Choosing effective strategies to drive sustainability improvements

A decision-making framework for sustainability systems to take enabling conditions into account

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Contents

1. Introduction

Why this guide?

Growing demands from standards system users (companies, producers, finance actors, governments) has centered attention on how these systems drive uptake of sustainable practices over time. In response, sustainability standards are applying a growing range of *improvement strategies.*

THESE CAN COVER:

- introducing practice- or outcome-based standards with fixed thresholds and various stepwise or continual improvement mechanisms, sometimes linked to 'layered' incentives.
- adopting complementary strategies to promote certification/compliance uptake and increase accessibility, such as capacity building partnerships, tool development and the facilitation of market linkages.
- Efforts to shape and influence the broader enabling environment and conditions for the uptake of sustainable practices, either at global, national, or sub-national levels.

While the approaches and measures are diverse, they all aim to enable and incentivize the gradual uptake of practices that improve sustainability performance. **The challenge that this guide seeks to address is how to determine which strategies will best bring about lasting improvements in sustainability performance.**

Prior research has confirmed that specific geographic or sectoral conditions need to be considered when determining which strategies are going to be effective, or how to strengthen the likelihood of their success.[1] The context in which sustainability standards operate can influence positively and negatively the scale, depth and durability of the sustainability improvements they are seeking. Recognising this challenge, ISEAL aims to support its members in designing effective and appropriate strategies.

This guide is intended as a practical set of steps for sustainability standards to select effective strategies based on the global, national, or local context in which they are applied.

WHO IS THIS GUIDE FOR?

This guide is primarily written for sustainability systems and standards-like systems but can also be relevant for other actors working to promote sustainable production and trade. It can be used at the beginning stages of defining a strategy or intervention, as well as to reflect on how existing strategies can be made more successful.

HOW DOES IT WORK?

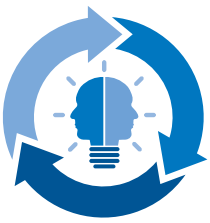
This guide takes the adoption of sustainability improvements by producing enterprises as the main objective. As enterprises are influenced by other actors, it considers strategies targeted towards those other actors such as value chain companies, consumers, governments and financial institutions. The overall logic presented in this guide is intended to be applicable across commodities and geographies. However, users are encouraged to adapt the steps according to their own objectives and knowledge of what is relevant to include or not. This Guidance, does not cover all planning steps or considerations for effective strategy development but is focused specifically on how organizations can understand different types of strategies, and how the selection or prioritization of strategies should be linked to analysis of enabling conditions. The figure 1. on the next page summarizes the Guidance's scope.

This guide helps you to:

Understand what external conditions can affect the potential impact of your strategies

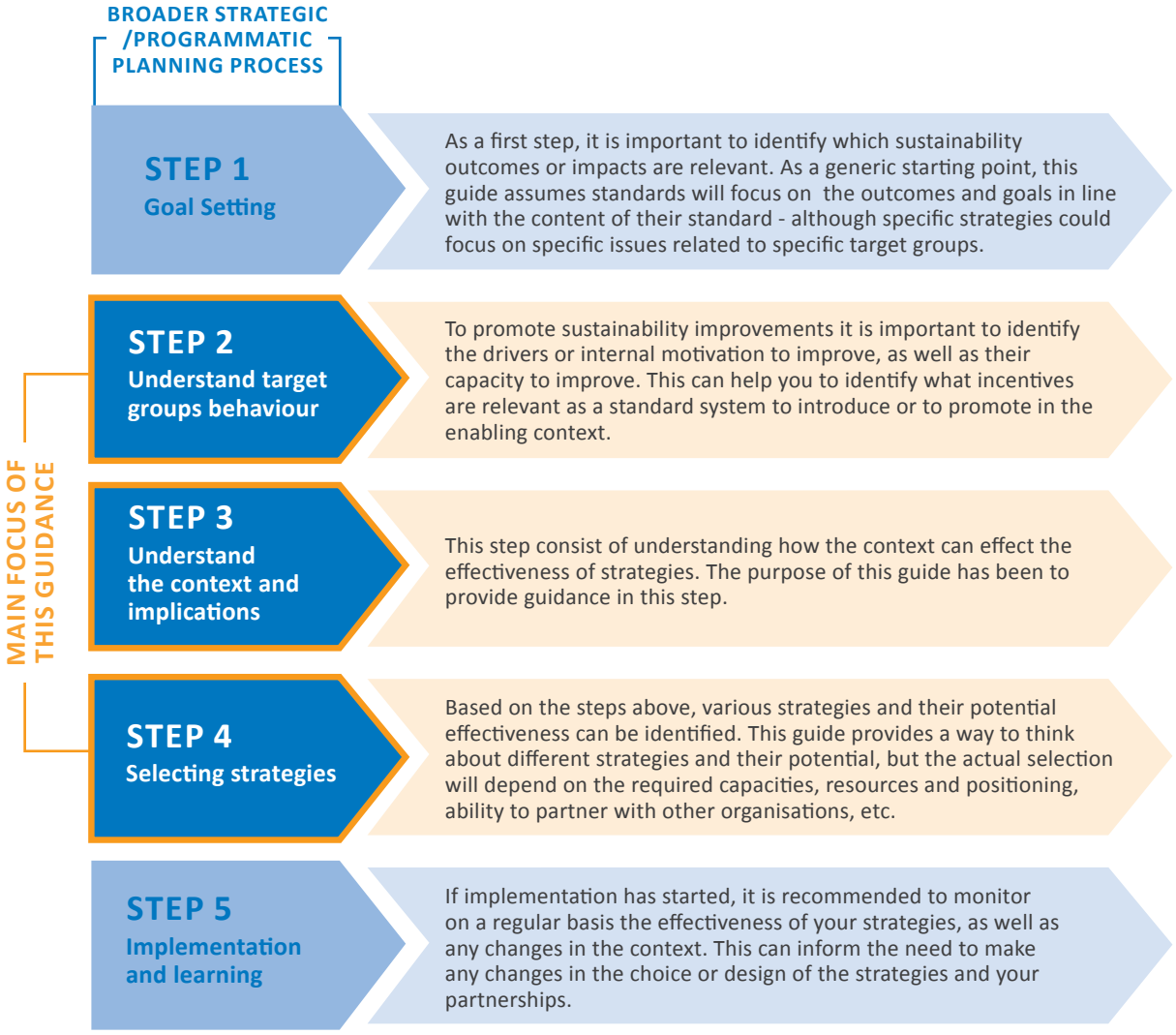
Think about possible choices and design options of your strategies in relation to a particular context

Determine when it is appropriate to use value chain or systemic improvement strategies, as well as individual or collaborative strategies



Consider context more prominently in your overall Theory of Change and management cycle

FIGURE 1: *Scope of the guidance in relation to planning processes*



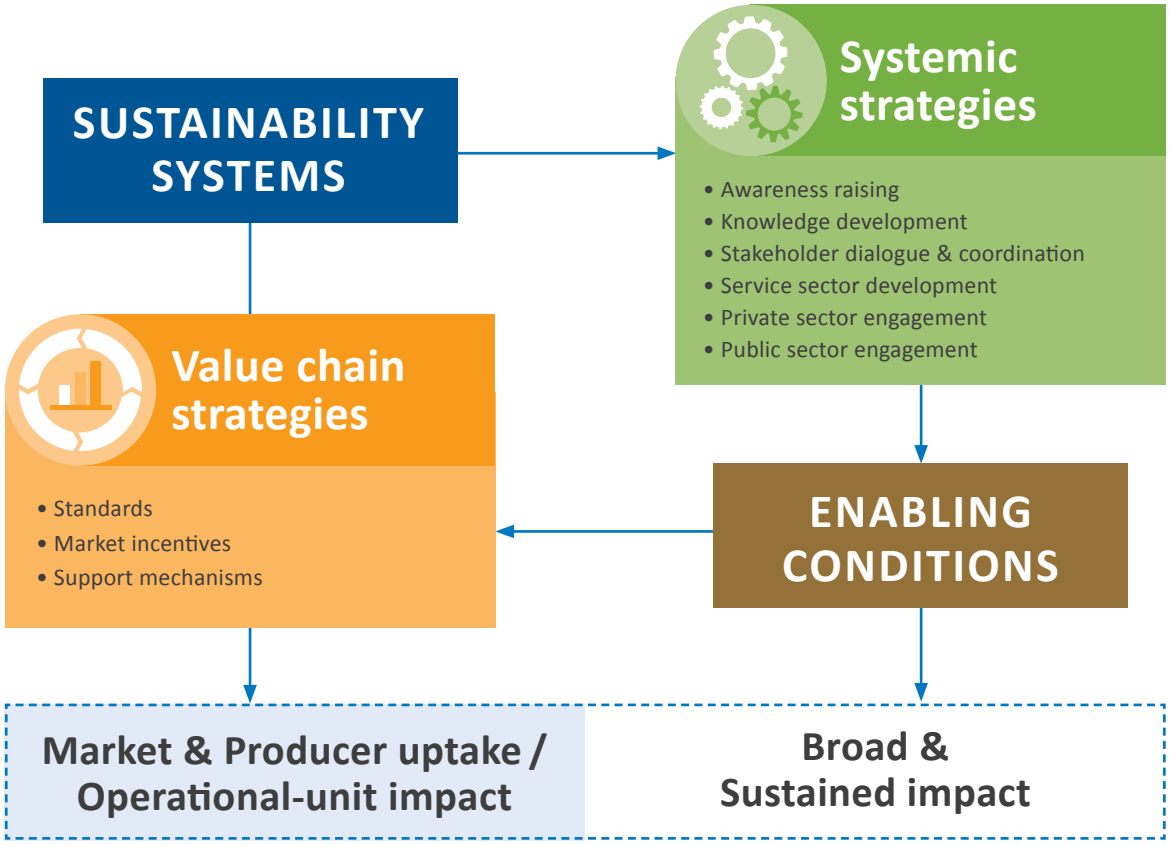
2. Classification of Strategies

Before looking at how context influences the relevance and effectiveness of strategies, this section presents a classification of strategies that sustainability standards can pursue to promote sustainability improvements among target groups.

This guide differentiates between two types of strategies: value chain strategies, which influence enterprise performance directly, and systemic strategies, which seek to influence the enabling environment to strengthen the potential effectiveness of value chain strategies (see figure 2).[2]

Figure 3 captures the same logic in a simplified form and adds the key questions this guide addresses. Both strategies can be pursued by individual organizations or through collaborative approaches. We elaborate on the logic behind each category below.

FIGURE 2: *Overview of value chain and systemic strategies*



Value chain strategies

Value chain strategies refer to market-driven approaches that aim to directly influence the behavior of producing enterprises by introducing incentives through the value chain in the form of norms (e.g. standards), rewards (e.g. market incentives) or support (e.g. capacity building). These incentives will influence the drivers and capacities of the producing enterprises to adopt sustainable practices, ideally leading to increased sustainability impacts.

The drivers to adopt sustainable practices will also be influenced by the expected business benefits of the sustainability practices. The promise of business benefits can strengthen the business case for improvement. Value chain strategies can be designed in such a way that they support this business case, for example by incorporating requirements in the standard which promote cost-efficiency. Other categories of business benefits include procurement and sales benefits and improved license to operate.

EXAMPLES OF VALUE CHAIN STRATEGIES	
STANDARDS	Standards define norms or goals for producers and value chain actors. They can be practice- or outcome-based and have binary, step-wise improvement, or continuous improvement compliance models. Standards can be set for individual actors or a group of actors (e.g. through a group certification or jurisdictional approach) and are generally combined with assurance, chain of custody and claims models.
MARKET INCENTIVES	Market incentives such as price premiums, minimum prices and fair trading practices reward target groups for the effort of improving or reaching the desired level of performance.
SUPPORT MECHANISMS	This refers to interventions which help target groups to improve. It can consist of capacity building, information services, decision-making tools, access to inputs and technology and financial support and services. Support can target standards compliance, but also apply to a wider set of improvements.

Systemic strategies

Drivers, capacities, business benefits, and incentive mechanisms are all influenced positively or negatively by the context in which the target enterprises operate. Hence, the context, or enabling and disabling conditions, influence the effectiveness of value chain improvement strategies. Sustainability standards are sometimes able to implement strategies, either individually or collaboratively with other actors, to change overall conditions to be more supportive of positive value chain actions. These are called systemic strategies.

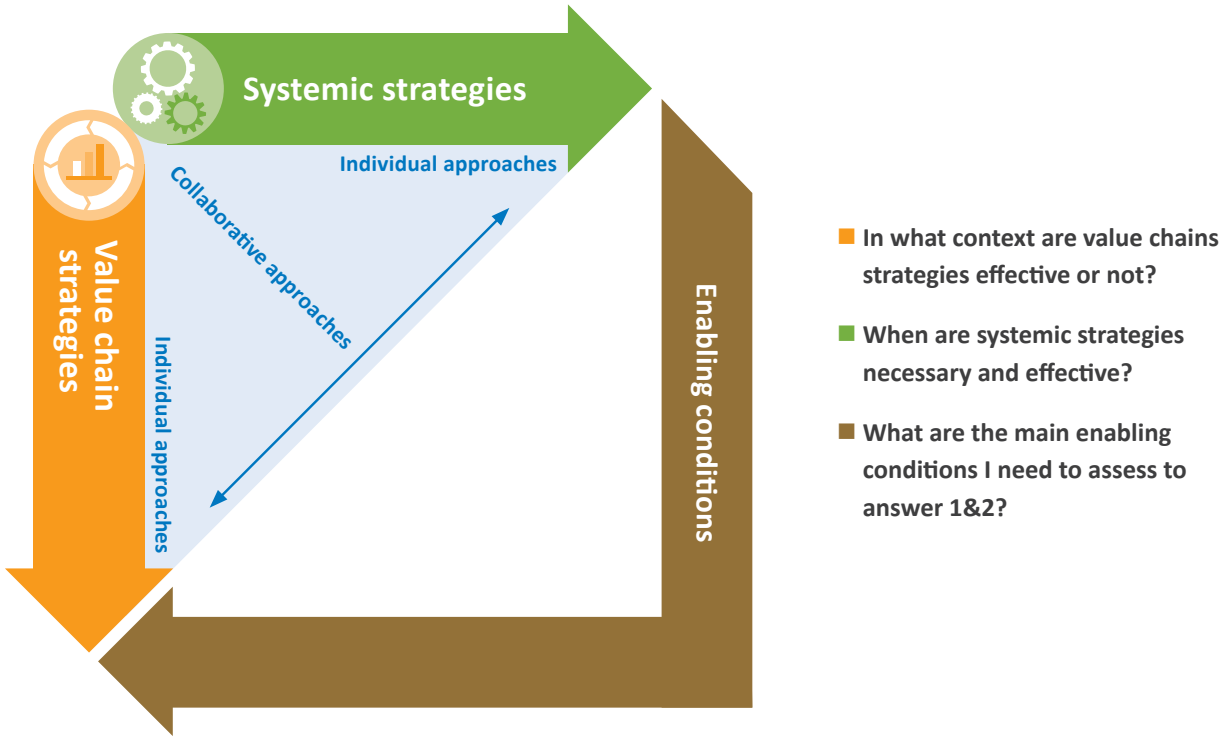
EXAMPLES OF SYSTEMIC STRATEGIES	
PUBLIC AWARENESS RAISING	Activities such as public campaigning can influence values and norms which drive behavioural change of specific stakeholders
STAKEHOLDER DIALOGUE AND COORDINATION	Multi-stakeholder platforms and partnerships can promote trust, alignment, collaboration and accountability between stakeholders. This can take place at landscape, national or international level.
KNOWLEDGE DEVELOPMENT	The development and dissemination of knowledge and tools in the public space support target groups to make improvements
SERVICE SECTOR DEVELOPMENT	A viable service sector creates access to services that target groups require in order to improve (e.g. training, inputs, finance)
PRIVATE SECTOR ENGAGEMENT	This can influence lead companies and financial sector actors to adopt policies and strategies which facilitate improvements of target enterprises
PUBLIC SECTOR ENGAGEMENT	The aim is to influence the public policies, regulation and investment to create incentives and a level playing field for sustainability improvements.

Individual versus collaborative approaches

Both value chain and systemic strategies can be implemented through individual or collaborative approaches. Individual strategies are meant to be driven by one actor, while collaborative strategies are designed to promote collective action and shared responsibilities. For example, in the value chain space a distinction can be made between individual company standards and jurisdictional and landscape management approaches.

In the systemic space, actions can be taken directly by the sustainability standard to influence public or corporate policies or this can be pursued through multi-stakeholder initiatives, such as sector platforms. The choice between individual and collaborative strategies is not always easy to make and there is often a high degree of overlap and complementarity between them. Figure 3 provides a simplification of this along with the relevant questions this guide aims to address.

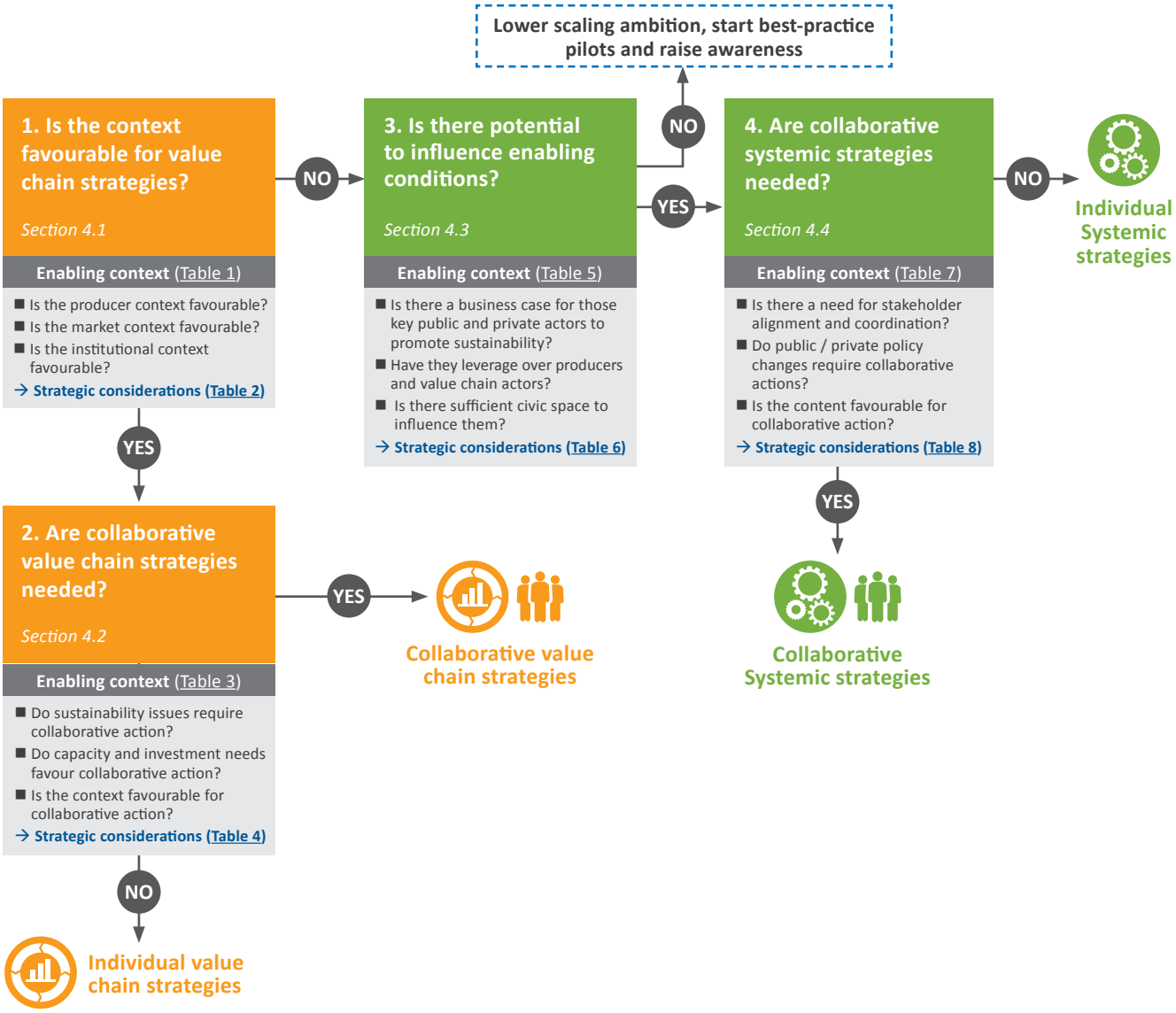
FIGURE 3: *Key strategic questions and decision logic*



3. The decision making framework

This page presents an overview of the decision-making framework based upon strategies presented in the previous section. Read through this framework via a series of numbered questions in the coloured boxes. For each question, consider the context (grey boxes) in which you are operating in order to decide which direction to move.

FIGURE 4: *A decision-making framework to understand how the context influences improvement strategies*



The following sections provide a detailed narrative for each of the four questions, looking into context and strategic implications and reflecting on member examples.

4. Context analysis for decision making

4.1 Is the context favourable for value chain strategies?

A. UNDERSTANDING THE CONTEXT

This guide takes value chain strategies as a starting point because if the conditions are favourable, it is easier to influence practices within a value chain than to try to tackle system conditions. Hence the first question is whether the context is favourable to value chain approaches (either individual or collaborative). Value chain approaches are likely to succeed when they have a favourable producer, market, and institutional context. Therefore, the three overarching questions to assess this are:

- Is the producer context favourable?
- Is the market context favourable?
- Is the institutional context favourable?

The following table presents the enabling conditions that would need to be in place for the overall context to be favourable. This table is a decision-making framework that you can use to assess the favourability of the value chain context for your specific case.

A condition that is assessed as positive (i.e. the right end of the scale) is favourable for value chain approaches. If negative (i.e. the left end of the scale), then the context is unfavourable for value chain strategies. If in between, the influence of the context on the success of value chain approaches is assumed to be more neutral. It is likely that you will find that some conditions favour value chain approaches while others do not. As the context varies case by case, it is up to you how you weight the different conditions to come to an overall combined judgement of context, and whether any single unfavourable condition would preclude the success of a value chain strategy. In some cases, the lack of an enabling condition (e.g. lack of producer capacity or access to services) may actually be the driver for your choice of strategy (e.g. producer capacity building), if other conditions indicate a positive context.

***TABLE 1:** Enabling conditions influencing the effectiveness of value chain approaches*

PRODUCER CONTEXT		SCALE AND POSSIBLE IMPLICATIONS		
1.	**AWARENESS:** Whether there is a sense of urgency for sustainability improvements among producers.	Limits scaling	Low awareness & demand → **High awareness & demand**	**Drives scaling**
2.	**BUSINESS CASE:** Whether improvements can result in sustained benefits, particularly operational efficiencies and market benefits.	Sustainability improvements as cost-driver	Poor business case → **Good business case**	**Enhances the business case for improvement**
3.	**CAPACITIES:** Whether producers have the capacities or access to services to implement sustainability improvements.	Limits uptake	Poor capacity → **Good capacity**	**Facilitates uptake**
4.	**PRODUCER ORGANISATION:** Whether producers are concentrated or organized to facilitate transfers of market incentives and support activities at scale.	Limits scaling	Fragmented → **Concentrated**	**Drives scaling**
MARKET CONTEXT		**SCALE AND POSSIBLE IMPLICATIONS**		
5.	**AWARENESS & DEMAND:** Whether there is a sense of urgency for improvements among value chain actors and consumers resulting in a market pull for sustainable products.	Limits scaling	Low awareness & demand → **High awareness & demand**	**Drives scaling**
6.	**MARKET CONCENTRATION:** Whether value chain actors are organized, concentrated, and have leverage over each other.	Limits scaling	Fragmented → **Concentrated**	**Drives scaling**
7.	**VALUE CHAIN STRUCTURE & RELATIONS:** Whether value chains are transparent, short and stable and producers and value chain actors trust each other.	Increases transaction costs, risks, reduces accountability	Untransparent, long & short-term → **Transparent, short & long-term**	**Reduces risks, enhances transfer of incentives and accountability**
8.	**BUSINESS CASE, VALUE CAPTURE & MARKET DIFFERENTIATION:** Whether margins within the value chain are sufficient to invest in sustainability improvements and whether improvements can result in additional value creation (i.e. visibility in end-product and product differentiation).	Reduces ability to absorb costs and create added value	Thin margins, bulk products → **High margins, differentiated products**	**Increases ability to absorb costs and create added value**
9.	**MARKET STABILITY:** Whether structural (e.g. oversupply) and temporary (e.g. price volatility) market imbalances which can undermine investments in sustainability improvements are absent.	Undermines sourcing relations and business case	Price volatility, structural oversupply → **Market stability**	**Reduces risks to (co-) investment in improvements**
INSTITUTIONAL CONTEXT		**SCALE AND POSSIBLE IMPLICATIONS**		
10.	**LEVEL PLAYING FIELD:** Whether the institutional environment creates a level playing field for voluntary producer and supply chain improvement (e.g. policy implementation, law enforcement).	Undermines voluntary action	Weak → **Strong**	**Creates a level playing field**
11.	**INFRASTRUCTURE:** Whether there is the necessary communication and transportation infrastructure as well as basic services for value chain activities.	Increases transaction costs	Poor quality → **Good quality**	**Facilitates private investment**

B. STRATEGIC IMPLICATIONS

Assessment of the enabling conditions for your context will have a direct impact on the strategic options open to you. The following table describes the possible implications of various combinations of enabling and disabling value chain contexts. In general, the less favourable the context for value chain strategies, the higher the need for systemic strategies. Annex II presents an overview of how various conditions presented above could impact on your choice of value chain and systemic improvement strategies.

TABLE 2: *Strategic considerations in response to enabling or disabling conditions in the producer, market and institutional context*

PRODUCER CONTEXT	MARKET CONTEXT	INSTITUTIONAL ENVIRONMENT	STRATEGIC CONSIDERATIONS
⊕	⊕	⊕	Good context to **promote value chain strategies**. Focus on collaborative ones if sustainability challenges and investment require pre-competitive action.
⊕	⊕	⊖	**Favours value chain strategies.** Strong undermining dynamics in the institutional context may need to be addressed through systemic strategies.
⊖	⊕	⊕	**Value chain strategies** can be **pursued** if supply chain actors have reach/ leverage over producers. It may need emphasis on improvement standards (e.g. step-wise approaches), market incentives, and capacity building. The public sector can play a role in standard-setting and capacity building.
⊖	⊕	⊖	Role of public sector in supporting producers will be limited, making the **role of value chain actors more important**, as well as the market incentives they provide to producers. Collaborative strategies may support a level playing field and co-investment and risk-sharing.
⊕	⊖	⊕	**Focus on the systemic pathway** to support role of public sector to improve producer performance (e.g. through mandatory standards).
⊕	⊖	⊖	Work on **producer-centric approaches. Engage with front-runner value chain actors** to build proof of concepts of sustainability improvements which may inspire the public sector and other value chain actors to act.
⊖	⊖	⊕	**Focus on strengthening the governance of the sector**, and feed this with proof of concepts from producer and value chain best practice projects.
⊖	⊖	⊖	**Lower ambitions to reach scale** and start best practice pilots with p**roducers and value chain actors and raise awareness** on sustainability issues.

⊕ Enabling (positive) ⊖ Disabling (negative)

4.2 Are collaborative value chain strategies needed?

A. UNDERSTANDING THE CONTEXT

If you have decided that a value chain approach could be successful, the second question in the decision-making framework is whether there is a need to consider collaborative value chain strategies. These can consist of joint capacity building programmes or jurisdictional approaches that bring together a coalition of stakeholders, at the production base, supply chain level, or both. Collaborative value chain strategies are often complementary to individual value chain strategies, but in certain contexts they might become essential to address or remove specific barriers – such as the lack of local intermediaries in a given production area. Collaborative strategies can also provide a path to scale outcomes in a way that is more effective than replicating individual strategies.

To assess whether collaborative value chain strategies are needed and whether they are potentially effective, the following three questions should be answered:

- Do sustainability issues require collaborative action?
- Do capacity and investment needs favour collaborative action?
- Is the context favourable for collaborative action?

As with the previous question, this guide proposes a set of enabling conditions that can help to answer these questions. It is highly recommended to review this list according to your specific case.

TABLE 3: *Enabling conditions informing the need and feasibility of collaborative value chain strategies*

SUSTAINABILITY SCOPE ISSUE		SCALE AND POSSIBLE IMPLICATIONS		
1.	**PRODUCER VS COLLECTIVE SCOPE OF INFLUENCE:** Whether sustainability issues can be addressed by individual producer improvements alone or are deeply rooted in community dynamics (e.g. child labor or gender inequality) or landscape dynamics (e.g. in case of competing interests around different landscape users).	Favours individual value chain approaches	Product dependent issues → **Issues rooted in communities or landscapes**	**Requires collaborative approaches**
CAPACITY AND INVESTMENT NEEDS		**SCALE AND POSSIBLE IMPLICATIONS**		
2.	**ACCESS TO SERVICES & FINANCE:** Whether capacity and investment gaps can be closed within individual value chains or require collaborative action to reach scale and efficiency.	Favours impact and scale	Sufficient capabilities and access to services → **Insufficient capabilities and access to services**	**Limits impact and scale**
OPPORTUNITY FOR COLLABORATIVE ACTION		**SCALE AND POSSIBLE IMPLICATIONS**		
3.	**SHARED NEED FOR JOINT ACTION:** Whether relevant stakeholders feel a need to collaborate to solve sustainability challenges and to influence key stakeholders.	Resistance to collaborate	Low awareness → **High awareness**	**Openness to collaborate**
4.	**TRUST BETWEEN STAKEHOLDERS:** Whether stakeholders trust each other enough to enter into dialogue and pursue collaboration.	Resistance to collaborate	Low trust → **High trust**	**Openness to collaborate**
5.	**DONOR ALIGNMENT:** Whether donors align their funding strategies behind collaborative strategies and avoid competing initiatives.	Competing initiatives	Poor capacity → **Good capacity**	**Critical funding mass**

B. STRATEGIC IMPLICATIONS

Assessment of the above enabling conditions will help to inform the need for, and nature of collaborative strategies. The table below highlights some strategic considerations depending on whether conditions are positive or negative.

***TABLE 4**: Strategic considerations in response to enabling or disabling conditions for collaborative value chain strategies*

NEED FOR COLLABORATIVE ACTION	OPPORTUNITY FOR COLLABORATIVE ACTION	STRATEGIC CONSIDERATIONS
⊕ SUSTAINABILITY SCOPE	⊕	■ Include community and landscape targets in scope of standards (i.e. beyond the producer unit) and link market incentives to these targets ■ Support collaborative jurisdictional/ landscape management and community engagement processes ■ Pursue awareness raising and policy influencing on relevant sustainability issues
⊕ KNOWLEDGE, CAPACITY AND INVESTMENT NEED	⊕	■ Improve the knowledge and investment base through multi-stakeholder collaboration ■ Promote the service sector ■ Advocate for public sector investment in research and service delivery
⊕ SUSTAINABILITY SCOPE AND/OR KNOWLEDGE, CAPACITY AND INVESTMENT NEED	⊖	**As above, but pay attention for:** ■ Awareness raising, trust building through small pilots in which stakeholders learn to collaborate and can perceive mutual benefits ■ Donor alignment to avoid competitive projects ■ Partner with legitimate actors ■ Strengthen capacities of CSOs and industry associations

⊕ Enabling (positive) ⊖ Disabling (negative)

4.3 Is there potential to influence enabling conditions through systemic strategies?

A. UNDERSTANDING THE CONTEXT

If your initial assessment is that value chain approaches are unlikely to be successful, then you need to assess whether you are able to influence broader system conditions, either individually or collaboratively. This can be assessed by responding to the following three questions:

- Is there a business case for key public and private actors to promote sustainability?
- Do those actors have leverage over producers and value chain actors?
- Is there sufficient civic space to influence them?

As with previous questions, this guide proposes a set of enabling conditions that can help to answer these questions. Assess the conditions below to determine the feasibility for influencing system conditions according to your specific case.

TABLE 5: *Enabling conditions informing the potential for systemic strategies to be effective*

BUSINESS CASE		SCALE AND POSSIBLE IMPLICATIONS		
1.	**AWARENESS:** Whether there is awareness / sense of urgency among key decision-makers in the public and private sector.	Limits commitment to change	Low → High	**Promotes commitment to change**
2.	**BUSINESS CASE:** Whether key decision-makers have a business case to solve sustainability challenges (e.g. commitments to existing policy frameworks / conventions, and reputational / political risks could strengthen this business case).	Limits commitment to change	Low → High	**Promotes commitment to change**
LEVERAGE		**SCALE AND POSSIBLE IMPLICATIONS**		
3.	**LEVERAGE:** Whether the general public (e.g. consumers), civil society, government authorities and private sector actors (e.g. financial institutions) have influence over producers and value chain actors.	Low potential to influence	Low leverage → High leverage	**High potential to influence**
4.	**SUPPORTIVE POLICY FRAMEWORKS:** Whether existing policy frameworks support desired implementation mechanisms.	Obstructs implementation mechanisms	Unsupportive → Supportive	**Favours implementation mechanisms**
5.	**INSTITUTIONAL STRENGTH:** Whether relevant actors have the leadership, human and financial resources to respect their commitments (e.g. without corruption, red-tape and rent-seeking).	No capacity to follow-up commitment	Weak → Strong	**Capacity to follow-up commitment**
CIVIC SPACE		**SCALE AND POSSIBLE IMPLICATIONS**		
6.	**CIVIC SPACE:** Whether stakeholders, including civil society, are allowed to organise, participate and communicate with each other freely and without hindrance. In doing so, they can influence the political and social structures around them.	Little space to influence	Little civic space → Good civic space	**Good space to influence**

B. STRATEGIC IMPLICATIONS

The assessment above tells you something about the feasibility of systemic strategies. The table below provides some strategic considerations depending on whether conditions are positive or negative.

***TABLE 6**: Possible scenarios and strategic considerations related to overall enabling or disabling conditions for systemic strategies*

BUSINESS CASE	LEVERAGE	CIVIC SPACE	STRATEGIC CONSIDERATIONS
⊕	⊕	⊕	Good context to **pursue systemic strategies** targeting relevant actors (e.g. government, financial sector, value chain actors, consumers).
⊖	⊕	⊕	Raise awareness and sense of urgency through research and campaigns. Engage with leaders decision-makers to see what can be done to strengthen the business case.
⊕	⊖	⊕	This can limit potential effectiveness of systemic strategies with individual stakeholders. **Pursue collaborative strategies** to get different actors aligned and strengthen capacities of key public or private stakeholders to increase their leverage.
⊕	⊕	⊖	Potential **effect of systemic strategies is large**, but space to influence is limited. Partner with legitimate actors which have influence over decision-makers or consider to strengthen capacities of CSOs.
⊖ **ANY COMBINATION OF 2 OR 3 DISABLING CONDITIONS**			**Reconsider the relevance of systemic strategies.** Start best practice pilots with producers and value chain actors and start collaborative action (e.g. multi-stakeholder platforms) to raise awareness.

⊕ Enabling (positive) ⊖ Disabling (negative)

4.4 Are collaborative systemic strategies needed?

A. UNDERSTANDING THE CONTEXT

As with value chain strategies, you should consider whether systemic strategies can be better pursued individually or in collaboration with other stakeholders (or in combination). To assess whether collaborative systemic strategies are needed and whether they are potentially effective, the following questions should be answered:

- Is there a need for stakeholder alignment and coordination?
- Do public / private policy changes require collaborative action?
- Is the context favourable for collaborative action?

The table below proposes a set of enabling conditions that can help you to answer these questions.

TABLE 7: *Enabling conditions informing the need for, and feasibility of collaborative strategies*

STAKEHOLDER ALIGNMENT		SCALE AND POSSIBLE IMPLICATIONS		
1.	**STAKEHOLDER ALIGNMENT AND COORDINATION:** Whether stakeholders align their actions and investment to common objectives (or at least do not work against each other).	Competing and counter-productive action	Weak alignment → **Issues rooted in communities or landscapes**	**Requires collaborative approaches**
PUBLIC / PRIVATE POLICY CHANGE		**SCALE AND POSSIBLE IMPLICATIONS**		
2.	**PUBLIC / PRIVATE POLICY CHANGE:** Whether there are options to influence public / private sector policies through individual engagement or can be done more effectively through collaborative action.	Individual policy influencing could work	Good options → **No options**	**Collaborative policy influencing is needed**
SPACE FOR COLLABORATIVE ACTION		**SCALE AND POSSIBLE IMPLICATIONS**		
3.	**SHARED NEED FOR JOINT ACTION:** Whether relevant stakeholders feel a need to collaborate to solve sustainability challenges and to influence key stakeholders.	Resistance to collaborate	Low awareness → **High awareness**	**Openness to collaborate**
4.	**TRUST BETWEEN STAKEHOLDERS:** Whether stakeholders trust each other enough to enter into dialogue and pursue collaboration.	Resistance to collaborate	Low trust → **High trust**	**Openness to collaborate**
5.	**CIVIC SPACE:** Whether stakeholders, including civil society, are allowed to organise, participate and communicate with each other freely and without hindrance.	No space to participate for all stakeholders	Little civic space → **Good civic space**	**Space to participate for all stakeholders**
6.	**DONOR ALIGNMENT:** Whether donors align their funding strategies behind collaborative strategies and avoid competing initiatives	Competing initiatives	Low alignment → **High alignment**	**Critical funding mass**

B. STRATEGIC IMPLICATIONS

The table below highlights some strategic considerations depending on whether the above conditions are positive or negative.

***TABLE 8**: Strategic considerations in response to enabling or disabling conditions for collaborative systemic strategies*

NEED FOR COLLABORATIVE ACTION	SPACE FOR COLLABORATIVE ACTION	STRATEGIC CONSIDERATIONS
⊕ STAKEHOLDER ALIGNMENT	⊕	■ Promote multi-stakeholder dialogue for joint vision and strategy development and accountability mechanisms
⊕ POLICY INFLUENCING	⊕	■ Promote multi-stakeholder collaboration for lobby and advocacy
⊕ STAKEHOLDER ALIGNMENT AND/OR POLICY INFLUENCING	⊖	**As above, but pay attention for:** ■ Awareness raising, trust building through small pilots in which stakeholders learn to collaborate and can perceive mutual benefits ■ Donor alignment to avoid competitive projects ■ Partner with legitimate actors ■ Strengthen capacities of CSOs and industry associations

⊕ Enabling (positive) ⊖ Disabling (negative)

5. Specific implications of disabling conditions on the choice of value chain strategies

Concretely, the guide aims to provide concepts and frameworks to better structure strategic planning, taking into account the interplay between strategies and how this can drive sustainability improvements within an industry or sector in a durable and systemic manner.

The presence of disabling or negative conditions can also inform the design of value chain strategies and suggest what complementary systemic strategies could be valuable. Table 9 below shows possible implications when conditions are unfavourable. The numbers of the conditions in the first column correspond to the enabling conditions presented under question 1 in section 4. It illustrates how the various assessments and analyses proposed in this guidance can lead to a coherent vision.

TABLE 9: *How specific disabling conditions can inform the design of value chain strategies and the need for complementary systemic strategies*

CONDITIONS	IMPLICATIONS FOR VALUE CHAIN STRATEGIES			COMPLEMENTARY SYSTEMIC STRATEGIES
	STANDARDS	MARKET INCENTIVES	CAPACITY BUILDING	
1&4. LOW AWARENESS OF & DEMAND FOR SUSTAINABILITY			■ Pilot proof of concepts of business case of sustainability improvements	■ Awareness raising activities (e.g. research and campaigns)
2&8. POOR BUSINESS CASE FOR PRODUCERS AND/OR VC ACTORS	■ Introduce step-wise / continuous improvement standards adapted to specific target groups (e.g. small-scale producers)	■ Offer premiums and fair trading practices to improve the business case	■ Subsidize capacity building to reduce costs of improvements	■ Public sector influencing for a creating a level playing field ■ Financial sector engagement for incentive creation ■ Consumer awareness raising for creating a demand pull

3. LOW CAPACITIES OF PRODUCERS	■ Introduce step-wise / continuous improvement standards adapted to specific target groups (e.g. small-scale producers)	■ Offer premiums and fair trading practices to facilitate procurement of services	■ Increase effort on (subsidized) capacity building to support improvements	■ Corporate engagement for embedding service delivery in their value chains ■ Multi-stakeholder collaboration to improve the knowledge and investment base
4&6. FRAGMENTED PRODUCER AND/OR MARKET BASE	■ Introduce group certification and use flexible definition of producer groups	■ Introduce market incentives for group management	■ Focus on strengthening producer organizations	■ Multi-stakeholder coordination to promote alignment ■ Policy influencing to reach mass of the market
7. LONG, OPAQUE, UNSTABLE VALUE CHAIN STRUCTURES & RELATIONS		■ Introduce book & claim models for premium ■ Introduce requirements on fair trading practices	■ Develop implementation programs outside the supply chain ■ Focus on strengthening producer organizations	■ Corporate engagement to promote shorter supply chains ■ Public sector influencing to reach producers and improve market transparency
8. POOR VALUE CAPTURE & MARKET DIFFERENTIATION	■ Introduce improvement standards to allow for low investment entry	■ Offer premiums and fair trading practices to improve the business case to sustain costs of improvement		■ Corporate engagement to promote product differentiation ■ Policy influencing as alternative way to reach producers
9. MARKET VOLATILITY		■ Introduce floor prices and favourable trading practices	■ Support capacities on price risk management ■ Promote additional livelihood options	■ Policy influencing for market management and level playing field
10. NO LEVEL PLAYING FIELD				■ Policy influencing for issues which undermines sustainability issues

Annex 1: Examples of value chain and systemic strategies applied by sustainability systems

	COMMODITY	EXAMPLE
ENABLING CONDITIONS SHAPING VALUE CHAIN STRATEGIES	PALM OIL 	RSPO's market share could initially grow relatively fast. Enabling conditions for this growth was a surging demand from Europe driven by public awareness and a concentrated production base of large-scale producers which allowed to certify largen volumes relatively easy. The Book & Claim mechanism was instrumental to overcome the disabling condition of a fragmented and versatile end-market and facilitated the initial scaling. The fairly concentrated refiner/ trader segments facilitated over time the move from Book & Claim to physical Chain of Custody models. However, RSPO has hit a kind of ceiling as Western markets reach saturation and it has been a much harder challenge to reach the fragmented part of the producer base, the unorganized smallholders.
	SOY 	Compared to the RSPO in oil palm, the Roundtable on Responsible Soy (RTRS) has had less uptake. Despite a concentrated producer base, there is much less public awareness/market demand in Western markets. The bulk nature of the product and low margins also impede sustainability investments across the value chain.
	SEAFOOD 	Value chain-based sustainability improvements in the fishery sector are highly dependent on "niche" markets of mostly high-value products. Implementation is easier among medium-sized producers than among smallholders.
	TEA 	Most tea is consumed in countries with limited demand for sustainability. This, in combination with a structural overproduction and consequent low-price environment, reduced the incentives for producers to invest in sustainability. The unstable value chain relationships due to blending practices and annual contracting also undermine the willingness of tea producers to invest in for example certification, even though demanded by Western markets. Scaling of certification has been easier in organized sectors (e.g. Kenya) compared to surrounding countries with an unorganized producer base.
	BANANAS 	While short supply chains favour the transfer of market incentives in the banana sector, sustainability improvements by producers are undermined by unfair trading practices (e.g. rebates) and high price pressure driven by competition between retailers (partly because bananas are in the consumer price index baskets which compare retailers).
	COCOA 	Despite a highly fragmented producer base in cocoa, the fairly concentrated value chain in combination with high public awareness in main consumer countries have facilitated the scaling of certification and subsequent related/ additional sustainability improvements.
	TIMBER 	The success of FSC certification as voluntary value chain strategy is highly dependent on how governments deal with forest management (i.e. institutional strength).

EXAMPLES OF COLLABORATIVE VALUE CHAIN STRATEGIES	COTTON 	Scaling certification in the cotton sector is a big challenge in countries dominated by poor and unorganized smallholder producers. The long value chain also impedes direct transfers of incentives through the value chain to producers. To overcome these disabling conditions, BCI created the BCI Growth and Innovations Fund which aggregates market incentives of retailers and contributions by donors and re-invest these in (national) producer support programs with experienced implementation partners.
	PALM OIL/ COCOA 	Continuous deforestation linked to palm oil and cocoa (due to a leakage effect) created the awareness among value chain actors for the need of joint action. This has resulted in several collaborative jurisdictional and landscape management approaches.
	VARIOUS 	Increasing awareness that child labour cannot be addressed by production standards alone leads to an increase of community engagement processes with participation of multiple stakeholders.
	VARIOUS 	Shared awareness on the need for collective action to overcome knowledge and capacity gaps promote collaborative strategies in the sugarcane, cotton, coffee and tea sector (e.g. through national platforms).
	SEAFOOD 	The shared interest of preserving a common fishery resource has promoted collaboration between competing companies in numerous Fishery Improvement Projects.
	PALM OIL/ SUGARCANE 	It took several years and various smaller concrete pilots to overcome the lack of trust between companies and CSOs in the palm oil and sugarcane sectors in various Central American countries.
EXAMPLES OF THE POTENTIAL TO INFLUENCE ENABLING CONDITIONS THROUGH SYSTEMIC STRATEGIES	SEAFOOD 	A strong organized fishery sector and open government in the Maldives facilitated the introduction of harvest control rules on skipjack tuna at the inter-governmental level within the Indian Ocean region.
	SEAFOOD 	The open attitude of the government of Surinam facilitated their participation in the Seabob Working Group resulting in a country-wide stock assessment and a new national seabob fishery management plan and a website that benefits the entire sector.
	COFFEE 	The strength of Costa Rica's Coffee Board (ICAFE) facilitates the promotion of sustainability improvements with their strong involvement, while the weakness in similar institutions of other Latin American countries disfavours this strategy.
EXAMPLES OF WHERE COLLABORATIVE SYSTEMIC STRATEGIES HAVE BEEN EFFECTIVE	SEAFOOD 	Together with other stakeholders, the Marine Stewardship Council (MSC) has influenced the intergovernmental Indian Ocean Tuna Commission (IOTC) to adopt harvest control rules for skipjack tuna caught in the Indian Ocean.
	VARIOUS 	Fairtrade International partners in the Global Deal which is an initiative bringing together the ILO, OECD, 18 national governments, 25 trade unions, 25 businesses and employer organisations, the UN Global Compact and other global organisations to promote better social dialogue in supply chains, in order to improve workers' rights and tackle inequalities.

REFERENCES

1. Examples of relevant research includes: Proforest (2020), Approaches to Driving Uptake of Sustainable Practices, ISEAL Briefing Paper; Garett, R. & Pfaff, Alex (2019) When and Why Supply Chain Sustainability Initiatives 'Work': Linking Initiatives' Effectiveness to their Characteristics and Context, Gordon and Betty Moore Foundation and Meridian Institute.
2. This classification is based upon Aidenvironment (2018), The system impacts of voluntary sustainability standards, Published by ISEAL Alliance and WWF

About ISEAL

ISEAL IS THE GLOBAL MEMBERSHIP ORGANISATION FOR CREDIBLE SUSTAINABILITY SYSTEMS

We support and challenge our members to continually improve their impact for the benefit of people and planet. Our members are sustainability standards and related systems, which collaborate in order to scale and demonstrate positive impact. Our regularly updated codes are a recognised framework for best practice, and compliance with them is a mark of credibility.

We support and challenge our members to continually improve by providing forums for collaboration, collective action and sharing of experience; delivering expertise, advice and training; facilitating access to funding to promote innovation; and advocating for the adoption of better, more credible sustainability systems.

For businesses, governments and NGOs, we provide opportunities to connect with sustainability systems, as well as information, resources and events to encourage the use of credible schemes.

About Aidenvironment

AIDENVIRONMENT IS A NOT-FOR PROFIT RESEARCH, ADVISORY AND IMPLEMENTING CONSULTANCY. WE CREATE SUSTAINABILITY IMPACT IN AGRICULTURAL AND FOREST LANDSCAPES ACROSS ASIA, AFRICA AND LATIN AMERICA.

Aidenvironment believes in a sustainable world where there is respect for people and nature; where irreversible damage to ecosystems is avoided; where global production, trade, finance and consumption are fair and sustainable; and where governments, companies and civil society organizations work together. As a non-profit we want to contribute to the world's global challenges with innovative solutions.

We combine landscape and value chain thinking and link these with market and governance dynamics. We use transparent methods and work closely with our clients and partners. Our services include analytics, strategic advice, implementation support and evaluations.

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