The London School of Economics and Political Science

Whose Rules? The Institutional Diffusion and Variation of Private Participatory Governance

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Declaration

I certify that the thesis I have presented for examination for the MPhil/PhD degree of the London School of Economics and Political Science is solely my own work other than where I have clearly indicated that it is the work of others (in which case the extent of any work carried out jointly by me and any other person is clearly identified in it).

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Parts of Chapter 2 build on a study that was co-authored with Robyn Klingler Vidra which was published in *International Studies Review*.

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Abstract

As a mode of global sustainability regulation, private participatory governance first emerged in the forestry sector in the early 1990s and from there spread rapidly and widely in the global economy. The literature on the topic points to a good fit with democratic norms, neoliberal norms, social movement pressure, and the entrepreneurial activities of civil society actors and progressive firms as the main drivers behind this process of institutional diffusion. Today, multi-stakeholder initiatives operate in many industry sectors, ranging from apparel manufacturing and diamond mining to aquaculture production and soybean farming. Drawing on new developments in the philosophy of democracy, some see these arrangements as part of a 'deliberative turn' in sustainability politics with the potential to democratise global governance institutions. However, the legitimacy of multi-stakeholder initiatives remains contested, and there is evidence to suggest that the diffusion of private participatory governance in the global economy has introduced variation in a key dimension of institutional design: whereas some schemes involve a wide range of actors in their governance and standard-setting activities, others are significantly less inclusive.

In order to explore this puzzle, this dissertation unpacks the process of institutional diffusion. It develops an analytical framework that distinguishes three stages in the diffusion process: source selection, transmission, and adoption. For the different stages, hypotheses are formulated about the factors that "intervene" in the diffusion process, leading to more or less inclusive institutional outcomes. This framework is put to work in three case study chapters, examining the diffusion of private participatory governance in the biofuels, soy, and sugarcane sectors.

A major finding of this study is that varying levels of coercive institutional pressures influenced the diffusion outcome in the cases studied. In environments characterised by strong coercive pressures (biofuels and soy), adopting a more inclusive approach served institutional designers as a strategy to gain political authority – that is, legitimate decision-making power – in these arenas. In comparison, in the low conflict environment of the sugarcane sector, no comparable process of 'institutional fitting' could be observed. Furthermore, this dissertation shows that ideas about private participatory governance are far from set in stone. While multi-stakeholder institutions diffuse in the global economy, late adopters learn from the experiences of prior adopters. Based on these experiences and the lessons they draw from them, they interpret, innovate, and de- and recontextualise the model, giving rise to institutional variation.

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Abbreviations

2BSVS	Biofuel Biomass Sustainability Verification System
4C	Common Code for the Coffee Community
AD	Aquaculture Dialogue
AGM	Annual General Meeting
AIP	Apparel Industry Partnership
ASC	Aquaculture Stewardship Council
BoD	Board of Directors
BCI	Better Cotton Initiative
BMP	Better Management Practice
BRC	British Retail Consortium Global Standard for Food Safety
BSI	Better Sugarcane Initiative
EPFL	École Polytechnique Fédérale de Lausanne
ETI	Ethical Trading Initiative
EB	Executive Board
EU	European Union
EU RED	European Union Renewable Energy Directive
FAO	Food and Agricultural Organization
FCI	Forest Conversion Initiative
FLA	Fair Labor Association
FLO	Fairtrade Labelling Organization
FLP	Flower Label Programme
FSB	Founding Steering Board
FSC	Forest Stewardship Council
GFP	Global Freshwater Programme
GFSI	Global Food Safety Initiative
GHG	Greenhouse gas
GIAP	Go-it-alone-power
Global G.A.P	Global Partnership for Good Agricultural Practices
GRSB	Global Roundtable for Sustainable Beef
GA	General Assembly
GM	Genetically modified
GMO	Genetically modified organism
GSTC	Global Sustainable Tourism Council
HSAP	Hydropower Sustainability Assessment Protocol
ICI	International Cacao Initiative
IGO	Intergovernmental organisation
IFC	International Finance Corporation
IFIs	International Finance Institutions
IFS	International Food Standard
IFOAM	International Federation of Organic Agriculture Movement
IO	International organisation

IR	International Relations
ISCC	International Sustainability and Carbon Certification
ISEAL	International Social and Environmental Accreditation and Labelling
ISSCT	International Society of Sugar Cane Technologists
KPCS	Kimberly Process Certification Scheme
NGO	Non-governmental organisation
MAC	Marine Aquarium Council
MC	Management Committee
MSC	Marine Stewardship Council
MSI	Multi-stakeholder initiative
OC	Organising Committee
OECD	Organisation of Economic Co-operation and Development
PCVDG	Principles Criteria Verification Development Group
PEFC	Programme for the Endorsement of Forest Certification
PSG	Private Sustainability Governance
RJC	Responsible Jewellery Council
RSB	Roundtable on Sustainable Biofuels
RSPO	Roundtable on Sustainable Palm Oil
RTRS	Roundtable on Responsible Soy
SASA	South African Sugar Association
SB	Steering Board
SBD	Supervisory Board of Directors
SQF	Safe Quality Food
SPP	Soja Plus Program
TMC	Transitional Management Committee
TNC	Transnational corporation
TWG	Technical Working Group
UK	United Kingdom
UN	United Nations
UNICA	União da Indústria de Cana-de-Açúcar (Brazilian Sugarcane Industry Association)
US	United States
WBCSD	World Business Council for Sustainable Development
WG	Working Group
WRC	Workers' Rights Consortium
WSSD	World Summit on Sustainable Development
WWF	World Wide Fund for Nature

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Chapter 1: Introduction

1.1 Introduction

Over the last two decades, the field of global sustainability politics has undergone a profound transformation from a state-centred model of regulation toward a system in which governance has multiple loci and levels (Abbott, 2012; Arts, 2006; Falkner, 2003, 2011). In what could be dubbed old global governance, states and intergovernmental organisations (IGOs) were the primary, and often only, providers of regulation. Rule-making took place at the national level, through international negotiations and within IGOs. Rule implementation and enforcement mostly occurred through the state and its agencies, as IGOs typically lack direct enforcement powers. Moving away from this state-centred model, the "new" system of global sustainability governance involves many actors (public and private) and actor constellations.

One important component of the emerging governance architecture in this area is business self-regulation. Increasingly, firms and industry associations regulate themselves through corporate codes of conduct and monitor their supply chains with the help of professional auditing companies (Dauvergne & Lister, 2012; Kolk & van Tulder, 2005; Utting, 2005). But also civil society actors and hybrid arrangements have come to play an important role in new global sustainability governance. Today, many non-governmental organisations (NGOs) have developed codes and standards of their own and partner with business, IGOs, and states in the context of private multi-stakeholder initiatives (MSIs) and public-private partnerships (Cashore, Auld, & Newsom, 2004; Liese & Beisheim, 2011; Pattberg, Biermann, Mert, & Chan, 2012).

The rise of private authority in the international system has received much attention from scholars of International Relations (IR). In the late 1990s, it was the works of Susan Strange and others that brought the diffusion of power in the world economy to the forefront of debates in the discipline (Biersteker & Hall, 2002; Cutler, Haufler, & Porter, 1999c; Higgott, Underhill, & Bieler, 2000; Strange, 1996). Following in the footsteps of these early works, many scholars have taken a critical perspective vis-à-vis private actors and their rule-making activities (Bartley, 2010; Fuchs &

Kalfaggiani, 2010; Guthman, 2007; Lipschutz & Rowe, 2005; Locke, Amengual, & Mangla, 2009; Nölke & Graz, 2008). A recurrent theme in this literature is their democratic deficit. In this regard, it has been argued that private governance institutions often lack transparent and participatory structures (Fuchs, Kalfagianni, & Havinga, 2011), that certain groups enjoy privileged access (Haufler, 2002; Nölke & Graz, 2007), and that topics and actors from the global south are often marginalised in these arrangements (Clapp, 2005a; Newell, 2005).

Drawing on new development in the philosophy of democracy, others, on the contrary, examine these new modes of governance as part of a 'deliberative turn' in global sustainability politics. An important argument in this literature is that procedural values, such as transparency, representation, and participation of societal stakeholders can improve the democratic legitimacy of global governance institutions (Bäckstrand, Khan, Kronsell, & Lövbrand, 2010c; Beisheim & Dingwerth, 2008; Bexel & Mörth, 2010; Börzel & Risse, 2005; Dingwerth, 2007; Mason, 2005; Risse, 2004). The normative basis of this argument is deliberative democratic theory which emphasises the importance of participation and deliberation over the liberal idea that rule-makers have to be formally accountable to rule-takers. From this perspective, meaningful democratic legitimacy requires that all those affected by a rule are given the opportunity to participate in the rule-making process (Bohman & Regh, 1997; Dryzek, 2000; Elster, 1998). Because of its focus on process, as opposed to principal-agent accountability, deliberative democracy has been proposed as a model for organising rule-making activity at the transnational level where no clearly defined *demos* or principal exists (Dingwerth, 2007: 21; Dryzek, 2000: 116). In this context, particularly MSIs have been praised for their democratising potential. Scholars have referred to them as "innovative institutional designs," "good governance models," and "sites of meaningful deliberation" (Cashore et al., 2004: 298; Dingwerth, 2007: 9; Gulbrandsen, 2008b).

As a mode of global sustainability regulation, private participatory governance first emerged in the forestry sector in the early 1990s and from there spread rapidly and widely in the global economy. The literature on the topic points to a good fit with neoliberal norms, democratic norms, social movement pressure, and the entrepreneurial activities of NGOs, foundations, and progressive firms as the main

drivers behind this process of successful or close institutional diffusion (Bartley, 2007b; Bernstein & Cashore, 2007; Ovodenko & Keohane, 2012). Today, several dozen MSIs operate in many industry sectors where they have become an important source of regulation for the world's forests, factories, farms, fisheries, and mines. However, the democratic legitimacy of private multi-stakeholder governance remains contested (Cheyns, 2011; Schouten, Glasbergen, & Leroy, 2012), and there is evidence to suggest that the institutional diffusion of MSIs has not spread a universal model of private participatory governance. One example is Fransen's and Kolk's (2007) study of 22 MSIs which finds that real-world initiatives vary significantly in their participatory quality.

Findings about varying levels of inclusiveness are not trivial. Inclusiveness is one of the core procedural requirements of deliberative democratic theory. Without broad participation from those affected by a rule meaningful deliberation, and therefore democratic legitimacy, is not possible. In other words, MSIs with a narrow stakeholder base call into question the promise of a deliberative turn in global sustainability politics. Furthermore, inclusiveness is thought to influence the outcomes of regulatory processes. In this regard, Mattli and Woods (2009) hypothesise that exclusive, closed, and secretive arrangements are more prone to produce capture regulation – that is, regulation that serves particularistic interests instead of the common good – than more inclusive arrangements. However, at the same time, stakeholder inclusion is thought to be costly. From collective action theory we know that a group's ability to reach collective decisions decreases as its size increases (Olson, 1965). In other words, there appears to be a trade-off between norms of legitimacy on the one hand and the efficiency of a process on the other (Carmin, Darnall, & Mil-Homens, 2003: 529; C. Scott, Cafaggi, & Senden, 2011: 13). Against this background, findings about more and less inclusive MSIs create an interesting empirical puzzle: why has the diffusion of private participatory governance in the global economy led to variation in this key dimension of institutional design?

The central task of this dissertation is to find an answer to this question. Therefore, it develops an analytical framework that unpacks the process of institutional diffusion. It asks: where do ideas about institutional design come from (source selection); what is transmitted (transmission); and what is adopted (adoption)? For each of these stages,

hypotheses about the cause-and-effect relationships that make diffusion outcomes vary are formulated. In this context, processes of learning, institutional bargaining, and the nature and strength of environmental pressures at the point of adoption are considered. Integrated into a causal model, this framework is put to work in three case study chapters which trace the diffusion of private participatory governance the agriculture sector – the most dynamic site of MSI diffusion in recent years.

To further introduce the subject of this dissertation, the remainder of this chapter proceeds in four sections. The first section introduces the concept of private governance and how it has been studied by scholars of IR. The chapter then sketches the rise of private sustainability governance. It is illustrated how private arrangements have become an important source of sustainability regulation in the global economy. This is followed by a discussion of the deliberative turn in global sustainability politics, detailing its philosophical foundations and implications for global governance. The chapter then directs its attention toward private participatory governance (MSIs). It describes their distinguishing features, historical genesis, and institutional diffusion, and conducts an inventory of a large sample of environmental MSIs (N = 16). In this context, their institutional designs are examined, allowing for a "first cut" distinction between MSIs with a high, medium, and low level of inclusiveness. The chapter closes by providing the reader with a road map of the dissertation.

1.2 Private Governance in the Study of International Relations

In their landmark volume *Governance without Government: Order and Change in World Politics*, Rosenau and Czempiel (1992) theorised about a profound transformation of the international system. They and their contributors argued that the nature and role of the state is changing and that in the future the international system will include many more actors. This work opened intellectual space for further inquiries into the future of statehood and the role of private actors in international politics. It led some scholars to hypothesise about a structural shift in the global economy and a general decline of the state and its power (Evans, 1997; Schmidt, 1995; Strange, 1996). In her influential book, *The Retreat of the State*, Susan Strange (1996: 46) described how a "progressive integration of the world economy, through

international production, has shifted the balance of power away from states and toward world markets". She argued that this has led to a diffusion of authority in the global economy and ultimately to a decline of the state. In particular, multinational corporations were seen as the beneficiaries of this process. As the main causes behind this transformation Strange identified the accelerating pace of technological change, the increasing importance of financial markets in the global economy, and the neoliberal agenda of politicians in the United States (US) and Europe. However, empirically these rather drastic descriptions of an "eclipse" or "evaporation" of statehood could not be verified and more recent works examining the changing role of the state and its institutions have painted a more nuanced picture. The tenor of this literature is that the role of the state is changing, but not in the radical way suggested by Strange and others (Leibfried & Zürn, 2005; Mosley, 2005; Rothgang & Schneider, forthcoming; Sørensen, 2004).

Today, most scholars seem to agree that globalisation has not resulted in a general retreat of the state. The increasing importance of private actors in international affairs, however, remains a widely uncontested fact and scholars of IR have started to theorise about their new political role. In their landmark volume, *Private Authority in International Affairs*, Claire Cutler and her colleagues (Cutler, Haufler, & Porter, 1999b: 16) observe that "private actors are increasingly engaged in authoritative rule-making that was previously the prerogative of sovereign states". Subsequent works by Higgott *et al.* (2000) and Biersteker *et al.* (2002) provided further evidence for the expansion and pervasiveness of private authority in the global political economy.

The study of non-state actors and private rule-making is now a well-established subfield of the discipline of IR. In their volume, Cutler *et al.* (1999b: 5) conceptualised private rule-making activity as a form of private authority which they define as the existence of legitimate decision-making power of an individual or organisation over a particular issue area. Whereas the literature on private authority followed a critical agenda, with a focus on uncovering power relationships and the changing nature of authority in the international system (Biersteker & Hall, 2002; Cutler et al., 1999c; Green, 2010a; Higgott et al., 2000), others have taken a more functionalist perspective. In an influential article, Robert Falkner (2003: 72) described

more institutionalised forms of collective private rule-making as private governance which he defines as "interactions among private actors, or between private actors on the one hand and civil society and state actors on the other, giving rise to institutional arrangements that structure and direct actors' behavior in an issue specific area". In the private governance literature, private actors are often examined as providers of rules and services which can complement or in some cases even replace governance by states or IGOs (Abbott, 2012; Börzel & Risse, 2010; Gulbrandsen, 2004).

The emergence of private authority or private governance is often discussed in the context of economic, technological, ideological, and societal transformations (Bartley, 2007b; Cutler, Haufler, & Porter, 1999a; Pattberg, 2005). In many of these works, parallels are drawn with Polanyi's (1944) discussion of the co-evolution of modern market economies and national regulatory systems. It is argued that processes of globalisation have created pressures to re-embed the emerging global economy in a regulatory structure. It is believed that, in a neoliberal context, this has given rise to private regulatory arrangements (Bartley, 2007b; Guthman, 2007; Raynolds, 2000). Drawing on regime theory, others have hypothesised that firms create private regulatory institutions to both increase their power as well as the efficiency of their interactions (Cutler et al., 1999a; Haufler, 2000). Furthermore, reputational pressures have been identified as an important driver behind private institution building. It has been argued that firms within an industry share a common reputation. In the case of corporate scandals, this often leaves entire sectors "tarred by the same brush" through, for example, stricter public regulation or NGO campaigns. In order to protect themselves against common sanctions, firms are believed to engage in self-regulation (Barnett & King, 2008; A. A. King, Lenox, & Barnett, 2002).

Increasingly, the focus of research has shifted away from the emergence of private governance institutions to the question of private governance effectiveness (Bartley, 2010; Gulbrandsen, 2009; Kalfagianni & Pattberg, 2013a; Liese & Beisheim, 2011; Marx & Cuypers, 2010; Vogel, 2009). In the political science literature, effectiveness is often understood in terms of goal attainment or problem solving (Underdal & Young, 2004). To determine effectiveness, effectiveness criteria are derived from a regime's officially stated goals or are defined by the researcher. Drawing on Easton's

(1965) system theory, output, outcome, and impact indicators are then used to measure progress towards these goals. For the field of private governance, Wolf (2010) defines *output* as the (self-)commitments of actors, *outcome* as the behavioural changes based on such commitments (i.e. compliance), and *impact* as the actual contribution to goal attainment or problem solving resulting from behavioural change. In their work on the effectiveness of global health partnerships, Liese and Beisheim (2011) hypothesise that an initiative's level of effectiveness is influenced by its degree of institutionalisation as well as its process management and capacity building efforts. Furthermore, the inclusion of relevant stakeholder groups and an initiative's capacity to induce processes of organisational learning are discussed as important factors. For Kalfaggiani and Pattberg (2011) organisational structure, policy design, information strategies, and the external institutional context are important conditions that determine a transnational rule-setting organisation's effectiveness. Other studies find that the outcome and impact of private governance remains limited (Bartley, 2010; Marx & Cuypers, 2010) and that there is variation across private regulatory arrangements (Vogel, 2009). For example, Vogel identifies the Kimberly Process Certification Scheme and the Better Factories Cambodia project as relatively effective arrangements, whereas the Publish What You Pay Campaign has had little effect on actors' behaviour.

Another important topic in the private governance literature is the interaction of private regulatory arrangements with one another (Dingwerth & Pattberg, 2009; L. W. Fransen, 2011; Overdevest, 2010) as well as with public regulatory frameworks (Abbott, 2012; Gulbrandsen, 2013; Overdevest & Zeitlin, 2014; Schleifer, 2013). There are several studies that argue that interaction between private governance arrangements has facilitated convergence among them. In this regard, Overdevest (2010), shows how interscheme competition has led to a ratcheting up of private standards in the forestry sector. In a similar vein, Dingwerth and Pattberg (2009) argue that transnational rule-making organisations share common features because of norms arising from social interactions between them. However, others believe that institutional variation will persist (Auld & Gulbrandsen, 2013). For example, Fransen (2011, 2012a) finds that the degree of convergence between private governance institutions in an issue area depends on a number of factors such as the homogeneity of civil society networks, the structure of the industry, and the nature of NGO-

business relationships. Furthermore, scholars have turned to examine the relationship between private governance institutions and public regulatory frameworks. It has been argued that public regulators should actively support and embrace private governance arrangements as this would strengthen the international regulatory system and help reaching sustainability goals (Abbott, 2012; Abbott & Snidal, 2009b). In response, others have started to examine the emerging public-private governance architecture in various issue areas (Gulbrandsen, 2013; Overdevest & Zeitlin, 2014; Schleifer, 2013).

Besides studying the emergence, effectiveness, and interaction of private governance institutions, the legitimacy of these arrangements has sparked much debate among scholars of IR. In this debate, it has been argued that the democratic potential of private governance institutions remains limited (Fuchs et al., 2011; Nölke & Graz, 2007). For some they even pose a threat to democracy and accountability in the international system (Lipschutz & Fogel, 2002). On the other hand, others have suggested that these new modes of governance could increase the effectiveness and legitimacy of global governance institutions (Bäckstrand et al., 2010c; Bexel & Mörth, 2010). The following sections provide a more detailed account of the debate surrounding the legitimacy of private governance institutions. To this end, the next section sketches the proliferation of private sustainability governance, illustrating the various ways in which private actors nowadays participate and contribute to global governance in this issue area. Then, the discussion moves toward the so-called deliberative turn in global sustainability politics.

1.3 The Rise of Transnational Sustainability Governance

The increasing importance of private actors in global sustainability governance is well documented (Arts, 2006; Falkner, 2003, 2011; Green, 2010a). According to Falkner (2011), the policy field is currently undergoing a profound change from a state-centred model of governance toward a system in which governance has multiple loci and levels. This does not mean that states have become insignificant. Ever since the United Nations (UN) Conference on the Human Environment in Stockholm in 1972 they have been at the centre of global sustainability politics. Over the last four decades, their efforts have led to the emergence of what could be called a regime

complex for sustainability – that is, a set of loosely coupled institutions (cf. Keohane & Victor, 2011). This regime complex encompasses IGOs and multilateral agreements such as the UN Environmental Programme, the Montreal Protocol, the Global Environmental Facility, the UN Convention on Biological Diversity, and the Kyoto Protocol as part of the UN Framework Convention on Climate Change. But, as noted by Abbot and Snidal (2009a: 87), "the state is far from the only game in town, and may no longer be the most important game in town". Starting in the 1980s, and further accelerating in the 1990s, a set of new actors and non-state governance arrangements began appearing on the stage of global sustainability politics. Part of this "megatrend" is the inclusion of non-state actors in intergovernmental regulation, the emergence and growth of corporate codes of conduct, and the proliferation of public-private partnerships, and private MSIs.

Since the end of World War II the number of NGOs with consultative status with the UN has steadily increased. An indicative example of this trend is the number of NGOs registered with the UN Economic and Social Council. In 2013, the number of registrations totalled 3,900 with most of the increase occurring since the 1990s (ECOSOC, 2013; Falkner, 2011: 7). NGOs have been particularly active in international environmental politics (Oberthür et al., 2002; Willetts, 1996). In this regard, even by the time of the Stockholm Environmental Conference in 1972, some 250 NGOs were registered as observers – then, the highest number of civil society participants at any UN conference. Among the 113 participating countries, 47 even included NGO representatives in their official delegations (Willetts, 1996: 68). The quality and quantity of civil society participation in UN environmental summits further increased at the UN Conference on Environment and Development in Rio in 1992 and the World Summit on Sustainable Development (WSSD) in Johannesburg in 2002 (Carr & Norman, 2008).

The involvement of NGOs in intergovernmental policy-making processes is increasingly matched by participation from business groups in these forums. According to Clapp (2005b), firms were keen to get involved in these processes as they were afraid that, left on their own, states and NGOs would produce policy outcomes which would negatively impact on their commercial interests. At least since the 1992 Rio Summit, business groups have therefore been very active in global

sustainability politics. Their lobbying activities surrounding international environmental agreements are well documented. Besides the Rio summits, business groups, for example, played an active role during the negotiations of the Cartagena Protocol on Biosafety and were well represented at the meetings of the Codex Alimentarius of the UN Food and Agriculture Organization (FAO) (Clapp, 2005b; Falkner, 2008).

Also, non-state actors are now very active in the implementation of intergovernmental policies. In an historical analysis of 152 multilateral environmental treaties, Green (2010a) shows that the rate of delegation to private actors has increased markedly over the past 25 years. Her data suggests that states increasingly rely on non-state actors as arbitrators, auditors and, most importantly, as providers of expert knowledge. Furthermore, firms and NGOs have come to play an important role in the context of so-called Type II partnerships (Liese & Beisheim, 2011; Pattberg et al., 2012). At the WSSD in 2002 it was decided that states and IGOs need to engage more strongly with civil society and the private sector in order to implement Agenda 21[1]. Since the summit in Johannesburg, some 350 public-private partnerships have been created (UN Department of Economic and Social Affairs, website). With a main focus on implementing sustainability goals in developing countries, these initiatives span a broad spectrum of activities and policy fields. Many of them cover environmental aspects of sustainable development. One example is the Renewable Energy and Energy Efficiency Partnership which promotes appropriate energy regulation and green business models in developing countries. Other public-private partnerships with a clear focus on environmental issues are the Global Conservation Trust, the Global Bioenergy Partnership, and the International Renewable Energy Alliance.

But the new role of private actors in global governance is not limited to their involvement in intergovernmental policy-making processes. Independent from states and IGOs, firms and NGOs have taken on important governance functions in the field of international sustainability regulation. One central pillar of the emerging system of

[1] Agenda 21 was one of the main policy outputs of the 1992 UN Earth Summit in Rio. It defines an action plan for the UN, other IGOs, and individual governments to advance social and environmental sustainability in four key areas: social and economic sustainability; conservation and management of resources for development; strengthening the role of major groups; and means of implementation (United Nations, 1992).

private sustainability governance is business self-regulation (Kolk & van Tulder, 2005; Utting, 2005). In response to corporate scandals and pressures from NGOs, governments, and consumers, many firms and industries have developed corporate codes of conduct and standards of their own. Today, literally all highly branded companies engage in corporate social responsibility activities of one sort or another (Dauvergne & Lister, 2012). In fact, business has proven very capable of organising, networking and mobilising around sustainability issues. One important platform is the World Business Council for Sustainable Development (WBCSD). Formed by business leaders in the run-up to the 1992 Earth Summit in Rio, the WBCSD promotes the sustainable development agenda within the wider business community. For instance, in collaboration with the World Resource Institute, the WBCSD developed the Greenhouse Gas Protocol, the world's leading carbon accounting standard (Green, 2010b). Examples of other important industry-led sustainability initiatives are:

- Global Sustainable Electricity Partnership – an association founded by leading electricity companies to promote renewable energy projects
- GlobalG.A.P. – initiated by leading European retail companies, GlobalG.A.P. develops standards for food safety and sustainable agriculture
- Responsible Care – active in more than 50 countries Responsible Care promotes health, safety and good environmental practices in the chemical industry

Besides corporate codes of conduct, MSIs have become a second important pillar of private sustainability governance over the last two decades. Probably the best-established system of this kind is the Forest Stewardship Council (FSC). Created in 1993, the FSC is jointly governed by firms and social and environmental NGOs. It sets standards for sustainable wood production and controls corporate compliance along the wood supply chain via third-party monitoring. As a market-based mechanism, the FSC differentiates products for environmentally conscious consumers and rewards acquiescent firms with reputational benefits. Over the last two decades, FSC-like initiatives have diffused rapidly and widely in the global economy and today MSIs regulate transnational production networks in industries as diverse as forestry (Bloomfield, 2012; Cashore et al., 2004) agriculture (Fuchs et al., 2011; Ponte, 2013), apparel (Bartley, 2007b; L. W. Fransen, 2012a), fisheries (Auld, 2007; Gulbrandsen, 2009), mining (Haufler, 2009; Kantz, 2007), and tourism (see Table 1).

Table 1: MSIs in the Field of Global Sustainability Regulation[2]

Sector	Multi-Stakeholder Initiative	Main Focus	Year of Foundation
Forestry	Forest Stewardship Council (FSC)	Environment	1993
	Programme for the Endorsement of Forest Certification (PEFC)	Environment	1999
Apparel	Fair Labor Association (FLA)	Labour rights	1998
	Ethical Trading Initiative (ETI)	Labour rights	1998
	Fair Wear Foundation (FWF)	Labour rights	1999
	Rugmark International/Good Weave (GW)	Labour rights	1995
	Social Accountability International (SAI)	Labour rights	1997
Agriculture	Better Cotton Initiative (BCI)	Environment	2009
	Better Sugarcane Initiative (BSI) /Bonsucro	Environment	2009
	Fairtrade Labelling Organization (FLO)	Fair trade	1997
	Flower Label Programme (FLP)	Labour rights	1999
	Global Roundtable for Sustainable Beef (GRSB)	Environment	2012
	International Cocoa Initiative (ICI)	Labour rights	2002
	International Sustainability and Carbon Certification (ISCC)	Environment	2010
	Roundtable on Responsible Soy (RTRS)	Environment	2006
	Roundtable on Sustainable Biofuels (RSB)	Environment	2009
	Roundtable on Sustainable Palm Oil (RSPO)	Environment	2004
	Sustainable Rice Platform (SRP)	Environment	in formation
	Utz Certifed	Environment	2002
	Common Code for the Coffee Community Association (4C)	Environment	2006
Fishery	Aquaculture Stewardship Council (ASC)	Environment	2009
	Marine Stewardship Council (MSC)	Environment	1999
	Marine Aquarium Council (MAC)	Environment	1998
Mining	Extractive Industries Transparency Initiative (EITI)	Corruption	2002
	Kimberly Process Certification Scheme (KPCS)	Illicit trade	2003
	Initiative for Responsible Mining Assurance (IRMA)	Environment	in formation
Tourism	Global Sustainable Tourism Council (GSTC)	Environment	2008
Energy	Equitable Origin (EQ)	Environment	2009
	Hydropower Sustainability Assessment Protocol (HSAP)	Environment	2013

The overview shows how private actors have become part and parcel of global sustainability governance. Today, firms and NGOs actively participate in intergovernmental policy-making processes and cooperate with states and IGOs in the context of public-private partnerships. Recent years have also seen an explosion of private sustainability initiatives with no or little direct participation from states or IGOs. As already mentioned above, the growing importance of private actors in global governance has sparked much debate about the democratic legitimacy of their

[2] This table lists organisations that 1) develop standards for sustainable production (social and environmental); 2) are dominated by private actors; 3) involve business and civil society actors at the board-level; 4) operate globally.

rule-making activities. In this context, concerns have been raised that outsourcing regulatory functions to private actors will lead to "less democracy and accountability around the world" (Lipschutz & Fogel, 2002: 121). Others, however, are less pessimistic about the new political role played by private actors. On the contrary, they believe that public-private partnerships, multi-stakeholder dialogues, and involving civil society actors in intergovernmental processes can counteract the democratic deficit of global governance institutions. They see the rise of these new modes of governance as part of a deliberative turn with the potential to increase the democratic quality and effectiveness of global governance institutions (Bäckstrand et al., 2010c; Bexel & Mörth, 2010).

1.4 The Deliberative Turn: Toward Legitimate Transnational Rule-Making?

Since the 1990s, democratic theory has taken what is often referred to as a deliberative turn (Bohman & Regh, 1997; Dryzek, 2000; Elster, 1998). According to Dryzek (2000: 1), this "turn represents a renewed concern with the authenticity of democracy: the degree to which democratic control is substantive rather than symbolic, and engaged by competent citizens". In light of this, deliberative thinkers stress the importance of process over the idea of formal accountability which permeates liberal democratic theory. In essence, the argument goes that true democratic legitimacy requires that all those affected by a rule have to have the opportunity to actively and equally participate in the rule-making process. As noted by Dryzek (2000: 1-8), this emphasis on deliberation is not an entirely new phenomenon. Elements of deliberative democracy can be found in the *polis* of ancient Greece and in the works of Edmund Burke and John Stuart Mill. However, prior to the 1990s the term deliberative democracy was rarely used. It was invented by Joseph Bessette and given impetus by Bernand Manin and Joshua Cohen. The concept then gained in importance and became the focal point of democratic theory when Jürgen Habermas and John Rawls identified themselves as deliberative democrats in their major works.

Smith (2003: 54) traces the deliberative turn in democratic theory back to a widespread dissatisfaction with the dominating liberal model of democracy. Liberal democratic theory is based on what could be called a principal-agent form of accountability. In this model, individual preferences are aggregated through an electoral mechanism. In this way, collective decisions are made which are then delegated to an agent (government) for execution. The model's legitimacy ultimately rests on the right and ability of the principal to hold its agents to account, to judge whether they have fulfilled their responsibilities, and to impose sanctions if these responsibilities have not been met (Grant & Keohane, 2005: 29). Smith (2003: 54) notes that although periodic elections have a disciplining effect on the elected to act in the voters' interests, the mandates that representatives enjoy typically extend over several years in which the electorate has little influence on the decision-making process. He and others criticise that this has given rise to political disillusionment and a growing distance between citizens and their representatives.

It is this dissatisfaction with the liberal conception of democracy which has renewed interest in the process of political decision-making. It is believed that "getting the process right" can help to revitalise and restore democratic legitimacy (Bohman & Regh, 1997; Dryzek, 2000; Elster, 1998). Strongly influenced by Habermas' theory of communicative action, the deliberative approach essentially boils down to two procedural criteria: inclusiveness and unconstrained dialogue (Lövbrand & Khan, 2010; Smith, 2003). Inclusiveness requires that all those affected by a rule need to be given the opportunity to participate in the rule-making process. The second criterion necessitates that the only authority is that of a good argument. In other words, the deliberative process needs to be free from domination, manipulation, and strategic behaviour. The theory goes that if these criteria are met meaningful deliberation, and thus democratic legitimacy, becomes possible.

Because of its focus on process instead of formal accountability, deliberative democracy has been proposed as a model for organising rule-making at the transnational level. The background to this is that the above-outlined shift away from intergovernmental regulation to increasingly hybrid and private forms of rule-making has raised questions about the legitimacy of global governance institutions. Similar to rule-making at the national level, intergovernmental regulation is based on preference

aggregation and the principal-agent model of accountability. Through international negotiations and voting within IGOs, member states confer authority to intergovernmental bodies. In the case of non-compliance, they are able to withdraw their support and thus punish the agent for failing to fulfil its tasks. However, in the transnational realm no clearly defined *demos*, or self-governing community, exists. Preference aggregation and principal-agent accountability are therefore not well suited for the reality of transnational rule-making with its multitude of actors, diffuse authority, and many levels. The private arrangements described above have no mandate. They are self-appointed and no there is no principal able to hold them to account. Against this background, many scholars seem to agree that deliberative democracy is an attractive model not only for revitalising democratic legitimacy at the national level, but also for the organisation of governance beyond the nation state (Dingwerth, 2007: 21; Dryzek, 2000: 116).

Among the various private governance arrangements that exist, MSIs are believed to most closely approximate the deliberative ideal (Abbott, 2012; Boström, 2006; Dingwerth, 2007; Gulbrandsen, 2008b). They seek to organise meaningful deliberation through participatory elements and procedural transparency. Multi-stakeholder boards, observer councils, public outreach meetings, and public consolation periods are intended to ensure that a wider audience is given the opportunity to participate in their rule-making activities. Although transparency is not equivalent to unconstrained dialogue, it is widely regarded as a key element of good governance. According to Esty (2007: 525), seeing the decision-makers in action and observing who has influenced a decision is essential to establishing a sense of fairness, rationality, and neutrality. Also, it exposes the decision-making process to public scrutiny and thus discourages rent-seeking and other forms of self-serving behaviour. Against this background, it has been argued that MSIs "frequently base their decisions on sincere and meaningful deliberation among participants" (Dingwerth, 2007: 9). Others have referred to them as a "good governance model" (Gulbrandsen, 2008b) and "one of the most innovative and startling institutional designs of the past 50 years" (Cashore et al., 2004: 298).

1.5 Private Participatory Governance: Theory and Practice

Over the last two decades, MSIs have emerged as an important source of transnational sustainability regulation. MSIs first emerged in the forestry and apparel sectors in the early 1990s and from there spread rapidly and widely in the global economy. It is the purpose of this section to introduce the theory and practice of MSIs in more detail. With a focus on multi-stakeholder certification organisations the central features and functions of these schemes are discussed. This is followed by a description of the model's genesis and diffusion. Then, to illustrate the institutional variation in the area, an inventory of a larger sample of environmental MSIs (N = 16) is conducted.

1.5.1 Distinguishing Features

MSIs are "institutional arrangements that structure and direct actors' behavior in an issue specific area" (Falkner, 2003: 72). They set sustainability standards for transnational production and often rely on market forces (certification) to implement their standards in the world's forests, factories, mines, farms, and fisheries. Essentially, these systems function as clubs (Potoski & Prakash, 2009). Firms striving for membership have to implement the club's code of conduct in their operations. With the help of professional auditing firms, club managers then control corporate compliance along the supply chain. Compliant operators are issued a certificate which they can use to signal their sustainability performance to consumers, regulators, NGOs, and other relevant external audiences. In this way, firms can tap so called "markets for virtue,"[3] try to forestall public regulation, or hope to divert civil society pressure. The amount of reputational benefits/protection a club is able to provide to its members thereby depends on its credibility among relevant external audiences (Prakash & Potoski, 2007). Due to third-party oversight and the credibility this creates, MSIs generally offer a higher level of reputational protection than business self-regulation.

In their governance activities, MSIs are largely independent from the state and its monopoly of force. They are private arrangements and it is firms and civil society organisations which are the primary actors. However, the state and its agencies are not

[3] The term 'markets for virtue' refers to markets for sustainably produced goods (e.g. organic food, sustainable wood products, and sweatshop-free garments) (Vogel, 2006).

completely absent from these processes. Often, they play a background role through, for example, endorsing, facilitating, and supporting the activities of MSIs (Abbott & Snidal, 2009a: 83-87).

Furthermore, MSIs operate at the transnational level. Sustainability issues, and the production and consumption decisions driving them, increasingly transcend international borders. Through the collaboration and contestation between business and civil society actors MSIs are being developed to govern these transnational spaces. But MSIs do not only operate transnationally; they are themselves transnational organisations. In this regard, their membership structures and governance bodies reflect the transnational nature of the production networks they aim to regulate.

Whereas the features mentioned above are shared by many other private governance arrangements, MSIs are different in their level of inclusiveness as well as transparency. In fact, these governance arrangements seek to organise meaningful deliberation through participatory elements and procedural transparency. These design features directly follow from the two core procedural principles of deliberative democratic theory: inclusiveness and unconstrained dialogue. In theory, this makes MSIs to private governance institutions in which dialogue, adaption, and learning occurs over time and across a wide range of stakeholders (Auld, Balboa, Bartley, Cashore, & Levin, 2007: 6). Ideally, no single interest group is able to dominate the process and each participant has to engage with the views and interests of others.

1.5.2 Genesis

The development of private sustainability standards can be traced back to organic farmers' associations and fair trade NGOs. At the beginning of the 20th century, organic farmers' associations emerged in several countries. Early examples are Demeter in Germany (1928) and the British Soil Association in the United Kingdom (UK) (1946). These organisations developed standards for organic agriculture and sought ways to encourage and control their implementation. In this context, it was probably the British Soil Association which developed the world's first national organic certification scheme in 1973 (Soil Association, website). Other organisations

followed suit. In Germany, a seal for organically produced food was introduced by Bioland in 1978 (Bioland, website). Later, many of these national initiatives became united under the umbrella of the International Federation of Organic Agriculture Movement (IFOAM).

A second site of initial emergence is the fair trade area. The fair trade movement seeks to improve the terms of trade for marginalised producers in the developing world. Beginning in the 1980s, fair trade NGOs started to experiment with certification and on-product labelling. Fairly traded products were made visible to the consumer through a label or seal. Typically, fair trade systems operate on the basis of a price premium. These price premiums benefit producers in developing countries, mostly smallholders producing coffee, bananas, cotton, and other primary commodities. Initiated by the Dutch development NGO Solidaridad, it was the fair trade label Max Havelaar, which pioneered the certification model in the fair trade area (1988) (Solidaridad, website). Similar initiatives such as Transfair and Fairtrade Mark soon emerged in other European countries and North America. In 1997, many of the national fair trade initiatives merged to form the FLO (Fairtrade Foundation, website).

These developments in organic agriculture and fair trade set the stage for multi-stakeholder certification schemes to emerge as a mode of private global governance. However, it was events in the forestry and apparel arenas in the early 1990s which established and consolidated the model.[4] Throughout the 1980s, conservationist groups launched a number of high profile campaigns against unsustainable forestry practices, specifically against the trade with tropical timber. They initiated consumer boycotts and directly targeted do-it-yourself-stores such as B&Q in the UK (Schwartzman & Kingston, 1997). The industry reacted by creating various forestry labels and certificates, of which many made unsubstantiated sustainability claims. In this context, small specialty woodworking firms in North America and Europe began to worry about how to differentiate their products from those firms using conventional forestry practices. In 1989, they formed the Woodworkers' Alliance for Rainforest Protection and began meeting with forest owners and environmental groups. At the

[4] See Bartley (2007a, 2007b) and Synnott (2005) for a detailed account of the emergence of private governance in the forestry sector.

same time, the World Wide Fund for Nature (WWF), the world's largest environmental NGO, became increasingly dissatisfied with the results of its boycott and campaigning activities and adopted a more collaborative approach. In 1991, the NGO formed the so-called WWF 1995 Group which consisted of some 20 British wood product companies. The goal of the group was to eliminate unsustainable wood in their supply chains by the end of 1995 (WWF, website-d). Then, the failure of states to reach an international agreement on forests during the Earth Summit in Rio in 1992 provided further impetus to the emergence of private governance in the forestry arena. Disappointed with the outcome, many civil society groups began to support a private and market-based solution to the problem of deforestation. In 1993, these developments resulted in the formation of the FSC.

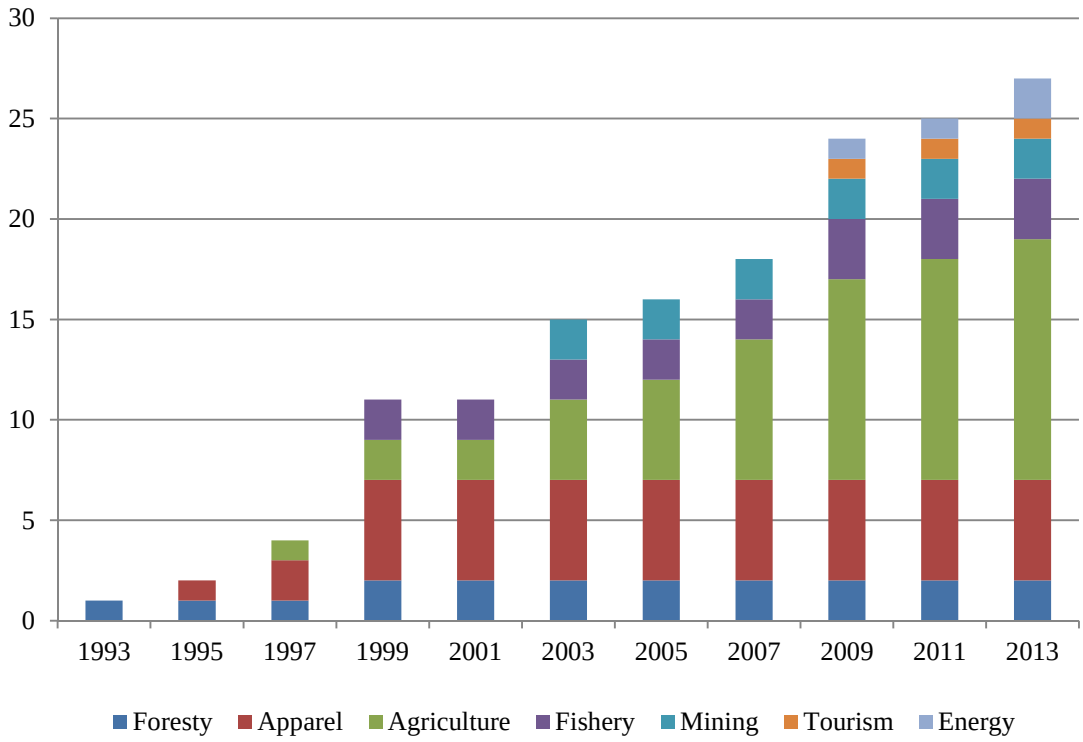
Largely independent from events in the forestry sector, multi-stakeholder certification organisations emerged in the apparel product field a few years later (Bartley, 2003, 2007b; L. W. Fransen, 2012a). After discoveries of poor labour conditions in the industry's global supply networks, the sector was shaken up by NGO campaigning activities and negative media coverage. Civil society groups like the Clean Cloth Campaign and US Students Against Sweatshops directly targeted leading apparel brands for poor labour conditions in their supplier factories (Bullert, 2000). Put in the spotlight by NGOs, Nike and other major clothing corporations reacted by drafting codes of conduct and by collaborating with labour advocacy groups in the context of multi-stakeholder schemes. A significant step toward the creation of MSIs in the apparel sector was the formation of the Apparel Industry Partnership in 1997. Initiated by the Clinton administration in the US, the Apparel Industry Partnership was a coalition of leading apparel brands, universities, student groups, and trade unions. However, the initial coalition fell apart when conservative firms and more radical NGOs and trade unions clashed over the purpose of the initiative and the content of the standard (Abbott & Snidal, 2009a: 72). Notwithstanding these early drawbacks, some of the more progressive firms and moderate NGOs continued their collaboration on labour issues in the apparel sector. These efforts led to the creation of FLA, Social Accountability International, and several other labour-standard MSIs in the late 1990s.

The emergence of MSIs in the forestry and apparel arenas triggered what some have referred to as the "certification revolution" (Conroy, 2007). On the one hand, civil society groups saw MSIs as a way to bypass slow and ineffective intergovernmental policy-making processes and to address the shortcomings of corporate self-regulation. On the other hand, through participating in MSIs progressive firms hoped to reap branding benefits, deflect civil society pressures, and to forestall more stringent public regulation. These, and other factors discussed in more detail in the following section, led to the rapid diffusion of the MSI model in the global economy.

1.5.3 Diffusion

The spread of private participatory governance in the global economy is often described as an example of successful diffusion (Bartley, 2007b; Ovodenko & Keohane, 2012). Figure 1 illustrates the pattern of diffusion. MSIs first emerged in the forestry and apparel industries and then spread to other industry sectors. The population of MSIs increased rapidly towards the end of the 1990s and kept growing throughout the 2000s. Several schemes are still in formation and new schemes are likely to be initiated in the future. What explains the diffusion of the MSI model? The academic literature on the topic points to a good fit with prevailing social structures, social movement pressure, and the entrepreneurial activities of NGOs, foundations, and progressive firms as the main drivers behind this process.

Figure 1: The Diffusion of MSIs in the Global Economy[5]



In social science theory, social structures or institutional environments are thought to take effect through defining roles, appropriate and inappropriate courses of action, and through structuring cognitive processes (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). With regard to the emergence and spread of MSIs, global market norms and norms of good governance are often mentioned as context factors that have facilitated their diffusion. In his work on MSIs in the forestry and apparel industries, Bartley (2003, 2007b) describes how neoliberal ideas and discourses came to dominate national and international policy agendas. He argues that, in this context, demand for social and environmental regulation was channelled away from states and toward the market as the appropriate forum. In a similar vein, Bernstein and Cashore (2007: 352-354) describe a private sector turn in the international political economy. As an example, they mention the 2002 WSSD where public-private partnerships were promoted as one of the principal mechanisms for implementing international sustainability goals. They believe that the neoliberal normative environment reflected in contemporary trade regimes has provided an enabling condition for private market-driven governance. Also, Utting (2002: 5) sees the spread of MSIs in the context of

[5] This figure is based on Table 1, Section 1.3. It depicts the number of MSIs in different industry sectors over time.

neoliberal capitalism. In his view, economic liberalisation has given rise to the idea that social and environmental performance need no longer be ordered through command and control regulation but can be attained through voluntary private initiatives.

Whereas arguments about an enabling neoliberal environment apply to the phenomenon of private governance in general, norms of good governance are more specifically associated with the rise of multi-stakeholder regulation. In this regard, Bernstein and Cashore (2007: 353) identify a growing normative consensus on the need to democratise global governance behind the diffusion of MSIs. They give the example of the Rio Declaration on Sustainable Development (Agenda 21), which states that environmental issues are best handled with participation from all concerned citizens at the relevant level. Another example is the Commission on Global Governance which calls for more inclusive and more participatory mechanisms of global governance (Utting, 2002: 6). It is argued that the resulting normative pressures have influenced institutional design choices in private governance. In this context, Bernstein and Cashore (2007: 353) mention the adoption of a three chamber decision-making process through the FSC, the creation of the Workers' Rights Consortium, and the governance reform of the MSC.

At the actor-level, social movement pressure is discussed as an important driver behind private multi-stakeholder governance. In the past, NGOs have used 'naming and shaming' campaigns to put pressure on firms to reduce their social and environmental impacts and to participate in NGO-sponsored MSIs (Sasser, Prakash, Cashore, & Auld, 2006). In particular, highly branded firms are believed to be vulnerable to these pressures. Evidence from the apparel, diamond, and forestry sectors suggest that social movement pressure often precedes the creation of MSIs. For example, Bartley (2009: 130) describes how, in the apparel sector, NGO campaigning activities played a key role in getting firms to participate in MSIs. He argues that social movement pressure operated as a catalysing force that can hardly be understated. Accounts of MSI formation in the forestry and diamond industries provide further evidence for the importance of NGO pressure. In the diamond industry, the 'blood diamond' campaign has been identified as a key factor contributing to the creation of the Kimberly Process Certification Scheme (Haufler,

2009: 94). The same is true for the forestry sector in which tropical timber boycotts and the targeting of big retail corporations paved the way for the FSC (Bartley, 2003, 2007b).

However, the role of civil society is not restricted to shaming business into action. The rise and diffusion of MSIs is also due to a change of strategy in parts of the NGO community, described by Domask (2003: 157) as "a shift from boycotts to global partnerships". In this regard, some of the major environmental NGOs began to collaborate with business and to actively promote multi-stakeholder processes. Their entrepreneurial activities are seen as a driving force behind the current trend toward multi-stakeholder regulation. As shown by Auld et al. (2007), NGOs have been instrumental in developing and carrying the MSI model across industry sectors. Among others, the WWF has been a key driver and incubator of multi-stakeholder governance. The environmental NGO has been involved in the formation and governance of some 10 MSIs, certifying fish, aquaculture, timber, cotton, soy, sugar, biofuels, beef, and palm oil (WWF, 2010). Another example is the Rainforest Alliance. With its SmartWood programme, the Rainforest Alliance was a pioneer of forest certification and later applied this model to various other agricultural commodities such as bananas and coffee (Auld, 2009). The Rainforest Alliance is also a founding member of the Sustainable Agriculture Network and the GSTC. Furthermore, the Dutch development NGO Solidaridad has been an important advocate of multi-stakeholder processes and certification. In 1988, Solidaridad created the fair trade label Max Havelaar and since then has been active in various roundtable initiatives such as the RTRS and the GRSB. Besides NGOs, the literature points to the role played by philanthropic foundations in consolidating and diffusing the MSI model. In this regard, Bartley (2007b) details how US foundations have played a key role in the formation of forest certification by providing early investment funding and grants. One important foundation is the David and Lucile Packard Foundation, which has provided significant funds to support the formation of MSIs in the forestry, agriculture, and fishery sectors (Packard Foundation, website).

Besides civil society organisations, business groups have also become proactive players in implementing sustainability standards and in shaping and disseminating private governance institutions. In their work on private food governance, Fuchs and

Kalfaggiani (2010) point to the power and authority of big retail companies as important drivers behind the emergence and diffusion of private governance institutions in this area. Virginia Haufler (2003) identifies a shift in corporate strategies as industry leaders became increasingly worried about the effectiveness of naming and shaming campaigns launched by transnational advocacy groups. One way for corporate managers to respond to these pressures has been to take the lead and to enter new partnerships and to develop alternative forms of regulation. In a similar vein, Peter Utting (2005) describes how business actors have proven very capable of organising, networking, and mobilising around corporate social responsibility issues. According to him, this has given rise to various institutional and organisational forms such as collaborative arrangements with NGOs, trade unions, governments, and IGOs. The British-Dutch consumer goods manufacturer Unilever is one example of a company being very active in the field of multi-stakeholder governance. In 1997, the company entered a partnership with WWF to create the MSC. It is also a founding member of the RTRS and currently chairs the RSPO (interview with the Director of Unilever's Sustainable Agriculture Programme).

Finally, the background role played by states and IGOs is sometimes invoked (Abbott & Snidal, 2009a: 83-87). Acting as orchestrators, states and IGOs sometimes harness private regulatory initiatives in order to increase their reach and to reduce the cost of regulation (Abbott & Snidal, 2009b; Schleifer, 2013). Although Abbott and Snidal identify an overall orchestration deficit, in many areas government agencies and IGOs have actively supported and facilitated the emergence of MSIs. For instance, the US and UK governments have been instrumental in the developmental phase of the FLA and the ETI respectively. Also the Dutch, Swiss, and German governments have supported multi-stakeholder processes in the past.

1.5.4 Institutional Variation

Over the last two decades, private participatory governance has diffused across industry sectors. In the forest, apparel, fishery, agriculture, and mining industries, MSIs are now an important source of sustainability regulation. For example, by 2014, the FSC had certified over 180 million hectares of forests (FSC, 2014); and, in the fishery sector, some 7 million tonnes of seafood are now certified by the MSC. This is

about 8 percent of the world's total wild capture harvest (MSC, website). In the palm oil sector, the RSPO now covers 2.6 million hectares of land under its scheme – that is, about 15 percent of the globally harvested area (FAO, website-b; RSPO, website-a). Other MSIs such as the ASC, BSI/Bonsucro, BCI, RTRS, and the RSB have only recently finalised their standard-setting processes and launched their certification systems. They can be expected to certify large quantities of global aquaculture, sugarcane, cotton, soy, and biomass production in the near future.

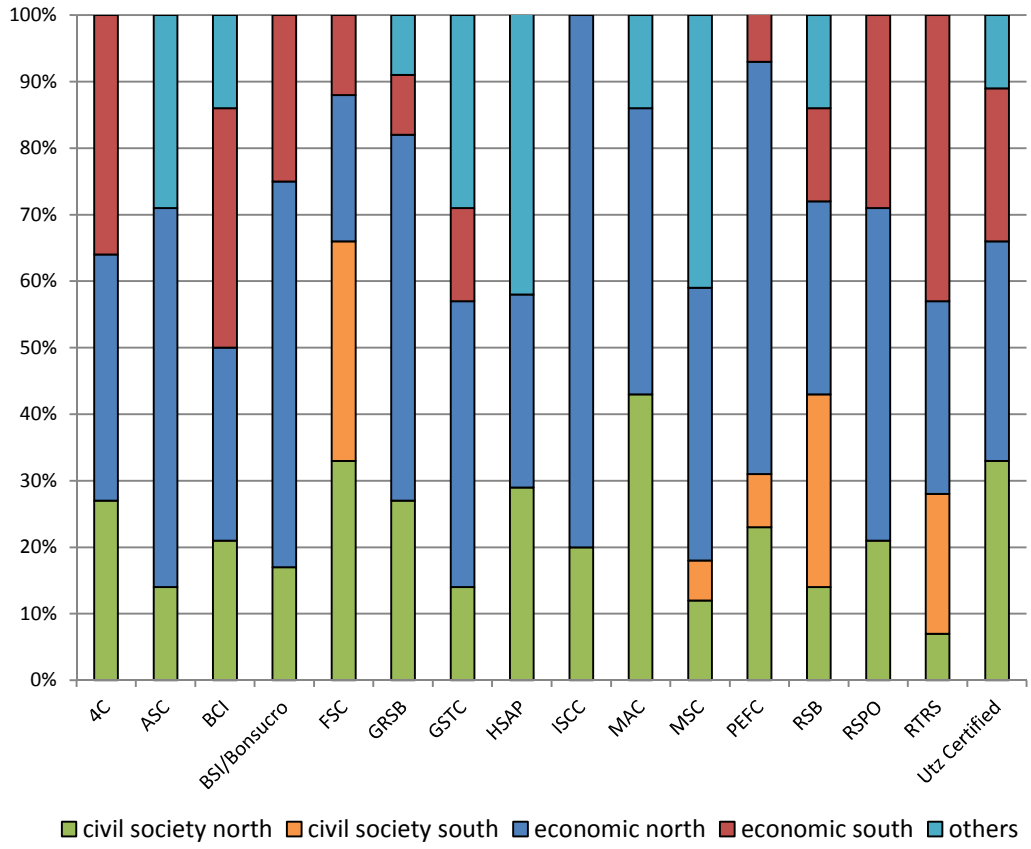
However, there is strong evidence to suggest that the institutional diffusion of MSIs in the global economy has not spread a universal model of private participatory governance. For example, in their study of 22 MSIs, Fransen and Kolk (2007) find that real-world initiatives vary strongly in the design of their inclusiveness. Distinguishing between MSIs with a broad and a narrow level of inclusiveness, they describe how "different types of multi-stakeholder standards currently co-exist under one and the same flag". They warn that "those who want to avoid difficult interactions with critics and true interest representation have to some extent the opportunity to do so" (L. Fransen & Kolk, 2007: 669, 678-679). The following analysis of the institutional design of 16 of environmental MSIs provides further support for the findings of Fransen and Kolk.

For the analysis, the inclusiveness and transparency of 16 environmental MSIs was examined.[6] To determine the level of inclusiveness, the analysis focused on the composition and constitutive rules of their central decision-making bodies. Typically, the central decision-making body is some kind of steering board (SB), or steering committee (SC). Some MSIs also feature a General Assembly (GA) or Annual General Meeting (AGM), but decision-making is mostly concentrated at the board-level. As can be seen from Figure 2, there are significant differences in the composition of these bodies across MSIs. On one side of the spectrum are initiatives like the FSC and RSB which involve all key stakeholder groups in their central decision-making bodies and where civil society actors are strongly represented. On the other side of the spectrum are initiatives like the ASC, BSI/Bonsucro, and the ISCC. Their boards are dominated by corporate interests and civil society actors are in

[6] This dissertation focuses on the population of environmental MSIs as there is evidence to suggest that labour rights MSIs do not belong to the same community of practice (Bartley 2003).

a much weaker position. Furthermore, the inventory reveals that civil society actors from the global south are not very well represented at the board-level. They hold board seats in only 5 out of the 16 MSIs that were examined.

Figure 2: Composition of MSIs' Primary Decision-Making Bodies[7]



The analysis of constitutive rules provides further evidence for variation in the level of inclusiveness (see Table 2). Constitutive rules, or what Elinor Ostrom (1990: 52-53) calls constitutional-choice rules, create the framework for organised collective action. They determine who is eligible to participate in collective decision-making and define the formal procedures through which these decisions are reached. For the inventory the statues and bylaws of the 16 organisations were examined as to whether they require civil society participation and/or participation from organisations from the global south at the board-level. Furthermore the decision-making arrangements

[7] This figure has been composed using information provided on the websites of the 16 organisations. Typically, these contain a section on governance in which information about the board and its members is provided. To create the figure, board members have been identified as either belonging to one of the following categories: economic, civil society, or others. Then, the location of their home institution's headquarters has been used to determine their geographic origin (global north or global south). The figure displays the proportion of seats held by each stakeholder group.

(voting procedures) were examined as to whether they provide protection against regulatory capture. As defined by Mattli and Woods (2009: 12) regulatory capture "is the control of the regulatory process by those whom it is supposed to regulate or by a narrow subset of those affected by the regulation, with the consequence that regulatory outcomes favour a narrow few at the expense of society as a whole". In the case at hand, granting formal veto rights or a blocking minority to non-business actors is a common design feature to protect against regulatory capture. The analysis revealed that the statutes of several MSIs contained all three criteria (4C, FSC, HSAP, RSB, and RSPO). On the others hand, the constitutive rules of the ASC and PEFC were found to contain none of the above mentioned provisions. Also, it is noteworthy that in 10 out of the 16 MSIs examined non-business actors do not hold a formal veto right or blocking minority.

Table 2: Constitutive Rules of MSIs' Central Decision-Making Bodies[8]

Initiative	Board seats reserved for civil society actors	Board seats reserved for actors from the global south	Protection against regulatory capture
4C	Yes	Yes	Yes
ASC	No	No	No
BCI	Yes	No	No
BSI/Bonsucro	Yes	No	No
FSC	Yes	Yes	Yes
GRSB	Yes	No	No
GSTC	Yes	No	No
HSAP	Yes	Yes	Yes
ISCC	Yes	No	No
MAC	Yes	No	No
MSC	Yes	No	No
PEFC	No	No	No
RSB	Yes	Yes	Yes
RSPO	Yes	Yes	Yes
RTRS	Yes	No	Yes
Utz Certified	Yes	No	No

In order to facilitate comparison across organisations, the results of the above analysis were used to calculate an 'inclusiveness score' (see Table 3). With regard to board composition, MSIs received one score point when all key stakeholder groups (civil

[8] This table is based on the bylaws and statues of the 16 organisations (4C Association, 2008; ASC, 2009; BCI, 2009; Bonsucro, 2011; FSC, 2009; GRSB, 2012; GSTC, 2010; HSAP, 2011; ISCC, 2011; MAC, 2002; MSC, 2002; PEFC, 2013; RSB, 2010i; RSPO, 2004; RTRS, 2007c; Utz Kapeh, 2011). It was examined whether or not they contain requirements to include civil society actors and/or organisations from the global south at the board-level. Furthermore, the design of MSIs' voting arrangements was analysed as to whether they provide non-business actors with a formal veto right or blocking minority.

society north, civil society south, economic north, economic south) were represented at the board-level. Another score point was allocated to those organisations in which none of the two business constituencies held more than two-thirds of the seats.[9] Then, MSIs received a score point for each of the following criteria: representation from civil society at the board-level required, representation from organisations of the global south at the board-level required, and constitutive rules provide protection against regulatory capture. MSIs which scored 5-4 points were ranked as high, MSIs which scored 3-2 points were ranked as medium, and MSIs which scored 1-0 points were ranked as low.

To determine the level of transparency, the websites of the 16 MSIs were examined as to the quality of procedural information they contain. MSIs were assigned a low level of procedural transparency when they provided only very basic information about governance and standard-setting on their websites. In contrast, initiatives were assigned a medium level of procedural transparency when this information was more detailed. At a minimum, MSIs had to detail the composition of their central decision-making bodies, their collective choices rules, and the history and technicalities of the standard-setting process. Finally, MSIs' level of procedural transparency was ranked as high when they made the meeting minutes of their central decision-making bodies available online (see Table 3).

[9] In many democratic political systems a two-thirds majority marks a critical threshold. For example, constitutional changes often require a two-thirds majority.

Table 3: The Inclusiveness and Transparency of MSIs

	High	**Medium**	**Low**
Inclusiveness	FSC HSAP RSB	4C BCI GRSB GSTC MAC MSC RSPO RTRS Utz Certified	ASC BSI/Bonsucro ISCC PEFC
Procedural transparency	FSC RSB RSPO RTRS	4C ASC BCI BSI/Bonsucro GRSB GSTC HSAP ISCC MAC MSC PEFC Utz Certified	

This inventory of the institutional design of MSI reveals an interesting pattern. With regard to procedural transparency, it was found that all MSIs provided detailed information about their governance structures on their websites. Typically, their websites contained a section on governance in which their decision-making organs and their procedures were explained. All of the websites examined also contained information about standard-setting, although there was variation in the depth and quality of the information provided. On the other hand, however, very few initiatives made the meeting minutes of their central decision-making bodies available to the public. At the population level, this can be explained with the "cost" of transparency. In this regard, providing detailed information about internal decision-making processes is significantly more costly than disclosing generic information about procedures and structures. However, only high levels of procedural transparency create the institutional environment conducive to unconstrained dialogue. As described by Esty (2007: 525), it exposes who has influenced a decision and discourages rent-seeking and other self-serving behaviour through public scrutiny.

The cost of inclusiveness can be expected to be even higher. Involving all key stakeholder groups in the decision-making process and making sure that no one can

unduly influence the regulatory outcome is costly – in particular, for the targets of regulation (i.e. business actors). On the one hand, having a larger diversity of interests at the table will make decision-making more difficult and conflict prone. On the other hand, it will have an effect on the regulatory outcome. In this regard, we can expect more inclusive governance arrangements to produce more stringent regulation than less inclusive ones (Mattli & Woods, 2009). At the same time, as implied by the term multi-stakeholder, inclusiveness is the distinguishing feature of MSIs. Ultimately, it is their inclusiveness on which claims about their democratic legitimacy as rule-making arrangements are based. Against this background, findings about significant variation in this key dimension of institutional design create an interesting empirical puzzle. It is this puzzle that this dissertation sets out to resolve.

1.6 Contributions

By examining the institutional diffusion and variation of private participatory governance, this dissertation's contribution is threefold:

Firstly, a contribution is made to the ongoing debate on the legitimacy of private governance institutions (Bäckstrand et al., 2010c; Cheyns, 2011; Dingwerth, 2007; Nölke & Graz, 2007; Schaller, 2007; Schouten et al., 2012). However, the main purpose here is not to provide yet another "measurement" of the democratic legitimacy or deliberative capacity of MSIs. Not surprisingly, given the intangible and political nature of the subject, these measurements have produced highly contradictory results. Whereas some scholars have praised MSIs for being sites of meaningful deliberation (e.g. Dingwerth, 2007; Schaller, 2007), others have contested their deliberative capacity, arguing that peripheral groups and critical discourses are often excluded from these arrangements (e.g. Cheyns, 2011; Schouten et al., 2012). Probably, the truth lies somewhere in the middle. MSIs are not a panacea through which the world will enter a golden age of legitimate transnational rule-making. That said, from a public interest perspective, they are certainly preferable to business self-regulation with no involvement of external stakeholders. Still, as shown above, not all MSIs are the same. From the vantage point of democratic theory, some MSIs are better (more participatory) than others. Against this background, the main goal and contribution of this dissertation is an explanatory one. Examining the institutional

diffusion of private participatory governance in the global economy, it identifies and examines the factors that cause variation in this key dimension of institutional design.

Through exploring the question this question in-depth, the dissertation makes also an important contribution to the literature on institutional design. Only very recently have scholars of IR started to explore diffusion arguments as an explanation for the design of international institutions (Alter, 2012; Jetschke & Murray, 2011; Ovodenko & Keohane, 2012; Sommerer & Tallberg, 2014). These studies show that institutional diffusion is a pervasive phenomenon in international and transnational relations. Furthermore, this literature suggests that while institutions diffuse, they often vary in form and content. However, as of yet, explanations of variation in the diffusion process remain largely context-specific and a more general and systematic treatment of the topic is still missing (Klingler-Vidra & Schleifer, 2014). In order to fill this gap, this dissertation makes an important theoretical contribution to the literature on international institutions. It unpacks diffusion "theory" and develops an analytical framework that distinguishes three stages in the diffusion process: source selection, transmission, and adoption. For each of these stages, hypotheses are formulated about the cause-and-effect relationships that make diffusion outcomes vary. In this way, a framework for studying processes of institutional diffusion is offered, which is applicable beyond the specific empirical context of this dissertation.

Last but not least, this dissertation speaks to the specialised literature on multi-stakeholder sustainability governance (Auld, 2009; Bartley, 2007b; Cashore et al., 2004; Gulbrandsen, 2010; Pattberg, 2005). As a more detailed review provided in Chapter 2 reveals, this literature has mostly focused on the initial institutional emergence of sustainability MSIs in the forestry, fishery, and apparel industries. More recently, scholars have turned their focus toward the question of institutional isomorphism or convergence between existing organisations. It is noticeable that the diffusion of the MSI institutional model has received considerably less attention. The works that do exist describe the emergence of institutional variation during the diffusion process. However, the underlying causal mechanisms remain poorly specified and empirically underresearched. In other words, we still know little about the factors that cause institutional variation between MSIs. Also, by studying three MSIs in the agriculture sector in-depth, this dissertation makes an important empirical

contribution.[10] As mentioned above, much of the existing MSI literature focuses on the forestry, apparel, and fishery sectors. In particular, the FSC has received much scholarly attention. In contrast, the MSIs in the agriculture sector remain largely underresearched.

1.7 Road Map of the Dissertation

The remainder of this dissertation is structured in seven chapters. Chapter 2 begins with a more focused review of the literature on multi-stakeholder sustainability governance and how it has dealt with the question of institutional diffusion. It identifies a gap in the literature, as only very few works have examined these processes in more (empirical and theoretical) depth. In order to address this gap, the chapter proceeds with a detailed introduction to diffusion "theory". The concept of institutional diffusion is introduced and it is specified why and when diffusion occurs and what its primary mechanisms and outcomes are. This discussion serves as a background for theorising about the occurrence of variation during the diffusion process. To this end, three different stages in the diffusion process are distinguished: source selection, transmission, and adoption. For each of the stages, hypotheses are formulated about the cause-and-effect-relationships that make diffusion outcomes vary. These are then integrated into a causal model that will be put to work in the case study chapters. In preparation for the empirical analysis, the chapter closes with discussion on questions of research design and methodology. It operationalises the dependent variable, discusses the rationale behind the case selection, and explains the two-step methodological approach which combines a within-case study analysis (process-tracing) with a cross-case comparison.

To set the scene for the empirical analysis, Chapter 3 then provides an introduction to the global political economy of agriculture. In a first section, the chapter describes the globalisation of agricultural trade and production. It traces this development from the emergence of agricultural trade in the colonial era to today's highly industrialised and transnationally integrated agro-supply chains. This is followed by a discussion of the

[10] See Chapter 2, Section 2.5.4 for a detailed discussion of the case selection.

sector's various sustainability challenges and the role of private governance institutions in addressing these challenges.

Chapters 4-6 examine the institutional diffusion of private participatory governance in the agricultural sector – the most dynamic site of MSI diffusion in recent years. Chapter 4 focuses on the RSB in the biofuel sector; Chapter 5 examines the RTRS in the soy sector; and Chapter 6 studies BSI/Bonsucro in the sugarcane sector. In the inventory of environmental MSIs conducted in this chapter, these schemes were found to exhibit a high (RSB), medium (RTRS), and low (BSI/Bonsucro) level of inclusiveness, respectively. After providing some case context and background information, each case study begins with a more in-depth analysis of the composition and constitutive rules of their decision-making and standard-setting arrangements. Then, the analytical framework developed in Chapter 2 is used to explain the diffusion outcome for each of the three cases. Completing the empirical analysis, Chapter 7 compares the findings across cases. This makes it possible to identify the causes of variation for the cases studied. It also creates a more solid empirical basis for the formulation of more general hypotheses about the variation in the inclusiveness of private governance institutions.

In conclusion, Chapter 8 provides a more detailed discussion of the contribution of this dissertation to the debate on the legitimacy of private governance institutions, research on the relationship between diffusion and institutional design, and the literature on multi-stakeholder sustainability governance.

Chapter 2: Institutional Diffusion and Variation

2.1 Introduction

The rise of private participatory governance is often referred to as a case of successful, or close, diffusion (Bartley, 2007b; Ovodenko & Keohane, 2012). As a mode of global governance, MSIs first emerged in the forestry and apparel sectors in the early 1990s and from there diffused rapidly and widely in the global economy. Today, several dozen MSIs operate in sectors as diverse as apparel, agriculture, fishery, mining, and tourism where they certify the world's factories, farms, fisheries, and mines. Due to their participatory approach, MSIs have been widely praised as "innovative institutional designs," "good governance models," and "sites of meaningful deliberation" (Cashore et al., 2004: 298; Dingwerth, 2007: 9; Gulbrandsen, 2008b). However, the inventory of 16 environmental MSIs conducted in Chapter 1 revealed significant variation in their institutional designs, notably their level of inclusiveness. Whereas some initiatives involve a wide range of stakeholders in their governance and standard-setting activities, others have been found to be considerably less participatory. It is this institutional variation which this dissertation sets out to explain.

To begin the inquiry, this chapter starts with a more focused review of the MSI literature and how scholars have dealt with the question of institutional diffusion. Identifying a gap in the literature – we still know little about the process of institutional diffusion in this area and why it has produced divergent outcomes – the chapter provides the reader with a detailed introduction to the "theory" of diffusion. It discusses what diffusion is, why and when it occurs, and what its primary mechanisms and outcomes are. After introducing the concept of diffusion, a set of general hypotheses about when to expect diffusion to produce more or less inclusive institutional outcomes is developed. These hypotheses are then integrated into an analytical framework (causal model) which will guide the empirical analysis in the case study chapters. Finally, in its closing section, the chapter elaborates on questions of methodology and research design.

2.2 Diffusion in the Study of Multi-Stakeholder Governance

Much of the existing literature on MSIs focuses on processes of institutional emergence. The focus of these works is on the forestry and apparel industries, as sites of initial emergence, and combines agency-based and structural explanations (Bartley, 2003, 2007b; Bernstein & Cashore, 2007; Haufler, 2003; McNichol, 2006; Pattberg, 2005; Zietsma & McKnight, 2009). As described in detail in Chapter 1, these works show how government failures and demonstration effects (e.g. industrial accidents, food scares, etc.) gave rise to social movement pressures and how NGOs, foundations, and progressive firms became institutional entrepreneurs. In an international environment characterised by neoliberalism and democratic norms, these actors turned toward the market as a forum for regulation and experimented with multi-stakeholder governance and procedural transparency in order to provide legitimacy to their activities. It is this confluence of factors which is thought to have led to the emergence of MSIs as a new mode of global sustainability governance.

The MSI research literature has also looked at the diffusion of the MSI institutional model in the global economy. It is described how, largely independent from one another, MSIs first emerged in the apparel and forestry industries and how the model then diffused to other sectors (Bartley, 2003, 2007b). However, only very few works have examined these processes in more detail. Two notable exceptions are a working paper by Auld *et al*. (2007) and Gulbrandsen's (Gulbrandsen, 2008b, 2010) examination of the emergence and "spill over" of the MSI institutional model from the forestry to the fishery sectors. In their paper, Auld *et al.* describe the activities of what they refer to as organisational carriers. Identifying three different types of carriers (environmental NGOs, certification bodies and philanthropic foundations), they provide anecdotal evidence of how these carriers have played a key role in spreading the MSI institutional model across industries and how they transformed it in the process. Examining the diffusion of the MSIs from the forestry to the fishery industry, Gulbrandsen (2010: 112-133) describes how the founders of the MSC modelled their organisation on the FSC. However, he finds that they only imitated some of the FSC's features, whereas they filtered out others.

More recently, the MSI literature has started to examine the question of convergence, or institutional isomorphism, in the field of transnational sustainability governance (Dingwerth & Pattberg, 2009; L. W. Fransen, 2011, 2012b; Kaan, 2008; Overdevest, 2010; Zietsma & McKnight, 2009). As described in more detail below, convergence or isomorphism can be defined as any increase in the similarity between entities of a social system. Drawing on neoinstitutional theory, Dingwerth and Pattberg (2009) argue that diffusion in the form of mimetic, coercive, and normative pressures has made MSIs converge on a common model, featuring meaningful and costly participatory elements. Further evidence in support of the isomorphism hypothesis comes from the forestry sector. Here, Overdevest (2010) and Zietsma and McKnight (2009) show how interscheme competition between the FSC and its industry-initiated competitor programmes created pressures for convergence. However, others believe that institutional variation will persist (Auld & Gulbrandsen, 2013). In this regard, Fransen (2011, 2012b) argues that civil society actors, retailers, and manufacturers continue to struggle over the content and scope of private labour standards and that this has limited the possibilities of convergence among private governance arrangements in the apparel industry. In his study on the formation and evolution of MSIs in the forestry, coffee and fishery industries, Auld (2009) points to a second set of mechanisms. He shows how self-reinforcing processes at the organisational-level can lock in initial institutional design choices and thus impede later efforts to adapt.

The above review reveals that much of the existing literature focuses on processes surrounding the initial emergence of MSIs in the forestry and apparel industries. More recently, scholars have turned their attention to the question of institutional isomorphism or convergence between existing organisations. It is noticeable that the institutional diffusion of the MSI organisational model has received considerably less attention. The works that do exist describe the emergence of institutional variation during the diffusion process. However, the underlying causal mechanisms remain poorly specified and empirically underresearched. In other words, we still know little about the cause-and-effect relationships that lead to institutional variation between MSIs. In order to shed some light on the issue, the next section introduces the concept of diffusion. Drawing on works from sociology, political science and management studies, it defines what diffusion is, why and when it occurs, and what its primary mechanisms, as well as outcomes, are. This is followed by a discussion of how

diffusion theorists have approached the issue of variation and transformation during the diffusion process.

2.3 What Is Diffusion?

The question of why and how institutions and their elements spread across time and space has received much attention in several social science disciplines and empirical fields. These processes have been studied under various labels. Most commonly used is the term diffusion (Rogers, 1995; Simmons, Dobbin, & Garret, 2008; Strang & Soule, 1998; Tolbert & Zucker, 1983). However, others refer to them as processes of translation (Boxenbaum, 2006; Czarniawska & Joerges, 1996; Sahlin & Wedlin, 2008) or policy transfer (D. Dolowitz & Marsh, 1996; Rose, 1991). These literatures have much in common but there are also differences with regard to concepts, methods, and empirical focus.[11] This dissertation draws on this large body of scholarship. It uses the term diffusion but also builds on insights from the translation and policy transfer literatures.

The concept of diffusion originates in the natural sciences where it refers to the spread of molecules from an area of high concentration to one of low concentration. But also institutions and their elements can diffuse. For example, the multidivisional form has diffused among large firms in America (Fligstein, 1985), democratic institutions in parts of the developing world (Huntington, 1991), and neoliberal norms globally (Simmons & Elkins, 2004). However, as noted by Elkins and Simmons (2005: 4), the analogy is not a perfect one. In the natural world, diffusion results in a more uniform and thinned-out distribution of molecules, whereas in the social world diffusion has no such effect. Social diffusion does not deplete the source, and the practice spread is not necessarily less intense.

Despite these differences, the term diffusion has been widely used by social scientists studying the spread of a wide range of social practices. As summarised by Strang and

[11] For a detailed discussion on the commonalities and differences of the diffusion and policy transfer literatures see Marsh and Sharmann (2009). For a discussion on diffusion and translation see Czarniawska and Joerges (1996).

Soule (1998), classic diffusion studies include Ryan and Gross' (1943) analysis of the spread of hybrid corn, Hagerstrand's (1967) investigation of the diffusion of the telephone, and Coleman *et al.*'s (1966) analysis of the diffusion of a prescription drug. Ever since diffusion arguments have been very popular with social scientists. In the field of organisational studies, diffusion arguments rose to prominence as the new institutionalism set out to examine the structuring effects of institutional environments and in this context processes of interorganisational mimicry (DiMaggio & Powell, 1991; Rowan, 1982; Tolbert & Zucker, 1983). For social movement scholars, diffusion became one of the central explanations for the formation of collective action and the spread of protest, symbols, and strategies within social movements (Andrews & Biggs, 2006; McAdam & Paulsen, 1993; Soule, 1997). Also, IR scholars have looked at diffusion in their attempts to explain patterns of policy convergence and the spread of norms and institutions in the international system (Checkel, 1999; Ovodenko & Keohane, 2012; Simmons et al., 2008).

What is diffusion? Diffusion is "the spread of something within a social system" (Strang & Soule, 1998: 266). In more a more comprehensive way, it can be defined as a causal process in which a diffusion mechanism transmits a diffusion item from a point of origin to a point of adoption. Thus, in its most basic form, a diffusion process consists of (1) a point of origin, (2) a diffusion mechanism and (3) a point of adoption. From this definition it becomes clear what diffusion is and what it not is. The concept of diffusion comprises processes that involve the transmission of institutional elements between two or more entities of a social system. For example, processes of interorganisational learning and imitation fall into this category. However, if the adoption of similar practices within a somehow defined population is due to factors that are independent from one another (e.g. everybody taking out an umbrella when it rains), then this does not qualify as diffusion (cf. Elkins & Simmons, 2005: 2-3).

2.3.1 Causes

Why does diffusion occur? This question has received considerable attention from sociologists and management scholars studying processes of imitation and interorganisational learning – two important diffusion mechanisms. The following

review is not exhaustive but covers some of the key causes discussed in the literature.[12]

In the literature on the new institutionalism uncertainty has been identified as the primary cause of imitation or what they call mimetic diffusion (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Tolbert & Zucker, 1983). From this perspective, organisations need to be perceived as legitimate by their peers and other key players in their institutional environments in order to survive. However, in environments characterised by high levels of uncertainty organisations do not know how to obtain legitimacy. New institutionalism predicts that in such situations organisations turn toward those whom they perceive as successful (DiMaggio & Powell, 1983: 152). They mimic their structures and strategies, hoping that this will imbue them with legitimacy and thus increase their survival prospects in uncertain environments.

In a similar vein, the literature on information cascades invokes information asymmetries as a key driver behind imitation. The argument goes that actors engage in imitation, because they feel that others possess more and/or better information than they do (Banerjee, 1992; Bikhchandani, Hirshleifer, & Welch, 1992; Sinclair, 1990). Through imitation they hope to reduce information asymmetries and the risk of making poor autonomous decisions. This can trigger herd behaviour, fads, and fashions in which actors follow the actions of others because the fact that many behave in a certain way serves as information that this is the best thing to do.

Students of organisational learning add outcome uncertainty and exploration costs to the equation. According to this literature, diffusion in the form of interorganisational learning occurs when organisations are confronted with several alternative decision pathways with ambiguous pay-offs and high exploration costs (Dutton & Freedman, 1985; Levitt & March, 1988). In such situations, organisations can reduce the costs of exploration through learning from the experience of others who confronted similar situations. Closely related, decision-making theory points to imitation as a strategy to increase the efficiency of decision-making processes (Pingle, 1995).

[12] This subsection draws on Ordanini *et al.*'s (2008) and Lieberman's (2006) comprehensive discussions of the topic.

2.3.2 Facilitating Factors

What makes diffusion more or less likely, and determines its speed and degree? A broad, multidisciplinary literature has grappled with these questions. Some of the key findings are presented here.

One of the most intuitive findings of this literature is that social practices flow more rapidly and widely among units that are spatially close. Spatial proximity appears to involve all kinds of interactions and exchanges and as a result makes diffusion more likely. In a review article on diffusion in organisations and social movements, Strang and Soule (1998) cite several works dealing with the relationship between spatial proximity and diffusion. In this regard, Knoke (1982) examines the effects of geographic proximity on the spread of municipal reform, Petras and Zeilin (1967) show how radical ideas in Chile spread from mining communities to adjacent agricultural communities, and Myers (1997) finds that the propensity to riot falls with distance from cities where riots first occurred.

Closely related, interpersonal and interorganisational ties linking prior to later adopters have been found to facilitate diffusion. In this regard, Galaskiewicz and Wasserman (1989) show how interorganisational network ties function as conduits to disseminate ideas and innovations throughout organisational fields. Along similar lines, Davis (1991) and Haunschild (1993) find evidence that imitation is more likely among firms linked through interlocking boards.

Beyond spatial proximity and direct links between prior and later adopters, similarities have been found to facilitate diffusion. In this regard, Strang and Meyer (1993: 490-492) argue that diffusion will be rapid between actors that fall into the same category. They elaborate that processes like mimicking require that the target of imitation and the imitator are fundamentally similar, at least with respect to the practice at hand. In a similar vein, Checkel (1999: 87) argues that cultural matches (i.e. a high degree of congruence between external norms and local cultures) facilitate the adoption, and thus diffusion, of international norms. Also, Ovodenko and Keohane (2012: 533-538) point to problem similarity and similar issue areas as factors facilitating the diffusion of international environmental institutions.

Furthermore, the role of theorisation as a facilitating factor has been discussed. Theorisation refers to the development of concepts, categories, typologies, and the specification of cause-and-effect relationships. Strang and Meyer (1993: 492-495) argue that theorised practices diffuse faster and that their diffusion is less dependent on direct links and interactions. That is because general models facilitate communication even between weakly related actors. As examples they describe how the theorisation of environmental issues, educational structures, and welfare policies has accelerated their diffusion across states.

In some cases, diffusion processes are facilitated by third parties which can be individuals, organisations or states. They act as intermediaries who carry new ideas, norms, and practices across time and space. Evidence for the activities of intermediaries is abundant in the diffusion literature. For instance, in their pioneering study, Coleman et al (1966) examine the diffusion of a prescription drug and describe how marketing personal and more "cosmopolitan" physicians spread the new drug in their networks. Another example for the activities of intermediaries is Minstrom's (1997) work on education reform. He examines what he calls policy entrepreneurs and how they diffused and built support for reform policies in the US. Also, scholars in the field of IR have looked at the activities of diffusion intermediaries. These works point to the key role played by individuals, NGOs, IGOs and epistemic communities in creating and diffusing norms in the international system (Finnemore & Sikkink, 1998; Haas, 1989; Keck & Sikkink, 1998).

Finally, it is a widely held assumption in the diffusion literature that innovations, practices, and strategies are more likely to spread if they have a proven record of success and if prior adopters are prestigious and central actors (Soule, 1999: 274-275; Strang & Soule, 1998).

2.3.3 Mechanisms

Diffusion has been defined above as a causal process in which a diffusion mechanism transmits a diffusion item from a point of origin to a point of adoption. In the literature, various diffusion mechanisms have been examined, of which the most

important are briefly discussed here. These are: imitation, learning, coercion, and competition.

Imitation, also known as mimicry or emulation refers to processes in which later adopters try to copy the behaviour, strategies, policies, structures, or innovations of prior adopters. Above, various causes for imitative behaviour have been discussed. Organisations and states imitate their peers in order to gain legitimacy, save costs, and reduce information asymmetries. As explanations, imitation arguments play an important role in institutional theory where it is identified as a key driver behind processes of organisational isomorphism (DiMaggio & Powell, 1983, 1991). But political scientists have also used imitation to explain policy convergence or clustering (Holzinger & Knill, 2005; Simmons, Dobbin, & Garrett, 2006).

Learning, or lessons-drawing, is another important diffusion mechanism. In many respects, learning is similar to imitation but there are also significant differences. In both learning and imitation mode, organisations and states turn towards their peers with the intention to copy some of their features. However, unlike imitation, learning implies a process of rational reflection on the part of the adopter. The adopter carefully considers the pros and cons of a policy, strategy, or design feature. Lessons from the experience of others are drawn and, if considered positive, a decision in favour of adoption is made. Learning or lessons-drawing plays an important role in the policy transfer literature (D. P. Dolowitz & Marsh, 2000; Rose, 1991) but also in the field of organisation studies (Levitt & March, 1988).

Furthermore, coercion is discussed as a mechanism through which norms, ideas, and practices are spread across time and space. Diffusion via coercion refers to a process in which an external actor uses its power to force a state or organisation to adopt a certain set of policies, practices, or structures. For example, for DiMaggio and Powell (1983: 150) “coercive isomorphism results from both formal and informal pressures exerted on organizations by other organizations upon which they are dependent” . In the political science literature coercion is also discussed as the underlying causal mechanism of diffusion processes (D. P. Dolowitz & Marsh, 2000; Holzinger & Knill, 2005; Simmons et al., 2006). Here, it is powerful states or IGOs that impose their policies and norms on others. In this literature, often a distinction is made between

more direct and indirect forms of coercive diffusion (D. P. Dolowitz & Marsh, 2000: 13-17; Simmons et al., 2006: 790-791).

Besides imitation, learning, and coercion, competition is often mentioned as an important diffusion mechanism (Dobbin, Simmons, & Garrett, 2007; Simmons et al., 2008). The competition mechanism focuses on how competitive pressures constrain the options of policymakers and organisational managers. For example, Simmons and Elkins (2004) argue that the adoption of capital account liberalisation policies in one state creates pressures for its peers to adopt similar policies (and this pressure intensifies as the number of peers that liberalise their capital accounts increases).

2.3.4 Outcomes

Much of the diffusion literature focuses on cases of successful diffusion in which diffusion is used, for example, to explain policy waves and clusters and in this context the emergence of institutional convergence or isomorphism (e.g. Jakobi, 2012; Marcussen, 2005; Simmons et al., 2008). In fact, the notion of increasing similarities between prior and later adopters, as well as among the units of the adopting population, is inherent to the concept of diffusion as it is frequently used in the literature (Elkins & Simmons, 2005: 2; Ovodenko & Keohane, 2012: 524).Convergence can be defined as any increase in the similarity between one or more institutional characteristics across a given set of political jurisdictions (Knill, 2005: 768). Conceptually, the study of convergence is closely related to the sociology literature on institutional isomorphism (DiMaggio & Powell, 1983, 1991). The primary difference between convergence and isomorphism is their area of empirical focus. Students of organisational isomorphism focus on the increasing similarities between organisations, whereas the convergence literature's main emphasis is on national policy characteristics. Most diffusion studies focus on the increasing similarities between the point of origin and the point of adoption, as well as increasing similarities among the adopting population. These are what Knill (2005: 769) refers to as δ- and σ-convergence, respectively.[13] Besides convergence and isomorphism, some

[13] Besides σ- and δ-convergence, Knill (2005: 769) furthermore distinguishes between β- and γ-convergence: "First, β-convergence occurs when laggard countries catch up with leader countries over time, implying, for instance, that the former strengthen their regulatory standards more quickly and

studies have shown that sometimes diffusion processes have been prevented or interrupted through so-called "firewalls" or a decision to reject a policy, norm, or practice. In these cases, we talk about non-diffusion or failed diffusion (Acharya, 2004; Solingen, 2012) (see Table 4 for an overview of the diffusion process).

Table 4: The Diffusion Process

Causes (mainly for diffusion via imitation and learning)	**Facilitating Factors**	**Mechanisms**	**Outcomes**
- Uncertainty - Information asymmetries - Exploration costs	- Spatial proximity - Network ties - Similarities (culture, problems, issue areas) - Theorisation (existence of general models, identification of cause-and-effect relationships) - Intermediaries - Prestige, success of prior adopters	- Imitation (mimicry, emulation) - Learning (lessons-drawing) - Coercion (imposition) - Competition	- Successful diffusion (leading to institutional isomorphism or convergence) - Failed diffusion

However, numerous studies suggest that successful diffusion – leading to institutional isomorphism – and non-diffusion are not the only possible outcomes of diffusion processes. In this regard, Börzel and Risse (2011), for example, show how diffusion of the European Union (EU) model has led to significant variation in institutional and behavioural outcomes among adopters. In a similar way, the works of Falkner and Gupta (2009) and Radaelli (2005) point to diffusion processes that led to only limited degrees of convergence. These and other studies show that, as they diffuse, norms, ideas, and practices often change in form and content. Typically, what is adopted as a result of diffusion processes is not an exact copy of the original practice. However, as of yet, explanations of why practices vary as they diffuse have not been systematically drawn together. Studies dealing with the question of variation in the diffusion process mostly focus on single explanations and a more comprehensive framework is still missing. With a focus on the MSI institutional model and its diffusion, the following section seeks to address this gap.

fundamentally than the latter. Second, γ-convergence is measured by changes of country rankings with respect to a certain policy".

2.4 Why Do Institutions Vary as They Diffuse?

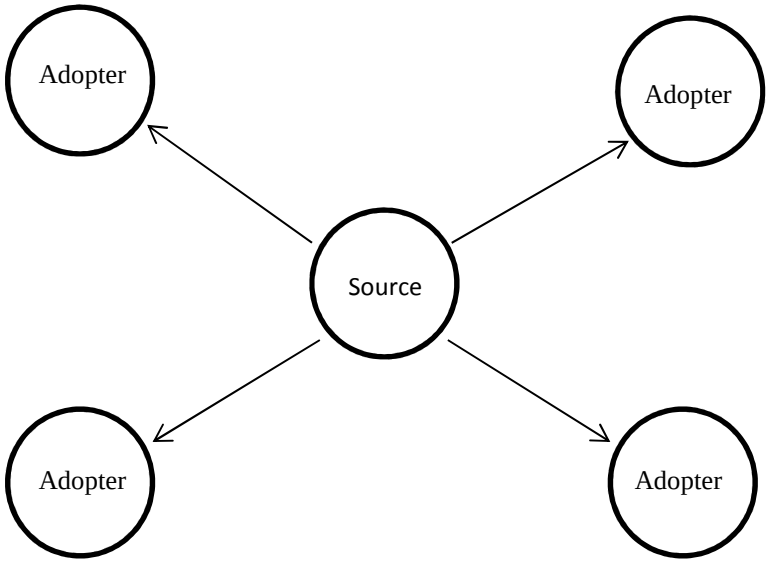
In Chapter 1, the successful diffusion of private participatory governance in the global economy was described. MSIs first emerged in the forestry and apparel sectors in the early 1990s and then diffused rapidly and widely in the global economy. The literature on the topic points to a good fit with prevailing social structures, social movement pressure, and the entrepreneurial activities of NGOs, foundations, and progressive firms as the main drivers behind this process. However, an inventory of 16 environmental MSIs revealed that this process has not spread a universal model of private participatory governance. As the MSI model has diffused in the global economy, it has changed in form and content, leading to variation in key dimensions of institutional design. In this regard, Chapter 1 uncovered significant variation in their institutional designs, notably their level of inclusiveness. In search of an explanation, this section draws on the broader diffusion literature and the literature of private governance to theorise about the factors that cause diffusion outcomes to vary. It identifies different stages in the diffusion process (source selection, transmission, and adoption) and for each stage develops general hypotheses about variation in diffusion outcomes. These hypotheses are then integrated into an analytical framework (causal model) which will structure the empirical analysis in the case study chapters.

2.4.1 Source Selection

The selection of a target institution or source marks the beginning of the diffusion process. Standard diffusion models assume the existence of a single point of origin or source. March (1999: 137) calls this the broadcasting mode of diffusion. In this mode, a norm, idea, or practice is transmitted from a central source to a population of potential adopters. For example, diffusion processes within social movements often follows this pattern. In this regard, Spilerman (1970) and Oberschall (1989) find that protests and social movement strategies spread from initial points of mobilisation and innovation to other places as activists learn about them through their interpersonal networks and from the media. Also, mimetic processes within organisational fields often take the centralised structure of the broadcasting model. The argument goes that organisations mimic those whom they perceive as legitimate and successful in order

to increase their survival prospects in uncertain environments (DiMaggio & Powell, 1983; Meyer & Rowan, 1977) (see Figure 3).

Figure 3. The Broadcasting Mode of Diffusion

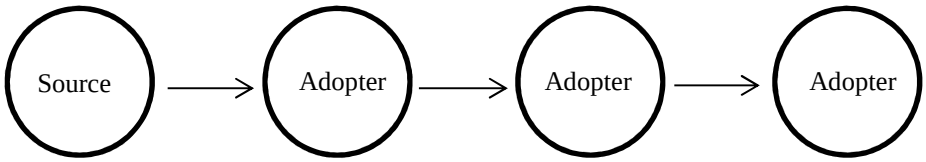


If the underlying diffusion model resembles the broadcasting model depicted above, then a homogenous adopting population is the expected outcome (Hedmo, Sahlin-Andersson, & Wedlin, 2005: 196). Adopters converge toward the single central source that is the target of imitation or organisational mimicry.

However, not all diffusion processes resemble the broadcasting model. March (1999: 199) furthermore distinguishes a chain mode of imitation. While broadcasting originates in a single, central source that spreads an innovation all around, in chain mode imitation a diffusion item is transmitted from one adopter to the next and so on. This means that late adopters have no direct contact to the initial source and may even be ignorant of it. If the underlying diffusion model is best described by the chain mode of diffusion, then variation between early and late adopters may occur. The children's game *Chinese Whispers* illustrates the mechanism at work. In *Chinese Whispers,* one player whispers a message to another, which is passed through a line of people until the last player announces the message to the entire group. Errors and deliberate modifications accumulate in the retellings. As a result, the statement

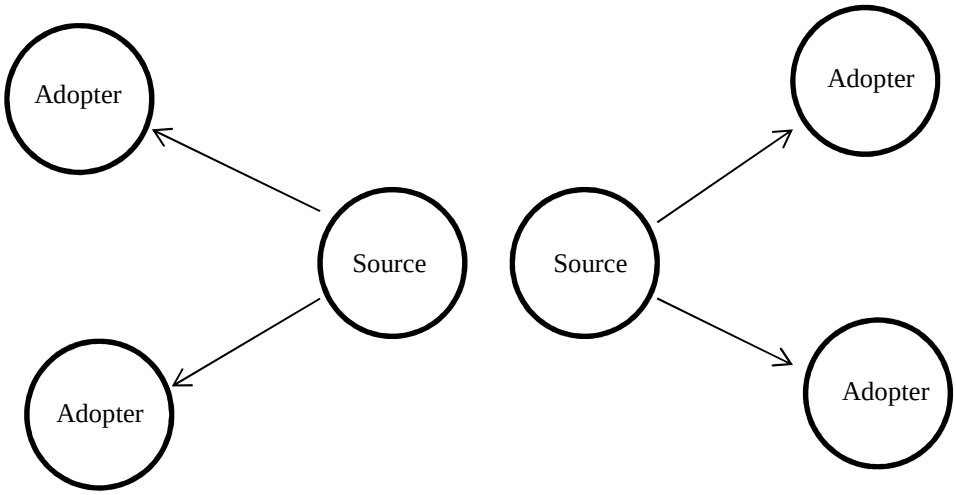
announced by the last player usually differs significantly from the one uttered by the first (see Figure 4).

Figure 4: The Chain Mode of Diffusion



Both the broadcasting and chain model of diffusion assume the existence of a single (initial) source, but often diffusion processes exhibit a more complex pattern. For example, the literature on innovation diffusion suggests that new technologies are often not developed at a single point of innovation and are then passed on to a population of potential adopters. Instead, Biggs (1990) argues that these processes are better captured by a multiple-source diffusion model. For the field of agricultural research, he shows how various public and private actors are involved in the development and diffusion of new technologies. Whereas single-source diffusion models are likely to lead to a homogenisation of the adopting population, multiple-source models have been found to create room for variation. Two studies from the field of IR illustrate this point. In an article on patterns of policy convergence in the international system, Drezner (2005) shows how the existence of two (diverse) sources can lead to a polarisation of the adopting population as adopters converge to one of the two nodes. In a similar way, Falkner's and Gupta's (2009) work on regulatory politics in key developing countries shows how the existence of multiple sources can facilitate diversity among adopters (see Figure 5).

Figure 5: A Multiple-Source Diffusion Model



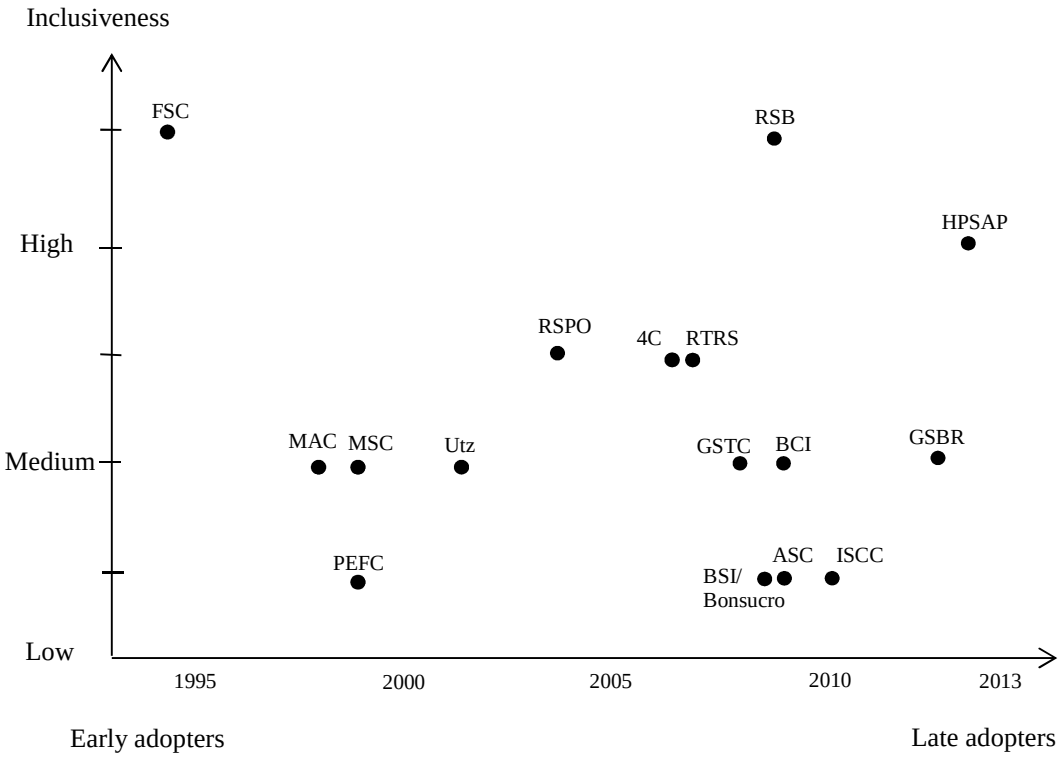
How can this discussion of different diffusion models help us account for the observed variation among MSIs and their level of inclusivness? The existing literature suggests that the underlying diffusion model in the field of transnational sustainability governance does not follow the broadcasting model described at the outset of this section. In this model, later adopters imitate a single central source which leads to institutional isomorphism among them. Instead, the diffusion of the MSI institutional model exhibits a more complex pattern, involving multiple sources as well as chain mode diffusion.

In his study of the emergence of MSIs in the forestry and fishery sectors, Gulbrandsen (2008a; 2010: 112-133) describes how the founders of the FSC turned to IFOAM (an umbrella organisation of organic agriculture associations) and the International Conservation Union of Nature (an environmental NGO) when designing the governance structure of their organisation. He furthermore describes how the FSC, in turn, has become an organisational template for the MSC in the fishery sector. Providing further evidence for the complexity of institutional diffusion in the area of transnational sustainability governance Auld *et al.*'s (2007: 24) discussion of the genesis of the RSPO reveals how its founders looked at several MSIs, including the FSC and MSC when creating the organisational structures of the palm oil initiative. Also, for reasons elaborated in more detail below, institutional variation occurred

relatively early in the population of environmental MSIs. In this regard, Gulbrandsen (2010: 112-133) describes how the founders of the MSC, which was modelled after the FSC, adopted a much leaner governance structure than the forestry initiative. For instance, the scheme does not feature a general assembly of its members and its board does not feature the carefully balanced stakeholder structure of the FSC board.

As mentioned above, the field of transnational sustainability governance exhibits a complex diffusion pattern. This means that for the groups of late adopters we have to assume the existence of multiple (diverse) target institutions (see Figure 6). Against this background, one possible explanation of variation in diffusion outcomes is that late adopters select different target institutions for imitation which differ in their level of inclusiveness.

Figure 6: The Pattern of Diffusion in the Field of Environmental MSIs[14]



When institutional alternatives exist, the choice of a target institution is believed to depend on a number of factors. As mentioned above, one important factor is

[14] This table is based on the inventory of environmental MSIs conducted in Chapter 1 (board inclusiveness scores).

perceptions about the prestige and success of the prior adopters. Imitators turn towards those whom they perceive to be as successful in order to improve their survival prospects in uncertain environments (DiMaggio & Powell, 1983; Soule, 1999; Strang & Soule, 1998). Furthermore, network ties are believed to facilitate diffusion among units of a social system (Davis, 1991; Galaskiewicz & Wasserman, 1989; Haunschild, 1993; McAdam & Paulsen, 1993; Rogers, 1995). From a rational choice perspective, this can be explained by the imitator's desire to minimise transaction costs, whereas institutional theory points to the role of familiarity and trust (Galaskiewicz & Wasserman, 1989: 456). Closely related to this, spatial proximity is thought to facilitate institutional diffusion (Knoke, 1982; Petras & Zeitlin, 1967; Strang & Soule, 1998).

To summing up the above discussion, one can expect diffusion to lead to a homogenisation of the adopting population when there is a single central source. In contrast, diffusion outcomes can vary when the underlying diffusion model has multiple sources. In these situations, variation among late adopters occurs, when designers select different target institutions for imitation which exhibit different institutional features. These decisions are thought to depend on factors such as adopters' network ties, their spatial proximity to prior adopters, as well as their perceptions about prior adopters' performance records. This leads us to the first hypothesis:

> **H1:** The diffusion outcome will be more (less) inclusive if the primary target institution exhibits a high (low) level of inclusiveness.

2.4.2 Transmission

Once a target institution is selected, a diffusion mechanism transmits information about the source-model to the point of adoption. Above, competition, coercion, imitation, and learning have been identified as the principal diffusion mechanisms. The coercion and competition mechanisms describe external forces or pressures that impose practices on organisations. On the other hand, the imitation and learning mechanisms are adopter-driven. In imitation or learning mode, adopters reach out to other entities in order to copy their structures and to learn from their experiences. The

following discussion focuses on imitation and learning, whereas coercive pressures are discussed in the section on environmental pressures. The competition mechanism is not covered here. Typically, competition occurs between mature schemes, whereas the empirical focus of this dissertation is on the diffusion and design phases of MSIs. For a more detailed treatment of the competition mechanism and how it is thought to affect transnational rule-making organisations see Overdevest (2010), Fransen (2011), and Abbott and Snidal (2009a: 77-80).

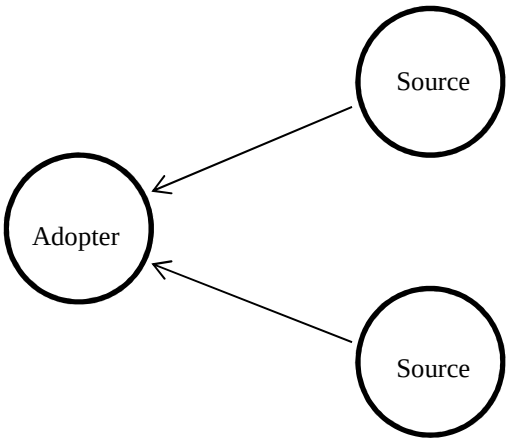
Standard diffusion models in neoinstitutional theory work with imitation or mimicry as the underlying causal mechanism. As described above, processes of mimetic diffusion are hypothesised to be caused by uncertainty, whereas uncertainty may pertain to environments, technologies, or ambiguous goals (Milstein, Hart, & York, 2002; Siegel, Agrawal, & Rigsby, 1997). If the level of uncertainty surrounding adopters is high, they may not know how to behave or which strategy or structure to adopt. This creates the risk of making wrong decisions, which, in resource-scarce and competitive environments, can be extremely costly – potentially posing a threat to organisational survival. In order to minimise the risk of failure, DiMaggio and Powell theorise (1983: 152) that "organizations tend to model themselves after similar organizations in their field that they perceive to be more legitimate or successful".

Besides uncertainty, exploration costs have been identified as a cause behind diffusion. However, unlike uncertainty which triggers imitative behaviour, exploration costs are associated with processes of interorganisational learning (Dutton & Freedman, 1985; Levitt & March, 1988). Learning occurs when adopters are confronted with several alternative decision pathways with ambiguous pay-offs and high exploration costs. In such situations, adopters can reduce the costs of exploration through learning from the experience of others, who confronted similar situations.

In both imitation and learning mode, new adopters turn toward popular and familiar institutional designs. However, unlike imitation, learning implies a process of rational reflection on the part of the adopter. In this regard, learners consider the pros and cons of a design feature and lessons from the experience of others are drawn. In doing so, they may find that some aspects of the source model are suboptimal for their purposes and make modifications accordingly – a process also known as selective imitation (cf.

Miner & Haunschild, 1995; Romanelli, 1999). In other cases, designers have been found to select and combine elements from different target institutions. In the policy transfer literature, this is known as hybridisation or synthesising (D. Dolowitz & Marsh, 1996; Rose, 1991) (see Figure 7). Furthermore, learning, as a creative process, can produce genuine innovations, creating new institutional forms or design features (cf. Morrill, unpublished manuscript).

Figure 7. Synthesis in the Diffusion Process



The existing MSI literature suggests that processes of learning in the form of selective imitation and synthesising have played an important role in the evolution of the MSI institutional model. For example, Gulbrandsen (2010: 112-133) and Auld *et al*. (2007) describe how the designers of the MSC modelled their organisation on the basis of the FSC. However, they did not simply imitate the forestry initiative, but drew lessons from its experience. Providing evidence for the learning process at work, Auld *et al*. (2007: 25), quote one of the officers of the MSC: "the MSC very consciously decided that they didn't like all that what one of the FSC supporters in the US terms 'psychotic democracy'…they really wanted to avoid the messiness of it all, and they really wanted it to become a market mechanism faster". In other words, based on the experience of the FSC, the founders of the MSC decided against a highly participatory approach. Furthermore, with regard to synthesis, Auld *et al*. (2007: 24) describe how the designers of the RSPO drew lessons from both the FSC and MSC and developed a board and membership structure that synthesised elements of the two organisations.

In sum, the diffusion outcome is likely to depend on the type of diffusion mechanism in operation. If imitation is the primary diffusion mechanisms, then a close replication of the source model is the expected outcome. In contrast, learning, via processes of selective imitation, synthesising, and innovation, can cause institutional variation. However, the outcomes of learning processes are inherently difficult to predict *a priori*. They depend on a range of factors which are often case specific. They are likely to depend on the past experiences, information available, and interpretations of the adopter, as well as the situation and context in which the learning process takes place. However, learning and learning outcomes are empirically observable phenomena and we would expect the diffusion outcome to be more inclusive, if adopters come to believe that inclusiveness was important for the organisational success of prior adopters. This leads us to the second hypothesis:

> **H2:** The diffusion outcome will be more (less) inclusive if adopters learn that inclusiveness was good (bad) for the organisational success of prior adopters.

2.4.3 Adoption

The adoption of the diffusion item marks the end of the diffusion process. In the broader diffusion literature, this process is often described in a somewhat mechanistic way in which potential adopters make a decision to either accept or reject a diffusion item (Rogers, 1995: 364). However, scholars have criticised this "black box" treatment of the adoption process (Yeo and Painter, 2011: 379). Instead, the adoption of a diffusion item needs to be conceptualised as a dynamic process in which institutional bargaining, as well as environmental pressures at the point of adoption, can shape the way in which diffusion practices (here private regulatory institutions) are received and implemented (cf. Falkner & Gupta, 2009; Frenkel, 2005; Radaelli, 2005).

Institutional Bargaining

Private governance institutions are political arenas in which struggles over influence and diverging interests take place (Abbott & Snidal, 2009a; Conzelmann, 2012). The adoption of a formal organisational structure typically has significant consequences for the distribution of power, resources, and costs in these arenas. For example,

formal organisational structures define the way in which collective decisions are reached and who can participate in the standard-setting process. These are important organisational features with implications for the regulatory outcome of private governance institutions. In this regard, Mattli and Woods (2009) hypothesise that exclusive and secretive governance arrangements are more prone to produce capture regulation – that is, regulation that serves particularistic interests instead of the common good – than more inclusive and transparent arrangements. Therefore, when institutional designs diffuse, they often become the focal point of institutional bargaining (cf. Ovodenko & Keohane, 2012). In their attempts to increase their control over the regulatory process, powerful groups may try to block the adoption of certain design features or, in return for their support, demand that modifications are made (cf. Zietsma & McKnight, 2009: 163-164).

In their work on regulatory standards institutions, Abbott and Snidal (2009a: 70-83) conceptualise the design process of MSIs as part of a complex transnational bargaining game in which states, firms, and NGOs seek to control regulatory governance and hence the substance and form of regulatory outcomes. In this bargaining game, the distribution of bargaining power between actors largely determines whose preferences prevail and which institutional outcome is selected. As an empirical example, they describe the creation process of the Apparel Industry Partnership (AIP), an MSI in the apparel industry, in which firms and NGOs differed sharply over the structure and governance of the scheme and over the scope and content of its standards and procedures. In this particular case, bargaining broke down and the AIP was abandoned as there was only limited bargaining space between industry and NGO participants.

In their discussion of the institutional bargaining game, Abbot and Snidal (2009a: 59-62) define firm preferences as being focused on profits. Typically, corporate actors therefore try to prevent social and environmental regulation that imposes high costs on them. However, not all business actors are the same. For instance, more progressive firms may have an interest in raising standards in order to establish a level playing field or to reap reputational benefits. Also, firms operating in highly competitive environments are likely to be more sensitive to cost increases from private regulation than firms operating in sectors were profit margins are higher.

Delineating NGO preferences is even more difficult. This actor group comprises many types of organisations such as social NGO and environmental NGOs as well as labour unions. On a very general level, these "value actors" are motivated by principled beliefs (e.g. to protect human rights, the livelihoods of local communities, or the environment), although this is not true for all NGOs. Labour unions, for instance, have a material interest as they try to improve their members' wages and working conditions. Despite differences within each actor category, Abbott and Snidal assume that private actor preferences are largely aligned along the firm-NGO divide. As a result of this, when these two actor groups collaborate to create MSIs, they bargain over the control of the regulatory process and its outcomes.

In the resulting bargaining game, power is thought to be an important intervening variable which can tilt the institutional outcome in one direction or another (Abbott & Snidal, 2009a; Thompson, 2010). Essentially, its distribution determines whose preferences prevail and which institutional outcome is selected. Abbott and Snidal (2009a: 72-82) describe how, when collaborative schemes are created, bargaining power essentially manifests itself in two forms: GIAP and "inclusion power". GIAP refers to the ability of actors to unilaterally meet some or all of their goals. For example, an NGO possesses GIAP when it can draw on its normative authority, expertise, and independence to unilaterally design a standard that becomes the focal point in a particular issue area. In a similar way, firms can use their resources to create self-regulatory schemes that deflect criticism but exclude non-business stakeholders. Thus, GIAP creates an "outside option" for independent action. On the other hand, as the term implies, inclusion power creates an "inside option" for participation in collaborative schemes. Actors have inclusion power when they possess competencies or resources which others need in order to achieve their objectives. For example, business actors may find it necessary to include an NGO in their scheme because they need its independence and normative authority to legitimise their activities. Similarly, NGOs may find it necessary to include a firm in their scheme because of its market share and expertise.

In sum, the above discussion suggests that processes of institutional bargaining can influence the way in which diffusion practices are received and implemented. When firms and NGOs collaborate to create new MSIs, they typically differ sharply over the

structure and governance of schemes and the scope and content of their standards and procedures. As the targets of private regulation, corporate actors in particular will try to maximise their control over the regulatory process. Thus, we would expect to see asymmetric institutions where corporate actors are in a strong bargaining position. On the other hand, where bargaining power is relatively equally distributed between stakeholder groups we would expect to see MSIs that balance the influence of NGOs and business actors (Abbott & Snidal, 2009a: 81). This leads us to the third hypothesis.

> **H3**: The diffusion outcome will be more (less) inclusive if corporate actors are in a weak (strong) bargaining position.

Institutional Pressures

The previous sections discussed how the selection of target institutions, learning, and processes of institutional bargaining can cause diffusion outcomes to vary. However, a comprehensive discussion of the topic also needs to consider environmental factors – institutional diffusion does not take place within a vacuum. In the literature on the new institutionalism, environmental pressures (normative, coercive, and mimetic pressures) are discussed as key drivers behind processes of institutional isomorphism (DiMaggio & Powell, 1983). The argument goes that organisations that occupy an organisational field are subject to the same environmental pressures, and that these pressures make them adopt similar structures.[15] Using this framework, Dingwerth and Pattberg (2009) have applied the institutional isomorphism argument to the population of transnational rule-making organisations. In a recent article, they describe the gradual evolution of an organisational field in this area. With a focus on accountability structures, they argue that transnational rule-making organisations have come to share a set of costly organisational features. They explain these similarities with environmental pressures, notably the evolution of social norms that specify how accountability structures ought to be designed.

[15] Scott (1995: 56) defines an organisational field as " a community of organizations that partakes of a common meaning system and whose participants interact more frequently and fatefully with one another than with actors outside the field".

Environmental pressures can be powerful forces behind processes of institutional isomorphism. However, their strength is not necessarily the same in all places and at all times. For example, Milstein *et al.* (2002) find that coercive pressures vary across industries and that this can be a source of institutional variation between firms in these sectors. Against this background, the following discussion focuses on normative and coercive pressures, as mimetic processes have already been discussed in detail above.[16] The nature of normative and coercive pressures is described below, together with how they relate to the questions of institutional isomorphism and variation in the field of transnational sustainability governance.

Normative pressures primarily emanate from professionalisation. Professionalisation occurs as members of an occupation define the conditions, content, and methods of their work, and develop a "cognitive base and legitimation for their occupational autonomy" (DiMaggio & Powell, 1983: 152). DiMaggio and Powell highlight two aspects of professionalisation which generate normative pressures: university education and the growth and elaboration of professional networks, including professional associations. Universities provide the cognitive basis on which professional norms are established, networks of professionals and professional associations then codify and spread these norms within organisational fields. The resulting standards and best practices create normative pressures on organisations – they have to conform to these norms in order to gain and maintain legitimacy.

With regard to normative pressures, Dingwerth and Patterberg (2009: 729) note that the initiators and managers of transnational rule-making organisations do not yet constitute a homogenous "class" or "elite" educated in the same business schools and university departments. Still, they consider normative pressures as an important driver behind isomorphic tendencies among transnational rule-making organisations, highlighting that there is a growing sense that a profession of "global sustainability managers" is emerging. Probably the most important driver behind the professionalisation of the transnational sustainability governance field is the International Social and Environmental Accreditation and Labelling (ISEAL)

[16] Unlike normative and coercive pressures which are external forces, mimetic processes are adopter-driven. For DiMaggio and Powell (1983: 151-152) institutional mimesis is as a standard response to uncertainty.

Alliance. Founded by the FSC, IFOAM, FLO, and the MSC, ISEAL is an association of leading private standard-setting systems (ISEAL, website-a). ISEAL's primary function is the development of norms for good private standard-setting practices. The oldest and most widely referred to normative document developed by ISEAL is its *Code of Good Practice for Setting Social and Environmental Standards* (ISEAL, 2012). First released in 2004, the code lays out principles and criteria of how to create credible private standard systems. One of the core procedural requirements of the ISEAL code is stakeholder inclusion in the decision-making and standard-setting process. In this regard, the code stipulates that (ISEAL, 2012: 8):

- Standard-setting shall be open to all interested parties
- Participation and decision-making needs to reflect a balance of interests (subject matter and geographic scope)
- Participants shall include stakeholders with an expertise relevant to the subject, those that are materially affected by the standard, and those that could influence the implementation of the standard.

ISEAL is now widely recognised as a focal point and normative authority in the field of transnational sustainability governance (cf. Loconto & Fouilleux, 2013). Against this background, it can be hypothesised that ISEAL and the normative framework it has created exercises isomorphic pressures on the population of transnational rule-making organisations as a whole. However, it remains an open empirical question how strong ISEAL's isomorphic effect is.

Whereas normative pressures are likely to affect MSIs in a similar way, the strength of coercive pressures may well vary across industry sectors and schemes. For DiMaggio and Powell (1983: 150), coercive pressures result from "both formal and informal pressures exerted on organizations by other organizations upon which they are dependent". Taking the form of force, persuasion, and collusion, they typically are conceived as government regulation, public opinion, and law suits (Milstein et al., 2002: 152). Given their relevance to the subject area of this dissertation, transnational advocacy networks need to be added to the list of coercive forces. In the discipline of IR, there is a large body of literature on transnational advocacy groups and how they put pressure on states, IGOs, and companies to adopt environmental norms, human

rights norms, and to conduct democratic reforms (Keck & Sikkink, 1998; Park, 2005; Risse, Roop, & Sikkink, 1999; Sasser et al., 2006).

In the context of transnational rule-making organisations, social movement pressure is often discussed as an important driver behind the emergence of multi-stakeholder institutions. Firms agree to collaborate with NGOs in MSIs in the wake of scandals and when put under pressure through 'naming and shaming' campaigns. For example, this was the case in the forestry, apparel, and mining industries (Bartley, 2003, 2009; Haufler, 2009). However, not all industry sectors that feature MSIs have seen powerful transnational activist campaigns. In recent years, the MSI institutional model has diffused to various sectors (e.g. sugarcane, cotton, beef, and aquaculture) which have only seen very little or no prior NGO activism. Against this background, it can be hypothesised that firms' willingness to engage with critical audiences in the context of MSIs will be greater, if coercive pressures are strong. Furthermore, there is evidence about how coercive pressures have changed the institutional trajectory of already established MSIs. For example, when the MSC adopted an organisational structure which provided stakeholders with very limited access to its standard-setting and decision-making bodies, the scheme was targeted by transnational activist groups. In response to these pressures, the MSC conducted a governance reform and adopted a more inclusive approach (Constance & Bonanno, 2000; Gulbrandsen, 2009).

In sum, the above discussion suggests that sustainability MSIs are likely to be subject to the same normative pressures. However, it remains an open empirical question how strong the resulting isomorphic effect is. On the other hand, there is reason to believe that the strength of coercive pressures can vary across industry sectors and schemes. If this is the case, then we would expect the diffusion outcome to be more inclusive when these pressures are strong. This leads us to the fourth hypothesis:

> **H4**: The diffusion outcome will be more (less) inclusive if coercive pressures at the point of adoption are strong (weak).

2.4.4 An Analytical Framework

The previous sections developed a set of general hypotheses about diffusion outcomes. In this section, these hypotheses will be integrated into a framework or causal model that will guide the empirical analysis in the case study chapters.

The starting assumption of this model is that a process of institutional diffusion has spread the MSI organisational model in the global economy. In particular, for the group of environmental MSIs the importance of institutional diffusion is well documented (Auld et al., 2007; Bartley, 2007b; Dingwerth & Pattberg, 2009; Gulbrandsen, 2008b, 2010; Ovodenko & Keohane, 2012). However, as of yet, it remains an open research question why this diffusion process has produced varying outcomes. The literature includes some accounts of how selective imitation and learning has transformed the MSI institutional model; however, a comprehensive analysis is still missing. With a focus on the inclusiveness of MSIs, this dissertation sets out to fill this gap.

In the previous section, three different stages in the process of institutional diffusion were distinguished: source selection, transmission, and adoption. For each stage, hypotheses were formulated about the cause-and-effect relationships that make diffusion outcomes vary. In the analytical framework developed here, their causal status is that of intervening variables: they intervene in the diffusion process, causing it to produce more or less inclusive outcomes (see Figure 8). In the following, the three stages are briefly summarised together with how they will be empirically examined in the case study chapters.

Stage 1 (Where do ideas about institutional design come from?): The selection of a target institution or source marks the beginning of the diffusion process. A decision has to be made about whom to imitate or learn from. At this stage, the first intervening factor is the adopters' network ties, their spatial proximity to prior adopters, and their perceptions of performance records. When multiple sources are available, these factors determine the selection of a target institution. Against this background, it was hypothesised that the diffusion outcome will be more (less) inclusive if the primary target institution exhibits a high (low) level of inclusiveness. To empirically examine this explanation, interviews and primary documents will be

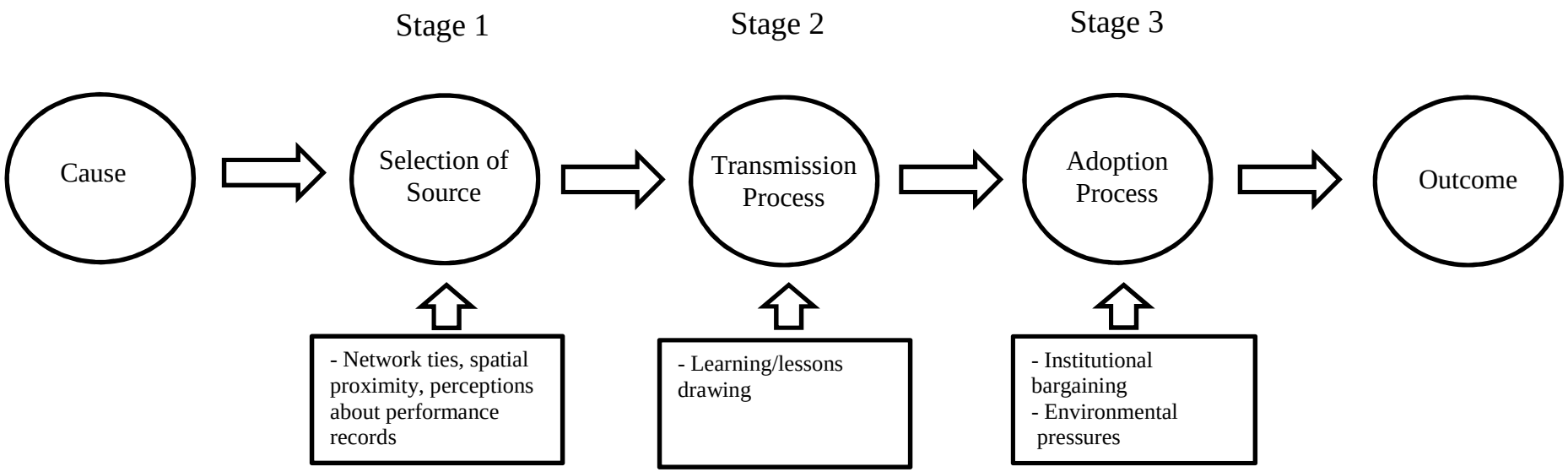
used in order to establish which organisations served new adopters as a primary source model.

Stage 2 (What is transmitted?): The second intervening factor is learning or lessons-drawing. When information is transmitted, new adopters often do not simply imitate their target institution, but also draw lessons from their experiences. They may find that some aspects of the source model are suboptimal for their purposes and make modifications accordingly. Also, they may combine the lessons learned at different places and thus synthesise new practices. Against this background, it was hypothesised that diffusion outcome will be more (less) inclusive if adopters come to believe that a participatory approach was good (bad) for the success of prior adopters. Learning processes leave empirical "traces" (e.g. reflections about the pros and cons of a model) which can be examined through interviews and primary documents (e.g. meeting minutes, project proposals).

Stage 3 (What is adopted?): At the adoption stage, processes of institutional bargaining will be examined. It was hypothesised that the diffusion outcome will be more (less) inclusive if corporate actors are in a weak (strong) bargaining position. To examine this claim, the empirical analysis will trace processes of institutional bargaining during the adoption phase. Empirically, it is extremely difficult to identify measurable criteria for bargaining power *ex ante* as there are just so many ways in which power can manifest itself in a given situation. On the other hand, inductive analyses of the causal role of power always run the risk of *ex post* rationalisations in which "power is ascribed to that party which, after the fact, appears to enjoy the advantage" (Williamson, 1996: 23). There is now easy way out of this dilemma and the investigator has to be conscious and open about the limitations of power analysis. In this project, a more inductive approach is taken. The literature on institutional bargaining offers some clues about how to identify power in a given bargaining situation. In this regard, Thompson (2010) states that the researcher has to delve into the details of institutional choice in order to identify particular junctures in the negotiating process. Furthermore, Abbott and Snidal (2009a) describe the different forms bargaining power (GIAP and inclusion power) can take in these situations.

Next to bargaining, the strength of environmental pressures at the point of adoption was identified as an intervening factor which can cause diffusion outcomes to vary. With a focus on NGO campaigning activities, it was hypothesised that diffusion outcomes will be more (less) inclusive if coercive pressures at the point of adoption are strong (weak). To examine this explanation, a background analysis about the environmental conditions during the adoption process will be conducted. Therefore, the empirical analysis will draw on media reports, NGO reports, and secondary literature. Furthermore, interviews will be used to examine how adopters perceived their institutional environment and how they responded to it.

Figure 8: Analytical Framework to Explain the Outcome of Institutional Diffusion Processes



2.5 Methodology and Research Design

After first specifying the causal model, this section elaborates on questions of methodology and research design. It operationalises the dependent variable and explains the rationale behind the case selection and the methods used.

2.5.1 Dependent Variable

The inclusiveness of MSIs is the main dependent variable of interest in this project. In Chapter 1, board compositions and constitutive rules were used as proxies to examine the inclusiveness of a large sample of environmental MSIs. This inventory provided indicative evidence for significant variation in this key dimension of institutional design. To allow for a more in-depth analysis, this section elaborates on the concept of MSI inclusiveness and develops a set of qualitative indicators.

Inclusiveness is one of the core procedural requirements of deliberative democratic theory (Lövbrand & Khan, 2010; Smith, 2003). The inclusiveness norm stipulates that all those affected by a rule have to be given the opportunity to participate in the rule-making process. For the case at hand, conceptualising MSI inclusiveness therefore requires an identification of those groups who are affected by their activities. MSIs are private rule-making arrangements that set sustainability standards for global supply chains and often rely on market forces (certification) to implement their standards in the world's factories, mines, farms, and fisheries.

Typically, MSIs are created to regulate production in the global south (e.g. apparel, mining, and agriculture), whereas trading, retail, and consumption are located in the global north. The firms occupying different positions in the supply chain often differ distinctively in their interests. For example, as the primary targets of regulation, upstream producers are typically concerned with the costs of private governance – that is, implementation and membership costs. On the other hand, the consumer-facing firms at the downstream end of the supply chain are more concerned with reputational benefits and the level of assurance private governance arrangements are able to provide. To capture these differences among business actors, economic north and economic south are introduced as key stakeholder categories.

Civil society actors are the other major stakeholder group in transnational sustainability governance. Next to business actors (profits), NGOs are involved in MSIs to represent the interests of the people and the planet. For the group of civil society actors, a distinction is also made between actors from the global north and the global south is made. The reason for this is that it is generally preferable that affected communities in the global south are represented by local groups instead of large northern

NGOs. This follows from the discussion on direct accountability being normatively superior to what Rubenstein (2007) calls surrogate accountability. Surrogate accountability refers to a relationship in which an actor exercises accountability on behalf of others without being itself accountable to them.

After having identified the four key stakeholder groups of MSIs (civil society north, civil society south, economic north, and economic south),[17] it is now important to measure their level of participation. Therefore, the inclusiveness of MSIs' rule-setting and decision-making arrangements is considered. Typically, rule-setting is organised in working groups or standards committees. To determine their level of inclusiveness, their openness and composition is examined. As to decision-making, the analysis will focus on the openness, composition, and collective choice rules of MSIs' central decision-making bodies. Table 5 contains a number of qualitative indicators that will be used to distinguish between varying levels of inclusiveness.

Table 5: Qualitative Indicators for MSI Inclusiveness

	Rule-setting	**Decision-making**
High	Fairly open access and substantial participation from all key stakeholder groups	Decision-making power is equally balanced between the key stakeholder groups
Medium	Restricted access but balanced participation of all key stakeholder groups	Unequal distribution of decision-making power, but no stakeholder group can dominate the process.
Low	Restricted access and unequal participation from the key stakeholder groups	Unequal distribution of decision-making power among the key stakeholder groups, and no protection against the possibility of regulatory capture.

Inclusiveness, as defined for the purpose of this project, focuses on the design of MSIs' rule-setting and decision-making arrangements. This focus on formal organisational structures facilitates the operationalisation and measurement of the dependent variable as well as comparisons across cases. However, there are also several drawbacks to this approach. One problem is that organisations sometimes decouple actual practices from formal organisational structures. This is what Meyer and Rowan (1977) refer to as organisational myth and ceremony. Also, the focus on institutional design may conceal the fact that certain positions in the wider discourse about sustainability are not included in a governance arrangements (Schouten et al., 2012). Therefore, an "inclusive design" should not be mistaken for deliberative capacity or democratic legitimacy, and only in combination with other indicators should it be used as a proxy for measuring these concepts. Still, institutional design is an important aspect of organisational life. Essentially, it lays down the rules of the game – that is, the way in which collective decisions are reached and by whom.

[17] This is a common distinction used by leading MSIs to distinguish between key stakeholder groups (FSC, website).

2.5.2 Case Selection

The case selection is based on the inventory of 16 environmental MSIs conducted in Chapter 1. Analysing MSIs' board compositions and constitutive rules, this inventory provided a "first-cut" distinction between MSIs with a high, medium, and low level of inclusiveness (see Table 6). From this larger sample, three MSIs have been selected for a within-case analysis and subsequent cross-case comparison. The MSIs selected are the RSB, RTRS, and BSI/Bonsucro. The following briefly details the rationale behind these choices.

Table 6: Environmental MSIs and Their Levels of Inclusiveness

High	**Medium**	**Low**
FSC	4C	ASC
HPSAP	BCI	BSI/Bonsucro
RSB	GRSB	ISCC
	GSTC	PEFC
	MAC	
	MSC	
	RSPO	
	RTRS	
	Utz Certified	

In *Designing Social Inquiry*, King, Keohane, and Verba (1994: 129-149) expressed strong reservations about selecting on the dependent variable. They also warned against so-called truncated samples – that is, samples that do not cover the whole spectrum of variation in the dependent variable. They argue that cases that do not show at least some variation on the dependent variable make causal inference impossible and that truncated samples lead to a flattening of the regression line and thus an underestimation of an independent variable's causal effect. In the discussions following the publication of *Designing Social Inquiry*, qualitative methodologists have convincingly addressed some of these concerns. In this regard, Bennett and Elman (2006) have argued that within-case study techniques such as process-tracing do not suffer from truncated samples and spurious inference in the same way as controlled comparisons do. That is because process-tracing does not rely on co-variation, but examines the underlying causal mechanisms. The more general point raised by King, Keohane, and Verba, however, remains valid. We are likely to learn more about the causes of a general phenomenon, if we study cases that vary in the value of their dependent variable. The reason for this is that studies that only look at cases in which the outcome is either present or absent lack a baseline for comparison. Against this background, and in light of the project's primary research objective – to explain variation in the level of inclusiveness – schemes with a high, a medium, and a low level of inclusiveness have been selected.

The RSB, RTRS, and BSI/Bonsucro have been selected for another reason. As can be seen from Figure 1 (Chapter 1, Section 1.5.3), agriculture is currently the most dynamic site of MSI diffusion.

The mapping analysis identified 12 MSIs which are currently operating in this sector. Today, MSIs set sustainability standards for cotton, sugarcane, beef, cocoa, biofuels, flowers, palm oil, soy, and coffee. In other words, multi-stakeholder sustainability governance has become an important source of regulation in the global economy of agriculture. For a good reason: agriculture is the sector with the highest environmental impact of all economic sectors (see Chapter 3 for details). However, the emergence and evolution of MSIs in the agriculture sector remains underresearched. Currently, the bulk of the MSI literature focuses on schemes in the forestry (Bloomfield, 2012; Cashore et al., 2004; Gulbrandsen, 2009; Marx & Cuypers, 2010; Meidinger, 2006; Overdevest, 2010), fishery (Auld, 2007; Constance & Bonanno, 2000; Gulbrandsen, 2009; Kalfagianni & Pattberg, 2013a, 2013b; Ponte, 2006), and apparel (Bartley, 2003, 2007b, 2009; Blowfield, 2002; L. W. Fransen, 2011, 2012a, 2012b; O'Rourke, 2006) sectors. Only recently have scholars begun to examine agricultural MSIs in more detail (Ponte, 2013; Schouten et al., 2012). Probably, the reason for this is that the forestry and apparel sectors are constitutive sites – it was here where MSIs first emerged as a mode of global sustainability governance. In contrast, most of the agricultural MSIs have been created since the mid-2000s. Therefore, by studying the RSB, RTRS, and BSI/Bonsucro in-depth, this dissertation also fills an empirical gap in the literature.

2.5.3 Methodology

For the empirical analysis, the project combines a cross-case comparison with process-tracing. The following discusses the rationale behind this approach.

The comparative method can be a powerful technique for drawing causal inference from a small number of cases (Lijphart, 1971). Its logic is derived from John Stuart Mill's *A System of Logic* (1864). In this book, Mill develops the "method of difference" and the "method of agreement". In the former, the researcher seeks to explain differences in outcomes by finding two cases that are similar in all but one explanatory factor. Having thus "controlled" for alternative explanations, the varying factor is then causally associated with the observed variation. In the latter, the researcher seeks to explain a common outcome by varying all but one explanatory factor, again through careful case selection. If all relevant variables are included in the model, the constant factor must be a sufficient condition for the observed outcome. In theory, Mill's methods are powerful inferential techniques. In practice, however, they suffer from several shortcomings. Mill's methods work through logical elimination. But matching cases without verifying whether the assumed causal mechanism really was in operation can easily lead to spurious inference. Also, Mill's methods operate on the basis of single-cause hypotheses and are thus unable to detect patterns characterised by causal complexity such as interaction effects (intervening variables) and conjunctional causation in which multiple independent variables coproduce an observed outcome. Another important challenge is to meet the strict

requirements of a controlled comparison – that is, to find cases that vary in outcomes and in which all but one explanatory factor are constant (George & Bennett, 2005: 153-161).

Process-tracing can help to overcome some of these limitations (Collier, Brady, & Seawright, 2004; George & Bennett, 2005: 205-233). Instead of focusing on co-variation, this within-case study technique examines the observable implications of the causal process hypothesised to be in operation. It "seeks to uncover a causal chain coupling independent variables with dependent variables and evidence of the causal mechanisms posited by a theory" (George & Bennett, 2005: 153). In this way, it becomes possible to map out one or more potential causal paths that are consistent with both the outcome and the process-tracing evidence. This allows the comparative researcher to go beyond correlation and thus to reduce the risk of spurious inference. Also, by studying cases in-depth, the technique is well suited to examine hypothesised patterns of complex causality. Finally, process-tracing makes cross-case comparisons possible even in situations in which not all but one explanatory factor can be controlled (George & Bennett, 2005: 214).

The empirical investigation starts with a within-case analysis, followed by a comparison across cases. For the within-case analysis, the analytical framework developed in Section 2.4.4 will be used as a structuring device. For each of the three cases the process of diffusion will be traced, from the point of origin to the point of adoption. Then, the findings from the single case study chapters will be compared across cases, with the goal of identifying the factors that have caused the observed variation.

2.5.4 Data Collection

Data sources used for the empirical analysis include meeting minutes, constitutional documents, background documents, and websites as well as interview data. The period of investigation spans from the initiation of an MSI to the finalisation of the standard-setting process – typically, a period of 4-6 years. With regard to primary documents, the analysis mostly relied on the meeting minutes of the three MSIs' central decision-making bodies as an important source of information. For the case of the RSB, a complete set of meeting minutes of the RSB SB and its stakeholder chambers could be obtained, covering the years 2006-2011. Most documents were publicly available from the organisation's website; others could be obtained upon request from the RSB secretariat. The detailed meeting minutes allowed an in-depth analysis of internal decision-making processes and interactions between stakeholder groups. The quality of the primary documents was of a similar high quality for the case of the RTRS. For the period of investigation (2004-2011), a complete set of meeting minutes of the RTRS board and GA could be obtained. Also, in this case most documents could be downloaded from the organisation's website or were made available by its secretariat. Accessing the

meeting minutes of BSI/Bonsucro's central decision-making body was more difficult. The organisation does not publish its meeting minutes on its website and its secretariat declined several requests to share these documents. Still, a larger number of meeting minutes of BSI/Bonsucro's SC could be obtained through other channels, which allowed important insights in the formation phase of this scheme (2005-2011).

The information from the meeting minutes, constitutional documents, background documents, and websites was triangulated and complemented through interviews. The interviews targeted people who had played important roles in the formation phase of the three schemes, but people not directly involved in multi-stakeholder sustainability governance or critically opposed to it were also interviewed. In total, 51 interviews were conducted (see Appendix 1): 18 people were interviewed about the RSB, 15 people were interviewed about the RTRS, and 18 people were interviewed about BSI/Bonsucro. The interviews were conducted in-person (N = 16) as well as by phone (N = 35). The approach taken was that of a semi-structured interview. In contrast to standardised interviews, semi-structured interviews are conducted using a more open framework with the aim of ensuring flexibility. In this regard, semi-structured interviews are typically organised around an interview guide – containing topics or themes to be covered during the interview – rather than a sequenced script of standardised questions (see Appendix 3). For the purpose of this dissertation, the interviews were guided by the analytical framework developed above. However, depending on the interviewee and his/her knowledge about different aspects of the question under investigation, the approach taken allowed adapting the sequence and type of questions asked during the interview.

2.6 Conclusion

Beginning with a more focused review of how scholars have studied processes of institutional diffusion in the area of multi-stakeholder sustainability governance, this chapter revealed a gap in the current literature. Whereas much of the early MSI literature has studied the process of initial institutional emergence, more recent works have focused on diffusion in the context of institutional isomorphism or convergence between existing organisations. In contrast, only a few scholars have looked at the institutional diffusion of the MSI organisational model itself. The works that do exist describe processes of selective imitation and learning and how they have transformed the MSI institutional model. However, we still know little about the cause-and-effect relationships that make diffusion outcomes vary.

In order to address this gap, this chapter turned its focus towards diffusion "theory". It defined institutional diffusion as a causal process through which institutions and their

elements are transmitted through time and space. It discussed why and when institutional diffusion occurs, and what its primary mechanisms and outcomes are. Having introduced the concept of diffusion, the chapter then identified three different stages in the diffusion process (source selection, transmission, and adoption). For each of the stages, hypotheses about the cause-and-effect relationships that influence diffusion outcomes were formulated. Integrated into a causal model of diffusion, these hypotheses take the form of intervening variables. They intervene in the diffusion process, causing it to produce more or less inclusive institutional outcomes. To empirically examine this model, the chapter closed with a discussion on methodology and research design. The dependent variable (inclusiveness) was operationalised and the rationale behind the case selection and research method was explained. For the empirical analysis, three MSIs operating in different agricultural sectors were selected. They will be subject to a within-case analysis (process-tracing), followed by a cross-case comparison.

Chapter 3: The Global Political Economy of Agriculture

3.1 Introduction

It is the purpose of this chapter to provide the reader with background information about the agriculture sector and thus to set the scene for the case study chapters which follow. After a brief introduction, the next section sketches the development of the global political economy of agriculture from the emergence of agricultural trade in the colonial era to today's globally integrated agro and bioenergy supply chain. The chapter then turns its focus towards the major sustainability challenges faced by the sector today, describing how addressing these problems is complicated by the industry's transnational character. Finally, the role of private governance, and that of MSIs in particular, is discussed.

The agriculture sector spans a wide range of activities, including crop and livestock farming, fishery, and forestry. Its primary purpose is the provision of human food, animal feed, and fibre. To this day, the sector continues to be an important aspect of global economic activity. It still employs approximately 35 per cent of the global workforce (ILO, 2011: 20) and provides the livelihoods for large segments of the world's population – above all this is true for developing countries (IAASTD, 2009: 2). Also, international trade in agricultural commodities remains significant. In fact, in recent years, high prices on international markets have triggered a boom in the trade in agricultural commodities. According to the trade statistics of the World Trade Organization, agricultural trade grew at an annual rate of 14 percent in the period 2005-2011 (WTO, 2012: 63).

The world agricultural economy is characterised by a multiplicity of production systems. It ranges from traditional systems in which food, animal feed, and fibre are produced and consumed locally, to transnationally integrated agro-industries. The ETC Group, an environmental advocacy group, estimates that about 70 per cent of global agricultural production is still produced using traditional systems such as peasant agriculture and hunter-gathering (ETC Group, 2009: 1). Typically, these modes of production play an important role in developing countries, particularly in the least developed countries. Here, a significant proportion of the active working population is still engaged in subsistence farming, with an average farm size of below two hectares (IAASTD, 2009: 2).

Although traditional agriculture remains important, agriculture – like other sectors – has undergone a process of globalisation (Higgins & Lawrence, 2005). Industrialisation, the lifting of trade barriers, lower transportation costs, and the rise of large processing and retail corporations have facilitated the sector's transnational integration and led to a concentration at almost all stages of the agro-supply chain. These developments have had implications for the distribution of power within the sector, putting some companies in the position of being able to exercise control over prices and the conditions of production (Clapp & Fuchs, 2009). At the same time, it changed the relationship between companies and public regulators, with the latter finding it increasingly difficult to regulate the industry's transnational production networks. However, given the industry's daunting sustainability challenges, the question of regulating global agriculture is growing in urgency. Agricultural activity is a major driver behind soil degradation, deforestation, and climate change. In fact, agriculture is considered to be the largest emitter of greenhouse gases (GHGs) of all economic sectors (Clay, 2004). At the same time, problems with food security, poor labour standards, and land grabs, as well as food safety, remain important issues. Furthermore, the advent of biotechnology and biofuels has sparked much debate about the sustainability of the global agrifood system in recent years (Clapp, 2012).

Despite the urgency of the matter, implementing effective social and environmental regulation remains difficult. In the countries of the South, where most of the social and environmental externalities occur, weak administrative capacities are among the main obstacles for achieving sustainability goals. And in the North, where states are strong, regulators remain constrained by national borders and therefore find it difficult to regulate transnational production networks. At the same time, states are as reluctant as ever to confer regulatory authority to supranational bodies such as the FAO or the United Nations Environment Programme. In this situation, the private sector and civil society have become a major source of regulation in the global political economy of agriculture. Initially lagging behind other sectors in terms of corporate social responsibility (World Bank, 2004), the sector has evolved into one of the most dynamic sites of private sustainability governance in recent years. Over the course of the last two decades, a large number of private regulatory arrangements have emerged in the industry, among them many MSIs.

3.2 The Globalisation of Agricultural Production and Trade

Like other sectors, agricultural production is increasingly global in nature. This section traces this development from the emergence of agricultural trade in the colonial era to today's highly industrialised and transnationally integrated agro-supply chain.

3.2.1 Agricultural Trade in the Colonial Era

Historically, global markets for agricultural commodities are not a new phenomenon. As described by Clapp (2012), throughout history agricultural markets have had an international dimension to them. Once-exotic commodities like salt, spices and sugar have been traded over long distances for centuries. However, large-scale international trade in agricultural products first occurred during the colonial era. During this period, European powers created plantations for key crops in their overseas colonies and established international trade routes. Much of the colonial trade in agricultural products was organised by private trading companies. As a precursor of the modern transnational corporation (TNC), the British East India Company, for example, established trading posts and operations throughout India. Until its divestiture in 1874, the company controlled much of Britain's trade with the Asian subcontinent. Also, other colonial powers such as the Netherlands, Portugal, and Spain established trading companies during this period (Clapp, 2012: 8, 92).

In the eighteenth and nineteenth centuries, international trade in agricultural products intensified further. The industrialisation of Britain and other European countries enormously increased their demand for imported food products, minerals, and organic raw materials. These goods were required both to sustain accelerated population growth and as raw materials for the quickly expanding manufacturing sectors in these countries (O'Brien, 2004: 9). During this period, trade volumes increased rapidly and so did the range of products traded. Whereas early colonial era trade was largely confined to tropical luxury goods, nineteenth century agricultural trade was much broader. Besides exotic products from the colonies, it also included trade in temperate agricultural products such as wheat and maize. Markets for agricultural products integrated at national levels and were increasingly traded intercontinentally. It was these developments in Europe, and later North America, which laid the foundation for today's global agricultural economy. However, it was the emergence and spread of industrial agriculture, the reduction of trade barriers, and the rise of large agro-TNCs which completed this process (Clapp, 2012: 24).

3.2.2 The Emergence and Spread of Industrial Agriculture

The industrialisation of Europe and North America not only increased the demand for agricultural products, it also fundamentally changed the way in which agricultural products were produced and processed. The industrialisation of agriculture began in the late nineteenth century and fully unfolded in the first part of the twentieth century. The process was driven by policies in major industrialised countries. The US, Australia, Canada, and the countries of the European Community actively promoted the development and adoption of the industrial agricultural model. They funded agricultural research, provided farm subsidies and other forms of support. These policies were a major driver behind the spread of industrial agriculture and the subsequent emergence of export markets for agricultural commodities (Clapp, 2012: 11-12).

In the US, the industrial agriculture model was promoted from the mid-1800s. An important factor was the establishment of government-led agricultural colleges throughout the country. They conducted research on the technical and scientific aspects of agricultural production. Major innovations included the mechanisation of planting and harvesting, and mono-cropping as well as the use of new hybrid seeds and pesticides (Clapp, 2012: 26). While industrial agriculture did not become the dominant mode of production until after the Second World War, it progressed rapidly in the decades following it. This process is exemplified in the case of the US broiler chicken industry. Until the 1950s, broiler production was undertaken by a large number of mostly small and medium sized farms, evenly distributed over the US territory. But industrialisation fundamentally changed the way in which broilers were produced and processed. All stages of the production process (feed production, broiler production, and broiler processing) became increasingly concentrated. In the period from 1950 to 1978, the number of poultry farms decreased from 1,636,705 to 31,743 and much of the production capacity was shifted to the south of the USA. During the same period, the volume of production increased fifteen-fold from 580 million chickens in 1950 to 8.9 billion in 1978 (PEW Environment Group, 2011: 6).

The industrialisation of agriculture was accompanied by policies that heavily subsidised farmers and protected them from foreign competition. In the US, the federal government introduced price supports, farm credit schemes, and import tariffs as part of the New Deal economic policies of the 1930s. Similar policies were implemented in Europe. Following the Second World War, war-torn Western Europe was a recipient of large amounts of US food

aid, but quickly rebuilt its agricultural production capacity. In fact, the newly formed European Community spent the majority of its budget on its Common Agricultural Policy. This policy established a system which combined direct and indirect farm subsidies with a range of protectionist measures, many of which are still in place today (Clapp, 2012: 26-27).

In the aggregate, these policies led to large food surpluses. Rich country governments reacted by buying large quantities of produce for which there was no market, creating the so-called "butter mountains" and "wine lakes" of the 1970s and 1980s. However, excess production became increasingly problematic, due to high storage costs and the downward pressure it put on prices. But instead of reducing production capacity, governments in Europe and North America channelled their food surpluses into food aid programmes and launched export promotion schemes. In this way, they hoped to clear domestic markets, while at the same time protect the livelihoods of farmers. Besides this economic motive for pursuing an export-oriented strategy, there were also humanitarian and political motives. After the Second World War, many of the newly independent countries in Africa and Asia experienced food shortages and large parts of the population suffered from malnutrition and hunger. At the same time, the US in particular had strong political motives for providing food aid to developing countries. As tensions with the Soviet Union increased during the 1950s, the US government was eager to prevent countries in Asia and Africa from becoming communist. The domino theory of the time predicted that if one state in a region came under the influence of communism, then the surrounding countries would quickly follow in a domino effect. Against this background, it was reasoned that supplying developing countries with food aid would help to contain Soviet influence. Channelling excess production into food aid programmes, however, was not the only way through which North American and European countries tried to reduce their food surpluses. Another policy instrument was export promotion programmes. Launched in the 1970s and 1980s, these policies included export credits and direct subsidies for agricultural exports (Clapp, 2012: 28-33).

Persisting food shortages in large parts of the developing world, however, soon made clear that food aid alone would not solve the problem. In this situation, policy-makers in North America and Europe came to believe that only extensive agricultural reform could provide a durable solution. Through industrialisation, developing countries should fundamentally restructure their agricultural sectors. It was hoped that this would reduce developing countries' dependency on foreign, particularly Soviet, food aid. With reference to the Russian

Red Revolution, the promotion of industrial agriculture was labelled the Green Revolution. Led by the US Agency for International Development, the programme involved assistance to mechanise production and adopt modern cropping techniques as well as the provision of high-yielding crop varieties and synthetic fertilisers and pesticides. Green Revolution-style reforms were first introduced in Mexico in the late 1940s. They then spread rapidly across the developing world. The adoption of industrial agriculture strongly increased yields in developing countries, although to different degrees. In Asia, cereal production doubled between 1970 and 1995. Also, Latin America experienced significant yield increases. In contrast, gains were much more modest in Sub-Saharan Africa (IFPRI, 2002).

In sum, the industrialisation of agricultural production and the global diffusion of this model laid the foundation of today's global agricultural economy. Following the Second World War, Europe and North America began to donate and export their food surpluses. At the same time, the Green Revolution fundamentally transformed developing country agriculture. As a result, countries in Latin America and Asia successfully managed the transition from being food aid recipients and net importers to becoming major producers and exporters. Notably, Argentina, Brazil, Malaysia, Indonesia, and Thailand were able to build large export-oriented agro-industries.

3.2.3 The Reduction of Trade Barriers and the Expansion of Export Markets

International trade in agricultural commodities was, and remains, restricted. Developed and developing countries alike shield their domestic markets from foreign competition through tariffs, quotas, subsidies, and other barriers to trade. In particular, the EU continues to heavily subsidise its agriculture sector. For example, in 2010, the EU still spent around 50 per cent (approx. US$ 70 billion) of its budget on its Common Agricultural Policy, of which the lion's share was spent on direct farm subsidies (EU, 2010). Although declining, the level of agricultural subsidies continues to be high in other industrialised countries as well. The Organisation of Economic Co-operation and Development (OECD) estimates that its members spent US$ 265 billion on agricultural subsidies in 2008. Although still high, this was the lowest level since the mid-1980s (OECD, 2009: 5).

There are several reasons for the high level of protectionism in the agriculture sector. One is that farmers are typically well organised. Agriculture has lost its significance as a major

employer in much of the developed world – on average it accounts for less than 3 per cent of the total workforce (FAO, 2012a: 118). However, farm lobbies in Europe and the US remain powerful and continue to exercise a significant influence over policy-makers (Botterill, 2005; Riedl, 2002). Another reason has to do with national security. Industrialised countries governments fear that their agricultural sectors would not withstand competition from low-cost countries. Against this background, it has been argued that this would create vulnerabilities and pose a risk to national security (Winters, 1990). These and other factors explain why barriers to trade remain relatively high in agriculture when compared to other sectors (e.g. manufacturing).

However, with the advent of economic liberalism, agriculture has also seen a reduction in barriers to trade. Notably, developments in the 1980s and 1990s led to a partial liberalisation of the sector. In the 1980s, a severe debt crisis affected large parts of the developing world. In the years preceding the crisis, high inflation rates, easily available credit, and the oil shocks of the 1970s led many developing countries to accumulate large external debts. In many cases, the creditors were private banks in the US. As interest rates rose sharply in the early 1980s, many developing countries, in particular in Latin America and Africa, found themselves unable to pay their external debts. In 1982, Mexico was the first country to publicly declare that it would default on its debt. There was a great risk that other countries would follow suit in a domino effect. In order to contain the situation and to prevent further countries from defaulting, the international financial institutions (IFIs) (i.e. the World Bank and the International Monetary Fund) began to provide emergency loans to heavily indebted countries. These loans, however, came with strings attached. The IFIs made them conditional on so-called structural adjustment programmes. Essentially, these structural adjustment programmes consisted of a set of neoliberal reform prescriptions, also known as Washington Consensus policies. The term Washington Consensus goes back to the US economist John Williamson. It describes a neoliberal reform agenda for developing countries which was crafted by the Washington-based IFIs and the US Treasury. This reform package comprised policies such as fiscal discipline, privatisation, deregulation, and liberalisation of trade and foreign direct investments (Naím, 2000: 89). In the wake of the foreign debt crisis, Washington Consensus policies were adopted widely throughout the developing world. As agriculture typically plays an important role in these countries, this had a liberalising effect on global agricultural trade. The results of these policies were mixed. In some cases, developing country producers benefited from higher world market prices. However, in other

cases, the availability of cheap imports became a problem for domestic producers (Clapp, 2012: 59-63).

The trade negotiations under the Uruguay Round (1986-1994) brought further liberalisation. Until then, trade in agriculture commodities was largely exempted from free trade rules. In particular, countries with highly subsidised agriculture sectors such as the European Community had so far strongly and successfully resisted making agriculture a subject of previous trade talks. However, prior to the launch of the Uruguay Round pressure to include agriculture as an official agenda item mounted. A major driving force behind this was a coalition of countries with large export-oriented agro-industries. The coalition, which includes developed and developing countries, first met in the Australian city of Cairns and therefore became to be known as the Cairns group.[18] Essentially, the members of the Cairns group were unwilling to continue to accept the high level of farm subsidies in some countries and their trade-distorting effects (The Cairns Group, website). Concerned with the high costs of agricultural subsidies, the US government was also supportive of the idea of trade liberalisation in this area. Eventually, the pro-free trade coalition was able to build up enough pressure and agriculture was made an official agenda item. After eight years of negotiations, the Uruguay Round agreements included an Agreement on Agriculture. The Agreement of Agriculture's central aim was to eliminate certain types of subsidies which were considered to be particularly trade-distorting such as price support subsidies or subsidies directly related to production quantities. Overall, the Agreement on Agriculture led to a liberalisation of trade in agriculture. However, it has been strongly criticised for its various loopholes which allow rich country governments to continue many of their trade-distorting policies (Clapp, 2012: 63-76).

Protectionist barriers continue to be high in agriculture. Nevertheless, the volume of agricultural trade has increased significantly during recent decades. In the 1980-2011 period, trade in agriculture increased more than five-fold from US$ 299 billion to US$ 1,659 billion, with an annual growth rate of 14 per cent over the last five years (WTO, 2012: 66). Although the US and the EU remain the largest exporters of agricultural commodities, global trade patterns are changing. Emerging market economies such as Argentina, Brazil, China, India,

[18] The members of the Cairns group were Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Pakistan, Paraguay, Peru, the Philippines, South Africa, Thailand, and Uruguay.

Indonesia, Malaysia, and Thailand are rapidly expanding their export-oriented agricultural sectors and their global market share is growing (WTO, 2012: 69). In particular, Latin American countries have experienced high growth rates. Since 2000, Latin America has experienced the largest growth of net trade (exports minus imports) of any region (FAO, 2012a: 103-104).

3.2.4 Toward a Globally Integrated Agro and Bioenergy Supply Chain

Local food systems and peasant farming remain an important aspect of agricultural activity. According to estimates of the ETC Group about 70 per cent of the world's cultivated food is still produced and consumed locally (ETC Group, 2009: 1). However, a growing share of agricultural production enters global markets and is produced and processed within highly concentrated and transnationally integrated agro-supply chains.

Corporate concentration and transnational integration are not an entirely new phenomenon in the agriculture sector. As mentioned above, the British and the Dutch East India Companies had been involved in the international trade with exotic goods centuries ago. Also, some of the major agro-commodities companies, which still dominate the industry today, trace their origins back to the mid-1800s. In this period, the process of industrialisation, urbanisation, and the quickly expanding populations in Europe and the US dramatically increased the demand for food, feed, and fibre. This demand could not be satisfied locally and required international trade in foodstuffs and animal feed on an unprecedented scale. It was in this context that the industry's large grain trading companies such as Archer Daniels Midland, Bunge, Cargill, and Louis Dreyfus emerged.

Agricultural production has long had a transnational dimension. However, the current degree of corporate concentration and transnational integration is historically unparalleled. Similar to developments in other sectors, the industry is becoming increasingly globalised. The process has its roots in nineteenth and twentieth century technological innovations such as food canning, refrigeration, freezing, and the use of chemical preservatives. These techniques significantly increased the durability of food products, making it possible to transport them over long distances. Advances in information technology, lower transportation costs, and the above-discussed reduction of barriers to trade have further accelerated this process in recent decades. As a result, agricultural production, processing, and retailing are increasingly

transnational in nature and are dominated by large, horizontally and vertically integrated companies (Clapp, 2012: 92-96).

A second trend which is currently transforming the industry is its increasing interlinkage with the energy sector. The process is driven by public energy policies in major industrialised countries. In the early 2000s, policy-makers in the EU and US started to promote biofuels as a means to reach GHG emission reduction targets, foster energy security, and stimulate development in rural areas at home and abroad (EPA, website; EU Commission, website). These policies created large markets for biofuels, significantly increasing the demand for so-called energy crops (e.g. maize, oil palm, rapeseed, soy, and sugarcane). For example, over the last decade, ethanol production in the US and Brazil grew by 780 per cent and 140 per cent respectively. In 2012, it absorbed over 50 per cent of Brazil's sugarcane crop and 37 per cent of the coarse grain crop in the US. In the case of the EU, biodiesel production accounted for almost 80 per cent of total vegetable oil production (FAO, 2012a: 102-103). The FAO forecasts that the use of food crops for energy purposes will increase further in the future (see Table 7). As a result, the agro and energy supply chains are becoming increasingly intertwined.

Table 7: World Use of Crops for Biofuels

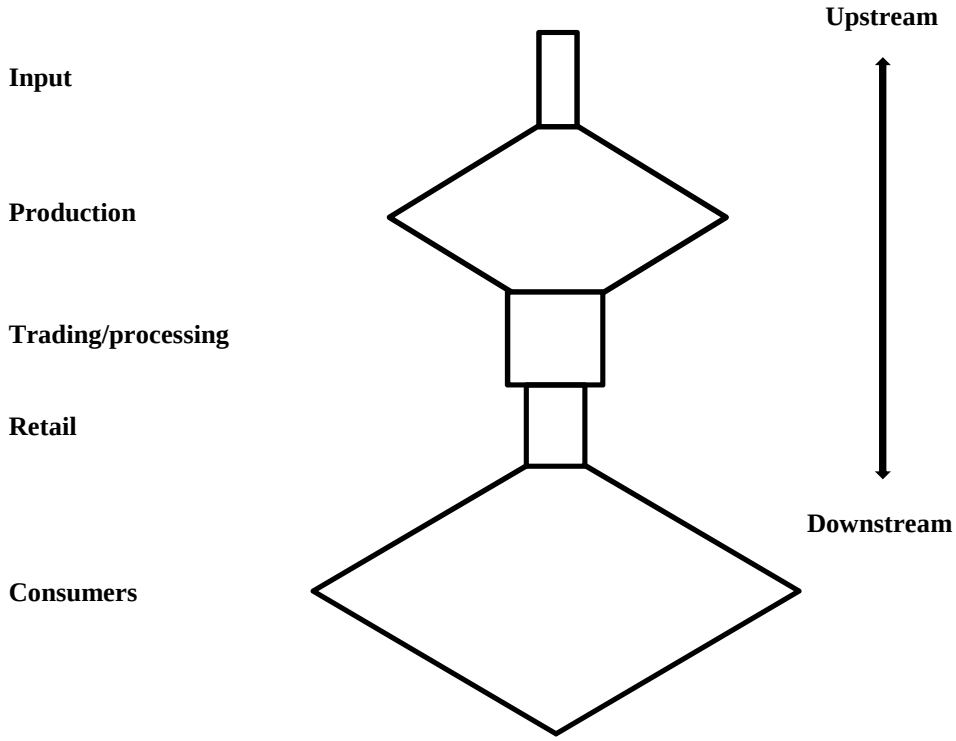
Crop	**Unit**	**2005**	**2030**
Cereals	Million tonnes	65	182
	Percent of total use	3.2	6.7
Vegetable oils	Million tonnes	7	29
	Percent of total use	4.8	12.6

Source: FAO 2012b, p. 92

The agro-supply chain can be divided into five major segments: input provision, production, trade and processing, retail, and consumption. Its shape has been repeatedly described as resembling that of an hourglass (e.g. Vorley, 2003). A large number of upstream producers and end consumers transact with a small number of processing, trading, and retail companies which occupy the middle and downstream segments of the agro-supply chain. The hourglass analogy only works if agricultural input companies are not considered (see Figure 9). However, the more general point is that corporate concentration is highest at certain stages of the agro-supply chain and that this has crucial implications for the distribution of power and value-extraction within the industry. Large TNCs that occupy key positions in the agro-supply chain are able to set prices for producers and consumers and to influence the rules

under which they operate.[19] The following provides a more detailed description of the agro-supply chain and some of its major corporate players.

Figure 9: The Agro-Supply Chain



At the upstream end of the supply-chain are companies producing agricultural inputs such as agrochemicals (e.g. pesticides and fertilisers) and seeds. Following the rise of biotechnology in the mid-1990s, a wave of mergers and acquisitions has fundamentally restructured this industry segment, leading to a very high level of corporate concentration. According to the ETC Group, the top five seed companies accounted for 53 per cent of global sales in 2009 (see Table 8). Many of these companies (e.g. Syngenta, Monsanto, and DuPont) are also leading producers of agrochemicals (ETC Group, 2011: 25). The reason for this is that GM seeds such as, for example, Monsanto's Roundup Ready soybeans have been specifically designed to be used with certain brands of fertilisers, herbicides and pesticides (Clapp, 2012: 102-108).

[19] For a detailed discussion see Gereffi & Fernandez-Stark (2011).

Table 8: The World's Top Five Seed Companies

Company (headquarters)	**Seed sales 2009 (US$ million)**	**Global Market share (percent)**
Monsanto (USA)	7,297	27
DuPont (USA)	4,641	17
Syngenta (Switzerland)	2,564	9
Groupe Limagrain (France)	1,252	5
Land O'Lakes/WinField Solutions (USA)	1,100	4
Total Top 5	**16,854**	**62**

Based on ETC Group 2011

Among the various supply chain segments, the production stage is the least concentrated. There are plantation companies which grow bananas, coffee, cocoa, sugarcane, soybeans, and oil palm on a large scale. For example, the Malaysian-based Sime Darby Plantation has close to 900,000 hectares under cultivation, mostly with oil palm (Sime Darby Plantation, website). Another example is the Brazilian soy industry which has seen a significant increase in farm sizes since the 1980s. Brazil's largest plantation company, Grupo Andre Maggi, has currently more than 150,000 hectares under soybean (Vorley, 2003: 63). However, when compared to other segments of the agro-supply chain, corporate concentration remains relatively low at the production stage. The bulk of global agricultural output is still produced by individual farmers and small and medium sized companies.

However, corporate concentration is again more pronounced in the trade and processing stages. For example, the top four grain trading companies (Archer Daniels Midland, Bunge, Cargill, and Louis Dreyfus) control approximately 75-90 per cent of the world trade in grains and oilseeds. Similar high levels of corporate concentration can be observed in the global trade in bananas, cocoa, and tea (Clapp, 2012: 98-102). Also, food and beverage processing is becoming increasingly concentrated, with TNCs like Nestle, PepsiCo, and Kraft Foods holding dominant positions in the market (ETC Group, 2011: 39).

At the downstream end of the agro-supply chain, retail has undergone profound transformation. Until a few decades ago, the retail sector in the EU and the US was characterised by small, independent shops. By the early 1990s, most of them had given way to large, transnationally operating supermarket chains (see Table 9). With over 2 million employees and grocery sales of US$ 191 billion Walmart is the world's largest retail company. The company accounts for 10 per cent of the grocery revenues earned by the world's top 100 retailers. Walmart and other industry leaders such as Carrefour and Tesco are

also expanding rapidly in emerging market economies such as China, India, Russia, and South Africa. Today, Walmart, for example, operates 338 shops in 124 Chinese cities, with 90,000 employees and annual sales of approximately US$ 7 billion (ETC Group, 2008: 22-24; 2011: 37-38).

Table 9: The World's Top Five Retailers

Company (headquarters)	**Grocery sales (US$ million)**	**Number of countries of operation**
Walmart (USA)	191,711	15
Carrefour (France)	104,290	34
Schwarz Group (Germany)	65,012	23
Tesco (UK)	63,288	14
Aldi (Germany)	62,268	15

Based on ETC Group 2011

Furthermore, with the advent of biofuels, energy companies have become major players in the agro-supply chain. This includes large fuel distributing companies such as BP, ExxonMobil, Petrobas, and Shell as well as companies specialising in the production of biofuels. According to *Energy Digital*, an industry gazette, five of the world's major biofuel companies are Australian Renewable Fuels, Blue Fire Ethanol Fuels, Cosan, and Coskata (Energy Digital, 2010). Often, the production and distribution stages are closely integrated. In 2011, Shell and Cosan, for example, created the joint venture Raízen which will produce and sell over 2 billion litres of ethanol from Brazilian sugarcane every year (EcoSeed, 2011). Also, many of the "traditional" agro-TNCs are heavily involved in the bioenergy business. Archer Daniels Midland and Louis Dreyfus, for example, rank among the world's largest biodiesel producers (Farm Industry News, 2012).

Corporate concentration in certain segments of the agro-supply chain has had implications for supply chain governance. It has created power asymmetries, notably between upstream producers and the more highly concentrated downstream end of the supply chain. This has put large retailers, consumer goods manufacturers, and trading companies in the position to be able to influence prices and to determine the conditions of production (cf. Fuchs, Kalfaggiani, & Arentsen, 2009). However, corporate concentration and the industry's increasing transnationalisation have not only affected intra-supply chain relationships; they have also changed the relationship between industry actors and public regulators. According to Higgins and Lawrence (2005: 1), "where, previously, the nation-state exercised

considerable control over the regulation of agriculture, the rise of TNCs in the agribusiness industries (…) has resulted in a reconfiguration of political power in which the state is no longer the predominant actor" (Higgins & Lawrence, 2005: 1). This raises questions about how to govern global agriculture, especially in light of the daunting sustainability challenges faced by the industry today.

3.3 Sustainability Challenges

At the beginning of the 21st century, the agriculture sector is confronted by difficult challenges. The industrialisation and intensification of agricultural production around the world has had severe ecological effects on soils, water, biodiversity, and our climate. At the same time, food insecurity, poor labour standards, and land grabs continue to negatively affect large parts of the developing world. Furthermore, the advent of biofuels and biotechnology has created new environmental and social risks. In the future, these problems are likely to intensify due to both an increased demand for agricultural products from a growing world population as well as changing diets in key developing countries.

3.3.1 Ecological Impacts

The intensification of agriculture has had severe ecological effects. One major problem is the degradation of soils and water quality. Historically, farmers have managed soil fertility through crop rotation and long fallow periods. With the spread of industrial agriculture, however, these techniques have largely been abandoned. Instead, industrial agriculture relies on mechanisation, mono-cropping, irrigation, and the use of synthetic fertilisers and pesticides. Due to industrialisation and intensification, world agricultural production has nearly tripled over the last 50 years while the area of cultivated land has only grown by 12 per cent during the same period (FAO, 2011: 17). However, these production gains have come at a high cost. Industrial agriculture has strongly degraded the land and water systems upon which it depends. In some areas, the impact is so severe that production and livelihoods are compromised. The FAO estimates that approximately 25 per cent of the world's arable land and its associated water systems are now highly degraded (FAO, 2011: 18).

A closely related problem is the loss of biodiversity. Monocropping and the widespread adoption of hybrid seeds have significantly reduced crop diversity around the world. As a

result of the Green Revolution, diversity loss has been particularly pronounced in the developing world. Today, 90 per cent of the wheat, 70 per cent of the rice, and 60 per cent of the maize planted in these countries are modern varieties. Besides reducing crop diversity, intensive farming methods have resulted in a loss of natural habitats for birds, insects, and small animals (Clapp, 2012: 50-51). For example, full-sun monocrop coffee fields in Colombia and Mexico have been found to support 90 per cent fewer bird species than shade-grown coffee systems (Killebrew & Wolff, 2010: 4).

Agriculture is also a major emitter of GHGs and therefore a key driver behind climate change. It is estimated that approximately 15 per cent of global GHG emissions result from agricultural activity. These include emissions from livestock farming, the burning of biomass, and soil management, as well as land use changes. In particular, the large-scale conversion of forests, wetlands, and grasslands into arable land has significantly reduced the ability of ecosystems to store and sequester carbon (IAASTD, 2009: 41). However, agricultural activity is not only a major driver behind climate change; it is also severely affected by this process. In particular, this is true for lower latitudes. In these areas, climate change is expected to increase the frequency and intensity of droughts and floods. Also, sea level rises are expected to pose a threat to deltas and coastal areas (FAO, 2011: 23-24).

3.3.2 Social Impacts and Human Health

Besides these ecological challenges, food insecurity, poor labour standards, and land grabs are major problems, particularly in developing countries. Furthermore, the issue of food safety has received much attention in recent years. Food insecurity is "the inability to access sufficient amount of safe and nutritious food" (Fuchs & Kalfaggiani, 2010: 1). It was the food crisis of 2007/2008 which brought food security back onto the global political agenda. During the crisis, sharp price rises on agricultural commodity markets made it difficult for highly import-dependent countries, notably in Africa and Asia, to supply their populations with basic food staples. According to the FAO, the crisis increased the number of undernourished people by 75 million, bringing the total number to 932 million in 2007 (FAO, 2008). Since then, food prices have fallen again, but they remain higher than before the crisis and hunger and malnourishment continue to affect large parts of the developing world (FAO, website-a). Mittal (2009) identifies a range of short-term and long-term causes behind the sharp price rises in this period. These include a decline in global stocks of grains, increased demand from

emerging economies, the use of food crops for fuel production, and speculation in financial markets. As discussed in more detail below, the advent of biofuels in particular has sparked much debate about the sustainability of the global food system.

Besides food insecurity, poor labour standards remain a major problem in much of the developing world. The International Labour Organization estimates that 60 per cent of the world's child labourers work in agriculture, which is considered to be one of the three most dangerous sectors in terms of work-related fatalities, non-fatal accidents, and occupational diseases (ILO, website). Also, human trafficking and forced labour continue to be widespread in the agriculture sector (ILO, 2005: 52). For example, in 2008, Amnesty International reported about hundreds of incidents of forced labour in Brazil's rapidly growing sugarcane industry (Reuters, 2008).

Furthermore, land grabbing has become an issue in recent years. Land grabbing is an activist term for large-scale foreign land acquisitions. There are varying estimates about the extent of the phenomenon, which range from a low of 45 million hectares (World Bank) to a high of 227 million hectares (Oxfam). However, it is a well-established fact that foreign land acquisitions have increased sharply in recent years. This "scramble" for land is driven by corporate investors, governments, and local elites. They take control over large quantities of land in order to produce food, feed, fibre, and fuels – often for international markets. In many cases, these deals lack transparency and are to the disadvantage of local communities (Margulis, McKeon, & Borras, 2013: 2). According to the Land Matrix Partnership, most of the land acquired in the period 2006-2010 has been used for biofuel production (40 per cent) and is located in Africa. For example, in 2010, Chinese investors acquired 2.8 million hectares of land in the Democratic Republic of Congo to grow oil palm for biofuel production (ETC Group, 2011: 2; Sassen, 2013: 30).

Whereas problems with food insecurity, poor labour standards, and land grabs are mostly confined to the developing world, the issue of food safety has received much attention in developed countries. Over the last few decades, a number of high profile food scares such as the "mad cow disease" crisis, discoveries of dioxin in food products as well as outbreaks of illness due to food-borne pathogens (e.g. salmonella, e-coli, and listeria) have led to growing concern among rich country consumers. This has given rise to controversial debates about the

industrial mode of agricultural production and its detrimental effects on human health and animal welfare (IAASTD, 2009: 34).

3.3.3 Biofuels and Biotechnology

The advent of biofuels and biotechnology is thought to exacerbate some of the problems discussed above. The large-scale production of biofuels has been criticised on various fronts (Biofuelwatch, 2007; Friends of the Earth Europe, 2008; Oxfam International, 2008). One major issue is their carbon intensity. Biofuels have been promoted as a means of reducing GHG emissions and thus to reach climate change reduction targets. However, official figures often do not consider emissions emanating from direct and indirect land use change. Direct land use change occurs when previously uncultivated land is converted to the production of energy crops. Indirect land use change is a process in which biofuels displace other agricultural activities to previously uncultivated areas. These processes can result in an overall negative GHG balance of biofuels when, for example, forests, peatlands or wetlands are cultivated (Nuffield Council on Bioethics, 2011, pp. 32-33). Also, the adverse effect of large-scale biofuel production on food security has become a highly contentious issue. During the food crisis of 2007/2008, Jean Ziegel, the UN Special Rapporteur on the Right to Food, even called them a "*crime against humanity*" and requested a five-year moratorium on their production (The Guardian, 2008b). Furthermore, there is evidence suggesting that biofuel production is a major driving force behind foreign land acquisitions in Africa and elsewhere (e.g. Oxfam, 2012).

Like the case of biofuels, the rise of biotechnology has sparked much debate about the sustainability of the global food system. Biotechnology is not a new phenomenon. For centuries, farmers have used breeding techniques to manipulate and change the genomic properties of crops and animals in order to increase their yields. However, modern biotechnology goes beyond traditional breeding techniques. Scientific progress in the area of genomics has made it possible to transfer genes across species. The results are transgenic crops, livestock, and fish which can be genetically engineered to have favourable traits such as pest, disease, and drought resistance. However, there is a lot of uncertainty about the long term effects of bioengineering on the environment and human health (IAASTD, 2009: 12). For example, there is evidence suggesting that the widespread use of GM crops – in 2009 about 77 percent of the world's soybean crop was GM (GMO Compass, website-a) – in

combination with certain agrochemicals has given rise to so-called superweeds. Superweeds are weeds that are increasingly resistant to conventional pesticides such as glyphosate (Adler, 2011). Furthermore, there are worries that GM crops could pose a risk to biodiversity. By means of out-crossing, transgenic plants could pass their superior traits on to wild relatives. This could enable them to out-compete other species. Difficult to predict and control, such processes could result in an overall loss of biodiversity. Finally, there are concerns that GM crops which produce their own pesticides may pose a threat to non-target animal populations as well as to human health (GMO Compass, website-b).

3.3.4 Future Challenges

World population is expected to grow from 6.1 billion in 2000 to 8.9 billion in 2050 (United Nations, 2004). Much of this growth will occur in developing countries, which will strongly increase their demand for food. At the same time, diets in these countries are changing from staple foods to high protein diets. It is projected that as a result of this world meat consumption will increase from 37.4 kg/person/year in 2000 to over 52 kg/person/year by 2050. As meat production requires a high input of cereals in the form of animal feed, this too will have a major impact on global food demand (UNEP, 2009: 17). Although production growth rates are projected to fall until 2050 when compared to the 1961-2007 period, the quantities needed to satisfy global demand will be significant. According to the FAO, by 2050, world cereal production will increase by 940 million tonnes (+46 percent) and meat production by almost 200 million tonnes (+76 percent). Much of the additional cereal production is estimated to be used for animal feed. For example, approximately 60 per cent of the additional 443 million tons of maize produced by 2050 will be used for that purpose. Furthermore, the FAO estimates that developing countries will produce about 90 per cent of the projected increase in global agricultural production, raising their share from 67 per cent in 2005/2007 to 74 per cent in 2050 (FAO, 2012b: 95-96). Most of the production increase (73 percent) will come from intensification (i.e. increasing crop yields through mechanisation, the use of synthetic fertilisers, pesticides, fungicides, and potentially biotechnology). With 21 percent, the expansion of arable land is another important factor. However, there are strong regional differences. Arable land expansion will be significant in Latin America, but almost absent in East Asia and North Africa. Furthermore, increases in cropping intensities (i.e. multiple cropping and/or shortening of fallow periods) will play a role (see Table 10).

Table 10: Sources of Growth in Crop Production 2005-2050 (percent)

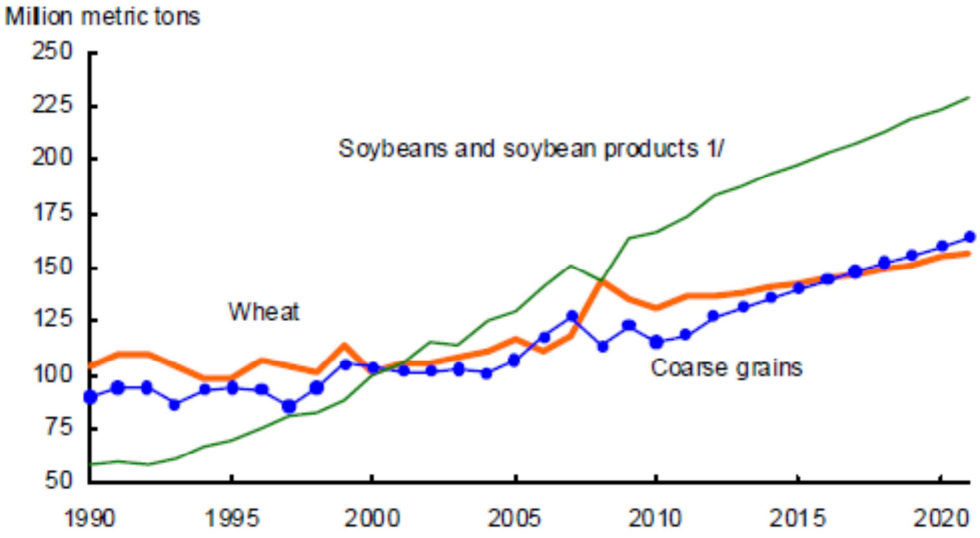
	Arable land expansion	**Increases in cropping intensity**	**Intensification**
All developing countries	21	6	73
Sub-Saharan Africa	20	6	74
Near East/North Africa	0	20	80
Latin America and the Caribbean	40	7	53
South Asia	6	12	82
East Asia	0	15	85

Based on FAO 2012b: 93

Another trend in global agriculture is the expansion of international trade (see Figure 10). In the period 2010-2022, international trade in key crops such as coarse grains (corn, barley, sorghum, rye oats, and millets), soybeans, and wheat is projected to grow by 49 per cent, 34 per cent, and 19 per cent, respectively.[20] According to the United States Department for Agriculture, traditional exporters such as Australia, Canada, the EU, and the US will continue to play a key role in the global trade in agricultural commodities. However, the department estimates that developing countries will be the main source of growth in world agricultural trade. Countries like Brazil have made significant investments in their agricultural sectors in recent years and they are expected to strongly increase their presence in agricultural export markets (USDA, 2012: 17-19).

[20] These figures have been calculated using trade data provided by the United Stated Department for Agriculture (USDA, 2012: 44-50).

Figure 10: Global Trade in Soybeans, Wheat, and Coarse Grains



Source: USDA 2012: 19

The intensification and expansion of agricultural production are likely to exacerbate some of the problems outlined above. In particular, the sector's ecological footprint can be expected to increase in the future. But also food insecurity, labour standards, and land grabbing as well as food safety are likely to remain important issues. In combination with the transnationalisation of production and the growing importance of developing countries in agricultural export markets, this raises important questions about the design and implementation of regulatory standards.

3.4 Regulating Global Agriculture: The Role of Private Standards

Making global agriculture more sustainable poses difficult challenges for regulators around the world. In what could be dubbed old global agricultural governance, states and IGOs were the primary, and often only, providers of regulation. Rule-making took place at the national level, through international negotiations and within IGOs. Rule implementation and enforcement mostly occurred through the state and its agencies as IGOs typically lack direct enforcement powers. However, in an increasingly globalised agricultural economy, the effectiveness of this system is called into question. In the countries of the South, weak administrative capacities are among the main obstacles for achieving sustainability goals. And in the North, where states are strong, regulators remain constrained by national borders and therefore find it difficult to regulate transnational production networks. At the same time,

states are as reluctant as ever to confer authority to supranational bodies, and many intergovernmental forums currently experience stalemates as the result of an increasingly heterogeneous international system (cf. Abbott & Snidal, 2009a).

Faced with this situation, public regulators, industry, and civil society have turned toward private standards as a source of regulation. In contrast to public regulation, private sustainability governance is largely unconstrained by national borders and the rules of the international trade regime. Instead of relying on the state and its monopoly of force, private sustainability schemes harness market forces. Essentially, these systems function as clubs (Potoski & Prakash, 2009). Firms striving for membership have to implement the club's code of conduct in their operations and, with the help of private auditing firms, corporate compliance is assessed. Compliant operators are then issued with a certificate which they can use to signal their sustainability performance to relevant external audiences. Facing pressures from regulators, civil society, and consumers to guarantee the safety and sustainability of their products, downstream companies in particular possess strong incentives to participate in these initiatives. They also play a key role in the implementation of private standards. As detailed above, the downstream end of the agro-supply chain is significantly more concentrated than the upstream end. A large number of producers interact with a much smaller number of traders, processors, and retailers. This puts the latter in the position to be able to exercise control over prices, but also to influence the conditions of production. Through making their sourcing decisions conditional on meeting certain sustainability criteria, they can thus act as "enforcers" and implement private standards in their transnational production networks. These qualities of private standards have made them important players in the emerging system of global agricultural governance.

Initially lagging behind other sectors, the agriculture sector has now become a dynamic site of private sustainability governance (World Bank, 2004: 17-25). Over the course of the last two decades, a large number of private standard systems have emerged in the sector. In particular, retail corporations have been very active in designing and implementing food safety standards, but MSIs have also become an important source of regulation in the sector.

3.4.1 Industry Initiatives

Facing pressures from regulators, civil society, and consumers, retail corporations and big brand consumer goods manufacturers have become a major driver behind private sustainability governance in the agriculture sector (see Table 11). For example, with its Sustainable Living Plan, food giant Unilever commits itself to sourcing all of its agricultural raw materials sustainably by 2020 (Unilever, website). Similar sustainability strategies have been formulated by other leading companies in the industry such as McDonald's, PepsiCo, Coca-Cola, Starbucks, and Walmart (Dauvergne & Lister, 2012). Most big brand companies are also engaged in initiatives at the industry-level. In particular, the consumer-facing retail sector has been very active in designing and implementing industry-level food safety standards (Fuchs et al., 2011). Following the heated controversy about the sustainability of biofuels, there has also been a wave of private biofuel standards in recent years. The table below does not provide a complete inventory, but lists some of the major industry initiatives in the agriculture sector.

Table 11: Industry Standards in the Agriculture Sector

Standard System	Initiator	Focus	Description
British Retail Consortium Global Standard for Food Safety (BRC)	British retail industry association	Food safety	BRC was created in 1998 in order to evaluate the manufacturing of retailers' own brand products. It delineates more than 250 requirements including comprehensive norms for food safety and quality as well as personal hygiene of personnel. In 2002, a Packaging Standard was published, followed by a Consumer Products standard in 2003 and finally the BRC Standard for Storage and Distribution in 2006.
International Food Standard (IFS)	German retail industry association	Food safety	IFS is a standard developed by retailers and wholesalers to ensure the safety of own-brand products. It was initiated in 2002 by a German food retail industry association. The development of the current version of IFS Food is a collaboration of three retail federations from Germany, France and Italy.
Safe Quality Food (SQF)	US retail industry consortium	Food safety	SQF is a food safety and quality certification programme for primary production (SQF 1000) and for food manufacturing and distribution (SQF 2000) owned by the Food Marketing Institute. Its membership represents three-quarters of all retail food stores in the US and 200 companies from over 50 countries. SQF is primarily designed as a food safety programme.
The Global Food Safety Initiative (GFSI)	International retail industry consortium	Food safety	GFSI was initiated in 2000 by a group of international retailers in order to agree on globally accepted food safety standards. The initiative sets baseline requirements for food safety standards and intends to improve efficiency costs throughout the food chain. Currently, four food safety standards have been benchmarked against the GFSI standard: BRC, IFS, SQF, and the Dutch Hazard Analysis and Critical Control Point (HACCP) standard.

Global Partnership for Good Agricultural Practices (GlobalG.A.P)	European retail industry consortium	Food safety	Global G.A.P (known as EurepGap until 2007) was developed in 1997 by a group of European retailers. While initially only applying to fruits and vegetables, it now covers meat products and fish from aquaculture as well. The standard focuses on food safety, but also includes criteria pertaining to animal welfare and environmental sustainability.
Biofuel Biomass Sustainability Verification System (2BSvs)	French agriculture industry consortium	Environmental sustainability of biofuel production	2BSvs was developed by leading organisations and associations in the French agriculture and biofuel industries. The scheme is being implemented by the certification body Bureau Veritas. It mainly covers the environmental sustainability standards set out in the European Union Renewable Energy Directive (EU RED) of 2009.
REDCert	German agriculture industry consortium	Environmental sustainability of biofuel production	REDcert was founded in 2010 by leading organisations and associations in the German agriculture and biofuel industries. It has been approved by the German Federal Agency for Agriculture and Food to fulfil the requirements of the German Biomass Sustainability Ordinance.
Red Tractor	British industry consortium	Food safety, environmental sustainability of biofuel production	Launched in 2000, the Red Tractor scheme was developed by a consortium of British farmers, food producers, and retailers. Its standard covers food safety, animal welfare, and environmental protection. Recently, the Red Tractor has been supplemented by a standard for biofuels.

Based on Fuchs, Kalfagianni et. al. 2009

Industry food and sustainability standards have been criticised on several grounds. A recurrent theme in the literature is their limited effectiveness. It has been argued that, besides "greenwashing" corporate reputations, industry self-regulation has so far produced few substantial results. For example, in their study of private food governance, Fuchs and Kalfagianni (2010) conclude that industry sustainability initiatives did not fundamentally change the environmental behaviour of food retail corporations and that such programmes are too few and have too little coverage to have an impact. A second criticism pertains to the relationship between private sustainability schemes and developing countries. It has been pointed out that farmers, fishermen and civil society actors from the south often have little access and influence over private standard-setting processes (Fuchs et al., 2011). According to Clapp (2005a), this has led to a situation in which private standards prioritise issues of importance to industrialised countries. Furthermore, the distributive consequences of private sustainability governance have given rise to criticism as, in many cases, these are believed to be detrimental to the interests of producers in developing countries (Fuchs & Kalfaggiani, 2010; Guthman, 2007). Finally, industry-led initiatives have been criticised for their lack of legitimacy. Not formally elected, private standard-setting systems rely on procedural criteria

such as process-transparency and inclusiveness to generate legitimacy. However, industry initiatives like the BRC, IFS, and SQF lack participatory elements (Fuchs et al., 2011).

3.4.2 Multi-Stakeholder Initiatives

As discussed in-depth in Chapter 1, the growing importance of private actors in global governance has triggered much debate about their democratic legitimacy. In this context, concerns have been expressed that outsourcing regulatory functions to private actors will lead to "less democracy and accountability around the world" (Lipschutz & Fogel, 2002: 121). Others, however, are less pessimistic about the new role played by private actors. On the contrary, they believe that public-private partnership and MSIs can counteract the democratic deficit of transnational rule-making and enhance the legitimacy of global governance institutions. They see the rise of these new modes of governance as part of a deliberative turn with the potential to increase the democratic quality of global governance institutions (cf. Bäckstrand, Khan, Kronsell, & Lövbrand, 2010b).

In recent years, the agriculture sector has become one of the most dynamic sites of MSI diffusion. Over the course of the last decade, a large number of agro-MSIs have been created (see Table 12). Their goal is to improve the sustainability of key crops such as cocoa, coffee, cotton, palm oil, soy, and sugarcane. Other initiatives focus on aquaculture, meat production, and biofuels. These schemes are not necessarily more effective than their industry-led counterparts. However, through including civil society actors and producers from the global south in their governance and standard-setting activities, they achieve a higher level of legitimacy.

Table 12: MSIs in the Agriculture Sector

MSI	Initiator	Focus	Description
4C	German coffee industry association, German government	Social and environmental sustainability of coffee production	Created in 2003, 4C was initiated by the German Ministry for Economic Cooperation and Development, the German Association for Development Cooperation (GIZ), and the German Coffee Association. In 2006, the initiative issued the 4C code of conduct which addresses social and environmental impacts of coffee production.

BCI	Environmental NGO, industry consortium	Social and environmental sustainability of cotton production	The BCI process was initiated in 2004 by the WWF, Adidas, H&M, and IKEA. The initiative involves the different supply chain actors (producers, processors, retailers) and civil society organisations. In 2010-2011 the first cotton bearing the Better Cotton label was harvested.
BSI/Bonsucro	Environmental NGO, international organisation	Social and environmental sustainability of sugarcane production	Previously known as the Better Sugar Initiative (BSI), Bonsucro is a roundtable association initiated in 2005 to reduce the environmental and social impact of sugarcane cultivation. Among its founding members are the WWF and the IFC.
FLO	Social NGO	Fair trade	The FLO was established in 1997, in order to unite the fair trade initiatives of several European countries and North America under one umbrella organisation. In 2002, FLO launched its certification scheme. Through its standard and labelling scheme the initiative seeks to contribute to greater equity in international trade.
FLP	Coalition of social NGOs	Social and environmental sustainability of cut flower production	The FLP emerged out of a campaign against poor social conditions in the cut flower industry. The campaign was organized by Brot fuer die Welt and FIAN (FoodFirst Informations- und Aktionsnetzwerk), and Terre des Hommes. In 1999, producers and traders, as well as trade unions, joined the initiative and jointly launched the FLP.
ICI	Coalition of social NGOs	Social sustainability of cocoa production	The ICI emerged out of a campaign against abusive labour practices in the cocoa industry. Founded in 2002, it is a partnership between civil society organisations, trade unions and the cocoa industry. ICI activities focus on knowledge management and capacity building.
ISCC	German government	Social and environmental sustainability of biofuels production	The ISCC was developed through a multi-stakeholder approach, with financial support from the German Agency for Renewable Resources. In 2011, the ISCC launched its certification system and to date more than 1,600 certificates have been issued.
RTRS	Environmental NGO	Social and environmental sustainability of soy production	The RTRS was established in 2006 in Zurich, with its secretariat now located in Buenos Aires. The initiative provides a forum for dialogue between various actors in the soy supply chain and civil society. In 2011, the first RTRS certificates were issued.

RSB	University	Social and environmental sustainability of biofuel production	The RSB was initiated by the École Polytechnique Fédérale de Lausanne in 2006. The RSB developed a standard for sustainable biofuel production and issued its first certificates in 2012.
RSPO	Environmental NGO	Social and environmental sustainability of biofuel production	The RSPO was initiated by the WWF in cooperation with Unilever, Migros, and the Malaysian Palm Oil Association. The scheme was officially launched in 2004 and completed its standard-setting process in 2006. Today, 14 per cent of global palm oil production is RSPO certified.
GRSB	Environmental NGO	Environmental sustainability of beef production	Still in the process of formation, the GRSB is a MSI involving leading organisations from the beef industry and environmental NGOs. The initiative aims to improve the sustainability of the global beef value chain.
UTZ Certified	Environmental NGO	Environmental and social sustainability of coffee, cocoa, tea and rooibos production	UTZ Certified is a label and programme for sustainable farming launched in 2002. Its standard addresses the social and environmental impact of coffee, cocoa, tea, and rooibos farming. UTZ certified coffee is sold in almost 50 consuming countries.

Most of the initiatives listed above emerged in the mid-2000s. However, the inventory of environmental MSIs conducted in Chapter 1 showed that the diffusion of the MSI institutional model has transformed it in key dimensions of organisational design. This is also true for the group of agro-MSIs. Whereas some initiatives adopted highly inclusive structures, others did not. It is this variation and its implication for the democratic legitimacy of multi-stakeholder governance which the following case study chapters will explore in more depth.

3.5 Conclusions

The main purpose of this chapter was to provide the reader with background information about the agriculture sector and to serve as an introduction for the case study chapters to follow. In a first section, the chapter described the development of an increasingly globalised agro-industry with close links to the energy sector. It was pointed out that international trade in agricultural commodities is not a new phenomenon. Once-exotic commodities such as coffee, spices, and tea have been traded for centuries. However, the chapter revealed that the current volume and level of international trade and transnational integration are historically unprecedented. At the heart of this transformation is the global spread of industrial

agriculture, the reduction of barriers to trade, and the rise of horizontally and vertically integrated TNCs at almost all stages of the agro-supply chain.

The second section focused on the various sustainability challenges faced by the agriculture sector today. These include ecological impacts such as soil erosion, loss of biodiversity, and GHG emissions. Also, food insecurity, poor labour standards, and land grabs, as well as food safety, remain important issues. In the future, these problems are likely to intensify. The reasons for this are an expanding demand from a growing world population, changing diets in key developing countries, and the growing importance of developing countries as producers of agricultural commodities. Furthermore, the advent of biofuels and biotechnology together with the various social and environmental risks involved were discussed.

In its final section, the chapter turned to the question of regulating global agriculture. In the twenty-first century, the regulation of agricultural activities is complicated by the fact that production, processing, and retailing are increasingly transnational in nature. This poses difficult challenges for public regulators, which remain constrained both by national borders and by the rules of the international trade regime. In this context, the role of private standards was discussed. In response to growing pressures from consumers, civil society, and public regulators, the private sector has become an important source of regulation. In particular, retail corporations have been very active in creating and implementing food safety and sustainability standards. Besides hosting various industry initiatives, the agriculture sector has also become one of the most dynamic sites of multi-stakeholder governance, and agro-MSIs have emerged in several of the industry's subsectors.

Chapter 4: The Roundtable on Sustainable Biofuels[21]

4.1 Introduction

After an introduction to the global political economy of agriculture, this is the first of three case study chapters. With a focus on the RSB and the biofuels industry, it examines the diffusion of private participatory governance in the agriculture sector.

To recapitulate, in Chapter 1, it was described how the field of global sustainability politics is currently undergoing a profound transformation from a state-centred model of governance toward a system in which governance has multiple loci and levels. It was shown how private actors and private regulatory arrangements have come to play an important role in the emerging global governance architecture. The rise of private authority in the international system has raised pressing questions about its democratic legitimacy. In the transitional realm where these schemes operate, no clearly defined *demos* or self-governing community exists. With its focus on elections and representation, the liberal model of democracy is therefore not well suited to the reality of transnational rule-making with its multitude of actors, diffuse authority, and many levels. As part of a wider turn in the philosophy of democracy, deliberative democratic theory has been proposed as an alternative normative basis for organising legitimate rule-making at the transnational level. In essence, deliberative democrats highlight the importance of participation and dialogue over the liberal ideas of representation and formal accountability. Among the various private governance arrangements that have emerged in recent years, MSIs are believed to come closest to the deliberative ideal. They try to organise legitimate transnational rule-making through participatory elements and procedural transparency. These design features directly follow from the two core procedural principles of deliberative democratic theory: inclusiveness and unconstrained dialogue.

As a mode of global governance, MSIs first emerged in the forestry and apparel sectors in the early 1990s and from there spread rapidly and widely in the global economy. A good fit with prevailing social structures, social movement pressure, and the entrepreneurial activities of NGOs, foundations, and progressive firms have been identified as the main drivers behind

[21] Recently, the Roundtable on Sustainable Biofuels changed its name to Roundtable on Sustainable Biomaterials.

this process. However, as shown in Chapter 1, this process of institutional diffusion has not spread a universal model of private participatory governance. Instead, real-world MSIs exhibit significant variation in their institutional designs, notably their level of inclusiveness.

In order to explore the causes of this variation in more depth, this and the following two case study chapters trace the diffusion of private participatory governance in the agriculture sector, the most dynamic site of MSI diffusion in recent years. To this end, the empirical analysis will be guided by the diffusion model developed in Chapter 2. The model distinguishes three stages in the diffusion process – source selection, transmission, and adoption – and identifies as set of testable hypotheses about the cause-and-effect relationships that influence institutional outcomes.

The remainder of this chapter is structured as follows: In a first step, some case context and background is provided. Then, the institutional development of the RSB is described, from the scheme's inception to the launch of the formal organisation and the finalisation of the standard-setting process. As part of this, a more detailed analysis of the inclusiveness of the scheme's decision-making and rule-making arrangements is provided. In a final step, the analytical framework developed in Chapter 2 is used for explaining the institutional outcome for the case at hand.

4.2 Case Context and Background

The biofuel sector is a relatively young global industry. Although industrial biofuel production has existed in countries like Brazil and the USA since the 1970s, the emergence of a global biofuel supply chain and market is a rather recent phenomenon. Over the last decade, biofuel production, consumption, and trade have expanded strongly as major industrial countries around the world have adopted blending mandates for biofuels (Global Renewable Fuels Alliance, website). One important example is the EU RED 2009. Enacted in 2009, the EU RED established a blending mandate for biofuels in the transport sector of 10 percent to be achieved by 2020 (European Union, 2009). This and supporting policies at the member state level created one of the world's largest biofuel markets with an estimated volume of currently 14 billion litres or 4.65 percent of total transport fuels (USDA, 2013). As a result of EU RED and similar policies elsewhere, world biofuel production increased six-fold during 2000-2011 from 315 to 1898 thousand barrels per day (U.S. Energy Information

Administration, website). Strong growth rates are projected to continue in the future. In this regard, the FAO estimates that global biofuel production will almost double in size by 2021 (OECD-FAO, 2012: 88). Today, the world's top five biofuel producing countries are: USA, Brazil, EU-27, Argentina, and China (see Table 13).

Table 13: Top 5 Producers of Biofuels in 2011

Country	**Production (thousand barrels per day)**
USA	971.729
Brazil	438.058
EU-27	250.450
Argentina	50.340
China	46.800

Source: U.S Energy Information Administration

Also, the global trade in biofuels is set to increase strongly, from 4.5 billion litres annually in the previous decade to 12 billion litres by 2021. Currently, the world largest exporters of biofuels are the USA and Brazil, followed by the two major palm oil producing countries, Indonesia and Malaysia (OECD-FAO, 2012: 95).

The strong expansion of biofuel production, trade, and consumption over the last two decades has contributed to a surge in global demand for food commodities. The FAO estimates that this trend will continue in the future (see Table 14).

Table 14: World Use of Crops for Biofuels

Crop	**Unit**	**2005**	**2030**
Cereals	Million tonnes	65	182
	Percent of total use	3.2	6.7
Vegetable oils	Million tonnes	7	29
	Percent of total use	4.8	12.6

Source: FAO 2012

This development has triggered much debate about the sustainability of biofuels. In particular, environmental and human rights groups in Europe have strongly criticised the massive expansion of what they call "agrofuels" (Biofuelwatch, 2007; Friends of the Earth Europe, 2008; Oxfam International, 2008).

One major issue raised by these groups relates to the carbon intensity of biofuels. Often, biofuels are promoted as a means to reduce GHG emissions and thus to reach climate change

reduction targets. But official figures often do not consider emissions emanating from direct and indirect land use change. Direct land use change occurs when previously uncultivated land is converted to the production of energy crops. One the other hand, indirect land use change is a process in which biofuels displace other agricultural activities to previously uncultivated areas. Direct and indirect land use changes are problematic as they can result in an overall negative GHG balance of biofuels. This is the case when, for example, forests, peatlands, or wetlands are cultivated (Nuffield Council on Bioethics, 2011, pp. 32-33).

Also, the social impact of biofuels has become a highly contentious issue. Besides poor labour standards in producer countries and problems with land grabbing, it was particularly the food crisis of 2007/2008 which sparked much debate about biofuels. As food prices increased sharply during this period, Jean Ziegler, the UN Special Rapporteur on the Right to Food, even called them a "crime against humanity" and requested a five year moratorium on their production (The Guardian, 2008b). The debate was further fuelled by the release of the Gallagher Review in July 2008. Commissioned by the British Secretary of State for Transport, the review concluded that without safeguards biofuel policies in the EU and elsewhere will: (1) reduce biodiversity; (2) may cause GHG emissions rather than savings; and (3) that increasing demand for biofuels contributes to rising prices for some food commodities such as oil seeds (Renewable Fuels Agency, 2008, pp. 7-15).

To address this situation, several private governance arrangements were created to mitigate the social and environmental impact of biofuel production. The growth of private governance in the biofuel sector was further spurred by the EU's decision to rely on private certification schemes for implementing the EU RED. In addition to a blending mandate, the EU RED included a mandatory sustainability scheme which all biofuels produced or imported to the EU must meet. The emerging system of private governance in the biofuel sector includes firm-level self-regulation, industry-level initiatives, and MSIs. These arrangements are now a major source of environmental and social regulation in the industry (Schleifer, 2013). One of the most important private schemes in terms of visibility and membership is the RSB.

4.3 The Roundtable on Sustainable Biofuels

Launched in 2006, the RSB is a private standard-setting and certification body, created to mitigate the social and environmental impact of global biofuel production. In a multi-

stakeholder process, it defined principles and criteria for "sustainable" biofuel production and, via certification, provides market incentives for their implementation. This section traces the institutional development of the RSB form its inception to the launch of the formal organisation. With a focus on the design of the RSB's standard-setting and decision-making arrangements an assessment of the scheme's inclusiveness is provided.

4.3.1 Inception

An important stepping stone for the RSB was a conference on sustainable bioenergy in Bonn in October 2006. Organised by the German NGO Forum on Environment and Development and the UN Foundation (two of the founding members of the RSB), the conference brought together a diverse group of stakeholders, including representatives from NGOs, industry, governments, IGOs, and academia. In a communique, the conference participants described a profound transformation of the energy production system and identified bioenergy as "one of the most promising sources of energy and crucial part of the new energy paradigm" (German NGO Forum on Environment and Development, 2006a). At the same time, the environmental and social impacts of bioenergy were a key concern at the conference. In particular, issues like deforestation, soil depletion, food security, and land grabbing were discussed in detail and how they could be mitigated through a private standard-setting and certification mechanism (German NGO Forum on Environment and Development, 2006b).

Simultaneously, a group of people at the École Polytechnique Fédérale de Lausanne (EPFL) Energy Center started discussing the possibility of developing sustainability criteria for biofuel production. In November 2006, the EPFL Energy Center published a white paper on "the need for biofuel certification" (EPFL, 2006) and, shortly after, hosted a Sustainable Biofuels Stakeholder Meeting. The meeting was attended by a diverse group of stakeholders from civil society, industry, the public sector, and academia. Participants analysed the various problems associated with commercial biofuel production, discussed existing regulation, and "investigated the potential for developing an internationally accepted and implementable standard for sustainable biofuels" (RSB, 2006). The most important outcome of the meeting was the decision to create a Founding Steering Board (FSB), charged with launching a multi-stakeholder standard-setting process (RSB, 2006). Furthermore, a small secretariat was established, based at the EPFL Energy Center.

4.3.2 Formation Phase

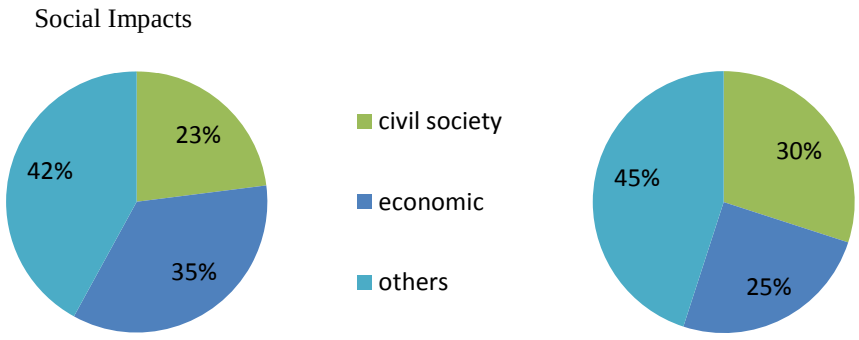
Holding its first meeting in May 2007, the FSB consisted of an *ad hoc* group of people who had volunteered at the Lausanne workshop in November 2006. Over the course of the next two years, these individuals, representing organisations from civil society and industry, met several times per year in-person or via teleconference to launch the standard-setting process and to create the organisational structures of the RSB. The composition of the FSB varied greatly during the time of its existence (May 2007 – January 2009). As the initiative evolved, new organisations joined the FSB, whereas others left or scaled back their involvement. There were no formal stakeholder categories, but available documentation suggests an overall balanced representation of the four key stakeholder groups (civil society north, civil society south, economic north, and economic south). Towards the end of the formation period, the FSB had some twenty members. Civil society members included: the World Wide Fund for Nature, the National Wildlife Federation, Amigos da Terra (a Brazilian environmental NGO), the Energy Resource Institute (an Indian environmental NGO), and the Mali Folkecenter (an environmental NGO from Mali). From the industry side there was Shell, BP, Bunge, Toyota, Petrobas, the Federation of Swiss Oil Companies, and UNICA (the leading Brazilian Sugarcane Industry Association). Furthermore, several academics and representatives from government agencies and international organisations participated in the meetings of the FSB (RSB, 2011e). During 2007 and 2009, the members of the FSB met about 10 times. The meetings mostly revolved around questions of organisational development (e.g. recruitment of new members, creation a formal governance structure, launch of the certification system, etc.) and the standard-setting process. To reach decisions on these issues the members of the FSB strived to reach consensus. However, a voting procedure existed in the event of deadlock. In such cases, a decision could be reached by a two-third majority of the votes (RSB, 2007f).

One of the most important milestones during the formation period was the launch of the standard-setting process. In June 2007, the FSB, with help of the Secretariat, created four working groups (WGs) on environmental impacts, social impacts, GHGs, and implementation. Their task was to draft the principles and criteria of the RSB standard. Decisions on the draft standard were reached by consensus or by simple majority in the case of deadlock (RSB, 2008a). Participation in the groups was free of charge and open to all interested parties. Regarding their composition, there was no formal balance between sectors or regions. However, the RSB Secretariat aimed to maintain an overall balance in order to

prevent single interest groups from capturing the process (interview with several members of the RSB Secretariat).

The more in-depth analysis of the standard-setting process revealed that the single WGs had memberships of 77 (WG Environmental Impacts), 64 (WG GHG), 70 (WG Social Impacts), and 71 (WG Implementation), respectively (RSB, 2007a, 2007d). Information giving a more detailed breakdown of the WGs could be obtained for the WG Environmental and WG Social Impacts (see Figure 11).

Figure 11: Composition of the RSB's Standard-Setting Bodies (percent)



Based on RSB 2007a, 2007b

Unfortunately, the available data does not allow for an exact breakdown of the WG members' geographical origin. One document mentions that organisations from 45 countries participated in the work of the WGs (RSB, 2011e). Information obtained from the interviews suggests that, despite a bias toward organisations from the global north, there was nevertheless substantial participation from organisations from the global south.

Communication among the members of the WGs took place via teleconferences and through a so-called Bioenergy Wiki. Openly accessible to the public, the Bioenergy Wiki is a website which contains detailed documentation of the standard-setting process in the RSB, including meeting minutes of the WGs as well as background documents (Bioenergy Wiki, website).

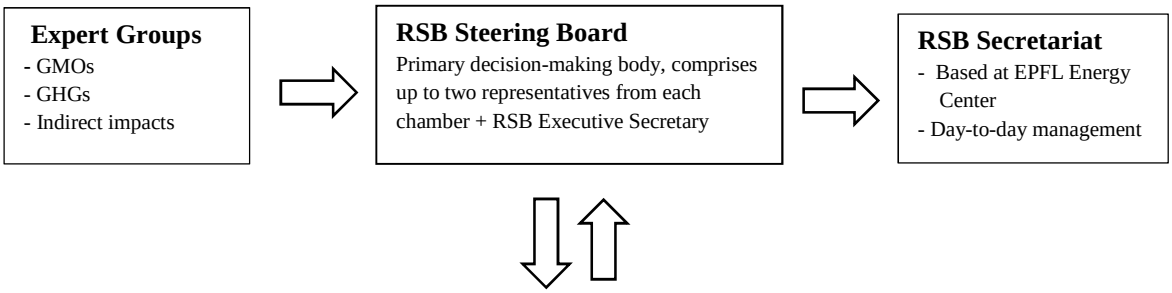
Taken together, the process leading to Version Zero of the RSB Principles and Criteria involved more than 50 WG teleconferences and four stakeholder outreach meetings in Brazil,

China, South Africa, and India (RSB, 2008a). In August 2008, the twelve principles and related criteria of Version Zero were formally adopted by the FSB. Following the guidelines of the International Social and Environmental Accreditation and Labelling (ISEAL) Alliance, an association defining standards of good practices for private standard-setting organisations, the standard was then made available for public scrutiny and comments (RSB, 2009). During the consultations, the RSB Secretariat organised 15 stakeholder outreach meetings around the globe and received comments via phone and its website. Furthermore, the Kluyver Centre for Genomics of Industrial Fermentation in Delft, Netherlands was commissioned to conduct an expert workshop to review the RSB standard (Kluyver Centre, 2008). Documentation about stakeholder engagement during this period provides evidence that nearly 900 individuals and organisations from over 40 countries participated in the feedback process to improve Version Zero of the RSB standard (RSB, 2009).

4.3.3 The Formal Organisation

In January 2009, the RSB was launched as a membership organisation with a formal governance structure. The FSB and the four WGs were dissolved and replaced by a formally elected SB and a corresponding chamber system. Later, three expert groups on genetically modified organisms (GMOs), GHGs, and indirect impacts were formed to work out the technical details of the RSB Principles and Criteria. Initially, the chamber system consisted of eleven stakeholder chambers. The private sector was represented by four chambers and environmental and social groups by a further six. The eleventh chamber, comprising government agencies, IOs, consultancy firms, academics and certification agencies, was set up as a non-voting chamber. Early in 2010, a decision was made to reduce the number of stakeholder chambers from eleven to seven. The revised chamber structure consisted of three industry chambers, three civil society chambers, and the former chamber 11 as a non-voting chamber (see Figure 12) (RSB, 2011e: 3f.).

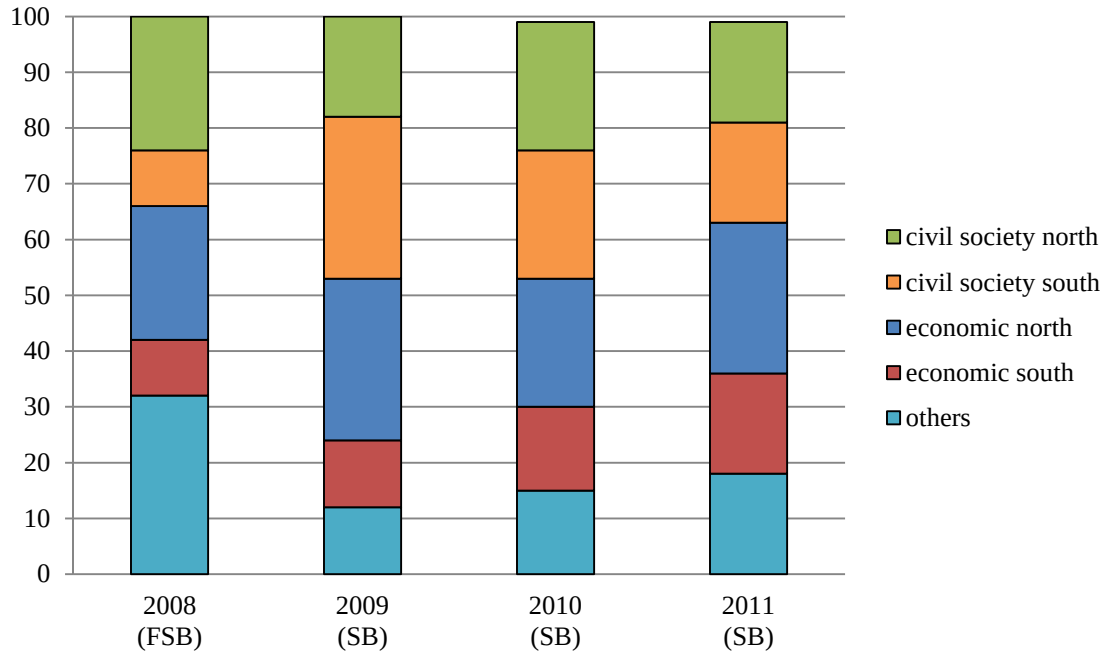
Figure 12: Organisational Chart of the RSB



RSB Stakeholder Chambers	
Eleven Chamber System (January 2009 – April 2010)	**Seven Chamber System (since April 2010)**
1. Farmers and growers of biofuel feedstocks	1. Farmers and growers of biofuel feedstocks
2. Industrial biofuel producers	2. Industrial biofuel producers
3. Retailers/blenders and the transportation industry	3. Retailers/blenders, the transportation industry, banks/investors
4. Banks/investors	4. Rights-based NGOs and trade unions
5. Rights-based NGOs	5. Rural development, food security organisations, smallholder farmer organisations, indigenous peoples' organisations and community-based civil society organisations
6. Rural development and food security organisations	6. Environmental NGOs, climate change and policy organisations
7. Environment and conservation organisations	7. IGOs, governments, standard-setters, specialist advisory agencies, certification agencies, and consultants (non-voting chamber)
8. Climate change and policy organisations	
9. Trade unions	
10. Smallholder and indigenous peoples' organisations	
11. IGOs, governments, standard-setters, specialist advisory agencies, certification agencies, and consultants (non-voting chamber)	

Using the four key stakeholder groups (civil society north, civil society south, industry north, and industry south) identified in Chapter 2, Figure 13 provides a detailed breakdown of the RSB SB. It shows that it maintained a careful balance between industry and civil society actors as well as organisations from both the global north and south.

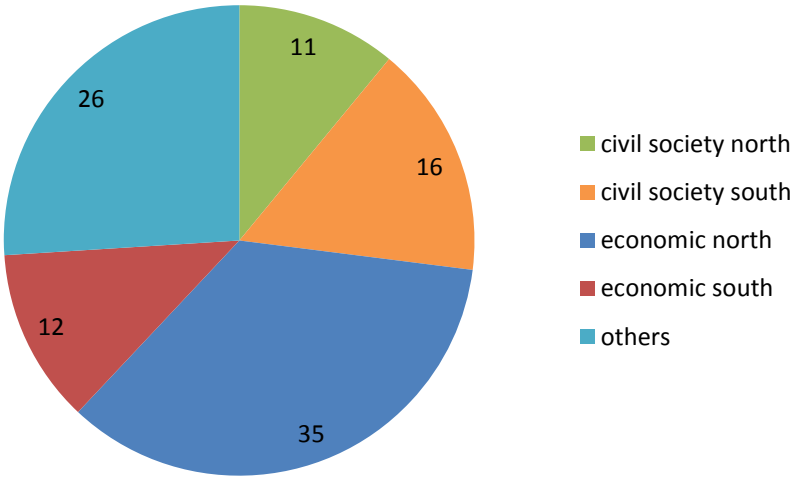
Figure 13: Composition of the RSB's Primary Decision-Making Body (percent)[22]



In the formal organisation, decision-making proceeds in two stages. In a first stage, a decision about an agenda item is reached at the chamber-level. All members of the RSB belong to one of the seven stakeholder chambers. In January 2014, the RSB had 102 members. See Figure 14 for a detailed breakdown of the composition of the RSB membership.

[22] This figure has been composed from the meeting minutes of the RSB SB. To this end, members have been identified as either belonging to one of the following categories: Industry, civil society, or others. Then, the location of their home institution's headquarter has been used to determine their geographic origin (global north or global south).

Figure 14: Composition of the Membership of the RSB (percent)[23]



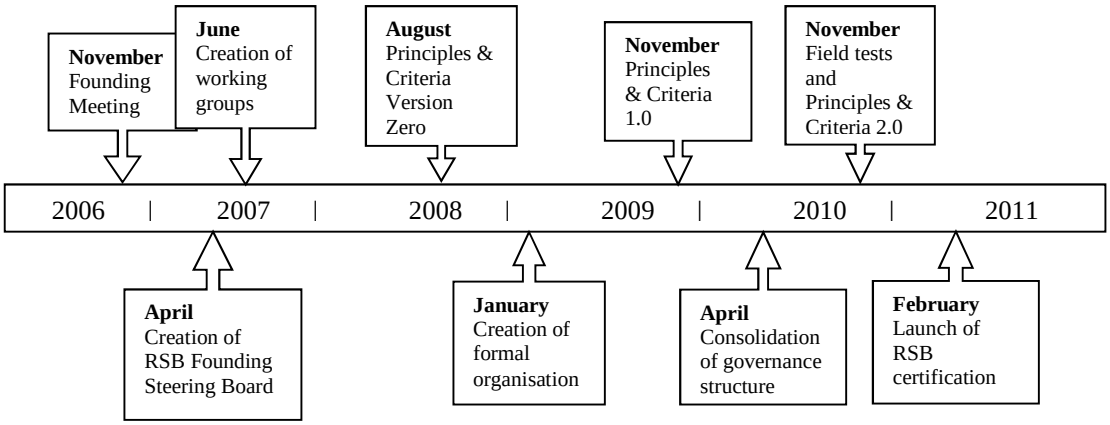
Chamber meetings are held via teleconference or in person and have a quorum if at least 25 percent of its membership or three members, whichever is highest, participate. Chambers reach their decisions by consensus. However, if in a third consecutive meeting no consensus can be reached regarding a particular agenda item, then decisions may be reached by a vote of two-thirds of the members present (RSB, 2010i). In a second stage, the agenda item is passed on to the SB. The composition of the SB follows from the chamber structure. Each chamber elects up to two representatives, known as co-chairs, who represent the chamber at the SB-level. Like the FSB before it, the SB meets several times a year via teleconference or in person and is deemed to be quorate if at least 60 percent of its members are present. Similar to decision-making in the chambers, the SB strives to reach consensus. However, in the case of deadlock (i.e. no consensus in a third consecutive meeting) a decision can be reached by a vote of two-thirds of the voting members present (RSB, 2010i).

Throughout 2009 and 2010, the RSB continued its standard-setting activities and stakeholders amended and refined the RSB Principles and Criteria Version Zero in various chamber teleconferences. In November 2009, Version 1.0 of the RSB Principles and Criteria was formally adopted by the SB and field-tested in projects in Africa, Asia, and Europe. The lessons learned from the pilot projects and the feedback from a second public consultation

[23] This figure has been composed from the membership list provided on the RSB website (http://rsb.org/about/organization/rsb-members/, January 2014). To this end, members have been identified as either belonging to one of the following categories: economic, civil society, or others. Then, the location of their home institution's headquarter has been used to determine their geographic origin (global north or global south).

period were then worked into the standard (RSB, 2011d). In November 2010, Version 2.0 of the RSB Principles and Criteria were formally adopted. Shortly after, in March 2011, the RSB launched its certification system. See Figure 15 for an overview of the institutional development of the RSB.

Figure 15: Institutional Development of the RSB (2006-2011)



4.3.4 Assessing Inclusiveness

Using the qualitative indicators developed in Chapter 2 (Section 2.5.1), this section assesses the inclusiveness of the RSB's standard-setting and decision-making arrangements. To this end, their openness, composition, and the design of their constitutive rules are examined.

Standard-setting in the RSB was initially organised in four WGs on environmental impacts, social impacts, GHGs, and implementation. The WGs were formed in mid-2007 and over the course of the next year drafted the principles and criteria of the RSB standard. Access to the standard-setting process was open to all interested parties and some 282 organisations and individuals participated in the formulation of the RSB Principles and Criteria Version Zero. At a later stage, standard-setting took place in a carefully balanced chamber system, involving all members of the RSB. In addition, three expert groups were formed to work out the technical details of the standard. After Version Zero of the standard was completed the RSB followed the guidelines of the ISEAL Alliance and opened its standard for two public consultation periods. Furthermore, a global outreach programme was conducted. This consultation process exposed the standard to a wider group of stakeholders, providing them

with the opportunity to give feedback and to provide comments. However, there were no clear guidelines as to how and to what extent the RSB SB had to incorporate this input.

Decisions about the standard and other organisational matters were initially reached by the FSB, an *ad hoc* group of people who had volunteered at the organisation's foundational meeting. Then, when the RSB became a formal organisation in January 2009, the FSB was replaced by a formally elected SB and a corresponding chamber system. The above analysis of the compositions of these bodies showed that they maintained a careful balance between industry and civil society actors as well as organisations from the global north and the global south. Also, the collective choice rules of the RSB are designed in a way that ensures that economic actors cannot capture the process. In this regard, the two-third majority rule for decisions at the SB-level give civil society actors a blocking minority.

Overall, the RSB can be characterised as a private governance institution with a highly inclusive design. Its standard-setting and decision-making arrangements are open and balanced. Furthermore, its collective choice rules protect the rule-setting process against the possibility of regulatory capture. See Table 15 for a summary of the inclusiveness of the RSB.

Table 15: Inclusiveness of the RSB (Overview)

Standard-setting arrangement	Working Groups
Membership rules	Open
Composition	Balanced
Consultation mechanism	Yes
Primary Decision-making arrangement	Steering Board (Founding Steering Board)
Membership rules	Restricted to members
Composition	Balanced
Collective choice rules	Protection against regulatory capture (civil society actors possess a blocking minority)
Secondary Decision-making arrangement	Stakeholder Chambers
Membership rules	Open (membership fees depending on size and stakeholder category)
Composition	Balanced
Collective choice rules	Protection against regulatory capture (via their representatives civil society chambers can block decisions at the SB-level)

4.4 Tracing the Diffusion Process

Why has the RSB adopted highly inclusive structures, whereas other MSIs in the agriculture sector are significantly less participatory? To explain this variation in diffusion outcomes, this section traces the diffusion of the MSI institutional model to the biofuels sector.

Diffusion is the study of why and how norms, ideas, and practices spread across time and space. According to common wisdom, diffusion processes lead to institutional isomorphism or convergence. States and organisations become more similar over time as they imitate and learn from those whom they know and perceive as successful. While diffusion often does have an isomorphic effect, there are numerous studies that have shown that it is not a "neutral" process of transmitting ideas from a point of origin to a point of adoption.[24] For example, Börzel and Risse (2011) find that the diffusion of the European Union (EU) model has led to significant variation in institutional and behavioural outcomes among adopters. In a similar way, the works of Falkner and Gupta (2009) and Radaelli (2005) point to diffusion processes that led to only limited degrees of convergence. In sum, these studies suggest that diffusion often transforms the elements that are being transmitted.

In order to investigate the institutional diffusion and variation of private participatory governance, Chapter 2 developed a framework that distinguishes three stages in the diffusion process: source selection, transmission, and adoption (see Chapter 2, Section 2.4.4). For each of these stages, hypotheses were formulated about the cause-and-effect relationships that make diffusion outcomes vary. The starting point for the analysis is the assumption that the designers of the RSB did not create their organisation from scratch. Instead, uncertain about legitimate forms and trying to save time and resources, they turned toward existing MSIs in other fields in order to imitate their structures and to learn from their experiences. The analysis proceeds by explaining the specific diffusion outcome for this case through an in-depth analysis of the diffusion process, namely the selection of target institutions, the transmission process, and the adoption process (institutional bargaining and environmental pressures).

To this end, the empirical analysis can draw on 18 semi-structured interviews conducted with members and observers of the RSB process. Furthermore, a complete set of meeting minutes

[24] See Klinger Vidra and Schleifer (forthcoming) for a detailed overview.

of the FSB/SB is available for the years 2007-2011. Meeting minutes are also available from the meetings of the stakeholder chambers held during 2009-2011.

4.4.1 Causes

Consistent with the underlying diffusion model, the creators of the RSB did not design their organisation from scratch. Instead, they turned to already-established initiatives in other fields for inspiration and to learn from their experiences. Also consistent with diffusion "theory", the interview material and meeting minutes suggest two sets of motives for imitating the institutional design of other schemes. Firstly, the creators of the RSB hoped to thus save time and resources. For example, the meeting minutes of the RSB stakeholder workshop held in Lausanne in November 2006 mention the need to "[b]uild on pre-existing initiatives [to] make sure we don't reinvent the wheel" (RSB, 2006: 5). This motive was also reflected in several of the interviews conducted with members of the FSB. In this regard, one FSB member stated:

> "There were others who had done similar things before us and we wanted to get off the ground as quick as possible. Obviously, we drew on their experiences" (interview with a member of the FSB).

However, saving time and resources was not the only motive for engaging in interorganisational imitation and learning. There was also uncertainty among the creators of the RSB about what constitutes a "good" design and fears of making the wrong institutional design choices. In this regard, the meetings minutes of the RSB foundational workshop describe the need to avoid governance mistakes at the beginning of the process which could compromise its legitimacy at later stages (RSB, 2006: 2). Providing further evidence for uncertainty being an important driver behind processes of institutional diffusion in the RSB, one of the interviewees explained:

> "We couldn't really assume that we knew the best way by our own so we were trying to learn as much as possible from the experience of the ones that came before us" (interview with a member of the FSB).

Consistent with the institutional diffusion path, these motives led the founders of the RSB to imitate and learn from the experience of familiar and prestigious MSIs in other fields.

4.4.2 Source Selection

The selection of a target institution or source marks the beginning of the diffusion process. A choice has to be made about whom to imitate, learn from, etc. Standard diffusion models assume the existence of a single central source. Often, however, multiple sources exist. When multiple sources are available institutional variation can occur as designers select different source models for imitation. These choices depend on factors such as familiarity, spatial proximity, and perceptions about the prestige of the target institution. Against this background, it was hypothesised that:

> **H1:** The diffusion outcome will be more (less) inclusive if the primary target institution exhibits a high (low) level of inclusiveness.

To empirically examine this claim, interviews and primary documents will be used in order to establish which organisations served new adopters as a primary source model.

For the case at hand, very close network ties could be detected between the founding members of the RSB and the FSC. Established in the early 1990s in the forestry sector, the FSC is one of the oldest and best-established environmental MSIs. The scheme is widely known for its highly participatory structures. Its board is divided into a social, an environmental, and an economic chamber and strikes a careful balance between organisations from the global north and south. Furthermore, the scheme features a quasi-parliamentary assembly of all its members which convenes annually (FSC, website).

Through the interviews and a review of the board meeting minutes, five members of the FSB could be identified who had close connections to the FSC (interviews with various members of the FSB). At some point in their careers, these individuals had either sat on the board of the FSC or otherwise been closely involved with the forestry initiative. Among them was the former Director General of FSC International, who participated in the FSB from its first meeting in May 2007 (RSB, 2007e). The interviews and meeting minutes revealed that he played an important role in advising the other members of the FSB in questions of governance and standard-setting. For example, in 2008, he became a member of a “governance committee” charged with developing a formal governance structure for the RSB (RSB, 2008b).

Besides close network ties, there was also a strong perception among the members of the FSB that the FSC was a successful institution. In this regard, the founding head of the RSB Secretariat stated in an interview that "the FSC was seen as the most successful standards initiative with the biggest market share, global reach, and respected among industry, NGOs, and governments. It also was the oldest, so it had the longest track record in terms of the lessons that we could draw from it". In a similar vein, a member of the FSB explained that "the FSC clearly was a key driver for the RSB. We had many people with experience with the FSC who knew that this was a robust system that works. We agreed that we wanted to go in this direction" (interview with a member of the FSB).

Although the FSC was the primary target institution for the RSB, it was not the only one. Its designers also looked at the RSPO and its design. Network ties to the RSPO were less strong when compared to the FSC, only one individual could be identified with direct links to the palm oil roundtable. However, this individual was also a member of the above-mentioned governance committee which played a key role in launching the RSB as a formal organisation. Also, there is evidence of direct contacts between the secretariats of the two organisations (RSB, 2008c: 3). As diffusion theory would predict (Davis, 1991; Galaskiewicz & Wasserman, 1989; Haunschild, 1993), these close network ties between the RSB and the FSC and RSPO facilitated a process of institutional diffusion between the three organisations. In this regard, the analysis of meeting minutes of the RSB SB revealed some twenty passages in which references were made to the FSC in discussions about institutional design and standards (e.g. RSB, 2006: 4; 2007c; RSB, 2008b: 18,19; 2008d: 2, 3; 2008e: 3). References were also made to the RSPO and its design but these were less frequent (e.g. RSB, 2007e: 2; 2008b: 6; 2008c: 3). The importance of the FSC and RSPO as target institutions was confirmed by the founding head of the RSB Secretariat. In an interview she explained that the RSB was "built on other certification systems such as the Forest Stewardship Council and the Roundtable on Sustainable Palm Oil" (Volans, 2010).

In sum, the process analysis revealed that the founders of the RSB had very close network ties to the FSC and somewhat looser ties to the RSPO. In particular, the forestry initiative served them as an important reference institution in discussions about institutional design and standards. Thus, in support of Hypothesis 1 (the selection of the primary target institution influences the diffusion outcome), a correlation could be established between the high level of inclusiveness of the FSC and the RSB.

4.4.3 Transmission

Once a target institution, or institutions, is selected, a diffusion mechanism transmits information about the source model to the point of adoption. In Chapter 2, different types of diffusion mechanisms were discussed. It was argued that when imitation is the primary diffusion mechanism, then a close replication of the source model is the expected outcome. In contrast, learning can introduce variation. Variation occurs as adopters draw lessons from their experiences and the experiences of others. In doing so, they may find that some aspects of the source model are suboptimal for their purposes and make modifications accordingly (selective imitation). Also, they may combine the lessons learned at different places and thus synthesise new practices. The outcomes of learning processes are inherently difficult to predict *a priori*. They depend on a range of factors which are often case specific. They are likely to depend on the past experiences, information available, and interpretations of the adopter, as well as the situation and context in which the learning process takes place. Although difficult to predict, learning processes leave empirical "traces" (e.g. reflections about the pros and cons of a model) which can be examined through interviews and primary documents (e.g. meeting minutes, project proposals). Against this background it was hypothesised that:

> **H2:** The diffusion outcome will be more (less) inclusive if adopters learn that inclusiveness was good (bad) for the success of prior adopters.

The process analysis revealed that the founders of the RSB drew lessons from the experience of the FSC and other MSIs when creating the organisational structures of the biofuels roundtable. The dominant interpretation among the group of adopters was that the FSC's inclusiveness was one of the main reasons behind its organisational success. They perceived the forestry initiative as a credible and robust system and traced this back to the scheme's highly participatory approach. For example, in the interviews it was described how in the FSC conflicts among stakeholders were mostly solved internally, whereas other schemes had done less well in crisis situations. In this context several interviewees mentioned the MSC (interviews with members of the FSB). The MSC came out of a bilateral partnership between Unilever and the WWF and was heavily criticised for not involving other stakeholder groups. The ensuing conflict between the MSC, fishermen, and civil society groups brought the scheme to the brink of failure, something the founders of the RSB wanted to avoid. Against

this background, one interviewee, who was a member of the above-mentioned governance committee, stated:

> "We knew stakeholder engagement would happen, either within the context of an organised platform or on the title page of the New York Times. (…) There are several initiatives that have tried to find a shortcut, but there is no shortcut" (interview with members of the FSB).

Notably, the composition of the RSB's decision-making arrangements, with their careful balance between industry and civil society groups as well as organisations from the global north and global south can be traced back to the forestry initiative. For example, during a meeting of the SB in June 2008, the FSC and its design were discussed in detail. In the discussion, the FSC's participatory approach in particular was identified as an essential feature.

> "In the FSC, participatory governance was extremely important. This does not mean you have to have equal balance in all decisions, but you can't marginalize a group just because they are not in the room" (RSB, 2008b: 19).

However, the members of the FSB did not simply replicate the FSC for the biofuels sector. For example, the RSB does not feature a quasi-parliamentary assembly like the FSC. The interview material suggests that resource constraints (organising an annual meeting of all members involves considerable costs) were the main reason behind this design decision (interview with the Director of the EPFL Energy Center). Also, as evidenced by the meeting minutes, they learned from the FSC experience that is was important to distinguish between firms occupying different positions in the supply.

> "FSC's industry members felt that they should separate out their different interests - there is a wide diversity of opinions amongst producers, buyers, regions, etc." (RSB, 2008d: 3).

To learn about alternatives, contact was established with the secretariat of the RSPO (RSB, 2008c). In contrast to the FSC, with its three-chamber system (environmental, social, and economic), the RSPO features seven stakeholder chambers (oil palm growers, palm oil processors/traders, consumer goods manufacturers, retailers, banks/investors, environmental NGOs, and social NGOs) (RSPO, website-b). To advise the RSB, a member of the RSPO

secretariat participated in several meetings of the SB during 2008 and helped the founding group to design a governance structure for the RSB (RSB, 2008b). The idea of separating out stakeholder groups was taken up by the first governance committee. To define stakeholder categories, a survey was conducted among the members of the RSB WGs. In the questionnaire WG members had to provide details about their organisations and specify their interest and engagement in the biofuel sector. On that basis, the members of the governance committee distinguished eleven stakeholder groups which became the basis for the eleven chamber system (interview with a member of the governance committee).

In sum, providing support for Hypothesis 2 (learning can influence the diffusion outcome), traces of a learning process could be uncovered. Looking at the FSC and its experience, the founders of the RSB came to believe that the scheme's highly participatory approach was essential for its overall success. However, in other areas they diverged from the forestry initiative. In this regard, they learned that it was necessary to distinguish between firms occupying different positions in the supply chain and, in search of alternatives, turned toward the RSPO and its design.

4.4.4 Adoption

The adoption of the diffusion item marks the end of the diffusion process. In the broader diffusion literature this process is often described in a somewhat mechanistic way in which potential adopters make a decision to either accept or reject a diffusion item (Rogers, 1995: 364). However, a closer consideration of the issue suggests that adoption is not simply a 'yes or no' decision.

Institutional Bargaining

Multi-stakeholder processes are political arenas in which struggles over influence and diverging interests take place. When firms and NGOs collaborate to create new MSIs they typically differ sharply over the structure and governance of these schemes and the scope and content of their standards and procedures. As the primary targets of private regulation, corporate actors in particular will try to maximise their control over the regulatory process. Against this background, it was hypothesised that:

H3: the diffusion outcome will be more (less) inclusive if corporate actors are in weak (strong) bargaining position.

To examine this claim, the empirical analysis identifies and describes processes of institutional bargaining during the adoption phase. Then, the distribution of bargaining power in these situations is examined.

For the case at hand, the process analysis uncovered how stakeholder groups in the RSB bargained fiercely over the structure and governance of the scheme and the scope and content of its standards. These conflicts were found to be rooted in deep-seated differences over regulatory outcomes. In particular, big differences existed between civil society actors on the one hand and producer groups from the global south on the other.

As the primary targets of regulation, producer groups in the RSB were strongly concerned about the costs of private sustainability standards. Repeatedly, they complained about the complexity and stringency of the RSB Principle and Criteria and demanded that changes should be made. As evidenced by the meeting minutes, dissatisfaction with the RSB and its standard was particularly high among biofuel producers (Chamber 2). Members of this group complained that "the standard should be changed in a way that it works in the real world and that it can make a difference in the world" (RSB, 2010b: 3). Others considered any extra costs arising from sustainability certification as not acceptable and as posing an unacceptable risk to their businesses (RSB, 2010b: 4). Similar issues were raised during meetings of Chamber 1 (feedstock growers) (RSB, 2010a). On various occasions, these upstream firms tried to push back on standards and aired concerns about the regulatory process. This is not surprising, given that these firms bear the majority of costs arising from private sustainability certification. They have to pay membership and auditing fees and often face considerable indirect costs as they have to bring their operations into compliance with the standard.

On the other hand, civil society actors in the RSB pushed for higher standards. Different NGOs prioritised different issues. For example, social NGOs pushed for labour standards and wanted to see the rights of local communities protected, whereas environmental NGOs were more concerned with issues such as pesticide use and indirect land use change (interviews with NGO representatives). However, for the most part, civil society actors in the RSB were united in their demand for a comprehensive and stringent standard and repeatedly clashed

with producer groups from the global south over these questions (RSB, 2010g: 3-4). Downstream firms (economic north) in the RSB positioned themselves somewhere in between the two camps. Depending on the issue at stake, they would either support the NGO position or that of the producer groups. The interview material suggests several reasons for this. Firstly, as corporate consumers, downstream firms are not certified by the RSB and therefore do not face any direct costs. Secondly, large multinational companies like BP and Shell can use their market power to force upstream producers to absorb most of the costs arising from private sustainability certification. Thirdly, highly visible downstream companies have a strong interest in the level of assurance and reputational protection a private governance arrangement is able to provide. MSIs with stringent standards and strong participation from NGOs can provide higher reputational benefits than lenient schemes (interview with an industry representative). However, at the same time, these companies are for-profit actors and do not have an interest in overly strict regulation.

These differences over regulatory outcomes translated into concerns about the design of the RSB's standard-setting and decision-making arrangements. In particular, the group of biofuels producers felt that the existing governance structure was to their disadvantage. In an interview, one of the co-chairs of Chamber 2 expressed particular concerns about bloc voting behaviour among civil society chambers. She explained that "often, we have chambers which are voting on items that they do not understand, but they decide to vote with other chambers from which they believe that they share similar views". Driven by these concerns about NGO influence, producer groups challenged the institutional status quo in the RSB. Interestingly, however, bargaining over questions of governance only occurred after a formal structure had been put place. In contrast, the initial design process was found to be largely uncontentious.

It was in late 2007 when discussions in the RSB first turned toward the issue of governance. Until then, the RSB had been governed by the FSB, an *ad hoc* group of people who had volunteered at the initiative's foundational meeting in November 2006. As the organisation evolved and the standard-setting process was launched, the members of the FSB began discussing the necessity of providing the RSB with a formal governance structure.

> "[T]he more we communicate, the more people who ask on whose behalf we are communicating, and request some clear governance structure" (RSB, 2007b: 8).

The issue received further attention during subsequent board meetings. Whereas some felt that it was important to quickly formalise the RSB, others feared that "roundtables are very slow when they start with governance" (RSB, 2007b: 8). However, most FSB members agreed that a formal structure and procedures were needed and at a meeting in June 2008 a decision was made to move forward with the issue. To this end, a governance committee was formed and charged with developing a proposal for a formal governance structure. Participation in the governance committee was open to all members of the FSB, but those who volunteered were mostly people with previous experience of multi-stakeholder regulation. In fact, only one industry representative volunteered to serve on the committee (RSB, 2008b). In the following months, the committee conducted a survey among the members of the RSB WGs which was used to identify stakeholder categories and to develop a chamber system for the RSB (interview with members of the governance committee). In October 2008, the governance committee presented its proposal to the FSB which approved it unanimously (RSB, 2008d). In its final version, the governance committee's proposal recommended the creation of eleven stakeholder chambers: six civil society chambers, four industry chambers, and one non-voting chamber for government agencies, IGOs, consultancy firms, academics, and certification agencies (see Figure 12). The composition of the newly created SB followed from the chamber structure. Each chamber elected up to two representatives, called co-chairs, who represented the chamber at the SB-level.

In January 2009, the eleven chamber system came into effect and the RSB was launched as a formal membership organisation. It was also during 2009 when the RSB membership base increased rapidly. In particular, feedstock growers and biofuel producers joined the initiative. They soon became the largest constituency groups, with Chamber 1 and 2 soon counting more than 30 members (interview with one of co-chairs of Chamber 2). These companies joined the RSB at a time in which the organisation's governance structure had already been formalised, putting civil society actors in a strong position (they controlled six out of the ten voting chambers). Worried about the level of NGO influence, and that the resulting standard would turn out to be too demanding and costly to implement, upstream industry actors began to challenge the institutional status quo in the RSB. In autumn 2009, Chamber 2 wrote a letter to the SB, requesting that the eleven chamber system be revised. Their position was that voting power in the RSB should more strongly reflect actual participation. In this regard, it was argued that many of the civil society chambers had only very few members and that they often failed to reach a quorum during their meetings. In an interview, one of the co-chairs of

Chamber 2 stated that "we did not think it was fair that a chamber with thirty members had the same vote, which is one vote, as a chamber with four members". Not surprisingly, the group of civil society organisations strongly disagreed with the biofuel producers' demand for more influence over the decision-making process. They pointed out that many NGOs are umbrella organisations, representing many members:

> "[J]ust having more members isn't a fair measure either, since a single organization may represent more stakeholders in the field than another entire chamber has members. For example this is the case for some member–based NGOs, representing several hundreds of villagers over broad geographic areas" (RSB, 2010f: 3).

The conflict over governance dominated much of the internal debate in 2010 and at some point a decision was made to put the RSB's other activities on hold until a solution was found (RSB, 2010f). During the often heated discussions at the SB-level, the group of biofuel producers threatened that "if the governance in the RSB is not changed to its satisfaction, some members of Chamber 2 will get out" (RSB, 2010f: 3). In fact, several members of Chamber 2, among them the European Biodiesel Board and the European Bioethanol Association, announced their resignation during this period and left the RSB (Biofuel Digest, 2010; European Biodiesel Board, 2010).

In an attempt to overcome the crisis, a second governance committee was established. This time a careful balance was maintained between industry and civil society actors as well as organisations from the global north and south (RSB, 2010f). In its reform proposal, the committee recommenced reducing the number of stakeholder chambers from eleven to seven. The new structure would consist of three civil society chambers, three industry chambers, and the former Chamber 11 as a non-voting chamber. However, the seven chamber system also did not find support among the biofuel producers. Instead, they proposed to merge civil society Chamber 4 (land, water, human and labour rights NGOs, and trade unions) and 5 (rural development, food security, and community-based organisations), arguing that these chambers had very few members. Again, the group of NGOs, supported by many of the downstream firms in the RSB, opposed the idea. In a statement, the representatives of Chamber 4 and 5 criticised that they "see the proposal as a step backward for their constituencies returning to the 'top-down' approach, which denies the rights of small-scale and vulnerable stakeholders" (RSB, 2010d: 21).

At a meeting of the SB in November 2010, Chamber 2 made a last attempt to renegotiate the constitutional rules of the RSB. It proposed to merge all existing chambers into a unique private sector chamber, a unique civil society chamber, and a third non-voting chamber for government agencies, IGOs, consultancy firms, academics, and certification agencies. Furthermore, the proposal included a method for resolving deadlocks through a two-thirds majority vote of all voting members present (RSB, 2010e). But again, NGOs and many of the downstream industry actors in the RSB opposed the idea of a three chamber system. They argued that "reducing stakeholders to 3 total and only 2 voting chambers would impact the 'roundtable' spirit of the RSB by effectively making it a 'triangle' discussion, with a consequent polarization of discussions and members" (RSB, 2010d: 21). Furthermore, concerns were expressed that "the deadlock breaking method would turn RSB decision-making into a numbers game – the group mustering the most members would win. That is contrary to the spirit of multi-stakeholder roundtables, where all voices are entitled to consideration regardless of their numbers" (RSB, 2010d: 21). Eventually, Chamber 2's proposal was voted down at the SB-level and the seven chamber system was confirmed as the new structure of the RSB (RSB, 2010e).

Unsuccessful in renegotiating the control rules, upstream industry actors in the RSB began to directly challenge the content and design of the RSB's certification system. In November 2010, the standard-setting process was nearing completion and discussion in the RSB turned toward the rolling out of the certification system. In this context, a proposal was made to introduce a two-tiered certification scheme. The first tier should consist of a less comprehensive, entry-level version and the second tier of the full RSB standard. The rationale behind the two-tiered certification system was to increase the RSB's competitiveness on the European biofuel certification market. At the time, other biofuel certification schemes were already operational and it was feared that the more demanding RSB standard would deter economic operators from becoming RSB certified (RSB, 2010e: 12).

Over the following months, the discussion about the two-tiered certification system developed into a more general debate about the RSB and its standard. On one side of the debate, feedstock growers and biofuel producers were strongly in favour of the two-tiered certification system (interviews with members of Chamber 1 and 2). However, they opposed

the idea of a mandatory transition mechanism which would have obliged them to transition to tier two (the full RSB standard) after a period of three years. It was argued that the full standard was too demanding and that there was no market demand for RSB certified products. In this regard, a representative of a large Argentinian farmers association stated during a chamber conference call that "if RSB asks farmers to commit to adoption of RSB full standard (Tier 2) after three years, then most farmers will not sign it" (RSB, 2010a: 2). Others argued that"[c]ivil society knew that by signing up, they would have to work with industry, and if they stick to 'you must comply with the full RSB standard,' participation will be nearly non-existent. (…) There is no market in the world today for an RSB certified product. (…) It will not be possible to sell the RSB to industry players when there are other lower cost options (…)" (RSB, 2010c: 3-4). Overall, the meeting minutes provide evidence for the confrontational nature of the discussions during this period:

> "It is less important to get consensus with other Chambers than to get the Standard right. There was a problem with representation of Chambers in the RSB all along" (RSB, 2010b: 3).

On the other side of the debate, civil society actors were concerned that the two-tier certification system would effectively result in a watering down of the RSB standard. They also feared that the introduction of tier one would create reputational risks for the RSB and themselves (interview with NGO representatives). Against this background, strong reservations and criticism were expressed against both the two-tier certification system and industry's opposition against a mandatory transition mechanism:

> "A few months ago there was no Tier 1, only people that wanted to join the RSB. It seems strange that we are going to revise our structure for a whole cadre of producers that were not even interested in joining the RSB system a few months ago. (…) If companies are not willing to come on board to the full RSB system, even after 3 years, then perhaps RSB should not exist" (RSB, 2010g: 3-4).

Despite these concerns, civil society actors eventually agreed to the two-tier certification system under the condition that a set of "incurable" issues was included. In an interview, a member of the RSB Secretariat explained that an issue was considered incurable, if non-compliance with that issue was irreversible. For example, this is the case when forests are

cleared or basic human rights are violated (interview with a member of the RSB Secretariat). Furthermore, civil society actors insisted that a transition to tier two had to be mandatory.

The design and content of the two-tiered certification system remained at the centre of discussions throughout 2011. A working group was established to define the details of the transition process and several chamber and SB meetings were held to further discuss and negotiate the issue. However, there was little room for compromise between the two groups. Civil society actors regarded most of the content of the full standard as incurable. In this regard, social rights NGOs insisted on the inclusion of human and labour rights and others regarded food security and sustainable livelihoods as indispensable (RSB, 2010d). As a result, the final proposal for the content of tier one still included eleven out of the twelve principles of the full RSB standard (RSB, 2011b: 5). This was not acceptable for the group of biofuel producers which continued to oppose a mandatory transition mechanism and any extra costs resulting from certification:

> "Chamber Two considers any economic disadvantage in the fuel market originating form sustainability certification as an incurable. Participating Operators should not be demanded to transition to Tier 2 if at the end of the transitional period there is no market demand for a product complying with all 12 P&C [Principles and Criteria]. Doing so would mean an added cost to producers which they will not be able to recover. This is considered by industrial producers as an incurable issue" (RSB, 2011a: 4).

Eventually, bargaining broke down as no agreement seemed to be possible between the two groups. At a SB meeting in June 2011, a decision was made to not further pursue the issue. The meeting minutes read that "there is no real interest from potential users in a Tier One that imposes limited claims but is not significantly easier to comply with" (RSB, 2011c: 13).

The process analysis uncovered several rounds of institutional bargaining in the RSB. Stakeholders bargained over the design of the scheme's decision-making arrangements and the scope and content of its standard. However, bargaining was found to occur relatively late in the process, at a time when a formal governance structure was already in place. In other words, it was not the dominant mechanism of institutional choice. Only as the standard-setting process was nearing completion and the costs of certification became more apparent did upstream industry actors (biofuel producers and feedstock growers) challenge the

institutional status quo in the RSB. However, for the most part, their efforts were unsuccessful and did not result in major changes. Still, these conflicts had an effect on stakeholder participation in the RSB. In this regard, several producer organisations were found to have left the biofuel roundtable. Why have they decided to exit the RSB instead of trying to influence the regulatory outcome from within? The analysis of bargaining power and its distribution among stakeholder groups in the RSB helps to shed some light on the issue.

In the rational design literature, bargaining power is thought to be an important intervening variable which can tilt a design choice in one direction or another. Essentially, its distribution determines whose preferences prevail and which institutional outcome is selected (cf. Abbott & Snidal, 2009a; Thompson, 2010). Abbott and Snidal (2009a: 72-82) describe how, in the context of multi-actor schemes, bargaining power manifests itself in two forms: GIAP and "inclusion power". GIAP refers to the ability of actors to unilaterally meet some or all of their goals. For example, a NGO possesses GIAP when it can draw on its normative authority, expertise, and independence to unilaterally design a standard that becomes the focal point in a particular issue area. In a similar way, firms can use their resources to create self-regulatory schemes that deflect criticism but exclude non-business stakeholders. Thus, GIAP creates an "outside option" for independent action. On the other hand, as the term implies, inclusion power creates an "inside option" for participation in collaborative schemes. Actors have inclusion power when they possess competencies or resources which others need in order to achieve their objectives. For example, business actors may find it necessary to include a NGO in their scheme because they need its independence and normative authority to legitimise their activities. Similarly, NGOs may find it necessary to include a firm in their scheme because of its market share and expertise.

In the case at hand, it can be assumed that producer groups possessed a significant amount of GIAP (or more accurately go-with-others-power). In this regard, the RSB was not the only certification scheme operating in the biofuel industry at the time. Around 2011, when bargaining peaked in the RSB, there were several more industry-friendly schemes like the ISCC available to them (Ponte, 2013). The existence of these "institutional alternatives" created viable outside options for producer groups in the RSB. When their attempts to renegotiate the RSB's governance structure and standard were met with resistance, many of them opted for these cheaper alternatives as evidenced by the RSB's slow market uptake

(Schleifer, 2013). In this regard, one member of the producer constituency stated in an interview:

> "You know, the world moves on and we move on without you if you do not keep up with us. There is almost an industry of certifications schemes out there."

Also, and not anticipated by Abbot's and Sindal's model, the bargaining position of producer groups in the RSB was constrained by the set of collective choice rules already in place when bargaining began. In this regard, civil society actors controlled six out of the then ten voting chambers which gave them sufficient "blocking power" to fend off any challenges to the institutional status quo. To a large extent, this explains the institutional resilience of the RSB despite strong internal challenges.

In sum, the analysis of the adoption process uncovered several rounds of institutional bargaining in the RSB. However, institutional bargaining only occurred at a later stage of organisational development, when a formal governance structure was already in place. In other words, it was not an important mechanism of initial institutional choice. Also, it did not result in any major changes to the institutional design of the RSB. This could be explained through the blocking power of NGOs and a high level of GIAP of southern producer groups. Overall, there is little evidence to suggest that processes of institutional bargaining had a significant influence on the institutional design of the RSB.

Coercive Pressures

The previous sections discovered close network ties between the founders of the RSB and the FSC and RSPO. It was described how they used these initiatives as templates when creating their organisation and how they learned from their experiences. Also, processes of institutional bargaining were examined and how producers groups – worried about the level of NGO influence – challenged the institutional status quo in the RSB. However, the RSB and its design cannot be fully understood without considering the wider institutional environment in which the scheme was initiated.

In Chapter 2, a distinction was made between normative and coercive environmental pressures. It was argued that the group of late adopters are likely to be subject to the same normative pressures and that this can have an isomorphic effect on them. On the other hand,

there is reason to believe that coercive pressures may well vary across industry sectors and schemes. With a focus on transnational activist campaigns, it was argued that strong coercive pressures will lead to a more inclusive diffusion outcome. This is because in these environments business actors are likely to be more willing to engage with civil society actors in the context of MSIs. Also, advocacy groups may put pressure on the founders of new MSIs to adopt a more inclusive approach. Thus, the fourth hypothesis is:

> **H4:** The diffusion outcome will be more (less) inclusive if coercive pressures at the point of adoption are strong (weak).

To examine this hypothesis, a background analysis about the environmental conditions during the adoption process will be conducted. Therefore, the empirical analysis will draw on media reports, NGO reports, and secondary literature. Furthermore, interviews and primary documents (e.g. meeting minutes) will be used to examine how adopters perceived their institutional environment and how they responded to it.

Through the interviews and a background analysis a strong coercive pressures in the biofuels sector could be identified as an important environmental factor influencing institutional design choices in the RSB. Having launched their initiative in the midst of the global food crisis, the founders of the RSB came to believe that the contentious nature of the biofuels debate required an inclusive process in order for such a process to be robust and to produce meaningful results.

The launch of the RSB at the end of 2006 coincided with increasing controversy surrounding industrial biofuel production and the policies promoting it. In the EU, the first significant step to promote biofuels was Directive 2003/30 on the promotion of the use of biofuels or other renewable fuels for transport (European Union, 2003). The directive set an indicative, non-mandatory blending target of 5.75 percent to be reached by 2010. To further promote the cause of biofuels, the Commission formulated an EU Strategy for Biofuels in 2006 and in 2007 published the Renewable Energy Road Map (EU Commission, 2006, 2007). The latter proposed a binding target for the use of biofuels in the transport sector of 10 percent, to be reached by all member states by 2020. In January 2008, the Commission presented a draft directive to the Council and the European Parliament which was formally adopted as Directive 2009/28, also known as the EU RED, the following year (European Union, 2009).

Enacted in 2009, the EU RED established a blending mandate for biofuels in the transport sector of 10 percent, to be achieved by 2020 (European Union, 2009). This and supporting policies at the member state level created one of the world's largest biofuel markets, with an estimated volume of currently 14 billion litres or 4.65 percent of total transport fuels (USDA, 2013). A similar policy, the Renewables Fuels Standard, had been implemented in the USA a year earlier (U.S. Environmental Protection Agency, website).

From the beginning, the EU's and USA's biofuel policies were highly controversial. When scientific evidence emerged that using food crops for biofuels was inefficient and potentially damaging for the environment (Nature, 2006), more and more critical news reports about biofuels and their impacts appeared in the mainstream media (BBC, 2006; National Geographic, 2006; The Guardian, 2005). Around the same time, environmental and social NGOs started mobilising against biofuels and the governments and firms promoting their production. For example, in 2006, about 100 NGOs published an open letter in which they called upon the parties to the UN Framework Convention on Climate Change to "immediately suspend all subsidies and other forms of inequitable support for the import and export of biofuels" (Resilience, 2006). Then, public criticism of biofuels increased sharply during the global food crisis of 2007/2008, as many blamed biofuels as one of the key drivers behind the price hikes occurring in this period (Clapp & Cohen, 2009). As mentioned above, at the height of the crisis, Jean Ziegler, then the UN Special Rapporteur on the Right to Food, even called biofuels a "crime against humanity" and requested a five-year moratorium on their production (The Guardian, 2008b).

Given the EU's ambitious biofuel targets, public criticism and NGO campaigning activities were particularly strong in Europe. Here, a collation of environmental and human rights groups, comprising Friends of the Earth, Oxfam, ActionAid, Greenpeace as well as many smaller NGOs like Biofuelwatch, Action Against Agrofuels, Agrofools, and Campaign Against Climate Change, began campaigning against biofuels (interview with a biofuels campaigner). Their activities took various forms. On the one hand, NGO campaigners tried to shift the public discourse on biofuels by linking them to the global food crisis, land grabs in Africa, and the destruction of rainforests in Latin America and South Asia. To this end, many of the more resource-strong groups like Oxfam and Friends of the Earth published reports and conducted studies on biofuels and their impact on people and the planet. One example is Oxfam's Another Inconvenient Truth: How Biofuel Policies Are Deepening Poverty and

Accelerating Climate Change and its central claim that rich countries' biofuel policies would push 30 million people into poverty (Oxfam International, 2008). The report was widely cited and referred to in the mainstream media, including, The Guardian, BBC, and Der Spiegel. Also, NGOs were very active in lobbying the EU Commission to reduce its biofuels blending mandate and, in particular, to limit the proportion of food-based biofuels. For example, in 2007, an open letter was sent to the EU Commission protesting against its plans to import palm oil based biofuels from Indonesia and Malaysia (World Rainforest Movement, website). Furthermore, anti-biofuel activists engaged in direct action against governments and companies. For example, in 2008 campaigners from Friends of the Earth, the Campaign Against Climate Change, and Biofuelwatch demonstrated outside Downing Street to protest against the Renewable Transport Fuel Obligation, a policy which introduced a blending mandate for biofuels in Britain (Campaign Against Climate Change, website). In the same year, the European Biofuels Expo in Nottinghamshire (UK) and the World Biofuels Market in Brussels were disrupted as NGO activists blocked entrances, set off rape alarms inside the buildings, and displayed protest banners (ASEED, website; The Guardian, 2008a). Furthermore, there are press and NGO reports about public shaming activities against single companies, including Cargill, Virgin Airlines, Blue NG, and Vopak (Biofuelwatch, website).

It was in this environment that the founders of the RSB held their initial meetings. The meeting minutes and interview material allow insights into their thinking at the time, and how they interpreted and responded to the situation in the biofuel sector. On the one hand, they saw the many problems associated with biofuel production as an important reason to create an initiative like the RSB in the first place. On the other hand, they believed that, given the highly contentious nature of biofuels, it needed an inclusive process in order for such a mechanism to be successful.

In their analysis, the turn toward bioenergy would "transform agriculture and forestry worldwide more profoundly than any development since the Green Revolution" (German NGO Forum on Environment and Development, 2006c) and at the Bonn Bioenergy Conference the "[e]nvironmental and social impacts of bioenergy were a key concern (…). Issues such as deforestation, soil depletion, food security, and displacement of populations were all discussed" (German NGO Forum on Environment and Development, 2006b). In a white paper, which laid out the rationale for creating a sustainability standard and

certification programme in the biofuels sector, the EPFL provided a detailed analysis of the risks involved:

> "An increased demand for biofuels is triggering the expansion of agricultural land, with potentially devastating results in some areas. The clearing of land in south-east Asia (e.g. Malaysia) for palm oil production is one of the leading causes of rain forest destruction in the region. (…) Another often-quoted issue is the competition with food agriculture in the case of a significant scale-up of the biofuels production. Making biofuels from plants already in demand for food, such as sugar beet, sugar cane, soy, corn, and canola/rapeseed, raises the prices of the food versions and reduces available supplies" (EPFL, 2006).

In their perception, these risks and the transnational nature of biofuel production required "the major stakeholders in business, government and civil society at large to agree on: a shared vision, principles to follow, minimum criteria to observe, and the instruments of implementation" (German NGO Forum on Environment and Development, 2006c). In other words, it required a multi-stakeholder process and certification mechanism which the group of people that first met in November 2006 at the EPFL Energy Center agreed to initiate. As described in the previous section, the founding members of the RSB had extensive experience with multi-stakeholder governance in other sectors. Several members of the founding group had been involved in the FSC and RSPO and these initiatives served them as important reference points. From the FSC they learned that in the forestry sector stakeholder inclusion had proven essential, especially during crisis situations, and it was shown how this lesson had informed their institutional design choices. Clearly, however, this learning process cannot be considered independently of the context in which the RSB was conceived and initiated. As shown below, it is very likely that the designers of the RSB became interested in topics like crisis management and the robustness of multi-stakeholder processes because of the highly politicised nature of the environment in which they were operating.

In this regard, the interview material reveals how the members of the founding group perceived the situation in the biofuels sector and how it affected their thinking about launching a multi-stakeholder process in this arena. Asked about the situation in the biofuels sector, one of the principal initiators of the RSB at the EPFL Energy Center elaborated on the high level of political conflict and ambiguity in the biofuel sector and how it was

fundamentally different from his previous experience with multi-stakeholder governance in the anti-corruption area.

> "In biofuels there was so much polemic and criticism. Take, for example, Jean Ziegler and his statements. The situation was so explosive and created the necessity for a broad process. (…) In the anti-corruption area it was different. Here, you made a little progress and everybody said it was good. Black and white was much clearer defined. Biofuels were different. You can have the same information, but very different opinions. If there is so much ambiguity, you need a much broader process. Ambiguity defines the efficiency of the process you can build. That is why the RSB needed to be inclusive. (…) If you try a quick shot, it is likely to be a shot in the foot and you have achieved nothing" (interview with a member of the EPFL Energy Center).

Another member of the FSB explained that "the complexity of biofuels made it necessary to have a range of different voices at the table. This was in a sense trying to get ahead of some of the criticism of biofuels by getting in place a framework that would diffuse concerns about the competition with food" (interview with a member of the FSB). Very similar statements were made by other individuals involved in the early stages of the RSB process:

> "Biofuels cover so many different kinds of feed stocks, are produced in so many different kinds countries, and there was so much controversy surrounding it. Having something narrow was not useful in our thinking. It would not have had any credibility or legitimacy" (interview with a member of the FSB).

The evidence laid out above allowed insights in the thinking of the founders of the RSB. Providing support for Hypothesis 4, it was shown how they perceived the highly politicised nature of the biofuels sector as a defining environmental factor. They reasoned that only a broad process involving all key stakeholder groups would have a chance of success in this environment and therefore opted for an inclusive approach, similar to that of the FSC.

Normative Pressures

Besides a high level of political conflict in the biofuels sector, transnational norms of good private governance practices could be identified as an environmental factor influencing the institutional trajectory of the RSB. As discussed in more detail in Chapter 2, these norms are being developed by the ISEAL Alliance. Created in 2002, ISEAL is an association of leading private standard-setting systems. Among its founding members are the FSC, the IFOAM, the

FLO, and the MSC (ISEAL, website-a). Probably the most important normative document developed by ISEAL, is its *Code of Good Practice for Setting Social and Environmental Standards* (ISEAL, 2012). First released in 2004, the code lays out principles and criteria for how to create credible private standard systems. One of the most important procedural requirements of the ISEAL code is stakeholder inclusion in the decision-making and standard-setting process. In this regard, the code stipulates that (ISEAL, 2012: 8):

- Standard-setting shall be open to all interested parties
- Participation and decision-making needs to reflect a balance of interests (subject matter and geographic scope)
- Participants shall include stakeholders with an expertise relevant to the subject, those that are materially affected by the standard, and those that could influence the implementation of the standard.

The normative framework created by ISEAL has become an important reference point for private sustainability initiatives – also for the founders of the RSB. The in-depth analysis revealed that ISEAL and its code was already discussed at the scheme's foundational meeting in 2006.

> "Discuss with ISEAL to ensure that we don't make governance mistakes at the beginning that compromise legitimacy later (RSB, 2006)

Then, in November 2007, the RSB Secretariat started to explore with ISEAL the possibility of becoming a formal member and, about a year later, the SB made a decision to formally "adopt the ISEAL Code of Good Practice of Standard-Setting for RSB activities" (RSB, 2008b: 2). Shortly after, the RSB became an associate member of ISEAL and a full member in 2011 (interview with a member of the RSB Secretariat). The meeting minutes and interview material confirm that the ISEAL norms played an important role in the design process of the RSB. Often in discussions about the scheme's decision-making and standard-setting arrangements, references were made to ISEAL and its code of good practice (RSB, 2010h). Notably, the RSB's decision to open its standards for public consultations could be traced back to the ISEAL Alliance and its framework (ISEAL, 2012: 9).

4.5 Summary of Findings

This was the first of three case study chapters. It examined the diffusion of private participatory governance to the biofuels sector. After providing some case context and background information, the institutional development of the RSB from its inception to the launch of the formal organisation was described. As part of this, a detailed analysis of the scheme's rule-making and decision-making arrangements was conducted. They were found to be open and balanced, confirming the RSB to be a highly inclusive governance arrangement. In order to explain this outcome, the process of institutional diffusion was traced. The process-analysis was guided by the analytical framework developed in Chapter 2. This framework distinguishes three stages in the diffusion process – source selection, transmission, and adoption – and specifies a set of testable hypotheses about the cause-and-effect relationships that influence institutional outcomes (see Table 20, Section 4.4).

Consistent with the underlying diffusion model, the empirical analysis revealed how the founders of the RSB did not design their organisation from scratch. Instead, they turned toward already-established MSIs in other fields in order to learn from their experiences and to imitate their structures. The interviews and primary documents suggest two main causes of institutional diffusion for this case. Firstly, the founders of the RSB hoped to save time and resources by learning from the experiences of others; and, secondly, they were uncertain about what constitutes a good design and wanted to avoid making mistakes.

Close network ties to the FSC led them to select the forestry initiative as a primary target institution. It was shown how the scheme served them as an important reference institution during discussions about institutional design and standards. Finding support for Hypothesis 1, a correlation could be established between the highly participatory approach of the FSC and the diffusion outcome. However, the FSC was not the only source model considered by the founders of the RSB. In this regard, it was found that they looked also at the design of the RSPO – one of the first MSIs in the agriculture sector.

Examining the transmission of ideas, the within-case analysis uncovered traces of a learning process. In this regard, the founders of the RSB did not simply imitate the forestry or palm oil schemes, but drew lessons from their experiences. Providing support for Hypothesis 2, they came to believe that the FSC's highly participatory approach was essential for its

organisational success. However, in other areas they diverged from the FSC model. For example, learning about the importance of distinguishing between firms that occupy different positions in the supply chain, they turned toward the RSPO with its more differentiated chamber structure.

Moving on toward the adoption stage of the model, the process analysis revealed how, worried about the level of NGO influence, producer groups from the global south challenged the institutional status quo in the RSB. However, it was found that institutional bargaining only occurred at a later stage of organisational development, when a formal governance structure was already in place. In other words, bargaining was not an important mechanism of initial institutional choice. Also, it did not result in any major changes to the institutional design of the RSB. This could be explained by the blocking power of the NGOs and a high level of GIAP of the group of southern producers. Thus, overall the case study produced little evidence that institutional bargaining had a significant effect on the diffusion outcome (Hypothesis 3).

Finally, the nature and strength of environmental pressures at the point of adoption were examined. In support of Hypothesis 4, it was found that strong coercive pressures in the biofuels arena influenced the diffusion outcome. Having launched their initiative in the midst of the global food crisis, the founders of the RSB came to believe that the contentious nature of the biofuels debate required an inclusive process in order for such a process to be robust and to produce meaningful results. Furthermore, the process analysis revealed how emerging transnational norms of good private governance exercised normative pressures on the founders of the RSB to adopt a participatory approach.

In order to allow for a comparative analysis, the next two chapters will analyse the institutional diffusion of private participatory governance to the soy and sugarcane sectors.

Chapter 5: The Roundtable on Responsible Soy

5.1 Introduction

The previous chapter traced the diffusion of private participatory governance to the biofuels sector. It established a correlation between the highly participatory approach of the source model (FSC) and the diffusion outcome (RSB). Furthermore, by examining the exchange of ideas between the two organisations, traces of a learning process were uncovered. The founders of the RSB came to believe that the FSC's highly participatory approach had been essential for its success as a private standard institution and certification scheme. Also, it was found that strong coercive pressures in the institutional environment of the RSB influenced the diffusion outcome. In the form of a transnational advocacy campaign against biofuels, these pressures pushed the founders of the RSB to engage a wide range of stakeholders in their standard-setting activities. They believed that a narrow process would have little chances of succeeding in such an environment. It was this confluence of factors which explains why the founders of the RSB adopted a highly inclusive approach. On the other hand, although institutional bargaining could be observed, the case study produced little evidence to suggest that it had a significant effect on the diffusion outcome.

In order to create a baseline for comparison, this and the next case study chapter trace the diffusion of private participatory governance to the soy (RTRS) and the sugarcane sectors (BSI/Bonsucro). In the inventory of MSIs conducted in Chapter 1, these schemes were found to exhibit a medium and low level of inclusiveness, respectively. As in the previous chapter, the empirical analysis will be guided by the diffusion model developed in Chapter 2. The model distinguishes three stages in the diffusion process – source selection, transmission, and adoption – and identifies a set of testable hypotheses about the cause-and-effect relationships that may influence institutional outcomes.

The remainder of this chapter is structured as follows: in a first step, some case context and background is provided. Then, the institutional development of the RTRS is described, from the scheme's inception to the launch of the formal organisation and the finalisation of the standard-setting process. As part of this, a more detailed analysis of the scheme's decision-

making and rule-making arrangements is provided. In a final step, the analytical framework developed in Chapter 2 is used to explain the institutional outcome for the case at hand.

5.2 Case Context and Background

Soybeans have been cultivated by mankind for millennia. In China, during the Zhou Dynasty (1046 to 256 BC) and the Qin Dynasty (221 to 206 B.C.), soybeans became one of the main food crops in the Yellow River Valley. By the time of the Ming Dynasty (1368 to 1644 B.C.), soybean cultivation had spread throughout the country (Clay, 2004: 174). Today, soy is grown around the world and has become one of the most important commodities for the production of food, feed, and fuel.

The soybean is often referred to as the "king of the beans". The dry seed contains 38 percent protein – more than any other food crop and twice as much as pork. Furthermore, it contains 18 percent unsaturated fats. These qualities make soy a key crop for food and feed production. About 85 percent of global soybean production is processed into soybean meal and oil. The oil fraction is mostly used for human consumption in the form of edible oils. Of the soybean meal fraction, approximately 98 percent is processed into high-protein animal feed. More recently, soybeans have also become a feedstock for biodiesel production. However, only a small percentage (< 5 percent) of the world's soybean oil is used in this way (Marketsandmarkets.com, 2013).

The world's largest soybean producers are: the USA, Brazil, Argentina, China, and India (see Table 16). It is also the USA, Brazil, and Argentina which dominate the global soybean trade, with China and the EU being the world's largest importers (FAO, website-b).

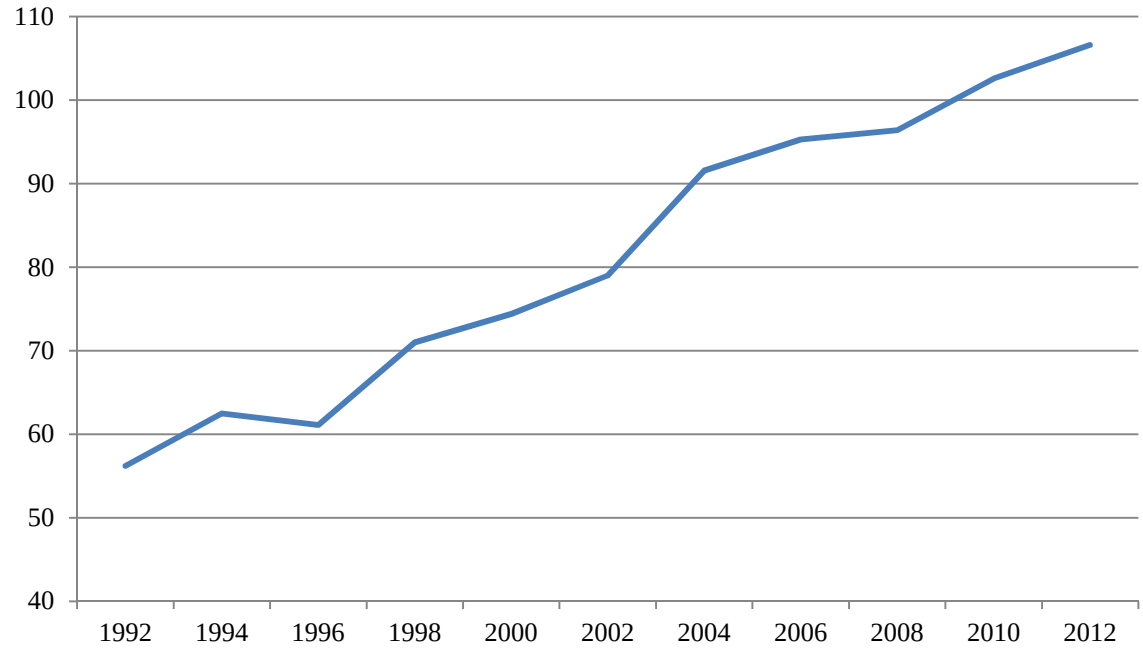
Table 16: Top 5 Producers of Soybeans 2012

Country	**Production (million tonnes)**
USA	82.1
Brazil	65.7
Argentina	51.5
China	12.8
India	11.5

Source: FAO STAT

Soy is the fastest expanding crop in the world. Driven by a growing world population, changing diets in developing countries (notably in Asia), and a ban on feeding animal proteins to ruminants in the EU, the total land area under soy has almost doubled in size over the course of the last two decades (see Figure 16). According to FAO statistics, the total land area under soybeans increased from 56 million hectares in 1992 to about 106 million hectares in 2012 (FAO, website-b). For comparison, this is about twice the size of the UK.

Figure 16: Global Land Area under Soybeans (million hectares)



Source: FAO STAT

The expansion of soybean fields is predicted to continue in future. Using FAO data, Masuda and Goldsmith (2009: 153) estimate that by 2030 the total land area under soy will reach 140 million hectares. Most of this growth will occur in Latin America, with Brazil expected to soon overtake the USA as the world's largest producer of soybeans (Agrimoney.com, 2013).

The so-called soy boom of the 1990s and 2000s has sparked much debate about the environmental and social impacts of soy production. One of the major issues raised in this debate is deforestation, notably the destruction of rainforests in Latin America. The majority of soy expansion has taken place in Argentina and Brazil, which between 1992 and 2012 increased their total land area under soy by 14.5 million hectares and 15.5 million hectares, respectively (FAO, website-b). This accounts for about 60 percent of global soy expansion

during this period. Environmental groups argue that via processes of direct and indirect land use change[25] soybean cultivation is a major driver behind the destruction of the Amazon rainforest. Related to this, soybean expansion is also often associated with climate change, biodiversity loss, and land grabs in the global south (BBC, 2011; The Guardian, 2010; Urioste, 2013).

Another highly controversial issue surrounding soy production is the widespread use of GMOs. Today, close to 80 percent of the global soybean harvest is GM (GMO Compass, website-a). This has led to a number of environmental, social, and human health related concerns. One important issue in this debate is that the widespread use of pesticide-resistant GM soy has not reduced but instead increased the amount of agrochemicals used. In this context, concerns have been raised that the intensive and concentrated use of agrochemicals such as glyphosate poses a risk to human health, non-target animal species (e.g. birds), and the natural environment (e.g. soils and water). Others have warned against so called superweeds – that is, weeds that are resistant to conventional pesticides such as glyphosate – or that GM crops could pass their modified traits on to wild relatives via processes of out-crossing (Adler, 2011; Earth Open Source, 2012; GMWatch, 2013). Furthermore, it has been pointed out that GM crops are creating new dependencies for farmers in the global south. These dependencies arise as local seed systems and traditional farming methods are replaced by patented seeds and other expensive agrochemical inputs (UN General Assembly, 2009).

In absence of effective public regulation, and given the industry's multiple challenges, private governance arrangements have become an important part of the global soy regime. The evolving system of private governance in the soy sector includes firm- and industry-level self-regulation as well as multi-stakeholder schemes (see Table 17).

[25] Direct land use change occurs when previously uncultivated land is converted to the production of soy. Indirect land use change is a process in which the expansion of soy displaces other agricultural activities to previously uncultivated areas.

Table 17: Private Regulation in the Soy Industry

Scheme	Initiator	Geographical focus	Focus of standard
Basel Criteria for Responsible Soy Production	NGO initiative	Global	Social and environmental impacts (no GM soy)
ProTerra Foundation	Auditing firm	Global	Social and environmental impacts (no GM soy)
Roundtable on Responsible Soy	Multi-stakeholder	Global	Social and environmental impacts of mainstream soy production
Soja Plus Program	Industry consortium	Brazil	Social environmental impacts of mainstream soy production

Today, these arrangements are an important source of environmental and social regulation in the soy industry. They define standards for pesticide use, land-use change, labour rights, etc. and often rely on incentive-based mechanisms for their implementation. One of the most significant private schemes in the soy sector in terms of visibility, membership, and volume is the RTRS.

5.3 The Roundtable on Responsible Soy

Launched in 2004, the RTRS is a private standard-setting and certification body, created to mitigate the social and environmental impact of global soy production. In a multi-stakeholder process, it defines principles and criteria for "responsible" soy production and via certification provides market incentives for their implementation. This section traces the institutional development of the RTRS from its inception to the launch of the formal organisation. With a focus on the design of the RTRS's rule-making and decision-making arrangements an assessment of the scheme's inclusiveness is provided.

5.3.1 Inception

The RTRS evolved out of the Forest Conversion Initiative (FCI) of the WWF. Starting in 1998, a team at WWF Switzerland began exploring the problem of forest conversion in the global south. They quickly identified agricultural-induced land use change as one of the key drivers behind deforestation in the tropics (interview with the former Director and International Coordinator of the WWF FCI). Because of their high expansion rates oil palm and soybeans in particular were singled out as being highly problematic from a forest

conversion perspective. The expansion of soy was threatening the Amazon rainforest and oil palm expansion the rainforests in Indonesia and Malaysia:

> "Palm oil and soy constitute the largest raw material base for the rapidly expanding edible oil market (…). This growing demand globally for palm oil and soy and the subsequent expansion of these crops is a key driving force behind forest and habitat loss" (WWF, website-a).

As it stood at the time, the WWF had no strategy or instruments in place to deal with the problem of agricultural-induced land use change. Until then, the WWF's forest conservation efforts had been exclusively focused on the forestry sector and the FSC as the main forum and instrument to promote sustainable forestry practices. In contrast, agricultural activities were not included in its forest conservation strategy:

> "WWF did not have a very good response to that because being an environmental organisation it did not have the know-how to deal with agricultural issues and there was a lot of debate whether we should deal with these issues at all" (interview with the former Director of the FCI).

Against this background, WWF Switzerland pushed for including agricultural-induced land use change in the WWF's overall forest conservation strategy. After overcoming initial resistance from other parts of the network, these efforts led to the creation of the FCI in 2001. Initially hosted and led by WWF Switzerland, the FCI's main goal is to reduce the conversion rate of so called high conservation value forests to palm oil plantations and soy fields. To this end, the FCI initiated two MSIs, the RSPO and the RTRS (WWF, 2005b).

Organised by the FCI, the RTRS' foundational workshop (Moving towards Sustainable Soy Production: A Global Multi-Stakeholder Effort*)* was held in London in May 2004. The central goal of the workshop was to "have an open exchange of information and discussions about a successful process to more sustainable mainstream soy production" (WWF, 2004a). The workshop was attended by about 25 participants from civil society, industry, and producer groups. Representatives from IGOs or state agencies did not participate. At the meeting, the different stakeholder groups discussed the major impacts of soy production, existing sustainability initiatives in the agriculture sector, and the possibility of creating a set of global principles and criteria for sustainable soy production. The most important outcome

of the meeting was the decision to form an Organising Committee (OC), charged with organising a first roundtable conference of the major soy stakeholders in 2005 (WWF, 2004a).

5.3.2 Formation Phase

Like the RSB, the RTRS was initially governed by an *ad hoc* group of people who had volunteered at the scheme's founding workshop in London in May 2004. In principle, participation in the OC was open to all interested parties with a stake in the soy industry. However, OC members had to pay a membership fee of US$ 10,000 which was used to fund the activities of the group (WWF, 2004a). Over the course of the next two and a half years, the members of the OC did much of the institutional creation work. The group met several times a year via teleconference or in person. During 2004 and 2007, a total of 35 such meetings were held. As in the case of the RSB FSB, the membership of the OC varied greatly during the time of its existence. As the initiative evolved, new members joined the OC, whereas others left or scaled back their involvement. Towards the end of the formation period the OC counted had 11 members. Industry members included: ABIOVE (Brazilian Oilseed Processors Association), ABN AMRO Group, APPRESID (Argentinian No Till Farmers Association), Grupo André Maggi (Brazil's largest producer of soy) Coop Switzerland, and Unilever. Among the civil society members were IPAM (Amazon Environmental Research Institute), Guyra Paraguay, Solidaridad, and WWF.

Important milestones during the formation phase included the organisation of the first roundtable conference in March 2005 in Foz do Iguaçu, Brazil. Bringing together stakeholders from across the industry, the event served the OC as a forum to promote the initiative and to launch a broader discussion about responsible soy production (interviews with various members of the OC). Following the conference, the OC decided to organise an expert workshop to further explore the technical side of sustainability criteria for mainstream soy production. Held in Buenos Aires, Argentina, in April 2006, the workshop was attended by more than 50 participants from industry, civil society, and producer groups. They discussed the social and environmental impacts of soy production and ways to mitigate them through better management practices. Providing the basis of the later standard-setting process, the workshop identified what participants perceived to be the key environmental and social impacts of soy production: (1) habitat conversion and biodiversity loss; (2) soil

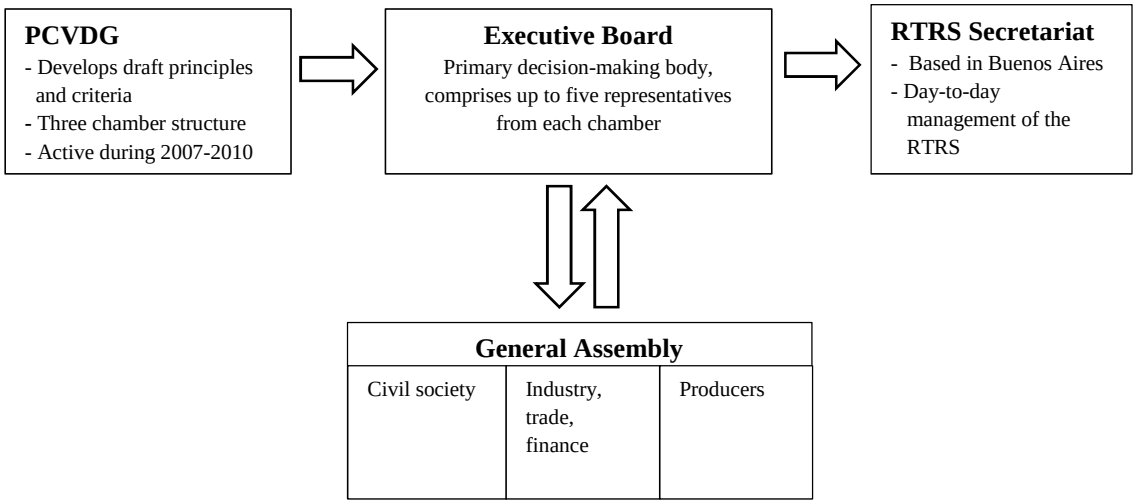
degradation and erosion; (3) contamination and health effects of agrochemicals on man and environment; (4) qualitative and quantitative hydrological changes; (5) infrastructure; (6) workers' rights; (7) loss of livelihoods for small-scale land use systems; (8) migration (rural to urban areas and rural to forest ecosystems); and (9) land rights conflicts (illegal acquisition, land use rights violations, and indigenous land rights) (RTRS, 2006a).

Then, in August 2006, a second roundtable conference was organised. At the conference, in Asunción**,** Paraguay, its 200 participants made a commitment to responsible soy production and announced the establishment of "a legally registered organization with a governance structure, and a plan for developing and implementing globally applicable criteria and indicators for defining responsible soy" (RTRS, 2006a).

5.3.3 The Formal Organisation

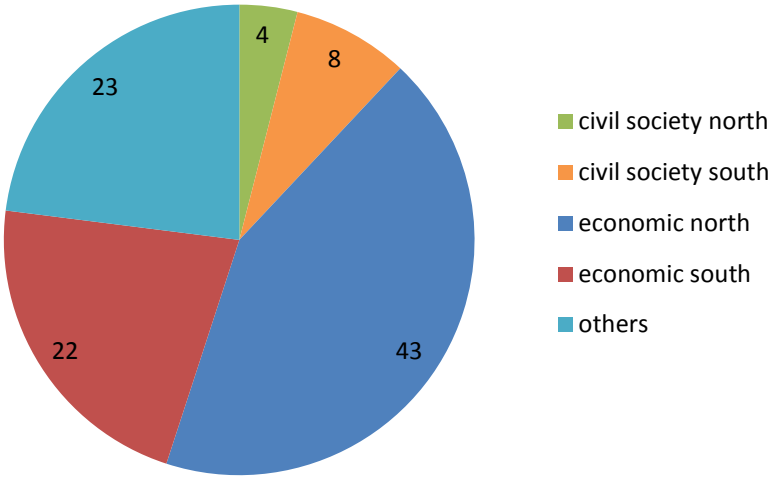
In November 2006, the OC met in Rolle, Switzerland, to launch the RTRS as a foundation under Swiss law (RTRS, 2006c). The OC was replaced by an Executive Board (EB), supported by a newly created secretariat based in Buenos Aires, Argentina. Furthermore, a GA of all members of the RTRS and a so-called Principles Criteria Verification Development Group (PCVDG) were established. The GA is organised in three stakeholder chambers (civil society, industry/trade/finance, and producers) plus a group of observers (e.g. government agencies and IGOs) with no voting rights. Also, the PCVDG, the RTRS' primary standard-setting body, features the three chamber structure. See Figure 17 for an overview of the organisational structure of the RTRS.

Figure 17: Organisational Chart of the RTRS



The GA held its first meeting in May 2007 in São Paulo, Brazil (RTRS, 2007b). According to the Statutes of the RTRS, the GA is the organisation's highest decision-making body. It has a quorum if more than 50 percent of the members of each constituency group are present. In the GA, each of the three stakeholder chambers holds veto power. By a simple majority vote of their participating members, chambers can exercise their right to veto and thus prevent a decision from being passed. Among the GA's most important powers is the election of the EB. Therefore, each constituency group elects up to five representatives which represent the chamber at the EB-level. Furthermore, the GA approves the standard and budget of the RTRS (RTRS, 2007c). Currently, the RTRS has 156 members. Figure 18 provides a detailed breakdown of the composition of the RTRS' membership.

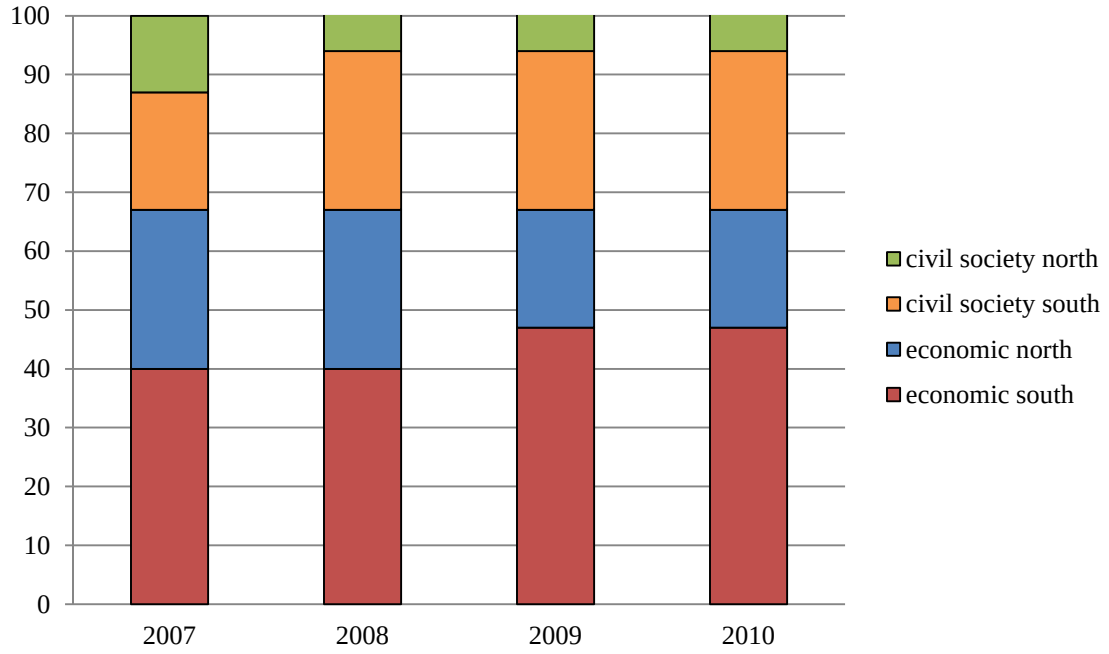
Figure 18: Composition of the Membership of the RTRS (percent)[26]



The Statutes of the RTRS identify the GA as the organisation's highest decision-making body. However, in practice most decision-making in the RTRS takes place in the EB (interview with a member of the RTRS Secretariat). Its members convene several times a year to discuss and reach decisions concerning the RTRS and its standard. Also, the EB appoints, directs, and controls the RTRS Secretariat. The meetings of the EB are quorate if more than 50 percent of its members, representing all constituencies, are present. Decisions are reached by consensus. If no consensus can be reached on a particular agenda item, then each board member has one vote within his/her constituency. As in the GA, each constituency takes its decisions by a simple majority of votes. In order for a decision to be passed successfully the positive vote of all three constituencies is required (RTRS, 2007c). Using the four key stakeholder groups (civil society north, civil society south, economic north, and economic south) defined in Chapter 2, Figure 19 provides a detailed breakdown of the composition of the RTRS EB during 2007-2010.

[26] This figure has been composed from the membership list provided on the RTRS website (http://www.responsiblesoy.org/, January 2014). To this end, members have been identified as either belonging to one of the following categories: Industry, civil society, or others. Then, the location of their home institution's headquarter has been used to determine their geographic origin (global north or global south).

Figure 19: Composition of the RTRS' Primary Decision-Making Body (percent)[27]



Shortly after the GA had convened for its first meeting in May 2007, the PCVDG began its work. Facilitated by Proforest, a UK-based consultancy firm, the rationale behind the PCVDG was to bring together a group of stakeholders that was "large enough to encompass the different parts of the soy supply chain but small enough to be workable" (RTRS, 2007a: 16). Appointed by the EB, its membership reflected the organisation's three chamber structure, with each stakeholder group being represented by 9 members (Proforest, 2009). Although the available data does not allow for an exact breakdown of the PCVDG members' geographical origin, there is evidence for a balanced representation. In this regard, a document by Proforest specifies the geographical origin of the PCVDG members as follows: civil society (Argentina, Brazil, China, and Netherlands), industry/trade/finance (Argentina, Belgium, Brazil, Netherlands, Switzerland, and USA), and producers (Argentina, Brazil, India, and Paraguay) (Proforest, 2009).

In the PCVDG, decisions on draft principles and criteria were reached by consensus, which its terms of reference define as "general agreement, without sustained opposition on substantial issues" (RTRS, 2007d: 3). However, a voting procedure existed in the event that

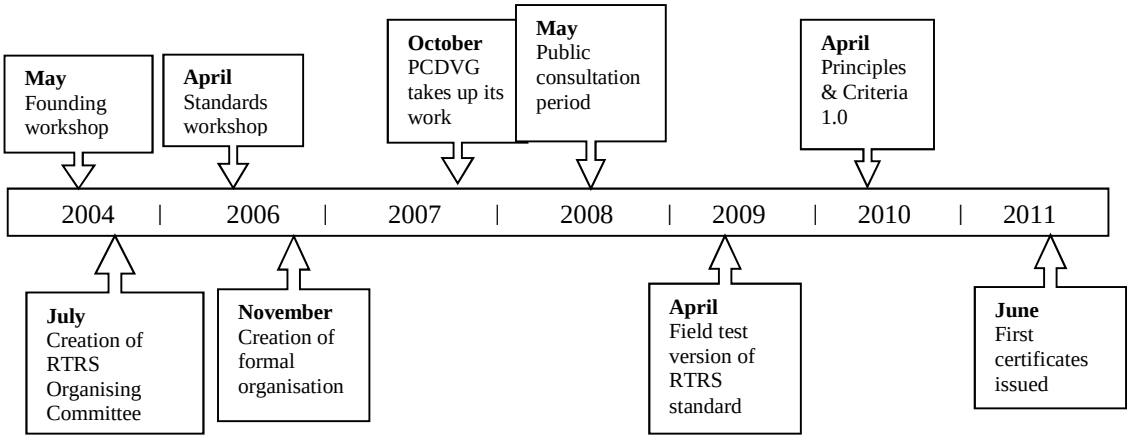
[27] This figure has been composed from the meeting minutes of the RTRS EB. To this end, board members have been identified to either belong to one of the following categories: Industry or civil society. Then, the location of their home institution's headquarter has been used to determine their geographic origin (global north or global south).

no consensus could be reached. For regular decision-making, at least 50 percent of the voting members needed to be present in each of the three constituencies. Decisions were then reached by simple majority of the whole group and a simple majority within each of the three constituencies. For approval of the principles and criteria as a whole, the quorum was increased to two-thirds of the voting members in each of the three constituencies. Furthermore, specific to the civil society constituency, support from two-thirds of each of the social and environmental sub constituencies was required (RTRS, 2007d).

The process leading to Version 1.0 of the RTRS Principles and Criteria, involved five in-person meetings of the PCVDG during 2007 and 2009. Facilitated by Proforest, the meetings were held in turn in Brazil and Argentina, two of the world's largest soy producing countries (Proforest, 2009). Furthermore, following the guidelines of the ISEAL Alliance[28], the standard was opened for three public consultation periods during which external parties could comment on it (RTRS, website). During the first round of public consultations (March-May 2008), the PCVDG received 774 separate comments from 40 respondents. Furthermore, Proforest organised a feedback session during the third RTRS Roundtable Conference on Responsible Soy in April 2008 in Buenos Aires in which over 150 people took part (Proforest, 2008). The feedback from the three public consultation rounds was worked back into the standard, leading to the RTRS Principles and Criteria Field Testing Version in April 2009 (RTRS, 2009d). After field-testing the standard, an International Technical Group was convened in March 2010. For the group, the RTRS Secretariat recruited 12-18 people, with equal representation of each of the three constituency groups (RTRS, 2009a). After the International Technical Group had reviewed the RTRS Principles and Criteria Version 1.0, it was sent to the EB and GA for formal approval (RTRS, website). Shortly after, in June 2011, the RTRS issued its first certificates. See Figure 20 for an overview of the institutional development of the RTRS.

[28] ISEAL is the leading umbrella organisation in the field of private sustainability governance. One of its primary functions is that of a meta-standard setter. In this regard, its standard-setting code defines best practices for setting social and environmental standards (ISEAL, website-b).

Figure 20: Institutional Development of the RTRS (2004-2011)



5.3.4 Assessing Inclusiveness

Using the qualitative indicators developed in Chapter 2 (Section 2.5.1), this section assesses the inclusiveness of the RTRS' standard-setting and decision-making arrangements. To this end, their openness, composition, and constitutive rules are examined.

Standard-setting in the RTRS was organised in the PCVDG. The PCVDG was formed in October 2007 and over the course of the next three years defined and operationalised the RTRS Principles and Criteria. But unlike the RSB, the RTRS restricted access to its standard-setting body. In this regard, the EB appointed a small group of experts to define the draft principles and criteria. However, the composition of this group was found to be balanced. There was equal participation from producers, industry, and civil society as well as a balance between organisations from both the global north and the south. Furthermore, following the guidelines of the ISEAL Alliance, the RTRS opened its standard for three public consultation periods during which external stakeholders could provide comments and feedback on the standard. As noted above, during the first round of public consultations (March-May 2008), the PCVDG received 774 separate comments from 40 respondents.

With regard to decision-making, the RTRS was initially governed by the OC, an *ad hoc* group of people who had volunteered at the organisation's foundational workshop. Then, when the RTRS became a formal organisation in 2006, the OC was replaced by a formally elected EB and an annual GA of its members. In both decision-making bodies, industry actors outnumber civil society actors. However, a right of veto for the civil society chamber protects

the organisation against regulatory capture. With regard to geographical representation, the composition of the EB reveals a strong participation from the global south in the RTRS' primary decision-making body.

Overall, the inclusiveness of the RTRS ranges between medium and high. In this regard, the scheme restricts access to its standard-setting body, but maintains a careful balance between the key stakeholder groups. With regard to decision-making, the RTRS' central decision-making body is mostly balanced and a veto position for civil society actors protects the organisation against the possibility of regulatory capture. See Table 18 for a detailed overview of the inclusiveness of the RTRS.

Table 18: Inclusiveness of the RTRS (Overview)

Standard-setting arrangement	Principle Criteria Verification Development Group
Membership rules	Restricted (members appointed by Executive Committee)
Composition	Balanced
Consultation mechanism	Yes
Primary Decision-making arrangement	Executive Committee (Organising Committee)
Membership rules	Restricted to members (Fee of US$ 10,000 to join Organising Committee)
Composition	Balanced
Collective choice rules	Protection against regulatory capture (civil society actors possess a formal right of veto)
Secondary Decision-making arrangement	General Assembly
Membership rules	Open (membership fees depending on size and stakeholder category)
Composition	Unbalanced
Collective choice rules	Protection against regulatory capture (civil society actors possess a formal right of veto)

5.4 Tracing the Diffusion Process

In Chapter 2, diffusion was defined as a causal process in which a diffusion practice is transmitted from a point of origin to a point of adoption. One of the main arguments of this literature is that processes of diffusion lead to institutional isomorphism or convergence. States and organisations are thought to converge on a common model as they mimic the structures of those whom they know and perceive as successful. In fact, the notion of increasing similarities between prior and later adopters is inherent to the concept of diffusion as it is frequently used in the literature (Elkins and Simmons, 2005: 2, Ovodenko and

Keohane, 2012: 524). On the other hand, however, there are numerous studies that have shown that practices often vary as they diffuse (Klingler-Vidra & Schleifer, 2014). One example is Börzel's and Risse's (2011) study of the diffusion of the European Union (EU) model. They find that this process has led to significant variation in institutional and behavioural outcomes among adopters. In a similar way, Falkner and Gupta (2009) and Radaelli (2005) show how processes of institutional diffusion have led to only limited degrees of convergence.

With a focus on the agriculture sector, this dissertation traces the diffusion of private participatory governance in the agriculture sector. In the previous chapter, the case of the RSB in the biofuels sector was investigated in-depth. Continuing the empirical analysis, this chapter now examines the diffusion of the MSI institutional model to the soy sector with the objective to explain why the RTRS has taken the form described above. Therefore, as in the case of the RSB, the analytical framework developed in Chapter 2 is applied. This framework disaggregates the diffusion process in three phases: source selection, transmission, and adoption (see Chapter 2, Section 2.4.4). With a focus on these different stages four hypotheses were formulated. These hypotheses take the form of intervening factors and may help us shed some light on the question why multi-stakeholder institutions vary in their level of inclusiveness as they diffuse in the global economy. In order to explain the institutional outcome for the case at hand, this model is now applied to the case of the RTRS. Therefore, the empirical analysis can draw on 15 semi-structured interviews conducted with members and observers of the RTRS process. Furthermore, a complete set of minutes of the OC/EB and GA meetings is available for the years 2004-2011.

5.4.1 Causes

Consistent with the underlying diffusion model, the founders of the RTRS did not design their organisation from scratch. Instead, they turned to already established initiatives in other fields for inspiration and to learn from their experiences. Also consistent with diffusion "theory", the interview material and meeting minutes suggest two sets of motives for imitating the design of other schemes. On the one hand, the creators of the RTRS hoped to save time and resources. On the other, they wanted to learn from the experiences of others in order to avoid making mistakes.

The available documentation reveals that a decision to engage in imitation and learning was made early on in the process. In this regard, at the RTRS' foundational meeting, participants formed several working groups to look at various aspects of sustainability in relation to global soy production. One of the working groups was charged with making a compilation of existing efforts in the area of sustainable agriculture. After discussions, there was consensus among the members of the working group "regarding the need to tap into existing work and efforts being carried out in different countries on various issues related to sustainability in the field of agriculture". It was pointed out that "the Roundtable needs to build upon past achievements and on-going efforts as opposed to reinventing the wheel". Furthermore, it was argued that "[c]opying existing models will provide opportunities to learn from mistakes and speed-up the process" (WWF, 2004a: 3). As observed in the case of the RSB and consistent with the underlying institutional diffusion model, these motives led the founders of the RTRS to turn to familiar and prestigious MSIs in other fields.

5.4.2 Source Selection

The selection of a target institution or source marks the beginning of the diffusion process. A choice has to be made about whom to imitate, learn from, etc. Standard diffusion models assume the existence of a single central source. Often, however, multiple sources exist. When multiple sources are available institutional variation can occur as designers select different source models for imitation. These choices depend on factors such as familiarity, spatial proximity, and perceptions about the prestige of the target institution. Against this background, it was hypothesised that:

> **H1:** The diffusion outcome will be more (less) inclusive if the primary target institution exhibits a high (low) level of inclusiveness.

To empirically examine this claim, interviews and primary documents will be used in order to establish which organisations served new adopters as a primary source model.

The RTRS was one of two agricultural commodity roundtables which came out of the WWF's FCI. The RTRS was launched in 2004 two years after the RSPO had been initiated. Not surprisingly, the RSPO served the founders of the RTRS as an important point of

reference. Several people involved in the early stages of the RTRS had been, or were still, working with the palm oil roundtable. Through the interviews at least four individuals could be identified who had participated in board meetings of both organisations (interviews with various members of the OC). As diffusion theory would predict (Davis, 1991; Galaskiewicz & Wasserman, 1989; Haunschild, 1993), these interlocking boards (network ties) led to a close exchange of information between the RTRS and the RSPO. The role of the RSPO as the primary target institution for the RTRS was also confirmed through documentation and the interview material. For instance, a background document on governance options which shortly preceded the launch of the RTRS as a formal organisation identified the RSPO as being of "particular relevance in view of the similar nature of the commodity involved (palm oil), similar challenges (difficulty in differentiating streams of produce traded globally), and the similar circumstances under which both RSPO and RTRS were set up" (RTRS, 2006b). Furthermore, the former International Coordinator of the WWF's FCI stated in an interview:

> "It was the idea from the beginning that we would learn from palm oil for soy. Also, the actors were more or less the same. For example, Unilever was very active in the RSPO as well as the RTRS" (interview with a member of the OC).

Interestingly, the RSPO in turn had been modelled on the FSC as interviews with WWF officials in charge of the FCI revealed (interviews with the former Director and the International Coordinator of the FCI). In this regard, the RTRS and its design are partly the outcome of what in Chapter 2 has been discussed as chain mode diffusion. In contrast to "standard diffusion", where diffusion is focused on a single, central source, chain mode diffusion involves the passing on of a diffusion practice (here institutional design elements) from one adopter to the next. Often, processes of chain mode diffusion facilitate the emergence of institutional variation. The reason for this is that at each step of the chain modifications are made as designers engage in learning from past experiences and adapt the model to the situation at hand (see sections on transmission and adoptions, below). A quick glance at the three organisations illustrates the type and degree of variation for the three cases.

The FSC is widely known for its highly participatory approach. Its board is divided into a social, an environmental, and an economic chamber and provides civil society actors with a strong position – they hold six out of nine board seats (FSC, website). In contrast, the

inventory of 16 environmental MSIs conducted in Chapter 1 identified the RSPO as a scheme with a medium level of inclusiveness. It features a more differentiated (business-oriented) chamber structure, distinguishing between seven stakeholder groups: (1) oil palm growers; (2) palm oil processors and traders; (3) consumer goods manufacturers; (4) retailers; (5) banks and investors; (6) environmental NGOs; and (7) social NGOs. The higher level of corporate influence is also apparent at the board-level where business actors hold twelve out of sixteen seats (RSPO, website-b). In comparison, the RTRS appears to strike a middle ground between the RSPO and FSC. The scheme has moved back to the three chamber system of the FSC. However, its creators reversed the composition of stakeholder chambers from two civil society and one economic chamber to one civil society and two economic chambers. Also occupying the middle ground between the FSC and the RSPO, civil society actors in the RTRS hold five out of fifteen board seats.

In sum, the RSPO, which in turn had been modelled after the FSC, served the designers of the RTRS as the primary target institution. Providing some support for hypothesis 1 (the primary target institution influences the diffusion outcome), the RTRS resembles the RSPO and FSC in many ways. However, the soy scheme is neither a replication of the palm oil roundtable nor the forestry initiative as a comparison of their institutional designs revealed. In the following the transmission stage is examined and how learning processes may have influenced the diffusion outcome.

5.4.3 Transmission

Once a target institution, or institutions, is selected, a diffusion mechanism transmits information about the source model to the point of adoption. In Chapter 2, different types of diffusion mechanisms were discussed. It was argued that when imitation is the primary diffusion mechanism, then a close replication of the source model is the expected outcome. In contrast, learning can introduce variation. Variation occurs as adopters draw lessons from their experiences and the experiences of others. In doing so, they may find that some aspects of the source model are suboptimal for their purposes and make modifications accordingly (selective imitation). Also, they may combine the lessons learned at different places and thus synthesise new practices. The outcomes of learning processes are inherently difficult to predict *a priori*. They depend on a range of factors which are often case specific. They are likely to depend on the past experiences, information available, and interpretations of the

adopter, as well as the situation and context in which the learning process takes place. Although difficult to predict, learning processes leave empirical "traces" (e.g. reflections about the pros and cons of a model) which can be examined through interviews and primary documents (e.g. meeting minutes, project proposals). Against this background it was hypothesised that:

> **H2:** The diffusion outcome will be more (less) inclusive if adopters learn that inclusiveness was good (bad) for the success of prior adopters.

When beginning their work on the palm oil and soy sectors in the early 2000s people in the WWF soon realised that these commodities were different in important ways from the forestry sector. Typically, forestry products are visible to the end consumer. They are used to produce timber, wood products, paper, etc. In contrast, palm oil and soy are what one interviewee referred to as "hidden commodities". In this regard, most cosmetic and many food products contain palm oil, but consumers are often not aware of it. In the case of soy, a very small percentage of global production is directly consumed by humans, whereas about 98 percent of the soybean meal fraction is used for producing high protein animal feed (interviews with the former Director and International Coordinator of the WWF FCI).

Against this background, it was reasoned that the consumer oriented approach of the FSC was not suitable for the palm oil and soy sectors. Similar to the fair trade label and other certification schemes, the FSC operates a consumer oriented label, displayed on wood and timber products which have undergone FSC certification. At least in theory, firms can use the FSC label to signal their sustainability performance to consumers and thus reap reputational benefits and tap so called "markets of virtue" (Vogel, 2006). However, due to the hidden nature of palm oil and soy, this model seemed less suitable for the RSPO and RTRS. Trying to find an alternative, the designers of the RSPO and RTRS experimented with the idea of creating a business-to-business platform (interviews with the former Director and International Coordinator of the WWF FCI). In this approach, there is no visible label or certificate involved. Instead, the scheme functions through business-to-business transactions only.

The background to this is that in response to pressures from consumers, NGOs and regulators, many of the big retailers and consumer goods manufactures have formulated

sustainable sourcing targets (cf. Dauvergne & Lister, 2012). For example, as part of its Sustainable Living Plan, Unilever has pledged to source 100 percent of its raw materials sustainably by 2020 (Unilever, website). However, sitting on top of the agro-supply chain, these "corporate consumers" often face difficulties in implementing and credibly demonstrating compliance with their sustainability plans to external audiences. On the other hand, producer groups have to assure buyers about the sustainability of their products and practices. One possible way to overcome these signalling problems is to rely on third-party certification schemes. In this regard, in the business-to-business approach, MSIs mainly function as assurance mechanisms between corporate actors, whereas they remain largely invisible to the end consumer.

For the founders of the RSPO and RTRS, the decision to adopt a business-to-business approach instead of a consumer oriented label had several implications for the institutional design of their initiatives. Firstly, they felt the need to differentiate more clearly between firms occupying different positions in the agro-supply chain. At a minimum, the business-to-business approach made it necessary to distinguish between corporate consumers and producers (interview with a member of the OC). Secondly, it was reasoned that the business-to-business model would require more business ownership and allow for a more 'streamlined' approach.

The rationale behind the institutional design of the RTRS is elaborated in more detail in a report of a consultancy firm hired by the OC to help it design a governance structure for the soy roundtable. In its the report, Pi Environmental Consulting elaborates on the relationship between inclusiveness and effectiveness, arguing that "[u]nder a certain level of inclusiveness, sufficient legitimacy will not be reached, thus making it impossible for the initiative to deliver, or to be effective. As inclusiveness increases, so does legitimacy. (…) But with the increase of inclusiveness, the speed of the process slows down (…). At some stage, the inclusiveness can become so cumbersome that no decision can be taken anymore, thus making it again impossible for the initiative to be effective". They concluded that "[s]omewhere in the middle lies a situation where the initiative is efficient, i.e. it can deliver objectives well and fast. This 'somewhere' will depend on the objectives of the initiative. (…) [I]t is likely that a scheme designed for B2B [business-to-business] declarations will need less inclusiveness to be effective than a schemes designed to provide a consumer oriented label" (Pi Environmental Consulting, 2005: 4-5). The available documentation

suggests that this line of thinking was adopted by the members of the OC and informed their institutional design choices. In this regard, the official project proposal for the RTRS which shortly preceded its launch as a formal organisation in May 2007 reads:

> "The viability of the RTRS is also dependent on its capacity to deliver its objectives, i.e. its effectiveness. With increased legitimacy, often the speed of the process is reduced. Somewhere in the middle, there is a combination of the two where the RTRS will be both inclusive and efficient" (RTRS, 2007a: 3-4).

Providing some support for hypothesis 2 (learning can influence the diffusion outcome), the empirical analysis revealed how the creators of the RSPO and RTRS reflected upon the FSC and its consumer-oriented, participatory model. They came to believe that the palm oil and soy sectors required a more business-driven approach. This explains why the RSPO and RTRS came out stronger on the business side when compared to the FSC. However, it does not explain why the founders of the RTRS seem to have back-pedalled a bit, positioning their initiative somewhere in between the FSC and RSPO with regard to participation from civil society actors. To further investigate the matter, the next sections look at the adoption of the diffusion practice.

5.3.4 Adoption

The adoption of the diffusion item marks the end of the diffusion process. In the broader diffusion literature this process is often described in a somewhat mechanistic way in which potential adopters make a decision to either accept or reject a diffusion item (Rogers, 1995: 364). However, a closer consideration of the issue suggests that adoption is not simply a 'yes or no' decision.

Institutional Bargaining

Multi-stakeholder processes are political arenas in which struggles over influence and diverging interests take place. When firms and NGOs collaborate to create new MSIs they typically differ sharply over the structure and governance of these schemes and the scope and content of their standards and procedures. As the primary targets of private regulation, corporate actors in particular will try to maximise their control over the regulatory process. Against this background, it was hypothesised that:

H3: the diffusion outcome will be more (less) inclusive if corporate actors are in weak (strong) bargaining position.

To examine this claim, the empirical analysis identifies and describes processes of institutional bargaining during the adoption phase. Then, the distribution of bargaining power in these situations is examined.

In the case at hand, the empirical analysis uncovered several episodes of institutional bargaining in and surrounding the RTRS. These conflicts were rooted in differences over regulatory outcomes. Similar to the interest constellation in the RSB, strong differences existed between economic actors from the global south and civil society actors. However, there were also differences within each stakeholder category, and the within-case analysis revealed how preference coalitions shifted across issue areas.

Like in the RSB, producer groups (economic south) in the RTRS were strongly concerned about the cost of certification. It was a widely held view among the members of this group that the RTRS Principles and Criteria were too strict. It was argued that many producers would not be able to comply with the standard. Furthermore, there were concerns about whether a market for responsible soy existed and that RTRS certification would put them at a disadvantage vis-à-vis their competitors (interview with a producer member). On the other hand, NGOs in the RTRS pushed for high standards. Notably, they insisted on strict standards with regard to deforestation practices. This is not surprising as the RTRS had its origin in the WWF's FCI which had been initiated to tackle the problem of deforestation in the tropics. Also similar to the RSB, downstream industry actors (economic north) in the RTRS often positioned themselves somewhere in between the two camps. Depending on the issue at stake, they would either support the NGO position or that of the producer groups.

The within-case analysis furthermore revealed how preference coalitions shifted across issue areas. More specific to the soy sector, one issue which strongly divided stakeholders in the RTRS was the initiative's scope, notably whether or not to include GM soy under its scheme. Whereas industry actors in the RTRS were largely pro GM soy, the group of civil society actors was deeply divided over the issue (interviews with various members of the OC and EB). On the one hand, the WWF's and Solidaridad's (two large northern NGOs) position was to make the RTRS a "technological neutral" platform. The rationale behind this was the

RTRS' background in the FCI. As described above, the FCI was the outcome of a change in strategy in the WWF's forest conservation activities. Under the FCI, the WWF moved away from its exclusive focus on the forestry sector towards including agricultural-induced forest conversion, notably soy- and oil palm-driven land use change. For this strategy to be effective, it needed a change in practices of the mainstream producers in the oil palm and soybean sectors. However, in the case of soy, about 60 percent of global production was already GM by the time the RTRS was initiated and the proportion of GM soy was projected to increase further in the future (GMO Compass, website-a). Against this background, excluding GM soy from the RTRS would have led to the exclusion of the majority of soy producers and therefore to a failure of the RTRS as a mainstream platform (interviews with NGO representatives). In contrast, many other NGOs inside (e.g. Cordaid) and outside (e.g. Friends of the Earth) the RTRS were strongly opposed to GM soy. They pointed to the various dangers associated with GMOs (see Chapter 3) and argued that certifying GM soy as "responsible" would further legitimise the use and spread of this technology (interviews with NGO representatives).

These differences over regulatory outcomes resulted in various episodes of institutional bargaining in the RTRS. These bargains were largely focused on the scope and content of the RTRS' standard. Unlike in the RSB, the empirical analysis produced little evidence for explicit bargaining over the design of governance structures and standard-setting procedures. This means that, for the case at hand, bargaining did not lead to any major modification to the MSI institutional model. Still, institutional bargaining was found to have had a more indirect effect on the inclusiveness of the RTRS as several stakeholders decided to leave the organisation.

As mentioned above, one major issue encountered by the founding members of the RTRS was the question whether or not to include GM soy under the scheme. On one side of the debate, the WWF, Unilever, Coop, and Grupo André Maggi (Brazil's largest soy producer) took the position that the RTRS needed to be "technology neutral" in order to be effective. They argued that excluding GMOs from the RTRS would make it a niche label and that such a scheme would not be able to significantly reduce the industry's impact. On the other side of the debate, notably Cordaid (a Dutch development NGO) and Fetraf-Sul (an Argentinian smallholders association), strongly opposed the idea of certifying GM soy as "responsible" (interviews with a member of the OC).

The debate about the RTRS' position on GMOs started in October 2004 when Syngenta, a large multinational company specialising in the production GM seeds and pesticides, expressed interest in joining the RTRS. At the time, no decision could be reached and the GMO issue continued to dominate discussion in the OC for several months (RTRS, 2004). As finding a workable compromise proved to be extremely difficult, WWF, Unilever, Coop, and Grupo André Maggi eventually decided to move forward with the issue and to actively seek the participation of GM soy producers. Not surprisingly, the decision was not well received by Cordaid and Fetraf-Sul. As a consequence, they announced they were reconsidering their membership and subsequently left the RTRS in early 2005 (RTRS, 2005a). Over the following months, the remaining members tried to expand the OC and to a find replacement for Cordaid and Fetraf-Sul. However, getting new NGOs involved proved to be difficult. In the process, several NGOs such Oxfam and Fundapaz (an Argentinian development and social justice NGO) were approached but declined the invitation to participate due to the RTRS' position on GMOs (RTRS, 2005b). Eventually, Solidaridad (a Dutch development NGO) and Guyra Paraguay (a conservation group from Paraguay) joined the OC. The members of the new OC continued to differ in their assessments of the desirability and dangers of GM soy, but agreed that the RTRS should be "technology neutral". As reflected in the Common Basis for the RTRS this view became the official position of the RTRS in 2006:

> "Genetically modified soy is currently being cultivated in major growing areas such as Argentina, many parts of Brazil, Paraguay and the USA. Opinions on the benefits and risks of biotechnology and the GM trend vary greatly. Individual Organizing Committee members have different standpoints on genetically modified soy. The Round Table process will not promote the production, processing or trading of either genetically modified or non-genetically modified soy" (RTRS, 2006d: 3).

After it became clear that the RTRS would certify GM soy, organisations that were critical of GMOs decided to leave the process. As a result, political conflict intensified in the scheme's institutional environment (see section on political pressures, below).

The available documentation and interview material provide evidence for a second episode of institutional bargaining in the RTRS. Similar to developments in the RSB, producer groups became increasingly discontent with the complexity of the RTRS standard as the organisation evolved. Furthermore, they perceived the criticism and controversy surrounding the RTRS as

a problem. In particular, the Brazilian vegetable oil industry association, ABIOVE, expressed its dissatisfaction with the RTRS on several occasions.

> "[W]e are very disappointed in the last international conference in Buenos Aires, the negative propaganda about soy in Brazil. ABIOVE also feels the list of criteria is becoming too long and too difficult to comply with. We should have 4 or 5 criteria, not more" (RTRS, 2008).

In early 2009, tensions between producer groups, on the one hand, and NGOs and downstream industry actors, on the other, intensified over the RTRS' position on deforestation. The latter demanded a prohibition of deforestation under the RTRS scheme, whereas producer groups did not want to go further than making a statement of intent. At a meeting of the EB in May 2009 the conflict escalated as the two major Brazilian producer associations (ABIOVE and Aprosoja) openly clashed with the other members of the EB over the inclusion of a cut-off date in the RTRS Principles and Criteria. On one side of the debate, notably the WWF, Unilever, and Coop demanded the inclusion of a cut-off date which would prohibit deforestation for soybean cultivation after a certain date. They argued that without it the RTRS would lose credibility and ultimately fail:

> "It is necessary that the standard includes the objectives derived from implementing non deforestation practices, otherwise, we would fail" (RTRS, 2009b: 4).

On the other side of the debate, the representatives from Aprosoja and ABIOVE expressed strong concerns about the cost of certification and that many of their members would not be able to meet the RTRS standard.

> "We acknowledge that certification implies costs. (…) ABIOVE central concern is to establish conditions that a large number of producers from different countries can meet and not just a minority" (RTRS, 2009b: 2).

Furthermore, they argued that the RTRS could not forbid something which was legal under Brazilian law and that, if producers would have to comply with requirements which went beyond the law, they had to be compensated:

> "[P]roducers are legally entitled to deforest because their level of compliance goes beyond the quota required by law. RTRS should not forbid something that is permitted by Brazilian law. Producers must not sign it" (RTRS, 2009b: 3).

At the meeting, board members voted for the inclusion of a cut-off date in the RTRS Principles and Criteria. A new criterion, Criterion 4.4, was added to the standard which prohibited the clearing of forests for soybean cultivation after May 2009. An exception only existed if producers were able present scientific evidence prepared by a professional third party that no primary forests, other high conservation value areas, or land belonging to local communities were affected. ABIOVE and Aprosoja, however, remained opposed to Criterion 4.4 and the representative from Aprosoja announced that his organisation may have to leave the RTRS because of it (RTRS, 2009b: 6). The issue of the cut-off date also dominated the meeting of the RTRS GA held the same month. At the meeting, Aprosoja, supported by Abiove, made a request to remove Criterion 4.4 from the standard, arguing that it was not agreed on in the PCVDG. However, the proposal was voted down by the GA and even failed to win a majority in the producers' chamber. Unsuccessful with its proposal, Aprosoja and Abiove announced their resignation from the EB and retreat from the RTRS (RTRS, 2009c). About a year later, in April 2010, the two Brazilian industry associations played a leading role in launching the Soja Plus Program (SPP). SPP is an industry scheme to promote sustainable soybean production in Brazil (Soja Plus, website). Today, the scheme has become a major competitor of the RTRS on the Brazilian soy certification market, suggesting that institutional bargaining surrounding the RTRS has become more implicit (interview with a member of the RTRS secretariat).

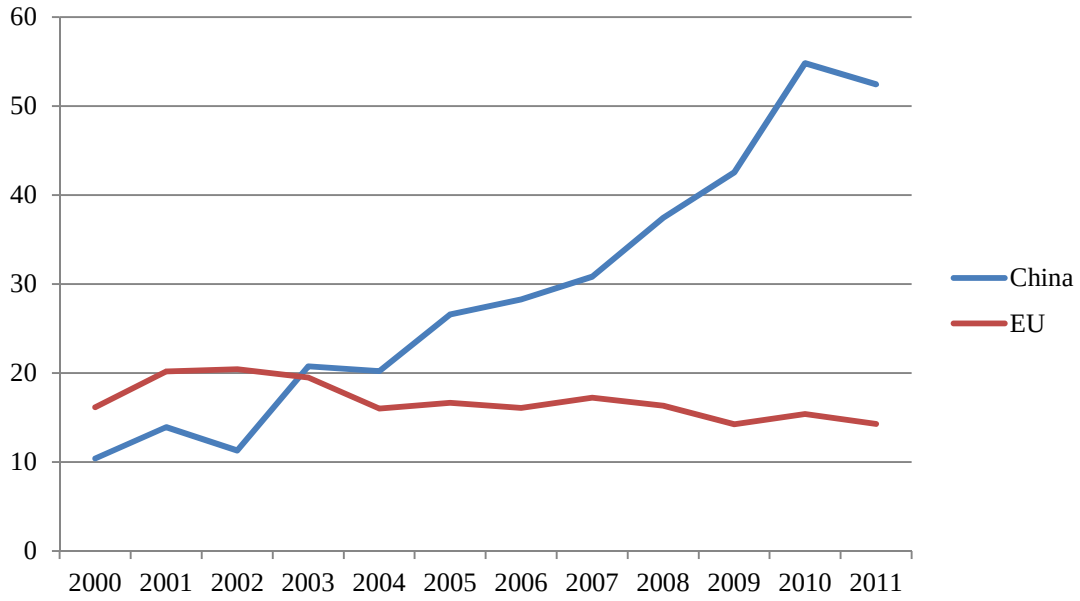
In sum, differences over regulatory outcomes resulted in several episodes of institutional bargaining in the RTRS. However, unlike the RSB, there was no explicit bargaining over the design of governance structures. Instead, bargaining was focused on the scope of the RTRS and the content of its standard. Still, these conflicts had an effect on the inclusiveness of the RTRS as several stakeholders decided to abandon the scheme. In case of the GMO issue, GMO-critical NGOs left the RTRS and have not returned to the table to this day. This means that an important position in the discourse about what constitutes sustainable or responsible soy has disappeared from the RTRS. In case of the conflict about the cut-off date for deforestation, two major Brazilian producer associations, representing a significant proportion of global production, left the organisation. Why have these stakeholders decided to exit the RTRS instead of trying to influence the regulatory outcome from within? The analysis of interest and power constellations in the RTRS helps to shed some light on the issue.

GMO-critical organisations in the RTRS are likely to have had some inclusion power. The GMO issue emerged as a major topic in the soy arena and there was an interest among the founding members of the RTRS to integrate these organisations in the process in order not to compromise its legitimacy. This is evidenced by the fact that various attempts were made to retain Cordaid and Fetraf-Sul as members of the OC (interviews with various members of the OC). Also, as described above, it proved to be quite difficult to find replacements for these organisations. In this regard, various NGOs (e.g. Oxfam and Fundapaz) declined the invitation to join the OC due to the scheme's position on GMOs. But for many members of the RTRS (civil society and industry) the GMO issue was non-negotiable. From the very beginning, the RTRS was meant to be a mainstream platform (WWF, 2004a). However, not allowing GM soy under the scheme would have meant excluding the majority of global production, thereby making the RTRS a niche label. In other words, the GM issue was directly linked to the core preferences of important actors within the RTRS. Also, although it proved to be difficult, the remaining members of the OC were eventually able to recruit several more GMO friendly NGOs to replace Cordaid and Fetraf-Sul. That is probably why their inclusion power and the pressure exercised by groups outside the RTRS were not sufficient to change the RTRS' position on GMOs. At the same time, it was unconceivable for Cordaid and Fetraf-Sul to further participate in an organisation that would certify GM soy as responsible and they therefore decided to leave the scheme.

In contrast to the limited inclusion power of GMO-critical organisations in the RTRS, the Brazilian producer associations Abiove and Aprosoja possessed significant inclusion power as well as GIAP. With its origin in the WWF's FCI, the main rationale behind creating the RTRS was to halt deforestation in the Amazon rainforest. Against this background, getting Brazilian producers to sign up for the scheme was a key objective. Now, Aprosoja is Brazil's largest soybean growers association and Abiove (the Brazilian vegetable oil manufacturers association) represents about 72 percent of the country's soy processing volume (Abiove, website; Aprosoja, website). Therefore, their participation was essential for the scheme's overall success. Given their high level of inclusion power, it is therefore puzzling why the other members of the RTRS did not do more to prevent them from leaving the initiative. The within-case analysis points to two reasons: Firstly, there was little room for compromise between Brazilian producers, on the one hand, and civil society groups in the RTRS, on the other. For Abiove and Aprosoja, a strict cut-off date for deforestation directly interfered with

their economic interests as it posed an obstacle to future soy expansion (interviews with producer representatives). In a similar way, for civil society actors in the RTRS, removing or softening the cut-off date would have undermined their core objective of protecting the Amazon rainforest (interviews with NGO representatives). Secondly, the interviews and background analysis point to an increase in Abiove's and Aprosoja's GIAP as a determining factor. The circumstance to this is that beginning in the late 1990s Chinese demand for soybeans grew exponentially and by the mid-2000s China replaced the EU as the world's largest import market for soy (see Figure 21).

Figure 21: Soybean Imports by China and the EU (million tonnes)



Source: FAO STAT

As explained by a member of the RTRS secretariat[29], this shift in trade patterns reduced pressures on Brazilian producers to engage in meaningful sustainability regulation. This is because Chinese companies and consumers are significantly less concerned about sustainability issues than their European counterparts. Thus, when Abiove and Aprosoja found themselves unable to prevent the RTRS from adopting a cut-off date for deforestation practices, they decided to leave the euro-centric soy roundtable (interviews with several members of the EB).

[29] Interview with Ben Zeehandelaar.

Summing up the above discussion, the analysis of the adoption process uncovered several rounds of institutional bargaining in the RTRS. However, unlike the RSB, there was no bargaining over the design of governance structures. Thus, overall the case study produced little evidence in support of Hypothesis 3 (institutional bargaining and the distribution of bargaining power influence the diffusion outcome). On the other hand, the within-case analysis revealed how important stakeholders (NGOs and firms) left the RTRS due to conflicts over the scheme's scope and the content of its standard. These conflicts and their outcomes could be explained with the constellation of interests and bargaining power in the RTRS. Whereas patterns of participation are different from institutional design (the focus of this project), the issue is closely related to the deeper research question studied in this project: the inclusiveness of private governance institutions (see discussion in Chapter 2, Section 2.5.1).

Coercive Pressures

The previous sections discovered close network ties between the founders of the RTRS and the RSPO, which in turn had been modelled on the basis of the FSC. It was described how they used these initiatives as templates when creating their organisation and how they learned from their experiences when importing the MSI institutional model to the soy sector. Also, processes of institutional bargaining were examined. It was revealed how producer groups and NGOs clashed over the scope and content of the RTRS' standard and how several stakeholders left the initiative as a result. However, the RTRS and its design cannot be fully understood without considering the wider institutional environment in which the scheme was initiated.

In Chapter 2, a distinction was made between normative and coercive environmental pressures. It was argued that the group of late adopters are likely to be subject to the same normative pressures and that this can have an isomorphic effect on them. On the other hand, there is reason to believe that coercive pressures may well vary across industry sectors and schemes. With a focus on transnational activist campaigns, it was argued that strong coercive pressures will lead to a more inclusive diffusion outcome. This is because in these environments business actors are likely to be more willing to engage with civil society actors in the context of MSIs. Also, advocacy groups may put pressure on the founders of new MSIs to adopt a more inclusive approach. Thus, the fourth hypothesis is:

H4: The diffusion outcome will be more (less) inclusive if coercive pressures at the point of adoption are strong (weak).

To examine this hypothesis, a background analysis about the environmental conditions during the adoption process will be conducted. Therefore, the empirical analysis will draw on media reports, NGO reports, and secondary literature. Furthermore, interviews and primary documents (e.g. meeting minutes) will be used to examine how adopters perceived their institutional environment and how they responded to it.

Through the interviews and a background analysis it was discovered that the RTRS was subject to strong coercive institutional pressures during its formation phase. The rapid expansion of soybean fields in Latin America and elsewhere had attracted much attention form NGOs and the media. Furthermore, the widespread use of GM technology in the soy sector became an important issue with environmental NGOs.

From the beginning, the rise of GM technology in the 1990s was met with much scepticism and criticism. In a similar way to nuclear energy in the 1970s and 1980s, GMOs mobilised protests by development and environmental NGOs around the world. They argued that GMOs were associated with a wide range of human health, animal health, and environmental risks (see Chapter 3 for details). Starting in the late 1990s, an international coalition of NGOs began campaigning against the use of transgenic crops. This coalition consisted of large NGOs like Greenpeace and Friends of the Earth as well as many smaller issue-specific advocacy groups like GM Freeze and GM Watch. With its heavy reliance on GM technology, the soy industry became a notable focal point of transnational activism against biotechnology (interview with a GMO campaigner).

Civil society activism in the soy arena began to intensify in the early 2000s and has been strong ever since. In one of the most visible campaigns, Greenpeace directly targeted some of the major players in the soy supply chain, among them the world's largest producer of GM seeds – Monsanto. Since 1996, the company has held a patent on GM soy, also known as Roundup Ready Soy. The glyphosate-resistant Roundup Ready soybean is widely used by farmers around the world. For example, in Brazil in the 2009/2010 growing season, Roundup Ready Soy accounted for 67 percent of the total land area under soybeans (Soybean and Corn

Advisor, 2009). In collaboration with other NGOs, Greenpeace has challenged Monsanto's patent on all GM soybean varieties (Organic Consumer Association, 2003). This litigation strategy was accompanied by 'naming and shaming' activities in which Monsanto has been publicly criticised for its business model, which is built around GM technology and agrochemicals (Greenpeace, 2003, 2006, 2007).

It was in this environment of intensifying controversy surrounding the soy industry in that the members of the OC launched the RTRS process. With growing visibility, soon their initiative had also become a target of criticism and controversy. Notably, the decision to allow GM soy to be certified under the scheme, which led GMO-critical organisations to leave the OC, triggered political activism against the roundtable initiative. In this regard, the first soy roundtable conference held in March 2005 in Foz do Iguaçu, Brazil, already became a highly politicised event. Parallel to the roundtable meeting, a coalition of GMO-critical NGOs organised a counter-conference in the same city. In a statement, they pointed to the irreconcilability of GMOs and monoculture with sustainability and heavily criticised the RTRS for its plans to certify GM soy as responsible. The second soy roundtable conference in August 2006 in Asunción, Paraguay, was also accompanied by protests. A coalition of NGOs organised a protest march and published a declaration opposing "responsible soy". Similar protest activities surrounded the third and fourth RTRS roundtable conferences (ASEED, 2008; Corporate Europe Observatory, 2009). The WWF, too, became a direct target of NGO activism for its involvement in the RTRS. In 2009, WWF Netherland's headquarters in Amsterdam were visited by a group of activists in panda costumes, demanding the WWF's retreat from the soy roundtable (The Ecologist, 2009). The same year, a coalition of over sixty NGOs published an open "letter of critical opposition to the Roundtable on Responsible Soy" (Rainforest Rescue, 2009). Protests against the RTRS and its position on GM soy continue to this day as evidenced by NGO reports and news coverage (Corporate Europe Observatory, 2012; GMWatch, 2013; The Telegraph, 2011).

The interviews and available documentation show how these strong (direct) coercive pressures were perceived by the members of the founding group and how it affected their institutional design choices and thus the diffusion outcome. In this regard, the members of the OC discussed the situation in the soy sector and the activities against their initiative. Like the founders of the RSB, they reasoned that the high level of controversy surrounding their project required a more participatory approach. In the case of the RTRS, which unlike the

biofuels roundtable had been the target of direct NGO activism, this can also be interpreted as a strategy to shield the organisation from further criticism.

The interviews and available documentation shows how the members of the OC perceived and responded to their institutional pressures in their environments. Importing the MSI model form the palm oil to the soy sector, they drew comparisons between the two environments. In this regard, the former chairperson of the RSPO and founding member of the RTRS explained in an interview:

> "The most important difference between the two [palm oil and soy] is the GMO discussion. GMO is dominant in soy especially with civil society, not so much with producers, and GMO is absent from the palm oil discussion" (interview with a member of the OC).

There was also a perception among the members of the founding group that the political conflict and controversy surrounding GM soy made the soy sector a very difficult environment for launching a multi-stakeholder process. In this regard, the International Coordinator of the WWF FCI stated in an interview that they were aware of the fact that they were "sticking their head in anthill" and that it was a "really though environment". Her interpretation of the situation was seconded by the former Director of the WWF FCI:

> "Compared to palm oil, it was a much more politicised environment. There was the GMO issue. It was much more difficult to setup."

As evidenced by the meeting minutes, the protest activities and criticism surrounding the RTRS process were discussed in detail among the members of the OC. After the first roundtable conference was held in March 2005, there was a general agreement that they had underestimated the political nature of the issue (RTRS, 2005c). When preparing the launch of the formal organisation, they turned toward Pi Environmental Consulting, a Swiss consultancy firm, for advice. Analysing the political situation in the soy sector, its report to the OC reads:

> "Who will be affected, who can affect the RSS [Roundtable on Sustainable Soy][30] and the level of impact are key guides in determining who should participate and to what

[30] During the first year, the RTRS was called the Roundtable on Sustainable Soy (RSS).

> extent. Because stakeholders are also those who oppose to an initiative, the higher the controversy around a project, the more SH [Stakeholders] must be closely involved with decision-making" (Pi Environmental Consulting, 2005: 23).

The interviews with several members of the OC confirmed that the high level of political conflict surrounding the RTRS was one of the main reasons for adopting a more participatory approach. In a way, this can also be interpreted as a strategy to shield the organisation from further criticism, as a comment of one of the interviewees suggests:

> "We were under very close scrutiny from the NGOs because of the GMO issue. Everything we were doing was watched closely and we did not want to give them another pretext to criticise us on governance" (interview with a member of the OC).

Confirming the findings from the previous case study chapter, the evidence laid out above showed how strong coercive pressures in form of transnational activism against GM soy pushed the founders of the RTRS to adopt a more inclusive approach. Like their counterparts in the RSB, they reasoned that a narrow approach would have little chance to succeed in such an environment. Furthermore, being the target of direct NGO activism, there is evidence to suggest that this was also a strategy to protect the RTRS against further criticism.

Normative Pressures

Like in the previous case, the within-case analysis revealed how the ISEAL Alliance and its standard-setting code exercised normative pressures on the designers of the RTRS. To recapitulate, created in 2002, ISEAL is an association of leading private standard-setting systems. Among its founding members are the FSC, the IFOAM, the FLO, and the MSC (ISEAL, website-a). Probably the most important normative document developed by ISEAL, is its *Code of Good Practice for Setting Social and Environmental Standards* (ISEAL, 2012). First released in 2004, the code lays out principles and criteria for how to create credible private standard systems. One of the most important procedural requirements of the ISEAL code is stakeholder inclusion in the decision-making and standard-setting process. In this regard, the code stipulates that (ISEAL, 2012: 8):

- Standard-setting shall be open to all interested parties
- Participation and decision-making needs to reflect a balance of interests (subject matter and geographic scope)

- Participants shall include stakeholders with an expertise relevant to the subject, those that are materially affected by the standard, and those that could influence the implementation of the standard.

The normative framework created by ISEAL has become an important reference point for private sustainability initiatives – including the founders of the RTRS. Although the RTRS never became a formal member of ISEAL, there is strong evidence suggesting that its standard-setting norms served the members of the OC as an important point of reference. In this regard, in many of the documents related to standard-setting references are made to ISEAL and its standard-setting code (RTRS, 2007a, 2007d). The importance of ISEAL for the RTRS could also be confirmed in an interview with the coordinator of the PCVDG who states that she followed the methodology of ISEAL when setting up the standard-setting process (interview with the coordinator of the PCVDG). Notably, as in the case of the RSB, the decision to open the RTRS Principles and Criteria for public comments periods could be traced back to the ISEAL norms.

5.5 Summary of Findings

This was the second of three case study chapters. It examined the diffusion of private participatory governance to the soy sector. After providing some case context and background information, the institutional development of the RTRS from its inception to the launch of the formal organisation was described. As part of this, a detailed analysis of the scheme's rule-making and decision-making arrangements was conducted, identifying the scheme as an MSI with a medium level of inclusiveness. In order to explain this outcome, the process of institutional diffusion was traced. The process-analysis was guided by the analytical framework developed in Chapter 2. This framework distinguishes three stages in the diffusion process – source selection, transmission, and adoption – and specifies a set of testable hypotheses about the cause-and-effect relationships that influence institutional outcomes (see Table 20, Section 5.4).

Consistent with the underlying diffusion model, the empirical analysis revealed how the founders of the RTRS did not design their organisation from scratch. Instead, they turned toward already established MSIs in other fields in order to learn from their experiences and to imitate their structures. Mirroring the findings from the previous case study chapter, inquiries

into the causes of institutional diffusion suggest two main motives: costs savings (time and resources) and risk reduction (avoidance of making mistakes).

Close network ties to the RSPO (both initiatives had their origin in the FCI of the WWF) led the founders of the RTRS to select the palm oil roundtable as its primary target institution. Furthermore, it was discovered that the RSPO had, in turn, been modelled after the FSC (chain mode diffusion). Providing some support for Hypothesis 1 (the primary target institution influences the diffusion outcome), the RTRS resembles the RSPO and the FSC in many ways. However, the founders of the soy roundtable did not simply replicate the institutional design of the palm oil roundtable or the forestry initiative as a comparison between the three organisations revealed.

Examining the transmission of ideas between the three organisations, the process analysis revealed how the people behind the RSPO and RTRS learned from the FSC experience. However, unlike the founders of the RSB, they concluded that the FSC's participatory approach was less suited to their purposes. They reasoned that the "hidden commodities" soy and palm oil required amore business-oriented approach and less involvement from civil society actors. Providing support for Hypothesis 2 (learning can influence the diffusion outcome), this learning process explains why the RSPO and RTRS came out stronger on the business side when compared to the FSC. However, it does not explain why the RTRS positioned itself somewhere in between the RSPO and FSC in terms of inclusiveness.

Moving toward the adoption stage of the model, the process analysis uncovered several rounds of institutional bargaining among the founders of the RTRS. However, unlike the RSB, there were no attempts from industry groups to re-negotiate the institutional design of the scheme. On the other hand, several stakeholders (NGOs and firms) were found to have left the RTRS due to conflicts over the scheme's scope and the content of its standard. These conflicts and their outcomes could be explained by the constellation of interests and bargaining power in the RTRS. However, overall the case study produced little evidence in support of Hypothesis 3 (institutional bargaining and the distribution of bargaining power influences the diffusion outcome).

Finally, the nature and strength of environmental pressures at the point of adoption were examined. Confirming the findings from the previous case study chapter, it was shown how

strong coercive pressures in the soy arena influenced the diffusion outcome (Hypothesis 4). These pressures took the form of transnational NGO activism against GM soy and the RTRS and pushed its founders to adopt a more inclusive approach. Like their counterparts in the RSB, they reasoned that a narrow approach would have little chance of succeeding in such a contentious and politicised environment. Also, being the target of direct NGO campaigning activities, there is evidence to suggest that adopting a more inclusive governance structure was a strategy to protect the RTRS against further criticism. Next to coercive pressures, emerging transnational norms of good private governance were found to have influenced the diffusion outcome toward a more participatory approach.

Chapter 6: The Better Sugarcane Initiative (Bonsucro)

6.1 Introduction

The previous two chapters traced the diffusion of private participatory governance to the biofuels and soy sectors. The process analysis revealed similarities as well as differences across the two cases. In both cases, adopters' network ties determined the selection of primary target institutions which closely linked them to the FSC and RSPO. However, there were differences with regard to the lessons learned from prior adopters. Whereas the founders of the RSB came to believe that the FSC's highly participatory approach was essential for its success as a private standards organisation, the founders of the RTRS reasoned that the FSC model was less suited for their purposes and opted for a more business-oriented approach instead. But in examining the adoption process in the biofuels and soy sectors, it was found that strong coercive institutional pressures in these arenas led the two initiatives to converge toward a higher level of inclusiveness. Creating their institutions in these contested environments, the founders of the RSB and RTRS came to believe that a narrow approach would have little chances of success. In the case of the RTRS, which became the target of direct NGO activism, adopting a more inclusive design was also a strategy to shield the organisation from further criticism.

In order to create a baseline for comparison, this chapter traces the diffusion of private participatory governance to the sugarcane sector (BSI/Bonsucro). In the inventory of MSIs conducted in Chapter 1, this scheme was found to exhibit a low level of inclusiveness. As in the other case study chapters, the empirical analysis will be guided by the diffusion model developed in Chapter 2. The model distinguishes three stages in the diffusion process – source selection, transmission, and adoption – and identifies a set of testable hypotheses about the cause-and-effect relationships that influence institutional outcomes.

The remainder of this chapter is structured as follows: in a first step, some case context and background is provided. Then, the institutional development of BSI/Bonsucro is described, from the scheme's inception to the launch of the formal organisation and the finalisation of the standard-setting process. As part of this, a more detailed analysis of the scheme's decision-making and rule-making arrangements is provided. In a final step, the analytical

framework developed in Chapter 2 is used to explain the institutional outcome for the case at hand.

6.2 Case Context and Background

Sugarcane is a perennial crop that is grown between the latitudes 36.7° north and 31.0° south of the equator (i.e. in tropical to subtropical zones). It is mainly processed into sugar and accounts for about 70 percent of the world's sugar production, while the remaining 30 percent is derived from sugar beet (Plant Cultures, website). Only a very small fraction of the world's sugar production is directly sold to the end consumer. Most of it is used as a sweetener in a large variety of food products and beverages. Increasingly, sugarcane is also used as a feedstock for biofuel production (bioethanol). The FAO estimates that currently about 24 percent of the global sugarcane harvest is used for this purpose. For 2020, this share is set to increase to about 32 percent of global production (OECD/FAO, 2011: 132).

Today, sugarcane is grown in more than 100 countries. According to the FAO, the total land area under sugarcane was 25.8 million hectares in 2012 and total production was 1.77 billion tonnes (FAO, website-b). The world's top five sugarcane producing countries are: Brazil, India, China, Thailand, and Pakistan (see Table 19).

Table 19: Top 5 Producers of Sugarcane 2012

Country	**Production (million tonnes)**
Brazil	670.8
India	348.9
China	124.2
Thailand	96.5
Pakistan	58

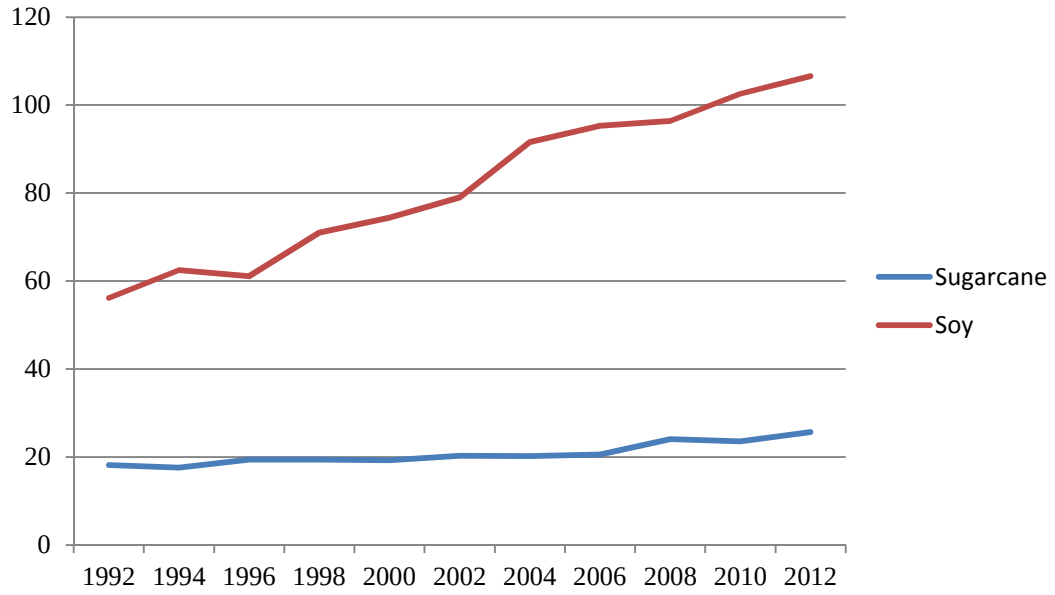
Source: FAO STAT

As the world's largest producer, Brazil also dominates the global trade in sugar. In 2010, the country accounted for 62.5 percent of world sugar exports, followed by Australia (8.4 percent) and Thailand (6.2 percent) (FAO, website-b). Brazil is also the largest exporter of sugarcane ethanol, of which it exported some 500 million gallons in 2010 (USDA, 2011). Whereas sugar exports are highly concentrated, the group of importing countries is more

diversified. Currently, the major importer is the EU, closely followed by the USA. Other important sugar importing countries are Korea and Japan (OECD/FAO, 2011: 126).

Driven by public biofuel policies around the world and a growing world population, global demand for sugarcane is increasing. However, the sector has not seen a global boom comparable to that of the soy sector. Instead, sugarcane expansion has been more gradual and significantly smaller in scale (see Figure 22).

Figure 22: Global Land Area under Sugarcane and Soy (million hectares)



Source: FAO STAT

Nevertheless, in some regions sugarcane expansion has been significant. In Brazil, for example, the total land area under sugarcane increased from 4.2 million hectares in 1992 to 9.4 million hectares in 2012. This is an increase of 124 percent. The FAO's Agricultural Outlook 2011-2020 predicts that sugarcane expansion will continue. Major drivers are a growing demand for sugar from emerging market economies – notably China – as well as a growing global demand for sugarcane ethanol (OECD/FAO, 2011: 119-132).

The strong expansion of sugarcane in countries like Brazil has led to concerns about the detrimental environmental and social impacts of sugarcane production. The controversy surrounding sugarcane intensified with the advent of biofuels. Sugarcane is an important feedstock for ethanol production and, according to the FAO's projections, the proportion of

world sugarcane production used for ethanol is set to increase from 24 percent currently to about 32 percent in 2020 (OECD/FAO, 2011: 132). This has led to concerns about sugarcane-induced land use change becoming a major driver behind deforestation in the Amazon. In this context, sugarcane production has been discussed as causing climate change and a loss of biodiversity (BBC, 2009; Friends of the Earth, 2010). Furthermore, the water-intensity of sugarcane production has been an issue (WWF, 2004c).

With regard to the social impacts of sugarcane expansion, NGOs have raised concerns that land grabs have led to a loss of local communities' livelihoods communities (Ethical Sugar, 2012). Another, issue in the sugarcane sector is poor labour standards. Due to a low mechanisation rate, sugarcane production is a highly labour intensive industry and NGOs have long criticised the industry for low wages and forced labour as well as poor health and safety conditions (Reuters, 2008; The Guardian, 2012).

In the absence of effective public regulation and, given the industry's multiple challenges, a number of private regulatory arrangements have emerged in recent years. The evolving system of private governance in the sugarcane sector includes firm- and industry-level self-regulation as well as multi-stakeholder schemes (see Table 20).

Table 20: Private Governance in the Sugarcane Industry

Scheme	**Type**	**Geographical focus**	**Focus of standard**
BSI/Bonsucro	Multi-stakeholder	Global	Social and environmental impacts
Carbon Free Label	Company scheme	Global	CO_2 emissions
Coca-Cola Sustainable Agriculture	Company scheme	Global	Social and environmental impacts
FLO	Multi-stakeholder	Global	Fair remuneration of sugarcane farmers
Greenergy	Company scheme	Global	Environmental impact of sugarcane ethanol production
ISCC	Multi-stakeholder	Global	Social and environmental impacts
Sustainable Agriculture Network/Rainforest Alliance	Coalition of NGOs	South America	Social and environmental impacts
Fairtrade USA	Multi-stakeholder	Global	Fair remuneration of sugarcane farmers

These arrangements are now an important source of environmental and social regulation in the industry. They define standards for pesticide use, land-use change, labour rights, etc. and often rely on incentive-based mechanisms for their implementation. Probably the most significant private scheme in the sugarcane sector, in terms of visibility, membership, and volume, is BSI/Bonsucro.

6.3 Better Sugarcane Initiative (Bonsucro)

Launched in 2005, BSI/Bonsucro is a private standard-setting and certification body, created to mitigate the social and environmental impacts of global sugarcane production. In a multi-stakeholder process, it defines principles and criteria for "better" sugarcane production and, via certification, provides market incentives for their implementation. This section traces the institutional development of BSI/Bonsucro form its inception to the launch of the formal organisation. Furthermore, with a focus on the organisation's standard-setting and decision-making arrangements, a more detailed assessment of its inclusiveness is provided.

6.3.1 Inception

In the early 2000s, the WWF turned towards agricultural induced land-use change as an important driver behind deforestation in the tropics. Spearheaded by WWF Switzerland, this shift in the NGO's forest conservation strategy resulted in the creation of the RSPO and the RTRS as part of the FCI (see Chapter 5). But other parts of the WWF network also started working on agriculture and its impact on the environment. One important initiative was the WWF's Global Freshwater Programme (GFP) which identified agriculture as having a key impact on water systems. According to the GFP, agriculture is by far the biggest user of water, accounting on average for about 70 percent of all freshwater withdrawn for human use. Furthermore, agricultural practices were held responsible for considerable freshwater pollution through the intensive use of fertilisers and pesticides. In this context, GFP identified sugarcane as one of the world's "thirstiest" crops (WWF, 2003):

> "WWF became interested in agriculture's impact on freshwater systems. We were looking at the crops that were having the biggest impact on water systems. This was in 2002 and we looked at seven major catchments and one of the crops that came out as the most important was sugarcane. Also cotton and rice were important. So that

meant that we had an impact that we wanted to see mitigated" (interview with a member of the WWF GFP).

It was WWF UK and WWF US which, with support of the IFC, took the lead on sugarcane. In 2003, WWF officials attended the annual congress of the International Society of Sugar Cane Technologists (ISSCT), a leading industry association and important forum for sugarcane growers around the world. The following year, WWF UK published an article in which it outlined the rational and contours of a civil society-industry partnership in the sugarcane sector (Perkins, 2004). Around the same time, the GFP compiled a major report on the environmental impacts of sugarcane production and ways to mitigate them through better management practices (BMPs) (WWF, 2004c). Then, in the summer 2004, WWF UK reached out to Tate & Lyle, one of the world's largest buyers and refiners of sugar, to discuss the possibility of creating a sustainability standard for sugarcane. After several meetings, the company agreed to host a workshop on BMPs for sugarcane at its London headquarters (interviews with representatives of WWF UK and Tate & Lyle).

Held in June 2005, the *Better Sugar Better Business Meeting* brought together about 30 stakeholders from industry and civil society. The meeting focused on identifying the key environmental and social impacts of sugarcane production. In particular, the topics of land use change, water use, pesticides, and labour practices were discussed together with how to improve them through the adoption of BMPs. Furthermore, the goals and objectives of a roundtable initiative for sugarcane were discussed in detail. At the end of the meeting, the workshop participants agreed to move forward with the plan and the WWF and IFC recruited members for a multi-stakeholder SC (WWF, 2005a).

6.3.2 Formation Phase

Like in the cases of the RSB and the RTRS, the SC consisted of an *ad hoc* group of people who had volunteered at the *Better Sugar Better Business Meeting*. In principle, participation in the SC was open to all interested parties. However, SC members had to pay a membership fee of US$ 25,000 which was used to fund the activities of the group (BSI, 2007a). Starting in January 2006, the SC members met several times a year via teleconference or in person. As in the others cases, the composition and membership of the SC varied over the period of its existence. New organisations joined the initiative, whereas others left or scaled back their involvement. Towards the end of the formation period, it had some 15 members. Industry

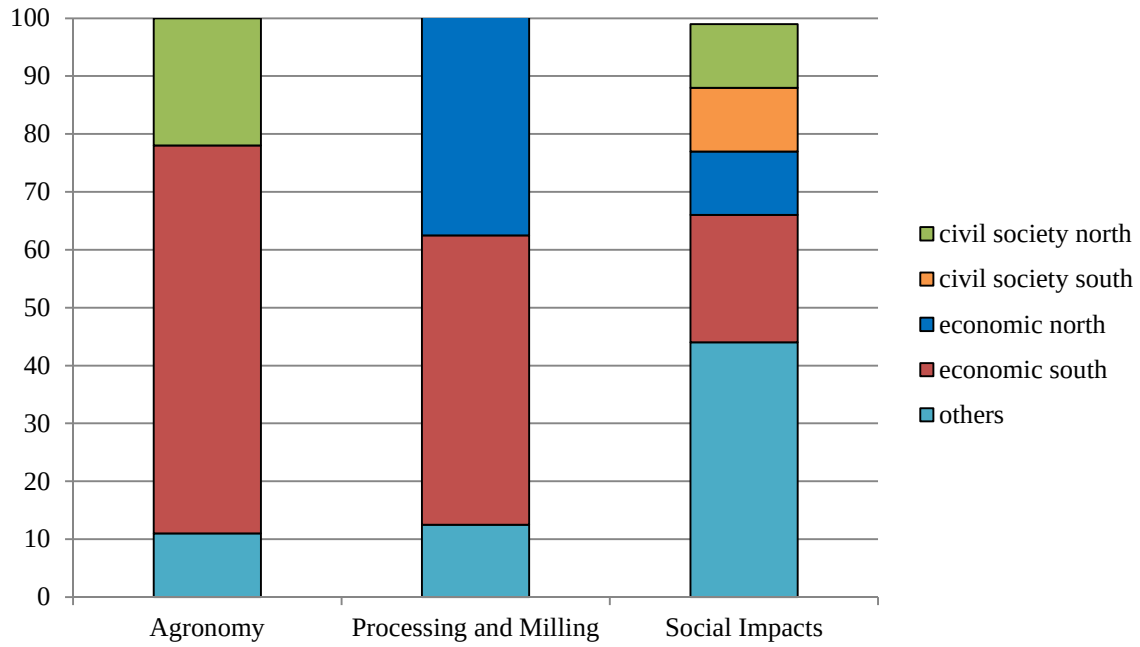
members included buyers of sugarcane or sugarcane ethanol (BP, British Sugar, Shell, Coca-Cola, Tate & Lyle, and Cardbury Schweppes), and traders (Cargill), as well as a large Brazilian producer industry association (UNICA). From the civil society side, there were the WWF, Solidaridad, and Ethical Sugar (BSI, 2008d). Initially, the WWF provided secretarial support to the SC. Later a small secretariat based in London was established (interviews with the Coordinator and General Manager of the BSI).

One important milestone during the formation period was the launch of the standard-setting process. Discussions about the key impacts of sugarcane production and ways to mitigate them had already begun at the foundational meeting in June 2005. Throughout 2006 and 2007, the members of the SC continued the discussion about the key impacts of sugarcane production (BSI, 2007c). This led to the identification of five principles which served as the point of departure for the formal standard-setting process launched in early 2008. These principles were: (1) Obey the law; (2) respect human rights and labour standards; (3) manage input, production, and processing efficiently to enhance sustainability; (4) commit to continuous improvement in key areas of the business; (5) actively manage biodiversity and ecosystem services (BSI, 2008f).

The refinement of the standard and the development of indicators then took place in three newly formed Technical Working Groups (TWGs) on agronomy, processing and milling, and social impacts. The distinctive feature of the Bonsucro standard is that it is based on metrics. Instead of BMPs which define principles and criteria for improving the process of production, the metric-based system attempts to measure impacts. In this regard, the BSI is different from the RSB and RTRS which follow the BMP approach. To define and operationalise the impact indicators, the SC adopted what it called an expert-based approach to standard-setting (Bonsucro, website-b). In this regard, the BSI is similar to the RTRS which also restricted access to its standard-setting body. The SC selected three TWG leaders who then recruited a small team of eight to nine experts for each of the three areas mentioned above. The role of the TWG leaders was to organise the meetings of their groups (mostly in the form of teleconferences), to circulate documents, and thus to develop the impact indicators for the BSI/Bonsucro Production Standard (interviews with the TWG leaders). However, in comparison to the RTRS, participation in the TWGs was less balanced. Overall, very few civil society actors participated in the process. Also, it was found that all three TWG leaders had an industry background (interviews with the three TWG leaders). Figure 3 provides a

more detailed breakdown of the composition of the three TWGs using the four key stakeholder categories defined in Chapter 2 (see Figure 23).

Figure 23: Composition of BSI/Bonsucro's Standard Setting Bodies (percent)[31]



Over the course of 2008, the work of the TWGs produced some 150 indicators for measuring the environmental and social impact of sugarcane production. In a joint meeting of the three TWG leaders and the members of the SC these indicators were then revised and compiled into Version 1 of the BSI Production Standard. The meeting took place as part of the BSI's first AGM held in São Paulo, Brazil, in November 2008 (interviews with the three TWG leaders). At the time, the BSI was not yet a formal organisation. However, some 70 organisations had already registered with the initiative and at the meeting a decision was made to provide the BSI with a more formal and permanent structure (BSI, 2008b).

6.3.3 The Formal Organisation

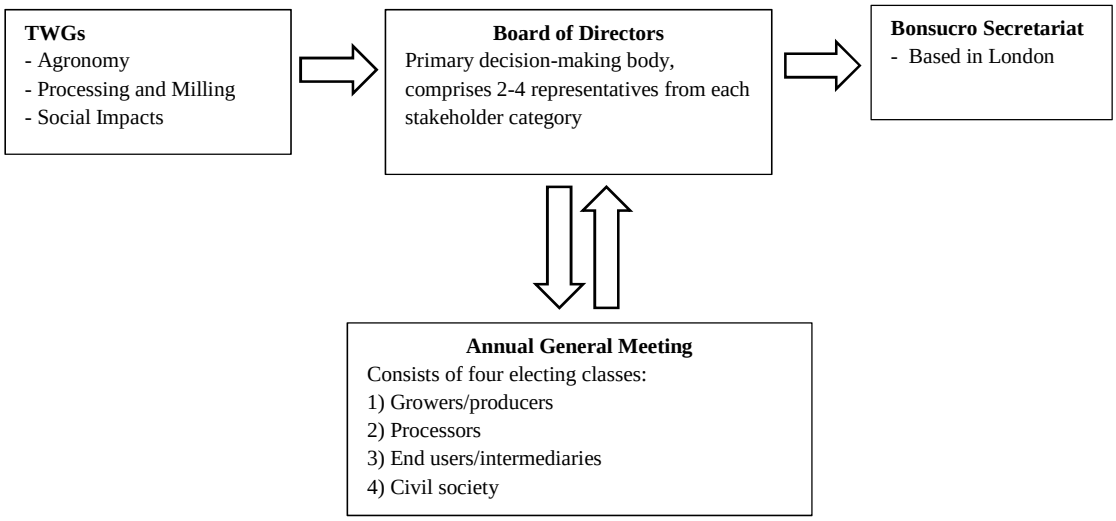
The first step in this transition process was to dismantle the SC and to replace it with a so-called Transitional Management Committee (TMC). Then, in March 2009, electronic

[31] This figure has been composed from background materials (BSI, 2008a). To this end, TWG members have been identified as either belonging to one of the following categories: economic, civil society or others. Then, the location of their home institution's headquarter has been used to determine their geographic origin (global north or global south).

elections were held among the BSI membership. The TMC was replaced by a Management Committee (MC) and Supervisory Board of Directors (SBD). Furthermore, the AGM was formalised and the BSI was registered as a not for profit company under the laws of England and Wales (BSI, 2009c, 2009d).

In the newly formed organisation, decision-making was concentrated in the SBD, whereas the MC mainly functioned as an advisory body (BSI, 2009a). In practice, however, the two boards often held their meetings together (interviews with members of the MC and SBD). Also, the double board structure was somewhat artificial in the sense that their memberships strongly overlapped (BSI, 2009d). As having two boards was perceived by many as unwieldy and unnecessary, a decision was made at the AGM in Puerto Rico in November 2010 to replace them with a single BD. At this occasion, the BSI also changed its name to Bonsucro (Bonsucro, 2010). See Figure 24 for an organisational chart of Bonsucro.

Figure 24: Organisational Chart of BSI/Bonsucro



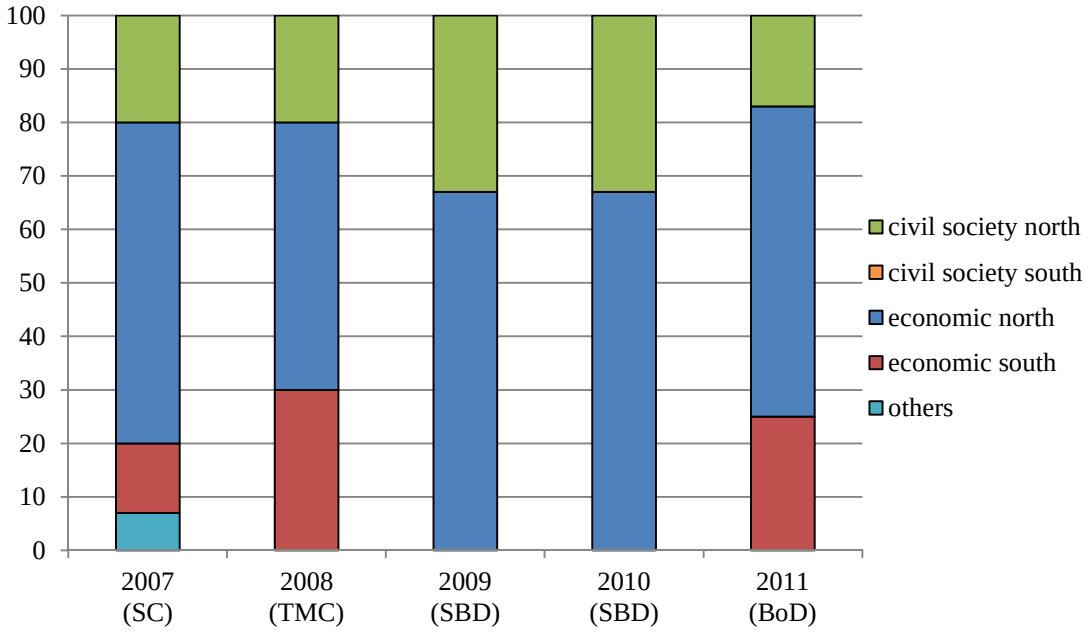
The BD is now the central locus of decision-making in Bonsucro. Its members (directors) convene several times a year to discuss and reach decisions on various matters of organisational strategy and development. Some of its core functions include: approving the standard, admitting new members, and appointing and controlling the activities of the Bonsucro secretariat. The SB is divided into four stakeholder categories: (1) growers/producers; (2) processors; (3) end users/intermediaries; (4) civil society. The Bonsucro Constitution stipulates that each constituency group shall be represented by at least

two Directors at the board level (BSI, 2009a).[32] In contrast to the RSB and RTRS, the collective choice rules of Bonsucro do not include a right of veto for civil society actors. Its Articles of Association stipulate that the BD has a quorum of at least two directors. If the quorum is met, decisions are taken by a simple majority of votes. In the case of a draw, the chairman has a casting vote (Bonsucro, 2011). Effectively, as shown below, this translates into a dominant position of northern industry actors in the organisation's central decision-making body.

Whereas the formal design of BSI/Bonsucro's central decision-making body has changed over time, its composition has remained very similar (see Figure 25). In this regard, a breakdown of stakeholder participation using the categories defined in Chapter 2 reveals a dominant position of northern industry actors, mostly big brand companies like BP, Shell, Cargill, Tate & Lyle, and Coca Cola. Also, two large northern NGOs (WWF and Solidaridad) have been permanent members of the BSI/Bonsucro boards. There was also some participation from producer groups such as the Brazilian sugarcane industry association UNICA. However, civil society actors from the global south have had no representation in the organisation's central decision-making body.

[32] In 2011, the composition of the BD was changed to (1) end users; (2) civil society; (3) farmers; (4) intermediaries; (5) industrial (Bonsucro, 2011).

Figure 25. Composition of BSI/Bonsucro's Primary Decision-Making Body (percent)[33]

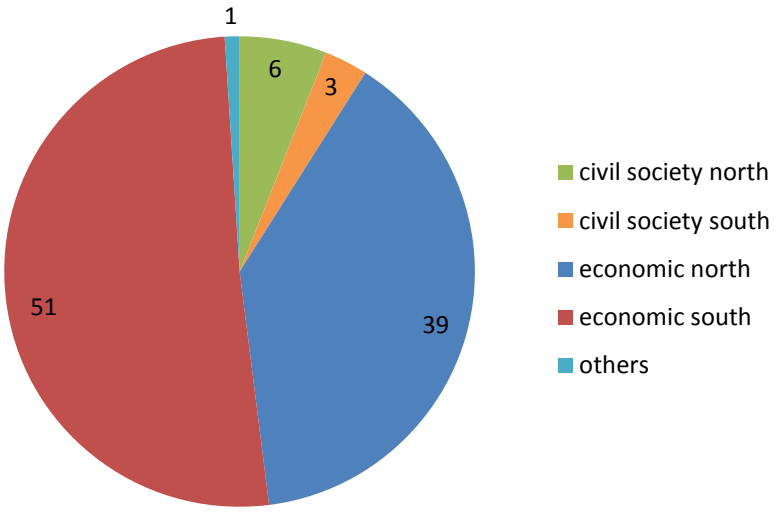


Membership of Bonsucro is open to all organisations with a stake in the sugarcane sector. All members have to pay a membership fee, which varies depending on the type and size of the organisation (Bonsucro, website-a). In January 2014, BSI/Bonsucro had 102 members. Figure 26 shows a detailed breakdown of its composition. Once a year, the members of Bonsucro are invited to convene for the AGM. As mentioned above, the first AGM took place in São Paulo in November 2008. At these meetings, the members receive the accounts of the organisation in the form of a written report. Furthermore, the AGM has some decision-making authority. Among the most important powers of the AGM is the election of the BD. Therefore, each "electing class" (growers/producers, processors, end users/intermediaries, and civil society) elects or re-elects their representatives at the BD. Furthermore, the AGM approves the standard and decides on resolutions referred to it by the BD. With regard to collective choice rules, the AGM has a quorum of at least seven members, comprising at least one person from each constituency group. Voting is done by a show of hands or (if demanded) a poll. The Decisions on resolution or amendments to resolutions are taken by a simple majority of votes (BSI, 2009a).[34]

[33] This figure has been composed from background materials. To this end, board members have been identified as either belonging to one of the following categories: Industry, civil society, or others. Then, the location of their home institution's headquarter has been used to determine their geographic origin (global north or global south).

[34] The 2011 version of the Articles of Association does not clearly specify the collective choice rules of the AGM (Bonsucro, 2011).

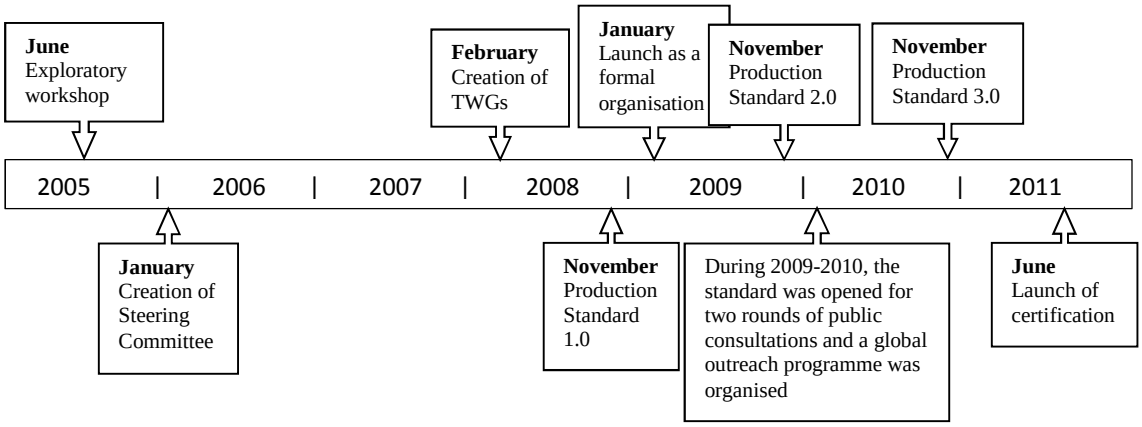
Figure 26. Composition of the membership of BSI/Bonsucro (percent)[35]



In the newly formed organisation, standard-setting continued in the TWGs. Furthermore, following the guidelines of the ISEAL Alliance, Version 1 of the standard was opened for a 60-day public consultation period, starting in March 2009. During this period interested parties could comment and provide feedback on the standard. The standard was opened for a second public consultation period after Version 2 of the Bonsucro Production Standard was approved at the AGM in November 2009. During the first round of public consultation, eighteen organisations provided feedback on the standard (BSI, 2009b). Regarding the second round of public consultations, comments from four organisations were posted on the Bonsucro website (BSI, 2010). In addition to the public consultation period, the secretariat organised a number of stakeholder outreach meetings during 2009 and 2010. Meetings were conducted in Africa, Asia, Latin America, and Europe. According to the Bonsucro Secretariat, more than 800 stakeholders were reached during this outreach programme (Bonsucro, website-b). The feedback from the stakeholder outreach meetings was worked back into the standard, leading to Version 3 of the Bonsucro Production Standard. However, no clear guidelines existed about how, and to what extent, the input from the stakeholder consultations had to be included in the standard. After the standard setting-process was concluded, the certification scheme was launched in June 2011. See Figure 27 for an overview of the institutional development of BSI/Bonsucro.

[35] This figure has been composed from the membership list provided on the Bonsucro website (http://bonsucro.com/site/members/list-of-members/, January 2014). To this end, members have been identified as either belonging to one of the following categories: Industry, civil society, or others. Then, the location of their home institution's headquarter has been used to determine their geographic origin (global north or global south).

Figure 27. Institutional Development of BSI/Bonsucro (2005-2011)



6.3.4 Assessing Inclusiveness

Using the qualitative indicators developed in Chapter 2 (Section 2.5.1), this section assesses the inclusiveness of BSI/Bonsucro's standard-setting and decision-making arrangements. To this end, their openness and composition, as well as their constitutive rules are examined.

Standard-setting in BSI/Bonsucro was organised in three TGWs on agronomy, processing and milling, and social impacts. The TWGs were formed in early 2008 and over the course of the next three years defined and operationalised the BSI/Bonsucro Production Standard. Like the RTRS, BSI/Bonsucro restricted access to its standard-setting bodies. In this regard, the industry-dominated SC selected three TWG leaders who then recruited small groups of experts (8-9 people) for their respective areas. As can be seen from Figure 2 civil society actors in particular were strongly underrepresented in the TWGs. Once the first version of the standard was completed the BSI followed the guidelines of the ISEAL Alliance and opened its standard for two public consultation periods. Furthermore, a global outreach programme was conducted. This consultation process exposed the standard to a wider group of stakeholders, providing them with the opportunity to give feedback and to provide comments. However, there were no clear guidelines as to how and to what extent the SC had to incorporate this input.

Decision-making authority in BSI/Bonsucro was initially concentrated in the SC and then in the TMC, SBD, and BD. The analysis of the composition of these bodies revealed the strong position of economic actors from the global north (mostly big brand companies) (see Figure 4). They hold the majority of seats in the organisation's central decision-making body. In

contrast, civil society actors from the global south have had no representation at the board-level at all. Overall, there are very few civil society organisations among the members of BSI/Bonsucro, with only 9 out of 102 (9 percent) members belonging to this category. Also, it was found that the design of the collective choice rules of BSI/Bonsucro's central decision-making bodies do not protect the standard against the possibility of regulatory capture. Thus, in comparison to the RSB and RTRS, BSI/Bonsucro has a significantly lower level of inclusiveness. See Table 21 for an overview of the institutional design of BSI/Bonsucro.

Table 21. Inclusiveness of BSI/Bonsucro (Overview)

Standard-setting arrangement	**Technical Working Groups**
Membership rules	Restricted (members appointed by Steering Committee)
Composition	Unbalanced
Consultation mechanism	Yes
Primary Decision-making arrangement	**Board of Directors (Steering Committee)**
Membership rules	Restricted to members (Fee of US$25,000 to join the Steering Committee)
Composition	Unbalanced
Collective choice rules	No protection against regulatory capture
Secondary Decision-making arrangement	**Annual General Meeting**
Membership rules	Open (membership fees depending on size and stakeholder category)
Composition	Unbalanced
Collective choice rules	No protection against regulatory capture

6.4 Tracing the Diffusion Process

As in the previous two case study chapters, this section uses process-tracing to examine the diffusion and variation of the MSI institutional model in the agriculture sector. With a focus on BSI/Bonsucro in the sugarcane sector, the different stages of the diffusion process, as identified in Chapter 2, are assessed. The objective is to explain why, unlike the RSB and RTRS, the BSI/Bonsucro developed significantly less inclusive structures. The analysis begins with inquiring into the causes of the diffusion. Then, the selection, transmission, and adoption phases are examined in-depth. To this end, the empirical analysis can draw on 17 semi-structured interviews conducted with members and observers of the BSI/Bonsucro

process. Furthermore, the analysis relies on the meeting minutes of the SC and other types of primary documents.

6.4.1 Causes

As in the previous cases, and consistent with the underlying diffusion model, the designers of BSI/Bonsucro did not design their organisation from scratch. Instead, they turned to already established initiatives in other fields for inspiration and to learn from their experiences. As diffusion "theory" would predict, the main motives were that the initiators of the BSI wanted to avoid making mistakes and to save time and resources.

The decision to learn from the experiences of others was made early on in the process. Already at the initiative's foundational workshop questions of institutional design were being discussed in detail. At the meeting, participants formed four working groups and each was given the task of discussing the structure of an MSI for better sugarcane production. Each group developed an organogram and these were then presented to the full meeting. In the subsequent discussion, participants expressed interest in learning from other commodity initiatives and to see how they were run and organised. By learning from the efforts and mistakes of others, they hoped to "add value rather than replicate existing programmes" (WWF, 2005a). As in the cases of the RSB and RTRS, this led the initiators of the BSI to turn to familiar and popular institutional designs. In an interview, the Coordinator of the BSI stated:

> "I personally had not set up one [MSI] before, but there was lots of experience within the WWF on these issues and I talked to a lot of people as many as I could have."

6.4.2 Source Selection

The selection of a target institution or source marks the beginning of the diffusion process. A choice has to be made about whom to imitate, learn from, etc. Standard diffusion models assume the existence of a single central source. Often, however, multiple sources exist. When multiple sources are available institutional variation can occur as designers select different source models for imitation. These choices depend on factors such as familiarity, spatial proximity, and perceptions about the prestige of the target institution. Against this background, it was hypothesised that:

> **H1:** The diffusion outcome will be more (less) inclusive if the primary target institution exhibits a high (low) level of inclusiveness.

To empirically examine this claim, interviews and primary documents will be used in order to establish which organisations served new adopters as a primary source model.

The designers of the RSB had very close network ties to the FSC, which served them as an important point of reference. For the initiators of the RTRS, the RSPO was the primary target institution. For the case at hand, the diffusion pattern was found to be more diffuse. The available documentation and interview material reveals that its designers had knowledge about various MSIs. In this regard, in particular, WWF US was an important source of information. Its representative had been one of the main advocates for including agriculture-induced land-use change in the WWF's overall conservation strategy. In 2004, he had published a widely circulated book (*World Agriculture and the Environment: A Commodity-by-Commodity Guide to Impacts and Practices*) which identified farming as the "single largest threat to biodiversity and ecosystem function of any single human activity on the planet" (Clay, 2004: vii). On various occasions, he briefed the members of the SC about other MSIs and their setups. For example, he held a presentation about governance options at the first meeting of the SC where he talked about the RSPO, the FSC and other roundtable initiatives (BSI, 2006e). The interviews confirmed that WWF US and its representative was an important source of information for the founders of the sugarcane roundtable.

> "He was setting the direction for us as he had set up other roundtables before. So when we had the first meeting in London, [Person X] did a lot of the talking. He is a fairly convincing person" (interview with a member of the SC).

Before starting its work on sugar, WWF US had initiated and coordinated in the Aquaculture Dialogues (ADs). The ADs consisted of eight species-specific roundtables to develop standards for responsible aquaculture production. Each roundtable consisted of a multi-stakeholder steering group, TWGs, and a series of stakeholder outreach meetings as, well as periods open to public comments. With a focus on salmon farming, the first AD was initiated in February 2004. In the following years, roundtables for others species (e.g. freshwater trout, pangasius, shrimp, and tilapia) were launched. Since 2009, the finalised standards have been managed by the ASC, a foundation under Dutch law (WWF, website-b). There is evidence

that the ADs served the members of the SC as a point of reference when creating the organisational structures of the BSI. In this regard, WWF US supplied the members of the SC with documents from the Salmon AD which were used as templates for setting up the TWGs (BSI, 2006c). However, as mentioned above, the founders of BSI/Bonsucro also considered the design of the RSPO, the FSC, and other MSIs when they created the organisational structures of their initiative (BSI, 2006c, 2006d, 2006e; WWF, 2005a).

Thus, whereas in the previous two cases a clear primary target institution could be established, the diffusion pattern in the case of BSI/Bonsucro was found to be more diffuse. When creating the organisational structures of the sugarcane initiative, its founders looked at the design of several MSIs, including the ASC, RSPO, and the FSC. This means that in the case at hand no clear correlation between the inclusiveness of the primary target institution and the diffusion outcome could be established, providing no support for Hypothesis 1 (the primary target institution influences the diffusion outcome).

6.4.3 Transmission

Once a target institution, or institutions, is selected, a diffusion mechanism transmits information about the source model to the point of adoption. In Chapter 2, different types of diffusion mechanisms were discussed. It was argued that when imitation is the primary diffusion mechanism, then a close replication of the source model is the expected outcome. In contrast, learning can introduce variation. Variation occurs as adopters draw lessons from their experiences and the experiences of others. In doing so, they may find that some aspects of the source model are suboptimal for their purposes and make modifications accordingly (selective imitation). Also, they may combine the lessons learned at different places and thus synthesise new practices. The outcomes of learning processes are inherently difficult to predict *a priori*. They depend on a range of factors which are often case specific. They are likely to depend on the past experiences, information available, and interpretations of the adopter, as well as the situation and context in which the learning process takes place. Although difficult to predict, learning processes leave empirical “traces” (e.g. reflections about the pros and cons of a model) which can be examined through interviews and primary documents (e.g. meeting minutes, project proposals). Against this background it was hypothesised that:

> **H2:** The diffusion outcome will be more (less) inclusive if adopters learn that inclusiveness was good (bad) for the success of prior adopters.

As the previous section revealed, the initiators of the BSI looked at several MSIs, including the ADs, RSPO, and FSC, when creating the structures of their organisation. However, they did not simply imitate any of these initiatives. Instead, learning from its experiences with these prior adopters, WWF US promoted a more streamlined and market-oriented approach to stakeholder inclusion. These experiences were circulated among founding members of the BSI in the form of a memo about WWF US' "lessons learned from commodity-specific dialogues" (WWF, 2004b):

> "[Person Z] of WWF UK and [Person Y] of IFC asked me to put together a memo of some of my experiences and lessons learned as well as WWF US' from engaging the private sector in commodity specific efforts such as roundtables, certification programs, and consortia. Here are some of the conclusions that I have come to over the past 15 years doing such work" (WWF, 2004b: 1).

The memo develops the foundations of what is now known and widely publicised as the WWF's theory of business transformation (WWF, website-c). According to this theory, there are 15 key agricultural commodities that are responsible for much of the sector's environmental impact. Seventy percent of those commodities are under the control of a limited group of 300-500 companies. Against this background, the WWF seeks to engage the top 100 influential companies which between them control 25 percent of the trade in these commodities in its roundtable initiatives. In this way, the NGO hopes to significantly reduce the environmental impact of the agricultural sector on a global scale (Clay, 2010). This theory of change has important implications for the structure of MSIs. They are to focus on key crops, key impacts, and to leverage the influence of key players in the agro-supply chain. In this regard, the memo argues against the more open and experimentalist approach of previous roundtable initiatives:

> "While talk, discussion, or even consensus may be a means to an end, they are not a sufficient end in and of themselves to be worthy of WWF's time. The goals need to be agreed to before the first meeting" (WWF, 2004b: 1).

For WWF US, these goals should be the 5-10 most significant impacts that result in 70-80 percent of the adverse effects that WWF cares about. Rather than creating a more comprehensive standard, it is argued that the priority should be to engage a wider segment of the industry. Regarding stakeholder inclusion, the memo elaborates on the importance of identifying and engaging the "key leverage points for change". The process should be driven by "the players that bring sustained interest in the commodity to the table, and that bring considerable financial resources to the work of the group as well" (WWF, 2004b: 3-4). On the corporate side, these are buyers and traders as well as banks. These companies, which transact with large numbers of producers, can induce environmental change by making their buying decisions and loans conditional on standard compliance. In contrast, the memo expresses scepticism about involving producers early on in the process. In particular, it warns not to involve producer or manufacturer associations which are identified as the most conservative members in the agro-supply chain. Also, civil society organisations should be selected using criteria such as their level of commitment and expertise. Once the key impacts and acceptable levels of overall performance have been identified, the size of the group can be expanded. However, the memo makes clear that there are many companies and NGOs that should not be included in the process:

> "Successful dialogues need a diversity of stakeholders at the table, but not necessarily everyone who might want to be there. It is important to get those at the table who are not only committed to changing a commodity system, but who are also committed to work together to make the change happen. Many different stakeholders (whether NGOs or companies) do not fit into this category for one reason or another (e.g. lack of expertise, lack of real knowledge or experience with the commodity in question, or ideologically opposed to the production of a commodity or finding a viable solution for reducing impacts). These types of stakeholders should not be invited to the table" (WWF, 2004b: 2).

Furthermore, WWF US identifies the politicisation of the standard-setting process as one of the main problems of other roundtable initiatives. Often, these would "bring too much technical work into the central group which is more of a 'political' body". Instead, the memo argued that the standard "should be set by dedicated standards groups or sub-committees that have the technical expertise to do so" (WWF, 2004b).

The interviews with the members of the SC confirmed the importance of the memo for the genesis and development of the BSI. In the interviews, the representative of the WWF US

was described as the “intellectual architect” and “fountain head” of the initiative (interviews with members of the SC) and the then Coordinator of the BSI stated:

> “[Person X] had very clear ideas how to do this and wrote a paper about the principles that we should use to set up this kind of initiative. His idea was to get your arms around the chain at the bits where it is concentrated and then drive change through that. That was the thinking behind it” (interview with the Coordinator of the BSI).

In this regard, many of the early decisions about how to setup a commodity roundtable can be traced back to WWF US’ theory of change. One example is the decision to first approach Tate & Lyle, one of the world’s largest buyers and refiners of sugar, before engaging other stakeholders in the process. Another example is the decision to introduce a fee of US$ 25.000 for organisations wanting to join the SC. It seems that these decisions directly followed from WWF US’ advice to focus on the “key leverage points for change” and “the players that bring sustained interest in the commodity to the table, and that bring considerable financial resources to the work of the group as well” (WWF, 2004b: 3-4).

In support of Hypothesis 2 (learning can influence the diffusion outcome), the above analysis uncovered clear traces of a learning process. However, unlike the founders of the RSB, the people behind BSI/Bonsucro came to believe that the more open and experimentalist approach of earlier commodity roundtables had been an obstacle to their success. Drawing lessons from their experiences, they developed a more instrumental and results-oriented approach to stakeholder inclusion. In this regard, they bought into WWF US’ “theory of change” which focuses on the key leverage points in the agro-supply chain (buyers, investors, and traders), whilst excluding more peripheral and critical actors. This learning process may explain why the founders of BSI/Bonsucro adopted a significantly less inclusive approach when compared to the RSB and RTRS. However, a complete analysis of the diffusion process also needs to consider processes of institutional bargaining, as well as the wider institutional environment in which the BSI was initiated.

6.4.4 Adoption

The adoption of the diffusion item marks the end of the diffusion process. In the broader diffusion literature this process is often described in a somewhat mechanistic way in which potential adopters make a decision to either accept or reject a diffusion item (Rogers, 1995:

364). However, a closer consideration of the issue suggests that adoption is not simply a 'yes or no' decision.

Institutional Bargaining

Multi-stakeholder processes are political arenas in which struggles over influence and diverging interests take place. When firms and NGOs collaborate to create new MSIs they typically differ sharply over the structure and governance of these schemes and the scope and content of their standards and procedures. As the primary targets of private regulation, corporate actors in particular will try to maximise their control over the regulatory process. Against this background, it was hypothesised that:

> **H3:** the diffusion outcome will be more (less) inclusive if corporate actors are in weak (strong) bargaining position.

To examine this claim, the empirical analysis identifies and describes processes of institutional bargaining during the adoption phase. Then, the distribution of bargaining power in these situations is examined.

In the case at hand, the empirical analysis uncovered several episodes of institutional bargaining during the formation period of BSI/Bonsucro. As in the previous cases, these conflicts were found to be rooted in differences over the content and form of regulation. Like the interest constellations in the RSB and RTRS, major differences existed between NGOs, on the one hand, and producers groups from the global south, on the other. In an interview, one of the chairmen of the SC summarised the situation as follows:

> "I would say the people the most difficult to bring along were the NGOs and the producers. Those two were the two extremes I had to deal with and the most active in trying to shape the standard. They were opposite poles."

Like in the other cases, the cost of implementing sustainability standards was a key issue for sugarcane growers. They feared that the BSI/Bonsucro standard would be too demanding and that they would not be able to comply with it. Furthermore, there were concerns about BSI/Bonsucro being a barrier to trade and a mechanism to discriminate against producers from developing countries (BSI, 2006f, interviews with a sugarcane farmer). Another

perception was that, controlled by big buyers and Northern NGOs, BSI/Bonsucro and its standard was being imposed on producers. The meeting minutes of the SC summarise these concerns:

> "The producers (Australia, South Africa, et al) remain wary of BSI because of the perceived potential of BSI standards for introducing trade filters or other phytosanitary trade barriers, and because the BSI's name (Better Sugarcane) makes them feel singled out. This, together with the BSI corporate and NGO members, who are mainly from the EU and the US, suggests to them that there may be a hidden protectionist trade agenda" (BSI, 2007c).

On the other hand, NGOs within BSI/Bonsucro pushed for higher standards. At various occasions, this led to clashes with industry actors in the BSI (interviews with members of the SC and TWGs). However, there were also differences between civil society actors. Whereas the WWF wanted the BSI/Bonsucro standard to be limited to what it referred to as the core impacts of sugarcane production, other groups wanted to see a more comprehensive standard. In this regard, the social component of the BSI/Bonsucro standard became a notable bone of contention. As a labour intensive industry, workers' rights are a highly contentious issue in the sugarcane sector and were on top of the agenda of some of the NGOs involved (interview with civil society representatives). At the same time, labour standards (health and safety standards, working hours, fair wages, etc.) have a direct impact on production costs and thus affect the core preferences of producer groups.

Whereas producers and NGOs opposed each other on many issues, downstream industry actors often took a more moderate position. Depending on the issue at stake, they would either support the NGO position or that of producers. Through the interviews, the core preference of this stakeholder group could be identified as being focused on assurance and reputational protection. In this regard, a representative of a big beverage company and member of the BD explained in an interview:

> "One of the challenges that a company like Coca-Cola has is that we can do a lot of great work but just because I say we are doing this sustainably does not mean that anyone is going to believe me. There are a lot of questions about the company. There are a lot of concerns about greenwashing. So we got on board with Bonsucro because of the approach that was taken. It is multi-stakeholder and defines what sustainability is and with the certification programme there is third-party validation."

These differences in preferences resulted in various episodes of institutional bargaining in and surrounding BSI/Bonsucro. Through the interviews and the analysis of primary documents two interrelated episodes of institutional bargaining could be identified. The first involved the NGO-buyer dominated SC and producer organisations outside the initiative. The second took place between producers and NGOs within BSI/Bonsucro over the content and scope of the standard. However, unlike the RSB, the empirical analysis produced little evidence for bargaining over governance structures. Still, as in the case of the RTRS, institutional bargaining was found to have had a more indirect effect on the inclusiveness of the sugarcane initiative. In this regard, examining the politics and conflicts surrounding BSI/Bonsucro was important in order to understand patterns of participation – that is, stakeholders' decisions to engage or to not engage with private sustainability governance in this arena.

From the very beginning, there was strong opposition from producer groups in Australia, South Africa, Brazil, and India against the BSI and its plans to develop a sustainability standard for sugarcane production (interview with the Coordinator of the BSI). By 2003, the WWF had already made attempts to reach out to the ISCCT, a leading industry association and important forum for sugarcane growers around the world. When the SC held its first meetings in 2006, a decision was made to again approach the ISCCT for technical support and formal endorsement. The contact was facilitated through a member of the ISCCT, who had attended several of the early SC meetings (interview with the Coordinator of the BSI). Then, later in 2006, the Coordinator of the BSI travelled to South Africa to meet with the members of the ISCCT Executive Council. The purpose of the visit was to seek the formal endorsement of the ISCCT and to use its annual congress as a forum to launch and promote the BSI within the wider industry. Furthermore, the SC was interested in the technical input the ISCCT could make to its standard-setting process (BSI, 2006a). However, the ISCCT leadership remained very suspicious of the BSI and after the meeting withdrew its representative from the BSI SC. Summarising the meeting, the report of the BSI Coordinator to the SC reads:

> "There was real concern from those present as to the construction of a barrier to entry and as to discrimination against producers with low environmental or social

> performance. I was forcefully informed by [Person A] that these matters relating to sugarcane were ISSCT competence and not WWF's" (BSI, 2006f).

The BSI was also met with opposition from other producer groups, notably the South African Sugar Association (SASA) and the Australian sugarcane industry. SASA had participated in the *Better Sugar Better Business Meeting* in 2005, but remained wary of the process. In a letter to the SC, SASA raised concerns similar to those expressed by the ISSCT. The letter, which was discussed in detail by the members of the SC, the stated that "certain institutions are not adequately represented". Furthermore, the South African sugarcane growers feared that the buyer-dominated BSI and its standard would negatively impact their businesses and distort trade practices (BSI, 2006e: 10). Attempts to win over the Australian sugarcane industry also met with little success. During 2006, members of the SC met with leading organisations in the Australian sugarcane industry, including Canegrowers, the Australian Sugar Milling Council, and the Australian Society of Sugar Cane Technologists. But the Australians also showed little interest in joining the BSI. Although less concerned about trade barriers or sustainability standards as such, they argued that the Australian sugarcane industry was already well down the road to implementing BMPs. During the meeting, they had asked the SC representative: "What is, and where is, the advantage of us becoming part of BSI?" (BSI, 2006b).

As the world's largest producer and exporter of sugarcane, Brazil was another priority region for the BSI. Starting in 2006, the SC members made several attempts to establish contacts with leading organisations of the Brazilian sugarcane industry. As part of the "Brazilian engagement strategy" a stakeholder outreach meeting was organised and UNICA was invited to join the SC. But the Brazilian sugarcane growers were also sceptical about the BSI (interview with a member of the SC). In the case of Brazil, the meeting minutes of the SC also mention language barriers and the absence of a person on the ground to represent the BSI as challenges (BSI, 2007b).

Over the next two years, there was little progress on the issue and notably the ISCCT, SASA, and the Australian sugarcane industry continued to vehemently oppose the BSI. During further negotiations, they complained about the BSI's focus on sugarcane and demanded a name change. Furthermore, they continuously criticised the BSI for trying to impose standards on them and to distort trade practices. The BSI responded by considering a name

change and ultimately changing its name to Bonsucro. Also, the word 'standard' was removed from the communication materials in order to alleviate concerns and misperception about the BSI developing a compulsory standard (BSI, 2007b, 2008e). However, the relationship between the BSI and producer groups in South Africa and Australia remained difficult as the former Chairman of the SC described in an interview:

> "We had to cope with quite a lot of resistance. There was a lot of resistance in Australia and there was a lot of resistance in South Africa. Australia and South Africa took such an extreme position that we never really managed to get them involved and now they would lose too much face if they would get involved" (interview with the Chairmen of the SC).

It was around 2008 when changes in the regulatory environment of the BSI also changed the dynamics in the bargaining game with producer organisations. With a focus on sugar, the BSI had started out as a food crop initiative. However, the adoption of biofuel quotas in the EU, USA, and elsewhere suddenly transformed sugarcane into an internationally traded bioenergy crop as one of the SC members explained in an interview:

> "When we started the process we were talking about a food commodity and midway through the process we were talking about a fuel commodity. We had a very interesting time when the dynamic of the conversation changed. That gave a momentum to the BSI process and kicked it up a gear" (interview with a member of the SC).

It was in January 2008 when the EU Commission presented a draft directive which included a 10-percent blending mandate for biofuels, to be reached by 2020. Furthermore, the proposal included a set of mandatory sustainability criteria which all biofuels produced in or exported to the EU would have to meet (EU Commission, 2008). Formally adopted in 2009, the EU RED created one of the world's largest markets for biofuels (European Union, 2009). At the same time, a decision was made to rely on private certification schemes for the implementation of the EU RED's sustainability component. Under the planned scheme, firms would be able to use initiatives like the BSI to demonstrate compliance with EU sustainability regulation and thus gain access to the European biofuel market (Schleifer, 2013).

The prospect of selling large quantities of bioethanol to the EU changed the preferences of the strongly export-oriented Brazilian sugarcane industry – but not so much those of the Australian and South African sugarcane growers, who sell most of their production locally (interviews with an Australian sugarcane farmer). With its focus on sugarcane, the BSI was the natural forum for the Brazilian's to seek certification. In an interview, the chairman of the SC described the development as follows:

> "The producers were the most difficult and they were the last people to come on board. It was always very difficult because the last thing they needed was more barriers put in front of them. (…) What drove it for Bonsucro in the end was legislation around ethanol production and the need for certification there" (interview with the chairman of the SC).

In autumn 2007, the Project Manager of the BSI visited Brazil where he met with the President of UNICA, Brazil's leading sugarcane industry association. With EU biofuel quotas and sustainability regulation looming on the horizon, UNICA expressed great interest in the BSI (interview with the General Manager of the BSI). In the following months, UNICA regularly attended the meetings of the SC, of which it became a formal member in mid-2008 (BSI, 2008c). Later that year, in November 2008, UNICA hosted the BSI's first AGM in São Paulo, Brazil (BSI, 2009c). Essentially, UNICA's endorsement of the BSI functioned as a catalyst for the initiative. It explains the high proportion of Brazilian sugarcane growers among the members of BSI/Bonsucro (see Figure 5, Section 6.3.3).

The influx of producer groups increased the level of heterogeneity in the BSI. As in the cases of the RSB, this led to conflict and bargaining between stakeholder groups. In this regard, the interviews provide evidence of various occasions during which producer groups clashed with civil society actors over the scope and content of standards. In particular, BSI/Bonsucro's social component became a bone of contention. The background to this is that the EU RED does not include any social criteria under its sustainability scheme. Not surprisingly, producer organisations in the BSI wanted the standard to focus on the environmental criteria included in the EU RED, whilst keeping its social component as small as possible (interview with a member of the TWG Social Impacts). On the other hand, for some of the NGO representatives labour standards and human rights were a top priority (interviews with NGO representatives). Disagreements about the BSI's approach towards labour rights violations in the industry had already previously caused tensions among the members of the SC. At some

point, an NGO representative had left the SC over a conflict about a report he wanted to see published on the history of human rights and labour rights violations in the sugarcane sector (interview with a member of the SC).

In November 2008, the members of the SC met with the three leaders of the TWGs to put together the first version of the BSI Production Standard. Over the course, of 2008, the TWGs had produced some 150-200 indicators for measuring the environmental and social impacts of sugarcane production (interview with the TGW leaders). However, stakeholders in the BSI strongly diverged as to which and how many of the indicators should be included in the standard. Industry members felt that the standard should start from a low base. Instead of putting the bar too high, and thus excluding many producers from the initiative, it should highlight continuous improvement. On the other hand, NGOs representatives wanted to see a more comprehensive standard, with some insisting on a strong social component. These differences resulted in an intense round of institutional bargaining among the members of the SC, which its chairman described as "a bit of a bulldozing exercise because everyone was trying to get everything they thought needed to be in there and we got close to 200 major points and each had 4 sub points". Asked about the different stakeholders and their positions, he explained:

> "WWF was more pragmatic than the others. Solidaridad was more left if we call NGOs left, and the Brazilian cooperative [UNICA] was stamping its feet from the other side. (…) Ethical Sugar was just a pain in the ass. They tried but they were manageable. They did not play much of a role. At times they were irritating but as they were so small they got swept along really. (…) Coca-Cola for me was the dark horse. They seemed to gang-up with WWF more often than not."

The result of these negotiations was the identification of 50 key indicators, which then formed the basis for the first version of the BSI Production Standard. However many of the initial social indicators, in particular, did not make their way into the standard. In this regard, the leader of the TWG Social Impacts stated in the interview:

> "It was a painful exercise. With regard to the social standards, I thought that we were losing a lot of the substance" (interview with the leader of the TWG Social Impacts).

A comparison of the social components of the RSB and the BSI/Bonsucro standard confirms significant differences between the two initiatives. Whereas the RSB includes a wide range of social criteria in its standard, BSI/Bonsucro is limited to a few core criteria in this area (see German & Schoneveld, 2011: 11-13). This suggests that producer organisations in BSI/Bonsucro were able to influence the bargaining game in their favour. The following analysis of the sources and distribution of bargaining power sheds some further light on the issue.

Producer organisations in BSI/Bonsucro possessed a significant amount of GIAP. However, unlike the other cases this GIAP did not manifest itself in their ability to create or join alternative arrangements. Instead, it enabled them to not take regulatory action and to remain outside the initiative. The interview material points to the nature of the international sugar trade as the main reason. In comparison to other commodities, such as soybeans or palm oil, a much smaller proportion of global sugar production is traded internationally. In this regard, an expert from the IFC's Biodiversity and Agricultural Commodities Program explained in an interview:

> "There are a couple of things about sugar that are different from other commodities I have worked on. One is that the bulk of sugar isn't traded internationally. Sugar is very anomalous in that the vast majority of sugar that is produced in China, Brazil, or India does not reach international markets. It is used domestically."

A look at the trade statistics of the FAO confirms the lower export rate of sugar. Whereas 77 percent of global palm oil production and 34 percent of global soybean production are exported, only 19 percent of the world's sugar is traded internationally (values for 2011) (FAO, website-b). This means that producers in the global south are less dependent on world markets and, as a result, that buyers and NGOs have less leverage over them. In other words, they could afford to remain outside the initiative and not to engage in regulatory activity. The IFC expert, who was involved in the founding stage of the BSI, described the situation as follows:

> "The assumptions we had about trade flows and how to use the middle of the value chain to promote better practices doesn't necessarily work as clearly for sugar as you've got massive domestic trade and consumption which isn't really affected by this theory of change" (interview with an IFC agricultural commodities expert).

However, the situation changed as the EU launched its biofuels policy and plans to rely on private certification schemes to implement a set of mandatory sustainability standards. This created an attractive export opportunity, notably for the Brazilian bioethanol industry. At the same time, it reduced producers' GIAP by increasing the cost of not taking regulatory action. Theoretically, the Brazilians could have created their own scheme, but there was a lot of time pressure and uncertainty surrounding EU biofuel regulation (interview with a sugarcane farmer and member of the SC). In the end, these factors played in favour of the BSI, and UNICA and its members made a decision to join the initiative. This explains the relatively high level of producer participation in BSI/Bonsucro.

In the above section, the resulting conflicts between producer groups and NGOs within the BSI were described in detail. As in the case of the RTRS, bargaining mainly focused on the scope of the standard. However, unlike producer organisations in the RTRS, UNICA and its members were able to influence the bargaining game in their favour. Partially, this can be traced back to UNICA's high level of inclusion power (i.e. its importance to the success of the BSI). For several years, the BSI had unsuccessfully negotiated with producer groups from important sugarcane growing regions to join the initiative. Now, the world's most important industry association had decided to join the scheme and was negotiating on behalf of its members to become certified. It is needless to say that this put UNICA in a strong bargaining position.

On the other hand, in comparison to the RSB and RTRS, NGOs in the BSI seem to have been in a weaker position. Not only were there fewer NGOs involved in the scheme but also there was little NGO activity outside the initiative. In this regard, a background analysis revealed that none of the big international NGOs was running campaigns on sugarcane. It seems that this lack of NGO activity in the sugarcane sector translated into a low level of inclusion power for civil society actors. Also, there is evidence to suggest that the business-dominated SC did not actively seek their inclusion. In this regard, an NGO representative and member of the MC stated in an interview:

> "I think if an NGO would have wanted to be a member I don't think it would have been turned down. That is my feeling. But I don't think that the members at the beginning tried to attract more NGOs."

In sum, the analysis of the adoption process uncovered several rounds of institutional bargaining between the members of BSI/Bonsucro and producer groups outside the initiative. But, as in the previous cases, there is little evidence to suggest that these bargains had a significant effect on the institutional design of the sugarcane roundtable. Thus, overall the case study produced little evidence in support of Hypothesis 3 (institutional bargaining and the distribution of bargaining power influence the diffusion outcome). On the other hand, examining the politics and conflicts surrounding BSI/Bonsucro was important in order to understand patterns of participation – that is, stakeholders' decisions to engage or to not engage with private sustainability governance in this arena. Whereas patterns of participation are different from institutional design (the focus of this project), the issue is closely related to the deeper research question studied in this dissertation: the inclusiveness of private governance institutions (see discussion in Chapter 2, Section 2.5.1).

Coercive Pressures

The previous sections have discovered how the founders of BSI/Bonsucro considered the design of various MSIs in other fields when constructing the organisational structures of their initiative. It was shown that, drawing lessons from these experiences, they developed a more instrumental and results-oriented approach to stakeholder inclusion. Furthermore, processes of institutional bargaining were examined. However, BSI/Bonsucro and its design cannot be fully understood without considering the wider institutional environment in which the scheme was initiated.

In Chapter 2, a distinction was made between normative and coercive environmental pressures. It was argued that the group of late adopters are likely to be subject to the same normative pressures and that this can have an isomorphic effect on them. On the other hand, there is reason to believe that coercive pressures may well vary across industry sectors and schemes. With a focus on transnational activist campaigns, it was argued that strong coercive pressures will lead to a more inclusive diffusion outcome. This is because in these environments business actors are likely to be more willing to engage with civil society actors in the context of MSIs. Also, advocacy groups may put pressure on the founders of new MSIs to adopt a more inclusive approach. Thus, the fourth hypothesis is:

H4: The diffusion outcome will be more (less) inclusive if coercive pressures at the point of adoption are strong (weak).

To examine this hypothesis, a background analysis about the environmental conditions during the adoption process will be conducted. Therefore, the empirical analysis will draw on media reports, NGO reports, and secondary literature. Furthermore, interviews and primary documents (e.g. meeting minutes) will be used to examine how adopters perceived their institutional environment and how they responded to it.

The previous case study chapters on the RSB and RTRS provided support of Hypothesis 4. It was shown how strong coercive institutional pressures in the biofuels and soy arenas pushed the founders of the RSB and RTRS to adopt a more inclusive approach. Launching their initiatives in these highly politicised and contested environments, they came to believe that only a highly participatory approach would have chances of success and of producing meaningful results. In the case of the RTRS, which was directly targeted by NGOs, adopting an inclusive design was also a strategy to shield the organisation from further criticism.

In comparison, a background analysis of NGO activism and the interview material suggest that during its founding phase BSI/Bonsucro was subject to only weak coercive pressures. Unlike the soy and biofuels arenas, there was little NGO activism in the sugarcane sector. In the past, there had been some NGO criticism of poor working conditions in the industry (Amnesty International, 2008). However, background research revealed that none of the big international NGOs was running campaigns on sugarcane in the periods preceding or during the formation phase of the BSI. There are several reasons for that. Firstly, when compared to soy, sugarcane expansion had been relatively modest (see Figure 16, Section 6.2). Brazil had seen a significant increase of land under sugarcane, but soy was by far the bigger problem. In this regard, the statistics of the FAO reveal that in the decade preceding the launch of the BSI (1995-2005), sugarcane in Brazil expanded by 1.2 million hectares. In comparison, about 11.2 million hectares of land had been converted into soybean fields during the same time period (FAO, website-b). Secondly, GMOs, which have sparked much controversy in the soy sector, were not an issue in the sugarcane sector. Trials with GM sugarcane have been conducted in a variety of countries, but the GM sugarcane proportion of global production remains insignificant (GRAIN, 2009).

The situation somewhat changed when sugarcane became an important feedstock for the world's growing demand for biofuels (interview with a NGO activist). As a result, sugarcane became increasingly associated with the controversial topics dominating the debate on biofuels (land grabs, food vs. fuel, etc.) (Friends of the Earth, 2010). However, during its formation period, and in the minds of its creators, the BSI was primarily a food crop initiative. Only later in the process did BSI/Bonsucro enter the biofuels certification market (interview with a member of the SC). In this regard, the BSI's starting point was different from those of the RSB and RTRS. Whereas these schemes had been initiated in highly politicised environments, the BSI was "sailing in calm waters" as one of the interviewees put it (interview with a member of the SC). Asked about the nature of NGO-business relationships in the sugarcane sector, this assessment was echoed by many of the other interviewees (interviews with various members of the SC). Background research on media coverage and NGO reports about the BSI confirmed the low level of coercive pressures during the scheme's formation phase. It produced only one report, by European Corporate Observatory, in which the "little known Better Sugarcane Initiative" was critically mentioned (Corporate Europe Observatory, 2008).

In sum, the analysis showed how, unlike the RSB and the RTRS, the sugarcane initiative was subject to only weak coercive pressures. Whereas strong coercive pressures had pushed the founders of the RSB and RTRS to adopt a more inclusive approach, the opposite effect could be observed in the case at hand. Here, weak coercive pressures were found to coincide with a low level of inclusiveness. In this regard, the case study provides further support to Hypothesis 4.

Normative Pressures

Like in the previous cases, the within-case analysis revealed how the ISEAL Alliance and its standard-setting code exercised normative pressures on the designers of BSI/Bonsucro. To recapitulate briefly, created in 2002, ISEAL is an association of leading private standard-setting systems. Among its founding members are the FSC, the IFOAM, the FLO, and the MSC (ISEAL, website-a). Probably the most important normative document developed by ISEAL, is its *Code of Good Practice for Setting Social and Environmental Standards* (ISEAL, 2012). First released in 2004, the code lays out principles and criteria for how to create credible private standard systems. One of the most important procedural requirements

of the ISEAL code is stakeholder inclusion in the decision-making and standard-setting process. In this regard, the code stipulates that (ISEAL, 2012: 8):

- Standard-setting shall be open to all interested parties
- Participation and decision-making needs to reflect a balance of interests (subject matter and geographic scope)
- Participants shall include stakeholders with an expertise relevant to the subject, those that are materially affected by the standard, and those that could influence the implementation of the standard.

The normative framework created by ISEAL has become an important reference point for private sustainability initiatives – including the founders of BSI/Bonsucro. At a meeting of the SC in December 2007, its members agreed that the BSI should work with ISEAL to achieve "credible standards of sustainability" (BSI, 2007c). Following this decision, the BSI's General Manager established contacts with ISEAL and attended one of their workshops on emerging initiatives. In 2008, Bonsucro then applied for ISEAL membership and became an associate member the year after (interview with the General Manager of the BSI). Documentation from the standard-setting process, and the interviews with the three TWG leaders, confirm the importance of the ISEAL norms for Bonsucro. In this regard, as required by the ISEAL standards code, the Bonsucro Production Standard was opened for two 60-day public consultation periods during 2009 and 2010. Furthermore, a global stakeholder outreach programme was conducted (Bonsucro, website-b). Comparing the findings across cases, the analysis shows how the ISEAL norms have facilitated convergence between the three initiatives. However, the resulting 'isomorphic effect' remains limited as the in-depth analysis of their institutional designs revealed.

6.5 Summary of Findings

This was the last of three case study chapters. It examined the diffusion of private participatory governance to the sugarcane sector. After providing some case context and background information, the institutional development of BSI/Bonsucro from its inception to the launch of the formal organisation was described. As part of this, a detailed analysis of the scheme's rule-making and decision-making arrangements was conducted, identifying the scheme as an MSI with a low level of inclusiveness. In order to explain this outcome, the process of institutional diffusion was traced. The process-analysis was guided by the

analytical framework developed in Chapter 2. This framework distinguishes three stages in the diffusion process – source selection, transmission, and adoption – and specifies a set of testable hypotheses about the cause-and-effect relationships that influence institutional outcomes (see Table 20, Section 5.4).

Consistent with the underlying diffusion model, the empirical analysis revealed how the founders of BSI/Bonsucro did not design their organisation from scratch. Instead, they turned toward already established MSIs in other fields in order to learn from their experiences and to imitate their structures. Mirroring the findings from the previous case study chapters, inquiries into the causes of institutional diffusion suggest two main motives: costs savings (time and resources) and risk reduction (avoid making mistakes).

Whereas in the previous two case study chapters a clear primary target institution could be established, the diffusion pattern in the case of BSI/Bonsucro was found to be more diffuse. When creating the structures of their organisation, the founders of BSI/Bonsucro looked at the design of several MSIs, including the ASC, RSPO, and the FSC. This means that in the case at hand no clear correlation between the inclusiveness of the primary target institution and the diffusion outcome could be established, providing no support for Hypothesis 1 (the primary target institution influences the diffusion outcome).

Examining the transmission of ideas between BSI/Bonsucro and its various target institutions, the empirical analysis uncovered clear traces of a learning process. However, unlike the founders of the RSB, the people behind BSI/Bonsucro came to believe that the more open and experimentalist approach of earlier commodity roundtables had been an obstacle to their success. Drawing lessons from their experiences, they developed a more instrumental and results-oriented approach to stakeholder inclusion. Providing support to Hypotheses 2 (learning can influence the diffusion outcome), this learning process partly explains why the founders of BSI/Bonsucro adopted a significantly less inclusive approach when compared to the RSB. However, a complete analysis of the diffusion process also needs to consider processes of institutional bargaining as well as the wider institutional environment in which the diffusion process takes place.

Moving toward the adoption stage of the model, the process analysis uncovered several rounds of institutional bargaining between the members of BSI/Bonsucro and producer

groups outside the initiative. But, as in the previous cases, there is little evidence to suggest that these bargains had a significant effect on the institutional design of the sugarcane roundtable. Thus, overall the case study produced little evidence in support of Hypothesis 3 (institutional bargaining and the distribution of bargaining power influence the diffusion outcome). On the other hand, examining the politics and conflicts surrounding BSI/Bonsucro was important in order to understand patterns of participation – that is, stakeholders' decisions to engage or to not engage with private sustainability governance in this arena. Whereas patterns of participation are different from institutional design (the focus of this project), the issue is closely related to the deeper research question studied in this dissertation: the inclusiveness of private governance institutions (see discussion in Chapter 2, Section 2.5.1).

Finally, the nature and strength of environmental pressures at the point of adoption were examined. The findings provide further support for Hypothesis 4 (the strength of coercive pressures at the point of adoption influences the diffusion outcome). Whereas strong coercive pressures had pushed the founders of the RSB and RTRS to adopt a more inclusive approach, no similar effect could be observed in the case at hand. Here, weak coercive pressures were found to coincide with a low level of inclusiveness. Furthermore, as in the cases of the RSB and RTRS, the ISEAL alliance was found to have exercised normative pressures on the founders of BSI/Bonsucro. As the comparative analysis in the next chapter will show in more detail, these normative pressures had only a limited isomorphic effect on the three initiatives.

Chapter 7: Comparative Analysis

7.1 Introduction

With a focus on the agriculture sector – the most dynamic site of MSI diffusion in recent years – Chapters 4-6 investigated the institutional diffusion and variation of private participatory governance in the biofuels, soy, and sugarcane industries. These individual case study chapters described the institutional development of the RSB, the RTRS, and BSI/Bonsucro. This included a more in-depth analysis of the inclusiveness of their standard-setting and decision-making arrangements. Then, the analytical framework developed in Chapter 2 was used in order to trace the diffusion process and to explain the institutional outcome for each case.

The purpose of this chapter is now to complete the empirical analysis by comparing the results of the individual case study chapters with one another. This will make it possible to identify the causes of variation for the cases studied. It will also provide a solid empirical basis for the formulation of more general hypotheses about the institutional diffusion and variation of private participatory governance. The remainder of this chapter is organised in three sections: the first section revisits the question of the legitimacy of transnational rule-making organisations. Then, bringing together the findings from the individual case study chapters, the institutional designs of the RSB, RTRS, and BSI/Bonsucro are described and compared. In order to explain the observed variation in their levels of inclusiveness, a cross-case comparison of their institutional diffusion pathways (source selection, transmission, and adoption) is conducted.

7.2 Organising Legitimate Transnational Rule-Making

The growing importance of private regulation in the global economy has raised pressing questions about the democratic legitimacy of private governance arrangements. In the transitional realm where these schemes operate, no clearly defined *demos* or self-governing community exists. Against this background, Chapter 1 argued that the liberal model of democracy, with its focus on formal accountability and representation, is not well suited for the reality of transnational rule-making with its multitude of actors, diffuse authority, and many levels. As part of a wider turn in the philosophy of democracy, deliberative democratic

theory has been proposed as an alternative normative basis for organising legitimate rule-making at the transnational level (Dingwerth, 2007; Dryzek, 2000). In essence, the deliberative approach highlights the importance of participation and dialogue over the liberal ideas of representation and formal accountability. Among the various private governance arrangements that have emerged in recent years, MSIs are believed to most closely approximate the deliberative ideal. They try to organise legitimate private rule-making through participatory elements and procedural transparency. These design features follow directly from the two core procedural principles of deliberative democratic theory: inclusiveness and unconstrained dialogue.

With regard to the first criterion, real-world MSIs practise inclusiveness through direct participation as well as consultation. In this context, direct participation means active involvement in the rule-making process, with the ability to influence its outcome; whilst consultation is a process of informing, and seeking the input of, a wider group of stakeholders. Generally, the participatory quality of consultation is considered to be inferior to direct participation as there are no clear guidelines as to how and to what extent power holders have to incorporate the input (cf. Arnstein, 1969).

MSIs organise direct participation of those affected by their activities through the multi-stakeholder structure of their decision-making and standard-setting bodies. Typically, organisational decision-making is concentrated in some form of board or executive committee. Representing key stakeholder groups (e.g. producers, buyers, and civil society), these bodies convene several times a year and reach decisions on standards, certification, and other organisational matters. In addition, many MSIs also feature a secondary decision-making body in the form of an annual assembly of their members. The main purpose of these meetings is to engage and inform the wider membership about current developments and the organisation's future plans. Their role in organisational decision-making is often limited to the election of the members of the executive board and the approval of the standard.

In the cases studied, the standard-setting process was organised in separate bodies. The RSB had four WGs on environmental impacts, GHG, social impacts, and implementation; BSI/Bonsucro featured three TWGs on agronomy, processing and milling, and social impacts; and in the RTRS standard-setting was organised in a PCVDG. The main function of these bodies is to develop the principles, criteria, and indicators of the standard which are

then referred to the board and/or assembly of members for approval. Typically, these bodies reflect the multi-stakeholder structure of their organisations.

Besides practising direct participation, many MSIs use consultation mechanisms to inform, and seek the input of, a wider group of stakeholders. Widely practised consultation techniques among sustainability MSIs are public comment periods on draft standards as well as stakeholder outreach meetings. With regard to public comment periods, MSIs make draft standards available on their website. For a designated period of time, external stakeholders can then provide comments and feedback on the standard. Through organising face-to-face meetings with external stakeholder groups, stakeholder outreach meetings serve a similar purpose of engaging and informing a wider audience about both the standard and the certification process.

Unconstrained dialogue is the second core procedural principle of deliberative democratic theory. It means that the decision-making process needs to be free from domination and manipulation. The goal is an open dialogue or "ideal speech situation" in which actors try to persuade each other through argumentation and in which power relationships recede into the background (Risse, 2000). From an institutional design perspective, unconstrained dialogue is difficult to organise as it depends on so many factors – for example, the willingness of participants to engage in an open dialogue and to be persuaded by the better argument. However, there are certain design features which are thought to be conducive to unconstrained dialogue. In this regard, procedural transparency is widely regarded as a key element of good governance. According to Esty (2007: 525), seeing the decision-makers in action and observing who has influenced a decision is essential in establishing a sense of fairness, rationality, and neutrality. Also, it exposes the decision-making process to public scrutiny and thus discourages rent-seeking and other self-serving behaviour.

Procedural transparency is an important design feature of MSIs. It is achieved through documenting the standard-setting and decision-making process and making this information accessible to external audiences. In this regard, the websites of MSIs typically include a section on governance and/or standards in which the composition and procedures of their decision-making bodies are described. Furthermore, many MSIs make their constitutional documents together with documentation about the standard-setting process and the implementation of the standard available on their websites. Some MSIs also make detailed

meeting minutes of their decision-making and standard-setting bodies available to external audiences – however, this is less widely practised.

Due to their inclusiveness and transparency, MSIs have been praised for their democratising potential. In this regard, scholars have referred to them as "innovative institutional designs," "good governance models," and "sites of meaningful deliberation" (Cashore et al., 2004: 298; Dingwerth, 2007: 9; Gulbrandsen, 2008b). However, the democratic legitimacy of private multi-stakeholder governance remains contested (Cheyns, 2011; L. Fransen & Kolk, 2007; Schouten et al., 2012), and there is evidence to suggest that the institutional diffusion of MSIs has not spread a universal model of private participatory governance in the global economy.

7.3 Variation in the Level of Inclusiveness

In Chapter 1, an inventory of 16 environmental MSIs was conducted. With regard to measuring their levels of transparency, the quality of procedural information provided on their websites was assessed. This exercise revealed some variation in this dimension of institutional design. Whereas most schemes would provide detailed documentation about their decision-making organs, and more or less detailed documentation about their standard-setting activities, very few would disclose information about internal decision-making processes. For the analysis of inclusiveness, the composition and constitutive rules of MSIs' central decision-making bodies were examined, revealing significant variation in this key dimension of institutional design (see Table 22). It was found that some schemes carefully balance the influence of business and non-business actors and protect their standards against the possibility of regulatory capture. On the other hand, there are MSIs which are significantly less inclusive.

In order to further investigate stakeholder inclusion in private sustainability governance and differences between initiatives, Chapters 4-6 conducted a more in-depth analysis of the inclusiveness of three agricultural commodity roundtables. The results of this analysis were summarised in Chapter 1 (Section 1.5.4, Table 3).

Using the qualitative indicators developed in Chapter 2 (Section 2.5.4, Table 5), the in-depth analysis of the RSB, the RTRS, and BSI/Bonsucro provided further evidence for significant differences in the way in which real-world MSIs organise and practise stakeholder inclusion.

Firstly, membership rules were analysed as to whether or not they restricted access to the governance arrangement's standard-setting and decision-making bodies. If restrictions existed, the type of restriction was identified. Secondly, with regard to collective choice rules, the focus was on whether or not they protect against the possibility of regulatory capture. Regulatory capture occurs when a regulatory agency is dominated by those whose actions it is supposed to control (Mattli & Woods, 2009). For example, regulatory capture becomes possible when a private regulator's primary decision-making body is dominated by economic actors and decisions are taken by a simple majority of votes. Giving a right of veto or blocking minority to civil society actors is a common design feature to protect against regulatory capture. Finally, using the four key stakeholder categories identified in Chapter 2 (civil society north, civil society south, economic north, and economic south), the compositions of the standard-setting and decision-making arrangements were included in the analysis.

In all three cases, the standard-setting process was organised in a distinct standard-setting body. The RSB featured four WGs (environmental impacts, social impacts, GHGs, and implementation); in the RTRS standard-setting took place in the PCVDG; and BSI/Bonsucro had three TWGs (agronomy, processing and milling, and social impacts). The main function of these bodies was to develop and refine draft principles and criteria in order to reduce the environmental and social impacts of biofuel, soy, and sugarcane production. Whereas all three organisations used a similar rhetoric to describe their standard-setting processes (multi-stakeholder, transparent, etc.), the more in-depth analysis revealed differences as well as similarities. Significant differences existed with regard to the design of membership rules and the composition of the standard-setting bodies. In the RSB, the WGs were open to all interested parties and membership was free of charge. Taken together, the WGs had some 282 members. Unfortunately, the exact composition of the WGs could not be established. However, the available documentation and interviews provided evidence that all four key stakeholder groups were represented. Unlike the RSB, the RTRS and BSI/Bonsucro restricted access to their standard-setting processes. In both cases, a small number of experts were selected by the OC and SC, respectively. But whereas the RTRS' PCVDG maintained a

careful balance between the key stakeholder groups, BSI/Bonsucro's TWGs were dominated by industry actors. Overall, very few civil society actors participated in the standard-setting process of the sugarcane initiative.

On the other hand, there were also similarities between the three organisations. In this regard, all three MSIs were found to organise public consultation periods and stakeholder outreach meetings. For example, during 2008 and 2010, the RSB conducted three public consultation periods in which external stakeholders could comment on the RSB Principle and Criteria. Furthermore, 15 stakeholder outreach meetings were conducted in Europe, Asia, North America, South America, and Africa. The RTRS also opened its standard for public consultation periods and organised stakeholder outreach meetings. Very similar consultation activities could be observed in the case of BSI/Bonsucro. With varying degrees of transparency, the three initiatives published information about their consultation activities on their websites. However, in none of the cases was it clear to what extent, and according to which criteria or guidelines, the feedback from the public consultation periods was worked into the standard, if at all. These findings confirm assumptions about the inferior participatory quality of stakeholder consultation when compared to direct participation. The former is mainly a process of informing, and seeking the input of, a wider group of stakeholders, whereas the later actively involves stakeholders in the rule-making process (cf. Arnstein, 1969).

The WGs, PCDVG, and TWGs were responsible for drafting the standard, but they did not possess decision-making authority. In all three cases, decision-making was concentrated in some kind of board or steering body. At the beginning of each process, these boards consisted of an initial founding body, an *ad hoc* group of people which had emerged from the organisations' foundational meetings. Later, these bodies were formalised. With regard to membership rules, all three organisations restricted access to their primary decision-making bodies to their members. However, there were differences regarding the access to the initial founding bodies. In the case of the RSB, membership in the FSB was open and free of charge. In principle, all organisations with a stake in the biofuel industry could volunteer to participate in the FSB. In contrast, to become a member of the RTRS and BSI/Bonsucro initial founding bodies, stakeholders had to pay a membership fee of US$ 10,000 and US$ 25,000, respectively. It is likely that these fees biased the membership of these bodies toward large, resource-rich organisations. Differences also existed with regard to the composition

and collective choice rules of the later formalised decision-making bodies. In this regard, the RSB's SB and the RTRS's EB were found to be balanced, and the design of their collective choice rules protected the organisation against the possibility of regulatory capture (right of veto/blocking minority for civil society actors). In contrast, the BSI/Bonsucro board was found to be unbalanced and a simple majority rule for decision-making put economic actors from the global north in a dominant position.

Besides a central board, all three MSIs featured a secondary decision-making body; in the form of a GA in the case of the RTRS and an AGM in the case of BSI/Bonsucro. Somewhat differently, the RSB's membership was organised in eleven, later seven, stakeholder chambers which convened separately several times per year. The importance of these bodies in terms of organisational decision-making varied across the three cases. In the RSB, the chambers, and therefore the wider members, were actively involved in various aspects of organisational decision-making, including the development of the standard. In contrast, the political function of the RTRS GA and the BSI/Bonsucro AGM was largely limited to the approval of the standard and the election of the central board. The membership rules of these bodies were found to be very similar across the three cases. In this regard, membership in all three organisations is open to all interested parties with a stake in the respective biofuels, soy, and sugarcane industries. Furthermore, all three organisations charge a similar membership fee which depends on the size and type (e.g. civil society or economic actor) of the member. However, the case study chapters revealed significant differences with regard to the composition and collective choice rules of these bodies. With 27 percent, the RSB is the only organisation with a strong civil society constituency. In contrast, with 12 percent (RTRS) and 9 percent (BSI/Bonsucro), civil society participation is significantly lower in the other two schemes. But whereas civil society actors in the RTRS hold a right of veto in the GA, decisions by the AGM of BSI/Bonsucro are taken by a simple majority vote. The situation is somewhat different in the RSB where the membership is organised in seven stakeholder chambers which do not convene in one forum (see Chapter 4 for details).

In sum, the in-depth analysis and comparison of the design of the three organisations' standard-setting and decision-making bodies revealed significant differences in their levels of inclusiveness. Clearly, the most inclusive scheme (high level of inclusiveness) is the RSB. Its standard-setting and decision-making arrangements are open and balanced. Also, the design of its collective choice rules protects the organisation against the possibility of regulatory

capture. On the others side of the spectrum, with a low level of inclusiveness, is BSI/Bonsucro. In this case, access to the standard-setting process was restricted, the scheme's standard-setting and decision-making bodies are dominated by corporate interests, and its collective choice rules provide no protection against regulatory capture. As can be seen from Table 24, the RTRS occupies a middle ground between the RSB and BSI/Bonsucro in terms of inclusiveness.

Table 22*: Inclusiveness of the RSB, RTRS, and BSI/Bonsucro in Comparison (Overview)*

	RSB	**RTRS**	**BSI/Bonsucro**
Standard-setting arrangement	Working Groups	Principles Criteria Verification Development Group	Technical Working Groups
Membership rules	Open	Restricted (members appointed by Executive Committee)	Restricted (members appointed by Steering Committee)
Composition	Balanced	Balanced	Unbalanced
Consultation mechanism	Yes	Yes	Yes
Primary Decision-making arrangement	Steering Board (Founding Steering Board)	Executive Board (Organising Committee)	Board of Directors (Steering Committee)
Membership rules	Restricted to members	Restricted to members (Fee of US$ 10,000 to join Organising Committee)	Restricted to members (Fee of US$ 25,000 to join the Steering Committee)
Composition	Balanced	Balanced	Unbalanced
Collective choice rules	Protection against regulatory capture (civil society actors possess a blocking minority)	Protection against regulatory capture (civil society actors possess a formal right of veto)	No protection against regulatory capture
Secondary Decision-making arrangement	Stakeholder Chambers	General Assembly	Annual General Meeting
Membership rules	Open (membership fees depending on size and stakeholder category)	Open (membership fees depending on size and stakeholder category)	Open (membership fees depending on size and stakeholder category)
Composition	Balanced	Unbalanced	Unbalanced
Collective choice rules	Protection against regulatory capture (via their representatives civil society chambers can block decisions at the SB-level)	Protection against regulatory capture (civil society actors possess a formal right of veto)	No protection against regulatory capture

7.4 The Institutional Diffusion and Variation of Private Participatory Governance: A Cross-Case Comparison

Bringing together the findings from the single case study chapters, the previous section revealed significant variation in the level of inclusiveness of agro-MSIs operating in the biofuels, soy, and sugarcane sectors. Whereas the RSB was identified as a highly inclusive private governance arrangement, the RTRS and BSI/Bonsucro were found to exhibit a medium and a low level of inclusiveness, respectively. These findings confirm earlier observations that the institutional diffusion of MSIs has not spread a universal model of private participatory governance in the global economy. As ideas about multi-stakeholder governance have diffused across and within industry sectors, they have taken different forms at different places. It was argued that discoveries about more and less participatory arrangements have important political repercussions for the legitimacy and credibility of MSIs as a mode of global sustainability governance. Against this background, the central task of this dissertation has been to explain this variation in institutional outcomes.

Whereas much has been written about the initial institutional emergence of MSIs (Bartley, 2003, 2007b; Bernstein & Cashore, 2007; Haufler, 2003; McNichol, 2006; Pattberg, 2005; Zietsma & McKnight, 2009), as well as the activities and interactions of already established schemes (Dingwerth & Pattberg, 2009; L. W. Fransen, 2011, 2012b; Kaan, 2008; Overdevest, 2010; Zietsma & McKnight, 2009), only a few scholars have dealt with the process of institutional diffusion in more depth (Auld et al., 2007; Gulbrandsen, 2010). In order to address this gap and to advance our understanding of how institutions vary as they diffuse, Chapter 2 provided a detailed discussion of diffusion "theory". It defined institutional diffusion as a causal process through which institutions and their elements are transmitted through time and space. It discussed why and when institutional diffusion occurs, and what its primary mechanisms and outcomes are. On that basis, three stages in the diffusion process – source selection, transmission, and adoption – were distinguished. For each of these stages, hypotheses about the cause-and-effect relationships that influence diffusion outcomes were formulated. Integrated into a causal model, these hypotheses take the form of intervening variables. They intervene in the diffusion process, causing it to produce more or less inclusive institutional outcomes (see Chapter 2, Section 2.4.4). This diffusion model was then put to work in three case study chapters which traced the diffusion of the MSI institutional model to

the biofuels, soy, and sugarcane sectors. In the following, the process-tracing evidence from the single case study chapters is compared across the three cases. The comparative analysis begins with an examination of what caused diffusion in each case, then the case study evidence regarding the model's source, transmission, and adoption stages are summarised and compared.

7.4.1 Causes

Consistent with the underlying diffusion model, all three case study chapters provided clear evidence for the occurrence of an institutional diffusion process. This means that the founders of the RSB, the RTRS, and BSI/Bonsucro did not create their organisations from scratch. Instead, they turned toward familiar and prestigious prior adopters in order to imitate their structures and to learn from their experiences. It also means that in order to explain their institutional designs (and variation between them) these processes have to be understood and examined. With regard to the causes of diffusion, adopters' motives to imitate the design of others and to learn from their experiences were found to be very similar across the three cases. One important motive was the adopters' desire to save time and resources. In this regard, the founders of the RSB, the RTRS, and BSI/Bonsucro wanted to avoid "reinventing the wheel", "replicating existing efforts", or to "get off the ground as quick as possible". On the other hand, reducing exploration costs could be identified as another important cause of institutional diffusion in the cases studied. For example, the founders of the RSB mentioned concerns about how poor decisions at an early stage could compromise legitimacy at a later one and documents from the founding phase of the RTRS read: "[c]opying existing models will provide opportunities to learn from mistakes and speed-up the process" (WWF, 2004a: 3). In sum, the findings from the individual case study chapters suggest that cost considerations – time savings as well as the reduction of exploration costs – were the main drivers behind institutional diffusion in the cases studied. In organisational theory, these factors are discussed as important triggers behind processes of interorganisational imitation and learning (Dutton & Freedman, 1985; Levitt & March, 1988; Lieberman & Asaba, 2006; Ordanini et al., 2008).

7.4.2 Source Selection

The selection of a target institution or source marks the beginning of the diffusion process. A choice has to be made about whom to imitate, learn from, etc. In Chapter 2, it was argued that diffusion will lead to a homogenisation of the adopting population when there is a single central source (broadcasting model of diffusion). In such cases, later adopters converge toward the prior adopter who is the target of diffusion. In contrast, diffusion outcomes can vary when the underlying diffusion model has multiple sources. In these situations, variation among late adopters occurs, when designers select different target institutions for imitation which exhibit different institutional features. These decisions are thought to depend on factors such as adopters' network ties, their spatial proximity to prior adopters, as well as their perceptions about prior adopters' performance records. Against this background, the following hypothesis was formulated:

> **H1:** The diffusion outcome will be more (less) inclusive if the primary target institution exhibits a high (low) level of inclusiveness.

The case study chapters provide some support for this hypothesis. The relationship between the institutional design of the target institution and the diffusion outcome was most evident in the case of the RSB. Through the interviews and available documentation at least five members of the founding group could be identified who previously had been involved in the FSC, among them the former Director General of FSC International. As diffusion "theory" would predict (Davis, 1991; Galaskiewicz & Wasserman, 1989; Haunschild, 1993), these close network ties led them to select the FSC as the primary target institution. Furthermore, the within-case analysis uncovered network ties to the RSPO which functioned as a secondary target institution. As evidenced by the meeting minutes of the RSB's founding body and through the interviews with its members, the forestry scheme notably served the initiators of the biofuels roundtable as an important reference institution in discussions about organisational design and standards. In this regard, in the case of the RSB, a clear correlation between the high level of inclusiveness of the primary target institution and the diffusion outcome could be established.

In reverse order, the FSC and RSPO were also important reference institutions for the founders of the RTRS. Both the RSPO and RTRS had their origin in the FCI of the WWF. The RSPO had been initiated in 2002 and the RTRS followed the palm oil scheme two years

later. Through the interviews it was established that several people who had been involved in the launch of the RSPO later helped to form the RTRS. In an interview, the Coordinator of the WWF FCI explained that the RTRS had essentially been modelled on the RSPO and that it was the plan from the very beginning to learn from the palm oil experience. Furthermore, the within-case analysis revealed that the RSPO, in turn, had been modelled after the FSC. In this regard, the RTRS and its design are partly the outcome of what in Chapter 2 has been discussed as chain mode diffusion (see Section 2.4.1). Providing some support for Hypothesis 1, the RTRS resembles the RSPO and the FSC in many ways. However, the founders of the soy roundtable did not simply replicate the institutional design of the palm oil roundtable or the forestry initiative as a comparison between the three organisations revealed. Instead, it was found that they positioned their initiative somewhere in between the two schemes in terms of inclusiveness.

On the other hand, the case study of BSI/Bonsucro provided little support for Hypothesis 1. In this case, the diffusion pattern was found to be more diffuse. The founders of the sugarcane initiative looked at several prior adopters, including the RSPO, FSC, and ADs, when designing the organisational structures of their initiative. However, unlike in the other two case studies, no clear primary target institution could be identified.

Overall, the cases studied confirm assumptions about a complex diffusion pattern in the field of multi-stakeholder sustainability governance, involving multiple sources as well as chain mode diffusion. Also, there is some evidence in support of Hypothesis 1 that the selection of the primary target institution has an effect on the diffusion outcome. This relationship could be clearly observed in the case of the RSB. Also, the RTRS was found to resemble its primary target institution, the RSPO, in many ways. However, there was no systematic co-variation of primary target institutions and diffusion outcomes as suggested by Hypothesis 1.

7.4.3 Transmission

Once a target institution, or institutions, is selected, a diffusion mechanism transmits information about the source model to the point of adoption. In Chapter 2, different types of diffusion mechanisms were discussed. It was argued that when imitation is the primary diffusion mechanism, then a close replication of the source model is the expected outcome. In contrast, learning can introduce variation. Variation occurs as adopters draw lessons from

their experiences and the experiences of others. In doing so, they may find that some aspects of the source model are suboptimal for their purposes and make modifications accordingly (selective imitation). Also, they may combine the lessons learned at different places and thus synthesise new practices. Against this background, it was hypothesised that:

> **H2:** The diffusion outcome will be more (less) inclusive if adopters learn that inclusiveness was good (bad) for the success of prior adopters.

Providing strong support for this hypothesis, the case study chapters uncovered how the founders of the RSB, the RTRS, and BSI/Bonsucro did not simply imitate the design of prior adopters. Instead, they drew lessons from the experiences of prior adopters and adapted the MSI institutional model to the context at hand. However, as shown below, the lessons learned by the adopters were not the same across the three cases, putting them on different institutional trajectories.

As described above, the founders of the RSB had very close network ties to the FSC, which they regarded as a success story. For example, the founding head of the RSB Secretariat stated in an interview that "the FSC was seen as the most successful standards initiative with the biggest market share, global reach, and respected among industry, NGOs, and governments. It also was the oldest, so it had the longest track record in terms of the lessons that we could draw from it". Similar statements were made by other members of the founding group. The dominant interpretation was that the FSC's highly participatory approach was of key importance to its success as a standards initiative. In their view, the FSC had proven that stakeholder inclusion was particularly important during crisis situations. In this regard, the forestry scheme was seen as a credible and robust system in which conflict among stakeholders were solved internally, whereas other schemes had fared less well in crisis situations. One example mentioned in the interviews was the MSC. The MSC came out of a bilateral partnership between Unilever and the WWF and was heavily criticised for not involving other stakeholder groups. Due to the highly controversial nature of biofuel production, the founders of the RSB were particularly worried about conflict and eager to learn about strategies and mechanisms of crisis management. Drawing lessons from the FSC experience, they therefore decided to follow the forestry initiative and its highly inclusive approach to stakeholder engagement.

The people behind the RTRS and RSPO also looked at the FSC as an important reference institution. However, the within-case analysis uncovered a different learning path. When WWF Switzerland started its work on forest conversion through agricultural-induced land-use change, people within the FCI soon realised that the soy and palm oil sectors were fundamentally different from the forestry sector. Used to produce timber, wood products, paper, etc., most forestry products are visible to the end consumer. In contrast, palm oil and soy are what one interviewee referred to as "hidden commodities". In the case of soy, only a very small fraction is directly consumed by humans, whereas the bulk of global production is used for producing high-protein animal feed. On the other hand, palm oil is an, often unnoticed, ingredient in many food and cosmetic products. Against this background, it was reasoned that the consumer-oriented approach of the FSC was not suitable for the palm oil and soy sectors.

Like the fair trade organisation, the FSC operates a consumer-oriented label which is displayed on wood and timber products from companies that have undergone FSC certification. However, due to the nature of soy and palm oil consumption, the founders of the RSPO and RTRS saw little use for an on-product label and opted for a business-to-business approach instead. In this approach, there is no visible label or certificate involved. Instead, the scheme functions through business-to-business transactions only (see Chapter 5, Section 5.4.3 for details). The interviews and available documentation show that this decision had two implications for stakeholder inclusion. A direct implication of the business-to-business approach was that the designers of the RSPO and RTRS had to differentiate between firms occupying different positions in the supply chain. At a minimum, a distinction needed to be made between corporate consumers, on the one hand, and producer groups, on the other. Also, they reflected about the relationship between stakeholder engagement and process efficiency. They reasoned that both were important for a scheme's success, but identified a trade-off between the two. In their view, highly participatory schemes were often slow, whereas more streamlined initiatives lacked in credibility and legitimacy. Against this background, they concluded that an effective initiative would need to find a middle ground where it could be both inclusive and efficient. Furthermore, they came to believe that the right balance between the two was also a function of the initiative's objectives. In this regard, they reasoned that the less visible business-to-business approach would require fewer non-business stakeholders to be effective than the consumer-oriented approach. This explains why the RSPO and RTRS came out stronger on the business side when compared to the FSC.

Like the RTRS, the founders of BSI/Bonsucro developed a narrower approach to stakeholder engagement. When the initiative held its first meetings in 2006, WWF US advised the SC on governance options. It briefed its members about other MSIs, including the RSPO, the FSC, and the ADs, and circulated a memo about WWF US' experiences and the lessons it had learned from commodity-specific roundtables and certification programmes. Within the WWF network, the US office has a reputation for being strongly market-focused and close to business. In its memo, it developed the foundation of what is now known and widely publicised as the WWF's theory of business transformation (see Chapter 6, Section 6.4.3). This so-called "theory of change" has important implications for the structure and objectives of MSIs: they are to focus on key crops, key impacts, and key players. More specifically, in its memo WWF US argued against the more open and experimentalist approach of previous roundtable initiatives like the FSC. Instead, advice was given that the goals of a new initiative need to be defined before the first meeting and that stakeholder engagement should focus on the agro-supply chain's "key leverage points for change". On the corporate side, these are the players that command significant market power such as buyers and traders, as well as banks. In contrast, scepticism was expressed about involving producer groups early on in the process. In particular, WWF US warned not to involve producer or manufacturer associations which were identified as the most conservative members in the agro-supply chain. Also, civil society organisations should be selected using criteria such as their level of commitment and expertise. It was made clear that many stakeholders, due their lack of expertise or resources, or critical positions, should not be invited to the table. It was found that these principles were adopted by the founding members of BSI/Bonsucro and that they informed many of the institutional design decisions made during the formation period of the sugarcane initiative.

In sum, the comparative perspective shows how learning processes have influenced the diffusion outcome in the three cases. In particular, the cases of the RSB and BSI/Bonsucro provide strong support for Hypothesis 2. In the biofuels case, the founders of the RSB learned that inclusiveness had been important in the institutional success of prior adopters, and the case study showed how this influenced their institutional design choices. On the other hand, the people behind BSI/Bonsucro came to the opposite conclusion. Based on their experiences, they reasoned that the open and experimentalist approach of earlier adopters had been an obstacle to the success of these initiatives, and they therefore opted for a narrower and more instrumentalist approach to stakeholder inclusion. Learning could also be observed in the

case of the RTRS. However, the decision of its founders to adopt a less inclusive design was only indirectly related to the experiences made by prior adopters. In this case, modifications to the source model (FSC) were made because people in the WWF learned about differences between the palm oil, soy, and forestry sectors which they believed required a different approach.

7.4.4 Adoption

The third stage of the causal model developed in Chapter 2 is the adoption process. It marks the end of the diffusion process. In the literature this process is often described in a somewhat mechanistic way in which potential adopters make a decision to either accept or reject a diffusion item (Rogers, 1995: 364). However, a closer consideration of the issue suggests that adoption is not simply a 'yes or no' decision. In this regard, the following sections examine and compare how processes of institutional bargaining and institutional pressures at the point of adoption have influenced the diffusion outcome in the three cases.

Institutional Bargaining

Multi-stakeholder processes are political arenas in which struggles over influence and diverging interests take place. When firms and NGOs collaborate to create new MSIs they typically differ sharply over the structure and governance of these schemes and the scope and content of their standards and procedures. As the primary targets of private regulation, corporate actors in particular will try to maximise their control over the regulatory process. Against this background, it was hypothesised that:

> **H3:** The diffusion outcome will be more (less) inclusive if corporate actors are in a weak (strong) bargaining position.

Overall, the case studies produced little evidence that intergroup bargaining was an important mechanism of institutional choice in the RSB, RTRS, and BSI/Bonsucro. In fact, explicit bargaining over governance structures was only observed in two of the three cases, with no significant changes to the institutional status quo. Nevertheless, the analysis of institutional bargaining produced important insight into the deeper research question studied in this project: variation in the inclusiveness of private participatory governance. In this regard, the analysis of bargaining power was important in order to understand adoption patterns – that is,

stakeholders' decisions to join, to not join, or to leave MSIs in the biofuels, soy, and sugarcane arenas.[36] In this regard, it was found that differences in producer groups' bargaining power explained variation in adoption patterns across the three cases. Producer groups were in a strong bargaining position in the cases of the RTRS and RSB where shifting trade patterns and the availability of alternative, and from a business point of view more attractive, options reduced the cost of leaving the two initiatives. On the other hand, it was shown how UNICA, the leading Brazilian sugarcane industry association, made a decision to join BSI/Bonsucro only after EU sustainability regulation around biofuels had weakened its bargaining position vis-à-vis the sugarcane roundtable.

Bringing together the evidence from the case study chapters, the remainder of this section describes the interest constellations and conflicts in the RSB, the RTRS, and BSI/Bonsucro. Then, the distribution of bargaining power in these situations is analysed in order to explain variation in adoption patterns across the three cases.

For the most part, the observed interest constellations were very similar in the RSB, the RTRS, and BSI/Bonsucro. In all three cases, the empirical analysis uncovered significant differences in the core preferences of civil society actors, on the one hand, and for-profit actors, on the other. In particular, producer groups from the global south were often at odds with the other stakeholder groups.

Concerned about the negative environmental and social impact of agricultural production in the global south, (northern) NGOs were found to be the main drivers behind transnational sustainability governance. Through initiating commodity roundtables like the RSB, the RTRS, and BSI/Bonsucro, their intention was to reduce deforestation rates, conserve biodiversity, and protect the livelihoods of local communities. However, the case studies also revealed that the NGO community is far from being united on the issue of sustainability certification. In fact, many NGOs remain very critical of business-civil society partnerships which they see as mere "greenwashing" ploys. There appear to be deep-seated differences among civil society organisations about private regulatory mechanisms and the current model

[36] The focus of this project is on institutional design of MSIs' standard-setting and decision-making arrangements (e.g. collective choice rules, membership rules). On the other hand, the concept of adoption refers to the decisions of individual stakeholders to engage or to not engage with multi-stakeholder governance. The focus on institutional design as a dependent variable has advantages as well as disadvantages, see Chapter 2, Section 2.5.1 for a more detailed discussion.

of global industrial agriculture. On the one hand, certification proponents argue that harnessing market forces can be a powerful mechanism for making mainstream agricultural production more sustainable. On the other, certification critics dismiss the market as the appropriate forum for sustainability regulation and instead demand more radical changes in the way in which agricultural products are produced and consumed (e.g. a return to local production and distribution systems).[37]

As the principal targets of regulation, producer groups from the global south were often opposed to private sustainability regulation for another reason. Many of them feared that high environmental and social standards would have a negative impact on their businesses. In this context, a major concern of these groups was that private sustainability regulation would pose a barrier to future economic growth (agricultural expansion) and that it would negatively affect their competitiveness vis-à-vis non-certified producers. Also, there were fears that many of the smaller producers in the global south would not be able to comply with demanding sustainability regulation and that as a consequence they would be excluded from northern consumer markets (trade barriers). In this regard, the case studies revealed how sugarcane growers accused BSI/Bonsucro of discriminating against developing countries, how soy producers opposed the RTRS' plans to adopt a strict policy on deforestation practices, and how biofuel producers in the RSB considered any extra cost arising from sustainability certification as an "incurable" issue.

Located at the downstream end of the supply chain, economic actors from the global north often took a more moderate position. Depending on the issue at stake, they would sometimes support the position of the more "pragmatic" NGOs, but on other issues their preferences were closely aligned with the interests of producer groups. There are several reasons for this "inbetween position". Faced with intensifying pressures from NGOs, consumers, and regulators about their social and environmental impacts, the primary concern of this stakeholder group are assurance and reputational protection. Collaborating with NGOs in the context of MSIs has become an important mechanism for these companies to send credible signals about their sustainability performance to external audiences. Another reason for their more moderate position is that, as corporate consumers, downstream firms are not the

[37] Typically, these critical NGOs do not participate in MSIs. Therefore, there are not included in the analysis of institutional bargaining to create new MSIs. However, they are included in the analysis in the form of environmental pressures (see section on coercive pressures).

primary targets of regulation. Also, large multinational companies like Unilever, Coca-Cola, and Shell can use their market power to force upstream producers to absorb most of the costs arising from private sustainability governance. However, at the same time, these companies are for-profit actors and do not have an interest in strict regulation. Clearly, they would oppose any standard or regulation that would pose a threat to their business models or prevent them from exploiting lucrative business opportunities.

Consistent with the assumption underlying Hypothesis 3, the case studies uncovered various episodes of institutional bargaining between stakeholder groups in the RSB, the RTRS, and BSI/Bonsucro. Often, NGOs and producer groups from the global south were at the centre of these conflicts. They clashed with one another over questions of governance and the scope and content of the regulatory outcome. This is not surprising given that the core preferences of these two stakeholder groups are diametrically opposed to one another. Still, there is little evidence to suggest that institutional bargaining was an important mechanism of institutional choice in the cases studied. Explicit bargaining over the design of constitutive rules could only be observed in two of the three cases, but even here bargaining was not an important mechanism of institutional choice.

A first example comes from the case of the RSB. After the scheme had been launched as a formal organisation, its quickly expanding producer constituency became increasingly unsatisfied with the institutional status quo. In particular, producer groups were concerned about the strong position of civil society actors and demanded more influence over organisational decision-making. They made various attempts to renegotiate the existing set of constitutive rules. After much internal controversy and discussion, the conflict resulted in a reform of the RSB's governance structure which, however, did not significantly change the balance between stakeholder groups in the organisation.

Another episode of institutional bargaining over control and influence comes from the early days of BSI/Bonsucro. In this case, producer groups challenged the scheme for being dominated by large buyers and NGOs from the global north. For a long time, they remained opposed to the initiative and heavily criticised it for erecting trade barriers and for discriminating against producers from developing countries. Only changes in the regulatory environment of BSI/Bonsucro changed the situation and eventually got producer groups to sign up for the scheme.

Clashes between stakeholder groups were also common in the RTRS. However, here they were mostly focused on the scope and content of the standard – that is, the regulatory outcome. In this regard, GMO-critical NGOs bargained with economic actors and more "pragmatic" NGOs over the scheme's position on GM technology. Later in the process, Brazilian producer groups clashed with NGOs and economic actors from the global north over the scheme's policy on deforestation practices. The issue at stake was whether or not the RTRS should include a strict cut-off date for deforestation in its Principles and Criteria. For obvious reasons, producer groups from Brazil, the world's largest and fastest expanding soy growing region, were strongly opposed to this proposal. The conflict ended when two Brazilian industry associations, representing a significant proportion of global production, decided to walk out on the RTRS. Conflicts and bargaining over the scope and content of standards were also common in the other two schemes. In the RSB, producer groups tried to renegotiate the scheme's production standard, which they argued was too demanding and costly to implement. Largely unsuccessful in their attempt, several producer organisations left the RSB as a result. In BSI/Bonsucro, the standard's social component became a major bone of contention between NGOs and industry actors.

In all three cases, NGOs and producer groups from the global south were at the centre of conflicts surrounding the creation and design of transnational sustainability governance. However, there were also interesting differences. In this regard, it was observed how key producer groups pulled out of the RSB and RTRS, whereas, after a lengthy conflict, the world's largest sugarcane industry association and its members made a decision to join BSI/Bonsucro. What explains these divergent outcomes? The following analysis of the sources and distribution of bargaining power in these situations helps to shed some light on the issue.

In bargaining situations, bargaining power is an important intervening variable. Essentially, its distribution determines whose preferences prevail and which institutional outcome is selected (Abbott & Snidal, 2009a; Thompson, 2010). Abbott and Snidal (2009a: 72-82) describe how in these situations bargaining power manifests itself in two forms: GIAP and "inclusion power". Whereas GIAP (i.e. an actor's ability to create or join alternatives arrangements or not to engage in regulatory activity at all) creates an "outside option," inclusion power (i.e. an actor's importance to the success of the governance arrangement)

creates an "inside option" (see Chapter 2, Section 2.4.3 for details). In the cases at hand, it can be assumed that producer groups possessed a similar amount of inclusion power – all three initiatives needed producers to sign up for their schemes. In other words, inclusion power cannot account for the observed variation. However, the case studies revealed differences in producers' GIAP, and changes therein, over time.

When, in 2009, the EU announced its plans to rely on private certification schemes to implement its renewable energy policy a larger number of biofuel producers joined the RSB.[38] The within-case analysis showed that they soon challenged the institutional status quo in the organisation. They demanded more influence over the decision-making process and tried to renegotiate the scheme's standard. However, their attempts were met with strong opposition from the initiative's civil society constituency and after a lengthy struggle several producer organisations decided to leave the RSB. Overall, the scheme's slow market uptake suggests that important parts of the biofuel industry have turned their backs on the RSB. The analysis of bargaining power and its distribution helps to shed some light on the issue. Producer groups in the RSB are likely to have had a significant amount of GIAP. The EU's renewable energy policies did not only increase firms' interest in private sustainability certification, it also attracted several competitor initiatives to the biofuels sector. A number of new certification systems were created, and existing schemes in other sectors modified their standards and developed auditing protocols for biofuel certification. Among them were several schemes which, from a business point of view, offered more favourable conditions than the RSB (e.g. no social component, no NGO involvement) (cf. Schleifer, 2013). For producer groups in the RSB, this created a range of viable outside options. In other words, it increased their GIAP (or more accurately their go-with-others power). Thus, when their attempts to renegotiate the RSB's control rules and standard failed, many of them decided to seek certification elsewhere.

The EU's biofuel policy also changed the dynamics of the bargaining game in the case of BSI/Bonsucro; however, it did so in a different direction. When the sugarcane roundtable was initiated, producers and their industry associations showed little interest in the initiative. On the contrary, they strongly criticised and opposed the scheme. The within-case study revealed

[38] In 2009, the EU adopted the EU RED. Besides a blending mandate for biofuels, the policy included a mandatory sustainability scheme which all biofuels produced in or exported to the EU must meet (European Union, 2009).

that their decision to remain outside the initiative had its foundation in the relatively low export rate of sugarcane. Most of the world's sugarcane is processed and consumed locally, which made southern producers less dependent on international markets. Also, when compared to other sectors, sugarcane had seen little NGO activism and no major incidents or 'naming and shaming' campaigns had put the industry under pressure. These factors translated into a high level of GIAP for southern producer groups. For them there was no need to engage in transnational sustainability governance. However, the situation changed when renewable energy policies in the EU created one of the world's largest markets for sugarcane ethanol. This created an attractive export opportunity, notably for the Brazilian bioethanol industry. At the same time, it reduced its GIAP vis-à-vis BSI/Bonsucro as it made not engaging in transnational sustainability governance more costly. Bioethanol producers who wanted to export to the EU needed certification, and with its focus on sugarcane BSI/Bonsucro was the most suitable system available. After some negotiations concerning the scheme's social component, the leading Brazilian sugarcane industry association decided to endorse the scheme, which explains the high level of (Brazilian) producer participation in BSI/Bonsucro.

As only a very small fraction of the world's soybean oil is processed into biofuels, the EU's renewable energy policies had little effect on the dynamics of institutional bargaining in the RTRS. But here also, changing trade patterns affected producers' GIAP and thus the dynamics and outcomes of the institutional bargaining game. When the standard-setting process in the RTRS was nearing completion, producer groups from South America and NGOs clashed over the scheme's position on deforestation practices. There was little room for compromise as the issue was linked to the core preferences of the two stakeholder groups. In this regard, the two major Brazilian industry associations strongly opposed a strict cut-off date for deforestation practices because it would have posed an obstacle to future soy expansion. On the other hand, stopping deforestation in the Amazon was the main objective for many of the NGOs in the RTRS. When bargaining broke down, the Brazilian industry associations were quick to pull out of the RTRS and to create a self-regulatory scheme in the form of the SPP. The within-case analysis suggests that their GIAP was boosted by the changing nature of the international soybean trade. Beginning in the late 1990s, Chinese demand for soybeans grew exponentially and soon China replaced the EU as the primary export market of Brazilian soy. In the eyes of South American producers and their industry associations, this reduced the significance of the euro-centric RTRS. More generally, it has

reduced their willingness to engage in meaningful self-regulation, as Chinese buyers and consumers are less concerned about sustainability issues than their European counterparts.

To sum up the above analysis, the case studies produced little support for Hypothesis 3, which causally linked the inclusiveness of the diffusion outcome to the distribution of bargaining power between corporate actors and NGOs. Overall, there is little evidence to suggest that institutional bargaining was an important mechanism of institutional choice in the cases studied. On the other hand, analysing corporate actors' bargaining power was helpful in order to understand differences in adoption patterns across the three cases.

Coercive Pressures

Besides processes of institutional bargaining, the case study chapters examined the nature and strength of institutional environmental pressures at the point of adoption. In the literature on the new institutionalism, environmental pressures (normative, coercive, and mimetic pressures) are discussed as key drivers behind processes of institutional isomorphism (DiMaggio & Powell, 1983). The argument goes that organisations which occupy an organisational field are subject to the same environmental pressures, and that these pressures make them adopt similar structures. Whilst environmental pressures can be powerful forces behind processes of institutional isomorphism, Chapter 2 elaborated on how their strength is not necessarily the same in all places and at all times. With a focus on transnational activist campaigns, it was argued that strong coercive pressures will lead to a more inclusive diffusion outcome. This is because in these environments business actors are likely to be more willing to engage with civil society actors in the context of MSIs. Also, advocacy groups may put pressure on the founders of new MSIs to adopt a more inclusive approach. Against this background, the single case study chapters examined the following hypothesis:

> **H4:** The diffusion outcome will be more (less) inclusive if coercive pressures at the point of adoption are strong (weak).

The case study chapters produced strong evidence in support of this hypothesis. Through interviews and a background analysis of media and NGO reports, it was shown that coercive pressures were strong in the biofuels and soy arenas, whereas, in comparison, BSI/Bonsucro was subject to only weak coercive pressures during its formation period. Furthermore,

through the interviews and available documentation traces of the mechanism at work could be uncovered. In institutional environments characterised by strong coercive pressures, the founders of new MSIs felt under scrutiny and reasoned that a narrow approach would not be capable of gaining political authority – that is, legitimate decision-making power – in these arenas. They feared that not including important stakeholder groups would leave their institutions contested and delegitimised. Also, in one of the cases, adopting a more inclusive design was used as a strategy to shield the organisation, which had been targeted by transnational activist groups, from further criticism.

Analysing the political situation in the biofuels and soy sectors at the time, the case study chapters discovered that the RSB and RTRS were created in highly contested environments. In the biofuels arena, the 'food vs. fuel' debate in particular had sparked a lot of controversy and political conflict. At the height of the world food crisis in 2007/2008, many blamed biofuels and the public policies promoting their production as one of the main drivers behind the high prices for staple foods during this period. Furthermore, biofuels were accused of causing land grabs in the global south and of being a driver behind deforestation and climate change due to processes of direct and indirect land-use change. Overall, there was a lot of NGO activism and critical media coverage concerning these topics, and it was in this environment in which the founders of the RSB held their initial meetings.

Land-use change was also a major issue in the soy sector. Over the previous two decades, the so-called soy boom had converted some 50 million hectares of land into soybean fields. Much of this growth had occurred in South America where it was threating the Amazon rainforest. Soy production was highly controversial for another reason. Beginning in the early 1990s, GM soybean varieties emerged and spread rapidly around the world. Today, close to 80 percent of the global soybean harvest is GM (GMO Compass, website-a). When, at the very beginning of the process, the RTRS made a decision to include GM soy under its certification scheme, several GMO-critical organisations left the roundtable initiative. Since then, the RTRS has been strongly criticised by environmental groups for greenwashing GM soy as responsible.

The case studies showed how the founders of the RSB and RTRS perceived their environments, and how these perceptions influenced their institutional design choices. They interpreted the highly politicised environments of the biofuels and soy sectors as difficult and

challenging and anticipated that soon their initiatives, too, would become (or already were) the subject of intense scrutiny and political contestation. Against this background, the founders of the RSB reasoned that a narrow approach, excluding important stakeholders, would not be able to gain political authority in the biofuels arena. In this regard, a member of RSB's founding body explained that " (…) there was so much controversy surrounding it [biofuel production]. Having something narrow was not useful in our thinking. It would not have had any credibility or legitimacy". They feared that a narrow institution would become contested and ultimately fail in its task of developing "internationally accepted standards for sustainable biofuels production" (RSB, 2006: 1). The findings from the within-case study suggest that this was the main reason why they opted for a highly participatory approach. A similar relationship between the high level of coercive environmental pressures and the inclusiveness of the diffusion outcome could be observed in the soy case study. However, unlike the RSB, the RTRS was the target of NGO activism. This means the pressures were more direct. From the very beginning, the scheme was heavily criticised by an international coalition of NGOs for its decision to include GM soy under its certification scheme. Trying to find ways to respond to these pressures, its founders reasoned that the level of conflict surrounding a project determines its level of inclusiveness. In this regard, in the case of the RTRS, adopting a more inclusive approach was also a strategy to shield the organisation from further criticism, as one of the interviewees explained:

> "We were under very close scrutiny from the NGOs because of the GMO issue. Everything we were doing was watched closely and we did not want to give them another pretext to criticise us" (interview with a member of the RTRS Secretariat).

BSI/Bonsucro's starting position was a very different one. In comparison to the biofuels and soy sectors, sugarcane was a low conflict environment. In the mid-2000s, when the initiative was launched, sugarcane expansion rates were relatively moderate and GMOs were not an issue. In the past, problems with labour standards had made some headlines. However, a background analysis revealed that none of the big international NGOs was campaigning on sugarcane and that, overall, the sector had a very low media profile. The situation somewhat changed when sugarcane became an important feedstock for the biofuels needed to meet the world's growing demand. However, during its formation period, BSI/Bonsucro was a food crop initiative and therefore was not associated with the controversial topics of the biofuels debate. Later in the process, the scheme developed standards and auditing procedures for

bioethanol production, but at no point was the initiative the target of direct NGO activism or media criticism. In this regard, BSI/Bonsucro was "sailing in calm waters", as one of the interviewees put it, whereas the RSB and RTRS started off in heavy seas (interview with a member of the SC). It seems that the low conflict environment of the sugarcane sector enabled the founders of BSI/Bonsucro to go through with their narrower and more instrumentalist approach to stakeholder inclusion. Unlike its counterparts in the RSB and RTRS, they did not feel the scrutiny of critical NGOs or the media. In fact, the case study evidence suggests that for a long time the scheme was little known in NGO circles.

Overall, the case study chapters produced strong support for Hypothesis 4. In this regard, a clear correlation could be established between the strength of coercive institutional pressures at the point of adoption and the inclusiveness of the diffusion outcome. Furthermore, the within-case studies provided evidence of the mechanism at work. In environments characterised by strong coercive pressures, the founders of new MSIs felt under scrutiny and reasoned that a narrow approach would have no chance of success. Also, in one of the cases, adopting a more inclusive design was used as a strategy to fend off direct pressures and to shield the organisation from further contestation.

Normative Pressures

Besides coercive pressures, the case study chapters examined the nature and strength of normative pressures in the environment of the three schemes. In Chapter 2, it was argued that the group of late adopters, like the RSB, RTRS, and BSI/Bonsucro, are likely to be subject to the same normative pressures and that this might have an 'isomorphic effect' on them. In this context, the standard-setting code of the ISEAL Alliance, an umbrella organisation of private sustainability initiatives, was discussed as exercising normative pressures on new MSIs to conform to these transnational norms of good private governance. ISEAL's *Code of Good Practice for Setting Social and Environmental Standards* was released in 2004 and defined a set of principles and criteria of how to organise a private standard-setting process in an inclusive and transparent way. With regard to stakeholder participation in the rule-making process, the ISEAL code (ISEAL, 2012: 8) stipulates that:

- Standard-setting shall be open to all interested parties
- Participation and decision-making needs to reflect a balance of interests (subject matter and geographic scope)

- Participants shall include stakeholders with an expertise relevant to the subject, those that are materially affected by the standard, and those that could influence the implementation of the standard.

ISEAL's standard-setting code quickly became an important norm for transnational rule-making organisations, including the MSIs studied in this dissertation. In this regard, the case studies showed that the founders of the three initiatives knew about ISEAL and that its standards code served them all as an important reference point. The RSB and BSI/Bonsucro became associate, and later full, members of the ISEAL Alliance. The ISEAL's standard-setting code was also central to the founders of RTRS, although the soy initiative did not become a formal member. In particular, the practices of opening standards to public consultation periods and conducting stakeholder-outreach meeting could be traced back to the ISEAL code. These findings confirm arguments made in the literature about ISEAL's isomorphic effect on the field of transnational sustainability organisations (Dingwerth & Pattberg, 2009; Loconto & Fouilleux, 2013). However, the cases studies suggest that this effect remains limited to areas where stakeholder inclusion is relatively "cheap". In this regard, the consultation mechanisms mentioned above primarily serve the purpose of informing, and seeking the input of, a wider group of stakeholders, and there are no clear guidelines as to how, and to what extent, power holders have to incorporate the input. On the other hand, the case studies showed how the RSB, RTRS, and BSI/Bonsucro differ significantly in the way in which they organise direct participation – that is, the inclusion of key stakeholder groups in their standard-setting and decision-making arrangements. The causes of this variation were examined in this dissertation.

7.5 Summary of Findings

At the heart of this dissertation is the diffusion of private participatory governance in the global economy and the questions of why and how this process has introduced institutional variation in the field of sustainability MSIs. To empirically examine this question, Chapter 2 developed an analytical framework which distinguishes three stages in the diffusion process: source selection, transmission, and adoption. For each of these stages, hypotheses were developed about the cause-and-effect relationships that make diffusion outcomes vary. In three case study chapters, this model was put to work in order to examine the diffusion of private participatory governance in the agriculture sector. Concluding the empirical analysis,

this chapter compared the findings across the three cases. This made it possible to identify the causes of variation for the organisations studied. It also provides a more solid empirical basis for the formulation of general hypotheses about the institutional diffusion and variation of private participatory governance.

With regard to the model's first stage, source selection, the case studies confirm assumptions about a complex diffusion pattern in the field of transnational sustainability governance. This pattern involves multiple sources as well as chain mode diffusion. Ideas about how to organise participatory governance are passed on from one adopter to the next, and often the founders of new arrangements combine design features from different source models with one another. The cases studies showed that network ties were an important factor, facilitating processes of institutional diffusion between prior and later adopters. In this regard, the findings confirm a widely held proposition in the diffusion literature that later adopters are most likely to imitate those whom they know and trust (Davis, 1991; Galaskiewicz & Wasserman, 1989; Haunschild, 1993). Identifying the primary target institutions was particularly important in the cases of the RSB and the RTRS, which were modelled after the FSC and RSPO, respectively. However, in a comparative perspective, no systematic correlation between the level of inclusiveness of the primary target institution and the diffusion outcome could be established.

Examining the transmission of ideas, this could partly be explained by the fact that learning, not imitation, was the primary diffusion mechanism in operation. In this regard, later adopters did not simply try to copy the design of prior adopters, but drew lessons from their experiences and adapted the model to the purpose at hand. In the cases of the RTRS and BSI/Bonsucro, this led institutional designers to develop a narrower and more instrumentalist approach to stakeholder inclusion. On the other hand, the founders of the RSB followed the highly participatory approach of the FSC, which they believed was of key importance to the organisational success of the forestry initiative. These findings show that lessons-drawing is an important intervening factor which can influence the diffusion outcome in one way or the other. However, as mentioned in Chapter 2, the outcomes of learning processes are inherently difficult to predict – although, they are not random phenomena as the concluding discussion in the following chapter will show (see Chapter 8, Section 8.2.1)

Moving on to the adoption stage of the model, the analysis of institutional bargaining during the formation period of the three MSIs produced little evidence to suggest that bargaining was an important mechanism of institutional choice in the cases studied. On the other hand, examining processes of institutional bargaining and the distribution of bargaining power in these situations was important in order to understand adoption patterns (i.e. stakeholders' decisions to join, to not join, or to leave a private governance arrangement). A notable finding was that differences in producer groups' GIAP explained the variation in adoption patterns across the three cases. Producers from the global south were in a strong bargaining position in the cases of the RSB and RTRS where shifting trade patterns and the availability of alternative, and from a business point of view more attractive, institutional options reduced the cost of leaving the two initiatives. On the other hand, it was shown how southern producers made a decision to join BSI/Bonsucro only after EU sustainability regulation around biofuels had weakened its bargaining position vis-à-vis the sugarcane initiative.

Finally, the nature and strength of institutional environmental pressures at the point of adoption were examined. With regard to coercive pressures (activity of transnational advocacy groups), a clear correlation could be established between their strength and the inclusiveness of the diffusion outcome. In this regard, it was found that adopters in high conflict environments (biofuels and soy) opted for a more inclusive approach, whereas in the low conflict environment of the sugarcane sector no comparable process of 'institutional fitting' could be observed. The within-case studies uncovered traces of the mechanism at work. In institutional environments characterised by strong coercive pressures, the founders of new MSIs felt under scrutiny and reasoned that a narrow approach would not be capable of gaining political authority – that is, legitimate decision-making power – in these arenas. They feared that not including important stakeholder groups would leave their institutions contested and delegitimised. Also, in one of the cases, adopting a more inclusive design was used as a strategy to shield the organisation, which had been targeted by transnational activist groups, from further criticism.

With regard to normative pressures, the case study chapters found evidence for a (limited) isomorphic effect exercised by emerging transnational norms on good private standard-setting practices. These norms are being developed by the ISEAL Alliance, a professional association of leading private sustainability initiatives. The ISEAL norms are believed to have a structuring effect on the field of transnational rule-making organisations (Dingwerth &

Pattberg, 2009; Loconto & Fouilleux, 2013). Providing some support for these assumptions, the case studies showed that the ISEAL code exercised pressures on the late adopters in the biofuels, soy, and sugarcane sectors to conform to these norms. On the other hand, it was found that ISEAL's isomorphic effect was limited to areas where stakeholder inclusion is relatively "cheap" (e.g. the use of consultation mechanisms); and that, despite these normative pressures, the RSB, the RTRS, and BSI/Bonsucro adopted institutional designs that differ significantly in their level of inclusiveness.

Chapter 8: Conclusions

8.1 Introduction

This dissertation examined the institutional diffusion and variation of private participatory governance in the global economy. Over the last two decades, MSIs have become a popular model for organising private rule-making activities at the transnational level. Today, multi-stakeholder schemes operate in many industry sectors, ranging from garment manufacturing and diamond mining to aquaculture production and soybean farming. Involving stakeholders from across these industries, they set standards for socially and environmentally sustainable production and often rely on market-based mechanisms for their implementation. Because of their participatory approach, MSIs have been examined as part of a 'deliberative turn' in global sustainability politics (Bäckstrand et al., 2010c; Cheyns, 2011; Dingwerth, 2007; L. Fransen & Kolk, 2007; Schaller, 2007; Schouten et al., 2012). However, calling into question the notion of legitimate transnational rule-making, there is evidence to suggest that the diffusion of MSIs in the global economy has not spread a universal model of private participatory governance. In this regard, this and other studies (e.g. L. Fransen & Kolk, 2007) have uncovered significant variation in the level of inclusiveness of real-world MSIs. Whereas some schemes involve a wide range of stakeholders in their governance and standard-setting activities, others have been found to be far less participatory. It is this variation in the institutional design of MSIs and notably their level of inclusiveness which this dissertation set out to explain.

It is the purpose of this final chapter to summarise and discuss the main findings of this study and to place them in the context of the literature on the deliberative turn in global sustainability politics. Furthermore, the dissertation's contributions to the study of diffusion and institutional design and the specialised literature on multi-stakeholder sustainability governance are briefly discussed.

8.2 Explaining Variation in Diffusion Outcomes

The starting point of this study was the observation that the diffusion of the MSI organisational model in the global economy has led to variation in a key dimension of institutional design, namely their level of inclusiveness. In order to explain this variation, Chapter 2 developed an analytical framework which distinguishes three stages in the diffusion process: source selection, transmission, and adoption. For the different stages, hypotheses were formulated about the factors that "intervene" in the diffusion process, leading to more or less inclusive institutional outcomes. This framework was put to work in three case study chapters (Chapters 4-6) examining the diffusion of private participatory governance in the agriculture sector – the most dynamic site of MSI diffusion in recent years. Chapter 7 then compared the findings across the three cases. See Table 34 for a summary of the empirical results.

Table 23: Explaining Variation in Diffusion Outcomes (Summary Table)[39]

Diffusion Stage	**Hypotheses**	**RSB**	**RTRS**	**BSI/Bonsucro**
Source Selection	**H1:** The diffusion outcome will be more (less) inclusive if the primary target institution exhibits a high (low) level of inclusiveness.	++	+	-
Transmission	**H2:** The diffusion outcome will be more (less) inclusive if adopters learn that inclusiveness was good (bad) for the success of prior adopters.	++	+	++
Adoption	**H3:** The diffusion outcome will be more (less) inclusive if corporate actors are in a weak (strong) bargaining position.	+	-	-
	H4: The diffusion outcome will be more (less) inclusive if coercive pressures at the point of adoption are strong (weak).	++	++	++

[39] Note: ++ = strong support; + = some support; - = no support.

As can be seen from the above table, the empirical analysis produced strong support for Hypothesis 2 and 4. In the following, these findings and their implications will be discussed in more detail. See Chapter 7 for a more detailed discussion of the other hypotheses.

8.2.1 Institutional Learning

The analytical framework developed in Chapter 2 identified the transmission of the diffusion practice as a distinctive stage in the diffusion process. This stage describes the travel of ideas from the target institution or source model to the point of adoption. Standard diffusion models in organisational theory work with imitation as the underlying transmission mechanism. In this regard, DiMaggio and Powell (1983: 152) assume that organisations model themselves after similar organisations in their field which they perceive to be more legitimate or successful. Whilst important, imitation is not the only diffusion mechanism of relevance in organisational fields. In this regard, Chapter 2 introduced learning as a second mode of adopter-driven diffusion. However, unlike imitation, learning implies a process of rational reflection on the part of the adopter. In learning mode, adopters consider the pros and cons of a design feature, and lessons are drawn from the experience of others. Against this background, it was hypothesised that the diffusion outcome will be more (less) inclusive if adopters learn that inclusiveness was good (bad) for the success of prior adopters.

In support of Hypothesis 2, the empirical analysis uncovered how later adopters did not simply imitate the institutional design of prior adopters, but drew lessons from their experiences. Furthermore, the comparative analysis revealed that the type of lessons drawn differed across the three cases studied, introducing institutional variation between them. In this regard, the founders of the RSB learned from the FSC that its high level of inclusiveness was important for its robustness and credibility. In their perception, these attributes had made the FSC a successful private standards institution. On the other hand, the people behind BSI/Bonsucro reasoned that the open and experimentalist approach of previous roundtable initiatives had limited their effectiveness, and they therefore opted for a narrower and more instrumentalist approach to stakeholder inclusion. Learning could also be observed in the case of the RTRS. However, the decision of its founders to adopt a less inclusive design was only indirectly related to the experiences made by prior adopters. In this case, modifications to the source model (FSC) were made because people in the WWF learned about differences

between the palm oil, soy, and forestry sectors which they believed required a different approach to stakeholder inclusion.

The empirical examination of Hypothesis 2 focused on uncovering learning processes and their outcomes, which were then compared across the three cases. However, for a more complete explanation it would be interesting to know why learning outcomes diverged in the first place. In other words, what makes later adopters differ in the lessons they draw from the experiences of prior adopters – why are they not the same? In order to shed some light on the issue, this section draws inductively on the case study chapters in order to derive some insights about the factors that have influenced learning processes and their outcomes in the three initiatives studied. This may inform future research on the role of learning in the context of institutional diffusion processes. In the following, three factors are briefly discussed: the nature of adopters' experiences, the role of 'carriers', and the situation and context in which the learning process takes place.

With regard to the first point, adopters do not necessarily draw their lessons from the same experience base. For example, through their network ties the founders of the RSB had very detailed information about the internal workings of the FSC, whereas the initiators of the RTRS possessed a lot of institutional knowledge about the RSPO. In the case of BSI/Bonsucro, information about prior adopters was made available to its founders through WWF US, which had worked with several MSIs before. However, the experiences encountered at different times and places are not necessarily the same, and therefore the lessons that adopters draw from them may vary. Secondly the experiences of prior adopters are always conveyed by someone, in form of stories (oral or written). The translation literature assumes that these "someones", or so-called 'carriers', are not neutral conduits of ideas (Czarniawska & Joerges, 1996; Meyer, 1996; Sahlin-Andersson & Engwall, 2002). When they report about events that have happened elsewhere, they do not simply state facts but interpret, dramatise, theorise, and re- and decontextualise these events. Thus, what flows are not objective descriptions of reality but subjective interpretations, dramatised stories, and theoretical models. In this regard, carriers are believed to modify and co-construct the ideas transmitted by them. In the cases studied, the influence of such carriers could be most clearly observed in the example of BSI/Bonsucro. Here, the WWF US supplied the founders of the sugarcane initiative with information about its previous experiences with multi-stakeholder governance. However, instead of providing a value-free description of different institutional

options, it promoted its "theory of change", which advanced a very narrow and instrumentalist notion of stakeholder inclusion. This finding resonates with Auld *et al.*'s (2007) discussion of the WWF being an important organisational carrier of the MSI institutional model. Thirdly, the situation and context in which the learning process takes place appears to have an influence on its outcome. In this regard, the case study on the RTRS showed how differences between the soy, palm oil, and forestry sectors influenced the lessons its initiators drew from the experience of prior adopters. They came to believe that the "hidden" commodity soy required a different (less inclusive) approach from that of the FSC, which operates in the more visible forestry products field.

Overall, the findings of this study show that analysing processes of learning is of key importance to understanding the institutional diffusion and variation of private participatory governance. Typically, the founders of new MSIs do not simply emulate the institutional designs of prior adopters, but draw lessons from their experiences. However, the type of lessons drawn can vary. In the cases studied, the nature of adopters' experiences, the influence of carriers, as well as contextual factors, influenced the learning outcome, putting the RSB, the RTRS, and BSI/Bonsucro on different institutional trajectories.

8.2.2 Institutional Pressures

Examining the adoption of the MSI institutional model in the biofuels, soy, and sugarcane sectors the case studies furthermore produced strong support for Hypothesis 4. This hypothesis maintains that the inclusiveness of the diffusion outcome depends on the strength of coercive institutional pressures at the point of adoption. In the literature on the new institutionalism, environmental pressures (normative, coercive, and mimetic pressures) are typically discussed as causes of institutional isomorphism (DiMaggio & Powell, 1983). Organisations within an organisational field are believed to be subject to the same environmental pressures, which make them become similar over time. Whilst environmental pressures can be powerful forces behind processes of institutional isomorphism, Chapter 2 elaborated on how their strength is not necessarily the same in all places and at all times. With a focus on transnational activist campaigns, it was argued that strong coercive pressures will lead to a more inclusive diffusion outcome.

In support of Hypothesis 4, the case study chapters showed how transnational advocacy groups were very active in the biofuels and soy arenas and how they put pressure on firms, policy-makers, and the founders of the RSB and the RTRS. In the case of the RSB, it was the global food crisis of 2007/2008 which sparked much debate about biofuels. In the soy arena, it was the industry's heavy reliance on GM technology which led environmental groups to mobilise against key firms in the soy supply chain. When a decision was made to certify GM soy as "responsible", the RTRS also became the target of an internationally coordinated NGO campaign. In contrast, the case study on BSI/Bonsucro revealed that coercive pressures were comparatively weak in the sugarcane sector. During the scheme's formation period there was little NGO activism in this arena. The empirical analysis suggests two main reasons for this: firstly, sugarcane expansion had been relatively modest when compared to other crops; secondly GMOs – which had sparked much controversy in the soy arena – played only a small role. Furthermore, launched in the first instance as a food crop initiative, the early BSI was not associated with the controversial topics of the biofuels discussion. In a comparative perspective, and consistent with Hypothesis 4, the case study chapters showed that adopters in high conflict environments (biofuels and soy) opted for a more inclusive approach, whereas in the low conflict environment of the sugarcane sector no comparable process of 'institutional fitting' could be observed.

The within-case study approach taken by this study allowed further insights into the mechanisms at work. Through the interviews and primary documents it could be established how adopters in the biofuels, soy, and sugarcane sectors perceived and responded to the institutional environments in which they were operating. In this regard, the biofuels and soy cases show how the founders of the RSB and RTRS felt under scrutiny and how they feared that not including important stakeholder groups would leave their institutions contested and delegitimised. They believed that a narrow approach would not be able to gain political authority – that is legitimate decision-making power – in these arenas. In their perception, this would have meant institutional failure for a regulatory institution created to define and implement a sustainability standard for the entire industry sector and its various stakeholder groups. In this regard, adopting a more inclusive approach can be understood as an organisational strategy aimed at increasing the political authority of private standards institutions operating in highly contested environments. In the case of the RTRS, it was also a strategy to fend off immediate coercive pressures. Unlike the RSB, the scheme became the target of direct NGO activism. In order to shield their organisation from further criticism, its

founders opted for a more inclusive design. In contrast to adopters in the biofuels and soy arenas, the founders of BSI/Bonsucro felt no need to modify their project in response to coercive pressures at the point of adoption.

In sum, the examination of the adoption stage revealed that environmental institutional pressures can vary across industry sectors. Where coercive pressures are strong, we can expect the diffusion outcome to be more inclusive. On the other hand, weak coercive institutional pressures have been found to give rise to less participatory private governance institutions.

8.3 (Legitimate) Transnational Rule-Making Revisited

This study on the institutional diffusion and variation of private participatory governance has been conducted against the background of the debate on the 'deliberative turn' in global sustainability politics. A central question in this debate is whether new modes of governance can increase the participatory quality and thus legitimacy of global governance institutions (Bäckstrand et al., 2010c; Beisheim & Dingwerth, 2008; Bexel & Mörth, 2010; Dingwerth, 2007; Risse, 2004). Contributing to this line of research, this dissertation set out to explain the varying levels of inclusiveness of private multi-stakeholder arrangements.

The deliberative ideal as found in democratic theory, stipulates that all those affected by a rule should be given the opportunity to participate in the rule-making process (Bohman & Regh, 1997; Dryzek, 2000; Elster, 1998). For deliberative democrats, inclusiveness is one of the core procedural requirements without which meaningful deliberation, and therefore legitimacy, is not possible (Lövbrand & Khan, 2010; Smith, 2003). MSIs try to approximate this ideal through the multi-stakeholder structure of their decision-making and standard-setting arrangements and other procedural mechanisms such as public consultation periods and stakeholder outreach meetings. However, not surprisingly, real-world MSIs have been found to fall far short of the deliberative ideal. For example, in their study of the deliberative capacity of two agricultural commodity roundtables, Schouten *et al.* (2012) find that they include only a limited variety of pragmatic and technical discourses, whilst excluding local knowledge and ideological or emotional styles of communication. A similar criticism has been made by Cheyns (2011) who finds that small-scale farmers and communities from the global south are often excluded from these arrangements. Others, however, find that MSIs

can be meaningful sites of deliberation. For instance, in his study of three major environmental MSIs, Dingwerth (2007: 9) argues that they "include numerous innovative elements aimed at ensuring broad participation of affected communities; and they frequently base their decisions on sincere and meaningful deliberation among participants". In a similar vein, Schaller (2007) describes the Ethical Trading Initiative, an MSI in the apparel sector, as a private governance arrangement with a "relatively high degree democratic legitimacy".

These divergent outcomes are not surprising given the intangible – there are no clear-cut criteria for measuring a concept like democratic legitimacy – and political nature of the subject under investigation. Regarding the latter, there are many scholars who oppose private governance arrangements on ideological grounds, arguing that they privatise practices which should be inherently public (Bartley, 2005; Lipschutz & Rowe, 2005; Nölke & Graz, 2008). Also, as noted by Bäckstrand *et al*. (2010a: 229-231), the assessment of the deliberative quality of new modes of governance will depend on the point of reference. If this reference or vantage point is the deliberative ideal, then real-world MSIs are unlikely to do very well – from a practical perspective, it is nearly impossible to involve all those affected by a rule in the rule-making process. On the other hand, when compared to other arrangements, MSIs might well constitute an improvement over the institutional status quo.

However, this does not mean that criticisms about the dominance of established stakeholder groups, a focus on selective topics and discourses, and power asymmetries between participants, can be easily dismissed. In fact, the cases studied in this dissertation confirm many of the shortcomings discussed in the literature. For example, the inventory of the central decision-making bodies of 16 environmental MSIs conducted in Chapter 1 revealed that civil society actors from the global south are not very well represented in these arrangements. At the same time, the inventory, together with other studies (L. Fransen & Kolk, 2007), has shown that some MSIs seem to do better than others when it comes to involving key stakeholder groups in their governance and standard-setting activities. However, as of yet, varying levels of inclusiveness remain largely underresearched. We know that they exist, but we do not know why and when they occur.

Against this background, this study makes an important explanatory contribution to the literature on the deliberative turn in global sustainability politics. It describes the diffusion of private participatory governance in the global economy and maps the variation in the level of

inclusiveness across a large sample of environmental MSIs. Examining the diffusion of the MSI institutional model in the biofuels, soy, and sugarcane sectors, the study showed how processes of learning and the nature and strength of institutional environmental pressures have influenced the way in which it has been transmitted and adopted.

Considering the aspect of institutional learning in more depth, the findings of this dissertation show that the model of private participatory governance is far from set in stone. While ideas about multi-stakeholder governance diffuse, late adopters learn from the experiences of prior adopters. Based on these experiences and the lessons they draw from them, they reinterpret, innovate, and de- and recontextualise the model. However, learning is not a uniform process and, depending on the available experience base, the influence of carriers, as well as contextual factors, its outcomes can vary. Furthermore, it became clear that private participatory governance does not exist and diffuse in an institutional vacuum. There are normative and coercive institutional pressures which influence the way in which the model is received and implemented. While these pressures can be a source of institutional isomorphism, they are not necessarily the same at all times and all places. In the cases studied, differences in the strength of coercive environmental pressures caused variation in diffusion outcomes. In this regard, in environments characterised by strong coercive pressures, adopting a more inclusive approach served institutional designers as a strategy to gain political authority and to protect their organisations from contestation. On the other hand, the low conflict environment of the sugarcane sector allowed the founder of BSI/Bonsucro to go through with their narrower and more instrumentalist approach to stakeholder inclusion.

8.4 Diffusion and Institutional Design

Besides making a contribution to the literature on the deliberative turn in global sustainability politics, this study improves our understanding of the relationship between diffusion and institutional design. The main focus of the institutional design literature is to explain why international institutions are designed in the way they are (Finke, 2013; Koremenos, Lipson, & Snidal, 2001; Koremenos & Snidal, 2003; Marcoux, 2009; Thompson, 2010). Grounded in game theory, the original rational design framework conceptualises institutions as components of equilibria. They are created by states and other international actors to help them achieve and maintain equilibrium outcomes (mutual beneficial cooperation). Institutions

do this by, for example, reducing information asymmetries and by supplying rules as well as monitoring and enforcement mechanisms. The main argument of the rational design literature is that different cooperation problems require different solutions and this is why states and other international actors design institutions in different ways (Koremenos et al., 2001).

Much of the institutional design literature treats institution building processes as independent events: each institution and its design are looked at and explained separately from those of others. For example, Koremenos *et al*. (2001: 773-796) hypothesise that the magnitude of distribution and enforcement problems or the level of uncertainty influences actors' institutional design choices. Only recently have scholars of IR began to explore the relationship between diffusion and institutional design, and how institutional design choices made in one place can affect the institutional design choices made in others (Alter, 2012; Jetschke & Murray, 2011; Ovodenko & Keohane, 2012; Sommerer & Tallberg, 2014). These studies show that institutional diffusion is a pervasive phenomenon in international and transnational relations. When new institutions are created or existing ones are reformed, emulating others or drawing lessons from their experiences often plays an important role. For the study of international institutions, this means that in these cases institutional design choices have to be understood as interdependent rather than independent events. Furthermore, this literature suggests that while institutions diffuse, they often vary in form and content. For example, Adler describes how the European model of embedded international courts diffused around the world. Examining the diffusion outcomes, he finds that several of the adopted versions diverged significantly from the institutional design of the source model. In a similar vein, Jetschke and Murray find that the Association of Southeast Asian Nations has not copied, but instead selectively imitated, the EU institutional model.

The question of why institutions vary as they diffuse is an important one. A better understanding of these processes can teach us a great deal about why international institutions are designed in a certain way, and why they change in the way that they do. However, as of yet, explanations of variation in the diffusion process remain largely context-specific and a more general and systematic treatment of the topic is still missing (Klingler-Vidra & Schleifer, 2014). In order to fill this gap, this dissertation makes an important theoretical contribution to the literature on international institutions. It unpacks diffusion "theory" and develops an analytical framework that distinguishes three stages in the diffusion process: source selection, transmission, and adoption. For each of these stages, hypotheses are

formulated about the cause-and-effect relationships that make diffusion outcomes vary. In this way, the dissertation offers a framework for studying processes of institutional diffusion, which is applicable beyond its specific empirical context.

8.5 Multi-Stakeholder Sustainability Governance

Finally, the study makes a contribution to the specialised literature on multi-stakeholder sustainability governance (Auld, 2009; Bartley, 2007b; Bloomfield, 2012; Cashore et al., 2004; Gulbrandsen, 2010; Pattberg, 2005). In Chapter 2, a detailed review of the literature on the evolution of multi-stakeholder institutions was provided. It was shown that much of the existing literature focuses on processes surrounding the initial emergence of MSIs in the forestry and apparel industries (Bartley, 2003, 2007b; Bernstein & Cashore, 2007; Haufler, 2003; McNichol, 2006; Pattberg, 2005; Zietsma & McKnight, 2009). More recently, scholars have turned their attention to the question of institutional isomorphism or convergence between existing organisations (Dingwerth & Pattberg, 2009; L. W. Fransen, 2011, 2012b; Kaan, 2008; Loconto & Fouilleux, 2013; Overdevest, 2010; Zietsma & McKnight, 2009). On the other hand, the actual diffusion of the MSI institutional model has received considerably less attention. The works that do exist describe the emergence of institutional variation during the diffusion process (Auld et al., 2007; Gulbrandsen, 2010: 112-133). However, a more comprehensive treatment of the topic is still missing.

In order to address this gap, this study advances our understanding of institutional diffusion in this area, both theoretically and empirically. With regard to theory, and as discussed in detail above, this dissertation developed an analytical framework and methodological approach to trace the process of diffusion and to explain variation in institutional outcomes. This framework was put to work in three case study chapters examining the diffusion of the MSI institutional model in the agriculture sector. The in-depth analysis of the RSB, the RTRS, and BSI/Bonsucro confirmed the importance of diffusion for their institutional development. In this regard, their founders turned toward already-established MSIs in other fields, both in order to avoid making mistakes and to save time and costs. Through an examination of their sources, the transmission process, and the adoption of the diffusion practice, it was found how lessons drawing and the nature and strength of institutional pressures influenced the institutional outcome in the cases studied (see discussion in Section

8.2). Also, by studying the RSB, the RTRS, and BSI/Bonsucro, the dissertation makes an important empirical contribution. Much of the MSI literature focuses on schemes in the forestry, apparel, and fishery sectors. In particular, as the oldest and best-established system, the FSC has received much scholarly attention (Bloomfield, 2012; Cashore et al., 2004; Gulbrandsen, 2010; Marx & Cuypers, 2010; McNichol, 2006; Meidinger, 2006). On the other hand, the cases covered in this dissertation are still largely underresearched.

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Appendices

Appendix 1: List of interviews

Organisation	Country	Date
United Nations Conference on Trade and Development	International	31.10.2011
Cosmo Biofuels	Malaysia	20.12.2011
Friends of the Earth Europe	Belgium	05.12.2011
National Wildlife Federation	USA	14.11.2011
Amazon Environmental Research Institute	Brazil	02.07.2013
World Wide Fund for Nature International	International	21.10.2011
Roundtable on Sustainable Biofuels	International	18.11.2011
Solidaridad	Argentina	23.05.2012
International Finance Corporation	International	17.05.2012
Grupo Los Grobo	Brazil	17.07.2013
École Polytechnique Fédérale de Lausanne	Switzerland	07.12.2011
BP	UK	30.05.2012
Ethical Sugar	France	02.07.2012
La Isla Foundation	Nicaragua	19.06.2013
Swiss Energy Ministry	Switzerland	01.11.2011
Ec-Terra Sarl	Switzerland	01.06.2012
Roundtable on Sustainable Biofuels	International	18.11.2011
United Nations Foundation	International	02.12.2011
Trace Consult	Switzerland	23.06.2013
ISEAL Alliance	International	27.06.2013
Coca-Cola	USA	20.06.2012
Cargill	USA	13.06.2012
Forest Stewardship Council	International	23.11.2011
International Union of Food	International	04.07.2013
International Union for Conservation of Nature	Switzerland	29.11.2011
World Wide Fund for Nature International	International	28.11.2011
Action for Social Advancement	India	09.06.2013
Tate & Lyle	UK	07.06.2012
Nutreco	Netherlands	25.06.2013
World Wide Fund for Nature USA	USA	17.05.2012
Roundtable on Sustainable Biofuels	International	01.11.2011
World Wide Fund for Nature UK	UK	23.05.2012
École Polytechnique Fédérale de Lausanne	International	18.11.2011
Australian sugarcane grower	Australia	24.05.2012
Audobon Sugar Institute	USA	24.05.2012
BP	UK	07.12.2011
Ethical Sugar	France	15.05.2012
World Wide Fund for Nature Switzerland	Switzerland	27.05.2013
GM Watch	UK	02.07.2013
Proforest	UK	29.05.2013
International Air and Transport Association	Switzerland	02.12.2011
World Wide Fund for Nature Switzerland	Switzerland	24.05.2013

South African sugarcane grower	South Africa	15.06.2013
Biojet Corp	Argentina	09.11.2011
Amigos da Terra	Brazil	16.12.2011
Sugarcane Research Services	South Africa	12.06.2013
Unilever	Netherlands	03.06.2013
Banco Real	Brazil	29.05.2013
BSI/Bonsucro	International	29.05.2012
World Wide Fund for Nature International	International	28.06.2013
Roundtable on Responsible Soy	International	18.06.2013

Appendix 2: Consent Form for Interviews

Purpose of the study

This study examines the emergence of multi-stakeholder initiatives as a new mode of global sustainability governance. The primary research objective is

"to investigate the formation of multi-stakeholder initiatives and to explain similarities as well as differences between them"

For the analysis, interviews are conducted with the different stakeholder groups involved in multi-stakeholder sustainability governance (civil society, corporate actors, and state actors). The information in this study will be used to draw conclusions about the formation and design of multi-stakeholder governance in the agriculture sector.

The process

Your participation in the study will involve an interview of approximately one hour's duration, and a short questionnaire of 10 questions. This interview will be audio taped, unless otherwise requested by the participant.

Subject's Understanding

- I give my consent to participate in this study and I understand that the study will be submitted in partial fulfilment of the requirements for the degree of Doctor of Philosophy at the London School of Economics and Political Science.
- I understand that my participation is voluntary.
- I understand that if I so request I will not be identified by name in the final product.
- I am aware that all records will be kept confidential in the secure possession of the researcher.
- I acknowledge that the contact information of the researcher have been made available to me along with a duplicate copy of this consent form.
- I understand that I may withdraw from the study at any time with no adverse repercussions.

By signing below you agree that you have read and understood the above information, and would be interested in participating in this study.

Subject's Full Name: _____

Subject's Signature: _____ Date Signed: _____

Appendix 3: Guide for Semi-Structured Interviews

A Background

A1. Professional background of the interviewee.

A2. Experience with sustainable agriculture/multi-stakeholder sustainability governance.

A3. Questions about the interviewee's involvement in the MSI under investigation.

B Organisational Development and Design

B1. Background information about the MSI under investigation.

B2. Questions about the development/history of the MSI under investigation.

B3. Questions about the organisational structure of the MSI under investigation.

C Diffusion

C1. Questions about key actors in the design process and their experience with multi-stakeholder governance.

C2. Questions about the extent and quality of information exchanges with other MSIs.

C3. Questions about imitation and lessons drawing.

C4. Questions about conflicts between stakeholder groups.

C5. Questions about the institutional environment and how it affected the process of institutional formation.