

WHEN DO PRIVATE STANDARDS WORK?

LITERATURE REVIEW SERIES ON THE IMPACTS OF PRIVATE STANDARDS – PART IV



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Part four of a series of four papers, each comprising a literature review of the main information resources regarding a specific aspect of the impact of private standards - focuses on the literature related to harmonization of, and interdependencies between public and private standards, and the ways in which governments could engage with private standards to impact their legitimacy and significance in the market - aims to understand under which circumstances the application of standards can be an effective tool to foster sustainable development; recapitulates some of the main results of the first three parts and incorporates additional research that specifically addresses the question of when and how standards work best for producers; includes bibliographic references (p. 48-52).

Descriptors: **Private Standards, Standards, Certification, Sustainable Development, Bibliographies.**

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English

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Abbreviations

The following abbreviations are used:

CAC	Codex Alimentarius Commission (FAO/WHO)
ETI	Ethical Trade Initiative
FAO	Food and Agriculture Organization of the United Nations
FLO	Fairtrade Labelling Organisations International
FSC	Forest Stewardship Council
FT	Fairtrade
GLOBALG.A.P.	Global Good Agricultural Practices Standards
GFSI	Global Food Safety Initiative
IDS	Institute of Development Studies
IIED	International Institute for Environment and Development
IISD	International Institute for Sustainable Development
ISEAL	International Social and Environmental Accreditation and Labelling Alliance (The Global Association for Social and Environmental Standard Systems)
ITC	International Trade Centre
MSI	Multi-stakeholder initiative
MSC	Marine Stewardship Council
NGO	Non-governmental organization
WTO	World Trade Organization

Executive summary

This paper concludes a series of systematic literature reviews on the impacts of private standards. It integrates the existing research on the reasons behind differences in effects of private standards and takes a comprehensive view beyond the standard itself. This approach encompasses aspects such as the contextual environment under which the standard was implemented, the standard as an instrument, and the mechanisms that occurred as a result of implementing the standard.

We used a systematic literature review methodology to evaluate the existing evidence on this topic, incorporating both the body of knowledge already reviewed in the first three parts of this series as well as additional research specifically addressing the reasons for success or failure of private standards. The screening process resulted in a review of 59 documents that were examined in detail.

Even though the research was heterogeneous in the approach, scope and methodology applied, the analysis across the research reviewed supports a set of ten initial conclusions:

1. Private standards have the potential to result in positive effects and lead to positive impact both at the producer and at the supply chain level.
2. The effects of private standards need to be analysed in a broader system encompassing context conditions, instruments and mechanisms.
3. Adoption of private standards tends to be favoured in contexts where (i) the type of product has high requirements regarding traceability, (ii) in extractive businesses, (iii) where commodities are identifiable in end products, or (iv) where there are shorter supply chains with fewer actors.
4. Private standards tend to be more viable in contexts with higher levels of producer and institutional preparedness.
5. Private standards need to be recognized as 'legitimate' by its stakeholders, both, in terms of the degree of inclusiveness and transparency of the standard setting process, and the effectiveness of the standard setting initiative and its enforcement mechanisms.
6. Successful implementation of private standards requires a balance between global scope and adaptation to local conditions.
7. The implementation of private standards is enhanced when clear and visible incentives for their adoption exist, at least in the short term.
8. The role of the buyer is critical in determining the effects for producers, with positive impacts often being associated with mission-driven buyers. These buyers build close partnerships with suppliers, provide pre-finance opportunities and exert power mostly related to quality demands.
9. Positive effects for producers participating in private standards are often mediated by the generation of certain mechanisms including empowerment, enhanced buyer-seller relationships and increased credibility or self-assurance.
10. There is a need to take a more systemic view of private standards, assessing the factors that influence their effectiveness at a single point in time as well as over time.

1. About this literature review series

This paper, integrating the existing research on the reasons behind differences in outcomes of private standards, concludes a series of systematic literature reviews on the impacts of private standards. The review consists of four papers in total, each paper focusing on one specific issue. The topics were selected according to their relevance to ITC's main constituents: producers, exporters, trade support organizations and policymakers in developing countries and their prevalence in research and include:

- The impacts of private standards on global value chains;
- The impacts of private standards on producers and exporters;
- The interplay of public and private standards;
- When and how do private standards work? Context conditions and implementation.

The question on how standards impact trade is now more relevant than ever. Against the background of a world economy that is global in scope and organization and with economic activities spread across national boundaries, the liberalization of trade has been one factor contributing to a policy shift from import substitution to export-led growth strategies. This has resulted in the involvement of a large number of producers in export activities and in global or regional value chains. Compliance with standards has become an important determinant of trade competitiveness.

Given the importance of value chains and standards for producers in developing countries, in a first part we analyse the literature on impacts of private standards in global value chains. While only few standards include requirements that directly address the value chain, most private standards comprise requirements that pertain to social and environmental conditions at producer/farm or factory level.

In most cases, producers and/or factory workers are the primary target group, and standards aim to improve living and/or working conditions. Nevertheless, standards also impact producers' surrounding communities, or the wider environment. This is why in a second part we analyse the results obtained by studies looking into the impacts of private standards on producers, exporters and their environments.

The framework within which producers, exporters and buyers act is provided by public standards pertaining to, for example, product safety, food security, and quality or environmental protection. While harmonising efforts between public and private standards are in their infancy, interdependencies between private standards and public standards are growing. Private standards are being aligned to public standards and, conversely, standard setting on public level is being influenced by private standards. Aiming to better understand these interdependencies and their implications, a third paper analyses the literature relating to these issues and takes stock of where harmonization of public and private standards stands.

Finally, this fourth paper takes a pragmatic view of private standards and aims to understand under which circumstances the application of standards can be an effective tool to foster sustainable development. This fourth and last paper of this series recapitulates some of the main results of the first three parts and incorporates additional research that specifically addresses the question of when and how standards work best for producers.

2. About this paper

This last paper in the series, 'When and how do private standards work?', addresses some of the issues covered in the previous three papers about the impact of private standards. But rather than assessing the evidence on outcomes or impacts on value chains, producers or public regulations, we look at integrating research on the reasons or conditions that influence this impact.

In the first paper of this series standards were framed as more than a governance mechanism in a value chain, finding that they could also 'enhance dialogue between trading partners leading to stronger

coordination and increased exchange of information' and 'increase upgrading opportunities for producers'.¹ But these effects didn't happen systematically when private standards were introduced. Rather, it appeared that some factors and initial conditions enhanced the probability of these positive effects occurring, while others prevented these positive outcomes from occurring.

Similarly, in the second part of this series, an analysis of the impacts of private standards on producers in developing countries found that producers participating in these schemes tended to be better off financially and that indirect positive effects such as market knowledge, credibility and management education often outweighed the direct immediate financial impacts. Still, impact for individual producers and for communities as a whole tended to vary significantly between studies. Some of these results could be attributed to the methodology of the research, strongly biased towards individual case studies, but some was also attributed to significant differences in the context within which the standards were introduced as well as the form of implementation and the attitudes of the various stakeholders.²

The third part of the series then focused on the literature related to harmonization of, and interdependencies between public and private standards, and the ways in which governments could engage with private standards to impact their legitimacy and significance in the market.

In this fourth and last part of the series, we focus on addressing the factors that lie behind the differences in the results achieved and that can be, at least partly, explained by differences in context, implementation or generation of mechanisms. We thus re-assess the literature that has been reviewed thus far and incorporate additional research, looking beyond the question of 'does it work?' and focusing on 'when and how does it work best?'. This implies taking a closer look at questions such as: How do different contexts influence the success of private standards for the various stakeholders? How do differences in how standards are designed and implemented influence outcomes? Are there mechanisms generated by the implementation of standards that influence outcomes?

As in the previous three parts of the series, we use a systematic review methodology. In this paper, however, we use a more systemic view of private standards and integrate the research using a framework incorporating Context, Instruments, Mechanisms and Effects (Outcomes and Impacts). Adapted from the model developed by Pawson and Tilley and Denyer et al.³, the 'CIME-logic' framework looks at causality in interventions. That is, if you want to achieve Effects E in the form of outcome or impact in context C, then use intervention type I that can generate mechanism M.

Following this introduction, Sections 4 and 5 review the definition of private standards and the methodology of a systematic literature review, which can be skipped by readers who are already familiar with this literature review series. Section 6.1 presents the CIME-logic framework that is then applied to review the literature. A descriptive summary of the documents reviewed is presented in Section 7 and a review of findings in Section 8. Finally, the remaining two sections summarize the conclusions and identify next steps in advancing knowledge in this important field.

3. Private standards

For the purpose of this review series, private standards are understood as norms developed by private entities such as companies, non-governmental organizations or multi-stakeholder coalitions. These standards may vary in scope, ownership and objectives. Objectives range from environmental conservation, ensuring food safety or protection of social and human rights to promoting good agricultural and manufacturing practices. Private standards can be numerical standards defining required characteristics of products such as contaminant limits or maximum residue limits, or process standards

¹ von Hagen, Oliver and G. Alvarez. The Impacts of Private Standards on Global Value Chains. Literature Review Series on the

² Alvarez, Gabriela and O. von Hagen. The Impacts of Private Standards on Producers in Developing Countries. Literature Review Series on the Impacts of Private Standards, Part II. International Trade Centre (ITC), Geneva, 2011.

³ Pawson, Ray and N. Tilley. Realistic evaluation, Sage Publications, London, 1997; Denyer, David, D. Tranfield and J. E. Van Aken. Developing Design Propositions through Research Synthesis, Organization Studies, vol. 29, no. 3, 2008, pp. 393-413.

prescribing the production processes (including performance objectives) or pertaining to management systems and documentation requirements.⁴

In this review we also address those standards that Henson and Humphrey call private standards schemes.⁵ This term not only comprises the standard itself but also covers standard setting procedures, adoption and implementation practices, and conformity assessment and enforcement. Examples of such schemes are Fairtrade or the Forest Stewardship Council (FSC), and the British Retail Consortium (BRC), International Food Standard (IFS), Codex Alimentarius standards or the GLOBALG.A.P. Fruit and Vegetables scheme in the case of food safety standards.

The area of standards has received a significant increase in attention and a number of new standards have been developed in a relatively short time span. Some of the standards most broadly used today were only created in the 1990s; many have been created in the last decade and it is estimated that by 2012 over 300 private sustainability standards will co-exist in the world.⁶

4. Methodology

A systematic literature review methodology was employed in integrating the research covered in this analysis. This approach is based on adopting a replicable, scientific and transparent process and aims to minimize bias through exhaustive literature search of published and unpublished studies, providing also an audit trail of the reviewer's decisions, procedures and conclusions.⁷ Providing for comprehensiveness and comparability, this method can help integrate existing knowledge in a fragmented and heterogeneous field of research such as that of private standards.

The methodology also offers a framework to identify thematic gaps in the literature, to highlight areas more comprehensively covered and to provide evidence to inform policy and practice in a particular discipline. Based on a thematic analysis and on the breakdown of methodologies and conceptual frameworks applied, a systematic literature review approach can also inform future research activities.

A word of caution is nevertheless called for. In the interest of readability, findings have been linked to constitute a narrative suggesting comparability of results. However, while the approach allows for the integration of heterogeneous research, these findings have to be interpreted with care as they are based on different theoretical approaches and emerge from diverse methodologies. This particularly applies to the comparison of results.

4.1. The review process

The review process was guided by the methodology's main elements of rigor and traceability. Each step taken was defined and documented to support a comprehensive and unbiased research. The systematic review methodology, based on the approach developed at Cranfield University⁸ and adapted for the purposes of this study, consisted of three main phases: (a) planning and search, (b) screening, and (c) extraction and analysis. Planning, the first of these steps, involved defining the main questions guiding the research and identification of all relevant sources of literature. This included: (i) identification of the main keywords used in the different streams of literature and construction of 'search strings' that were then used in comprehensive academic search databases; (ii) identification of key journals not covered by these

⁴ For an overview of these standards see: Alvarez, Gabriela (2010), "Fair trade and beyond: Voluntary standards and sustainable supply chains", in Mena, C. and Stevens, G. (eds.) *Delivering performance in food supply chains*, Woodhead Publishing Limited, Cambridge, the United Kingdom of Great Britain and Northern Ireland, pp. 478-510 or ITC's Standards Map website: www.standardsmap.org.

⁵ Henson, Spencer and John Humphrey. The impacts of private food safety standards on the food chain and on public standard-setting processes, ALINORM 09/32/9D-Part II, Codex Alimentarius Commission, 2009.

⁶ BigRoom and World Resources Institute (2010): *Ecolabel Monitor* (download at www.ecolabelindex.com).

⁷ Tranfield, David, D. Denyer and P. Smart. Towards a methodology for developing evidence-informed management knowledge by means of systematic review. *British Journal of Management*, vol. 14, no. 3, 2003, pp. 207.

⁸ Tranfield, 2003 op. cit.; Denyer, David, D. Tranfield and J.E. Van Aken. Developing Design Propositions through Research Synthesis, *Organization Studies*, vol. 29, no. 3, 2008, pp. 393-413.

databases and use of an additional database to search in these journals,⁹ (iii) review of the references used in previous literature analysis; (iv) review of influential authors in the field; (v) identification of central research institutes and international organizations in the field and review of their publications; and (vi) identification of key articles and book sections providing background information on specific topics.

Screening, the second step of a systematic literature review, consists of a selection of papers based on their relevance and quality. The screening process for this paper covered three areas: a title review, review of abstracts and full paper review. Before each step, inclusion and exclusion criteria had been defined to ensure transparency and the ability to replicate the process. In the final screening step, full papers were reviewed according to defined selection criteria, such as contribution to research, clarity of data collection and sampling methods, or the linkage between the methodology used and the conclusions reached. This screening exercise, represented in Figure 1 resulted in 59 papers that were analysed for this literature review and are marked with an asterisk in the reference section.

A difference with previous parts of this Series Review is that this fourth paper also incorporates the conclusions of the previous three parts on effects and incorporates them in the CIME framework. But in this case, effects are not explored per se but rather taken as an input for the analysis of the remaining three components of the framework. Thus, only documents addressing explicitly reasons that could explain these effects are selected for analysis and form part of the 59 selected papers.¹⁰

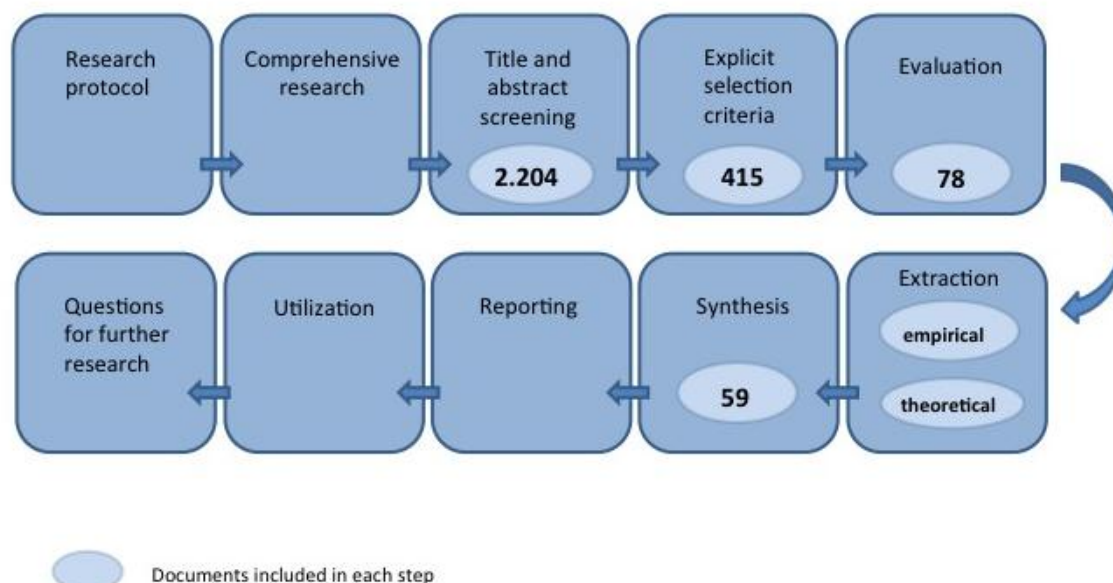
The main conclusions of the study are then based on the third step of the process, i.e. extraction and analysis. This included both a descriptive as well as a thematic examination of the research base to identify areas of consonance or of disagreement in the literature, as well as the major gaps of knowledge in the field.

The Systematic Review methodology offers a comprehensive and transparent process to review a broad spectrum of studies in a specific field. It is, however, not without its limitations. An important one is related to the screening process using electronic search engines, which results in a bias towards articles rather than books or other forms of communication. Cross-referencing, author searches in other search engines such as Google Scholar, review of websites and consultation with experts on the field were strategies pursued aiming at minimizing bias and extending coverage of the review. A second limitation, more specific to the topic covered in this review, is that a large amount of research on the impact of standards is currently being carried out by standard organizations themselves. On the one hand, this implies that the studies may be more geared towards shorter term monitoring and progress tracking of activities rather than a broader review of their effectiveness. On the other hand, the objectivity of some of these studies can sometimes be called into question when they are sponsored and carried out by the standards organizations themselves and which are pressured to 'prove' that the standard systems work. To minimize this, peer reviewed articles published in academic journals were given increased attention when framing and analysing the topics.

Even accounting for these limitations, we believe the process represents a solid approach to allow the integration of a large body of research in a way that minimizes bias. It also provides the opportunity to continue building the evidence base by providing a framework and an audit trail that can be modified to incorporate new information when uncovered.

⁹ Three electronic databases were used in our research: EBSCO, Science Direct and ISI Web of Knowledge.

¹⁰ Appendix IV presents a complete list of the documents selected the four parts of the Literature Review Series.

Figure 1: Steps in a systematic review process

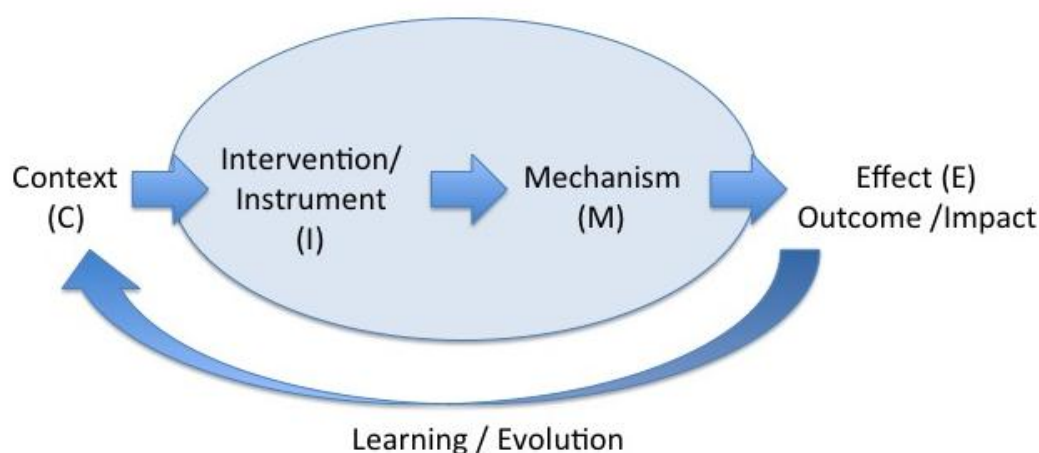
5. When and how do private standards work

A key assumption behind the growth of private standards and the support they received from the corporate and donor communities is that they do indeed result in a positive social, economic and environmental impact. But do they? The evidence reviewed in the first three papers of this series suggests that: (a) private standards have the potential to contribute positively to the economic and social well-being of producers and environmental conditions in developing countries, but (b) this has not always been the case and results have varied significantly in different contexts.

As expected, very few studies simultaneously address the impact as well as the context conditions or mode of implementation. By presenting a framework that integrates the various pieces of this question, progress can be made in understanding some of the key linkages between conditions and implementation formats that can tilt the balance of private standards towards a positive outcome.

5.1. The CIME logic

The purpose of an intervention is to produce change, but how and under which conditions do these interventions create the desired effect? In an article on policy-making based on evidence, Pawson and Tilley state the logic of prescription where 'if you want to achieve outcome O, then you can use intervention type I'. But outcomes can also be critically dependent on context (C) so that there is not necessarily a direct relationship between intervention (I) and Outcomes (O), but rather a contingent relationship; based on generative mechanisms (M) the intervention produces the outcome in a given context. This then results in what Denyer et al. call the 'CIMO-logic', constructed as follows: In this class of Contexts, use this Intervention type to invoke these generative Mechanism(s) to deliver these Outcome(s). We further adapt this framework by expanding the concept of Outcomes to cover different Effects (E) and thus include both Outcomes and Impacts. An important clarification needs to be made in the use of the term Effects.

Figure 2: The CIME logic framework

Source: Adapted from Pawson, 2006 and Denyer et al., 2008.

For purposes of this review, we use this term to refer to short-, medium- and long-term changes, but there are differences between these levels. In a code of good practice on identifying and measuring impacts, the International Social and Environmental Accreditation and Labelling Alliance (ISEAL) defines outcomes as 'short and medium term behavioural changes in people or institutions and changes in the environment that occur as a result of an intervention output'. Impacts are defined as 'long-term changes in the social, environmental, or economic situation that the standards system seeks to address. They are positive and negative long-term effects resulting from the implementation of a system, either directly or indirectly, intended or unintended'.

In the 'CIME' framework, graphically represented in Figure 2, we incorporate both of these types of effect and further adapt all elements to a more specific sustainable development context, as described in Table 1. This framework then provides a basis for synthesizing and reporting the findings of the systematic literature review.

Table 1: CIME-logic and sustainable development

Component	Explanation
Context (C)	The surrounding factors and the nature of the institutions that influence the implementation of private standards. They include social, economic, institutional and environmental conditions. They are present at different levels of analysis such as farm, community, national, supply chain and global.
Intervention/ Instrument (I)	The interventions that actors have at their disposal to influence actions and behaviour. These can be formal (ex. contracts, structured development programmes) or informal (ex. norms of behaviour) and can be legally enforced (ex. regulation) or voluntary (ex. private standards). It is necessary to examine not only the nature and design of the intervention but also its implementation.
Mechanism (M)	The mechanism(s) triggered by the intervention in a certain context. For example, empowerment offers stakeholders the means to contribute to an activity beyond the normal tasks or outside the normal sphere of interest, which in turn can lead to increased participation and responsibility.
Effects (E) Outcome (O) Impact	The outcome of the intervention can be observed at different levels (actor, community, network, national, global) and refers to short- and medium-term changes in people or institutions and changes in the environment that occur as a result of an intervention. Impact refers to long-term environmental/biophysical, social, financial and market system changes that occur as a result of outcomes achieved

Source: Adapted from Denyer et al. 2008 and ISEAL 2008.

6. Descriptive analysis

This descriptive analysis sets the framework for the thematic analysis by providing background information on the research carried out. It includes information on the methodologies adopted and the main topics covered. It also answers the questions as to which standards and products are covered by research, existence of a regional focus, and the date range of the articles.

For this review, and based on the topic and quality screen, we selected a total of 59 documents. Of these, 51 were based on original empirical research, 7 were literature reviews and 1 was a Code of Practice. About half the documents (24) had been peer reviewed and were available in academic publications, with the remaining 35 being evenly distributed among University publications (10), NGO research documents (13) and International organizations (12).

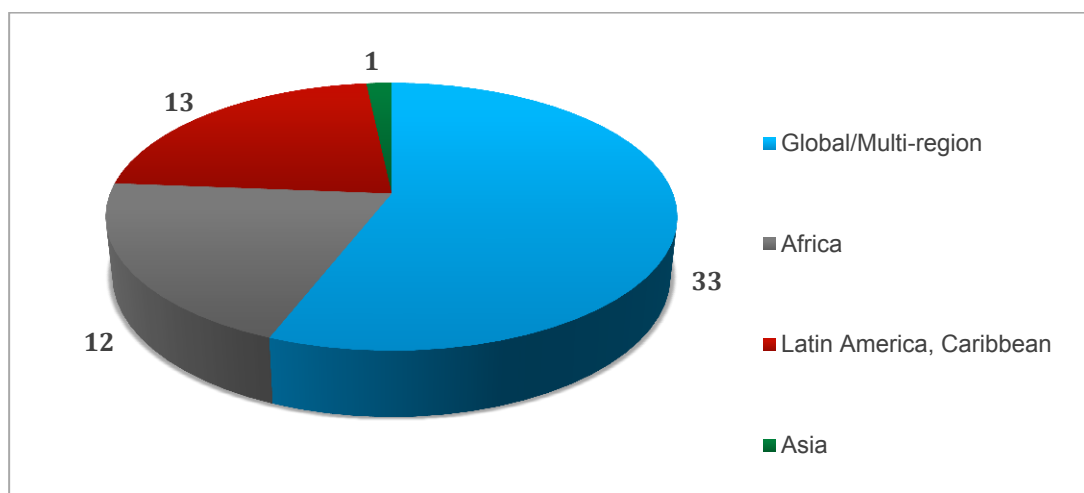
The majority of the empirical papers were based on qualitative research, representing 39 out of the 51 documents, while 9 documents were based on quantitative methods, 2 used both qualitative and quantitative techniques and one was a conceptual paper.

Even though no explicit screen was performed for time of publication, all selected documents were published after the year 2000 with a total of 15 papers dating between 2010 and 2012.

6.1. Geographical coverage

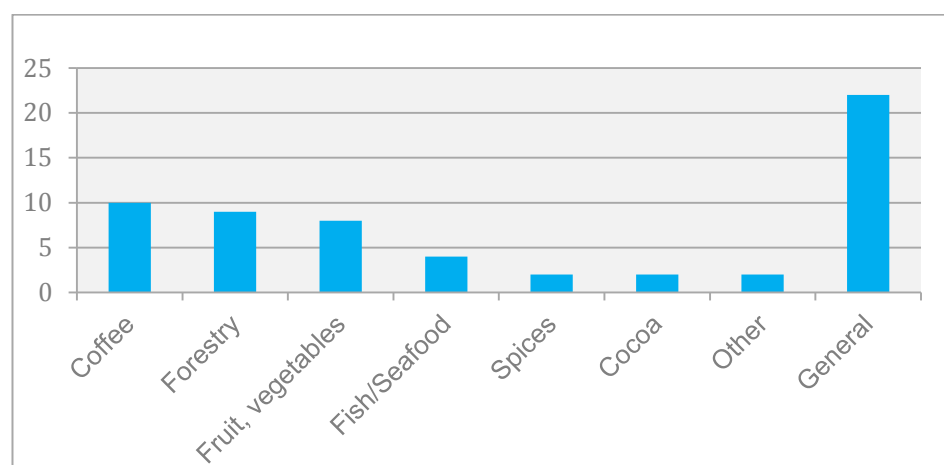
As illustrated in Figure 3, more than half of the documents reviewed were either multi-regional or global in its scope. Latin America and Africa were the focus of 13 and 12 research projects respectively, while there was only one document focused on a country in Asia.

Figure 3: Geographical coverage



6.2. Industry coverage

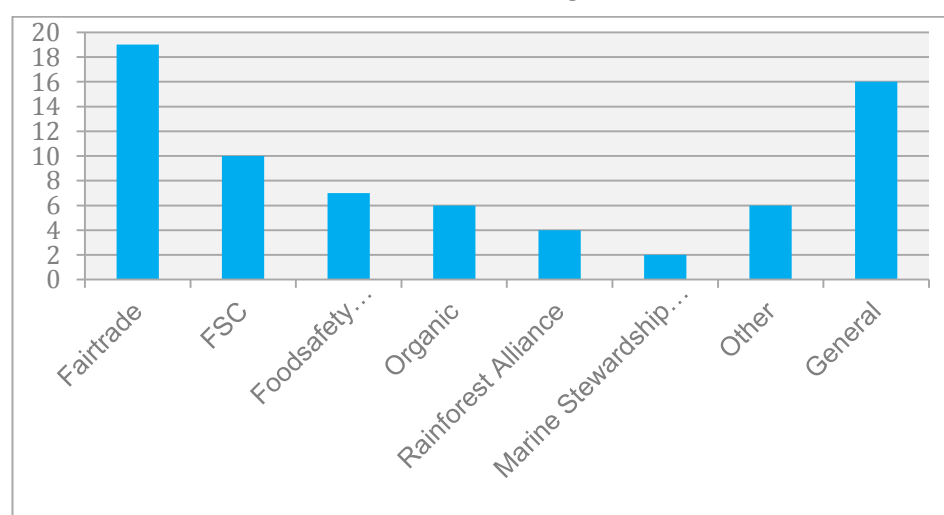
Empirical studies covered a broad range of products, but most of the articles included in the review were focused on agriculture, forestry and fishing sectors, as displayed below.

Figure 4: Industry coverage

(Total number exceeds 59 as some documents covered more than one standard)

6.3. Standards related coverage

Although a broad range of private standards was mentioned in the research, a large portion of the empirical projects covered issues related to Fairtrade (19). The Forestry Stewardship Council (10), and GLOBALG.A.P. (7), Organic¹¹ (6), Rainforest Alliance (4) and Marine Stewardship Council (2) were the other standards covered individually, with a total of 16 articles covering general issues on multiple private standards (see Figure 5).

Figure 5: Number of reviewed documents covering each standard

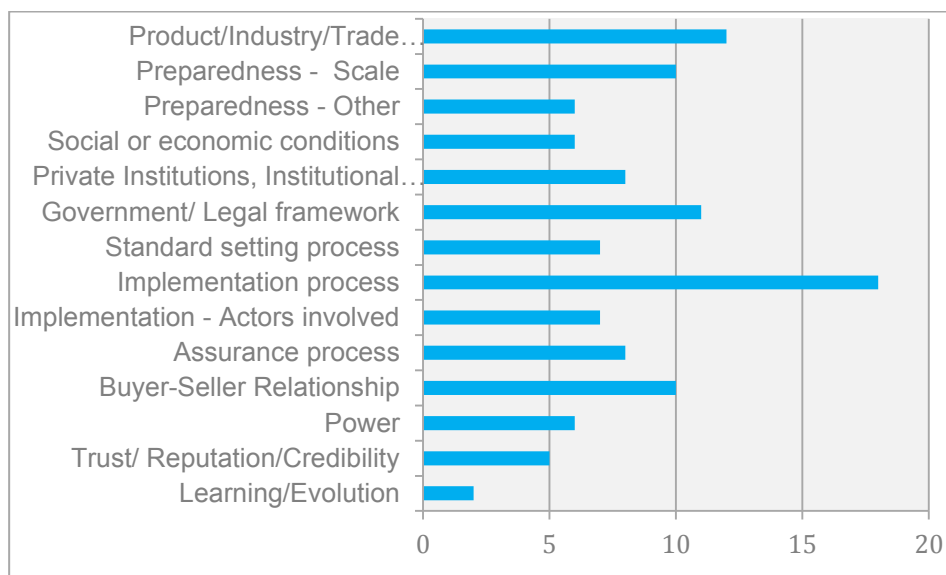
(Total number exceeds 59 as some documents covered more than one standard)

¹¹ Organic is included in this review as a private standard but it also encompasses voluntary public standards that have been defined in the EU and North America regarding organic methods of cultivation but that are voluntary rather than mandatory.

6.4. Thematic focus

Not surprisingly, a large number of documents covered issues related to implementation, be that of the implementation process (18) and/or the actors involved in the implementation of private standards (7). Still, with the exception of two, all other areas were covered by at least 5 documents each, as presented in Figure 6.

Figure 6: Thematic focus



(Total number exceeds 59 as some documents covered more than one standard)

7. When and how do private standards work? Summary of findings

7.1. Effects - Starting at the end...

As per the definition we have presented previously, the effects of the intervention can be observed at different levels (actor, community, network, national, global) and refers to outcomes (short- and medium-term changes in people or institutions), and to impacts (long-term environmental/biophysical, social, financial and market system changes that occur as a result of outcomes achieved), occurring as a result of an intervention. Just like any other process, measuring if results have been achieved has to start with an agreement on what success means and what effects are sought with the intervention. But this can be a particularly difficult issue in respect to private standards where compliance with the standard criteria is what is often measured, instead of the actual effect the intervention had. For example, having a conservation plan may be counted as a positive effect rather than the social, economic or environmental effect this conservation plan had, such as increased biodiversity.

The purpose of this paper is to focus on the context, intervention and mechanism factors that help explain differences in Effects. Still, we briefly summarize the main areas of effect found in the literature.¹² Most authors cover broad categories of social, economic and environmental effects and, again, most distinguish impacts by level of aggregation (ex. producer, community, national, international). At the producer and community level, the research reviewed in the previous parts of this Literature Review Series covered economic, productive and livelihood issues including profitability, yield, quality, business situation, capabilities, wealth, consumption, health and education. Some of the broader issues that also came up in producer-related research referred to social themes such as community or gender balance and to the effects on the environment in areas such as biodiversity. Key areas covered include:

¹² For a more in-depth view of definition of effects and measurement of effects the reader is suggested to refer to Part II of this Literature Review Series: Alvarez and von Hagen, 2011, op. cit.

- Impact of private standards on value chains:
 - Governance mechanisms;
 - Value chain structures (including the participation of smallholders and workers);
 - Upgrading opportunities (process, product, functional);
 - Value distribution along the value chain.
- Impact of private standards at producer level:
 - Price;
 - Yield;
 - Quality;
 - Net income;
 - Business opportunities;
 - Livelihoods;
 - Labour conditions.
- Impact of private standards at the community level: social, economic, environmental.

As mentioned before, in this review we take the findings from these documents as a starting point and focus on exploring the context conditions, instruments and mechanisms that might hinder or enhance the probability of achieving the outcomes or impacts referred to by previously reviewed literature.

7.2. Context conditions

Context describes those conditions in which programmes are introduced that are relevant to the operation of the programme instruments and mechanisms. Certain contexts will be supportive of the private standards successful implementation while some others may not. As Pawson¹³ frames it, 'what works for whom in what circumstances' is about understanding that 'different pre-given characteristics leave some well-disposed and some badly-disposed to the programme theory. Enjoying different pre-existing relationships then leaves some well placed and some ill placed to take up the opportunities provided by the intervention'.¹⁴

In the literature on private standards, context conditions have been frequently referred to as strongly influencing the 'chances of success' of any particular standard. When trying to understand the reasons behind success or failure of otherwise similar instruments, most of this literature focuses on four main areas, which are addressed in the sections that follow:

- Product and trade characteristics;
- Selection bias (macroeconomic and producer preparedness conditions);
- Regulatory framework (design and enforcement);
- Institutional environment.

7.2.1. Product and trade characteristics

Private sustainability standards have historically been focused on few products and industries. In developing countries, commodities such as coffee, bananas, cocoa, tea and horticulture have had a high penetration, while forestry and fishing are the two main industries that are covered by private standards at a global level. Industries that are more exposed to poverty conditions, that are exposed to significant environmental risks, or that are exposed to food safety concerns appear to have attracted the bulk of private standards over the last decade.

¹³ Pawson, Ray. *Evidence-based Policy: A realist perspective*, Sage Publications Ltd, London, 2006.

¹⁴ Pawson, Ray, 2006, op. cit., p. 25.

Market commodity prices were not explicitly addressed in most of the literature reviewed. However, the rise of private standards in crops such as coffee has been linked to the sharp drop in market prices of commodities and the challenging situation this created for smallholder producers.¹⁵ In a review of private standards, Chan and Pound identify several studies that highlight the critical role played by commodity prices in determining the level of benefits from certification. They conclude that if the price differential between the certified product and normal commodity prices is large, the benefits of certification are substantial, which is not the case if this premium on certified products is small or non-existent, so large fluctuations in prices mean that impacts from certifications also vary over time.¹⁶

Market pull was also found to be an important determinant of the rate of adoption of private standards in a certain industry or even within an industry across different products. Certification is difficult when markets, including those proximate to the production, are not yet demanding certified products or are willing to pay a premium for more expensive management practices. This was particularly found to be the case in some of the forestry cases reviewed where lack of markets for lesser-known species created an economic problem for tropical forests with a high level of species heterogeneity.¹⁷ Akyoo and Lazaro¹⁸ again found this was the case for spices in the United Republic of Tanzania, where the national food safety standards formulated in the 1970s and 1980s addressed cleanliness and quality standards, but these were not observed in the local consumption market or in the United Republic of Tanzania's traditional African and Asian export markets.

Similarly, domestic market development and public procurement of organic products were also found to encourage the development of the organic sector.¹⁹

Among consumer brands, reputation risk management and the intention to avoid bad publicity have also been associated with the expansion of private standards. More recently, higher prices for raw materials, increased risks of future scarcity and competitive activity are all believed to have stimulated a quick expansion of private standards in the production and trade of key commodities.²⁰

Differences in the structure of the chain, its governance forms and the weight of different actors within the chain were identified in 12 articles as a critical factor enhancing or deterring the success of private standards in achieving the desired outcomes. In two different research projects, Ellis and Keane²¹ and Witte²² independently find that costs are also often imbalanced among the actors in the chain and that they are usually borne by developing country producers themselves, rather than by developed country buyers or retailers. And even when the producers pay the costs and meet the standards, they often still have no guarantee of any financial or commercial benefits from this.

In a report to the World Bank, Tallontire and Greenhalgh²³ summarize the conclusions reached by research in this field and identify three characteristics that facilitate the implementation of standards. These also help explain relative differences in coverage of private standards: (a) Type of product: products with high (and legal) requirements regarding traceability, quality and safety (e.g. food) and where information on

¹⁵ Ponte, Stefano. Standards and Sustainability in the Coffee Sector - A Global Value Chain Approach, United Nations Conference on Trade and Development and the International Institute for Sustainable Development, 2004.

¹⁶ Chan, Man-Kwun and B. Pound. Final report: Literature review of sustainability standards and their poverty impact, DFID, 2009.

¹⁷ Richards, Michael. Certification in Complex Socio-Political Settings - Looking forward to the Next Decade, Forest Trends, 2004; Rundgren, Gunnar. Best Practices for organic policy: what developing country governments can do to promote the organic sector, 2006.

¹⁸ Akyoo, Adam and E. Lazaro. Institutional Capacity for Standards Conformity Assessment - A Case Study on Spices in Tanzania. Danish Institute for International Studies (DIIS), Copenhagen, 2008.

¹⁹ Rundgren, Gunnar. Best Practices for organic policy: what developing country governments can do to promote the organic sector, 2006.

²⁰ Alvarez, 2010, op. cit.

²¹ Ellis, Karen and J. Keane. A review of ethical standards and labels: Is there a gap in the market for a new 'Good for Development' label? Working Paper 297, Overseas Development Institute, 2008.

²² Witte, Jan M. Realizing core labor standards. The potential and limits of voluntary codes and social clauses. A review of the literature. Office for Social and Ecological Standards, Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), Eschborn, Germany, 2008.

²³ Tallontire, Anne. Top heavy? Governance issues and policy decisions for the fair trade movement. Journal of International Development, vol. 21, no. 7, 2009, pp. 1004.

the origin is important; (b) Identification: commodities identifiable in end products (e.g. cocoa, coffee, sugar); (c) Length and integration of the chain: short chains with few actors.

Even though a number of reports document the varying penetration of private standards in different industries, there is much less information on the relative effectiveness of standards once adopted in an industry or sector. Taking a top-down approach, the World Wildlife Foundation (WWF) identifies 15 commodities that are linked to the biggest environmental footprint²⁴ and would thus have the opportunity of creating a significant impact: palm oil, cotton, biofuels, sugarcane, pulp and paper, sawn wood, dairy products, beef, soy, fish oil and meal, farmed salmon, farmed shrimp, tuna, tropical shrimp and whitefish. The WWF report also points to the high concentration in the trade of most of these commodities as an opportunity to create significant impact, stating that between 300 and 500 companies control 70 per cent or more of the trade and only 100 companies account for 25 per cent. The uptake of private sustainability standards among these companies would then have an important impact, both directly and indirectly, as industry leaders.

7.2.2. Selection bias - Certifications biased towards the 'better-off'

An important topic in the development debate centres on the impact of private standards on otherwise disadvantaged or marginalized producers as beneficiaries of such programmes. Although most programmes have more or less an explicit aim of 'favouring the disadvantaged', several researchers point out the opposite may actually often be the case, with standards actually favouring the 'better off' rather than those 'needing it the most'. These studies point to the asymmetric conditions producers face when deciding whether to participate in private standards, depending on the relative level of 'preparedness' to face the conditions imposed by such standards. For example, for a farmer that already meets certification standards or for an extensive homogenous forest management area, certification is an attractive proposition. They may not need to make additional investments or significant upgrading of skills to participate in private standards that may result in additional net income or new market opportunities.

Sexsmith and Potts²⁵ question the potential of standards to help the most marginalized producer groups. Gulbrandsen also points out this issue as a major limitation in the net impact of certifications in the fishing industry:

'Because participation in certification schemes is voluntary, it is possible that only those producers who face minor compliance costs will opt in. If producers who face substantial costs were to opt out of certification schemes, the net effects of such initiatives would be low'.²⁶

In the context of development, the 'self-selection bias' has important consequences both as a limitation in the actual incremental impact of the application of standards as well as in the potential over-estimation of results when research does not correct for selection effects. As discussed more extensively in Part II of this Series,²⁷ most impact studies do not control for initial differences in conditions, making it difficult to measure relative differences in welfare change.

Most researchers addressing the subject share the conclusion that different initial conditions have an important effect on the relative ease of implementation. Some also venture that the outcome of private standards is highly dependent on these starting conditions. The research reviewed grouped these differences mainly in two groups: differences in macroeconomic and social conditions affecting these producers and differences directly related to the producer such as education level or ownership of land.

²⁴ Clay, Jason, Transforming markets, WWF market transformation initiative, available at: <http://tunza.mobi/articles/transforming-markets/> (accessed 13 December 2011).

²⁵ Sexsmith, Kathleen and J. Potts. Voluntary sustainability standards and economic rents: The economic impacts of voluntary sustainability standards along the coffee, fisheries and forestry value chain, IISD: International Institute for Sustainable Development, Winnipeg, Manitoba, 2009.

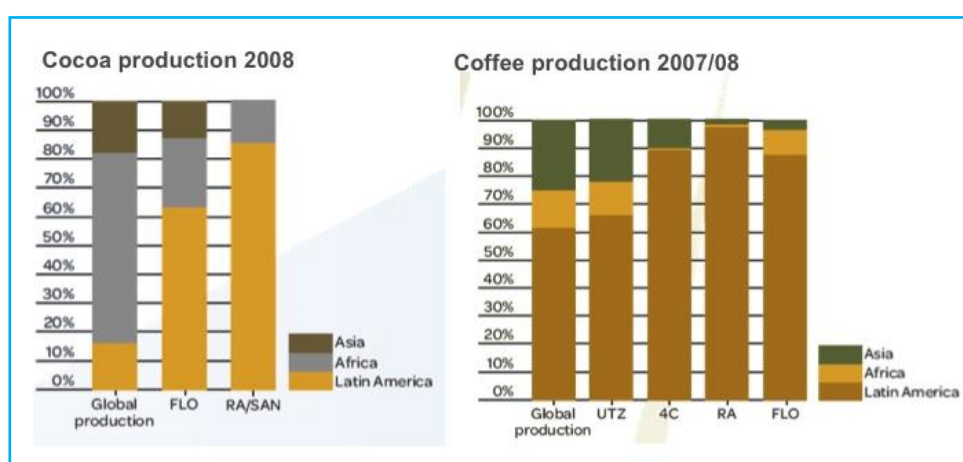
²⁶ Gulbrandsen, Lars H. The emergence and effectiveness of the Marine Stewardship Council. Marine Policy, vol. 33, no. 4, 2009, pp. 654-660.

²⁷ Alvarez and von Hagen, 2011, op. cit.

Macroeconomic and social conditions: A common concern with the implementation of standards is related to its weighted presence towards regions and farmers that are comparatively in a better starting place due to the general economic and human development conditions. Sexsmith and Potts note that Latin American economies have typically reached higher levels of human development and imply that standards might not be maximizing their development impact.²⁸ Similarly, they point to fishery certifications biased towards developed countries, while Ebeling and Yasué make a similar point regarding forestry certification being over-proportionately present in more developed forest management areas.²⁹

In a report published in 2010, the Sustainable Commodity Initiative estimated that, while only 15% of the cocoa produced in 2008 originated in Latin America, the continent represented over 60% and over 80% of the total certified volumes by Fairtrade and Rainforest Alliance respectively³⁰ (Figure 7). Less pronounced, but also present, the report stated that there was also a bias in the production vs. the certification figures in coffee, where 76% of all sustainable coffee came from Latin America in 2008 compared to 59% for conventional production.

Figure 7: Cocoa and coffee - Production vs. certification by region



Source: State of Sustainability Initiatives 2009.

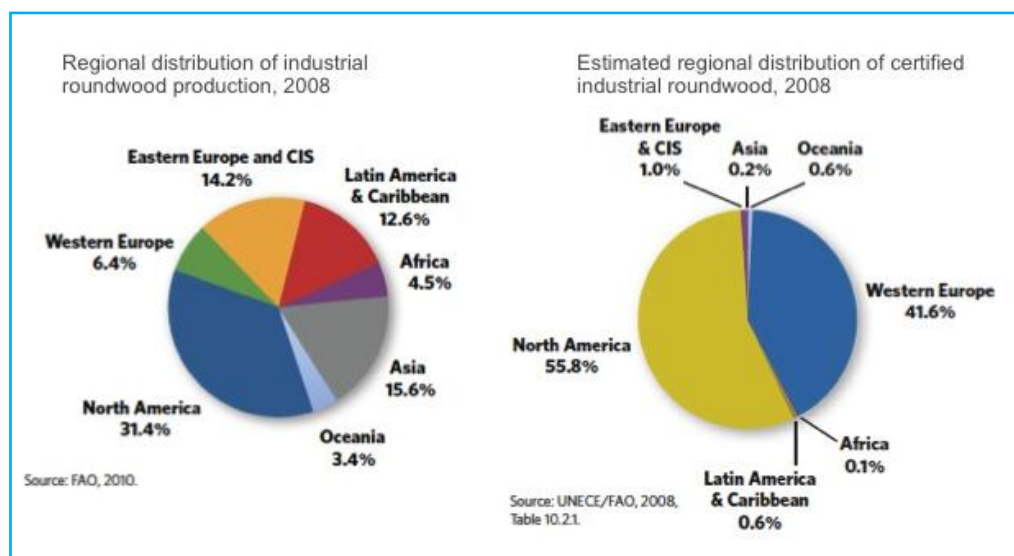
In the same document, Potts and his colleagues find a similar situation present in forestry, where North America and Western Europe accounted for approximately 98% of the global certified industrial roundwood in 2008, whereas these two regions combined only represented 42% of the global (certified and non-certified) production for the same year (Figure 8). Schepers highlights that fishing communities in the 'South' might also be further disaffected as certification becomes a *de facto* rule for exporting to higher value European and American markets.³¹

²⁸ Sexsmith and Potts, 2009, op. cit.

²⁹ Ebeling, Johannes and M. Yasué. The effectiveness of market-based conservation in the tropics: Forest certification in Ecuador and Bolivia. *Journal of environmental management*, vol. 90, no. 2, 2009, pp. 1145-1153.

³⁰ Potts, Jason, J. van der Meer and J. Daitchman. *The State of Sustainability Initiatives Review 2010: Sustainability and Transparency*, IISD; IIED; Aid environment; UNCTAD; ENTWINED, Toronto, 2010.

³¹ Schepers, D. Challenges to Legitimacy at the Forest Stewardship Council. *Journal of Business Ethics*, vol. 92, no. 2, 2010, pp. 279.

Figure 8: Roundwood production and certification by region

Source: State of Sustainability Initiative, International Institute for Sustainable Development (IISD) and the International Institute for Environment and Development (IIED), 2009.

Producer ‘preparedness’ level: even within the same geography, vast differences can exist in skills and agricultural and management practices among farms and farmers. The ‘gap’ that needs to be filled to be eligible for certification can then lead to a higher rate of adoption of certification in areas and by farmers that are ‘closer’ to the level. Sexsmith and Potts³² find that it is more likely that producer organizations with relatively high skill levels obtain certification in the first place. Along these lines, Muradian and Pelupessy³³ stress that marginality (brought about by poor education, harsh environment and remote locality) is a barrier to successful participation in organic coffee growing. Valkila and Nygren³⁴ also argue that demands of higher quality coffee in exchange for price premium paid can act as a barrier to entry for producers with limited resources. Luvai³⁵ emphasizes that high costs of compliance, lack of technical capacity and knowledge are major reasons behind differences in participation in private schemes.

By this reasoning, the opposite would also hold true, and Chen and Pound point to barriers to entry for the poorest producers as they lack tenure rights over land, have too little land, too few skills and resources to meet compliance.³⁶

Smallholder vs. large producer: though some certifications exclude large operations and are only available to smallholders organized in associations, most are open to both large and small operations and many also offer alternative forms of engagement such as group certification. The question often posed by development agencies and scholars is whether the size of farm or operation influences the ability to participate in and the impact of private standards. This is done mainly from two perspectives: differences in cost or difficulty of compliance and differences in impact, particularly on poverty reduction.

On the first topic, regarding the relative level of ‘preparedness’, the research reviewed predominantly supported the view that larger farms, plantations or fishing operations are generally better set up to engage in private sustainability standards. Much of this research, however, is based on food safety standards such

³² Sexsmith and Potts, 2009, op. cit.

³³ Muradian and Pelupessy, 2005 Muradian, Roldan and W. Pelupessy. Governing the coffee chain: The role of voluntary regulatory Systems. *World Development*, vol. 33, no. 12, 2005, pp. 2029-2044.

³⁴ Valkila, J. and A. Nygren. Impacts of Fair Trade certification on coffee farmers, cooperatives, and laborers in Nicaragua. *Agriculture and Human Values*, 2009, pp. 1-13.

³⁵ Luvai, Lynette. Private standard impacts on developing country producers: a personal experience of GlobalGap certification in Kenya, 2008.

³⁶ Chan and Pound, 2009, op. cit.

as GLOBALG.A.P., where stringent requirements often demand increased investment in areas such as post-harvest cool chain facilities, packaging and traceability systems, as well as management skills.³⁷ Dolan and Humphrey's study on Kenyan fresh fruits and vegetables warns of potential exclusion of small-scale farmers from these chains. The authors look into the governance of fresh vegetable chains and describe how the standards set by retailers in the United Kingdom of Great Britain and Northern Ireland have influenced the horticultural business in Africa, particularly in Kenya and Zimbabwe, and find a decreased participation of smallholder farmers in fresh fruit and vegetable value chains connected to supermarkets engaged in private standards in the United Kingdom of Great Britain and Northern Ireland.³⁸ Along the same lines, the research indicated that in extractive industries larger and more homogeneous forest management areas or fisheries have been linked to enhanced potential economic benefits of engaging in private standards.³⁹

The effect appears to be less pronounced in other standards and industries, though it would still favour larger operations when accessing private standards. For example, a study of organic agriculture in Mexico found that indigenous smallholders in the South had undertaken low-input, process-oriented organic farming in which certification was based upon extensive document review, group inspections and assessment of on-farm capacity to produce organic inputs. Northern Mexican large agribusiness producers, however, had implemented certifications based upon laboratory testing and assessment of purchased inputs. The study concluded that the increasing bureaucratic requirements of international organic certification privileged large farmers and agribusiness-style organic cultivation and presented the possibility of a new entrenchment of socio-spatial inequality in Mexico.⁴⁰

Melo and Wolf also point to differences in implementation among producers. In a study on multiple private certifications in the banana industry in Ecuador, where the authors find that small operations mobilize social capital to engage in alternative markets and add value to their products, large certified firms rely on financial backing of international organizations to modernize their operations.⁴¹

Although not explicitly addressed by most, the literature is permeated by an implicit objective of benefiting smallholders in the adoption of private standards, and less benefiting other forms of production such as larger farms that employ labour. Humphrey is one of the few academics to challenge this commonly held view, citing studies done in Kenya and Senegal where large-scale farming was found to be more effective in reducing poverty than comparable programmes organized around smallholders. He states that, in some cases, small farms in export horticulture may not be a viable business proposition with or without certifications, challenging the view that donor efforts should be framed on certification for smaller farmers, not the entire value chain and its linkages.⁴²

7.2.3. Legal framework and regulation enforcement

Clear rules of engagement, property rights and the enforcement of regulations were frequently cited in the research explaining the relative success or failure of different private standards in different contexts.

Land tenure rights: clearly defined and enforced land tenure rights have traditionally been a key context condition for promoting longer-term investments in agriculture. Unsurprisingly, secure land tenure was also found to be positively linked with the successful implementation of private standards. Based on multiple case studies in the forestry industry, Richards⁴³ concludes that certification is difficult in countries with poorly defined land tenure rights. Similarly, in a study of Rainforest Alliance certification of coffee and

³⁷ Maertens, Miet and J.F.M. Swinnen. Trade, Standards, and Poverty: Evidence from Senegal, LICOS Discussion Paper 17706, LICOS Centre for Institutions and Economic Performance & Department of Economics, University of Leuven, 2006.

³⁸ Dolan, Catherine and J. Humphrey. Governance and trade in fresh vegetables: Impact of UK supermarkets on the African horticulture industry. *The Journal of Development Studies*, vol. 37, no. 2, 2000, pp. 147.

³⁹ Ebeling and Yasué 2009, op. cit.; Gulbrandsen 2009, op. cit.

⁴⁰ Gómez Tovar, Laura, L. Martín, M.A. Gómez Cruz and T. Mutersbaugh. Certified organic agriculture in Mexico: Market connections and certification practices in large and small producers. *Journal of Rural Studies*, vol. 21, no. 4, 2005, pp. 461-474.

⁴¹ Melo, Cristian and S. Wolf. Ecocertification of Ecuadorian Bananas: Prospects for Progressive North-South Linkages. *Studies in Comparative International Development*, vol. 42, no. 3, 2007, pp. 256-278.

⁴² Humphrey, John. Private Standards, Small Farmers and Donor Policy: EUREPGAP in Kenya, Working Paper 308, Institute of Development Studies (IDS), Brighton, 2008.

⁴³ Richards, 2004, op. cit.

cocoa around the world, Divney found that farmers with unstable land tenure were less likely to maintain plantations and less likely to invest in planting shade trees.⁴⁴

In addition to the direct role of land tenure, Blowfield and Dolan also point out to its indirect influence in the role played by women. As land tenure, predominantly dominated by males, is related to participation in private standard activities and community decision making, it contributes, among other factors discussed later in this document, to limit the possibilities of participation in these activities by women.⁴⁵

Relevant and enforced national regulations: clear, stable and simple regulations are often cited as important factors favouring the successful adoption of private standards. Perhaps more importantly, the enforcement of regulations was found to be a critical factor in the success of private standards in developing countries.

In areas such as forestry and fishing, regulation development and enforcement can be crucial in determining the relative costs and risks of certification. Based on an analysis of the forest industry, Ebeling puts forward that even though markets provide the incentives, government regulation is crucial in determining the costs of certification. For example, when conventional timber extraction is very cheap due to poor enforcement of environmental laws, high opportunity costs are attached to switching to sustainable forestry.⁴⁶

Similarly, in extractive industries, certification alone was found to be unlikely to stop the decline of fish stocks or forest coverage, and several authors concluded that increased interaction between private and public sector efforts was needed. For example, Richards points out to certification in forestry being more successful in the Plurinational State of Bolivia and Brazil as these countries had undergone key policy and regulatory reforms that had developed the democratic space for more effective civil society participation. A study commissioned by the International Institute for Environment and Development (IIED) finds that the most common effect of certification in certain countries has been certifiers requiring producers to meet all current legal requirements that they might normally not have bothered to meet.⁴⁷

Gulbrandsen builds on Richards' concept that private standards are unlikely to be effective as a carrot without 'sticks' or if used as a regulatory stick or without sufficient demand or market incentives in place. After a thorough review of research in the field, Gulbrandsen concludes that government-sanctioned marine reserves, rules restricting access to the fish resources, stringent distributive schemes and the curtailment of illegal, unregulated and unreported fishing must be part of the solution, complementing private initiatives.⁴⁸ Supporting this view, Ebeling and Yasué compare the evolution and impact of certification in the Plurinational State of Bolivia and in Ecuador and conclude that predictable and effective law enforcement may encourage companies to seek out eco-sensitive markets that reward the costs of certification through preferential purchase or price premium. Over the period covered in the research, the Plurinational State of Bolivia had stronger government enforcement of forestry regulations and this increased the cost of illegal logging, which was not the case in Ecuador at that time.⁴⁹

Thus, unless a strong market pull is present, there would appear to be less incentive for forests to join, particularly in the face of expensive certification processes. As Shepers states, without forestry certified products there is also little ability to increase the level of demand in the market and illegal logging provides enough alternative production to market than any market premium that might come through eco-labelled tropical wood, rendering private schemes insufficient on their own.⁵⁰

⁴⁴ Divney, Tom. Tales from the steep part of the learning curve: Rainforest Alliance Sustainable Agriculture Certification in Africa. Trade Standards Practitioners Network (TSPN) Workshop - "African Smallholders and the Challenge of Assured Compliance: What Have We Learned From Our Interventions?". Washington. D.C., 19-20 June 2007.

⁴⁵ Blowfield, Michael E. and C. Dolan. Fairtrade Facts and Fancies: What Kenyan Fairtrade Tea Tells us About Business' Role as Development Agent. *Journal of Business Ethics*, vol. 93, 2010, pp. 143-162.

⁴⁶ Ebeling and Yasué, 2009, op. cit.

⁴⁷ Bass, Stephen, K. Thornber, M. Markopoulos, S. Roberts and M. Grieg-Grah. Certification's impacts on forests, stakeholders and supply chains, International Institute for Environment and Development, London, United Kingdom, 2001.

⁴⁸ Gulbrandsen, 2004, op. cit.

⁴⁹ Ebeling, J. and M. Yasué, op. cit.

⁵⁰ Shepers, 2010, op. cit. p. 279.

McDermott et al.⁵¹ compared private forestry certification standards with public policy differences across 47 jurisdictions worldwide. One of their hypotheses being tested was that the level of prescriptiveness and threshold requirements in private certification standards varied in proportion to underlying government requirements. It was observed that in the case of less stringent government regulation, the requirements of private standards tended to be less stringent too. The same relation was evidenced for more rigid government policies, implying that private standards only diverge to a certain degree from public regulation. The authors then concluded that private standards had to stay within certain limits of prescriptiveness so as not to lose the support of the private sector, in this case the forestry firms. Gale⁵² argues that the FSC standard as a 'sector polity' complements public rules relating to forestry. It also competes with the national rulemaking authority. The authors suggests that, with FSC being a 'global policy' and providing a definition of environmentally appropriate, socially beneficial and economically viable forest management, the state should devolve rulemaking authority in this area to 'global agencies' such as the FSC. The state would save a lot of money and should take the role of providing incentives for companies to become FSC certified. Gale sees similar potential in other sectors such as fisheries, mining, tourism, coffee and sugar.

In contrast, a FAO paper⁵³ on certification of fisheries and aquaculture argues that private standards do not necessarily facilitate the implementation of public standards but, conversely, public standards often provide a useful baseline in meeting private (food safety) standards. Taking the example of fisheries certified to an 'eco-labelling standard', operators certified to a private standard are mainly those that already comply with food safety management systems.

7.2.4. Institutional environment

Government has an important role to play in defining and enforcing legislation that supports sustainable development. But much of the research also points to a larger role to be played by government organizations as enabling and supporting actors involved in private standards initiatives.

For example, lack of investment in public or private institutions can become a barrier to producers facing stringent standards in their export markets. In the aforementioned study on the spice sector in the United Republic of Tanzania, Akyoo and Lazaro found that the weak institutional capacity around laboratories and testing equipment were significant barriers to building an export industry compliant with demanding phytosanitary standards.⁵⁴

Managerial capacity, both at farm and cooperative levels, was also found to be a major constraint in successfully implementing cocoa and coffee group certification processes in a Rainforest Alliance project in Côte d'Ivoire and Ethiopia.⁵⁵ In a series of cases also focused on cocoa and coffee Divney finds that a lack of permanent and trained personnel at the cooperative level led to the initiative being totally dependent on the Agriculture Ministry extension programmes at all levels, including financial auditing and oversight. He also found that, even when certified, some smallholders had 'never heard' of the certification goals and expected impact and were unaware of the requirements that had been met on their behalf.

Many successful private standards programmes have indeed relied on technical and financial support and assistance from international organizations such as certification bodies, USAID, and GIZ; and specialized international development consultants such as Chemonics and Technoserve. However, even when transfer of capabilities has been an explicit aim of many of these organizations, success is not always certain. As MacDonald concludes from a study of Fairtrade coffee in Nicaragua:

⁵¹ McDermott, Constance, E. Noah and B. Cashore. Differences that Matter?: A Framework for Comparing Environmental Certification Standards and Government Policies. *Journal of Environmental Policy and Planning*, vol. 10, 2008, pp. 47-70.

⁵² Gale, Fred. Tasmania's Tamar Valley Pulp Mill: A Comparison of Planning Processes Using a Good Environmental Governance Framework. *Australian Journal of Public Administration*, vol. 67, no. 3, 2008, pp. 261-282.

⁵³ FAO. L'amélioration des revenus et de la sécurité alimentaire des petits exploitants en Afrique de l'Ouest et en Afrique Centrale par l'exportation de produits tropicaux biologiques et du commerce équitable: Evaluation d'impact du projet au Burkina Faso - Beurre de karité, Food and Agriculture Organization of the United Nations, Rome, 2009.

⁵⁴ Akyoo and Lazaro, 2008, op. cit.

⁵⁵ Divney 2007, op. cit.

'Institutional capabilities need to be strong for responsibilities to be effectively discharged on recipients and enable marginalized groups themselves to exercise some control over processes of institutional transformations'.⁵⁶

In a review of multi-stakeholder initiatives (MSI) and private standards, WWF also states that creating this 'enabling environment' is a critical factor influencing the viability and success of initiatives. As illustrated by an interviewee in this report:

'MSIs are an important tool in the toolbox but they are not a panacea. It is important to work with all relevant stakeholders to ensure that the necessary complementary mechanisms are in place to make MSIs work. Without proper governance by governments and multilateral agencies MSIs will continue to fight an uphill battle'.⁵⁷

Complying with the requirements of certification is already a weighty task requiring collaboration efforts among producers and support institutions. The strength and capacity of institutions to support actors in the chain is critical but it is rarely at the required level. Certain studies then also highlight the important role that institution building and concerted effort have in securing positive impacts on private standard certifications. Carrera and a team of researchers at the research institute CATIE base their conclusions on the forestry sector experience with FSC and state that expanding beyond FSC certification requires concerted effort of managers, NGOs, government, certification and accreditation bodies, donor agencies, research institutions and business development service providers.⁵⁸ Rundgren expands this view in the organic sector, finding that countries with a unified organic movement develop the sector quicker, especially when it is not just private sector and NGOs behind it but also governments. He goes on to propose that policy and action plans in the organic sector should be linked to overarching objectives of a country's agriculture policies in order to make them mutually supportive. According to this view, a starting point for government engagement would be to give recognition and encouragement to the organic sector and that governments take an enabling and facilitating role rather than a controlling one.

7.3. Instruments

In the CIME-logic framework, instruments represent the actual interventions that actors have at their disposal to influence actions and behaviour. In this document, we focus on private standards as a system and thus use instruments to focus specifically on the tool or standard itself. On this, researchers cover three areas: the process behind setting up the standard, its implementation on the ground and the assurance or auditing processes that monitor its implementation.

7.3.1. Standard setting process

Standards are guidelines or characteristics for products or processes that are expected to guide actions and behaviour that in turn are expected to lead to a certain outcome. But when is a standard a good standard? Are there standards to build these standards?

Assessing whether a standard is well designed or not is in itself a heated point of debate among scholars and practitioners alike. An important argument in this debate is the concept that private standards act as governance instruments beyond the state. They increasingly take a regulatory role, particularly with respect to environmental protection, food safety and quality assurance and social protection. The three main areas of questioning revolve around: (a) the relative legitimacy of private standards as 'de facto' regulatory instruments, (b) the alignment of scope and harmonization among private standards and other, mostly regulatory, instruments, and (c) solidness and viability of the standard setting organization.

⁵⁶ MacDonald, K. Globalising justice within coffee supply chains? Fair Trade, Starbucks and the transformation of supply chain governance. *Third World Quarterly*, 2007, pp. 793-812.

⁵⁷ WWF. Certification and roundtables: Do they work WWF, 2010.

⁵⁸ Carrera, Fernando, D. Stoian, J.J. Campos, J. Morales and G. Pinelo. Forest Certification in Guatemala. Forest Certification in Developing and Transitioning Societies: Social, Economic, and Ecological Effects, Yale School of Forestry and Environmental Studies, 10-11 June 2004, New Haven, Connecticut, the United States of America, 2004; Rundgren, Gunnar. Best Practices for organic policy: what developing country governments can do to promote the organic sector, 2006.

7.3.2. Legitimacy

The increasing number of private standards and the increasingly important role these standards are playing in production and trade of many commodities inevitably leads to the discussion about legitimacy.⁵⁹ Bernstein and Cashore define legitimacy as ‘the acceptance of shared rule by a community as appropriate and justified’.⁶⁰ Legitimacy has also been characterized as a license to do business and Suchman defines it as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions”.⁶¹

The discussion revolving just around standards as governance instruments is vast, but most of the arguments for or against how private standards are designed can be grouped into three main areas: (a) their legitimacy as (private) regulatory instruments; (b) their efficacy or potential to generate the outcome desired based on their design features; (c) their efficiency or potential to be the most cost-effective way to generate the outcome desired.

Indicating different aspects of legitimacy, Marx and Cuypers differentiate input and output legitimacy. Input legitimacy ‘refers to the degree of inclusiveness and transparency of the internal decision making process with regards to standard setting’, while output legitimacy refers to the effectiveness of the standard setting initiatives and its enforcement mechanisms.⁶²

As reviewed in the previously cited Part III of this series, a number of studies address the issue of legitimacy, both as an ex-ante design of standards or as ex-post indicators on the relative legitimacy of specific standards. In terms of design or ex-ante legitimacy, the most common concerns expressed in the documents reviewed were centred on four topics: (a) limited or missing stakeholder input; (b) weak science basis; (c) deficient linkages with regulatory standards; and (d) governance issues.

Among these, stakeholder input is one of the areas that appear as more complicated for many standards. In a report of the Codex Alimentarius Commission, Henson and Humphrey express concern for the lack of representation of smaller firms and marginalized groups:

*‘Codex has a number of mechanisms to facilitate stakeholder involvement in the standard-setting process, outside of and in addition to the efforts of member governments in this regard. GLOBALG.A.P. has developed a relatively open standard-setting process... (It) offers effective representation for larger businesses and trade organizations from developing countries, but will not necessarily incorporate the voices of smaller firms and marginalized groups...’*⁶³

More generally, UNCTAD summarizes the results from six case studies to find that, even if the opportunity is available, many developing countries are not participating in standard setting and need capacity building to participate in standard setting activities.⁶⁴

Additionally, legitimacy is also enhanced by the inclusion of specific interest groups and a series of studies in forestry focuses on the weight of different voices in the definition of standards. Schepers argues that FSC would have greater legitimacy than other forestry standards based on the openness and inclusivity of the standard-setting process, greater frequency and intensity of monitoring, and the inclusion of specific concern for indigenous peoples, noting that increased involvement of marginalized groups would be indicative of higher moral legitimacy.⁶⁵ However, as in the case of food safety standards mentioned earlier,

⁵⁹ Part III of this series, ‘The Interplay of Public and Private Standards’ addresses the topic in depth.

⁶⁰ Bernstein, Steven and B. Cashore. Can non-state global governance be legitimate? An analytical framework. Regulation & Governance, vol. 1, no. 4, 2007 pp. 347-371.

⁶¹ Suchman, Mark C. Managing Legitimacy: Strategic and Institutional Approaches. Academy of Management Review, vol. 20, no. 3, 1995, pp. 571-610, p. 574.

⁶² Marx, Axel and D. Cuypers. Forest certification as a global environmental governance tool: What is the macro-effectiveness of the Forest Stewardship Council? Regulation & Governance, vol. 4, no. 4, 2010, pp. 408-434.

⁶³ Henson and Humphrey, 2009, op. cit. p. 5-6.

⁶⁴ UNCTAD. Challenges and Opportunities Arising from Private Standards on Food Safety and Environment for Exporters of Fresh Fruit and Vegetables in Asia: Experiences of Malaysia, Thailand and Viet Nam. United Nations Conference on Trade and Development, 2007.

⁶⁵ Schepers, 2010, op. cit.

there can be significant differences between the possibility of providing input and the reality of being included in the design of the standard. A study of nine cases in different countries carried out by Counsell, and Loraas found that in practice it was difficult for global standards such as FSC to actively engage local or indigenous communities in defining the criteria and specific requirements appropriate to local conditions.⁶⁶

Vandergeest also argues that emerging environmental certification networks do not provide for community input into setting, monitoring or enforcing technical standards. He goes on to say that certification networks could be more effective if they borrowed from Community Based Natural Resource Management approaches to make the definition of technical standards more flexible and open to participation by affected communities.⁶⁷

Ultimately, legitimacy is all about trust and the factors that enhance or deter this trust both for the users of the standards and for third parties and society in general. They can be imposed by an external group or, as it has been the case with private standards, a self-regulatory mechanism to support the credibility of the standards. Still, a number of approaches coexist aiming to define what makes a legitimate standard, designed by a mix of private and public institutions such as:

- ISO/IEC Guide 59 Code of good practice for standardization;
- WTO Technical Barriers to Trade (TBT) Agreement Annex 3;
- ISEAL Codes of Good Practice for Setting Social and Environmental Standards.

While all of these address all standard setting practices, ISEAL's Code is intended to complement the first two by specifying a series of good practices specifically not covered in these documents and that are unique to social and environmental standard-setting. Still, Bernstein points out that the usefulness of these 'guidelines relies to a certain extent on the credibility and legitimacy of the ISEAL Alliance itself.'⁶⁸

In a survey of business, government and NGOs commissioned by ISEAL in 2010, respondents mentioned four main elements that create trust in a standard: credible verification processes, including accreditation and third-party certification (55%); a standard document at just the right level (science-based, comprehensive, practical) (38%); a credible multi-stakeholder standard-setting process that has the support from all relevant parties – NGOs, producers, companies (35%); a transparent governance model (32%). Also, being able to show impacts was considered important for a standard's credibility (11%).⁶⁹

In summary, it is evident that a number of approaches coexist aiming to define what makes a legitimate standard. Increasingly, some initiatives have been proposed to measure this relative legitimacy. For example, Henson and Humphrey's report includes a proposition for an independent set of indicators to measure legitimacy that would include: the influence of value chain stakeholders on the standards-setting process, the extent to which the standards-setting process is transparent, the inclusion of developing countries' interests, and their scientific foundation. The report also addresses the issue of harmonization and states that governments and inter-governmental bodies have expressed additional concerns about the legitimacy of private standards in general, and in comparison to the existing regulatory standards and regulatory decision-making processes in particular.

7.3.3. Multiplicity of standards, scope and harmonization

A second topic addressed in much of the research on design of standards has to do with the multiplicity of standards and the increasing overlaps among many of them. ISEAL's 100 Survey mentions that the single most mentioned frustration among respondents was related to the sheer number of standards in operation

⁶⁶ Counsell, Simon and K.T. Loraas. *Trading in Credibility: The Myth and Reality of the Forest Stewardship Council*. The Rainforest Foundation, New York, 2002.

⁶⁷ Vandergeest, Peter. *Certification and Communities: Alternatives for Regulating the Environmental and Social Impacts of Shrimp Farming*. *World Development*, vol. 35, no. 7, 2007, pp. 1152.

⁶⁸ Bernstein and Cashore, 2007 op. cit.

⁶⁹ ISEAL. *The ISEAL 100: A survey of thought leader views on sustainability standards 2010*. ISEAL Alliance, London, 2011.

(31%), relating this to issues regarding overlaps between standards systems, confusion and difficulties in differentiating between them and a lack of consumer awareness and demand for specific certification.⁷⁰

According to the study, however, the issue would not be resolved by having just one “catch-all” ecolabel as the referred survey also found that almost half (49%) of all respondents spoke out in favour of retaining a diversity of standards, with slightly over one third (35%) favouring one “catch all” label and the rest (16%) favouring a small number of specialized standards for relevant sectors.

Henson and Humphrey stress the need of further harmonization between public and private standards. As they conclude in their research:

*‘Evidence suggests that the harmonization of national food safety regulations around international standards has been slow. An important criticism of private food safety standards is that they undermine this process of harmonization, introducing a new layer of governance that further fragments national markets according to the food safety requirements with which exporters must comply. However, private standards organizations have themselves driven processes of harmonization, and equivalence’.*⁷¹

7.3.4. Standard implementation

In the conclusions of Part II of this literature series we had questioned how the implementation of the same standard, even in similar contexts, could result in very different outcomes for producers.⁷² It was then suggested that differences in the implementation of the standard on the ground or the attitudes of actors in the chain could be factors explaining these different outcomes at least in part.

Upon analysis of the literature addressing these differences, five factors related to implementation emerge as possible explanations: (a) how well the standard is adapted to local conditions; (b) clarity of the goals of certification and distinction between these goals and standards as instruments; (c) existence of incentives to participate; (d) governance structure of the supply chain and actions of chain leaders; and (e) existence of other supporting and reinforcing instruments linked with the standard concerned.

7.3.5. Adaptation to local conditions

Many of the most widely implemented private sustainability standards today are global standards with varying degrees of adaptation to crop and local conditions. Even though this can have advantages of scale, efficiencies and global coverage, it can also inhibit successful implementation in different conditions.

This subject has been especially highlighted in research covering forestry standards. In a series of studies published by the International Institute for Environment and Development, Bass and his colleagues propose that standards should be flexible and non-prescriptive so as not to raise unnecessary barriers to community entry. They also say that these standards should encourage communities to find their own solutions to management problems and avoid making demands that necessitate external intervention. These adaptations could, for example, contemplate a step-certification process to allow for gradual improvement from a lower base in certain locations or specific contexts.⁷³

Again in forestry, Garay Rodriguez cites the specific example of Costa Rica, where researchers from CATIE concluded that Payments for Environmental Services (PES) or Forestry Certifications needed to explicitly consider socio-economic dimensions of sustainability in the design of these mechanisms,

⁷⁰ ISEAL 2011, op. cit.

⁷¹ Henson and Humphrey 2009, op. cit. p.6.

⁷² Alvarez and von Hagen, 2011, op. cit.

⁷³ Bass et al., 2001, op. cit.; Bass, Stephen, K. Thornber, M. Markopoulos, S. Roberts and M. Grieg-Gran. Los impactos de la certificación sobre los bosques, los grupos de interés y la cadena de abastecimiento. International Institute for Environment and Development, 2003.

evaluate the local socio-economic heterogeneities, identify target groups and design a strategy of differentiated implementation.⁷⁴

At a more general level, Luvai highlights the complexity of implementing some of the requirements of most private certifications and the need to account for the distance or gap between existing local conditions and standard requirements. The expertise needed to close this gap is not always readily available locally, with only few people having the necessary expertise to implement the changes. This can then lead to the need to hire foreign consultants who, aside from the economic considerations, may be better or less aware of specific local conditions.⁷⁵

7.3.6. Private standards as a means or as an end

Another area that has received increasing attention lately, both from the development community and from the local governments, relates to the view that, pressured to demonstrate quantifiable results, some actors might place the primary emphasis of their efforts on achieving certification numbers, rather than focusing on the more subtle upgrading of capabilities and establishment of processes supported by these standards.

In a review of existing practices on the implementation of private standards carried out by the Trade Standards Practitioners Network, researchers concluded that certain interventions had placed a primary emphasis on achieving formal certification of particular products or production systems in order to achieve or maintain access to a particular market or supply chain. In some cases this had been done without requiring substantial changes for the farmer, as far as resource management and record-keeping practices, and had been undertaken by individuals other than the farmers whose farms were certified. In this case, concludes the report, the actual impact would likely be ephemeral as they did not include adjustments to factors that would improve productivity and conserve resources. As expressed in the report:

'Initial activities should focus on adoption of best practices that will allow smallholders to attain certification in lieu of attaining certification without a base of best practices within the farmer system'.⁷⁶

7.3.7. Incentives

As presented in Part II of this series, indirect economic and social effects have been found to often outweigh the direct financial impact.⁷⁷ However, the research reviewed also points to the important signal effect of visible financial compensation, at least initially. In a Rainforest Alliance study of cocoa and coffee certification in Africa, Divney identified initial price premiums as a powerful tool for launching the project. He observed that, over time, farmers came to value the benefits of yield and quality of managing, but the initial 'hook' in the early stages was price.⁷⁸

The same document also addresses the subject of the potential distortions that certain incentives can have on a business model that operates in private standards. Regarding the payment of certification-related services, the report argues that financing solutions established at the beginning as subsidization of costs in the initial certification stage has led in many cases to a lack of willingness of project beneficiaries to pay later for commercial services. This also resonates with another report on forestry by Richards that identifies an economic problem for certification when supported initially by some subsidy. Theoretically, this can be easily justified by the significant environmental benefits at stake not presently recognized by the market.

⁷⁴ Garay-Rodríguez, M. E. Impacto socioeconómico del pago de servicios ambientales y la certificación forestal voluntaria como mecanismos que promueven la sostenibilidad del manejo forestal en Costa Rica (Mag. Sc. thesis). Centro Agronómico Tropical de Investigación y Enseñanza (CATIE), Turrialba, Costa Rica, 2004.

⁷⁵ Luvai, 2008, op. cit.

⁷⁶ TSPN. African smallholders and the challenge of assured compliance: What have we learned from our interventions?, Trade Standards Practitioners Network (TSPN), Washington, D.C., 2007.

⁷⁷ Alvarez and von Hagen, 2011, op. cit.

⁷⁸ Divney, 2007, op. cit.

But it can also create problems for long-term progress towards sustainable forest management if this creates a perverse incentive against sustainable forest products in the marketplace.⁷⁹

Transparency in premium payments in the system was also identified as an important factor that contributed to a successful launch, as was the value of good and independent translators. The system of payments might also benefit or deter certain implementation methods. For example, in the aforementioned study on cocoa and coffee, Divney found that local producers sometimes preferred to supply to an exporter-processor-producer group rather than to a cooperative due to slow payment or debt and overhead or due to previous commitments regarding social projects.

7.3.8. Supply chain interaction and buyer's attitude

As discussed in Section 7.2.1, differences in the structure of the chain, its governance forms and the weight of different actors within the chain have been identified as a critical factor enhancing or deterring the success of private standards in achieving the desired outcomes.

However, even within the same industry and governed by similar structures, differences have been identified in the success or failure of private standards. In what Gereffi calls 'buyer-driven chains',⁸⁰ Raynolds and others attribute differences in costs of engaging and benefits along the chain to be dependent on the attitude of the buyer.⁸¹

According to this area of research, co-ordination in global value chains might be increasingly 'loose', but this would not imply that overall chain control by leading firms would be in decline.⁸² Raynolds then distinguishes between three types of buyers in the Fairtrade movement according to their motivation and modus operandi:

- *Mission-driven buyers* often exclusively sell Fairtrade products and promote alternative values in their business models. These buyers build close partnerships with suppliers. While the pattern of coordination might be characterized as 'relational' in nature, buyers do exert power particularly relating to quality demands.⁸³
- In *quality-driven buyer-seller relationships* buyers collaborate with producers aiming to reach and maintain a certain quality level of the product. This relationship is characterized by more direct and stable trading relations, income predictability and pre-financing.
- *Market-driven buyers*, on the other hand, pursue conventional business practices, promote competition among certified producers, and mainly see certification as a traceability enhancing tool. Certification in these cases allows for 'hands off' quality management by buyers and facilitates dictating conditions of production and processing for producers.

Especially in the case of market-driven buyers, several authors express concern for the asymmetry of costs and benefits across the chain of custody. In Fairtrade, Blowfield and Dolan⁸⁴ point out that a supermarket can have the logo without itself being FLO certified. What the authors call 'Fairtrade lite' could capitalize on the 'halo effect' without the responsibility of investing in Fairtrade supply chains and long-term relationships. This view is also shared in a fishing report carried out by Gulbrandsen.⁸⁵ He posits that because supply chains for seafood products are diverse and typically lengthy and complex, chain-of-custody assessments can be challenging. Provided that clients obtain a licensing agreement, they can use the logo on material other than a product containing seafood ("off-product") without having a chain of

⁷⁹ Richards, 2004, op. cit.

⁸⁰ Gereffi, Gary, J. Humphrey and T. Sturgeon. The governance of global value chains. *Review of International Political Economy*, vol. 12, no. 1, 2005, pp. 78.

⁸¹ Raynolds, Laura T. The Globalization of Organic Agro-Food Networks. *World Development*, vol. 32, no. 5, 2004, pp. 725

⁸² Raynolds 2004, op. cit. ; Dolan, Catherine S. Virtual moralities: The mainstreaming of Fairtrade in Kenyan tea fields. *Geoforum*, vol. 41, no. 1, 2010, pp. 33-43.

⁸³ Gereffi et al. 2005, op. cit.

⁸⁴ Blowfield and Dolan, 2010, op. cit.

⁸⁵ Gulbrandsen, 2009, op. cit.

custody certificate, thus permitting companies such as restaurants and retailers to make general claims about their support for the Marine Stewardship Council (MSC).

This resonates with the research carried out by Barrientos and Smith in fruit and chocolate who conclude that the long-term perspective, important for achieving sustainable development objectives may be absent in some supermarket own-brand value chains and in some types of products more than in others.⁸⁶ Significant differences were also found to exist between the approaches of different retailers (not only comparing supermarkets and alternative trade organizations (ATOs) but also comparing between different supermarkets) in terms of the support they provide to producers, in reaching the more marginal, and in developing long-term relationships.⁸⁷

Witte states that contractors and suppliers have little incentive to invest in potentially costly code or standard implementation since they lack long-term buying commitments from sourcing companies'. When contracting relationships are more long-term and established, Witte expected that fostering the adoption of principles and norms in suppliers and contractors would be more successful, with the level of commitment of partners and contractors depending to a large extent on the significance of the relationship from an economic perspective.⁸⁸

Overall, buyers that engage more decisively and are more committed to the goals pursued by certification were found to share one or more characteristics:

- Goal congruence through medium- to long-term contracts, building of trust, third-party monitoring and enforcement;⁸⁹
- Involvement of suppliers in the planning and implementation of the code;⁹⁰
- Clear communication of codes and standards to employees, suppliers and other relevant stakeholders;⁹¹
- Integration of codes and standards into mainstream management systems, provision of adequate training for staff on all levels to foster code and standard implementation;⁹²
- Active promotion of compliance with codes and standards (and effectively pushing to address shortcomings in implementation) as part of staff evaluation and advancement;⁹³
- Development of code and standard principles into quantifiable objective performance indicators that allow for tracking of implementation, information systems that allow for continuous assessment of compliance status, preferably through existing data collection systems;⁹⁴
- Calibre and dedication of human resources dedicated to implementing the standards, strong social development skills as well as commercial management skills for scheme staff.⁹⁵

⁸⁶ Barrientos, Stephanie and S. Smith. ETI Impact Assessment 2006, Institute of Development Studies, Sussex, 2006.

⁸⁷ Nelson, Valerie and B. Pound. The last ten years: A comprehensive review of the literature on the impact of Fairtrade. National Resource Institute, 2009.

⁸⁸ Witte, 2008, op. cit.

⁸⁹ Pedersen, Esben R. and M. Andersen. Safeguarding corporate social responsibility (CSR) in global supply chains: how codes of conduct are managed in buyer-supplier relationships. *Journal of Public Affairs*, vol. 6, no. 3, 2006, pp. 228-240.

⁹⁰ Pedersen, 2006, op. cit.; Jiang, Bin. Implementing Supplier Codes of Conduct in Global Supply Chains: Process Explanations from Theoretic and Empirical Perspectives. *Journal of Business Ethics*, vol. 85, no. 1, 2009, pp. 77-92.

⁹¹ Witte, 2008, op. cit.

⁹² Barrientos, Stephanie and C. Dolan. Reflections on the Future of Ethical Sourcing, in Barrientos, S. and Dolan, C. (eds.) *Ethical Sourcing in the Global Food System*, 2006, Earthscan, London, 2006, pp. 179-185.

⁹³ Witte, 2008, op. cit.

⁹⁴ Witte, 2008, op. cit.

⁹⁵ Chan and Pound, 2009, op. cit.

7.3.9. Supporting instruments, integrated approach

Certification in itself is generally restricted, for most private standards, to the demonstration that the product, the producer or the producer group complies with a set of sustainability related criteria. However, as explored in Part II of this Series,⁹⁶ some standards-related programmes address other activities beyond the certification itself. The review showed that these initiatives, addressing areas such as technical support, training and pre-financing, were consistently linked to better results at the producer level. Some of the articles reviewed also showed that improvements in yield and in quality led, in some cases, to higher financial rewards than private certification premiums did.

For example, in a previously cited study by Raynolds on Fairtrade coffee around the world, she reported that producer association leaders operated under different Fairtrade models on pre-financing.⁹⁷ Pre-financing was central to the Fairtrade model and FLO standards required that buyers would pre-finance up to 60% of the coffee contract price on request. But in her research she found that this was not always forthcoming. Mission-driven and quality-driven importers/roasters were usually providing pre-financing and had well-established relations with socially oriented banks like Root Capital and Oikocredit to ensure cooperatives' access to credit. In contrast, many market-driven buyers had left credit arrangements to producer associations and had refused to buy from cooperatives that requested financing, arguing that 'they were in the business of buying coffee, not loaning money'. Raynolds contends that, by avoiding credit obligations, market-driven buyers can undermine a key facet of the trade partnership. This criticism is also shared by other researchers such as MacDonald, who states that the ability of Fairtrade to achieve substantive advances is limited when not coordinated/involved with other actions and institutions, in this case credit organizations.⁹⁸

In forestry, two studies, reported by Carrera et al. and Carey, also allude to multi-faceted programmes as a preferred option to single-faceted ones.⁹⁹ Closer linkages with other development programmes, as well as national regulations, were important to generate broader systemic results more efficiently. Integrative approaches were believed to result in lower inefficiencies and better results for sustainable development. To expand beyond mandatory FSC certification would then require the concerted effort of managers, NGOs, government, certification and accreditation bodies, donor agencies, research institutions and business development service providers. In a case study in Guatemala, Carey highlights the important role of technical and financial support and assistance from USAID, Chemonics and from SmartWood certification body in generating a more systemic impact.

7.3.10. Assurance and auditing

As discussed earlier in this Section, assurance processes are an important component of private standards. In the previously reviewed survey of business, government and NGOs commissioned by ISEAL in 2010, 'a credible verification process, including accreditation and third-party certification' was identified as the major single factor of legitimacy of a standard'.¹⁰⁰

The review of literature suggests there are still a number of outstanding issues in setting up and operating strong assurance processes for several private standards. The factors cited behind this are many but most researchers' questions centre around one or more of three categories: weak technical capabilities, unclear criteria and potential conflicts of interest.

Divney's¹⁰¹ review of the coffee and cocoa Rainforest Alliance certification in Côte d'Ivoire and Ethiopia found that, in some cases, significant gaps in skills were a main cause of problems with auditing. Poorly trained, temporary workers were contracted 2 to 3 months before the certification audit was scheduled to

⁹⁶ Alvarez and von Hagen, 2011, op. cit.

⁹⁷ Raynolds, Laura T. Mainstreaming Fair Trade Coffee: From Partnership to Traceability. *World Development*, vol. 37, no. 6, 2009, pp. 1083-1093.

⁹⁸ MacDonald, 2007, op. cit.

⁹⁹ Carrera et al., 2004, op. cit; Carey, Christine. The Guatemalan Mayan Biosphere Reserve and Forest Stewardship Council Standard. *Trade Standards Practitioners Network*, 2008.

¹⁰⁰ ISEA, 2011, op. cit.

¹⁰¹ Divney, 2007, op. cit.

do an internal inspection, which often proved largely insufficient as preparation for the formal certification audit. Even for this formal audit, Witte¹⁰² finds that many question the capacity of NGOs to conduct monitoring assignments, arguing that many civil society organizations simply lack the capacity and/or technical knowledge to perform these tasks.

Even for well-trained auditors, unclear or unspecified criteria can lead to high variances in audit results. Ward investigated the distribution of scores in 22 certified fisheries for each MSC principle and found that one of the two main MSC certifiers systematically awarded higher scores for Principle 2 than the other main certifier. He then suggests that “the poorly expressed Principle 2 criteria are interpreted differently by these two certifiers, and applied differently in the various fisheries”.¹⁰³ Also in forestry, absence of agreed definitions of ‘major failings’ for the FSC certification has been linked to ‘potentially arbitrary certification decisions’.¹⁰⁴

Probably the single major concern expressed in the literature regarding legitimacy and third-party certification is focused on the certification process being ‘believable’ as an independent assessment of compliance. Some question the independence of large auditing firms in conducting monitoring tasks for codes of conduct and standards because of presumed conflicts of interest issues,¹⁰⁵ while others underline that the competition among certifiers to secure assessment contracts may favour certifiers that are client-friendly in their assessments, thus lowering the bar for passing the assessments.¹⁰⁶

7.4. Mechanisms

Mechanisms refer to the way in which the implementation of specific instruments leads to certain outcomes. These mechanisms may not always be visible as they take shape mostly around behaviours and attitudes that are less tangible. It is, however, a critical element representing ‘what’ it is in programmes and interventions that brings about changes. Pawson and Tally¹⁰⁷ refer to mechanisms as ‘often hidden, rather as the workings of a clock that cannot be seen but drive the patterned movements of the hands’.

In the world of private standards, limited field data and experience make it difficult to discern the difference between the instruments’ design and implementation or between outcomes and intermediate mechanisms that lead to these outcomes. Still, using different language and frameworks, most authors make reference to certain effects of implementing standards that are associated with specific outcomes. Among these, three of the most frequently cited and possibly impactful are explored in this section: relationships, credibility and empowerment.

7.4.1. Buyer-seller relationships

In the reviewed body of literature, closer relationships between buyers and sellers in a market was frequently linked to a successful implementation of private standards, with 10 documents addressing the topic.

According to Witte,¹⁰⁸ the linkages prevalent in the chain are an important determinant of success of private standards:

- In supply chains characterized primarily by arms’ length, short-term relationships, the effective implementation of codes of conduct and standards was difficult primarily because there were few incentives for companies to influence contractors and for suppliers to take them seriously. Likewise, contractors and suppliers had little incentive to invest in potentially costly code or standard implementation since they lacked long-term buying commitments from sourcing companies.

¹⁰² Witte, 2008, op. cit.

¹⁰³ Ward, Trevor J. Barriers to biodiversity conservation in marine fishery certification. *Fish and Fisheries*, vol. 9, 2008, pp. 167-177.

¹⁰⁴ Counsell and Loraas, 2002, op. cit.

¹⁰⁵ Witte, 2008, op. cit.

¹⁰⁶ Counsell and Loraas 2002, op. cit.; Gulbrandsen, 2009, op. cit.

¹⁰⁷ Pawson and Tilley, 1997, op. cit.

¹⁰⁸ Witte 2008, op. cit.

- In “directed networks” – characterized by trading relations mediated through agents – the implementation of codes and standards was also found to be problematic.
- However, in case trading and/or contracting relationships that were more long-term and established, fostering the adoption of principles and norms in suppliers and contractors showed more success.

Finally, in well-organized, “hierarchical” value chains based on direct and long-term trading/contracting relationships, the implementation of codes and standards appeared to be the easiest. Here, the level of commitment of trading partners and contractors depended to a large extent on the significance of the economic relationship.

Stable and close relationships between buyers and sellers appear then to be a factor influencing the chances of success in the implementation of private standards. But can the implementation of private standards as such promote in some way the creation or improvement of relationships in the supply chain?

According to most authors that have addressed this issue, the answer is that this is not the case. The strengthening of buyer-seller relationships is not an assured by-product of the implementation of private standards. Rather, it appears that it demands a purposeful approach, intentions and processes *beyond* what is needed to implement the private standards themselves. When this did happen, however, such strengthened relationship was generally linked to positive outcomes, both for the producer and for the buyer.

As analysed earlier in this document, a distinction can be made between mission-driven, quality-driven and market-driven buyers.¹⁰⁹ Raynolds and Ngcwangu use the distinction to study Fairtrade in the Rooibos Tea industry and find significant differences emanating from the attitude of buyers and the relationships established between these buyers and producers. In their research, increased commitment and engagement between ‘mission-driven’ buyers and cooperatives was attributed as a main factor contributing to the upgrading in capabilities and additional value being retained at origin by cooperatives and farmers.¹¹⁰ Taylor’s study on Fairtrade coffee links shorter value chains with closer and more personal ties between actors, and associates this with a shift of distribution of benefits towards the producer. Based on the analysis of seven case studies of coffee producers in Mexico, Guatemala and El Salvador, he points to the tension between generating broad change and establishing these closer collaboration patterns. Taylor suggests that standards are forced to operate in conventional chains if they want to reach their goals of changing the way business is being done. But it is this conventional market logic that then makes it so difficult for these standards to make a meaningful change.¹¹¹

Tallontire concludes that mainstreaming impacts on Fairtrade value chains depend on the business model applied as this in turn affects chain governance. Generally, more effective market penetration seems to go at the expense of standards’ objectives of altering the distribution of power and revenues in value chains.¹¹² Research carried out by Bassett applies a comparative case study design to analyse Fairtrade certified cotton growers in Burkina Faso and Mali and agrees with the more sceptical elements in Taylor’s work. He argues that, in the case of Burkina Faso and Mali, mainstreaming of Fairtrade limited the positive impacts Fairtrade had on farmers. The main reason was that the same cotton companies and traders operated in Fairtrade value chains and in the conventional chain. This made it impossible to change power inequalities and hindered real structural changes in the cotton chain.¹¹³ Riisgaard also joins this critical view and, using Tallontire’s framework to assess legislative and judicial governance in value chains, she analysed the Kenya Flower Council (KFC) and the HEBI standards, two Kenyan initiatives that, although locally developed, were closely aligned with international standards and with retailers’ demands. She concluded that neither standard contested governance patterns nor the power of retailers in the cut flower

¹⁰⁹ Raynolds 2009, op. cit.

¹¹⁰ Raynolds, Laura T. and S.U. Ngcwangu. Fair Trade Rooibos tea: Connecting South African producers and American consumer markets. *Geoforum*, vol. 41, no. 1, 2010, pp. 74-83.

¹¹¹ Taylor, Peter L. In the Market But Not of It: Fair Trade Coffee and Forest Stewardship Council Certification as Market-Based Social Change. *World Development*, vol. 33, no. 1, 2005, pp. 129-147.

¹¹² Tallontire, 2009, op. cit.

¹¹³ Bassett, Thomas. J. Slim pickings: Fairtrade cotton in West Africa, *Critical Review Forum: Behind Enemy Lines: Reflections on the Practice and Production of Oppositional Research*, 2010, pp. 44-55.

value chain, rather this power was actually being reinforced through the introduction of private standards.¹¹⁴

For quality-driven buyers, Sexsmith and Potts (2009) find that certification promotes closer relations along the value chain by focusing buyers' attention on quality and production methods at product origin, particularly for chain-of-custody certificate holders. Processors and retailers, under pressure to provide certified products to their markets, have contributed to financing certification of suppliers, building closer collaboration along the value chain. However, if there is a glut of higher quality certified product on the market, these benefits would be diminished as buyers may resort to shopping around for the lowest cost suppliers rather than investing in the capacities of their existing sources.¹¹⁵

The role of the intermediaries in buyer-seller relationships was not covered in depth in the research that was reviewed. Still, Blowfield and Dolan's research touches on the subject to find that, in the case of tea in Kenya, the role of entities such as the Tea Auction gave buyers considerable latitude in where they sourced from, precluding the opportunities for sustained collaboration aimed by Fairtrade.¹¹⁶ This also resonates with Witte's characterization of trading relations through agents that he finds problematic in the implementation of standards.¹¹⁷ On the other hand, other organizations structured around formal or informal networks can provide developmental benefits to organizations by supporting competitive development.

7.4.2. Credibility

A producer or a cooperative that successfully handles a certification process and is able to comply with the management or quality requirements of a specific standard sends a message of increased professionalism to potential buyers. Using this reasoning, Muradian and Pelupessy propose that participating in one private regulatory system may work not only for that system in particular but it could also, more broadly, become a reputation tool, facilitating coordination between manufacturers or buyers and producers.¹¹⁸

In a review of Fairtrade certification over ten years, Nelson and Pound find that in multiple cases involvement in Fairtrade had, in fact, increased access to new export markets.¹¹⁹ As possible reasons for this indirect effect or mechanism, the authors cite improved product quality, boosted confidence and negotiating/commercialization skills, increased exposure to potential export partners and/or their access to market information. Other factors included increased producer market and export knowledge; access to training and quality issues; producer knowledge of and perspectives on Fairtrade; social cohesion, ability to resolve disputes and networking; stronger organizations able to survive in hard times; and higher ability to attract other sources of funding.

Other authors supporting this view point to factors such as Fairtrade producers enjoying greater access to credit to cover harvest expenses & other costs than their non-Fairtrade counterparts. Often such credit arises from pre-financing by the buyer or from credit schemes run by the producer organization (at advantageous interest rates). Two articles reviewed also attribute an increased access to credit from traditional credit sources that view the Fairtrade farmers as having a better credit rating than others due to their better incomes and long-term contracts. In Ghana, access to credit permitted farmers to engage in alternative livelihood activities,¹²⁰ while the case studies on banana and coffee in Peru, Costa Rica and

¹¹⁴ Riisgaard, Lone. Localizing private social standards: standard initiatives in Kenya cut flowers. Danish Institute for International Studies (DIIS), Copenhagen, 2008.

¹¹⁵ Sexsmith and Potts, 2009, op. cit.

¹¹⁶ Blowfield and Dolan, 2010, op. cit.

¹¹⁷ Witte, 2008, op. cit.

¹¹⁸ Muradian and Pelupessi, 2005, op. cit.

¹¹⁹ Nelson and Pound, 2009, op. cit.

¹²⁰ Ronchi, Loraine. The impact of Fair Trade on producers and their organizations: A case study with Coocafé in Costa Rica, Policy Research Unit: University of Sussex, Sussex, 2002.

Ghana reviewed by Ruben et al.¹²¹ reveal substantial and significant positive effects for Fairtrade households with respect to access to credit and asset value.

7.4.3. Empowerment

Beyond the concrete aspects of better relationships, improved credibility and access to credit, other less tangible facets have been associated with private standards. These more abstract mechanisms could be generated as a result of the implementation of private standards and include increased levels of empowerment amongst producers and increased organizational capabilities of specific groups such as women. In the sphere of development, empowerment refers to a process of enabling or authorizing an individual or group to think, behave, take action, and control work and decision making in autonomous ways.

In their review of Fairtrade, Nelson and Pound found that producers' association with Fairtrade could lead to increased levels of self-esteem and peace of mind. As farmers benefited from increased access to training, extension services, and increased market and export knowledge, their level of confidence in their capabilities and future opportunities increased alongside, generating a 'virtuous cycle' that increased their future opportunities.¹²²

The review also found that organizations could benefit from this effect as increased management capabilities and organizational strengthening activities were often associated with an increased sense of empowerment and a higher level of influence, both nationally and locally. Improved democracy in decision making and levels of participation helped organizations be more prepared to survive in hard times, and resulted in a higher ability to attract other sources of funding.

Still, even though successful examples have been identified, the evidence appears to be mixed on empowerment on at least two areas: first, there is very little information on whether and how much private standards such as Fairtrade challenge gender norms. Second, producers need to be aware of their participation in special programmes rather than business as usual, which is not necessarily the case.

On the first one, the evidence on women's representation is somewhat mixed, with positive narratives on improvements in women's representation in farmer cooperatives identified in Nelson and Pound's review.¹²³ Lyon et al.'s study on Fairtrade and Organic coffee certification in Guatemala and Mexico found that women still had limited participation (unless explicitly defined) in decisions by cooperatives and union work. Factors beyond the scope of private standards also played an important role.¹²⁴ For example, Blowfield and Dolan's study observed that structural issues such as land tenure gave more power to men in decisions on the use of social premium than would have been the case otherwise, independently of the performance of private standards, at least under its existing scope.¹²⁵

As for the second one, i.e. the level of awareness among farmers as a pre-condition to instil any sense of empowerment, Valkila and Nygren's study on Fairtrade coffee in Nicaragua found that a majority of coffee producers in their study demonstrated a relatively poor understanding of what Fairtrade was and were unaware of their rights and responsibilities as certified farmers. Exceptions to this were farmers in smaller cooperatives that had been selling 'relationship' coffee through personalized channels to certain international buyers years before Fairtrade certification.¹²⁶

A sense of empowerment and self-confidence among people of a community can in turn lead to increased capacity building in the economic and social as well as the political realms, as members develop more confidence in dealing with different levels of government. Still, even in this scenario of increased local

¹²¹ Ruben, Ruerd, L. Clercx, D. Cepeda and T. de Hoop. Fair Trade impact of banana production in El Guabo Association, Ecuador: a production function analysis, in Ruben, R. (ed.) *The impact of Fair Trade*, Academic Publishers, Wageningen, Netherlands, 2008, Chapter 7.

¹²² Nelson and Pound, 2009, op. cit.

¹²³ Nelson and Pound, 2009, op. cit.

¹²⁴ Lyon, Sarah, J.A. Bezaury and T. Mutersbaugh. Gender equity in fairtrade-organic coffee producer organizations: Cases from Mesoamerica. *Geoforum*, vol. 41, no. 1, 2010, pp. 93-103.

¹²⁵ Blowfield and Dolan, 2010, op. cit.

¹²⁶ Valkila and Nygren, 2009, op. cit.

empowerment, VanderHoff Boersma's conclusions are more sceptical, finding that power was still very much residing in the geographical-political North and that goals oriented to the 'South' had more to do with 'poverty reduction' rather than 'creating a new type of market'.¹²⁷

Integrating different views on the subject, MacDonald offers a framework for understanding empowerment of marginalized workers and producers and identifies three conditions for this to occur: 1) promoting acceptance of expanded responsibility for tackling disempowerment among relevant decision makers in 'the North'; 2) strengthening institutional capabilities necessary for these responsibilities to be effectively discharged; and 3) enabling marginalized groups themselves to exercise some control over processes of institutional transformation.¹²⁸

7.4.4. Learning - Evolution

Using the CIME framework as a reference, Context, Instruments, Mechanisms and Effects (Outcomes and Impacts) can be analysed systematically when studying private standards. After doing this, it is also worthwhile to take a look at the entire picture not just from a static perspective but also from a dynamic point of view. Extending the framework, we can observe how the instruments generate certain mechanisms in a given context to produce a specific effect (outcome or impact) which, in turn, results in the evolution of a new context, thus leading to an iterative and evolutionary view of private standards.

As private standards are a relatively new phenomenon, observing its changes and adaptations over time can provide important insights. As suggested by Doz and Hamel in the area of inter-organizational collaboration, 'managing the relationship over time is usually more important than crafting the initial formal design'.¹²⁹ Ring and Van de Ven also suggest analysing networks as a 'repetitive sequence of negotiation, commitment and execution stages, each of which is assessed in terms of efficiency and equity'.¹³⁰

The dynamic view has rarely been explored in the area of private standards. An exception is Courville's examination of the accountability dimension of legitimacy.¹³¹ After comparing accountability mechanisms of members of the International Social and Environmental Accreditation and Labelling Alliance (ISEAL Alliance), she concluded that accountability 'is not only a matter of pre-envisaged institutional design' but evolves through 'pragmatic responses to pressures and demands'. In this evolution, institutional learning would play a critical role in the evolution of accountability regimes. Witte also points that codes and standards need to be "living documents", continuously adapted to reflect new realities. In adapting codes and standards, it is important that "lessons learned" – best practices as well as worst practices – are integrated. As such, codes of conduct and standards need to be subject to periodic reviews that should also include the views of workers, suppliers and other affected stakeholders.¹³²

8. Summary of findings

In this last paper of the four-part series on private standards we set out to review the evidence on what enhances or inhibits the success of standards. For this, we used the same approach that was used in the first three papers to integrate findings, the systematic review methodology. We revisited the literature covered in the first three reviews, but this time we looked beyond the impact of the private standards and into identifying context conditions, implementation variances and explanatory mechanisms that would affect different outcomes.

The findings, analysed using also the CIME framework, are summarized in Table 2.

¹²⁷ VanderHoff Boersma, Francisco. The Urgency and Necessity of a Different Type of Market: The Perspective of Producers Organized Within the Fair Trade Market. *Journal of Business Ethics*, vol. 86, 2009, pp. 51-61.

¹²⁸ MacDonald, 2007, op. cit.

¹²⁹ Doz, Y.L. and G. Hamel. *Alliance Advantage: The Art of Creating Value through Partnering*. Harvard Business School Press, Boston, MA, 1998, p. XV.

¹³⁰ Ring, Peter S. and A.H. Van de Ven. Developmental processes of cooperative interorganizational relationships. *Academy of Management; The Academy of Management Review*, vol. 19, no. 1, 1994, pp. 90.

¹³¹ Courville, Sasha. Understanding NGO-based Social and Environmental Regulatory Systems: Why we need new models of accountability, in Dowdle, M. W. (ed.) *Public accountability: designs, dilemmas and experiences*, Cambridge University Press, 2006.

¹³² Witte 2008, op. cit.

Table 2: Summary of findings

Theme	Findings	References
Context conditions		
Product and trade characteristics	Characteristics facilitate adoption of private standards: (a) Type of product with high (and legal) requirements regarding traceability, quality and safety (ex. fruits); (b) labour-intensive production and traditional technology; (c) commodities identifiable in end products (ex. coffee); (d) shorter supply chains with few actors; (e) large differences in general cost levels between source region and recipient region; (f) adoption of standard in buyer country and f) communication barriers.	Laudal, 2010; Prakas and Potoski, 2006; Tallontire and Greenhalgh, 2005
	WWF links 15 commodities to the biggest environmental footprint and having the higher opportunity of creating significant impact.	WWF, 2010
	Type of linkages prevalent in the chain can be more important than sector or role of end market. In well-organized 'hierarchical' value chains based on direct and long-term trading relationships it is easier to implement codes and standards. Arms-length, short-term relationships inhibit the implementation of standards.	Witte, 2008
	Structure of supply chain tends to imbalance costs among the actors in the chain, mostly borne by developing country producers themselves rather than developed country buyers or retailers.	Ellis and Keane, 2008; Witte, 2008
	The structural features of an industry and the prevailing regulatory framework and technical and administrative capacities within both the industry and government should be assessed to consider realistic trajectories for the industry.	TSPN, 2007
	The role of intermediaries mediating the trade between producers and consumers can preclude opportunities for sustainable collaboration.	Blowfield and Dolan, 2010; Nelson and Pound, 2009
Preparedness level	Producer selection bias: Producers who face minor compliance costs or have higher level of skills tend to opt in, reducing net effects of certification.	Gulbrandsen, 2009; Humphrey, 2008; Sexmith and Potts, 2009
	Marginality and limited resources act as a barrier to entry for poorer producers.	Luvai, 2008; Muradian and Pelupessy, 2005; Nelson and Pound, 2009; Valkila and Nygren, 2009
	Larger farms, or large forest or fishing areas are better set up to engage in standards with stringent phytosanitary requirements and processes.	Bass et al., 2001; Dolan and Humphrey, 2010; Ebeling and Yasué, 2009; Gulbrandsen, 2009; Lyon et al. 2010; Maartens and Swinnen, 2006
	In other crops, farm size is not an advantage or disadvantage as diverse forms of implementation can accommodate differences.	Gomez Tovar et al. 2005; Melo and Wolf, 2007; Raynolds, 2009

Macroeconomic and social conditions	Higher level of development conditions favour the implementation of standards and thus the standards' footprint is biased towards these regions. However, impact potential is greater for beneficiaries with less economic resources as prior to joining schemes they can have reduced access to institutions and information.	Ebeling and Yasué, 2009; Garay Rodriguez, 2004; Potts et al., 2010; Sexsmith and Potts, 2009
	Women tend to be excluded from decision making as most are involved in non-market responsibilities and have time constraints to serve on committees or attend General Meetings.	Blowfield and Dolan, 2010
	Areas with higher male out-migration can result in higher opportunities for enhancement of women's participation.	Lyon et al., 2010
Legal framework	Clearly defined and enforced land tenure rights are critical for successful implementation of standards. Land tenure can restrict participation to mostly men.	Blowfield and Dolan, 2010; Divney 2007; Richards, 2004
	Clear, stable and enforceable regulations favour the adoption and successful enforcement of private standards.	Akyoo and Lazaro, 2008; Bass et al., 2001; Carrera et al., 2004; Ebeling and Yasué, 2009; FAO, 2009; Gulbrandsen, 2009; Richards, 2004; Rundgren 2007; Schepers, 2010; WWF, 2010
Institutional environment	Strong institutional capacity supports the successful implementation of standards. Ex: testing laboratories, extensionist services, managerial capacity in cooperatives, local consulting firms, government institutions, etc.	Akyoo and Lazaro, 2008; Carey, 2008; Carrera et al., 2004; Divney, 2007; Laudal, 2010; Muradian and Pelupessy, 2005; Rundgren, 2007; WWF 2010
Instruments		
Standard setting process	Legitimacy: Standards need to be recognized as 'legitimate' in terms of inputs (inclusiveness and transparency in standard setting), outputs (effectiveness of initiatives and enforcement mechanisms) and science supporting it.	Counsell and Loraas, 2002; Henson and Humphrey, 2009; ISEAL, 2011; Marx and Cuypers, 2010; Schepers, 2010; Vandergeest, 2007
	Standard organizations need to develop sound business plans, appropriate scopes, and increased capacity to become economically viable and financially sustainable.	WWF, 2010
Standard implementation: Adaptation	Standards should be flexible and non-prescriptive so as not to raise unnecessary barriers to community entry.	Bass et al., 2001
	Standards need to evaluate local socio-economic heterogeneities, identify target groups and design a strategy of differentiated implementation.	Garay Rodriguez, 2004; Luvai 2008; Vandergeest, 2007
	Importance of having good, independent translators.	Divney, 2007
Standards as means or end	Activities should focus on adoption of best practices that will allow the attainment of certification in lieu of attaining certification without a base of best practices within the farmer system.	TSPN, 2007

Incentives	Though subsidies can be easily justified by significant benefits not immediately recognized by the market, they can also create a perverse incentive against sustainable product in the marketplace.	Richards, 2004
	Initial price premiums represent a powerful tool to launch a project. Over time, farmer may come to value benefits of yield and quality of managing.	Divney, 2007
	Transparency in premium payments in the system identified as contributing to successful launch.	Divney, 2007
Buyer's attitude	'Mission-driven' buyers enhance possibilities of success and build close partnerships with suppliers, exerting power mostly related to quality demand. Quality-driven buyers collaborate with producers as well and generate more direct and stable trading relations, while market-driven buyers pursue conventional business practices and mainly see certification as a traceability enhancing tool.	Dolan, 2010; Raynolds, 2009; Raynolds and Ngcwangu, 2010
	While producers may be guaranteed a minimum price and social premium in standards such as Fairtrade, the long-term perspective, important for achieving sustainable developments objectives, may be absent for purely market-driven buyers.	Barrientos and Smith, 2007; Blowfield and Dolan, 2010; Gulbrandsen, 2009; Nelson and Pound, 2009
	Buyers that are more committed to the goals pursued by certification tend to establish medium- to long-term contracts, build trust, involve suppliers in planning and implementation of the code, clearly communicate codes and standards to employees, suppliers and other stakeholders, and integrate standards into management systems.	Barrientos and Dolan, 2006; Jiang, 2009; Pedersen et al., 2006; Witte, 2008
Integration with other programmes	Certain buyers or standard systems offer financing options or linkages with other development programmes that significantly enhance the probabilities of success of communities involved in standards.	Carrera et al., 2004; Carey, 2008; Raynolds, 2009
Assurance and auditing	Significant gaps in skills identified as a main cause of problems in auditing, both for individual auditors as well as for NGOs.	Divney, 2007; Witte, 2008
	Positive effect of increased use of local inspectors, streamlining audit procedure.	Bass et al., 2011
	Even with well-trained auditors, unclear or unspecified criteria can lead to high variance in audit results.	Counsell and Loraas, 2002; Ward, 2008
	Large auditing firms and competition among certifiers to secure assessment may result in conflict of interest in conducting monitoring tasks for standards. Code of good practice intended to address some of these shortcomings. NGOs behind private standards must be perceived as independent from interests of producers and corporate buyers to be credible.	Counsell and Loraas, 2002; Gulbrandsen, 2009; ISEAL, 2011; Witte, 2008
Mechanisms		
Relationships	Establishment of buyer-seller relationships is not an 'assured' by-product of implementation of standards. The attitude of the buyer strongly influences the possibility of relationships. Increased engagement among mission-driven buyers favours the establishment of stronger relationships and the upgrading of capabilities.	Bassett, 2010; Nelson and Pound, 2009; Raynolds, 2009; Raynolds and Ngcwangu, 2010; Tallontire, 2009

	Shorter chains favour the establishment of stronger buyer-seller relationships in standards.	Taylor, 2005
	In supply chains that are characterized primarily on arms' length, short-term relationships, the effective implementation of codes of conduct and standards is difficult primarily because companies have few incentives to influence contractors and suppliers to take them seriously.	Witte, 2008
	Closer relationships can also result for quality-driven buyers as certification promotes closer relations by focusing attention on quality, production methods and origin, particularly for chain-of-custody certificate holders.	Sexmith and Potts, 2009
	The role of intermediaries can either deter (in the case of entities such as an Auction house) or enhance (in the case of value-added agents and builders of informal networks) buyer-seller relationships in private standards.	Blowfield and Dolan, 2011
	Well-established roles among project partners such as NGO, Coops, Trader, Manufacturer are needed.	Divney, 2007
Credibility	Private standards can result in increased credibility for producers in the marketplace, sending to possible buyers a message of increased professionalism, increased negotiating/commercialization skills, exposure to potential export markets and access to market information.	Muradian and Pelupessy, 2005; Murray et al., 2006; Nelson and Pound, 2009
	Private standards can also provide greater credibility for accessing credit markets, be that as pre-financing in standards such as Fairtrade or from traditional credit sources that view private standard holders as having better credit rating than others due to better incomes or long-term contracts.	Ronchi, 2002; Ruben et al., 2008
Empowerment	Increased levels of empowerment were identified when farmers and organizations benefited, as part of their participation in private standards, of training, extension services and increased market and export knowledge.	Nelson and Pound, 2009
	Mixed evidence on the influence of standards on changes in gender balance and norms, some showing increased participation of women in farmers' cooperatives while others find that structural and operational issues still significantly limited women's participation.	Blowfield and Dolan, 2010; Lyon et al., 2010; Nelson and Pound, 2010
	For empowerment to emerge there needs to be producer understanding of what the private standards stand for and what the implications are.	Valkila and Nygren, 2009
	Strong institutional capabilities to distribute responsibilities on recipients. Enable marginalized groups to exercise some control over processes of institutional transformations.	MacDonald, 2007

	Three conditions for empowerment of marginalized workers: promoting acceptance of expanded responsibility, strengthening institutional capabilities and enabling marginalized groups themselves to exercise some control over processes.	MacDonald, 2007; Valkila and Nygren, 2009; VanderHoff Boersma, 2009
Evolution		
Learning	Institutional learning plays an important role in private standards. Accountability and legitimacy in private standards is not only a matter of pre-envisaged institutional design but evolves through pragmatic responses to pressures and demands.	Courville, 2006
	Codes and standards need to be 'living documents', continuously adapted to reflect new realities, and subjected to periodic reviews that should also include the views of workers, suppliers and other affected stakeholders.	Witte, 2008

9. Conclusions

Reviewing and integrating the evidence on private standards can be very challenging as researchers take multiple starting points, use different methodologies and often cover only one or two private standards in their investigations. Moreover, as much of the evidence is also based on specific cases, conclusions addressing private standards as a whole need to be taken with caution. Still, even taking into account these important limitations, analysis of the studies reviewed supports the following ten conclusions:

1) Private standards can result in positive effects both at the producer and at the supply chain level.¹³³

This analysis of the evidence reviewed supported the findings of the first and second parts of this Series, with a somewhat positive view on the overall impact of private standards for producers and for value chains. Direct impact on producers in terms of price and profits tended (though not systematically) to be positive, even when compared to alternatives. Businesses also tended to experience improved efficiency within a supply chain, decreased risk and higher transparency. Positive environmental and social impacts were recorded at the family or production unit level. However, there is still limited quantitative evidence about the impacts of certification on issues such as poverty reduction, gender opportunities, biodiversity and the environment.

2) The effects of private standards need to be analysed in broader context conditions, instruments and mechanisms.

The variance in effects between different cases appeared to be at least partly explained by different context conditions, whereby some contexts not only facilitated the adoption of private standards but also enhanced their possibilities of success. Similarly, differences in how private standards were designed and implemented, as well as the mechanisms that were generated were linked to different effects. This leads to the conclusion that private standards need to be evaluated and implemented as part of the overall system rather than as isolated instruments (see also conclusion 10).

3) Adoption of private standards tends to be favoured in contexts where the type of product has high requirements regarding traceability, in extractive businesses, where commodities are identifiable in end products, or where there are shorter supply chains with fewer actors.

Although private standards have significantly increased their presence and reach over the last few years, they still seem to be concentrated on certain sectors that share either consumer or legal expectations (such as fruits and vegetables), where they are easily identifiable in the end product (such as coffee, cocoa), in highly extractive businesses (such as forestry or fishing) or where shorter supply chains and closer connections between buyer and seller makes such an implementation easier to realize (e.g. bananas).

4) Private standards tend to be more viable in contexts with higher levels of producer and institutional preparedness.

The adoption of private standards is skewed towards producers, communities and countries that face lower compliance costs or have higher skills or resources to fulfil the requirements. Strong institutional capacity is also highly influential in supporting the successful implementation of standards. This then leads some researchers to question the net impact of private standards in terms of supporting disadvantaged groups of producers or regions.

5) Private standards need to be recognized as 'legitimate' by key stakeholders, both in terms of inputs as well as outputs.

To enhance their acceptance among stakeholders, private standards need to be recognized as legitimate in how they are designed, and the inclusiveness and transparency of their processes. They also need to

¹³³ This point is not covered specifically in this review. Rather, it integrates findings from Part I and II of this Series. For an expanded review of effects please refer to these documents.

demonstrate legitimacy in terms of outputs, that is, effectiveness of initiatives and the credibility of their enforcement mechanisms. Some authors also refer to the validity of the science behind the establishment of the standards as an important legitimacy issue.

6) Successful implementation of private standards requires a balance between global scope and adaptation to local conditions.

Standards benefit from global recognition and scope but to be effective they need to be able to adapt to different conditions, connect with local needs and be integrated with other supporting instruments.

7) The implementation of private standards is enhanced when clear and visible incentives for their adoption exist, at least in the short term.

Even though most of the effects of private standards are linked to longer term and indirect benefits, initial price premiums or short-term incentives are recognized as important elements in the adoption of standards as they represent an easy to perceive 'hook' when launching a project.

8) The role of the buyer is critical in determining the outcomes for producers, with positive impacts often being associated with mission-driven buyers, and with closer relationships often being present in projects initiated by mission- or quality-driven buyers.

Among different types of buyers identified in the research, the so called 'mission-driven' buyers were found to enhance possibilities of success of standards and build close partnerships with suppliers. 'Market-driven' buyers, on the other hand, were found to replicate the dynamics of conventional markets in certified markets, thus limiting the potential of these standards to result in better conditions for producers.

9) Positive effects for producers participating in private standards are often mediated by the generation of certain mechanisms including empowerment, enhanced buyer-seller relationships and increased credibility or self-assurance.

The implementation of standards can set off powerful mechanisms that influence the effect of the interventions when they occur. For example, though the establishment of closer buyer-seller relationships is not an assured 'by-product' of standards, it enhances the probability of success for the initiative when this happens.

10) Recommendations for future research.

Overall, research needs to take more systemic views of private standards. As mentioned above, most of the research looks at the instruments in isolation and in specific contexts, making it hard to extend the learning beyond their specific circumstances.

As contexts and private standards evolve, an important second area that merits further attention is the evolution and adaptation of private standards within a system. Together, these two areas show significant promise in extending our knowledge of private standards from single instruments to contributors to systemic change.

Appendix I Sources of literature

Three main sources of literature were used in our research:

- Three electronic databases were used for the review: EBSCO, Science Direct and ISI Web of Knowledge. EBSCO and Science Direct were used due to their comprehensive coverage of business research and ISI Web of Knowledge was used to search key journals not covered by the other databases.
- Additional sources included previous literature reviews, research institutes, think tanks and international organizations working on private standards.
- Lastly, cross-references providing background information on specific topics, such as conceptual approaches applied in research, were identified, checked for relevance and quality and included in this work.

Appendix II Keywords and search terms

The definition of search terms followed two principles: the terms had to be (i) wide enough to ensure no references on the topic were missed, and (ii) precise enough to limit search results to a manageable number. With inconsistent terminology in this area, this process proved to be complex. For example, several terms are used to refer to the nature of standards under review, including private standards, voluntary standards, sustainability standards, and certifications, among others. As the literature on these standards and their impacts on value chains are relatively young and limited, it was decided to make the search as broad as possible by defining more general keywords. See Table 3 for an overview of search terms used in each category.

Table 3: Search term by category

Sustainability		Certification	Market	Operations	Impact	Meso-Macro
Sustainab*	A N D	Certif*	Market	Yield	Impact	Policy
Environment*		Standard*	Buyer	Product*	Income	Govern*
Ethic*		Regulat*	(Supply OR Value OR Commodity) AND Chain	Quality	Effect	MDGs OR (Millennium AND Development AND Goals)
Social		Label*	Consumer	Control AND system	Premium	Development
Responsib*			Governance		Price	Poverty
			Power		Surplus	Community
			Trade		Outcome	Gender
			Stakeholder		Cost	
			Market AND (Share OR Participation)		Risk	
		Stakeholder		Livelihood		

Related journals that were not covered by the electronic databases EBSCO and Science Direct were searched for in the database ISI Web of Knowledge separately.

Appendix III Search strings and electronic search engines

The selected keywords were then used to construct strings with Boolean connectors (AND, OR and NOT) to search the electronic databases. A wildcard (*) search was also included on some words so to better capture the alternative spellings of core concepts. The strings were used to search in titles and abstracts for the EBSCO database and included also keywords for Science Direct. In the ISI Web of Knowledge database the search strings were applied to search for selected journals not covered by the other two databases.¹³⁴ Only scholarly (peer reviewed) journals in databases were selected for searches, with no particular timeframe. In EBSCO, selected databases included Academic Search Premier and Show all Environment Complete.

The initial search produced a total of 2'204 articles in EBSCO, and over 15,000 in Science Direct and ISI database. Due to the high number of results the search strings were amended adding new keywords, removing some of the very general ones and adding exclusion criteria. Still, after re-running searches with the new search strings there were still over 10,000 papers in Science Direct and no major change in the ISI database. As even the exclusion of a number of subjects did not significantly reduce results and given that the search in Science Direct showed high overlap with the search in EBSCO, it was decided to focus further screening on EBSCO's results and additional specific sources.

Additional sources included research institutes, international organizations and further bodies involved in research relating to private standards, as well as other literature reviews. The search for relevant papers consisted in screening these organizations' websites and checking cross-references. In addition, the existing research database in ITC's Standards Map website (over 700 articles) was screened using the keywords, resulting in 69 additional articles that were considered for further screening.

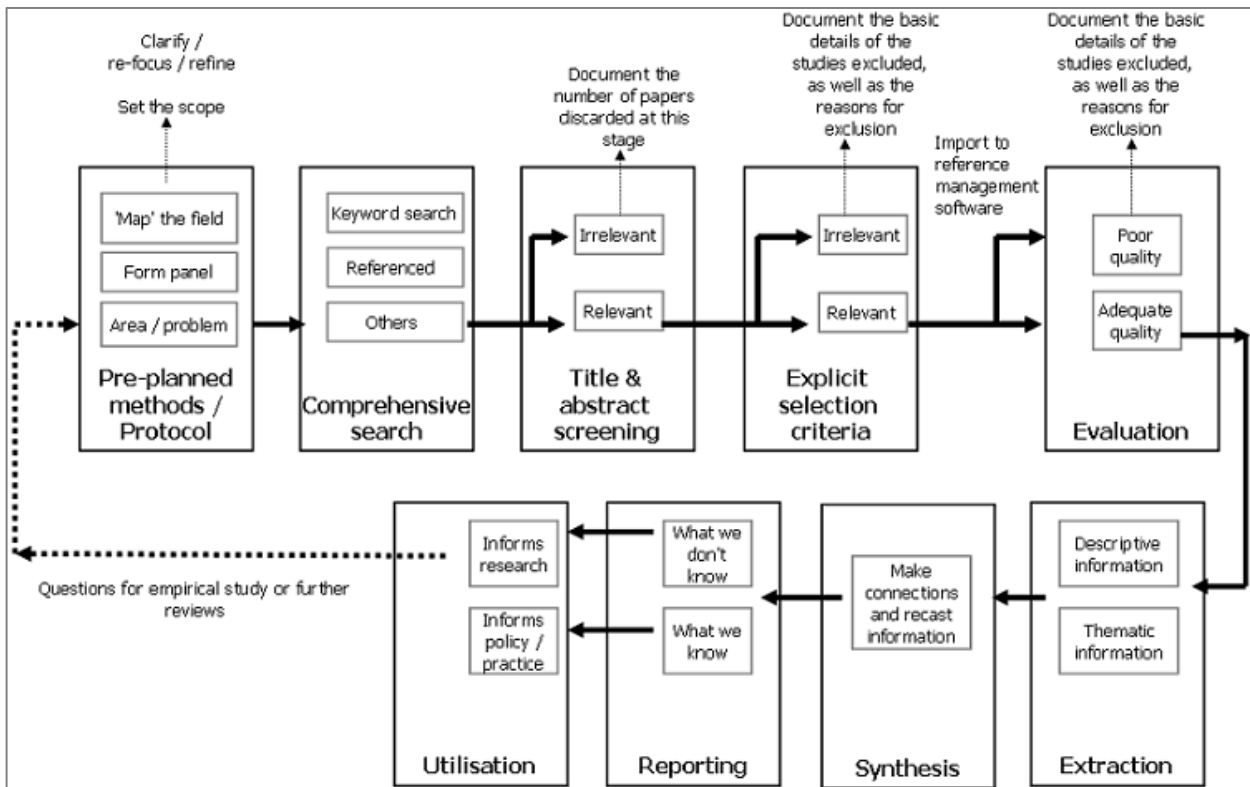
Figure 9 provides an overview of the systematic literature review process. The screening process entails three steps: a title review, the review of abstracts and the full paper review. Before each step, inclusion and exclusion criteria had been defined to ensure process transparency and replicability.

The title review was then carried out on the total list and, after this first screen, 415 papers were selected for further analysed. The next step consisted in the abstract review according to predetermined topics, operationalized through keywords. At this point, using the inclusion and exclusion criteria, it was decided to keep 78 articles for full screening.

Papers were dismissed in the process of abstract screening when they dealt with: CSR issues that are not related to standards//Environmentally friendly or sustainable investments//Socially friendly investments//Voluntary standards in developed countries//Ethical trade issues other than standards//Sustainable development issues other than standards//Other kinds of certification, e.g. land certificates//Sustainability economics//Geographical indicators//Consumer behaviour issues//Voluntary initiatives to foster "ethical" corporate behaviour or projects other than standards, e.g. codes of conduct//Private standards for non-export products, e.g. milk//Ethical behaviour of employees or managers//Public-private partnerships//UN Global Compact.

Out of all the papers kept for full screening, those that deal with the question of this report, namely how and when and how do private standards work were included. Lastly, in a final screening step, full papers were reviewed according to defined selection criteria, such as their contribution to research. This screening exercise resulted in the 59 papers that were analysed for this literature review.

¹³⁴ Journals include: Academy of Management Review, Business and Politics, Consumer Policy Review, Corporate Governance Journal, Cultural Sociology, Environment, Development & Sustainability, Forest Trend, GlobalEDGE Business Review, Human Organization, International Journal of Consumer Studies, International Journal of Sustainability, Journal of Business Ethics, Journal of Public Policy and Marketing, Journal of Strategic Marketing, Review of International Political Economy, Small-scale Forestry, Small Enterprise Development, Sustainable Development International, Social Enterprise Journal.

Figure 9: Steps in a systematic literature review

Source: David Denyer, Advanced Institute of Management Research, www.networkcranfield.com.

Appendix IV Documents reviewed in the literature review series¹³⁵

Author(s)	Document in the literature review series			
	Part I	Part II	Part III	Part IV
Akyoo, and Lazaro (2008)	Y	Y		Y
Alvarez and von Hagen (2011)				Y
Auld and Gulbrandsen (2010)			Y	
Bacon (2005)	Y	Y		
Bain (2010)	Y			
Barrientos and Dolan (2006)				Y
Barrientos and Smith (2007)				Y
Barrientos, Dolan and Tallontire (2003)	Y			
Bartley (2007)	Y			
Bass, Thornber, Markopoulus, Roberts and Grieg-Grah (2001)	Y			Y
Bassett (2010)	Y			Y
Becchetti and Costantino (2008)		Y		
Becker (1999)			Y	
Bedford, Blowfield, Burnett and Greenhalgh (2002)	Y			
Bernstein (2011)			Y	
Bernstein and Cashore (2004)			Y	
Blackman and Rivera (2010)		Y		
Blowfield and Dolan (2010)				Y
Boersma (2009)				Y
Bolwig and Odeke (2007)		Y		
Bolwig, Gibbon and Jones (2009)		Y		
Bolwig, Ponte, du Toit, Riisgaard and Halberg (2008)	Y			
Borot de Battisti, MacGregor and Graffham (2009)		Y		
Carey (2008)				Y
Carey and Guttentstein (2008)			Y	
Carrera, Stoian, Campos, Morales and Pinelo (2004)		Y	Y	Y
Cashore (2002)			Y	
Cashore, Auld and Newsom (2004)			Y	
Cashore, Gale, Meidinger and Newsom (2005)			Y	
Cashore, Auld and Newsom (2003)			Y	
Caswell and Henson (1999)			Y	
Codex Alimentarius Commission (2010)			Y	
Committee on Sanitary and Phitosanitary Measures Effects of SPS (2009)			Y	
Codron and Rouviere (2007)			Y	
Consumers International and International Institute for Environment and Development (2005)		Y		
Courville (2006)			Y	

¹³⁵ For complete bibliographic information please see References included in the referred document in the Series.

Chakrabarty and Grote (2009)		Y		
Cragg (2005)			Y	
Counsell and Loraas (2002)				Y
Courville (2006)				Y
Dankers (2003)			Y	
de Battisti, MacGregor and Graffham (2009)	Y			
Delmas and Young (2009)			Y	
Derkx (2011)			Y	
Divney (2007)				Y
Dolan (2010)		Y		Y
Dolan and Humphrey (2004)	Y			
Dolan and Humphrey (2000)	Y			Y
Ebeling and Yasué (2009)		Y		Y
Ecofys (2009)			Y	
Ellis and Keane (2008)				Y
European Commission (2011)			Y	
European Commission (2009)			Y	
European Commission (2004)			Y	
FAO (2009a)		Y		Y
FAO (2009b)		Y		
FAO (2010a)			Y	
FAO (2010b)			Y	
Fermi (2005)		Y		
Fort and Ruben (2008a)		Y		
Fort and Ruben (2008b)		Y		
Fuchs, Kalfagianni and Havinga (2009)			Y	
Fulponi (2007)			Y	
Gale (2008)			Y	
Garay Rodríguez (2004)				Y
Garcia Martinez and Bañados (2004)			Y	
Garcia Martinez, Fearne, Caswell and Henson (2007)			Y	
García Martinez and Poole (2004)			Y	
Gibbon (2003)	Y			
Gibbon, Bolwig, Odeke and Taylor (2008)		Y		
Gibbon and Ponte (2005)	Y			
Gibbon, Lin and Jones (2009)		Y		
GFSI (2010)			Y	
Gómez Tovar, Martín, Gómez Cruz, and Mutersbaugh (2005)				Y
Gulbrandsen (2009)				Y
Gulbrandsen (2004)			Y	
Hatanaka, Bain and Busch (2005)	Y			
Henson (2008)			Y	
Henson and Traill (1993)			Y	
Henson and Northen (1998)			Y	
Henson and Hooker (2001)			Y	

Henson and Humphrey (2009)			Y	Y
Henson and Humphrey (2010)			Y	
Henson and Jaffee (2008)			Y	
Henson and Reardon (2005)			Y	
Holleran, Bredahl and Zaibet (1999)			Y	
Humphrey (2008)	Y			Y
Humphrey and Schmitz (2002)	Y			
Ibanez and Laye (2008)	Y			
IIED (2009)			Y	
IISD (2010)			Y	
IFAD (2005)		Y		
Islam (2008)	Y			
ISEAL (2010)				Y
ISEAL (2011)				Y
Jaffee (2011)			Y	
Jaffee (2008)		Y		
Jaffee and Henson (2005)	Y			
Jaffee and Henson (2004)	Y		Y	
Jiang (2009)	Y			Y
Jongwanich (2009)			Y	
Joshi (2004)			Y	
Kadigi, Mdoe, Senkondo and Mpenda (2007)	Y			
Kilian, Jones, Pratt and Villalobos (2005)	Y	Y		
Kollert and Lagan (2007)		Y		
Klooster (2005)	Y			
Konefal, Mascarenhas and Hatanaka (2005)	Y			
Laudal (2010)				Y
Lazaro, Riisgaard, Kilima, Makindara and Mnenwa (2010)	Y			
Lee (2007)			Y	
Liu (2008)	Y			
Louman et al. (2005)		Y		
Lutz, Lyon and Maxwell (2000)			Y	
Luvai (2008)				Y
Locke, Amengual and Mangla (2009)	Y			
Lyngbaek, Muschler and Sinclair (2001)		Y		
Lyon, Bezaury and Mutersbaugh (2010)				Y
Lyons and Burch (2007)		Y		
MacDonald (2007)				Y
Maertens and Swinnen (2006)	Y			Y
Manosalva Quinteros (2004)		Y		
Markopoulos (1998)		Y		
Marx (2010)			Y	
Marx and Cuypers (2010)				Y
Mausch, Mithöfer, Asfaw and Waibel (2009)		Y		
McClusky and Winfree (2009)			Y	

McDermott, Noah and Cashore (2008)			Y	
McDermott, Cashore and Kanowski (2009)			Y	
Meidinger (2003a)			Y	
Meidinger (2003b) CHECK			Y	
Meidinger (2001)			Y	
Meidinger (2009)			Y	
Melo and Wolf (2007)				Y
Mendoza and Bastiaensen (2003)	Y			
Messner (2002)	Y			
Moberg (2005)		Y		
Morris and Dunne (2004)	Y			
Moustier and The Anh (2010)			Y	
Mueller, Martin and Seuring (2009)	Y			
Muradian and Pelupessy (2005)	Y			Y
Murray, Raynolds and Taylor (2006)				Y
Nadvi and Waltring (2003)			Y	
Nebel, Quevedo, Bredahl Jacobsen and Helles (2005)		Y		
Neilson (2008)	Y			
Neilson and Pritchard (2009)	Y			
Nelson and Pound (2009)		Y		Y
Parrish, Luzadis and Bentley (2005)		Y		
Pedersen and Andersen (2006)	Y			Y
Philpott, Bichier, Rice and Greenberg (2007)		Y		
Ponte (2009)	Y			
Ponte (2007)	Y			
Ponte (2002)	Y			
Ponte and Gibbon (2005)	Y			
Potts, van der Meer and Daichman (2010)				Y
Potts and Sexsmith (2009)	Y			
Prieto-Carrón (2008)	Y			
Prakash and Potoski (2006)				Y
Ranville (2009)			Y	
Quispe Guanica (2007)		Y		
Raynolds and Ngcwangu (2010)	Y	Y		Y
Raynolds (2009)	Y			Y
Raynolds (2004)	Y			
Raynolds (2002)	Y			
Raynolds, Murray and Taylor (2004)		Y		
Reardon, Codron, Busch, Bingen and Harris (1999).	Y			
Reardon and Farina (2001)			Y	
Reed (2009)	Y			
Richards (2004)				Y
Riisgaard (2009)	Y			
Riisgaard (2008)	Y			
Riisgaard (2007)	Y			

Riisgaard and Hammer (2008)	Y			
Roberts (2009)			Y	
Ronchi (2002)		Y		Y
Roquigny, Vagneron, Lescot and Loeillet (2008)		Y		
Ruben, Fort and Zúñiga-Arias (2009)		Y		
Ruben and van Schendel (2008)		Y		
Ruben, Clercx, Cepeda and de Hoop (2008),		Y		Y
Rundgren (2007)				Y
Sáenz-Segura and Zúñiga-Arias (2008)		Y		
Schepers (2010)				Y
Setboonsamng, Leung and Cai (2006)		Y		
Sexsmith and Potts (2009)	Y	Y		Y
Smith (2009)			Y	
Swann (2010)			Y	
Swinnen (2007)	Y			
Tallontire and Greenalgh (2005)	Y			Y
Tallontire (2009)	Y			Y
Tallontire, Opondo, Nelson and Martin (forthcoming)	Y			
Tallontire (2007)	Y			
Tallontire, Dolan, Smith and Barrientos (2005)	Y			
Taylor (2005)	Y			Y
Taylor, Murray and Raynolds (2005)	Y			
TSPN (2007)				Y
UNCTAD (2009).			Y	
UNCTAD (2007a)			Y	
UNCTAD (2007b)			Y	
Utting (2009)		Y		
Valceschini (2005)			Y	
Valkila and Nygren (2009)				Y
Valkila et al (2010) GETNAMES	Y			
Vandergeest (2007)				Y
Villalobos and Santocoloma (2005)			Y	
von Hagen and Alvarez (2011)				Y
von Hagen and Alvarez (2012)				Y
Ward (2008)				Y
Webber and Labaste (2009)	Y			
Wheatherspoom and Reardon (2003)	Y		Y	
Wolf (2001)			Y	
Worldbank (2005)			Y	
Wouters, Marx and Hachez. (2008)			Y	
Witte (2008)				Y
WWF (2010)				Y
Young and Hobbs (2002)			Y	
Zuñiga-Arias and Sáenz-Segura (2008)		Y		

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