



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

Food Certification Schemes as Private Institutions of Sustainability

Koen Mondelaers¹, Ludwig Lauwers¹, Guido Van Huylenbroeck²

¹*Institute for Agricultural and Fisheries Research, Belgium*

²*Ghent University, Belgium*

*koen.mondelaers@ilvo.vlaanderen.be; ludwig.lauwers@ilvo.vlaanderen.be;
VanHuylenbroeck@UGent.be*

Abstract

institutions of sustainability (PloS), which are *sets of rules that a series of private actors voluntary 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.

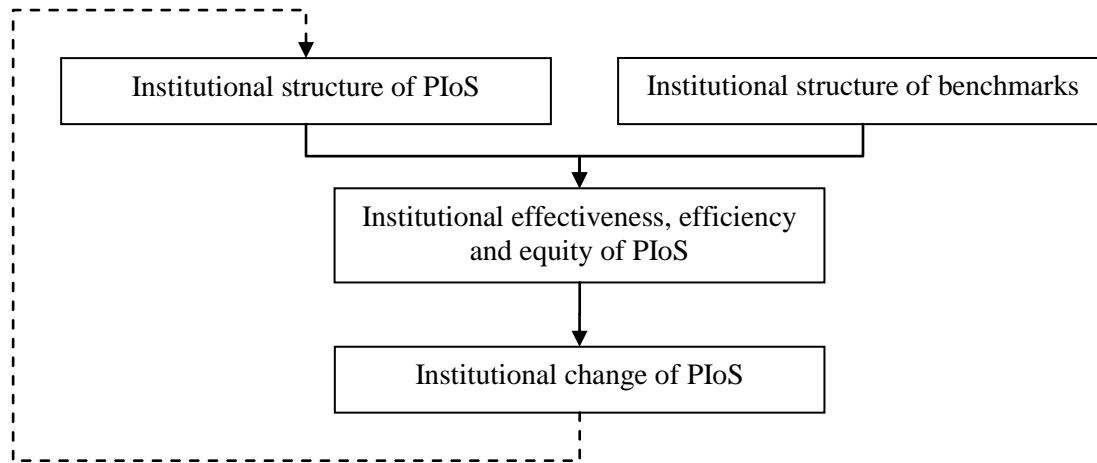


Figure 1. Framework of analysis

References

- Aoki, M., (2005). Endogenizing institutions and institutional change. World Congress of the International Economic Association, Morocco.
- Bromley, D., (1989). Institutional change and Economic efficiency. *Journal of Economic Issues*, **23**(3): 735-759.
- Menard, C., (2004). The economics of hybrid organizations. *Journal of Institutional and Theoretical Economics*, **160** (3): 345-376.
- North, D. C., (1990). Institutions, institutional change and economic performance. Cambridge University Press, New York, U.S.A., 159 p.
- Williamson, O. E., (2000). The new institutional economics: Taking stock, looking ahead. *Journal of Economic Literature*, **38**: 595-613.