

Master's Thesis



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Improving Sustainability: Inevitable Trade-Offs in Civil Regulation

A Case Study of the IDH Fruits and Vegetables Program

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Preface

After studying a Bachelor in Development Studies I decided that I wanted to focus more on policy making. It has been a great choice to do a Master in Public Administration and Governance at the USBO. Nevertheless, when I had the possibility to write my master's thesis on the theme of International Development, I was very glad to combine and integrate the knowledge of those two studies. In the current development cooperation debate, particularly the discussion about cooperation with private sector parties caught my interest, and I was enthusiastic about combining that subject with sustainability. Sustainability has been a theme in my life ever since I was little. For example, on our own farm we grow apples, strawberries, beans, lettuce, tomatoes and many other fruits and vegetables. I know exactly where those products come from. But what about the bananas you can find in the supermarket? How do I know under which circumstances they are produced? And what does a product label stating that fruit, chocolate, or coffee is 'sustainable' really tell? Those are questions I am personally interested in, and following this topic of interest motivated me a lot during my research.

I wouldn't have been able to progress my thesis half as much without the help of several people, and therefore I would like to thank them. First of all, I would like to thank my supervisors Wieger Bakker and Adriejan van Veen for their constructive feedback and encouraging my research. Their enthusiasm and critical questions helped me a lot. Second, I want to thank my fellow students Paula de Vogel and Nellie Bol. It was encouraging to talk with them about our theses and the experiences of the writing process. In addition, I would like to thank Dave Boselie of IDH. Dave provided me with a lot of information about the case study, and I very much appreciated his help, suggestions and the time he devoted to my research. I would also like to thank my colleagues at ICCO, they made my internship a wonderful experience. In particular I would like to thank Jeroen de Vries for his guidance, suggestions and help. In addition, I would like to thank Marian van Weert and Hans Heijs of ICCO for their useful feedback on my thesis. Moreover, I want to thank the interviewees for the interesting discussions we had. Last but not least I would like to thank family and friends who provided me with enthusiasm and support throughout the research. Special thanks are due to my beloved boyfriend Michiel. Thank you for supporting me and I can't thank you enough for encouraging me throughout this experience.

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Executive Summary

Within the current Dutch development cooperation agenda, the assumption is held that private sector instruments – for example initiatives regarding the improvement of sustainability in international supply chains – can make an important contribution to tackling major global issues. However, to date, there is no reliable evidence about whether businesses are sufficiently willing and capable of addressing those issues on a voluntary basis. Because of a decreased state capacity to regulate markets, governments often use forms of network governance (e.g. civil regulation) to address sustainability issues. In civil regulation, companies, NGOs and sometimes governments are involved, and the voluntary codes specify the responsibilities of global firms for addressing labor practices, environmental performance, and human rights policies. However, previous studies have found that these civil regulatory initiatives have serious limitations and disadvantages as well. Since the Dutch Government relies on voluntary initiatives like civil regulation, it is important to assess what they can mean for sustainability and how governments can make use of them in order to accomplish broader international cooperation objectives. Therefore, the aim of this study is to investigate the extent to which civil regulation can be effectively used as an instrument to make supply chains more sustainable. The main research question in this context is: *what are the possibilities and limitations of using civil regulation to improve the sustainability of international supply chains?*

The most widely accepted definition of sustainability was set in 1987 by the Brundtland Commission: sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Although sustainability often has been interpreted as a three-dimensional concept that combines economic, social and environmental perspectives, the exact meaning of the concept remains ambiguous. That ambiguity is useful for gaining broad support, but entails the risk of becoming meaningless. In addition, it makes it difficult to measure compliance. Therefore, in this research some core principles central in the concept of sustainability have been used to investigate sustainability, such as, in particular, the ‘equity’ and ‘democracy and participation’ principle. The performance of civil regulation is assessed by means of the evaluation method by Sørensen and Torfing (2009). Their approach overcomes some of the problems associated with other studies, such as evaluations that only look at goal attainment. Policy formulation is analyzed using the evaluation criterion of Sørensen and Torfing: *“the capacity of the network to reach joint policy decisions that go beyond the least common denominator while avoiding excessive costs and unwarranted cost shifting”* (for operationalization of this criterion, see table 4.1 on page 26). The case study selected in this research is the Sustainability Initiative Fruits and Vegetables (SIFAV) of IDH, the Sustainable Trade Initiative.

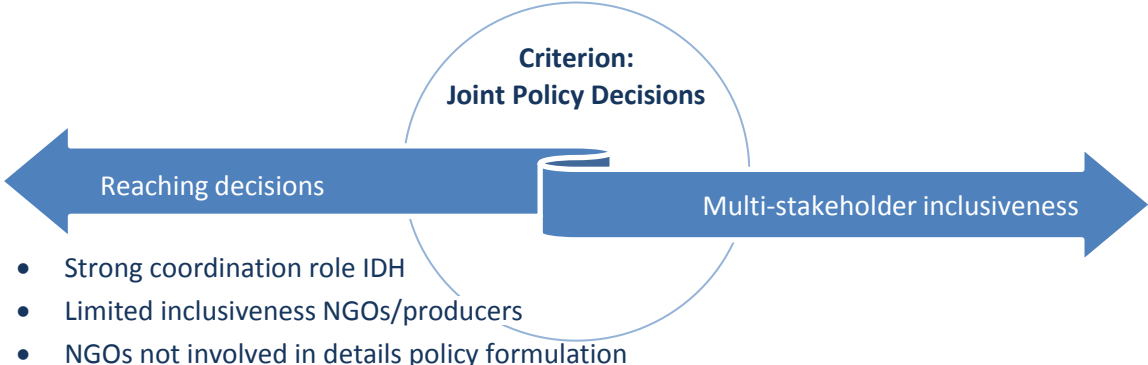
The following conclusions can be drawn from the present case study. The policy formulation of the ‘Covenant Sustainably Source Fresh Fruits and Vegetables’ program showed two main trade-offs. The first trade-off (TO 1) occurs between the capability of reaching decisions and of multi-stakeholder inclusiveness. The implication of this finding is that in civil regulation initiatives always a balance has to be found between the capability of reaching decisions (and thus having policies to improve the sustainability of supply chains) and ensuring multi-stakeholder inclusiveness (and meeting the democracy and participation principle of sustainability).

The second trade-off (TO 2) arises between having a broad range of private sector parties engaged (and thus having sustainability in mainstream production channels) and more ambitious sustainability plans. This finding confirms findings of previous scientific studies that show limitations of civil regulation, and contributes additional evidence that suggests that some of civil regulation initiatives only reach a small percentage of overall production, while others lack the ability of bringing fundamental change.

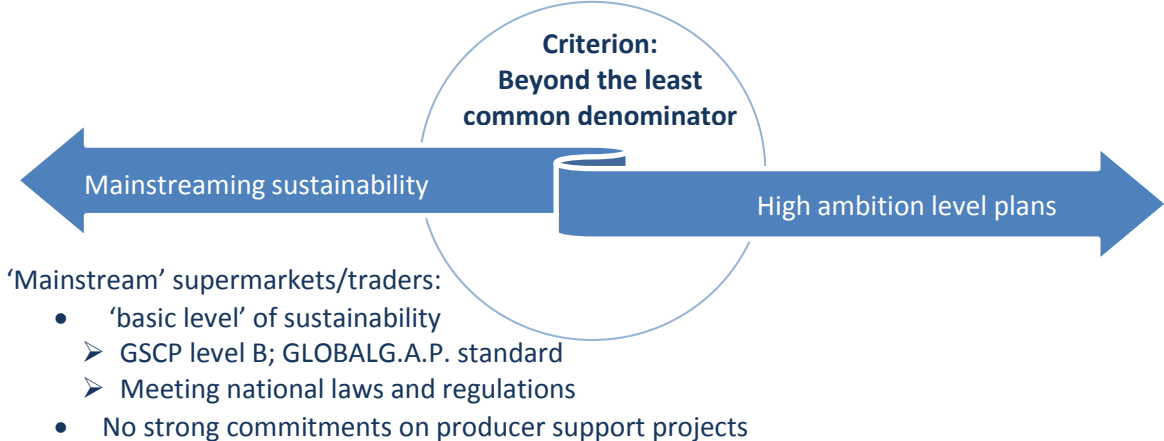
Regarding the evaluation norm of Sørensen and Torfing, it was not possible to draw a general conclusion about whether in the SIFAV program *excessive costs and unwarranted cost shifting* are

avoided. The outcome of the trade-offs in the case under study show that the SIFAV program is particularly effective in improving the sustainability in mainstream production channels.

TO 1: Trade-off between reaching decisions and multi-stakeholder inclusiveness in SIFAV program



TO 2: Trade-off between mainstreaming sustainability and high ambition level in SIFAV program



In conclusion, the evidence from this study suggests that civil regulation can be used to improve the sustainability of supply chains, but that (the impact of) this improvement is limited by the trade-offs between: (1) reaching decisions and multiple stakeholder inclusiveness; and (2) mainstreaming sustainability and a high ambition level of the plans. The inevitable trade-offs implicate that policy makers have to balance between opposing goals and interests regarding the improvement of sustainability in international supply chains. One civil regulatory initiative cannot both reach mainstream production channels and keep up a high standard. This sets a limitation in what civil regulatory initiatives can possibly contribute to the improvement of sustainability and, indirectly, broader international development goals.

The key policy recommendation emerging from this research is that governments (indirectly) should ‘govern’ civil regulatory networks (i.e., meta-governance). The functioning of civil regulation can be enhanced by influencing the network design. First, governments should be explicit and realistic about what development goals they aim at. They should set priorities and, based on that, formulate more precise goals. Second, democratic functioning of civil regulation can be enhanced by ensuring publicity about the formation of the network and the policy objectives (this creates more transparency). Another option is to set conditions about which relevant and affected stakeholders should participate in the network. A final option is to counteract networks with a limited multi-stakeholder character, with alternative and competing networks. For example, separate targeted interventions aimed at either mainstream sustainability or at a high ambition level can be developed. A more differentiated approach helps to deal with the trade-offs in civil regulation on the improvement of sustainability.

Abbreviations

AIV	Advisory Council on International Affairs <i>Adviesraad Internationale Vraagstukken</i>
BSCI	Business Social Compliance Initiative
CSR	Corporate Social Responsibility
FFV	Fresh Fruits and Vegetables
GSCP	Global Social Compliance Program
IDH	the Sustainable Trade Initiative <i>Initiatief Duurzame Handel</i>
ILO	International Labor Organization
MDGs	Millennium Development Goals
NGO	Non-Governmental Organization
OECD	Organization for Economic Cooperation and Development
SIFAV 2020	Sustainability Initiative Fruits and Vegetables 2020
TBL	Triple Bottom Line
TOs	Trade-offs
UN	United Nations
WCED	World Commission on Environment and Development

1. Introduction

In recent years, Dutch development cooperation policy has undergone major changes. The emphasis shifted from development aid towards international cooperation – underscoring the mutual interdependencies between countries and global challenges. Those interdependencies make that developing and Western countries increasingly have common interests, such as with respect to the ‘global public goods’. Global public goods – e.g. a stable climate, food security, water security and the preservation of biodiversity – are essential for international stability and security, and sustainable economic growth and prosperity (AIV, 2012; Lieshout, Went, & Kremer, 2010). The government aims to increase coherence in different policy areas, for example between trade, poverty alleviation and climate change. Moreover, in the new form of international cooperation the private sector has a greater role, for example in promoting corporate social responsibility and supply chain responsibility. The assumption is held that “businesses can make an important contribution to economic development, growth and redistribution, as long as they comply with standards, agreements and guidelines relating to corporate social responsibility (CSR).” (AIV, 2012: 29). The government thus relies on private sector instruments to tackle major global issues. However, it is not known whether businesses are sufficiently willing and capable of addressing those issues on a voluntary basis. Therefore this research will address the governance of sustainability in supply chains.

The emergence of voluntary business regulation can be seen as a response to the decreased governance capacity of national-level governmental institutions to regulate markets and compensate for undesirable effects (Macdonald & Marshall, 2010; Vogel, 2010). From the 1980’s onwards a broad array of private initiatives has emerged, seeking to re-embed social and environmental aspects in trade relationships. Where in the beginning it was seen as an alternative form of trade, the last 15 years the amount of corporate social responsibility practices has increased significantly and entered mainstream production channels (Macdonald & Marshall, 2010). The involvement of non-governmental organizations (NGOs) in private initiatives is a distinctive feature, and therefore sometimes is referred to these initiatives as a form of ‘civil regulation’. The Advisory Council on International Affairs (AIV) recognizes the importance of this cooperation: “By working with NGOs, companies can help prevent or mitigate the negative effects and strengthen the positive effects of their activities” (AIV, 2012: 38). Examples of civil regulatory initiatives are product standards such as Fair Trade or Utz Certified, industry codes, international round tables, and activities such as training of small farmers to increase their productivity, providing farmers access to credit or linking farmers to markets.

Although civil regulation might be an answer to the decreased state capacity to regulate markets, research has shown that also these initiatives have serious limitations and disadvantages. In comparison with conventional markets, the amount of sustainable certified products remains small. This raises questions about the real impact these initiatives can make. In addition, some studies have found that small farmers who produce ‘fair trade’ only receive limited advantages: their income is not always higher than with conventional farmers and some farmers find it difficult to meet the certification requirements set by rich countries, multinationals and supermarkets (Haight, 2011). Moreover, research has shown that NGOs sometimes are vulnerable to the power of big multinationals. This might result in lowering of standards or the use of standards for public relations and image building (clean washing) (Jaffee, 2012; Low & Davenport, 2006; Renard, 2005). In order to make a significant contribution to addressing global issues, it is of key importance that sustainability in supply chains reaches mainstream production channels, while keeping up a high standard.

Relevance and Objectives

Various researchers question whether voluntary private initiatives alone are sufficient to improve the sustainability of supply chains. Since the Dutch Government mainly relies on civil regulation – without the use of hard law – it is important to assess what voluntary initiatives can mean for

sustainability, and indirectly, whether they can help accomplishing broader international cooperation objectives. Therefore the main question addressed in this study is:

What are the possibilities and limitations of using civil regulation to improve the sustainability of international supply chains?

In order to answer the main research question the following sub-questions are formulated:

- How can 'sustainability' be conceptualized?
- How can performance on sustainability be assessed?
- Which governance options do governments have in order to make supply chains more sustainable?
- What is the role of civil regulation in governing sustainability of supply chains?
- How can performance of civil regulation be assessed?
- How can civil regulation contribute to improve sustainability?
- What are the limitations of using civil regulation to improve sustainability?

The aim of this study is to analyze the extent to which civil regulation can be effectively used as an instrument to make supply chains more sustainable. This will provide insights to the government about how they can make use of it, and what the limitations are of relying on civil regulation. In addition, the research is useful for NGOs and other stakeholders in the civil regulatory network analyzed, as it reveals how the network functions and what the relative position is of the actors involved. The research questions will be empirically researched by means of an evaluative case study of the IDH fruits and vegetables program (SIFAV 2020).

Demarcation Study

The research focuses specifically on international supply chains of agricultural products, i.e., international agri-food chains. Agricultural production makes up a large part of the economy for many developing countries, but the sustainability of these chains is not secured. Geographically the research is demarcated by looking at low- and middle income countries in Africa, Latin America and Asia, as most civil regulations on sustainability are aimed at these regions. Throughout this paper the term civil regulation will refer to "voluntary, private, nonstate industry or cross-industry codes that specify the responsibilities of global firms for addressing labor practices, environmental performance, and human rights policies" (Vogel, 2010: 68). This study will not address the relative merits of using different types of civil regulation (e.g. sustainability standards or industry codes), instead will be explored how civil regulation in general may contribute to the improvement of sustainability. Network Governance theory will be used to analyze the effectiveness of civil regulation.

Outline

The study has been organized in the following way. Chapter 2 begins with a brief overview of the concept of sustainability, and looks at how sustainability can be assessed. Chapter 3 reviews the governance options to improve the sustainability of supply chains. It will then go on to examine what evidence about the functioning of civil regulation can be found in literature. In addition, this chapter deals with the question of how performance of civil regulation can be assessed and evaluated. Chapter 4 describes the design of the research, the selection of the case study, the used research methods and the reliability and validity of the research. Chapter 5 discusses the empirical evidence about possibilities and limitations of using civil regulation, obtained from the case study of the IDH fruits and vegetables program. Finally, chapter 6 provides an answer to the main research question by presenting the conclusions, discussion and recommendations.

2. Assessing Sustainability

Nowadays sustainability is a popular term, used by a broad array of actors and in many different contexts. The pursuit of sustainability is generally seen as a ‘good thing’ as sustainability is linked as a solution to some of the greatest global challenges of our generation: eradicating poverty, combating climate change, managing the scarcity of resources, preventing environmental degradation, protecting social rights and pursuing global intra- and intergenerational equity. But what is exactly meant with the term? If one aims to improve the sustainability of supply chains, it is crucial to understand what exactly is strived for. Therefore this chapter will explore the background, meaning and contestability of the concept. Subsequently, possible ways of how to measure and judge progress towards sustainability will be specified. The chapter concludes with five fundamental principles that are central in the concept of sustainable development. These sustainability principles form abstract norms that assist in evaluating the extent to which policy measures contribute to sustainability.

2.1 The Concept of Sustainability

The idea of sustainability has been around for a long time. The United Nations, OECD and other international organizations worried about unsustainable paths of development as early as in the 1960’s – although this was primarily with regard to ecological sustainability. It was not until the 1980’s that a broader social meaning was given to the concept of sustainable development. In 1983, the United Nations (UN) established the World Commission on Environment and Development (WCED) to jointly address the persistence of economic inequalities and the increasingly worrisome evidence of ecological degradation (Kemp, Parto & Gibson, 2005). Sustainable development was designed as a ‘bridging’ concept that specifically “sought to bring together the environmental agenda of the North with the development agenda of the South” (Carter, 2007: 209). In 1987, the WCED published its final report *Our Common Future* – popularly known as the Brundtland Report – in which it concluded that the ecological and social failures demanded a common response. A few years later at the Rio Earth Summit in 1992, the interest in and debate about sustainable development renewed with the publication of Agenda 21. Agenda 21 was adopted by over 170 nations and provided a blueprint for implementing sustainable development. From then on, sustainable development has become the dominant discourse, shaping the international policies on environment and development of the last decades. And not only governments have committed themselves to sustainable development: the reach has extended further into the world of business and civil society (Carter, 2007).

Despite the popularity and widespread enthusiasm about the concept, the precise meaning of sustainable development remains contested. In sustainability literature many definitions of sustainability can be found, all empathizing different aspects and principles. The most widely accepted definition of sustainability is the one set by the Brundtland Commission: “sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (WCED, 1987: 43). Whereas in the Brundtland Report sustainability has been interpreted as a three-dimensional concept that combines economic, social and ecological perspectives, other authors sometimes refer to a cultural or political dimension as well (OECD, 2004). Although concept of sustainable development as defined by the Brundtland Commission provides some conceptual clarity and consensus, it leaves a lot of space open for individual interpretations. The exact content of the three dimensions is not specified, nor is it clear how to prioritize the dimensions when trade-offs occur. Moreover, the meaning and implications of sustainability “bring different promises and threats to power-holders, old and new” and there is

“much criticism of the actual behavior of bodies that have claimed devotion to it” (Kemp, Parto & Gibson, 2005: 14). For these reasons, the concept of sustainability remains highly disputed.

Nevertheless, consensus can be found on some elements central in sustainable development. First of all, broad agreement exists on the belief that current paths of development are unsustainable. This relates for example to global challenges as described in Chapter 1, such as with regard to the global public goods. Second, what is most needed to improve sustainability always depends on the context. Policy options and trade-offs in sustainability must respect the place where interventions are implemented and depend on the time of implementation. “One could say that sustainability is about locally suited options that are globally sustainable.” (Kemp, Parto & Gibson: 2005: 15). Third, the concept of sustainability can be used either to describe a process or an end result (OECD, 2008). Wiedmann and Lenzen (2009: 66) explain the difference between sustainability as a process or as an end-goal with a difference in operational sense: *“Sustainability is ultimately an absolute condition: a country, community, or company is either sustainable or it is not. However, unsustainability may be less recognizable over immediate or short time scales that are odds with the accepted principle of sustainability defined in terms of future generations. Therefore, in an operational sense and with our current limited knowledge, sustainability is best viewed as a process. It is likely therefore that the sustainability ‘goal posts’ will be continually moved as our understanding of the importance of social and natural capital increases.”* In addition, Kemp, Parto & Gibson (2005) argue that it is misleading to speak about sustainable development as a specifiable target. That suggests that it can be solved, whereas in reality there will always be ‘problems’ and needs for change. Therefore the pursuit of sustainability is a long-term and never-ending process (Kemp, Parto & Gibson, 2005: 16). In sum, within the common accepted WCED definition of the concept of sustainability, consensus can be found on the belief that current paths of development are unsustainable, that the concept is context-specific and that sustainability can be both viewed as a process or an end-goal, but that it is most realistic to think about the concept as a process.

As the overview above on the concept of sustainability shows, it is not possible to give a complete and precise meaning of the concept of ‘sustainability’. Whereas broad agreement can be found on some elements of the concept, there is much space left for own interpretations. As a result, sustainability means different things to different people. One view holds that this ambiguity entails a high risk and brings uncertainty. “Without a clear meaning almost anything could be said to be sustainable, leaving it as little more than an empty political slogan” (Carter, 2007: 216). With underlying conflicting interpretations it is difficult to turn the broad sustainability principles into practical policy measures. Vagueness is thus maintained at a cost. On the other hand, others see vagueness as a virtue and political strength. Ambiguity allows all actors to ‘speak the same language’ (even if they mean something different) so that broad consensus can be reached (Stone, 2002: 157-161). In this point of view, the broadly inclusive meaning of sustainability is seen as a quality, helping to promote the concept and attract support. Although the story-line of sustainable development may remain vague, it helps to create a coalition whereas a precise formulation is more likely to divide potential supporters. In addition, an ambiguous definition offers the flexibility to apply and adjust the concept to different contexts. Finally, supporters argue that radical change cannot happen from one day to another, and therefore ambiguity is useful to bring about incremental change (Carter 2007: 216-217). In conclusion, despite the widely accepted definition of the Brundtland Commission, sustainability remains a rather ambiguous concept – a characteristic that might help to reach consensus between conflicting interests, but which inherently entails the risk of becoming meaningless.

2.2 Difficulties with Assessing Sustainability

The multi-interpretable definition of sustainable development as formulated by the Brundtland Commission presents many challenges to policymakers. One of the most critical issues is the question of how to measure progress towards sustainable development. If commitments to achieving

sustainability need to become more than fine words on paper, measurement issues must be tackled. Although it is difficult, if not impossible, to make an absolute assessment of sustainability, sustainability indicators are essential for setting targets, monitoring progress and determining relative performance (OECD, 2004, 2008; Wiedmann & Lenzen, 2009). For the past few decades governments, businesses and international organizations have made serious efforts to develop indicator sets, applicable at different levels. Gradually more and more companies have begun to address corporate sustainability challenges by means of sustainability accounting and reporting. In general, two main approaches are identified to put into operation the definition of sustainable development as proposed by the Brundtland Commission. These are the 'three-pillar approach' and the 'capital approach' (OECD, 2004; Kemp, Parto & Gibson, 2005). Companies often use the three-pillar approach to quantify their accomplishments in improving the sustainability of supply chains; this approach will therefore be discussed below.

The three-pillar approach – sometimes called People, Planet, Profit (PPP) or the triple bottom line (TBL) method – is frequently used by companies in sustainability accounts. In TBL environmental, economic and social systems “must be simultaneously sustainable in and of themselves” (OECD, 2004: 9). A commitment to corporate social responsibility (CSR) implies making efforts to the three 'pillars' of sustainability. John Elkington came up with the term 'Triple Bottom Line' in 1994, originally to describe companies that started benchmarking and reporting beyond their financial 'bottom line'. TBL is mainly a reporting device and it provides a framework for measuring successful economic, social and environmental performance. The TBL model emphasizes that the three dimensions of sustainability all should be covered in a sustainability assessment, which is useful for decision-makers to quantify trade-offs between the three dimensions and improve decision-making. Moreover, the TBL reporting process may reduce risks and enhance a company's reputation (Wiedmann & Lenzen, 2009). In international supply chains, for sustainability it is required to meet criteria on the three dimensions all along the chain. A difficulty with this is that TBL accounts of companies must include indicators on both the direct and indirect effects of the company. In a large chain or web of suppliers, indirect effects may include for example the externalities that a small farm is causing locally, from which a multinational is (indirectly) purchasing. An important question is which of the partners in a supply chain is responsible for the indirect impacts (Wiedmann & Lenzen, 2009).

With regard to deciding what the exact TBL indicators should be, some general criteria can be applied. Good indicators should score high on policy relevance, analytical soundness and measurability. However, especially finding good indicators for the social dimension of sustainability often turns out to be problematic (OECD, 2004). In addition, a general critique on the TBL approach is that it treats the three dimensions of sustainability as distinct indicators. According to Kemp, Parto & Gibson (2005) a more integral approach should be developed for measuring sustainability, since by simply adding up indicators from the three dimensions, the interlinkages and dynamics between the three dimensions will be missing. These points show that despite the efforts that have been made to develop sound sustainability indicator sets and monitoring schemes, making an absolute assessment of sustainability in international supply chains remains problematic. Instead of choosing one of the existing, but incomplete, measurement tools, this research therefore will focus on some of the core principles present in the concept of sustainability. These principles will be explained in the next section.

2.3 Core Principles in Sustainability

For evaluating civil regulation it is useful to assess its contributions to sustainability at a more general level. A drawback of this might be that general principles are considerably abstract. But on the other hand, the previous section showed that using a precise set of indicators also has serious limitations. Abstract norms make it easier to include unforeseen and context-specific factors. Therefore this research will look at sustainability in a broader and more process oriented way. According to Carter (2007: 218-225), the five core principles of sustainable development are: equity, democracy and

participation, the precautionary principle, policy integration and planning. These principles will be explained below.

Equity

'Equity' is one of the basic principles in the concept of sustainability. The Brundtland report sees poverty and the unequal distribution of resources as major causes of environmental degradation and suggests that priority should be given to meeting the essential needs of the world's poor. Various civil regulatory sustainability initiatives, such as the Fairtrade movement, focus on the equity principle in particular (Carter, 2007). Kemp, Parto & Gibson (2005) argue that sustainability essentially is about equity within and across generations and the integration of all 'requirements' for sustainability (social, economic and ecological) at once. Most policy measures generate clear winners and losers and therefore possible sustainability trade-offs should be considered – for example between the three sustainability dimensions, between the global North and South and between current and future generations. But dealing with the trade-offs is rarely simple. For example, will tough environmental or labor standards that require companies to invest heavily, reduce their competitiveness and lead to job losses? Taking distributional implications of any intervention in consideration is a fundamental concern in the equity principle, and so in sustainable development (Carter, 2007).

Democracy and Participation

The sustainable development paradigm emphasizes the direct link between democracy and sustainability. Whereas the equity principle holds that measures are required to help poor and disadvantaged groups, the democracy and participation principle adds that poor and marginalized groups (especially in developing countries) should have the opportunity to define their own basic needs. It is crucial that the people that are affected by policy and planning decisions can participate in the decision making process (Carter, 2007).

Precautionary principle

Sustainability requires that the ability of future generations to 'meet their needs' is secured (intergenerational equity). However, the future is almost always uncertain, especially with respect to the environment. Therefore, the sustainability paradigm insists on the application of the precautionary principle. This principle, which is included in Agenda 21, states that "where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation" (Carter, 2007: 222). However, in practical sense, the precautionary principle is often difficult to apply. For example, what are cost-effective measures? Therefore additional agreement on how to determine performance of this principle is required. Because of the difficulties, the precautionary principle will not be applied in this research.

Policy integration

The policy integration principle stresses the difficulties that institutions have in finding a solution for problems related to unsustainable practices. Public policies are usually segmented into different sectors such as transport, industry and agriculture. Individual ministries (or supranational bodies) pursue narrow objectives, rather than taking into consideration overall environmental or social impact. Sustainability, however, requires coherence in policies instead of fragmentation. The integration principle suggests that policy making probably should be organized in a different matter in order to reach coherence. According to this principle, integration of policies is a prerequisite for sustainability (Carter, 2007).

Planning

The planning principle is the final principle that Carter (2007) distinguishes and, in short, it holds that sustainable development must be planned. Kemp, Parto & Gibson (2005: 18) endorse this view by

arguing that “better governance is a prerequisite for (..) steps towards sustainability”. The many complex interdependencies between political, social and economic factors make it necessary to plan sustainable development by means of government intervention. At the same time, “those complex interdependencies set limits as to what can be achieved by planning” (Carter, 2007: 224). The relevant questions are thus how much planning should take place and which instruments should be used. Planning does not necessarily involve hierarchic control by the government. On the contrary, partnerships with non-state actors are relatively common in the sustainable development discourse. Civil regulation is a perfect example of an alternative form of planning. Planning is a central theme in this research and therefore the next chapter will take a closer look at the governance of sustainability.

This chapter showed that it is difficult to give a precise definition of sustainability. The definition by the Brundtland Commission - sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs – can be interpreted in different ways. Although some basics of the concept have become clear, the concept remains ambiguous. This characteristic is useful for gaining broad support, but makes it difficult to measure compliance. The Triple Bottom Line accounting approach is frequently used by companies and distinguishes indicators from the three dimensions of sustainability (economic, social and environmental). This accounting approach has various advantages, but limitations as well. For evaluating civil regulation, the core sustainability principles (section 2.3) are better applicable. Especially the ‘equity principle’ and the ‘democracy and participation principle’ assist in evaluating the extent to which policy measures contribute to sustainability and therefore will be used in this research. The latter two principles (policy integration and planning) are closely related to governance and will be clarified in the following chapter.

3. Governance and Civil Regulation

This chapter will take a closer look at civil regulation (which is a form of network governance). It examines why it is often preferred as an instrument to improve sustainability in supply chains, over the alternative guiding mechanisms of markets and hierarchies. Nevertheless, questions have been raised about the effectiveness of civil regulation as well. The last section of this chapter therefore deals with the question how to evaluate the effectiveness of civil regulatory networks.

3.1 Failing Markets, Failing Hierarchies

The need for governments, international organizations and NGOs to put sustainability issues on the global agenda, shows that sustainable development and global production do not automatically go hand in hand. Companies wanting to maximize their profits are more likely to look at short-term rather than long-term benefits, and social costs of externalities which are born by society, such as air pollution or loss of biodiversity, typically are not reflected in the market price set by companies. This leads to a call for regulation: “While capitalism may make important contributions to the realization of social justice norms via its generation of economic growth, the unequalizing tendencies that are produced through capitalist processes of accumulation and wealth generation have – throughout the history of capitalism – given rise to the demand for a range of regulatory and redistributive interventions to constrain and compensate for the more negative consequences of the system.” (Macdonald & Marshall, 2010: 9). Many scientists on social regulation explain the movement to more attention for sustainability issues with the classic work of Karl Polanyi (see for example Reynolds, 2012; Macdonald & Marshall, 2010). In his famous book *The Great Transformation*, first published in 1944, Polanyi argues that unregulated capitalist markets are disembedded from society. In earlier societies production was tightly connected to social and political institutions such as the community, religion and the family. With the rise of capitalism, production became separated from other social institutions which made society prone to crises. Various groups and movements reacted to this tendency as they wanted to protect themselves. This is what Polanyi predicts as the emergence of a countermovement: periods of deregulation will lead to the emergence of a countermovement calling for embedding and reregulation (Macdonald & Marshall, 2010). “Polanyi demonstrates how ongoing state action is needed to maintain competitive markets, manage the supply and demand of ‘fictitious commodities’ of land, labor, and money, and avoid the demolition of society by market forces.” (Reynolds, 2012: 277).

Whereas Polanyi in 1944 spoke about the need of ‘state action’, the contemporary world has changed significantly. Besides the governance structures of the market (guided by an ‘invisible hand’) and hierarchy (command and control), networks have emerged as a distinct guiding mechanism. Sørensen & Torfing define a governance network as:

“A stable articulation of mutually dependent, but operationally autonomous actors from state, market and civil society, who interact through conflict-ridden negotiations that take place within an institutionalized framework of rules, norms, shared knowledge and social imaginaries; facilitate self-regulated policy making in the shadow of hierarchy; and contribute to the production of ‘public value’ in a broad sense of problem definitions, visions, ideas, plans and concrete regulations that are deemed relevant to broad sections of the population.” (Sørensen & Torfing, 2009: 236)

The increased importance of network governance can be explained by the limited control capacity of national governments. The capacity of central government to steer society via hierarchical command and control mechanisms has decreased as a consequence of three distinct trends. First, economic

globalization has been a leading force behind the political transformations. The production and supply of firms is increasingly organized at a global level, international trade has expanded, the process of manufacturing shifted to a large extent from developed to developing countries, and capital now flows freely around the world (Vogel, 2010; Macdonald & Marshall, 2010). Those changes have also been associated with an increase in the power of private actors and multinationals, which increasingly operate beyond the control of nation states. Consequently, concerns have been raised about the protection and promotion of social rights and the environment, in particular regarding production along value chains in developing countries (Macdonald & Marshall, 2010: 12). Second, governance capacity of nation states has been weakened due to increasingly complex production processes. Particularly, the organization of production has become more complicated as a result of the trend towards vertical disintegration, i.e., the spread of the production process over separate companies each performing a specialized task (Macdonald & Marshall, 2010: 12). Third, under influence of 'neoliberal' agendas state intervention regarding social justice norms decreased from the 1980s onwards. In order to facilitate competitiveness and spur economic growth, certain regulatory responsibilities were delegated to private actors, social protections were sometimes weakened and the labor market deregulated (Macdonald & Marshall, 2010: 12). These three trends make that nowadays network governance is frequently used by governments as a guiding mechanism.

3.2 The Emergence of Civil Regulation

In response to the deficits of markets and hierarchies, a wide range of network governance initiatives with similar aims have emerged, seeking to regulate sustainability in companies, markets and production chains. Some of these initiatives are market- or non-state-based, while others are organized at the multilateral level. Such initiatives are welcomed by many as potential solutions to problems associated with hierarchical governance mechanisms, and many assume that these new forms of governance perform relatively better (Macdonald & Marshall, 2010: 15). This research focuses on networks of companies, civil society organizations and sometimes governments that are working together to improve the sustainability of supply chains. Some of these initiatives work with conventional markets and mainstream products, whereas others try to set up alternative supply chains. Often forms of certification and labeling are used to distinguish 'sustainable' products from mainstream products, based on measurement techniques such as the TBL approach. Those networks that regulate sustainability in supply chains can be seen as governance networks.

Often these new governance systems are referred to as private regulations, since participation is voluntary and not state-mandated. However, the initiatives aimed at regulating sustainability are different from many other forms of private regulations. Therefore Vogel (2010) refers to the initiatives as a form of civil regulation. Civil regulations include "voluntary, private, nonstate industry or cross-industry codes that specify the responsibilities of global firms for addressing labor practices, environmental performance, and human rights policies" (Vogel, 2010: 68). Typically, civil regulations are based on "soft law", meaning that the standards are not legally enforceable, actors participate voluntarily and non-compliance is penalized using social or market penalties rather than legal sanctions. According to Vogel civil regulation is distinctive from traditional private regulation or forms of industry self regulation for several reasons. First and foremost, often formally or informally stakeholders outside the firm are involved in civil regulations. NGOs and other external parties participate in the policy making process and the monitoring of compliance. In many civil regulations, standards are independently certified by third parties. The governance of civil regulations is more likely to be transparent and often more contested in comparison to private regulation. Furthermore, civil regulations are more politicized compared to traditional business self-regulation. Typically they have emerged in response to political and social pressures pointing to the shortcomings and responsibilities of global firms regarding social and environmental practices. Finally, civil regulations often require firms to make expenditures, instead of lowering transaction

costs which is frequently the purpose of private regulation (Vogel, 2010: 70). For these reasons, this research will use the term 'civil regulation' to refer to forms of public-private cooperation in which NGOs are involved, rather than 'private regulation'.

Civil regulatory networks can be organized in many different ways. For example, the design of the network may differ in terms of whether it has shared governance, is governed by one of the organizations involved (the lead organization), or is governed by an external organization (a network administrative organization (NAO)). Another point of difference is whether it is a voluntary network (created bottom-up by the parties participating), or a mandated network (typically created by a government agency) (Kenis & Provan, 2009). Moreover, differences can be found in how agreements are being made. Sometimes parties discuss issues during a round table session; in other instances agreements are put on paper, for example in a covenant.

The range of actors participating in civil regulations varies widely. It may include (multinational) firms, supermarkets, domestic and international NGOs, trade associations, trade unions and international standard bodies. For many NGOs the most important motivation to participate in civil regulation is that many large Western firms have a substantial global impact, and thus potential leverage to change social and environmental practices. Companies generally participate in civil regulations to avoid additional government regulation, and, most importantly, because of citizen and public campaigns placing pressures on global firms to act more 'responsibly' (Vogel, 2010). Some civil regulations have been established with the support of governments or multilateral organizations. "However, states have not participated in the enforcement of these regulations, which remain voluntary. Rather they have primarily served as facilitators, bringing firms, and in some cases, labor unions and NGOs together; helping them agree on common standards; and in some cases, providing civil regulatory organizations with initial funding." (Vogel, 2010: 74).

3.3 Shortcomings of Civil Regulation

Although civil regulations provide a solution to some of the deficits of hierarchical control, they are not able to solve all issues associated with unsustainable production practices. Moreover, civil regulation brings along some new problems. For example, some of these regulation initiatives are criticized for only reaching a very small percentage of overall production, resulting in a limited total impact (Macdonald & Marshall, 2010). Others lack the ability of bringing fundamental change, for instance because companies use sustainability labels to improve their public image instead of making 'real' efforts (i.e. green-washing) (Renard, 2005), or because powerful companies bring the network goals in line with corporate interests leading to dilution and weakening of standards (i.e. co-optation) (Jaffee, 2012). Other concerns are raised regarding the position of producers. Especially small producers find it difficult to meet the regulation standards, and although improving the income of farmers is often an explicit goal of certification schemes, the income earned is sometimes even lower in comparison with conventional production (Haight, 2011). These examples show that civil regulation has serious limitations as well.

Many studies on forms of civil regulation on sustainability in supply chains argue that the effectiveness depends on the way civil regulation interacts with other governance mechanisms. Jaffee (2012: 113) suggests "to consider alternative frameworks for reregulation of global corporations, for example incorporating binding minimum social and environmental standards into international trade agreements". Lobel (2010: 25) argues that "private efforts cannot serve as a substitute for government oversight in all instances because there are significant limits in the scope and depth of private industry interest to improve standards". Vogel (2010) and Macdonald and Marshall (2010) draw similar kind of conclusions and recommend to combine soft and hard law in regulatory approaches. They emphasize the importance of encouraging collaboration, but also of having mechanisms at hand to enforce compliance. Or as Auld (2010: 231) puts it: "future research should consider how a broad array of action—certification, company, NGO, and government

initiatives alike—might fruitfully intersect to help improve the economic livelihoods of farmers and the sustainability of farming practices.”

The deficits and limitations ascribed to civil regulation are similar to critiques on network governance in general. For instance, Kjaer (2004: 49) argued that: “Network governance should not stand alone. The fascination with networks tends to highlight their positive effects in win-win situations, while ignoring the distributions of power and interests in particular policy sectors.” Sørensen & Torfing (2009: 243) emphasize the importance of meta-governance to improve the functioning of network governance: “The problem is that governance networks – just like hierarchies and markets – are prone to failure. (...) Ensuring the conditions for effective network governance requires a careful and deliberate governance of the self-regulated governance networks. In other words, governance networks must be metagoverned in order to contribute to the effective governing of society.” The limitations of civil regulation (as found in the literature) show that if the government wants to rely on civil regulation, it should be studied how and under which conditions civil regulation can be effective in improving the sustainability of supply chains. The next section explores how this can be evaluated.

3.4 Assessing the Performance of Civil Regulation

From the beginning of the 90s many governance network theorists have described the functioning of networks, and later, how governance networks can be assessed and their performance improved. Evaluating the performance of governance networks is extremely difficult and it is not possible to apply the concepts and methods traditionally used in hierarchical or market based governance. Kenis and Provan (2009) showed that most research on network performance is limited in the sense that it only assesses the performance of particular actors in the network, and not the effectiveness of the network as a whole. In this research the performance of the network as a whole is the topic of interest, since civil regulation involves the creation of policies and measures through interaction by the different network members. The outcome of collaboration in networks is more than the sum of its parts, and therefore simply adding up individual outcomes is not enough. Another limitation in current research is the problematic definition of ‘effectiveness’. In principle a wide range of normative criteria may be chosen to assess the performance and impact of networks, such as equity, democracy, productivity, learning capacity, stability and goal-attainment. Although all these criteria are justified according to Kenis & Provan (2009), the explicit choice for an appropriate criterion should be clarified which is often not the case. The assessment of goal achievement in networks is further complicated because the definition of policy goals is subject to ongoing conflicts and negotiations, leading to unclear, competing and shifting goals. In addition, the real strength of governance networks often lies already in defining a set of objectives reflecting the complexity of policy problems. That can also be applied to sustainability: when a civil regulatory network is able to reach a joint problem understanding and generate innovative policy options to improve sustainability, this will be part of its successful performance. That makes assessing effectiveness only in terms of goal attainment inappropriate (Sørensen & Torfing, 2009). Another problem with impact assessments of governance networks is that researchers frequently use *ex post* satisfaction surveys. This might help to overcome the problem of the goal-attainment criterion, but it may lead to unreliable or affirmative answers of the respondents. Furthermore, it assesses individual stakeholder views rather than the outcome of the network as a whole (Sørensen & Torfing, 2009).

In response to the problems associated with evaluating the performance of networks, Public Administration scientists Eva Sørensen and Jacob Torfing (2009) have attempted to assess the performance of governance networks in terms of effectiveness and democracy. Sørensen and Torfing propose to assess the effectiveness of governance networks in terms of whether they actually deliver what they are supposed to according to the literature. In the literature on governance networks criteria can be found which are seen as important elements of well-functioning networks. These criteria or norms relate to substantive and procedural aspects in different phases of the policy

process. Assessing these criteria will provide insights to a wide range of relevant issues, such as the ability to identify relevant problems and objectives; the ability to solve problems; the flexibility of the network; the costs of cooperation and networked solutions and the cost distribution; the democratic legitimacy among relevant and affected actors within and outside the governance network; and the capacity building for future cooperation. Starting from these points of interest, Sørensen and Torfing suggest the following list of norms to measure the effectiveness of governance networks (Sørensen & Torfing, 2009: 242):

The capacity of governance networks to:

- 1. Produce a clear and well-informed understanding of the often complex and crosscutting policy problems and policy opportunities at hand;*
- 2. Generate innovative, proactive and yet feasible policy options that match the joint perception of the problems and challenges facing the network actors;*
- 3. Reach joint policy decisions that go beyond the least common denominator while avoiding excessive costs and unwarranted cost shifting;*
- 4. Ensure a relatively smooth policy implementation based on a continuous coordination and a high degree of legitimacy and program responsibility among all the relevant and affected actors, including target groups, client advocacy groups, stakeholder organizations, public administrators and politicians;*
- 5. Provide a flexible adjustment of policy solutions and public services in the face of changing demands, conditions and preferences;*
- 6. Create favorable conditions for future cooperation through cognitive, strategic and institutional learning that construct common frameworks, spur the development of interdependency and build mutual trust.*

This broad set of criteria by Sørensen & Torfing provides useful insights for the evaluation of civil regulation networks. The criteria relate to different phases in the policy making process; whereas the first three criteria are mainly concerned with policy making, the latter three criteria focus on the implementation and evaluation phase. The norms are developed for governance networks in general, but they can also be applied to evaluation of civil regulation because this is a form of network governance. The operationalization of Sørensen & Torfing's norms and the sustainability principles from the previous chapter, will be described in the next chapter.

4. Research Design

This study investigates what the possibilities and limitations are of using civil regulation to improve the sustainability of international supply chains. As explained in chapter two ‘unsustainability’ is widely recognized as a problem with all kinds of harmful consequences for society and the environment. Many forms of intervention are imaginable in order to improve the sustainability of supply chains. In any case, it is hoped that the intervention will be effective in helping to solve sustainability problems. As seen in chapter 3, this is not always the case. Civil regulation is one of the attempts to solve problems or bring about change regarding sustainability. However, the knowledge about the functioning of civil regulation is limited and the effectiveness of this network based instrument is sometimes based on assumptions rather than scientific evidence. Based on the insights of Sørensen & Torfing presented in the previous chapter, this study therefore hopes to fill this knowledge gap by conducting an evaluation research that tests the effectiveness of civil regulation.

4.1 Evaluation Research

Evaluation of governance networks is important since they are often set up to create certain values for society (in this case improving sustainability) and therefore it should be analyzed whether they contribute to fulfill these ambitions (Sørensen & Torfing, 2009). Evaluations seek to examine and judge processes and outcomes of intervention attempts aimed at solving problems or bringing about change (Patton, 2002: 218). Two types of evaluation research can be distinguished: summative and formative evaluations. The purpose of summative evaluations is to examine the overall effectiveness of an intervention. By contrast, the purpose of formative evaluations is to formulate recommendations on the basis of which a program or policy can be improved. Whereas summative evaluations can be generalized to future efforts and to other programs, the usefulness of formative evaluations is limited to the specific setting studied (Patton, 2002: 224). Since the purpose of this study is to assess the overall effectiveness of civil regulation, it is a summative evaluation research. The results that this summative evaluation will give are: “judgments and generalizations about effective types of interventions and the conditions under which those efforts are effective” (Patton, 2002: 224).

Complications of evaluating effectiveness civil regulation

The focus of summative research is generally on the goals of a specific intervention. Evaluation then examines whether the intervention is reaching its predetermined goals. In the case of civil regulation on sustainability, conducting a summative evaluation research in this way is hampered by a number of factors. First of all, as became clear in chapter two, sustainability is a rather ambiguous concept. If the government states that it wants to improve ‘sustainability’ of supply chains, it is not clear what goal it exactly wants to attain. Since there are no clear indicators of what sustainability exactly means – particularly regarding the social dimension of sustainability – it is impossible to evaluate the accomplishment of this goal in the way it is usually examined in summative evaluations. Furthermore, chapter 3 showed that evaluating civil regulation only in terms of goal attainment is inappropriate because of the specific characteristics of network governance. Therefore this research builds on the evaluation approach that is introduced by Sørensen & Torfing (2009). This approach was presented in chapter 3. The list of six norms formulated by Sørensen & Torfing (2009: 242) provides useful insights about the evaluation of civil regulation networks and their method overcomes some of the problems that are associated with other evaluation approaches. However, the criteria are still too broad to use in practice and need to be made operational and modified to the specific context in which they will be used.

Operationalization effectiveness of civil regulation

In the limited time available to conduct this research it is not possible to evaluate civil regulation on sustainability in supply chains on all six criteria. As the criteria refer to different phases in the policy making process, the empirical research will focus on a specific phase. The policy formulation phase is of particular importance to assessing civil regulation on supply chains since the concept of sustainability is so ambiguous and the interests of the parties involved vary widely. As a result, it is highly relevant to assess the capacity of civil regulation to: “reach joint policy decisions that go beyond the least common denominator while avoiding excessive costs and unwarranted cost shifting” (criterion 3 by Sørensen & Torfing, 2009: 242). The empirical research thus focuses in particular on the policy formulation phase. Obviously, this results in limitations in comparison to examining all six criteria. On the other hand, the results of the policy formulation phase will be crucial to the implementation phase as well. If there are no (good) policies formulated, it is highly unlikely that the implementation will be successful. Chapter 2 showed for example how an ambiguous definition of sustainability may lead to problems with the implementation of policies – confirming the fundamental relationship between policy formulation and overall performance of a civil regulatory network. Hence, with focusing on the policy formulation phase, important insights can be gained about the possibilities and limitations of using civil regulation to improve the sustainability of international supply chains.

Figure 4.1 Criterion that determines effectiveness of civil regulation in policy formulation phase

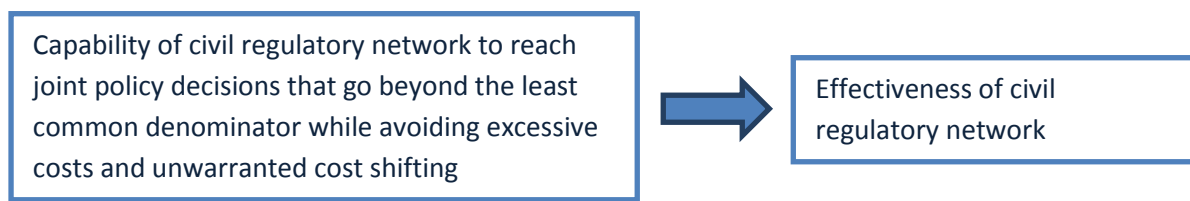


Figure 4.1 shows the effectiveness criterion (norm) that will be examined in the empirical research. The expectation is that if a civil regulatory network is capable of reaching joint policy decisions that go beyond the least common denominator while avoiding excessive costs and unwarranted cost shifting, it will result in relatively more effective performance of the civil regulatory network. In other words, civil regulation will function relatively effective if it meets the abovementioned condition. Within this condition, many sub-factors and conditions may be included that work together (or against each other) to reach a certain outcome. On the next page (table 4.1) factors are specified that, in theory, seem to be relevant to make the evaluation norm operational. The empirical evidence that results from evaluating this norm will provide fruitful insights about the possibilities and limitations of using civil regulation to improve the sustainability of international supply chains.

4.2 Conducting a Single-Case Study

The case for a case study

The main research questions have been answered by conducting a case study. Blatter & Haverland (2012: 19) define case study research as a non-experimental research approach focusing on a small number of cases (small-N); with a large number of observations per case; a huge diversity of empirical observations per case; and an intensive reflection on the relationship between concrete empirical observations and abstract theoretical concepts. Case studies have various advantages that are useful for this research. First of all, case studies allow taking into account a broad and diverse set of explanatory factors; and in civil regulation it is expected that a number of factors together determine the outcome (see table 4.1). Both internal and external factors can be included in case studies and this is important since cases typically are not fully independent from the outside world.

Table 4.1: Operationalization of evaluation norm effectiveness policy formulation

Outcome (Y)	(Potential) causal conditions and factors (X)
1a. Reach joint policy decisions	Which policy decisions have been reached?
	On what issues no joint decisions could be reached? Why?
	How were decisions made, by whom, and who had influence on the outcome? <ul style="list-style-type: none"> i. What are the network structure and decision-making procedures of the civil regulatory network? What are the implications of this? ii. Who is represented by whom and in which way? Whose voices were or were not included in the decision-making process? (<i>democracy and participation principle</i>) iii. How is the network (meta)governed? What is the role of the government?
1b. That go beyond the least common denominator	What do the policy decisions 'mean' for the improvement of sustainability in supply chains? <ul style="list-style-type: none"> i. What are the ambition level and potential impact of the agreements? ii. How precise (SMART) or ambiguous are the formulated goals and policies? What are the advantages and disadvantages of this?
	How likely would the decision outcomes have been reached without collaboration in the civil regulatory network? <ul style="list-style-type: none"> i. How would sustainability in supply chains be organized without the civil regulatory network? ii. What is the relative effectiveness of the civil regulatory network in comparison to other governance instruments (e.g. market, hierarchy)?
1c. While avoiding excessive costs and unwarranted cost shifting	What are the costs and losses for individual stakeholders? <ul style="list-style-type: none"> i. To what extent are their desires met? ii. On which issues they had to compromise? iii. How are costs and benefits distributed financially?
	Who are the winners and losers of the policy measures? (<i>equity principle</i>) <ul style="list-style-type: none"> i. What are the trade-offs between the three sustainability dimensions? ii. Who benefits (or loses) from the policy decisions and in which way?

Second, case studies make it possible to include cognitive factors like norms, ideas and discourses into account. This is of particular use when explaining the specific processes and results of decision-making. The indicators formulated in table 4.1 are no easy to score criteria, but rather broad and abstract ideas. Reflection on the meaning and relationship of the obtained data is needed. Third, in contrast to large-N studies, case studies help to understand the perceptions and motivations of important actors. It is necessary to speak with key actors involved in or affected by the decision-

making in order to gain an in-depth understanding of how they act and what their motivations and opinions are (Blatter & Haverland, 2012).

Causal-process tracing

As described in Section 4.1 this study is a summative evaluation research. The goal is to examine the effectiveness of civil regulation (both possibilities and limitations), and to make judgments and generalizations about effective types of interventions and the conditions under which those efforts are effective. Blatter & Haverland (2012) distinguish between three approaches in case study research: the co-variational approach, causal-process tracing and congruence analysis. The causal-process tracing (CPT) is well-suited for tracing the process from a combination of certain causal factors to an outcome. In their book *Designing Case Studies* Blatter & Haverland (2012) have not devoted specific attention to evaluation research, but their approach to causal-process tracing provides important insights applicable to case-study evaluations. The CPT approach is helpful in making a research design for evaluation purposes, since it is a Y-centered approach. This means that the topic of interest is the many and complex causes of a specific outcome (Y), rather than the effects of a specific cause (X).

The CPT approach is grounded in configurational thinking and those assumptions form an important starting point of CPT. The core assumptions of configurational thinking are that almost all social outcomes are the result of a plurality of causal factors that work together; there are different pathways to reach similar social outcomes (equifinality); and in different contexts and combinations, the effects of the same causal factor can be different (causal heterogeneity). In CPT it is either argued that “a specific temporal order of causal conditions and events is crucial for reaching an outcome (causal chain) or that the conditions have to be present at the same time to be causally effective (causal conjunctions) (Blatter & Haverland, 2012: 85). This process-oriented feature of CPT uses the fact that causation plays out in time and place as basis to draw causal inferences. CPT considers causes or causal factors as (potential) causal conditions. Subsequently, the analysis is focused on the question of “which causal conditions and/or causal configurations are ‘necessary’ and/or ‘sufficient’ for the outcome of interest” (Blatter & Haverland, 2012: 92).

In the CPT approach accessibility is the most important criterion to select a case. In addition, the logic of case selection depends on the goal that the study pursues. It is not necessary to select more than one case, because CPT does not make cross-case comparisons. With limited time and resources available, it is important to select (the number of) cases based on “the possibility and probability of finding sufficient empirical evidence to provide a convincing narrative and explanation for each individual case” (Blatter and Haverland, 2012: 100). Therefore CPT prefers to conduct a single-case study with extensive empirical evidence, over a multi-case study with poor empirical evidence. In CPT it is accepted to select a case on the dependent variable (outcome), because in that way it is possible to reveal the causal conditions that led to that specific outcome. In the pragmatic CPT approach it is common to select cases based on importance of the case and useful knowledge for specific actors (Blatter & Haverland, 2012). This research has followed the CPT logic and approach; the case selection will be explained below.

4.3 Case Study Selected: IDH, the Sustainable Trade Initiative

In this research the Dutch organization IDH, the Sustainable Trade Initiative is selected as a case. As the Dutch Government explicitly underscores the role of IDH to make supply chains more sustainable (Rijksoverheid, 2013: 34), it is an important and relevant case for research on civil regulation aimed at improving supply chain sustainability. Moreover, the case is accessible since IDH is willing to cooperate with the research. This made getting access to documents and key actors involved easier, and therefore assisted in obtaining a broad and diverse set of empirical evidence. In addition, the research is relevant for the actors involved in IDH programs. IDH has little information about the process of their programs documented, and documentation and evaluation are essential to make attribution claims about IDH’s impact (Interview 8, 05-06-2013). Moreover, the research provides

IDH (and the Dutch government) information about the functioning and effectiveness of the program, which can be used as input for policy- and decision-making. For other stakeholders involved in the programs, such as civil society organizations and private sector parties, the outcomes of the research can assist in their individual decision-making processes: what are the advantages for them to participate in IDH programs, and what are the disadvantages?

Background IDH

IDH (in Dutch: Initiatief Duurzame Handel) forms an example of civil regulation as it aims to regulate sustainability in international trade chains by working together with private sector parties, civil society organizations and governments. The foundation for IDH was laid in the Schokland Agreements in 2007, in which “businesses, trade unions, NGOs, and the Ministries of Development Cooperation, Economic Affairs & Agriculture, and Nature & Food Quality acknowledged the necessity of joining forces in stimulating sustainable trade” (IDH, 2013a). One of the goals was to deliver impact on the Millennium Development Goals (MDGs) 1 (poverty reduction), 7 (safeguarding the environment) and 8 (fair and transparent trade) (IDH, 2013a).

IDH strives to accelerate and scale-up sustainable trade within mainstream international commodity markets through the building of coalitions of multinationals, civil society organizations, governments and other key stakeholders. IDH acts as a ‘convener’ between public and private interests. The IDH case is a typical example of network governance: the stakeholders involved in the network bring in different resources that together create shared value. For example, private companies bring in funds, entrepreneurship and procurement power, governments bring in legislation, laws, regulations and funds, and civil society adds know-how, networks, local expertise and credibility (IDH, 2013a).

The Dutch government facilitates the IDH governance network in several ways. First of all, the government has been the initiator of IDH. Second, IDH receives a 105 million euro funding from the budget of Development Cooperation and International Trade. (Regarding the total funding of IDH, the Swiss government has recently approved strategic funding of CHF 30 million to IDH (Interview 8, 05-06-2013), and IDH investments are 1:1 match funded by private companies.) Third, the Dutch government monitors and evaluates the impact of IDH (Interview 2, 23-05-2013). Those are some of the ways in which the Dutch government ‘meta-governs’ IDH. In its role as ‘convener’ IDH itself acts as a meta-governor as well: IDH manages and facilitates cooperation between stakeholders, and brings in funds.

Demarcation of case: the fruits and vegetables program (SIFAV 2020)

To date IDH runs programs in eighteen sectors. Examples of IDH program sectors are tea, cacao, cotton, fruit & vegetables, soy, tropical timber, electronics and tourism (IDH, 2013a). In the time available to conduct this research it was only possible to look at one of the programs in great detail. The Sustainability Initiative Fruits and Vegetables (SIFAV 2020)¹ was chosen as the unit of analysis that has been further analyzed.

The SIFAV program is one of the newest IDH programs. IDH started focusing on the fruits and vegetables sector in 2011, and in June 2012 stakeholders signed the covenant ‘sustainable sourced fresh fruit and vegetables’. This document is an important outcome of the policy formulation phase and therefore will be the main focus of the case study. The fact that the decision making process took place a relatively short time ago, helped in reconstructing the decision-making process. In addition, stakeholders involved were more likely to still be in office. A drawback of focusing on SIFAV 2020 instead of on one of the other IDH programs might be that the implementation phase has not fully started yet, and as a consequence it was not possible to reflect on the policy formulation phase with current knowledge about how plans functioned in practice.

¹ Before July 2013, the program was referred to as the Fresh Fruits and Vegetables (FFV) program. As currently the fruits and vegetables program of IDH is named SIFAV 2020, the name ‘SIFAV’ will be used in this research.

IDH programs are usually designed in five phases (IDH, 2013b). These phases show great similarities with the stages in a policy cycle known from public administration sciences. In the first IDH program phase (Scope) the basic issues and relevance of a potential new program are analyzed. In the second phase (Development I) a program focus document will be made, which provides a broad overview of the problems and issues in the sector and the possible options to address these issues. The first two phases are roughly comparable to criteria 1 and 2 of the six criteria by Sørensen & Torfing (see section 3.3). In the third phase of an IDH program (Development II) final decisions are made about questions such as: which parties are involved and what are their contributions; what is the program content; what are the targets; which indicators are used; how will the program be implemented; what is the governance structure; what is the financing structure; and how are contributions being reported, monitored and audited. This third phase is comparable with criterion 3 by Sørensen & Torfing about the policy formulation phase. The fourth phase of IDH programs is the implementation phase. Monitoring, evaluation and learning are important aspects in this phase. In the fifth phase of IDH programs the program will be evaluated and impact will be assessed. The last two phases can be related to the criteria 4, 5 and 6 by Sørensen & Torfing. Since this study is demarcated by looking at the policy formulation phase (criterion 3 by Sørensen & Torfing), the development phase of IDH programs has been the main focus of this research. However, in reality the program structure was not as rigid as on paper and, in addition, not all IDH programs have a covenant. In the SIFAV program the covenant is part development phase, but no final decisions have been put in the covenant about the governance and financing structure and how contributions are being reported, monitored and audited. Nevertheless, most important agreements about the content of the SIFAV program have been written in the covenant; therefore the case study is additionally demarcated by looking at the decision making process and policy formulation of the covenant.

4.4 Methodology and Data Analysis

Empirical evidence has been mainly collected through conducting interviews and analyzing documents. First of all, document analysis of the covenant 'sustainably sourced fresh fruit and vegetables' assisted in formulating the interview questions. In addition, document analysis was used to complete and compare the data obtained from interviews. This helped in reconstructing the decision making process and in evaluating the agreements. Relevant documents about IDH in general, and the policy formulation phase in the SIFAV program in particular, were: an annual report of IDH about 2011, slides of a PowerPoint presentation from the time of the decision making process, and information about the SIFAV program found on the website of IDH.

In total 11 semi-structured interviews were conducted with 12 respondents from various types of organizations (IDH, supermarket, traders, government, participating NGOs, non-participating NGO, member organization). The interviewees were selected on the basis of their involvement in the covenant of the SIFAV program. In the causal-process tracing approach, data does not need to be aggregated into standardized scores, because causal inference is not based on cross-case comparison. Instead, a large set of diverse observations is necessary (Blatter & Haverland, 2012: 20). Therefore, in order to have a wide range of variation in the data, the interviewees were selected on the basis of the type of organization they worked for, as actors in different positions are most likely to have different opinions. The design of the semi-structured interview was based on the operationalization of the evaluation norm (see table 4.1). The semi-structured interview approach was chosen because it allowed following relevant topics that were not on the list of questions, while the topic list secured that all topics are covered and that the data obtained from the interviews is comparable. The experiences and opinions of interviewees about the decision making process and the formulated policies assisted in reconstructing the policy formulation process and the agreements that have been made.

The data obtained from interviews were recorded on a mobile phone and subsequently transcribed. Subsequently the raw data (collected from both interviews and documents) were coded.

The coding followed an inductive approach: the codes have not been decided upon beforehand, but they were formulated during the process of data generation. This allowed analyzing topics that were not expected to be of relevance beforehand. The data have been content analyzed to identify the patterns of opinions and experiences.

4.5 Reflection on Reliability and Validity

Reflection on reliability

As discussed before, the list of interview questions was semi-structured. This standardized approach enhanced the reliability and comparability of the data. Moreover, reliability was increased by recording and transcribing the interviews, since that ensured that no information is missing and the data can be verified. In addition, several quotes were added to the final case study description in order to keep the original text, rather than the interpretation of the researcher. A possible source for error in this research is that interviewees were asked to tell about a process that took place a year ago. With their current knowledge they might have other insights than they had back then and they might have forgotten things. Unfortunately it was not possible to use participant observation, since the process took place in the past. Nevertheless, by using a triangulation of research methods (both interviews and document analysis) reliability was enhanced. An example of this is that in general respondents did not remember exactly when certain meetings took place; the analysis of a PowerPoint presentation provided additional clarity. Besides the use of different research methods, also the great variety of interviewees assisted in safeguarding the reliability of the research. To avoid only affirmative answers of the participating stakeholders, an interviewee of a non-participating NGO was interviewed as well. In addition, of two organizations (ICCO and IDH) both an interviewee that was involved in the decision making and a interviewee that was not involved, but has to work with the decisions made in the covenant have been interviewed. Anonymity of the interviewees was guaranteed to let them speak freely.

Reflection on internal validity

With regard to the internal validity, the fit between the methodology and the research objective is important. The combination of an evaluative study and a case study made it possible to investigate in-depth how civil regulation works, what can be achieved with civil regulation, and what the limitations are of using civil regulation. The causal-process tracing approach allowed including context specific indicators for the theoretical concepts, which enhanced the internal validity (Blatter & Haverland, 2012). Although evaluating governance networks is very difficult, the method by Sørensen & Torfing ensured the best possible internal validity, since not only the end result was taken into account, but the process as well. Due to time limits, it was not possible to evaluate a case on all six criteria by Sørensen & Torfing, and therefore the current study has only examined the policy formulation phase. Although this can be regarded as a serious limitation in comparison to evaluating civil regulation on all six criteria, it is assumed that internal validity is sufficiently safeguarded by looking at the policy formulation phase. The policy formulation phase is crucial, as research on this phase reveals information about the decision making process, and also about how (most likely) policies will be implemented and what the end results will be. Obviously, plans on paper might be very different in practice. However, the way in which policies are formulated (e.g. ambiguous or precise) can help to predict how plans will function in practice. Nevertheless, it is recommended that further research investigates if the assumption is justified.

Reflection on external validity

Regarding the external validity, this research shows some limitations. One of the general drawbacks of using the CPT approach in case studies is that it is difficult to generalize the results found in a CPT based case study to the population of cases with similar outcomes (Blatter & Haverland, 2012: 82). Since CPT stresses that there are divergent pathways to similar outcomes, and the effects of a same

causal factor can be different in different contexts, the results found in a CPT case study design are restricted to the case under study. However, typically, CPT studies strive instead for ‘possibilistic generalization’, which means that it is possible to draw “conclusions towards the set of causal configurations that make a specific kind of outcome (Y) possible” (Blatter and Haverland, 2012: 82). In this study, the same principles count: it is not possible to generalize the specific findings of the IDH fruits and vegetables case study to other IDH programs or other civil regulations; but the combination of factors and conditions that explained the outcome, is applicable to other settings. Concretely, that means that in civil regulations with the same outcome as the SIFAV program, not necessarily the same factors and conditions can be found; but similar patterns can be expected. Those patterns and combinations of factors and conditions provide useful information for policy makers.

Furthermore, due to time limits, it was only possible to conduct a single-case study. Earlier it was explained that given the available amount of time, it was preferred to investigate one case in depth instead of more cases without the ability to collect a dense data set. The single-case could provide sufficient information about factors and conditions that determine the opportunities and limitations of civil regulation. Future research might investigate other cases to confirm whether the patterns in the findings of this research indeed correspond to other civil regulations.

All in all, the reliability and validity of this research was sufficiently guaranteed. Given the available amount of time and the difficulties in civil regulation evaluation research, choices were made in order to find the right balance between feasibility, reliability and validity of the research. The next chapter presents the findings of the case study.

5. Case Study Policy Formulation IDH Fruits & Vegetables Program

In the previous chapter the research methods, the selection of the case, and some general background information about IDH were presented. It was argued why and how the case study focuses on the policy formulation of the Sustainability Initiative Fruits and Vegetables (SIFAV 2020), or more specifically, of the covenant ‘sustainable sourced fresh fruit and vegetables’. Based on the empirical evidence obtained from interviews and document analysis, this chapter presents relevant insights about the effectiveness of the SIFAV civil regulatory network. First the (decision-making) process towards the covenant (section 5.1) and the covenant text (section 5.2) will be described and analyzed. In the analyses the evaluation norm will be used which was operationalized in the previous chapter (table 4.1). The chapter ends with a conclusion (section 5.3) about the capability of the IDH SIFAV civil regulatory network to ‘reach joint policy decisions that go beyond the least common denominator while avoiding excessive costs and unwarranted cost shifting’.

5.1 Background SIFAV 2020

About a year before the covenant was signed various traders and retailers showed their interest in the plan of IDH to (potentially) launch a new program directed at the fresh fruits and vegetables (FFV) sector. In the foregoing years some retailers already started working on sustainability issues in their own supply chains. Moreover, research organization SOMO wrote two influential reports on the FFV sector (Interviews 7, 9). In addition, a number of initiatives aimed at making fruits and vegetables more sustainable have been developed in the past decade – such as: a multi-stakeholder dialogue facilitated by Fairfood International and the establishment of a Dutch task force on organic agriculture (Interviews 6, 8). So at the time IDH explored the possibilities to start a fruits and vegetables program, some sustainability related initiatives were already developed in the FFV sector. However, earlier sustainability initiatives primarily focused on niche markets, whereas different parties in the FFV sector indicated that they felt a need to address issues in mainstream business (Interview 8, 05-06-2013). “The time has come to work on sustainability issues in the FFV sector”, several respondents reflected on the start-up period of the IDH program (Interviews 1, 3 & 8). As explained in the previous chapter, IDH strives to accelerate and scale-up sustainable trade within *mainstream* commodity markets and thus addresses the need expressed by several companies in the sector. In addition, private sector respondents indicated that working on sustainability issues fits in their own business strategy. According to the respondents, sustainability is likely to become increasingly relevant as consumers have growing concerns regarding the health, safety and welfare of workers and the environmental impact (Interviews 2, 4). All in all, it can be concluded that the interest of (private sector) stakeholders in having a fruits and vegetables program mainly stems from the ‘readiness’ of the sector (and society) to work on sustainability issues.

Scoping phase IDH fruits and vegetables program

IDH: reaching out to stakeholders and taking the lead

Before IDH finally decides whether or not to start a program in a particular sector, IDH makes an analysis of the market, possible stakeholders, key sustainability issues and the need and relevance of a potential new program in that sector. This is the so-called scoping phase of an IDH program (IDH, 2013b). In the scoping phase of the IDH fruits and vegetables program Roland Waardenburg (an external consultant for IDH) was closely involved. As an ex-Ahold employee he had experience in and knowledge about ‘the world’ of the fruits and vegetables sector and the relevant sustainability topics. On behalf of IDH, Roland Waardenburg spoke bilaterally with Dutch retailers about the SIFAV program and he sounded out their opinions of the desirable way to improve sustainability in fruits

and vegetables chains. Based on these conversations and his own experience, Roland Waardenburg made an estimation of acceptable and feasible objectives, measures and time paths for the program. The main objective he proposed was to have all imports sustainably sourced by 2020 (Interviews 1- 5, 8).

During the scoping phase IDH additionally reached out to other (non-private sector) stakeholders. For example, IDH contacted the Productschap Tuinbouw (in English: the Product Board for Horticulture) to discuss the ideas about the SIFAV program. When in September 2011 the chairwoman of Productschap Tuinbouw (Agnes van Ardenne) had a meeting with the State Secretary of Foreign Affairs (Ben Knapen), she was asked by IDH to mention the plans to improve the sustainability in fruits and vegetables chains (Interview 3, 23-05-2013). Meanwhile, Productschap Tuinbouw contacted Frugi Venta (a member organization of fruit and vegetables traders). Productschap Tuinbouw and Frugi Venta provided information and data about the market, the relevancy of setting up an IDH fruits and vegetables program, they brought the IDH program to the attention of their members and they sent out a questionnaire to their members (Interview 1, 22-05-2013). Moreover, the Dutch NGOs ICCO and Solidaridad received an invitation from IDH to participate in the program. The NGOs provided information about specific problems in the fruit and vegetables chain and they were involved in the discussion about possible product/issue/country combinations for the program focus (Interview 9, 11-06-2013). It is important to remark that not all NGOs were invited to participate; only the most 'relevant' ones. ICCO and Solidaridad were seen as relevant stakeholders because of their track record of cooperating with private sector partners and their expertise in agri-food supply chains (Interviews 5, 8, 9). The process outlined above shows that during the scoping phase IDH reached out to relevant stakeholders, but that IDH itself took a strong coordinating and leading role in the design of the program.

From scoping phase to development phase

The information obtained in the scoping phase showed enough relevance for IDH to decide to go on with the IDH fruits and vegetables program, and start with the program development. In IDH's Annual report of 2011 the following is written about this: "In 2011, the IDH SIFAV program moved from scoping to the development phase. The first concrete steps toward a sector-wide implementation program were made. Stakeholders such as ICCO and Solidaridad were involved, and a first mapping of the product/issues/country combination was done. Opportunities were assessed and the potential impact of an SIFAV program explored." (IDH, 2012b). According to Dave Boselie (senior manager learning & innovation at IDH) the potential impact of a fruits and vegetables program is substantial: *"The SIFAV program is one of the smaller IDH programs (IDH light) with regard to the budget, but if you look at the sector, it might become one of the biggest programs IDH can develop since the total global trade volume is tremendously high. In addition, it has a clear potential development impact as production is labor-intensive, it serves both national and international markets and as such it has a direct link with the food security agenda."* One of the reasons why SIFAV 2020 is a 'light' program, despite the large potential impact, is that normally IDH's Theory of Change is to have at least 25% of global industry involved in a program. For the FFV sector that was not feasible however, because of the fragmented market with a large number of retailers and traders involved. IDH's ambition is to get global players involved such as Dole, Chiquita, Del Monte and Walmart, but at the start of the program a focus on the Netherlands was more realistic. Therefore only Dutch parties were involved in the covenant. At present (*a year after the covenant is signed*) the scope of the program has already expanded (Interview 8, 05-06-2013). This study, however, focuses on the initial period of the program development in which the covenant (with Dutch partners) was prepared and ultimately signed.

The different program phases overlap somewhat, so it is not possible to state exactly when the scoping phase ended and the development phase started, but according to the respondents the development phase began somewhere in the end of 2011. Since the policy formulation process of the covenant is the main point of interest in this case study, this process will be described separately in the next section.

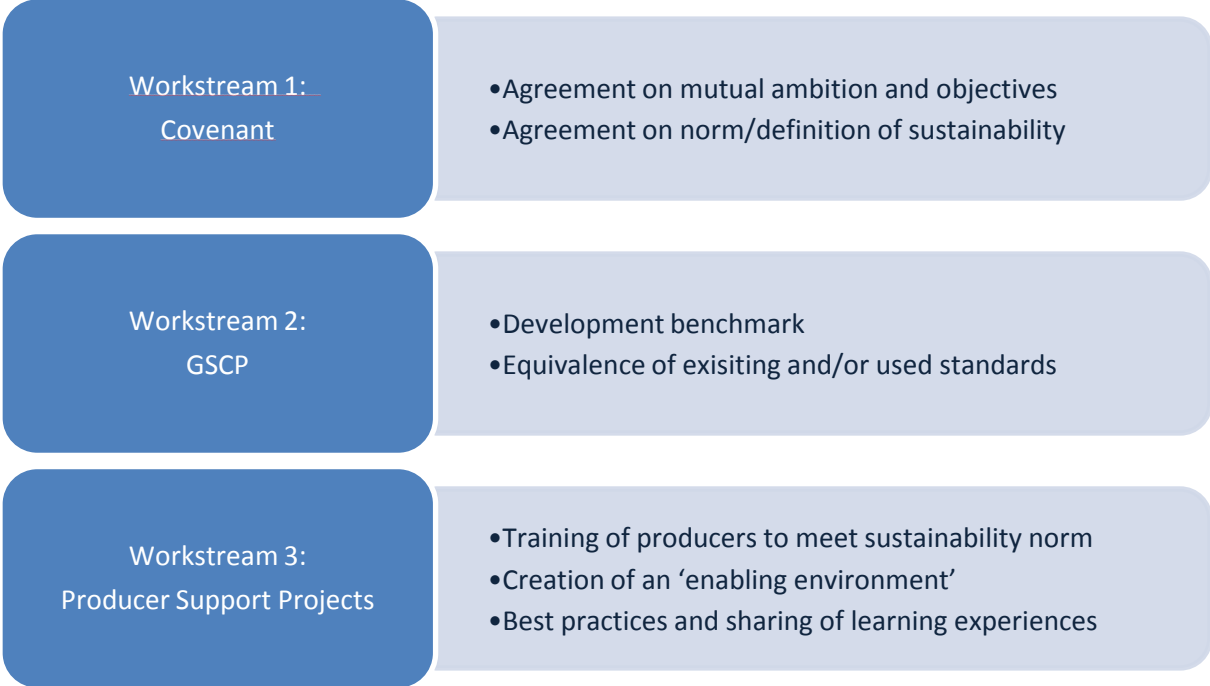
5.2 Policy Formulation in the SIFAV Program: a Threefold Strategy

Threefold strategy proposed by IDH, based on input stakeholders

Throughout the development of the covenant IDH organized several meetings with potential program partners about the possible content of the program. The initial meetings consisted of rather unstructured group discussions (Interview 5, 29-05-2013). In those meetings more and other private sector parties were present than the ones who have actually signed the covenant. During the process some companies decided to quit, while others have joined in later. In general, potential partners became involved in the SIFAV program in quite an informal way. The partners that were already involved in the scoping phase spoke with each other about other potentially relevant stakeholders. Subsequently, one partner introduced another, and so the number of interested parties in joining the program grew by word of mouth. There was no official general call to the private sector parties for joining the IDH program, but according to IDH “all relevant parties were welcome to join the meetings” (Interview 8, 05-06-2013).

Based on the outcomes of the first meetings with group discussions (and the ideas and objectives that were already formulated in the scoping phase), IDH started developing a threefold strategy for the SIFAV program (Interview 5, 29-05-2013; IDH, 2012c). The strategy consisted of: (1) convening a public statement of the mutual commitment of the Dutch FFV sector (the ‘covenant’); (2) benchmarking existing voluntary sustainability standards according to the GSCP equivalence tool; and (3) developing producer support programs to address specific sustainability bottlenecks for product-country combinations (IDH, 2012c). These three pillars of the strategy are called the ‘workstreams’. In the development of this threefold strategy IDH asked other stakeholders to assist. ICCO, for instance, was involved in the GSCP benchmarking process and mapping of the product/issue/country combinations. The fact that IDH used the input of other stakeholders and meetings, but that IDH itself formulated the strategy, points again to the strong leading role of IDH. The figure below shows the three workstreams that together form the IDH fruits and vegetables program (IDH, 2012b).

Figure 5.1 Workstreams IDH Fruits and Vegetables Program



Explaining the three workstreams

The first workstream is the covenant. On the next page it will be explained why IDH chose to work with a covenant, and subsequently, the decision making process about the content of the covenant will be explained. In fact the second and third workstream (GSCP and the producer support program) are part of the agreements in the covenant (workstream 1), since basically the GSCP process and the producer support projects together make up the definition of ‘sustainability’ in the covenant. In order to fully understand the covenant it is therefore important to understand what the GSCP process and the producer support projects are. These two workstreams will be explained below.

GSCP (Global Social Compliance Program) is a business-driven program which was set up by the Consumers Goods Forum (GSCP, 2013). The GSCP equivalence process is a benchmark for existing standards and company codes such as BSCI, Rainforest Alliance, Fairtrade, *etc.* GSCP has built a reference tool to assess and compare existing standards based on the used criteria on social and labor practices (ILO regulations, corruption); criteria on site specific environmental practices; and the audit process itself. The results of the assessment determine the level of ‘GSCP equivalence’ of a specific standard (IDH 2012b). The possible GSCP levels/scores are:

- A+ = Compliant with additional content
- A = Compliant in all aspects and details
- B = Compliant
- C = Non compliant

In the strategy of SIFAV program the suggestion was to accept standards that score at least level B for the benchmark, and the expectation was that the ‘B-level’ would be similar to the standard ‘BSCI’. However, the exact standards which are GSCP compliant and, therefore, can be used to ‘claim’ to have sustainable sourced imports in the SIFAV program, could only be determined after equivalence process. It was planned to start with the GSCP equivalence process (workstream number 2) once the covenant was signed (IDH, 2012b).

The producer support projects are the third workstream in the SIFAV program. The idea of this workstream is to set up projects in specific production areas aimed at addressing main sustainability issues (‘hot spots’). Private sector partners may submit a project proposal which is either competitive (submitted by one partner), or precompetitive (joint project proposal, submitted by more than one partner). The preferred option is to implement precompetitive projects. Projects have to be funded by private partners themselves, with co-funding from the IDH project budget. Participating NGOs are to play a role in the implementation (and funding) of projects. What the exact project agenda would be – i.e., the relevant hot spots and the product/country combinations on which the proposed projects must focus – still had to be decided upon after the covenant was signed (IDH, 2012a).

Signing a covenant: helpful in coming to a collective agreement

Working with a covenant (workstream 1) was one of the first decisions made in the IDH fruits and vegetables program. From the visits IDH paid to the traders, retailers and civil society organization during the initial period of the program, it became clear that IDH’s suggestion to use a covenant as basic structure for the program was well-received by the other partners (Interview 3, 23-05-2013). Most IDH programs do not work with a covenant, but IDH thought it would be beneficial to have one in the FFV sector for several reasons. Overall, respondents were positive and satisfied about the use of a covenant, and it turned out that the use of a covenant assisted in coming to a collective agreement with many different stakeholders. Since “reaching joint policy decisions” is part of the evaluation criteria formulated in this research (table 4.1), it is useful to take a closer look at the covenant instrument.

Before turning to the reasons why a covenant was used in the SIFAV program, first the use of a covenant will be put in perspective by discussing some general information about covenants found in literature. Covenants are a popular policy instrument in the Netherlands for many years. In the 1960’s the Dutch government started making covenants with industry for environmental protection, and later covenants were used in all kinds of policy areas such as in education and health. In general,

the parties involved negotiate about the content of a covenant. Covenants are made on a voluntary basis and usually not legally binding. Advantages of using covenants are that they are flexible; relatively fast to set up; the participation of stakeholders improves the acceptance of policies; and by using a covenant less hard regulation is necessary. Disadvantages of covenants are, for instance, the unclear legal status; it is difficult to enforce compliance; the interests of non-participating parties are not represented; and responsibilities are often poorly defined (van den Heuvel, 2005). This knowledge about covenants helps to understand and analyze the covenant of the IDH fruits and vegetables program.

Specific FFV sector characteristics

The decision to use a covenant in the SIFAV program can be explained by looking at some specific characteristics of the fruits and vegetables sector. The interviewees gave various reasons why the FFV sector differs from other sectors in which IDH runs programs without the use of a covenant. First, the IDH model is originally based on the idea that a few major players are able to create a market transformation towards more sustainable production. Usually IDH tries to make individual agreements with these key companies. In fruits and vegetables, however, there are no such global players. The biggest² Dutch trader is The Greenery, but it is unlikely that they alone have enough leverage to make a substantial difference at the world market. As a result IDH has to work with many different companies, and a covenant assists in making such a collective agreement (Interviews 2, 8). Another explanation for the decision to use a covenant might be that the instrument of a covenant is typically Dutch and, in contrast with most other IDH programs, the SIFAV program is more oriented toward the Dutch market. Although the ambition level of IDH reaches further, at the beginning of the SIFAV program development it was only feasible to work with the Dutch retailers and traders. If Dutch stakeholders are more familiar and more willing to work with covenants in comparison to foreign partners, it might explain why in other programs the use of a covenant is less favored (Interview 8, 05-06-2013). Related to those two explanations is the fact that most fruits and vegetables are not sold as brand products. Apart from, for example, the brands Dole and Chiquita, most fruits and vegetables are put in the market by retailers. Retailers play a pivotal role in the supply chains of fruits and vegetables and since supermarkets generally are less internationally organized in comparison to branded commodities, it is more difficult for IDH to work on sustainable FFV chains at a global level (Interview 3, 23-05-2013).

Commitments of supermarkets and creating a level playing field

The central position of retailers in the supply chain also explains why the use of a covenant was welcomed by many. The main players amongst the traders stated that they were willing to accept the IDH plans if, and only if, the supermarkets do so. Otherwise they were afraid that certified products would become more expensive, without them being compensated for that by receiving a higher price (Interview 4, 29-05-2013). That would make certification a high risk and unattractive business case for traders. Therefore a commitment of supermarkets was of key importance to them; it ensures that at least the Dutch retailers will reward the efforts of traders regarding sustainability. When traders sell their products to other importers or foreign retailers, obviously they do not have this advantage. This explains why most of the traders who don't or rarely sell their fruits and vegetables to Dutch retailers do not participate in the covenant.

Correspondingly, the supermarkets saw the covenant as advantageous, because the agreements helped to create a level playing field: a large market share of the Dutch supermarkets signed the covenant and so they are in the same competitive position and have to worry less about how competitors deal with sustainability (Interview 5, 29-05-2013). The creation of a level playing field for traders and retailers (by means of having a sector broad commitment) thus seems to be an important condition that needs to be met in order to improve the sustainability of FFV chains.

² Biggest at the time of the development of the covenant

Commitments on paper

Although the explanations above state some reasons why the SIFAV program makes use of a covenant, on the other hand it is argued that it is not specifically about the use of a 'covenant' as an instrument. According to several respondents it is just required to have a clear plan put on paper (Interviews 1, 3, 4, 6). One of the respondents explained that it would make no real difference whether the agreements are called a covenant or any other name (e.g., a Memorandum of Understanding or a treaty) – as long as the intentions are clear and the document is signed by the stakeholders. Such a commitment on paper ensures that there is not much space for individual interpretations on the means and ends: it is written down what the common objectives are and how they should be reached, and it is not easy for stakeholders to go back on their promises, because they have signed for it (Interview 3, 23-05-2013).

What about the unclear legal status? Mechanisms to ensure compliance

Even though the covenant is not legally binding, all respondents see it as a strong commitment on which the stakeholders engaged will put their best efforts into. If the covenant would have been legally binding, private sector parties indicate they would not have signed it, because they are not willing to take legal consequences in case they are not able to succeed (interviews 5, 6). Therefore using a legally binding agreement would not have been an option in the SIFAV program. Nevertheless, there are some mechanisms at hand to ensure compliance of the stakeholders. In 2014, 2015 and 2020 the progress of the private sector parties will be independently monitored and evaluated. Stakeholders can talk with each other about the individual results and share best practices. Moreover, in case of enduring non-compliance, media and NGOs are likely to fulfill their watchdog roles. As companies usually are concerned by the reputational damage negative reports might give, that fear could be a mechanism to avert the risks of, for example, noncompliance or greenwashing (Interviews 1-3, 8). Although there is no official exit policy in which a noncompliant stakeholder can be forced to leave the SIFAV network (Interview 8, 05-06-2013), it is not believed to cause any problems because of the abovementioned mechanisms of monitoring and evaluation, and involvement of watchdogs.

All in all, the use of a covenant clearly assisted in reaching joint policy decisions in the SIFAV program. The main reasons for that are as follows. Because of the covenant it was possible to make a collective agreement with many different stakeholders; retailers were willing to participate because the covenant created a level playing field; and the strong commitment on paper of retailers motivated traders to join the program.

Decision making process about the content of the covenant: retailers first!

With regard to the content of the covenant, additional agreements had to be made about joint ambitions and goals and about the norm/definition of sustainability. Those are important decisions in policy formulation of the program. To come to joint agreements, IDH organized various stakeholder meetings in February and March 2012. The first one was a meeting with the retailers (supermarkets) (IDH, 2012b). IDH's assumption behind the idea to first organize a separate meeting with the supermarkets was that if they could agree on the plans, the traders would be willing to follow. As discussed in the previous paragraph, many of the interviewees confirmed this belief about the central position of retailers in the supply chain: the fruit and vegetables chain is seen by them as a 'buyer-driven' supply chain in which the supermarkets have the lead (Interviews, 3, 4, 8, 10). Arie van der Linden from The Greenery illustrates the central position of supermarkets in the FFV chain with an analogy about the implementation of the GLOBALG.A.P. system for Good Agricultural Practice (G.A.P.). *"GLOBAL.G.A.P. is a private sector certification initiative focusing primarily on food safety, sustainable production methods and responsible use of water and pesticides. GLOBALG.A.P. was established in the late nineties (back then it was named EUREPGAP), but got an enormous boost in 2002 when retailers started demanding solely GLOBAL.G.A.P. certified products. All traders who still wanted to sell to retailers, were enforced to work with the GLOBAL.G.A.P. system. Nowadays most of*

the traders buy their products GLOBALG.A.P. certified.” According to Arie van der Linden it is likely that the same sort of mechanism will come into effect with the IDH covenant: if supermarkets start demanding solely sustainably sourced fruits and vegetables, traders have a strong incentive to go along with that. This example shows why the engagement of retailers is so important and why a clear commitment from their side simplifies the rest of the decision making process.

At the retail meeting on February 26, 2012 IDH presented the ideas about the content of the covenant. After all, the broad outline of the program was already developed before: the general strategy was to work with the three workstreams, and the main goal formulated in the covenant was to have imports 100% sustainably sourced by 2020 (with the steps of 30% sustainable in 2014 and 50% sustainable in 2015). The meeting was therefore focused around that strategy and those goals. The objectives of the specific retail meeting were to make a final decision about the proposed agreements in the covenant; to discuss and explain the method of using GSCP to benchmark different standards; and to come to an agreement regarding the next steps that should be taken in the program development phase (IDH, 2012b). The retailers discussed the proposed strategy and reached an agreement without any significant modifications.

After the meeting with the retailers, IDH’s next step was to have a meeting with trading companies. As expected, they were willing to accept the plans quite easily, since the supermarkets had reached an agreement. Finally – after the private sectors parties have agreed upon the plans – IDH organized a multi-stakeholder meeting to discuss the covenant with the supporting partners/NGOs. In those three meetings in the beginning of 2012, the participants discussed various subjects critically, but no compromises or modifications had to be made about the outline of the covenant; the plans were acceptable to the covenant partners (IDH, 2012b; Interviews 1, 3-6, 8, 9).

In the beginning of 2012 a draft version of the covenant text was written. All stakeholders could react to the draft version (IDH, 2012b; Interview 1). Policy officers from the Ministries of Foreign Affairs and Economy, Agriculture & Innovation and from the Dutch Competition Authority (NMa) were also involved in some of the details of the text, for example about the partners taking notice of antitrust laws and regulations (interview 2, 23-05-2013). The government has not signed the covenant; mainly because they see it as a private affair. The plan was to have the covenant signed before the summer holidays. Eventually, the covenant was signed on June 21, 2012.

SIFAV well capable of reaching decisions on the covenant

Many respondents were surprised about the relative ease and speed with which the covenant was set up. According to the respondents there were no difficult negotiation processes or compromises about the agreements, and the covenant partners were quite willing to accept the plans that were proposed (mainly by IDH). With regard to this, it is important to notice that (also in this) IDH had a strong coordinating role in the development of the plans. Or as one of the respondents puts it: *“I felt it was a democratic process in which all participants had the possibility to give input, but in which IDH took the lead”* (Interview 1, 22-05-2013). The choice of IDH to first have a meeting with retailers, then with traders and eventually a multi-stakeholder meeting, simplified the decision making process. In addition it must be remarked that some details about the program, for instance about the financing or governance structure, were not agreed upon in the covenant as that would slow down the process (Interviews 2, 5). Those are examples of factors that assisted in the capability of SIFAV civil regulatory network to reach decisions.

5.3 The Final Covenant Text

So far, mainly the decision-making process of the covenant has been discussed. On the basis of this, the ability of the SIFAV network to reach policy decisions can be evaluated. This section looks at the covenant text and the agreements that have been made, which makes it possible to evaluate other aspects of the norm “reaching joint policy decisions that go beyond the least common denominator while avoiding excessive costs and unwarranted cost shifting”. The covenant document is divided

into four parts, namely, 'participating parties', 'considerations', 'agreements', and 'commitments'. This section describes and analyzes what is written in each part of the covenant.

Part 1: Participating Parties

The document starts with a list of parties participating in the covenant (IDH, 2012: 2). Thirteen private sector parties (five retailers and eight trading companies), and five 'supporting parties' have signed the covenant. From the analysis about the decision making process it became clear how the private and supporting parties got involved in the network and how decisions were made. But in addition to that, it is necessary to know how inclusive the range of stakeholders (who is or is not included) and whose voices are represented. This type of questions will be discussed below and is related, for example, to 'the democracy and participation principle' and the 'equity principle' presented in chapter two. The information helps to analyze whether *joint* decisions are reached.

Private sector parties

Retailers and traders well included in the network

Almost all retailers selling in the Dutch market take part in the covenant (i.e., Albert Heijn, C1000, Jumbo, Lidl and Superunie). Superunie is a purchasing organization representing 13 supermarkets such as Coop, Hoogvliet, and Spar. Together the participating retailers have a combined market share of more than 80% (Interviews 2, 5); so the vast majority of the retailers in the Netherlands is included. In comparison to the retailers, relatively fewer trading companies participate in the covenant. The combined trading volume of the participating traders is 40% of total volume imported into the Netherlands (interview 10, 14-06-2013). 'Only' eight trading companies have signed, while "there are hundreds of trading companies in the Netherlands" (interview 6, 31-05-2013). On the other hand, it can be argued that amongst the traders who do participate in the covenant most important players are included.

The traders who do participate are seen as 'frontrunners' in the sector and the assumption (and hope) is that they will function as showcases, helping to promote sustainability considerations within the rest of the sector (Interviews 1, 6). From their role as member organization Frugi Venta explicitly safeguarded the inclusiveness of the trading companies in the network. To them it was of key importance that the possibilities of participation would not be discriminating, and are open to all traders interested. Current 'limited' participation can be explained by the fact that only traders who import from Central and South America, Africa or Asia are relevant with respect to participation in the covenant, since these are the regions on which the covenant focuses. Moreover, some traders chose not to participate because they are not selling to Dutch retailers and, for that reason, are not confident whether their efforts towards sustainability will pay off. Finally, some companies are just not ready or are not intrinsically motivated for taking sustainability considerations into account (Interview 1, 22-05-2013). All in all it can be concluded that in the SIFAV civil regulatory network the majority of the retailers is involved, a significant share of the traders, and that participation is open to all traders and retailers interested.

Producers not included; although the network aims to take their interests into account

Although the participation of private sector parties is inclusive with regard to the Dutch retailers and traders, other stakeholders in the fruit and vegetables value chain are not involved. Producers, for example, will definitely be affected by the decisions, but they are not directly represented in the network. If producers still want to sell to the covenant partners by 2020, they are obliged to become certified according to the sustainability standards that are accepted by the covenant parties. That means that if they are not certified yet, they have to invest in certification. To the question whether these investments are costly and (therefore) potentially exclude farmers from access to international supply chains, the respondents gave mixed answers.

On the one hand, it is argued that all producers who are willing to meet the requirements are able to do so. The agreements in the covenant are only setting a basic level of sustainability, which means merely that producers have to comply with national laws and regulations and, for example, with ILO standards. That does not require a lot of investments (Interview 5, 29-05-2013). In addition, the farmers get greater security, because traders/retailers show their commitment to buy the certified products. This stimulates a sustainable relationship between buyers and sellers (Interview 5, 29-05-2013). Moreover, producers may receive a higher price for their products if costs go up due to certification, so they will be compensated for the investments made (Interview 4, 29-05-2013). Furthermore, the certification requirements are seen as profitable for the producers themselves. Roland Waardenburg explained: *“One thing we have learned from GLOBALG.A.P. is that although initially many producers were not in favor of using the system, in the end it turned out that participating producers operated more efficiently, as GLOBALG.A.P. offered them a more structural and efficient way of doing things. I would not be surprised if the same were true for the sustainability standards.”* Finally, it must be noted that the producer support projects are part of the threefold program strategy, and those projects are aimed at assistance to the producers³.

On the other hand respondents have pointed to factors that may result in higher costs or possible exclusion of producers. *“It is expensive for producers to go through a certification process, which is a problem for many producers, particularly smallholders. An audit may cost from 500 up to 800 euro’s a day, and depending on the number of workers, the audit will take at least one or two days. Additionally, producers have to pay for the flight, hotel, the transportation and food of the auditors. So adding all that, getting certified is quite expensive per day.”* (Interview 10, 14-06-2013). Another way in which, in particular, smallholders might become excluded due to the agreements in the covenant, is when requirements of certification standards do not fit local circumstances. Private sector parties can claim to have sustainable products based on meeting the approved GSCP benchmarked standards. These standards require, amongst others, compliance with national regulations. Generally this can be seen as a good thing for sustainability, but sometimes there may be trade-offs (Interviews 5, 9). Jeroen de Vries (ICCO) provides an example of such a trade-off: *“In Peru, according to national law, all workers have to participate in a pension scheme. In order to make pension contributions, an employer needs to know who the heirs of his employees are – this is a requirement of the pension fund. However, in a country such as Peru that is extremely difficult to find out and prove. For example, in Peru kinship registration can be difficult due to the backlogs in civil registration. An owner of a large farm (with 2000 workers in low season, 8000 in high season) said he was able to meet the pension fund requirements, but only because he hired 40 people to do fulltime research on the family background of his laborers. For a small family farm it is not possible to do such research, and as a result, it cannot become certified.”* To ICCO inclusion of smallholders is important and they try to talk about this kind of issues with covenant partners.

Although producers are not represented directly in the network, the private partners buying from them state to have knowledge about what issues (business, environmental and social) producers have to deal with, and they attempt to take their interests and circumstances into account (Interviews 1, 10). An example of this is the decision to make use of the GSCP benchmarking process which creates a ‘basket’ of sustainability standards that can be used (interview 10, 14-06-2013). Instead of imposing one standard on producers (the ‘best’ or ‘most feasible’ sustainability standard), producers can choose which of the standards in the basket they would like to use. According to the respondents, imposing one standard would cause local producers various problems. Since not only Dutch traders demand certified products, but retailers and traders from other countries as well, the producers have to comply with several standards (which basically evaluate the same kind of things) while application for these different labels is costly and time consuming. The GSCP benchmarking

³ An example of a producer support project which was set up after the covenant was signed is (assistance to) the Sustainability Initiative South Africa (SIZA). SIZA is a national standard in South Africa and that standard is now GSCP benchmarked, and the SIFAV program funds some of their producer training programs (Interview 8, 05-06-2013)

process addresses this problem as farmers can choose which of the standards in the GSCP basket fits their circumstance and desires best. In addition, it helps to overcome 'audit fatigue' caused by the different certification standards required by different buyers. Seen in that way, the GSCP basket thus is an example of how producers' interests are taken into account in the SIFAV program.

The different examples, advantages and disadvantages show that it is uncertain what the exact consequences of the covenant requirements will be for the producers. Nevertheless, it is clear that the democracy and participation principle of sustainability is not met since producers 'do not have the opportunity to define their own basic needs'. On the other hand, both NGOs and the private parties do try to take their interests into account in various ways.

Participating supporting parties

The supporting parties who have signed the covenant are IDH itself, Frugi Venta, Productschap Tuinbouw, ICCO and Solidaridad. The role of Frugi Venta and Productschap Tuinbouw is discussed before; they represent private sector interests. By their inclusion, the network is broader than only the participating private sector parties and this ensures a sector broad representation. IDH's role has been discussed before as well. The NGOs ICCO and Solidaridad represent the public interest regarding sustainability and international development goals. ICCO's efforts regarding the inclusion of small farmers are a typical example of how an NGO functions as a watchdog. Moreover, ICCO and Solidaridad support the covenant parties by means of, amongst others, providing assistance in (developing) producer support projects and playing a role in monitoring and evaluation. In addition, ICCO provides budget and technical assistance. The NGOs thus fulfill both a watchdog role and a role in implementation.

Participating NGOs not involved in details decision making

The government (the ministries of Economic Affairs, Agriculture & Innovation, and Foreign Affairs) facilitate and support the network, but they do not interfere in the decision making process. To them, the dynamics of a multi stakeholder process guarantees a satisfying decision outcome. *"As long as NGOs can live with the decisions, as long as they think the objectives and time frame are reasonable, the only thing we do is checking afterwards whether the agreements meet OECD guidelines."*, said Paul Schoenmakers, policy officer at the Ministry of Foreign Affairs. In his opinion NGOs therefore have an influential role in deciding whether the agreements in the covenant are good enough. This belief shows that the government counts on the NGOs as public watchdogs.

However, from the analysis about the decision making process towards the covenant it became clear that NGOs in reality were not that influential. Apart from being consulted in bilateral meetings and their assistance in formulating, for example, product/issue/country combinations, the supporting parties weren't closely involved in discussing the 'details' of the agreements. IDH took a strong lead in designing a strategy and objectives for the program, and in the first place the supermarkets had to agree with the plans. Of course, eventually, ICCO and Solidaridad have signed the covenant, so the agreements are 'good enough' according to the participating watchdogs. But, in fact, they were left with a take-it-or-leave-it decision: if supporting parties would have decided to block the covenant, there would have been no agreement at all on improving the sustainability in FFV chains; and that certainly would not be in the interest of NGOs. So the fact that NGOs were to a lesser extent involved in the decision making discussions about the details of agreements, decreased their influence and ability to make alterations.

It might also be that the participating NGOs themselves chose to play a neutral facilitating role in the background; however that would not change the fact that the multi-stakeholder character in the policy formulation of the SIFAV program was limited. This is not to say that the decisions made in the covenant are not good, or ambitious or something like that per se – the quality of the decisions will be discussed in the next section – just that it is remarkable that in a civil regulatory network, in which one would expect that NGOs fulfill an important role in the decision making process, the private sector parties dominate together with IDH.

Inclusion NGOs limited to the ones with track record on cooperation with companies

Furthermore, it is questionable how inclusive the total range of participating development NGOs is. Since Solidaridad and ICCO are specifically selected because of their experience with working with private sector parties in a constructive way, typical ‘watchdog’ organizations and NGOs who are more critical about the role of private sector actors in development cooperation are not involved in the SIFAV network. Research and network organization SOMO, for instance, is not included, while they do have a lot of knowledge about FFV supply chains and sustainability (Interviews 7, 11). On the other hand, two respondents have indicated that during the scoping phase notice is taken of reports SOMO wrote about the FFV sector (Interviews 8, 9).

One of the private sector interviewees argued about the role of development NGOs in general that: *“NGOs are not of much use; it is nice when they give you compliments, or when they communicate to their members about companies’ efforts regarding sustainability, but that is pretty much it. I have a lot of experience with working with NGOs in the past, and I know that when they interfere in commercial affairs it won’t work. They do not initiate things, nor do they come up with ideas. I am glad that they have not meddled in the details of the SIFAV covenant, because then we still would have been busy talking. So in SIFAV there were just a few persons who said ‘this is how we are going to do it’, and the participating NGOs agreed. It is the private sector parties who have devised and carried out the commercial processes. I could not have imagined a better way to make decisions than how the actual decision making process of the covenant went.”* (Interview 6, 31-05-2013). This quotation supports the previously outlined view about the minor role of NGOs in the decision making process of the SIFAV covenant. The other than watchdog role of the NGOs – of being a (critical) partner in implementation – has been the main criterion for inclusion of NGOs, and therefore the inclusiveness of NGOs in the civil regulatory network is restricted to the ones who can fulfill both roles. This is not necessarily a problem, but it should be realized and taken into account when making judgments about the legitimacy of the plans.

Part 2: Considerations

Network governance: IDH valued as initiator

In the second part of the covenant facts and circumstances that the covenant partners take into consideration are written down (IDH, 2012: 2). In this paragraph the scope and relevance of the program are stated; the private sector parties recognize their role in increasing the sustainability of the chain; the link between the covenant and achieving the Millennium Development Goals is stressed; it is stated that the covenant represents a moral and not a legal obligation; and finally it is written that the agreements between the covenant parties have been made on a precompetitive basis and that no actions may be taken that conflict antitrust laws and regulations.

One of the interesting things about this list is the legal status of this covenant. This covenant - like most covenants - represents a moral obligation. If a party decides to quit, or if objectives are not achieved, there will be no legal consequences. This point is also discussed before, where it was explained that the participating private sector parties indicated they would not have signed if it were a legal obligation. This leads to a broader question about the relative merits of using markets, hierarchies or networks as coordination mechanism to improve sustainability in international supply chains. Many of the interviewees stressed that moving towards sustainability is inevitable; that movement will come. However, mainly due to the level playing field issues discussed before, such a movement will not come automatically to mainstream business. There is consensus amongst the respondents that one needs an initiator to stimulate a sector broad movement towards sustainability (Interviews 1, 5, 6). An advantage of IDH taking this initiating role is that it is a ‘neutral’ actor – a NGO taking such role would made much more difficult to reach consensus (Interview 6, 31-05-2013). The stakeholders participating in the covenant think that laws and regulation would not work, especially because production is taking place somewhere else. In addition, the environmental issues that need to be addressed in the fruits and vegetables sector are very fragmented; and so it is difficult to formulate governmental policies. A covenant is much more flexible and can deal with the

local context (Interviews 1 – 6). The network governance approach⁴ is thus preferred over alternative coordination mechanisms of hierarchies and markets.

Part 3: Agreements in Covenant

In the third part of the covenant the agreements are formulated (IDH, 2012:3). The participating private sector parties agree that they have their imports of fresh fruits and vegetables from Central and South America, Africa and Asia 100% sustainably sourced by 2020. To achieve this, the private partners take the following steps: 30% of their import volume sourced sustainably as of 1 January 2014, and 50% sustainably sourced as of 1 January 2015. The parties define ‘sustainably sourced’ based on compliance with a sustainability standard that is at least equivalent to the minimum standard as agreed upon by the participating parties. That minimum level of sustainability will be determined by means of applying both socio-economic and environmental sustainability criteria. Regarding the social criteria, a claim for sustainability needs to be based on a sustainability standard that scores at least ‘level B’ in the GSCP benchmarking process (see section 5.2). Regarding the environmental criteria it applies that: “The claim for 100% sustainable sourcing of fresh fruits and vegetables in 2020 needs to be based on the GLOBALG.A.P. standard.” And that: “In 2020 concrete and significant improvements must have been achieved through projects in production areas aimed at addressing relevant hot spots in the field of environment. These hot spots cannot be resolved by individual companies. The steering committee will play a decisive and guiding role and will annually establish a project agenda.” (IDH, 2012: 3).

Those are, in short, the decisions and definition of sustainability that the covenant partners have agreed upon. In the analysis below, a judgment will be made about the ‘quality’ of the decisions in the covenant. The principle by Sørensen and Torfing (see chapter 3 and 4) (i.e. decisions that: ‘go beyond the least common denominator while avoiding excessive costs and unwarranted cost shifting’) will be leading in this assessment.

Ambition level and potential impact

The ambition level of the plans is an important aspect in the analysis of the formulated policies in SIFAV program. Are the agreements going beyond the least common denominator? If one wants to evaluate the performance of the program, it makes all the difference whether goals with a very high ambition level and potential impact are (or are not) attained; or goals that are easy attainable, but which do not make a real difference. After all, the covenant partners have set the goals themselves, thus setting ambitious goals with a high level of (potential) impact is part of the successful performance of the network as well (on condition that the goals set are attainable/realistic). The SIFAV plans to improve sustainability in fruits and vegetables chains score generally positive, but mixed results regarding the ambition level and potential impact.

High ambition and impact level in comparison with the current situation

On the one hand, all respondents participating in the network declare to be happy about what has been reached in the covenant, and most respondents see the plans as very ambitious with a high potential impact level. The main way in which the covenant plans are seen as having a high impact level, is that they help to spread out sustainability considerations to a sector broad level (mainstream sustainability). “*The current coverage of social audited producers is very limited in high risk countries. The covenant helps to increase that coverage.*” (Interview 5, 29-05-2013). Moreover, various stakeholders hold the assumption that in the coming years more traders will follow the example set by the covenant partners; and when that happens the potential impact is even higher (interviews 1, 6). Impact on a global level will, however, also depend on participation of retailers and traders outside the Netherlands, since the volume of Dutch imports is relatively small (Interviews 8, 10).

⁴ In chapter 3 it was explained that civil regulation can be considered as a form of network governance, and therefore also the SIFAV program should be considered as network governance.

Nevertheless, according to the respondents even without expansion to a global level the imported volume in the Netherlands has enough leverage to make a difference.

In comparison with the current situation in the fruits and vegetables sector, the objective to have imports 100% sustainably sourced (i.e. certified via social and environmental criteria) generally is seen as ambitious. Certification ensures that at least is dealt with the most urgent social and environmental issues, such as working hours, social rights, and use of herbicides. At present, for many products it is not known under which circumstances they are produced. The covenant agreements ensure that the fruits and vegetables imported by the participating parties meet 'basic' sustainability criteria. The exact sustainability criteria differ per sustainability standard in the 'basket', but the GSCP benchmarking process (a benchmark score of at least level B) sets the bottom-line. 'Bottom-line sustainability' is mainly about complying with national laws and regulations and avoiding excesses and abuse in the sector (Interviews 5, 9). On the one hand it can be argued that that mainly focusing on 'bottom-line sustainability' is not ambitious enough. However, in comparison with the current situation, it can be seen as a large improvement (Interview 5, 29-05-2013). Moreover it must be remarked that the intentions are to work with 'continuous improvement' in SIFAV and therefore the idea is to set the bottom-line higher in the future (Interview 8, 05-06-2013). And finally, many respondents doubt as to whether a 'higher' (initial) bottom-line would have helped to attain goals regarding sustainability, since most likely then less parties would have been willing to participate (interviews 3, 5, 6, 9).

Is certification enough? Mainstream sustainability, bottom-line voluntary standards

As explained before, the sustainability 'bottom line' is determined by the use of certain certification standards. With regard to the use of certification, Sanne van der Wal (SOMO) argues that: *"It is questionable whether certification alone is sufficient to improve sustainability. Within IDH the assumption is held that certification is the solution, but actually more research is needed on the pros and cons of certification"*. Most of the voluntary standards lack the evidence base that they really have meaningful impact (Solleveld *et al.*; 2013). One of the potential disadvantages of using standards is the possible exclusion of smallholders, like was illustrated before with the example about the Peruvian pension scheme requirements (Interview 9, 11-06-2013). Furthermore, certification is not a solution to all types of sustainability issues. For example, sustainability challenges of a common pool nature cannot be addressed with certification (e.g., the overuse of water in a production area cannot be solved by an individual company and needs to be addressed at a community or regional level) (Interviews 2, 8, 9). The above arguments question the potential impact level of the SIFAV program, with certification as main indicator for (bottom-line) sustainability.

On the other hand, however, the use of primarily certification in the IDH program needs to be put into perspective; the network partners do not claim that certification alone will do the job and (therefore) additionally the producer support projects are part of the IDH program. *"The IDH program is a package consisting of all three workstreams, and the companies have committed to take the whole package"* (Interview 10, 14-06-2013). The projects *do* go beyond the 'basic level of sustainability' as they address relevant hot spots in the field of environment; and precompetitive projects *are* suitable to address common pool problems (Interviews 8-11; IDH, 2012). Apart from the relatively small budget in the SIFAV program (725.000 euro IDH/ICCO plus co-funding from private sector parties), the ambition level of the producer support projects can be regarded as high. Private sector parties, NGOs and other organizations together indicate what the 'hotspots' are in which SIFAV support projects can assist in a meaningful way; therefore the projects have a high potential impact in addressing most urgent (environmental) issues (Interviews 3, 5, 8-10). Furthermore, it is important to remark that certification and audit costs are not subsidized with money from the IDH/ICCO fund in the program; the funding will solely be used for (precompetitive) projects and private sector parties have to make sure their imports are 100% certified by 2020, without direct financial help from the SIFAV program. The points above show that with the projects, the ambition and impact level of the program can be lifted beyond the bottom line.

Mixed results with regard to ambition level time bounds

Concerning the time bounds, on the one hand some interviewees argue that '2020' is very ambitious since within 10 years an enormous change has to be made. Particularly setting up and implementing producer support projects cost a lot of time (Interviews 1, 5, 11). On the other hand it is argued that 10 years is a relatively long period of time in the FFV sector, in which big steps could be made (Interviews 4, 5, 7). Most respondents indicated that becoming 30% sustainable in 2014, and 50% in 2015 should be possible to achieve without too many difficulties. A lot of companies do already have a certain percentage of their suppliers certified (sometimes even without knowing it) and probably some of the producers are quite easy to persuade to become certified. So these two steps are basically 'the low hanging fruits'. Only one of the respondents saw it totally the other way around and thought the first two steps are most difficult, as producers need time to switch to certification (Interview 6, 31-05-2013). According to most respondents, the third step (meeting the 100% objective by 2020) is a lot more difficult. "The last 10% is always the hardest." (Interviews 1-5, 8-10) The respondents name several reasons for this, such as: "*Getting bananas certified can be done relatively easy, as bananas are a year round crop and generally grown in plantation settings. But in small product categories such as lychees and avocados it is much more difficult to attain, due to their seasonal nature and often smaller sized producer companies*" (Interview 8, 05-06-2013). And: "*100% will never be attained, because in reality 95% is the limit of what is attainable. The objective 100% sustainable just means: doing all you can. There will always be suppliers who are not audited or certified in a certain point in time, because of seasonality of the fruits and vegetables.*" (Interview 5, 29-05-2013). This last quotation is remarkable though, in the sense that it also puts the flexibility of the goals in perspective. This quotation proves that in reality 100% is more of a rhetorical objective. The stakeholders know in advance they will not be able to attain this goal, because the end goal is not (completely) achievable and realistic. Knowing that, of course, explains the unwillingness of companies to sign a legal binding covenant even more.

None of the respondents sees 2020 as an absolute end goal in improving sustainability: by 2020 the world has changed, the market demands have changed and the social/environmental challenges have changed, so there will be other sustainability issues at stake. At first glance this view seems to contradict the end goal set in the covenant (100% sustainable in 2020). However, the respondents explain that that is not necessarily the case, since the certification standards that are used continuously move along with new sustainability requirements – and so the process of improving sustainability goes on after 2020 (interviews 3, 6, 8, 10).

All in all, the ambition level of the first two steps (2014 and 2015) is not particularly high, but having imports 100% sustainably sourced in 2020 should be regarded as ambitious. It must be noted however that this goal is not completely realistic since 100% will never be attained.

Ambiguity in the agreements

Clear and specific formulation regarding the use of standards

As seen in chapter 2, sustainability is an ambiguous concept; mainly because people can interpret it in many different ways. In order to evaluate the contributions of the covenant towards improving sustainability, it is therefore essential to know how sustainability is defined and whether that it is multi-interpretable. Basically, the agreements that were listed in the beginning of this section (Part 3 of the covenant) together make up the definition of sustainability. The first agreement (100% of the import volume of fruits and vegetables from Central and South America, Africa and Asia sustainably sourced) is a specific goal, with a clear time bound. Achievement of this goal can be monitored and evaluated (how this is done will be explained later) and no space is left for discussion or individual interpretations on the meaning. One of the respondents provided a clear example showing that this objective is not ambiguous: "*At a certain moment some parties asked: 'Well, the covenant is about the Netherlands, about the Dutch retailers and traders; so what if we have all products we sell at the Dutch market sustainably sourced, and imports that we sell to other European countries not. Can we then make a claim for 100% sustainably sourced fruits and vegetables?'* However, this dispute was

resolved quickly, because the only thing we had to do was to read aloud the covenant text: 'No: the total import volume needs to be sustainably sourced.'" (Interview 3, 23-05-2013).

The second part of the agreements is about the sustainability criteria. Together the socioeconomic and environmental criteria define the concept of sustainability. To the social criteria it applies that the GSCP benchmarking process will determine which standards are 'good enough' (score B). At the time of the covenant it was not yet clear which standards that exactly would be. But apart from that, the social criterion is clear and certainly not ambiguous: a standard is either GSCP benchmarked with a score of at least level B, or it is not. For the most part, the same applies to the environmental criteria: producers are either GLOBALG.A.P. certified, or they are not.

Ambiguous formulation producer support projects

So far, the agreements give a clear and unambiguous definition of sustainability, with specific goals (30%, 50%, 100%) and time bounds (2014, 2015, 2020). However, in the environmental criteria reference is made to 'projects' as well. This is workstream 3 of the SIFAV program. The covenant states that "in 2020 concrete and significant improvement must have been achieved through projects (..)". However, it is not specified what is meant with 'concrete and significant improvements', and consequently it is impossible to measure goal attainment. Moreover, although it is suggested in the covenant that the partners should work together since according to the covenant text 'hot spots cannot be resolved by individual companies', there is no strong commitment put on paper that they will. As a consequence, even though the projects are held to be part of the definition of sustainability, a company can claim to have their products 100% sustainably sourced without making efforts to (joint) projects. Since the 'producer support projects'-objective is not well specified, it is likely to be interpreted different by different stakeholders. As a consequence it may become a lively source of debate in later phases of the SIFAV program. At present [a year after the covenant was signed], it turns out the fear for this risk is valid and that it is difficult to get (precompetitive) projects off the ground (Interview 5, 29-05-2013). The first priority for private sector parties is to invest time in their own value chains, rather than focusing on projects (Interviews 4, 5, 9, 11). On the other hand, it might be that companies become more willing to participate in producer support projects after 2015, because then the projects can assist in attaining the last 20 percent of the end goal (interviews 9, 11).

In conclusion, the goals and agreements regarding certification of fruits and vegetables are formulated specific and measurable with a clear time bound. However, the status of the producer support projects is ambiguous, which may lead to different interpretations in later phases of the program and it might implicate that private partners put none or fewer efforts in projects. In addition, the ambiguous formulation puts the ambition level of the producer support level in perspective.

Trade-offs and costs of decisions

The third part of Sørensen and Torfing's norm refers to 'avoiding excessive costs and unwarranted cost shifting'. In this context it is, amongst others, important to look at trade-offs between the three sustainability dimensions. Within the IDH fruits and vegetables program, overall more attention is devoted to the social dimension of sustainability, than to the environmental dimension (Interviews 3, 5, 6, 8). The main reason for this is that the production of fruit and vegetables is a labor-intensive and therefore the focus on working conditions is more relevant (Interviews 6, 8). The exact outcome of possible trade-offs between the sustainability dimensions, however, heavily depends on which (certification) standard is used. The agreement in the covenant is to have sustainable sourced imports according to one of the standards in the 'basket'. Between these standards there are differences in emphasis in the exact social, economic and environmental criteria they use, for example to the extent whether producers receive minimum prices or how strict the social and environmental criteria are (Interview 5, 29-05-2013). Therefore it is not possible to give a precise judgment about the trade-offs within the sustainability standards. In general, though, the standards benchmarked via GSCP focus more on social criteria such as working conditions. GSCP stands for

Global *Social* Compliance Program, so the benchmarking process puts more emphasis on social compliance (Interview 8, 05-06-2013). With regard to environmental criteria, the SIFAV program uses the GLOBALG.A.P. standard, but these requirements are not very stringent and relatively easy to obtain (Interviews 3, 6). Many producers do already have the GLOBALG.A.P. standard. The producer support projects, especially the precompetitive ones, are in principle very suitable to be aimed at environmental problems such as soil erosion and water management, but their impact will depend on whether (and which) projects get off the ground.

Part 4: Commitments and Roles

In the fourth part of the SIFAV covenant specific commitments of the parties are written down. First, the covenant parties commit to making certain efforts: (1) increasing sustainability of its own international trade chains and (2) the preferred implementation of joint projects that are quantitatively measurable (SMART) as much as possible. In addition, the covenant parties state to support the program approach, commit their members to supporting desired initiatives, and contribute to drafting a research agenda. Moreover, it is agreed upon that a steering committee will be established consisting of representatives of the parties to the covenant, and it is stated what roughly the steering committee's role will be. Furthermore, in a paragraph about monitoring and evaluation it is written that in 2014, 2015 and 2020 the parties will report to IDH about the progress on achieving the targets set "in a format to be developed"⁵ (IDH, 2012: 4). Finally, the role of supporting parties is put on paper. It is specified how they will support the other parties in achieving the covenant objectives. Besides the five supporting parties who have signed the covenant, the role of the government of the Netherlands is highlighted. The covenant partners ask for support of the ministries of economic Affairs, Agriculture and Innovation and of Foreign Affairs in the implementation of the agreement. The covenant concludes with: "The covenant parties commit to the abovementioned agreements", followed by the signatures of the covenant partners.

The commitments and roles written in this part of the covenant mainly refer to the implementation phase of the SIFAV program (what commitments and roles the different parties have in implementation). In addition, this part of the covenant refers to decisions that not have been made yet. As indicated before, at the time of the covenant, it was not exactly clear what the project agenda would be (based on the hotspots), how the governance structure within IDH would be organized, who would form the steering committee and how progress would be monitored and evaluated. Those kinds of questions and decisions have been dealt with in the year after the covenant was signed. This year was the second period of the development phase of the SIFAV program. However, since 'policy formulation' is the topic of interest in this research and the main agreements and plans are written in the covenant, the second part of development phase will not be discussed in this case study.

5.4 Conclusions Case Study

In this chapter the effectiveness of the policy formulation in the IDH fruits and vegetables program has been outlined and analyzed by looking at various aspects of the evaluation norm operationalized in table 4.1. Returning to the broad evaluation norm, it is now possible to evaluate what the capability of the IDH SIFAV civil regulatory network is to 'reach joint policy decisions that go beyond the least common denominator while avoiding excessive costs and unwarranted cost shifting'. The outcomes will contribute to a deeper understanding of the possibilities and limitations of using civil regulation to improve the sustainability of international supply chains. The conclusions on the evaluation norm are presented on the following pages.

⁵ In the year after the covenant it was decided to use a monitoring tool developed by PricewaterhouseCoopers (PwC). This system with annual progress reports brings transparency to the stakeholders and parties who are interested in monitoring the agreements made in the covenant (Interview 8, 05-06-2013).

Reach joint policy decisions

An important element of the relatively successful performance of a civil regulatory network is determined by the question whether the network is capable of reaching decisions. After all, without agreements there would have been no sector broad initiative aimed at improving the sustainability of fruits and vegetables chains at all. The civil regulatory network researched in the IDH SIFAV program showed it was very capable of reaching decisions, in a relatively short period time and after a smooth decision making process. There were no tough negotiation processes or compromises during the process, and the covenant partners were quite willing to accept the proposed plans.

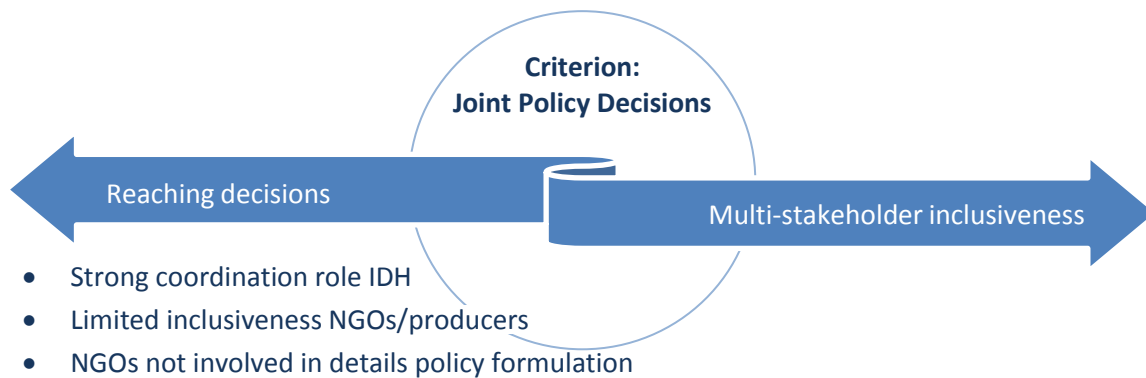
Trade-off between reaching decisions and multi-stakeholder inclusiveness

In the IDH SIFAV case some specific conditions and characteristics can be found which have contributed to the relative ease of reaching decisions. These conditions and factors that together were sufficient to explain the relative success of reaching policy decisions in the SIFAV covenant are:

- Not all decisions that had to be made in the SIFAV program were put in the covenant. The precise governance & financing structure of the program was not known back then, nor was it agreed upon the details and focus of the producer support projects. Those aspects were decided upon in the second period of the development phase of the program (the year after the covenant).
- The use of a covenant assisted in coming to a collective agreement with many different stakeholders.
- The strong commitments on paper ensured a level playing field for supermarkets. Moreover, the commitment and signature of retailers resulted in the willingness of traders to participate in the program and agree on the decisions. The fact that supermarkets/traders only wanted to participate in the program if these conditions were met, indicates that these were necessary conditions in reaching policy decisions.
- IDH played a strong leadership and coordination role in the decision making process. They were closely involved in the development of the program objectives and design.
- Related to the previous point, a strategic choice was made by IDH to first sound out opinions of stakeholders bilaterally, subsequently discuss the (details of) the plans with retailers, then discuss the plans with traders, and ultimately ask the NGOs/supporting organizations for support. This strategy points to a limited multi-stakeholder inclusion in the decision making process; which will be further explained below and which forms a second necessary condition in reaching policy decisions.

Although the decision making process can be seen as smooth and successful, at the same time the case study showed a trade-off between the capability of reaching policy decisions and of reaching *joint* policy decisions (see figure 5.1). Within IDH, private sector parties and civil society organizations (and indirectly the government) are working together on the improvement of sustainability in supply chains. The cooperation with and inclusion of NGOs is part of the legitimacy of the plans, especially since the government (which provides the network with funding of the Development Cooperation budget) counts on the influential watchdog role of NGOs. Yet this study has shown that the inclusiveness and multi-stakeholder character during the decision making process were limited.

Figure 5.1 Trade-off between reaching decisions and multi-stakeholder inclusiveness



Regarding the private sector parties, the majority of the retailers and a large part of (relevant) traders in the Netherlands are present in the SIFAV network. Sustainability thus entered mainstream production channels in the fruits and vegetables sector. The inclusiveness of NGOs in the civil regulatory network, however, was restricted to the ones who are not only a watchdog, but particularly a partner in implementation and had experience with working together with private sector parties. Moreover, the participating NGOs were not closely involved in discussing the ‘details’ of the decisions. They did not have the ability of making alterations during the process (except perhaps for the fact that from the bilateral conversations IDH knew what was important to them). Moreover, considering the fact that the NGOs were not as much involved in the details of the decision-making, it is questionable to what extent they were fully able to represent the interests of the producers that will be affected by the decisions. The producers were neither directly included in the network. Therefore, it seems that the ‘democracy and participation principle’ of sustainability was not met. Taken together, these results suggest an inevitable trade-off between the capability of reaching decisions, and the broad involvement and inclusion of multiple stakeholders in the civil regulatory network.

..that go beyond the least common denominator

Besides the capability of reaching decisions, it is important to evaluate the quality of decisions. A study on goal-attainment can evaluate the performance of a civil regulatory network with regard to whether or not plans are achieved; but whether it can be judged as a ‘successful performance’, largely depends on the impact and ambition level of the plans. In addition, the way in which plans are formulated (ambiguous or precise) is an indicator of how plans will be implemented, since ambiguity determines the space for different interpretations on the way forward. Finally, a comparison with alternative forms of regulation is needed to reflect on the question what would have been the outcome for sustainability without the IDH SIFAV program.

Trade-off between mainstream sustainability and high ambition level plans

The SIFAV plans to improve sustainability in fruits and vegetables chains score generally positive, but mixed results regarding the ambition level and potential impact. The objective 100% sustainably sourced (i.e. certified via social and environmental criteria) generally is seen as ambitious. Although the minimum standards are a ‘basic level’ of sustainability, it ensures that at least is dealt with the most urgent social and environmental issues, which is a huge improvement in comparison to the current situation. Most respondents believe that if the goals in the covenant or the sustainability criteria used would have been stricter or more ambitious, fewer parties would have participated and it would no longer be a mainstream initiative. A specific concern in the potential impact of the agreements is the predominate use of ‘standards’ in the definition of sustainability. Certification standards may have specific disadvantages such as exclusion of smallholders, and certification is not a solution to all kinds of sustainability challenges. Besides certification, producer support projects are part of the agreements. Especially precompetitive projects may have a high potential impact,

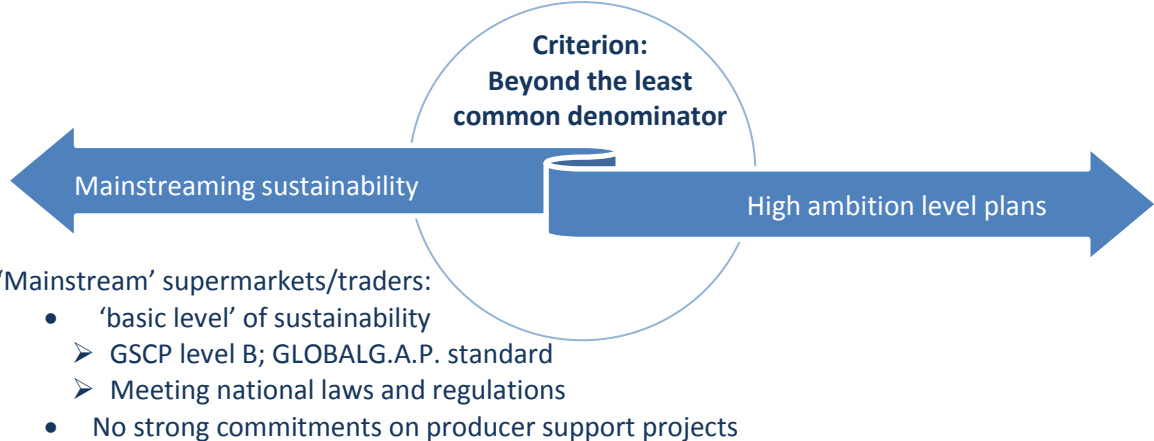
because they focus on hot spots that cannot be resolved by individual companies. Concerning the time bounds, the targets for 2014 and 2015 are probably relatively easy to achieve because of ‘the low hanging fruits’. The target of 100% in 2020 is more ambitious; although it turned out that achieving 100% is not entirely realistic and actually means (or is interpreted by stakeholders as) having imported fruits and vegetables sustainable *all where possible*.

With regard to the use of (certification) standards, the agreements give a clear and unambiguous definition of sustainability, with specific and measurable goals (30%, 50%, 100%) and time bounds (2014, 2015, 2020). It is clear how sustainability is defined: a choice out of the basket with GSCP benchmarked standards for the social criteria, and the GLOBALG.A.P. standard for the environmental criteria. In addition, the producer support projects are part of the agreements and definition. However, these projects are formulated much more ambiguous. On the one hand, that can obviously be explained by the fact that the details of the projects were some of the ‘non-decisions’: it was not exactly clear at the time of the covenant how the projects should be set up, and where they should focus on. But apart from that, the goals are not measurable and the responsibilities and commitments of the network partners to the projects are unclear. In theory, it is likely that this ambiguous formulation will lead to different interpretations on (individual) commitments and responsibilities in the implementation phase of the SIFAV program. A year after the covenant was signed there are some clues that that is the case: it turns out it that is difficult to get (especially the precompetitive) projects off the ground and, in addition, the first priority of traders and retailers is to get their fruits and vegetables certified. Earlier it was stated that the producer support projects go beyond the bottom-line and have a high potential impact, but the ambiguous formulation shows that the projects play a secondary role in the SIFAV program and that there is no strong commitment of the private sector parties to implementing the projects.

In comparison to other possible forms of governance and regulation, the IDH model (of network governance) can be regarded as successful. A mainstream sustainability initiative needs to be coordinated and is not likely to evolve without an initiator; in particular because of the importance of a level playing field. The covenant with clear commitments assisted in reaching that. In theory, the government might be capable of a level playing field via laws and regulations as well, but making similar agreements to the ones in the SIFAV program would be nearly impossible, and therefore network governance is the preferred governance option.

All in all, the agreements can be seen as ambitious compared to the current situation, and the covenant and the coordination role by ‘initiator’ IDH assisted in obtaining that ambition level. However, the definition of sustainability mainly rests on the use of standards with a ‘basic level’ of sustainability. The use of ‘higher’ standards and a clearer commitment on the implementation of producer support projects were necessarily restricted by the willingness of ‘mainstream’ companies. This suggests there is an inevitable trade-off between having a broad range of private sector parties engaged (and thus having sustainability in mainstream production channels) and a more ambitious definition of sustainability (see figure 5.2).

Figure 5.2 Trade-off between mainstreaming sustainability and high ambition level plans



..while avoiding excessive costs and unwarranted cost shifting.

A final relevant aspect in the assessment of the agreements is whether excessive costs and unwarranted cost shifting are avoided (for operationalization see table 4.1). In the IDH fruits and vegetables program this largely seems to be the case.

In general costs are avoided, although the specific outcomes depend on the different standards

As stated before, there were not many negotiations and compromises during the decision making process. This suggests that individual costs are avoided. Regarding the extent to which individual stakeholders' desires and wishes are met, it is important to realize that the covenant is a voluntary agreement which sets a bottom-line in sustainability. If private sector parties want to go beyond the basic level agreed in the covenant, they are free to choose one of the sustainability standards that scores higher than level B on the GSCP benchmark. In addition, frontrunners can participate in the producer support projects. Private sector parties who thought the (bottom-line) plans were too ambitious, on the other hand, just chose to not participate in the program.

Retailers and, especially, traders have to invest a lot of time in order to get all their imports certified. For example, they have to talk with producers and ask them to work with one of the standards in the GSCP basket (Interviews 1, 4, 6). Regarding the financial costs, in principle, the bottom-line GSCP benchmarked standards ask to comply with national laws and regulations; which does not require a lot of investments by producers. In addition, more sustainable production could also have financial benefits for producers. On the other hand, the auditing process could be expensive, especially for smallholders. As a result, smallholders may become excluded due to the costs and requirements of certification and auditing. Whether that actually will be the case, differs per standard and producer and depends on the local context.

With regard to the three sustainability dimensions in the SIFAV program, most attention is devoted to the social dimension of sustainability, mainly because production of fruits and vegetables is labor intensive. It is not possible to further discuss the trade-offs between the three sustainability dimensions or who might benefit or lose from the policy decisions, because these questions depend largely on which of the standards in the basket is used.

In summary, excessive costs and unwarranted cost shifting are avoided in the formulated policies of the IDH SIFAV program. The position of (small) producers remains a matter of concern and raises questions about the extent to which the 'equity principle' of sustainability is met. However, it is not possible to draw a general conclusion, since the position of producers (and other costs and trade-offs) largely depends on the specific standard used.

Final conclusion: The IDH SIFAV program – effective in mainstreaming sustainability

In conclusion, this case study about IDH Fruits and Vegetables program showed two inevitable trade-offs in the policy formulation of the 'Covenant Sustainably Source Fresh Fruits and Vegetables'. Regarding the costs, in general *excessive costs and unwarranted cost shifting* are avoided. However, due to the 'basket of standards' from which a specific standard can be chosen, it is not possible to state an overall conclusion about the costs. With regard to the capability of the civil regulatory network *to reach joint policy decisions that go beyond the least common denominator*, the two main trade-offs (TOs) in the policy formulation of the IDH SIFAV program are presented in the figure below.

Figure 5.3 Trade-offs in policy formulation SIFAV program



The first trade-off illustrates that the SIFAV network has been very capable of reaching decisions to improve the sustainability of international fruits and vegetable chains. Important factors in that capability to reach decisions were the level playing field created by the covenant and the strong coordination role by IDH. However, another factor that explains the capability of reaching decisions is the limited inclusiveness of NGOs in the decision making process. The limited involvement of NGOs is remarkable for a civil regulatory network and, in addition, it shows that the democracy and participation principle of sustainability has not been met. The second trade-off occurs between mainstreaming sustainability and a high ambition level of the plans. In order to have sustainability improved sector wide (in mainstream commodity chains) a relative broad range of private partners should participate – as is the case in the SIFAV network, in which a large share of retailers and traders in the Netherlands is included. However, this mainstream sustainability results in relatively lower standards, since with a high ambition level less private sector partners would have participated. The projects go beyond the ‘bottom-line’, but they play a secondary role and their success in implementation is uncertain due to the ambiguous formulation in the covenant.

It is important to remark that, most likely, the two trade-offs are not fully independent, as the multiple stakeholders which are included in the network (trade-off 1) have an influence on the outcome of the second trade-off between mainstreaming sustainability and a high ambition level of the plans. Further research is recommended regarding the relationship between the two trade-offs.

The trade-offs found in this case study are neither to say that NGOs are not involved in policy formulation at all, nor that the ambition level of the plans is low per se. For example, the basic level of sustainability is a large improvement in comparison to the current situation, and the participating NGOs have approved the program plans. However, the trade-offs do suggest that in civil regulation initiatives an inevitable choice should be made (or a balance should be found) between reaching decisions and securing a multi-stakeholder character of the network, and between mainstreaming sustainability and aiming at a high ambition level of sustainability. The trade-offs are an important limitation of the use of civil regulation to improve the sustainability of international supply chains, since they impose a limit on the possible impact level these initiatives can have in improving sustainability. The results of this evaluative case study lead to the final conclusion that the IDH SIFAV program is particularly effective in improving the sustainability in mainstream production channels.

6. Conclusions, Discussion and Recommendations

In this study the possibilities and limitations of using civil regulation to improve the sustainability of international supply chains have been investigated. The IDH fruits and vegetables program was used as a case study and the policy formulation of this program has been analyzed. The aim of this study was to analyze the extent to which civil regulation can be effectively used as an instrument to make supply chains more sustainable. In this final chapter the main findings and conclusions (both theoretical and empirical) will be summarized. Furthermore, the implications, significance and limitations of the findings will be discussed. This chapter ends with recommendations for future research; and, finally, recommendations to the government about how they can make use of civil regulation.

Findings and Conclusions

While sustainability is often defined using the definition of the Brundtland report, the exact meaning of the concept remains ambiguous. Although assessing performance on sustainability is crucial for measuring progress towards sustainable development, current methods have limitations and it was shown that they are not applicable for evaluating civil regulation. Therefore, broad principles central in the concept of sustainability have been used in this study to investigate sustainability. In addition, it was shown in this study that markets and hierarchies generally fail to make supply chains more sustainable; and that, therefore, governments use forms of network governance such as ‘civil regulation’. Companies, NGOs and sometimes governments are involved in civil regulation initiatives, and the voluntary codes specify the responsibilities of global firms for addressing labor practices, environmental performance, and human rights policies. Although civil regulation provides a solution to some of the deficits of markets and hierarchies, various studies have found that civil regulation has serious limitations as well. That questions the extent to which civil regulation can be effectively used as an instrument to make supply chains more sustainable. The policy formulation evaluation criterion of Sørensen and Torfing (*the capacity of the network to reach joint policy decisions that go beyond the least common denominator while avoiding excessive costs and unwarranted cost shifting*) has been used in this research in order to investigate the possibilities and limitations of civil regulation.

One of the more significant findings to emerge from this study is that in using civil regulation initiatives there will always be trade-offs. First of all, the case study revealed a trade-off between the capability of reaching decisions and of multi-stakeholder inclusiveness. Important factors and conditions that assisted in the successful capability of the SIFAV network to reach decisions were: the strong commitments on paper (in this case the covenant), one stakeholder (IDH) played a strong leadership and coordination role, and not all stakeholders were to the same extent involved in the (details of) the policy formulation. However, the latter condition is at the same time a shortcoming in the policy formulation of the SIFAV program, since the democracy and participation principle of sustainability has not been met. The implication of this finding is that in civil regulation initiatives always a balance has to be found between the capability of reaching decisions (and thus having policies to improve the sustainability of supply chains) and ensuring multi-stakeholder inclusiveness (and meeting the democracy and participation principle of sustainability).

The second trade-off arises between having a broad range of private sector parties engaged (and thus having sustainability in mainstream production channels) and more ambitious sustainability plans. Although the agreements formulated in the IDH SIFAV program set at basic level of sustainability – which can be regarded as a huge improvement in comparison to the current situation – the use of ‘higher’ standards and a clearer commitment on the implementation of producer support projects, were necessarily restricted by the willingness of ‘mainstream’ companies. This finding confirms findings of previous studies on the limitations of civil regulation (see chapter 3) and contributes additional evidence that suggests that some of civil regulation initiatives only reach a

small percentage of overall production, while others lack the ability of bringing fundamental change. Unfortunately, both instances result in a limited total impact. The current finding that this is an inevitable trade-off assists in a better understanding of how civil regulation can be used.

In previous studies additional concerns were raised about position of (small) producers. Although findings in the case study seem to support these concerns, it is not possible to draw an overall conclusion regarding whether 'excessive costs' have been avoided in the agreements, since in the SIFAV program the costs largely depend on which of the standards private sector parties choose to work with. Furthermore, previous studies suggested that, besides civil regulation, more hard regulation is needed in order to have mechanisms at hand to enforce compliance. The results of this investigation show that a civil regulatory initiative like the IDH SIFAV program is capable of setting a minimum standard at a sector broad level. Command and control mechanisms, on the other hand, seem very difficult to use, and therefore this study does not confirm the suggestion of previous studies that additional hard regulation is required. However, the findings in this study are limited by the use of a single case research design, and therefore more research is required on the relative merits of using soft and hard regulatory approaches.

Returning to the main question, the evidence from this study suggests that civil regulation can be used to improve the sustainability of supply chains, but that (the impact of) this improvement is limited by the trade-offs between: (1) reaching decisions and multiple stakeholder inclusiveness; and (2) mainstreaming sustainability and a high ambition level of the plans. One of the implications of these inevitable trade-offs is that policy makers are required to balance between opposing goals and interests regarding the improvement of sustainability in international supply chains. In the introduction it was argued that the government relies on instruments like civil regulation to tackle major global issues such as with regard to the global public goods. However, the trade-offs found in this study show a limitation in what civil regulatory initiatives can possibly contribute to the improvement of sustainability and, indirectly, broader international development goals.

Further Research

This research has thrown up various questions in need of further investigation. Future research needs to be done to check whether the trade-offs found in the policy formulation phase are also present in later phases of policy making, such as the implementation phase. That would help to establish a greater degree of accuracy on this matter. Moreover, it is strongly recommended to investigate the existence of the trade-offs in other civil regulatory initiatives, since there are different types of civil regulations and this research was based on a single case study. In addition, more research is needed to better understand the relationship between the two trade-offs, as it is likely that those are related. More information on this matter would help to improve the design of civil regulatory networks. Finally, a future study investigating the relative merits of using soft and hard regulatory approaches would be very interesting.

Recommendations for Policy

The findings of this study suggest several courses of action for policy makers. In order to enhance the functioning of civil regulation, governments can, for example, indirectly regulate and govern civil regulatory networks. That solution is related to the idea of 'meta-governance' which was shortly explained in chapter 3. Applying meta-governance is also suggested by Sørensen & Torfing (2009) as a solution to limitations of governance networks.

In the case study of the SIFAV network, the Dutch government meta-governed IDH by means of providing IDH with (financial) resources, and monitoring and evaluating their performance. But there are also other meta-governance tools available. For example, the functioning of civil regulation can be enhanced by influencing the network design. Regarding the network design it is important to keep a strict focus on the policy objectives (Sørensen & Torfing, 2009). In the current situation, civil regulation is linked as a solution to improvement of 'sustainability', and improved sustainability in return is assumed to contribute to broader international development goals. However, this study

showed that there are limitations towards what can possibly be achieved with civil regulatory initiatives. Governments should therefore take into account the trade-offs and be explicit and realistic about what development goals they exactly aim at. Considering the trade-offs, it is just not realistic to design one civil regulatory initiative in which sustainability both reaches mainstream production channels and keeps up a high standard. The implications of this trade-off are that governments should set priorities, instead of using the ambiguous concept of sustainability as a quick fix for a broad range of global problems. By defining more precise goals the government enhances the effectiveness of civil regulation.

Democracy and participation can, for instance, be enhanced by ensuring publicity about the formation of the network and the policy objectives. That will create more transparency in civil regulation. Another possibility is to set conditions about the multi-stakeholder character, in order to ensure a broad inclusion of relevant and affected actors. For example, conditions can be set about the participation and inclusion of NGOs and producers. If, on the other hand, it is preferred to reach (quick) policy decisions, then it is an option to counteract a specific civil regulatory network by creating alternative and competing networks. For example, separate networks aimed at either mainstream sustainability or at a high ambition level can be developed. A more differentiated approach helps to deal with the trade-offs in civil regulation on the improvement of sustainability.

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List of Interviewees

Dave Boselie	IDH, the Sustainable Trade Initiative
Kebba Colley	IDH, the Sustainable Trade Initiative
Gerbrand Haverkamp	Ministry of Economic Affairs, Agriculture and Innovation
Arie van der Linden	The Greenery (Trader)
Leon Mol	Albert Heijn (Retailer)
Kees Rijnhout	Jaguar (Trader)
Paul Schoenmakers	Ministry of Foreign Affairs
Peter Verbaas	Frugi Venta (Member Organization of Traders)
Jeroen de Vries	ICCO (NGO)
Roland Waardenburg	The Rock Group (Consultant for IDH)
Sanne van der Wal	SOMO (NGO, not directly involved in IDH SIFAV program)
Marian van Weert	ICCO (NGO)

The numbered list of interviews (as referred to in Chapter 5) can be found in Annex I.

