

Verified Sourcing Areas (VSAs)

Questions addressed during the 4th Meeting of the Sustainable Landscapes Working Group

Singapore, 27 September 2018

What is a Compact and who should sign it?

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 “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 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. Signatories to the Compact should therefore include Local Government (through the leadership of the jurisdiction), major private sector players with a strong local presence such as producers and traders, indigenous groups and communities as well as civil society organizations.

How can committed end buyers put their money in a Compact and how can it be beneficial for them, especially if it is connected to many farmers?

The VSA model 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 all commodities.

In practical terms, the Compact assesses which interventions are most crucial for the landscape, and ensures a coordinated response to deal with the issue at hand. If there is for instance a government-managed forest that needs to be preserved, adjacent to a plantation, the private sector can work through the institution tasked to implement the Compact, to invest in those particular interventions that it could not directly finance itself. As such, the VSA model 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.

How can a farmer can get extra money from a VSA?

The financial benefit for farmers does not come from price premiums directly, but from more structural, indirect factors such as lower cost of financing, lower operational costs in the longer term due to reduced external risks, and improved supplier-buyer relationships. With monies flowing into the jurisdiction for sustainability improvement, the goals of the Compact are advanced. Individual farmers will get benefits from making improvements on the Compact Goals, whether they are educational or e.g. through being able to attract cheaper financing. Ultimately, when a jurisdiction is truly improving its sustainability levels, it will be able to attract more end buyers, guaranteeing a market for their produce and potentially improving also the price of the commodity products.

Does the buyer pay extra to buy the product coming from a VSA?

No, initially there will be no (fixed) premium paid. However, this may change as a result of market dynamics when the sustainability goals of the Compact are met or exceeded, drawing more buyers for the product from this specific VSA, creating a natural increase in price.

What happens to the VSA investment if there's no product increased in terms of volume and quality?

The VSA will continue to exist. However, if the sustainability goals are not met, the jurisdiction will become less attractive to end buyers. Productivity goals are optional to the Compact and will be the result of local negotiations, not stipulated by the VSA model. Local ownership of productivity goals ensures they are attainable.

Who will responsible to manage the collective funds into the compacts?

The funds of the VSA will be managed by a separate organization, which will ensure activities are implemented in line with the Compact goals and timelines.

What if the current buyer won't contribute to continuing the VSA project?

The better a jurisdiction will adhere to the roadmap leading to the sustainability goals of the Compact, the more attractive a jurisdiction will become for end buyers. This doesn't mean that end buyers will remain the same forever. There will always be a shift in priorities for end buyers that will direct their decisions to support or not-support a specific VSA.

What is the number of VSAs you want to look at?

The number of pilots now is relatively small. It is used to gain 'proof of concept'. However, once the model is shown to be working, the VSA model will be scaled up to make sourcing from VSAs even easier.

In this respect, the VSA model is open for everyone to use. As long as a (local) Compact complies with a few basic rules, any jurisdiction can become a VSA. IDH's role in the concept

is to assist with further developing the model and showing the way by starting pilot VSAs in different parts of the world.

How to make sure the VSA products not harming a diverse ecosystem in a landscape – referring to the themes of the Compact Transparency Tool¹?

If a certain ecosystem is important for a jurisdiction, the multi-stakeholder coalition that forms the parties of the Compact can tailor its local sustainability goals to reflect the preservation of this ecosystem. The local sustainability goals, together with the 5 themes of the Compact Transparency Tool form the targets of the Compact.

Is it possible to change any of the 5 themes of Compact Transparency Tool?

The VSA Global Steering Committee, a multi-stakeholder advisory committee consisting of sustainability institutions and public and private stakeholders, is discussing the 5 themes of the Compact Transparency Tool and its sub-themes. Although the present 5 themes are a consistent reflection of the topics and commitments that many end buyers have made, it is very well possible that there will be changes to the 5 themes.

What is the benefit for a company if they are involved in a VSA project?

Benefits for committed end buyers are multiple. The VSA model offers transparency of the supply chain, i.e. companies can understand and know where the products in their supply chain originate from. It also provides the committed end buyer with the possibility to direct some of its sustainability contributions to specific goals in the jurisdictions that provide products to their supply chain. Furthermore, the model allows committed end buyers, as well as anyone taking an interest in a certain jurisdiction, to understand the goals of the Compact, the roadmap that the stakeholders in the Compact have set towards improvement of sustainability levels in the jurisdiction and monitoring the progress that is made against the Compact's goals.

Is the VSA concept more scalable than certification schemes?

Yes, the VSA model addresses not only sustainability of certified producers, plantations or farms, but also of smallholders and others that are left out of certification schemes. At the same time, it includes sustainability goals for government land. And yes, it is a cross-commodity solution that can be replicated across jurisdictions globally.

¹ The tool that is being developed in order to understand and visualize the Compact's sustainability goals and progress toward these goals was renamed "VSA Impact Transparency Tool" from its former name "VSA Global Performance Standard" to more accurately reflect the use of the tool and avoid confusion with existing standards.

On the assumption that VSAs will succeed, what is the guarantee that donor agencies are involved?

To set the VSA concept off to a good start, IDH, together with partners, has co-financed the VSA pilots. Similarly, organizations and other donors have indicated to be willing to initiate financing opportunities for projects related to the VSAs. Furthermore, every VSA is supported by one or more committed end buyer who in return for improvement on the VSA Compact Transparency Tool themes, are expected to contribute something to further the Compact goals.

Will committed end buyers be part of the Compact?

Committed end buyers may be part of the Compact. However, this is not a requirement for starting a VSA. Also throughout the years, more committed end buyers may start buying from a Compact.

While WWF in Sabah, Inobu in Kalimantan also work on the same jurisdictional issues, will it be possible for these organizations to have a coordinating role in the matters?

The VSA concept is designed to be used by any organization or interested party. As long as a (local) Compact complies with a few basic rules, any jurisdiction can become a VSA. IDH welcomes discussion with other parties who are developing jurisdictional approaches, in order to see whether there is overlap in development, potential for cooperation and whether exchange of information can speed up the all our sustainability efforts.

How can VSAs be of value for the existing working group works in Siak, Riau?

The VSA concept is designed to be used by any organization or interested party. As long as a (local) Compact complies with a few basic rules, any jurisdiction can become a VSA, with all the benefits of the VSA concept.