



# REDEFINING ECOLABELS

TO IMPROVE SUSTAINABILITY AND TRADE  
IN DEVELOPING COUNTRIES

*Lessons learned and recommendations  
from the UNEP project*



## Acknowledgements

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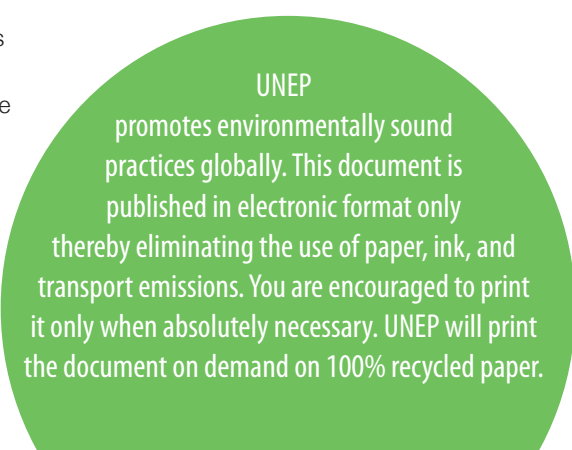
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***Lessons learned and recommendations  
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**UNEP**  
United Nations Environment Programme



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# List of Abbreviations

10YFP	10 Year Framework of Programmes on Sustainable Consumption and Production
AIDCP	Agreement on the International Dolphin Conservation Programme
CCC	Common Core Criteria
CI	Consumers International
COSA	Committee on Sustainability Assessment
CSIR	Council for Scientific and Industrial Research (CSIR), the South African National Cleaner Production Centre (SA NCPC)
CTE	Committee on Trade and Environment of the World Trade Organization
CUTS	The Consumer Unity & Trust Society
DEVCO	Directorate-General for Development and Cooperation - EuropeAid
DTIE	Division of Technology, Industry and Economics (of UNEP)
EDC	The Sino-Japan Friendship Centre for Environmental Protection
EMA	Eco Mark Africa
EPD	Environmental Product Declaration
EU	European Union
FAST	Finance Alliance for Sustainable Trade
FSC	Forest Stewardship Council
FTC	Federal Trade Commission (of the United States government)
GATT	General Agreement on Tariffs and Trade
GBC	Green Building Council
GEN	Global Ecolabelling Network
GENICES	GEN Internationally Coordinated Ecolabelling System
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German Development and International Cooperation Agency)
GSCP	Global Social Compliance Initiative
GOTS	Global Organic Textile Standard
ICC	International Chamber of Commerce
IFC	International Finance Corporation
IISD	International Institute for Sustainable Development
IMNC	Mexican Institute for Standardization and Certification
ISEAL	International Social and Environmental Accreditation and Labelling Alliance
ISO	International Organization for Standardization
JPOI	Johannesburg Plan of Implementation
KNPCPC	Kenya National Cleaner Production Centre
LCA	Lifecycle Assessment
MDIC	the Ministry of Development, Industry and Foreign Trade of Brazil
MRA	Mutual Recognition Agreement
MSC	Marine Stewardship Council

NPR-PPM	non-product related process and production methods
OECD	Organization for Economic Co-operation and Development
PEFC	Programme for the Endorsement of Forestry Certification
REACH	Registration, Evaluation, Authorization and Restriction of Chemical substances
SAC	Sustainable Apparel Coalition
SANES	South African National Ecolabelling Scheme
SCP	Sustainable Consumption and Production (the concept and also a branch of the DTIE of UNEP)
SIP	Sustainability Information Platform
SPP	Sustainable Public Procurement
TAP	Technical Assistance Programme
TBT	Technical Barriers to Trade
TED	Turtle Excluder Device
TSC	The Sustainability Consortium
UBA	Umwelt Bunde Amt (German Federal Environment Agency)
UNCSD	United Nations Conference on Sustainable Development
UNEP	United Nations Environment Programme
UNGC	United Nations Global Compact
UNIDO	United Nations Industrial Development Organization
VSS	Voluntary Standards Systems
WTO	World Trade Organization

# Interviewees

- Rahul Bhajekar, Texanlab Laboratories
- Sasha Courville, formerly with ISEAL Alliance (ISEAL)
- Kevin Dooley, The Sustainability Consortium (TSC)
- Eva Eiderström, Shop and Act Green-Good Environmental Choice Ecolabel
- Silvia Ferratini, European Commission Director-General Environment, European Union, and formerly with UNEP Sustainable Consumption and Production Branch (until January 2009)
- Christian Hagemann, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) project on the African Ecolabelling Mechanism
- Antonio Juliani, Ministry of Development and Foreign Trade, Brazil
- Purity Karuga, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) project on the African Ecolabelling Mechanism
- Heather Mak, SustainAbility
- Carla Aparecida Magalhaes Carsten Braga de Miranda, Ministry of Environment, Brazil
- Liu Zunwen, Environmental Certification Centre of the Ministry of Environmental Protection
- Andre Page, National Cleaner Production Centre (NCPC) at the Council for Scientific and Industrial Research (CSIR) in South Africa
- Marcela Pérez Ruenes, Mexican footwear company Elefante
- John Polak, formerly with the Global Ecolabelling Network (GEN)
- Sergio Ponce, Mexican footwear company Caborca
- Aimee Russillo, LiSeed Consulting
- Liazzat Rabbiosi, UNEP Sustainable Consumption and Production Branch
- Luis Angel Sanchez Ramirez, Mexican footwear company Caborca
- Thumbarathy Balakrishnan Simi (Sima TB), Consumer Unity & Trust Society (CUTS), India
- Indrani Thuraisingham, Consumers International regional office for Asia Pacific and the Middle East
- Norma Tregurtha, ISEAL Alliance (ISEAL)
- Mike Wood, South African textile company Zorbatex
- Zubeida Zwavel, National Cleaner Production Centre (NCPC) at the Council for Scientific and Industrial Research (CSIR) in South Africa

Additional stakeholders provided feedback via an online form filled out for the project's terminal evaluation. These include:

- Berthold Hoffmann, Gesellschaft für Internationale Zusammenarbeit, GIZ (originally InWent, now GIZ)
- Melaku Mengistu, Ethiopian Standards Agency/ECPC
- Lelissa Daba, Ethiopian Standards Agency/ECPC
- Nydia Suppen Reynaga, IMNC Mexico/CADIS



# Introduction

International debates about trade and the environment have increasingly focused on identifying and seizing synergies that make trade an engine of sustainable development. This report focuses on a recent United Nations Environment Programme (UNEP) project ‘Enabling developing countries to seize ecolabelling opportunities,’ which focused on leveraging trade to achieve positive environmental impacts. The project used lifecycle based ecolabels to drive target country enterprises’ environmental efficiency at the product and company level and help developing countries tap into developed country markets’ demand for environmentally friendly goods. The overall project goal was to redefine ecolabels from being seen as potential barriers to trade to instead viewing them as opportunities for trade in more environmentally friendly products.

This report aims to evaluate to what extent the project succeeded in reaching its intended goals, to draw lessons learned, and present recommendations for future actions.

The report contains four major sections. Section I introduces readers to ecolabels and the differences between different information systems, provides an overview of how these systems are used in developed and developing countries as well as introduces the major challenges, opportunities, and debates around voluntary labelling and standards globally.

Section I also traces the debates about ecolabels as possible barriers to trade. This includes possible implications of recent World Trade Organization cases and other issues affecting the discussions on Technical Barriers to Trade, and the relevance of this UNEP project to the debates, including the importance of working with established rules, practices, and disciplines that avoid unnecessary barriers in developing and using internationally-accepted ecolabels.

Section II introduces the UNEP ‘Enabling developing countries to seize ecolabelling opportunities’ project and partners, and the assessment methodology.

Section III of this report focuses on the assessment of the project results in relation to its goals. This section is based on interviews with key stakeholders in the project, as well as background research. It reviews the project as a whole, including a sector and country analysis. It describes the baseline situations and major developments that happened during the five years of the project.

Section IV provides lessons learned and recommendations to project partners and other stakeholders on further improvement and future projects. Suggestions are targeted toward all stakeholders involved in the ecolabelling field.

The report’s methodology is based on the compilation and review of all project documents and relevant literature on trade and ecolabels. It also involved interviews with participants from the project, including funders, implementing bodies, country partners, and some target enterprises when available.

# I. Background and context around ecolabels

This section provides an overview of ecolabels and other tools that have been developed to help promote sustainable consumption and production (SCP) and sustainable trade, as well as debates around voluntary ecolabelling and others tools as they affect trade, the environment, and competitiveness.

## 1. Categorizing ecolabels

According to the OECD definition, environmental labelling is “*voluntary granting of labels by a private or public body in order to inform consumers and thereby promote consumer products which are determined to be*

*environmentally more friendly than other functionally and competitively similar products*”<sup>1</sup>. The key word in this context is ‘inform’, which points to the most important value of ecolabels of providing information about expectations and requirements to producers and environmental and social credentials of products to consumers. The available information then triggers necessary actions for improvements.

ISO guidelines categorize ecolabels into three types, which are detailed in the table below. In addition, this table includes “Type I-like” single- or multi-attribute standards systems, which are not in the ISO classification.

**Table I: Types of ecolabels and standards<sup>2</sup>**

ISO categorization <sup>3</sup>	Specific type(s) of standard(s) under this category	Example(s)	Relevant internationally-recognized codes and reference tools
Type I: Multiple-attribute label developed and verified by third parties that awards licenses for the use of labelling that indicates overall environmental preferability of a product within a category, based on lifecycle considerations.	Lifecycle attribute/lifecycle thinking (ecolabels).	National Ecolabelling Schemes (e.g. Blue Angel, ) or regional ecolabelling schemes (e.g. Nordic Swan or EU Flower).	ISO 14024, WTO Code of Good Practice <sup>4</sup> , GEN codes, GENICES.
Type I-like: Single- or Multiple-attribute standards systems that rely on certification, verification, or other assurance mechanisms to guarantee the sustainability of certain stages of production, often resulting in labels or forms of sustainability claims.	Single or multiple-issue (international social and environmental voluntary standards systems, or VSS).	Bonsucro (sugar sector sustainability); Fairtrade (social issues, workers’ wages, etc); Forest Stewardship Council (forest sustainability).	ISEAL Alliance Standard-Setting Code <sup>5</sup> , WTO Code of Good Practice <sup>6</sup> .

<sup>1</sup> OECD “Environmental Labelling in OECD Countries”, OECD, 1991, Paris.

<sup>2</sup> IISD “International Institute for Sustainable Development’s Business and Sustainable Development: A Global Guide”, [http://www.iisd.org/business/markets/eco\\_label\\_iso14020.aspx](http://www.iisd.org/business/markets/eco_label_iso14020.aspx), and The Global Ecolabelling Network’s “What is Ecolabelling?” [http://www.globalecolabelling.net/what\\_is\\_ecolabelling/](http://www.globalecolabelling.net/what_is_ecolabelling/)

<sup>3</sup> Based on ISO 14020 Series classification.

<sup>4</sup> WTO “WTO Agreement on Technical Barriers to Trade, Annex 3: Code of Good Practice for the Preparation, Adoption and Application of Standards”.

<sup>5</sup> ISEAL Alliance “Standard Setting Code” <http://www.isealalliance.org/our-work/codes-of-good-practice/standard-setting-code>

<sup>6</sup> Global Ecolabelling Network <http://www.globalecolabelling.net>

ISO categorization	Specific type(s) of standard(s) under this category	Example(s)	Relevant internationally-recognized codes and reference tools
Type II: Self-declarations and environmental claims developed by the producer.	Various “green” claims etc. or company codes of conduct.	Walmart Sustainability Index <sup>7</sup> , “recycled” content label claims, etc.	ISO 14021, FTC Guides for the use of Environmental Marketing Claims <sup>8</sup> and ICC Framework for Responsible Environmental Communications <sup>9</sup> .
Type III: product declarations providing quantified environmental data based on a full life-cycle assessment under pre-set categories and parameters set by a qualified third party and verified by that or another qualified third party.	Environmental Product Declarations (EPDs).	The International EPD <sup>®</sup> System, EcoLeaf Japan <sup>10</sup> .	ISO 14025.

Although internationally recognized, the ISO terminology around ecolabelling does not encompass all variety and range of ecolabels and standards on the market today that respond to different needs of users. For clarification, this report uses “ecolabel” and “ecolabelling scheme” in referring to ISO Type I ecolabels. This type of ecolabel is based on “lifecycle thinking” that identifies key areas in the production and use of a product that can minimize the key negative environmental impacts. Products chosen for inclusion under a Type I ecolabel constitute the best practice within an industry and are usually designed so that around 20% of production in a particular product category can reach the label’s criteria. As such, ecolabels represent a leadership label and provide a market ‘pull’ towards better and continuous environmental performance.

This report looks into other types of voluntary sustainability standards, often classified as “ISO Type I-like”. The literature also refers to such standards as “private standards” or “private schemes”. This report adopts the official language of the International Social and Environmental Accreditation and Labelling (ISEAL) Alliance, the global body that codifies good practice for international social and environmental standards. ISEAL refers to its member standard setting bodies as “voluntary standards systems” (VSS) rather than standards alone, because ISEAL notes that the credibility of such standards systems relies on diverse components like certification, accreditation, capacity building, labelling, and other aspects, which constitute a system. Both Type I ecolabels and “Type I-like” VSS engage in many of these same activities listed above.

<sup>7</sup> Walmart Sustainability Index <http://corporate.walmart.com/global-responsibility/environment-sustainability/sustainability-index>

<sup>8</sup> United States Federal Trade Commission, “Guides for the Use of Environmental Marketing Claims” (called the “Green Guides”, revised October 2012 <http://www.ftc.gov/os/2012/10/greenguides.pdf>

<sup>9</sup> International Chamber of Commerce “Framework for Responsible Environmental Marketing Communications”, [http://www.icc.se/reklam/english/Framework\\_sustainability\\_claims.pdf](http://www.icc.se/reklam/english/Framework_sustainability_claims.pdf)

<sup>10</sup> The Global Environmental Declarations Network (GEDnet) is an association of Type III environmental declaration organizations and practitioners include the members from Denmark, China, Germany, Japan, South Korea, Sweden, USA, Norway.

The major differences between these types of labels is that VSS target key phases of the product lifecycle (e.g. forest management, agricultural production, or energy consumption) and often include social aspects, whereas Type I ecolabels are more comprehensive in their assessments. VSS can be designed as leading standards to ensure sustainability of a particular sector, such as the FSC for forestry, which sets a very high bar for compliance. Or, they can be set as baselines for a sector like in the case of 4C (the Common Code for the Coffee Community), upon which other standards can be added.

These two types of environmental labels are widely used and recognized by consumers. They have played and continue to play important roles in advancing consumer awareness and shifting production practices to embed social and environmental considerations at all stages of the value chain.

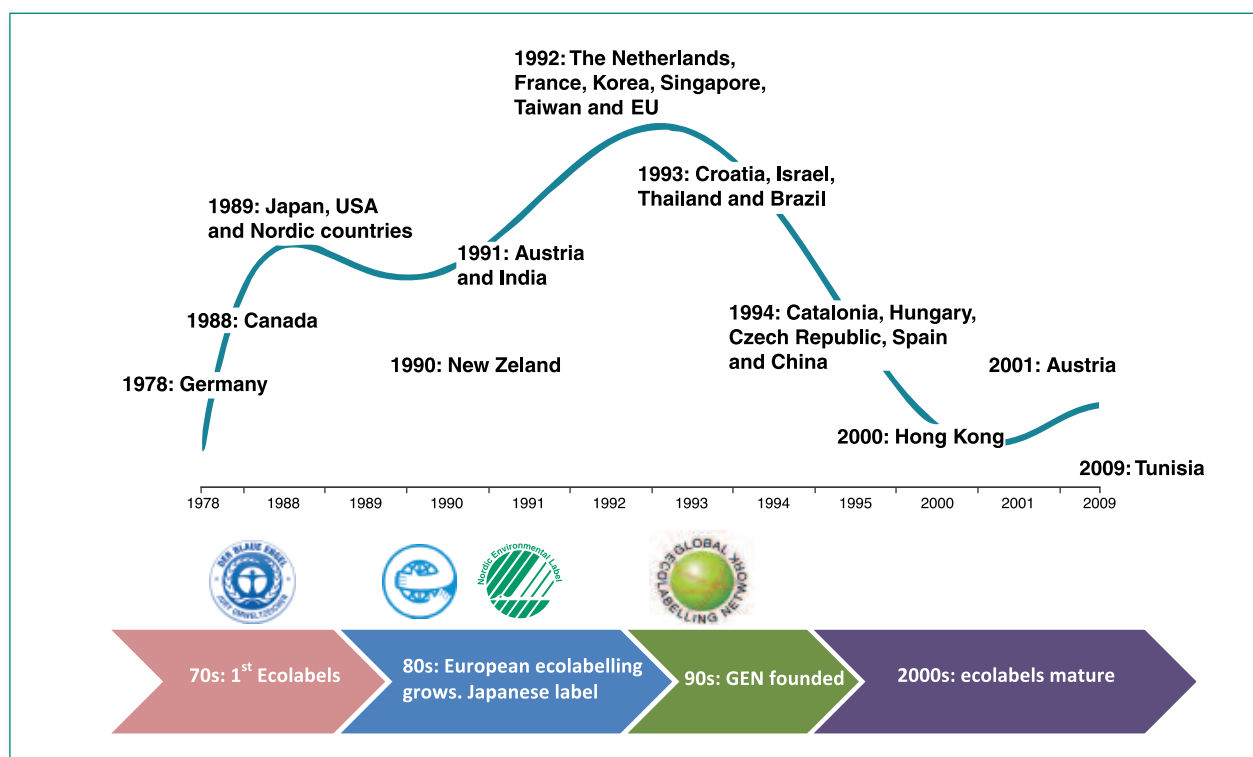
## 2. A brief history of ISO Type I ecolabelling

Given that this project focused on using International Organization for Standardization (ISO) Type I ecolabels, the following section provides a brief introduction to these labels.

The first ecolabel, the German Blue Angel, was created in 1978 as a market-based mechanism to promote consumer and producer action on sustainable consumption and production (SCP). The Nordic Swan, along with ecolabels from the Netherlands, Canada, Japan and the European Union (EU), soon followed.

Ecolabels emerged as a global phenomenon following Agenda 21 of the Rio Earth Summit in 1992 as a “paradigm of systematic and integrated policy approaches” toward promoting sustainable production and consumption<sup>11</sup>.

**Graphic I: Four decades of national ecolabelling schemes**



This graph indicates the number of new national-level ecolabels per year.

<sup>11</sup> Rabbiosi, L. and Clairzier, P. “Voluntary environmental or sustainability labelling for sustainable consumption and production”, Multilateral Environmental Agreements Bulletin, Thursday, 24 June 2010, IISD Reporting Services, Published by the International Institute for Sustainable Development.

In 2002, the Johannesburg Plan of Implementation (JPOI) at the World Summit on Sustainable Development called for “effective, transparent, verifiable, non-misleading and non-discriminatory consumer information tools<sup>12</sup>”. It was intended that these consumer information tools would lead to changes in unsustainable patterns of production and consumption. The JPOI called on stakeholders to “encourage and promote the development of a 10-year framework of programmes (10YFP) in support of regional and national initiatives to accelerate the shift towards sustainable consumption and production”.<sup>13</sup> This led to the Marrakech Process, a “global multi-stakeholder platform to promote the implementation of policies and capacity building on SCP” as an input and basis for elaboration of the 10YFP<sup>14</sup>.

More than 30 national ecolabelling schemes have since been created and operate in over 50 countries. Other ecolabelling programmes, such as a regional initiative in South America, may further increase the number of national-level and regional ecolabels.

In 1994 the Global Ecolabelling Network (GEN) was founded as an international organization to serve as a platform for cooperation and information exchange as well as to build international awareness that promotes ecolabelling. As of 2012, GEN had 27 members operating in over 50 countries<sup>15</sup>.

The United Nations conference on Sustainable Development (Rio+20) in June 2012 adopted the 10YFP as one of its concrete operational outcomes. The 10YFP provides a global framework and political mandate to promote the shift to SCP and social and economic development within the carrying capacity of ecosystems. Consumer information and the need to provide transparent credible and

meaningful product lifecycle information to consumers at all levels, including the public, business decision-makers, and individual consumers was one of the programmes prioritized in the 10YFP.

### **3. Market trends in consumer information**

Companies have begun more actively to embrace and shape their environmental sustainability within frameworks of corporate sustainability strategies such as corporate social responsibility (CSR), company codes of conduct, supply chain and life-cycle initiatives. Integrated policy approaches to sustainable products drive and reinforce the incorporation of sustainability by the business sector. These initiatives provide support and incentives for the uptake of voluntary and market-based mechanisms for promoting SCP and sustainable trade.

**Corporate social responsibility (CSR) and business sustainability**, widely defined, have become mainstream driving forces for business strategy development, especially in the last decade. These trends have had catalytic effects on driving the transparency of production and corporate sustainability performance as market differentiators for companies. The ISO 26000 “CSR” guidance, the United Nations Global Compact (UNGC), the United Nations Guiding Principles on Human Rights, and the Global Reporting Initiative (GRI) provided mechanisms for reporting and reviewing corporate activity in light of sustainability concerns. The UNGC has over 7,000 participant businesses from 145 countries<sup>16</sup>. The GRI has over 1,800 companies reporting according to its framework<sup>17</sup>. The resulting emphasis on

<sup>12</sup> Johannesburg Plan of Implementation, Chapter 3, 15. (e), which calls for people to “Develop and adopt, where appropriate, on a voluntary basis, effective, transparent, verifiable, non-misleading and non-discriminatory consumer information tools to provide information relating to sustainable consumption and production, including human health and safety aspects. These tools should not be used as disguised trade barriers”, [http://www.un.org/esa/sustdev/documents/WSSD\\_POI\\_PD/English/POIChapter3.htm](http://www.un.org/esa/sustdev/documents/WSSD_POI_PD/English/POIChapter3.htm).

<sup>13</sup> Rabbiosi L., and Clairzier P., “Voluntary environmental or sustainability labelling for sustainable consumption and production”, Multilateral Environmental Agreements Bulletin, Thursday, 24 June 2010, IISD Reporting Services, Published by the International Institute for Sustainable Development.

<sup>14</sup> *ibid*

<sup>15</sup> GEN website, <http://www.globalecolabelling.net/>

<sup>16</sup> UN Global Compact <http://www.unglobalcompact.org/ParticipantsAndStakeholders/index.html>

<sup>17</sup> GRI “GRI Sustainability Reporting Statistics, Publication year 2010” <https://www.globalreporting.org/resource/library/GRI-Reporting-Stats-2010.pdf>



sustainability has driven companies to find new ways of improving and monitoring sustainability performance, such as company codes of conduct, internal or industry-driven LCA approaches, or the use of third party labels such VSS and ecolabels.

**Industry roundtables, initiatives, and other programmes** have emerged in recent years to help companies meet their own social and environmental targets. The Global Social Compliance Programme (GSCP) aims to establish common criteria and equivalence processes to reduce the “audit fatigue” of factories or farms supplying to multiple brands or buyers against multiple codes of conduct, ecolabels, or sustainability standards even when the codes often contain very similar baseline content<sup>18</sup>. The Sustainable Apparel Coalition, comprised of 60 leading brands in the industry, has recently created the Higg Index 1.0 to measure the environmental and social performance of apparel and footwear products<sup>19</sup>. Some of the key objectives of this initiative are to reduce redundancy in sustainability reporting and create a common means to communicate sustainability information to stakeholders. The Sustainability Consortium (TSC) is a partnership among a number of companies and universities to develop and maintain global tools for measuring and reporting on products’ sustainability using lifecycle methodologies<sup>20</sup>. It is a major initiative in the business sector that has the potential to influence production and consumption practices worldwide. Nevertheless, stakeholders interviewed for this study expressed concern about these initiatives having strong ties to companies which could be seen as being driven too strongly by corporate needs rather than the needs of other stakeholders.

**Sustainable finance** has also played an important role in advancing sustainable development action and in delivering more information on the sustainability issues surrounding companies. Efforts like the Equator Principles for project finance, based on the International Finance Corporate (IFC) Performance Standards, require signatory banks to embed sustainability criteria in the loan evaluation process<sup>21</sup>. The latest IFC Performance Standards (PS6) reference the use of credible sustainability standards as a means of determining the maturity of sustainability thinking embedded in projects being considered for financing<sup>22</sup>. The Finance Alliance for Sustainable Trade (FAST)<sup>23</sup> has the objective of enabling access to credit and finance for socially oriented producers. It is an initiative that connects lenders and producers to promote sustainable trade, which also includes compliance with the major VSS.

**Sustainability Information Platforms (SIPs)** have been established to give consumers more information about the products and services they buy. Websites like GoodGuide draw together hundreds of diverse data points to provide three numerical ratings for each product based on impacts related to health, society, and the environment<sup>24</sup>. Ekobai provides information about certified suppliers of labelled products<sup>25</sup>. The Ecolabel Index and Standards Map, respectively, provide information about numerous ecolabels. The Ecolabel Index currently has information about over 430 ecolabels<sup>26</sup>. International Trade Centre of the WTO and UNCTAD has developed Standards Map, which contains detailed information about over 90 ecolabels and standards. Its primary aim is to inform developing country producers about which labels may best

<sup>18</sup> For example, the Global Social Compliance Programme website: <http://www.gscpnet.com/>

<sup>19</sup> The Sustainable Apparel Coalition Higg Index website: <http://www.apparelcoalition.org/higgindex/>

<sup>20</sup> The Sustainability Consortium: <http://www.sustainabilityconsortium.org/>

<sup>21</sup> The Equator Principles: <http://www.equator-principles.com/>

<sup>22</sup> IFC “IFC Performance Standards and Guidance Notes”, IFC, 2012.

[http://www1.ifc.org/wps/wcm/connect/Topics\\_Ext\\_Content/IFC\\_External\\_Corporate\\_Site/IFC+Sustainability/](http://www1.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/IFC+Sustainability/)

<sup>23</sup> The Finance Alliance for Sustainable Trade: “What is FAST?” <http://www.fastinternational.org/en/node/59>

<sup>24</sup> The Good Guide: <http://www.goodguide.com>

<sup>25</sup> Ekobai: <http://www.ekobai.com>

<sup>26</sup> Ecolabel Index: <http://www.ecolabelindex.com/>

impact their trade competitiveness, suit their production levels, as well as allow comparisons of attributes between different labelling systems<sup>27</sup>.

**Government policy-making**, especially in advanced economies, has been directed toward developing integrated policy approaches around products as a key bridge along the production and consumption spectrum, incorporating a mix of voluntary instruments and regulatory requirements. In addition, governments have been active in regulating green marketing claims (including ecolabels) by issuing guidance documents and enforcement actions aimed at protecting consumers from misleading claims. Examples of government policies and programmes concerning the informational aspects of SCP include the creation of mandatory standards and disclosure provisions, the ongoing support and creation of ecolabels or voluntary standards such as Energy Star, the adoption of reporting requirements, and sustainable public procurement. These efforts show that complementary and reinforcing measures improve the effectiveness of ecolabels. In the same manner, the use of ecolabels in public policy contributes to the achievement of a number of policy objectives, such as addressing climate change, energy and water efficiency, CSR, or waste management. Type I ecolabels, designed as holistic and cross-cutting tools developed through a multistakeholder process, represent an important means of acting upon environmental and social challenges along the supply chain of products.

#### ***4. Ecolabel use in developed and developing countries, and internationally***

**Ecolabel use in developed countries:** Ecolabel viability differs between and among developed and developing countries. The impetus to establish the first ecolabels in northern industrialized nations in Europe, North America, and Japan grew out of, on the one hand, increasing consumer awareness and concerns about the products they use, and, on the other, from a growing need for a new orientation in environmental policy-making to overcome the observed implementation gaps within environmental policy. Especially in the mid-1980s after the Chernobyl catastrophe, it appeared clear that legislative approaches alone were insufficient to protect the environment or provide adequate controls and incentives to meet the challenges of sustainable development<sup>28</sup>. Many ecolabels, especially VSS, were developed by non-governmental organizations (NGOs) taking leadership to overcome the impasse in environmental policy.

Initially, due to their market-based and voluntary character, the first ecolabels in Germany and the European Community (eventually the EU) were perceived as “stand alone” instruments in the field of product-related environmental policy. The innovative approaches that ecolabels and standards systems have taken – multistakeholder governance structures, precautionary principles, participatory approaches, and other aspects of modern environmental policy – have helped pave the way for integrated environmental policies around product in which ecolabels play an important link between production and consumption<sup>29</sup>.

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<sup>27</sup> Standards Map: <http://www.standardsmap.org/>

<sup>28</sup> UNEP Training Handbook “Ecolabelling: what it is and how to do it”, 2009.

<sup>29</sup> UNEP “Global Outlook on SCP Policies, taking action together”, 2011.

**History of the EU Ecolabel:** The European Community launched what became the EU Ecolabel (nicknamed the “EU Flower” for the shape of its logo) in 1992 as a “Europe-wide voluntary environmental scheme that consumers could trust.” This ecolabel worked to integrate existing and emerging standards across Europe. By the end of 2011, more than 1,300 licenses for 17,000 labelled products had been awarded. Licenses give companies the right to use the EU Ecolabel logo on a product group. If comparing types of products by the number of products certified, a little over one third of EU Flower-approved products are in the category of hard floor coverings. This is followed by indoor paints and varnishes at 14%. All-purpose cleaners and tissue paper each occupy about 10% respectively. Nearly half of all products awarded the EU Flower come from Italy, with 22% coming from France and 9% from the UK.

The EU Ecolabel is governed by the European Commission’s Directorate General for Environment (EC-DGE), along with its Member States, as well as with participation by a balanced group of other stakeholders. Its functioning is set through Regulation (EC) No 66/2010 of the European Parliament and of the Council of 25 November 2009. Like most ecolabel schemes, the EU Ecolabel is voluntary, based on lifecycle thinking, and has established mechanisms for selection of a product category and criteria development.

Ecolabels operate best where there is sufficient regulatory and non-regulatory pressure for environmental improvement: government policy, consumer awareness, institutional infrastructure, a culture of transparency, adequate quality controls, market trust, and business maturity to support a programme. Therefore, ecolabels are often difficult, costly, and lengthy to implement. Labels need to be relevant in the market as well, reaching consumers and aligning to their preferences. Ecolabels often rely on government funding during their initial phases.

John Polak, a former GEN chairman, noted during an interview that it took 12 years for Canada’s ecolabel to become self-sufficient and free from government funding. Meanwhile, he noted that India’s ecolabel has been in place since the 1990s, yet it has had a relatively insignificant impact because of lack of political support or recognition by the population. The inference is that not every country can develop and operate a fully-fledged Type I ecolabelling programme due to the lack of the important prerequisites for success.

**Table II: Membership in the Global Ecolabelling Network (GEN):**

**OECD Country Schemes:** Australia, Czech Republic, Germany, Israel, Japan, Korea, New Zealand, USA, Sweden (SSNC, TCO).

**Other Country Schemes:** Brazil, China, Indonesia, Malaysia, Philippines, Russia, Thailand, Ukraine, Croatia, Hong Kong (GC, and HKFEP) Chinese Taipei Singapore.

**Regional Schemes:** EU, Five Nordic Countries.



**Ecolabel use in developing countries:** The process of economic globalization and trade liberalization has transferred ecolabels to developing countries and encouraged their uptake as a prevalent and credible way of communicating product environmental and social performance. Developing countries often have higher percentages of SMEs, lax regulatory frameworks, and weaker non-regulatory pressures. However, despite lack of necessary prerequisite conditions, a number of countries—mostly emerging economies—have started putting in place robust national environmental policies, including initiatives to create and use domestic and regional ecolabelling schemes as resource constraints, global climate change, and other pressing environmental issues became part of national development strategies and international competitiveness considerations.

Even though ecolabels may be harder to create in the context of developing countries, these types of market-based and voluntary approaches can be helpful in encouraging and improving compliance with statutory mandatory requirements. In contrast, in industrialized countries, ecolabels and other voluntary approaches are often used to create additional incentives for companies to perform above minimum compliance levels. These differences indicate that voluntary regulations in developing countries have higher stakes for success<sup>30</sup>. The development of new national ecolabel schemes signal important changes in the capacity of developing countries and also trends of growing consumer awareness that are making such voluntary approaches viable policy options. Indrani Thuraisingham of the Consumers International (CI) Regional office for the Asia Pacific notes that surveys by CI and other groups demonstrate the preference of consumers in developing countries for products supported by credible environmental claims as long as prices are not much higher than those of non-labelled products.

Having the right government, civil society, and business partners is another prerequisite for the success of an ecolabel. John Polak, former Chair of the Global Ecolabelling Network (GEN) emphasized the difficulty of getting an ecolabel off the ground if the government partner is not strong and motivated. Trade dynamics also factor into the viability of a label, such as whether there are incentives for firms exporting to a given country to seek ecolabels for their products. As the number of ecolabels has grown, the harmonization of various ecolabels' aspects across countries and regions have become stronger trends in recent years, though some fundamental difficulties remain, which are addressed below.

#### 4.a Global and Regional Ecolabel Cooperation

**The Global Ecolabelling Network (GEN)** is the main global body that promotes ecolabelling awareness, builds capacity, facilitates exchanges, and works toward improvement of national ecolabels at the international level, and has developed tools in support of these goals. GEN's international cooperation efforts include the Technical Assistance Programme (TAP), focusing on capacity building and mentoring of less mature programmes, the GEN Code of Good Practice based on relevant aspects of ISO 14024 which represent the rules of GEN membership<sup>31</sup>. GEN has also promoted and supported a number of bilateral and multilateral Mutual Recognition Agreements (MRA) that cover mutual recognition of testing and verification, common core criteria (CCC) and mutual recognition of certification. In 2003, GEN created GENICES—the Global Ecolabelling Network's Internationally Coordinated Ecolabelling System. The GENICES is similar to an accreditation process that enables trust building among ecolabelling programmes towards creating mutual recognition of programmes and other harmonization processes. It uses peer review of ecolabels and other mechanisms to ensure

<sup>30</sup> Blackman A., "Can Voluntary Regulation Work in Developing Countries? Lessons from Case Studies". The Policy Studies Journal, Vol 36, No 1, 2008.

<sup>31</sup> GEN Discussion Paper on Enhanced Cooperation

[http://www.globalecolabelling.net/about/activities/documents/gen\\_discussion\\_paper\\_on\\_.htm](http://www.globalecolabelling.net/about/activities/documents/gen_discussion_paper_on_.htm)

the robustness of the procedures and processes for all GEN members.

GEN notes that its expert third-party assessments based on ISO 14024 allow ecolabelling to deliver improved credibility and legitimacy to companies and allows these companies to be recognized as having increased responsibility, efficiency, and effectiveness. About one third of GEN members have been through the GENICES process and many have started the process or expressed their intention of doing so. There are a number of noteworthy mutual recognition initiatives, for example, the development of CCC on paint, toner cartridge, television, VDO/DVD Player, multifunction device between the programmes of Thailand, South Korea, Taiwan, and Japan. The same programmes have also implemented a mutual recognition system that recognizes testing and verification results in different countries. This reduces time and compliance for companies applying for the ecolabels in multiple countries. While a single certification process is not possible due to different environmental conditions in each country that define the product criteria for ecolabels, harmonization of the activities behind ecolabelling schemes through CCC or other approaches remains important to ensure better efficiency, better access of the ecolabelling programmes, and enhance other benefits promised by ecolabels.

**Regional initiatives**, such as the African Ecolabelling Mechanism (AEM) and the Regional Cooperation on Ecolabelling for Southern Cone Countries projects represent the largest developing country cooperation projects to use an ecolabel approach. Though both processes have started with the intention

of developing Type I ecolabels, due to nuances of the African context and dynamics of relations among regional countries, the result may not be necessarily a traditional ISO Type I ecolabel programme. This has much to do with especially the AEM's focus on agricultural, fish, or other products rather than the traditional ecolabel product coverage of consumer manufactured goods. The main intended objective of this pan-African cooperation is the creation of Eco Mark Africa that will "provide sustainable African products with a credible and home-grown label that verifies their environmental preferability and superior quality over competing conventional products<sup>32</sup>". The African Union supported the launch of this project under the African 10YFP on SCP. The EMA intends to use a two-track approach, firstly allowing for direct conformity assessment and certification of sustainable African products. The EMA secondly has a benchmarking system that provides a technical framework for assessing equivalency between existing ecolabels using the EMA Standards.

The UNEP-led project "Regional Cooperation on Ecolabelling for Southern Cone Countries: Argentina, Brazil, Chile, Paraguay and Uruguay" takes into account various initiatives happening in the region, facilitates the exchange of information and experiences, supports the development of regional cooperation on ecolabelling, and promotes the role of public procurement in creating demand for more sustainable products. This project is in its initial phase of conceptual development and any resulting system will depend on on-going feasibility assessments and available resources for further implementation.

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<sup>32</sup> Eco Mark Africa <http://www.ecomarkafrica.com/objectives.html>

## II. Major debates around voluntary labelling and standards

This section is critical to understanding the rationale of this project. It summarizes key challenges and opportunities in assessing the trade and development effects of ecolabelling. The first half of the section presents the findings of recent studies that show promising links between sustainability improvements and the use of ecolabels and voluntary standards, as well as trends pointing to increasingly sophisticated measurement and reporting of impacts through common indicators and data. It then explores some of the potential costs and benefits of ecolabels versus other possible policy or market-based interventions, and how ecolabels function in such an ecosystem, analyzing the costs of implementing from a government policy and fiscal perspective while also acknowledging the cost to producers and others in the value chain. The second half of this section then reviews the debates about ecolabels and trade, particularly the debates about ecolabels as possible barriers to trade. This section also includes possible implications of recent World Trade Organization (WTO) cases and other issues affecting Technical Barriers to Trade (TBT) discussions, and the relevance of this UNEP project to the debates.

### **1. Assessing the links between ecolabels, markets, and policies**

**Impacts of ecolabels and VSS:** Based on the literature and practices related to ecolabels and VSS, there is no consensus on methodology for measuring and evaluating the costs, benefits, and impacts of these systems which makes

data gathering challenging. In 2002, OECD-supported roundtables expressed concerns about the lack of impact data around ecolabels and standards, with participants noting that, although they saw positive environmental possibilities with early ecolabels, determining cause and effect relation was difficult<sup>33</sup>. However as the number of ecolabels grows and as stakeholders increasingly demand to know the impacts of these systems, it is critical to develop a consistent body of evidence of their economic, social, and environmental effects to justify the investments necessary to develop and use ecolabelling systems and understand conditions under which they are the most effective.

For example, as VSS members of the ISEAL Alliance implement the ISEAL Impacts Code, it is expected that possible correlations between VSS and sustainability impacts can be measured year on year based on relevant indicators<sup>34</sup>. Efforts like the Committee on Sustainability Assessment (COSA), a consortium of NGOs comparing the social, environmental, and economic impacts of various agricultural related standards and best practices<sup>35</sup>, along with other studies, are beginning to show links between certification and improved livelihoods, but in-depth analysis across various systems is still immature<sup>36</sup>.

Most recently, RESOLVE convened a consortium of leading researchers and practitioners to examine the impacts of sustainability standards. The report “Toward Sustainability: The Roles and Limitations of Certification” concluded that short-term direct

<sup>33</sup> Vangelis V., “Round Table on Sustainable Development: Private Voluntary Ecolabels: Trade Distorting, Discriminatory and Environmentally Disappointing”, Organisation for Economic Cooperation and Development, 2002.

<sup>34</sup> The ISEAL Impacts Code: <http://www.isealalliance.org/our-work/codes-of-good-practice/impacts-code>

<sup>35</sup> Committee on Sustainability Assessment: <http://www.sustainablecommodities.org/cosa>

<sup>36</sup> For example, Waart Y., Ge L., Ton G., and Jansen D., “Sustainable tea production in Kenya: Impact assessment of Rainforest Alliance and Farmer Field School training” LEI, 2012, the Hague, or Steering Committee of the State-of-Knowledge Assessment of Standards and Certification, “Toward sustainability: The roles and limitations of certification” Washington, DC, 2012, RESOLVE, Inc. available [www: www.resolve.org/certificationassessment](http://www.resolve.org/certificationassessment).

social, environmental, and economic benefits were limited but widespread<sup>37</sup>. The study found that long-term results are both hard to quantify and hard to attribute to any single intervention such as ecolabelling or standards, especially because certifications and standards work best along with a suite of other public policy options. The report notes the common problem among sustainability interventions to lack strong causal or even correlative evidence, thus preventing the formation of robust conclusions about their effectiveness. Monitoring and impact assessment has not yet been effectively implemented. The report also notes that the indirect impacts of standards and certification, such as changes in management systems at the production level or civil society involvement in capacity building, may be substantial and more certain at this time than the more inconclusive direct impacts.

**Evaluating the costs of ecolabels, VSS, and company codes of conduct versus government policy options:** From a policy and fiscal point of view, an argument can be made that ecolabels and VSS are less costly than policing environmental performance through traditional command and control approaches. This is because voluntary tools give market incentives for companies to invest in cleaner technology and better management practices, which can be cheaper than establishing and enforcing a regulation. The argument can be enhanced if the ecolabelling programmes become economically self-sufficient. At the moment, not all programmes are completely financially independent, except in a few countries, such as Canada, USA, Japan, Hong Kong, or New Zealand to name a few. Established and successful VSS also have the potential to be economically self-sufficient as the FSC and others have done. Through ecolabels and VSS, the cost of meeting environmental objectives can thus be shared between producers, companies, governments, and consumers.

This is not to say that traditional command and control policy should be ignored. In fact, ecolabels or VSS encourage environmental compliance of only a certain percentage of the market and cannot be seen as substitutes for environmental regulation. Ecolabels need to be supported by regulatory and other mechanisms to realize their full market functions. As noted above in the context of countries where regulatory frameworks are incomplete or their enforcement is lax, voluntary approaches increase incentives for legal compliance<sup>38</sup>. Therefore, ecolabels and VSS work best in value chains that are also subject to a mix of regulations and voluntary means of promoting sustainable production and consumption.

**The costs of ecolabels and VSS:** The main costs of ecolabelling and VSS fall into two main categories<sup>39</sup>:

1. The first costs are around application fees (paid to the ecolabel programme); evaluation fees (paid to the ecolabel programme); compliance monitoring (paid to the ecolabel programme), actual certification (conformity assessment) fees or other fees associated with assurance of conformity with the standard or ecolabel criteria (for ecolabels, this means certification and auditor fees paid to independent accredited certifiers, auditors and/or laboratories while for VSS, this means some kind of assurance process fees such as conformity assessment or other fees); programme and licensing fees (paid to the ecolabel programme and sometimes to VSS).<sup>40</sup>
2. The second group of costs is associated with changing production practices, such as the actual changing of machinery and human resources, both of which require varying types and amounts of social, political, and economic capital.

<sup>37</sup> Steering Committee of the State-of-Knowledge Assessment of Standards and Certification, "Toward sustainability: The roles and limitations of certification" Washington, DC, 2012, RESOLVE, Inc. [www: www.resolve.org/certificationassessment](http://www.resolve.org/certificationassessment).

<sup>38</sup> Blackman A., "Can Voluntary Regulation Work in Developing Countries? Lessons from Case Studies". The Policy Studies Journal, Vol 36, No 1, 2008

<sup>39</sup> The Europe and NIS Regional Round Table "Sustainability standards in international trade: Hurdles or opportunities?" UNIDO General Conference, Thirteenth Session 7 – 11 December, 2009, Vienna:

[http://www.unido.org/fileadmin/user\\_media/UNIDO\\_Worldwide/Europe\\_and\\_NIS\\_Programme/Documents/EuropeNIS2009.pdf](http://www.unido.org/fileadmin/user_media/UNIDO_Worldwide/Europe_and_NIS_Programme/Documents/EuropeNIS2009.pdf)

<sup>40</sup> This ecolabel cost schedule is based on preliminary research by Anastasia O'Rourke at BigRoom ([www.bigroom.ca](http://www.bigroom.ca)).

Based on conversations with companies and consultants involved in this project, estimates of the cost of applying for a single product to receive, for example, EU Ecolabel certification is, on average, between 5,000 and 6,000 Euros per product. It can be cheaper depending on a particular ecolabel programme. Few ecolabels, including the EU Ecolabel, offer discounts for small-scale firms from developing countries. With an ecolabel, the producer pays for its cost while suppliers comply with a company code of conduct based on ecolabels' criteria.

Due in part to the sheer number and different purposes of ecolabels and other systems, companies also face difficulties trying to understand and choose the labels and standards that best fit their needs. These information challenges translate into costs for companies and are one of the main challenges this project was designed to address. Given that the economic costs of such tools often fall on producers and others in the value chain, cataloguing and evaluating the potential economic benefits of ecolabels for producers is crucial.

**The economic benefits of ecolabelling and VSS:** New Zealand's ecolabelling programme, Environmental Choice, lists several positive aspects of ecolabel use, such as improved economic efficiency, reduced consumer information costs, crowding out of "green washing" claims, validation of product information, raising environmental awareness, and reducing impacts of consumption on the environment<sup>41</sup>. Theoretically, all of these benefits could apply to any credible environmentally-related label and can work at the national or international level. Company credible supply chain tools such as codes of conduct and auditing could also provide some of these benefits. These benefits are useful to keep in mind when considering the rationale of increasing the number of ecolabelled activity in international trade, which was another important goal of this project.

From producers', manufacturers', buyers', and brands' points of view, benefits in using ecolabels and VSS stem from possible reputational enhancement of the brand associated with such tools, improved relationships between suppliers and purchasers, consumer recognition, and possible purchasing preferences by buyers in certain markets, which can lead to better market access. As demonstrated by the case of the Caborca company in Mexico (see Section III), companies may also enjoy some less tangible benefits resulting from improvements in management systems or morale among employees, together with more measurable benefits like cost savings. Additionally, such experience also better prepares companies for addressing emerging sustainability-related issues, imminent environmental regulations and supply chain requirements.

Price premiums on certified goods are often quoted as a main driver for producers to apply for an ecolabel, but these premiums are not always assured. There are systems like Fairtrade that are specifically designed to give producers additional income. Fairtrade "premiums" include a minimum "floor" price for agricultural goods and usually a "premium" of money to be spent on community development<sup>42</sup>. Depending on the market situation with a specific product category, certified products can demand a higher price. For example, the FSC may have price premiums due to current certified wood supply shortages, which can be up to 30% above normal market prices<sup>43</sup>. Standards are increasingly being used by companies to secure supply of commodities that face potential future shortages or sustainability challenges, which can add pre-competitive costs that may be passed onto consumers.

**Consumer willingness to pay for 'greener' products:** For ecolabelled products, the likelihood of fetching a higher price is also

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<sup>41</sup> New Zealand Environmental choice website: [http://www.enviro-choice.org.nz/about\\_ecnz/eco\\_labelling/](http://www.enviro-choice.org.nz/about_ecnz/eco_labelling/)

<sup>42</sup> For example, <http://www.fairtrade.net/>, <http://www.fairtradeusa.org/>, and <http://www.wfto.com/>

<sup>43</sup> Based on personal interviews with Chinese wood product companies exporting FSC-certified wood products using FSC chain-of-custody.



dependent on recognition of the label and actual willingness of consumers at the retail level to make environmentally-friendly purchasing decisions, which rest on market conditions and sustainability culture among populations at the point of sale. A 2007 survey by McKinsey and Company reported in the *European Financial Review* found that 87 percent of consumers “are concerned about the environmental and social impacts of the products they buy”<sup>44</sup>. But only 33 percent of those consumers said they “are ready to buy green products or have already done so”<sup>45</sup>. Such survey statistics reveal how consumers’ stated willingness to pay is often very different from actual behaviour. Nevertheless, if variables like price and product specifics are held constant, consumers—especially European consumers—are more willing to buy products they perceive as more environmentally friendly<sup>46</sup>. Among emerging economies, consumers of China, India, and Brazil also prefer to buy products with stronger environmental benefits<sup>47</sup>.

**Promoting and driving the uptake of credible labels:** The report “*Signed, Sealed... Delivered? Behind Certifications and Beyond Labels*” by SustainAbility<sup>48</sup> outlines what they call the “4Ds” of labels and standards that help companies *define* sustainability issues, *deliver* impacts on the ground, *demonstrate* the impacts to civil society and other stakeholders, and respond to *demand* for better sustainability impacts from business-to-business or business-to-consumer customers. The report found that labels themselves should not be looked at separately from company action to spur demand for sustainable products, nor should ecolabels rely on individual consumers as the drivers of uptake. Other influential actors in the marketplace can also help create demand for certified products in more formal and consistent ways. Ecolabels have been

successfully used in sustainable public procurement (SPP), in which governments in their capacity as large consumers in the market demand products with stronger environmental performance. In this respect, one of the main benefits of ecolabels is that they provide proof of compliance with environmental norms and principles, thus saving costs in verification and auditing. Moreover, the criteria used by ecolabels to define these norms and principles are also often used as technical specifications of products in tender documents issued by public authorities, which influence bidding companies’ sustainability performance.

**National versus international scale:** Some countries such as Germany and the Nordic countries have high consumer recognition of their national and regional labels due to these labels’ long history and established reputations. Heather Mak, an author of the report “*Signed, Sealed... Delivered? Behind Certifications and Beyond Labels*”<sup>49</sup>, noted during the interview for this report that country-specific labels were sometimes hard to get buy-in from other countries. Companies and consumers often preferred global labels like the Marine Stewardship Council (MSC) or the FSC over local ones. Such international labels were perceived to have more stakeholders involved and to be more widely recognized, and therefore more accepted in international markets. This may be partly attributable to the fact that consumers and producers may not always be aware of the differences between VSS, which focus on specific hotspot in a lifecycle stage of a product, versus LCA thinking-based ecolabels that address key lifecycle concerns. The example thus highlights the importance of convergence on what product sustainability means and creation of interoperability and mutual recognition between various labelling

<sup>44</sup> The European Financial Review “Cultivating the Green Consumer” <http://www.europeanfinancialreview.com/?p=473>

<sup>45</sup> *ibid*

<sup>46</sup> Eurobarometer “Consumer understanding of labels and the safe use of chemicals”, 2010, [http://ec.europa.eu/public\\_opinion/archives/ebs/ebs\\_360\\_en.pdf](http://ec.europa.eu/public_opinion/archives/ebs/ebs_360_en.pdf) (2010)

<sup>47</sup> National Geographic, Greendex. <http://environment.nationalgeographic.com/environment/greendex/>

<sup>48</sup> SustainAbility “Signed, Sealed... Delivered? Behind Certifications and Beyond Labels”, 2011, <http://www.sustainability.com/library/signed-sealed-delivered-1#.UE9XDKlqH0M> (2011).

<sup>49</sup> *ibid*

systems. This has been raised as a key challenge in the field of product sustainability information, also by those involved in the project. This issue is revisited in the recommendations in Section V.

**In conclusion**, the costs and benefits of ecolabels and VSS compared to other tools with potentially similar sustainability impacts depend in large part on incentives provided to and choices made by value chain actors. However, these incentives and choices are not clearly understood and defined, even if many ecolabels have achieved market recognition and are considered successful. The role of ecolabels, as part of a comprehensive set of initiatives including regulation and voluntary approaches for SCP patterns, has been widely supported. It is important for policy-makers, business leaders, civil society, and other stakeholders to develop consensus around methodologies for evaluating ecolabel impacts and effectiveness compared to other similar systems. It is important that all of the stakeholders involved in defining and developing the approaches discussed above continue to work together to compile and build comprehensive value chain data necessary to evaluate when and where ecolabels, VSS and other tools are providing which benefits and at what costs. Settling these questions are especially important in light of the challenges levelled against ecolabels as potential barriers to trade.

## **2. Ecolabels and international trade: current debates and future considerations**

Ecolabels as voluntary market-based mechanisms have been the subject of international trade debates. This section discusses key arguments in these debates and reports its current status. Understanding these issues can help to explain the context in which this project was set up and assess whether the project's responses were relevant, especially the

objective to redefine voluntary environmental labelling more as a tool for promoting trade opportunities rather than a barrier.

### **2.a Framing debates about ecolabels as potentially trade-restrictive measures**

International trade debates around ecolabels focus largely on non product related production and processing methods (NPR-PPMs), which include anything other than the physical characteristics of a product. In the case of most ecolabels, these are the environmental impacts of products. NPR-PPMs are governed by rules and disciplines of the WTO, which largely apply to government standard setting bodies, while some ecolabels, and especially VSS, are developed and governed by non-governmental organizations or private bodies<sup>50</sup>. The two main issues for ecolabels and VSS at the WTO level have been whether they can be considered an “international standard” that is open to all and whether or not they represent a “*de facto*” condition for market entry, and thus a barrier to trade.

The GATT (as the precursor to the WTO) established conditions under which environmental issues could be considered acceptable in international trade under its Article XX on General Exceptions, specifically part b on issues “necessary to protect human, animal or plant life or health”, or part g “relating to the conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption<sup>51</sup>”.

Generally, WTO principles and rules only allow members to adopt trade measures based on PPM that manifest in the characteristics of final products, but there are significant exceptions and rules governing these exceptions.

A trade-related concern about ecolabels is that voluntary standards and ecolabels become baseline requirements for market entry and

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<sup>50</sup> Rotherham T., “The Trade and Environmental Effects of Ecolabels: Assessment and Response”, United Nations Environment Programme, 2005.

<sup>51</sup> Rotherham T., “Standards and Labelling”, in “Trade and Environment: A Resource Book”, edited by Adil Najam, Mark Halle, Ricardo Meléndez-Ortiz, IISD International Centre for Trade and Sustainable Development (ICTSD) and the Regional and International Networking Group (The Ring), 2007.

then eventually become embedded in policy instruments and technical regulations<sup>52, 53</sup>. By doing so, these approaches have the risk of ignoring local environmental, technological, or cultural appropriateness, or the risk that vested interests from domestic industries take over the creation of standards and ecolabels. Developing countries especially have been concerned about the unilateral nature of some ecolabelling systems used in and developed by and for the environmental objectives of industrialized countries. In this context, the issue of extraterritoriality is often mentioned, whereby rules made in one country get applied in another.

The Marrakech Agreement in 1994, which founded the WTO, established the Agreement on Technical Barriers to Trade (TBT). It outlines basic agreements about national-level rules governing social, health, or environmental impacts of a product during its production or use lifecycle and sets when and how such requirements may be allowed, including notification, use of appropriate international standards, and transparency in developing the rules. According to the WTO, the Agreement on TBT “tries to ensure that regulations, standards, testing, and certification procedures do not create unnecessary obstacles, while also providing members with the right to implement measures to achieve legitimate policy objectives, such as the protection of human health and safety, or the environment<sup>54</sup>”. The Agreement on TBT requires that labelling not be more trade restrictive than necessary, and that foreign and domestic products receive similar treatment<sup>55</sup>.

While the Agreement on TBT applies to mandatory measures, voluntary approaches,

including ecolabels, are covered by the Code of Good Practice<sup>56</sup>. WTO Members are under obligation to ensure that all standard setting bodies, irrespective of their status (governmental or non-governmental), accept the Code of Good Practice. Provisions include the need for transparency in standard setting processes, coherence and harmonization among specific issues guiding the establishment and operations of voluntary measures, making standards publicly available, and other efforts to establish good practices, which are important practices followed by ecolabels and VSS.

The most recent “Doha round” of trade negotiations included a WTO Ministerial decision not to make ecolabelling part of any round of trade negotiations, but paragraph 32 of the Doha WTO Declaration stated that “labelling requirements for environmental purposes” should be further studied by the WTO’s Committee on Trade and Environment (CTE)<sup>57</sup>.

In the context of global trade, if labelling schemes are not applying the principles of objectivity, transparency, fairness, and inclusivity in standard setting, they can create market entry barriers. This was highlighted in a 2009 UNIDO report that raised concerns about ecolabelling increasing the risk of protectionism masked as environmental or social PPM rules<sup>58</sup>. The 1990 “Dutch Butterfly” case is illustrative. Uzbekistan organic tomatoes were barred from being sold in the Netherlands because the Dutch “Butterfly” ecolabel could only be awarded to companies registered under Dutch vegetable auctions, and only Dutch companies could register for those auctions. This has been cited in OECD

<sup>52</sup> *ibid.*, p. 180.

<sup>53</sup> Vitalis V., “Round Table on Sustainable Development: Private Voluntary Ecolabels: Trade Distorting, Discriminatory and Environmentally Disappointing”, OECD, 2002.

<sup>54</sup> World Trade Organization “Technical barriers to trade” See Articles 2.1, 2.2, and the preamble to the TBT agreement [http://www.wto.org/english/tratop\\_e\\_tbt\\_e/tbt\\_e.htm](http://www.wto.org/english/tratop_e_tbt_e/tbt_e.htm)

<sup>55</sup> UNEP “Environment and Trade: A Handbook”, 2nd Edition, IISD, 2005, pp. 38-9.

<sup>56</sup> WTO Agreement on Technical Barriers to Trade, Annex 3: Code of Good Practice for the Preparation, Adoption and Application of Standards [https://www.wto.org/english/docs\\_e/legal\\_e/17-tbt\\_e.htm#annexIII](https://www.wto.org/english/docs_e/legal_e/17-tbt_e.htm#annexIII)

<sup>57</sup> Doha WTO Ministerial 2001: Ministerial Declaration, 20 November 2001 [http://www.wto.org/english/thewto\\_e/minist\\_e/min01\\_e/mindecl\\_e.htm](http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.htm)

<sup>58</sup> The Europe and NIS Regional Round Table “Sustainability standards in international trade: Hurdles or opportunities?” UNIDO General Conference, Thirteenth Session 7 – 11 December, 2009, Vienna: [http://www.unido.org/fileadmin/user\\_media/UNIDO\\_Worldwide/Europe\\_and\\_NIS\\_Programme/Documents/EuropeNIS2009.pdf](http://www.unido.org/fileadmin/user_media/UNIDO_Worldwide/Europe_and_NIS_Programme/Documents/EuropeNIS2009.pdf)



reports as a case of national ecolabel schemes not allowing third parties to participate<sup>59</sup>. Ecolabels and VSS have been aware of these concerns and addressed them, to varying degrees, through best practices (described in Section I) by ISO, GEN, and the ISEAL Alliance.

From a developing country perspective, having greater WTO scrutiny of ecolabelling and standards could be a double-edged sword. On the one hand, more WTO rules could bring greater scrutiny to sectors in which short-term economic competitiveness is perceived by some to have been adversely affected by standards or ecolabels. Such

attention could further push WTO disciplines into standards setting processes and thus reduce the risk of standards being set unilaterally or without common criteria. On the other hand, establishing precedents at the WTO level could entrench rules that may eventually make it hard to bring cases to the WTO against standards that are seen to be restricting trade.<sup>60</sup> At the same time, within the WTO, least developed countries (LDCs) have insisted on financial and technical assistance to be able to meet the health and environmental standards of developed countries.<sup>61</sup> Such considerations are seen to play out in the cases below.

### Case study I: WTO rulings on Tuna-Dolphin and Shrimp-Turtle cases

The cases related to the “dolphin-safe” tuna standard and the Shrimp-Turtle cases against the United States provide good overviews of issues related to the use of international standards and national standards in addressing NPR-PPMs and TBTs.

**The Tuna-Dolphin case:** The background of this case is that in 1991, a GATT dispute settlement panel ruled against the United States (US) bans on Mexican-caught tuna, prohibiting tuna imports from countries without proper dolphin conservation methods. The US ban applied specifically to Mexican trawling methods that killed more dolphins than acceptable by US standards. Mexico argued that the US ban violated its rights under GATT by imposing a law extraterritorially, while the United States argued that Mexico was not doing enough to protect dolphins. The GATT ruled that the United States could not prescribe PPMs. In response to this decision, the United States introduced its national “dolphin safe” tuna label. A case brought against the US in 1992 by the Netherlands Antilles found that the US dolphin safe tuna label was consistent with GATT. At the same time, the ruling found that Article XX of GATT did not uphold the United States’ right to protect animal or plant life beyond its borders and that such attempts were examples of extraterritoriality<sup>62</sup>.

**The Shrimp-Turtle case:** The issue of PPMs was revisited in the US *Shrimp-Turtle* case, brought to the WTO by countries affected by a US ban on live caught shrimp from countries that did not employ technology similar to that specified by the United States to ensure endangered sea turtles would not drown in nets. The WTO Appellate Body upheld the United States’ PPM-based measure under the GATT Article XX(g), thus reversing the earlier interpretation of the article in the 1991 case. Nevertheless, the Body found that the United States was at fault on processes such as specifying technology – the turtle excluder device (TED) – rather than specific environmental objectives; not recognizing exporting country regulations that met US requirements; failing to explore multilateral processes for achieving similar objectives; failing to consider the cost of TEDs in developing countries; and not giving complainant countries as much time to comply with the regulations as other countries<sup>63</sup>.

<sup>59</sup> Vitalis V., “Round Table on Sustainable Development: Private Voluntary Ecolabels: Trade Distorting, Discriminatory and Environmentally Disappointing”, OECD, 2002.

<sup>60</sup> Veena J., “Ecolabels from a Southern Perspective”, in “Trade and Environment: A Resource Book”, edited by Adil Najam, Mark Halle, Ricardo Meléndez-Ortiz, IISD, International Centre for Trade and Sustainable Development (ICTSD) and the Regional and International Networking Group (The Ring), 2007.

<sup>61</sup> Cameron H., “The Evolution of the Trade and Environment Debate at the WTO”, in “Trade and Environment: A Resource Book”, edited by Adil Najam, Mark Halle, Ricardo Meléndez-Ortiz, IISD, International Centre for Trade and Sustainable Development (ICTSD) and the Regional and International Networking Group (The Ring), 2007.

<sup>62</sup> *ibid*, p. 4

<sup>63</sup> UNEP “Environment and Trade: A Handbook” 2<sup>nd</sup> Edition, IISD, 2005, p. 32.

This case became one of the first WTO precedents for understanding the conditions under which PPMs can be considered acceptable. It justified the imposition of “conditions on import PPMs to accomplish environmental objectives both outside their jurisdiction and in the global commons” as long as such restrictions did not discriminate against WTO members<sup>64</sup>. This case also marked a major milestone in international environmental protection through trade.

**The *Tuna-Dolphin* case revisited:** In 2008, Mexico requested a WTO consultation over US requirements for its dolphin-safe tuna label. In 2011, a WTO Dispute Resolution Panel sided mostly with Mexico. The WTO ruled that, even if a label’s use is optional, it can be considered “mandatory” if the use of the “voluntary” label is in practice de facto, or when the use of application of the label is regulated by the state, which was upheld in a May 16, 2012 Appellate Body ruling<sup>65</sup>. The crux of the issue is whether a technical regulation is considered more restrictive of trade than necessary. In this case, it was ruled that US buyers of fish did not take into account alternatives to achieving the goals of the label and that it was more trade restrictive than an alternative label suggested by Mexico.

Article 2.4 of the TBT Agreement requires that countries base their technical regulations on existing international standards and norms when they exist. In this case, Mexico argued under Article 2.4 that the Agreement on the International Dolphin Conservation Programme (AIDCP) was the relevant international standard and should be used as the benchmark for the US’s dolphin-safe label. The panel rejected this because they did not see the AIDCP as an equivalent standard capable of providing the level of environmental protection under the US label. Nevertheless, the Panel did define what constitutes an international standard. In this case, they said the AIDCP qualified because the organization had a constitution, its own administration, and open membership. The Appellate Body in 2012 reversed the Panel’s finding that the AIDCP was a relevant international standard within the meaning of Article 2.4 of the TBT Agreement because AIDCP is invitation-only and that the Panel was wrong in declaring the AIDCP to be “open to the relevant body of every country and is therefore an international standardizing organization<sup>66</sup>”.

In this case, for the first time, the WTO began to define what constitutes an international standard. Among the considerations was that a standard had to be adopted by an international standards body or standards organization, and that the standards organization had to have a constitution, its own administration, and open membership.

## 2.b Possible issues and implications of the recent *Tuna-Dolphin* WTO case for ecolabels and VSS

One key aspect of the *Tuna-Dolphin* case is whether or not VSS or ecolabels are set through transparent and multilateral processes, which would protect them under WTO guidelines on TBT. This is probably less of a concern to ecolabels than it is to VSS, especially since it

remains to be seen whether countries that cannot comply with EU ecolabels would seek WTO arbitration against the EU. This seems unlikely under current circumstances, but the *Tuna-Dolphin* case suggests that ecolabels — particularly developed country ecolabels — are vulnerable when a country’s own ecolabel is used for government procurement or if an ecolabel is considered the norm of the sector. For example, if market demand for office paper

<sup>64</sup> Rotherham T., “Standards and Labelling”, in “Trade and Environment: A Resource Book”, edited by Adil Najam, Mark Halle, Ricardo Meléndez-Ortiz, IISD, International Centre for Trade and Sustainable Development (ICTSD) and the Regional and International Networking Group (The Ring), 2007, p. 181.

<sup>65</sup> “Mexico-United States dispute on dolphin-safe tuna: Implications of the latest ruling for the voluntary standards movement”, Board Briefing Note - November 2011 and Wilke M. and Schloemann H., “Not-so-voluntary labelling in the WTO tuna-dolphin dispute”, Bridges Trade BioRes Review, Volume 5 Number 3, International Centre for Trade and Sustainable Development, November 2011, <http://ictsd.org/i/news/bioresreview/117757/> For additional background on the case, see the World Trade Organization website “Dispute Settlement: Dispute DS381”: [http://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds381\\_e.htm](http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds381_e.htm)

<sup>66</sup> World Trade Organization “Dispute Settlement: Dispute DS381” [http://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds381\\_e.htm](http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds381_e.htm)

in a certain market leads to a *de facto* exclusion of non-labelled products, it is conceivable that this precedent could allow the WTO to rule against the ecolabel. In the case of an ecolabel, questions thus remain about whether or not it constitutes an “international” standard, and if not, what measures need to be taken to rectify. Some recommendations in this respect are noted in section V on recommendations. For example, it may be important to focus more on GENICES or other forms of mutual recognition or common criteria, which may allow ecolabels to be considered more “international” in light of WTO rules and disciplines. Another issue is to define under which circumstances technical regulations could be ruled more restrictive of trade than necessary. This falls under Article 2.2 of the TBT Agreement. The recent *Tuna-Dolphin* case shows that the WTO Panel sided with Mexico in saying that the label was deceptive because it misled consumers by suggesting that no dolphins are injured, when in fact some can be. The Panel also found fault with the label being granted to fisheries outside of Mexican fishing areas simply because they did not use the netting technique used by Mexico, even if those other techniques did not result in fewer harmed dolphins. The banning of this specific technique was the basis of the “dolphin safe tuna” label’s claims. Nevertheless, in May 2012, the Appellate Body reversed the Panel’s initial findings and found that alternative standards would not achieve the US policy objectives.

The implications for ecolabelling here are that labelling criteria for specific or unnecessarily restrictive techniques or technology could constitute possible barriers to trade if they are not absolutely integral to achieving specific policy objectives. Thus, an ecolabel developed for Europe may have criteria that are irrelevant for other countries and may in fact constitute unfair barriers to trade. Many stakeholders involved in this ecolabelling project noted, for example, the difficulties of labelling appliances that are used in different parts of Europe because usage patterns differ. The same argument could apply to the production,

shipping, use, or other aspects of other products’ lifecycles. The relevant questions then for ecolabelling organizations that seek mutual recognition and cross-border trade may be whether they are referencing international standards, for example the ISO 14020 General principles for environmental labelling or ISO 14021 guideline standards for Type I ecolabels, and whether they are in line with national and international policy objectives, and themselves represent international standards underpinned by necessary internationalization mechanisms to argue that they are international standards.

## 2.c Other issues affecting trade and voluntary labelling discussions

Many other debates and trends impact the likelihood that countries will use the WTO or other mechanisms to argue against ecolabels and VSS, some of which in coming years have the possibility of helping developing countries become “advocates” of such market-based mechanisms for sustainable production, consumption and trade, including:

- **The rise of private sector activities like corporate social responsibility (CSR) and the corresponding increase in ecolabel use:** The rise of activities that have been broadly characterized as CSR or corporate sustainability, often with corresponding suites of policies promoted by governments, have become a more important factor in the spread of some environmental requirements than, for example, many formal environmental or trade policies<sup>67</sup>. Companies of every size and geography, from leading corporations to small and medium enterprises, have become important drivers of sustainable procurement, which then increase demand for sustainable production and raise awareness of sustainable consumption issues.
- **Changing emphasis from the legality of ecolabels to the use of ecolabels:** As increasing numbers of WTO members have

<sup>67</sup> Rotherham T., “The Trade and Environmental Effects of Ecolabels: Assessment and Response”, United Nations Environment Programme, 2005.

begun to accept standards and ecolabels as legitimate policy tools, the focus has shifted from how to stop them to how to improve their use and effectiveness, and how to determine which standards and ecolabels are best to address which sustainability challenges. In this case the real barrier is seen in lack of institutional and technical capacity to deal with standards, especially in SMEs and developing countries<sup>68</sup>. Thus, emphasis has shifted away from legal arguments against ecolabels and more to dealing with the technical and institutional capacity in using ecolabels. This corresponds to the renewed emphasis on issues like the rule-making procedures of standards based on transparency and openness; increasing information and reducing barriers; increasing the affordability of conformity assessment; clear rules about accreditation; greater involvement of government actors; more databases about ecolabels and standards; local appropriateness and global consistency; and increasing the opportunities for developing country companies to benefit from ecolabelling. Countries like China have begun to assess which sustainability standards and ecolabels play the biggest roles in enhancing the competitiveness of Chinese TNCs<sup>69</sup>. Simi TB of the Consumer Unity and Trust Society (CUTS) noted that “an ecolabel when implemented properly helps to facilitate developing country exports, as the label enhances trust of the product among developed country consumers. When implemented in a biased, casual or non-transparent manner, it might pose a significant barrier to developing country exports”.

In addition to GEN’s work to increase international cooperation among national ecolabelling schemes, GEN has written that NPR PPMs can be overcome by efforts like not limiting access to the label, by following the TBT

Code of Good Practice, by increasing mutual recognition (particularly information exchange, mutual confidence, agreement on mutual recognition of testing and auditing, increasing mutual recognition of certification ), basing activities on ISO 14024, with the expected results of improved understanding and reduced barriers to use and acceptance<sup>70</sup>. ISEAL has developed a code of impact assessment to define and measure the effects of VSS, and other labelling systems should follow suit to demonstrate the effectiveness of ecolabels and build a solid business case for their use. Without such evidence, the likelihood of ecolabelling schemes being seen as barriers to trade remains high.

## 2.d Relevance of the UNEP project to the debate

This UNEP project attempts to illustrate that ecolabels and voluntary standards can be a trade opportunity instead of a barrier. The logic of this UNEP project has been to help developing countries take advantage of ecolabelling opportunities by building capacity to meet the criteria of ecolabels. Producers in developing countries increasingly have the ability and interest to meet standards set in export markets because they see the economic, social, and environmental benefits in doing so. As Silvia Ferratini, from DG Environment of the European Commission, noted in an interview for this report, by providing financial support to this project, the European Commission wanted to inform stakeholders how to use and benefit from ecolabels to overcome misperception of seeing them as barriers to trade. “Developing countries often fear that consumers may only prefer ecolabelled products, and thus they might not be able to meet ecolabel requirements. Instead, they could use ecolabel as an opportunity to improve their production patterns and to reach new segments of the market”.

<sup>68</sup> Rotherham T., “Standards and Labelling”, in “Trade and Environment: A Resource Book”, edited by Adil Najam, Mark Halle, Ricardo Meléndez-Ortiz, IISD International Centre for Trade and Sustainable Development (ICTSD) and the Regional and International Networking Group (The Ring), 2007, pp. 184-5.

<sup>69</sup> Long G., Zadek S., Wickerham J., “Advancing the Sustainability Practices of China’s Transnational Corporations”, IISD, 2010. <http://www.iisd.org/publications/pub.aspx?id=1304>

<sup>70</sup> Polak J., “Trade as an Environmental Policy Tool? Environment as a Trade Policy Tool? GEN, Ecolabelling and Trade” Global Ecolabelling Network, 2003 [www.wto.org/english/tratop\\_e/dda\\_e/symp03\\_gen\\_ecolab\\_e.doc](http://www.wto.org/english/tratop_e/dda_e/symp03_gen_ecolab_e.doc)

### III. UNEP project description, partners and structure

This section reviews the ‘Enabling developing countries to seize ecolabelling opportunities’ project’s implementers, partners, and other actors to explain the structure of the project and to frame the assessment of project impacts in Section III.

#### 1. Project overview and goals

This was a five-year project involving UNEP and multiple partners focused on lifecycle based ecolabels and involved multiple stakeholders from civil society, industry, and government to create an enabling environment for the use and promotion of ecolabels. The project aimed specifically to help developing countries choose one sector in which a product could be recognized by an ecolabelling scheme in Europe, selected as an export market with perceived demand for more sustainable products. After the selection of the sectors and existing relevant ecolabels, the European Ecolabel (also called the “EU Flower” for the shape of its logo) was selected for its regional character, which allows using the ecolabelled products in 30 states in the EU covered by the EU ecolabel programme.

In doing so, UNEP pursued wider objectives, namely:

- To improve access to regional, European, and global markets of environmentally friendly products from developing economies;
- To promote the mutual supportiveness of trade and environment especially in rapidly emerging economies such as Brazil, China, India, Mexico, and South Africa. To increase the international competitiveness of developing countries’ manufacturing products, such as Kenya’s and Ethiopia’s;

- To increase the reliability of ecolabels as marketing instruments;
- To change developing countries’ perceptions of environmental labelling from unintentional technical barriers to trade, to accessible tools to improve international competitiveness that can expand their national and international market shares when integrated into both national economic strategies and company business strategies<sup>71</sup>.

**Project rationale:** As necessitated by current debates about the roles of voluntary standards and ecolabels in promoting sustainable trade or as constituting barriers to trade and the growth of corporate sustainability around the globe, the project’s underlying rationale was that sustainable consumption and production tools are no longer seen as only for developed countries. Because trade continues to play an important role in the economic rise of emerging economies, it can be a vehicle to promote more sustainable production and consumption patterns. Lifecycle based ecolabels (mainly ISO Type I), as voluntary, participatory market-based tools, are both opportunities and challenges for developing countries. The project was designed with the realization that, in order for developing countries to benefit from ecolabels, they needed more and better information about voluntary standards and requirements in various export markets like the EU in order to meet ecolabelling requirements. The governments of developing countries also needed to understand ecolabels as tools to promote their own sustainable consumption and production frameworks and use integrated policy mix including various standards strategically in their development strategies.

<sup>71</sup> <http://www.unep.fr/scp/ecolabelling/background.htm>



**The overall objective of the project** was to increase the environmental efficiency of key export products and related industrial processes in the target countries supporting their industries' and governments' active contribution to the 10-Year Framework of Programmes on Sustainable Consumption and Production, adopted at the United Nations Conference on Sustainable Development (UNCSD) 'Rio + 20' Conference in June 2012, in order to increase the environmental efficiency of key export products and related industrial processes.

**The project's specific objective** was to increase the number of products produced in target countries reaching EU markets as ecolabelled with the EU Ecolabel or other European ecolabels. At a global level, the project focused on promoting cooperation among ecolabelling programmes. At country levels, the project focused on strengthening national ecolabelling systems.

**The project's expected results** were:

- Improved understanding and knowledge on ecolabelling diffusion, market penetration, barriers and capacity building needs in target countries and the establishment of multistakeholder dialogues;
- Strengthened capacity on ecolabelling and its application and promotion among key industry representatives, industrial designers and government decision-makers as well as local trainers in target countries;
- In each target country, at least one product started the process of obtaining the EU or another European country ecolabel and increased attention of government decision-makers to the question of promoting ecolabelling.
- Roadmap developed toward mutual recognition of ecolabelling schemes through increased cooperation among target countries' and European ecolabelling schemes.
- Lessons-learned from the project shared at regional and global level with as many potential users of ecolabels and ecolabelling

bodies as possible, leading to maximized possibility of replication of the experience.

**The project's main activities** were:

- Background and assessment activities, including the establishment of multistakeholder dialogues in the target countries;
- Capacity building on ecolabelling for industry representatives, industrial designers and government decision-makers;
- Technical assistance for industrial representatives willing to have the ecolabel awarded to their products and to government decision-makers developing policies for ecolabelling promotion;
- Exchange of information and knowledge on the opportunities and the procedures of increased cooperation among ecolabelling schemes;
- Development of a roadmap for greater cooperation and mutual recognition among ecolabelling programmes, especially those from developed and developing countries;
- Dissemination of project lessons learned at regional and international level and set the basis for the replication of the experience.

The project also aimed to achieve multiplier effects, leveraging larger countries influence in the region such as India, China, Brazil, Mexico, or South Africa to engage its neighbours in the process, which could affect trade and production patterns.

## **2. Partners, targets, roles and activities**

UNEP carried out all project activities in close collaboration with national and international partners, as well as with other expert consultants.

**The project's specific implementation steps** included:

- Baseline assessment studies to understand the ecolabelling diffusion, market

penetration possibilities and related policy frameworks in each country;

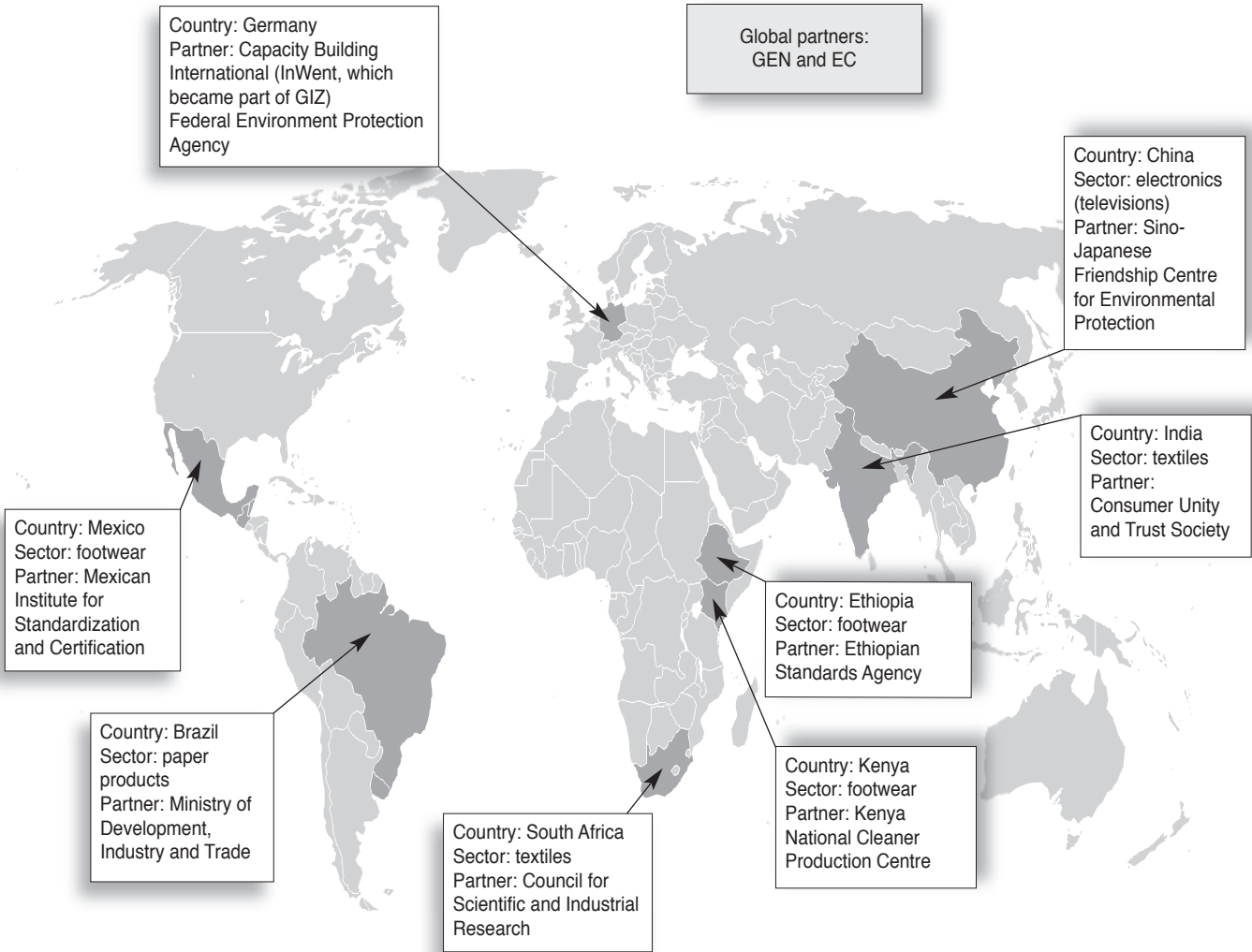
- National roundtables and consultation workshops in every country, which were linked with other UNEP projects, like sustainable consumption and production (SCP) roundtables. SCP roundtables included all UNEP activities on sustainable consumption and production, not only ecolabelling;
- Development of the training manual and training of trainers to prepare national experts;

- National-level training workshops to work with key companies and governments;

- Technical assistance to companies to meet the requirements of the ecolabel;
- Regional conferences and events for dissemination and outreach.

The project counterparts in China, Brazil, Ethiopia, India, Mexico, Kenya, and South Africa were responsible for coordination of the project with UNEP and national implementation of activities.

**Table III: Project partners, countries, and roles**



## IV. Project Analysis

This section focuses on the assessment of the project results in relation to the project goals. Methodologically, this report was prepared after reviewing all project background documents, interviewing key people involved with the project, and reviewing relevant literature. The section reviews the project as a whole, including a sector-by-sector analysis and a country-by-country analysis.

### 1. Overall Project Goals and Results Analysis

- i **Improved understanding** on ecolabelling diffusion and market penetration and the barriers to ecolabelling in target countries through multi-stakeholder dialogues.

John Polak, who served as a trainer and invited expert for the project, said that it helped to bring people together, promoting networking and sharing of experiences among different people. Eva Eiderström, who attended the start-up workshop in Bonn, Germany and participated in the project from beginning to end said that due to labelling's multidimensional nature and multistakeholder structure, it can unite different types of organizations and stakeholders. "It was very valuable to provide a platform for groups from national industries, civil society, ministries and departments to come together and discuss a new common issue like ecolabelling of products". There was no established view on what labelling was or was not; thus by disseminating complete and objective information, the project could shape opinions about these tools. Liazzat Rabbiosi, project coordinator from UNEP, considered that the methodology of the project based on the multistakeholder format of cooperation helped the groups to inform each other about their realities and has proven to be a valuable and interesting learning experience. She

noted "these dialogues have kept going during project implementation and will hopefully carry on as long as the countries see the need for them". "A lot more people understand the EU label now", said Rahul Bhajekar, a trainer of trainers in India and Managing Director of Texanlab Laboratories. Mr. Liu Zunwen, Vice Director of the Environmental Certification Centre of the Chinese Ministry of Environmental Protection, noted that he and his colleagues felt that they played a bridging role between Chinese companies and the EU to help Chinese companies learn more about the EU Ecolabel.

At the cross country level, the cooperation with colleagues from other participating countries provided invaluable exchanges of experiences and knowledge. The format of the project, with countries from different regions experiencing similar external and internal pressures, was helpful in understanding better their own context and situation and how to deal with these problems. The experience of the project in this respect was very valuable, as noted by many project partners.

**Stakeholders from developing countries viewing ecolabels as enablers of trade, rather than barriers:** The project seemed to reinforce positive views among target industries of ecolabels as instruments that can increase competitiveness and integration in international markets rather than act as barriers to trade. While partners directly involved with the process probably already believed to some extent in ecolabels as potential tools to enable trade, greater numbers of other stakeholders shared the more positive perceptions of ecolabels due to improved understanding of how they operate and of benefits they can provide. John Polak said "this project turned that ideology [that ecolabels are a barrier to trade] totally on its head".



The global picture is supportive of this trend. The sales of certified and ecolabelled products continued steadily increasing even during the financial crisis of 2008 and beyond, which is an indication of the growing importance of ecolabels as tools for differentiating more sustainable products on global markets. For example, the International Institute for Sustainable Development (IISD) estimated that the production of goods compliant with major voluntary standards systems is now reaching significant levels of market penetration, over 10% of global production<sup>72</sup>. The Oeko-Tex Standard, the independent certification system of environmentally and socially responsible textile production, reported an increase of certified companies by about 20% in 2011 alone<sup>73</sup>.

**ii Strengthened capacity** on ecolabelling and its application and promotion among key industry representatives, and government decision-makers as well as local trainers in target countries.

Antonio Juliani of the Ministry of Development, Industry and Foreign Trade (MDIC) in Brazil noted that they engaged in many activities in order to increase awareness on ecolabelling. He noted that “it was our first such experience and it was very important for us to strengthen the ecolabel in Brazil”. All local partners and other local stakeholders expressed the feeling that more people understand what ecolabels are and the way they operate in the market through well prepared training material and workshops.

Some representatives from companies, such Luis Angel Sanchez Ramirez, the Director General of Caborca in Mexico, suggested that capacity building efforts only took the companies half way, and if companies really wanted to succeed, they had to have the incentive and capacity to achieve EU ecolabel specifications on their own.

**Training the trainers seen as widely successful:** Silvia Ferratini said that the training the trainers was very successful and should be replicated in the future. “It’s very important to create the know-how that stays in the country. The number of trained people should be maximized”. Rahul Bhajekar, a trainer for India, said that “after the first training in Bonn, the trainers understood concepts of how the EU Flower label and other Type I ecolabels worked, not just for textiles, but also for other products”. “We understood regulations, different perspectives, and criteria for different sectors and secondly we met a bunch of like-minded people. That was a great experience”. Berthold Hoffmann said “all partners are well-prepared and equipped. Some best practice examples show the huge possibilities of certain products and are an encouraging example for others, who might still find difficulties. The network support has provided assistance and is likely to continue to do so”. Liazat Rabbiosi, project coordinator at UNEP, noted that the project was successful in this respect. “We trained 23 national representatives to become experts on ecolabelling. We organized eight consultation workshops of national and global scope where we reviewed in depth all the issues pertaining to labelling, its potential for take-up in the selected countries, and barriers and opportunities. We conducted a study with the same objectives, which also suggested specific roadmaps forward to overcome the barriers and enhance the opportunities. Before developing the training, we consulted with all project partners on their specific needs and wishes for what the training should cover. The national workshops took a multistakeholder format with representatives from different groups invited to dialogue about tools such as ecolabelling. The multistakeholder format has helped the groups to inform each other about their realities and this has been an interesting learning experience”.

<sup>72</sup> Potts J., et al. “The State of Sustainability Initiatives Review 2010: Sustainability and Transparency”, IISD, 2010, International Institute for Sustainable Development, available [http://www.iisd.org/pdf/2010/ssi\\_sustainability\\_review\\_2010.pdf](http://www.iisd.org/pdf/2010/ssi_sustainability_review_2010.pdf)

<sup>73</sup> <https://www.oeko-tex.com/de/worldwide.html>

**iii Achieve at least one product certified in each country** or have one product in each country be in the process of obtaining the EU ecolabel or another European country ecolabel, and bring increased attention of government decision-makers to the question of promoting ecolabelling.

Meeting this overall objective was achieved in six of the seven countries (noting that Ethiopia joined the project later and the focus in Kenya changed), with at least 11 companies applying for EU ecolabels with the market's highest environmental standards in the given product category. All countries except for Kenya achieved this goal. Perhaps more companies could have gained ecolabel recognition if certain issues had been different. These include the lack of or delayed response from the competent bodies in the EU, or changes to application forms and requirements during the middle of the application process for some companies.

**Increased government attention to ecolabelling** seems to have been achieved especially in countries like South Africa, Mexico, China, and Brazil where government or government-affiliated agencies backed the project. All stakeholders in those countries commented on how specific government offices were more aware and starting to engage in new ways. Mexico and Brazil have developed national SCP strategies and action plans. In 2010, South Africa launched the Indalo Yethu African National Ecolabelling Scheme as part of the effort to develop the national Green Economy Strategy. In India, where the national ecolabelling programme 'EcoMark India' has been long inefficient and lacked any support and demand, the project did not contribute to a noticeable positive shift. It is interesting to note that even without a supportive domestic environment, a number of Indian textiles products, in a sector that is predominantly SME-based, were awarded the EU ecolabel or certified with other common industry standards, mostly due to the market demand and pressure.

More details about increased government attention to promoting ecolabelling are detailed in the country-specific results below.

**iv Roadmap developed toward mutual recognition of ecolabel schemes** through increased cooperation among target countries and European schemes.

This expected outcome was harder to achieve than others. Though a roadmap toward mutual recognition was created, this roadmap was not made public because of theoretic disagreements on the extent of possibilities for greater cooperation.

Silvia Ferratini noted that the project only aimed at developing a roadmap toward mutual recognition that would lead to greater cooperation among ecolabelling programmes. While some ecolabelling programmes from countries participating in the project had an aspiration for a possibility of mutual recognition with the EU Ecolabel, its legal basis, Regulation (EC) No 66/2010 does not allow it at the moment. This can be considered in the next revision of the EU Ecolabel planned in 2015.

At another level, there was also a concern among some GEN stakeholders that GEN did not have enough ownership over the process to accept the roadmap as a joint effort because the resulting document was not aligned to GEN's goals and processes. Some GEN representatives felt that the roadmap process was driven too much by external experts that did not fully understand GEN's existing goals. For example, Ms. Eiderström noted that GEN does not have the mandate or resources to formally assist in developing ecolabelling programmes in other countries, so there were too many elements of wishful thinking in the roadmap development process. Part of this was the difficulty of GEN as a network of ecolabels to enter into legal agreements with UNEP to carry out this work jointly, which is complicated by the democratic structure of its 27 members that makes decision-making difficult.

**v Lessons learned from the project shared** at the regional and global level so as to maximize the replicability of the project.

This final report serves as part of the outreach for this project. As such, its effectiveness as a project learning tool is for readers to evaluate. The project went through an independent terminal evaluation process, which is part of the project implementation procedures at UNEP.

Of possible scoring from Highly Satisfactory to Highly Unsatisfactory, the project was assessed as satisfactory and the results of the evaluation are available on the UNEP website<sup>74</sup>. The internal project meeting reports and presentations were used to develop this report. Online learning tools developed for this project are also useful resources. Other stakeholders noted that there was cross-learning, for example, between the Indian textiles sector and the South African sector. Andre Page, Project Manager of the Clothing and Textiles project at the National Cleaner Production Centre in South Africa, noted: “South African experts could liaise and that kind of assistance was important—being able to have continuous contact. Partners in India did the same. Rahul [Bhajekar] was also very helpful and offered assistance. We appreciated that. It was very important”. More examples of this cross-learning are noted below in Section B on sectors and C on countries below.

## **2. Other project impacts and evaluation of those impacts**

**Bringing other countries into the ecolabelling fold:** The Eco Mark Africa Programme (although not an ISO Type I ecolabel) and the South American Regional Cooperation on Ecolabelling for Southern Cone Countries seem to have benefitted from having strong examples from countries like South Africa and Brazil. As stated in the

original project proposal, the project was designed so that “the selection of emerging economies such as China, India, Brazil, Mexico, and South Africa will increase the impacts of the project that will benefit from the size of their economies and their possibility to bring their neighbour countries into the process”. In India, CUTS used their advocacy and networks to spread information about the project to other South Asian countries. CUTS reported that textile companies from neighbouring Bangladesh and Pakistan approached CUTS and UNEP to learn more about this project. Ethiopia joined the project at a later stage through the network of National Cleaner Production Centres of which the Kenya project partner, KNCP, is also a part.

**Expectations:** Even though the basic requirements of the project were met, there was a sense among some stakeholders that expectations were too high. Former GEN chair John Polak noted that this was an ambitious programme. “My only concern is that it might have raised expectations beyond what was achievable”. He added “if you say that success is four countries using ecolabels and marketing to the EU with mutual recognition, then we did not get far down that path. If it was about capitalizing on [ongoing] activity around the world, then it was successful”. There was a sense then that the project did not uniformly build the capacity for companies to improve their environmental performance, but did enable them to use ecolabels where they might not have otherwise used or been aware of them. Nevertheless, these companies can serve as models to others in their sectors, regions, and beyond.

**Improving environmentally preferable trade:** John Polak said, “If you go back to the objective of the project, which was to facilitate the trade of environmentally preferable products into developed market places, then there was not enough analysis on the trade patterns and levels of economic

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<sup>74</sup> Russillo A., “Enabling developing countries to seize ecolabel opportunities - Capacity building and technical assistance for industries and governments in developing economies” UNEP Terminal Evaluation, 2012.

activities involved in the target companies”. For example, in China, the model of television selected to apply for the EU ecolabel turned out to have little consumer demand in Europe. Stakeholders suggested that the initial product roadmaps should have been more focused on markets and may have been too theoretical for a practical application.

**Ability to take advantage of trade opportunities, especially for small and medium enterprises (SMEs):** Companies noted in interviews that they were looking for increased recognition and the follow-on trade improvements that come from using ecolabels in European markets, but the results appear mixed. Although companies that succeeded in achieving recognition by the EU ecolabel may have been gained trade advantages, but getting the label did not necessarily help all companies trade more products where the demand side was not given adequate consideration.

**Overcoming the challenges and barriers ecolabels pose to developing countries:** Company interviewees said that the project did well at educating them about ecolabels in general, but fell short in overcoming some specific problems. At the same time, most interviewed stakeholders suggested that companies benefiting from this project were already more or less able to meet the ecolabelling criteria without the need to extensively upgrade technology. Even though the developing country companies involved said the cost of application for the EU Ecolabel was not a major concern, nevertheless, the tests to demonstrate compliance with specific criteria of the ecolabel were seen as barriers in some cases. The costs of such tests are high because they often need to be performed in recognized laboratories in Europe due to the lack of such laboratories in origin countries. This was the case of footwear companies in Mexico. This is changing though as countries build their own expertise and related facilities. Information barriers were another challenge, but the project helped companies both fill in the forms and to some degree helped companies assess and meet (through financial grants) the costs and benefits of

ecolabels. The textile companies in South Africa experienced another major constraint, namely the lack of domestic intermediate products that qualified for ecolabelled status. One footwear company in Ethiopia had trouble getting the content of COD in wastewater treatment in their tanneries at the required level. While the COD level was in line with national norms and standards, it was far too high for the EU Ecolabel. These highlight structural problems that may best be solved in an integrated manner taking a supply chain or sectoral approach.

### 3. Sectors

This section analyses the four sectors and their relevance for being targeted for recognition by the EU Ecolabel, namely footwear (Ethiopia, Kenya, and Mexico), appliances (China), paper (Brazil), and textiles (India and South Africa).

#### 3.a Footwear

**Background:** In Kenya, the footwear industry contains a high percentage of workers in the informal sector, which was a challenge as ecolabels are based on evaluation within more organized production systems. There was not a single enterprise in Kenya large enough and interested in applying to the EU Ecolabel. The only two large footwear companies were mostly focused on domestic markets where there was little to no demand for shoes with more environmentally preferable features. In Ethiopia, the footwear sector enjoys strong government support, being one of the strategic sectors of the industrial development programme orientated toward quality improvement and trade expansion. In Mexico, the sector is highly industrialized and is based on cluster development with entire supply chains located in a number of hubs around the country.

Having a stable product in the fast-changing footwear industry was also a major consideration, so cowboy boots and children’s shoes were chosen in Mexico, classic men’s shoes in Ethiopia, and the Kenyan case focused on Maasai sandals, all



of which have fairly unchanging designs that fit ecolabelling's rigorous and often lengthy approval process.

**Assessing the effects of the project on the development of sustainable businesses in this sector:** Although trainers in Mexico learned much about how ecolabels work on the example of the EU Ecolabel, private sector actors did not find capacity-building efforts sufficient. The two Mexican companies to apply for the EU Flower spoke more of their own company contributions to improving production rather than the help they received in applying for the labels. Exporting to the United States market, especially California, meant that companies were already required to meet strong environmental regulations. Thus, the companies introduced few technical changes to qualify with the EU Ecolabel standards. The main challenge, noted by partners and companies, was cooperation with suppliers to improve and get relevant testimonials of compliance. A series of meetings and workshops had to be organized by the project partners and companies to sensitize and train suppliers on the benefits of ecolabels and procuring the right declarations and tests to show the compliance with certain standards. As noted earlier, in Ethiopia, the issue of tanneries not complying with the requirements of COD levels put the process to a halt. In Kenya, the project helped bring structural problems of the industry to the attention of the government. It also facilitated discussions on how to move forward and realize the objective of improving the competitiveness of the leather and footwear industries.

Companies in Mexico and to a certain extent in Ethiopia, benefited from the information received and skills developed from their participation in the project. Notwithstanding technical challenges, they were enthusiastic about their work, and will serve as models for other companies to follow.

### 3.b Appliances

**Background:** The electrical appliance sector was the most relevant choice for China when selecting the sectors, which were narrowed down to the television industry. Due to rapid technological changes and the volume of export, it was seen as a prime sector to benefit from the use of the EU Ecolabels for export to Europe<sup>75</sup>. Energy consumption is a key impact associated with electrical appliance products and a number of VSS focusing on energy efficiency, such as Energy Star or the EU Energy label, are highly successful in this sector. Additionally, the use of resources and chemicals and disposal of toxic waste are other major considerations in the lifecycle of these products, which are taken into account by Type I ecolabels.

**Assessing the effects of the project on the development of sustainable businesses in this sector:** Surprisingly only one company expressed interest in applying for the EU Ecolabel. Nevertheless, the data are interesting and tell a different story. At the beginning of the project, no products in the category of electrical appliances had been awarded the EU Ecolabel, but by the end of the project in 2012, the EU Ecolabel online catalogue included a number of such products from Chinese companies. Assigning direct causality to this project is difficult, but trends of overall growth in environmental awareness and mainstreaming sustainability in the business sector in China are remarkable. The choice of a company, which had a production base in the Czech Republic and could thus benefit from the interaction with the EU Ecolabel Competent Body in that country, was successful. However as noted earlier, the industry is subject to fast technological changes. Thus, the market benefits may be minimal due to low European demand for this line of televisions. More details are noted in the section below on China.

<sup>75</sup> Scheer D., Rubik F., Gold S., "Project Background Paper for 'Enabling Developing Countries to Seize Ecolabel Opportunities'", 2008, Institute for Ecological Economy Research.

<sup>76</sup> *ibid*

### 3.c Paper

**Background:** This sector comprises a relatively large segment of the Brazilian economy, representing 1.2% of Brazilian GDP, and can compete on price and quality for the production and export of pulp and paper products from nearly any region in the world<sup>76</sup>. Worldwide, many actors in the sector are at the forefront of business sustainability due to both regulatory and non-regulatory pressures related to forest and related supply chains management.

**Assessing the effects of the project on the development of sustainable businesses in this sector:** Given the advanced state of the paper industry in Brazil and the target companies' use of existing standards like FSC and PEFC, achieving ecolabel certification by one Brazilian company should have been relatively straightforward. Nevertheless, project partners said that convincing local companies to apply for the EU Ecolabel was one of the challenges in this project. It took a large market player, the International Paper do Brazil (IP), to lead and gain recognition by the EU Ecolabel for printing and copy from one of their Brazilian mills. Other local producers remained hesitant due to perceived lack of demand and only showed signs of interest once IP obtained the EU Ecolabel.

Several stakeholders observed that paper products were an ideal candidate for ecolabelling because the sector faced few competing standards, unlike textiles. Eva Eiderström also noted that International Paper of Brazil already had global reach and export channels, which also made it an attractive candidate for EU Ecolabel recognition. Andre Page of the South African NCPC said that pulp and paper was also one of their priority sectors in South Africa and has proven to be successful as in the case of Brazil, noting that pulp and paper might be something for South Africa to highlight in the future.

The project successes and lessons learned in Brazil may be more important not in relation to the chosen sector but to the selection of a large company to lead the way and of government partners, who were able to influence companies and other stakeholders in the government to increase ecolabelling activities. More details are noted in the section below on "Brazil".

### 3.d Textiles

**Background:** The textile sectors of India and South Africa faced many common issues related to the proliferation of similar or competing standards, such as GOTS (the Global Organic Textile Standard), Oeko-Tex, and other standards that many stakeholders needed to understand and differentiate from Type I ecolabels, especially in being able to understand market demands for each. The Indian textile has a strong sectoral union and has a good supporting infrastructure like affordable testing laboratories. The fragmentation of the textile sector in South Africa resulted in issues like difficulty in sourcing sustainably and locally as well as finding companies big enough to demand changes in the supply chain, which held back progress within the project period. Additionally, there was a lack of interest from EU buyers and retailers, and specifically a perceived or actual lack of demand from EU consumers for the EU Ecolabel. In both countries some stakeholders expressed a sense that in the textiles sector there were other more popular labels, such as organic or Fairtrade and that the EU Flower lacked recognition and awareness.

**Assessing the effects of the project on the development of sustainable businesses in this sector:** Despite the demand side difficulties, the project has played a positive role in shedding light on differences that exist among numerous voluntary standards and labels in this specific sector, and building skills to apply for a lifecycle based ecolabel. Also, given the links to the government of the

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<sup>76</sup> ibid

project partner, the National Cleaner Production Centre (NCPC) at the Council for Scientific and Industrial Research (CSIR) in South Africa, the support and promotion of the textile sector's competitiveness and environmental sustainability have gained more prominence in the national industrial agenda.

More than other sectors, partly attributable to this project, and partly due to the nature of the local networks, the textile sector in both countries seemed to have developed some of the strongest multi-stakeholder networks and cross-sector learning in the project, with several companies applying for European ecolabelling recognition. In India, CUTS was also able to assist the producers from neighbouring countries interested in ecolabelling process.

#### **4. Countries**

This section focuses on analyzing the project's impacts from the point of view of a country-by-country analysis.

##### **4.a Brazil**

The project advanced the case for ecolabels amongst the Brazilian government and was also a model of how governments can take leadership in the ecolabelling arena. The fact that the project partner was in the trade and industry promotion department of the Ministry of Development, Industry and Trade (MDIC) was a good strategic choice for the project, enabling partners to significantly advance the project's objectives. Antonio Juliani of the MDIC noted that it was important for him that the project's scope was in line with government policy and his direct role in the ministry. Part of his ministry's mandate was also to work with the private sector, understand their needs, and promote its competitiveness, so there would have been a different dynamic if he had been working for the ministry of environment. Liazzat Rabbiosi, echoing the sentiment, pointed out that "the involvement of the government has turned out to be crucial. This

relates to the weakness of the project perhaps in some countries—the lack or weak involvement of the government. Their stronger participation would have enabled more sustainable impact". According to interviews, the topic of ecolabelling was novel and awareness about its role was low. However, the different ministries seem to be more open to continuing with these projects and with ecolabelling in Brazil, demonstrated in the National Action Plan for promoting SCP recently adopted in Brazil, in which ecolabelling and credible product information and consumer information tools play an important role.

Convincing companies to join was the hardest task, according to Carla Braga de Miranda, who was involved in the project on behalf of the Ministry of the Environment. She said getting the Ministry of the Environment more involved was also a challenge because of the ministerial emphasis on different approaches. Mr. Juliani noted that they used their position in the project and the government to relate ecolabelling to the competitiveness of Brazilian products, which was more attractive to companies always looking for tools to stay competitive in global markets. Companies seemed to be at first concerned about the price, however having a credible ecolabel on a product confirming the environmental superiority of a specific product over another was seen as an opportunity to access new markets. Antonio Juliani notes that indeed businesses in Brazil have a legitimate concern about tools such as ecolabelling being commercial barriers. However, they also increasingly realize that it is important to stay ahead of the game and be competitive based on factors related to sustainability. For example, International Paper of Brazil, a subsidiary of the multinational brand, was able to use the EU ecolabel to help place its own brand "Impulse" from a Brazil paper mill on the European market and to bolster the relatively unknown brand.

The capacity building component of the project played an important role in the case of Brazil, especially understanding the

processes of gathering and submitting the documents to the Competent Body or making necessary calculations on emissions and energy use. The information on the use of ecolabelling in sustainable public procurement and integrated policy approach of this tool was an important aspect for the government. By the end of the project, an SME in the textile sector came forward with interest in getting the EU Ecolabel.

Antonio Juliani noted that four years of effort yielded the first Brazilian products labelled by the EU Ecolabel and that this was also the first product to be labelled by the Brazilian ecolabel. It is clear from interviews that working on this project was a good source of learning for the Brazilian ecolabelling programme. Brazilian partners used this opportunity to strengthen their ecolabel, which is currently going through the GENICES process in GEN. Antonio Juliani noted that the Brazilian ecolabelling programme did not have sufficient criteria for paper products. Thus they used the same criteria as the EU programme with the objective of achieving mutual recognition. While mutual recognition with the EU Ecolabel at this stage was not feasible, it was significant to have a product that was labelled both by the EU and Brazilian labelling schemes, according to Antonio Juliani.

#### **4.b China**

Mr. Liu Zunwen, vice-director of the Environmental Certification Centre of the Chinese Ministry of Commerce, had overall supervision of the project. His centre is also in charge of operating the Chinese Type I ecolabelling programme. The staff of the centre involved in the project had a good understanding of ecolabelling. The uptake of the national programme in the country has been on the rise for the last decade, especially boosted through its use in the green public procurement policies of the government. The main interest for the Chinese partners was in increasing understanding of the voluntary environmental requirements of the EU market. Mr. Liu said that his team originally sent three experts to the training of trainers, especially focusing on EU Flower regulations related to televisions.

They invited 20 interested companies to attend the national training workshop. Through this process, he said his team selected Chonghong brand televisions to help them apply for the EU Flower.

As noted by project partners in China, one of the biggest challenges was low awareness among businesses about ecolabel concepts and requirements and in general environmental awareness. Later in the process, it also became clear that the television selected for the EU ecolabel was not in high demand in EU markets. Having the mutual recognition with the EU ecolabel would have made the case for promoting EU Ecolabel in China easier.

Through their involvement in the project, and getting more information about the requirements of the EU ecolabel, Mr. Liu said that they have become “more comfortable playing a bridging role between Chinese companies and the EU”. They felt like this project was good for spurring trade rather than constituting a barrier to trade.

Most importantly, Mr. Liu noted that this project helped them understand how to work in this area and in the next national follow up phase to the project they would focus on green printing. This will be easier due to the government support and link with public procurement, according to Mr. Liu. “With government support, these projects are easier, and we can attract more companies and bring more advanced production techniques to China”.

#### **4.c Ethiopia**

Ethiopia joined the project at a later stage, being invited by the Kenyan National Cleaner Production Centre. The footwear sector in the country has enjoyed strong growth and dynamism, with a number of companies exporting to the EU and North American markets. Initially three companies were identified and two eventually decided to pursue the EU Ecolabel.

Given its later inclusion in the project, Ethiopia was not involved in the original



national consultation process that helped to create a platform for further implementation of the project in other countries. A visit by a European expert from a footwear technology institute specializing in the application of the EU Ecolabel in the industry was organized to examine the situation in factories, consult staff, and develop a roadmap for obtaining the EU Ecolabel. Melaku Mengistu of the Ethiopian Standards Agency recounts that the factories enacted many of the improvements outlined in the road map. Their main problem was related to meeting the COD content of wastewater in the tanneries. He noted that the factories have sought to address this by sending a formal letter to the main leather supplier, the Ethiopian Tannery Share Company, so that this company could reduce the COD content. The national requirement for COD level is 500 mg/litre. The tannery has since reduced the COD level down to 320 mg/litre but there is a need for further improvement to meet the EU requirement, which is 250 mg/litre.

Melaku Mengistu noted also that they have raised awareness among major stakeholders such as the Ministry of Trade, Ministry of Industry, Ministry of Science and Technology, tanneries, shoe factories, the Leather and Shoe Manufacturing Association, the Leather Industry Development Institute (which has an accredited testing laboratory) and academia (such as Addis Ababa University). He noted that ESA/ECPC continues to lead this dialogue, coordinating and facilitating with the aim of helping at least two shoe factories obtain ecolabels for their products. Nevertheless, the Ethiopian Standards Agency noted that more needed to be done to take this issue up at the policy level and noted that one of the weaknesses of the project was its short duration.

#### 4.d India

With the support of this project, two Indian textile companies have applied to the EU Ecolabel. At the close of this project, a third company was, with support of experts from the project, also in the process of applying. Simi TB from the Consumer Unity and Trust Society (CUTS) noted that four other Indian

companies were awarded the EU Ecolabel over the last few years, three of which attended trainings organized by CUTS. Rahul Bhajekar noted that the first Indian company to be certified to the EU Ecolabel had already applied before the first training and had seen the EU ecolabel as “an opportunity for their business to grow”. Even though the companies were large, Bhajekar did not think it was easy for either of them given how much information the EU Ecolabel requires from companies. Bhajekar and others noted that the Indian textile sector is very fragmented so that working with suppliers like yarn makers, dye companies, and others becomes burdensome. It is difficult even for large companies to obtain authentic information from their supply chains. Much depends also on the textile used in final products. As was a common refrain in this project, stakeholders noted that smaller suppliers were often not interested in changing their practices to meet standards recognized by European ecolabels.

CUTS itself described ecolabelling and SCP tools in India as being at a very nascent stage. The Indian government has not been receptive to ecolabelling and refrained from participating in project meetings. Indian EcoMark, a Type I ecolabelling programme established in 1991, has been ineffective in gaining recognition and market visibility. Liazzat Rabbiosi noted that “the challenge is to reach governments because some partner organizations may not have enough leverage to engage them. It has been hard to bring in the government in India, because they were not interested”. At the same time, there is a noticeable growth of interest in sustainable consumption among middle class in the country. However, mistrust in company claims and the proliferation of greenwashing has also undermined the credibility of the business sector’s sustainability efforts in the eyes of consumers. This may be an opportune moment to revive the national government-supported programme that provides credible information about products’ environmental and social attributes. In fact, some dialogues are taking place on how to revamp the existing labelling programme and introduce other approaches to promote sustainable consumption.

Simi TB from CUTS said: “Indian industries are largely in need of technical assistance and environment friendly modern technologies. Particularly SMEs have basic knowledge about ecolabels. What the industries in India need is timely information about labelling requirements and sound technical assistance”. She noted that the project, and in particular the multi-stakeholder dialogues, were successful in raising the awareness and knowledge of stakeholders about ecolabelling and related topics.

Stakeholders interviewed also noted that the market often lends support for other standards besides ecolabels. It was noted, for example, that retailers and buyers in the EU discouraged Indian companies from applying for the EU Flower label and instead asked them to focus on other certifications like GOTS and regulations such as REACH (Registration, Evaluation, Authorization and Restriction of Chemical substances). According to CUTS, late responses from the competent bodies in the EU also dissuaded many companies. CUTS said that a lack of focus on buyer demand — a failure to involve retailers and buyers in the EU — was one of the shortcomings of the project.

As regards the training of trainers, three national experts from India were equipped to deliver training about the concept of ecolabelling, European ecolabelling programmes, the technical requirements for the target products to be labelled, and how companies and governments can market and support ecolabelled products and programmes. CUTS representatives said that these three experts would continue to act as reference persons for ecolabelling in India even after the project was completed. According to Simi TB from CUTS, through this project, strong and unconditional support was gained from the textile associations (almost all major and local associations), which leaves the project with a sound basis for further uptake of lifecycle based ecolabels and the promotion of related improvements along textile supply chains.

#### 4.e Kenya

Kenya was the only country that did not pursue the project's set course of action to the end. Largely due to structural issues, Kenya has not been ready to adopt an ecolabelling approach. Liazzat Rabbiosi said: “certain conditions had to be met first”. The initial approach was to label Maasai sandals through state institutions responsible for training and technical assistance to the leather industry because there were no appropriate partners and no companies capable of taking up this approach. However, later it was decided that understanding the bottlenecks of why the industry lacked the capacity to introduce ecolabelling and export to high value markets would be a more important outcome for the sustainability of the project. In cooperation with the newly established Leather Development Council under the President's office, the Kenyan National Cleaner Production Centre (the project partners in Kenya) conducted a field survey on the footwear sector supply chain. Its results were then presented in a consultation workshop with key actors in the sector and the government with the objective of agreeing on necessary measures for the revival of the leather industry in Kenya.

It should be noted that the selection of countries for such projects is crucial. This leads to the need to understand well the baseline situation and the needs of the countries before embarking on a specific intervention. Silvia Ferratini of EC noted that, compared to other countries like Brazil, India, or China where production processes are more advanced, to work with the EU Ecolabel in Kenya might indeed have been premature. Being aware of such possible constraints, the UNEP management at that time decided to go ahead and explore the possibilities of the approach taken. Even if no Kenyan producer was able to go for an ecolabel at the end of the project, the project process heightened awareness about the possibility of improving production processes through environmental efficiency and brought closer attention of the government to the problems of the industry and existing opportunities.

## 4.f Mexico

Liazzat Rabbiosi summarized the Mexican experience in the following way: “Visiting the two selected factories in Mexico and talking to the companies’ representatives, I realized how much this experience has changed their mindsets and perspectives on environmental issues. They appeared to have become more conscious and aware about the importance of these issues not only in their work but in their lives, children, everyday shopping decisions, etc. For me this was the most useful impact that such a project may create: the change of values and norms in the way people work and live”.

Also important is that the Mexican government has developed a national SCP strategy, which includes the need for providing credible information about products to stimulate more sustainable consumption as one of the priorities.

The companies involved emphasized in interviews that most of the improvements in production process and environmental impacts came from their own desire to enhance the market recognition of their brands, secure first mover advantages or reduce costs. Nydia Suppen, the project coordinator in Mexico, said: “it was quite a success to see how knowledge about ecolabelling and lifecycle analysis helped the companies understand different aspects of process/product efficiency and even go beyond expectations. For example, one of the companies is currently building a new green factory”. (See the case studies below).

Participants expressed disappointment that the project has not yet demonstrated the multiplier effect they were hoping for in spreading to other regions, other industries, or other countries.

### Case Study II: Elefante

Elefante is a medium-sized, family owned company, specializing in production of highly quality children’s and adolescent shoes. It is located in the city of Leon, in the state of Guanajuato, Mexico. Sustainability has not traditionally been part of Elefante’s brand, but the company representative said that sustainability is a growing trend in Mexico.

Marcela Pérez-Ruenes, the export manager for Elefante, remembered the anxiety she felt about not being able to qualify for the EU Ecolabel award, which eventually turned out to be easy for the company. All the tests results were positive, indicating compliance with the labelling requirements. It was a surprise, as the shoe sample sent for testing was a randomly selected from a factory display rack.

“It made us feel very happy”, noted Ms. Pérez-Ruenes. “We had suppliers that could comply with these requirements. In fact, in Mexico, there are a lot of suppliers that can comply with these standards, making it easy to source materials”.

Like in most of the cases in this project, the biggest challenge was working with suppliers. “We have to make sure they are complying and continue to produce the way they say they will”, said Ms. Pérez-Ruenes. Trust in the suppliers and that they would not change the production methods after complying with tests is an essential component in such a venture, which requires suppliers and buyers to work and change together. As a recommendation for dealing with such challenges, Ms. Pérez-Ruenes suggested to be specific and clear on what was required from suppliers and producers and why. She noted that knowing which information to be filled out in which forms was important for the efficiency of the application process. Follow-up and, more fundamentally, support makes trust building efforts more effective.

### Case study III: Caborca

The Caborca company is also based in Leon, in the state of Guanajuato. It is a medium-sized family owned company, which employs about 250 workers.

When asked about the costs of complying with ecolabels, Mr. Luis Angel Sanchez-Ramirez, General Director of the Caborca company, said that the benefits of the process of adhering to the EU Flower requirements actually decreased costs, thus significantly improving bottom-line benefits. Caborca hired a consulting team, trained by the UNEP Resource Efficiency and Cleaner Production Programme through a UNEP/UNIDO Network of National Cleaner Production Centres. They did inventory of the factory and introduced a number of resource efficiency measures such as sourcing new materials, better natural lighting by changing the design of the roof, and techniques for reducing materials consumption, which minimized waste and decreased associated costs, with savings across the board. Mr. Sanchez-Ramirez noted some upfront costs in finding sustainable materials suppliers. However these costs have been recovered because materials with more friendly environmental attributes turned out to cost on average 8 percent less. He expects the costs of materials to continue to drop as more companies start to produce them at a mass scale. Caborca has also reduced the costs related to worker safety equipment due to the phasing out of toxic materials. The management invested in renovating the factory premises and introduction of other measures to improve the work environment. Interviewees noted that workers have also become happier and more productive as a result.

Mr. Sanchez-Ramirez mentioned the hesitation at first of participating in such an activity given the risks that it might bring. However, now the whole philosophy of the company has changed with more emphasis being put on the social wellbeing of employees, minimizing resource use, and marketing of the company as such. Ecolabelling can be seen as a door opener for these changes.

His company is one of Mexico's most famous cowboy boot manufacturers. It is the company's plan to launch a new line of ecological boots for sale in Mexican, US, and European markets. He said that "with the change of culture seen in this project, we can reduce the consumption of resources because we have changed our thinking".

### 4.g South Africa

South Africa joined the project with a key objective of developing its own national ecolabelling system. Even though the South African National Ecolabelling Scheme (SANES) was only launched in 2010, there was a sense that the label, toward the end of this project, was already providing a good synergistic effect with the project, which allowed all participants to learn from and improve. Awareness of ecolabels was fairly well-developed in some areas of the government, industry, and civil society, but recognition of the label among key consumer and retail groups remains too low to make the national label self-sustaining at this point.

The South African textile sector is widely dispersed with many smaller factories and suppliers. It has been facing difficult trade

conditions, which have led to the decline in the manufacturing sector. Nevertheless, clothing retailers have largely been expanding, except for some relapse during the recent financial crisis. The industry has been working to explore both export opportunities and a focus on domestic sourcing. Thus, many stakeholders see ecolabels as playing a role in improving this situation.

Mr. Page, project coordinator from CSIR-NCPC, noted that finding the right dedicated people and working with government partner organizations such as testing facilities was a major challenge. Zubeida Zwavel, a consultant involved throughout the project, explained that clothing companies are under a lot of pressure due to increased competition, especially cheaper imports from China. "These companies see ecolabels as a way of creating a niche for them", she added.

Project partners and other stakeholders noted that recent years have seen business leaders change their perceptions. Companies often now want to improve their performance and they see the benefits of participating in initiatives such as this project. Younger generations of designers especially view sustainability as a new trend in the industry.

While government participation in the project was active, the main challenge in the country is not policy development, but implementation. For example, the national ecolabelling programme was launched but still needs better marketing and visibility to make it known to South African consumers. Ms. Zwavel noted that it was important not to lose momentum on the issues after the project.

Improved understanding and knowledge about ecolabelling and multi-stakeholder dialogues around its issues were one of the successful results of the project. Andre Page of the South African NCPC said, “Over the years, perceptions have changed. The government is much more open and interested”. Project partners noted that it is common that government and industry do not talk to each other, and suppliers lack reliable ways of marketing their sustainable products, which leads domestic industries to import products they would otherwise be able to buy in South Africa. The dialogues organized throughout the project implementation were useful to start bridging such gaps.

The project worked with three companies. One challenge that participating companies had to struggle with was the supply of local sustainable textiles qualifying for the requirements of the EU Ecolabel. With upstream sections of the supply chain in decline and a number of mills closing down in early- and mid-2000s, finding local suppliers was a challenge. It was possible to source from India, for example, through the connection with the project partners in India, but companies realized it was important to do it locally for the sustainability of their supply chains and the entire industry. Ms. Zwavel noted that immediate success of the post-project period would rely on creating that capacity.

Learning about the global ecolabelling environment and the activities and members of GEN was also important to understand the experiences of other countries and explore the existing trends in this area. The South African National Ecolabelling Scheme (SANES) is considering joining GEN. Closer integration and collaboration has been also established with the African Ecolabelling Mechanism, which was possible through the participation of Zubeida Zwavel in both initiatives. Ms. Zwavel was trained as an expert through the project.

Unlike other countries, South African partners were keen to involve the demand side of the supply chain in the project. Mr. Page said that one key to success is having retailers involved, “because retailers dictate buying decisions. If retailers are not part of the discussion, everything could fall flat”. At the last meeting organized in February 2012, two major retailers in South Africa took part in discussions and showed interest in engaging in this type of initiative and general discussions broader than just ecolabelling. Awareness-raising on consumer issues was identified as a driving force behind the ecolabelling approach. According to Mr. Page, “[consumers] could influence retailers, and they influence manufacturers and this could affect the whole supply chain. The more conversations of this type, the more this becomes embedded in [business people’s] minds. This leads to continuous improvement”, he added, reiterating one of the key messages of the project.

Another lesson from South Africa relates to the importance of having companies’ top decision-makers on board. Since decision-makers may not always be able to attend large meetings, it often could be more efficient to have more bilateral meetings and mini-workshops so the concerns of companies’ top management can be addressed more specifically. This obviously means additional resources and time spent in meetings, but this effort can yield good returns because companies can make decisions faster.



#### **Case Study IV: Zorbatex in South Africa**

Zorbatex is a medium-sized family-run towel manufacturer. Mike Wood, Managing Director at Zorbatex, said he went to a workshop of UNEP and met quite a few companies. He said that was when he first showed interest.

“It was an awakening moment when we realized this was not just a strategic business or marketing tool, but a sense of responsibility that every business manager has to take. The world is industrializing so fast and we are poisoning the world so fast. That is where the commitment was triggered. Subsequently we have got on board and submitted our forms to the EU Ecolabel Competent Body”.

The road was not easy. They filled out the forms, and when they were about halfway finished, the EU Ecolabel forms were changed and they had to start over. They said the hardest thing was getting their suppliers certified. “The experience was not bad. Just long”, Wood said.

Andre Page of the NCPC mentioned that Zorbatex is a good case study because “Zorbatex sees the value. They participated in an energy efficiency and cleaner production project of NCPC, among other things”.

The biggest costs were time of employees spent on the project, which Wood described as a “hidden cost.” Although we understand it is a European-based system, still, the application costs were expensive for us”.

Wood would have preferred that the ecolabel was certifying a process or even a factory, rather than certifying a product because Zorbatex often changes products, which require additional certification. He wished that “all products manufactured in a certain process in a certain range of colours or chemicals would automatically receive or have the ability to use the EU label”.

He said Zorbatex was also looking at certification to certain ISO standards and the Oeko-tex labelling programme. Wood said, “Oeko-Tex people are in South Africa which makes the process more appealing due to faster speed and lower cost. The certification authority is in South Africa. No sending samples to Europe needed”.

Wood said, “We want to be a leader and be recognized for that leadership”.

#### **Case Study V: Mogalakwena Crafts and Arts**

Mogalakwena Crafts and Arts is a South African handicraft development foundation headed by Dr. Elbe Coetsee. Dr. Coetsee describes their work to “create fabrics and embroider and do appliqué work on base materials and sell it.” She said, “I create jobs and do skills training. Mogalakwena Craft Art Development Foundation would like to be recognized as an ecolabelled enterprise”.

Dr. Coetsee experienced many challenges on her ecolabelling journey. The biggest was sourcing ecolabel-certified base materials. She said that from 20 pages of fabric producer contacts received from the NCPC she spent weeks emailing to no avail. “I could not find any producers anywhere in the world, even with the NCPC assistance. I could find towelling, but I could not find linen or cotton. Spending time this way is a huge cost to a small business”.

Dr. Coetsee said the ecolabel would have been perfect for her foundation because, with all products being hand-made, there was no need to change anything in their production techniques. Thus achieving the label specifications was not a challenge. “With our project, we do not have a lot of washing, use minimal electricity and no harmful waste, and the certification would create credibility for actions already taken”.

Dr. Coetsee suggested that ecolabelling professionals work with industry to create a database of certified suppliers. “With that, it would be so easy to source that base cloth and have that ecolabel network. The programme could have certain categories like fabric and fibres or whatever product that is needed. That would really be great”.

Dr. Coetsee said that “programmes like this are the only way forward for us to survive and for the planet to survive, in an ecologically and socially responsible way.”

## V. Lessons learned and recommendations

This section identifies key lessons and recommendations drawn from the overview of the current discussions around ecolabelling and assessment of the project results. These findings have the potential for wider application and use and should be taken into account for improving future work in the SCP area.

### **Consumer awareness and market demand:**

Ecolabelling is primarily a market-based instrument. An actual or perceived lack of demand for certain ecolabelled products, or a choice of specific types of ecolabels over other potentially more popular standards may have limited market rewards for companies involved in the project, especially in the Chinese electronics sector, the South African, or Indian textile sectors where stakeholders mentioned other labels. The need to focus on the demand side from the beginning came strongly in almost every country and for sector covered by the project.

Additional or follow-up projects and interventions looking at consumer awareness and work with retailers, and buyers could complement and enhance the objectives of this project. Type I ecolabelling's lifecycle and supply chain approach allows for looking at the problems in a holistic way with integration of other upstream and downstream constraints including demand and consumer issues.

Consumer groups should be involved in setting criteria, operations, and marketing of the ecolabels. Particularly the EU ecolabel should focus more on the marketing of the programme among retailers and consumers. Many stakeholders were concerned about a lack of awareness of the EU Ecolabel in European markets, so increasing recognition and demand for such products remains crucial.

For producers interested in third party certification and ecolabelling, it is important to

watch the market trends and know which labels are most demanded in key domestic and export markets. There are many online sources for this purpose of which the Standards Map of the International Trade Centre has comprehensive information about specific standards and ecolabels.

The Mexican companies involved in this project benefited immensely from focusing on classic products that are not prone to changes due to fashion. The recommendations they received early in the project were important, such as focusing on children's shoes where consumers value health issues more than other considerations, or classic shoes and cowboy boots with styles that do not change. As one company stated, we "need to invest in a product that will be on the shelf for a long time".

**Choosing the right partners:** Undertaking a thorough stakeholder analysis at the beginning of the project is important, as is using rigorous selection criteria to understand the positions of partners in relation to other stakeholders, especially those in government and business sectors. These relations made crucial differences in each country. On the one hand, some country partners devoted significantly more time and resources to the project than others, with results that often reflected those levels of effort and commitment. On the other hand, some partners, such as those from or close to government, seemed to have a crucial advantage for increasing support of ecolabelling in several countries, both among companies and government stakeholders. For example, the involvement of trade and industry related government agencies was especially important because they have or are perceived to have more influence over industry or government decision-makers than other agencies traditionally dealing with environmental matters. They are also seen to be on the side of companies, rather than being

seen as trying to impose environmental regulations. Choosing a large company to apply a novel concept was also beneficial in Brazil to create a leader, which can then guide the rest of the market by example.

**Link the project cause with the right message and a wider agenda:** the topics of ecolabelling concern many important issues, including market access, trade, industrial development, and sustainability. The uptake and interest of this project came in large part from the right messages that partners developed, linking ecolabelling with international competitiveness. Often boldly stated in the meeting banners and promotional materials, this yielded the necessary attention to engage national partners in the public and business sectors. The government representatives were interested in policy aspects of ecolabelling as well as ecolabelling's potential contributions to other policy objectives when rightly integrated into policy-making and implementation processes. Thus it is important to link the topic specifically to the wider agendas, context, and priorities of a country.

**Use of ecolabels in relation to or instead of other systems:** in this project, focusing on one specific type of label (ISO Type I ecolabels) might have limited the potential impacts of the project. The variety of voluntary standards systems and other labels that exists in the market is due in part to the diversity of needs and challenges that they address. Therefore targeting the labels based on companies' needs and strategies could be a more effective approach in future projects of this kind. Information to help differentiate labels and standards is becoming a key competitiveness concern for businesses, governments, and other stakeholders or a choice of ecolabelling over other potentially more popular standards.

On the other hand, the issue of labels proliferation remains a challenge, causing confusion and scepticism about their real effects and with potential impacts on trade opportunities. The high degree of change with many new tools and methods being created is a sign of innovation and testing of

the market in response to the growing concerns and search for relevant solutions. However, such proliferation may also turn out to be counterproductive by undermining the intended effects of ecolabelling and other systems and reducing their uptake and effectiveness. The majority of new tools seem to appear to be developed largely for and by developed countries users, though, as seen in this project and other available research and surveys, consumers and producers in the developing world are increasingly interested in sustainability and SCP tools like ecolabels. To encourage their wider application and use, ecolabelling programmes, VSS, and other systems should work out common ground rules with the objective of making their approaches more interoperable, harmonized and applicable in different contexts, including a focus on coordinated impacts measurement.

**Importance of cooperation and mutual recognition among ecolabels and with other information systems:** GEN can play a more prominent role in encouraging more mutual recognition and cooperation among Type I ecolabelling programmes. While the current draft of the roadmap developed through this project may not be practical to GEN or members at this stage due to lack of funding and resources, the promotion of the benefits of Type I ecolabels through the engagement in this type of project and initiatives, openness and wider collaboration will help encourage more visibility of credible lifecycle thinking-based systems.

More specifically, a number of stakeholders in countries with ecolabelling programmes expressed the wish to develop mutual recognition with EU ecolabelling schemes, because the EU remains an important trading partner and a key export market for many of these countries. Although such mutual recognition would not be possible given the way that the EU ecolabel is designed now, the revision of the label in 2015 brings an opportunity to consider this option. The EU scheme is already open in its decision-making process and includes concession for small-scale producers from developing countries (such as reduced application and

participation fees). However, there is a chance for the EU Ecolabel to become more internationalized as emerging market purchasing power increases, and European producers will export more consumer goods to respond to increasing demand for more environmentally-friendly goods. The ecolabelling schemes of China, South Africa, and Brazil are already taking inspiration from the EU Ecolabel, which opens up possibilities for recognition and development of common core criteria with support and coordination of GEN.

GEN and other systems such as VSS or sector-based initiatives in the building or tourism sectors should also start more formal cooperation, starting with exchange of information for mutual learning and strengthening. Throughout the interview process, there was a sense among practitioners of different types of standards or ecolabels that their system was “best” at improving sustainability impacts. This sense of pride is on the whole positive and likely grows out of working with systems that are indeed usually very robust and trustworthy, compared to other tools, especially private sector and corporate initiatives. On the other hand, such attitudes can also be negative because a good system does not automatically lead to the best environmental impacts. Working with one type of system alone may lead to a professional insularity that decreases chances for learning from other systems. Given that no consensus on which standards or ecolabels are the most impactful or “best”, and that each have their strengths and weaknesses, it is important for practitioners, especially in these sustainable development related areas, to work together toward the larger picture of sustainability, common rules, and ground for complementarities to increase their own systems’ effectiveness and credibility.

**Integrated approach:** It is important to remember that this work is not about implementing a specific tool but about change improvement. As seen in the project, working on ecolabelling alone did not seem to be sufficient to enable companies to complete the process of getting the ecolabel. The focus

on the lifecycle of the products covered by the ecolabelling programmes brought forward a number of structural issues along the way, which prompts the need to address them in a holistic manner focusing on a supply chain approach. This implies the involvement of other stakeholders and market actors (such as first and second level suppliers) and deployment of other necessary measures, which would support ecolabelling.

On the business side, the potential follow-up projects by UNEP, other development agencies, or other capable entities should focus more around sustainable products and enabling tools for the production of such products, which can include eco-design, lifecycle management, cleaner production, or resource efficiency techniques. The engagement of the demand side (buyers and retailers or large companies with extended supply chains) can help provide a market incentive for smaller companies to invest in improving their environmental performance and sustainability aspects of their products.

At the government level, ecolabelling is more effective if enabled by other policy approaches and instruments. A renewed effort should be made to learn and promote best practices in market-based mechanisms in conjunction with policy incentives or actions, such as subsidies, tax exemption and reduction, industry development plans, sustainable public procurement, consumer education campaigns, or other actions that can spur the uptake of sustainable production and consumption practices. UNEP, being an intergovernmental organization and working on a full array of SCP approaches, is well placed to develop and promote such approaches.

**South – South cooperation:** The project has been an excellent example of so-called “south-south” cooperation as an important driving force for development and uptake of sustainability practices. Ecolabels were not prominent in many countries when this project was initiated. The project provided a forum for peer networking that encouraged mutual learning and ‘spill-over’ effects to other countries in the region. The choice of the regional anchor countries in the project has

resulted in the involvement of other regional countries in the project and has paved the way for the follow-up project such as the one on the regional cooperation on ecolabelling in the Southern Cone region of Latin America. Such south-south cooperation and trade can be an important driver for the sustainability of ecolabelling as it grows from its developed country roots to a global system for the promotion of SCP.

**In conclusion,** even though this was a relatively small project, the organizers and partners helped achieve significant advances in many key areas. Key stakeholders are seeing ecolabels not as barriers to trade, but as mechanisms that can operate across borders and encourage more sustainable SCP through trade. National and international

ecolabelling mechanisms and partnerships were strengthened and practitioner networks grew both in number and quality.

As ecolabelling moves from a developed country niche to a globally-prevalent tool, more work will need to be done to understand their effects in more holistic manner and to understand their complementarities within the overall ecosystem of information tools and other policy support and interventions. The work in this direction is crucial for the future of ecolabelling and will allow the spreading best practices around the world.

Hopefully the networks that were formed, the lessons that were learned, and the successes that were achieved can be replicated and extended in follow-up projects.



## About the UNEP Division of Technology, Industry and Economics

Set up in 1975, three years after UNEP was created, the Division of Technology, Economics (DTIE) provides solutions to policy-makers and helps change the business environment by offering platforms for dialogue and co-operation, innovative policy options, pilot projects and creative market mechanisms.

DTIE plays a leading role in three of the six UNEP strategic priorities: **climate change, harmful substances and hazardous waste, resource efficiency**.

DTIE is also actively contributing to the **Green Economy Initiative** launched by UNEP in 2008. This aims to shift national and world economies on to a new path, in which jobs and output growth are driven by increased investment in green sectors, and by a switch of consumers' preferences towards environmentally friendly goods and services.

Moreover, DTIE is responsible for **fulfilling UNEP's mandate as an implementing agency for the Montreal Protocol Multilateral Fund** and plays an executing role for a number of UNEP projects financed by the Global Environment Facility.

**The Office of the Director, located in Paris, coordinates activities through:**

- > **The International Environmental Technology Centre - IETC** (Osaka), which implements integrated waste, water and disaster management programmes, focusing in particular on Asia.
- > **Sustainable Consumption and Production** (Paris), which promotes sustainable consumption and production patterns as a contribution to human development through global markets.
- > **Chemicals** (Geneva), which catalyses global actions to bring about the sound management of chemicals and the improvement of chemical safety worldwide.
- > **Energy** (Paris and Nairobi), which fosters energy and transport policies for sustainable development and encourages investment in renewable energy and energy efficiency.
- > **OzonAction** (Paris), which supports the phase-out of ozone depleting substances in developing countries and countries with economies in transition to ensure implementation of the Montreal Protocol.
- > **Economics and Trade** (Geneva), which helps countries to integrate environmental considerations into economic and trade policies, and works with the finance sector to incorporate sustainable development policies. This branch is also charged with producing green economy reports.

*DTIE works with many partners (other UN agencies and programmes, international organizations, governments, non-governmental organizations, business, industry, the media and the public) to raise awareness, improve the transfer of knowledge and information, foster technological cooperation and implement international conventions and agreements.*

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See [www.unep.org/dtie](http://www.unep.org/dtie)

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