

Voluntary Sustainability Standards and Value Chain Governance:

How sustainability standards affect the distribution of decision-making power in global value chains

Kathleen Sexsmith

Jason Potts

July 2009

BACKGROUND PAPER

Voluntary Sustainability Standards and Value Chain Governance: How sustainability standards affect the distribution of decision- making power in global value chains

Kathleen Sexsmith
Jason Potts

July 2009

© 2009 International Institute for Sustainable Development (IISD)

Published by the International Institute for Sustainable Development

IISD contributes to sustainable development by advancing policy recommendations on international trade and investment, economic policy, climate change and energy, measurement and assessment, and natural resources management, and the enabling role of communication technologies in these areas. We report on international negotiations and disseminate knowledge gained through collaborative projects, resulting in more rigorous research, capacity building in developing countries, better networks spanning the North and the South, and better global connections among researchers, practitioners, citizens and policy-makers.

IISD's vision is better living for all—sustainably; its mission is to champion innovation, enabling societies to live sustainably. IISD is registered as a charitable organization in Canada and has 501(c)(3) status in the United States. IISD receives core operating support from the Government of Canada, provided through the Canadian International Development Agency (CIDA), the International Development Research Centre (IDRC) and Environment Canada; and from the Province of Manitoba. The Institute receives project funding from numerous governments inside and outside Canada, United Nations agencies, foundations and the private sector.

International Institute for Sustainable Development
161 Portage Avenue East, 6th Floor
Winnipeg, Manitoba
Canada R3B 0Y4
Tel: +1 (204) 958-7700
Fax: +1 (204) 958-7710
E-mail: info@iisd.ca
Web site: <http://www.iisd.org/>

Table of Contents

1.0	Introduction	1
1.1	Paper methodology.....	1
1.2	Global value chain theory.....	2
1.3	Voluntary sustainability standards	3
1.3.1	<i>Coffee</i>	5
1.3.2	<i>Seafood</i>	5
1.3.3	<i>Forestry</i>	6
2.0	Sustainability standards and global value chain governance	7
2.1	Legislative functions.....	7
2.2	Executive functions.....	9
2.3	Judicial functions.....	10
3.0	Framework for assessing participatory governance in global value chains that are compliant with sustainability standards.....	11
4.0	Assessing participatory governance in global value chains compliant with sustainability standards	14
4.1	Representation.....	14
4.1.1	<i>Boards of directors</i>	15
4.1.2	<i>General assemblies</i>	16
4.1.3	<i>Standards development committees</i>	18
4.1.4	<i>Dispute resolution committees</i>	19
4.1.5	<i>Stakeholder councils</i>	20
4.2	Accountability.....	21
4.2.1	<i>Selection procedures</i>	21
4.2.2	<i>Transparency</i>	22
4.2.3	<i>Complaints and appeals</i>	23
4.3	Checks and balances.....	24
4.3.1	<i>Compliance with metastandards</i>	24
4.3.2	<i>Separation of powers</i>	26
4.4	Equity	28
4.4.1	<i>Voting procedures</i>	29
4.4.2	<i>Funding for participation in governance activities</i>	30
4.4.3	<i>Participation in standard-setting</i>	32

4.5	Subsidiarity.....	35
4.6	Effectiveness.....	36
4.6.1	<i>Frequency of audits</i>	37
4.6.2	<i>Frequency of standards review</i>	37
4.7	Efficiency	38
4.7.1	<i>Distribution of expenditures</i>	38
4.7.2	<i>Sources of income</i>	39
4.8	Participatory governance trade-offs	40
5.0	Summary	42
6.0	Recommendations.....	44
6.1	Formalize judicial procedures in standards organizations	44
6.2	Improve transparency through consistent and complete reporting on organizational proceedings	44
6.3	Improve transparency through improved information on market trends and the impacts of initiative implementation	45
6.4	Pay more attention to informal barriers to participation in governance	45
6.5	Improve efficiency through enhanced collaboration and coordination	46
Appendix 1.0: Governance structures of standards organizations.....		47
A.1.1	Fairtrade Labelling Organizations International (FLO)	47
A.1.2	Sustainable Agriculture Network.....	49
A.1.3	UTZ CERTIFIED	53
A.1.4	Marine Stewardship Council.....	55
A.1.5	Forest Stewardship Council.....	57
A.1.6	Programme for the Endorsement of Forest Certification schemes (PEFC Council)	60
Appendix 2.0: Interview participants.....		63
References		64

Tables

Table 1: Participant breakdown by sector and occupation.....	2
Table 2: Basic characteristics of certification programs for coffee, fisheries and forestry.....	4
Table 3: Stakeholder representation on standards organization boards of directors by primary occupation.....	15
Table 4: Developing country representation on standards organization boards of directors	15
Table 5: Producer and developing country representation in standards organization membership ...	16
Table 6: Producer and developing country representation on standards development committees...	18
Table 7: Producer and developing country representation on standards organization dispute resolution committees	19
Table 8: Producer and developing country representation on the MSC Stakeholder Council.....	20
Table 9: Selection procedures for members of standards organization boards of directors and standards development committees.....	21
Table 10: Disclosure on websites of governance proceedings.....	22
Table 11: Independence of basic governance functions	26
Table 12: Voting procedures in the highest authorities of standards organization governing bodies	29
Table 13: Approximate FSC 2008 general assembly participant breakdown.....	31
Table 14: Formal oversight of producer participation in standard-setting.....	32
Table 15: Localization of standards ownership and indicator development.....	35
Table 16: Protocol for frequency of audits and standard review.....	37
Table 17: Allocation of standards organization resources, 2007 calendar or fiscal year , by per cent	38
Table 18: Standards organization income sources, 2007 calendar or fiscal year	39
Table 19: Interview participants	63

1.0 Introduction

Sustainability standards affect decision-making processes in global value chains by appropriating and redistributing power to set, implement and verify compliance with the terms of chain participation. Standards have the potential to give commodity producers a more prominent role in supply chain decision-making by inviting their direct participation in organizational governance. However, standards can also reinforce formal and informal governance practices that exclude producers, many of whom already experience economic marginalization.

This paper aims to assess the potential and actual impacts of select voluntary sustainability standards on decision-making within global value chains in the coffee, forestry and fisheries sectors. It is one of a pair of papers prepared for the ENTWINED research consortium, which addresses the supply chain impacts of voluntary sustainability standards.¹

1.1 Paper methodology

We conducted interviews with standards organizations and their stakeholders and analyzed organizational documentation available on standards websites. We also reviewed the existing literature on the governance of standards organizations. Five of the six standards organizations analyzed provided feedback on a draft of this paper to ensure factual correctness and indicate recent developments and future directions. Attempts to obtain feedback from the Programme for Endorsement of Forest Certification (PEFC Council) did not succeed; therefore, we have minimized discussion of this organization.

We conducted 24 interviews in late 2008 with 26 individuals, who were identified using a snowball sampling method. We intended to obtain the broadest participation possible from the standards organizations under study, as well as from producers, NGOs or consultants with significant experience in the sustainability standards industry.² Table 1 gives the breakdown of participants by sector and organizational affiliation. In most cases, additional individuals on the staff of standards bodies provided corrections and comments on the draft.

¹ See also Sexsmith and Potts (2009).

² Due to the wide range of commodities and standards organizations covered, we could not achieve a representative sample of interviewees from each sector in the allotted time.

Table 1: Participant breakdown by sector and occupation

Sector	Standards organization (currently employed)	Standards organization (previously employed)	NGO/ consultant	Producer	Trader/ retailer	Total
Coffee	3	0	4	0	3	10
Fisheries	2	1	5	3	0	11
Forestry	2	2	1	0	0	5
Total	7	3	10	3	3	26

1.2 Global value chain theory

This paper draws on the conceptual framework of global value chain analysis to examine the impacts of voluntary sustainability standards on supply chain coordination and to identify potential policy interventions for improving the sustainability impacts of standards. Gereffi and Korzeniewicz (1994) popularized the theory of global value chains as a way of conceptualizing the commercial linkages that transform raw materials into consumer goods.³ It provides a set of methodological tools for tracing economic activities at each stage, or “node,” of the chain of activities. Gereffi (1994; 1995) identified four dimensions of value chain organization, which provide a useful framework for analyzing where economic value is generated and how it is controlled:

1. Input-output structure, which describes how products and services are linked through value-added activities
2. Territoriality, meaning the spatial dispersion of activities
3. Governance structure, which explains the power relations that coordinate chain activities
4. Institutional frameworks at the local, national and international levels, in which production and exchange activities are embedded.

In this paper, we analyze the ways that voluntary sustainability standards interact with the third dimension, their governance structures, using a framework partially informed by Foweraker and Krznicar’s (2000; 2001) model for assessing liberal democratic performance. We analyze the impacts of sustainability standards on the other value chain dimensions in the companion paper to this study.⁴

³ Global value chain theorists eventually exchanged the term “commodity” for “value” chains because global value chain analysis is particularly concerned with differentiated products and emphasizes the unequal distribution of added value along the chain (Humphrey and Schmitz, 2000, p. 10).

⁴ See Sexsmith and Potts (2009). This paper looks at the impacts of sustainability standards on trade flows, the generation of economic rents and the distribution of economic benefits along the value chains for coffee, fisheries and forestry products.

1.3 Voluntary sustainability standards

Sustainable development is defined as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environment and Development, 1987). Conventional production and trading practices can be detrimental to sustainable development where economies are closely tied to commodity markets. In the coffee, fisheries and forestry sectors, price fluctuations and natural resource depletion present constant threats to the stability of producers’ livelihoods and communities—a problem felt particularly strongly in developing countries.⁵ Growing awareness of these challenges has stimulated consumer demand for products they can enjoy without feeling that their purchasing decisions have been harmful to people and the planet. To meet this demand, compliance with sustainability standards has become a relatively easy way to demonstrate that goods have been produced in accordance with the basic principles of sustainable development. Standards have proliferated across commodity sectors in recent decades: most certified markets have been growing in recent years at rates between 20% and 100% per annum.

The organizations that develop, implement and verify compliance with voluntary standards have diverse structures and motivations. We limit the analysis in this paper to standards that make stronger claims to legitimacy based on multistakeholder governance and an independent certification process. We selected six standards organizations reaching across the coffee, fisheries and forestry sectors for study. We chose these organizations for their depth of organizational history, influence in global markets and coverage of different commodity supply chains and market types. This section offers a summary of the basic organizational characteristics of each organization (Table 2) and a description of its objectives. Appendix 1 includes a more complete description of the organizational structure and scope of each organization.

⁵ In-depth information on socially and environmentally destructive trends can be found in FAO (2007b) for fisheries, FAO (2007c) for forestry and Bacon, Méndez, Gliessman, Goodman and Fox (2008) for coffee.

Table 2: Basic characteristics of certification programs for coffee, fisheries and forestry

Organization	Certification	Standard-setting agency	Headquarters	Year founded	Certification provider	Market reach	Certifiable crops
Fairtrade Labelling Organizations International (FLO)	Fairtrade	FLO	Bonn, Germany	1989	Independent company (FLO-Cert)	62,209 tonnes coffee ⁶ (2007)	14 types ⁷
Sustainable Agriculture Network (SAN)	Rainforest Alliance Certified	SAN	San Jose, Costa Rica	1998	Audits by local inspection bodies; certification by Sustainable Farm Certification International ⁸	62,296 tonnes coffee (2008)	More than 100 types ⁹
UTZ CERTIFIED	UTZ CERTIFIED "Good Inside"	UTZ CERTIFIED	Amsterdam, Netherlands	1999	Private certification bodies	77,500 tonnes coffee ¹⁰ (2008)	Coffee, cocoa and tea ¹¹
Marine Stewardship Council (MSC)	MSC	MSC	London, U.K.	1997	Private certification bodies	5 million tonnes seafood (2008)	Seafood
Forest Stewardship Council (FSC)	FSC	FSC	Bonn, Germany	1994	Private certification bodies	113 million ha forest (April 2009)	Forests and forest products
Programme for Endorsement of Forest Certification (PEFC)	PEFC	National governing bodies of PEFC	Geneva, Switzerland	1999	Private certification bodies	212 million ha forest (May 2009)	Forests and forest products

⁶ Retail sales of certified coffee. The actual amount of coffee purchased from growers under Fairtrade contracts is likely to be higher.

⁷ Apart from coffee these are: bananas, cocoa, cotton, flowers, fresh fruit, honey, juices, rice, spices and herbs, sports balls, sugar, tea and wine. For composite products, every ingredient for which Fairtrade standards exist must be certified.

⁸ Accreditation system is under thorough reconstruction, as analyzed below.

⁹ Apart from coffee these include: Açai, aloe vera, avocado, banana, cassava, chestnut, citrus, cocoa, cupuaçu, flowers and ferns, foliage, grape, guava, heart of palm, kiwi, macadamia, mango, onion, passion fruit, pineapple, plantain, rubber and tea.

¹⁰ 70,198 tonnes were sold under the UTZ logo.

¹¹ Standard development is complete for cocoa and tea. UTZ CERTIFIED also facilitates the traceability system for palm oil. Soy, biofuels and sugar cane were under discussion as of July 2009.

1.3.1 Coffee

Fairtrade: The Fairtrade certification system is the most recent incarnation of the fair trade movement.¹² It provides a system of independent certification and labelling to guarantee the fulfillment of the principles of equity and development in North–South trade. The system is unique in its requirement that both producers and buyers observe a set of rules to earn certification. Fairtrade was conceived with a social mission, but its standards have increasingly incorporated environmental criteria. With respect to the coffee standard, the social mission is reflected by the restriction of certification to smallholder farmers (that is, plantation agriculture is prohibited from the Fairtrade coffee market) and the focus on the spread of democratic governance in these farms’ communities.

SAN: The Rainforest Alliance awards certification to farms that meet a set of standards developed by the Sustainable Agriculture Network (SAN), a coalition of conservation and sustainable development NGOs with origins in Latin America. The standard is based on SAN’s ten social and environmental principles, which aim to promote efficiency in farm management through environmental conservation and fair working conditions. Certification is open to both smallholders and plantations. This paper presents information on standards systems and their governance structure, therefore it focuses on SAN rather than the Rainforest Alliance. Where analysis relates to the use of the sustainability seal, we also consider the Rainforest Alliance.

UTZ CERTIFIED: UTZ CERTIFIED is a market-oriented sustainability program that strives to create a transparent marketplace and sustainable supply chains for agricultural products. The UTZ CERTIFIED code of conduct for coffee is a set of criteria for environmentally and socially responsible coffee production and efficient farm management, and is open to farms of all sizes. It is based on the International Labour Organization’s conventions and principles of good agricultural practices, balancing what UTZ CERTIFIED views as the three pillars of sustainability: people, planet and profit.

1.3.2 Seafood

Marine Stewardship Council (MSC): The Marine Stewardship Council is the dominant certification program in the fisheries sector. Its standards are exclusive to marine-capture fisheries, excluding aquaculture fisheries or “fish farms.” The MSC’s environmental standard, the Principles and Criteria

¹² The organic sector is a significant component of the sustainable coffee market—it was the second largest certification category (by trade volume) in 2006 (Sexsmith & Potts, 2009). However, we left the organic sector out of this paper because of the complex, dispersed structure of organic standards and certification. Numerous sets of organic rules have been created or adopted by governments of various levels, NGOs and private sector actors. These are generally harmonized under the protocol of the International Federation of Agriculture Movements, the umbrella organization for organic agriculture.

for Sustainable Fishing, is based on three principles: sustainable fish stocks, maintenance of ecosystems upon which fisheries depend and effective fishery management. Companies along the supply chain can apply separately for certification under the MSC's chain of custody standard to gain the right to use the MSC label on their products.

1.3.3 Forestry

Forest Stewardship Council (FSC): Forest Stewardship Council standards are developed at the international level through multistakeholder processes that balance economic, environmental and social interests. The standards are based on the organization's 10 principles and 56 criteria, which not only pertain to forest conservation and management but also emphasize the rights of indigenous people and forest communities. The international framework can also be applied to regional or national standards through participatory processes with local stakeholders. The FSC has special standards for managers of small and low-intensity forests as well as the option for managers to apply for certification as a group. Chain of custody certification is also available.

Programme for the Endorsement of Forest Certification (PEFC Council): The PEFC endorses national forest certification schemes and had 34 member countries at the time of writing. The PEFC's national standards are diverse in scope, but must cover the entirety of forest management, be developed in a participatory process and be held accountable through independent certification and accreditation.

2.0 Sustainability standards and global value chain governance

Global value chain theory is concerned with the ways power is distributed in supply chain decision-making and with the consequences of different distributions. Power is exercised through governance, or “the inter-firm relationships and institutional mechanisms through which non-market coordination of activities in the chain is achieved” (Humphrey & Schmitz, 2002, p. 7). Essentially, governance involves the determination and enforcement of a set of parameters pertaining to the “what,” “how,” “when,” and “how much” of production, as well as to the price, if it is not determined in the market (Humphrey & Schmitz, 2002, pp. 4–7). Chain “governors” reduce their own risks and costs of investment by using their power to oblige other chain participants to agree to terms that accomplish this (Raikes, Jensen & Ponte, 2000, p. 401–402; Gibbon, 2001, p. 346; Gereffi, 2001, p. 32).

Various typologies of value chain governance have been developed as global value chain theory has advanced. These describe, with increasingly sophisticated explanations, how the degree of subordination of developing country firms depends on the capabilities of suppliers and barriers to entry at the node of the value chain that is occupied by the lead firm, that is, the chain governor. This paper does not intend to create a typology of the governance structure of value chains that are compliant with sustainability standards. We assess chain governance using a political theory lens, and in the interest of brevity we limit the theoretical discussion to the political concepts applied in this paper (Section 3).¹³

Decision-making processes in global value chains can be considered analogous to the legislative, executive and judicial functions of public government (Kaplinsky & Morris, 2003). These roles correspond to the authority to set, implement and verify compliance with the rules for value chain participation. Standards influence value chain decision-making by appropriating some degree of control over these governance functions. The separation of legislative, executive and judicial functions provides systemic checks and balances to help ensure that a single voice does not override the voices of all others.

2.1 Legislative functions

Voluntary standards institute new rules and rule-making processes for value chain participation. In other words, they alter legislative governance conventions, the rules that less-powerful actors must

¹³ Governance structures were originally defined as producer- or buyer-driven by Gereffi (1994). It is generally agreed in the current literature that governance structures can range from completely uncoordinated market relations to perfectly vertically integrated firms (Gereffi, Humphrey & Sturgeon, 2005). Between the two extremes are “modular,” “relational” and “captive” governance structures, which embody increasing power asymmetries. The middle scenario of relational governance represents a situation where power is shared equally between buyers and sellers, and where transactions are coordinated through mutual dependence and trust.

comply with to participate in the value chain and have access to the end market. Although the nature and rigour of these rules can vary significantly across initiatives, their common objective is to enhance the sustainability of production, trade or consumption. Legislative power is typically formalized through the operations of an implementing organization's board of directors, standards development committees or implementation secretariat. The rules established by these bodies affect relationships along the value chain in a number of ways, including:

Production: The main emphasis of most sustainability standards is ensuring that a product has been brought to market using sustainable production and, in the case of Fairtrade, trading methods. Conventional value chain relationships, by contrast, specify the physical attributes of a product upon its delivery. Although such relationships have increasingly taken into consideration other, non-product-related processing and production issues, such as labour standards and environmental protection, voluntary sustainability standards represent a unique, explicit effort to establish non-product-related rules for production and processing. When, as they often do, such rules apply exclusively to producers, the implementation of standards can reduce the relative authority of producers in decisions about their production practices.

Information-sharing: More complete knowledge of the origins of raw materials used in finished products has become a basic rule of supply chain management for certified coffee, seafood and forestry products. As the FSC, for example, has grown in scope and scale, providing evidence that sources are sustainably managed has become an expected practice in forestry products sectors (Synnott, 2005; Bass, Thornber, Markopoulos, Roberts & Grieg-Grah, 2001). Where chain of custody certification is in place, transparency is improved all the way down the value chain through the use of an eco-label or sustainability seal, which informs businesses and consumers that a product complies with certain sustainability criteria.

Product separation: Chain of custody standards typically place spatial or temporal restrictions on the processing of certified products, prohibiting them from being combined with non-certified materials. They also tend to specify a minimum percentage of certified content that must be contained in a final product in order to use the sustainability label. For example, to use the FAIRTRADE Mark on coffee, the package must contain 100% certified content. Use of the Rainforest Alliance seal requires at least 30% certified content and a commitment to increasing the amount purchased from certified farms (as it becomes available) through a "SmartSource" plan.¹⁴

¹⁴ A Rainforest Alliance reviewer noted that the percentage of certified content must be placed on the package near the seal to ensure that consumers receive full and transparent information. The review further noted the organization's belief that having a minimum certified content requirement lower than 100% allows more farmers to have access to the benefits of certification, since large companies can thus commit to using certified products. The organization feels that the volume purchased from farms is what matters, and not the percentage contained in the package.

Pricing: Standards can penetrate value chain rule-making on a deeper level by establishing conditions surrounding the terms of contracts. For example, Fairtrade stipulates a minimum price that importers must pay developing country suppliers to obtain certification. Other certification initiatives, such as UTZ CERTIFIED, require that price information be posted on an online member portal. The availability of this information can also influence price formation.

Organizational management: Standards generally require adherence to a host of national and international conventions for labour, health and safety, environmental and other standards related to individual well-being. Further, to meet information-sharing rules, standards implicitly or explicitly require improved record-keeping and precision in administrative practices. Such rules have an important impact on the ways that productive activities are managed and structured.

2.2 Executive functions

Standards affect executive value chain governance by providing supports that affect uptake and implementation. Although the executive power of any given standards body is ultimately the responsibility of its board of directors (or its general assembly), the use of executive power is for the most part delegated to central secretariats. Some of the activities that standards bodies may undertake to facilitate more widespread and effective adoption of their initiatives include:

Financing: Standards organizations commonly have formal or informal programs to help new participants finance the costs of participation in the certification program. They have also helped producers gain greater access to governmental and non-governmental financing sources. In so doing, they influence which firms have access to participation in certified value chains.

Technical assistance: Standards organizations have technical assistance departments—or work closely with NGOs possessing technical expertise—to help producers comply with sustainability criteria. These systems influence whether producers can maintain access to certification programs and the degree to which they benefit from compliance.

Communication and marketing: Standards organizations often function as information providers for value chain actors who are seeking greater knowledge of market trends and expectations. They also play a supportive role in the promotion of compliant products through their own marketing activities. Therefore, they influence value chain structures by helping actors make efficient choices about sourcing and destination markets.

2.3 Judicial functions

In conventional supply chains, judicial functions typically involve assessments by downstream actors of the physical qualities of inputs and of a supplier's management capacity. Standards impose a new set of judiciary functions by requiring compliance with criteria related to the production process, which cannot be easily verified by analyzing a product's characteristics. Standards bodies typically implement their judicial authority through a suite of monitoring and verification processes. The role of standards organizations as value chain adjudicators is carried out in the following ways:

Auditing of standards compliance: The certification bodies appointed by standards organizations or accreditation agencies verify the compliance of production processes with sustainability criteria. The bodies have the power to admit, suspend or expel enterprises from certified value chains.

Standards organization membership: The formal articles of incorporation (or equivalent documentation) for a standards organization define the terms of eligibility for membership and certification. These evaluative procedures determine an enterprise's right to participate in the governance of certified value chains.

Complaints and appeals: Certification bodies, standards organizations or formal stakeholder committees are assigned responsibility for adjudication of complaints or appeals against decisions regarding membership, certification, and standards content and development. These bodies have the authority to determine what constitutes a credible and legitimate complaint against established terms of participation in certified value chains.

3.0 Framework for assessing participatory governance in global value chains that are compliant with sustainability standards

Participatory governance is an essential mechanism for achieving sustainable development. It is defined in practice by active participation in decision-making, which can empower impoverished members of society by improving their access to citizenship rights and to resources (Schneider, 1999). Participatory governance can enhance the efficiency and effectiveness of sustainable development policy-making by integrating the needs of present and future generations into decision-making processes. This section explains the principles of participatory governance and discusses their theoretical application to global value chains that are compliant with sustainability standards.

The concept of participatory governance provides a guide for evaluating the extent to which standards organizations have fostered broader stakeholder representation in value chain governance. The principles of participatory governance we apply are partially adapted from the model for assessing liberal democratic performance put forth by Foweraker and Krznaric (2000; 2001). These authors construct a list of eight values that correspond with two democratic principles: rule of law and sovereignty of the people. We build from their idea by constructing indicators for the four values that compose the latter principle—representation, accountability, constraint (which we call “checks and balances”) and participation (which we call “equity”)—as well as for the democratic values of subsidiarity, efficiency and effectiveness. Using these seven indicators, described below, we analyze how voluntary sustainability standards have created opportunities for marginalized value chain actors to participate in organizational—and therefore value chain—governance.

1. *Representation:* The variety of viewpoints held within the population is fairly reflected in the composition of delegates to governing bodies.

Actors along the value chain are in competition with each other to maximize their share of value added. This implies they will bring competing viewpoints to value chain decision-making. These perspectives should be represented in standards governance in proportion to the support they receive from value chain stakeholders. In commodity sectors this implies special consideration of the perspectives of producers, particularly developing country producers, who are typically marginalized in decision-making processes.

2. *Accountability*: Governors make legitimate claims to power based on support from the population, which is expressed in a credible fashion.

Processes for determining who is to occupy positions of authority in standards organizations should be inclusive, competitive and fair. Decision-makers should be easily identifiable and responsive to stakeholders so that the organization of value chain activities is efficient and fair.

3. *Checks and balances*: The executive, legislative and judicial branches of government are independent of one another, and a relatively equal distribution of power exists between them.

The bodies separately responsible for the design, implementation and evaluation of compliance with sustainability criteria (the legislative, executive and judicial branches, respectively) should be reasonably independent and have relatively equal power within the overall organizational structure. This should prevent decisions from being made in the interest of any particular stakeholder to the exclusion or detriment of others.

4. *Equity*: Stakeholders have equal opportunities to influence decision-making processes.

Stakeholders should enjoy equal opportunities to influence decision-making processes in standards organizations, since the decisions made have impacts along the value chain. Providing such opportunities includes putting in place formal voting structures that prevent any set of interests from being excluded from decision-making, as well as policies that aim to equalize opportunities to make active governance contributions.

5. *Subsidiarity*: Governance institutions are owned at the most local level that remains consistent with effective policy implementation.

Grounding decision-making authority in local institutions and processes helps ensure that the knowledge that is most relevant to the places where standards are implemented can be effectively integrated into decision-making. Localization of decision-making in standard-setting and implementation processes can provide a stronger voice for marginalized groups at the international level. Sustainability standards should promote this principle through the development of indicators that are consistent with local contexts and by creating opportunities for local ownership of indicator and criteria development.

6. *Effectiveness*: Goals are realized to the satisfaction of all affected groups.

Clear strategic management, complemented by processes of monitoring and evaluation and corresponding systems of continual improvement, are prerequisites for ongoing effectiveness in governance. Developing a particular set of criteria or rules, however, does not ensure effectiveness on its own. Sustainability standards should improve the effectiveness of value chain governance by establishing a consistent relationship between rules and implementation systems.

7. *Efficiency*: The benefit-cost ratios of initiatives are maximized.

Value chain governance mechanisms are efficient when the sustainable development impacts of participation are maximized at the lowest cost that remains consistent with effectiveness. Standards organizations should contribute to efficiency by strategically orienting their financial resources toward their core objectives—sustainable development and, in particular, satisfying the needs of disadvantaged parties—and by reducing overlaps and duplication in governance and implementation.

4.0 Assessing participatory governance in global value chains compliant with sustainability standards

Section 2 discussed how sustainability standards affect rule-making, implementation and adjudication in value chains. The potential of standards to create participatory supply chain governance depends on the degree to which producers are included in decision-making within standards organizations and within certified supply chains more generally. This section develops a set of indicators for the seven principles of participatory governance outlined in Section 3, to assess the governance roles of producers in the six sustainability standards organizations in our study.

4.1 Representation

For standards to improve the representation of producers—particularly those in developing countries—in value chain decision-making, the producers must be represented fairly in organizational governance. This section analyzes representation of producers and developing country interests in four basic governance bodies: general assemblies, standards committees, dispute resolution committees and stakeholder councils. The three indicators we have designed to analyze the principle of representation are:

1. *Occupational distribution of members on the board of directors:* Shows the distribution of decision-making power among stakeholder groups in the main executive governance body of standards organizations.
2. *Number or percentage of seats held by developing countries and producers:* Shows the distribution of decision-making power between developed and developing regions, or between producers and other stakeholders, in organizational governance.
3. *Formalization of developing country and producer representation:* Indicates the consistency of developing country and producer representation over time.

4.1.1 Boards of directors

Table 3: Stakeholder representation on standards organization boards of directors by primary occupation

Indicator	FLO	SAN	UTZ CERTIFIED	MSC	FSC	PEFC
Total board members	13	8	5	14	9	13
Producers ¹⁵	31%	0	20%	14%	11%	38%
Non-producer supply chain	8%	0	0	29%	11%	31%
NGO/union	54%	100%	40%	29%	56%	31%
Academic/intergovernmental/ independent	8%	0	0	21%	22%	0%
Other sector corporate/consultant	0%	0	40%	7%	0%	0%

Table 4: Developing country representation on standards organization boards of directors

Indicator	FLO	SAN	UTZ CERTIFIED	MSC	FSC	PEFC
Number of representatives	4	7	2	1	5	1
Per cent of board members	31%	87.5%	40%	7%	56%	8%
Formalized developing country and producer representation	Yes	Yes	No	No	Yes	No

Table 3 gives the composition of the boards of directors or boards of trustees of standards organizations on the basis of their primary occupations, and Table 4 describes the level of representation from developing countries on boards of directors. This data should be interpreted with caution, given that most individuals have multiple affiliations and organizations have many different objectives. As a general rule, one can see that direct representation of producer and developing country interests is most significant among those standards organizations that formally institutionalize positions for these stakeholders. Those that do not have a formal structure specifying producer representation tend to have higher representation from upstream segments of the value chain—particularly from larger, corporate sector players.¹⁶

The participation of NGOs on the boards of standards organizations is the most important factor in establishing the legitimacy of standards—in other words, their independence from government and corporate interests (Raynolds, Murray & Heller, 2007, p. 154). It is important to note that the non-

¹⁵ Producer and non-producer categories include individuals directly representing the private sector or industry associations for the relevant sector.

¹⁶ Tollefson, Gale and Haley (2008, p. 45), for example, concur with this result, suggesting that the board of trustees of the MSC is “dominated by business.”

governmental sector is the single largest category of representation across all of the standards organizations studied except one, revealing the strong role of NGOs in the development and proliferation of standards initiatives. The SAN board is composed entirely of representatives from its member organizations—all of which are developing country NGOs, except for the Rainforest Alliance (which, as the owner of the seal, has a permanent seat on the board).¹⁷ The SAN board currently has eight members but can include up to a maximum of twelve. Its structure is designed specifically to ensure governance by developing country NGOs.¹⁸

4.1.2 General assemblies

Table 5: Producer and developing country representation in standards organization membership

Indicator	FLO ¹⁹	SAN	FSC ^{20, 21}	PEFC
Producers/total members	3/23	0/8	Not documented	n/a
Formalization of producer positions	Yes	No	Yes	No
Developing country representatives/total members	3/23	7/8	450/828	15/34
Formalization of developing country positions	Yes	Yes	Yes	Yes

Table 5 describes producer and developing country representation in the general assemblies of the four standards organizations under study that are membership based—FLO, SAN, the FSC and the PEFC. General assemblies are conducive to participatory governance since they create opportunities for producers (and other stakeholders) to engage in decision-making that affects the overall direction of the standards body. The remaining two organizations are not structured around a general assembly and therefore are not included in this subsection. The MSC is a charity governed by “trustees” (directors), and UTZ CERTIFIED was established as a foundation.

The FSC has the least restrictive membership structure of the organizations studied: membership is open to all legal entities (individuals and organizations) that can demonstrate their shared interest in

¹⁷ “Sustainable Agriculture Network: Strengthening an Effective Collaboration for the Environment and People,” July 2009. Document provided by SAN Secretariat representative. The NGOs composing the SAN membership are listed in Appendix 1.

¹⁸ From a comment on a draft of this paper by a representative of the SAN Secretariat. While Reynolds et al. (2007, p. 161 n. 16) observe that the structure of the SAN board results in the exclusion of labour and producer interests, the SAN Secretariat commented that these interests are strongly included on the International Standards Committee.

¹⁹ Developing country representatives also include two non-voting associate members (from Mexico and South Africa).

²⁰ FSC staff commented on a draft of this paper that the roles of members and certificate holders (termed “producers” here) are “mixed up,” resulting in difficulties comparing FSC’s membership composition to that of other organizations. Certificate holders, along with all stakeholders, have strong participation rights in consultations whether or not they are voting members—which they may also choose to become.

²¹ Developing country representatives/total members are from the authors’ calculations, based on a file posted on the FSC website on December 17, 2008.

sustainable management of forests and forest-product supply chains (Vallejo & Hauselmann, 2004). Entities that governments own or participate in are allowed membership with more careful consideration of their circumstances. Membership in the PEFC is open to the national governing bodies of schemes endorsed by the organization (34 at the time of writing). SAN's membership is open to non-profit organizations in developing countries (as well as its founding member, the Rainforest Alliance, which is based in New York) that are disposed to supporting and participating in its activities. Finally, FLO's general assembly includes representatives from the labelling initiatives located in developed countries and from one producer network in each of Africa, Asia and Latin America. At the time of writing, 20 labelling initiatives and three producer networks were represented in the FLO General Assembly.²²

Each of the organizations with a general assembly has formalized the representation of developing countries by assigning membership rights on the basis of location. Developing country representation in the membership of these standards organizations has grown considerably in recent years: 54% of FSC members in 2008 sit in Southern subchambers, up from 49% in 2006 (Tollefson, Gale & Haley, 2008, Table 2.1); and FLO's three producer networks were added to the general assembly in 2007.

These organizations' membership structures have also formalized producer positions. The FSC is based on a tri-chamber system representing social, environmental and economic interests; producers belong to the last. FLO guarantees simultaneous producer and developing country representation (by the definition of fair trade, producers reside in developing countries). Producer representation within the PEFC general assembly is less direct. Membership rights are assigned to the national initiatives PEFC has endorsed, and producer interests are represented by the national initiatives. A stakeholder forum also participates in organizational governance and is likely to incorporate producer concerns via international organizations.

²² The FLO has implicitly acknowledged the low level of producer participation in its organizational structure in its recent strategic review (FLO, 2009, p. 4) and has stated its commitment to "support the Producer Networks in their desire to have a clearer role and take on greater responsibility within the Fairtrade system."

4.1.3 Standards development committees

Table 6: Producer and developing country representation on standards development committees

Indicator	FLO	SAN	UTZ CERTIFIED	MSC ²³	FSC	PEFC
Producers/total members	3/7	1/12	Yes ²⁴	1/15	Variable ²⁵	Undefined
Formalization of producer positions	Yes	Multistakeholder	In progress	No	Yes	Multistakeholder
Developing country representatives/total members	3/7	7/12	Yes	3/15	3	Multistakeholder
Formalization of developing country positions	Yes	Yes	In progress	No	Yes	Multistakeholder

The standards organizations included in this study are generally inclusive of producer and developing country interests in their standards development committees. By “standards development committee,” we refer to the organizational body that coordinates the standards development process and makes key decisions regarding standard content (even if the board has final approval). FLO stipulates three producer seats on its Standards Committee. Other standards organizations do not have formally defined numbers for producer representation, but attempt to guarantee it through fair stakeholder representation (this kind of system of representation is termed “multistakeholder” in Table 6 and subsequent tables).

Formal representational requirements on the SAN standards committee are the most detailed. Producer representation could be achieved indirectly: three of the twelve members must be SAN members, and the remaining members are external representatives with proportional representation of technical, economic and social interests. Formalization of developing country representation on this SAN committee is more straightforward: at least 50% of the members must be from tropical countries.

²³ Column indicates representation of the seafood industry on the MSC Technical Advisory Board, which is responsible for standard-setting.

²⁴ The formalized standards development committee in the UTZ CERTIFIED governance structure is currently being established and should be in operation by the second half of 2010. Producer representation will be obligatory on the committee. Until this body is established, the National Federation of Smallholder Producer Organizations in Côte d’Ivoire will participate on the technical working group for the cocoa standard being developed at the beginning of the research period.

²⁵ An FSC reviewer noted that the depth of producer participation in consultations during standards development makes the earlier lack of a distinct committee for standards development irrelevant.

The FSC information in Table 6 pertains to the Policy and Standards Committee, which was under formation at the time of writing. As of July 2009 the FSC was replacing the Policy and Standards Committee that consisted of members of the FSC board of directors. The new Policy and Standards Committee will consist of six members, one from each of the FSC subchambers. This new committee will represent the board of directors in the development and implementation of all normative documents (including but not limited to standards), but its decisions will be considered preliminary until approved by the board. The balanced subchamber structure formalizes representation of developing country participants in standards development and provides a guaranteed avenue for participation by forest management certificate holders.

The three producer seats on FLO's Standards Committee also formalize developing country representation. Developing regions will also be automatically included in the FSC and PEFC national initiatives in developing countries. Though not yet formalized, MSC and UTZ CERTIFIED have achieved developing country representation in practice (and the latter is currently working on formalizing this representation).

However, practical constraints may restrict the eligibility of developing country representatives for positions on standards development committees. For example, fluency in English is a prerequisite for participation in the FLO Standards Committee. In practice this has meant that African representatives tend to come from the southern or eastern regions of the continent, and rarely from the west. It has also created slight communication difficulties for Latin American representatives (Director of FLO Standards Unit, interview, January 7, 2009).

4.1.4 *Dispute resolution committees*

Table 7: Producer and developing country representation on standards organization dispute resolution committees

Indicator	MSC	FSC
Producers/total members	Variable	Not documented
Formalization of producer positions	No	No
Developing country representatives/total members	Variable	Variable
Formalization of developing country positions	No	Yes

Table 7 describes producer and developing country representation on the dispute resolution committees of the MSC and the FSC, the only two organizations reviewed here that have a formal dispute resolution process or committee. The MSC has a formal process for assembling an independent objections panel to resolve disputes on a case-by-case basis. The FSC Dispute Resolution Protocol is currently under review, yet the process to date warrants description. The FSC's Dispute Resolution and Accreditation Appeals Committee is named by and makes

recommendations to the FSC board of directors. This committee must include at least one individual representing each of six geographical regions on the committee—North America (including Mexico), Central and South America and the Caribbean, Europe, Australia and Oceania, Asia and Africa. This structure provides opportunities for producer and developing country representation but does not guarantee their representation will be consistent.

The tendency not to formalize producer and developing country representation on dispute resolution bodies among the remaining four standards organizations could lead to a narrow basis of interests represented among value chain adjudicators.

4.1.5 Stakeholder councils

Table 8: Producer and developing country representation on the MSC Stakeholder Council

Indicator	MSC
Producers/total members	2/31
Formalization of producer positions	Automatic ²⁶
Developing country representatives/total members	5/31
Formalization of developing country positions	Yes

Table 8 shows how producers and developing countries are represented in the MSC Stakeholder Council. The MSC is the only standards organization in which this kind of body has a formally structured membership. The MSC Stakeholder Council is divided into “public interest,” “commercial and socio-economic” and “developing country” categories. At the time of writing, two fishing industry representatives were in the second category, both representing Australian interests. In total there were five developing country representatives, four in the third category and an additional person in the “public interest” section. The MSC’s Stakeholder Council also includes a nine-member steering group, of which one member is from the fishing industry and two are from developing countries. The SAN also has a stakeholder council, but it is not directly comparable to that of the MSC since membership is open to all who consider themselves stakeholders and would like to be included in consultations.

The other standards organizations under study did not have a formally constituted stakeholder council. In the case of the FSC, the terms of eligibility for membership to the general assembly are so broadly defined that a stakeholder council would be redundant.

²⁶ Producer representation occurs as a result of the multistakeholder format of the committee, whereas for developing countries the MSC specifies a number of seats.

4.2 Accountability

Standards organizations can improve the accountability of value chain governance by employing competitive and fair procedures in the selection of decision-makers.

The three indicators used to assess accountability are:

1. *Selection procedures for members of boards and standards committees*: Reveals the competitiveness of the process for selecting those who direct the organization.
2. *Disclosure of governance proceedings on websites*: Shows whether those who will be affected by the decision-making process have access to the information they require to make informed choices when selecting decision-makers.
3. *Barriers to launching complaints and appeals*: Indicates whether the process of objecting to governance decisions is accessible, particularly for resource-deficient groups.

4.2.1 Selection procedures

Table 9: Selection procedures for members of standards organization boards of directors and standards development committees

Indicator	FLO	SAN	UTZ CERTIFIED	MSC	FSC	PEFC
Board	Elected by general assembly	Automatic	Appointed by staff	Elected by board	Elected by general assembly	Elected by general assembly
Standards committee	Appointed by board	Elected by board	Appointed by UTZ CERTIFIED	Appointed by board	Appointed by elected steering committee	Formed by interested parties

Table 9 outlines selection procedures for new members of boards and standards development committees. Board members are usually selected through elections held in general assemblies. Where membership in the general assembly is open to producer organizations, or at least to national initiatives in which producers are represented, this basic template establishes producer representation in the election process. For the organizations that do not have general assemblies, new board members are either elected by the board itself (MSC) or appointed by a board decision on a proposal from the directorate (UTZ CERTIFIED). UTZ CERTIFIED staff who were interviewed noted that the organization has made a commitment to move toward an elected board of directors in the near future. In the case of SAN, board members are automatically selected, since they are the directors of the NGOs that compose the network. Once SAN has more than 12 members, the board will be elected by a general assembly of all members.

Members of standards development committees, however, are typically not elected by the general assembly; instead, they tend to be appointed or elected by boards. Although this selection procedure enhances the efficiency of the process, it also reduces opportunities for direct participation by the stakeholders who are directly affected by standards content. The board of the MSC makes new appointments on the basis of recommendations by existing directors. In the case of FLO, a subcommittee of the board (called the Nominations Committee) puts forth an open call for producer candidates and also considers the nominations made by producer networks. Members of the FSC Policy and Standards Committee (under formation at the time of writing) can nominate themselves or be nominated by other members. In the case of multiple nominations for one seat, the FSC board of directors will select the most suitable candidate. New SAN standards committee members are elected by the board from the ranks of the International Stakeholder Forum. Another model is that of the PEFC, which requires that national forums develop standards under the auspices of a committee with balanced interest group representation, formed by the interested parties.

4.2.2 Transparency

Table 10: Disclosure on websites of governance proceedings

Indicator	FLO	SAN	UTZ CERTIFIED	MSC	FSC	PEFC
Board members	Yes	No ²⁷	Yes	Yes	Yes	Yes
Draft standards	Yes	Yes	Yes ²⁸	Yes	Yes	Yes
Governance bodies for which minutes can be accessed	Standards committee	None	None	Board and Stakeholder Council	General assembly	None
Objections, appeals and outcomes of disputes	No	Complaints for non-compliance with procedures	No	Objections documents	At discretion of board	Not mandatory
Accreditation assessments	n/a	No	No	No	Yes	Inconsistent
Certification assessments	Yes	No	No	Yes	Yes	Inconsistent

Table 10 reveals which types of documentation of governance proceedings are made publicly available on the websites of standards bodies. Nearly all of the standards organizations studied report the identities and biographies of board members on their websites, as well as the content of

²⁷ SAN member organizations, whose representatives compose the board of directors, are listed, however.

²⁸ UTZ CERTIFIED draft standards for cocoa and tea were available on the website during public consultation. Draft documents used in pilot projects were also available for download. In the future all draft standards will be made available on the website.

draft standards for public participation in consultations. However, there appears to be little consistency in the availability of formal proceedings of meetings.²⁹ None of the organizations under study, for example, provide an up-to-date set of minutes for the meetings of each of the board, standards development committee and general assembly.

Similarly, with the exception of the MSC, organizational bylaws do not require detailed summaries of objections to certifications or other major governance decisions and their resolutions to be posted. Thus, these decisions were typically not readily accessible. In our interviews, however, representatives of FLO noted the organization's intention to conduct a governance review in 2009 in order to establish procedures for making complaints and resolution of disputes publicly available (Director, FLO Standards Unit, interview, January 7, 2009). In addition, since FLO makes its Standards Committee meeting notes publicly accessible, major disputes regarding standard-setting would be accessible there. Only the FSC posts accreditation assessments online; the FSC, MSC, and FLO post certification assessments (on the certifier FLO-CERT's website, in the case of FLO).

4.2.3 Complaints and appeals

Certification bodies are the first avenue available to clients and external stakeholders for lodging complaints about certification decisions.³⁰ Their control over the complaints process makes it difficult to determine how many complaints get resolved or filtered prior to the launch of a formal dispute.³¹

Regardless, the number of complaints that are launched might not reflect actual levels of dissatisfaction among stakeholders. A representative from Greenpeace Canada, for example, commented that NGOs have generally found the process of providing input quite time- and resource-intensive and therefore difficult to pursue on a consistent basis. The resources and communication skills required to lodge formal disputes might be constraining for disadvantaged groups. For example, FSC protocol requires those filing appeals or formal disputes against the FSC to send US\$1,000 to the executive director, and their "secondary complainants" (of which there must be at least two) must each post US\$250. However, an FSC reviewer noted that in the organization's history, there have been only three cases in which the money was deposited, and in two of these the deposit was either partial or waived. In practice, conflicts have been resolved long before it would be necessary to resort to this procedure. Furthermore, the FSC Dispute Resolution Protocol was under review as of July 2009.

²⁹ The FSC noted that minutes of the board of directors are available on request and are increasingly available directly.

³⁰ The FSC recommends complainants first seek to address the issue with the certificate holder directly, and then contact the certification body if the issue cannot be resolved.

³¹ Thus, although the MSC's associate director comments that three objections have been resolved through its independent process, the actual number of complaints and the responsiveness of those under criticism cannot be accurately determined.

Some standards organizations make the objections process relatively more accessible. For example, at the time of writing, the MSC did not charge a fee to launch an objection regarding MSC certification. However, complainants may incur costs when making an objection to the assessment process, up to a maximum level set by the board of trustees. Depending on the capacity of the objector to cover these costs, the independent objections adjudicator (see section 4.3.2) may decide that the costs should be partially or fully waived. External funding might also be available.³² Those objecting to PEFC policies and procedures must cover their own expenses, but in this system the PEFC Council covers its own expenses regardless of the outcome.

4.3 Checks and balances

Standards organizations can help maintain the independence and balanced distribution of power among the executive, legislative and judicial branches of value chain governance by effectively separating these governing bodies within their organizational structures. To measure the effectiveness of standards at placing checks and balances on value chain governance, we use the following three indicators:

1. *Compliance with metastandards*: Indicates whether standards follow international guidelines for inclusive governance procedures.
2. *Independence and degree of competition in certification and accreditation activities*: Points to the separation of judicial power from other governance functions, and therefore the credibility of decisions regarding acceptance into certified value chains.
3. *Cross-involvement of governing bodies in executive, legislative, and judicial functions*: Reveals the extent of centralization of authority over policy development, implementation and adjudication.

4.3.1 Compliance with metastandards

The proliferation of standards in recent decades has created the need for a set of overarching guidelines to ensure that governance structures are equitable. Generally speaking, these “metastandards” act as constraints on centralizing tendencies in standard-setting procedures, but provide little guidance on the separation and implementation of executive and judicial governance functions more broadly.

The ISEAL Code of Good Practice for Setting Social and Environmental Standards sets basic rules for effectiveness and inclusiveness in standard-setting. Three of the standards organizations included

³² <http://www.msc.org/track-a-fishery/have-your-say/comment-on-an-assessment>. Accessed July 28, 2009.

in this study (FLO, FSC and MSC) are full members of ISEAL and therefore must comply with the ISEAL Code of Good Practice. Once SAN obtains its legal registration, it will obtain full membership through a transfer from the Rainforest Alliance (a full ISEAL member currently serving as SAN Secretariat). UTZ CERTIFIED is an associate member in the process of seeking full membership, which must be achieved within three years of June 2008, when UTZ became associated. The PEFC has no affiliation.

The MSC states its compliance with the FAO *Guidelines for the Ecolabelling of Fish and Fishery Products from Marine Capture Fisheries*, which has provisions regarding stakeholder participation and transparency in the standard-setting process and independence between accreditation and certification activities and ownership of the labelling program. As with the ISEAL Code of Good Practice, however, the FAO guidelines do not provide guidance on other aspects of governance structures (FAO, 2007a). Since the scope of these metastandards does not extend beyond the standard-setting process, a more detailed analysis of the separation of governance functions in standards organizations is needed.

4.3.2 Separation of powers

Table 11: Independence of basic governance functions

Indicator	FLO	SAN	UTZ CERTIFIED	MSC	FSC	PEFC
Independent certification	Yes	Yes	Yes	Yes	Yes	Yes
Number of accredited certifiers	One ³³	One ³⁴	Multiple	Multiple	Multiple	Multiple
Independent accreditation	No	No	No	Yes ³⁵	Yes ³⁶	Yes ³⁷
Independent producer assistance	Yes	Yes	Yes ³⁸	Yes	Not FSC function	Not PEFC function
Executive bodies involved in resolution of certification complaints/appeals	None	None	UTZ CERTIFIED Certification Department	None	Board	None
Executive bodies involved in resolution of standards development complaints/appeals	Standards Unit (first avenue) & Standards Committee (second)	SAN Secretariat (first avenue) & International Standards Committee (second avenue)	Board ³⁹	Board (indirectly) ⁴⁰	National initiatives	Board (second avenue) ⁴¹

³³ The sole certification body is FLO-CERT.

³⁴ The sole certification body at present is Sustainable Farm Certification International. This system is under reorganization, as described in the text.

³⁵ Provided by Accreditation Services International (ASI).

³⁶ Provided by Accreditation Services International (ASI).

³⁷ To be provided by a national accreditation body with membership or special recognition from the International Accreditation Forum. For chain of custody certificates issued in countries without a national governing body, the certification body must apply for PEFC notification from the secretary general.

³⁸ Agronomists are trained through UTZ CERTIFIED by the Dutch NGO Solidaridad, but are independently employed.

³⁹ The board has authority unless there is a conflict over its objectivity, in which case the complaint is handled by an appointed third party.

⁴⁰ The board appoints an independent objections adjudicator, who determines if a complaint merits investigation and thus whether the complaint procedure should be moved forward. The board also has control over appointments to an independent objections panel—if the Independent adjudicator agrees the complaint merits investigation in the first place. The MSC board has no direct involvement in complaints or appeals against certification decisions.

⁴¹ The first avenue is an independent settlement body, which is established by the national governing body. The board is the second avenue.

Table 11 describes the degree of independence of judicial governance functions—certification, accreditation of certification bodies, responding to objections or appeals to certification decisions, and complaints about standard-setting procedures or content—within the standards organizations. Generally speaking, the judicial branch within the governance structures of standards organizations is not fully developed, since functions are partially subsumed under the bodies responsible for executive and legislative tasks. This reduces the independence, and hence the credibility, of certificate holders and of the standards bodies themselves.

We observed the following trends in the delivery of judicial functions:

Certification is consistently independent: Certification is provided independently of the executive and legislative branches in standards organizations in all of the standards bodies we studied (including SAN, once the major overhaul to its accreditation process is complete). Furthermore, producer assistance is consistently independent from auditing activities or is simply not provided by the organization (as with the FSC and the PEFC).⁴²

Accreditation is not consistently performed by a third party: Accreditation of certification bodies is achieved through an independent entity in the cases of the MSC, FSC and PEFC. Some other organizations have essentially been responsible for performing accreditation themselves: in the case of FLO, only one certification body is approved to conduct inspections (FLO-CERT); SAN has had only one certifier (Sustainable Farm Certification International) but is moving toward a system of independent accreditation. UTZ CERTIFIED approves certification bodies based on the requirements laid out in the UTZ certification protocol, including ISO 65 accreditation.

Executive functionaries are sometimes cross-involved in certification complaints and appeals: In two of the six organizations an executive decision-making body is involved in the resolution of complaints and appeals over certification decisions. There is involvement of either staff (UTZ CERTIFIED) or boards (FSC) in dispute resolution when a certification body cannot reach an agreement on an issue.

Legislative and executive functionaries are consistently cross-involved in responding to objections to standards-development processes: In no case does a fully independent mechanism exist for resolving complaints over the processes used in developing standards. Boards, standards committees and organizational staff are consistently involved as the primary or secondary authorities over these decisions, or they oversee appointments to dispute resolution panels. A particular conflict of interest occurs where the

⁴² Reynolds et al. (2007, p. 154) assert that the “credibility of certification monitoring” is the second most important factor for establishing the legitimacy of private regulatory initiatives (after the “moral authority of NGOs”). They note that the use of private certification bodies by UTZ CERTIFIED (and also Organic and Bird Friendly certifications) reduces legitimacy because of these organizations’ profit motivations. The organizing role of SAN members in Rainforest Alliance certification was also dubious, but has been rectified. Reynolds and co-authors perceive the Fairtrade system as having the most legitimate certification process because it is both independent and non-profit.

staff and governing bodies responsible for standards development also respond to complaints over the process.

In some cases a further conflict of interest may have arisen in the past because of certification companies' participation in the development of local indicators. In the case of the FSC, members of the national committees responsible for indicators and verifiers do not have sufficient technical knowledge for the task of wording; therefore, the FSC invites experienced auditors to perform this task. If a certification body or auditor were to become engaged at a deeper level in the actual decision-making on standards, a conflict of interest would arise. While the FSC representative who reviewed this paper was not aware of any such situation, Gale (2004) reported on the somewhat problematic involvement of representatives of the certification industry in the development of the FSC-Northeast and FSC–Pacific Coast standards.

The MSC's procedures also presented a potential conflict of interest, since certification bodies previously participated in the development of local indicators. In July 2008 the MSC released a Fisheries Assessment Methodology containing standardized performance indicators; thus, there is no further need for the participation of certification bodies.⁴³

SAN is dramatically changing its accreditation processes to address the potential for conflicts of interest posed by the involvement of member organizations in the coordination of inspections (Raynolds et al., 2007, p. 154). In 2010–2011, a third-party accreditation program will be launched, and will require all certifiers, including current SAN members, to receive independent accreditation. SAN members will be able to conduct certifications so long as the members are compliant with ISO 65 and other SAN accreditation requirements. Most future SAN members will not conduct certifications.⁴⁴

4.4 Equity

Standards organizations can help to create equal opportunities for marginalized groups to influence decision-making processes in value chains by reversing the formal and informal barriers that impede their participation. Our three indicators for equality of opportunity in standard-setting processes include:

⁴³ An MSC representative further observed that certification bodies must receive MSC approval to vary an indicator that may be required due to unique properties of the ecosystem or biological properties of the fishery. For example, a set of indicators different from the standard set were required for salmon and enhanced fisheries, but these are applied consistently and do not differ at the local level.

⁴⁴ Clarifications were provided on a draft of this paper by a representative of the SAN Secretariat.

1. *Voting procedures*: The distribution of voting rights and the processes used to reach decisions indicate whether any set of interests could be excluded in decision-making in the governing body with the highest authority in the organization.
2. *Financial support for governance participation*: Formal and informal policies should facilitate travel and offset opportunity costs incurred by resource-deficient members of governing bodies.
3. *Producer consultation in standard-setting*: Indicates the depth and breadth of efforts to include producers in the standard-setting process.

4.4.1 Voting procedures

Table 12: Voting procedures in the highest authorities of standards organization governing bodies

Indicator	FLO	SAN	UTZ CERTIFIED	MSC	FSC	PEFC
Highest authority	General assembly	General assembly	Board	Board	General assembly	General assembly
Assignment of voting rights	One vote per member	One vote per member	Not specified	One vote per member	1/3 voting weight to each of social, environmental and economic chambers ⁴⁵	2/3 voting weight to national governing bodies; 1/3 to stakeholder forum
Decision-making procedures	Majority ⁴⁶	Consensus ⁴⁷	Majority ⁴⁸	Majority	Consensus ⁴⁹	Majority

The assignment of voting rights within standards organizations' highest authorities—either boards or general assemblies—tends to vary with the complexity of organizational structures. That is, the assignment of voting rights is more complex for the forestry schemes, which have larger, more complex membership bases as a result of their decentralized models for ownership of standards. Both of these organizations deploy weighting systems intended to achieve a particular balance of stakeholder representation. In the FSC equal weight is assigned to each of three interest-based

⁴⁵ Each is divided into a Northern and Southern subchamber. Each subchamber is open to membership by individuals and organizations. The voting weight of individual members cannot exceed 10% of the subchamber's voting weight.

⁴⁶ Changes to the FLO constitution require a two-thirds majority.

⁴⁷ Defined as 67% in favour and none against. For SAN board decisions on standards development and revision.

⁴⁸ Decisions pertaining to changes to UTZ CERTIFIED's organizational statutes require a four-fifths majority of votes cast, as well as an absolute majority of board member votes.

⁴⁹ Defined as "the absence of sustained opposition but does not require unanimity." In addition to the simple majority within each subchamber, there must be a two-thirds majority of members in "good standing."

chambers—economic, social and environmental. PEFC assigns two-thirds of the total votes to national governing bodies and the remaining third to the stakeholder forum. Individually, the national governing bodies are assigned between one and four votes, in correspondence with their annual production.⁵⁰

Voting structures are less complicated in the MSC and SAN, which have more restricted membership rights and centralized standards development structures than the forestry schemes. In both cases, one vote is assigned to each sitting member. As with UTZ CERTIFIED, the highest authority of the MSC is the board.

Neither FLO nor UTZ CERTIFIED makes its constitution available on its website (although they should be available upon request), and we obtained information on voting procedures through staff reviews of a draft of this paper. For UTZ CERTIFIED, board decisions are made by absolute majority, as long as 50% of members are either present or represented at the meeting. The organization also permits decision-making by written procedure when all board members provide a reply, none object to the procedure and the decision is passed by absolute majority.

These governing bodies also show important differences in their decision-making procedures. Consensus-based systems help to reach broader agreement. However, the efficiency of organizational decision-making, and thus of capacity to meet stated goals, is reduced. The highest authorities of the PEFC, FLO, UTZ CERTIFIED and MSC make decisions by simple majority. By contrast, the FSC and SAN require that all decisions made by their highest authorities be made by consensus where possible. For the organizations using majority systems, decisions may be made by consensus in practice—for example, an MSC representative observed that the board seeks to build consensus upon consideration of the input from the Stakeholder Council and Technical Advisory Board. The FSC ensures a particularly deep level of agreement among interested parties with the additional requirement of simple majorities within each of its subchambers, but this has reduced organizational efficiency.⁵¹

4.4.2 Funding for participation in governance activities

Active participation in governance involves significant direct expenses (such as travel) and opportunity costs (of time and energy otherwise spent working). Several of the organizations reviewed here take proactive measures to create equitable decision-making structures by designating resources to stakeholders who would otherwise be unable to fund their own participation.

⁵⁰ One vote for less than 10 million m³ of lumber, two votes for 10 to 30 million m³, three votes for 30 to 100 million m³ and four votes for over 100 million m³.

⁵¹ Information from Tollefson et al. (2008) and interviews with the former executive director and the former trademark manager of the FSC.

Table 13: Approximate FSC 2008 general assembly participant breakdown

	South	North	All
Total voting participants	92	62	154
By chamber:			
Social	25	14	39
Economic	33	27	60
Environmental	34	21	55
By form of association:			
Individuals	67	19	86
Designated representative of organization	25	43	68
Total non-voting participants	49	55	104
By form of association:			
Non-designated representative of organization	18	28	46
Observer	26	27	53
Individual unassigned to chamber	5	0	5
Total voting and non-voting participants	141	117	258

Source: FSC website

The FSC provided full or partial subsidies to participants in its 2008 general assembly in Capetown, South Africa, in order to obtain a balance of Northern and Southern interests.⁵² The participant breakdown in Table 13 is based on a member registration update released one month prior to the general assembly meeting. It suggests that these subsidies helped achieve equal participation opportunities: 60% of voting participants and a majority of total participants were Southern representatives.⁵³ These participants also held proxies for members who were unable to attend, for a total of 390 ballots cast.⁵⁴

Other organizations also provided funding for participation in governance. FLO and the MSC always cover the costs of developing country participants on their governing bodies— the Standards Committee of the former and the Stakeholder Council and Technical Advisory Board of the latter— while participants with more resources, such as those from large companies (or labelling initiatives, in the case of FLO) typically cover their own costs (MSC associate director, interview, November 24, 2008; FLO Standards Unit director, interview, January 7, 2009). UTZ CERTIFIED partially reimburses members of the board of directors for travel costs incurred to attend meetings (UTZ CERTIFIED, 2007).

⁵² The FSC awarded subsidies in the following order of priority: 1) One individual from each endorsed national initiative; 2) Southern social and environmental organizations; 3) Northern social and environmental organizations and 4) Others.

⁵³ However, it deserves to be noted that organizations composed about two-thirds of Northern participants but only one-quarter of Southern delegates. The relatively greater representation of organizations from the North may give the Northern subchambers a stronger, more cohesive representation, since organizational members can be expected to hold more clout in decision-making than individual representatives (Dingwerth, 2008).

⁵⁴ Information provided by an FSC representative reviewing a draft of this paper.

Mere attendance at meetings does not, of course, guarantee an equal depth of participation by all represented. The founding executive director of the FSC observed in an interview that the organization’s subchamber structure facilitates the expression of developing country voices but cannot change differences in culture and institutional strength that may impede active participation. He noted, for example, that a document recently sent to all members received 98 responses from Northern organizations and only two from those in the South. As another example, in a recent FSC governance review survey, the smallest percentage of respondents (2.8%) was from the Social South subchamber, while the highest (24.1%) was from the Economic North.⁵⁵

Despite this, the same interviewee reported an increase in the number of indigenous and Southern groups making their opinions heard at the most recent general assembly, a fact he attributed to a realization among Southern actors that they must “stand up and be heard to make a mark.” This suggests that with a long-term trust-building effort, the capabilities of marginalized groups can be improved, empowering them to participate more actively in governance.

4.4.3 Participation in standard-setting

Table 14: Formal oversight of producer participation in standard-setting

Indicator	FLO	SAN	UTZ CERTIFIED	MSC	FSC-BC ⁵⁶	PEFC
Producer participation in draft consultations	Proceeds until issue resolved. For price revisions at least one proposal from each country/region should be obtained	Formal email comments and formal meetings with International Stakeholder Forum members at local level	Producers participated in development of original coffee standard and in ongoing revisions	Formal comments from all stakeholder groups, with special consideration of marginalized groups	Consultations and in-depth participation through “preliminary accreditation”	Invited through publicly available documents
Formal oversight of stakeholder participation	Not formalized	International Standards Committee; board	Formalization in progress	Interested Party Advisory Committee	Standards Committee	Not formalized

All of the standards included in this review make explicit efforts to include producer groups as active participants in the standard-setting process. Table 14 describes formal methods for ensuring the participation of producers during standard-setting. All organizations formally require that producers

⁵⁵ Retrieved from HU http://www.fsc.org/fileadmin/web-data/public/document_center/institutional_documents/Governance_review_-_Survey_Results.pdfUH

⁵⁶ Information for FSC–British Columbia standards development process, as detailed by Tollefson et al. (2008).

be consulted during the revision process. Three standards organizations designate a specific governing body to oversee stakeholder representation in these consultations; a fourth (UTZ CERTIFIED) is in the process of formalizing such a role.

For the development of FLO standards, the director of the Standards Unit has a pooled budget for all standards revisions. Commodities that are highly political and represent an important volume of Fairtrade sales are designated a relatively large share of this budget. FLO holds standards development workshops during these revision projects and strives to achieve broad representation of producer interests. The organization works with the producer networks to identify and fund key producer participants who are capable of speaking on behalf of a larger group. Box 1 describes how a deep level of producer engagement is achieved in the process of setting or revising Fairtrade minimum prices and premiums.

Participation is particularly inclusive in the case of the FSC, since its national standards must be field-tested prior to endorsement. However, the “local ownership” approach to standards development within the FSC has led to significant variation in the requirements of national initiatives for consultation with social and indigenous stakeholders: these differences result in a range of participation forms, from direct involvement of communities to mostly passive involvement. The “elite-led” negotiations that can correspond with the latter circumstance have tended to produce a business-friendly, “less onerous” standard (Gale, 2004).⁵⁷ However, as the description of the process for setting the FSC-BC standard in Box 2 demonstrates, participatory processes can also produce an industry bias, since concessions will have to be made to reach agreement.

Box 1: Producer participation in setting Fairtrade minimum prices and premiums

The process of reviewing Fairtrade minimum prices and premiums involves broad, direct engagement with producer groups. The FLO gathers information on production and living costs from producers by mailing a questionnaire to all cooperatives on its registry for the product in question. Producers are given 30 to 45 days to return the information, and if necessary FLO’s Producer Business Unit provides technical assistance to assist with completing the form. Response rates typically vary between 25% and 80%. At this stage, producers and traders are presented with two to four options for the new price or premium, and their comments are presented to the Standards Committee.

The recent revision of the coffee price (finalized in 2008) required additional efforts. In addition to a sampling of COSP input—the process FLO uses to gather data from the widest range of producers possible on their costs of sustainable production—the Producer Network for Latin America commissioned an independent study on production costs. The FLO created an advisory committee with representation from producers, traders and labelling Initiatives to analyze the data and make recommendations to the Standards Committee. The final decision was put to the board, another exception to standards-setting policy.

⁵⁷ Gale’s 2004 analysis of the standard-setting process for four North American FSC standards reveals a “strong association of elite negotiation arrangements with less onerous regional standards.” The greatest differences are found between the FSC-Northeast and FSC-BC standards. While the former was dominated by an “elite group” composed of industry, “moderate” environmental NGOs and experienced certifiers, the development of FSC-BC involved a balanced representation across social, economic, environmental and indigenous concerns, and stakeholder consultations were more profound.

Furthermore, even where a participatory process is in place, resource constraints can reduce opportunities for certain groups to participate in standard-setting. According to the coordinator of the FSC-Mexico standard, which was being developed at the time of writing, despite carrying out workshops in a number of rural areas, community foresters have shown little interest in participating in wording the standard. As he put it: “Why would I take away their time when they are hungry?” He perceived commercial success to have an important influence over the interest of producer groups in the standards development process. It should also be noted that NGOs had participated most actively of all stakeholders in setting the FSC-Mexico standard (FSC-Mexico coordinator, interview, November 14, 2008). To some extent, NGOs would support the social and/or environmental concerns of resource-deficient rural groups.

On the other hand, an FSC representative noted that it is not a lack of resources that impedes equal participation in standard-setting among marginalized groups, but a general lack of familiarity with consultation and negotiation processes. The founding executive director of the FSC commented that despite having the same opportunities to make statements and issue requests, social NGOs and indigenous groups participated less actively in the development of the FSC Principles and Criteria (in the mid-1990s) than other groups. Their relatively low participation was not due to a lack of resources to attend meetings, but was explained by the observation that “social groups in the South have [more] difficulty in finding their voice and knowing what the interests are that they want to argue for” (FSC founding executive director, interview, November 21, 2008).⁵⁸

Box 2: Stakeholder participation in setting the FSC-BC standard

The careful account by Tollefson et al. (2008) of the process of setting the standard for FSC-BC shows that the soft politics of negotiations can cause even participatory standards development processes to result in a standard that favours specific interests.

The standards team that held responsibility for indicator development ensured participation from a broad set of interests, since it was composed of one representative from each of the economic, environmental, social and First Nations chambers. These groups held opposing views over the content of the third draft, and the process of standard-setting reached a standstill when an industry representative refused to sign. Interest group pressure eventually forced FSC International to come up with a new policy of “preliminary accreditation,” which allows a non-finalized version of an FSC standard to be tested in the field by the certification body and the client. The authors conclude that this policy produced a standard that favoured the interests of industry: for example, major failure provisions were dissolved, greater flexibility was allowed in negotiations with First Nations and the time period to eliminate pesticides was lengthened.

⁵⁸ The current treasurer of the FSC board also noted in an interview that there is “always room for improvement” in the participation of smallholder and indigenous producer groups, and that this was strongly expressed at the November 2008 general assembly. It is also worth noting that the challenge for Southern participants to “find voice” in multistakeholder consultation processes can be linked to their own limited capacity to represent producers as a group. Effective representation requires significant investments in gathering opinions from similarly situated stakeholders—but where resources are particularly scarce, such reconnaissance may be well out of reach.

4.5 Subsidiarity

Standards organizations can help ensure that value chain decision-making processes reflect the views of stakeholders by devolving decision-making power to the local level. We measure subsidiarity in two ways:

1. *Ownership of the standards organization at the local level:* Shows whether standards empower local actors by giving them control over standards design and implementation processes.
2. *Ownership of indicators at the local level:* Shows whether the measures used to evaluate compliance are adapted to specific needs at the site of production.

Table 15: Localization of standards ownership and indicator development

Indicators	FLO	SAN	UTZ CERTIFIED	MSC	FSC	PEFC
Localized standards ownership	No	No	No	No	Yes	Yes
Localized indicator development	No	Yes	Yes	No	Yes	Yes

The standards organizations reviewed use a wide range of formats for standards design and implementation. A decentralized structure can improve the accuracy and relevance of standards systems. The two forestry schemes apply the principle of subsidiarity in the most explicit manner, giving national or sub-national working groups the ability to develop their own standards (in accordance with international principles) and—as with UTZ CERTIFIED—individual certifiers the ability to adapt a set of indicators to local contexts. SAN also has local representatives, and members manage the development of local indicators, which does not provide quite the same degree of subsidiarity but is nonetheless an important contributor to localization.⁵⁹ FLO has indicated it will move toward greater fulfillment of the principle of subsidiarity by “devolv[ing] operations to the South” and even helping producers monitor implementation themselves in the future (FLO, 2009).

The devolution of implementation powers to national initiatives creates greater opportunities for participation by Southern groups in standards development (Dingwerth, 2008). However, national standards ownership can have exclusionary consequences for those countries and regions without the capacity to develop standards.⁶⁰ For example, among 34 PEFC-endorsed schemes, over half are located in developed countries, and the majority of the rest (nine) are in Eastern Europe. Only three are in Latin America, two in Africa and one in Asia. From a list of 28 Accredited Forest Stewardship

⁵⁹ UTZ CERTIFIED staff commented that when developing their 2009 code, local and regional stakeholders participated in writing guiding comments at the regional or local level. Local interpretation is in place for Brazil and Colombia and in development for Central America.

⁶⁰ See Sexsmith and Potts (2009), the companion paper to this study, for an analysis of economic participation of developing regions in markets for certified products.

Standards published by the FSC in March 2007, only five of fourteen countries with accredited standards are in the global South, and none of these are located in Africa or Asia (FSC website, <http://www.fsc.org>). Forest managers in countries without a national set of indicators and verifiers may apply for certification based on a nationally or regionally adapted set of a certification body's generic indicators, which are approved by the FSC. There are about 60 countries in which forest management certificates have been issued on this basis. Therefore, while less-developed regions can access forest certification, they have less access to a standard that was formed through balanced stakeholder participation and thus holds greater political value.⁶¹

The development of a national standards organization might also be related to economic and political factors beyond a country's level of economic development. The founding executive director of the FSC observed that economic positioning and political skill have been the most important factors determining the pattern of FSC national initiative development over the course of the organization's history. First, countries that depend on forestry products as a source of export revenue, or whose domestic availability depends heavily on imports, have faced the most external and internal pressure to develop a national initiative. Second, initiative formation has depended on a very small group of people within a country having the necessary "energy and skills" and "ability to negotiate with industry, government and forestry owners," and the location of these groups has been a "matter of chance" (FSC founding director, interview, November 21, 2008). The serendipitous aspect of organizational growth suggests that more strategic decisions regarding future directions are necessary to ensure that all regions benefit equitably from standards.

4.6 Effectiveness

In many respects, the effectiveness of a standard is the single most important variable to measure; however, it is also the most complicated. The dearth of information on the field-level impacts of sustainability standards meant we had to rely on policies rather than actual outcomes to measure the ability of standards to reach their sustainability objectives. We use the following two indicators to analyze how sustainability standards improve consistency between the rules and implementation mechanisms of value chain governance:

1. *Frequency of audits*: Indicates the regularity with which producers and chain of custody certificate holders must demonstrate their compliance with sustainability criteria.
2. *Frequency of standards review*: Indicates the level of commitment of the standards body to ensuring the continued relevance of standards content.

⁶¹ Comments by FSC representative on a draft of this paper.

4.6.1 Frequency of audits

Table 16: Protocol for frequency of audits and standard review

Indicator	FLO	SAN	UTZ CERTIFIED	MSC	FSC	PEFC
Producer audits	Annual	Annual	Annual	5-year certification; annual audit	5-year certification; annual surveillance audit	5-year assessment; annual surveillance audit
Chain of custody audits	Annual	Risk basis	Annual	3-year certification; annual review	Annual	5-year assessment; annual surveillance audit
Formal standard revision	5-year intervals	3-year intervals	5-year intervals (or shorter)	Not stipulated	Formally proposed at 3-year intervals	5-year intervals

Table 16 gives the intervals at which standards organizations require auditing of producer organizations and chain of custody certificate holders, and the frequency with which they review their standards. For each of the standards reviewed, producers and chain of custody certificate holders must undergo an annual inspection, whether for the reissuance of their certificate or for a surveillance audit. Full MSC fisheries assessments are conducted only every five years, largely due to the complexity and cost of the activity, and chain of custody certificate-holders are fully assessed every three years.⁶²

4.6.2 Frequency of standards review

Organizations review the content of their standards anywhere from annually to every five years. The MSC does not formally require a standards review at any particular interval. However, the organization managed a “massive consultation with producers and all stakeholders” over the last two or three years with the purpose of adapting the “operational interpretation” of the MSC environmental standard for sustainable fishing (MSC associate director, interview, November 24, 2008).

⁶² Variation in verification systems largely reflects the different circumstances under which production and auditing occurs, and the practical responsiveness of initiatives to them. Of course, variations in the quality of the actual certification procedures are to be expected and would provide a more accurate measurement of the effectiveness of the monitoring systems. Such analysis was, however, beyond the scope of this research.

4.7 Efficiency

Efficiency is a comparative concept that is concerned, in our context, with the potential of standards to maximize the sustainability impacts of value chain governance at minimum cost. Ideally we would measure the social and economic costs incurred in the communities where standards are applied, to assess whether overall social welfare is improved. Because of, once again, the unavailability of such data, we are restricted to analysis of the operational efficiency of standards bodies. We use the following two indicators in this section:

1. *Allocation of expenditures*: Shows the share of organizational resources dedicated to the provision of support to certified or certifiable clients, relative to the share of resources dedicated to maintaining the organization. Efficiency could be understood as lower when a relatively high share of organizational expenses is allocated to governance and administration.
2. *Sources of income*: Reveals whether standards are self-sustaining or reliant on donations for organizational survival. The viability of standards bodies, and thus their long-term ability to achieve efficient delivery of sustainability goals, is potentially precarious when they are heavily reliant on donations.

4.7.1 Distribution of expenditures

Table 17: Allocation of standards organization resources, 2007 calendar or fiscal year , by per cent

Indicator	FLO	MSC
Policy and standards maintenance	18	30
Producer support	57	38
Governance and administration	18	4
Certification mark/communications/education ⁶³	7	22
Fundraising		6
Other		
Total	100	100

Table 17 describes the percentages of organizational resources allocated to broad organizational objectives. UTZ CERTIFIED and the FSC report their expenditures in terms of operating costs rather than, as the other standards do, organizational objectives, and therefore cannot be directly compared to the other standards. The PEFC does not make the allocation of its expenditures available on its website, and SAN is not yet a legally incorporated entity.

⁶³ MSC figure includes education and awareness (16%) and logo licensing (6%).

Support to producers using or seeking to take up a standard is the single largest expenditure for the two organizations reported on above. In fact, over half of FLO's total expenditures are directed to producer support. The organizations differ widely in the percentage of resources spent on policy, governance and promotion. A SAN reviewer noted that such a comparison is particularly problematic given the strong differences in the ways that standards systems are structured. The reviewer made the point that many standards deliver producer assistance through partner organizations and thus create the appearance of lower expenditures.

4.7.2 Sources of income

Table 18: Standards organization income sources, 2007 calendar or fiscal year

Indicator	FLO	UTZ CERTIFIED	MSC	FSC
Annual income	\$6,064,858	\$2,934,797	\$8,290,935	\$5,410,433
Total donations	44%	55% ⁶⁴	86%	34%
Charitable			(77%)	
Governmental			(5%)	
Private/other			(4%)	
Membership fees	56%	0%	0%	5%
Commercial services ⁶⁵		45%	12%	52%
Other ⁶⁶	<1%	0%	2%	9%
Total	100%	100%	100%	100%

Table 18 reports the shares of standards organizations' income received from donations, membership fees, commercial services and other sources (excluding the PEFC, since data were not available). The income reported for the FSC pertains to the central executing body based in Bonn and does not represent the income bases of the FSC national initiatives. Similarly, the income reported for FLO does not account for the fees for commercial services received by the labelling initiatives. These are in fact the labelling initiatives' largest source of income.⁶⁷

Donations compose a significant support base for the standards we studied. On average, the organizations receive about half of their total income in the form of donations, whether from public, private or non-governmental/non-profit sources. The FSC and UTZ CERTIFIED receive around half of their revenues from the commercial services they provide. The significance of donations within the income base reveals the systemic challenge that standards organizations face in trying to reach financial sustainability (defined as full compensation from the market for their services). Furthermore, this reliance on donations could have a negative impact on accountability to the extent that organizational survival depends on support from specific stakeholders.

⁶⁴ The primary funders are the Dutch good causes lottery (DOEN Foundation) and the development foundations Solidaridad, Hivos and Irish Aid (via Irish Fair Trade Network).

⁶⁵ FSC figure includes accreditation program (50%) plus commercial services (2%).

⁶⁶ MSC figure represents investment income.

⁶⁷ As noted by a FLO staff person on a draft of this paper.

4.8 Participatory governance trade-offs

In practice, the achievement of many of the principles of participatory governance described in this paper involves a trade-off with efficiency.⁶⁸ This section explains the nature of a few of these inherent contradictions, in order to highlight the practical challenges of perfecting governance systems in value chains compliant with sustainability standards and the need for compromise in the development of a functional system.

Efficiency vs. accountability: Organizations that are highly responsive to stakeholder input are likely to incur higher administrative costs, which can reduce the availability of organizational resources for implementation and monitoring. Prioritizing accountability to stakeholders can also compromise the ability of organizations to make decisions in a timely fashion. Standards organizations must ensure that response mechanisms are effective, but not so much beyond an accepted minimum that they are unreasonably costly to maintain.

Efficiency vs. equity: Ensuring equality of opportunity to participate in decision-making can result in resource-intensive decision-making processes. Making decisions by consensus, for example, requires considerably more preparatory work and negotiation time than straight majoritarian systems. The broader the agreement that standards aim to achieve, the greater the likelihood that there will be delays in reaching agreements and implementing them. Standards organizations should be cautious that the resources committed to levelling the playing field do not surpass the levels necessary to protect participation rights.

Efficiency vs. subsidiarity: Localized standard and indicator development often creates differences in both content (as in the FSC: see Gale, 2004) and implementation (as in the MSC: see Ward, 2008) among national and regional initiatives.⁶⁹ This may reduce the consistency or credibility of the overall initiative. The devolution of powers also makes information-sharing more costly and complex. For example, according to a recent independent review of the PEFC governance structure, “there seems to be little horizontal communication among National Governing Bodies for sharing knowledge, information know-how and experiences for promotion of PEFC in the markets” (Z/Yen, 2008). Standards bodies should take care to decentralize ownership to an extent that guarantees local relevance while maintaining reasonable operating costs.

⁶⁸ This section is inspired by Foweraker and Krznaric (2000), who point out that trade-offs between the different principles of democracy are inherent in liberal democratic governance systems. They argue that direct rankings of governance systems are impossible, and “performance profiles” must be constructed instead.

⁶⁹ FSC national initiatives are each designed against a common set of principles and criteria, and the organization has a policy aimed at harmonization of national initiatives. Nonetheless, some authors, such as Gale (2004), have noted important discrepancies between initiatives.

These potentially inverse relationships suggest that efficiency is an overarching consideration in participatory governance. However, it should not determine the outcomes of all decisions. A key challenge in striking the right balance is that many of the principles competing with efficiency have longer payback periods than efficiency-enhancing measures. Organizations surviving on a shoestring are less able to make the long-term investments that can overcome the pressures of efficiency.

5.0 Summary

This paper has analyzed the degree to which sustainability standards promote participatory governance in the coffee, fisheries and forestry value chains. The analysis is premised on the observation that standards bodies are actively involved in executive, legislative and judicial governance functions. We argue that standards can and do play an important role in promoting sustainable development when their impacts on these governance functions improve opportunities for stakeholders—particularly producers in developing countries—to participate meaningfully in decision-making.

Relying on information gathered through interviews, a literature review, and analysis of the statutes and websites of standards organizations, we reached the following seven conclusions concerning the creation of participatory value chain governance by the six standards bodies we studied:

1. *Representation*: Standards are improving the breadth of stakeholder representation in value chain decision-making by creating opportunities for producers and developing country representatives to participate in their governing bodies, particularly boards and standards committees. This is particularly true among initiatives that formally institutionalize positions for these groups. The balance of representation can, however, be more difficult to gauge where “proportional” or “balanced” stakeholder influence is the rule for defining committee structures.
2. *Accountability*: Standards have a tendency to contribute to accountability in appointing value chain governors through fair and competitive elections for board positions. Greater transparency in the provision of governance information and improved accessibility of objections procedures would, however, improve the ability of stakeholders to hold governors accountable to their decisions.
3. *Checks and balances*: Meta-initiatives and standards organizations’ own internal structures help to separate the executive, legislative and judicial functions of value chain governance, and thereby to keep the tendency toward power centralization in check. Although the standards bodies reviewed have to some degree improved the independence of their accreditation and certification functions, there is still room for considerable improvement in generating full independence of certification and the resolution of disputes.
4. *Equity*: Standards can contribute to equal opportunities for participation in value chain governance through formal voting structures and financial supports that give otherwise marginalized stakeholders a more meaningful voice in decision-making. Greater investments

in capacities and offsetting of opportunity costs are, however, necessary to ensure that resource-deficient groups achieve equally active participation in decision-making. There is also a need to focus on ensuring the producers are adequately prepared to participate meaningfully in standards development processes.

5. *Subsidiarity*: Where standards content and indicators are owned and developed at national or regional levels, local stakeholders have been empowered to contribute to setting the terms of value chain participation. Without focused efforts and investments to develop initiatives in developing regions, there is a growing risk of their exclusion from markets for certified commodities.⁷⁰
6. *Effectiveness*: Standards have the potential to improve the sustainable development impacts of value chain governance mechanisms by annually monitoring producer and chain of custody certificate holders and by regularly re-evaluating standards content to ensure the ongoing relevance of criteria. Without any credible source of field-level impacts, however, the actual outcomes of these verification procedures cannot be fully assessed.
7. *Efficiency*: Although our indicators can say very little about overall initiative efficiency, our review reveals a deep reliance on external funds for financial survival. To the extent that these systems are designed to manage and protect public goods, there is a basic rationale for external support for such systems. Nevertheless, within the context of a truly market-based approach to sustainable development, there is a need to identify new ways for ensuring that normal commercial revenues and relationships can cover the core costs of standards implementation.

⁷⁰ The mainstreaming of a key group of standards is increasing centralization in the sustainability standards sector and could reduce subsidiarity. At the same time, the ongoing development of new systems could be challenging such centralization.

6.0 Recommendations

We have reviewed several different ways that sustainability standards are actively engaged in value chain governance through the legislative, executive and judicial functions that they serve. We have also analyzed the extent to which producers are empowered to participate in value chain governance through adherence by standards organizations to the principles of participatory governance. On the basis of the evidence presented, we can make the following recommendations for ensuring producers have an increasingly meaningful role in value chain decision-making.

6.1 Formalize judicial procedures in standards organizations

Dispute resolution procedures remain, for the most part, informal and insufficiently independent components of governance structures. Although it is reasonable to expect standards organizations to take some time to fully develop each of the legislative, executive and judicial branches that form a complete and balanced governance system, it is important for them to move ahead with the development of robust judicial institutions so that they can maintain the legitimacy of their claims to governance power in value chains. Specifically, they should formalize their dispute resolution committees in their articles of incorporation (or equivalent documents), stipulating functional independence and equitable representation of stakeholder groups within their ranks. This move would help empower commodity producers to participate in the verification of compliance with the rules of engagement in certified value chains.

6.2 Improve transparency through consistent and complete reporting on organizational proceedings

Public disclosure of information about the policies and proceedings of the various governance bodies of standards organizations is generally inconsistent and incomplete. This leaves users of sustainability standards without the full set of information they need to make efficient decisions about investing their resources in sustainable markets. Further, the lack of transparency means that all stakeholder groups do not have equal access to the information required to participate fully in organizational governance. Standards organizations should publish information on policies and policy discussions in an accessible format so that commodity producers can have equal influence over the terms of value chain participation.

6.3 Improve transparency through improved information on market trends and the impacts of initiative implementation

The standards organizations reviewed in this study have largely premised their value propositions on the direct representation they provide to key stakeholders along their respective supply chains. Reflecting this preoccupation, as a general rule these standards bodies indeed provide unprecedented opportunities for marginalized producers and other Southern stakeholders to participate in value chain decision-making. Notwithstanding the formalization of representation for marginalized groups across the various functions of standards organizations, our interviewees revealed that their organizations have a systematic tendency toward low participation of Southern stakeholders—if not in their representation, then at least in the strength of their voice.

A part of the challenge Southern stakeholders face to participation is the inability to access data that would help them form expectations about the outcomes of implementing one standards system compared with another. The persistent absence of objective information on the costs and benefits associated with initiative adoption renders it very difficult for such actors to adopt strong positions in standards negotiations, particularly when their arguments could be interpreted negatively by potential clients and buyers. As a result, participating Southern producers tend to have an interest in remaining silent, even when controversial issues are at stake.

In order to overcome this challenge, producers and other stakeholders need regular information on how standards are functioning at both the field and market levels. Standards organizations, with their vast Southern networks, have an important role to play in gathering and disseminating, in a transparent way, data on the impacts of their initiatives.

6.4 Pay more attention to informal barriers to participation in governance

Standards organizations also need to address the informal barriers that restrict commodity producers from participating in organizational governance. Language barriers, cultural differences and the opportunity costs to producers of dedicating time to participation in governance rather than production or harvesting activities cannot be overlooked. These factors require explicit recognition when designing policies to improve producer participation in organizational governance. This might be achieved by creating more local ownership of governance institutions to create equal opportunities for participation. Greater decentralization could also improve opportunities for participation by marginalized groups, such as indigenous people and women, whose voices are more often excluded in the international arena. This strategy would enhance the potential of standards organizations to create equitable representation of stakeholders in the governance of global value chains.

6.5 Improve efficiency through enhanced collaboration and coordination

Although efficiency can come into conflict with many of the prized elements of participatory governance, such as equity and inclusiveness, it can also promote such objectives. The rapid growth and development of a growing range of initiatives is leading to duplication and overlap. Meanwhile, the most important obstacle to effective participation in governance is the lack of time and resources to prepare Southern producers for consultations and negotiations. With the resources saved from eliminating duplicate activities, standards organizations can provide producers with the supports they need to participate actively. Such a transfer of resources would simultaneously achieve efficiency and greater participation. With this in mind, standards organizations should consider deepening their collaboration with like-minded institutions wherever feasible. The International Social and Environmental Accreditation Alliance (ISEAL) provides an important platform for stimulating such collaboration, as does the (IISD/UNCTAD) Sustainable Commodity Initiative.

Appendix 1.0: Governance structures of standards organizations

A.1.1 Fairtrade Labelling Organizations International (FLO)⁷¹

Mission

“Our mission therefore is to connect consumers and producers via a label which promotes fairer trading conditions, through which producers who are disadvantaged by conventional trade can combat poverty, strengthen their position and take more control over their lives.”

Market reach

Estimates in early 2009 indicated €2.4 billion in global sales of Fairtrade certified products (in all categories) and 1.5 million producer beneficiaries. In 2007 global sales of Fairtrade coffee amounted to 62,209 tonnes. Also in 2007 there were 270 cooperatives exporting coffee to the world Fairtrade market: 81% of the registered cooperatives (not individual producers) were located in Latin America; 14% were in Africa and 5% in Asia.

FLO has indicated its intention to pursue a strategy for growing the Fairtrade market that is rooted in the support of “large and well-established commercial traders” in mainstream markets, in order to broaden the scope of the Fairtrade system and its potential benefits to producers. Other components of the market-building strategy are the expansion of “South–South trade” and domestic markets.

History

The principles of social justice and development through trade have been alive in the fair trade movement since at least the post-WWII period. Certification and labelling was introduced first in Europe in the late 1980s, when members of the fair trade movement realized that independent verification of compliance with fair trade principles, communicated by a sustainability seal, would facilitate the entry of fairly traded products into mainstream markets. Until 1997 certification and labelling was conducted independently by “national initiatives” (now known as “labelling initiatives”) formed by NGOs or fair trade companies in European and North American countries. At that time, FLO was created as an umbrella organization to coordinate the activities of the national initiatives.

⁷¹ Sources: FLO website (<http://www.fairtrade.net>); FLO (2007a; 2007b; 2009); TransFair USA (2007).

Certification functions were handed over to FLO-CERT, an independent auditing company created by FLO in 2004 to improve the legitimacy of the certification process.

Implementation

To obtain Fairtrade certification, producers must undergo a FLO-CERT inspection, in which they must demonstrate compliance with both generic and the relevant product Fairtrade standards. The product standards are different for small-scale producer cooperatives and hired labour employed in factories or plantation agriculture.⁷² Traders and licensees in importing countries are audited by their national labelling initiative. In February 2009 the standards that traders must comply with were harmonized with the introduction of a new set of generic trade standards and the incorporation of trade criteria into existing standards.

Governing bodies

1. *General assembly*: The highest authority in FLO, it is composed of one seat for each of the nineteen labelling initiatives and three producer networks.
2. *Board*: The board has fourteen seats, which are formally assigned as follows: labelling initiatives (five seats); producer organizations (four seats); traders (two seats); and external, independent experts (three seats).
3. *Standards Committee*: The Standards Committee is responsible for development of all Fairtrade standards. The board appoints its members and ratifies the decisions it considers to be major.⁷³ The number of members must be between five and eleven, and must be odd. Appointments must ensure a balance of “suppliers” and “users” of standards, as well as experts. The supplier category must include at least one representative each from producers and workers, as well as a FLO liaison; and the user category must include at least one member from the labelling initiatives and one from traders. Experts include independent experts, who have voting rights, and representatives from each of the FLO inspection and certification systems and the FLO Producer Business Unit, who do not have voting rights.

⁷² FLO has indicated its intentions to make the Fairtrade model accessible to producers who are not organized under either of these two models (FLO, 2009).

⁷³ A FLO representative who commented on a draft of this paper noted that the board reviews the annual work plan of the Standards Unit and then indicates which decisions it feels it should be involved in. It is almost always board members representing producer networks who call for board ratification.

A.1.2 Sustainable Agriculture Network⁷⁴

Mission

“The Sustainable Agriculture Network (SAN) [is] a coalition of leading conservation groups that links responsible farmers with conscientious consumers by means of the Rainforest Alliance Certified seal of approval. Our collective vision is based on the concept of sustainability, recognizing that the well-being of societies and ecosystems is intertwined and dependent on development that is environmentally sound, socially equitable and economically viable.”

Market reach

In 2008, 414,000 hectares of farmland were certified to Rainforest Alliance standards on 25,731 farms. This was a 143% growth over the previous year. Between the forestry and agriculture programs, 52 million hectares of land globally are Rainforest Alliance certified. Total coffee sales were 62,296 metric tones in 2008, over 1% of the global coffee supply. Thanks to rapidly growing commitments from large companies in the food sector, by 2006 sales of coffee, chocolate and bananas had surpassed US\$1 billion, and more than 10,000 farms were certified in 15 countries.

History

The Rainforest Alliance is a non-profit organization that was founded in 1986 by a group of environmentalists who had gathered in New York City to discuss and publicize the disappearance of the rainforest. SmartWood forestry certification, one of its flagship programs, began operating in 1990.

In 1991 the Rainforest Alliance launched a sustainable agriculture program in Costa Rica, where explosive growth in banana farming was having severe environmental and social consequences. The Rainforest Alliance and a local Costa Rican NGO, Fundación Ambio, organized a series of multistakeholder workshops to discuss solutions. The results were the elaboration of a set of principles of sustainable agriculture and a farm standard based on those principles. The Rainforest Alliance designed and registered the “ECO-OK” seal and helped to develop a system for certifying farms that complied with the standard. In 1992 Platanera Río Sixaola became the first farm to earn the ECO-OK seal.

⁷⁴ Sources: Comments by SAN Secretariat staff; Rainforest Alliance website (<http://www.rainforestalliance.org>); Rainforest Alliance (2008); Sustainable Farm Certification International website (<http://sustainablefarmcert.com>); Sustainable Agriculture Network (2007); Vallejo and Hauselmann (2004).

Also in 1992, Guatemala's Inter-American Tropical Research Foundation, known by its Spanish acronym, FIIT, joined the program and began developing a standard for coffee farms. Other groups were also interested in promoting the environmental benefits of traditional shade coffee farms. These groups included SalvaNATURA, founded in El Salvador in 1990, and Pronatura Sur in Mexico. When Conservation and Development, from Ecuador, began developing a standard for cacao in 1995, it also joined the program. That same year, the Institute for Agricultural and Forestry Management Certification (Imaflora) was founded in Brazil and began collaborating with the Rainforest Alliance.

The Rainforest Alliance certified its first coffee farm in Guatemala in 1996, and 41 cacao farms were certified in Ecuador in 1998. With so many groups working in different countries, the need for coordination was obvious; SAN was founded in 1998. In 2001 the seal was changed to the Rainforest Alliance Certified seal. Soon, large and medium-sized companies started selling Rainforest Alliance Certified coffee in North America, Europe and Asia. In subsequent years, certification has expanded to cover new crops such as flowers, pineapple and tea. In 2007 SAN created an International Standards Committee, and in 2008 it approved a revised and restructured standard.⁷⁵

Implementation

Responsibilities throughout the process of Rainforest Alliance certification are distributed between different entities:

- Standards development is completed by the Sustainable Agriculture Network (SAN). SAN has ownership of the Sustainable Agriculture Standard.
- Inspections are carried out by seven authorized organizations composing the membership of SAN, as well as local inspection bodies in Asia and Africa.
- Certification is awarded by Sustainable Farm Certification International on the basis of the results of the inspections conducted by SAN members.
- A full independent accreditation program for certification bodies is under development and will be launched in 2010–2011.
- Labelling rights to use the Rainforest Alliance Certified seal are awarded by the Rainforest Alliance to producers who have completed the certification process and have submitted a successful application to place the seal on their product.

⁷⁵ Thanks to a SAN Secretariat representative for detailed contributions to this organizational overview.

Governing bodies

SAN is mandated to develop and guide the implementation of standards in producer countries. The governing bodies involved in the standards development process are:

1. *Full SAN*: Including the Rainforest Alliance, SAN currently has eight founding member organizations. These are: Conservation and Development (Ecuador); Inter-American Tropical Research Foundation (Guatemala); Institute for Agricultural and Forestry Management and Certification (Brazil); Institute for Cooperation and Self-Development (Honduras); Nature Foundation (Colombia); Pronatura Sur (Mexico); SalvaNATURA (El Salvador); and the Rainforest Alliance (USA).

SAN has three membership categories. The eight organizations listed above belong to the “founding member” category of SAN membership. The other two membership categories are “associate members,” which are NGOs in their first full year of SAN membership, and “full members,” which are NGOs that have successfully passed through the associate stage. All members belong to the general assembly, which is the highest authority of SAN. These environmental and social development groups provide commentary throughout the standards development process. Member organizations must be non-profit and apolitical. New members are admitted upon successful trial certification work and the approval of existing members. Non-voting SAN members may include prospective members. SAN is actively recruiting new members in Asia and Africa.

2. *Board of directors*: The SAN board, composed of all the directors of the SAN member organizations, is responsible for oversight of the standards development process, including procedures and the makeup of the International Standards Committee. It does not approve standards content or play any role in the resolution of conflicts over standards implementation. Once the board contains more than 12 SAN members, it will be elected by a general assembly of SAN’s members.
3. *Secretariat*: The Rainforest Alliance has historically served as the secretariat for SAN. It is responsible for managing the development of standards and the policies guiding the accreditation and certification programs. The secretariat is in the process of becoming independent of the Rainforest Alliance.
4. *Rainforest Alliance*: The Rainforest Alliance is responsible for building the market for products from certified farms and for controlling use of the Rainforest Alliance Certified seal. After SAN’s founding, the Rainforest Alliance’s Sustainable Agriculture Program served as its secretariat. A separate unit within the Rainforest Alliance was created in 2008 to serve as the

SAN Secretariat alone. After two years, these staff people will become fully separate from the Rainforest Alliance as SAN employees.

5. *International Stakeholder Forum*: Composed of either external or SAN-member stakeholders, who review and comment during standards development via email and local public consultations.
6. *International Standards Committee*: This multistakeholder body is formally responsible for the development of standards and coordination of technical input through working groups. It is composed of 12 members who have expertise in sustainable agriculture and standard-setting. Its members are elected by the board, and the secretariat recruits candidates from the stakeholder base.

A.1.3 UTZ CERTIFIED⁷⁶

Mission

“UTZ CERTIFIED is a worldwide certification program that sets the standard for responsible coffee production and sourcing.”

UTZ CERTIFIED’s vision is to achieve sustainable agricultural supply chains in which farmers are professionals who implement good practices, industry takes responsibility by demanding and rewarding sustainably grown products, and consumers buy products that meet their standard for social and environmental responsibility.

Market reach

Purchases of UTZ CERTIFIED coffee reached 77,498 million tonnes in 2008—an increase of 46% over the preceding year. Most of this—70,198 million tonnes—was sold as UTZ CERTIFIED “Good Inside,” reaching 42 countries. An estimated 76,944 producers in 19 countries participate in the coffee program. About three-quarters (73%) of production is in Latin America, with the largest single producing country being Brazil, with one-third of all certified sales.

History

Originally named “UTZ Kapeh,” meaning “good coffee” in a Mayan language, the organization was founded by a Guatemalan coffee producer and the Dutch retailer Ahold. The company in large part set standards in conjunction with its Guatemalan coffee suppliers to meet the EurepGAP agriculture protocol. The UTZ Kapeh foundation was established to grow the initiative and enhance its credibility through an independent certification system and multistakeholder governance structure. The objectives were to create an instrument that would allow mainstream coffee companies to trace their beans to the original source and to establish basic sustainability standards in the global coffee market. The first office of the foundation was opened in Guatemala City in 1999, and the head office relocated to the Netherlands in 2002. The foundation’s name was changed to “UTZ CERTIFIED Good Inside” in 2007 to facilitate its international marketing strategy.

⁷⁶ Sources: UTZ CERTIFIED website (<http://www.UTZcertified.org>); UTZ CERTIFIED (2008); Reynolds et al. (2007); interview with UTZ CERTIFIED certification manager.

As of 2009 UTZ CERTIFIED has also set up standards for cocoa and tea, which can be accessed on the organization's website. In partnership with the Roundtable on Sustainable Palm Oil, UTZ CERTIFIED also provides a traceability system for the palm oil supply chain, which will allow documentation of full separation of certified and non-certified oil in 2009. Discussions on supply chain traceability systems have also been initiated for soy, biofuels and sugar cane.

Implementation

UTZ CERTIFIED developed and revises the Coffee Code of Conduct using a participatory, multistakeholder process. Independent certifiers approved by UTZ CERTIFIED undertake inspections of producers and make certification decisions. Sales must then be registered in the UTZ CERTIFIED system by the producer. A tracking number accompanies the batch at each stage of the supply chain and is "matched" by the final seller to the code registered in the online system. Additionally, brands that wish to place the UTZ CERTIFIED logo on their product must undergo chain of custody certification, and other organizations must pass a chain of custody certification depending on their activities.

Governing bodies

The only formalized body within the governance structure of UTZ CERTIFIED is the board of directors. No organizational statutes or formalized policies govern its composition, although a balance of stakeholder representation is achieved in practice. The foundation is planning to make changes to its governance structure in the near future that will establish participatory democratic principles, such as advisory committees with producer representation for each product.

A.1.4 Marine Stewardship Council⁷⁷

Mission

“Our mission is to use our ecolabel and fishery certification programme to contribute to the health of the world’s oceans by recognising and rewarding sustainable fishing practices, influencing the choices people make when buying seafood, and working with our partners to transform the seafood market to a sustainable basis.”

Market reach

The value of the MSC-certified seafood market was estimated at nearly \$1 billion in 2008, with almost 2,000 labelled products available in 41 countries. The annual catch from certified fisheries was 5 million tonnes. As of early 2009, 39 fisheries around the world had MSC certification, and 88 were undergoing assessment. Of the certified fisheries, Western Europe had the largest share (44%), followed by the United States and Canada (28%), Oceania (10%), Latin America and the Caribbean (8%), Africa (5%) and Asia (5%).

History

The MSC was created out of discussions held in 1995 between the conservation NGO WWF and Unilever, a multinational corporation owning many of the world’s largest consumer brands. It was registered in London as a charity in 1997, and the first chairperson took office the following year. The first assessments—for Western Australian rock lobster and Thames herring fisheries—were initiated in 1999 and completed in 2000. Subsequent commitments to sustainable seafood sourcing by major retailers in the United Kingdom and other European, Japanese and American markets induced rapid expansion of the certified harvest and the availability of labelled products.

Implementation

Fisheries can apply for certification to the MSC Environmental Standard for Sustainable Fishing, and companies along the supply chain must obtain MSC Chain of Custody certification if the consumer product is to carry the MSC label. Certification bodies must comply with the MSC Fisheries Certification Methodology in applying the environmental standard. In 2008 the MSC began implementing the Fisheries Assessment Methodology, which provides detailed criteria for certification bodies to conduct their assessments and thereby reduces subjectivity in the

⁷⁷ Sources: MSC website (<http://www.msc.org>); MSC Articles of Incorporation; and Vallejo and Hauselmann (2004).

interpretation of the standard. Additionally, the Risk-Based Framework was released in 2009 to facilitate assessment of fisheries that cannot provide data for all performance indicators, yet can otherwise prove that they operate sustainably. These assessments are carried out by independent certification bodies. The MSC uses the services of Accreditation Services International for the accreditation of certifiers.

Governing bodies

1. *Board of trustees:* The board is the highest authority of the MSC and is composed of up to 15 members, nominated and appointed by existing members. No formal policies govern the composition of the membership.
2. *Technical Advisory Board:* There are 15 seats on the Technical Advisory Board, and members are appointed by the board of trustees. Their mandate is to provide scientific advice to the board of trustees on the development of standards, methodologies and certified fisheries.
3. *Stakeholder Council:* This advisory group provides opinions on the standard and overall organizational directions to the board of trustees. The number of members on the Stakeholder Council can range from 30 to 50, divided into three membership categories: public interest, commercial and socio-economic, and developing world. Each of these groups nominates and appoints its own new members. Two co-chairs, elected for two-year terms, have seats on the board of trustees. A Stakeholder Council Steering Group also exists and is composed of eight members of the Stakeholder Council who are elected from within their categories.
4. *Secretariat:* The board of trustees has the power to appoint the chief executive and to remove him or her from office. The chief executive may participate in board meetings in a non-voting capacity.

A.1.5 Forest Stewardship Council⁷⁸

Mission

“The FSC shall promote environmentally appropriate, socially beneficial and economically viable management of the world’s forests.”

Market reach

As of April 15, 2009, the FSC had issued forest management certificates in 81 countries. The organization estimated the number of forest management certificates at 966, covering 113 million hectares of forest. About 45% of this land is found in Europe and 35% in North America, with the rest distributed between South America and the Caribbean (10%), Africa (6%), Asia (3%) and Oceania (1%). The number of chain of custody certificates issued worldwide was estimated at 13,043.

History

The FSC was formed through a participatory consultation process with a diverse group of private and non-profit sector stakeholders who perceived a need for voluntary certification for sustainable management practices in the forestry and forest products sector. The organization dates its foundation to 1994, when its 10 Principles and Criteria were approved and the secretariat’s office in Oaxaca, Mexico, was opened. The scope of the program expanded significantly with the approval of certification for plantations in 1996 and for group forest management in 1997. In 2002 the FSC established its International Centre in Bonn, Germany, from which operational functions for policy and standards, communications, and the director’s office are performed. The FSC accreditation program administered by Accreditation Services International is also located at the International Centre. The FSC secretariat continues to be based in Oaxaca, and members of FSC International are registered as members there.

Implementation

The FSC sets international standards in accordance with the FSC’s 10 Principles and Criteria.⁷⁹ These provide the framework for the development of national standards throughout the FSC network, to ensure consistency in all FSC national and regional standards. National and regional standards are developed by working groups at the national or regional level. As of April 1, 2009, these standards can be submitted for endorsement as long as they meet a newly developed FSC

⁷⁸ Sources: FSC website (<http://www.fsc.org>); FSC Statutes; FSC Bylaws; and Vallejo and Hauselmann (2004).

⁷⁹ FSC Principles and Criteria are listed at <http://www.fsc.org/pc.html>

standard for the development and maintenance of an FSC standard (previously, only accredited national initiatives were eligible to submit a standard for endorsement). The right to use the FSC label is earned by forest managers and chain of custody certificate holders through inspections carried out by independent certification bodies. These bodies receive accreditation from Accreditation Services International, a company formed by the FSC in 2005.

Governing bodies

1. *General assembly*: Members of the general assembly can be either individuals or organizations. They are divided among six subchambers—a Northern and Southern chamber for each of economic, social and environmental concerns. The general assembly is the highest authority over crucial organizational matters such as board elections, policy-making, alterations to statutes and by-laws, and dispute resolution.
2. *Board of directors*: The board is composed of three members from each of the three chambers (economic, social and environmental) of the general assembly, for a total of nine directors. One Northern and one Southern delegate must come from each chamber, and the third seat alternates between the North and the South. Nominations can be made by any member of the nominee's chamber or by nominees themselves.
3. *Secretariat*: The head of the secretariat is the executive director, who is appointed by the board. The executive director has responsibility for the annual finances and operations of the FSC and for seeking relevant new collaborations. The executive director attends board meetings in a non-voting capacity.
4. *National and regional initiatives*: The FSC has a decentralized structure that bestows standards ownership on national- or regional-level initiatives, although FSC International retains authority over the endorsement of standards. A new initiative proceeds through the following developmental stages:
 - *Contact person*: Promotes the concept of FSC certification within the relevant jurisdiction.
 - *Working group*: Facilitates consultation on initiative development and is composed of representatives from social, environmental and economic spheres.
 - *Advisory board*: Elected by an assembly of stakeholders once consultations are completed to oversee and advance development of the standard.
 - *National or regional office*: Created to serve secretarial functions once the advisory board has been created and certification bodies are present in the relevant area.

5. *Dispute Resolution and Accreditation Appeals Committee*: The committee is named by the FSC board to review and make recommendations regarding grievances and disputes arising from members and over accreditation decisions. It is composed of one member from each of the six subchambers and should have one representative from each of North America (including Mexico), Central and South America and the Caribbean, Europe, Australia/Oceania, Asia and Africa. The general assembly holds final authority over dispute resolution when the plaintiff is unsatisfied with the solution proposed by the committee and the board. This structure is entirely under revision at the time of writing.

A.1.6 Programme for the Endorsement of Forest Certification schemes (PEFC Council)⁸⁰

Mission

“To give society confidence that people manage forests sustainably.”

Market reach

As of May 2009 the total forest area certified to PEFC-endorsed standards was 211.5 million hectares. Two-thirds of this area was located in Canada and the United States; Western Europe held most of the rest of the certified area (27%), and Eastern Europe, Oceania and Latin America together accounted for the remaining area. The market value of products created from certified forests is difficult to determine due to low uptake of chain of custody certification. There were approximately 5,000 chain of custody certificate holders and 32,000 logo users at the time of writing, and these are generally concentrated in France, Germany and the United Kingdom.

History

The PEFC was created as an industry-based competitor scheme to the FSC. It was formed under its original title, “Pan-European Forest Certification Programme,” in 1998–1999, and thereafter changed its name to the current title. Since that time the organization has grown from 11 to 34 member countries. The PEFC does not set and implement a single standard, but rather is an endorsement program for national certification systems around the world. Its endorsement criteria are based on a scheme’s compliance with intergovernmental agreements on (or relevant to) sustainable forest management and with International Labour Organization conventions.

Implementation

- *Standards development and endorsement:* PEFC-endorsed standards are developed by national governing bodies. They must meet PEFC minimum requirements for the content of forestry management and chain of custody standards and for procedures used in setting, implementing and certifying to those standards. To receive endorsement, standards must be assessed by an independent panel of experts and go through an international public

⁸⁰ Sources: PEFC website (<https://www.pefc.org>); Cabbage, Moore, Henderson and Araujo (2008); Cashore, Gale, Meidinger and Newsom (2006); Ozinga (2004); PEFC Council (2007; 2008); PEFC Council Statutes; PEFC Technical Documentation Annexes 6 & 7.

consultation, and must then receive the formal acceptance of the general assembly. The endorsement remains valid for up to five years, at which point the PEFC decides whether to re-endorse.

- *Certification:* For forest management or chain of custody, certification is carried out by independent certification bodies, which have received accreditation from a national accreditation body.
- *Accreditation:* Accreditation is carried out by national accreditation bodies with membership or special recognition from the International Accreditation Forum.
- *Labelling rights:* Rights to use the PEFC logo are controlled by the PEFC Council or by a body it has authorized to issue logo licenses, namely a national governing body but potentially others.

Governing bodies

1. *General assembly:* The PEFC Council's general assembly contains two membership categories, and a third is being phased out:
 - a. *National governing bodies:* National forest owners' organizations, or sector organizations with their support, can apply to the PEFC Council once they have successfully created a PEFC national governing body representing interested groups within the country.
 - b. *Stakeholder Forum:* International organizations (organizations with a legal presence in more than one country) are eligible for membership to the Stakeholder Forum. They must fit into one of four categories: international trade, labour or consumer associations; other international NGOs; intergovernmental organizations; or transnational or multinational corporations. The Stakeholder Forum establishes its own voting procedures in the general assembly, but otherwise holds the same rights and obligations as other members. The forum appoints two members to the PEFC board.
 - c. *Extraordinary members:* This non-voting membership category is being terminated. Existing members may transfer to the Stakeholder Forum.

The general assembly is composed of one delegate from each national governing body and one delegate from the Stakeholder Forum (who votes on behalf of the forum). The

Stakeholder Forum has precisely 50% the voting weight of the national governing body members. The general assembly is the highest authority of the PEFC Council and holds authority over major organizational decisions, such as the content of the statutes and other documents, election of board members and acceptance of annual budgets.

2. *Board:* The PEFC Council board is composed of the chairperson and two vice-chairpeople of the general assembly, and two to ten members elected by the general assembly for up to three years. It is responsible for general administration and management of the activities of the PEFC Council.
3. *Secretary general:* This individual is employed by the board to oversee the work of the secretariat. The secretariat can be joined to a PEFC Council member organization.

Appendix 2.0: Interview participants

Table 19: Interview participants

Position or relationship to standard	Interview date ⁸¹	Interviewee country
Former chief executive of MSC	21/10/2008	USA
Former trademark manager, FSC	5/11/2008	Canada
Former director of Rainforest Alliance Sustainable Agriculture program	6/11/2008	Costa Rica
Researcher/trader, Organic Commodity Products, Inc.	6/11/2008	USA
David Suzuki Foundation	12/11/2008	Canada
Greenpeace USA	12/11/2008	USA
Root Capital, vice-president of business development	14/11/2008	USA
Root Capital, field and outreach technician	14/11/2008	USA
WWF Peru, Global Forest and Trade Network	14/11/2008	Peru
FSC Mexico	14/11/2008	Mexico
Greenpeace Canada	17/11/2008	Canada
Ecology Action Centre	17/11/2008	Canada
Representative of fishery undergoing MSC assessment	18/11/2008	Canada
Representative of non-certified fishery	20/11/2008	Canada
Founding executive director, FSC	21/11/2008	Mexico
MSC associate director	24/11/2008	England
Representative of certified fishery	24/11/2008	USA
FSC, treasurer of board	24/11/2008	Netherlands
UTZ CERTIFIED, certification manager	25/11/2008	Netherlands
Rainforest Alliance, chief of Sustainable Agriculture Program	25/11/2008	England
BC Seafood Alliance	26/11/2008	Canada
Starbucks, vice-president of corporate social responsibility	8/12/2008	USA
Starbucks, manager of green coffee sustainability	8/12/2008	USA
Fairtrade certified coffee importer	17/12/2008	Canada
MSC, director of Developing World Fisheries Programme	17/12/2008	England
FLO, director of Standards Unit	7/01/2009	Germany

⁸¹ Some dates are approximate.

References

- Bacon, C., Méndez, E., Gliessman, S., Goodman, D., & Fox, J. (2008). *Confronting the coffee crisis: Fair trade, sustainable livelihoods and ecosystems in Mexico and Central America*. Cambridge: MIT Press.
- Bass, S., Thornber, K., Markopoulos, M., Roberts, S., & Grieg-Grah, M. (2001). *Certification's impacts on forests, stakeholders and supply chains*. London: International Institute for Environment and Development.
- Cashore, B., Gale, F., Meidinger, E., & Newsom, D. (2006). "Knots in the wood: Explaining the uneven emergence of forest certification in developing and transitioning countries." Paper presented at the 47th Annual International Studies Association Convention, panel on Global Forest Policy. San Diego, CA.
- Cubbage, F., Moore, S., Henderson, T., & Araujo, M. (2008). Costs and benefits of forest certification in the Americas. In *Natural resources: Management, economic development and protection* (pp. 155–184). Hauppauge, NY: Nova Science Publishers.
- Dingwerth, K. (2008). North-South parity in global governance: The affirmative procedures of the Forest Stewardship Council. *Global Governance*, 14, 53–71.
- FAO. (2007a). APFIC regional consultative workshop: Certification schemes for capture fisheries and aquaculture. *RAP Publication 2007/26*. Ho Chi Minh City, Vietnam: FAO.
- FAO. (2007b). *The state of world fisheries and aquaculture*. Rome: FAO.
- FAO. (2007c). *State of the world's forests 2007*. Rome: FAO.
- FLO. (2007a). *FLO Standards Committee terms of reference*. Retrieved from http://www.fairtrade.net/fileadmin/user_upload/content/Standards_Committee_ToR_December07.pdf
- FLO. (2007b). *An inspiration for change: Fairtrade Labelling Organizations International Annual Report 2007*. Retrieved from http://www.fairtrade.net/fileadmin/user_upload/content/FLO_AR2007_low_res.pdf
- FLO. (2009). *Making the difference: A new global strategy for Fairtrade. Fairtrade Labelling's strategic review (2007/2009)*. Retrieved from http://www.fairtrade.net/our_new_strategy.html
- Foweraker, J., & Krznaric, R. (2000). Measuring liberal democratic performance: An empirical and conceptual critique. *Political Studies*, 48, 759–787.

- Foweraker, J., & Krznaric, R. (2001). How to construct a database of liberal democratic performance. *Democratization*, 8(3), 1–25.
- Gale, F. (2004). The consultation dilemma in private regulatory regimes: Negotiating FSC regional standards in the United States and Canada. *Journal of Environmental Policy & Planning*, 6(1), 57–84.
- Gereffi, G. (1994). The organization of buyer-driven global commodity chains: How U.S. retailers shape overseas production networks. In G. Gereffi & M. Korzeniewicz, (Eds.), *Commodity chains and global capitalism* (pp. 95–122). Westport, Connecticut, and London: Praeger.
- Gereffi, G. (1995). Global production systems and third world development. In B. Stallings (Ed.), *Global change, regional response: The new international context of development* (pp. 100–142). Cambridge: Cambridge University Press.
- Gereffi, G. (2001). Beyond the producer-driven/buyer-driven dichotomy: The evolution of global value chains in the internet era. Special issue of the *IDS Bulletin* 32(3).
- Gereffi, G., Humphrey, J., & Sturgeon, T. 2005. The governance of global value chains. *Review of International Political Economy* 12(1), 78–104.
- Gereffi, G., & Korzeniewicz, M. (Eds.). *Commodity chains and global capitalism*. Westport, Connecticut, and London: Praeger.
- Gibbon, P. (2001). Upgrading primary production: A global commodity chain approach. *World Development* 29(2), 345–363.
- Humphrey, J., & Schmitz, H. (2000). *Governance and upgrading: Linking industrial cluster and global value chain research*. IDS Working Paper No. 120. Brighton: IDS.
- Humphrey, J., & Schmitz, H. (2002). *Developing country firms in the world economy: Governance and upgrading in global value chains*. INEF Report No. 61.
- Kaplinsky, R., & Morris, M. (2003). *A handbook for value chain research*. Ottawa: International Development Research Centre.
- Ozinga, S. (2004). *Footprints in the forest: Current practice and future challenges in forest certification*. Gloucestershire, U.K.: FERN.

- PEFC Council. (2007). *Endorsement and mutual recognition of national schemes and their revision*. Retrieved from http://www.pefc.org/internet/resources/5_1177_455_file.2037.pdf
- PEFC Council. (2008). *PEFC logo usage rules—requirements*. Retrieved from http://www.pefc.org/internet/resources/5_1177_1964_file.2318.pdf
- Raikes, P., Jensen, M. F., & Ponte, S. (2000). Global commodity chain analysis and the French filiere approach: Comparison and critique. *Economy and Society* 29(3), 390–417.
- Rainforest Alliance. (2008). *Rainforest Alliance 2008 annual report*. Retrieved from http://www.rainforest-alliance.org/about/documents/ar_2008.pdf
- Raynolds, L., Murray, D., & Heller, A. (2007). Regulating sustainability in the coffee sector: A comparative analysis of third-party environmental and social certification initiatives. *Agriculture and Human Values*, 24, 147–163.
- Schneider, H. (1999). Participatory governance: The missing link for poverty reduction. OECD Development Centre Policy Brief No. 17.
- Sexsmith, K., & Potts, J. (2009). *Voluntary sustainability standards and economic rents: The economic impacts of voluntary sustainability standards along the coffee, fisheries and forestry value chains*. Winnipeg: IISD.
- Sustainable Agriculture Network. (2007). *Standards & policy development handbook*.
- Synnott, T. (2005). *Some notes on the early years of FSC*. Retrieved from http://www.fsc.org/fileadmin/web-data/public/document_center/publications/Notes_on_the_early_years_of_FSC_by_Tim_Synnott.pdf
- Tollefson, C., Gale, F., & Haley, D. (2008). *Setting the standard: Certification, governance, and the Forest Stewardship Council*. Vancouver: UBC Press.
- TransFair USA. (2007). *Almanac 2007*. Retrieved from <http://www.transfairusa.org/pdfs/2007FairTradeAlmanac.pdf>
- UTZ CERTIFIED. (2007). *UTZ CERTIFIED annual report 2007*. Retrieved from http://goodinside.jp/serve_attachment.php?file=archive/downloads/utz_certified_annual_report_2007.pdf
- UTZ CERTIFIED. (2008). *UTZ CERTIFIED annual report 2008: Continuous improvement in multi commodities*. Retrieved from http://www.utzcertified.org/serve_attachment.php?file=archive/downloads/final_utz_annual_report_2008_web.pdf

Vallejo, N., & Hauselmann, P. (2004). *Governance and multi-stakeholder processes*. Winnipeg: IISD and SECO.

Ward, T. (2008). Barriers to biodiversity conservation in marine fishery certification. *Fish and Fisheries*, 9, 169–177.

World Commission on Environment and Development. (1987). *Our common future*. Oxford: Oxford University Press. Retrieved from <http://worldinbalance.net/agreements/1987-brundtland.php>

Z/Yen. (2008). *PEFC governance review*. Retrieved from http://www.pefc.org/internet/resources/5_1184_1877_file.2240.pdf