MANAGING CERTIFICATION AND ASSURANCE COSTS FOR TEXTILE VALUE CHAIN

Anil Jauhri
Ex-CEO, NABC
jauhrianil@gmail.com
+919810567765
INTRODUCTION

- Important to understand challenges in the market
- Regulation of products around for many years globally – mainly on grounds of health or safety or deceptive trade practices – standards enforced by law – compulsory compliance – textile sector no exception
- Codified by WTO in its agreements when rules for international trade were written down wef 1 Jan 1995
- WTO agreements relating to standards and regulations:
  - Agreement on Technical Barriers to Trade (TBT Agreement)
  - Agreement on Sanitary and Phytosanitary Measures (SPS Agreement) – applies to human, animal and plant health – food safety covered under it - all other products covered under TBT Agreement
TECHNICAL REGULATIONS

- Defined in TBT Agreement as
- Document which lays down product characteristics or their related processes and production methods, including the applicable administrative provisions, with which compliance is mandatory. It may also include or deal exclusively with terminology, symbols, packaging, marking or labelling requirements as they apply to a product, process or production method
- Standards means voluntary standards – not obligatory to adopt – adopt if they make business sense – e.g. ISO 9001 certification or similar ISO certifications – private standards prevalent in textiles sector
WTO REGIME

- Regulations in products on grounds such as health, safety, deceptive trade practices, environment, national security etc – encourages use of international standards in regulations for freer trade - In future regulations on sustainability/climate action likely to grow
- Regulations for domestic industry apply to imports – can not be different – National Treatment principle
- Two distinct regimes – sectors amenable to Regulations and sectors driven by (Voluntary) Standards
- Worldwide regulations responsibility of governments – need a legislative instrument – standards (voluntary) driven by market – industry and other stakeholders – govt initiates in developing economies – both growing
VOLUNTARY STANDARDS

- Typically by National Standards Bodies – BIS in India - hub of voluntary standards – Private bodies in most developed countries having strong connect with industry – Governmental in developing countries – yet standards voluntary – ISO and IEC for International Standards
- ISO standards – management systems standards widely popular - buyer’s demand – hence necessary to adopt – ISO 9001, ISO 14001, ISO 45001, ISO 22000, ISO 27001 etc. – and the tribe is growing by the day
- Industry standards like IATF 16949 in auto, AS 9100 in aerospace, TL 9000 in telecom
SUSTAINABILITY STANDARDS

- Growing breed – made by private players – blessed by stakeholders like retailers – not always participatory or transparent
- Protection against liability – reputational risk - as global sourcing grows – concerns about social issues – child labour, fair wages, workers’ safety
- Even in regulated sector like Food or textiles – demanded by buyers even if industry meets regulations of that country – hence market reality and necessary
- Examples: OekoTex, WRAP, GOTS, Textile Exchange
- Be ready for sustainability/climate action related regulations in near future – CBAM of EU already making waves
CHALLENGE BEYOND STANDARDS

- Ability to meet global standards or regulations not enough - manner of demonstrating compliance equally important
- Conformity assessment – inspection/ testing/certification
- Variety of models available and prescribed – from self declaration to intensive third party assessment
- No single model possible – depends on risk
- Need for confidence and global acceptance – accomplished through Accreditation
- Third party attestation of competence of conformity assessment bodies as per international standards – ISO 17020 for inspection bodies, ISO 17025 for labs, ISO 17021/17065 for management systems/product certification bodies
COST OF COMPLIANCE

- Whether regulation or voluntary standards, demonstration of compliance integral to regimes
- Cost of compliance increases if multiplicity of regulations or voluntary standards – industry at the receiving end – MSMEs especially disadvantaged
- Need to bring down cost of compliance
- Examples in other sectors
- If varying regulations in different countries, impeded access to market
- Need for harmonization of regulations – regulators to come together and develop harmonized systems – pharma (PICS) – medical devices (IMDRF)
COST OF CERTIFICATION

- Voluntary standards invariably require certification including at times testing
- How does one tackle
- Many private certification schemes have provision for recognizing equivalent standards or certifications
- Local schemes bring down cost of certification – IndGAP benchmarked by GlobalGAP in India recently
- If no such provision, provision for national interpretation – to facilitate implementation of standards – helps bring down cost although less effective – GlobalGAP – national interpretation in India since 2013
- If neither, only option to build local resources – auditors, consultants, trainers for more effective implementation – need for certified consultants
TACKLING MULTIPLICITY

- What happens if there are multiple standards/certifications in a sector – focussing on similar areas – say chemicals or sustainability or recycling etc
- Example of food industry – food safety
- Global Food Safety Initiative (GFSI) – industry backed-to reduce audit fatigue - benchmarking standards and certifications – interchangeability
- Another model in forestry – Program for Endorsement of Forest Certification (PEFC) – sustainable forest management – traceability of wood to forest – chain of custody - benchmarking local schemes
TO SUM UP

- Varying regulations and multiplicity of voluntary standards add cost to industry – impede access to markets
- Necessary to tackle both regulations and voluntary standards
- Different approaches
- Regulators to be encouraged to get together
- In voluntary world, industry most affected – can take lead – or any other player with interest in the area
THANK YOU
FOR YOUR ATTENTION!

Any Questions?