

# Multi-Stakeholder Cooperation in Global Governance



ULKOPOLIITTINEN INSTITUUTTI  
UTRIKESPOLITISKA INSTITUTET  
THE FINNISH INSTITUTE OF INTERNATIONAL AFFAIRS



**H E L S I N K I**  
**p r o c e s s**  
GLOBALISATION AND DEMOCRACY

**Helsinki Process Publication series 7 / 2008**  
**FIIA Working Paper no. 58 / 2008**



MINISTRY FOR FOREIGN  
AFFAIRS OF FINLAND

# **Multi-Stakeholder Cooperation in Global Governance**

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June 2008

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# 1. Introduction<sup>1</sup>

Over the past few decades, new forms of international cooperation have emerged that go beyond traditional intergovernmental multilateralism. In this new mode of global governance, “global public-private partnerships”, “multi-sectoral networks”, “multi-stakeholder arrangements”, “plurilateral coalitions”, and “global public policy networks” bring multiple stakeholders – public, private and not-for-profit – together in common forums to engage in consensus-oriented problem-solving. Today, such multi-stakeholder cooperation can be identified in a variety of issue-areas across global, regional and local levels, involving a broad set of actors ranging from governments and international organizations to NGOs and transnational corporations. As such, these are initiatives that try to respond to the new challenges of governance in the age of globalization.

This paper seeks to provide a brief overview of such multi-stakeholder initiatives. It attempts to address a number of important questions. Why have multi-stakeholder cooperation emerged at the global level? What are the characteristics and functions of multi-stakeholder initiatives? What are the elements that make multi-stakeholder initiatives a potentially useful tool in global governance? What factors contribute to the success of multi-stakeholder initiatives in enhancing the effectiveness and efficiency of global governance?

The paper is organized so that the second section provides a discussion of the failed attempt to forge a Multilateral Agreement on Investment (MAI). An important factor contributing to the breakdown of the MAI negotiations is found to have been the absence of a multi-stakeholder approach. The analysis sheds light on how globalization and other international structural changes have created an increasing demand for new forms of cooperative structures that go beyond traditional inter-state cooperation. The political and economic liberalization associated with globalization, in conjunction with the development of new communications technologies, have propelled the emergence of

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<sup>1</sup> I am grateful to the Ministry for Foreign Affairs of Finland for financial support to the Finnish Institute of International Affairs (FIIA) for this study. All views expressed in this paper are my own. I benefited greatly from the comments of Raimo Väyrynen, Director of FIIA.

powerful private actors at the international level, such as transnational NGO networks, which effectively have come to challenge the legitimacy of traditional structures of global governance.

In this context, institutional arrangements for multi-stakeholder cooperation have begun to take shape and are now promoted as critical mechanisms for narrowing the “governance gap” in international politics and for the effective tackling of global problems. The third section provides an analysis of three cases of multi-stakeholder cooperation: 1) the World Commission on Dams; 2) the Forest Stewardship Council; and 3) The Global Fund to Fight Aids, Tuberculosis and Malaria. For each case, the factors that led to the emergence of the initiative, as well as its resulting governing structure, output and limitations are discussed. In the concluding section, the most important lessons of these multi-stakeholder initiatives are discussed and distilled to some modest recommendations for how to best manage multi-stakeholder cooperation.

## **2. The Failure of the Multilateral Agreement on Investment (MAI)**

In 1995 the OECD Member States began negotiations on a multilateral treaty to provide a framework for governing international investment flows. The background to these negotiations was the worldwide economic liberalization that had prompted a dramatic increase in foreign direct investment. By the mid-1990s, there was general agreement among the Western industrialized countries “on the need for a global, multilateral framework to replace the roughly 1,600 bilateral investment treaties in existence” (Kobrin 1998: 100). In view of the opposition from developing countries to include investment in the WTO, the U.S. pushed for conducting the negotiations under the narrower auspices of the OECD (Walter 2001). The negotiations were expected to be finalised already within two years, reflecting the initial high level of consensus and the expectation that a relatively closed and narrow forum such as the OECD would provide for a low-profile and uncontroversial venue for the talks. However, three years later the negotiations broke down. Why?

As my analysis shows, the absence of a genuinely multi-stakeholder approach was an important contributing factor to the failure of the MAI. Powerful stakeholders, such as developing countries and NGOs, were left outside the negotiation process. Instead, the talks were held behind closed doors without informing or consulting major stakeholders. This lay the basis for the misperceptions and the mistrust that led NGOs to start a campaign to “kill the MAI”. By making effective use of the Internet, the NGO-led campaign proved instrumental in undermining public support for the MAI and turn it into a politically non-feasible project. As Kobrin (1998: 99) has observed, “the story of the MAI is a cautionary tale about the impact of an electronically networked global civil society”.

### **The MAI Negotiations: Proponents and Opposition**

The MAI negotiations started in May 1995. A Negotiation Group consisting primarily of investment experts from the OECD Member States was set up. The business community, in particular major multinational corporations, “played a crucial role in the agenda setting and the preparatory phase for a

multilateral agreement on investment” (Tieleman 1999: 9). Indeed, Walter (2001) argues that the power of the U.S. corporate lobby to pressure for a liberal international investment regime was a crucial prerequisite for the initiation of the MAI negotiations. The business lobby also made use of the Business and Industry Advisory Council (BIAC) at the OECD to pressure for “high standards” of investment liberalization. According to Walter (2001: 61), “The close relationship between business and governments continued in the early stages of the negotiations. The members of BIAC’s MAI experts group were able to keep a close eye on the negotiations, given its direct representation at the OECD”. However, the interest of the business community in the MAI negotiations waned over time, as it became clear that no significant liberalization was to ensue, and that the issue of taxation would be left outside the treaty.

The international labour movement was also informed about the MAI process through the Trade Union Advisory Committee (TUAC) at the OECD, but during the process became frustrated with the lack of openness and information, and later partly joined the anti-MAI campaign (Tieleman 1999; see also Graham 2000). Hence, despite being formally consulted in the negotiations through the tri-partite structure of the OECD, the labour movement felt alienated from the process. This made the labour movement less conducive to compromise when the issue of MAI grew increasingly politicized towards the end of the negotiations.

Notably, developing countries and NGOs were not invited to the negotiation table. The industrialized countries, most notably the US, feared that developing countries may try to block a “high standards” agreement from coming into force. Hence, the OECD in Paris, rather than the WTO, was chosen as the venue for the talks. OECD governments felt that it would be easier to reach a quick agreement among “likeminded” governments that shared similar views on investment policy.<sup>2</sup> The MAI Negotiation Group also considered the negotiations a largely technical undertaking without any need to involve or inform civil society (Tieleman 1999; Kobrin 1998). As such, the talks were conducted behind closed doors completely outside public scrutiny. As one participant put it, “The main problem with the MAI is that its negotiators did not expect to have to sell it politically” (Huner 1999: 242). Indeed, the Negotiation Group did

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<sup>2</sup> To be sure, the draft agreement made provisions for non-OECD countries to join in, and some developing countries had indicated an interest to do so, most notably Brazil, Argentina, and Chile, as well as Singapore and Hong Kong (see Graham 2000).

not expect to have to face widespread political mobilization against the treaty. Even when it became obvious that the negotiations were in trouble during 1997, the participants were reluctant to meet with the NGOs and their negotiation strategy did not leave much room for cooperation or debate (Tieleman 1999: 15). Draft texts were not released and all the documents of the Negotiation Group were classified as “confidential”. This provoked NGOs to disseminate caricatures of the MAI and pressure politicians to demand public debate. When NGOs were finally invited for consultations, it was already too late. NGOs saw it as a pretext to co-opt civil society in a last-minute attempt to save the treaty. As a result, most NGOs turned down the invitation to consultations, and instead chose to fight the MAI. In this regard, the MAI process became a watershed in international policymaking. It gave birth to the first truly transnational anti-globalization campaign, and more broadly the colonization of transnational space by NGOs.

The NGO-led mobilization against the MAI began in earnest in February 1997 when a draft text of the treaty was leaked to Public Citizen, a public-interest group, and rapidly spread through a network of NGOs with the help of the Internet. NGOs were outraged by the “secrecy” of the negotiations and what they interpreted as a deliberate attempt to keep them outside of the process. The Web played a crucial role in mobilizing opposition against the treaty. It allowed anti-MAI activists to immediately bring public attention to the treaty proposal. Using the Web, NGOs mounted a highly efficient transnational campaign by coordinating their activities across national borders, mobilizing citizens on a local level by disseminating information and arguments, and by pressuring politicians to get involved.<sup>3</sup> Indeed, as many observers have concluded, although the exclusion of NGOs from the negotiations was not the sole reason behind the failure of the MAI, the NGO-led campaign directly contributed to discredit the MAI and undermine the negotiations (Kobrin 1998; Huner 1999; Dymond 1999; Tieleman 1999).

In April 1998 the OECD announced that talks would be postponed in order to allow for consultations with civil society and determine

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<sup>3</sup> *Smith and Smythe have done extensive research on the role of the Internet in the MAI process. Their investigation, which was based on extensive interviews with actors and activists, revealed that the use of Internet “radically altered the context in which the debate took place and how it was framed” (1999: 101). According to them, once the draft treaty was spread on the Internet, “the floodgates were opened. No longer could negotiations be hidden from the spotlight of public scrutiny” (Ibid.).*



the political viability of the MAI. Amidst growing negative media publicity and escalating NGO opposition, politicians had come under increasing pressure to take a critical view of the treaty. This exacerbated the differences of opinion within the OECD. Demands were raised to include a host of national exemptions from the draft agreements, as well as stronger environmental and labour protections. As these exemptions mounted, the value of the agreement correspondingly declined. Not least the international business community, which had provided crucial backing to the OECD negotiators, lost interest in the treaty (Henderson 1999; Graham 2000). As such, for OECD governments, "...the prospective balance of gains and costs from the MAI became notably less favourable..." (Henderson 1999: 29).

In October 1998, before negotiations could be resumed, France officially withdrew from the talks. The reason for the French decision seems to have been opposition to MAI from the far left and "green" factions of the Jospin government coalition, which held common cause with NGOs (Graham 2000). Indeed, much the same tendency appeared in other OECD countries as well. "Everywhere, the combined effect of 'inside' reservations and disagreements and the 'outside' upsurge of opposition was to deprive OECD governments of their initial readiness to back the project, and to bring many if not most of them to view it as at best an unrewarding venture and at worst a political liability" (Henderson 1999: 30). As such, during the autumn of 1998, the negotiations effectively came to an end.

### **Lessons from the MAI**

The MAI episode sheds light on the political risks involved in conducting major international negotiations in the absence of a multi-stakeholder approach. It shows how the exclusion of one group of stakeholders led to a spiral of mistrust and conflict, undermining the potential of collaboration in order to come to terms with the challenges of governance in the global age. As the OECD negotiators found out the hard way, the driving forces of globalization – the technological revolution and the global wave of political and economic liberalization - have structurally transformed the international system away from traditional sovereignty, radically changing the basis for conducting multilateral negotiations. These forces have propelled "the multiplication and diversification of actors"

(Väyrynen 2005: 172) at the global level. Not only business actors, such as transnational corporations, but also citizens' movements and NGOs have effectively - by making use of the Internet - reorganized at the trans-national level and come to play an important role in international relations.

The MAI episode shows how both international investors, who played a crucial role in shaping the MAI negotiations, as well as the electronically networked opposition to MAI, are "manifestations of globalization; both compromise the concept of national sovereignty and local control" (Kobrin 1998: 99). With a view to these global transformations, the OECD negotiators failed to grasp the importance of creating open channels of contact and information exchange among the different stakeholders. If this had been done from the beginning of the negotiation process, the negative spiral of mistrust and non-cooperation could perhaps have been avoided. As Kobrin (1998: 99) has noted, the days of negotiating international treaties behind closed doors are over. Maintaining secrecy of international negotiations in the information age is hard to achieve. As the failure of the MAI demonstrates, national governments and international organizations will have to learn to include civil society in the negotiations without compromising effective governance.<sup>4</sup>

The reluctance of the OECD to integrate NGOs in the MAI negotiations also constituted a missed opportunity to make use of their input. As Tieleman points out, provided that NGOs would have been included in a multi-stakeholder dialogue from the beginning, "...negotiators could have learned from the start about different perspectives and concerns, as well as about the contributions NGOs could make. Similarly, NGOs could have understood that some of their fears and some of the intentions they attributed to the negotiators were exaggerated or plainly wrong" (1999: 18). Indeed, the little dialogue that effectively took place in the autumn of 1997, was widely perceived as "surprisingly" useful by the negotiators (Huner 1999). However, resuming collaboration after a period of intense conflict proved too difficult. The battle over the MAI is a reminder of the importance of planning for transparency and collaborative governance from the start in international negotiations.

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<sup>4</sup> The WTO meeting in Seattle in November 1999 was arguably another casualty of the failure to grasp this lesson (see Walter 2001).

### 3. Multi-Stakeholder Cooperation at Work

How does multi-stakeholder cooperation work? Multi-stakeholder cooperation can be identified in a variety of issue areas performing a number of functions. This review compares three very diverse examples: 1) the World Commission on Dams; 2) the Forest Stewardship Council; and 3) the Global Fund on to Fight AIDS, Tuberculosis and Malaria. Aside from sharing the defining characteristics of multi-stakeholder cooperation – institutionalized relationships between governments, civil society organizations and the corporate sector – the three cases highlight different aspects of multi-stakeholder cooperation.

The World Commission on Dams (WCD) offers a rich example of how multi-stakeholder cooperation can help foster cooperative solutions and help solve thorny development issues. Indeed, the WCD has often been praised among scholars and practitioners alike for setting a precedent for dealing with controversial global policy issues. The WCD experience draws our attention to some striking trends in global environmental governance, including the growing trans-nationalization of previously localized social conflicts around natural resource development and the changing set of authority relations in global environmental politics.<sup>5</sup>

The Forest Stewardship Council (FSC) offers another illustrative example of how multi-stakeholder cooperation can help solve political failures and create markets for environmentally sustainable products. Again, this is an example that draws our attention to some important trends in global governance, particularly the emergence of nonstate-driven transnational standard-setting organizations that through quasi-legislative processes aim to develop norms for public and private behaviour. The FSC has been described as a prime example of private rule making in transnational sustainability politics (e.g. Gulbrandsen 2004; Pattberg 2005). Its model of voluntary standard setting procedures and certification schemes in the forestry sector has since been replicated in many other areas with similar concerns (e.g. resource depletion, environmental degradation, and political failure) such as in the fishery (e.g. Marine Stewardship Council), tourism (e.g. Sustainable Tourism Stewardship Council) and energy (e.g. biofuels certification schemes)

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<sup>5</sup> For a discussion of these trends in global environmental politics, see Conca (2002).

sectors. It is also an interesting case because of “its pioneering efforts to base decision making on an explicit parity of its Northern and Southern members” (Dingwerth 2008: 55).

Finally, the Global Fund provides an example of an innovative aid mechanism that goes beyond the state-centred approach of traditional donor agencies. It represents a new approach in the field of global health governance that was designed to incorporate a broader set of actors than traditional multilateral and bilateral donor programs. It has become a leading financial mechanism in the fight against poverty-related diseases. The Global Fund offers a case through which advantages and limitations of the partnership model can be evaluated.

All three examples represent paradigmatic cases of multi-stakeholder cooperation that have widely been hailed as highly successful initiatives in tackling challenges in different policy fields. The selection of cases was led by a desire to gain an encompassing view of multi-stakeholder processes, accounting for the variation of patterns in formation and implementation of multi-stakeholder initiatives. The literature on multi-stakeholder cooperation has tended to be dominated by single case studies that rarely offer comparable conclusions. Moreover, many studies have tended to follow a highly functionalist perspective on *demand* in explaining the emergence of multi-stakeholder initiatives (e.g. Reinicke and Deng 2000; Benner et al. 2003; Hemmati 2002). In the functionalist view multi-stakeholder cooperation is seen as the logical answer to different deficits in global policy-making associated with the process of globalization. According to the logic, these governance deficits feed demands for new forms of cooperative structures that multi-stakeholder initiatives emerge to remedy. By bringing together the comparative advantages of the participating stakeholders, multi-stakeholder initiatives address demands that cannot be met by a single actor alone.

Demands are obviously critical factors in explaining the emergence of a wide array of multi-stakeholder initiatives during recent years. Notwithstanding, attention also needs to be given to factors of *supply* - the resources, interests and motivations of relevant actors - to get the full picture of the process through which actors come to initiate and sustain multi-stakeholder cooperation. Some authors have called for a stronger focus on the supply side in studying multi-stakeholder cooperation (e.g. Andonova 2006). They argue that multi-stakeholder initiatives do not simply emerge to fill governance gaps in global policymaking but

come to cluster around areas where strategic interests of states, NGOs and private corporations intersect. Indeed, the analysis of the MAI negotiations above showed that despite a considerable deficit in the framework regulating international financial flows, stakeholders failed to initiate multi-stakeholder cooperation.

The analysis below seeks to pay attention to factors of both demand and supply in discussing the formation, implementation and output for each three cases of multi-stakeholder cooperation. This comparative analysis illustrates the different facets through which multi-stakeholder cooperation come to work (or fail to work). All three case studies are based on an analysis of electronically available primary documents as well as secondary sources, including journal articles.

### **3.1 The World Commission on Dams**

The background to forming the WCD in 1998 was the escalating controversy surrounding the building of large dams. By the late 1980s, dam construction sites around the world had become zones of intense social conflict, as negatively affected communities supported by trans-national environmental and human rights advocacy groups mobilized in opposition to large dam projects. As a result, projects were delayed or halted altogether, resulting in a dramatic global decline in the rate of construction of major dams (see Khagram 1999).

This controversy between proponents and opponents of large dams imposed high costs on all stakeholders. Governments, facing fierce public pressure, were often prevented from starting new projects, private companies saw their income from dam projects decline and multilateral development banks, such as the World Bank that financed many large dam projects worldwide, were facing increasing difficulties in supporting loans in this area. Under these circumstances, many dam proponents became anxious to find a solution to the impasse that would increase predictability and lower risks and transaction costs (Khagram 1999). The prolonged controversy also took its toll on the opponents to large dam projects, who had to invest considerable resources in the battle against large dams. Many were interested in institutionalizing global rules and mechanisms for regulating big dam construction so that more of their attention and resources could be re-directed elsewhere. Indeed, trans-national civil society groups had already for several years been

lobbying for international regulation of large dam building (Khagram 1999). However, the prospects for an international agreement on large dams were shallow as countries with a high potential for hydropower considered dam building a domestic issue and were reluctant to see their sovereignty circumscribed by international regulation (Dingwerth 2005).

To break the impasse, the World Bank and the World Conservation Union (IUCN), a large international network of environmental groups, decided to “experiment with a more inclusive forum for negotiations” (Reinicke 2000: 48). As a starting point, they called for a meeting in order to begin a dialogue on the past and future of large dams. The idea was to invite all major stakeholders, both champions and critics of large dams, to an informal workshop to discuss the results of a World Bank study and elaborate on guidelines for a comprehensive review of large dams. In preparing for the meeting, the World Bank and the IUCN took great care in identifying representatives of all relevant stakeholders. Although neither the World Bank nor the IUCN were regarded as neutral conveners, together they managed to persuade stakeholders from government, the private sector, international development agencies, civil society organizations and representatives of affected communities to attend the workshop in Gland, Switzerland (see Dubash et al. 2002).

A major outcome of the Gland meeting in April 1997 was the agreement to set-up an independent commission to address the large dam debate. In essence, this marked a concession to civil society groups who in the run-up to the Gland meeting had criticized the World Bank for disregarding environmental and social considerations in its evaluation of large dam projects and called for an independent global body to conduct a comprehensive review of large dams (see “Declaration of Curitiba” 1997). The high costs inflicted by protest movements had convinced the World Bank and other financial institutions as well as the dam industry of the need for a new cooperative approach. During the meeting a consensus emerged among the participants that “...no existing group or organization had the legitimacy to authoritatively evaluate the historical experience with dams and alternatives and propose recommendations for the future” (Khagram 1999: 7). It was agreed that these issues needed further study and discussion, but to facilitate such a dialogue an independent authority needed to be set up at the international level. Hence, the constitution of a World Commission on Dams was initiated with a two-year mandate

to: a) conduct a global review of the development effectiveness of dams and assess alternatives for water resources and energy development; and b) develop internationally acceptable standards, guidelines and criteria for decision-making for the planning, design, appraisal, construction, monitoring, operation and decommissioning of dams (IUCN & World Bank 1997). These twin objectives reflected the different priorities of the participants in the workshop. As explained by Khagram, "By combining an evaluation of experiences of the past (a global review of dams and assessment of alternatives) which was the main focus of critics with the formulation of recommendations for the future (standards, criteria and guidelines for decision-making around big dams) which was the main concern of proponents, all stakeholders had something to gain and lose from the WCD's activities" (1999: 8-9). Thus, all stakeholders had strong incentives to stay involved in the WCD process.

Following the Gland meeting an Interim Working Group of representatives from all major stakeholders was set up to negotiate the organizational structure of the WCD. The World Bank and IUCN oversaw this negotiation process, which was contentious and took nearly a year, but the inclusive and participatory way in which the decisions were negotiated proved instrumental to the stakeholders' willingness to engage in the WCD process (Dubash et al. 2002; Khagram 1999; Hemmati 2002). In particular, the fact that civil society groups were not simply treated as a single stakeholder category enhanced the WCD's legitimacy with those groups. Not only NGOs, but also directly affected peoples' representatives as well as indigenous peoples' representatives were allowed their own seats at the table.

By contrast, some national governments felt underrepresented in the formative process, highlighting a potential trade-off in multi-stakeholder processes. As Dubash et al. (2002: 49) have argued: "... government involvement at the formation stage would likely have led to a less broadly consultative process...". Some governments were reluctant to engage in a process with a broad spectrum of civil society groups. As such, the muted representation of national governments in the formation of the WCD helped create the necessary space for broader civil society inclusion. At the same time, however, it weakened the ability of the WCD to attract the political support and engagement of national governments. This issue became particularly salient when India and China, both large dam-building countries, distanced themselves from the WCD.



The WCD was officially established in February 1998. At the centre of its structure<sup>6</sup> was the twelve-member Commission itself, which was established to guide the Work Programme of the WCD. The commissioners were selected according to strict criteria of balanced representation with regard to their institutional, disciplinary and political backgrounds. The Commission was supported by a Secretariat staffed by ten professionals, which were selected with a view to expertise and diversity. In addition, the WCD Forum consisting of seventy stakeholders from across the spectrum of civil society, private sector, governmental and international organizations served as a consultative group and “sounding board” for the Commission’s work. The Forum provided a crucial mechanism for maintaining a dialogue between the WCD and the broader stakeholder constituencies.

The key principles guiding the WCD process were independence, transparency and inclusiveness. “Because all existing groups and organizations (including international bodies) were seen as vested or biased in one way or another, establishing an independent body was certainly necessary” (Khagram 1999: 9). Balanced representation across the three component bodies of the WCD – the Commission, Secretariat, and Forum - was thus a key element lending the process legitimacy. In addition, maintaining independence from funding sources was “a major accomplishment of the WCD that enhanced its broader legitimacy” (Dubash et al. 2002: 51). The WCD explicitly sought out and managed to receive funding from a variety of governmental and multilateral agencies, business corporations and nongovernmental organizations. To ensure its independence from any one set of interests, donors had to provide untied financial support and they were not automatically given membership in the WCD Forum. Importantly, the convening institutions – the World Bank and IUCN – did not interfere with the work programme of the Commission.

Transparency was also central to the WCD’s ability to maintain a credible process and ensure its legitimacy among relevant stakeholders.<sup>7</sup> Working papers, documents and other information about WCD operations was disseminated to all stakeholders and posted on the website. Stakeholder groups were invited to offer their perspectives and views

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6 For a conclusive discussion of the key structural elements of the WCD, see Khagram (1999: 9-14).

7 For a discussion of transparency in the WCD process, see Dubash et al. (2002: 52-53).



through various forums of communication over the Internet and through personal consultations. The WCD made special efforts to overcome the digital divide by adopting a communications strategy that, in addition to the Internet, included personal contact through seminars, workshops and official consultations, so as to reach out to the various stakeholders with limited access to the Internet.

The inclusiveness of the WCD was central to its success. Not only were all relevant stakeholders represented through the three component organizational bodies of the WCD, but community groups were also “empowered to participate directly in case study consultations and regional hearings, and members of the general public were encouraged to submit their views directly to the Commission for consideration” (Dubash et al. 2002: 53). According to Dubash et al., the ability of the WCD “...to create and maintain political space for diverse engagement rested in large part on its open-ended approach to knowledge gathering” (2002: 54). The WCD did not prejudge outcomes from the knowledge gathering process, but invited all stakeholders to present their own views. This also greatly enriched the knowledge base for the WCD’s final report and its credibility. Indeed, the WCD Knowledge Base (that includes eleven in-depth basin case studies of dams, several country reviews and briefing papers, seventeen thematic reviews of cross-cutting issues, the results of regional consultations and hundreds of individual submissions as well as a larger survey that included quantitative data on 125 dams around the world) is by far the most comprehensive analysis of the consequences of large dams so far.

The final report of the WCD was presented in November 2000 (WCD 2000). This was a major achievement in itself. The WCD was widely praised for having been able to agree on a consensus document and channel a costly social conflict into a productive multi-stakeholder dialogue with concrete results. By providing an avenue for dialogue, the WCD managed to “...overcome political divisions to provide a joint assessment of the development effectiveness of large dams and map out priorities and recommendations for water and energy development in the future” (Dubash et al. 2002: 43). Indeed, many dam builders and operators have begun to use the recommendations of the WCD as a point of reference. Several multilateral financial agencies as well as bilateral aid agencies have also integrated the guidelines into their own procedures. As such, the WCD has set in motion an important process of creating and

strengthening international norms of practice with regard to building and operating large dams (Dingwerth 2005).<sup>8</sup>

Yet, as the implementation of the WCD recommendations ultimately rests with national governments, the fact that governments were only modestly involved with producing the report has weakened its impact. Whereas governments from industrialized countries welcomed the guidelines, some Southern governments, such as India, China, Nepal and Ethiopia critiqued the report for not giving sufficient attention to government views and, as a result, have been reluctant to implement its recommendations. Indeed, China's rejection of the final report must be interpreted as a major setback, given the fact that China has by far the greatest number of large dams in the world. This highlights the importance for the success of multi-stakeholder cooperation at the global level to find the bridge back to formal governmental and intergovernmental processes so as to pave the way for incorporating the new practices and norms into formal laws. Partly for this reason, a follow-up process to the WCD was established under the umbrella of the United Nations Environment Program (UNEP). The Dams and Development Unit within the UNEP offices was established to facilitate dissemination to government stakeholders. In this way, the UN tries to strengthen the international norm dynamic set in motion by the WCD process.

### **3.2 The Forest Stewardship Council**

The background to establishing the FSC in 1993 was the increasing concern over global deforestation and the failure of government attempts to tackle the problem. By the mid-1980s, global forest degradation had become a major issue of public debate. Especially the alarming rate of rainforest destruction was at the centre of public campaigns that called for a boycott of tropical timber. Notwithstanding, it soon became apparent that tropical timber boycotts could become counter-productive, as diminishing returns from timber harvesting made other predatory land uses economically viable. As a result, environmental groups that had been calling for tropical timber boycotts lost some of their credibility among consumers and the general public (Pattberg 2005). Many environmental groups also realised that it was unjustified to discriminate against

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<sup>8</sup> For a discussion of the reactions to the WCD report, see Dubash et al. (2002).

tropical timber while irresponsible forest management also took place in temperate and boreal regions (Lang 2006).

Inter-governmental attempts to solve the “forest crisis” largely failed. The International Tropical Timber Agreement (ITTA)<sup>9</sup> as well as the Tropical Forestry Action Plan (TFAP)<sup>10</sup>, which were negotiated in the 1980s, proved ineffective in stemming the rate of deforestation, and the United Nations Conference on Environment and Development (UNCED) in Rio in 1992 failed to produce a binding agreement on the protection of worldwide forests. As Pattberg argues with regard to the Rio Summit, “Although public concern was explicit and strong as well as effectively organized on the transnational level, reaching an agreement proved illusive. Developing and developed countries found themselves in a deadlock that centred on the adequate scope of a future binding agreement” (2005: 360).

In response to this stalemate, the idea of non-state forest certification appeared as a solution. Key drivers were, on the one hand, retailers who had an interest in identifying acceptable sources for their timber needs, on the other hand, environmental NGOs, such as WWF, who were increasingly adopting strategies of cooperating with industry in order to achieve broader sustainable solutions. As such, the FSC emerged as civil society alternative to the cumbersome inter-governmental negotiations. At a conference, held in Washington D.C. in 1992, representatives from the timber industry and from various civil society organizations, agreed to initiate a process of multi-stakeholder consultations to prepare a set of principles and guidelines for the management of forests. An interim board was elected to oversee these consultations as well as prepare the founding assembly of the FSC (Dingwerth 2008).

The FSC was officially established in October 1993 in Toronto, after several rounds of consultations among a wide range of stakeholders. Among the participants attending the founding assembly were representatives from environmental NGOs and social interest groups such as labour unions and indigenous peoples’ organizations as well

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9 The ITTA was negotiated between timber producing and consuming countries in Geneva under the auspices of UNCTAD and it entered into force in 1985. However, its scope remained limited (see Pattberg 2005).

10 The TFAP was launched by the FAO, UNDP, the World Bank, and the World Resources Institute to promote international donor coordination in the development of national forest programs. It became operational in 1987, but was widely criticized for being ineffectual in stimulating forest management reform (see Sizer 1994).

as from progressive sections of timber industry and retailers. Pattberg highlights two sets of dynamics in explaining the emergence of the FSC: “First, social movement campaigns against corporate behaviour created the demand for credible and transparent information systems to meet the growing critical consumer demand. The second influential dynamic was the coincidence of international deadlock on the issue of sustainable forestry and the emerging neoliberal ‘lean-state’ paradigm that favoured private and voluntary approaches over binding public ones” (2005: 362).

The official mission of the FSC is “to promote environmentally appropriate, socially beneficial, and economically viable management of the world’s forests” (see [www.fsc.org](http://www.fsc.org)). These objectives reflected the different priorities of the participating stakeholders and provided them with incentives to stay involved in the process. By cooperating with industry in developing sensible standards for the management of forests, environmental and social interest groups were able to move away from costly and, in many ways, counter-productive public campaigns for a ban on tropical timber, towards a strategy of promoting sustainable use as a form of protection and development as well as harness market forces in the fight against deforestation. At the same time, collaboration helped timber industry and wood importing companies “to stay out of the firing line” (Pattberg 2005: 361). Indeed, it highlights an important incentive for companies to engage in multi-stakeholder cooperation - multi-stakeholder arrangements can provide “insurance” for companies against political risks.<sup>11</sup> In this context, the FSC offered something for everyone.

Participants at the founding assembly in Toronto unanimously agreed to establish the FSC as a membership association open to both organizations and individuals, and to ratify its governing structure. The highest decision-making body is the General Assembly (GA) that has a tripartite structure consisting of environmental, social and economic chambers. Each member is assigned to one of the three chambers. Voting power is divided equally among chambers and, internally, each chamber has a 50% quorum for North and South representation. The structure is designed to ensure balanced representation among stakeholders.

The FSC is governed by a Board of Directors that is elected by the GA. Each chamber elects three members to the Board for a three-year term. Again, a quota has been introduced to balance Northern and Southern membership. The Board is responsible for overseeing the organizational

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11 *I am grateful to Raimo Väyrynen for bringing up the point.*

activities of the FSC. It is assisted by the FSC international secretariat located in Bonn, Germany, which administers the operational work of the FSC. The work of the international secretariat is supervised by the executive director who is appointed by and responsible to the Board of Directors. Funding is obtained from non-profit foundations and government donors as well as through membership and accreditation fees. In the period from 1995 to 2004 the FSC generated more than US\$ 18 million. Around 66% came from donations and 23% percent from membership fees and accreditation billings (FSC 2005).

The FSC has set up a certification scheme that performs a number of regulatory functions at different levels. First, after a two-year process involving consultations with relevant stakeholders, the FSC membership approved a set of globally applicable "Principles and Criteria" that define general criteria for sustainable forest management covering legal, social, environmental and economic aspects. These were developed "to constitute a global framework for the development of locally adapted and auditable standards" (Lang 2006: 14). The process of adapting these global standards to meet conditions in various countries is carried out by national multi-stakeholder initiatives that likewise mirror the tripartite structure. These national FSC initiatives provide a second entry point for stakeholder participation and a degree of flexibility in relation to the local implementation of global FSC standards. Nationally developed standards are approved by the FSC Board of Directors, provided that they are consistent with the global Principles and Criteria as well as conform to the procedural rules intended to ensure a legitimate multi-stakeholder process. In general, observers conclude that the national standard-setting processes "appear to have been inclusive and not dominated by particular interests" and that "consultation has often been broad based, inclusive and effective" (quoted in Dingwerth 2008: 66).

Another important task of the FSC is accreditation of independent certification companies that audit forest operations according to the FSC standards. Forest enterprises seeking certification must be approved in an assessment conducted by an accredited third-party certifier. Upon receiving a FSC certificate, the company may sell its wood as certified, but is still monitored by the certifier in annual audits and in major inspections every five years. The process of FSC-accredited certification also involves multi-stakeholder consultations, and assessments of successful certifications are made publicly available to provide for a transparent process.

Finally, the FSC awards a trademark to products originating from FSC certified forest enterprises whereby consumers can recognise and reward products emanating from sustainable sources. The FSC has approved a set of chain-of-custody standards prescribing detailed rules along the supply chain for products using the FSC label. In order to guarantee the correctness of the trademark, the FSC has set up a tracing system for identifying FSC-certified sources along the chain of processing and trade. This system for chain-of-custody verification is likewise carried out by accredited third-party certification bodies. The system guarantees that products using the FSC trademark have been verified to have followed FSC-standards along the chain of producing, processing and trade. In sum, by overseeing an international certification scheme and awarding a trademark for forest products originating from sustainable forest practices, the FSC provides an incentive for sustainable forest management.

However, the FSC face a number of challenges. These mainly have to do with structural weaknesses inherent in its non-state, voluntary approach. First, participation of producers in voluntary certification schemes is highly contingent on costs. This issue is particularly salient with regard to Southern participation in the FSC. The majority (over 80%) of FSC certified area is located in industrialized countries (FSC 2008a). Inadequate infrastructure and lack of expertise often raise the cost of certification for Southern forest owners, in comparison with their Northern competitors who can obtain certification at relatively low additional cost. An unintended consequence of FSC certification may thus be to create an obstacle to market access for Southern wood (Pattberg 2005; Dingwerth 2008). In addition, certification for small-scale forestry is relatively costly without advantages from scale (Bass et al. 2001). This highlights a key weakness with voluntary arrangements, such as the FSC: "...while governments can establish mechanisms to encourage participation in regulatory regimes and facilitate compliance, this is normally not a task for private authorities. Without the support of governments, there are limited possibilities to ensure participation of producers who cannot afford the costs of certification or to facilitate compliance with standards" (Gulbrandsen 2004: 78).

Second, even when certification does not entail insurmountable costs for forest owners and producers, the participation of business actors in voluntary certification is highly contingent on their expectations

about net benefits. Related to this, is the emergence of a number of business-driven certification schemes that have come to challenge the FSC. Business-dominated programmes, such as the Programme for the Endorsement of Forest Certification schemes (PEFC), offer more industry-friendly alternatives to FSC. These do not apply the tripartite structure for decision-making as the FSC, where environmental and social interests with a two-thirds majority can outvote economic interests. As a result, the FSC has come to face tough competition from these business-driven certification schemes in attracting the participation of forest owners and timber industry, who can choose which private regulatory system suits them best. As emphasised by Pattberg, “consumers without detailed knowledge are in no position to assess the actual value of the various certificates, a situation that might well undermined the general idea of sustainability certification” (2005: 369). Indeed, the PEFC has quickly become the largest certification scheme, covering almost 200 million hectares of forest (PEFC 2007).

Despite these weaknesses, the FSC is widely perceived as a success. Indeed, the FSC has had significant impacts at different levels of forest management. As of April 2008, 933 forest management certificates have been awarded covering over 100 million hectares of forests in 79 countries (FSC 2008a). Globally, forests that have been certified by the FSC represent the equivalent of 7% of production forests. The market value of FSC labelled sales in 2007 is estimated at over 20 billion USD and companies with a combined estimated turnover of 250 billion USD in wood products are committed to FSC certification (FSC 2008b).

In addition to the fast growth of FSC certified forests and market interest in the FSC trademark, the FSC has had some significant impacts on forest policies, both at the national and global levels. The FSC has paved the way for certification to become a major instrument of global forest policy, with international organizations, such as the WWF and the World Bank, to publicly endorse it (Dingwerth 2008). Indeed, the emergence of rivalling certification schemes is a measure of its success in shaping key normative concepts in forest governance. The success of the FSC label to attract consumer support led forest-owner and industry associations to develop their own schemes in order to “greenwash” products originating from outside the FSC scheme. These business-driven certification schemes have attracted widespread criticism among environmental organizations. The lack of a multi-stakeholder approach



helps explain why these alternative certification models are not supported by NGOs. Interestingly, however, although these business-driven certification schemes are still environmentally and socially less stringent and inclusive than the FSC, they have nonetheless lately taken significant steps to strengthen their legitimacy among governments, civil society and consumers by applying many of the same procedural requirements as the FSC (see Gulbrandsen 2008). As such, the FSC has set a template and provided a standard for other certification schemes.

FSC standards are also increasingly integrated into national policies. Pattberg (2005: 369) points out that “the multistakeholder process of the FSC is credited with having had a beneficial influence on policy discussion and stakeholder relations, especially in countries with otherwise weak forestry governance”. Particularly in the South (e.g. Bolivia, Mexico, South Africa), despite the uptake of FSC certified forests being low, national forestry laws have been adapted to mirror the FSC standards on sustainable forest management. On the whole, then, the FSC is regarded as having had a significant impact in shaping the discourse on sustainable forestry and bring about important shifts in political practice and norms of behaviour.

### **3.3 The Global Fund to Fight Aids, Tuberculosis and Malaria**

The Global Fund was created in 2002 in response to growing international concerns over the global impacts of HIV/AIDS, tuberculosis and malaria. The high prominence of health issues on the global agenda, reflected in the Millennium Development Goals, was instrumental in driving the political commitment of the donor community to tackle poverty-related diseases. At the same time, technological advancements, such as new antiretroviral drugs and the availability of generics, made treatment a more realistic option also for developing countries. Advocacy networks, such as the Treatment Action Campaign, were also instrumental in challenging the international community on its moral imperative to facilitate global access to these new lifesaving medicines and treatments (Bartsch 2005; Bezanson 2005). During the course of 2000/2001 a broad international consensus was forged on the need for a new financing mechanism to fight infectious diseases.

Initial discussions on the idea of a new institution were held at the G-8 meeting in Okinawa in July 2000. At the meeting, G-8 leaders called



for the creation of a new partnership between developed and developing countries and other stakeholders in order to effectively respond to global health priorities. An important factor in supporting the establishment of an entirely new institution was the desire of some powerful actors, especially Japan and the US, to circumvent the UN system that was considered inefficient and suffering from excessive bureaucracy. “The idea of installing a new institution outside that system – and thus more directly under control of donor countries – seemed appealing to these actors as it converged with their own interests in by-passing to some extent the established UN organizations in the field of health like WHO or UNAIDS” (Bartsch 2005: 4). Strong pressure from G-8 countries helped to forge an agreement between donors and UN agencies on the creation of a single global fund to fight poverty-related diseases. At the African summit in Abuja in April 2001, the UN Secretary General Kofi Annan voiced his support for the initiative and called for the creation of a global trust fund to rapidly raise and disburse new investments in global health.

In June 2001, the United Nations General Assembly held a “Special Session on AIDS” where member states agreed on a commitment to create a new global health fund. According to Wallace Brown, this commitment reflected a general understanding among the participants of the existence of a significant governance gap with regard to global infectious diseases: “...it was unanimously believed that there was no unified and collective resource stream to fund global health priorities and that AIDS, TB and malaria could only be effectively managed through a system of multisectoral cooperation, multisectoral dialogue and a commitment to an internationally coordinated response” (2008: 8). It was believed that past failures to tackle global health challenges was due to the lack of mechanisms for participatory and local input in global decision-making processes, which had led to health initiatives that failed to adjust to local conditions and to create a sense of local ownership and political commitment. It was agreed that the new institution would need to integrate all stakeholders and that multi-stakeholder cooperation would be the most effective way to “appeal to a wide body of donors and secure stronger commitments to the fund” (Peter Piot, Director of UNAIDS and GF Board Member, quoted in Wallace Brown 2008:8).

Once a consensus had been forged to establish a new financing mechanism outside the UN system, the process of making it operational

gained momentum. At the G-8 meeting in Genoa in July 2001, the governments of the leading industrialized countries gave their full endorsement with a pledge to financially support the new fund. A Transitional Working Group (TWG) was then formed, consisting of nearly 40 representatives of donor and developing countries, NGOs, the business sector, and the UN system. Its task was to develop the operating structure and principles for the Global Fund. In order to mobilize interest and build a consensus among stakeholders about how the Global Fund should operate, the TGW held a number of consultations with relevant stakeholders, including regional forums in Africa, Asia, Eastern Europe and Latin America, as well as thematic meetings with NGOs, civil society representatives, academia, and a private-sector consultation convened by the World Economic Forum. Following these consultations, the TGW agreed on a number of principles and guidelines for the development and operation of the Global Fund.<sup>12</sup> These guiding principles involved a number of normative commitments that were meant to provide for a credible multi-stakeholder approach at all levels of operation (see Wallace Brown 2008). First, the TGW issued a commitment to broad stakeholder involvement in the decision-making process and operation of the Global Fund, including local experts, NGOs and people affected by diseases. Second, the TGW maintained that the Global Fund would secure local government involvement in the process of formulating and implementing grant programs, in order to create a sense of local ownership and effective implementation. Lastly, the TGW issued a commitment that the Global Fund would operate through a “streamlined organization” in a transparent and accountable manner, minimizing transaction costs and manipulation by powerful states. In late 2001, members of each of the constituencies – including donor countries, developing countries, NGOs, and the private sector – selected representatives for the Global Fund’s international Board. At its first meeting in January 2002, the Board reviewed the TGW’s recommendations and guidelines, and adopted a Framework Document that made the Global Fund officially operational.<sup>13</sup>

The Global Fund was established as an innovative aid mechanism that seeks to raise and pool “additional” resources from the public and

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12 For the protocols on TGW meetings and consultations, see <http://www.theglobalfund.org/en/about/board/group/>

13 See <http://www.theglobalfund.org/en/about/governance/>

private sectors, and channel them into grant programmes to fight HIV/AIDS, tuberculosis and malaria in low- and middle-income countries. Its structure differs from traditional aid institutions in several ways<sup>14</sup>, reflecting the strong belief by some of its backers (including the US) that a new approach was needed which could operate more effectively than existing bilateral and multilateral aid mechanisms. In addition, many experts viewed existing aid programs as excessively bureaucratic, driven by political criteria and incapable of adjusting to local needs. They sought to create a new mechanism that would be leaner, faster, more recipient-driven, and performance-based. The Global Fund was designed to incorporate and benefit from the specialized skills, knowledge and resources of a broader set of actors than traditional aid programs. Indeed, by choosing a multi-stakeholder approach at all levels of its activities, the Global Fund represents “a new way of doing business in the field of development cooperation that goes beyond the state-centred intergovernmental approach of other actors in global health governance” (Bartsch 2005: 1).

The Global Fund was formally established as an independent, non-profit foundation based in Geneva, Switzerland. Its day-to-day operations are managed by a Secretariat of approximately 300 people, all based at its headquarters as the Global Fund has no direct presence in recipient countries. Indeed, the Global Fund’s bureaucratic structure is relatively light, reflecting its purpose of operating as a financial mechanism and not as an implementing agency. Hence, its administrative costs are small, consuming less than 3 percent of income (Global Fund 2007a). Many observers see the “light touch” of the Global Fund, which leaves the responsibility for development and implementation of programmes and strategies to local actors, as one of the key elements distinguishing it from traditional aid agencies (e.g. Radelet 2004; Bezanson 2005).

The international Board is responsible for overall governance of the Global Fund and approval of grants. It includes 20 voting members made up of representatives of donor and recipient countries, NGOs from both the North and the South, the private sector (including businesses and philanthropic foundations) and a representative of affected communities. All votes are distributed evenly and each board member is guaranteed an equal chance to place items on the agenda and to deliberate any issue. In

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<sup>14</sup> See Radelet (2004). See also Bezanson (2005) for a discussion about what is different about the Global Fund.

addition, the Board also includes 4 non-voting advisory representatives of the WHO, UNAIDS, the World Bank and the Swiss government (as the headquarters of the GF is in Geneva). The Chair and Vice-Chair of the Board rotates between a developed and a developing country member every two years. Decision-making procedures are constitutionally constrained by the formal rules enshrined in the By-Laws and the Board Operating Procedures manual.<sup>15</sup> Among other things, the rules stipulate that when decisions cannot be reached by a consensus, any member of the Board with voting privileges can call for vote and for a motion to pass it requires a two-thirds majority with a quorum requiring both donor and non-donor votes. In this regard, the decision-making rules of the Board are meant to safeguard that even powerful actors such as the United States cannot come to dominate the decision-making procedures of the Global Fund. Indeed, initial worries among especially the NGO community over the colonizing influence of powerful actors, such as the US or the pharmaceutical industry, quickly diminished (Bartsch 2005).

The operation of the Board has generally been described as open and transparent (e.g. Radelet 2004; Bezanson 2005; Bartsch 2005; Wallace Brown 2008). Meetings of the Board are matters of public record, including critical statements. Indeed, a commitment to transparency guides the operation of the Global Fund at all levels. The website of the Global Fund includes detailed financial statements on everything ranging from contributions and disbursements, as well as details of each program and approved proposals for grants. The Global Fund has also actively sought external study and critique. A Partnership Forum has been established in which stakeholders from a wide variety of constituencies come together to review the performance of the Global Fund. It also provides an opportunity for interested groups that are not directly represented on the Board to give feedback and make recommendations for improvement.

Every nine to twelve months the Board convenes a funding “round” inviting countries and organizations to submit a grant proposal. The grant making process is structured to ensure performance-based funding. Before each round of proposals is due, the Board appoints a Technical Review Panel (TRP) composed of health and development experts, who review all proposals for Global Fund grants, rate them on technical merits and make recommendations to the Board about which

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<sup>15</sup> For the By-Laws and Board Operating Procedures, see <http://www.theglobalfund.org/en/about/governance/>.

proposals should be funded. Its structure as an independent panel of experts is intended to guarantee a transparent and strictly performance-based process of grant-making. Through seven rounds of proposals the TRP has recommended funding for an overall average of about 40 percent of the proposals submitted. Indeed, observers have noted that this performance-based funding system clearly distinguishes the Global Fund from many other donor agencies (e.g. Radelet 2004; Bezanson 2005; see also United States Government Accountability Office 2007).

Another unique feature of the Global Fund is its commitment to the principle of local ownership. The aid mechanism of the Global Fund was designed as a recipient-driven process. In order to facilitate such as process, the Global Fund has created a system of grant administration at the national level. At the heart of this process is the Country Coordinating Mechanism (CCM). The CCM is a country-level management board made up of a broad range of representatives from government agencies, private companies, donors, NGOs, academic institutions and local community organizations.<sup>16</sup> This body is responsible for coordinating the country's grant application to the Global Fund as well as for monitoring grant implementation. The Global Fund has formulated detailed guidelines for the structure and responsibilities of CCMs.<sup>17</sup> CCMs must put in place a transparent and documented process soliciting submissions and ensuring the input of all relevant stakeholders, including representatives of communities living with diseases, in developing grant proposals and implementation oversight. This mechanism effectively translates the multi-stakeholder approach to the country-level.

Another important body at the local level is the Principal Recipient (PR). This is an in-country organization that has been designated by the CCM to implement programs and distribute funds to subrecipients according to the grant agreement. In around 50% of grant programmes government agencies function as the PR, whereas multilateral institutions are the PR in around 30% and civil society in around 20% of grant programmes. To ensure financial accountability of the PR, the Global Fund Secretariat contracts directly with a local agent, usually a private accounting firm, in each recipient country to conduct the monitoring and

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<sup>16</sup> For the average composition of CCMs, see [http://www.theglobalfund.org/en/about/structures/ccm\\_analysis/](http://www.theglobalfund.org/en/about/structures/ccm_analysis/)

<sup>17</sup> See <http://www.theglobalfund.org/en/apply/mechanisms/guidelines/>

financial auditing of Global Fund disbursements. This Local Fund Agent (LFA) monitors the PR's management of funds and reviews progress updates and annual reports. Usually LFAs are local branches of major international accounting firms, such as KPMG. The structure is designed to ensure a transparent and strictly performance-based funding system. Additional funding is made conditional on criteria of performance achieved in assessments conducted by the LFAs.

Through seven rounds of proposals the Global Fund has approved a total of US\$ 10.8 billion to more than 550 grants in 136 countries (Global Fund 2008). "This makes it the world's most significant financing tool in the fight against HIV/AIDS, Malaria and Tuberculosis" (Martens 2007: 22-23). According to data in 2005, the Global Fund provided around 66% of all international funding devoted to tuberculosis, 45% devoted to malaria, and approximately 20% of all international resources devoted to HIV/AIDS (Bartsch 2005). This funding has saved an estimated 1.46 million lives as of January 2007 (Global Fund 2007b). Specific interventions, as of December 2007, include support for 1.4 million people for antiretroviral treatment, 3.3 million cases treated for tuberculosis, and 46 million insecticide-treated bed nets distributed to protect families from malaria (Global Fund 2008). Additional results in treatment, prevention and care include: 9.4 million people reached with HIV counselling, 23 million malaria treatments delivered, 1.2 million orphans provided with basic care and support, 23 million people reached with community outreach services, and 3.6 million people trained to deliver services (Global Fund 2007b).

Notwithstanding these achievements, a disappointment has been the meagre financial contributions from private corporations. Through the active recruitment of private companies and foundations, the initiators of the Global Fund hoped to be able to mobilize additional funds to support the fight against poverty-related diseases. So far, this hope has not been realised. To date (April 2008) the Global Fund has received pledges totalling US\$ 19.6 billion. However, about 95 percent of the contributions to the Global Fund since its inception have come from governments, and only about 5 percent from private donors (Global Fund 2008). As such, the private sector plays a somewhat limited role in funding the Global Fund. The United States is the largest contributor having pledged US\$ 4.1 billion in total. Private sector support owes largely to a pledge of US\$ 650 million by the Bill & Melinda Gates

Foundation as well as through a pledge of EUR 200 million through the Debt2Health initiative.<sup>18</sup>

In sum, even though the Global Fund has managed to mobilize a considerable amount of resources, contributions especially from the private sector have been lower than expected. This would seem to highlight an important challenge to multi-stakeholder cooperation more generally as well, namely – how to attract the interest and participation of the business sector. Similar questions were raised with regard to the Forest Stewardship Council, where forest industry has set up its own business-driven scheme. Private sector incentives to commit to multi-stakeholder cooperation depend in large measure on expectations about benefits. Where such private benefits are absent or not clearly tangible, multi-stakeholder cooperation faces difficulties in attracting the participation of business interests.

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<sup>18</sup> For the full list of pledges, see <http://www.theglobalfund.org/en/files/pledges&contributions.xls>.

## 4. Conclusions

Multi-stakeholder cooperation is often promoted as a promising way to address gaps in global policymaking. Yet, the role and relevance of multi-stakeholder initiatives remains contested. Many observers argue that multi-stakeholder initiatives are important new mechanisms of global governance (e.g. Reinicke & Deng 2000; Hemmati 2002; Benner et al. 2003). By bringing together key actors from government, business and civil society they help to address deficits of inter-state politics. Sceptics, in contrast, doubt that multi-stakeholder cooperation can promote effective and legitimate global policymaking (e.g. Ottaway 2001; Utting & Zammit 2006). Some argue that voluntary arrangements lack the necessary clout to effectively respond to coordination failures and will only come to feed new bureaucratic structures. Others point out that these arrangements lack public accountability and fear that they will only serve already powerful actors, such as “big business” and “the North”.

The analysis conducted in this paper shows that multi-stakeholder cooperation may take a range of different forms and perform various functions:<sup>19</sup>

1. Multi-stakeholder initiatives help to broaden discussion and *identify global public needs*. As such, they create a trans-national public discourse around neglected problems that require a global approach and open up alternative solutions. Often these issues are spearheaded to the global agenda by trans-national advocacy networks, as in the classic case of the International Campaign to Ban Landmines. This shows the growing importance of trans-national NGOs in global policymaking. By making strategic use of media and the involvement of influential individuals, a coalition of NGOs and some medium-sized countries (such as Norway and Canada) were able to create political momentum that led to the signing of the Ottawa Convention. As such, multi-stakeholder initiatives are not only “paper tigers” lacking real teeth, but may come to embody considerable “soft power” encouraging reluctant actors to follow suit in order to spearhead their reputation.

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<sup>19</sup> For a detailed discussion of some of these functions, see also Reinicke & Deng (2000).



2. Successful multi-stakeholder initiatives *facilitate negotiation*, and may thus help to overcome stalemate in highly conflict-ridden policy arenas. The World Commission on Dams is a prototypical example of a multi-stakeholder initiative that helped foster a cooperative solution to a conflict that imposed considerable costs on all stakeholders. By providing a forum for an inclusive and transparent debate, integrating diverse viewpoints early in the process, the WCD managed to channel a bitter social conflict into an increasingly institutionalized process of stakeholder bargaining. The failure of the MAI negotiations underlines the importance of adopting such a multi-stakeholder approach early in the process.

3. Multi-stakeholder cooperation helps to *gather and disseminate knowledge*. Through their non-hierarchical structures and continuous interaction between diverse actors, multi-stakeholder initiatives promote the acquisition and processing of knowledge. The cases examined in this paper showed how multi-stakeholder cooperation managed to broaden the basis of consensual knowledge and, thus, helped open ways for more sustainable solutions for development.

4. Multi-stakeholder initiatives help to *create and correct markets*. By creating “coalitions of the willing”, multi-stakeholder initiatives can help raise much-needed public and private investment as well as set standards for imitation via good examples in markets suffering from limited financing and poor regulation. As exemplified in this paper by the cases of the Global Fund and the Forest Stewardship Council, multi-stakeholder cooperation can help bridge the gap between demand and supply of vital public goods when market and governments alone fail.

5. Multi-stakeholder initiatives may help to *broaden participation* in global governance. Increased participation lends legitimacy to global policymaking and increases the likelihood of sustainable outcomes. The successful multi-stakeholder initiatives all provided for an inclusive approach to policymaking. Different mechanisms were invented to create structured opportunities for multi-stakeholder input to the process.

In sum, multi-stakeholder initiatives can contribute with real value-added to global governance. Notwithstanding, they face a number of

challenges if they are to become an effective tool in global policymaking. In particular, convenors of multi-stakeholder initiatives must meet the challenge of incorporating relevant stakeholders and ensure their commitment to the process. Given the voluntary nature of multi-stakeholder initiatives, their success is highly contingent on the *incentives and constraints* that shape stakeholders' commitment and capacities to participate. Incentives to commit to the process depend in large measure on stakeholder expectations about benefits. At the same time, stakeholders face constraints to participate in terms of transaction costs (e.g. time and resources). Disadvantaged stakeholders may not have the resources to participate, or participate on equal terms with other stakeholders. Power imbalances, for instance, in North-South relations as well as between strong corporate actors and more vulnerable sectors of society often produce distrust and weak commitment to participate. Hence, for multi-stakeholder cooperation to become successful, a credible and legitimate process is critical. The cases surveyed for this analysis suggest some basic management principles.

First, and perhaps most importantly, multi-stakeholder initiatives *need international organizations*. International organizations are well placed to mediate between governments, business corporations and civil society actors. In the successful cases under review in this paper, especially the UN and the World Bank provided necessary impetus and favourable launching sites for the initiation of multi-stakeholder dialogue. International organizations are often indispensable in providing leadership and convening resources for sustaining multi-stakeholder dialogue and for ensuring the representation of more vulnerable sectors of society. However, in order to be able to facilitate multi-stakeholder cooperation, international organizations must themselves commit to transparency and greater inclusiveness in global policy-making. In the case of MAI, the analysis clearly showed how the exclusionary nature of the OECD contributed to inhibit multi-stakeholder cooperation.

Second, the most relevant *stakeholders need to be included early* in the process. The failed MAI negotiations show how the exclusion of one important stakeholder from the early negotiations started a circle of distrust, which subsequent efforts to initiate a broader dialogue could not patch. In contrast, all successful cases of multi-stakeholder cooperation surveyed for this analysis provided for an open and transparent process of negotiation from the very start. This helped to build a basic measure

of trust among stakeholders that proved imperative for sustaining multi-stakeholder dialogue.

Third, multi-stakeholder cooperation needs to be *embedded into national policy debates*. The experience of the WCD demonstrates the importance of including members of parliament and representatives of government agencies into the process of deliberation. The WCD failed to provide adequate access to its deliberations for national representatives resulting in lack of political support for the process from important dam-building countries, particularly India and China. In contrast, the Global Fund, by transferring some of the responsibility for coordinating multi-stakeholder dialogue to national policymakers, especially through its Country Coordinating Mechanism, managed to build national allegiance to the process and create a sense of “ownership” that proved indispensable for successfully implementing the program.

Fourth, *transparency is instrumental* to maintaining a credible and legitimate process. The cases surveyed in this paper show that transparency is a key element in providing for a process that is considered legitimate by the stakeholders. Lack of transparency and inclusiveness were key issues in feeding the opposition against the MAI negotiations. In contrast, the successful cases of multi-stakeholder cooperation all made efforts to design governance structures and work programmes that were clearly documented and put up for public scrutiny at websites.

Together these principles point to the importance of facilitative leadership and careful process design. It goes without saying that they are no panacea for overcoming constraints and disincentives to collaboration, but by investing in a credible and legitimate process stakeholders have a better chance to become empowered to participate and discover mutual interests in sustaining multi-stakeholder cooperation.

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**FOREIGN MINISTRY PUBLICATIONS**  
**7 / 2008**



The publication has been published in cooperation  
with the Finnish Institute of International Affairs, and  
can also be identified as FIIA Working Paper no. 58/2008

ISSN 0358-1489  
ISBN: 978-951-724-705-4