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Responsibilising the Fairtrade Premium: Imagining better decision-making

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Abstract

Fairtrade International (FTI) sets forth in its theory of change a food future that consists of fair trade, small farmer and farm worker empowerment and sustainable livelihoods for producers in the Global South. The enactment of this socio-technical imaginary, what we call the Fairtrade imaginary, relies upon the construction and maintenance of *agencements* that use voluntary standards as the means to organize actors and implement rules of engagement. A central component of the FTI *agencement* is a social premium (the Fairtrade Premium) that consists of an extra amount of money paid by supply chain buyers to certified producer organizations (POs). On the one hand, this premium payment serves as a powerful demonstration of a responsible North-South trading system that benefits the producers. On the other hand, the premium payment is an object of conflict, as northern buyers criticize FTI and producers about a lack of transparency in the use of the Premium. We examine these tensions in the Fairtrade Imaginary in order to understand the role of decision-making in responsabilising trade practices. Empirical case studies of five POs shows that separated decision-making processes increases levels of participation and accountability in Premium use. While organizational independence is an ideal type of responsibility in the Fairtrade imaginary, our findings suggest that the allocation of 'role-responsibility' across the system might better strengthen collective responsibility. We conclude that realising better food futures requires strengthening responsibilities for decision-making within POs, rather than pushing for more transparent accounting mechanisms between the POs and Fairtrade International.

Keywords

Fairtrade; Premium; accountability; responsibility; decision-making; organizational context

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1. Introduction

“A world in which all small producers can enjoy secure and sustainable livelihoods, fulfill their potential, and decide on their future.” [Fairtrade vision]

The quote above is the vision that guides Fairtrade International’s (FTI) theory of change. This is the vision of a food future that consists of fair trade, small farmer and farm worker empowerment and sustainable livelihoods for producers in the Global South. The enactment of this socio-technical imaginary (Jasanoff and Kim, 2009) – what we call the *Fairtrade imaginary* – relies upon the construction and maintenance of markets that use voluntary standards as the means to organise actors and implement rules of engagement (Le Velly and Dufeu, 2016; Loconto, 2015). The history of the emergence of this imaginary is one of contestation among the different colleges that make up the FTI family – licensees (large retailers and brands as well as small alternative trade shops), traders and producers (Nicholls and Huybrechts, 2016; Renard and Loconto, 2013). Indeed, a fundamental tension that pervades the FTI system itself is the uncomfortable compromise among its members about their allegiance to the imaginary and the benefits that they receive from the system, but their reluctance to have to pay to contribute to its realisation, as explained by a producer in the following quote.

Fairtrade to the third world – that is poppycock – but that is not what it is about. It should be about quality, about competitiveness. So, I must say that I would like to see Fairtrade finished. I would like to see it go away, even though we benefit so much from it. I would like to see it, through the natural course of business, disappear. And that we be competitive because we are naturally fair: we treat our workers well, we look after the environment, we don't put oil or fuel in the rivers. And that's what I would like to see, and we don't really have to pay for that. (Loconto, 2014)

A central component of the Fairtrade imaginary is a social premium,¹ which consists of an extra amount of money paid by traders to certified producer organisations (POs). The role of this premium within the Fairtrade imaginary is to enable producers to make investments in collective infrastructure, capacity-building, community services and other goods and services that ostensibly improve the livelihoods of small farmers and farm workers. In 2017, certified POs received 178 million euros through this mechanism.

On the one hand, this premium payment serves as a powerful demonstration of a responsible North-South trading system that benefits producers. On the other hand, the premium payment is a constant point of attack, as northern traders criticise FTI and producers about a lack of transparency in the use of the premium money. This tension between trading partners arises because of different visions for how and why the premium should be used. These visions have shown that the premium can be used as a gift that contributes to local power imbalances (Dolan, 2010; Loconto, 2015), much appreciated extra income for farmers (Doherty and Tranchell, 2005), as the means to educate children (Meemken et al., 2017), as a means to fulfil the obligation of community investment (Tampe, 2012) and as a way to exclude farm

¹ Each reference to “premium” in this paper refers to this social premium and not a price premium.

workers on small-scale farms from cooperative welfare benefits (Cramer et al., 2017; Valkila and Nygren, 2010).

Drawing largely from Polanyian critiques of embeddedness, the literature on Fairtrade has argued that the progressive mainstreaming of the Fairtrade system exacerbates unequal relationships between distant producers and consumers (Jaffee and Howard, 2009; Jaffee and Howard, 2015; Lyon, 2011), often to the detriment of the producers (Bacon, 2010; Renard, 2005). Recent studies, drawing upon the diverse economies literature (Gibson-Graham, 2008), offers a more nuanced understanding of a 'community economy' that can be forged in direct trading partnerships where the social relations between producers and traders are slowly beginning to change (Holland et al., 2015; Naylor, 2018). All of these critiques of the FTI model pose the question "Who decides what is fair in Fairtrade?", which is a very valid critique. However, we find that previous studies lack the fine-grained analysis of organisational agency and in turn often present producers as passive actors in the face of powerful traders.

According to Francesconi and Ruben (2014), the premium is arguably the most important output of the certification process. However, they also found that the premium can only add value to small-scale producers when certified organisations recognise and enforce members' decisions and claim rights over equity investments. They argue that the imaginary may only be achieved if the premiums are selectively targeted to well-designed organisation that are have clearly defined and enforceable rules for member entry and exit, as well as decision-making and claim rights. This conclusion supports earlier work that demonstrated that the way in which the cooperatives are organised is more important for implementing fair practices than the simple compliance with standards (Loconto and Simbua, 2012). We thus suggest that in order to answer the question – *who decides what is fair?* – we need to understand how heterogenous producer organisations take decisions about the one aspect of the FTI system for which they are fully responsible: the use of the premium.

Our aim in this article is to take the different possible forms of responsibility seriously by comparing how two banana cooperatives in South America organize their decision-making and accountability systems either by embedding them within existing cooperative structures or by separating them from the cooperative governance structures. The effect of these two modes of organising is a continuum of 'visibility' of the premium in the daily organisational lives of producers. We demonstrate that those highly visible decision-making processes increase levels of participation and accountability, supporting the use of locally appropriate and socially accepted investments. This finding challenges the foundations of the vision for a food future that is based on training only the PO management to be responsible for Fairtrade decisions as the priority pathway for change. While organisational independence is an ideal type of responsibility in the Fairtrade imaginary (Loconto, 2017), our findings suggest that the allocation of 'role-responsibility' (Hart and Gardner, 2008) within organisations might better strengthen collective responsibility. These findings are discussed in the light of accountability politics and we conclude that realising socially just food futures requires strengthening the distribution of a diversity of responsibilities for decision-making within POs, rather than pushing only for more transparent accounting mechanisms (cf. Hale, 2008; Turnhout et al., 2014) between the POs and FTI (and its licensees in the Global North).

2. Theory: Responsibility for imagined futures

The future is fundamentally uncertain. Institutional sociology suggests that prior actions have created the situations within which we work today (socialisation), just as the decisions and actions that are undertaken now (roles within social structures) will ultimately determine what

the future will look like. There are three bodies of literature that deal with this aspiration to imagine future societies and to manage actions in the present that should bring those futures into reality: sociology of expectations (Borup et al., 2006), socio-technical imaginaries (Jasanoff and Kim, 2009) and real utopias (Wright, 2010). While the sociology of expectations is focused on those imaginaries embedded in the promises of specific technologies, socio-technical imaginaries explore national-level political aspirations for technology-led societal change. Real utopias, as visionary propositions, usually emerge from citizen initiatives (Cucco and Fonte, 2015) and are “grounded in the belief that what is pragmatically possible is not fixed independently of our imaginations, but is itself shaped by our visions” (Wright, 2010). What this literature helps us to understand is that these imaginaries, particularly in the form of expectations, are not only discursive devices that are used to build collective identities or to justify public claims about activities. Instead, they are performative (Callon et al., 2002). Put simply, ‘they do something’ (van Lente, 2012) by shaping action in the present in light of a desired future outcome.

In the case of sustainability standards, and the FTI system in particular, there is a reliance upon these visions to inspire and govern action in the present. Guided by the advice of a meta-governance organisation – the ISEAL Alliance – sustainability standards organisations developed ‘theories of change’ in order to orient their impact pathways (Loconto, 2018). First introduced by Weiss (1972; 1995), a theory of change is a theory of how and why an initiative works and has been the dominant tool used in development project evaluation since the 1990s. It explains both the interim steps that lead to the achievement of the future vision and offers a logical framework to connect actions and outcomes at each step of an assumed linear process. For FTI, they have determined that their vision is a “world in which all small producers can enjoy secure and sustainable livelihoods, fulfil their potential, and decide on their future” (Fairtrade International, 2016). However, the existence of an imaginary itself is not sufficient for its realisation; it needs to take form within an organisational context that puts into place a suite of governance devices developed to support small-scale producers to align themselves with the Fairtrade imaginary.

The core device used within the Fairtrade system is the suite of standards, which lay out criteria and provide guidance on environmental practices, democratic governance, gender equity and purchasing contract requirements (among others) at the level of POs. POs can be either smallholder producer cooperatives (SPOs) or hired labour companies or plantations (HLOs). Historically, Fairtrade focused first and exclusively on SPOs and it was only as a result of demands from social movements to include flowers and their producers (plantations) in the Fairtrade system that HLOs were included in the system (Arnold, 2021). The original focus on producer cooperatives can be explained by the fact that this type of organisation is considered to be particularly beneficial for local communities and the development of sustainable food systems because of their member-owned structure (Gonzalez, 2018). The Fairtrade minimum price, Fairtrade-sponsored training (on topics like gender and democratic governance), and the support from Fairtrade liaison officers are other devices. Fairtrade also provides additional producer support through donor-funded projects and has involved regional PO networks in the governance of FTI.

What has happened over the years is that whereas the Fairtrade Standards were, in the beginning, concentrated on the terms of trade (between marginalised producers and the importers/vendors) (Raynolds, 2009), the standardisation framework increasingly concentrated on the setting of proscriptive Standards for POs and multiple layers of oversight to ensure compliance (Arnold, 2014; Arnold and Hasse, 2015; Renard and Loconto, 2013). The need to ensure a premium that is not only a price premium is one major result of this

development and currently one of the key interventions of FTI. The premium is thus just one of the devices that should bring about change at the PO level, through the allocation of an additional monetary payment per kilo of product sold. It is intended to be used by farmers and workers in the POs to invest in the development of their communities and collectives, the decision about its use is supposed to lie with these collectives. The idea of a premium fundamentally contributes to the legitimization of the Fairtrade project (Arnold and Soppe 2017).

Before 2009, the use of the premium was highly restricted as there was a fear of abuse of premium funds for personal gain as had been documented previously (Loconto and Simbua 2012; Loconto 2014). In general, the standards require HLOs to create a separate Fairtrade Premium Committee (FPC) that operates a separate bank account, while SPOs are expected to use their cooperative governance structures to manage the premium funds as there are no specific requirements in terms of organising the fund management. However, democratic governance is a core principle of the Fairtrade system, particularly for POs. The progressive changes in Fairtrade rules, which are continuous in nature (Arnold 2014, Renard and Loconto 2013), opened new possibilities for POs to have greater autonomy in decisions over the use of the premium. It is in the opening up of opportunities for autonomy that we seek to understand the responsibility of actors in the realisation of imagined futures.

Responsibility can be understood both in terms of taking responsibility and being held accountable for actions. This action-focused responsibility includes democratic principles of governance and focusing on the ‘right impacts’ (Owen et al., 2012). It thus covers concerns over input and output legitimacy (Fuchs et al., 2011) through its focus on process, including participation, transparency and accountability. For the international agri-business community, the ‘right impacts’ are increasingly tied into CSR programs and are linked to proving sustainability in production (Loconto, 2016; Mejlgaard and Griessler, 2016). Responsibility can also be thought of as responsiveness, which refers to collective responsibility (how individuals become responsive to each other) and ethical choices in practice (Gorgoni, 2009; Walhout and Kuhlmann, 2013). Advances in theories of responsible innovation argue that responsabilising actors is a promising path towards greater responsiveness of actors to resolving societal grand challenges (Dorbeck-Jung and Shelley-Egan, 2013; Lindner et al., 2016), which are themselves a type of socio-technical imaginary (Kuhlmann and Rip, 2018).

Drawing thus upon advances in theories of responsibility, sociological analysis can focus analytical attention on the devices that actors develop inside their organisations in order to take responsibility for the achievement of their future visions. In the case of our analysis, this key device is the premium, as it is the only device in the FTI system where the POs are supposed to be fully autonomous in their decisions. Given the broad heterogeneity of POs and their varying internal structures (Groot Kormelinck et al., 2019) we must assume that each producer organisation decides on the premium in a different, contingent way.

Participatory approaches have long been promoted as a means to increase democratic accountability and a notion of actors’ responsibilities in change processes (Gorgoni, 2009; Levidow, 2007; Loconto, 2018). We develop this concept further by focusing on the linkages between participation and accountability within the decision-making process about how to use the premium. Interrogating decision-making at the organisational level is expedient to better understanding the outcomes of the premium, as decision-making affects the organisation’s capacity to act, produces attention and confers responsibility (Brunsson & Brunsson 2017). However, the ways in which POs take these decisions provokes constant tensions between FTI and traders. Following a recent interview with Fairtrade staff (25 June 2020) and auditors

(20 July 2020), the business partners can be grouped in two categories: 1) top-down: the business partners want to decide about the premium since they are paying for it, which is perceived by other actors in the system as a highly ‘paternalistic’ approach; 2) bottom-up: they accept that the producers decide autonomously how to use the premium funds, arguing “that freedom of choice is the right thing to do.” This article thus examines this tension disentangling and critically engaging with the diverse ways of organising the premium decision-making process and exploring how the variety of ways to participate and be accountable in these processes responsabilise POs to realise the Fairtrade Imaginary.

3. Material and methods

3.1 Analytical framework

In order to answer the research question of this article, we focus our descriptive statistics and qualitative analysis on two key aspects of responsabilisation: participation and accountability in decision-making. As presented in the subsequent results and discussions sections, we operationalise participation as the involvement of individual members (farmers or workers) in the decision-making process about how and on what the extra money is spent. Taking a decision about the use of the premium is a process that unfolds over time. Ideas need first to be collected about how to use the money, then evaluated and prioritised before decisions can be taken. These decisions will later become subject to evaluation, influencing further decisions and resulting in “chains of decisions” (Besio and Pronzini, 2010). Hence, the participation of individuals can take place at different stages of this process. In addition to this temporal dimension, decision-making in organisations is hierarchically organised. Decisions are taken at different levels of hierarchies and different individuals can participate at these levels. Finally, there is the collective element of participation. Individuals can participate as a group voicing a collective interest, or they can represent only their individual needs. We analyse the organisational designs for participating in the decision-making processes as well as actor’s perceptions of participation.

Accountability is key to ensuring that any use of the premium fits with the goals collectively defined within the decision-making arenas of HLOs and SPOs. It largely depends on knowledge and trust since rendering people and practices accountable implies demanding and receiving transparent and relevant information on premium use (Hess, 2007; Jordana and Levi-Faur, 2004). However, we also find that transparency is insufficient to ensure accountability, actors need to be able to hold others accountable. Thus, we operationalise accountability in terms of 1) the knowledge needed to manage the premium funds, 2) learning opportunities to improve individuals’ capacities to ensure accountability, and 3) the transparency of the POs’ processes.

3.2 Data collection and case justification

Bananas are an important cash crop for the countries of the Global South. For 2018, FAO (2019) expected a record high in banana exports (19.2 million tons), with bananas coming mainly from Latin America and the Caribbean, and Southeast Asia. Ecuador is the largest exporter with 6,646.2 thousand tons, while Peru exported 229.3 thousand tons. With 6 million tons of banana imports, the countries of the European Union account for 33% of all imports, while the United States imported nearly 5 million tons in 2018. In these consumer countries, the banana is valued as a low-cost fruit, as shown by the fact that consumers usually pay 25% less for bananas than for apples (BASIC, 2015). Given that producers receive only 5-9% of the retail price, while retailers in consumer countries get 36-43% of it, POs are particularly affected by the low banana price (BananaLink, 2020).

These structural North-South inequalities in international banana trade make the yellow fruit a predestined and core Fairtrade product (Lamb, 2008). In 1996, the first FTI certified banana originating from Ghana was sold in the Netherlands (Shreck, 2002), after which the banana paradigmatically evolved from a niche to a mainstream phenomenon (Smith, 2010). FTI certified bananas are grown by smallholder cooperatives and plantations that sold 687,000MT bananas under FTI conditions in 2018, earning 32,180,000 Euros in premiums (Fairtrade, 2020).

While research has classically focused on Fairtrade coffee, or rather the role of Fairtrade for coffee producers (e.g., Fridell, 2007; Jaffee, 2014), bananas have received far less attention (cf. Shreck, 2005, p. 19). This is particularly surprising because the unequal power relations that the FTI system is designed to change are especially dominant in the banana industry. Powerful transnational corporations control the banana industry (Murray & Reynolds, 2000; Shreck, 2005), while banana producers are so powerless that they are often unaware that they are part of an alternative trading system and only realize it when they decide how to invest the premium money (Shreck, 2002). This is where our study comes in, as it sheds light on how two banana cooperatives decide on premium money and practice responsibility in the process. In doing so, we demonstrate that POs can gain agency through their decision-making processes.

In Ecuador, data² was collected in 2018 through 32 individual interviews (19% women) and 6 focus groups, targeting three main categories of actors: small producer members of the cooperative; administrative and technical employees of the cooperative; and workers of the farms, employed by the individual producers. In addition, a co-construction workshop was organized with the members of the Board. Visits and observation of premium investments also took place in the Central region including visits of the central infrastructure of the cooperative (administrative offices, collection center, medical dispensary), the Palenque farm (banana plantation, warehouses, biofabrica), a community medical center, two schools, processing and packing installations in producer farms. In Peru, data was collected in 2018 through 33 individual interviews (21% women) and 5 focus groups. The main categories of interviewed actors were small producer members of the cooperative, administrative and technical employees and, workers of the “cuadrillas” (employed by the cooperative for harvesting and processing in the farms). The premium investment observations included visits of the central infrastructure of the cooperative (administrative offices and collection center, focus groups on the farms (including tours in the farms and harvesting, treating and packaging process of the fruit) and the localities and co-construction workshop, all located in Marcavelica District. Decision-making maps were drawn during the field visits and were during interviews to check for accuracy and engage discussion about responsibility and accountability. Prior informed consent was obtained for each interview and anonymity was assured.

4. Case studies: Banana futures in Ecuador and Peru

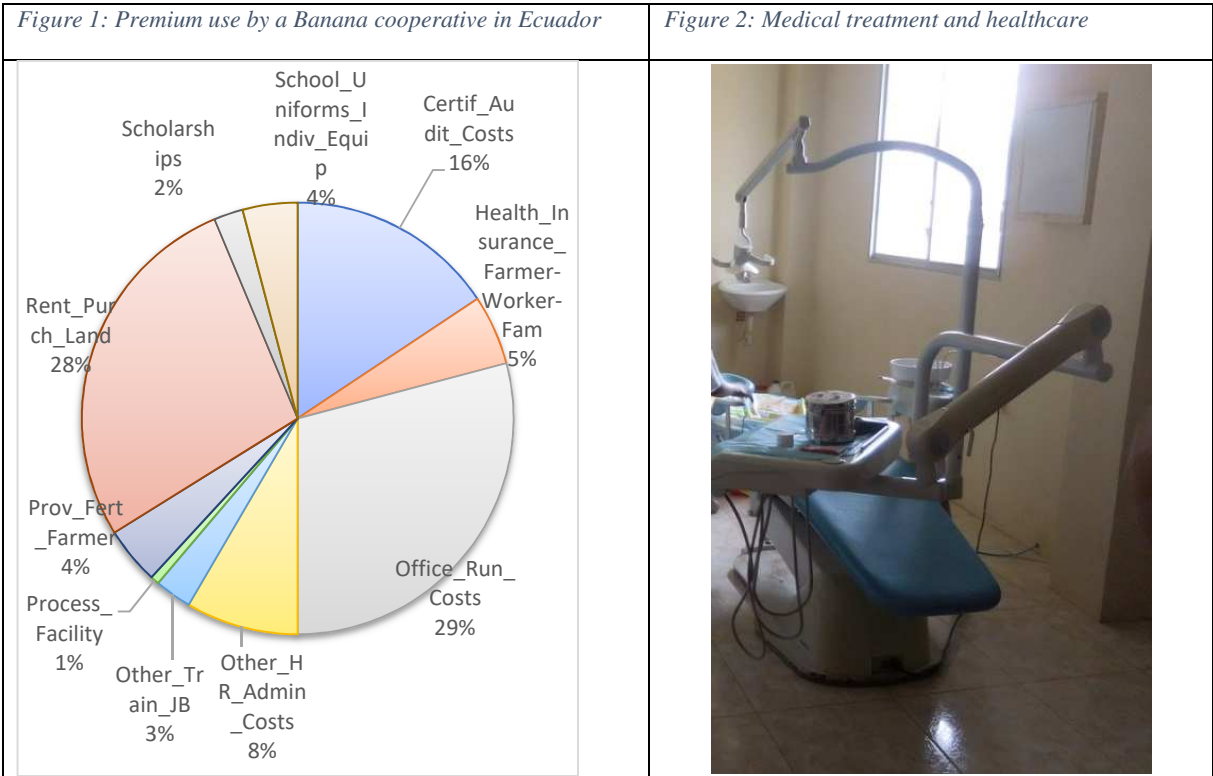
4.1 Ecuadorian banana corporaci3n³

² The data used in this article is part of a larger study that focused on the use and impact of FTI’s premium. Data collection and analysis was carried out in 2017-2018. Based on a database constructed using data from FTI, we conducted statistical analysis of premium expenditures from 894 POs and we purposively selected 5 POs from this database for in-depth field visits and qualitative analysis of their decision-making practices.

³ In Spanish, this cooperative is referred to as a Corporaci3n, because it is a non-profit corporation registered in Ecuador. It is composed of partners (farmer-owners) from different regions. The difference between a

In Ecuador we studied a cooperative located in Machala city, on the south coast of Ecuador that produces principally banana, which is mainly exported to European market, and other products like cocoa and tropical fruits like lemons. Created in 2003 by 11 organic banana producers who decided to aggregate their production, the cooperative’s objective has been to improve farmers’ production and sales. The PO has seen continuous growth in the number of members: 80 members reported in 2015 and 192 in 2017. The majority of members are small banana producers, with production areas between 2 and 10 hectares, which are distributed in three different areas: Central zone, South zone and North zone. In 2018, the cooperative reported a production area of about 1,433 hectares of organic bananas. Also, the cooperative has an administrative and management staff (including accounting and technicians) of 63 permanent employees.

In 2015, the PO received 144,244 EUR in premium funds, which were split between two FTI major categories: Investments in POs and Services to farmer/workers. (Figure 1). The projects most mentioned by interviewees were: health bonuses; school bonuses; certification costs; organic compost plant; community projects; improvement in farm infrastructures; and capacity-building trainings. The most appreciated project (28% of respondents) were investments in medical assistance and the bonus for health expenses that is given to producer members, employees, workers of the producers, and their families (Figure 2). This low percentage for the most appreciated project comes from that fact that this PO had a highly diversified portfolio of projects that responded to the range of users’ needs.



Source: FTI statistical database. Photo © A. Jimenez

4.1.1 Fairtrade imaginary

The dollar is seen like an investment, not an expense. It isn’t an expense, because it continues generating benefits over time. [PO management]

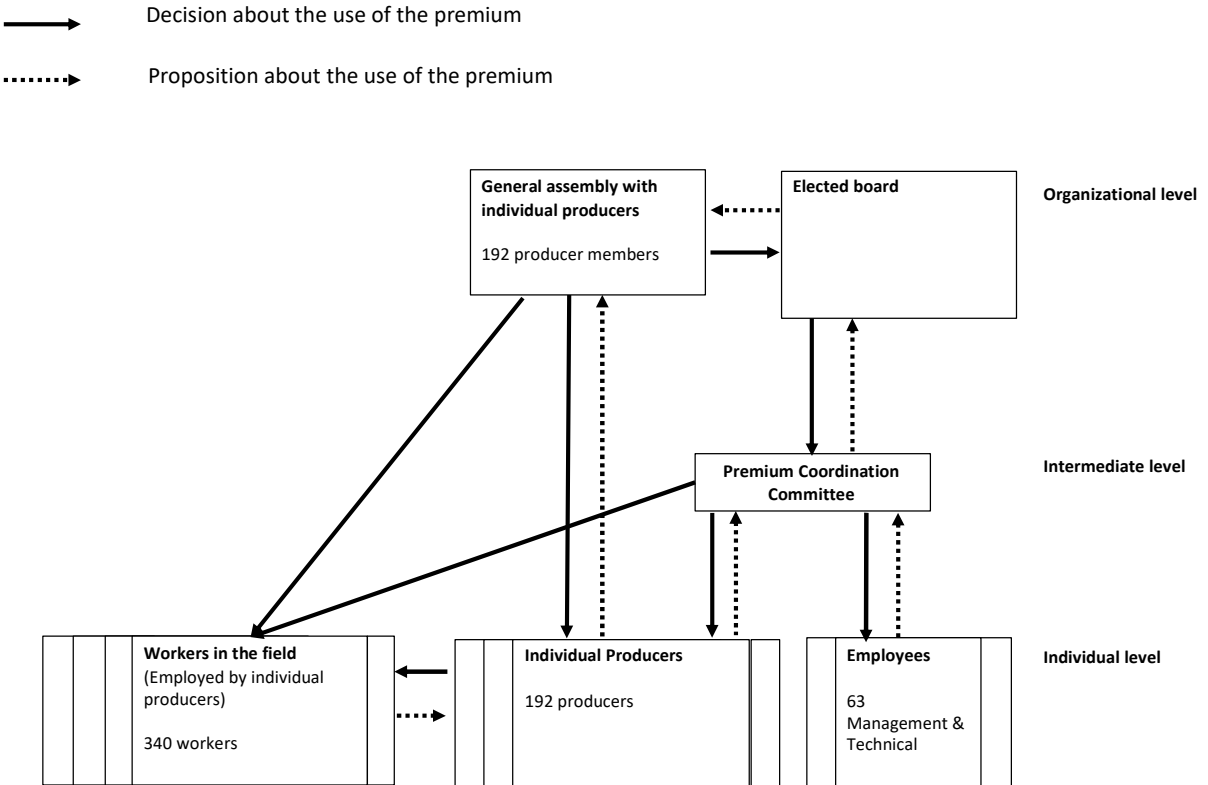
cooperative and a corporaci3n, in this context, is linked to the presence of a Board that carries out oversight functions in a corporaci3n.

The PO developed an ambitious project for an organic compost plant with the support of the Fairtrade producers’ association of Latin America and the Caribbean (CLAC). This plant allows the production of biofertilizers, multiplication of efficient microorganisms, compost and bokashi (fermented compost). With this investment of the premium, three important impacts are envisioned by the PO. First, the self-production of these inputs allows a significant reduction in production costs for the producer given that the prices at which they are purchased are lower than the prices at which they are found in the market. Second, although the main objective is to respond to the demand of the members, a future impact could be to generate additional benefits for the cooperative by selling those products to other clients. Finally, a positive impact can be foreseen in environmental terms thanks to the reduction of environmental contaminants and health risks for producers and workers. The importance of a positive health impact brings this investment-focused project in line with the broader vision that interviewees told us about, which was future generations that would be healthy and educated.

4.1.2 Decision-making

The General Assembly is the highest governance body of the organisation and is composed of all members. There is a Board composed of president, vice president, treasurer, secretary, two principal members and two alternates. It is chosen for a period of two years. The ordinary General Assemblies meet twice a year and extraordinarily, when circumstances require. In these assemblies the premium plan is approved.

Figure 3: Decision-making map of the banana corporation in Ecuador



This PO is a comparatively small cooperative with 192 producers, who decide about the premium at the General Assembly that brings together all banana producer members (Figure 3). There is a specific body – the “Premium Coordinating Committee” – that was created within the administration of the organisation to deal with certification issues and management of the Fairtrade premium. A questionnaire is used to collect ideas from the small producers

who propose and evaluate the investments made. Hence, all producers have the opportunity to participate in the decision-making process from consultation to taking the decision all the way through to the evaluation. But this high level of individual involvement has limits because the workers hired by the small-scale banana farmers do not participate in the General Assembly. Nonetheless, we did find evidence that they benefited from the premium through a couple of projects focused on improving their health and welfare.

4.1.3 Responsibilisation

The case from Ecuador highlights the advantages of distributing the premium among a diversity of types of use and beneficiaries. Projects financed with the premium cover 7 types of use: health; education; certification costs; social (community projects); institutional strengthening (including capacity trainings); and production (subsidies for fertilisers improvement of farm infrastructures, bonuses for small machinery). In relation to the beneficiaries, an element that stands out is the inclusion of banana workers into the group of beneficiaries, despite the fact that these workers are not directly employed by the cooperative but by the producer members themselves. Thus, all three categories of actors – producers, employees and banana workers – appreciate the various benefits they receive from the cooperative, most notably in relation to health and education.

Generally, this case shows a high level of satisfaction by the various actors interviewed as to how the

premium is used and are very positive about the impact that those uses are generating. The cohesion of perceptions among the different groups of suggest that the visible separated decision-making process responds to needs of the different beneficiaries.

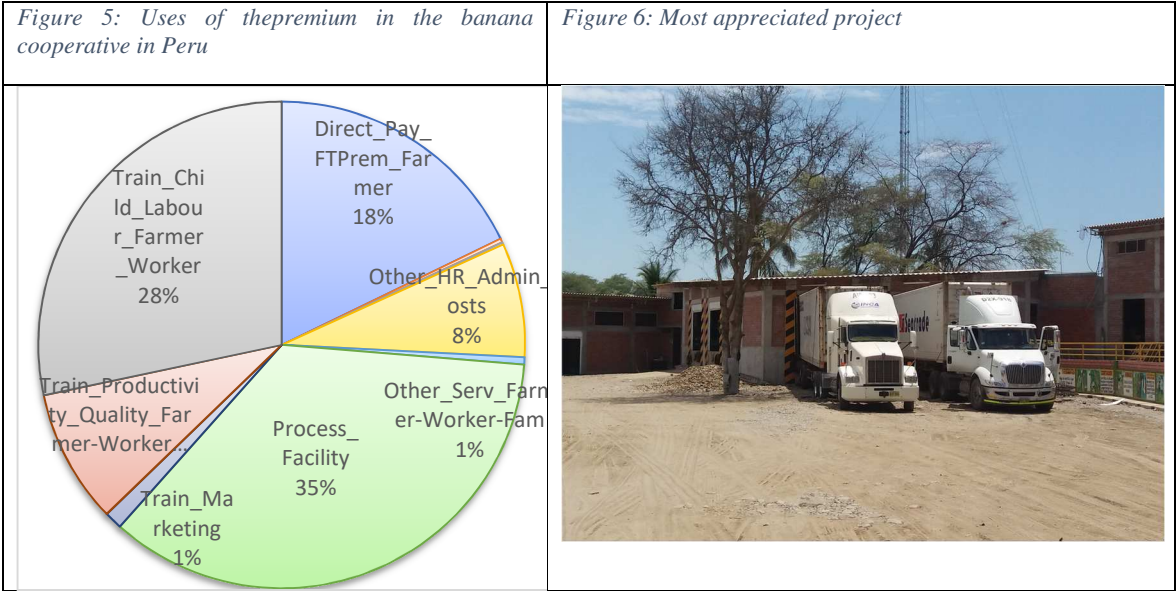
4.2 Peruvian banana cooperative

The banana cooperative in Perú is located in Mallaritos, Provincia o Sullana in the region of Piura. This cooperative was created in 2006 by four producers, with the objective of producing and exporting organic bananas. Since the beginning, the cooperative has sought constant growth in production, numbers of producer members, and product quality. In 2018, the cooperative had 174 workers among technical, administrative and cuadrilla workers (with activities of harvesting and packaging of the fruit) and about 400 producer members (with maximum 2 hectares of organic bananas) that produce organic bananas around the Valle del Chira region. Following Fairtrade certification in 2009, the cooperative has also expanded the infrastructure of the cooperative and has increased the number of contracts and agreements with direct importers: since 2011, the cooperative exports bananas directly to Germany and Italy.

Figure 1: Perceptions of impact of the FT Premium, banana cooperative in Ecuador (n=30)



In 2015, the Peruvian cooperative received 413,589 EUR, which was split between two major FTI categories: Investments in POs and Services to Farmers and Workers (Figure 5). The projects that were the most cited by interviewees were a retirement fund, collective purchases (special gift baskets for Christmas and Mother’s day), buildings and infrastructure, provision of agricultural tools and inputs and a funeral fund. The most appreciated project (60,71% of interviewees) was the investment in infrastructure like the storage centre and other buildings (Figure 6).



Source: FTI statistical database. Photo © A. Jimenez

4.2.1 Fairtrade Imaginary

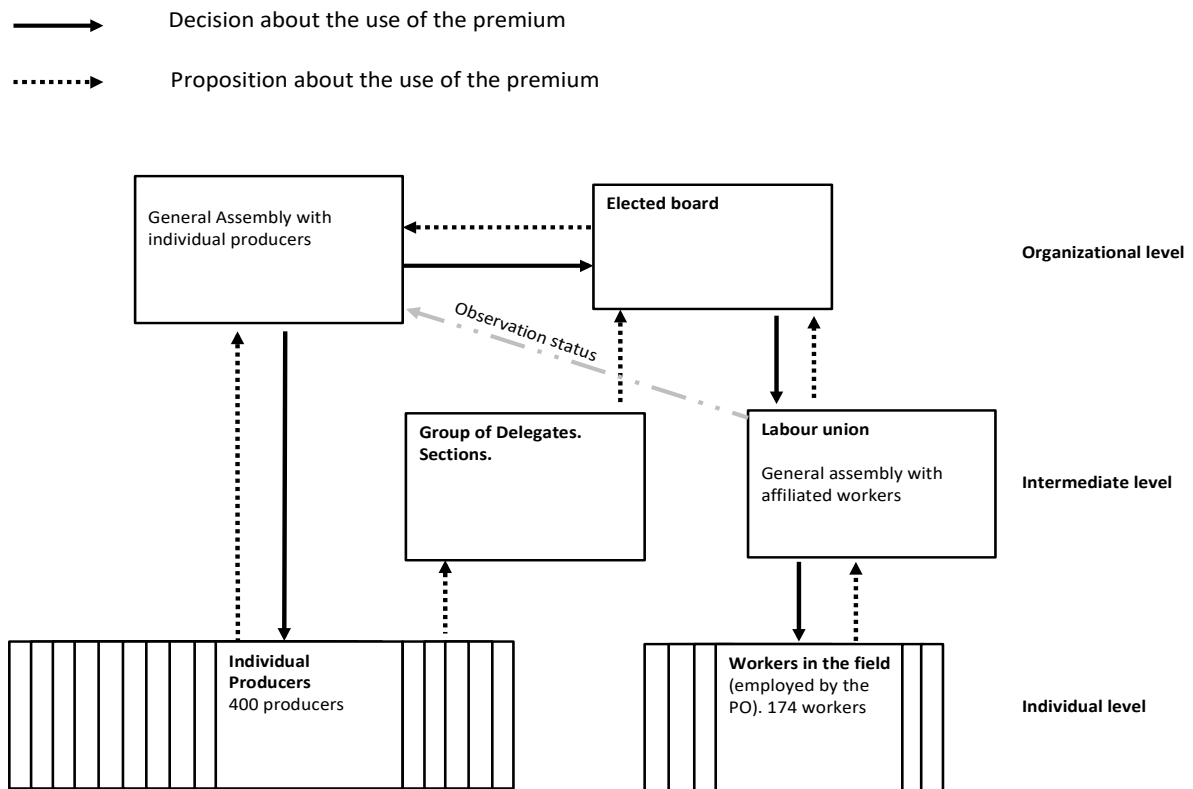
The premium is the motor of organisational development. Without it, it would be impossible.
 [PO management]

The cooperative, in line with its strategy to reach its future vision, tries to develop the institutional capacities and competitiveness. The focus is on quality and competitiveness of the product for exportation. To achieve this, this cooperative opted to achieve production efficiency and efficacy through production level improvements. They reason that by improving production, the incomes of the producers will improve and also their welfare. One of the actions is to use the Fairtrade premium to give subsidies to cover part of the production costs. For example, these subsidies render the inputs, like fertilizers, accessible. In this sense, three plans were highlighted during the focus groups: fertilization plan, improving quality preventive plan and phytosanitary prevention plan. At same time, the inputs are not totally subsidized, so the producers do need to pay part of their cost. This strategy promotes judicious and optimal use of the inputs.

4.2.2 Decision-making

The most important decisions are taken during the General Assembly (annual or extraordinary meetings). During the Assemblies, producer members are the main participants. While the elected board takes most day-to-day decisions in consultation with delegates, the major premium-relevant decisions are taken during the General Assembly with the participation of all 400 of its banana producers (Figure 7).

Figure 7: Decision-making map of the banana cooperative in Peru

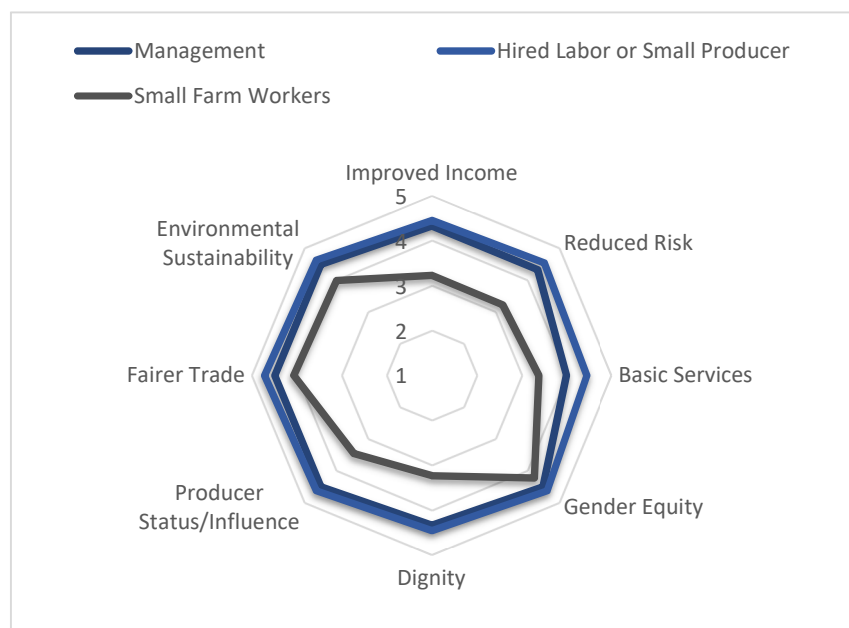


Thus, all producers participate in the actual decision-making (i.e., there is no delegated decision-making body), but specific procedures to collect ideas and evaluate the investments leading up to and following the decisions are missing. The PO hires 174 workers who are not included in the decision-making process. Only the representatives of a recently founded labour union have observation status at the General Assembly and thus do have access to information. The cooperative doesn't use questionnaires to collect ideas for premium use, but a group of section delegates are designated to serve as a link between the Board operating at the organisational level and the individual producers at the bottom of the organisational pyramid. However, these delegates are tasked with passing all information about the cooperative and thus any information that is related specifically to the premium is often just one piece of information that is circulated with others.

4.2.3 Responsibilisation

The Peruvian banana cooperative illustrates the importance of using the premium for organisational investments, which are

Figure 2: Perceptions of Impact in the Banana cooperative in Peru (n=30)



exemplary of POs that do not separate their discussions of premium use from other budget-related questions. For this cooperative, the premium thus became the engine of organisational development, as it contributed to covering administrative fixed costs like salaries, audits and consultancies, and infrastructure improvements. However, the investment in infrastructure, especially at the level of production sites – like cable lines, packaging store, the restoration of roads - are areas of investment that the cooperative needs to channel some of its premium funds to in order to achieve its strategic objective of increased productivity. Interviewed producers consistently noted that these kinds of investments need to be improved, especially for those are located far from the cooperative administrative office.

In this cooperative, we also see a clear distinction between the perceptions of impact of the premium between those who are members of the cooperative or in management, and small farm workers (Figure 8). This points to weaknesses in the decision preparation and decision-making processes.

5. Results: Participation in decision-making

In this section, we look across the two cases to identify idealised ends of a spectrum of visibility that is enabled by organisational decision-making process. By visibility, we mean that the premium use is recognisable to the concerned actors in their daily lives (Arnold and Loconto, 2021).

5.1 Organising the decision-making process

The decision-making maps presented above show that decisions about the premium are allocated to different levels: individual, intermediary and organisational. At the individual level, we find all the workers and producers with their families and communities who are meant to be the beneficiaries of the premium. Together these individuals form the organisational level and decisions taken at this level are perceived as decisions of the cooperative. In between these two main levels, additional levels can be inserted, such as working groups of members, section committees or management groups.

Tracing the relations and communication flows between these hierarchical levels through discussions of the decision-making maps with our interviewees, we identified a set of specific empirical elements about how the POs organise the premium decision-making process. These elements flow together to create a range of forms to render decisions more visible through both formal and informal processes. The more Xs a PO has, the more visible the premium is in daily organisational life and the easier it is for PO members to distinguish the premium money from other income. On the contrary, the fewer the Xs, the less visible the premium is and the more embedded it is within the ordinary decision-making processes of the PO.

Table 1: Organisation of the Fairtrade premium use and the corresponding decision-making process

Empirical elements observed	Ecuador Bananas	Peru Bananas
Separated organisational body dedicated to the decision-making process (1)		
Separated organisational body dedicated to the management of the premium (2)	x	
Separated and detailed plan of premium use and distribution (3)	x	
Visible rules of allocation (4)		
Visible procedure to collect ideas (5)	x (written)	x (verbal)
Premium is discussed as a separate issue during the General Assemblies (6)	x	x

Visible procedure to evaluate the projects (7)	x (written)	
Good level of general knowledge and understanding about the premium use (8)	x	
Visibility of the premium in daily life of organisational members (9)	x	

Source: authors' elaboration

Based on these observed elements, we identify two ideal types of premium decision-making that are exemplified by our two cases:

1. A highly visible decision-making process, by which specific procedures are put in place to coordinate the use of the premium. The management of the premium is deliberately separated from other ordinary business decisions, receiving attention in planning and gaining visibility in daily production life.
2. A minimally visible decision-making process, by which the decisions about the use of the premium are intertwined with the organisation of investments paid by other sources of revenue. Specific means or procedures to organise the premium use are limited and the premium – and especially the expenditures – is not very visible in the daily life of the producer organisation.

5.2 Perceptions of participation

One element of the two cases that emerges is that even though they are both relatively small cooperatives (compared to the African FTI certified cooperatives that have thousands of members), they still coordinate participation in the premium decision-making process in different ways. While small cooperatives can easily involve all individual producers in their governing bodies, large producer organisations with high numbers of workers and producers have the responsibility to develop structures that permit individuals to participate in groups (e.g., geographical sections) that voice their collective interests and priorities to higher organisational levels. In the case of large PO, assemblies and meetings at lower hierarchical levels are thereby decisive for integrating individual ideas and interests, as singular voices can be drowned out in large gatherings. However, our two case studies show that participation is not a given for everybody. Workers hired by the cooperative and its members do not participate in the decision-making process. They are excluded from the process *ex-ante*. Consequently, the POs do not take their opinions and suggestions into account. These results thus reveal that there are different degrees of inclusion in the decision-making process. Furthermore, POs seem to concentrate on developing formal procedures for consultation processes and the actual decision-making, but the evaluation of the investments attracts far less attention. Consequently, individual participation in the evaluation of projects is typically low or absent.

Based on our interview data, participation is desired by all types of actors in the POs. Fifty-eight percent of the interviewees in Peru and 34 percent in Ecuador reported not being consulted before decisions were taken. Almost all interviewees who feel that they are not included, would like to be consulted (Ecuador 82 percent, Peru 100 percent) and wish to actively participate (100 percent in Peru, 75 percent in Ecuador). Participation in the decision-making process about the premium is thus perceived as beneficial and members want that process to be responsive to their interests and needs. Through consultation, information about individual needs is gathered and new ideas for investments can be detected. The fact that the Peruvian banana cooperative lacks a clear ideas collection procedure might be the reason that individuals feel less consulted than those in the Ecuadorian corporation.

The responses about the participation in the actual decision-making event show a similar trend to the consultation process: members of the Ecuadorian PO, which has a highly visible decision-making process, feel more involved (50 percent) than those in the Peruvian cooperative who participate in the General Assembly, but who are not sure if that is really the decision-making event for the Fairtrade premium (45 percent). Ninety-three percent of respondents in Ecuador felt that the PO listened to their views and nearly 60 percent felt that they could influence the decision. We can compare this to 63 percent of the Peruvian respondents who felt listened to and only 45 percent who thought that they could influence the decision.

Taking a closer look at who feels excluded reveals that the majority of interviewed workers hired by the Peruvian banana cooperative, or their farmer members, feel excluded from both the decision-making (92 percent) and prior consultation (100 percent). Almost everyone felt that their views were ignored (90 percent) and no one believed that they could influence the decision. A worker from the Peruvian banana cooperative, who is a member of the local labour union, describes their situation in the following way:

We have no knowledge, but in an assembly they could explain this, provide knowledge, about what they invest in. We don't know anything. Where is this money going? We know that they have assemblies, but we (union representatives) only hear about it, nothing more.

The Ecuadorian cooperative had different perceptions from this group of workers. Sixty-four percent of respondents said that they participated in the consultation process and 43 percent had even suggested concrete projects. However, given the formal rules about participation in the decision-making event, 82 percent of respondents reported that they didn't participate and 89 percent of them would like to. Nonetheless, 78 percent felt that their views were being listened to and 34 percent felt that they could influence the decision in the end.

Open participation is crucial for fostering and maintaining solidarity among the organisations' members, this becomes difficult as the number of members increase without an active mobilisation of intermediary levels of engagement. Our qualitative interviews found that finding locally and culturally appropriate investments that will work in practice and be appreciated by the majority, requires listening to all the voices – particularly those who are formally silenced. This point needs to be emphasized because organisations, for the sake of their survival, tend to take into account the loud and powerful voices, ignoring the marginalised interests and demands (Selznick, 1949).

5.3 Participation arrangements matter for premium use

The ways in which the POs orchestrate their decision-making effect what the premium is used for. In line with trends found in our broader study, the Ecuadorian PO that developed a visible and more inclusive decision-making process about the premium made considerable investments in projects dedicated to social development. This PO prioritises health issues and uses the premium to improve, in particular, the health status of its producers and their workers and families. Following the logic of an embedded decision-making process where minimal visibility was given to the premium, the Peruvian banana cooperative treats this money as a form of additional income for the cooperative that does not require special consultation or decision-making procedures. As a consequence, the premium money is mostly spent on organisational and infrastructural projects that promote increased productivity and functionality within the producer organisation. While they also use the premium for medical and school projects and to assist retirees, the primary use is still understood as “the engine of

organisational development,” according to its director. In practice, this means that the producer organisation used 40 percent of the premium for organisational expenses in 2018.

6. Discussion: Accounting for the use of the premium

The ways in which the POs encourage participation in their decision-making processes has implications on the ability of actors to account for the use of the premium in realising the Fairtrade imaginary. We focus our discussion on what we have observed about knowledge, learning and transparency in accountable use of the premium.

6.1 Knowledge and trust gaps

There are important discrepancies in an individual’s knowledge about and trust in the declared use of the premium. We found important differences in knowledge and trust related to the respondents’ status in the PO, thus there are indeed differences in the perceptions of cooperative members (farmers); employees charged with administrative and technical tasks; and workers on the small-scale producers’ farms. As for farm workers, there is a high lack of knowledge about and trust in the premium, a logical result of their weak involvement in the cooperatives’ governing bodies. Employees tend to have a better understanding because of their involvement in the daily activities of the organisation. However, their understanding of premium uses can be partial and limited. This is also due to the fact that they are not necessarily participating in the General Assemblies of the organisations. Finally, members of the cooperatives tend to have a better understanding, but important knowledge gaps remain.

These gaps stem from the level of involvement in representative bodies. We can distinguish between those PO members that are in leadership positions (such as the Board and other governance committees); the delegates of local sections that play the role of intermediaries; and the members that have no special responsibility. While in Ecuador written instruments are used, interviewees explained that it is mainly the interaction between actors who have specific roles that facilitates communication. In that regard, meetings such General Assemblies, monthly meetings with delegates, or community visits are key to information dissemination. But this delegated responsibility does not always ensure transparent communication, we found that the mechanism use by the Peruvian PO often inhibited information transmission.

6.2 Learning to be accountable

Capacity building can reduce the abovementioned knowledge and trust gaps. For example, the Ecuadorian cooperative offered its producer representatives training in decision-making processes, management instruments, commercialisation, and financial accounting. Although not necessarily focused on premium decision-making and management, these trainings may improve the skills necessary to understand issues related to premium use. In particular, capacity trainings for women can play a role in generating greater gender equality within the governance structures of the POs. In some focus groups, women leaders expressed their belief in the importance of such trainings for reducing the fear of participating in discussions:

We benefit (from the Fairtrade premium). We don’t fear participating anymore. Thanks to the women’s workshops, such as education workshops or animal breeding workshops.

Figure 11 shows that generally, the Ecuadorian PO members are more informed and have greater trust in the process than the Peruvian cooperative. Indeed, in this cooperative those who were responsible for taking decisions about the premium were those that received training. The Peruvian producers, however, used their premium on a wider range of training, which meant that a far greater number of members were direct recipients of premium funds.

We interpret these results in light of the above discussions about the visibility and representativeness of the decision-making process. As far as accountability is concerned, according to our interviewees, training that is intended to improve the management capacity of those in charge of the premium can only be effective if there is sufficient transparency and participation.

Figure 11: Knowledge and Trust vs. Percent Training Expenditures



Source: Premium database (n=2) and Individual questionnaires (n=65)

6.3 Transparency and responsibility

While we have focused our analytical lens on the visibility of the premium decision-making process in daily cooperative life, transparency – understood as documented information disclosure from the POs to FTI and the northern buyers – has been a core pillar of the Fairtrade Imaginary. The role of transparency in assuring accountability of POs to its trading partners and FTI as its regulator relates to three issues: budgeting and financial accounting; premium use and distribution; roles and responsibilities. First, transparency in budgeting and financial accounting is a key challenge. What is the total budget available and how is it calculated? These were sensitive questions where some workers and producers timidly expressed their discontent with the lack of sufficient information. In our two cases, the budget is calculated using an estimation of the sales in upcoming years. Some producer representatives in charge of specific budget lines explained the uncertainty that this created. When asking for the budget to carry out some activities, the main manager would respond that this money would depend on sales, as if the budgeted money wasn't assured. This uncertainty hindered accountability within the POs about the use of the premium.

Second, the problem of lack of clarity relates to the question of transparency in premium use and distribution. In relation to premium use, on the one hand, there can be more or less visibility according to the organizing practices of the POs. Visibility can be created through “accountability artefacts” (Kraft and Wolf, 2018) such as placards or logos, designating where investments were made. There was great variety in that sense. In Ecuador, logos could be found in many places: on the composting vats for example, but even on the chairs in schools and on the backpacks of the schoolchildren. In Peru, there were no visible artefacts as the majority of the money was spent on cooperative administration, training courses and direct payments to producers, which made it difficult to assess how specific materials and infrastructures were financed. Visibility can also be created through documentation of the projects financed with the premium, including descriptions of the projects, pictures, and

financial data. Again, there was a large difference between the two POs, which we argue is a result of not designating responsible staff for this task in Peru.

In relation to premium distribution, we noticed a difference between the two cooperatives with regards to whether or not explicit rules for premium use were defined by the POs. The notion of “rule” suggests that decisions on premium distribution can last longer than one year. By contrast, a “plan” for premium use and distribution is only relevant for one year. In both cases there were no such rules. However, in Ecuador there was a detailed annual plan for use and distribution, which demonstrates a higher level of visibility and transparency than in Peru. Moreover, there were informal rules (conventions) were in place (Thevenot, 2001). For example, the Ecuadorian PO members explained that 20 percent of the premium was dedicated to benefitting the workers of banana farms, but this was not explicitly presented as an allocation rule in the governance documents of the cooperative. This convention, which is not in place in Peru where there is a formal labour union for workers, is quite surprising. Indeed, we learned that this convention was created as a result of the active solicitation of ideas by the Premium Coordination Committee that is responsible for preparing the premium use decisions. In addition to the clarification of types of uses, and other aspect of the Committee’s work is the clarification of prioritization criteria for community investments when the latter must be staggered over time. When prioritizing producers’ production areas for productive infrastructure investment in Peru, there was ambiguity about which criteria were to be used: the level of productivity of a zone (on the basis that those who produce more, create more premium and therefore should benefit first) or the level of emergency (those with the worst productive conditions should receive investment as a priority). The practice seemed to favour the first option and interviewees expressed discontent regarding the lack of debate about this convention. Thus, the range of possible uses and the prioritization of criteria can favour some communities over others. Clearly defined rules can instead increase transparency, knowledge and debate among PO members, if all of the concerned actors are included in the rule definition.

Finally, the third point relates to transparency in roles and responsibilities. Who exactly is responsible and accountable for premium use? In Ecuador, the PO created a specific body (the Premium Coordination Committee) that was in charge of managing premium projects. Although the dynamics of accountability are not fully democratic as the members are not elected, the existence of such a body is important in terms of transparency. Peru stands in contrast to this model as it is the cooperative manager who controls the decision-making and management processes. Although chosen by the Board, these managers are not elected and do not represent the farmer members. This approach effectively excludes the notion of representativeness from the accountability mechanisms in their PO, which has been shown to reduce the members’ ability to hold their decision-makers accountable for the premium use. These interdependencies between knowledge, learning and transparency suggest that the embedded character of premium management does not serve an accountability objective. On the contrary, greater accountability towards workers and farmers stem from the existence of specific roles and responsibilities for managing a fund that serves the collective; specific strategies to improve the visibility of premium use and distribution; and accounting systems visibly separated according to sources of income.

7. Conclusions

The purpose of this article was to understand who is responsible for determining what is fair for producer communities in terms of premium use. We focused specifically on how responsibility was enacted by POs in order to realise the Fairtrade imaginary, which is

anchored in the idea that producers should ‘decide on their future’. We have illustrated that by increasing participation and accountability in decision-making about the premium use, farmers and workers are becoming more responsive to each other and to societal challenges (cf. Lindner et al., 2016). We argue that there are different levels of organisation, and thus different role-responsibilities (or duties) in this process (Hart and Gardner, 2008). Individuals are responsible for determining how they wish to benefit from the premium and for participating in the decision-making process; PO management is responsible for ensuring that all voices are heard and considered, and that elected (or nominated) representatives are capable of carrying out their responsibilities; finally, FTI is responsible for ensuring that the POs themselves have the capacities to earn and manage the Fairtrade premiums. However, the main conclusion is that the way in which the role responsibilities are translated into responsiveness makes all of the difference. Put differently, we found that visibilising the way that collective responsibility is lived and practiced is what ensures accountability.

The local diversity that we identified regarding participation and accountability in the decision-making processes on how to use the Fairtrade premium confirm that a theory of change takes form within specific organisational setting. Hence, we provide supporting evidence that theories of change are shaped by local context factors (Maye et al., 2020). In this way, our comparison shows key differences in the decision-making process, even though both cases involve Fairtrade certified banana cooperatives who are meant to follow the same standardised third-party rules. The possibility of a less visible and transparent decision-making process reminds us that we must always reckon with “uncooperative cooperatives” (Hale and Carolan, 2018). The confirmation found in our data that even cooperatives often listen to the loudest and most powerful voices internally underpins the importance of analyses of producers’ organisational characteristics (Groot Kormelinck et al., 2019; Hassink et al., 2012). In particular, it is important to examine the extent to which differences in organisational forms and structures have an impact on food imaginaries.

Furthermore, the detailed analysis of local decision-making processes about the Fairtrade premium is beneficial for overcoming simplistic ideas that assess autonomous decision-making by POs as either good or bad—a dichotomous distinction that dominates the tension-laden debates around the Fairtrade premium. By explaining that decision-making processes with high degrees of responsabilisation (highly visible decision-making processes) might bring about the outcomes envisioned, while low levels of responsabilisation (minimally visible decision-making processes) endanger them, we offer analytical tools that can be used to better address the role of accountability in food system governance. It is against this background that policymakers (in our case FTI) should also be responsible for ensuring participation and accountability within the POs decision-making processes about premium use. This would require the policymaker to go beyond current accountability practices, which mainly focus on listing, measuring and comparing the premium investments made by the POs (cf. Semeen et al., 2016). Indeed, what our focus on the visibility of decision-making has revealed, is that there are roles and responsibilities for FTI in how it uses its other devices in facilitating the responsabilisation of farmers and workers. Specifically, the creation of democratic, visible decision-making bodies to handle the Fairtrade premium is a requirement in the HLO standard, whereas there is no such requirement, nor supporting capacity building services offered to SPOs. This returns us to the top-down vs. bottom-up approaches debated within FTI. A bottom-up approach to producer autonomy in premium decision-making cannot simply be equated with a *laissez-faire* approach. Instead, SPOs need the support that can help them to ensure that the premium is visible in daily organisational life thus allowing for more democratic relationships within and across fair trade organisations.

These conclusions bring us to comment on the question of ‘role-responsibility’ within the realisation of the Fairtrade imaginary. The push towards standardisation within the sustainability standards movements have focused increasingly on organisational independence (Loconto, 2017) and auditability (Loconto and Fouilleux, 2014) as the means to deliver their expected impacts through their market-based devices. The adoption of these organisational forms forwards a transactional vision whereby autonomy is something that is ‘paid for’, rather than a process of responsabilisation. The data presented in this article suggests that the clearer the roles and responsibilities are identified and allocated among a diversity of actors in networks that scale geographic and organisational boundaries, the greater the possibility for responsabilising all actors to realise food futures founded in social justice.

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