

Shaping sustainable markets

A research initiative that seeks to ensure markets work to support, rather than undermine, sustainable development.

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SHAPING
SUSTAINABLE
MARKETS

In brief

SSM analyses a wide range of market governance mechanisms — from carbon labelling to diamond certification — to explore how they are designed and how they impact people, the planet and the economy.

A market governance mechanism is a set of formal rules consciously designed to change behaviour – of individuals, businesses, organisations or governments – to influence how markets work and their outcomes.

Through research we identify which mechanisms are working well and which are not. Ultimately, we want to improve how market governance mechanisms are designed. We also explore the potential of innovative mechanisms that have yet to be tested in the real world — providing new ideas for ‘shaping’ markets.

This work will be useful for policymakers, business professionals, and researchers and anyone who has an interest in how markets can work to support sustainable development.

Our work

Shaping Sustainable Markets builds on existing research. We make sure we don’t replicate work that has already been done but also aim to fill knowledge gaps where possible.

Ultimately we hope to design a set of principles to guide policymakers in designing and implementing effective mechanisms. We are looking at individual mechanisms, such as specific payments for environmental services schemes, as well as groups of mechanisms, for example certification, using the typology we have developed.

Over time, we aim to also take a broader view across groups of mechanisms to understand their combined impact.

Market governance mechanisms

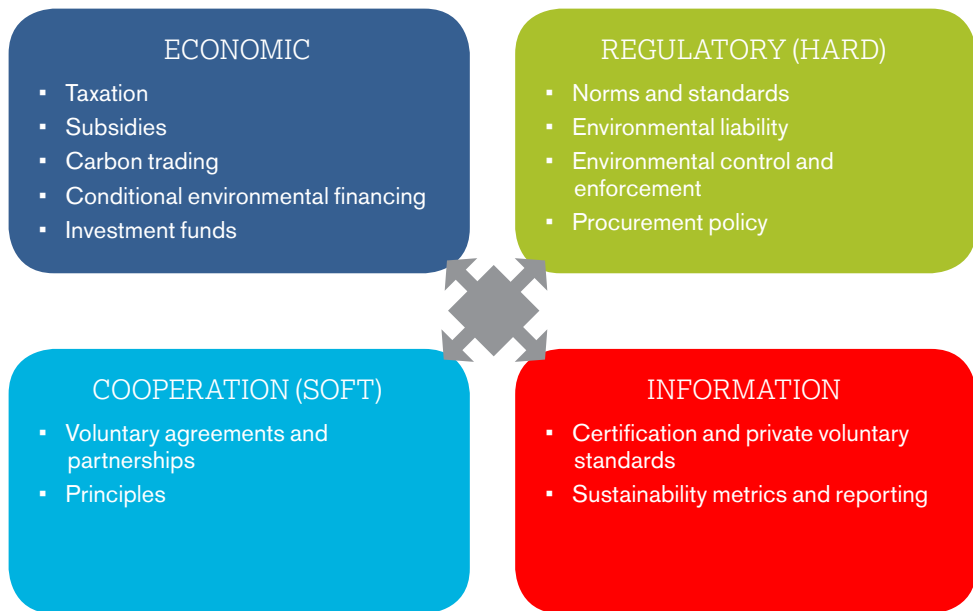
Market governance mechanisms can be organised into the following groups:

Economic: using price incentives to change behaviour

Regulatory: using legal requirements to enforce or ban certain behaviours

Cooperative: using agreements to encourage partners (other organisations, governments or individuals) to voluntarily change their behaviour

Informational: raising awareness of sustainable development (including poverty or environmental issues, for example) to change consumers’ and investors’ behaviour



Read more about the different types of market governance mechanisms in our research prospectus, found on the SSM website
<http://shapingsustainablemarkets.iied.org>

Want to know more about specific mechanisms?

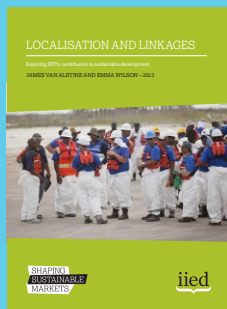
Our database offers summaries of a range of market governance mechanisms relevant to SSM. Each summary includes a description of the mechanism, information about the regions and sectors where it works and links to relevant research. Use our extensive database of mechanisms to search for mechanisms you're interested in – by type, region or sector of operation:

<http://shapingsustainablemarkets.iied.org/database-mechanisms>



- Africa (58)
- Asia (65)
- Central America (50)
- Europe (51)
- Middle East (31)
- North America (46)
- Oceania (45)
- South America (58)

Our publications



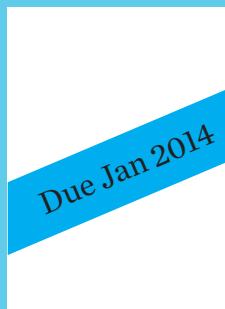
Localisation and linkages: exploring EITI's contribution to sustainable development

James Van Alstine, Emma Wilson – Forthcoming

Countries dependent upon exploitation of natural resources often suffer from a 'resource curse', characterised by poor economic growth, low living standards, corruption, and political authoritarianism. Civil society campaigners have been campaigning for voluntary and legal transparency in natural resource sectors as a way to combat these issues. These efforts helped to establish the EITI; a voluntary global standard for disclosing company payments and government revenues. Yet a decade since EITI was established, it is unclear how to make transparency work for development, particularly for those living closest to resource extraction projects. This paper seeks to assess how transparency can better lead to sustainable development within resource-dependent countries.

Download free at:

<http://pubs.iied.org/16555IIED>



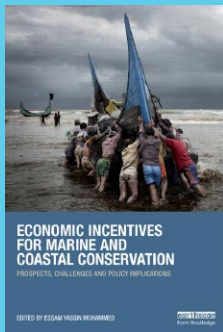
The state of sustainability initiatives review 2014: voluntary standards and the green economy

IISD, IIED – Forthcoming

The SSI Review represents the most up-to-date and comprehensive overview of the market trends and system characteristics of major voluntary sustainability standards and initiatives in the banana, biofuels, cocoa, coffee, cotton, forestry, palm oil, soybean, sugar and tea sectors. The review provides information on the market performance, governance, criteria coverage and implementation practices of key initiatives (such as 4C Association, Better Cotton Initiative, Bonsucro, Cotton made in Africa, Ethical Tea Partnership, Fairtrade, FSC, GlobalGAP, IFOAM (Organic), PEFC, ProTerra, Roundtable on Sustainable Biomaterials, Roundtable on Sustainable Palm Oil, Roundtable on Responsible Soy, Rainforest Alliance/SAN and UTZ Certified).

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Economic incentives for marine and coastal conservation: prospects, challenges and policy implications

Essam Mohammed (editor) – 2013

This book shows how economic instruments can be used to incentivise the conservation of marine and coastal resources. Direct economic incentive mechanisms such as payments for ecosystem services (PES) could be a more successful strategy to help halt fishery decline than the more traditional approach of regulation. Examples from across the world suggest that PES can work to protect both livelihoods and environments. But to succeed, these schemes must be underpinned by robust research, clear property rights, sound governance structures, equitable benefit sharing, and sustainable finance. The book explores the prospects and challenges, and draws lessons from PES and PES-like programmes from across the globe.

Available to purchase at
<http://www.routledge.com>

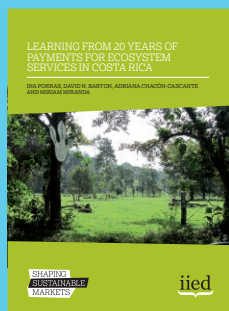


Direct economic incentives for sustainable fisheries management: the case of Hilsa conservation in Bangladesh

Essam Mohammed, Md. Abdul Wahab – 2013

Direct economic incentive mechanisms such as payments for ecosystem services (PES) could be a more successful strategy to help halt fishery decline than the more traditional approach of regulation. This case study on Hilsa fish conservation in Bangladesh, examines how direct economic incentive mechanisms complement regulatory fisheries management approaches. It finds that the effectiveness of the scheme could be enhanced by understanding socio-economic and ecological systems; identifying key beneficiaries, assessing the preference of fisher communities for compensation packages, empowering local fishermen to monitor and enforce compliance, and enhancing regional cooperation between countries.

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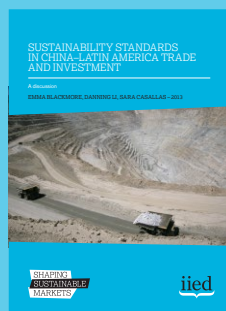
Learning from 20 years of Payments for Ecosystem Services in Costa Rica

Ina Porras, David N. Barton, Adriana Chacón-Cascante, Miriam Miranda – 2013

Costa Rica's Payments for Ecosystems Services (PES) programme has become something of an icon in the world of PES. It provides a valuable source of information and inspiration for other countries interested in exploring 'policymixes' of economic and regulatory instruments to promote ecosystems conservation and regeneration. In this paper we explore how the governance of the PES programme has evolved over time, how the context in which it sits has changed, and how it prepares to face future challenges by incorporating new tools and strengthening its alliances with other institutions. We discuss the policies used by the programme to affect the way forests are managed and the reported outcomes on the ecosystem services they are expected to provide. Since PES is for society as much as the environment, we also look in detail at the impacts on those directly receiving PES, and what policies and personal characteristics may affect how PES funding seeps into rural economies.

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An older version is also available in Spanish at <http://pubs.iied.org/16514SIIED>



Sustainability standards in China-Latin America trade and investment: a discussion

Emma Blackmore, Danning Li, Sara Casallas – 2013

This discussion paper summarises initial evidence on the growing trade and investment between China and Latin America in mining, forestry and agriculture, with a particular focus on Chile, Peru and Brazil. It explores the use and impact of sustainability standards, both international and national – for example, Forest Stewardship Council certification and China's national forestry certification scheme. After analysing the drivers and governance factors shaping the design and uptake of standards, it identifies several important questions for future research, in this under-researched but important topic for sustainability.

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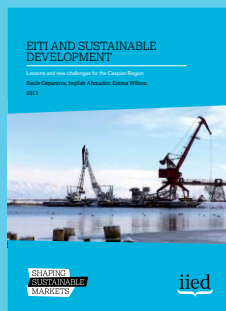


Dispute or dialogue? Community perspectives on company-led grievance mechanisms

Emma Wilson, Emma Blackmore (editors) – 2013

This book explores the use and impact of company-community grievance mechanisms in the oil and gas, forestry, and mining sectors. The book provides an overview of recent trends in the design and use of grievance mechanisms and explores drivers for their use. The book's findings demonstrate the importance of having an open and responsive overall approach to stakeholder engagement within which a grievance mechanism can sit. It also offers a number of specific recommendations on how grievance mechanisms can be designed and implemented to better meet the needs of communities and to avoid the risk and costs of community disputes for business.

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EITI and sustainable development: Lessons and new challenges for the Caspian region

Saule Ospajova, Ingilab Ahmadov, Emma Wilson – 2013

The Extractive Industries Transparency Initiative (EITI) is sparking renewed interest and debate on issues such as transparency of government-company contracts, reporting on revenues from natural resources by company and by project, and reporting on revenue expenditure. An overarching concern is how to ensure that revenue transparency ultimately leads to better sustainable development outcomes, including socio-economic development, poverty reduction and environmentally responsible extractive-industry practices. This discussion paper highlights key issues and new challenges related to EITI implementation, as well as broader issues of transparency and good governance in the extractive industries.

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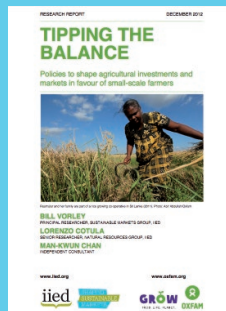


FPIC and the extractive industries: a guide to applying the spirit of free, prior and informed consent in industrial projects

Abbi Buxton, Emma Wilson – 2013

Free, prior and informed consent (FPIC) is an indigenous peoples' right requiring companies to engage with local communities to agree together on how projects are implemented. This paper offers guidance to those companies who are looking to engage with FPIC in a meaningful way. It focuses less on the letter of the law and more on exploring 'the spirit of FPIC', a deeper commitment to engage with local communities to reach shared agreement. It intends to challenge companies to move beyond a culture driven by minimal compliance-based thinking, towards one based on a greater understanding of the importance of stakeholder engagement practices; an understanding which should benefit business as well as communities.

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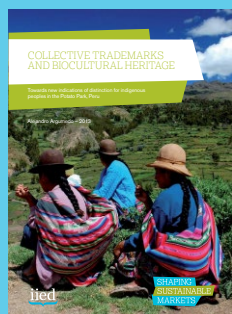


Tipping the balance: policies to shape agricultural investments and markets in favour of small-scale farmers

Bill Vorley, Lorenzo Cotula, Man-Kwan Chan (editors) – 2013

A recent wave of large-scale land acquisitions has raised concerns that small-scale producers are being marginalised. What role can public policy play to ensure that commercial investment and agricultural markets benefit smallholder producers? This report identifies key policy levers that can tip commercial investments in favour of either small- or large-scale farming. It shows how levers influence market governance to constrain or support the fair sharing of risk and reward between small-scale producers and the rest of the market. It examines policy elements that can specifically contribute to gender-equitable results. Four country case studies; Guatemala, Nigeria, Tanzania and the Philippines, support the research.

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Collective trademarks and biocultural heritage: towards new indications of distinction for indigenous peoples in the Potato Park, Peru

Alejandro Argumedo – 2013

The indigenous farmers of the Potato Park in Cusco, Peru, produce goods drawn from their collective traditional knowledge, biodiversity and fundamental ties to the land: their 'biocultural heritage'. How can they promote these products, while also protecting their collective intellectual property? This paper presents the experience of the Potato Park communities in applying for formal protection through a collective trademark, and also in adopting an informal trademark for their products and services.

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Climate change and agriculture: a comparative review of the effectiveness and fairness of market governance mechanisms

Tara Garnett – 2012

This paper examines some of the market governance mechanisms that might be used to address the impact of agriculture on climate change. It assesses the potential these tools offer for 1) making food production less emissions intensive; and 2) for influencing consumers to reduce the demand for foods with a high greenhouse gas footprint (particularly meat and dairy products) and to reduce food waste. It covers the full spectrum of regulatory, economic, cooperative and information related mechanisms and assesses their effectiveness and fairness. The mechanisms analysed – amongst others – include emissions trading, REDD, payments for ecosystem services, nitrate taxes and carbon labelling.

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Standards for change? ISO 26000 and sustainable development

Adrian Henriques – 2012

In 2010, the International Organization for Standardization published ISO 26000: a standard to guide organisations in implementing social responsibility and contributing to sustainable development. ISO is a widely respected authority on standards worldwide, so their venture into this field was significant. But how much of a contribution can ISO 26000 make to sustainable development? This report looks at what has happened so far and what the potential could be.

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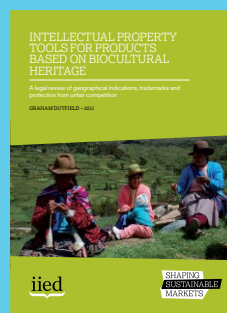


ISO 26000 and global governance for sustainable development

Halina Ward – 2012

ISO 26000 offers guidance across themes including human rights, labour, environment, consumer protection, fair operating practices and community development. The brand recognition of ISO standards, ISO's geographical scope and its credibility among market actors mean that ISO 26000 has the potential to improve the practice of social responsibility in local and global markets. This paper describes the development of the ISO 26000 standard and discusses the dissonances that emerged in relation to policymaking, global governance and consequently sustainable development. It suggests a number of steps that could be taken to maximise the positive contributions of ISO 26000 to global governance for sustainable development and offers lessons for the analysis of other market governance mechanisms.

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Intellectual property tools for products based on biocultural heritage

Graham Dutfield – 2011

Products developed by indigenous peoples and traditional societies, such as food crops and medicines, can protect biodiversity and provide an important source of income. This review explores the intellectual property (IP) tools of geographical indications, trademarks and rules of unfair competition for promoting these products, and protecting them from misappropriation, misuses and imitation, and assesses their potential to contribute to sustainable development. This legal review draws primarily on experience in Europe, where GIs and trademarks have been most widely used to date, but also includes experience from developing countries, such as India's recent experience with geographical indications.

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Investing for sustainable development? A review of investment principles, trends and impacts

Just Economics – 2011

How can investors be encouraged to consider more than purely commercial and short-term gains? Various sets of investment principles have emerged in recent years. These principles aim to incorporate social, environmental and governance criteria into investment decisions in order to enhance the benefits and reduce the damaging effects of investment for development. Focusing on four major sets of investment principles – the UN Principles for Responsible Investment (PRI), the Equator Principles, the Environmental and Social Principles of the European Investment Bank (EIB), and the OECD Declaration on International Investment and Multinational Enterprises – this paper takes a first step in assessing the content, take-up, implementation and impact of investment principles.

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How can air travel contribute to the costs of adapting to climate change?

Antonia Baker – 2011

By 2050, the costs of adapting to climate change in developing countries could reach US\$100 billion per year, according to estimates from UNDP and the World Bank. New and additional sources of funding for adaptation are desperately needed. The International Air Passenger Adaptation Levy (IAPAL) – a proposed new purchase tax on air tickets – offers a potential source for these funds. This paper updates the key assumptions made in the original paper proposing this scheme by Hepburn and Müller in 2006. It analyses the nature of current international agreements to determine the feasibility of introducing IAPAL.

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Get involved

Sign up to our newsletter

We publish a regular email newsletter that provides updates on our work and links to new publications, blogs and news. Sign up on our website (see link below).

Publish your research

Shaping Sustainable Markets aims to publish independent, rigorous research that makes a meaningful contribution to what we already know.

We welcome contributions from external researchers – particularly those from low- and middle-income nations – that meet our editorial and quality standards. We offer support for producing and marketing publications (including coordinating a rigorous peer review process).

Join our Community of Practice

We're looking for business professionals, policymakers and researchers to join our Community of Practice. The Community of Practice will be a forum for sharing knowledge, experience and practice relating to the use, design and implementation of market governance mechanisms. Knowledge sharing will happen both remotely – through a dedicated part of the website – and face-to-face through regular events.

SSM is hosting its first event on March 21st 2014 in Edinburgh. The event will focus on innovations for equity in smallholder PES and will seek to bridge research and practice. The event is open to all and will be free to attend. Please email Laura.Jenks@iied.org if you would like to register or would like more information.

Visit our website

<http://shapingsustainablemarkets.iied.org/>

Get in touch

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Project Materials

Sustainable markets

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Economic incentives
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Services (PES)
Certification