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Food Certification Schemes as Private Institutions of Sustainability

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Abstract

institutions of sustainability (PloS), which are *sets of rules that a series of private actors voluntarily follow to reach a sustainability target*. Within PloS, a strong position on sustainability themes is used as a mean to maximize private utility. Consequently, there is a potential **win-win situation** for both the private actors and the society. Typical for these multistakeholder PloS is their hybrid configuration. Ménard (2004) introduced the concept of **hybrids** as an intermediate between pure anonymous spot markets and firms as hierarchies. It is a governance structure where actors have transferred part of their autonomous property rights to others, in order to allow for some coordination between partners. One of the main examples of PloS in the food sector are private standards and certification schemes, developed to guide chain members to reach certain social and ecological objectives.

Aoki (2005), who explains institutional change from a game theoretic perspective, notices that institutions, as rules of the game, are treated in two different ways: either they are considered exogenously predetermined outside the domain of economic transactions (as in the institutional environment of North, 1990 or Williamson, 2000), or they are treated as endogenously shaped and sustained in the repeated operational plays of the game itself. In this paper we build further on the latter notion. Some governance structures and institutions allow better for endogenous change when changes in the exogenous environment occur.

The current endogenous institutional organisation of a PloS will determine the sustainability outcome and the socio-economic performance, or the institutional effectiveness, efficiency and equity of the PloS. Benchmarks (firms, hybrids, markets not participating in PloS) operating in the same exogenously determined institutional environment, but with a different set of endogenously determined institutions, have a different institutional effectiveness, efficiency and equity. By comparing PloS with these benchmarks changes can be proposed that improve the effectiveness, efficiency, equity of the PloS. These changes will alter the institutional structure, which will, on its turn, alter the effectiveness, efficiency and equity ones more. This reflects the dynamics of PloS. The graphical representation of this cycle is shown in figure 1 below. In this paper we develop a conceptual framework that explains, in a similar sense as technological change, how differences in institutions and potential for endogenous institutional change impact on the effectiveness, efficiency and equity within PloS as multistakeholder constructs. The empirical case of food certification and labelling is used as illustration.

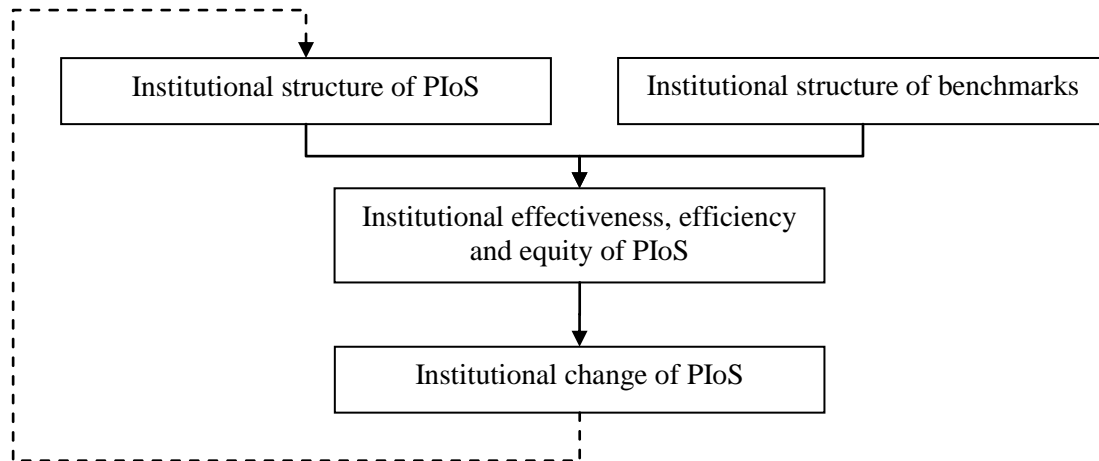


Figure 1. Framework of analysis

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