

# **Missing the Bigger Picture: A Population-Level Analysis of Transnational Private Governance Organizations Active in the Global South**

Dr. Philip Schleifer (corresponding author)

Assistant Professor, Department of Political Science

University of Amsterdam

Nieuwe Achtergracht 166

1018 WV Amsterdam, Netherlands

Email: [p.schleifer@uva.nl](mailto:p.schleifer@uva.nl)

Dr. Matteo Fiorini

Post-doctoral Fellow, Robert Schuman Centre for Advanced Studies

European University Institute

Villa Schifanoia, Via Boccaccio 121

50133 Firenze, Italy

Email: [matteo.fiorini@eui.eu](mailto:matteo.fiorini@eui.eu)

Dr. Luc Fransen

Associate Professor, Department of Political Science

University of Amsterdam

Nieuwe Achtergracht 166

1018 WV Amsterdam, Netherlands

Email: [l.w.fransen@uva.nl](mailto:l.w.fransen@uva.nl)

## **Abstract**

This article conducts a population-level analysis of transnational private governance organizations (TPGOs) that develop standards for sustainable commodity production in the Global South. Our point of departure is the observation that despite the rapid growth in the number of TPGOs active in developing countries the extant scholarship remains focused on a small group of well-studied programs. To address this imbalance, this article brings much needed empirical breadth to current debates on the proliferation, inclusivity, and distributional consequences of transnational sustainability governance. Analyzing 47 TPGOs and their operations in 12 export-oriented commodity sectors and the 10 largest developing country producers of these commodities, our explorations reveal a worrying “bigger picture”. The unequal geographic and sectoral distribution of transnational private governance, the lack of inclusion of producers in its central decision-making bodies, and the prevalence of problematic cost sharing arrangements limit the potential of this mode of governance to contribute to sustainable commodity production.

**Keywords:** Transnational private governance; voluntary sustainability standards; Global South; commodity production; diffusion; institutional design

## **1. Introduction**

Commodity production in the Global South is governed by a multitude of domestic, international, and transnational institutions. Operating in the context of global value chains, transnational private governance organizations (TPGOs) are an important element of this regime complex. Prominent examples are the Forest Stewardship Council (FSC), the Marine Stewardship Council (MSC), and Roundtable on Sustainable Palm Oil (RSPO). As a form of non-state market-driven governance, many of these organizations seek to govern the social and environmental externalities of commodity production in developing countries (Cashore, Auld, & Newsom, 2004; Espach, 2009). And while recent years have seen the creation of a multitude of “Southern standards” (see Sun & van der Ven, this special issue; Schouten & Bitzer, 2015),

the vast majority of sustainability standards continue to originate in the Global North (Fiorini et al., 2016: 5).

Taking the rapid expansion of this organizational form as a starting point (Schleifer, Fiorini, & Auld, 2019; van der Ven, 2015), we set out to explore the population of TPGOs active in developing countries. We note that the extant scholarship on transnational private governance in the Global South is dominated by studies of single or small numbers of cases, many of them focused on the organizational-level (e.g. Renckens & Auld, this special issue; Bennett, 2016; Dingwerth, 2008; Pattberg, 2006; Ponte & Cheyns, 2013; Schleifer, 2016b). There are also scholars that study governance architectures, as they trace the emergence of transnational regime complexes for sustainable commodity production and climate change (e.g. Kenneth W Abbott, 2012; Overdevest & Zeitlin, 2014; Pacheco, Schoneveld, Dermawan, Komarudin, & Djama, 2018). However, there a few studies that examine the “middle ground” – i.e. the population-level.<sup>1</sup> As of yet, we have little systematic knowledge about the number of programs, their diffusion across developing countries and commodity sectors, as well as the distribution of key institutional design features in this population of organizations. However, such knowledge is indispensable in order to gauge the potential and limits of this mode of governance to achieve its policy objectives.

Grounded in an organizational populations approach to global governance (Kenneth W. Abbott, Green, & Keohane, 2016), we make two main contributions to empirical research on transnational private governance in the Global South. First, we use a new dataset to identify the population of TPGOs active in developing countries that form a “recognizable class” of organizations. In total, we identify 47 organizations applicable to 12 export-oriented commodities and their 10 largest developing country producers, and we explore their

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<sup>1</sup> See Bennett (2017) for a notable exception, as well as some network-oriented studies of TPGOs (e.g. Fransen et al, 2018)

proliferation in the resulting 120 country-commodity-markets (e.g. soy in Brazil, tea in India). Second, by describing the distribution of key institutional design features in this population of organizations, we provide new insights to current debates on the inclusivity and distributional consequences of transnational private governance. Taken together, our findings indicate that the potential of TPGOs to contribute to sustainable commodity production in the Global South is undermined by extreme gaps and overlaps in their distribution across countries and sectors, the lack of inclusion of producer groups in central governance bodies, and the prevalence of problematic cost sharing practices and insufficient support mechanisms.

The remainder of this article is organized in four sections. Section 2 introduces our approach and conducts a review of three salient research themes on transnational private governance in the developing world. Section 3 explains our collection and use of data. In section 4, we conduct the analysis and present our empirical results. A final section concludes.

## **2. Proliferation, Inclusivity, and Distributional Consequences: A Population-Level Analysis of TPGOs active in Developing Countries**

The institutions of global governance have changed dramatically in recent years. One important trend is the rapid expansion of private governance organizations. At the end of the 20<sup>th</sup> century, large-scale transformations, normative change, and the increased capabilities of non-state actors opened up space for private governance to play a more salient role in global politics (Cutler, Haufler, & Porter, 1999; Hale & Held, 2011; Rosenau, 1992). While the growth of formal international organizations has stagnated, the number of TPGOs has increased exponentially. In particular, this is true for the field of sustainability governance, which has seen a “Cambrian explosion” of new modes of governance (Kenneth W Abbott, 2012). With a focus on sustainable forestry management, one important first-mover program was the FSC (Cashore et al., 2004). Created in 1993 by a coalition of NGOs and business actors, the FSC

sets standards for transnational production, operates a verification system, and features a quasi-judicial conflict resolution mechanism. Since then, a great number of sustainability TPGOs have been created in a wide range of industry sectors. Many of these organizations focus on commodity production in the developing world, and scholars have set out to study the role of Southern stakeholders as objects and subjects of these arrangements (Dingwerth, 2008).

Looking at the extant literature on TPGOs in the Global South, we note that qualitative case studies dominate. On the one hand, there are many studies of individual organizations and small-N comparisons, mainly focused on highly visibly TPGOs such as the FSC, the RSPO, and the MSC (e.g. Renckens & Auld, this special issue; Bennett, 2016; Dingwerth, 2008; Pattberg, 2006; Ponte & Cheyns, 2013; Schleifer, 2016b). On the other hand, scholars have studied the emergence and design of transnational regime complexes in areas such as forestry governance, palm oil production, and climate change (e.g. Kenneth W Abbott, 2012; Overdevest & Zeitlin, 2014; Pacheco et al., 2018).

While organizational-level studies and architectural approaches have produced important insights into the theory and practice of transnational sustainability governance, few studies have focused on the organizational population as the unit of analysis.<sup>2</sup> This limits our ability to comprehensively assess the potential and limits of this mode of governance. For example, a population-level analysis allows us to trace the diffusion of TPGOs in time and space and, in this way, to identify gaps and overlaps in coverage. In addition, it makes it possible to describe the distribution of key design features (e.g. participatory elements, cost sharing arrangements) across organizations, which allows us to contextualize the findings from the qualitative case study literature. The FSC might be a highly participatory organization (Dingwerth, 2007), but is this true for all, many, or only a small minority of TPGOs?

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<sup>2</sup> See Bennett (2017) for a notable exception.

In a recent article, Abbott et al. (2016) proposed an organizational ecology perspective to study of global governance. Organizational ecologists define populations as groups of organizations that “share common features such as goals, technologies, and forms of authority” and form a “recognizable class”, such as trade unions, hospitals, or fast-food restaurants (Kenneth W. Abbott et al., 2016: 257). In their study, Abbott et al. (2016) used the approach to explain the divergent growth rates between intergovernmental and private governance organizations in the field of climate policy. We share their focus on the population as the unit of analysis. However, unlike organizational ecologists, we are not interested in explaining the growth and decline of TPGOs (Hannan & Freeman, 1989). Instead, our objective is descriptive inference. We use a new data set to describe the population of TPGOs active in developing countries – its diffusion in time and space and the distribution of salient design characteristics. To illustrate the added analytical value of a population-level perspective, we ground our explorations in a review of the extant research literature. Through a selective review, we identify three salient research themes and show how the approach can contribute to answering unresolved questions in these research areas.

## 2.1 Proliferation

There is ongoing debate about the proliferation of TPGOs and its consequences for transnational sustainability governance in general (Fiorini, Schleifer, & Taimasova, 2017; Fransen & Conzelmann, 2015; Marx, 2014; Overdevest, 2010; Thorstensen, Weissinger, & Sun, 2015). Here we focus on the implications of TPGO proliferation for developing economies. We identify a descriptive research gap as well as a salient link between TPGO proliferation and the distribution of costs among economic actors in the value chain.

Much of the debate on TPGO proliferation has centered on the consequences for governance effectiveness, and many scholars believe that growth in the number of

sustainability standards and the resulting fragmentation of the transnational regulatory space undermines governance effectiveness. There are two reasons to assume this is the case (see Fransen & Conzelmann, 2015). First, the proliferation of TPGOs focused on similar economic activities implies overlapping and incongruent standard-setting and standard implementation activities. The confusion that ensues among producers subject to these overlapping and incongruent rules and activities may diminish the effectiveness of standard implementation.

Second, the proliferation of standards could mean that TPGOs compete for business endorsement, from the side of buying firms (such as global retailers) or from the side of producers (such as farmers or manufacturing suppliers). This competition could result in a race-to-the-bottom dynamic where standard-setters dumb down their criteria in order to attract businesses looking for the easiest and cheapest program (Bernstein & Cashore, 2007). Competition among private governors may also confuse and demotivate end buyers, including consumers looking for product labels, up to the point that they doubt the value of sustainability standard-setting altogether. However, proliferation of standards does not necessarily have to lead to competition, overlap and incongruence. After all, various TPGOs can focus on a similar sector, but on different segments of a supply chain, different categories of producers, different production regions and different sustainability issues (Fransen & Conzelmann, 2015).

In this regard, the debate about the actual consequences of proliferation is not fully settled. Some authors even imply that proliferation could have beneficial consequences for governance effectiveness (Glasbergen, 2011; Overdevest, 2010; Overdevest & Zeitlin, 2014). Competition may lead to race-to-the-top dynamics and regulatory innovation through experimentation. Overlap among programs, although possibly burdensome for those subject to standardization, may in some cases enhance the effectiveness of standards in terms of raising compliance levels of producers or increase producer resilience and income (Dietz, Grabs, &

Chong, 2019). However, high levels of fragmentation are generally regarded as problematic by global governance scholars (Biermann, Pattberg, van Asselt, & Zelli, 2009).

More salient from the perspective of producers is that the proliferation of private governance regimes is seen critical among development practitioners and trade experts (Dankers, 2003; FAO, 2014; Loconto & Dankers, 2014; Thorstensen et al., 2015). The argument running through these works is that the rapidly growing number of standards poses challenges to producers, especially for the market integration of smallholders and small and medium sized enterprises. Proliferating programs would lead to higher transaction costs for developing country producers, for example, by increasing search and information costs. In addition, high transactions costs can arise as producers are required to obtain certifications from multiple programs, if they want to sell their produce to different buyers or markets.

Given the centrality of proliferation to current debates on both the effectiveness and developmental impact of transnational private governance, it is surprising that the phenomenon itself remains poorly understood. The notion that TPGOs proliferate is often taken as a given (Loconto & Dankers, 2014; Thorstensen et al., 2015). But of course the number of TPGOs can vary greatly from sector to sector and commodity to commodity and thus the degree of fragmentation in a governance arena. Moreover, as far as we are aware, most studies identify proliferation globally, describing multiplicity of programs working across various regions. It is however not necessarily the case that each transnationally oriented program is active in each country exporting a particular commodity. A local, country-oriented perspective of TPGO population is therefore needed to more accurately describe the degree of proliferation in the way that producers may experience it, and may be affected by it. It is against this background, that we propose a population-level analysis that unpacks proliferation and its possible distributive consequences at country level. This adds much needed empirical detail to the

current discussion about proliferating standards, and will ostensibly refine our understanding of its possible effects.

## 2.2. Inclusivity

Next to proliferation, the design of private institutions is an important field of research. Especially, the inclusiveness of central decision-making bodies has been studied intensely (Cheyns, 2014; Dingwerth, 2008; Fransen & Kolk, 2007; Schleifer, 2019; Schouten, Glasbergen, & Leroy, 2012). While most scholars agree on the normative desirability of inclusive private governance, research points to critical trade-offs and a lack of participation – especially, from producer groups in the developing world. The population-level analysis contributes to this literature by describing how this and other key institutional design features are distributed in the population of TPGOs.

Broad participation from Southern actors in transnational governance is considered desirable for a wide range of reasons (see Bennett, 2017: 55). First, from a normative perspective, it is essential for the democratic legitimacy, deliberative capacity, and procedural fairness of these arrangements (Dingwerth, 2007; Schouten et al., 2012). Second, it is believed to increase a regulatory institution's sensitivity and responsiveness to local dynamics, thus increasing its ability to generate support from core audiences in the developing world (Wong, 2012). Third, including small-scale farmers, fishers, and artisanal miners can empower these otherwise often marginalized actors.

At the same time, involving a wide range of stakeholders in decision-making and standard-setting creates trade-offs. While inclusiveness of participation may bring legitimacy and support, interest representation often competes with other strategic objectives, such as the speed of decision-making (Auld & Gulbrandsen, 2010). Related to this, research has shown how highly inclusive private governance processes are more fragile and prone to conflict than

less inclusiveness ones (Boström & Hallström, 2013; Schleifer, 2016a). Finally, scholars point to an inverse relationship between inclusiveness and the degree of control individual actors or groups of actors are able to exercise over the regulatory process (Gulbrandsen, 2008a). Given these trade-offs, it is not surprising that there is significant variation in this key dimension of institutional design (Fransen & Kolk, 2007; Marx, 2013; Schleifer, 2019).

When it comes to the role of Southern actors in transnational private governance, the existing research literature points to a lack of participation. In his pioneering analysis of three major multi-stakeholder initiatives – the FSC, the Global Reporting Initiative, and the World Commission on Dams – Dingwerth (2008) found that the representation of Southern stakeholders is low, particularly in knowledge-centered elements of these organizations. While Dingwerth conducted his analysis over a decade ago, more recent studies confirm problems with participation in private governance, especially when it comes to the inclusion of producer groups from the Global South. As revealed by Bennett (2016), exclusion from central governance bodies even occurred in the “most-likely case” of Fairtrade International – an organization whose mission it is to empower developing country producers.

Going beyond the analysis of institutional design, scholars are also beginning to uncover the many hidden imbalances and obstacles that limit effective participation of Southern stakeholders in transnational private governance. In this regard, investigating the auditing process in the MSC, Renckens and Auld (this special issue) show that there exists an overwhelming North-South imbalance in terms of both the audit companies and the individual assessors engaged with the program. In addition to structural differences in endowment and access that constrain Southern participation, scholars have shown how the existence of informal hierarchies and a lack of expert knowledge and managerial capacity create further barriers to inclusion. As a result of these more hidden obstacles, minority voices, even if formally

involved, would often remain marginalized in these arrangements (Cheyns, 2014; Ponte & Cheyns, 2013; Schouten et al., 2012).

Taken together, these studies point to a wide range of problems when it comes to the inclusion of Southern stakeholders, especially producer groups, in transnational private governance. However, with few exceptions, the existing research literature is based on the study of a small number of highly visible TPGOs.<sup>3</sup> As a result, scholars are likely to underestimate the lack of inclusiveness in transnational private governance, because less visible programs may feel even less pressure to adhere to norms of participatory governance (Schleifer, 2019). Against this background, the population-level analysis adds much needed empirical breadth to the current discussion.

### 2.3 Distributional Consequences

Next to inclusiveness, the distributional consequences of transnational private governance, especially for Southern stakeholders, is an important research theme. Reviewing the extant literature, we find that a population-level analysis is well placed to advance our knowledge about the design of cost sharing and support instruments – a subject that remains largely understudied.

In her study on the distributive effects of private governance in the food sector, Guthman (2007) distinguishes three different types of programs: Process-based, place-based, and distributive programs. Whereas distributive programs (e.g. fair trade initiatives) explicitly aim to redistribute the gains of commodity production to the benefit of developing country producers, place-based programs (e.g. regional food labels) are designed to provide local producers with monopoly rights. However, most TPGOs belong to the group of what Guthman calls process-based standards. Varying greatly in their content and scope, these programs

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<sup>3</sup> For a notable exception see Bennett (2017).

develop environmental and social standards to encourage sustainable production. Reviewing the existing literature on their distributional consequences, three major issues can be identified: Implications for market access, the provision of market premiums, and the sharing of compliance costs among supply chain actors.

An important concern among Southern stakeholders is that compliance with “voluntary” sustainability standards has become a de facto requirement for gaining access to global value chains (Fiorini et al., 2016). From a developmental perspective, this is problematic if it leads to the systematic exclusion of certain types of producers from gaining access to global markets. For example, in his investigation of the MSC in South Africa, Ponte (2008) showed how the absence of economies of scale and a lack managerial resources and access to networks hindered developing country fishers to become certified under the scheme. A finding that has been echoed by a number of other studies on private sustainability governance in this and other industries (Brandi et al., 2015; Brandi Clara, 2017; Dankers & Loconto, 2014; Gulbrandsen, 2009).

Next to concerns about barriers to entry, the redistributive capacity of transnational private governance has been subject to debate. Many (although not all) TPGOs aim to provide standard compliant producers with market premiums. However, as of yet, empirical research on these premiums has not produced conclusive results. In the palm oil sector, which has been the focus of several recent studies on the subject, one important finding is that a lot depends on the level of prior preparedness and that this can put small-sale producers at a disadvantage (Hidayat, Offermans, & Glasbergen, 2016; Preusser, 2015; Rietberg & Slingerland, 2016). Moreover, the case of the RSPO illustrates the difficulties transnational private governors face in constructing stable markets for certified commodities (Richardson, 2015). Despite the many commitments from lead firms in the industry to source “sustainable” palm oil, the supply of

certified material has consistently outstripped demand. As a result, market premiums have been consistently low.

Finally, the distribution of compliance costs between supply chain actors is an important but largely understudied issue. While the business case for certification remains uncertain, the compliance with private governance regimes generates concrete costs, and these costs need to be distributed somehow. The wider literature on sustainable business practices suggests that these costs are often “pushed upstream” towards producers, thus creating additional barriers of entry for smaller, less organized, and marginalized actors. Ponte (2019) calls this the “sustainability-driven supplier squeeze”. Some leading TPGOs, like the RSPO, Rainforest Alliance, and Fairtrade International, have created instruments to support developing country producers, for example, through the provision of technical and financial support to smallholders. However, as of yet, there is little systematic information about how TPGOs distribute compliance costs between supply chain actors, and how they organize their support activities.

### **3. Use of Data**

To identify our target population of sustainability TPGOs active in developing countries, we use the Standards Map of the International Trade Centre (ITC) ([www.sustainabilitymap.org](http://www.sustainabilitymap.org)). The ITC Standards Map is an inventory of standard-based sustainability initiatives. In September 2018, the database included 247 programs, operating in more than 120 product groups and 180 countries. It contains information about the institutional design of standard-setting organizations, the content of their standards, and their geographic scope.

According to the ITC’s data collection protocols<sup>4</sup>, the programs included in the database all satisfy the following minimum criteria: Existence of a published set of criteria and indicators,

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<sup>4</sup> A description of the ITC’s data collection protocols can be found under the following web link: <http://www.intracen.org/itc/market-data/standards-map/participating-standards/>

existence of an implementation system, and coverage of at least one sustainability area (environment, social, economic and management, quality management, or ethics and integrity). Updated in annual intervals, the data is collected by ITC staff, mainly through contact points at the standard-setting organization. While the full population of TPGOs remains unknown, the Standards Map is one of the most comprehensive resources currently available on standard-based sustainability initiatives.<sup>5</sup> At the same time, the great variety of programs included in Standards Map do not as such constitute a “recognizable class” of organizations. Therefore, we use the following criteria to identify our target population:

(1) the program is operational; (2) it has a discernible governance structure; (3) it is transnational (i.e. operates across borders); (4) it is active in developing countries (i.e. operates in at least one of the 120 country-commodity-markets identified in the following section); (5) it is sponsored by non-state actors (NGOs and/or firms); (6) it is not a firm-level code of conduct; (7) it develops environmental and/or social standards for global supply chains (no purely technical, food safety or quality standards); (8) in the selection of our sample, we took into account that some programs are listed with multiple standards in the ITC Standards Map. Using the criteria defined above, generates a sample of 47 sustainability TPGOs active in developing countries (see Annex A).

#### **4. Analysis and Results**

Using the sample of 47 TPGOs, we examine the three analytical themes identified above: proliferation, inclusiveness, and distributional consequences. With regard to the first theme,

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<sup>5</sup> For a more detailed discussion of the database and its contents see Fiorini et. al (2018).

we complement the analysis of global diffusion trends conducted in previous studies (e.g. Fiorini et al., 2016) with a disaggregated analysis at the country and sector-level. To this end, we focus on 12 export-oriented commodity sectors (aquaculture, bananas, cocoa, coffee, cotton, fisheries, gold, palm oil, soy, sugar, tea, and wood products). The sectors have been selected given their economic importance for developing countries. In addition, they cover all the commodities studied in this special issue. For each of the sectors, we identify the 10 biggest developing country producers, using among other data from the Food and Agriculture Organization of the United Nations and the World Bank. This creates a sample of 120 country-commodity-markets – e.g. coffee in Brazil or tea in India. In each of the 12 sectors and 120 country-commodity-markets, we count the number of active TPGOs to describe the proliferation of programs in these markets (see Annex B).

In a next step, we examine the institutional design of the 47 organizations in our sample. To this end, we use several data points from the Standards Map to describe the inclusion of producers in TPGOs' central governance bodies – typically, the board of directors or governance board. We focus on “producers” as Southern actors typically fall into this stakeholder category. In fact, much of the production in the commodity sectors analyzed takes place in developing countries. Unfortunately, the data available does not allow us to identify the precise geographic origin of the producers involved. We are also unable to distinguish between different types of producers (e.g. small-scale and large-scale). In this regard, our measure can only serve as a general indicator for the inclusiveness of TPGOs vis-à-vis producer groups (see discussion in results section).

To make our measurements, we correct for missing values through a manual review of programs' website and governance documents. We distinguish four levels of producer participation: (1) No participation: Producers are not involved in any governance related forum (2) Weak: Participation of producers in a stakeholder forum without formal decision-making

function; (3) Moderate: Participation of producers in the central governance body (consultative status or voting rights); (4) Strong: Producers hold a veto position in the central governance body.

In a final step, we examine the distributional consequences of TPGOs. First, with a focus on certification and implementation costs, we describe how TPGOs distribute the cost of compliance between supply chain actors. Certification costs are direct costs that arise during the certification or verification process. They include membership fees as well as fees paid to auditors and certification bodies. Moreover, the implementation of a standard by a producer creates indirect costs, for example, costs for improving waste management systems or costs related to the upgrading of health and safety systems.<sup>6</sup> In addition to the distribution of compliance costs, we explore the redistributive capacity of TPGOs by describing the design of their support instruments (e.g. provision of technical assistance, financial assistance). The Standards Map contains data points on both cost sharing arrangements and support mechanisms. This information is based on standardized interviews with the ITC's contact persons at the respective TPGO.

#### 4.1 Proliferation of TPGOs

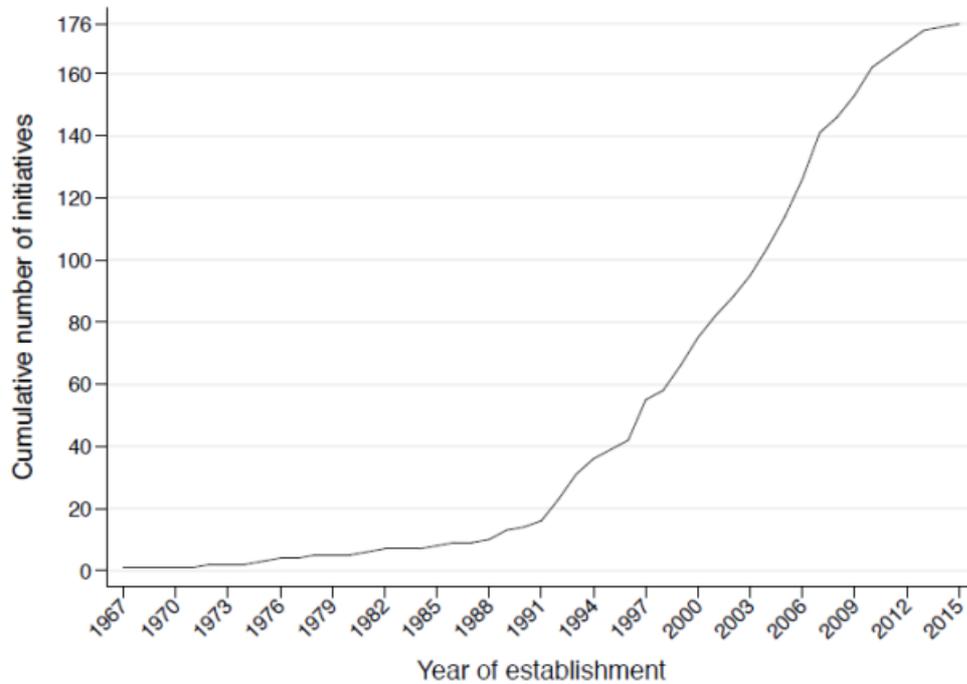
Existing studies on the proliferation of TPGOs focus on the global level. This section briefly summarizes these global diffusion trends. We then complement the global-level analysis with a description of country-level and sectoral diffusion patterns.

Using information from Standards Map, two recent reports describe the global proliferation of standard-based sustainability initiatives (Fiorini et al., 2016; Fiorini et al.,

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<sup>6</sup> Please note that the focus is on the distribution of these compliance costs, not their actual value. It would be nearly impossible to quantify implementation costs across a large number of programs and producers.

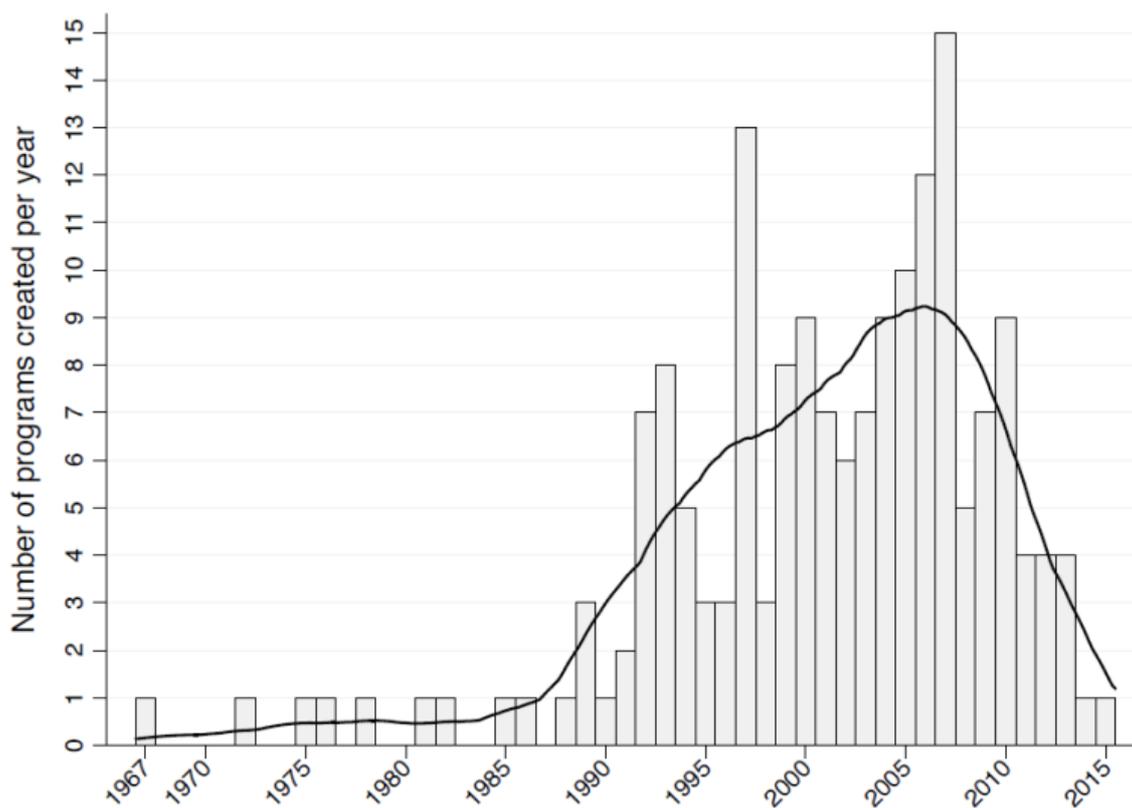
2017). Based on the Standards Map of 2016, the reports calculate the cumulative increase of programs over time, see Figure 1 and 2.



**Fig. 1.** Proliferation of TPGOs at global-level over time

The figure illustrates an impressive pattern of growth, lending support to narratives about a “Cambrian explosion” of private governance in this policy domain. Starting in the 1990s, the number of TPGOs increased rapidly, reaching over 100 programs by the mid-2000s. As discussed in the literature review, several authors have identified the rapid growth in the number of private governance organizations as a threat to developing country producers (Dankers & Loconto, 2014; Thorstensen et al., 2015). However, the analysis of cumulative growth at the global level can easily lead to a misinterpretation of current diffusion trends. It makes it easy to overlook signs that the phase of “hyperproliferation” is likely to be over. In this regard, Figure 2 shows that population growth peaked in the mid-2000s and has decreased significantly in recent years. In the 2000s, 8.7 new TPGOs were created on average per year. In contrast, in the period between 2010 and 2016, the annual growth rate had dropped to 5.6

new programs per year. While it is too early to draw firm conclusions from this, the described trend indicates that the growth in the number of TPGOs has slowed down significantly. Of course, this does not mean that the multiplicity of programs ceases to be an issue. After all, there is no evidence to suggest that the organizational population is in decline – although a recent study describes several programs that have failed in recent years (Bloomfield & Schleifer, 2017). In other words, this means that program multiplicity is likely to continue to cause problems (e.g. result in high transaction costs for developing country producers). However, a closer reading of global diffusion trends qualifies the notion of ever-proliferating private governance regimes (Kenneth W. Abbott et al., 2016; Thorstensen et al., 2015).



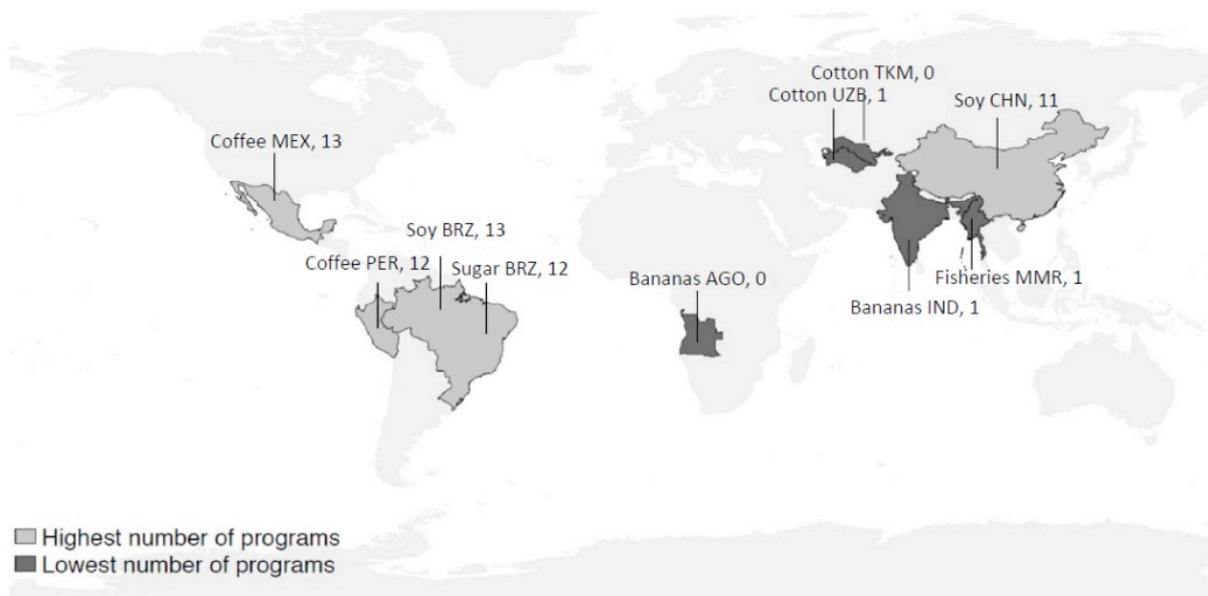
**Fig. 2.** Growth of TPGOs at global-level per year

In addition, the focus on global diffusion patterns, tells us little about local proliferation dynamics. To date, few systematic research has been conducted on the topic.<sup>7</sup> Therefore, we complement the global-level analysis with a comprehensive domestic-level analysis. For this we base our investigation on the 47 TPGOs and their operations in 12 export-oriented commodity sectors and the 120 country-commodity-markets identified above (see Annex A and B).

Partially confirming concerns about program multiplicity, we find that several markets are indeed highly fragmented. For example, in the soy sector in Brazil and China we count 13 and 11 active TPGOs, respectively. Other highly fragmented markets are coffee in Mexico and Peru, and sugar in Brazil (see Figure 3). Based on a qualitative inventory it is highly likely that there is an increased risk of inter-program competition in these markets and that high search and information costs, conflicting standards, and the need to obtain multiple certifications could result in high transactions costs and potentially trade barriers for developing country producers. This is because, first, among the soy, sugar and coffee-focused programs identified for these countries, there is overlap in supply chain focus and producer type focus. Second, as a recent study by Tayleur (2018) establishes, certified production for these commodities is concentrated in a few geographic areas in these countries, so that the chances of certification practices neighboring or overlapping each other is higher, relative to a situation where each standard would focus on a different geographic area. As a result, it is possible that programs like Utz Certified, Fairtrade International, and Global Coffee Program focus on similar producers and regions for coffee and Bonsucro, Fairtrade International, or the Roundtable on Sustainable Biomaterials on similar sugar producers.

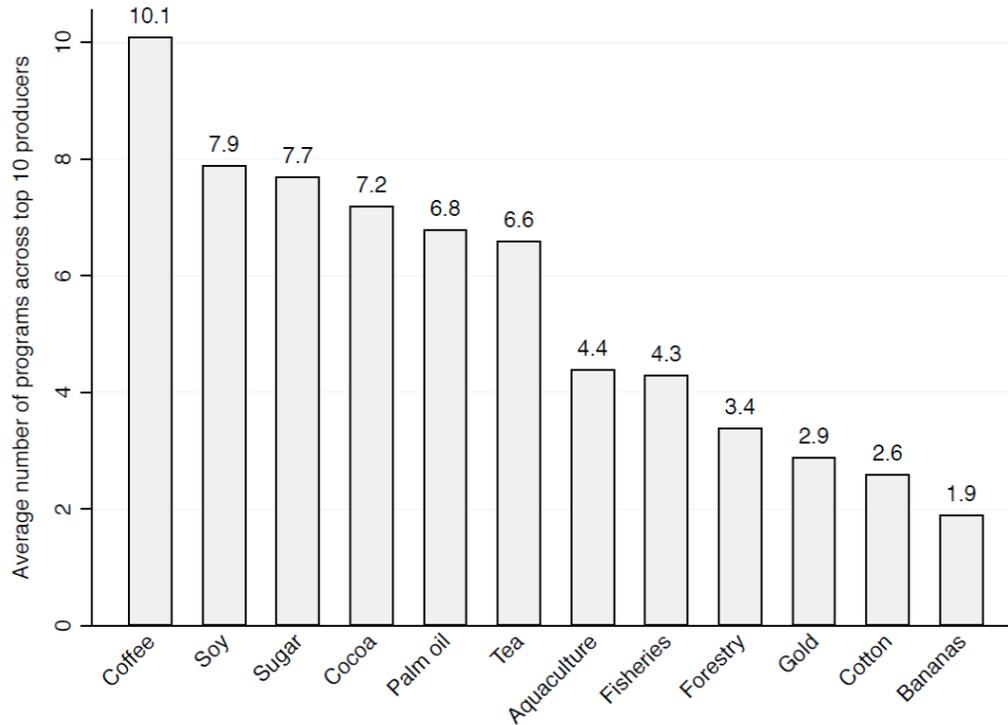
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<sup>7</sup> For a notable exception see Grabs et al. (2016).



**Fig. 3.** Country commodity markets with highest and lowest number of active TPGOs

Furthermore, the domestic level analysis shows that there is a lot of variation in the coverage of country-commodity-markets. In this regard, there are many markets in our sample with few active programs. For example, bananas in India, fisheries in Myanmar, and cotton in Uzbekistan only count one active standard system each. There are also major markets (e.g. bananas in Angola or cotton in Turkmenistan) for which we found no active TPGO, which could hinder developing country producers from gaining access to “sustainable” value chains. A preliminary analysis by Fiorini et al. (2016) found that, next to market size, the availability of sustainability standards in a country is associated with the quality of infrastructure as well as the quality of political institutions. However, further research is needed to substantiate these claims.



**Fig. 4.:** Average number of TPGOs by commodity sector

Figure 4 shows at a higher level of aggregation descriptive results for the proliferation of TPGOs across sectors. It underscores that proliferation varies considerably across commodity sectors of the top 10 producing countries, with Gold, Cotton and Bananas at the lower, and Coffee, Soy, Sugar, Cocoa, Palm Oil and Tea at the higher end in terms of average proliferation. In our analysis, approximately 15% of the 120 country-commodity-markets have 10 or more operational TPGOs. The mean amount of active programs across the 120 commodity markets is 5.48.<sup>8</sup>

It is likely that the Standards Map does not cover the full population of TPGOs in these sectors. In addition, as this is a study on *transnational* private governance, our sample does not include *local* sustainability initiatives. However, what is important here are the broader patterns emerging from our analysis. It is true that private governance regimes have proliferated in

<sup>8</sup> The minimal value of active TPGOs is 0, the maximum is 13. The median is 5 and the variance is 9.78

recent years. However, our analysis suggests that these diffusion dynamics have played out very differently at the domestic level. Multiple and overlapping standards are likely to cause problems for producers in some countries and commodity sectors – in contrast, in others, this is not an issue. In this regard, our analysis adds much needed nuance to the current discussion about proliferating standards, which so far has mostly focused on global level dynamics.

#### 4.2 Producer Participation in Governance

As shown above, the qualitative research literature points to the exclusion of producer groups in transnational private governance. Especially, small-scale producers from developing countries are often marginalized in these arrangements (e.g. Renckens and Auld, this special issue; Dingwerth, 2008; Ponte & Cheyns, 2013). Our analysis confirms that this finding from the qualitative research literature applies to the population of TPGOs as a whole.

Table 1 depicts the results of our analysis of 47 organizations active in developing countries. We find that in the vast majority of programs (65%) there is no or only weak involvement from producer groups in decision-making. Accordingly, in only 35% of the programs investigated is the participation from producers moderate or strong. Due to the properties of our data, we were unable to differentiate between small and large-scale producers or determine the geographic origins of the producers involved. For the interpretation of our results this means that the inclusion of small-scale Southern producers is even lower, as we include large-scale as well as developed country producers in our count. Although, a recent study by Bennett (2017), which focused on the inclusion of small farmers, artisans, miners, and workers in the central governance bodies of 33 socially-oriented TPGOs produced roughly similar results.

No	Weak	Moderate	Strong
No participation in governance	Participation in a stakeholder forum without formal decision-making power	Participation in central governance body (consultative status or voting right)	Participation in central governance body (veto position)
19 (41%)	11 (24%)	12 (26%)	4 (9%)
30 (65%)		16 (35%)	

**Table 1:** Producer participation in TPGOs’ central governance bodies<sup>9</sup>

This lack of inclusiveness has critical consequences for the outcomes and credibility of transnational private governance. Non-inclusive institutions are less likely to contribute to skill building, are less sensitive to local contexts, and unable to foster a sense of fairness among stakeholders. In addition, excluding producers may generate further adverse consequences for TPGOs such as diminished credibility, compromised accountability, and diluted standards (Bennett, 2017: 64). Not including producers in governance also reifies power asymmetries in global value chains, where multinational corporations use private governance regimes to outsource costs and responsibility to developing country producers (Dauvergne & Lister, 2012; Fuchs & Kalfaggiani, 2010; Ponte, 2019).

Moreover, the findings raise critical questions about the democratic qualities of transnational private governance. A decade ago, there was a lot of optimism surrounding the “new modes of governance” and their democratizing potential (Bäckstrand, Khan, Kronsell, & Lövbrand, 2010). First-mover programs like the FSC were widely praised as a “good governance model” and “one of the most innovative and startling institutional designs of the past 50 years” (Cashore et al., 2004: 298; Dingwerth, 2007; Gulbrandsen, 2008b). However,

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<sup>9</sup> Due to one missing value, the calculations in this table are based on a sample of 46 programs.

when it comes to the broader population of TPGOs hopes of a “deliberative turn” in transnational sustainability governance have not come true.

### 4.3 Distributional Consequences

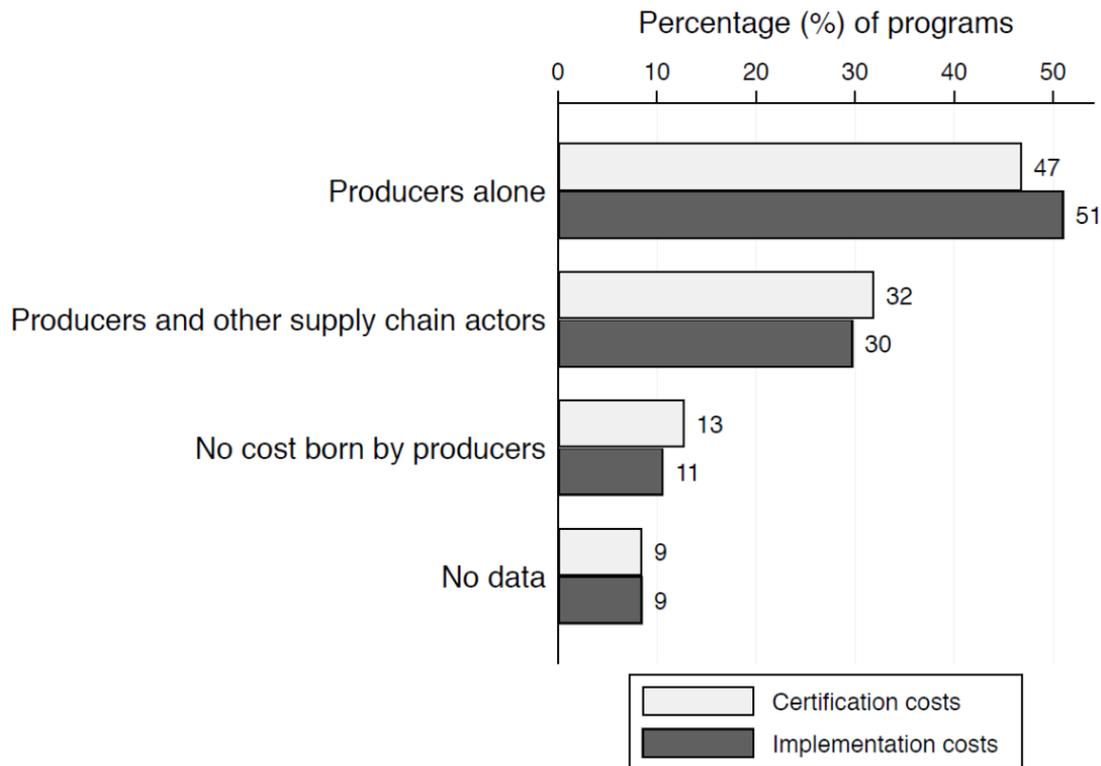
The distributional consequences of transnational private governance is the third analytical theme identified in the literature review. On this dimension, we shed light on the distribution of compliance costs between supply chain actors. In addition, we provide information about the design of instruments to support the certification of developing country producers.

As discussed above, compliance with TPGOs entails two principal types of costs. First, compliance with private sustainability standards creates costs in form of membership fees, auditing fees, and labelling fees (certification costs). In a study on biomass certification programs, Pacini and Assunção (2011) show how fee structures vary significantly across organizations. Based on their findings, they argue that the split of these costs along supply chains could have strong implications for producers in developing countries. Unfortunately, information on the value of certification costs and organization’s fee structures is not systematically recorded in the Standards Map database. Second, implementation costs arise through the behavioral changes that producers have to make in order to bring their operations into compliance with a standard. On the one hand, these costs depend on the stringency of the standard and, on the other, on the level of a producer’s prior preparedness, managerial capacity, and economic size (Cashore et al., 2004; Espach, 2009; Prakash & Potoski, 2007). For these reasons, implementation costs are difficult to quantify as, depending on these factors, they vary significantly across programs and producers.

Given these problems with data availability and the quantification and comparability of compliance costs across contexts, we focus our analysis on the distribution of these cost among supply chain actors, for which we have information. To be clear, this does not allow us to determine whether or not current costs levels are effectively excluding certain types of

producers from participating in transnational private governance. However, by studying cost sharing arrangements, we are able to get a clearer picture of the distributional patterns within these organizations.

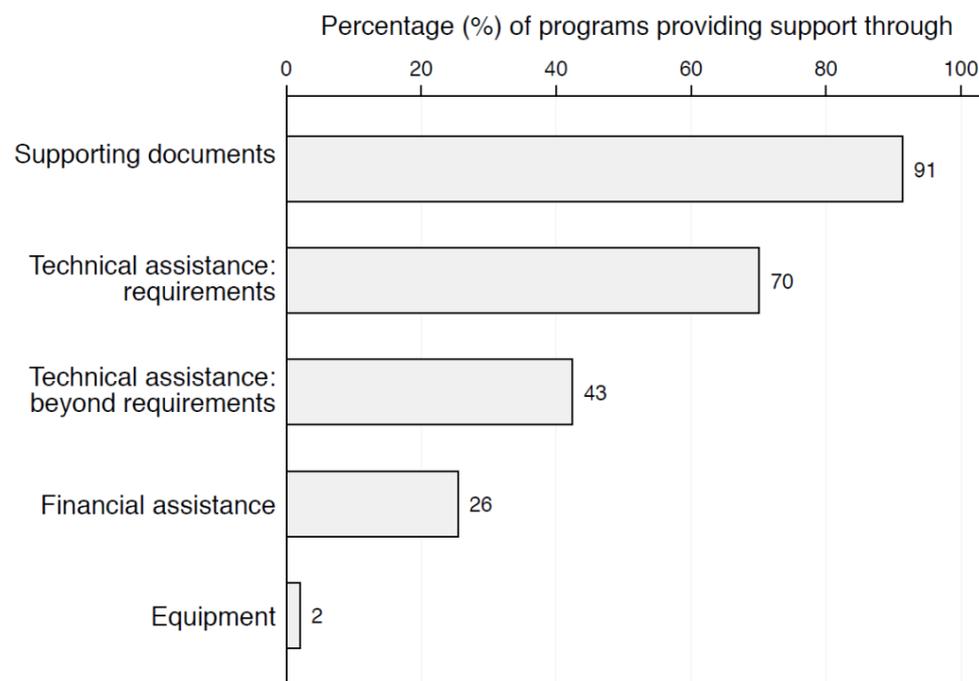
Below, we describe the cost sharing arrangements of the 47 TPGOs in our sample. As can be seen from Figure 5, the results reveal a similar distribution for certification and implementation costs between producers and other supply chain actors (traders, processors, consumer goods manufacturers, and retailers). In this regard, in over 50% of the cases in our sample for which this data was available these compliance costs are exclusively borne by producers. About one third of the TPGOs studied have adopted cost sharing arrangements which distribute the cost of compliance between producers and other supply chain actors. Finally, only a small minority of programs (less than 15%) indicate that they have adopted a cost sharing model in which producers are bearing none of the compliance related costs. Interpreted in light of the existing literature, the results support concerns voiced by several authors that the cost of private sustainability governance is often “pushed upstream” towards producers in the developing world (Pacini & Assunção, 2011; Ponte, 2019).



**Fig. 5.** Distribution of compliance costs between producers and other supply chain actors

Among other factors, the direct and indirect costs of compliance with transnational private governance have been identified as potential barriers that can prevent developing country producers (especially smallholders) from gaining access to “sustainable” supply chains. In this regard, the low participation rate of small-scale producers in some of the leading commodity-focused certification programs (e.g. Bonsucro, RSPO, RTRS, and MSC) indicates problems in this area (Brandi et al., 2015; Dankers & Loconto, 2014). In response to this, many TPGOs have created instruments to support producers in the adoption of their standards. For example, the RSPO operates a “Smallholder Engagement Platform” and launched a “Sustainability College” to support and educate its members, in particular small-scale producers (see website). Below, we describe the design of these instruments in our sample of 47 organizations.

The Standards Map database contains information on five support mechanisms: (1) Support through guidance documents; (2) technical assistance to facilitate standard implementation; (3) technical assistance that goes beyond complying with standard requirements; (4) financial assistance; (5) and support through equipment. As can be seen from Figure 6, the level of support provided by TPGOs varies significantly across these instruments. Almost all programs in our sample (91%) provide support through guidance documents. In addition, the majority of organizations (70%) offers some degree of technical assistance to meet standard requirements – e.g. through online tools, workshops, as well as on-farm support services. However, less than half of the organizations in our sample (43%) provide technical assistance to improve producers’ productivity, managerial efficiency, or market access. And only a very small proportion offers direct financial assistance to their members (26%) or provides material support (2%) (e.g. provision of fertilizer or seedlings).



**Fig. 6.** Support instruments of TPGOs

In addition to this, the analysis revealed that whereas guidance tools and support documents are mostly provided at no extra cost, technical assistance is often not free of charge. In our sample, only 15 organizations (32%) indicated that they would deliver technical assistance without any additional costs to producers. The analysis also uncovered that most TPGOs offer their support activities in different languages (74%). However, only a small proportion of them (17%) adapts them to the local context, in terms of sector, producer size, and level of technical development. While additional research on the design and application of these instruments will be necessary, the present analysis points to problems in the development of support systems among sustainability TPGOs.

## **5. Concluding Remarks**

This article brought a population-level perspective to the study of private sustainability governance in the Global South. Our starting point was the observation that TPGOs active in developing countries have grown rapidly in numbers. However, despite the large number of programs, the existing research literature remains focused on a small group of highly visible cases. To address this imbalance, we contributed much needed empirical breadth to the current discussion – making it possible to identify general trends and patterns in the broader population of TPGOs. To probe the usefulness of the approach, we used our explorative analysis to contribute new insights to three salient research themes on transnational private governance in the developing world, namely: Its proliferation, inclusivity, and distributional consequences.

We find that, while fears about a perpetual proliferation of TPGOs seem overblown, the diffusion process has been highly unequal, with potentially problematic consequences for developing country producers. In markets with extreme overlaps, there is an increased risk that incompatible standards and verification procedures result in additional market barriers and transaction costs (Cashore, van Kooten, Vertinsky, Auld, & Affolderbach, 2005; Fransen &

Conzelmann, 2015). In contrast, the complete absence of TPGOs in some environments could prevent developing country producers from gaining access to “sustainable” supply chains (Fiorini et al., 2016). In addition, the lack of participation from Southern stakeholders has been an issue of concern (Dingwerth, 2008; Ponte & Cheyns, 2013). Studying the composition of central decision-making, we find that producers are indeed underrepresented in the vast majority of TPGOs. This points to a systematic exclusion of this stakeholder category from the commanding heights of transnational private governance. Problematic are also the observed distributional patterns. It appears that the “sustainability-driven supplier squeeze” identified by Ponte (2019) is not an isolated phenomenon, but common practice among TPGOs.

From a policy-perspective, these findings reveal a worrying “bigger picture”: Producers from developing economies may not have a chance to affect TPGO governance, while facing multiple TPGOs and significant costs that come with TPGO compliance. This is a bleak position for a governance instrument that aims at promoting sustainable development across countries, commodity groups and producer types. This “bigger picture” should inspire further research. First and most notably, studies may identify the degree to which proliferation, lack of participation and uneven cost distribution fuel the current trend towards “homegrown” solutions in key producer countries (Sun & van der Ven, this special issue; Schouten & Bitzer, 2015). Second, studies may unearth how contemporary attempts by TPGOs and other private and public actors to remedy some of the producer-averse trends we signal, fare. In doing so, studies could also address the inevitable shortcomings of our approach to the topic. Because of our focus on transnational organizations, locally-oriented programs and their interaction with TPGOs currently escape our view, and our descriptive approach rules out investigations into causal relationships.

Nevertheless, we hold that a population-level approach offers significant promise in the study of TPGOs and their significance for questions of sustainable development. As we

demonstrate, when combined with relevant contextual knowledge about commodities, supply chains, and countries, it may work to debunk commonly held assumptions, specify our insights about TPGO activity in countries and regions, and allow us to draw broader conclusions across sectors and commodities about the prevalence of TPGO's designs and unintended effects.

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#### Annex A: List of TPGOs

	Name of Program	Acronym
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1	4C Association	4C
2	Alliance for Responsible Mining	ARM
3	Aquaculture Stewardship Council	ASC
4	Better Cotton Initiative	BCI
5	Bio Suisse	BS
6	Bonsucro	Bonsucro
7	British Retail Consortium	BRC
8	Business Social Compliance Initiative	BSCI
9	Climate Community and Biodiversity Alliance	CCBA
10	Cotton made in Africa	CmiA
11	Donau Soja	DS
12	EcoLogo Program	EcoLogo
13	EcoVadis	EV
14	Electronic Industry Citizenship Coalition	EICC
15	Ethical Tea Partnership	ETP
16	Fair for Life	FfL
17	Fairtrade International	FI
18	Fair Trade USA	FTUSA
19	Food Alliance	FA
20	Food Safety System Certification 22000	FSSC 22000
21	Forest Stewardship Council	FSC
22	Friend of the Sea	FoS
23	Global Aquaculture Alliance	GAA
24	GLOBALG.A.P	GLOBALG.A.P
25	Good Manufacturing Practices International	GMP+
26	Global Organic Textile Standard	GOTS
27	Hand in Hand Program	HiH
28	Harvested By Women	HbW
29	International Council on Mining and Metals	ICMM
30	International Featured Standards Food	IFS Food
31	International Federation of Organic Agriculture	IFOAM
32	International Sustainability and Carbon Certification	ISCC
33	Marine Stewardship Council	MSC

34	Naturland	Naturland
35	Programme for the Endorsement of Forest Certification	PEFC
36	Primus Global Food Safety	PrimusGFS
37	ProTerra Foundation	ProTerra
38	Responsible Jewellery Council	RJC
39	Roundtable on Sustainable Biomaterials	RSB
40	Roundtable on Responsible Soy	RTRS
41	Roundtable on Sustainable Palm Oil	RSPO
42	Safe Quality Food Program	SQF
43	Sustainable Agriculture Initiative Platform	SAI
44	Soil Association	SA
45	Sustainable Feed Standard	SFS
46	Sustainably Grown Certification Program	SGCP
47	UTZ/Rainforest Alliance	UTZ/RA

**Annex B:** Number of active TPGOs across 120 developing-country-commodity markets<sup>10</sup>

Country alpha-code (World Bank)	Banana	Cocoa	Coffee	Cotton	Palm oil	Soy	Sugar	Tea	Forestry products	Aquaculture	Fisheries	Gold
AGO	0											
BFA				3								
BGD								2		4	2	
BOL						6						
BRA	3	8	10	3		13	12		5			4
CHN	1			4	9	11	7	10	4	5	5	4
CIV		8			7							
CMR		6										
COL			10		7		7					
DOM		10										
ECU	3	9			7							
EGY										5		
ETH			10						2			
GHA		7										2
GTM	3		10				8					
HND			8		5							
IDN	2	8	10		9	9	8	10	4	5	6	3

<sup>10</sup> Empty cells mean that the country is not among the top 10 producers for this commodity and therefore this commodity market is not within the scope of this analysis.

IND	1		10	4		9	8	10		5	5	
IRN								2				
KEN								9				
LKA								8				
MEX			13	3			10					3
MMR								3		2	1	
MYS					9					4		
NGA		3			3	2						
PAK				4			5					
PER		9	12								6	3
PHL	2									3	3	
PNG					4							2
PRY						9						
RUS						5	4		3		2	2
RWA	2											
SYR				1								
TGO		4										
THA					8		8		4	6	7	
TKM				0								
TUR				3				5				
TZA	2											

UGA									3			
UKR						8						
UZB				1								2
VNM			8					7	3	5	6	
ZAF						7			4			4
ZAR									2			