

Verified Sourcing Areas (VSAs)

An IDH developed concept

Securing the supply of sustainable goods at a competitive price and scale

Sustainability commitments are increasingly topping the agendas of traders, processors, consumer-facing companies, producers and governments. There is a growing demand for sustainability verification across entire supply chains, yet no efficient and inexpensive option currently exists to guarantee supply of commodities that fulfil these commitments at the right volume and cost. Certification schemes and frontrunner companies are leading in sustainability, but struggle to reach critical mass at the same time. Without that critical mass, the world is failing to turn the tide on issues of global concern such as deforestation and poor labour conditions.

Verified Sourcing Areas (VSAs) address exactly these issues: providing large volumes of commodities in line with sustainability commitments at a competitive scale and price, while lifting the base level of sustainability in producing regions. Under this new area-based model, the objective is to create a situation in which it is no longer necessary to verify the sustainability of each producer, silo, mill or commodity individually. This way, sustainability targets related to forest and peat protection, labour, land tenure, governance and transparency can be much more ambitious in scale.

As a business case for this concept, IDH is establishing a direct link between the producing regions and end-buyers. Buying from a VSA contributes to sustainability on the ground and fulfils sustainability commitments in a credible manner. As the global demand for sustainable products grows, VSAs can positively impact regions that have social concerns and problems with deforestation, transforming them into a viable source of sustainable supply.

What are VSAs?

The VSA model brings together the producing region, supply chain actors and committed end buyers.

In the producing region, a sustainability improvement deal is made between private and public stakeholders at jurisdictional level, e.g. a municipality, district or province. Through such a deal, called a Production, Protection and Inclusion (PPI) compact, public and private stakeholders agree on priority sustainability topics and targets, the roadmap towards these targets, and the monitoring and reporting system that will measure them. The PPI compact thereby seeks to make best use of the strengths of each of the partners involved, making sustainability a joint responsibility between public and private sector.

In the VSA model, any buyer, trader or interested third party will be able to easily assess the producing region's status and progress on key sustainability targets. Progress is monitored, and results are published on a regular basis in a dashboard by an independent party. Through the VSA model, committed end-buyers can get a better understanding of the products in their supply chain and improve sustainability with direct support for the producing region.

The VSA performance standard

The PPI compact has a mandatory core, the VSA performance standard, which covers five key themes of global concern: forest and peat protection, good governance, labour, land tenure and transparency. Added to the VSA performance standard are a separate set of goals and targets that respond to the sustainability priorities in the local context. These local goals and targets may differ from jurisdiction to jurisdiction.

The VSA performance standard provides the opportunity to easily monitor the continued progress on the five key sustainability themes and allows comparison across jurisdictions.

Benefits of the VSA model

The VSA model builds on landscape approaches that are now being piloted widely, bringing these initiatives together and providing a global standard. The VSA model however does not only look at the producing landscapes but includes supply chain actors and buyers.

The benefits of this approach are many. It proposes a mainstream solution to sustainability challenges. It recognizes the benefits of existing certification schemes, their continued relevance to set the agenda for sustainability, and creates impact at a much larger scale, across commodities. It allows for more efficient engagement of end-buyers with producing regions on sustainability issues, ensuring sustainability efforts create maximum impact on the ground where they are needed most, while enabling government to fulfil its own role when it comes to sustainability.

Further development of the VSA model

Creating the enabling conditions for scaling will be crucial for the VSA concept to work and create a maximum impact on the ground. VSAs need to produce sustainable commodities at significant scale, primarily to ensure costs are low. The ability to reach scale quickly will depend on several factors, including developing a system that recognizes local efforts to accelerate the creation of an increasingly sustainable environment. Such a system not only looks at a more direct link between the purchasing power of brands and retailers and continuous improvement of sustainability on the ground, but also to broader opportunities such as de-risking investments into the VSA jurisdiction and improving prospects for blended finance.

Another essential step in the development of the VSA model is to develop a supply chain model that allows area-based sourcing without destroying competition between producers/processors. The model must be cost and time efficient, able to further scale and work for the entire supply chain. It needs to consider local and international competition compliance regulations, and make sustainability a pre-competitive, non-negotiable part of the supply chain.

IDH's role in creating VSAs

IDH has developed the VSA concept in field pilots and through conversations with local and global stakeholders, producers, traders and end-buyers. IDH helps to accelerate and scale sustainability within the international commodity markets and aims to make sustainable commodities such as palm oil and soy mainstream products. Senior experts of IDH will convene the VSA Global Steering Committee. IDH will also act as the VSA Secretariat for the further development of the VSA model and the VSA performance standard.