



MANAGING CERTIFICATION AND ASSURANCE COSTS FOR TEXTILE VALUE CHAIN

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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
- Private standards and certifications – 300 plus globally - <https://www.standardsmap.org/en/home>

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 ?