runder-tisch.de

³ The ETI is a dialogue forum between corporate, trade union and NGO members. It includes the identification of a common base code. For more information see: www.ethicaltrade.org

sultations with further stakeholders. There are two direct advantages of involving the broadest possible stakeholder group in standard setting. On the one hand all relevant information from different perspectives is fed into the process. On the other hand conflicts between interests can be solved in the development phase. The drawback is that such balanced participative processes are time and resource intensive. However, in most cases this investment in confidence building between different interest groups is a precondition for the acceptance and subsequent implementation of a standard or code of conduct.

An important precondition for successful stakeholder participation is that the process and procedures are transparent. Ideally, process and procedures are agreed among all relevant stakeholders.

Standards have to be unambiguous and measurable. This is a precondition for an objective and consistent verification of compliance and for making such verification transparent. The limitations of standards that leave a lot of room for interpretation is apparent in the results of the World Commission on Dams. Without the mandate to produce auditable standards the Commission achieved a political consensus at a general level, but due to the diversity of interests and experiences involved, its suggested standards remain unconcrete and open to differing interpretations.

Another important ingredient to credibility is the independent verification of standards implementation and compliance. Ideally, conformity assessment procedures should follow the ISO rules as systems accredited to such rules are less prone to misuse.

Lessons to consider in implementation

The need for careful management of multi-stakeholder processes

Multi-stakeholder processes, be they fora for pure dialogue or for standard development, need careful and independent management which moderates between different interests, approaches and values. This involves both creating a common understanding of goals and values and a constructive communication culture as well as addressing real or perceived power imbalances.

Practically special support to individual stakeholder groups might be warranted as their capacities to take an active role within the decision-making structure might vary. In the forest or dam sectors, for example, important groups such as indigenous peoples or rural communities may have been invited to participate but need support to actually be able to input into a process at national level. Power imbalances between groups can also occur due to different negotiating skills and experience or different capability to organise themselves. In the case of the Common Code for the Coffee Community (4C) this led for example to the organisation of separate workshops for the constituency group of the producers to prepare their common position for the steering group negotiations.

In order to achieve broad-based stakeholder adoption of a standard it is important that stakeholders feel that their views have been adequately considered in the standard-setting process. This can be achieved by fostering networking and communication between the members of the “drafting group” and the wider constituencies which they represent and by submitting draft texts to wider consultations. However, in order to achieve a high level in terms of content and requirements of a standard, an approach such as that adopted by the WCD merits consideration. Working in a personal capacity without having to represent their constituencies allowed the 12 Commissioners to reach tangible progress on the content in short time.

Furthermore, the way in which an initiative is funded and managed might be perceived as giving one interest undue influence. In this respect, the structure of Public-Private-Partnership Projects which typically consists of only one public and one private partner inherently puts a limitation on its potential to maintain ownership by a wider range of stake-

holders. The 4C initiative is governed by a multi-stakeholder steering committee, yet, its management unit is made up of the German Agency of Technical Cooperation (GTZ) and the European Coffee Federation. The resulting potential for bias in the running of the initiative has been viewed critically by NGOs.

The risk of neglecting governments

Most voluntary standards initiatives consciously do not involve governments. This is on the one hand due to their emergence in response to the deficiency of national governmental regulation and enforcement. On the other hand their purely private and voluntary nature defends them from being classified as establishing technical barriers to trade. However, in most cases governments are important stakeholders, be it as resource owners, as regulatory authorities or as initiators or partners in projects of national concern such as dam building.

As governments can take on a supportive or a hindering role in relation to private standards initiatives, it is important to establish interfaces between the standards initiative and relevant government authorities at an early stage and maintain a dialogue throughout. Such interfaces will help governments to support standards initiatives actively, for example by providing conducive framework conditions, by facilitating multi-stakeholder dialogues, or by providing additional incentives for compliant enterprises. In some areas, particularly those that are less trade-related and in which the government is a predominant stakeholder such as in dam building, the government needs to be involved more directly.

The need for mechanisms rewarding commitment

Private standards initiatives are voluntary by nature. Each enterprise will decide on the basis of expected benefits whether or not to implement a voluntary standard and which type of certification to choose⁴. Consequently, standards initiatives have to build into their systems mechanisms by which benefits accrue to producers implementing a standard.

The strategy of the Forest Stewardship Council strongly focuses on market mechanisms by providing for a product label. This strategy is underpinned by a large network of supporters particularly environmental NGOs raising publicity and lending additional credibility to the label in the eyes of consumers and retailers alike. Moreover, supporters such as the Worldwide Fund for Nature (WWF) have rallied networks of buyers to increase the demand for certified products.

The 4C initiative, aiming at impacting mainstream coffee production and trade, is developing a combination of several mechanisms. First, productivity increases are an important element in the standard for production. Second, trade and industry is committed to buy increasing volumes of 4C coffee and to support producers to implement the standards. Third, the initiative has set up a support platform offering technical advice and services. Another possibility for an incentive mechanism is the provision of preferential financing on the condition of compliance with social and/or ecological standards. Initiatives like the adoption of the Equator Principles by members of the financing industry point in this direction.

Integrating standards in a wider sustainability concept

Particularly in the establishment phase of a multi-stakeholder initiative which is characterised by building trust and finding common ground between members it may be advisable not to predefine the exact elements the initiative will come up with. In particular, producers and industry might see an early fixation on standards or on a certain form of verification system as a deterrent. An open-ended approach, however, will only work if the process is intensely managed and moderated, to counter the risk of endless fruitless discussions.

⁴ An exception to this might be standards that are voluntary in name but almost compulsory in nature because of the market dominance of buyers requesting compliance.

Beyond auditing

The experience with the introduction of buyers' codes of conduct in their supply chains in the textile industry shows that verifying compliance with social standards through audits by itself does not achieve the desired changes in terms of improved working conditions or social rights. This is a general insight shared by most actors in the CSR debate. The auditing process has to be complemented by capacity building and effective employer-employee communication, ideally involving functioning trade unions. Moreover, the lesson from the implementation of the AVE Sector Model is that the national round tables on social standards, which complement auditing and capacity building at company level, are instrumental in stimulating changes in society at large.

Bridging the gap between current practice and perfect compliance

The experience of a range of standards initiatives shows that for many potential standard adopters it is impossible to reach full compliance within the requested time and available resources. Thus, a bridging mechanism should be built in. This can be a "phased approach" – very much discussed in tropical forest certification – whereby after an initial audit an action plan is agreed between the company and the supporting initiative by which the company will reach full compliance within a set timetable. Or, it can be a built-in system of continuous improvement such as the "traffic light system" in the 4C code of conduct. The criteria of the code are classified as red, yellow or green. Farmers are encouraged to move from red to green over a certain period of time.

The need for capacity building is more apparent in an area like dam planning, where government agencies might in principle adhere to improved standards but need to learn and adapt implementation and compliance mechanisms.

Harmonising standards and benchmarking systems

In many sectors producers are confronted with a plethora of different standards, codes and systems. Particularly in cases when suppliers are required to fulfil company-specific codes by each of their buyers as a precondition for doing business, this situation leads to costly multiple auditing and documentation and eventually to audit fatigue and minimal impact on the ground. Therefore, standards and codes of conduct as well as verification and tracking systems should be harmonised as far as possible. Ideally this should lead to the formulation of sector-wide rather than company-own codes⁵ or to the establishment of a benchmarking mechanism between schemes, i.e. a system to recognise equivalence⁶.

Warning of unbridgeable conflicts

In some sectors there might be unbridgeable conflicts which will make standard development an enormous challenge. Currently this seems to be the case with the nascent Round Table on Sustainable Soy in which the issue of genetically modified organisms could become a stumbling block for the whole initiative. But as the WCD example has shown, even if an initiative will not have the endorsement of all stakeholders or its recommendations will not be welcomed by all, it can set benchmarks of conduct, serve as reference material or it can more subtly influence developments by forcing reluctant stakeholders to adopt own improved voluntary standards. As a response to the WCD process, the dam industry has elaborated its own guidelines which mark a decisive departure from past practice and incorporate many concerns of dam critics.

⁵ This is the case with the sector model of German retailers where the Foreign Trade Association of the German Retail Trade (AVE) introduced a sector-wide code. This model has recently even been extended to the European level by the foundation of the Business Sustainable Compliance Initiative (BSCI) of the European Foreign Trade Association.

⁶ This is practiced by EurepGAP - a joint initiative of European retailers in the food industry requiring compliance with a standard of Good Agricultural Practice from their suppliers. A benchmarking mechanism is also foreseen by the 4C initiative.

Experiences with voluntary standards initiatives and related multi-stakeholder dialogues – Annexes (June 2006)

Annex I

The Common Code for the Coffee Community (4C)⁷

– improving framework conditions for an entire sector through a code of conduct

Background

The liberalisation of the coffee trade in 1989, when the International Coffee Agreement was not renewed, together with improved agrotechnology and political changes (e.g. transition of Vietnam to a market economy) led to overproduction, plummeting prices (70% in 5 years) and a general disintegration of the supply chains through the degeneration of regulatory institutions (e.g. national coffee boards) among other developments which culminated in the worldwide “coffee crisis” in 2000. Negative impacts ranged from severe hardship for producers with farmgate sales prices far below production costs, exploitative labour relations for seasonal plantation workers and ecological consequences such as rampant forest destruction to make way for coffee plantations. Economic impacts included the prospect of long-term insecurity of supplies in terms of quality and volumes due to the increasing inefficiency in the organisation of the entire sector. The acute crisis added a sense of urgency to the longer-term interest of producers and buyers alike to remedy the situation by re-establishing appropriate framework conditions for an efficient and sustainable worldwide coffee production and trade which would preempt crises like the one at hand in the future. Campaigns by civil-society actors about deteriorating working conditions in the cocoa and coffee sectors since 2001 had added to the pressure on political decision-makers and industry to address the situation.

During this time a number of coffee buyers and roasting companies started to cooperate with field projects of German technical cooperation on measures to improve quality, social / environmental conditions and functions of the supply chain. Also a number of public private partnership projects was launched. These manifold cooperations facilitated a constructive and innovative working atmosphere between industry, producers and development cooperation on which the Common Code for the Coffee Community (4C) concept could build.

As a consequence the German government in cooperation with the German Coffee Association managed to rally a broad alliance at the end of 2002 including decisive actors like Nestlé and Kraft Foods and involving approx 60% of trade and industry and 80% of production worldwide through cooperation with the most relevant producer organisations in coffee exporting countries. Two years later the European Coffee Federation replaced the German Coffee Association as the private partner in the management of the initiative.

Objective of the initiative

The objective is to develop a basic sustainability concept with a code of conduct for the sustainable production, post-harvest processing and trading of green (i.e. before roasting) coffee. The idea was to develop a standard for production which would exclude worst practices like child labour, use of hazardous chemicals or destruction of forest and at the same time raise the general level to an acceptable minimum in the social, ecological and economic spheres through a continuous improvement approach. It is based on and conceived as complementary to existing standards or labelling initiatives which cover either social or ecological aspects and require compliance on a high level.

The code of conduct for the production side is supplemented by a “business code” (named “Rules of Participation”) which points out the responsibilities and commitment of the trade

⁷ For more information see: www.sustainable-coffee.net

and industry concerned such as buying increasing volumes of “4C coffee” and supporting capacity building measures for producers. The latter are coordinated through a support mechanism set up by the initiative which provides tools and services with good agricultural and management practices to enable increased efficiency and profitability on the production level and along the supply chain.

Participants’ motivation, expectations and commitment

On the part of industry and trade the motivation for joining the initiative was based on their long-term interest to improve the structure of the coffee sector and to make trade more efficient by improving communication along the supply chain. They expected quality improvements, market edge and increased supply security as a result. Increases in efficiency in production and improved markets were the main motivating factors for the producers, while the participating civil society organisations, some of whom were also involved in other, “niche” standards/labelling schemes, saw the chance of this broad alliance to generate beneficial impacts for the widest possible range of producers in social, ecological and economic terms.

The initiative is based on a commitment of all participants to improve sustainability in the coffee sector.

Approach

Core elements of the initiative’s approach are (a) a balanced multi-stakeholder governance structure, (b) management by an independent broker, (c) securing practical implementation alongside code development, (d) avoiding duplicate verification by benchmarking other standards.

- a) The 4C initiative adopted a tripartite structure for decision-making in which each one of three constituencies (industry and trade, producers, NGOs and trade unions) have equal weight. The Steering Committee has a fourth “chamber” for extraordinary, non-voting members such as international organisations, research organisations and government organisations. The Steering Committee is the governing body and currently has 37 members. It is supplemented by and appoints technical working groups which maintained the tripartite structure for the development of the production standards.
- b) The management unit has been jointly run and staffed by the executing agency of German technical cooperation, Deutsche Gesellschaft für technische Zusammenarbeit (GTZ), and the German Coffee Association in the first phase (2003-2004) and by GTZ and the European Coffee Federation in its second phase (2005-2006). It organises, prepares, facilitates and follows up meetings of the Steering Group and Technical Working Groups and acts as a neutral broker between the three constituencies. Mandated by the Steering Committee it buys in technical advice to feed into the process. It represents and promotes the initiative at national and international levels. In the second phase it manages a Support Platform (see under (c) below).
- c) In its second phase the initiative launched a Support Platform providing manuals to help with code implementation and facilitating access to extension services. Pilot projects have been launched by a variety of actors whose experiences and lessons learned will be shared through the platform.
- d) Since the initiative aims at the “mainstream” markets it is complementary to niche market approaches such as the Fair Trade or Rainforest Alliance standard. The 4C initiative has foreseen a benchmarking mechanism by which other production standards or codes, be they national codes or “niche” schemes like the ones mentioned, can be registered as equivalent to 4C. Producers having passed a benchmarked scheme can sell their surplus coffee as 4C coffee, thus avoiding duplicate compliance and verification costs. As well, the 4C proves to be an entrance into an improvement

process towards certification under one of the certification schemes, thus providing a positive product differentiation with better marketing abilities for producers.

Implementation

The draft Common Code for the Coffee Community was adopted by the Steering Committee at the end of 2004 with additional elements specified in 2005. In the testing phase – 2005 – 2006 – the code will be further developed and tested worldwide. The code foresees self-assessments and additional third-party verification at the level of groups of producers or plantations. Support structures and verification systems still have to be set up at the national level. The 4C concept aims thereby at close involvement of local capacities to encourage existing institutions and to reduce costs. Experiences with local adaptation of the standards, implementation or compliance verification are as yet limited and experimental.

Funding

The first phase (2002-2004) was funded jointly by BMZ and the German Coffee Association with each providing 50%. Additional funding was contributed by the UK Department for International Development (DFID). The second phase (2005-2006) is funded jointly by BMZ the European Coffee Federation and the Swiss State Secretariat for Economic Affairs (SECO). Funding did not cover pilot implementation activities. For the future it is envisaged to set up an independent membership institution with an operating unit which generates its own funds through membership fees as well as a supporting branch acquiring external funding for capacity building activities.

Annex II

The AVE Sector Model to introduce social standards in the textile, clothing, footwear and toy industries⁸

- multi-stakeholder dialogues turn a buyers' initiative into a national development concern

Background

Since the early 1990s NGO campaigns have increasingly raised public awareness about the detrimental consequences of globalisation for working conditions in developing country industries producing for international markets. International trade began to respond by developing voluntary codes of conduct and requiring their supplier companies to implement minimum labour standards. While campaigns originally focussed on single issues like child labour, soon the adoption of the ILO core labour standards in 1998 provided a broader "lowest common denominator". While in the beginning each company developed their own requirements and monitoring system resulting in a confusing and costly plethora of standards and audits for the supplying companies, recent trends show that retailers in Europe increasingly try to work together to harmonise their systems. One example is the development of a sector wide code of conduct for the textile industry by the Foreign Trade Association of the German Retail Trade (AVE) in 1999 which is based on the international Social Accountability 8000, a private multi-stakeholder developed standard.

Since the early 1990s German technical cooperation has had a number of contacts with enterprises of the German retail trade through the export promotion programme Protrade. Moreover, in the late 1990s several public-private-partnership projects between the German executing agency for technical cooperation, Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), and companies like Otto-Versand and Deichmann were undertaken to develop and test codes of conduct.

In January 2001 BMZ initiated the German Round Table Codes-of-Conduct in which NGOs, individual enterprises as well as industry associations, trade unions and federal ministries come together with the aim of improving the implementation of social standards in developing countries via exchange of experiences and common pilot projects. Government and industry representatives strongly supported the idea of a pilot project to introduce the AVE sector model on a broad basis.

Objective of the initiative

The objective of the initiative is to introduce social standards in companies supplying to the German retail trade (AVE-member companies) in 11 countries through introducing and monitoring compliance with the sector-wide AVE- code of conduct and upgrading suppliers through capacity development.

Key drivers and motivation of participants

Despite AVE being the official partner in this initiative from the start, the actual "drivers" behind the idea of developing and implementing a sector-wide approach were a few individual companies, mainly Otto Versand and KarstadtQuelle. The key drivers typically develop their own support structures for the qualification of supplier companies, some even pay for the required auditing process. Apart from these a number of positively supportive companies is involved who take an open mind to the issue but are less prepared to change their own quality management and standard structures. Finally, there is a group of hesitant companies whose main market strategy is price competition. Some companies have left the initiative due to economic difficulties or to continued preference of using individual codes and quality management systems. The number of participating companies grew from 6 to currently 17 German and Dutch members. Meanwhile AVE extended the initiative to the European level where the

⁸ For more information see: www.social-standards.info

Foreign Trade Association (FTA) has launched the Business Social Compliance Initiative (BSCI).

Generally, the most important factors for a company's level of involvement apart from their business policy are the individual persons in charge. The motivation for cooperating with German development cooperation was on the one hand based on the interest in getting access to PPP-funding and on the other hand in getting access to governments and institutions in developing countries through field projects of development cooperation there. Although the initiative set up a multi-stakeholder advisory board once the project had started, it remains to date an industry driven initiative.

Approach

The approach has three components: (a) independent audits, (b) capacity development, (c) national multi-stakeholder round tables

- a) After an initial awareness raising with supplying companies their production sites were audited by independent, SA 8000 –accredited auditors according to the AVE code of conduct and plans of corrective action developed together with the supplier companies. In most cases audit costs had to be borne by the supplier companies.
- b) Based on the corrective action plans supplier companies underwent capacity building measures to upgrade themselves to compliant status. Capacity building activities were also mostly borne by the supplier companies themselves.
- c) To accompany these activities at a national level GTZ set up fora for multi-stakeholder dialogues about social standards in each of the 11 countries, the so-called National Round Tables. Representatives of government, companies, trade unions and NGOs come together to discuss issues arising from code implementation and auditing and share experiences.

Implementation

The tasks within the initiative are divided as follows: AVE coordinates the activities of its member companies, is responsible for a database of audited suppliers and audit-results and for organising capacity building measures. The AVE member companies are responsible for any direct contacts with supplier companies, i.e. management of code implementation through adapted purchasing contracts, negotiating requirements for audits and subsequent qualification measures, etc. Effecting these changes in buyer-supplier relations involved the majority of project expenditure. German technical cooperation was responsible for awareness-raising workshops in the beginning of the project, developed management tools for the implementation of social standards and audit manuals and is in charge of organising the national round tables. With hindsight participants emphasise that they underestimated the challenge of implementing audits and subsequent measures in thousands of supplier companies in 11 countries.

Funding

The three-year project is jointly funded by the German government (31%), AVE (6%) and the AVE member companies (63%).

Annex III

The Forest Stewardship Council (FSC)⁹

- post-Rio pioneer in the world of voluntary standards initiatives with a claim to sustainability

Background

The idea of forest certification as an instrument for recognising and providing an incentive for sustainable forest management originated in the debate about a tropical timber boycott. In the 1980s, when the public in Europe and North America became increasingly aware of the alarming rate of rainforest destruction, numerous environmental groups were calling for a boycott of tropical timber. They put pressure both on the retail trade and on public institutions to exclude tropical timber from their procurement policies. However, some of the proponents increasingly recognised that a blanket ban on tropical timber could be counter-productive as forests with no commercial value easily fall prey to other land uses. Moreover, they realised that it would be unjustified to discriminate against tropical timber when there are examples of good and bad forest management in the tropics, temperate and boreal regions alike. Thus, in order to harness market forces in the fight against deforestation, an instrument was needed by which consumers could recognise and reward products from responsible sources.

This quest for a market mechanism gathered momentum in the early 1990s when international policy responses to the 'forest crisis' such as the Tropical Forest Action Plan (TFAP) or the establishment of the International Tropical Timber Organisation (ITTO) increasingly proved ineffective in stemming the rate of deforestation, and the United Nations Conference on Environment and Development (UNCED) in Rio in 1992 failed to produce a binding agreement on forests. These international processes though failing to produce binding agreements or enforcement mechanisms did, however, considerably further the discussion on a definition of what constitutes sustainable forest management which again informed non-governmental processes such as the establishment of forest certification initiatives.

The most prominent outcome of these developments was the foundation of the Forest Stewardship Council (FSC) in 1993, an unprecedented international alliance of progressive sections of forest owners, industry and forest products trade, environmental NGOs and social interest groups such as trade unions and indigenous peoples' organisations. For the first time all three dimensions of sustainable development were integrated both in the goals and in the structure of an organisation, a three-chamber system by which environmental, social and economic interests have equal decision-making power.

Objective of the initiative

The objective of the initiative is to promote environmentally appropriate, socially beneficial, and economically viable management of the world's forests by establishing a worldwide quality benchmark of recognised and respected forest stewardship standards. FSC pursues this goal by overseeing an international certification scheme for responsible forest management and awarding a trademark and label for products originating from certified enterprises.

Participants' motivation/Key drivers

On the one hand original key drivers were timber users and traders, both ethically minded small enterprises trading in niche products and large retailers such as Do-It-Yourself-stores who became increasingly interested in identifying acceptable sources for their timber needs. The other key driving force were international environmental NGOs. Their motivation for entering such a multi-stakeholder alliance was partly nurtured by a general change in approach away from promoting exclusive forest conservation towards sustainable use as a form of protection. Moreover, prominent conservation NGOs like WWF were increasingly adopting a strategy of cooperating with industry to achieve broader impacts, while at the same time campaigning NGOs like Greenpeace needed "good examples" of viable alternative solutions in their dialogues with industry.

⁹ For more information see: www.fsc.org

Approach

FSC is a private multi-stakeholder initiative. It is a membership organisation open to organisations and individuals with environmental, social or economic interests. It is governed by a Board of Directors elected by the membership and it is managed by a secretariat. FSC has set up a forest certification scheme consisting of three main elements: a) forest stewardship standards, b) accreditation of independent third-party certification and c) chain-of-custody verification and product labelling.

- a) In a two-year process involving stakeholder consultations in 11 countries FSC developed a set of internationally applicable Principles and Criteria of forest stewardship covering legal, social, environmental and economic aspects. These constitute a global framework for the development of locally adapted and auditable standards. The process of adaptation is carried out by national multi-stakeholder groups which likewise follow the three-chamber structure. It also involves wide-ranging consultations with interested parties, field testing and harmonisation processes with FSC initiatives in neighbouring countries. FSC officially endorses those national standards that fulfil FSC's requirements regarding conformity with its Principles and Criteria as well as certain procedural rules followed during their development.
- b) The FSC scheme foresees independent, third-party certification of individual forest enterprises or groups of enterprises according to the FSC standards. FSC does not carry out the certification itself, but has established an accreditation programme which accredits independent certification companies on the basis of ISO regulations. Important ingredients in FSC-accredited certification are stakeholder consultations as part of the certification process and the provision that a summary report of each successful certification is made publicly available.
- c) From the start the FSC system was designed as a market mechanism that would allow consumers to make a responsible choice informed by a product label. This necessitated the setting up of a tracing system which guarantees that products from FSC-certified sources can be identified as such at each stage of further processing and trade and have not been mixed with other sources. This so-called verification of the chain-of-custody is likewise carried out by independent certification bodies which certify each link in the supply chain. Although the system has been subsequently adapted to better accommodate the complexities of certain production processes, there still remains a chain-of-custody system in place guaranteeing the correctness of the FSC-label.

Implementation

FSC has been fully operational since 1996 when the trademark was introduced. Since its beginnings 777 forest management certificates have been awarded covering 68 million ha of forest in 66 countries. The majority (85%) of certified area is in temperate and boreal regions. The FSC-label is on a variety of products from garden furniture and flooring to charcoal and paper. Although still a fraction in overall market share, it has become visible in certain market segments and is promoted by key industrial players such as IKEA, Home Depot, B&Q, SCA and others.

There are national FSC initiatives (not funded by FSC) in 37 countries developing national standards, promoting certification and supporting its implementation. Some of them consist of just one FSC-endorsed contact person, others maintain offices with a number of staff. FSC has officially endorsed national FSC standards in 12 countries.

Funding

FSC is funded through the support of charitable foundations, government donors, membership subscriptions and accreditation fees.

Challenges

The FSC initiative was originally supported and driven by the most progressive actors in forest management and industry leaving large parts of the traditional “forest community” behind. European forest owners in particular saw the initiative with its strong participation of environmental groups as a threat. At first they opposed forest certification per se as neither necessary nor relevant for European forest management known for its century-old tradition of sustainability. Later they opted for establishing an alternative scheme on their own terms. This certification scheme, originally termed Pan-European Forest Certification (PEFC), has meanwhile developed into an international organisation with national certification schemes from Latvia to Malaysia and Chile to Canada as members. Renamed as Programme for the Endorsement of Forest Certification schemes it is a framework for endorsing independent national certification schemes. Like FSC it offers a product label. Certification is carried out at regional or group level by nationally accredited certification bodies. This certification initiative not only poses serious competition for FSC, but also entails a lot of discussions and strife between the supporters of the two approaches binding their energies and resources.

The FSC Principles and Criteria only cover forest management. FSC certification does not include any social or environmental criteria for the further processing, manufacturing or trading of products labelled FSC. In practice, this means that an FSC-labelled garden chair could have been produced using child labour and be impregnated with hazardous chemicals. FSC increasingly recognises the risk involved in this situation and has decided to address it by assessing the feasibility of introducing social standards in the chain-of-custody as a first step.

Currently FSC has more than 600 members worldwide. Decision-making processes can be hampered by passivity of members or absence at general assemblies, the highest decision-making authority in the FSC system. Moreover, certain sections of the membership may be underrepresented at such meetings which may in effect distort agenda-setting and decisions in favour of dominant groups. Currently, national FSC initiatives are regarded as purely administrative units without any share in the decision-making power. FSC is therefore considering an organisational reform by which its decision-making power would be vested not in the membership as a whole, but in a body at regional or international level in which national initiatives would be represented by a fixed number of delegates.

Small producers and communities in developing countries often take a different approach to forest management than that developed and promulgated by academics and practitioners in industrialised countries as the model of scientific forestry. As the logic of FSC’s principles and criteria is based on this model, the management practices of small holders and communities in developing countries despite being sustainable are often far from being certifiable. Not only the requirements for documented planning and monitoring processes might be stumbling blocks, but also the concept of forest management being separate from overall land and natural resource management or the decision-making structures in community organisations. As opposed to initiatives in other sectors, there does not exist a support component for certification in forestry.

Last but not least, a major challenge that FSC is facing is to visibly contribute to a change in the rate of deforestation and illegal logging.

Annex IV

The World Commission on Dams (WCD)¹⁰

– A new framework for decision making in planning and management of large dams.

Background

Beginning in the 1980s, dams were intensively debated world wide. Large dams create considerable benefits in terms of water and energy services while at the same time causing serious negative environmental and social impacts. An important aspect here is the issue of equity. Large dams tend to produce benefits that accrue to groups other than those who bear the social and environmental costs. This contrast of national or regional macro-economic benefits versus locally concentrated negative impacts often translates into conflicts of interest and confrontational attitudes. As dam building accelerated in the 1960s and 1970s, opposition to dams became more widespread and organised. Communities faced with forced resettlement have strongly resisted dam building world wide.

The debate on dams was not abated despite efforts made by dam planners and operators to improve the outcomes of dam projects by paying more attention to environmental and social mitigation measures. Instead, the debate became more and more controversial throughout the 1990s, dividing pro- and anti-dam factions. During the 1990s, financing institutions became more and more reluctant to fund large dam projects, leading to a decrease in the number of large dams constructed from about 5,000 in the 1980s to about 2,000 in the 1990s. Major actors in the dam industry as well as representatives of opposing groups saw an urgent need to defuse the dams confrontation.

In 1997, the International Union for the Conservation of Nature and Natural Resources (IUCN) and the World Bank together organised a workshop aimed at discussing some of the controversial issues associated with large dams. Although there were serious differences on the benefits and problems of dams, the debate was seen as constructive. One major result of the workshop was to propose a World Commission on Dams (WCD). The WCD was to work as an independent body, without being attached to any organisation.

Objective of the initiative

According to its mandate, the two objectives of the WCD were:

- “To review the development effectiveness of large dams and assess alternatives for water resources and energy development, and
- To develop internationally acceptable criteria, guidelines and standards, where appropriate, for the planning, design, appraisal, construction, operation, monitoring and decommissioning of dams.”¹¹

Participants’ motivation, expectations and commitment

While all Commissioners of the WCD worked together in a good faith effort to overcome the dams confrontation, different stakeholder groups entered the process with diverse expectations and for different reasons. NGOs were mostly interested in pointing out negative impacts past dam projects have had as well as impacts to be expected from future projects. Development agencies and researchers were interested in a reliable set of guidelines to appraise proposed dam projects and to guide planning and operation of those dams deemed acceptable for implementation. Industry players finally were mostly interested in overcoming the de-facto moratorium on dams, ready to make concessions in terms of higher social and environmental mitigation budgets as long as dam projects would be permitted to resume.

¹⁰ For more information see: www.dams.org

¹¹ WCD 2000: Dams and Development – A New Framework for Decision Making. The Report of the World Commission on Dams. London: Earthscan.

Actual commitment to the WCD process differed between stakeholder groups. Generally, the pro-dam side apparently was not as well prepared as the dam-critical organisations and used less resources on the WCD process. On the other hand, several NGOs accompanied the WCD with intensive campaigns and publications, which obviously stressed the critical aspects of dams. To some, the impression emerged that environmental and social activists had “captured” WCD’s outcomes.

Approach

Core elements of WCD’s approach were (a) a balanced multi-stakeholder representation of the full range of dam interests and extensive consultations with other stakeholders, (b) keeping the process lean through working through a small group of Commissioners to represent all interests, (c) consensus orientation of the process and (d) a mandate to arrive at an outcome within a limited, and rather short, period of two years. The results of the WCD analysis and the recommendations arrived at were published in a final report, which was released under the title “Dams and Development – A New Framework for Decision-Making” in November 2000.

- a) The WCD process made large efforts to take on board a range of interests and options previously held to be irreconcilable. In addition to the rather small Commission of twelve persons, a 68 member Stakeholder Forum was created to act as an advisory board, provide input and as a sounding board for intermediate results and conclusions. In addition, experts and analysts were drawn from all stakeholder groups to develop a WCD Knowledge Base. The work process of the WCD used several methods to ensure inclusiveness, such as case studies, thematic reviews, regional consultations and a submission mechanism open to anybody who wished to provide input. The WCD further underlined its independence by adopting an independent funding model.
- b) As the number and range of interests involved was so large, it was deemed necessary to severely restrict the number of negotiators actually working on the final outcome. This was seen as a necessary precondition to be able to arrive at a consensus. The process of selecting the Commissioners for the WCD took about one year, and in the end twelve representatives were selected instead of the initially planned five to eight. The Commissioners came from environmental groups, industry, indigenous peoples’ organisations, public administrations, scientific bodies and development assistance organisations. They however did not formally represent a constituency, but were invited to contribute their knowledge and experience in a personal capacity. This decision was consciously made to enable the process to reach tangible progress on the content in short time, even if the risk had to be accepted that the outcome might not be acceptable to each and every stakeholder concerned about large dams.
- c) The WCD process was intended to arrive at a consensus solution to the conflicts around large dams. According to the report’s foreword, this consensus was achieved thanks to the personal motivation of all Commissioners to work constructively and to take part in a joint learning process. While individual differences continued to exist, all Commissioners endorsed the final report.
- d) To achieve its objectives, the WCD had a two-year mandate, which was extended once for half a year. After the WCD report had been published, the Commission had fulfilled its mandate and ceased to exist. Several stakeholders took up the WCD results and utilised them in their subsequent work, such as governments, financing institutions, industry associations and NGOs. UNEP hosts the Dams and Development Project (DDP) as a follow-up initiative to the WCD.

Implementation

The WCD had scheduled an ambitious work plan which aimed at including as many stakeholders as possible. Within this process, the WCD commissioned and assessed eight de-

tailed case studies on large dams, a cross-check survey of 125 large dams which provided data for quantitative analysis, 17 thematic reviews, each dedicated to a specific topic, and four regional consultations. Additionally, governments, NGOs, financial institutions, private sector representatives and affected communities were invited to present their view on all aspects of the dams debate and discuss the issues raised. The WCD asked all stakeholders to send in their views and concerns in the form of submissions through its web site. In total, 947 submissions were received and evaluated for the analysis. From the analysis, the Commissioners developed recommendations in the form of strategic priorities, criteria and guidelines. During their two year mandate, the Commissioners met nine times.

The WCD was supported by a ten person strong secretariat located in Cape Town, South Africa, with Achim Steiner of IUCN acting as head and as Secretary-General to the Commission. Additional experts were included where necessary. After the report had been released, the last step of the work programme consisted of global dissemination activities. Summaries of the report were translated into nine languages, and these summaries and the full report were distributed among those directly involved and other interested parties. The WCD also installed a web page which contains extensive documentation of the WCD process, findings and recommendations (<http://www.dams.org/>).

Funding

Independent funding from a broad base of contributors was seen as critical for the acceptance of its findings. The World Bank and IUCN provided initial funds, but this was soon complemented by grants received from 54 organisations around the world representing public, private and civil society sectors. The total financing volume for the work of the WCD was US\$ 10.1 million. In terms of the number of donating organisations, 38% were private sector companies, 24% NGOs and foundations, and 38% public sector institutions (multi-lateral organisations, governments and development co-operation agencies). In terms of value, governments and development co-operation agencies donated 63% of the funds, foundations and NGOs 16%, multi-lateral organisations 12% and private sector companies 9%. The maximum contribution of any one organisation did not exceed 12% of the total. The direct financial contribution to the WCD through German development assistance was 650,000 €; additional funds were made available for case studies and technical support to the Secretariat. The independent funding model of the WCD is unique for international commissions.

Challenges

Despite the efforts undertaken to include the views of all stakeholders, the WCD report was greeted with mixed reactions after its release. The WCD homepage alone lists almost 40 official reactions that were submitted. Almost all stakeholders agree to the basic findings (core values and strategic priorities) that were put forward by the WCD, while the specific planning and implementation guidelines go too far in the view of many.

Environmental and social organisations greeted the report as a step ahead towards more sustainable planning and implementation of dams, and restricted their criticism to areas where the recommendations went not far enough in their opinion. The response from financial institutions and industry representatives however was quite negative. From their point of view, especially the guidelines were seen as unrealistic and unworkable, overloading the planning process with complicated issues and in effect prohibiting any further development of dam projects. One process issue criticised by some stakeholders was the publication of the final WCD report without inviting all affected institutions to review a draft version. This procedure of leaving all editing of the report draft to the Commissioners was deliberately chosen to ensure a tangible outcome in the light of the perceived risk of not reaching any consensus at all. Today, the WCD recommendations still only represent a voluntary commitment and are not endowed with enforcing mechanisms.

Despite the fact that the WCD report has not been fully endorsed by all stakeholders in the dams debate, the effects of the Commission's work were remarkable and are still felt today.

The WCD report is used by a wide range of dam stakeholders, both supporters and opponents on different levels. The German Ministry of Economic Cooperation and Development (BMZ) has endorsed the WCD recommendations as guidance for all dam related activities.

Industry actors were prompted to develop their own set of guidelines, which is more inclusive of environmental and social considerations than those used before. In revisions of its water strategy and relevant operational policies, the World Bank incorporated some of the WCD recommendations. In several countries, such as Sweden, Nepal, South Africa, Uganda and others, national level dialogues on dam policies were triggered by WCD's work. Finally, the EU Linking Directive mentions the WCD recommendations as a yardstick for inclusion of hydropower projects in the European Emissions Trading Scheme.

While both supporters and opponents of dams have used the WCD recommendations as a yardstick in assessing existing and proposed dam projects, there is still a tendency to interpret the recommendations in different ways. This often leads to conflicting assessments on the WCD compliance of specific projects.

Currently, there is a trend of international financing institutions to reengage in large dam projects. While most of these institutions have not fully endorsed the WCD report, the work of the Commission has contributed at least to some extent to make the dams debate more objective and constructive than it has been five to ten years ago.