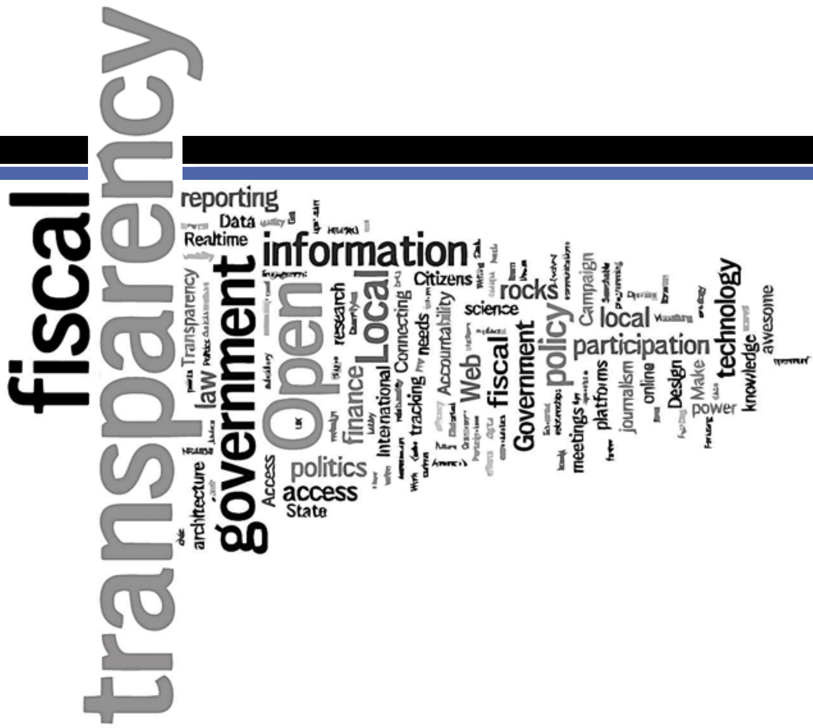

Review of Best Practices for Multi-Stakeholder Initiatives: Recommendations for GIFT

Review of Best Practices for Multi-Stakeholder Initiatives: Recommendations for GIFT

Henry M. Jackson School of International Studies

Task Force Report
2012

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Table of Contents

Policy Memo 1 Arianna Delsman
Executive Summary 5 Arianna Delsman
Notes 31
Acronyms 32

Section 1 ORGANIZATION STRATEGIES
Chapter 1 Framing the Issue 35 Amy Van
Chapter 2 MSI Governance and Legal Status 51 Kamran Emad/David Jung
Chapter 3 Funding 85 Zena Park
Chapter 4 Legitimacy and Implementation 105 Sarah Serizawa

Section 2 COORDINATION STRATEGIES
Chapter 5 Government Engagement 123 Iara Beekma
Chapter 6 Civil Society and NGO Engagement 143 Arianna Delsman/Ayana Hakoyama
Chapter 7 IGO Engagement 167 Tom Eddy
Chapter 8 Private Sector Engagement 181 Laura Araki

Section 3 PROGRAMMATIC STRATEGIES
Chapter 9 Incentives and Benefits of Participation 197 Anastasia Novosyolova
Chapter 10 Capacity Building & Technology 215 Walter Ha
Chapter 11 Global Norms 237 Sam Hampton
Endnotes 281

Task Force Report organized
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MEMORANDUM

To: Vivek Ramkumar, IBP
From: Jackson School Task Force M
Re: Review of Best Practices for Multi-Stakeholder Initiatives: Recommendations for GIFT
Date: March 9, 2012

The proposed multi-stakeholder initiative (MSI), the Global Initiative for Fiscal Transparency (GIFT), designates fiscal transparency, engagement, and accountability as a critical global priority. In order to most effectively catalyze multi-stakeholder engagement in improving the current status of public fiscal transparency, GIFT should create a strategy set addressing the 'tripartite deficits' (regulation, participation, and implementation gaps) in global governance.

This Task Force examines and analyzes the key strategies for creating effective global multi-stakeholder initiatives. The study will yield a review of the best practices for multi-stakeholder initiatives, and a set of recommendations of effective strategies for the multi-stakeholder Global Initiative for Fiscal Transparency (GIFT).

<u>Through the Task Force's comparative case study analysis, we propose that the top four priorities to ensure the legitimacy and effectiveness of the initiative are to</u>:

- **Institutionalize diversity in the governance structure** so that each stakeholder group is represented at each level. This strategy falls under the participation gap as it creates motivation as a question of contribution, inspiring members to be "active co-producers" and:
    - Help ensure communication channels are functioning
    - Implement concrete knowledge sharing
    - Maintain regional representation and stakeholder diversity
    - Best example: FSC, dividing its governance into diverse chambers and sub-chambers, with distributed voting throughout
- **Clarify absolute base level of funding needed.**
    - All successful large-scale MSIs (as GIFT intends to be) discussed allocate an annual budget of at least 1 million USD
- **Include a third-party auditing or monitoring** party
    - FSC is a member of Accreditation Services International, which privately accredits companies. GIFT would ideally locate a similar party that would accredit governments on fiscal transparency, participation and accountability
    - If GIFT does not already has a single standard set of norms, a single auditing agency would be a positive acquisition
        - As none of the stakeholders analyzed in the following case studies (e.g. the IMF) are going to initiate passing the baton to another third-party,

and governments are unlikely to willingly let another third party audit and appraise them, GIFT would have to make very clear the benefits of including a third-party auditing or monitoring member as a way of acquiring and increasing public legitimacy

- GIFT should **establish a set of norms** regarding fiscal transparency and participation, building on the IMF Code of Best Practices in fiscal transparency but extending it to include areas other stakeholders find prioritized (such as participation, accountability), and encourage all its stakeholders to adopt and promote these norms
    - IMF code is well-established, but does not fully address the public participation gap and is too narrow to be applicable to GIFT's intended global scope, as GIFT aims to address participation and accountability as well

<u>Providing a Review of Best Practices for MSIs in the Context of GIFT Requires:</u>
To address the deficits including a regulation gap, a participation gap and implementation gap, this Task Force recommends GIFT:

- **Narrow the regulation gap with effective and specific institutional strategies**
    - Improve nascent structure of MSI from initiation
        - Specify and publicize language and definitions of mission, framing, and principles
        - Narrowly organize and coordinate within the governance framework, using a third-party monitoring system to ensure proper implementation
        - Designing a needs-based funding strategy as a mechanism for effective stakeholder communication and cooperation
        - Demonstrate GIFT urgency and relevance to maintain legitimacy
- **Narrow the participation gap through effective coordination strategies**
    - Advance equitable stakeholder engagement and agency in MSI governance, participation, and decision-making
        - Propagate knowledge about GIFT and global need for fiscal transparency among IGOs, NGOs, Civil Society, and in conventions.
        - Maintain high incentives and benefits for participation by all stakeholders through inclusivity in decision-making processes.
        - Increase active involvement of Southern governments (who are critical to implementation)
- **Narrow the implementation gap by using varied programmatic strategies**
    - Coordinate methods of implementing GIFT's actions and initiatives
        - Create and maintain strong incentives for positive participation of all members, stakeholders and interest groups by consistently publishing progress reports.
        - Build capacity especially for sustainable partnership through a tool like the World Bank Capacity Development Results Framework

- Operate within parameters of established global norms for MSI operation and fiscal transparency

If GIFT addresses the designated four elements as key priorities, this Task Force maintains that GIFT will be successful in addressing the regulation, participation, and implementation gaps, and in maintaining its legitimacy as a global initiative, and will therefore contain a highly successful framework for initiative action.

Executive Summary

Arianna Delsman

Executive Summary

Arianna Delsman

This Task Force examines and analyzes key strategies for creating effective global multi-stakeholder initiatives. The study will yield a review of the best practices for multi-stakeholder initiatives, and a set of recommendations of effective strategies for the multi-stakeholder Global Initiative for Fiscal Transparency (GIFT).

This report is divided into three sections, each offering findings and recommendations derived from an extensive and comparative MSI case study analysis and from the broader literature. The first section provides a framework for effective MSI administration. Its chapters address methods for framing the issue and agenda, aligning a strategic group of stakeholders, and designating funding sources. The second section discusses engagement within an MSI, including engagement with governments, Civil Society, IGOs and the private sector. The third section addresses various programmatic approaches for MSIs and particularly GIFT: aligning incentives, capacity building, harnessing technologies and advancing global norms.

The strategies discussed, analyzed, and recommended are all utilized by different MSIs to attempt to close a tripartite set of global deficits. These deficits are commonly referred to as the regulation gap, participation gap, and the implementation gap in global governance. MSIs generally address the regulation gap in their categorization as networks providing avenues "for cooperation and joint problem-solving in areas where intergovernmental regulation is non existent."[1] MSIs attempt to close the participation gap

by involving partners who are systematically underrepresented, in the hopes that collaboration with a diverse set of actors will yield the MSI more capable to address its goals. The implementation gap addresses the idea that a disconnect exists between goals set to implement programmatic strategies for effective action, and the execution of those goals. By addressing the three deficits, MSIs attempt to enhance global governance that is currently and systematically poorly provided.[2] By creating a core set of MSI strategies to address each of these deficits, GIFT will likely be effective in its endeavors. Table 1 summarizes which strategies address the varying deficits that all MSIs seek to tackle.

	Regulation	Participation	Implementation
Framing the Issue/Agenda Setting	✓		
Governance	✓	✓	
Funding	✓		✓
Legitimacy/Implementation	✓		✓
Government Engagement		✓	✓
Civil Society and NGO Engagement		✓	✓
IGO Engagement		✓	✓
Private Sector Engagement	✓	✓	
Incentives			✓
Capacity Building & Technology			✓
Global Norms		✓	✓

Table 1: Addressing deficits through strategies discussed in the following chapters.

Section I – MSI Organization

Framing the Issue and Agenda Setting

Section 1 begins by discussing the best methods for framing an MSI's issue. For GIFT to transition to its next phase, it is necessary to determine specific framing language. By clearly designating operative language and methods, GIFT will engage stakeholders and partners that will best advance its activities and goals. In addressing the realities of global fiscal transparency, it is obvious that a multi-stakeholder platform is necessary to properly engage countries, assessment agencies, and other actors in collaboration. While IBP has successfully compiled data from over 94 countries using its own methods, the next step for expansion is to communicate best practices roughly according to standards set by IBP, the IMF, WB and the OECD.

GIFT might take several considerations into account. Regarding functions and strategies of existing interested parties, GIFT could designate methods to approach fiscal transparency, methods combining research, education, norms, promoting ideas, supporting existing agencies and networks, improving conditions or protecting partners. In agreement with GIFT's institutional status, states of fiscal transparency, and existing networks of participation, GIFT may frame its vision and values around short-term standards paired with long-term objectives.

An MSI should frame its arguments in accordance with the audience and context; consideration of the presentation medium is necessary to construct an effective agenda. A single or plural set of primary activities may characterize an MSI, such as whether an MSI

facilitates a network of agencies, promotes norms, or both. In accordance to the current landscape of fiscal transparency, the current working body of GIFT's network, and the projected goals of GIFT, such nuances of details will characterize how GIFT seeks to frame its issue.

An example of dealing with such nuanced details is the GWP's systematic facilitation of networks and resources. By pooling stakeholder interests and framing its issue around a vital resource, the GWP attracts participation from many sectors and establishes an effective communication structure for transferring ideas and best practices of water management. EITI's criteria set similarly encapsulates the emerging stakeholder and global consensus on the importance of government and non-state actor accountability and transparency. Through its criteria guide, EITI organizes around the mission and motive of its stakeholders and participant governments, successfully integrating a core set of beliefs into its exercised practices.

GIFT should consider locating key strategies for approaching fiscal transparency coordinated with current and potential partnerships. GIFT should continue combining efforts of existing and independent agencies. To develop a universal definition of fiscal transparency and principles that differentiate GIFT from other fiduciary-related multilateral partnerships, GIFT should implement strategies to 1) frame the issue of fiscal transparency to include quantitative and qualitative data, and 2) diversify the language in which GIFT frames its issue and to utilize various platforms to spread the mission of GIFT.

- Framing the issue and agenda setting is a way of addressing the regulation gap, as it addresses cooperation on the part of framing the initiative as well as a framework for group problem-solving in the absence of intergovernmental regulation

MSI Governance and Legal Status

In an MSI, governance is characteristically non-hierarchical, helping generate collective persuasion via multi-sector networking, as well as establish legitimacy and efficiency in the initiative. The core model of governance typically shared by MSIs comprises three governing branches – a Board of Directors/Trustees legally representing the MSI, a Secretariat made up of permanent staff overseeing daily activities, and a comprehensive stakeholder body.[3] Analyzing relevant case studies shows several key characteristics in governance design, including: a representative steering committee complemented by clear analysis of stakeholder composition and motives, a definitive set of leading documents of bylaws and statues, and an established method of communicating partnering norms. Governance structure, methods of decision making, clear levels of governance legitimacy and impact, and defined relevance to the issue help establish an effective framework for operations. At the beginning of development, governance defines its MSI's legal status to create a codified body of principles to support its formation and efforts. Legal statuses for MSIs include non-profits, for-profits/companies, IGO/government initiatives, mixed for-profit and government, mixed non-profit and IGO/government, or a mix of the three. Most MSIs include non-profit or government sectors within the legal body. This chapter recommends such a legal status for GIFT.

MSI governance structure design depends largely on the intended scope of the initiative, financial resources, and stakeholder base. While there are many options for governance structure, GIFT is concerned with mobilizing engagement from major actors, providing specialized assistance to key stakeholders, and advancing a set of global norms for fiscal transparency. A governance structure that promotes communication, shared accountability, and diversity while providing a high degree of organizational capacity is preferable.

The FSC provides an example of a positive governance structure. Seeking to accredit forest products with certifications indicating sustainable production processes, the FSC uses third party accreditation mechanisms, diverse representation, clearly defined governance structure and organizational standards in its initiative Statutes, and categorizes its stakeholders into three distinct chambers which are in turn divided into *North* and *South* sub-chambers.[4] The FSC Board of Directors is a nine-person board, with three members representing each chamber and two of the members from the regional sub-chambers. The third member alternates between the two regional sub-chambers. This mechanism ensures that each sub-chamber has agency in decision making, while the Board's responsibilities remain to approve annual budgets and strategy, appoint Executive staff, and exercise oversight over other committees.[5] FSC governance ensures that governance decisions, voting, and election processes remain legitimate and subscribe to equal process across the stakeholder and membership base. Legally, the Kimberley Process is an example of a formal organization comprised of IGOs and governments. GAIN is a mixed non-profit and

IGO/government, while the GWP is independent of a legal personality, being a mix of all three non- and for-profit and IGO/government legal statuses.

While many types of governance structure are possible, certain strategies are more appropriate for GIFT. Governance must guarantee balanced stakeholder interests as protection against domination and to encourage participation. Balance among stakeholder interest groups will create open dialogue for knowledge exchange, negotiation and methods improvement. Diversity (at least 2 representatives from each stakeholder group) within working groups and committees must be mandated. Case study analyses also suggest creating a governance mechanism for addressing concerns, with mechanical specifics defined in leading documents and made easily accessible to all participants. Finally, third party monitoring of evaluation and governance efficiency will lend to accreditation of developed standards and norms.

Following this analysis, GIFT should 1) utilize a steering committee to conduct a stakeholder analysis, 2) design its governance structure around a core Board of Directors/Trustees, Secretariat, and broader stakeholder base, 3) develop a dispute resolution system for stakeholder complaints, and 4) employ a third-party monitoring system to ensure that participating national governments properly implement standards developed by GIFT. In terms of legal status, it is recommended that GIFT determine the types of legal organization that best complements the current working principles of GIFT based on the legal avenues offered by each definition.

- This chapter’s contents address the regulation deficit, by setting up behaviors in norms to avoid substantial conflicts between members. A proper, working governance structure combats the regulation gap by ensuring efficiency throughout operations.
- It also addresses participation deficit, because governance structure ensures member and stakeholder inclusion

Funding

Sources of funding for MSIs include governments and countries, NGOs, foundations and international organizations, and corporations. As annual budgets of MSIs vary dramatically, it is necessary to discuss funding in the context of an initiative for fiscal transparency. While many MSIs lack a fixed annual budget, finding reliable means of generating and allocating funds will be key actions for GIFT. In stabilizing its financial core, GIFT will be able to implement improving fiscal transparency.

Successful funding strategies mean first securing sources of income. PP10 has done so by obtaining 25 sources of funding from a diverse set of organizations, with different organizations donating at different levels of funding. GAIN has ten noteworthy organizations contributing, and the EITI’s funding base includes over 35 countries and organizations. Another key strategic decision is the exact distribution and allocation of funds. The Microcredit Summit Campaign provides progress reports on distribution of funds to stakeholders, annually releasing a “State of the Campaign” report to show that the initiative gives money to those that need it most.

Remaining committed to organizational transparency with regards to funding sources and allocation is key. Transparency helps lend to sponsors’ trust and donations, as do audits

by third parties and detailed reports of allocation. GIFT should 1) seek organizations and donor agencies whose missions align with GIFT's, 2) publish fiscal agendas and spending reports, 3) provide progress reports to stakeholders, 4) increase transparency of budgets and allocation, 5) prioritize and distribute funds based on urgency of needs, 6) determine specific fiscal needs 7) develop long-lasting partnerships with donor agencies, and 8) perform regulatory audits.

- Funding inherently addresses closing the regulation gap, as it provides and maintains avenues for communication and cooperation between stakeholders and members
- Addressing questions of funding and allocation also addresses the implementation deficit, because it is based on levels and distribution of funding that an MSI can make decisions regarding scale of implementation and technological advancement

Legitimacy and Implementation

Since governmental fiscal transparency is vital for ensuring accountability, effectiveness, and results of the expenditure of public budget and global funds, GIFT promotes its *urgency*, which is foundational for legitimacy. Legitimacy will help GIFT attain support and funding while assembling an effective cohort of stakeholders. In order to achieve its objectives, communicating its urgency and relevance in the global context and to the global norms is necessary during initiation to secure a group of leading stakeholders and participatory countries. Once it assembles core sponsors and members, the next step is to yield positive results through effective enforcement via internal monitoring, and public relations. Successful case studies show that legitimate MSIs always support leading stakeholders. MSIs invest in creating a formalized internal and external auditing structure

with an implementation-monitoring system to ensure quality, transparency, and accountability. This credibility enhancement can come from MSI transparency and accountability policy in a combination of audit planning, reporting, and periodic assessments by an outside organization.

IATI, an initiative aimed to increase transparency in aid spending, illustrates success in attaining legitimacy linked to global norms, demonstrating its urgency and relevance. By successfully conveying the urgency and relevance of its mission, IATI obtained a group of stakeholders via its founding principle of the Accra Agenda for Action.[6] The Global Compact, encouraging business commitment to implement sustainable and socially responsible policies, elevated its legitimacy by increasing government support. After adding government legitimacy to its business, labor organization, and NGO legitimacy sources, the Global Compact improved global partnership between the UN and private sector for corporate citizenship.

Following the case studies, there are several key recommendations to help GIFT establish legitimacy. GIFT should 1) demonstrate urgency and relevance to the existing global issues and norms and 2) increase membership of leading stakeholders among all sectors, governments in particular. To yield results and improve legitimacy, GIFT should have 1) an internal and external auditing function checking its financial management, and an internal function overseeing operation and implementation and recommending corrective actions for accountability and quality; and 2) an active publicity, including regular reports on

status, progress, reviews, and results, and alliances with other MSIs and campaigns for the related cause.

- Discussion of legitimacy and implementation falls under addressing the regulation gap in that the higher levels of legitimacy and accountability an MSI creates for itself, the better its internal cooperation and joint problem-shooting will be.
- This discussion also addresses the implementation deficit because justifiable legitimacy inherently allows an MSI to work flexibly and function smoothly, aiding implementation

Section II – MSI Coordination Strategies

Government Engagement

Section 2 addresses collaboration via engagement by MSIs in partnership with a diverse and complex group of actors, both private and public. Whether supporting or implementing members, government membership is crucial as governments specialize in the local legal framework required for MSI strategy. As government engagement is public, its attributes include that as a rights-driven partner, government partnership improves access, knowledge, capacity and legitimacy.[7] Government participation generally includes governments with qualities that would be beneficial to global networks, designating methods for government bureaus to help MSIs develop, and addressing shortcomings and effectiveness of government involvement. Essentially, it involves defining which governments are contributing, and which are receiving.

Government engagement lends MSIs the ability to provide necessary legal framework required to effectively execute action. GAIN is an example of an MSI wherein governments

hold the rule of law because they initiate an economic, political and social framework for action, then use it as a method to work towards sustainable development.[8] EITI gains policy advice from participant governments – Canada advises implementing countries of EITI how to promote its values and mission. Governments and associated government bureaus create political commitments toward development efforts, while they are able to regulate MSI standard-setting mechanisms.

So far there has been a failure to decrease the participation deficit with regards to the North-South divide. GIFT must seek to change its partnership dynamic in order to include the Global South in decision-making committees, from beginning establishing relations and through achieving an advanced global status. This includes participation in selecting GIFT's mandate and leadership. Simultaneously, GIFT's partnership dynamic should attempt to make decisions independent of stakeholder financial contributions, and instead adhere to GIFT guiding principles. All governments, supporting or implementing, should adhere to the guiding principles of GIFT. In terms of adhesion, EITI has supporting governments that do not necessarily adhere to EITI principles because it is assumed they already have good governance practices. Mandating that all governments adhere to the guidelines would increase participation and specifically credibility and legitimacy. Supporting governments should ensure participation of national and local leaders, who are important for policy implementation and discussion.

- Government engagement practices suggested for GIFT address the participation gap by incorporating traditionally underrepresented and undervalued partners into recommended GIFT strategy

- The above strategies also address the implementation gap by decreasing the amount of disconnect between implementation of a functional program and the processes of taking action via contributing stakeholders

Civil Society and NGO Engagement

Included in the participation gap is the lack of participation by Civil Society in the process of global initiatives. While governments and IGOs currently dominate global action, the public sphere lacks solid representation that would otherwise ensure public involvement and participation. In an effort to address this lack of public participation in MSIs, a new trend of formally including Civil Society has emerged. Successful incorporation of Civil Society would invite inclusion in governance and decision-making, fiscal acknowledgement via monetary contributions to Civil Society partners and fiscal allowances for Civil Society membership. NGOs play an intrinsic role in global value creation, and are vital in offering a comprehensive understanding of global issues and limitations in the field of fiscal transparency. Currently, GIFT partners with only four NGOs that together help establish and monitor international standards and good practices for accountability and public engagement. As NGOs often have more efficient analytical and technical capacity in certain locales, and are often more expeditious than government, GIFT should engage more of these organizations to achieve its goals. Incorporating Civil Society into MSI action effectively increases internal democratic participation and broadens MSI foundation for understanding the public context of its issue and goals.

Several MSIs practice good administrational inclusion of Civil Society. The OGP includes eight Civil Society representatives on its steering committee, helping to broaden comprehension of social responses to its initiative. Similarly, the FSC involves Civil Society in two of its three general assembly chambers. By including Civil Society and simultaneously incorporating research, academic, technical institutions and individuals committed to positive behavior, members of the general assembly support similar forest management programs and believe in the group rights of stakeholders. This fosters a positive environment for forest stewardship. The Ethical Trading Initiative's (ETI) tripartite governance structure is predominated by Civil Society groups (NGOs and trade unions), however its spherical caucus organization fosters independent development of ETI policies and priorities while encouraging stakeholder representation. Similarly, to add benefit to Civil Society MSI governance membership, the EITI requires that participant governments engage with associated Civil Society as a stipulation for EITI membership. EITI has had incredible success via its Civil Society engagement, particularly in developing countries. In order to further incentivize Civil Society to membership, some MSIs – such as the OGP and the ETI – make monetary allowances to Civil Society so as to make membership more affordable and reasonable. Finally, MSIs like the Global Fund work hard to incorporate significant NGO engagement into their strategic planning for implementation, because of Civil Society and NGO's knowledge of and experience in hosting countries.

In order to ensure a democratic and participatory foundation, GIFT might include Civil Society. This effective partnership will happen via combining Civil Society

participation and equal representation in GIFT's governance, Civil Society agency in policy-making, and making funding decisions and framing its issue with relevance to Civil Society imperatives. Additionally GIFT should compel governments to engage cooperatively with Civil Society, mandatorily. Implementing sufficient Civil Society engagement will help broaden the informational framework for decision-making and improve quality, authority, and legitimacy of policy choices, while simultaneously helping to heighten public awareness of issues of fiscal transparency and associated international initiatives. This increased participation of Civil Society will intrinsically help render public budgets more transparent, helping lend to GIFT's core values.

- The recommended actions to engage Civil Society address bridging the participation gap via increasing the scope of engaged groups in GIFT
- By engaging an increased amount of Civil Society and compelling governments to cooperate with Civil Society, GIFT will also address the implementation gap to avoid such a disconnect between flexible implementation and successful initiative function

IGO Engagement

Analyzing IGO methods of contribution to MSIs and IGO characteristics that yield them vital in creating MSIs, the chapter discusses contributions of IGO characteristics to MSI development. Effective engagement and interaction with IGOs helps employ their supportive mechanisms for MSI development. IGOs participate in financial accountability assessment using several evaluative tools, including the WB PERs, CFAAs, and CPARs. However, these instruments include only a narrow scope and coordination among actors in MSIs, and IGOs are currently working to more effectively monitor fiscal accountability.

The three elements highlighted as contributing most to the successful formation of an MSI are technical knowhow, access to capital, and connective or networking abilities. The goals of EITI match those of the WB, and therefore EITI sought WB support based on a shared motive to improve financing/lending practices through increased transparency and improved reporting practices in developing nations. EITI collected WB support via a Multi-Donor Trust Fund providing financial and technical assistance to implementing countries. EITI also found, via partnership with the WB, a number of other cooperating organizations (the IMF, the African Development Bank, and the WBG) that could help provide technical assistance, assessment tools and consulting advice to aid countries seeking compliance with EITI standards. Ultimately, EITI was able to improve its initiative by seeking IGO engagement with the WB.

Recommendations following from this chapter fall under two categories. The first is planning recommendations, wherein it is suggested that GIFT seek IGO aid in identifying stakeholders, compiling implementation tools and ideology, and in creating marketing strategies for bolstered visibility. The second is implementation strategies, wherein it is recommended that GIFT use IGO engagement to help determine realistic scope of its project, to develop and introduce a work plan, and to amplify GIFT's own progress assessment abilities. Ultimately, it is suggested that at the planning, development, implementation, assessment and recruiting stages, IGOs should be employed to amass empirical data, experience, and technical knowhow to the best uses of GIFT implementation strategy.

- Suggested IGO engagement addresses the participation gap via popularization of GIFT's issue, as IGO knowledge and experience will aid in figuring out the necessary depth of monitoring/auditing for certain participatory parties, as IGOs are vital in determining scope of which parties will be most influential
- The funding aspect that arrives with IGO engagement, and therefore accessibility of more resources to bridge regional/domestic gaps, addresses the implementation gap

Private Sector Engagement

Through analysis of successful engagement strategies of private sector actors (and their incentives for membership) in the context of GIFT, this chapter provides a comprehensive study of potential involvement of private sector actors in MSIs. Examining general private sector participation shows it to be founded by corporate social responsibility. Analyzing corporate and financial institutional participation specifically places them in an initiative for fiscal transparency. Dissecting the relationship between corporate and financial participation and movements to increase fiscal transparency complements the analysis.

As the private sector plays roles ranging from financier and executive planner to wringers of other stakeholders, it is necessary to define successful practices for private sector dependent upon these varied roles. The Children's Vaccine Initiative is an MSI implementing successful practices for private sector involvement, as it allows business partners to help make decisions in implementation roles but does not permit them to make policy-oriented input.[9] Their work shows that the best strategy for operational management is developing a foundation upon individual strengths of government, Civil Society, and private sector, and assigning roles accordingly. Similarly, EITIs engagement of private sector actors best

illustrates MSI address of corporate citizenship. EITI has produced results including the birth of budget transparency within many indistinct industries and countries, through a coalition of governments, companies and Civil Society organizations.

Before engagement of the private sector with GIFT can be increased, private sector knowledge about GIFT and its cause must be supplemented. Motives for inclusion of the private sector in an initiative for fiscal transparency must be addressed and recognized, through public forums or conferences that invite relevant financial institutions and MNCs. To increase private sector incentive for engagement GIFT may also install measures relating the movement towards fiscal transparency to the market interests of private sector actors.

- Engaging private sector and increasing private sector knowledge about GIFT addresses the regulation gap by enhancing ability to cooperate and problem solve
- Adding the private sector to membership and participation in GIFT simultaneously addresses the participation gap by incorporating vital and resource-laden partners

Section III – MSI Programmatic Strategies

Incentives and Benefits of Participation

As benefits of MSI membership vary depending on the category of organization, incentives and benefits gained from participation are not always apparent, especially in MSIs not directly involved in funding disbursement. Ideally, indirect benefits are clear and accessible while direct benefits are readily apparent. As member commitment yields a better business climate, improved credit worthiness for debt ratings, reduced conflict and improved

public confidence, partnering must be benefit-ridden to guarantee prevention of duplicate initiatives, reduced transaction costs and increased efficiency.

Indirect and direct benefits created by MSI partnering are mutual and evident in reports published by the MSIs. The EITI, for example, published strategy working group lists that highlight linking with other governance reform programs as a main point for consideration. By defining the EITI as necessary for implementation and a key aspect of broader reform, the 2006 IAG report designated EITI as a step toward better governance and helpful in improvements in transparency and accountability in the extractive industries of an implementing country. Similarly, the GAVI Alliance provides clear publications of its success levels, demonstrating its combination of mixed direct and indirect benefits to GAVI members.

Participation incentives must be present to align stakeholders and other MSIs in similar goals and implementation policies that benefit all parties without compromising principles. This analysis recommends that GIFT highlight direct and indirect benefits of a commitment to transparency and GIFT's operation; commit to internal transparency, making all information pertinent to stakeholder and member progress available by creating a certification/award for achieving specific milestones of participation; seek mutually beneficial partnerships with other relevant MSIs; and promote GIFT via education through organized lectures and conferences (to define its issue and to network) as well as presentation of a logo readily available to the public.

- Strategically highlighting benefits of membership to GIFT helps bridge the implementation gap by incentivizing strategic sectors to action and simultaneously educating the public about the goals and initiatives of a given MSI, in this case of GIFT

Capacity Building & Technology

Through the expansion of global initiatives to include numerous stakeholders and issues, MSI success is partially dependent on the implementing parties' ability to use available resources. The objective of capacity development projects, which further MSI goals, is to help local governments, groups, and organizations sustainably act by increasing ability to effectively use funds by improving infrastructure, institutions, and technology. Approaches to capacity building include institutional, organizational, technological, and technical capacity building. Regardless of the method chosen MSIs must engage stakeholders in capacity building endeavors. In the context of fiscal transparency, the UNDP capacity building model proposes an effective framework for GIFT's capacity building efforts. The steps to this approach are: engage stakeholders on capacity development, assess capacity assets and needs, formulate capacity development, implement a capacity development response, and evaluate capacity development.

This chapter examines three case studies of effective MSI capacity building and harnessing new technologies. PAWS' demand-driven capacity-building partnership model shows strategic partnerships that increase the capacity of efforts by amplifying availability to provide technical assistance. In the context of fiscal transparency and accountability, NEITI's

model exemplifies informing stakeholders and building institutional capacity within a government through effective structuring and Civil Society engagement. Finally, TAI helps outline the conditions for successful implementation of new technologies in the MSI framework for action.

Examining methods of effective capacity building must analyze such methods specifically for sustainable partnership, likely through demand-driven model shown by PAWS. The UNDP model, which addresses the common approach for capacity building, is a good model of increased organizational capacity, thus influencing its ability to build institutional capacity. New technologies are a great means of accomplishing this goal; however, in the context of GIFT, these technologies should go beyond the scope of fiscal transparency and extend to governmental transparency, as shown by the case study from Mumbai Votes. In implementing such technologies GIFT should assess its own patterns that are specific to the region in which its project is intended, focusing on particular needs, motivations, capacity and efficiency.

- Addressing effective methods of capacity building and implementing technology use is a key method of MSI action to address the implementation gap, in that together ability to build capacity and utilize technology make it possible to determine the scope and reality of MSI projects

Global Norms

Effective global norms result from a two-part process: the adoption of a set of norms, and the implementation of this norm set. Of the twelve mechanisms for implementing

norms, five are relevant to GIFT: regional governmental bodies, global conventions, intergovernmental organization, government agency networks, and global action networks. While each mechanism has implemented norms globally, an MSI like GIFT places stakeholders relative to the mechanisms that facilitate implementation. GIFT should act in three areas: multilateral action among stakeholders, deliberate construction of a targeted set of norms, and the effective implementation of these norms through strategic mechanisms. Ideally GIFT will use these models to adopt norms that embody its objectives, but norms not so burdensome that they discourage their adoption. Using norms will be a two-step process: adopting, and implementing, wherein types of norms are evaluated and then implementation mechanisms chosen. Certain mechanisms work better with certain actors as stakeholders; to be effective, these global norms should apply across all states, be reasonable in ambition and carry a level of intrinsic enforcement, all according to the means available to GIFT.

The EITI has a certain methodology to promote its norms. With clearly defined validation methods, EITI has created thirteen compliant countries and has more candidate countries intending to commit.[10] With multiple stakeholders, EITI models engagement and leveraging via implementation mechanisms at its disposal, with its own norms (expressing objectives and beliefs, informing Initiative implementation, and covering country participation from candidacy to compliance) codified in EITI's validation mechanism. Similarly, the Standards and Codes Initiative of the IMF and World Bank was launched "to strengthen the international financial architecture."[11] In its attempt to establish a set of internationally recognized standards in the three areas of policy transparency, financial

regulation and supervision, and market integrity, the Initiative set standards in twelve topics, creating a norms set of multilateral nature, with responsible agencies from many sectors.[12] The criteria created by the Standards and Codes Initiative yield detailed, actionable steps for implementation of the norms.

Ideally, in response to the existing global norms for such action networks GIFT should act strategically in three areas. The first is the multilateral promotion of a single, targeted set of norms: GIFT should encourage multilateral action, which includes the adoption and promotion of a common set of norms among its stakeholders, and engagement of potential stakeholders. The second is the adoption of a common set of norms consistent with GIFT's objectives, including specific decisions regarding specificity, inclusivity, and voluntarism of the norms. Finally, GIFT should employ mechanisms consistent with its objectives and its adopted norms, including intergovernmental agreements, IGO and government action, and leveraging Civil Society.

- Adopting and implementing norms will yield address of the participation gap by ensuring relevant actors are participating and acting in concert
- The process will also bridge the implementation gap by adopting norms that are sensible for GIFT and then implementing them.

Concluding Recommendations:

Given the above recommendations, this Task Force arrives at a set of top recommendations for implementation by GIFT. To decrease the participation gap, 1) GIFT should first institutionalize diversity in its governance structure, so each stakeholder is

represented at each level of decision-making. This will help ensure proper functioning of communication channels, proper knowledge sharing, and regional and stakeholder diversity. The best example of this is the FSC, where regionally diverse chambers and sub-chambers of its governance structure and general assembly include distributed voting mechanisms throughout. It is also recommended that 2) GIFT immediately clarify its necessary funding level. In reference to this report's case studies on MSI funding, no MSI observed has had less than a 1 million USD annual budget. Additionally, the findings strongly recommend that 3) GIFT include a third party auditing or monitoring member. The FSC works closely with Accreditation Services International, which privately accredits companies. While this target is different in that it regards private companies, GIFT should aim for a third-party dissection of participatory governments. If GIFT contains one single standard, it will be worthwhile to have an outside auditing agency. However, as none of the stakeholders (e.g. the IMF) would initiate a power transfer to another party, just as governments are unlikely to let a third party audit them, GIFT would have to make the benefits of third-party monitoring clear to its stakeholders and participants. This Task Force closes by recommending that 4) GIFT establish a set of norms regarding fiscal transparency and coordinate its stakeholders to endorse it. The IMF Code of Best Practices in fiscal transparency offers a framework for this norms set, which GIFT would need to extend to include areas other stakeholders prioritize, such as participation and accountability. If GIFT successfully addresses the recommendations put forth by this Task Force, it will be successful in addressing the MSI tripartite deficit and therefore in maintaining its legitimacy as a global initiative.

Notes

In this report, this Task Force has chosen to focus on behavior, options, and historical examples of MSIs. While the report makes mention of IGOs, GANs, and other multi-member organizations and institutions, this Task Force emphasizes MSIs due to their expansive, holistic nature in including Civil Society, NGOs, governments, the private sector, and more.

Chapters loosely follow this format in order to best illustrate the steps this Task Force recommends GIFT take: first, defining the topic at hand and introducing background or historical information; second, explicating theory, general trends in MSI behavior, or recommendable options for MSIs; third, providing case studies as a way to exemplify or analyze options or patterns discussed; finally, providing concluding observations and recommendations for GIFT.

For the purposes of standardization, Civil Society has been capitalized.

This Task Force differentiates between Civil Society and NGOs based mostly upon organizational complexity; for all intents and purposes, the two groups are similar.

While many chapters contain brief explanations of terms and particular MSIs, providing and using corresponding acronyms, the following list of acronyms is a compilation from all of the chapters.

List of Acronyms

AA - Accra Agenda for Action
AIDS - Acquired Immune Deficiency Syndrome
ASEAN - Association of Southeast Asian Nation
ASI - Accreditation Services International
AU - African Union
CIDA - Canada International Development Agency
CCM - Country Coordinating Mechanism
CFAA- Country Financial Accountability Assessment
CPAR - Country Procurement Assessment Reports
CRA - Credit Rating Agency
CSO - Civil Society Organizations
CSR - Corporate Social Responsibility
DAWASCA - Dar es Salaam Water and Sewerage Authority
DFID - Department for International Development (UK)
EITI - Extractive Industry Transparency Initiative
ETI - Ethical Trading Initiative
EU - European Union
FSC - Forest Stewardship Council
FSC - Forest Stewardship Council
GAIN - Global Alliance for Improved Nutrition
GAN - Global Action Network
GAVI - Global Alliance for Vaccines and Immunization
GHI - Global Health Initiative
GEF - Global Environment Facility
Global Compact - UN Global Compact
Global Fund - the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria
GWP - Global Water Partnership
GWPO - Global Water Partnership Organization
HIPC - Heavily Indebted Poor Countries
HIV - Human immunodeficiency virus
IA - Internal Audit
IAG - International Advisory Group
IAIS - International Association of Insurance Supervisors
IBP - International Budget Partnership
ICASO - International Council of AIDS Service Organizations
ICT - Information Technology and Communication
IFI - International Financial Institutions
IGO - Intergovernmental Organization
ILO - International Labor Organization

IMCO - Commission Internal Market and Consumer Protection
IMF - International Monetary Fund
INESC - Institudo de Estudos Socioeconomicos
IATI - International Aid Transparency Initiative
INTOSAI - International Organization of Supreme Audit Institutions
IOSC - International Organization of Securities Commissions
KP - Kimberley Process
KPCS - Kimberley Process Certification Scheme
MDTF - Multi-Donor Trust Fund
MFI - Microfinance Institution
MDG - Millennium Development Goal
MKSS - Mazdoor Kisan Shakti Sangathan
MNC - Multinational Corporation
MSC - Marine Stewardship Council
MSG - Multi-stakeholder Working Group
MSI - Multi-stakeholder Initiative
MSP - Multi Stakeholder Partnership
NEITI - Nigeria Extractive Industries Transparency Initiative
NGO - Non-governmental Organization
NRW - Non Revenue Water
OECD - Organization for Economic Co-Operation and Development
OGP - Open Government Partnership
PAWS - Partners for Water Sanitation
PP10 - Partnership for Principle 10
PEFA - Public Expenditure and Financial Accountability Program
PER - Public Expenditure Review
RGO - Regional Governmental Organization
ROSC - Report on Observance of Standards and Codes
StC - Stakeholder Council
TA - Technical Assistance
TAB - Technical Advisory Board
TAI - Transparency and Accountability Initiative
TRP - Technical Review Panel
UN - United Nations
UNASUR - Union of South American Nations
UNCDF - United Nations Capital Development Fund
UNDP - United Nations Development Programme
WANGONeT - West Africa NGO Network
WRI - World Resources Institute
WTO - World Trade Organization

Section I

MSI Organization

Chapter 1

Framing the Issue

Amy Van

Chapter 1 Framing the Issue

Amy Van

The launch phase of any multi stakeholder initiative (MSI) relies on the establishment of a core mission and vision framework to serve as a blueprint for the as it continues to develop. The need to set an agenda is not only significant as it addresses the goals an MSI, but it also argues for the necessary existence of the initiative within the realm of MSIs, along with setting the urgent tone for agencies to join the partnership.

Given GIFT's current working proposition, *"To advance and institutionalize significant and continuous improvements in fiscal transparency, engagement, and accountability in countries around the world,"* it is important that GIFT constructs an agenda that clearly manifests why and how GIFT seeks to pursue the proposal at hand. GIFT's Stewardship committee should additionally determine strategies to build capacity through seeking partnership at the government, civil, and business sectors, and ensure their participation within the planning stages as GIFT is contextually mapped and materialized into practice.

Fiscal Management and MSIs

Tools for assessing financial management and performances of governments exist on a wide scale and are used by an array of Intern-governmental Organizations (IGO) and aid agencies alike to measure accountability and fiscal performance of the country in review. Though initially used to measure the fiscal performance status, these reports tended to be

undisclosed to the public, treated as a tool. Utilization of these assessment tools beyond just measuring government fiscal usage to also promote other good fiscal practices, such as fiscal transparency, has struggled to materialize.

Expansive projects to research and survey the current state of fiscal management on an international scale have been carried out by multi-lateral institutions in the past. In 2001,the Public Expenditure and Financial Accountability program (PEFA) was a partnership of multilateral institutions that included the World Bank, the International Monetary Fund (IMF), the European Commission, Strategic Partnership with Africa and several bilateral donors, whose combined efforts were put forth to "support integrated, harmonized approaches to the assessment and reform of public expenditure, procurement and financial accountability, focusing on the use of diagnostic instruments." [1]

Drawing from the PEFA report alone, however, weaknesses indicated on this report illustrate the overlaps and gaps between agencies and institutions that depend on and apply the assessment instruments into their fiscal agenda and global efforts. For example, overlaps were often among measurement and assessment tools, whereas action plans following fiscal diagnosis lacked enforcement and methodology. Similarly, along with the numerous fiscal instruments is the issue of diverse language in fiscal management. For example, the IMF uses its Code of Good Practices on Fiscal Transparency; the World Bank uses three main assessment reports: the Public Expenditure Review (PER), the Country Financial Accountability Assessment (CFAA) and the Country Procurement Assessment Reports (CPAR); the Organisation for Economic Cooperation and Development (OECD) has its own

fiscal transparency initiative; the International Budget Partnership (IBP) uses its own index. Separately, these methods of acquiring data on government expenditures and publication are helpful in assessing either a few selected countries or a narrow avenue of fiscal data. However, to ensure that these methods and culture of norms can coexist and be accessible on a universal scale is key within the next phase of fiscal transparency.

The objective of utilizing fiscal measurement instruments to examine and monitor fiscal management is gradually shifting towards increasing the practice of fiscal transparency. As a result, this fosters an ideal environment for the emergence of a multi-lateral platform to facilitate potential partnerships between both the public and non-public sectors in navigating the challenges of coordinating efforts towards diverse solutions.

> "The core strength of the multi-stakeholder approach is that it engages all of the interested parties, increases alignment and improves coordination of efforts, and provides access to information and open spaces for learning and improvement among all constituencies."

In short, most IGO's agenda take a top-down approach, working primarily through the hierarchy of governmental structures, whereas most NGO's embody a bottom-up approach, working within the local sphere. MSIs thus offer an alternative approach within the world of international and national agencies, creating a medium through which ideas, methods, norms, and communication of strategic action can efficiently and effectively be transferred across sectors at diverse levels.

Framing the Issue

MSIs encompass a range of actions as part of their framework to fulfill the mission at hand. An MSI may embody one or more of (and not limited to) the following measures as an avenue for resolving the core problem it seeks to resolve:

- establishing a set of norms or core principles
- conducting research through data collection or surveys
- educating certain groups
- combining, reinforcing, and facilitating efforts of agencies and networks
- providing protection to either groups of people, systems or resources

However, in order to make a palatable argument for the necessity of an MSI in an international context, framing the issue becomes key in setting the appropriate agenda and. accurately portraying the MSI and its intended duties effectively.

Different MSIs frame their issue through different mediums. Based on examples drawn from existing textual publications, MSIs use websites, reports, conferences, preambles, and external media to present their mission. According to the types of audience, the issue is framed within a specific tone and language to convey the necessity or urgency for the initiative. For example, the characteristics that shape an effective framework presented include:

- the degree of formality (particularly with diction)
- types of data, such as qualitative or quantitative evidence that currently exist on the issue

- the historical background of the issue and previous efforts
- the theoretical harms or benefits if the initiative is neglected or enacted
- the tactics in which the MSI seeks to tackle the issue.

Thus, it is helpful to look at existing MSIs and examine the models in which they have framed their issues and that best addresses the similar measures that GIFT aims to pursue.

Kimberley Process and Pressing for Compliance of Conflict Diamonds

Enacting the Kimberley Process (KP) as an international reaction to the growing violence involving diamond extractive industries and diamond-rich countries, such as Angola and Sierra Leone, was efficient compared to the foundation of other MSIs. On the timeline of KP, the official United Nations Security Council (UNSC) placed sanctions on the Angolan government, banning transactions between the government and the diamond industry in 1998. Shortly thereafter, an international coalition of NGO's formed Fatal Transaction, an initiative that sought to bring awareness and research to the conflict areas. By 2000, KP became official and internationally recognized[2].

Throughout the development of KP, the role of the media was significant in highlighting the conflict and creating a momentum for international intervention in diamond crises. Media publications, reports, and press releases, provided the primary accounts of the travesties at hand and assisted in capacity building. The media undoubtedly serviced the swift establishment of KP, and continued to do so afterwards. However, given the ambition of securing peace and establishing legitimate rough-diamond trade throughout

conflict-prone states, the various responses from international agencies indicated that a common guiding structure was needed in addressing this issue.

As a result, the Kimberley Process Certification Scheme, backed by the Interlacken Declaration in Switzerland[3] was created as not only a set of requirements for countries who wish to participate in the trading rough diamonds, but also as a global verification system proving certification under KP provisions. In addition, the international community of agencies was able to define “conflict diamond,” and by doing so, was able to set the agenda for action plans and implementation of tactics. As defined by the UN General Assembly in 2000 (A/RES/55/56):

> Conflict diamonds are diamonds that originate from areas controlled by forces or factions opposed to legitimate and internationally recognized governments, and are used to fund military action in opposition to those governments, or in contravention of the decisions of the Security Council.[4]

Thus, by differentiating conflict diamonds from legitimate diamond counterparts, the Assembly took an initial step of defining the issue by characterizing the place of diamonds in fueling conflict. The Assembly’s definition thus also gave authority to KP by framing the MSI in the realm of conflict diamonds by making KP a classifier of them. . Whereas the former is interpreted as a contributing factor into prolonging brutal wars in parts of Africa, the international community recognizes that the existence of a latter form of diamonds, within its legal standing, contributes to prosperity and development.

Therefore, in building the argument for KP, the initiative sought to first unify participating agencies by coordinating their action plans under one goal, that is, to resolve

the destructive nature of the UN-defined version of conflict diamonds. Galvanized by the sense of urgency, in part contributed by the media, the international community saw reason to engage with the contravention of rough-diamond trade. Thus, this allowed KP to form and utilize the circumstances to present its argument in a way that called for quick mobilization of support and efforts.

Global Water Partnership Systematic Facilitation of Networks and Resource Management

The Global Water Partnership (GWP) is effective in pooling together the interests of its stakeholders by framing its cause around the necessity of the resource it protects, along with its economic and political volatility. As a result, GWP successfully attracts the participation of organizations across sectors and has managed to establish an effective structure of communication that transfers ideas and best practices of water resources management across sectors.

Established in 1996, GWP has managed to become a reputable source for providing best practices methods, encouraging policy changes, and improving the livelihood of many global citizens. Because of its successful history, it has managed identify itself as a “brand” that is internationally recognizable, thus leveraging its position and influence as an MSI.

Within its mission statement, GWP addresses the fact that water, its quality and access-to, has a crucial role to play within the development and well-being of a society.

GWP backs its mission statement by stating its:

- set of core values

- its goals for the next five years[5]
- a rationale behind each goal
- how each goal pertains to all stakeholders involved

In doing so, GWP acknowledges the necessity of a pragmatic approach, both in how it addresses the diversity of its stakeholders and the diversity of its challenges and solutions:

> Moving forward, GWP's focus will be twofold. For countries well advanced in planning, GWP will emphasize local engagement and capacity building to apply improved water management and to put into practice their policies. GWP will strive to break the tired development cycle of "plan-review-study-plan" by influencing governments and others to implement integrated approaches.[6]

Within these rationales, the indication that its committees (technical, secretariat, and local expertise) will be present and involved within the stages of planning and implementation. It thus effectively portrays itself as intra-connected MSI with a governing body well-connected with the sectors in which it engages. For example, the technical committee uses its intellectual network to build further capacity and develop solutions, while those at the local expertise level directly involve themselves at the ground level particularly through its facilitation of regional GWP workshops and conferences. This demonstrates the efficiency of GWP and how its action plans can be effectively implemented through the clear delegation of duties.

This characterization of GWP's relatively decentralized governing structure contributes to its ability to coordinate each sector with a significant and vital role to the mission of GWP. GWP's Technical Committee that leads and informs policy and decision makers starts

the "Knowledge Chain", followed by its Global Secretariat that facilitates the relationship between the formal and informal links of local expertise with the executive expertise of those at the Technical Committee level. The communication link serves well at circulating ideas and issues raised at both ends while also forming incentives and establishing a purposeful level of engagement for all involved. As a result, with GWP's holistic approach in its framing-of-the-issue by addressing all parties involved, and emphasizing the links of coordination among them, this MSI is able to strengthen and sustain its core ideals.

Extractive Industries Transparency Initiative: Set of Criteria to Guide Towards Transparency

EITI advocates for transparency within the mineral extraction industry, particularly to address the issues of corruption and subsequent poverty that correlates with the lack of regulation of extraction corporations in mineral rich countries.

> EITI is organized around twelve principles. These principles encapsulate in broad strokes the emerging international consensus on the importance of transparency by governments and non- state actors, and the need for collaborative effort by the public and private sectors as well as Civil Society in ensuring accountability and good governance.[7]

These principles indirectly make a case for the cause and effect correlation between nontransparent industries and governments and the harms of corruption and poverty. EITI ensures that the institutionalizing of these codes will foster an environment of mutual benefit; in this case, revenues gained within the private sector can similarly be allocated to the society and civilians of a participating country. The statement therefore highlights the

importance of collective participation of governments, and the private and civil sector, to achieve beneficial results, a practice GWP can provide as an MSI. At the same time, the MSI attempts to convey that despite the engrained poverty and corruption often experienced by mineral-rich countries, the movement towards implementing codes of good practice at the level in which extractive-industries and governments interact, may progress the issue of stagnant development.

With its broad goal, EITI also acknowledges that in practice, it deals with individual countries with separate challenges. In particular, EITI differentiates between mining countries and countries whose extractive industries are largely oil or gas.[8] Therefore EITI seeks to ensure that these principles continue to be practiced despite the different circumstances in which different modes of implementation are being used. This ultimately helps sets the framework for EITI to better navigate the appropriate implementation of strategies while sustaining its core values. One major critique of EITI, however, is that there are limitations and unintended consequences to voluntary codes of conduct. Codes are meant to "only complement" and not necessarily "replace national and international legislation or social dialogue and collective bargaining."[9] This form of regulation, much like the Kimberley Process, requires more than just a set of codified laws, but also demands a degree of enforcement with a rewards and punishment system in place.

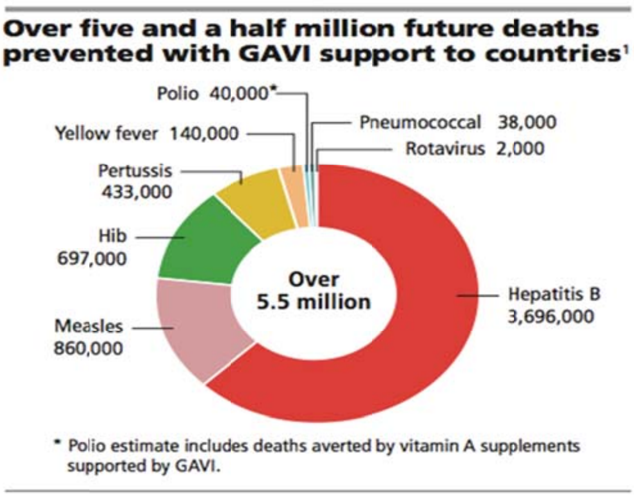
Global Alliance for Vaccines and Immunization: Protection through Data

The Global Alliance for Vaccines and Immunization (GAVI) frames its issue around

the crisis of the universal deficiency of basic vaccinations. These vaccinations can easily prevent fatal diseases amongst infants in developing countries, but have been, however, unattained by many in developing countries. The Millennium Development Goals (MDG) has not only helped create the existence of GAVI but allowed the initiative to be formed on the basis of expertise within the development field.

> In March 1999…Rather than setting up a new international organisation, the existing major players in global immunisation - the key UN agencies, leaders of the vaccine industry, representatives of bilateral aid agencies and major foundations - agreed to work together through a new partnership: the Global Alliance for Vaccines and Immunisation (GAVI).[10]

Though the civil sector is the ultimate recipient of GAVI's initiative, the MSI manages to incorporate the necessary participation of both the government and private sector. The issue of health and medical access within developing countries is in and of itself a critical issue, therefore GAVI's own set of networks with international health organizations connect governments with the right resources to relay aid to those who need it most.



Connecting quantitative data such as the mortality rate of infants due to the lack of

vaccine access in direct correlation with the negative effects on a country's GDP growth, GAVI also displays the projected number of lives that can be saved through the work of the MSI. By presenting the cost effectiveness of its preventative measures, GAVI is able to successfully rally international support through devising a market-based approach to procuring an antidote to certain medical deficiencies within the civil sphere.

GAVI's top down approach, though in contrast to GWP's decentralized system of networking, ensures that one specific agenda and approach is applied, and therefore uniformly monitored and assessed. However, because GAVI targets countries that lack capacity to provide medical resources, a country must meet GAVI's set requirements in order to be eligible to be considered a recipient.

Recommendations:

Framing the argument for any MSI requires a level of creativity and diversity of thought. It is important to consider types of audience GIFT seeks to engage, the types of medium it wants its argument presented upon, and the level of interaction its statement will encourage depending on the style in which the framework is conveyed. Within the mission of framing the issue GIFT will be addressing, it is recommended that GIFT:

- Develop a universal definition of fiscal transparency.
- Develop principles that differentiate GIFT from other fiduciary-related multilateral partnerships.

- Frame the issue of fiscal transparency in a way that includes quantitative and qualitative data. It has been expressed in the GIFT launch document that, "current research and practice shows that transparency, engagement and accountability in the management of public finances can help governments enforce fiscal discipline, manage competition for resources and send positive signals to international investors, rating agencies, and donors."[11] Therefore GIFT should use such existing data to visually and textually support its argument.
- Diversify the language in which GIFT frames its issue and utilize various platforms to spread the mission of GIFT.

Chapter 2

MSI Governance and Legal Status

Kamran Emad / David Jung / Amy Van

Chapter 2 MSI Governance and Legal Status

Kamran Emad / David Jung

One of the most critical determinants of a multi-stakeholder initiative's success is its broader governance structure. Governance is defined as "the sum of the many ways individuals and institutions, public and private, manage their common affairs." [1] In the context of multi-stakeholder initiatives, governance is typically non-hierarchical, and promotes "non-manipulative persuasion" through cross-sector learning and communication.[2] Initiatives should ideally incorporate the mandate of rules and standards regarding voting, meeting frequency, and administrative procedures, while also establishing effective regulations for group behavior and legitimizing in-group authority.[3] Additionally, a well-designed governance structure can specify appropriate communication norms within the MSI, and foster collective buy-in among stakeholders.

Governance is essential in establishing both *legitimacy* and *efficiency* within a global MSI. In this sense, *legitimacy* has two key components. The first is the "level of acceptance" among stakeholders of the broader structure of rules and norms that dictate the actions of the initiative.[4] The second is that stakeholders feel a sense of ownership within the initiative—encompassing their ability to benefit from participation, influence change, and contribute to results.[5] *Efficiency* refers to the ability of the MSI to actually deliver on its stated objectives.[6] Within an initiative's governance, the relationship between both legitimacy and efficiency can be best described as "interdependent" and also subject to diminishing returns.[7] At a certain point, the addition of stakeholder involvement will marginally increase legitimacy,

but will retard efficiency. It will be critical for GIFT to understand the numerous impacts of its committed stakeholders, and the appropriate balance of multilateral stakeholder influence.

When beginning to design a governance structure, a multi-stakeholder initiative should typically utilize a steering committee comprised of representatives of each stakeholder group and field experts to enumerate its broader objectives, specify the "desired outputs of the nascent initiative," and evaluate its stakeholder composition through a stakeholder analysis.[8] This analysis involves understanding both the origin of individual stakeholders—Civil Society, government, private sector, etc.—the individual stakeholder motivations for participation, and each stakeholder's role in each stage of organization and implementation. In the context of GIFT, this would be observable when comparing different stakeholders from both Civil Society Organizations and IGOs. The International Budget Partnership and the World Bank are both critical to the success of GIFT's long-term goals surrounding international fiscal transparency, yet each possesses a unique set of technical knowledge, beneficial at varying levels of engagement.

A clear understanding of stakeholder composition is critical in order to ensure variety of opinion, establish diverse groups, and foster cooperation.[9] Additionally, this analysis can provide insights that can strengthen the initiative's governance structure. For example a steering committee can assist underrepresented stakeholders through additional financial and capacity building assistance, which can ultimately increase governance legitimacy through increased stakeholder buy-in.[10] During this process, it is advisable to

create an accountability map or flow chart to track governance. By assessing the relative capacities of each stakeholder, GIFT can better define the scope and potential of its collective work on fiscal transparency—from setting norms and standards, to realizing the implementation of these standards on an international scale.

A multi-stakeholder initiative's governance structure is typically outlined in a number of leading documents such as bylaws and statutes. These documents are often drafted by an initiative's steering committee, or delegated by the steering committee to a specific working group. A proper leading document clearly defines roles and responsibilities for specific leadership positions and bodies, describes the organization's intent, sets procedure for meetings and voting, details membership guidelines, and also can outline dispute resolution systems. A leading document is critical because it establishes broader legitimacy and accountability for power distribution and decision-making processes—ensuring the necessary resources will be allocated so each governance function "possesses the resources, administrative capacity, and specialized technical knowledge to govern efficiently."[11] It is important to remember during this process that there is not a universal standard in governance design. As the upcoming case studies will illustrate, there are multiple approaches to governance design.

Effective Governance

During an international workshop facilitated by the United Nations Development program in 1996, a set of core characteristics were identified as essential characteristics of

effective governance[12] and can be adapted for use within the context of a global multi-stakeholder initiative's governance structure:

- Grounded in a framework of rules, such as a constitution with bylaws
- Equitable and proportionate stakeholder representation in governance structure
- Effectiveness and efficiency throughout operations
- Inclusive participation among stakeholders in decision making
- Transparent methodology for process development
- Accountability between decision makers and stakeholders
- Responsiveness to stakeholder concerns

In order to achieve these outcomes, a MSI can design its governance structure in a variety of configurations, particularly in terms of facilitation. MSIs typically share a core model of governance. This core is comprised of three governing branches—a Board of Directors/Trustees who legally represent the MSI, a permanent Secretariat comprised of staff that oversee daily activities, and a stakeholder body.[13] While MSI governance is non-hierarchal in theory, MSIs have the ability to vest authority into a Board of Directors or Board of Trustees or have a Board that is accountable to the broader stakeholder body. A secretariat is a critical piece of an MSI's governance because it can handle a variety of operational and administrative tasks such as coordinating new stakeholder engagement, streamlining coordination between various committees, and organize ad-hoc working groups. A secretariat is typically comprised of a director who oversees a variety of staff

performing different administrative and organizational functions such as communication management. A secretariat can also oversee working groups and committees.

The broader stakeholder body typically comprises working groups and committees. These groups can often function ad-hoc, as “quasi-parlimentary bodies.”[14] It is common for specific tasks to be delegated to specific members of the stakeholder body who can form these committees focusing on a specific subject area such as a finance committee or a technical advisory committee.

From an administrative standpoint, MSIs must also determine the frequency, duration, and location of general meetings and any specific meetings among committees or working groups. Rotating meeting locations can be utilized, or a specific location and annual frequency can be specified.

To balance stakeholder representation, a MSI must decide how to develop a procedure for decision-making. This can involve how votes are distributed to stakeholders, how committees are formed, how amendments are made to leading documents, and how disputes are handled between stakeholders. Some MSIs function with the broader stakeholder base voting in a traditional manner at held meetings where all stakeholders hold equivalent voting power, while others have decision making power vested with the Board of Directors/Trustees who reach decisions after consulting advisory boards, committees, and additional stakeholders.

The options of how to design a MSI’s governance structure depend largely on the intended scope of the initiative, financial resources, and stakeholder base. The following case

studies of the Forest Stewardship Council, Marine Stewardship Council, Extractive Industries Transparency Initiative, and Kimberley Process Certification Scheme provide examples of the varying governance structures utilized by global MSIs, and their comparative strengths and weaknesses. Each case study will inform a set of recommendations that GIFT can utilize to ensure long-term governance success.

Forest Stewardship Council

Mission

The Forest Stewardship Council (FSC) is an international multi-stakeholder initiative, promoting "environmentally appropriate, socially beneficial, and economically viable management of the world's forests."[15] The FSC seeks to accredit forest products with labels of certification that indicate sustainable production processes, in order to provide consumer's with increased awareness. Accredited third party certifiers verify that forest-product producers seeking FSC certification meet FSC standards. Members of FSC represent Civil Society, industry, the private sector, and ethnic groups. The FSC's governance structure and organizational standards of the FSC is outlined in the FSC's Statutes.

Governance Structure:

The FSC features multiple levels of decision-making and shared accountability.

- **General Assembly**: The FSC General assembly is comprised of all FSC members. The General Assembly is divided into three chambers—Social, Environmental, and Economic. These chambers are also subdivided into *North* and *South* chambers.

Regional chamber placement is determined by a stakeholder's country of origin. *North* and *South* indicate high-income and low-income respectively, based on World Bank definitions. Each chamber holds equivalent voting power. A "chamber system" is utilized in order to represent both stakeholder and regional interests.[16] The main responsibilities of the General Assembly are to propose any amendments to leading documents such as the FSC Statues and Bylaws dealing with certification and accreditation standards.[17]

- **Board of Directors**: The FSC Board of Directors is a nine-person board, each serving a three-year term. Three board members represent each chamber, with two out of the three members coming from both regional sub-chambers. The third board member alternates between the two regional chambers. This mechanism is designed to ensure that each sub-chamber receives consideration throughout the decision making process. The Board's main responsibilities are to approve annual budgets and strategic plans, appoint Executive staff, and exercise oversight over committees.[18]
- **Director General (Executive Director)**: The Director General oversees daily FSC Operations, and manages a full-time staff at the FSC International Center in Bonn, Germany. Some of the tasks managed at the FSC International Center include involving "indigenous and traditional peoples in the review of FSC Principles and Criteria," building strategic networks and alliances, and coordinating with both network partners and regional offices.[19] The Director General oversees the FSC Secretariat. All of this is illustrated in Figure 1 below:

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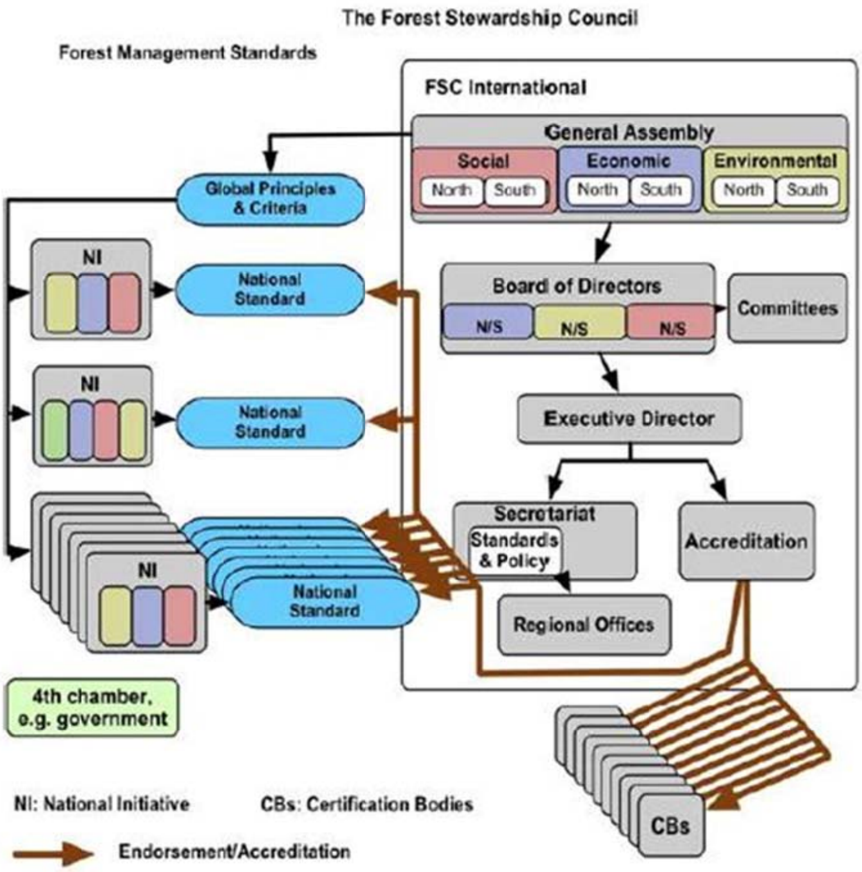
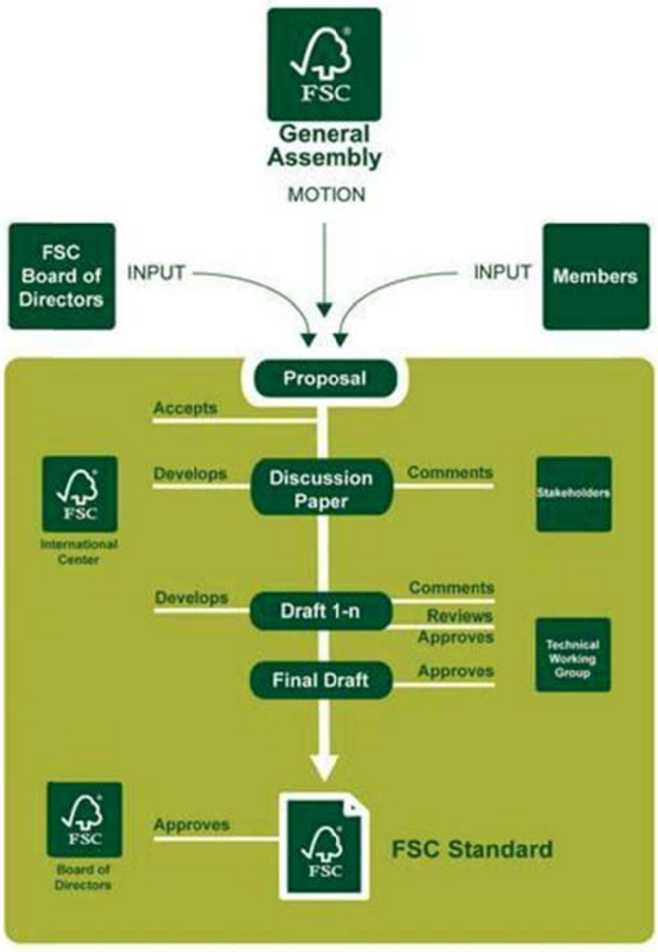


FSC Governance Structure[20]

Decision Making:

The various chambers within the FSC General Assembly are designed to counteract power differentials among the different industry, government, and civil-society stakeholders. Each chamber is represented by a proportional amount of Board members that subsequently represent each regional sub-chamber. Individuals or organizations seeking membership in the FSC are required to submit an application detailing their motivation for membership, which must be sponsored by a minimum of two existing members of the FSC general assembly. The FSC Board of Directors then ultimately evaluates the application.[21]

Voting in the FSC also features balanced stakeholder participation and decisions are made through consensus. It is important to note that in the case of the FSC, consensus is defined as "the absence of sustained opposition" not requiring unanimity.[22] Within the General Assembly each of the three chambers—social, economic, environmental—holds 33.3% of the voting power.[23] That 33.3% is then allocated as 16.66% to both the north and south sub-chambers within each respective chamber.[24] This distribution of voting power in the FSC general assembly ensures that no specific interest group or region controls critical decision-making.[25]



FSC Standard Development Process[26]

The FSC also possesses a Dispute Resolution System that allows for stakeholders to express complaints about FSC certification and accreditation procedures, operational concerns, and the broader performance of the MSI as a whole. The terms of the FSC's Dispute Resolution System

provides a mandate that all disputes are to be resolved in 90 days, and stakeholders are able to submit and track complaints and appeals on the FSC website.[27] Complaints can regard FSC accreditation practices, FSC certification bodies, and broader organizational performance.

Governance Legitimacy/Impact

The FSC's governance structure provides a model of how to increase shareholder involvement. Each industry chamber receives equal voting power, and also receives an equivalent number of representative Board members. Out of the 3 total Board members representing each industry chamber, 2 represent each regional sub-chamber. In conjunction with the built-in industry and regional chambers in both the FSC General Assembly, the FSC's process for new member applicants encourages continued diversity while involving all stakeholders in the decision-making process. Independent, third party accreditation of FSC standards is used so that the FSC can "remain outside of the assessment process" and the broader integrity of the "FSC standard and FSC system" is maintained.[28] The FSC outsources the accreditation of prospective third party FSC certification bodies to Accreditation Services International (ASI). ASI is a for-profit company founded by the FSC and independently operated. ASI works to certify third party FSC certification bodies after it is determined that the prospective accreditation body complies with both FSC standards and standards set forth by the International Organization for Standardization's requirements for a third-party operating a product certification system. This mechanism has allowed to the FSC to quickly respond to changes in forestry management, and update its standards system. On February

13th, 2012 the FSC passed a revised Principles & Criteria. The ability for stakeholders to quickly amend FSC standards and relay information to ASI is a key aspect of the FSC's success.

Marine Stewardship Council

Mission

The Marine Stewardship Council (MSC) is an international non-profit organization devoted to promoting sustainability in fishing practices and incorporating sustainability into the seafood market through increasing consumer awareness. This is achieved through the MSC's eco-label and fishery certification program. The MSC establishes MSC standards of sustainable fishing and seafood traceability for certification, and outsources the accreditation process to "accredited certification bodies."[29] MSC stakeholders are comprised mainly of industry, Civil Society, and scientific representatives. The MSC "Articles of Associations" serve as a leading document, defining the MSC's governance structure as well as procedural standards.

Governance Structure:

The hierarchical structure of MSC governance is created to establish the balance between efficiency and openness as well as a platform for growth and progress.[30] The governance structure of the MSC is defined in the Companies Act 1985, but was modified in 2001 according to a recommendation formulated after a ten-month review, which was conducted by external panel and two co-chairman, to respond to stakeholder concerns. Besides the

main governing bodies, MSC has the Chair, who is appointed from one of the trustees, and the Chief Executive who is also appointed by the trustees. In addition, the Secretary is appointed to help the Chair.

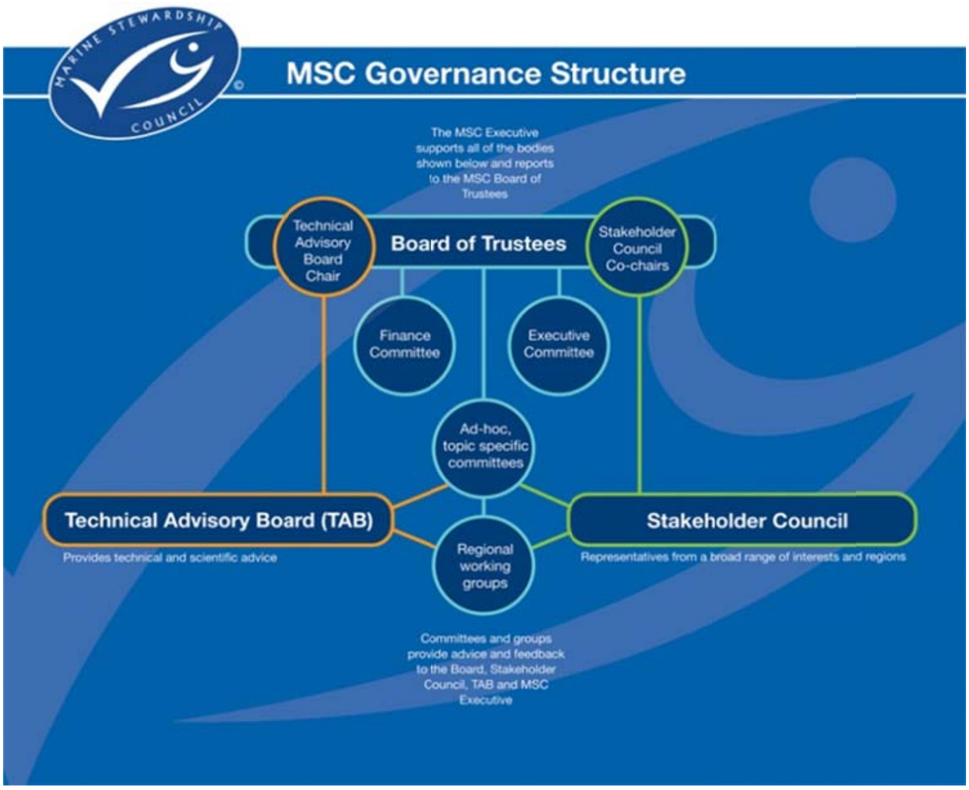
- **Board of Trustees**: The MSC Board of Trustees develops high-level strategy for the MSC, ensures that the MSC is in proper financial health and provides public accounting of expenses and income, and appoints new Board members.[31] Additionally, the Board is tasked with endorsing certification bodies, and establishing both Finance and Accreditation Committees.[32] Members of the board are chosen based on "their knowledge, expertise, and support for the MSC," and there is no membership mandate in terms of stakeholder representation.[33] However, the MSC notes that there is clear understanding that board members should represent various sectors and geographical areas.[34] The trustees are the directors of the Charity and the number of trustees must be at least 10 and at most 15, including the chair of the Technical Advisory Board and both chairs of the Stakeholder Council as trustees *ex officio* with the same obligation as other trustees.[35] Currently, there are 13 trustees. Each trustee serves a three-year term and may be reappointed prior to termination of his or her term multiple times. The main responsibility of the Board is to oversee the decision-making process, as it has no direct accountability to constituent member organizations.[36]
- **Stakeholder Council (StC):** The Stakeholder council exists to provide the MSC Board with a wide range of advice, recommendations, and opinions in order to improve

broader MSC operations. [37] The council meets at least once annually. The Stakeholder Council as a governance mechanism aims to increase stakeholder representation. Because the Board of Trustees holds the majority of decision-making power within the MSC, the Stakeholder Council provides a direct communication line between stakeholders and the Board. Similar to the approach used by the "chamber" technique used by the Forest Steward Council, the MSC Stakeholder Council is divided into two chambers: commercial and public interest. Each chamber contains up to 20 members, featuring an annually elected "co-chair."[38] The Board is responsible for appointing half of the Stakeholder Council's members, and members themselves are responsible for appointing the remaining half.[39] The Stakeholder Council Steering Group handles leadership of the Stakeholder Council by streamlining communications to the Board of Trustees. The Steering Group is of 10 members of the Stakeholder Council who are nominated from each sub-chamber.

- **Technical Advisory Board (TAB):** The role of TAB is to provide the Board with technical and scientific guidance pertaining to the MSC Standards, and certification and accreditation. The TAB also monitors ongoing fishery certifications, providing routine feedback to the Board on process improvement.[40] As specified by the Articles of Association, the Board establishes the TAB. The Board appoints each member of the TAB, and each member serves a three-year term, which may be extended at the discretion of the Board; currently, there are 12 TAB members including fisheries

scientists, seafood industry members, small-scale private fisheries, and marketing firms.

- **Committees and Working Groups**: Below in Figure 2 is a table borrowed from the MSC explanation of their governance structure displaying its inherent organization of



committees and working groups.

MSC governance structure[41]

Decision Making

The MSC Board of Trustees is responsible for the majority of the MSC's decision-making process. However, the Board works closely with both the Stakeholder Council and Technical Advisory Board. The Stakeholder Council and Technical Advisory board frequently collaborate, ensuring that broader stakeholder concerns are addressed. The MSC uses a third-

party certification program (an independent assessment) conducted by impartial experts, often in consultation with stakeholders. Through this process, any biases or prejudices will be prohibited from disrupting the certification process. In the initiation phase, stakeholders provide appropriate inputs that could contribute to certification. If the stakeholders have an objection towards the outcome of the certification, they may submit their comment to the Board through a template called the Notice of Objection. Similar to the organization's certification process, objections are assessed for legitimacy by independent adjudicators.[42]

Governance Legitimacy/Impact

The MSC's main criticisms regard the scope of MSC jurisdiction, specifically concerns raised by the governments on whether MSC standards are appropriate. Certain European governments are doubtful that the MSC, a global multi-stakeholder initiative, should attempt to govern the common-pool marine resources.[43] Thus, these governments see "MSC as a private transnational regime beyond national jurisdiction."[44]

Extractive Industry Transparency Initiative (EITI)

Mission

EITI is a global multi-stakeholder initiative comprised of governments, companies, Civil Society organizations, and investors working to promote transparency in the payment and receipts of natural resource revenues. EITI engages governments in commitments to strengthen the transparency of their national processes of use and extraction of natural

resources, and encourages citizens to hold their governments accountable for the usage of such national common resources.

Governance Structure

After the adoption of Articles of Association in Doha in February 2009, EITI established a clear legal structure. Central to the organization of EITI are the stakeholder constituencies: the countries, companies, and Civil Society organizations. EITI administration is subdivided into four entities: the EITI Board, the EITI Secretariat, EITI conference, and the EITI Members Meeting.

- **The EITI Board:** the EITI Board is the executive body of the EITI Association. Board members are elected at the EITI Member's Meeting. The Board consists of twenty members: a Chair, eight Board Members from the Constituency of Countries, six Board Members from the Constituency of Companies, and five Board Members from the Constituency of Civil Society Organizations. Nomination processes for the EITI Board Members differ from one constituency to another since EITI recognizes diversity among constituencies; thus, these various constituencies have the right to decide their internal processes. A weighted vote is given to the Companies and Civil Society organizations to balance with the Countries in terms of voting power.
    - **Countries:** The eight Board Members from the Constituency of Countries are divided into implementing countries and supporting countries. From the implementing countries, five Board Members are chosen from the countries that have obtained either Candidate or Compliant status. To maintain a

balanced representation from all countries, Board Members are elected from these three regions: Francophone Africa, non-Francophone Africa, and the rest of the world.[45] Each country that wishes to be represented on the Board nominates its own candidate to the Secretariat. Among these nominees, countries indicate via ranked ballot which person they wish to select for each of the available seats. From the supporting countries, two of the Board Members are chosen from Europe and one from the rest of the world. These members are chosen by consensus, however they are subject to rotation at any time.

- **Companies:** the six Board Members are chosen from four categories of companies: international oil and gas companies, mining companies, state-owned companies, state-owned companies and institutional investors. Each sector in the Constituency of Companies has a right to elect its own representative. All companies within each sector that wish to be included are allowed to nominate a candidate. Among these candidates, consensus is reached within each sector on election of the new Board Member.
- **Civil Society Organizations:** The five Board Members of the Civil Society Organizations are chosen from two groups: two from OECD/supporting countries and three from implementing countries.[46] Publish What You Pay, a Civil Society organization coordinating and encouraging a united response from Civil Society stakeholders to strengthen EITI, elicits the nomination

process.[47] The selection process itself is up to the current Board Members not seeking re-election for the seats. The current Board Members consult with Civil Society in their regions in order to reach a unanimous decision.

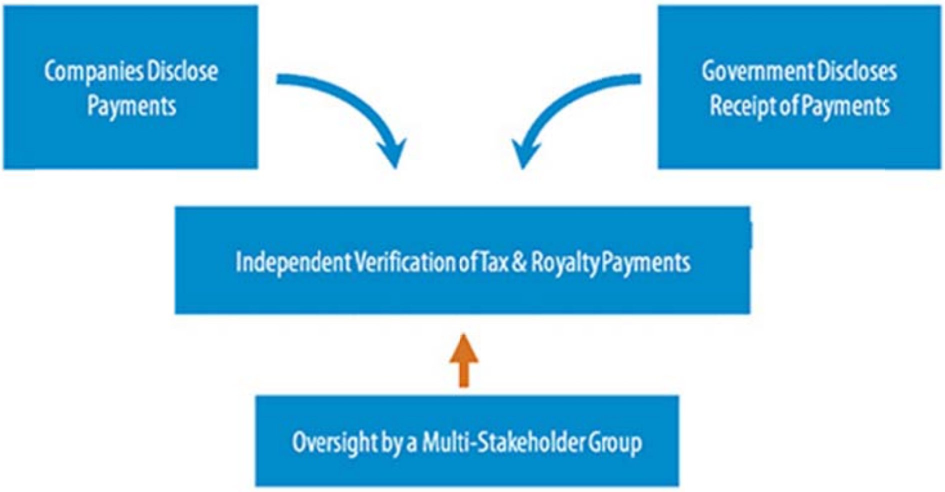
- **The EITI Secretariat:** the EITI Secretariat consists of the Head of Secretariat and the staff, and the EITI Members contract the members of the secretariat. The staff is divided into four departments: five Regional Directors, a Communication Manager, an Executive Secretary, and an Office Manager. The Secretariat is responsible for the daily businesses of the EITI Association under the direction of the EITI Board through its Chair. [48] Moreover, The Secretariat is responsible to turn policy decisions of the Board into action as well as to coordinate global efforts in EITI implementation.[49] Moreover, the Secretariat aids the local EITI stakeholders with implementation of the national EITI program and coordinates communication between supporting countries and assistance providers, such as the World Bank and the African Development Bank.[50]
- **The EITI Conference:** an EITI Conference is a non-governing body of the EITI Association, held every two years as a forum for all of the stakeholders to express opinions on the policies and strategies of the EITI Association. The EITI Board arranges the Conference and the EITI Chair assumes the role of chairman for the conference.
- **The EITI Members' Meeting:** the EITI Members' Meeting is the governing body of the EITI Association, which is held every two years at the same time as the

Conference. Members of the EITI Association make up the EITI Members' Meeting, these members being appointed by the relevant Constituency to represent stakeholder concerns. The EITI Board summons meetings, and the EITI Chair again assumes the role of the chairman of the Meeting. A main function of the EITI Members' Meeting is to elect the EITI Chair.

Decision Making

There are two levels of decision-making process present in EITI's governance: the EITI Board of Directors, and the Multi-Stakeholder Working Group (MSG). In the first level, since there are 35 countries, 61 companies, and a large number of Civil Society organizations, it is costly and ineffective to reach a total consensus on any issue. Thus, the Board of Directors receives the decision-making authority on major issues. In the second level, the MSG, a regional committee of governments, companies, and Civil Society, acts as the central decision-making body of EITI. The EITI Association sees that the MSG is a key to successful governance since the situations vary greatly from country to country. In the Republic of Albania, the Deputy Minister of Economy, Trade and Energy serves as a chairperson, and the MSG members are a compilation of six government representatives from each different Ministry, five business representatives selected by the National Network of Extractive Industries, and five Civil Society representatives selected by the National Network for Civil Society in EITI.[51] In Azerbajian, for example, MSG membership is composed of three principal members and three substitutive members from the group of companies, NGO Coalition, and Committee.

The chairman of the Committee becomes the chairperson of the Azerbaijan MSG. Each party submits the list of new principal and substitutive members to the Secretariat.[52] Below in Figure 3 is a diagram illustrating disclosure and supervisory processes of EITI governance.



Source: Extractive Industries Transparency Initiative, *EITI Fact Sheet,* EITI Secretariat, Oslo, 25 November 2010

Governance Legitimacy/Impact

The EITI has been successful in creating internal governance legitimacy because of the active participation of Civil Society stakeholders. EITI can earn legitimacy when Civil Society organizations design and oversee all the EITI works, rather than merely observing. However in some cases legitimacy of the regional EITI governance is questionable. In Nigeria EITI (NEITI), Civil Society participation has been an ongoing problem within the governance. This is mainly due to Civil Society's lack of comprehension of the extractive industry, as it requires a highly technical understanding of the extraction processes. In an attempt to address this issue, NETI facilitated the training of 120 Civil Society representatives in 2007 and 2008.[53] Also, its contradictory role as a government agency and a government watchdog

has been a major weakness. A government agency watching another other government agency is problematic "since criticism of one government agency by another within the same government could be seen as sabotage or betrayal." Similarly to situations in other countries, NEITI also incorporates a MSG called the West Africa Non-Governmental Organization Network (NSWG), serving as an oversight body for NEITI. Although NSWG's independence has been partly damaged by government interference in selection of Civil Society representatives, NEITI has been attempting to resolve the issue by signing the Memorandum of Understanding directly with the Civil Society organizations.

EITI gains legitimacy through a third party accreditation committee called the International Advisory Group. The IAG was established to resolve the challenges that EITI encounters by addressing the following questions: how can EITI evaluate whether countries are doing what they say they are in implementing EITI policy? How can EITI better understand and communicate the incentives for different stakeholders in EITI? and What management and governance arrangements will best ensure achievement of EITI's objectives? The IAG has attempted to answer these questions through its report in these four areas: validation of EITI; incentives for implementing EITI; future challenges for EITI; and future arrangements for EITI. The report of the IAG drawn up based on these questions emphasized directing the EITI to become more of a process-oriented initiative rather than a goal-oriented one.

The Kimberley Process Certification Scheme

Mission

Established in 2003, The Kimberly Process Certification Scheme (KPCS) is a global multi-stakeholder initiative comprised of government, industry, and civil-society actors. The titles of "Observer" and "Participant" are delegated to members of Civil Society/industry and national governments respectively. The goal of the KPCS is to end the flow of conflict/blood diamonds entering the international market. Conflict diamonds are defined by the initiative as diamonds "directly linked to the fueling of armed conflict, the activities of rebel movements aimed at undermining or overthrowing legitimate governments, and the illicit traffic in, and proliferation of, armaments, especially small arms and light weapons." [54]

Governance Structure

The KPCS features a very minimal amount of formal governance. As a voluntary agreement, the majority of the responsibility for implementing KPCS standards and regulations falls on the national governments of participating nations. This occurs through each participating national government establishing a "chain of custody, export and import laws, and rough diamond certificates" and incurring the majority of the "financial and organizational burden." [55] Participants agree to a set of KPCS standards, while also agreeing to not trade diamonds with any non-member state.[56] The KPCS is a voluntary treaty, and compliant participating governments are considered as meeting the minimum mandates of the KPCS. However, the KPCS has no secretariat, and relies primarily on its Chair and decentralized working groups for organizational responsibilities.

- **Chair:** The KPCS Chair is a voluntary position, held by either "key producer" or "key trading states"[57], which serves a variety of functions. Members of the Kimberly Process are required to inform the Chair on the composition of national regulatory mechanisms that meet the outlined standards of the KPCS, while the Chair also serves as a mediator in the event of suspected negligence among members in adhering to KPCS standards.[58] Additionally, KPCS meetings are held in the Chair's host nation.
- **Working Groups:** Due to the broader lack of formal organization in the KPCS, voluntary working groups carry out many critical functions. These groups are comprised of members of NGOs, national governments, and industry. All working groups are composed of volunteer members. Below is an outline of some of the KPCS working groups.
  - **Working Group on Monitoring (WGM):** The WGM deals with the implementation of KPCS standards by participants. The WGM organizes peer-review visits of KPCS participants, evaluates participants' annual reports, and deals with "crises relating to difficulties of implementation in specific countries that might endanger the integrity of the Kimberley Process."[59] The group is comprised of participating governments, Civil Society members, and industry groups.
  - **Working Group on Statistics (WGS):** The main focus of the WGS is to provide statistical information on the diamond trade, particularly production and

import/export.[60] The group is similarly composed of participating governments, civil-society members, and industry groups.

- **Working Group of Diamond Experts (WGDE):** The WGDE provides technical expertise. This commonly regards diamond classification systems, valuation techniques, and policy recommendations for customs organizations.[61] The group consists of participating governments, and the World Diamond Council.

Decision Making

At the annual meetings of KPCS Participants and Observers, decisions must be reached by consensus. These decisions potentially include adjustments to KPCS standards, or the creation of new working groups. This supports the initiative's initial design as a voluntary agreement.

Governance Legitimacy/Efficiency

The decentralized, voluntary nature of the KPCS governance structure exists due to the desire among stakeholders to quickly implement standards for stemming the flow of conflict diamonds.[62] However, this governance structure has resulted in a series of problems regarding both functionality and legitimacy. Recently, the KPCS has received harsh criticism for its response to gross violations of KPCS standards by Participants. Particular focus has centered on the status of Zimbabwe, which is currently listed by the KPCS as a compliant participant, due to the massacre of diamond miners in the Marange diamond fields by the Zimbabwean military.[63] Key civil-society stakeholders such as the NGO *Global Witness* have withdrawn support for the KPCS entirely, citing KPCS's lack of a "permanent secretariat,"

processes of "insufficient monitoring," and "consensus decision making" as key inhibitors to the initiative's success.[64] Global Witness was a member of the KPCS's Working Group on Monitoring, and their withdrawal will likely jeopardize the group's performance. It can be inferred that the KPCS's emphasis on voluntarism is conducive to stakeholder apathy particularly regarding participant governments.

Recommendations:

Governance is a critical aspect of a successful global multi-stakeholder initiative. The previous case studies provide examples of how various MSIs have designed their governance structures. The Forest Stewardship Council and Extractive Industries Transparency Initiative both utilize a governance structure that is built around a core Board of Directors, Secretariat, and broader stakeholder base. The Forest Stewardship Council's Governance structure is clearly outlined in a set of leading documents (bylaws, statutes), and equitable stakeholder representation is achieved throughout the governance structure as a result of the chamber system of stakeholder classification. The addition of regional north and south sub-chambers ensures that varying geographic regions are not excluded from the decision making process. Each chamber and subgroup is proportionately represented in both the General Assembly and Board of Directors. The FSC Director General oversees a secretariat, working daily to streamline communications and operations between regional offices, and to improve FSC processes. The EITI Secretariat serves a critical bridge function

between implementing governments and resource providers. An effective secretariat is critical for both organizational and administrative support.

The use of third party monitoring of fiscal transparency standards set by GIFT is advisable. Both the MSC and FSC utilize third party monitoring systems. This has allowed both groups to maintain agility in standards development. Utilizing a credible third party to monitor compliance will allow GIFT to focus on process improvement while maintaining the initiative's broader integrity.

The Kimberley Process Certification Scheme evidences the negative effects of the absence of a credible governance structure. An emphasis on voluntarism in the KPCS has increased the prevalence of "shirking" among Participants, and left serious accountability voids. There is no Board of Directors/Trustees or Secretariat. Civil Society stakeholders have abandoned the initiative entirely, raising broader concerns about the initiatives overall legitimacy. The lack of a credible governance structure has been conducive to shirking, particularly due to the limited oversight in how KPCS Participants enact national reforms. To combat the problems of free-riding and stakeholder apathy, GIFT needs a credible governance structure, strong monitoring systems—taking shape in either specialized committees or through third party evaluation—and governance mechanisms that promote the continuous improvement of process development through cross-sector knowledge sharing.

GIFT will need to arrive at numerous conclusions during the customization of their specific governance structure. There is no empirical evidence to support whether having a

Board of Directors/Trustees accountable to the stakeholder base, or a Board of Directors/Trustees accountable to the stakeholder base is more effective. Gift will need to analyze what organizational strategies are more effective given the initiatives scope and stakeholder base. This Task Force recommends that GIFT:

- Utilize a steering committee to conduct a stakeholder analysis. This will involve understanding individual stakeholder motivations for membership, desired outcomes, industry, and technical/subject area expertise. This analysis will also inform subsequent governance mechanism design.
- GIFT should design its governance structure around a core Board of Directors/Trustees, Secretariat, and broader stakeholder base. Governance should ensure a balance between different stakeholder interest groups to protect against any domination during the decision making process and to encourage participation. This will result in an open dialogue conducive to learning, negotiation, and process improvement.
    - This structure should be outlined in a set of leading documents (constitution, bylaws, statutes, etc.) made easily accessible to both stakeholders and the public. Transparency is key.
    - Diversity can be institutionalized throughout governance mechanisms by utilizing a chamber and sub chamber organization scheme similar to the FSC where voting rights are distributed proportionately. Additionally, this can be achieved through mandating diversity within working groups and

committees; for example having at least 2 members of each stakeholder group incorporated in each governing body at all times.

- Develop a dispute resolution system for stakeholder complaints.
    - This can be achieved through the creation of a dispute resolution committee.
    - The Kimberley Process provides a powerful example of how the lack of an agile dispute resolution system can alienate critical stakeholders.
- GIFT should utilize a third-party monitoring system to ensure that standards for fiscal transparency developed by GIFT are properly implemented by participating national governments.
    - GIFT will need to determine if an independent body should be founded, similar to ASI by the FSC, or if private-sector auditing services are appropriate given the values and goals of GIFT.

Legal Status
Amy Van

Within the initial phase of its development, an MSI will define its legal status based on a legally recognized body and in doing so, the MSI's efforts are validated because a codified body of principles backs its formation and efforts. In addition, these articles of code will dictate certain foundational eligibilities and governance processes to assume the following: forms of establishment, the organization of the foundation's charter, accounting and auditing duties and abilities, modes of addressing organizational defects or modifications, supervision, and the terms and conditions if the foundation dissolves. With the stakes of the foundation and codified articles, a greater accountability is attached to the MSI's development, practices, and execution.

The following are formal types of models that either appear frequently amongst bodies of working MSIs or are models worth considering: not for profit; for profit/company; IGO/government; mixed nonprofit and for-profit; mixed for-profit and government; mixed nonprofit and IGO/government; or mix of all three. Most MSIs tend to include the non-profit or government sector within its legal body, with the for-profit sector appearing significantly less. Depending on the form of legal accreditation, an MSI and thus its agenda are then bounded by these codified rules presented through a specific and thematic set of articles.

Based on the launch strategies of GIFT and its Steward Committee, the following MSIs embody a model of formal organization that GIFT should consider upon locating its own legal status.

- A formal organization comprised of IGO's/Governments:

The Kimberley Process (KP), recognized under the United Nations General Assembly Resolution 55/56 (2000), highlights the "role of trade in conflict diamonds in fueling armed conflict, which called on the international community to give urgent and careful consideration to devising effective and pragmatic measures to address this problem."[1] The resolution adopted by the General Assembly expresses the concern about conflict diamonds and recognizes the need for international action, including relevant resolutions by the Security Council, welcoming individual countries' launch for inclusive consultation between private and public sectors on national schemes to verify the certification and practice towards curbing the rate of conflict diamonds. Additionally, the voluntary nature of KP relies on national governments for all of its implementation of standards and action plans, and thus has legal statuses at the regional government level as well.

- Mix of nonprofit and IGO/government:
- The Global Alliance for Improved Nutrition (GAIN) is an independent nonprofit foundation that gains its legal meaning from chapter three, article 80-88 of the Swiss Civil Code[2]. In the code, specific articles allow foundations to emerge through either "public deed or by testamentary disposition," in which it is entered through a specific commercial register based on its charter for an unlimited amount of time. The

foundation may depend on its own governing bodies to create its charter, however it may be challenged by the founders' heirs or creditors, be overseen by the supervisory authority in case of defect, and may dissolve under unlawful or immoral conditions, or in circumstances when it is unable to maintain its charter's provisions. In regards to the nonprofit sector, specifically NGOs, this may be beneficial due to the slim, inter-governmental nature of the Swiss Civil Code in which the foundation receives ultimate say and its affiliates are backed by a body of governments. Mix of nonprofit, for-profit, and IGO/Government

Global Water Partnership (GWP) is independent of a legal personality, and has established itself as an autonomous IGO. Through this type of framework, GWP is then able to establish its own statutes that determine the eligibility of partnerships with government agencies, public institutions, private companies, professional organizations, multilateral development agencies, and others committed to the Dublin-Rio principles. GWP may also delineate its own financial and internal governance systems.

The legal form of an MSI, thereafter, lays the foundation of principles to be employed by the initiative's governing body, and within the scope of the MSI's development the legal status can therefore offer insights into drafting an agenda.

Recommendation:

- Determine the types of legal organizations that best complements the current working principles of GIFT.

- Consider how the legal definition of GIFT may aid or impede establishment of its own statutes and potential partnerships with certain institutions.

Chapter 3

Funding

Zena Park

Chapter 3 Funding

Zena Park

Funding is a crucial component for the success and effectiveness of global multi-stakeholder initiatives in that monetary stability provides the financial backbone and fiscal authority to enact and enable the initiative's goals and missions. MSIs have multiple channels from which they can generate these funds, ranging from non-profit organizations to private donors. The annual budget size of the MSIs examined in the GAN database range dramatically; while some, such as the Global Fund, receive contributions in the millions, others such as the Kimberley Process, lack a fixed budget entirely (GAN Database). It is important to note that this variation may depend on procurement strategies as well as necessity. Additionally, determining strategies for efficient fund distribution is of equal importance in the makeup of a successful MSI.

Securing Avenues of Income

Successful MSIs are able to connect with and attract donors by focusing on a crucial collective issue and striving to resonate these goals with that of potential contributors'. These issues usually affect a broad scale of people, groups, or organizations, which creates room for a large support base. In this way, an MSI can create a structured channel that connects like-minded organizations and groups working toward a specific issue. The key for creating a global network and funding base is focusing on issues that are pertinent on a global and emphasis on collective benefit from fund utilization. Once connections are established, it is

beneficial for the MSI to maintain long-lasting relationships with its contributors, as this will make them more likely to donate again in the future.

Unfortunately, simply making a connection with like-minded campaigns or organizations is not enough to secure an adequate financial base; MSIs must then find a way to lobby funds from such groups and ensure that enough money is received annually to operate and carry out initiatives. Many MSIs do so via third party or larger umbrella organizations such as the World Resources Institute (WRI), the World Bank (WB), or Publish What You Pay. These organizations will be discussed in detail with their corresponding case studies. Others convene through forums and summits to gather sponsors and supporters. Within these forums, organizations, governments, and institutions pledge their contributions to various causes.

Partnership for Principle 10 (PP10)

The Partnership for Principle 10 is a global forum to encourage environmental preservation and smart practices concerning the Earth's natural resources.

> "Inhabitants of the world must learn how to take care of our natural resources. Be smart when using natural resources, every person has to take care of the place where he or she lives in to protect our planet and be able to keep it save for future generations…environmental issues can be best handled with the concern of all the citizens… Pp10's goal is YOU to be more apprehensive of this matter" (PP10.org).

The rhetoric used by PP10 serves as an example of clearly demonstrates a collective benefit pertinent on a global scale; the statement of its goals in advocating environmental

preservation and applying better practices when using natural resources underscores the importance of collective support to match collective improvement, creating the potential for global financial support; the PP10 points to the fiscal demands of such global action: "PP10 encourages partners to make specific commitments…and to facilitate the provision of international financial support" (WRI.org). As a result, the MSI makes an appeal to a variety of supporters, emphasizing a global community responsibility reliant on and greatly aided by fiscal contribution by like-minded organizations and country governments.

PP10 builds on the Access Initiative, which is a coalition of 25 different Civil Society groups working to improve policy regarding environmental concerns. More specifically, PP10 is a project of the World Resources Institute (WRI), a leading organization of this coalition and a global environmental think tank working towards environmental preservation (UN.org). The WRI oversees PP10 and coordinates financial resources through fundraisers and accordingly allocates these funds toward the PP10 project.

As a result of these strategies, PP10 continues to maintain relationships and secure funds from various donor agencies. Below is the contribution list from 2009-2010, which shows the active participation of many organizations that share the same values and beliefs. (PP10.org):

Citi Foundation	A	Markets and Enterprise Program
Open Society Institute	A	Institutions and Governance Program
Anonymous Major Donor	A	People and Ecosystems Program
Western Governors' Association	A	Climate & Energy Program
ARD, Inc.	A	Institutions and Governance Program

Norwegian Ministry of Foreign Affairs	A	Climate & Energy Program
Norwegian Ministry of Foreign Affairs	A	Institutions and Governance Program
Bill and Melinda Gates Foundation	A	Institutions and Governance Program
The Energy Foundation	A	Climate & Energy Program
ARD, Inc.	A	Institutions and Governance Program
U.K. Department for International Development	A	Climate & Energy Program
United Kingdom Foreign and Commonwealth Office	A	Climate & Energy Program
Irish Department of Foreign Affairs	A	Various
The World Bank	B	Institutions and Governance Program
Shell Foundation	B	EMBARQ
Institute for Sustainable Communities	B	Climate & Energy Program
Norwegian Ministry of Foreign Affairs	B	External Relations
Norwegian Ministry of Foreign Affairs	B	Climate & Energy Program
German Technical Cooperation	B	Institutions and Governance Program
Anonymous Foundation	B	Climate & Energy Program
African Development Bank Group	C	People and Ecosystems Program
Ministere De L'Environnement, Conservation de la Nature	C	People and Ecosystems Program
Royal Danish Ministry of Foreign Affairs	C	People and Ecosystems Program
Norwegian Agency for Development Cooperation	D	Institutions and Governance Program
Bloomberg Philanthropies	E	EMBARQ

*** Level of Funding in US$**
A = 100,000 - 500,000
B = 501,000 - 999,999
C = 1,000,000 - 1,999,999
D = 2,000,000 - 4,999,999
E = 5,000,000 - 9,999,999

Global Alliance for Improved Nutrition (GAIN)

GAIN is an MSI working to improve nutrition and health globally, especially in underdeveloped nations. “Nutrition has gained tremendous momentum on the global agenda… Malnutrition is a global issue that affects billions” (gainhealth.org). Much like the Partnership for Principle 10, GAIN focuses on an issue that is prevalent in every country, making it pertinent to the agendas of not only like-minded organizations and foundations, but individual country governments as well.

In order to build financial support, GAIN has made the strategic decision to build public private partnerships with various institutions to share ideas and resources to combat global malnutrition. These partners include businesses, governments, NGOs, and academia among others. Examples of multi-sector partnerships established by GAIN are National Fortification Alliances and the Iodine Network, which supports at the country level. Similarly, business investments are encouraged through business partnerships called the GAIN Business Alliance, which was founded in 2005. An annual GAIN Business Alliance is held every year to bring together businesses and companies to encourage financial support and participation.

By using these strategies, GAIN is able to secure eager and willing donors via financial partnerships and relationships. The list below shows GAIN’s top contributors (gainhealth.org):

Bill & Melinda Gates Foundation: The Bill & Melinda Gates Foundation helps reduce inequities in the United States and around the world.

CIDA - Canadian International Development Agency: CIDA’s aim is to reduce poverty, promote human rights, and increase sustainable development.

CIFF - The Children's Investment Fund Foundation: CIFF aims to deliver large-scale, long-term transformational advances for children.

DFID - Department for International Development: DFID is a United Kingdom Government Department whose goal is to promote sustainable development and eliminate world poverty.

Dubai Cares : Dubai Cares is a philanthropic organization working to improve children's access to quality primary education in developing countries.

Government of the Netherlands

Irish Aid: Irish Aid is the Government of Ireland's program of assistance to developing countries.

KBZF - Khalifa Bin Zayed Al Nahyan Foundation: The foundation is an independent entity dedicated to delivering aid and services to the poor and students in all parts of the world.

USAID – United States Agency for International Development: USAID is an independent federal government agency that supports long-term and equitable economic growth.

Wellcome Trust: Wellcome Trust is a global charitable foundation dedicated to achieving extraordinary improvements in human and animal health.

Distribution and Allocation of Funds

Another best practice for securing finances is to clearly outline the fiscal strategy used by each MSI to maximize effectiveness in achieving its goals and ensure that finances are being spent in a manner that is agreeable to all parties involved. First, MSIs should be responsible for in-house fiscal transparency, publishing spending reports, creating fiscal agendas, utilizing third-party auditing services, and making budget allocation transparent to the public and to potential donors. Encouraging contributors to continue financing an MSI relies upon the contributors' ability to monitor spending and decide whether investments are being spent acceptably, as we will examine in the case of the Global Fund MSI. Lastly, MSI's

must be able to prioritize and distribute funds based on need and urgency, and should determine specific fiscal needs that must be fulfilled by contributors and donors in order to fulfill the goals of the MSI.

The Microcredit Summit Campaign

The Microcredit Summit Campaign is a global summit working to extend microfinance to the world's poorest families and more specifically, to empower the women of these families.

The Microcredit Summit Campaign exemplifies best practices in the areas of providing progress reports to stakeholders and locating and allocating funds to the world's more destitute populations. This is crucial since the mechanism of distributing funds must ensure that the maximum number of funds reach the most poorest in the cheapest way possible. Annually, the campaign releases a "State of the Campaign" report that details progress for that year. Data is collected from over 3,900 different organizations and provides details of how far microfinance has reached those in need. The campaign's ultimate goal is,

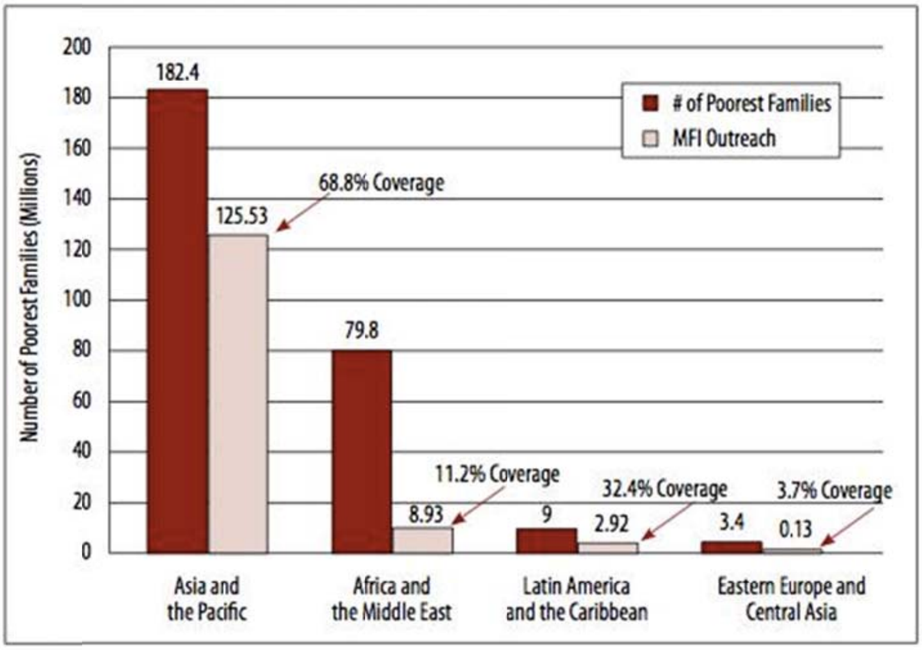
> "to ensure that 100 million families rise above the US$1.255 a day threshold between 1990 and 2015 and to ensure that 175 million of the world's poorest families, especially the women of those families, are receiving credit for self-employment and other financial and business services by the end of 2015" (microcreditsummit.org).

The following data shows the impact that the campaign has made since its founding, so that contributors and supporters know where their dollars are going.

Table 7: Regional Breakdown of Microfinance Data

Region	Number of programs reporting	Number of total clients in 2009	Number of total clients in 2010	Number of poorest clients in 2009	Number of poorest clients in 2010	Number of poorest women clients in 2009	Number of poorest women clients in 2010
Sub-Saharan Africa	1,009	10,776,726	12,692,579	6,360,861	7,248,732	3,935,808	4,783,256
Asia & the Pacific	1,746	156,403,658	169,125,878	117,178,142	125,530,437	97,385,541	104,752,430
Latin America & the Caribbean	647	12,257,181	13,847,987	2,834,742	2,919,646	1,935,685	2,363,100
Middle East & North Africa	91	4,552,387	4,290,735	1,492,322	1,680,181	1,217,113	1,165,358
Developing World Totals	**3,493**	**183,989,952**	**199,957,179**	**127,866,067**	**137,378,996**	**104,474,146**	**113,064,144**
North America & Western Europe	86	148,628	155,254	109,318	41,809	56,651	12,214
Eastern Europe & Central Asia	73	5,996,500	5,202,069	233,810	126,636	163,318	62,294
Industrialized World Totals	**159**	**6,145,128**	**5,357,323**	**343,128**	**168,445**	**219,969**	**74,508**
Global Totals	**3,652**	**190,135,080**	**205,314,502**	**128,209,195**	**137,547,441**	**104,694,115**	**113,138,652**

Figure 7: Regional Breakdown of Access to Microfinance*



* **Figure 7** compares the regional outreach of microcredit with data on people living on $1.25 a day found in the World Bank's *2011 World Development Indicators* (http://data.worldbank.org/data-catalog/world-development-indicators/wdi-2011) and further verified with PovcalNet (http://iresearch.worldbank.org/PovcalNet/povDuplic.html).

The methodology behind how these recipients were located and how the data was collected was also strategically formulated to ensure that programs were indeed reaching out to the most destitute. The Progress out of Poverty Index (PPI) and the USAID Poverty Assessment Tool (PAT) are tools used by the campaign to locate and measure the prevalence of poverty within underdeveloped regions. These consist of data collection and surveys to analyze household characteristics, conditions, and poverty levels.

Once the poorest families are located, funds are distributed through "autonomous apex funding organizations" (microcreditsummit.org) at regional and sub-regional levels. These microcredit funds are the most cost-efficient and ensure the quickest way to distribute microcredit services to the poor.

> "[microcredit funds] can perform two major functions: financial intermediation and development of sustainable microcredit institutions…In order to keep the fund free from political interference and bureaucratic tangles, the autonomy of the fund must be recognized by the government and all other stakeholders" (microcreditsummit.org).

By implementing these institutions, access to microcredit grew substantially in the world's poorest regions. An example of this is a Pakistani microfinance institution called the, Palli Karma-Sahayak Foundation (PKSF).

Year	No. of POs	Cumulative no. of POs	Funds outstanding (US $)
1990-91	23	23	55,710 (Tk 3.0 mill)
1991-92	27	50	531,102 (Tk 28.6 mill)

1992-93	31	81	2,436,384 (Tk 131.2 mill)
1993-94	18	99	4,969,332 (Tk 267.6 mill)
1994-95	17	116	8,519,916 (Tk 458.8 mill)
1995-96	12	128	13,596,954 (Tk 732.2 mill)
1996-97	22	150	22,724,109 (Tk 1223.7 mill)
1997-98	20	170	48,486,270 (Tk 2611.0 mill)
1998-99	12	182	76,840,803 (Tk 4137.9 mill)
1999-2000	07	189	108,599,210 (Tk 5848.1 mill)

Following the implementation of the PKSF, access to microcredit increased significantly. This is due to the fact that,

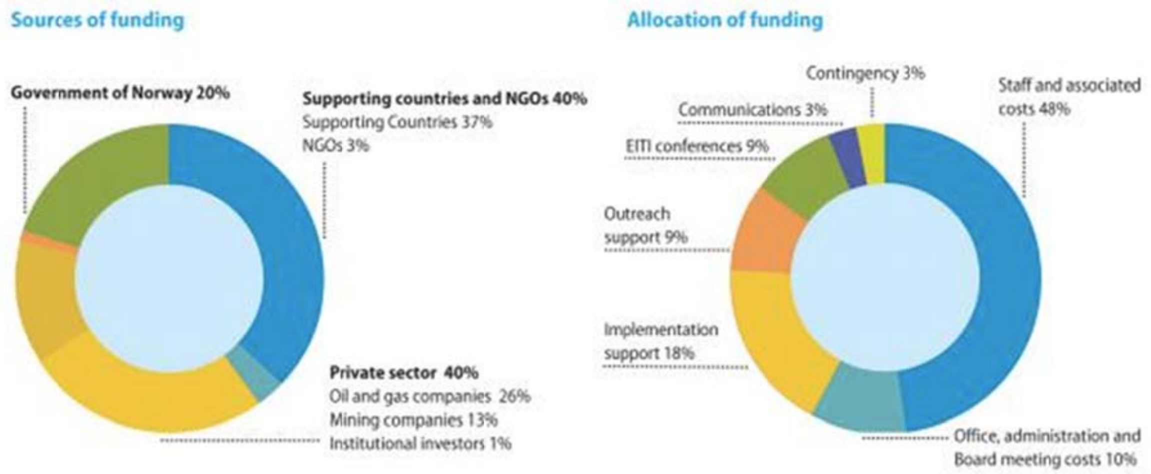
> "Funds provided by MCFs are cost-effective and can reach the poor and the poorest without any leakage. Out of every dollar, it is expected that nearly 100% of it will go to help support institutions serving the poorest" (microcreditsummit.org).

Due to such practices in the areas of allocation and distribution, the Microcredit Summit Campaign has attracted over 30 loyal partners and contributors since its founding.

Extractive Industries Transparency Initiative (EITI)

EITI uses a special formula to determine how funding is distributed to ensure that finances are being divided equally and fairly between sectors. Similarly, the ways in which

funds are distributed within the MSI are clearly outlined as well. This information is readily available to the general public.



According to the EITI,

> "This budget is raised from all the supporters of the EITI according to a funding formula. The principles of the funding formula are as follows:
>
> 1. The private sector and supporting countries share the principle responsibility for the international management costs of the EITI with the support of Civil Society organizations and the host government, Norway. The companies and supporting countries should pay the same.
> 2. The costs of the validation are to be met by the governments of the countries being validated.
>
> The Board will ensure that no single constituency or single stakeholder dominates the level of funding" (EITI.org).

The EITI mandates that its participating countries and organizations adhere to Publish What You Pay – a global network of organizations advocating transparency in the extractive industries. "PWYP undertakes public campaigns and policy advocacy to achieve disclosure of information about extractive industry revenues and contracts" (publishwhatyoupay.org). "The EITI provides an internationally recognised framework for

companies to publish what they pay and for governments to disclose what they receive" (EITI.org). By doing so, the EITI regulates how funds are being spent by participatory governments and companies and to ensure that they align with the values of the MSI.

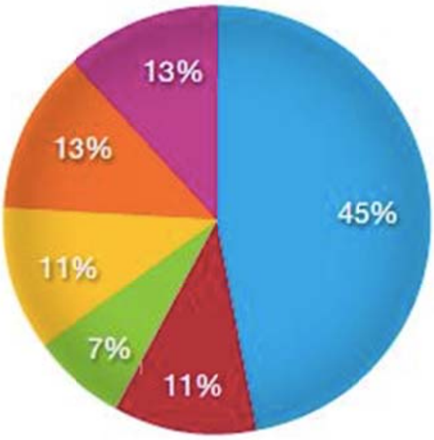
Additionally, a multi-donor trust fund managed by the World Bank is a source used by many donors to financially support EITI countries. This fund allows contributors to directly sponsor EITI countries. However, to ensure that funds are going to countries that are fully adhering to the EITI codes of conduct, these countries must first demonstrate their commitment to the initiative, provide timely progress reports, and must meet specific criteria. (EITI.org)

Through these methods the EITI is able to financially support 14 developing countries including Ghana, Niger, Azerbaijan, Mongolia, and Peru, as well as monitor over 21 candidate countries such as Iraq, Indonesia, Chad, Guatemala, and Tanzania.

Global Alliance for Improved Nutrition (GAIN)

"GAIN keeps close track of its income and expenditure and applies strict policies to ensure transparency and accountability to its supporters and partners. Deloitte, GAIN's auditor, has consistently given GAIN's accounts a clean bill of health" (gainhealth.org).

GAIN's auditing service, Deloitte, provides detailed annual reports outlining financial statements and spending. Similarly, budget allocation information is easily accessible to fiscal stakeholders on GAIN's website. The following figures illustrate the clear nature of GAIN's expenditures, donations, income, and grants from 2010-2011.



FINANCIAL YEAR 2010-2011 EXPENDITURES BY PROGRAM

Population based	45%
Partnerships	11%
Performance Measurement and Research	7%
Policy and Advocacy	11%
Targeted	13%
Corporate Administrative Services	13%

During the current financial year total receipts from donors came to USD 13,794,260 (2010 – USD 48,492,747)

	2010 USD	2011 USD			
DONOR	Income Deferred 30 June	Funds Received FY 10-11	Income Deferred 30 June	Income Accrued 30 June	Income Recognized FY 10-11
Bill and Melinda Gates Foundation	60,694,062	5,151,019	36,468,486	2,399,083	31,775,679
Government of the Netherlands, MFA	391,733	3,444,977	1,735,894	547,966	2,648,743
Khalifa Bin Zayed Al Nahayan Fndtn.	5,697,848	-	3,962,623		1,735,225
Government of the U. K., DFID	-	-	-	1,261,304	1,261,304
U.S. Government, AID	-	2,000,000	774,934	-	1,225,066
The Wellcome Trust	-	275,000	-	-	275,000
Irish Aid	-	1,491,121	1,387,921	-	103,200
Dubai Cares	-	1,432,143	1,369,466	-	62,677
	66,783,643	13,794,260	45,699,325	4,208,353	39,086,894

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2011
(with 2010 comparative figures)

	Note	2011 USD	2010 USD
INCOME			
Donor income	9	39,086,894	27,305,446
Other income		410,640	265,053
Bank interest		418,673	367,247
TOTAL INCOME		39,916,207	27,937,746
OPERATING EXPENDITURE			
Staff related expenses		13,151,479	9,756,758
Consulting and professional services		8,794,549	6,210,392
Project grant expenses	12	8,001,113	4,936,611
Travel and meeting expenses		4,128,847	4,339,198
Office rental		1,068,684	649,291
Operating expenses		764,667	581,807
Communication and information technology		875,602	474,839
Depreciation		513,047	403,337
Printing and postage		334,882	361,258
Irrecoverable VAT		189,879	341,212
Exchange differences, net		(575,511)	121,739
Bank charges		66,614	54,971
TOTAL EXPENDITURE		37,313,852	28,231,413
Surplus (deficit) of income		2,602,355	(293,667)
Surplus, beginning of year		18,733,792	19,027,459
SURPLUS, END OF YEAR		21,336,147	18,733,792

Major Grants	**Short Term**	**Long Term**	2011 USD **Total Payable**	2010 USD **Total Payable**
National Food and Nutrition of Zambia	-	956,329	956,329	956,329
Chinese Center for Disease Control	476,670	-	476,670	-
Government Of Uganda, Ministry of Finance, Planning and Economic Development	200,000	142,238	342,238	581,053
Helen Keller International, Tanzania	300,000	-	300,000	-
Nutrition Center of the Philippines	285,000	-	285,000	-
Population Services International, Kenya	124,390	-	124,390	-
United Nations Childrens Fund, Bangladesh	115,455	-	115,455	801,646
Other grants (19-totaling)	280,519	195,998	476,517	1,611,001
	1,782,034	1,294,565	3,076,599	3,950,029

New grant contracts signed in the year total USD 21,346,245 of which USD 7,238,244 was paid out to sub-grantees during the year and the remainder of USD 14,108,001 is undisbursed as at 30 June 2011 and is not included in the grants payable in accordance with GAIN's policy for accounting.

The Global Fund to fight AIDS, Tuberculosis, and Malaria

The Global Fund is an endeavor to increase access to resources for those affected by AIDS, Tuberculosis, and Malaria in underdeveloped areas.

In 2011, The Global Fund was reprimanded by the public for having some of its funded programs misuse up to 2/3 of funds in corrupt and fraudulent ways (the Economist). The Global Fund Inspector General's Office (OIG), a separate auditing unit within the MSI, uncovered this corruption thus, reinforcing the need for fiscal transparency and closely monitored programs.

Since then, the Global Fund has exemplified best practices by applying fiscal transparency to how its funds are managed, to ensure that contributors are well informed, and to underscore their firm stance on financial accountability. According to the Global Fund's Executive Director, Professor Michel Kazatchkine, "Transparency is a guiding principle behind the work of the Global Fund and we expect to be held to the highest standards of accountability" (theglobalfund.org).

The Global Fund is additionally taking measures against misused funds by suspending grants, freezing cash disbursements, and demanding returns on misused funds, which are monitored by both the Global Fund Secretariat and the Global Fund Inspector General's Office. The Global Fund Secretariat within the MSI,

> " manages the grant portfolio, including screening proposals submitted, issues instructions to disburse money to grant recipients and implementing performance-based funding of grants…and is tasked with executing Board

> policies; resource mobilization; providing strategic, policy, financial, legal and administrative support; and overseeing monitoring and evaluation" (theglobalfund.org).

Stringent measures, outlined by the Global Fund Monitoring and Evaluation Toolkit, are in place to regulate grants and to ensure that they are being spent correctly. This is characterized by performance-based funding to participatory countries meaning that, "the Global Fund links financing disbursements to the achievement of targets proposed by the countries (and approved by the Global Fund)"

In order for a program to be approved,

> "[the program] begins with the development of a proposal by...the Global Fund Secretariat. These proposals are reviewed by the Technical review Panel. Those that are recommended for funding and approved by the Global Fund board will enter into the grant negotiation stage with the Secretariat. The grant is then signed with the Principal recipient and enters into the implementation stage, when funding is provided for the proposed activities" (theglobalfund.org).

In addition to these guidelines, the 35-page handbook details specific regulations that programs must follow in order to receive funding from the MSI.

Furthermore, additional measures to promote financial transparency are being developed.

> "In March 2011, the Global Fund Board called for the creation of an independent, high-profile panel of international experts to review its systems and ensure that its approaches to preventing any kind of misuse of funds are among the strongest in the world" (theglobalfund.org).

As a result,

> "Since 2001, the Global Fund has attracted US$ 4.7 billion in financing

> through 2008. In four rounds of funding, the Global Fund has approved grants worth US$ 3.4 billion through more than 300 grants to 127 countries, including those with the greatest present disease burden and those at risk of future disaster. Approximately sixty percent of this total is for Africa; nearly 60% is for AIDS. Half of the money will be used by governments; half by non-governmental partners. Nearly half is for the purchase of medicines and commodities, and half is for infrastructure, training and other support costs" (theglobalfund.org)

An example of funding decisions made after following these measures can be found in the 2009 rounds. In addition to the breakdown of how funds were distributed, information on rejected proposals and rationale for these decisions are available to the public on the MSI's website.

> "90 Round 9 disease proposals (including HSS requests) and National Strategy Applications (NSA) in 69 different countries approved, in principle, by the Board on 10 November 2009. It is noted that the TRP funding recommendations are collectively intended to be subject to a 10% adjustment downwards for efficiency, resulting in an adjusted maximum Phase 1 upper-ceiling funding of US$ 2.38 billion" (theglobalfund.org).

- *East Asia & the Pacific* - US$ 473.6** million for 12 disease proposals (including HSS requests) in 7 countries
- *Eastern Europe & Central Asia* - US$ 107.6** million for 12 disease proposals in 10 countries
- *Latin America & the Caribbean* - US$ 185.5** million for 17 disease proposals (including HSS requests) in 14 countries
- *North Africa & the Middle East* - US$ 87.3** million for 5 disease proposals (including HSS requests) in 5 countries

- *South West Asia* - US$ 233.8** million for 8 disease proposals (including HSS requests) in 6 countries
- *Sub-Saharan Africa: East Africa* - US$ 709.4** million for 11 disease proposals (including HSS requests) in 9 countries
- *Sub-Saharan Africa: Southern Africa* - US$ 258.9** million for 7 disease proposals in 6 countries
- *Sub-Saharan Africa: West & Central Africa* - US$ 592.1** million for 18 disease proposals (including HSS requests) in 12 countries (theglobalfOund.org)

Policy Considerations

Of these MSIs examined, we were unable to find one that clearly indicated a fiscal amount that was required to operate a successful budget. Without this information, it is difficult for donors and contributors to know how much is needed for an MSI to be successful. Thus, this may be a crucial component that MSIs should consider adding in the future. Similarly, organizations are often reluctant to take on financial obligations when funding and distribution practices are vague or unclear. Thus, MSIs must clearly state their missions and goals in order to attract funding sources and build trusting, lasting relationships with these organizations. The allocation and distribution of these funds must also be transparent so financial stakeholders are aware of where their money is going. Information on this should be made publicly available through by publishing various progress reports and

detailed data. Contracting third-party auditing services, (see GAIN as an example), further ensures that MSI's are using honest practices when distributing and allocating money.

Recommendations

Best funding practices have proven to be essential to the makeup of a successful MSI. By using these cases studies as examples, GIFT must now strive to incorporate and promote these strategies to participating governments' agendas. These will be crucial in the next steps that GIFT takes toward fiscal transparency:

- Seek organizations and donor agencies whose missions align with the MSI
- Publish fiscal agendas and spending reports
- Provide progress reports to stakeholders
- Increase transparency of budgets and allocation
- Prioritize and distribute funds based on urgency of needs
- Determine specific fiscal needs
- Develop long-lasting partnerships with donor agencies
- Perform audits regularly by third-party agencies

Chapter 4

Legitimacy and Implementation

Sarah Serizawa

Chapter 4 Legitimacy and Implementation

Sarah Serizawa

For an MSI to achieve its objectives, legitimacy is essential during the initiation process for attracting a group of leading stakeholders and participating countries. Once the MSI secures a leading group, the determinant of legitimacy shifts from its *potential* to achieve stated objectives to its *performance* in achieving these. The first section of the chapter will therefore focus on an MSI's potential for realizing its objectives as the source of legitimacy. This chapter will then focus on MSI enforcement strategy options that would yield positive results and thereby reinforce legitimacy. The paper will underline various strategies that existing MSIs apply to increase legitimacy and improve enforcement and then conclude with recommendations for Global Initiative for Fiscal Transparency (GIFT).

Legitimacy

A MSI's legitimacy at the initiation stage depends on its potential and likeliness to produce positive results and achieve its objectives since there are no tangible results or historical reputation. Therefore, the most effective approach is to explicate the potential of its mission through:

- a clear statement of its values, goals, and strategies that are urgent and relevant in the global context
- clear connections to global norms

- a combination of sponsorship from a group of leading stakeholders and participation from a number of countries

As the management expert Alfred Chandler has stated, *structure should follow strategy*[1], and an MSI's objectives and strategy are crucial to building a reputation. In addition to the statement of purpose and strategic plans, obtaining support from multi-stakeholders such as multilateral organizations, Civil Society organizations, NGOs, and major corporations at the initiation stage is crucial for an MSI to demonstrate to other prospective stakeholders its credibility in the eyes of peers.

Potential: Urgency, Relevance, & Linkage to Global Norms

In order to secure a group of leading stakeholders and participating countries, a MSI must first demonstrate its potential through the expressing the urgency and relevance of its mission in the global context and with links to global norms. One MSI that was launched recently and has been successfully gaining increasing support from multiple stakeholders is the International Aid Transparency Initiative (IATI), which is an initiative aimed to increase the transparency of aid spending. The IATI's success in terms of legitimacy has been its linked to its adoption of global norms, which demonstrated the urgency and relevance of its mission to potential stakeholders. The most influential linkage was the Accra Agenda for Action (AAA), which is IATI's founding principle that arose from the Paris Declaration on Aid Effectiveness (2005) and serves presently as an international standard as a part of the Paris Declaration.[2]

IATI's success in conveying its urgency and relevance and thus obtaining a group of leading stakeholders in a short time period is attributed to the timeliness and responsiveness of the AAA to issues of aid effectiveness and development concerns, as well as its linkage and subsequent integration into the Paris Declaration (2005). The inauguration of the AAA took place at the 2008 High Level Forum of Aid Effectiveness, an international forum aimed to discuss the ways to reach the United Nations' Millennium Development Goals.[3] Initially, the United Kingdom's Secretary of International Development, Douglas Alexander, suggested setting international transparency standards by which donors can be assessed, and his speech eventually led to the incorporation of the AAA into the Paris Declaration[4]. The introduction of the AAA improved the core principles of the Paris Declaration and reaffirmed the urgency of aid transparency through the proposal of three additional areas of improvement that are crucial for aid effectiveness, including strengthening country ownership, fostering a stronger inclusive partnership, and delivering measurable and accountable development results.[5] Upon endorsing, IMF Deputy Managing Director Murilo Portugal said, "The IMF fully endorses the AAA and we will continue to support our member countries and the donor community in meeting the objectives laid down in the agenda,"[6] showing its full support for the new principles.

<u>The importance of adopting the AAA for the legitimacy of IATI is that it directly connected IATI to a reputable international standard. the AAA's success in demonstrating the global urgency of aid transparency for development additionally brought light to the urgency, relevance, and significance of IATI.</u> In fact, IATI, which was founded upon and

launched to enforce the objectives outlined in the AAA, explicates its mission in the IATI Accra Statement in accordance with the goal of delivering measurable and accountable development results through the AAA. The IATI Accra Statement was agreed to by a variety of international donors, including the Ministry of Foreign Affairs of Finland, Irish Aid, the World Bank, the UK's Department for International Development, the United Nations Development Program, International Monetary Fund, and the William and Flora Hewlett Foundation.[7]

Stakeholder support of IATI is clearly in part due to its basis on the AAA and expression of its mission, lending more legitimacy to the MSI. When the United Nations Capital Development Fund (UNCDF) became a signatory of IATI, for example, UNCDF announced that the MSI is "committed to the highest standards of transparency and accountability…Joining IATI means our work—from strengthening financial sectors and making them more inclusive, to working with local governments to improve infrastructure investment and delivery of basic services—will meet the highest international standards of transparency,"[8] stressing the AAA objectives as international standards of transparency. Moreover, when Hilary Clinton declared the U.S. support for IATI, she spoke of the importance of transparency for aid and development globally, "Increased transparency is vital for improving the impact of aid overall." She showed the alliance of the aid objectives of the U.S. and those of the AAA as she emphasized the importance of sustainable development, "Some funding might help fill short-term budgets, but…these quick fixes won't produce self-sustaining results."[9]

Potential: Sponsorship From Leading Stakeholders

Even if an MSI carries urgency for solving the global issues and potential to achieve its objectives, it does not carry the same legitimacy that it would with sponsorship from leading stakeholders. For instance, after several years of an inactive phase since its launch in 2001, the United Nations Global Compact—which is a MSI that encourages businesses to commit to implementing sustainable and socially responsible policies—elevated its legitimacy significantly with increased governmental support in 2007.

Initiated by the former United Nations Secretary General, the Global Compact sparked interest among many organizations when it was presented at the World Economic Forum in 2001. Although the initiative was officially launched with letters of commitment from a number of companies, labor organizations, and a few international NGOs such as Amnesty International after the forum, it lacked the support of governments and intergovernmental agencies. It was not until 2007, the year in which Secretary General Ban chaired the Global Compact Leaders Summit and began his tenure, that it received government funding[10]. The Summit assembled over 1,000 chief executive officers, government ministers, heads of Civil Society and labor organizations from all over the world; it was "the largest event ever convened by the United Nations on the topic of corporate citizenship."[11] It was at the Summit that the Global Compact acquired intergovernmental support and thus a political license to operate, for "political support acts as an enabling

condition for advancing and deepening the relationship between the various parties involved."[12]

The Global Compact's vital role in improving the partnership between the United Nations and private sector in terms of corporate citizenship has been recognized by a series of consecutive United Nations General Assembly resolutions entitled "Towards Global Partnerships."[13] Since the Summit, it has drawn greater financial support for operational functions and administrative infrastructure from governments, including the G8 leaders. Today, with the Global Compact Office and seven UN agencies at its core, the initiative has 8,000 participants, including over 6,000 businesses in 135 countries around the world. With the support of the United Nations and multiple governments and thus its renewed legitimacy, the initiative was able to attract a greater number of sponsors and participants from the public sector, private sector, and Civil Society organizations of all levels and intergovernmental agencies.

Legitimacy & Enforcement

Before the Global Compact was officially launched, CEOs of multinational corporations, the International Chamber of Commerce, and several labor union leaders—who took an interest in the initiative—encouraged that the Compact establish a "formalized organizational structure" for better coherence and legitimacy. While an MSI should function as a network rather than an organization or a corporation, <u>it must have a coherent organizational structure and management system to evince its credibility and ability to yield</u>

positive results and therefore sustain legitimacy. Thus, effective enforcement strategies are the following:

- an auditing and monitoring function that ensure the transparency, accountability and quality of the initiative
- an extensive publicity that ensures the engagement of the stakeholders and the public.

Transparency & Accountability: Auditing and Monitoring

In order to increase credibility of an MSI, it is necessary to have a transparency and accountability system *for* the initiative itself. The Global Alliance for Vaccines and Immunization (GAVI) has an advanced system for the transparency and accountability of its own initiative called the Internal Audit ("IA"), which was enacted after the implementation of the Transparency and Accountability Policy. IA is an independent function that examines and evaluates the adequacy and effectiveness of the initiative's governance, risk management process, system of internal control, and the quality of performance in achieving GAVI's goals and objectives; it inspects not only the Secretariat but also the programs and activities carried out by GAVI's grant recipients and partners. In addition to monitoring the initiative's adequacy in terms of implementation and operation, IA also audits the details of internal control processes at the Secretariat and country level including "income, non-grant expenditure, internal projects, information and communication, grant application and grant awards, funds disbursement, and risk assessment processes."[14]

To ensure the adequacy, independence, and objectivity of IA itself, the IA Terms of Reference outlines the three aspects of its responsibility—Audit Planning, Reporting, and Periodic Assessment—as follows:

> **Audit Planning:** IA shall *regularly* submit to the CEO and Audit and Finance Committee an *up-to-date summary of the audit work schedule*. The budget for the function is *prepared and presented annually…Any significant deviation from the formally approved work schedule* shall be communicated to the CEO and the Audit and Finance Committee *through periodic activity reports*.
>
> **Reporting:** A written report will be prepared and issued following the conclusion of each audit or review and *will be distributed as appropriate*. A copy of each report will be forwarded to the CEO and the Chairman of the Audit and Finance Committee. The audit report ordinarily will contain the *auditee's response and corrective action (to be) taken* in regard to the specific findings and recommendations, including a timetable for anticipated completion and a justification for any recommendations not addressed. IA shall *monitor the appropriate follow-up* on audit findings and recommendations. All significant findings will remain in an open issues file until cleared.
>
> **Periodic Assessment:** …In addition, in conformity with The Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing,* an external assessment will be conducted at least every five years by a qualified

> independent reviewer from outside the organization. The results of these internal and external assessments are communicated to the CEO and with the Audit and Finance Committee [Italics added].[15]

The most notable of the IA's operation guideline, as they are italicized above, is that it mandates formality, regularity, and timeliness in planning, reporting, and assessment of audits and reviews for future improvements. For instance, though a reviewer of the initiative, IA must also be checked for its adequacy and performance through regular up-to-date summary of the audit work schedule. Additionally, the internal control processes are systemized for efficiency as the annual budget must be prepared and presented, and any changes to the formally approved work schedule must be reported to the CEO and Audit and Finance Committee through periodic activity reports. Since the mission of the Internal Audit is to increase efficiency and effectiveness of the initiative, IA is also required to include corrective action recommendations in their audits and reviews and monitor the follow-up on those findings. Lastly, an external auditing institution reviews IA to ensure its independence and objectivity. GAVI's credibility in terms of financial management and implementation has been noted in the UK Department for International Development's Multilateral Aid Review with the following comments: "Clear and transparent allocation system," and "strong financial oversight including a proactive Finance and Audit Committee, an internal Auditor appointment, and a robust Transparency and Accountability Policy."[16]

Publicity: Actively Engaging the Stakeholders and Public

What is also important for a MSI to continue its effort and achieve its objectives is the support of the stakeholders and public. In order to maintain support, it is necessary to engage the stakeholders and public through an active publicity, which would also heighten its legitimacy. An active publicity include a wide range of actions such as regularly releasing reports and opening meetings about the MSI's updates to highlight its progress and to address the current problems, allowing external reviews and evaluations of the initiative and its operation, and partnering with other organizations, MSIs, and/or campaigns to endorse the common cause.

Regular reporting and meetings about the MSI's status, progress and results, as well as the problems for the MSI, stakeholders, and public, is effective not only because it helps keep those involved engaged and reach out to potential supporters but also because it serves as the resources and evidence for external reviewers and evaluators of the MSI and its work. For example, the Global Water Partnership in Central and Eastern Europe was able to engage the public on its issues by initiating a project. Funded by the UN Development Programme (UNDP) Global Environment Facility (GEF) and carried out by the GWP chapters in Slovakia, Hungary, and Ukraine, the project addressed the competing interests of farmers and planners that needed to be taken into account when restoring the Bodrog Basin floodplain ecosystem, improving biodiversity, and reducing the risk of flooding. Public involvement had positive side effects, such as eliminating illegal disposal and curtailing releases of untreated wastewater. Involving farmers makes them more amenable to requests to forgo

some of their activities in favor of floodplain restoration, even though this may affect their profits.[17] The project was able to address the issues to the public and engage them to solve some of the problems. Additionally, the GWP publishes a series of its case studies, including this particular project documentation, to showcase its successes, progress, and results.

Such documentation is necessary not only for public engagement but also for external assessments of its initiative, which can then further deepen stakeholder and public engagement and thereby strengthen MSI legitimacy. For instance, the UK Department for International Development's Multilateral Aid Review, which has reviewed a number of MSIs such as the GAVI, outlines in its section "The Assessment Framework" that one of the criteria is that the MSI "routinely publishes project documentation and project data."[18] It suggests the value of publicity and thus transparency as its review of the Global Fund to Fight AIDS, Tuberculosis and Malaria reads, "The Fund's decision to publish and require recipients to publish procurement data has been a major driver for a range of innovations in transparency."[19]

Lastly, another effective way to increase stakeholder and public engagement and thus legitimacy is to partner with other organizations, MSIs, and/or campaigns with the related cause. The Global Alliance for Improved Nutrition (GAIN), for instance, has actively been partnering with other organizations to further promote its cause. Recently, GAIN partnered with PATH with the mission to strengthen rice fortification efforts in Brazil through the latter's Ultra Rice fortification technology, funded by the Bill and Melinda Gates Foundation funds the project.[20] By partnering with other organizations to take the cause a step further

and achieve greater goals, the legitimacy of its mission and as a MSI increases just as the GAIN and PATH were both able to obtain funding from the Bill and Melinda Gates Foundation. Another example of a campaign strengthening an initiative's legitimacy is IATI. Several months after the IATI was agreed to launch, in June 2011, IATI initiated a global campaign called the Make Aid Transparency Campaign, which the Engineers Without Borders Canada also helped promote.[21] In the Publish What You Fund's press release about Canada International Development Agency's joining IATI, it states, Engineers Without Borders Canada have been working towards this development with impressive campaigning throughout 2011. We congratulate them on keeping up the pressure to realize this huge achievement."[22] Aidinfo also released a similar press release, congratulating their effort.[23] The global campaign that was endorsed by a number of organizations, including the Engineers Without Borders, helped legitimize and incentivized CIDA's joining.

Recommendations:

Some of the key recommendations are as follow. First, to increase legitimacy, it is necessary that GIFT highlights the urgency, relevance and significance of its issue through a clear statement of its values and goals, as well as explicit connection to the existing global norm. As it was evident with the IATI, it would be more effective if GIFT:

Has a mission statement that integrates or is integrated into international standards and goals, or global norms, which would increase trust and willingness to endorse the initiative

Assemble more leading stakeholders, governments in particular - necessary as its

membership is still insufficient in terms of numbers and variety

have the following factors:

- an internal and/or external auditing function that checks its financial management and thus transparency, accountability, and an internal function that oversees and assesses its operation and implementation and gives recommendations for corrective actions for accountability and quality
- an active publicity, including regular reporting of the stakeholders and public about its status, progress, and results, allowing reviews, and allying with other organizations, MSIs, and/or campaigns with the related cause.

Section II

MSI Coordination Strategies

Chapter 5

Government Engagement

Iara Beekma

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Multi-Stakeholder Initiatives (MSIs) engage in partnership with an array of actors as a means of collaborating towards a common goal. MSIs bring together governments, Civil Society, intergovernmental organizations, and the private sector in an attempt to close the 'implementation gap' the 'regulation gap' and the 'participation gap,' also known as the 'three deficits.' The 'implementation gap' refers to the notion that a disconnect exists between implementing a program for working flexibly, and making such a program function. Therefore, MSIs attempt to enhance regulations that are poorly implemented.[1] MSIs can be viewed as networks that provide avenues "for cooperation and joint problem-solving in areas where intergovernmental regulation is non existent," in this manner they are able to close the regulation gap.[1] While intergovernmental organizations tend to be dominated by powerful governments, MSIs attempt to close the participation gap by incorporating partners who are underrepresented and do not have a voice. As brought to light by Karin Bäckstrand:

> (Multi-Sectoral) Networks potentially close the implementation gap by connecting local practice and global rules in a flexible and decentralized manner. Partnership networks can also decrease the regulation gap by complementing multilateral treaty making with voluntary problem solving and self-regulation. Finally, partnership networks reduce the 'participation gap' in global governance by including a diverse set of stakeholders and intergovernmental actors. [2]

It is by collaborating with actors from different sectors that MSIs are able to address specific underlying issues and attempt to tackle the 'three deficits.' By relying on the

comparative advantage of each partner, global networks benefit from this structure, as different agencies have a diverse set of resources and capacities to offer. Many scholars argue that it is the different sectoral backgrounds and the division of tasks among the various actors that leads to higher influence.[1] Partnerships allow for the division of labor in accordance with each stakeholder's comparative advantage, subsequently enhancing efficiency and effectiveness.[3] The assets of each sector is captured in the following table:

SECTOR	CORE BUSINESS	MAIN ATTRIBUTES
PUBLIC SECTOR	*The rule of law by:* • Creating frameworks for economic, political and social rights and generating political commitment to development • Developing regulations and standard - setting mechanisms as well as adherence to international obligations • Providing public services to ensure basic needs and rights are met	'Rights' driven, the public sector provides access, information, stability and legitimacy
BUSINESS SECTOR	*Investment and trade by:* • Creating goods and services • Providing employment opportunities, innovation and economic growth • Maximising profits for investors to ensure further investment that will allow the business to continue to innovate	'Profits' driven, the business sector is inventive, productive, highly focussed and fast
CIVIL SOCIETY	*Social development by:* • Creating opportunities for individual growth and creativity • Providing support and services for those in need or excluded from mainstream society • Acting as guardians of the public good	'Values' driven, civil society is responsive, vocal, inclusive and imaginative

Table[4]

This section focuses specifically on the involvement of the public sector within the framework of MSI's. First, it will address the qualities that governmental agencies offer global networks. Secondly, this chapter focuses on the ways in which federal governments and government bureaus have aided the development of MSI"s and the approaches different MSI's such as the Global Alliance for Improved Nutrition (GAIN), Extractive Industry Transparency Initiative (EITI), and Global Water Partnership (GWP) take in engaging and cooperating with the public sector in order to carry out their overall mission. Thirdly, an analysis of the shortcomings and effectiveness of government involvement is offered. Lastly, this section will conclude by offering recommendations for the ways in which the Global Initiative for Fiscal Transparency (GIFT) could partner with the public sector both in its initial stages and once the initiative has achieved a more advanced state in an effective manner.

Comparative Advantage of the Public Sector

The indispensible properties that government's bring to the table, specifically, is that they are able to provide the necessary legal framework that is required for MSI's to effectively carry out their mission. As made evident by GAIN, governments hold the rule of law because they are able to create an economic, political, and social framework, which they can then use as a tool to work towards sustainable development. [4] Additionally, many governments are in the position to provide policy advice to other governments. For instance, Canada, provides policy advice to countries implementing the EITI in order to "promote

more effective resource revenue management" in resource rich countries, that continue to live in poverty.[5] Government and government bureaus are also in the position to create political commitments (nationally and internationally) towards development efforts, which give the MSIs more legitimacy. Furthermore, the public sector is able to create regulations and standard-setting mechanisms in order to ensure the mission is being carried out as desired. MSIs benefit from government participation because states must adhere to international obligations. Additionally, governments are in a position to provide public services to ensure that basic needs and rights are met. [4]

State-Centrist Theory

Scholars arguing for the state centrist theory suggest that in order to make a difference in world politics sates are crucial actors in collaborative efforts. Governments are the only "agents that can engage in legally binding agreements with other governments" and are the "only agents that can enforce agreements within their jurisdiction."[1] These scholars believe that it is not possible to achieve significant progress on sustainable development without the role of the state. More specifically, sustainable development depends on powerful states, which have the necessary resources to support the initiative and already hold legitimacy. Furthermore, state centrist theorists argue that the influence of global networks increases "with the degree of involvement of governments."[1] In other words, the more that powerful states participate, the more effective the global network will be.

State centrist scholars also argue that networks that are initiated by influential states have a higher chance of reaching their mission than networks initiated by private corporations or nongovernmental organizations.[1] Since partnerships are a voluntary approach, and the various actors collaborating with in it are not accountable to a world government, they are more likely to cooperate when states are involved. This notion can be attributed to the fact that governments posses, at least for the most part, more legitimacy than other actors involved, such as the private sector. While the private sector is 'profits driven' the public sector is 'rights driven," hence granting the governments more legitimacy.[4]

Options for Government Engagement Practices

The following section gives an overview of the varying strategies MSIs employ when cooperating with governments. The categories governments fall under will be addressed, as well the different roles they play. Furthermore, the different process each actor must go through in order to become either a supporting, financing, implementing, or member partner will be discussed.

The Role of Governments within MSIs

Supporting vs. implementing countries

When cooperating with Governments, many MSIs such as GAIN and EITI either engage with these agents as supporting governments or implementing governments. Supporting or home governments ideally serve as role models for host countries, where MSIs

are implemented. Home countries tend to mirror the mission's goals in that they acquire the factors that a specific MSI wants to implement in countries that lack them, for instance, fiscal transparency. EITI, an MSI aimed at increasing revenue transparency over payments and expenditures in countries that derive their wealth from natural resources, is a network that follows the aforementioned dynamic between supporting and implementing countries. The EITI collaborates with supporting countries that already follow good governance practices; these are governments that demonstrate a commitment to governance, transparency and accountability, hence, justifying their non-implementation.[6] Canada, for instance, serves the role of a supporting government in the EITI, for it possesses the qualities that this MSI is attempting to spread across various resource rich countries that continue to live in poverty. [5] As stated on the official Canadian Natural Resources site:

> EITI's transparency and accountability objectives are consistent with Canada's official development assistance policies on strengthening democratic governance, combating bribery and corruption, and strengthening the contribution of the private sector to poverty reduction through more responsible corporate practices. [5]

The EITI strategically partners with countries that have objectives that are consistent with those of their initiative and vice versa. GAIN, an MSI aimed at reducing malnutrition worldwide, is another example of this form of relationship, engaging countries that do not suffer from issues related to malnutrition such as Canada, the Netherlands, and the United Kingdom, to play the role of supporting partners. The only criterion to become a supporting country of the EITI is to make a public endorsement of the initiative.

Implementing countries are those in which MSIs attempt to carry out their overall mission because these countries situations reflect the issue that an MSI seeks to alleviate. For instance, Bolivia, a country in which 60% of the population lives under the poverty line and many suffer from malnutrition, was an implementing partner under GAIN. This MSI partnered with Bolivia's Ministry of Health and Sports in order to put forth a program designed at mitigating child malnutrition and nutrition deficits among women of reproductive age.[7] Implementing countries under the EITI, on the other hand, are those that suffer from the "resource curse," the inverse relationship between resource abundance and economic growth as a result of mismanagement of resource revenues. [8] An example of a country that finds itself in this situation would be Mongolia.

Although the EITI is a voluntary approach, there are various principles and criteria that implementing countries must comply with. The fist step an implementing country must take is to become a "Candidate." Countries do this by publicly announcing their commitment to the EITI and demonstrate that they have met the first four validation indicators of this MSI. In order for an implementing country to then obtain "Compliant Status" it must show that it has "fully implemented EITI and has undergone a successful external validation in line with the EITI validation indicator." [9] Only when a country gains this status does EITI then become implemented. Once a country has been validated, there is the possibility of losing that status if it does not continue following EITI principles.

The Global Water Partnerships cooperates with governments in a different way than both GAIN and EITI. Instead of categorizing countries as supporting and implementing

countries, GWP divides governments into three classifications, financing partners, sponsoring partners, and Regional and Country Water Partnerships. The Financing Partners consist of government bureaus such as the Dutch Ministry of Foreign affairs, which contribute to core and programmatic funds. These are all countries from the global North. Sponsoring partners, on the other hand, consist of countries that signed the Memorandum of Understanding establishing the Global Water Partnership Organization (GWPO) in 2002 such as Pakistan, Argentina and Sweden. [10] By signing this memorandum sponsoring partners are tasked with appointing the Chair, members of the Steering Committee and the Auditor and are also held accountable to the guiding principles of GWP. [10] Regional Water Partners (RWP) and Country Water Partners (CWP), "provide a neutral and multi-stakeholder platform for dialogue and facilitating change processes."[11] More importantly, Regional and Country Water Partners govern themselves and bring together stakeholders to address specific issues and share their knowledge on good practices. [11] In order to become a RWP or a CWP, they must follow the Conditions for Accreditation and need to adhere to the guiding principles of GWP. [12]

Financial, Technical, and Political Assistance

Funding

Generally across MSIs, supporting or financing governments are responsible for providing economic assistance to implementing governments – as evidenced by the approach taken by GAIN, EITI, and GWP. In the case of GAIN, supporting governments such as the

Netherlands, Canada, and the United Kingdom engage as donors. GAIN collaborates specifically with aid bureaus such as the United Agency for International Development (USAID), Canadian International Development Agency (CIDA), and the Swiss Federal department of Foreign Affairs among other governmental departments.[13] Not only does GAIN cooperate with specific government bureaus, but also partners directly with the Federal Government of the Netherlands. The Dutch government helped launch this MSI and is therefore the overseer of the entire initiative.[14] EITI and GWP also depend on specific agencies from the public sector to provide them with financial assistance such as the Ministry for Foreign Affairs the Netherlands, the Federal Ministry for Economic Cooperation and Development of Germany, the Norwegian Agency for Development Cooperation, a specialized board under the Ministry of Foreign Affairs.[15] While the EITI and GAIN refer to governments who provide financial aid to their initiatives as supporting countries, the GWP refers to them specifically as financial partners. Although the terms vary, their roles remain the same within the financial sector.

Aid Disbursement

Supporting countries under the EITI distribute funds to implementing countries through the Multi-Donor Trust Fund (MDTF). For instance, a coalition of government departments including the Canadian International Development Agency, Finance Canada, Foreign Affairs and International Trade Canada, and Natural Resources Canada, made an initial contribution of $750,000 and made an annual contribution of $100,000 from 2008 to 2011. [5] Although the World Bank (WB) Group is in charge of administering the funds to

implementing governments, the Management Committee establishes the work plan. This committee consists of the WB and governments who have contributed more than $500,000 to the fund.[5] Similar to the EITI, funds provided to GAIN are executed by the WB.[5] For instance, Bolivia received a grant of US$2.64 million from GAIN to help carry out "a "national food fortification program to reduce vitamin and mineral deficiency", for which the WB served as the facilitator. [7]

Technical Assistance and Capacity Building

Donations made by supporting governments are largely used to support technical assistance programs. Technical support generally refers to training and capacity building provided for countries that plan on adopting these initiatives or are considering the option and do not have the means of doing so. An approach taken by EITI, for instance, is to make advisers and consultants available to implementing governments in order to assist the implementation process; supporting governments then share international best practices. [16] EITI does so by using the funds made available through the MDTF.

The GWP works collectively with various actors in order to provide the necessary support for governments to implement GWP. Financial aid goes towards governments who do not have the financial means or appropriate policies in place in order to carry out GWP without the assistance of this global action network.[17] Consequently, increasing the local capacity of implementing countries to help develop and manage water resources. Although neither financing nor sponsoring governments provide direct technical assistance to

implementing countries, the GWP consists of a Technical Committee, which is funded by the sponsoring governments such as Austria and Denmark. This committee is made up of 12 professionals that are recognized worldwide who are selected based on their experience related to integrated water resources management to guide policy makers. The Technical Committee also provides “advice and support, and facilitates sharing of knowledge and experiences at regional and country levels.” [18]

GAIN is another global action network that provides technical assistance. This MSI does so by offering “assistance on the design, implementation and evaluation of nutrition programs in general and food fortification in particular to ensure that all projects are as effective as possible.” Capacity building is an essential part of a MSIs technique to ensure that the program is carried out in the desire manner.[19]

Political Assistance

GAIN has been able to carry out its operations in more than 25 countries by partnering with the public and private sector.[20] Supporting countries partnering with Gain serve various functions aside from financial and technical assistance, they also provide political support. GAIN partners with implementing countries, where (supporting and implementing) government bureaus such as the Ministry of Health and Agriculture, businesses, international organizations and Civil Society agencies, referred to as the National Fortification Alliances support the initiative.[21] Together these actors provide funding to GAIN in order to work on “policy, legislation and regulation and “consumer awareness

campaigns around fortification and training in fortification techniques and quality assurance for government officials and staff in mills, refineries and plants." [21] Governments tend to function as the executing body for National Fortification Alliances and implement fortification projects. [21]

A Consideration in Choosing Government Engagement Strategy

Failure to Close the Participation Deficit: North-South Divide

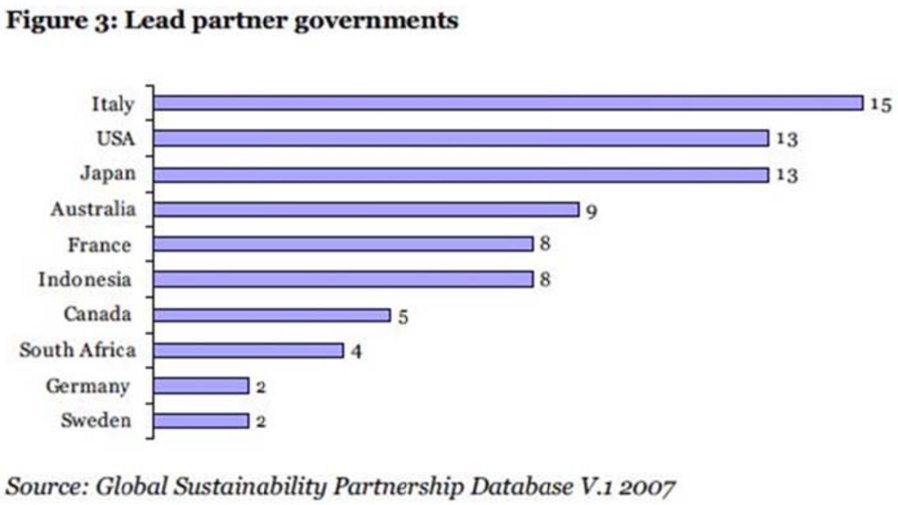

Figure 2[1]

Multi-Stakeholder Initiatives attempt to address the participation deficit by engaging in partnership within underrepresented groups. As brought to light by Frank Bierman and his co-authors:

Already principle 10 of the 1992 Rio Declaration on Environment and Development stipulated that 'environmental issue are best handled with participation of all concerned citizens, at the relevant level," and at the Rio Summit the notion of major groups was introduced to acknowledge the necessity of broad based participation in decision making to achieve sustainable development. Thus, the Agenda 21 of 1992 urged governments to retreat 'from narrow sectorial approached' and move towards 'full cross-sectoral coordination and cooperation.' [1]

This gap, however, has not been successfully filled through Multi Stakeholder Initiatives. On the contrary, MSIs continue to be initiated and headed by partners from the global North, mirroring the already existent power structure. According to Bierman's findings, only 44% of all partnerships have state partners from developing countries.[1] Leadership roles within these networks tend to be dominated by states pertaining to the global North. Towards the end of 2006, countries that were leading partnerships registered under the UN, were almost solely from the industrialized world.[1] The North-South divide can be evidenced by sectoral studies. For instance, when taking global health partnerships into account it is evident that the most active governmental partners are the United States, The United Kingdom, the Netherlands and Canada. GAIN serves as an example that falls under this category, as it was launched and is headed by the Dutch government. Consequently, developing governments are systematically underrepresented, without having a leadership role. Furthermore, when southern agents are incorporated, they seldom times hold decision-making power. As brought to light by Bartsch, no real decision-making power is given to governments from the global South, despite their representation.[1] Scholars focusing their efforts on environmental partnerships have come to similar conclusions. The only countries pertaining to the global South that are among the group of ten most "most-

often leading governments were the host countries of the last preparatory conference to the World Summit on Sustainable Development (Indonesia) and of the Summit itself (south Africa)."[1] This evidence demonstrates the lack global inclusiveness in leadership roles within MSIs.

The lack of representation of less influential states as supporting countries contributes to the argument that stakeholders are 'supply driven' instead of 'demand driven'. As put forth by Bäckstrand, " the actors with the most advanced capacity are engaged rather than those with the largest functional needs." [2] Instead of making efforts towards the transformation of current global power structures between the North and South, MSIs mirror them.[2] Many MSIs such as the EITI reflect global power structures by only allowing governments who contribute more than a certain amount of money to be part of the Management Committee, which is in charge of establishing the work plan.

North - South Divide: Problems for Legitimacy and Credibility of MSIs

The partnership relationship described above in which governments from the global North tend to play leading roles on their own, consequently, excluding developing countries in decision making processes, is a common trend throughout various MSIs. This dynamic can be problematic, for it leads to fear of implementation and raises questions about legitimacy in many countries pertaining to the global South. Although state-centrist scholars argue that powerful states, which inherently hold more legitimacy than non-influential states, are indispensible agents for making a difference in international politics, other scholars have

found that this is not necessarily the case. As put forth by Mouan, partnerships sponsored by industrialized nations are often viewed with mistrust by non-Western countries. [6] In less developed nations these forms of global partnerships are seen “as yet another tool for ‘continued intervention by the West in developing countries’, and those who believe that they simply reflect the advancement of particular perspectives and worldviews defined by the ‘sociohistoric context’ of the actors within them.” [6] The fear that many developing nations face can be evidenced by the fact that the EITI has not been successful in implementing its program in China. Even though the EITI is a respectable and praiseworthy initiative, it does not seem to hold political legitimacy outside of the West. Rather, this initiative is “treated with suspicion” and has therefore not been able to get China on board as an implementing country. [6]

The divide between supporting and implementing states is also problematic, for it assumes that the initiative does not need to be implemented in supporting countries. The rhetoric that supporting governments serve as role models for implementing countries because they already demonstrate a commitment to ‘good governance,’ transparency, and accountability raises questions about an MSIs credibility. [6] The lack of implementation of MSIs in countries from the global North assumes that they engage in practices that have no space for improvement. Evidence shows that despite the commonly used discourse of ‘good governance’, this is not always the case in industrialized countries. For instance, Western governments and oil companies tend to be as secretive as those from the global South. While

countries such as China have been "singled out as a challenge to transparency," governments and firms from supporting countries face many of the same challenges, even more so when operating abroad.[6] The main difference between supporting and implementing countries is that supporting countries have the ability to function in a covert manner while the latter does not. As summarized by Mouan;

> the initiative might be of limited value, not least because it faces the generic problems of legitimacy/credibility and power intrinsic in most global (Western-led) multi-stakeholder initiatives. [6] The EITI's lack of attractiveness also stems from the apparent lack of strong commitment of participating countries and companies, including those from the West." [6]

The aforementioned evidence makes it clear that GIFT should consider holding all stakeholders accountable to their guiding principles. In this manner, GIFT would be able to avoid issues of legitimacy and credibility outside of the West. GWP serves as a strong example of this dynamic, as the countries that serve as sponsoring partners are accountable to the principles of the initiative the same way implementing counties are. The EITI, on the other hand, does not enforce its principle and criteria upon supporting governments, but rather only on implementing countries. Whether governments only serve the role of financial partners or supporting partner, all governmental bodies should adhere to the principles of GIFT.

The Inclusion of Developing Nations in the Decision Making Process

In order for global action networks to gain and maintain their credibility, broad participation is crucial. As brought to light by Reinicke, a networks' inclusiveness "lends legitimacy to ensuing policy discussions and increases the likelihood that all parties will accept the outcomes."[22] The Global Water Partnership serves as a strong example of such a case, as it has created regional advisory committees in seven countries in order to allow for and encourage local participation of the sharing of best practices on water management. Not only is broad participation important for the sharing of good practices, but also for member countries to participate in the selection of the network's mandate and leadership.

Although the participation of governments in MSIs fulfills the 'trisectoral' requirement of a global public policy network, the fact remains that that there is a tendency for countries from the global North to dominate these networks. [8] As a consequence of this relationship, many voices remain unheard. As stated by Reinicke, "to ensure their success, global public policy networks must indeed be global." [22]The participation of less influential states, yet essential agents, is important not only for the designing of policies, but even more important for their implementation. Supporting governments should ensure the participation of national and local leaders who are likely to be involved in seeing policies through in implementing countries to join the discussion on policy considerations. Reinicke highlights the notion that "unless global public policy networks constantly bolster their ranks with new voices, they risk becoming as sluggish as the traditional bureaucracies they

now seek to help." [22] Therefore, we recommend GIFT take this factors into consideration when forming partnership dynamics.

Recommendations:

The exclusion of governments from developing countries in decision-making processes raises questions about the legitimacy and credibility of an MSI. In order to hold legitimacy outside of the Western world, we recommend that GIFT consider engaging governments both from developed and developing nations in the sharing of good practices, the implementation of the program, and the selection of the network's mandate and leadership. The participation of less influential states, yet essential agents, is important not only for the designing of policies, but even more important for their implementation. Supporting governments should ensure the participation of national and local leaders, who are likely to be involved in seeing policies through in implementing countries to join discussions on policy considerations. Both countries from the global North and South should be included in leadership roles and decision-making processes. Furthermore, all stakeholders partnering with GIFT should adhere to the guiding principles of this initiative. Key recommendations are summarized as follows:

- Include both countries from the global North - South in decision making processes and the selection of GIFT's mandate and leadership, and hold all participants accountable to GIFT's principles and criteria

- Ensure the participation of national and local leaders who are likely to be involved in seeing policies through in implementing countries to join the discussion on policy considerations
- Change partnership dynamic so that decision process is not dependent upon financial contribution, but rather on adherence to guiding principles (a strategy taken by GWP)

Chapter 6

Civil Society and NGO Engagement

Arianna Delsman / Ayana Hakoyama

Chapter 6 Civil Society and NGO Engagement

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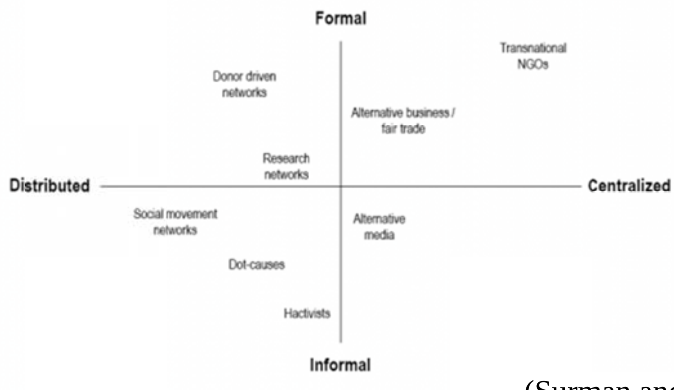
Multi-stakeholder global initiatives are important in today's globalizing world and economy as a new mechanism to aid in resolving the current multitude of 'governance deficits.'[1] A vital component to the success of a multi-stakeholder global initiative is its aptitude to create lasting and implementation-strengthening partnerships. Frank Biermann and his co-authors discuss a tripartite governance deficit, the most significant aspect of which is the regulation deficit and ensuing problems of legitimacy. These issues have given rise to a participation deficit in global governance: governments and intergovernmental organizations currently dominate global and intergovernmental relations, and the public sphere lacks a solid number of partnerships that ensure public involvement and participation. An increasingly popular solution to this lack of public participation in governance is initiatives' partnerships with Civil Society and CSOs. As Secretary-General of the United Nations Ban Ki-moon stated in a speech at the World Economic Form in 2009, "our times demand a new definition of leadership – global leadership. They demand a new constellation of international cooperation – governments, Civil Society and the private sector, working together for a collective global good."[2] Integrating Civil Society into global governance is the next step to global leadership.

Commonly discussed as the "third sector" distinct from government and business, Civil Society consists of social tiers, including but not limited to domestic and international

NGOs, trade unions, faith-based organizations, women's groups, youth groups, indigenous peoples movements, foundations, and social movements.[3]

Various conglomerations of such social and community groups most often cooperate to work together toward a common cause. Civil Society often includes social movements that together constitute dynamic, diverse networks of groups with a common purpose, working in solidarity across a multitude of barriers. In coordinated efforts as social movements, Civil Society has the aptitude to install fluid and sustainable public movement that instigates social change.[4] This social change via Civil Society often takes place in the form of protest, for example the Battle of Seattle World Trade Organization Protests.

There is a broad spectrum of 'Civil Society,' from decentralized, informal social movements all the way out to centralized and hierarchical, formal organizations like international NGOs.[5] Incorporating all levels of Civil Society into a discussion on multi-stakeholder initiatives' engagement and cooperation strategy will successfully introduce all potential participation in global initiatives. Figure 1 shows types of Civil Society organization:



(Surman and Reilly, 2003:7)

A successful incorporation of Civil Society in promoting global initiatives would feasibly be represented by a coordination effort wherein substantial progress is made according to the stakeholders' initiative, potentially benefiting one or more of the coordinating parties, and wherein no core values of neither Civil Society nor the global initiative meet compromise. A successful incorporation of Civil Society would pair with successful governance strategy, wherein the private and public associations of the multi-stakeholder initiative accept a framework for business management while simultaneously there exist a process of negotiation and power balance among the stakeholders.[6] Among current multi-stakeholder initiatives, there exists a wide range of strategies for engagement of Civil Society and Civil Society organizations.

Strategies for Civil Society engagement

Governance

As method and organization of governance is a key factor to the success of a multi-stakeholder initiative, some multi-stakeholder initiatives have chosen to include a wide and diverse range of actors in their systems of governance, so as to create broader participation and more comprehensive results. In some organizations, CSOs are involved on the steering committee or in other decision-making governing bodies. The Commission in Global Governance defines governance as

> the sum of the many ways individuals and institutions, public and private, manage their common affairs. It is a continuing process through which conflicting or diverse interests may be accommodated and cooperative action

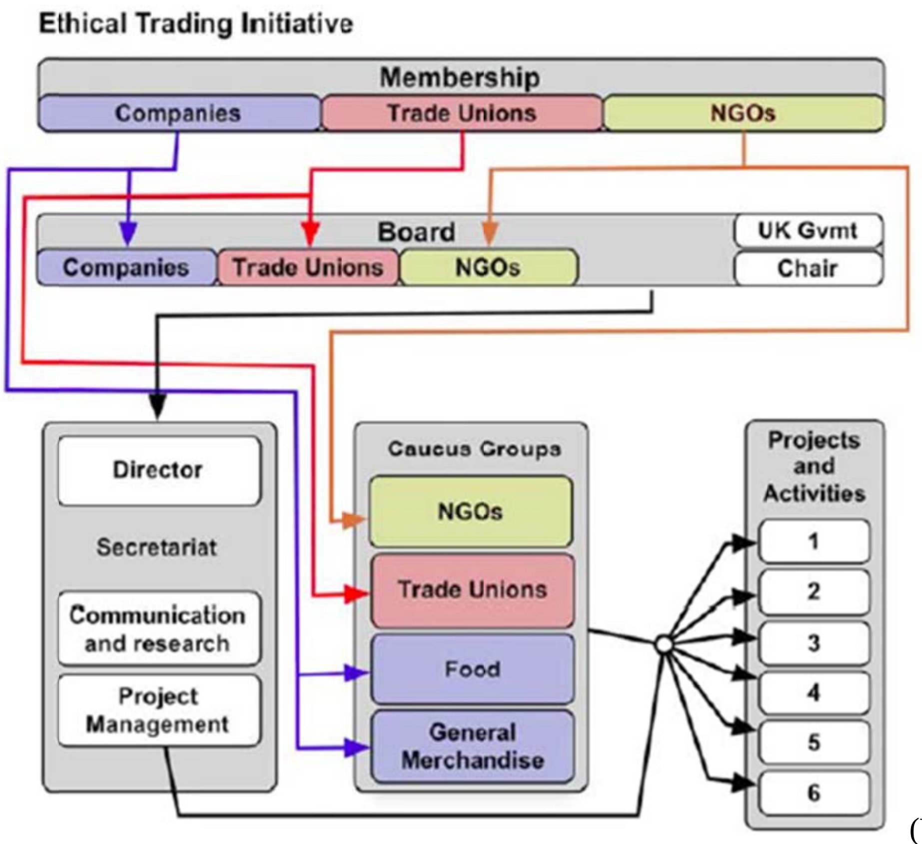
> may be taken. It includes formal institutions and regimes empowered to enforce compliance, as well as informal arrangements that people and institutions either have agreed to or perceive to be in their interest.
> (1995:2 in Burger and Mayer 2003, pp 50)

This comment emphasizes the importance of including "informal arrangements" such as Civil Society in a successful attempt at governance.

The Open Government Partnership, the Forest Stewardship Council, and the Ethical Trading Initiative are three multi-stakeholder initiatives that formally include Civil Society within their governance structure. With a steering committee of governments and Civil Society organizations, the Open Government Partnership (OGP) incorporates Civil Society and therefore the common person into their initiative. Civil Society organizations involved in governance of OGP are INESC, MKSS, IMCO, Africa Center for Open Governance, Twaweza, National Security Archive, TAI and Revenue Watch Institute.[7]

The FSC involves Civil Society in two of its three general assembly chambers. Divided into social, environmental and economic chambers, the FSC general assembly hosts Civil Society in both the social and environmental chambers. Including non-profit, non-governmental organizations, indigenous people associations, unions and simultaneously incorporating research, academic, technical institutions and individuals committed to positive behavior in forestry, members of the social chamber jointly support similar forest management programs and together believe in the group rights of initiative stakeholders.[8] The Environmental Chamber of the general assembly includes analogous groups working toward forest stewardship.[9]

The Ethical Trading Initiative's (ETI) tri-partite governance structure is predominated by Civil Society groups, one of the three aspects of governance headed by trade unions and the other by NGOs. As shown in the figure below, within these membership spheres are caucus groups, half of which are represented by Civil Society (NGOs and trade unions). With this decentralized power structure, ETI's membership boards and caucus groups can independently develop policies and priorities related to ETI's core values while feasibly maintaining and advocating for their individual stakeholder interests. The tripartite structure of ETI ensures and enforces consistent and equal stakeholder participation, while drawing on the dynamic range of experience of differing stakeholders contributes to incorporating the views of a stakeholder base broader and more comprehensive than its membership.[10]



(Vallejo, 16)

In order to further entice Civil Society membership in governance of MSIs, some MSIs have chosen to define themselves under voluntary codes of multi-stakeholder conduct. The Extractive Industries Transparency Initiative (EITI) as an organization of voluntary code of conduct requires that participant governments engage with their associated Civil Society groups, as a stipulation for continued membership to EITI. As the increasingly globalized world has become more decentralized and less regulated, codes of conduct among coordinating parties have emerged as an innovative solution to the need for compromise and cooperation among parties. Thus EITI organized as a code of conduct, "the result of joint initiatives by companies, governments, and Non-governmental organizations."[11] As the adoption of codes of conducts emphasizes corporate social responsibility and proposed benefits of good behavior on the part of stakeholders, it simultaneously highlights the role of Civil Society and social momentum as participatory in relationships between governments, companies and their people. While it is important not to view this voluntary multi-stakeholder code of conduct as a replacement for "national and international legislation or social dialogue and collective bargaining," such codes do help identify problems and are therefore "better seen as an area of political contestation, not as a solution to the problems created by the globalization of economic activity."[12] Throughout all this, though, the esteem of a voluntary code of conduct goes hand in hand with EITI's other governmental incentives while working dually for Civil Society participation in governance and decision-making processes.

Monetary allowances to Civil Society

There are several types of "fiscal acknowledgement" practices by global multi-stakeholder initiatives in partnering with Civil Society groups and organizations. The most common is to simultaneously make monetary contributions as a multi-stakeholder initiative to relevant Civil Society partners. Simultaneously, some multi-stakeholder organizations choose to compel their stakeholders to help fund relevant Civil Society organizations. Some initiatives have monetary allowances to their Civil Society partners so that membership is less numerically costly to the smaller organizations (than, for example, for the private organizations and businesses).

The Open Government Partnership makes monetary contributions to involved Civil Society organizations, such as the Transparency and Accountability Initiative.[13]

The Ethical Trading Initiative (ETI) creates fiscal allowances for Civil Society members and stakeholders in the initiative, allowing Civil Society organizations (including NGOs) to pay less for membership than do private institutions.[14] This differential fee structure encourages Civil Society participation: while company and institutional/business members pay fees between 1,000 and 25,000 English pounds, NGOs pay between 50 and 5,000 English pounds.

Knowledge-exchange networks

A more loosely organized strategy for Civil Society coordination is that of creating communication networks of knowledge exchange. As multi-stakeholder initiatives

coordinate efforts with Civil Society and Civil Society organizations they effectively tap into a very large scope and wide spectrum of organizations of information gatherers and information dispersers. This creates an additional layer to the information network regarding the specific initiative's mission and objectives. One MSI that successfully incorporated local knowledge, research and experience of NGOs into its strategic planning for implementation is the Global Fund to Fight AIDS, Tuberculosis and Malaria (the Global Fund). In doing so, the Global Fund used increased NGO participation to evaluate situational issues relating to health in host countries of the Global Fund. Including a number of NGOs from both developed and developing countries on its governance board, the Global Fund holds an annual NGO consultation meeting to ensure that, according to NGOs knowledge of local realities and limitations, the initiative continues to do its best to ensure proper implementation strategies.[15] [16] Essentially, NGO engagement only heightens an MSI's understanding and sense of comprehension of an issue, and to further participate with NGOs positively benefits an MSI's contribution to its cause, demonstrated by the success MSIs like the Global Fund have had as a result of NGO engagement.

NGO-Specific Engagement Strategies

"Success" of MSI partnership with NGOs can be measured varyingly depending on fields and issues that given NGOs work on, but there are some general standards for measuring their level of success. First, successful MSI partnership with NGOs often includes creating guidelines and setting up standards together. In this way, they share the same

missions and visions, which can be an advantage for both of them in issue solving. Second, successful MSIs interaction with NGOs can be measured by level of activeness of promotions and campaigns done by NGOs. Successful MSIs receive NGO support for increased public awareness of issues and existence of MSIs through promotions and campaigns. Increased public awareness can increase pressures on government and other sectors to participate in MSIs, so MSIs can increase the engagements and funds. NGOs also benefit to achieve their aims from the increased engagement in MSIs.

NGOs current role in MSIs is as an important sector in global initiatives, as many organizations and initiatives focus on specifically multi-stakeholder processes. NGO's roles in MSIs include sharing scenario-specific knowledge and skills, increasing public awareness through promoting issues and related MSIs, and being involved in decision-making to reflect opinions of underrepresented groups. NGOs also help build social capacity by creating codes of conduct for increasing government and company engagement and monitoring government and private sector activity, and by negotiating with MSI-engaged governments and companies.

First, NGOs can share their deep knowledge about various issues and technical skills with other sectors within MSIs to create guidelines and set up standards related to healthcare, human rights, or environmental issues with other sectors in the global initiatives. NGOs could broaden the base of information for decision-making, improving the quality, authoritativeness, and legitimacy of the policy choices of international organizations. For example, in a field of global healthcare issues, this role of NGOs often works well. NGO's

roles in healthcare issues have two different fields: areas where people are affected by disease or conflicts, and countries where NGOs are located. In areas where diseases and conflicts occur such as in developing countries, the private sector and governments often have a hard time engaging because of their lack of knowledge of the areas, so NGOs do monitoring, coordinating and run projects, and receive and manage aid instead of governments. NGOs have deep knowledge of healthcare systems and the information of the areas, so MSIs provide aid to NGOs, and NGOs uses the money to coordinate effective healthcare programs and organize them.

NGOs are key partners in global health initiatives (GHIs) such as the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria (Global Fund). The Global Fund to fight AIDS, Tuberculosis, and Malaria is an international financing institution that provides funds to developing countries to support the prevention of the three diseases. There many NGOs engaged with the Global Fund, for example, Interagency Coalition on AIDS and Development, ICASO, Medicins Du Monde, and Stop AIDS Campaign. The Interagency Coalition on AIDS and Development interprets and compiles research related to HIV/AIDS and development to enable policy makers, organizational leaders and practitioners to access and use it.[17]

Secondly, NGOs influence the public through campaigns and broad outreach. NGOs usually promote campaigns to represent MSIs and increase people's awareness of issues that the MSIs try to solve. Increasing public pressures can encourage government to participate and increase funding to MSIs. The Global Fund and the Global Compact interact successfully

with NGOs by letting them promote the issues and the initiative's presence for increased civil and business sector support. Interagency Coalition on AIDS and Development holds seminars or workshops and promotes campaigns of HIV/AIDS to increase public awareness of the issue and the global fund as well.[18] Increasing Civil Society support is significant to the initiative. If the public interest on the issue has increased, governments will also pay attention to the issue in order to gain support from citizens. The Interagency Coalition on AIDS and Development publishes easy-to-read fact sheets on topics related to AIDS and development. Action Against AIDS Germany is a German based NGO promoting campaigns against AIDS in Germany.[19] The Global Compact is an initiative established by the UN in 1999 to encourage corporations to follow ten principles that the Global Compact set up in order to improve their social responsibility and make the global economy more sustainable. The Global Compact is a successful model of an MSI that has good partnership with NGOs. Examples of NGOs that currently engage in the global compact are Amnesty International, Oxfam, Human Rights Watch, World Conservation Union, World Wildlife Fund, and Transparency International.[20]

The Global Compact also relies on NGOs efforts to promote corporate social responsibility for increased public awareness. Oxfam is a leading international NGO that works to reduce poverty in developing countries. Oxfam interacts with the Global Compact to promote responsible corporate citizenship by supporting the ten principles of the Global Compact.[21] The rise of globalization in business often makes poverty issues in developing countries complicated. The ten principles of the Global Compact can be a guide for Oxfam as

they instruct companies to be socially responsible. For Oxfam, interacting with the Global Compact solves the issue and achieves their aims strategically.

Third, NGOs can build social capacity through various activities. "Social capacity is the aggregate of voluntary relationships between individuals, groups and/or organizations that create an ability to act positively for mutual benefit and a larger common purpose."[22] The example of NGO's involvement in building social capacity is establishing voluntary codes. While Codes of Conduct used to be created by NGOs and IGOs, with the rise of MSIs, NGOs began to work with government and private sectors in MSIs to create more acceptable codes in business. Strong examples of MSIs that created codes with NGOs through multi-stakeholder processes are the UN Global Compact, the Forest Stewardship Council, and the Global Reporting Initiative ISO 14000 environmental management standards. NGO first support establishing codes, and use their technical expertise and social welfare focus to develop codes to be legitimate.[23]

ETI is an MSI established in London in 1998 and supported by fifteen NGOs, four major labor unions, and sixty major companies to promote corporation code of conduct. They created the "ETI Base Code" containing nine articles based on core ILO conventions. The purpose of making the code is to promote and improve work conditions of supply-chain.[24] There are benefits for both NGOs and other sectors that participate to MSIs by working together on code creation in MSIs. For NGOs, creating codes alone often fails to force companies to participate in the codes because of limited information about business and political situations. Working with private sectors and governments and displaying their

opinions help NGOs make more acceptable codes for both private sectors and governments. In this way, NGOs can solve the global issues and achieve their goals more speedily and effectively than working alone. Furthermore, the private sector and governments can fulfill accountability about CSR by accepting and practicing the codes. NGOs creation of code of conducts based on core MSIs principles can make the MSIs more effective and help them to achieve their goals. Also, high NGO involvement in code of conduct creation within MSIs allows MSIs to have better engagement with private sectors and governments.

Finally, NGOs encourage government and private sectors in active participation in MSIs and lobby for increased government funds. For example, NGOs require government and private sectors to fulfill accountability by participating in international codes or standards that MSIs set up for solving global issues related to human rights, environment protection, or disease prevention. NGOs also negotiate, or sometimes put pressure on governments to increase funding for MSIs. This NGO's role outside of MSIs gives MSIs significant benefits to increase engagement of both governments and public sectors and government funds, which are significant for achieving the goals of both MSIs and NGOs. The Global Fund is a good example of a MSI that is able to get this support from NGOs. Currently, while the Global Fund received $18.8 billion in funding between 2002 and 2010, it still lacks sufficient financial resources. To solve this issue, NGOs support the Global Fund for increased government funding. The ICASO is a global network of non-governmental and community-based organizations currently working for the Global Fund. ICASO especially focuses on funding the Global Fund. The Global Fund is a financial institution, which only

receives money from different types of sectors and supplies the money to the developing countries for the prevention of death by diseases, so they do not fund the money themselves. They rely heavily on the financial resources of developed nations. Therefore, the government involvement in funding is key to making their operation effective. The ICASO enforces non-member government funding commitments to the Global Fund. To governments of donor countries, who have not been funding enough, ICASO put pressures to increase the amount of funds.[25] In addition, the Global Compact is also a good example of a successful MSI interaction with NGOs by getting support to increase engagement of other sectors and funds. Amnesty International is a NGO that works for human right protection, and which encourages companies to adopt the Global Compact code of conduct.[26]

Based on NGO's general roles in MSIs or outside of MSIs, there are several strategies for interacting with NGOs to achieve their goals. First, MSIs interact with NGOs by sharing information and knowledge with NGOs. NGOs have analytical skills and deep knowledge about issues with which they are dealing. If MSIs have similar visions to those of particular NGOs, they are able to sustain each other in this way. MSIs also set up standards and guidelines together with NGOs. MSIs can implement NGO's knowledge based on varied research done by NGOs and specialists to create effective standards and guidelines to solve issues. For NGOs, involving in policy making is essential and important because they can reflect their ideas in the global initiative to solve global issues. Second, MSIs ask NGOs to support them through public promotion and campaigns of issues for increased public awareness of existence of MSIs and the global issues that they work for. Also, in order to

build a social capacity in MSIs, MSIs create codes of conduct with NGOs. Working with MSIs helps NGOs create more acceptable codes by government and private sector and encourages them to initiate. Also, many NGOs apply MSI codes when they encourage governments and companies to have socially responsible behaviors or make original codes to solve various global issues. Having effective codes of conduct is helpful for both MSIs and NGOs to monitor and instruct government and company activities.

Difficulties in Civil Society engagement: Participation vs. Implementation

A difficulty that arises with involving Civil Society in multi-stakeholder initiatives is the potential for introducing a threat to implementation as an initiative increases participation (by involving Civil Society). While increased partnerships ensure public and Civil Society involvement by effectively narrowing the participation gap, adding members to an initiative also increases the potential for disagreement and contradiction among parties. Such disagreement (or inconsistent goals across party members) could lead to difficulties in addressing the initiative's implementation, leading to a broadening implementation gap. In other words, it is possible that 'broader participation could hamper implementation because of opposing interests.'[27] While this argument could suggest that it is more realistic for initiatives to focus on implementation as opposed to broadening participation, it is necessary to remember that one key to the success of a multi-stakeholder initiative is "a sufficient participation of traditionally marginalized partners."[28] While it will be necessary to pay close

attention to the affect on implementation strategy, widening participation to include Civil Society is vital to the success of a multi-stakeholder initiative.

In fact, there are several examples of existing MSIs that propose strategies that lead to an alternative to this inverse relationship between implementation and participation. Although the potentiality of such a relationship exists and is a concern, some MSIs choose to address it by mandating that Civil Society engagement positively affect implementation, and have increased partnership without having to negatively influence implementation.

EITI, for example, has increased partnership without having to negatively influence implementation. Not only is one of their four important principles for revenue transparency that "the roles of Civil Society should be duly recognized and it should be actively involved in the process of transparency," but benefits to Civil Society arise from the increasing amount of information in the public domain about those revenues that governments manage on behalf of their citizens, thereby rendering governments more accountable.[29] They have increased partnership with Civil Society without negatively influencing implementation through several methods. Firstly, while increasing partnership to include Civil Society, EITI implemented two categories of implementing countries for EITI: candidate and compliant.[30] Candidate countries committed to implement EITI would work with Civil Society and companies, have an appointed individual to lead implementation, and produce a Country Work Plan.[31] Meanwhile, Compliant countries would have fully implemented EITI while publishing and distributing an EITI report in complete accordance with EITI principles and criteria.[32] This dual method of country implementation ensures continued maintenance (by

Candidate countries) of partnerships and participation, paired with maintenance of positive implementation by the Compliant countries. In order to enforce this system of duality, outside evaluators assess a country's potential for Candidate or Compliant, and determine whether there are risks regarding implementation. EITI's method of engagement of Civil Society through the Candidate countries' implementation projects has helped the Compliant countries effectively maintain EITI's implementation, while the Compliant countries' maintenance of implementation projects has effectively aided Civil Society (and other) continued participation.[33]

Meanwhile, the Global Fund has installed a "down-chain" impact in its engagement with Civil Society to help increase participation without negatively affecting implementation. While the Global Fund encourages engaging recipient countries as well as Civil Society and private sector actors, proposals for action that arrive are not merely from recipient countries, but are also from actors within those recipient countries. Upon arrival proposals are assessed by the Secretariat, then sent to the Technical Review Panel (an independent panel of outside experts and evaluators) for a review of technical merit and consistency according to a set rubric of best practices. This TRP has recommended funding for a strict 38% of countries' proposals.[34] The Board considers the review and suggestions of the technical Review Panel and approves countries "based on the availability of funds."[35] Similarly, the process for administering grants includes all stakeholders. Governments of developing nations collaborate with Civil Society to prepare funding proposals to increase funding for health development programs, upon which the proposals are submitted to the

review process the same way in which recipient country applications are reviewed.[36] This process guarantees equal participation while reducing the potential hampering effect on implementation efforts. Ultimately, all members actively partake in decision-making processes. The first is through the Partnership Forum, which meets on a biennial basis as a large group of global stakeholders to discuss performance and strategic recommendations for effectiveness.[37] These meetings are coordinated alongside Country Coordinating Mechanisms (CCMs), which integrate country-level partnerships' grant proposals with monitored implementation and coordination with other national programs.[38] As CCMs are cross-sectoral, involving broad engagement across stakeholder groups, they continue to maintain monitored participation in the face of increased and analyzed implementation.

Finally, the GAVI Alliance has also initiated a motion to prohibit increased participation and membership from damaging implementation measures. The alliance did so by instituting a conflict of interest policy for all stakeholders and participant countries. This conflict of interest policy requires Board members to "recognize they have a fiduciary responsibility to put the interests of the GAVI Alliance before other interests when taking decisions on the behalf of the Alliance."[39] This assures all stakeholders and implementers that while participation is key, such participation will not purposefully damage the intrinsic goals of the Alliance. As a result of this fiduciary responsibility, GAVI established its conflict of interests policy which serves as protection for the "reputation and integrity of GAVI's decision-making processes, particularly in regard to the allocation and disbursement of resources, by establishing procedures to identify, evaluate and address any real or potential

conflicts."[40] Mandating that every member regard the GAVI Alliance's conflict of interest policy as key to its success has successfully helped encourage participation and engagement while discouraging a conflict of interest and therefore halting subsequent potential decreases in implementation.

Incentives for Civil Society incorporation

In order to encourage Civil Society incorporation in multi-stakeholder initiatives, it is important to display the 'welcome mat' that is a combination of effective operations, demonstrable success, pre-existing networks for information sharing, all upon a 'foundation of trust.'[41] Multi-stakeholder initiatives must demonstrate increased availability of resources to the public regarding the issue in discourse (i.e. the MSI cause or mission). Initiatives themselves increase partnered governments' accountability, which is a common goal of Civil Society. Cooperating with the other stakeholders within the MSI strengthens liaisons between Civil Society and other social sectors, including companies, NGOs, and governments. A final incentive for Civil Society membership and incorporation in global multi-stakeholder initiatives is a possible reputation boost: such participation may hypothetically augment both Civil Society organization's public profile and audience and also their organized global connections, not only domestically but also internationally. As the Global Water Partnership duly notes, "when operating well, stakeholders around the table have something to give to and to glean from each other."[42] Also in the case of the Global Water Partnership, it was due to having the support of governments that Civil Society

participants were able to influence steps toward water usage agreements, in that "it appears that having the support of senior government officials in [the Ministry of Irrigation and Water Development] was instrumental in bringing about a resolution" that was agreeable to all parties.[43]

Suggestions for Civil Society partnering in the context of MSIs

In order to maintain implementation and participation, it is vital for multi-stakeholder initiatives to engage Civil Society. Civil Society groups and organizations, both local and domestic, have valuable knowledge about political contexts for engagement, as well as the fortune of experience navigating 'policy pressures for social change.'[44] More broadly and more importantly, Civil Society has an intrinsic relation to the public and to the common person. Civil Society organizations increase public debate on issues worth discussing. They increase the scope of public support for any engaged initiative's cause via their extensive knowledge and information exchange networks. Granting normal people (via Civil Society) the resources and skills to participate in governance processes creates a more comprehensive work-table by strengthening the capacity of normal people to engage in public decision making. As the International Budget Partnership says, "Our experience shows that when ordinary people have information, skills, and opportunities to participate, broader public engagement in government budget process can promote substantive improvements in governance and poverty."[45]

Recommendations:

It has been established that Civil Society incorporation into multi-stakeholder initiatives and partnerships is a mutually beneficial endeavor. The next step of such engagement will be to cater suggestions to fiscal transparency, as in how GIFT should engage Civil Society. As shown via the examined cases of MSI governance, it is proven as beneficial to include Civil Society organizations in MSI governance, and especially to include them in funding goals while simultaneously helping fund CSO campaigns and initiatives. Issues and missions of a given MSI must be framed with relevance to Civil Society imperatives and initiatives, so as to incentivize the Civil Society group to membership. To help implement Civil Society membership, it will be wise to compel governments included in GIFT to agree to engage cooperatively with Civil Society, in a mandatory way. In order to increase the implementation of Civil Society in GIFT, GIFT must help fund the goals and initiatives of included Civil Society partners, enabling Civil Society engagement in a global initiative for fiscal transparency. In order to help enforce "down-chain impact" in decision-making (and therefore a more accountable system of both governance and Civil Society engagement), it would be wise for GIFT to install a conflict of interests policy and simultaneously divide implementing countries into Candidate and Compliant categories, so as to stimulate growth in participation without initiating hampered implementation. This participation on the part of Civil Society will by definition help render public budgets more open and accountable, therefore lending to the vision and mission of GIFT. GIFT may consider to:

- Include Civil Society in funding goals and help fund individual CSO campaign initiatives, so as to support strengthening the Civil Society members in the initiative
- Frame GIFT's issue and missions with relevance to engaged Civil Society imperatives, so as to incentivize Civil Society groups to membership
- Compel governments engaged in GIFT to agree to engage cooperatively with Civil Society, making it mandatory for governments to do so
- Encourage NGOs to distribute information about GIFT to the public via funded workshops and seminars, in order to rally increased support for GIFT
- Install a conflict of interests policy to help enforce "down-chain impact" in decision-making, and simultaneously divide implementing countries into Candidate and Compliant categories, which will stimulate growth in Civil Society participation without hampering implementation

Chapter 7

IGO Engagement

Tom Eddy

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Inter-governmental organizations have an inherent multi-stakeholder format. This attribute allows IGOs to play an important role in facilitating discussion between potentially interested groups, providing financial frameworks and popularizing particular MSIs. Specifically in the development sector, IGOs have assisted in the formation and implementation of MSIs by addressing similar development issues in a variety of locations.[1] Regarding the push towards fiscal transparency, IGOs have played and continue to play an important role in moving toward a more efficient and comprehensive financial monitoring system. The tools developed in large part by various IGOs, often in cooperation with one another, provide a way to effectively monitor donor resources. The World Bank Public Expenditure Reviews (PERs), Country Financial Accountability Assessments (CFAAs), and Country Procurement Assessment Reports (CPARs), comprise a few of the available instruments through which financial accountability is assessed and evaluated by IGOs.[2] IGOs offer a viable engagement option for MSIs seeking to develop and implement their initiative. They provide a forum through which technical knowledge can be compiled and solutions can be developed, which can then be distributed efficiently to multiple recipients with a relatively high degree of continuity. This continuity makes IGOs an important platform for MSIs seeking to universalize their efforts over a large community of diverse stakeholders.

Although IGOs have proven pivotal in the formation of some MSIs, their involvement

in MSI creation is not a cure-all.[3] For example, the lack of coordination between various actors in the development field – governments, IGOs, NGOs, and the private sector – manifests shortcomings in the efforts to promote financial accountability and budget transparency throughout the world. The idea of harmonization between stakeholders constitutes perhaps the most notable area in need of improvement with regards to IGO involvement in MSIs. Recently, efforts to harmonize the work of stakeholders within global initiatives by IGOs and NGOs have broached the subject with some success.

This section first analyzes the ways in which IGOs have contributed to the formation of various MSIs and the specific characteristics of IGOs that render them indispensable in the process of forming and popularizing MSIs. Secondly, an overview of the instruments developed by IGO's in the field of budget transparency and accountability is provided, as well a discussion of their relevance and potential for incorporation into a global initiative for fiscal transparency. Finally, this section concludes with options for MSIs and recommendations regarding the role of IGO's in promoting the multi-stakeholder global initiative for fiscal transparency.

Historical Influence of Inter-Governmental Organizations

Inter-governmental organizations such as the IMF and The World Bank are in a unique position to help facilitate the creation of multi-stakeholder initiatives. The progress of these types of organization to date can provide MSIs with invaluable assistance. Three feature

elements make IGOs well suited to contribute to the formation of an MSI: technical knowhow, access to capital, and connective or networking abilities.

Technical Knowhow

Because of the involvement of IGOs like the World Bank and IMF in funding development in the world and because of the intrinsic multi-stakeholder status of such IGOs, these organizations have a large base of technical knowhow and experience when it comes to multi-stakeholder projects. Held accountable to a number of invested parties, these organizations have developed systems and tools aimed at informing stakeholders about the progress and effectiveness of their endeavors. This body of knowledge has proven very helpful in furthering MSIs such as the Extractive Industries Transparency Fund, providing them with valuable information services such as surveys and other progress assessment tools. These tools offer donors and potentially interested entities insight as to the effects of increased fiscal accountability and therefore insight as to the necessity of joining or continuing support of a particular cause, namely a multi-stakeholder initiative. In the field of transparency, IGOs have an invaluable head start in terms of tools developed to monitor fiscal transparency and accountability. They provide an array of specialized information gathering tools and transparency-related knowhow to help frame a global initiative for fiscal transparency.

Access to Capital

Perhaps the most obvious benefit of including IGOs into the formation of a MSI is the monetary upside. MSIs often require substantial funds in order to tailor the implementation of the initiative into various political, social and economic conditions. Not only do organizations like the World Bank, IMF, and EU Development Fund exist mainly to pool large sums of money, but also they are experts in doing so from a vast array of stakeholders around the world, making them uniquely qualified to fund MSIs. To date, IGOs have aided MSIs in setting up trusts and other financial management funds, such as the Multi-Donor Trust Fund set up by the World Bank for the Extractive Industries Transparency Initiative.[4] These funds are aimed at involving a multitude of interested investors willing to oversee the financial security of a particular cause or initiative.[5]

Connective or Networking Abilities

In a multi-stakeholder initiative, communication between the parties involved is a necessity. What is more important, however, is transparent communication, such that everyone involved has adequate information regarding the progress and development of the initiative. IGOs can provide multi-stakeholder initiatives with a forum for discussion and information sharing. The World Bank Group, for example, has devised method of Comprehensive Communication Strategies, by which stakeholders are identified and communication links are prioritized.[6] Through oversight committees, boards and other IGO-facilitated discussion based forums, IGOs allow their stakeholders to participate in the

dialogue surrounding their various endeavors.[7] This model allows stakeholders to have a voice in an arena of representatives close to the issue. Moreover, IGOs are well connected and can transfer knowledge between parties, make mutually beneficial connections between parties and increase the efficiency of the collective body by through "matchmaking" and networking.[8]

IGOs and the Extractive Industries Transparency Initiative (EITI)

In considering the potential role of IGOs in creating a global multi-stakeholder initiative for fiscal transparency, and to illustrate the realized value of the three attributes described above, it is helpful to analyze their involvement in the formation and support of a previous relevant MSI.

In 2003 The World Bank officially endorsed EITI, an initiative aimed at increasing fiscal transparency and accountability for resource rich countries partially dependent on extractive industries, at the World Summit for Sustainable Development in 2002.[9] The goals of the EITI largely coincided with the interests of the World Bank. They sought to support the initiative based on a shared interest in improving financing/lending practices through increased fiscal transparency, as well as in bolstering reporting practices in countries with development projects underway. With the widespread adoption of EITI practices, IGOs like the World Bank have a wider range of more accurate and universally legible data pertaining to the utilization and effectiveness of the funds donated for development. Furthermore, the IGOs would have less difficulty soliciting investors for development projects if countries had

more transparent and accountable financial practices.[10]

In return the EITI stood to gain financial support for its member and potential member governments upon World Bank endorsement. The World Bank initially supported the initiative with the creation of a Multi-Donor Trust Fund that provides financial and technical assistance to implementing and potentially implementing countries. Promoting donor participation from a wide range of sources, The World Bank was able to provide monetary and technical assistance for countries seeking to comply with EITI.[11] Furthermore, The World Bank, in cooperation with the International Monetary Fund (IMF), the African Development Bank, and the World Bank Group (WBG), provided technical assistance, assessment tools and consulting advise to aid countries in complying with EITI standards. These organizations have the technical knowhow and resources to determine the scope of an EITI program (which revenue streams to incorporate, how far down the government audits will go, etc.), help facilitate discussion regarding an action plan, provide the necessary resources to execute that plan and accurately track its progress.

Without the help of IGOs, implementing EITI standards in developing nations would be financially and logistically unfeasible at any significant scale. The mixture of tasks completed with the assistance of IGOs during various stages of implementation illustrates how crucial IGOs are to the success of such an initiative. Especially regarding transparency and accountability related endeavors, which are knowledge intensive, IGOs possess a unique and difficult-to-acquire set of tools and skills well suited for the task at hand.

Options for MSIs: IGO-Developed Transparency Instruments and Strategy

Efforts to popularize an MSI must be widespread and far-reaching in order to successfully establish global norms.[12] However, considering the poor economic and political state of many of the world's developing countries, statuses that are no less important for establishing these norms, implementing the standards of a particular MSI worldwide is a difficult task. IGOs can therefore play an important role in this process, especially regarding a transparency related MSI.

Among the most important financial players in the development field, IGOs have a large stake in ensuring that recipient nations utilize donations in the most efficient and effective way. As a result, organizations like The Word Bank, IMF, the European Union and the United Nations, have developed an array of assessment tools and resources aimed at providing information regarding finances and accountability, as well as other more nuanced social factors (see figure 1). For a Global Initiative for Fiscal Transparency to be successful, it too must be widely accepted by a diverse community of governments, organizations and corporations across a wide range of statuses and backgrounds. Thus, it is important to design a strategy for implementation that can be somewhat pre-packaged or universalized to minimize implementation cost. Without IGO-developed tools and expertise in tailoring and administering these tools in a helpful and effective way, fewer countries would be able to implement initiative standards. Additionally there would be a lack of universally legible performance data with which to promote the initiative and solicit the cooperation of a greater range of potential stakeholders. In order to understand the value of these tools and

services, it is helpful to know their specifics and the insights they provide.

Instruments of the World Bank: PEM, CFAA, CPAR

The World Bank has three main assessment tools, each aimed at monitoring a specific contributing aspect to transparency and accountability. The World Bank Public Expenditure Review (PER) is a diagnostic survey started in the 1980's as way to monitor the overall spending of governments for which The World Bank provided funding. Eventually, the survey began to look into less finite aspects of transparency and accountability, assessing levels of corruption and misallocation of resources in order to provide a more comprehensive report.[13] The growing importance of this assessment tool has made PERs virtually ubiquitous in World Bank development lending strategy. According to a 2002 IMF report entitled "Actions to Strengthen the Tracking of Poverty-Reducing Public Spending in Heavily Indebted Poor Countries (HIPCs)" much of World Bank Lending stipulations emphasized stand alone or continuing PER programs.[14] Especially in heavily indebted poor counties, the prevalence and broadened scope of PERs has provided governments and donors with adequate information as to the level transparency and accountability within recipient countries. This information, especially in cases where PER programs are closely linked with regular annual, biannual, or quarterly financial report releases, allows governments to track progress and pinpoint problem areas.[15]

These problem areas are also identified using various other analytical instruments (see figure 1), namely, the World Bank Country Financial Accountability Assessment (CFAA)

and the World Bank Country Procurement Assessment Reports (CPAR). The CFAA is essentially a tool used by the World Bank to determine whether their donations and the donations of others are used properly and in accordance with the agreed upon stipulations.[16] According to a 2004 World Bank report titled, "Assessing and Reforming Public Financial Accountability", CFAAs describe and analyze "downstream financial management and expenditure controls, including expenditure monitoring, accounting and financial reporting, internal controls, internal and external auditing, and ex post legislative review."[17] Where PERs are more concerned with data based on hard financial reporting, building and tax code, CFAAs provide information as to the general climate of recipient nations.

As such CFAA acts mainly as a fiduciary assessment and often a supplement to a PER.[18] Moreover, CPARs provide donors and recipient governments with an overview of the legal aspects of financial procurement. CPARs audit the specific ways in which money is obtained, by what entities in the country and because of which interests. Although some overlap exists that indicates the monitoring tools could be better harmonized, these three assessment tools – PERs, CFAAs, and CPARs – provide valuable information aimed at promoting transparency and accountability for countries looking to conform to initiative standards. Without these advanced and largely effective monitoring tools, creating a benchmark for fiscal transparency would be unfeasible. MSIs must use the already excepted and functioning tools available to monitor fiscal transparency and accountability to most efficiently set up minimum standards across a diverse range of stakeholders.

Figure 1: Features of questionnaires and checklists used by various assessment instruments

Instrument	Number of questions or indicators	Multiple choice?
World Bank PEM Core Diagnostic		
Summary Version	60	No
Master Version	252	No
World Bank CFAA	105	Yes
World Bank CPAR	235	No
IMF Code of Fiscal Transparency	84	Yes
Bank-IMF HIPC Public Expenditure Tracking AAP	15	Yes
DFID Fiduciary Risk Assessment	16	Yes
UNDP CONTACT (all modules)	605	No

[19]

Just as IGOs played a crucial role in the ascendancy of fiscal transparency as a relevant and necessary pillar of development, they will be crucial in developing and promoting the Global Initiative for Fiscal Transparency. Based on their body of knowledge concerning fiscal transparency and their experience regarding multi-stakeholder interactions, inter-governmental organizations must not be overlooked as a key partner in creating and supporting the MSI for fiscal transparency. Below are recommendations regarding steps that should be taken in order to successfully incorporate IGOs and their skill sets into a multi-stakeholder initiative for fiscal transparency, namely GIFT.

Planning

- *Identifying Stakeholders*: In creating a multi-stakeholder initiative, it is first necessary to identify the potential stakeholders and solicit their cooperation in the planning stages. IGOs have a well-represented line of communication with the

governments and lending institutions of the world and would be indispensable in catalyzing initial interest in the initiative.

- *Compile Implementation Tools/Ideology:* After identifying potentially interested parties, the architects of the MSI must work to identify which assessment tools, ideologies and action strategies should be adopted in order to successfully implement initiative standards to the highlighted stakeholders. IGOs, especially in the realm of transparency, have a great deal of experience developing and implementing assessment tools over a varied range of stakeholders. In these early discussions, representatives from IGOs can provide for the group, empirical evidence for or against specific strategies in specific places with different political and economic atmospheres. They should head a review, with the cooperation of the other stakeholders, analyzing the available tools to determine which assessment tools should be adopted.

- *Marketing/Visibility*: In many cases, IGOs have stepped in during the early stages of MSIs to assist in completing various simple but important logistical tasks such as creating a website to popularize and legitimize the MSI.[20] For example, in countries like Togo and Madagascar, the FAPA Trust Fund, a World Bank run trust, provided financial assistance for EITI websites as the first action in the action plan.[20] Providing the technical knowhow, content, and funding for websites, IGOs have experience increasing the visibility of MSIs so as to increase the potential for support. GIFT

should look to IGOs for support in this area.

Recommendations:

- *Determine Scope*: Once an entity has committed to meeting the standards of GIFT it is necessary to determine to scope of the project. Not all entities (governments, corporations, Civil Society groups, etc.) are able to undertake the same level of compliance beyond the minimum requirement, based on their expendable resources and level of stability. For the success rate of MSI implementation, it is important to develop an action plan with a feasible scope. Development IGOs, because of their investments, have a large stake in understanding the political and economic status on the ground in countries of interest. Their experience in determining these kinds of parameters will be useful in determining a feasible scope for GIFT programs in specific countries,

- *Development and Introduction of Work Plan*: Borrowing from strategy developed with the help of IGOs for the EITI, MSIs should follow these steps in developing a work plan:
  - Set out clearly the different tasks that need to be carried out to fully implement the MSIs program;
  - Identify dependencies between different tasks and determine the sequencing of different steps;

- Reach a clear agreement with all stakeholders as to how the MSI program will be implemented
- Use such a plan as the basis for seeking external technical support and funding—if required—for the national MSI program.

- *Assessment*: The most pressing reason to incorporate IGOs into the functionality of MSIs is their progress assessment abilities. With the aforementioned financial assessment tools, and the level of experience in using them, IGOs should be leaned upon to assess the progress of implementation. These assessments are crucial in understanding whether or not strategies of implementation are working, or if they should be altered. MSIs should look to IGOs to provide assistance with these assessment tools and include IGO personnel in using that information to recruit potential implanting parties.

At almost every stage – planning, development, implementation, assessment and recruiting – IGOs should be looked to for empirical data, experience, and technical knowhow to ensure that implementation of the MSI is undergone with continuity and efficiency.

Chapter 8

Private Sector Engagement

Laura Araki

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Laura Araki

The following section will provide a comprehensive study of the potential engagement of private sector actors within GIFT. Private business entities have increasingly been playing a role in the development and institutionalization of global norms. As such, the incorporation of these actors is crucial to the success of any international MSI. This segment will introduce two components to the analysis of private sector engagement. The first will examine the relationship and incentivizing factors in MSI participation with private sector actors on a general level, founded by corporate social responsibility. The second will analyze the participation of private sector actors specifically targeted for initiatives in government fiscal transparency. Through the use of relevant case studies and in-depth research analysis, this chapter will draw an outline for strategies in which to engage private sector actors. The chapter concludes with suggestions for potential action in involving private sector actors through examining and enhancing incentives for participation and mobilizing these actors and their resources to endorse the mission of GIFT.

Role of the Private Sector

The private sector plays a variety of multi-disciplinary roles within MSIs. They are often the financiers, executive planners, information providers and key implementers in policy goals. Private sector participation in MSIs has risen to become a general norm driven by the overall expansion of multinational corporations and an emergent sense of corporate

social responsibility. Even if motivation for participation may not be altruistic in nature, private sector engagement can provide huge benefits to an MSI. For GIFT, and other initiatives working towards government fiscal transparency, the private sector holds uniquely inherent market incentives that drive its participation. As the global economic system becomes increasingly more interconnected, the need for transparent budgetary processes has intensified. Based on survey findings from the World Economic Forum, a large corporate-public forum, many corporations see faulty governance and corruption as the major obstacle to successful business operations in developing countries. According to this survey, companies also believed that the best way to address these issues is through a partnership between "business, government and Civil Society"[1]. GIFT has the potential to engage private sector actors through market incentives. However, the hardest, most complex part will be to formulate effective outreach strategies that enhance the intrinsic connections between the goals of GIFT and the interests of the private sector.

Analysis will begin after a brief reflection on successful practices of private sector involvement across a variety of MSIs similar to GIFT. Details on the ideal models of participation GIFT might seek to accomplish in their institutional development will follow. The chapter will then transition into a discussion of private sector involvement in GIFT specifically. In addition, the chapter will explain the individual incentives for target actors' involvement the existing relationship between the private sector and movements towards fiscal transparency. This section ends with a detailed outline of proposals that will cover the necessary actions to capitalize on the potential for private sector involvement.

Successful Practices for Private Sector Involvement:

"Making business and all actors of Civil Society part of the solution is not only the best chance, it may also be the only chance the UN has to meet its Millennium goals."

Michael Doyle, UN Assistant Secretary-General

In response to the increasing movement of globalization and the rise in power of multinational corporations and non-governmental organizations, private sector actors have gained considerable clout and influence in IGOs. As the most powerful economic actors in the global system, multinational corporations have huge influence in domestic politics, international development, and global trade and finance. Multinational corporations are involved in all levels of government, across multiple regions where they play multifaceted roles as lobbyists, economic purveyors, and financial supporters of the state and political system. Their universal scope means that no country can be completely immune to the movement of the private sector. GIFT ought to capitalize on partnership with this sector, yet as the private sector is fundamentally driven by profit motives, it can be dangerous to grant too much directive power to these actors. Finding the ideal role for private sector involvement is one of the harder operational challenges in any relevant MSI.

For any stakeholder, the role that they assume in an MSI should be clearly and collectively agreed upon at the outset of the inclusion. Delegation and designation within the MSI are key in producing effective working organizations. For example, the Children's Vaccine Initiative allows business partners to take a decision-making role in implementation roles but does not permit them to make more general policy-oriented input[2]. The best

strategy for efficient operational management is to develop a foundation that utilizes the individual strengths of the government, Civil Society actors, and the private sector and assigns roles accordingly[3]. Building off of this foundation, private sector actors can be directed towards different subcommittees that best fit their area of expertise. Depending on the type of corporation or the level of involvement at which they elect to participate, private sector actors within GIFT can hold a wide variety of assignments.

It is difficult to suggest the exact role private sector actors could potentially hold. However, based on the nature of most corporations and the international credit agencies that will make up a large majority of the participants, private sector actors would best fit in consultative groups and advisory boards where they can provide key knowledge to policy decisions and initiatives. Later sections will address further roles these actors can play to utilize both their interest in participating while maximizing their potential limit of support.

Addressing Corporate Citizenship

"We have to recognize that society has changed its view of what companies are responsible for. And society's expectations will continue to change. Business now has greater accountability to a wider range of stakeholders: shareholders, employees, customers, communities, and governments."[4]

Paul Skinner, Chairman, World Economic Forum

Globalization has transformed the international economic landscape to completely redefine the role of private sector enterprises. Responsibility for the well-being of society has

become increasingly more embedded within a company's corporate culture. Many multinational corporations are driven by an internal commitment to a set of self-imposed principles and policies that define their sense of corporate citizenship. By engaging in dialogues and partnerships with various multi-stakeholder groups, businesses realize that their leverage of resources, skills, technology, and networks are an important contribution to global initiatives that can often also work in their own interests. While multinational corporations have expanded their sphere of influence, they have also found the need to respond to a larger constituency of opinions and external pressures outside the market that instill them with a social consciousness to become involved in global MSIs. In addition, as a natural consequence of the expansion of corporate activity across the globe, many international corporations are beginning to recognize structural weaknesses within developing nations that jeopardize successful business operations within a foreign country. While international corporations have considerable influence in national policy-making operations, their power is still constrained by political and societal forces. <u>If a corporation is seeking to bring about policy changes, their greatest potential for effective influence will come about through a cooperative arrangement of varied actors such as GIFT.</u>

An example of this argument can be found in the successful results of a multi-stakeholder initiative known as the Extractive Industries Transparency Initiative (EITI). Through a coalition of governments, companies and Civil Society organizations, the EITI has been able to produce impressive results that include the emergence of budget transparency within some of the most ambiguous industries and countries [5]. In the case of Ghana, the EITI

was able to help establish a more stable foundation to transparency between the government and the $100 million extractive industry sector and help promote a better environment for businesses operations in the Ghanaian economy[6]. These corporations were only able to realize these results through partnership with an international government organization and the pooling of influence and resources.

Private Sector Membership in GIFT

The mission of government fiscal transparency resonates strongly across a broad spectrum of private sector actors. As government decisions and actions become more accessible and visible, it contributes to the efficient allocation of resources by private sector actors through a more accurate identification of risk in financial and political stability. The following section will address the ways in which to engage private sector actors through market incentives.

The first step in developing a strategy for obtaining the participation of business actors is to define the target industries and institutions that would best fit the initiative. In the case of GIFT, private sector actors will most likely come in the form of either (1) international financial institutions, or (2) multinational corporations with high international business risks. Financial institutions will be examined first.

The past few decades have shown a significant rise in the financial activity of international capital markets mostly involving developing nations. As these countries attempt to gain access to international funds to stimulate economic growth and

infrastructure development, financial institutions need to be able to accurately assess loan risk. Because of this financial exchange, credit rating agencies (CRA) that specialize in analyzing and evaluating the creditworthiness of sovereign issuers of debt securities, have become vital in global finance operations. International financial institutions (IFI) have also promoted market discipline and disclosure of assessments through the establishment of a consultative process. However, relevant, timely public data is still lacking for a majority of countries. Poor fiscal data quality in coverage, consistency, internal controls, and audit functions plague many countries and in turn affect the ability of international credit agencies to determine accurate sovereign ratings. GIFT should utilize the parallel goals of these institutions and its own mission by targeting major groups such as Moody's, Standard and Poor's, and the Fitch Group. These three large credit assessment agencies analyze the risk of government entities to determine their sovereign credit rating which in turn is used by banks and other financiers to set interest rates. The performance of these financial institutions is dependent on the availability of accurate and comprehensive information that emerges from greater government fiscal transparency. Each of these three major institutions has increasingly incorporated public reports published by IGOs such as the IMF on governments' observance of certain standards and codes in fiscal transparency and government practices[7].

Through the utilization of working groups comprised of private sector representatives and national authorities, GIFT has the potential to provide a forum that produces reports and useful data for fiscal transparency that addresses the needs of the private sector institutions.

Private sector actors can also provide technical assistance and training for these standards assessments and data collection. However, for this market incentive to work for acquiring private sector participation these actors will need to realize a number of conditions; they will need to:

- Fully recognize the international standards outlined by GIFT for fiscal transparency
- Judge these standards to be relevant to their risk assessments
- Have access to legitimate and up-to-date reports that are useful to CRAs

The next part of this section will address the above points and explore ways in which to access these incentives for private sector involvement while still maintaining the core mission of GIFT.

Engaging the Private Sector

First, increasing awareness of the importance and relevance of fiscal transparency assessments will involve a general marketing project towards potential financial institutions that will help these companies become more familiar with international standards and help them realize the relevance of these assessments in market risk analysis. Some of the ways in which this can be accomplished would be through hosting international conferences that reach out to business leaders and financial analysts. Through this event, GIFT should use this opportunity to lay out its mission statement and familiarize private sector constituents with key standards for fiscal transparency. In addition, GIFT would also be able to gauge market

participants' perceptions and change engagement strategies appropriately. Another way in which to promote outreach would be to channel cooperative banking institutions and other multi-corporation cooperatives. Addressing these organizations with an expansion of established membership will help in catalyzing a domino effect of participation among companies. Upon gaining involvement in private sector actors, GIFT will need to develop a certain level of legitimization in order to effectively engage these business partners.

The second part of this analysis examines strategies that best address the desires of the private sector in government fiscal transparency. The IMF and World Bank support programs that provide an ideal model for the future trajectory of GIFT proposals. These institutions have a number of tools that they employ with the help of both government and private sector entities that develop statistical reports on the accounts of government fiscal transparency. The Special Data Dissemination Standard is a prime example of one of the IMF's measures toward the distribution of macroeconomic data as it helps credit rating agencies determine a countries' access to international capital markets[8]. The IMF's Reports on Observance of Standards and Codes, is another established tool utilized by the institution to help private credit analysts access government fiscal information. The Reports on Observance of Standards and Codes is a report voluntarily submitted by governments that covers areas in accounting, auditing, anti-money laundering, banking supervision, corporate governance, data dissemination, fiscal transparency, insolvency and creditor rights, and monetary and financial policy transparency[9]. These reports are then made public through the IMF and are utilized by private credit agencies in their standard operating procedures.

International financial institutions have already done significant work in promoting and implementing their observance of standards in government fiscal transparency.

Using this example, GIFT can build off from this initiative to support the development of new, perhaps complementary standards and reports. Learning from the IMF's ROSCs, their standards of comparison have been found lacking by international financial institutions. Its presentation of outputs in qualitative data (pass/fail) should be replaced by quantitative data that makes it easier for international comparison. Another common complaint from the private sector about the ROSCs is the lack of participation and engagement with the ROSCs. As more credit agencies become aware of measures such as an ROSC, they will begin to expect the wide dissemination of this type of information and perhaps provide lobbying pressure towards governments to submit these reports. GIFT can open up the potential for policy dialogue between governments and the needs of financial institutions and provide technical assistance and training that can help economies build the capacity to implement GIFT initiatives.

Recommendations:

For GIFT to successfully engage private sector participation it will need to provide a working forum that draws expertise and opinions from these actors. Because transparency is important for the efficient allocation of resources, this Task Force recommends that GIFT:

- Make actors aware of its mission and highlight the ways in which it relates to the market interests of these actors.

- Navigate and foster notions of corporate social responsibility.
- produce reports or papers that provide full, timely and accurate disclosure of government fiscal results that will be invaluable to private sector members
- provide more knowledge of international markets, governance, and norms to aid business practices and thus incentivize the profit-minded private sector
- disseminate proposals for fiscal transparency through public forums or conferences that invite relevant financial institutions and MNCs to share in its mission and realize common grounds.

Section III

MSI Programmatic Strategies

Chapter 9

Incentives and Benefits of Participation

Anastasia Novosyolova

Chapter 9 Incentives and Benefits of Participation

Anastasia Novosyolova

In 2000, 189 nations made a promise to free people from extreme poverty and multiple deprivations. This pledge, recommitted to in September 2010, became the eight Millennium Development Goals (MDGs) to be achieved by 2015. The majority, if not all multi-stakeholder initiatives (MSIs) and global action networks (GANs) are united by and can be linked to at least one of the MDGs. Out of the extensive scope of MSIs active in all regions of the world, whether their focus is economic, global health or public goods oriented, one persistent goal is evident: the call to commitment and increase in transparency in operations, reporting, budgeting etc. Current research and practice shows that transparency, engagement, and accountability in the management of public finances can help governments enforce fiscal discipline, manage competition for resources, and send positive signals to international investors, rating agencies, and donors. These are just several of the examples of benefits that come from involvement in initiatives concerned with transparency.

A variety of benefits for members stem from implementation of the fundamental objectives of any given MSI. Indirect benefits are harder to identify and vary greatly depending on an MSI and the type of entity involved and level of involvement. For global health initiatives, direct benefits for certain members or participants include aid in the form of immunizations, medicine, funds, and health systems development, while indirect benefits in the long run include reduction of poverty, improved life expectancy, decreased childhood mortality, etc. For initiatives concerned with public goods, direct benefits include improved

access to education, goods, and shared knowledge, while indirect benefits of long-term participation are greater involvement in governance, reduced corruption, etc. MSIs such as the Microcredit Summit Campaign, The Kimberley Process or the International Land Coalition are a great example of MSIs delivering these indirect benefits to participants.

While the indirect benefits are plentiful they are not always immediately apparent to potential stakeholders such as governments, NGOs, businesses, private sector, and IGOs. MSIs must consistently ensure that the information about their progress, performance, and successes is readily accessible and disseminated to attract more participants. Releasing all reports about an initiative, even if potentially adverse in nature, is important in attracting and maintaining solid membership. Recently a number of MSIs in a common field of focus have entered into new partnerships and began increasing their networks by involving IGOs such as the IMF, the World Bank, and the WHO. Transparency may soon become necessity for MSIs to maintain legitimacy in the eyes of stakeholders and future members.

Reports from MSIs show that potential and existing members are most incentivized to participate when indirect and direct benefits created by partnerships are mutual, observable, and growing with the welfare of an MSI's target community. This Task Force also observes that MSI members with united visions, less overlap in initiatives, and a single reporting mechanism function more smoothly in tandem, and thus are more willing to effectively participate. For example, the Extractive Industries Transparency Initiative's (the EITI) strategy working group lists "linkage with other governance reform programmes" as one of their main points for consideration. The IAG report of 2006 noted that the EITI is best

implemented as a key part of broader reform. Ultimately, while MSIs should recognize that stakeholders participate to gain legitimacy and visibility, the improvement of target communities is the best fulfillment of the stakeholder needs and interests. A "win–win" situation is usually created such that social welfare is increased even as individual interests are also satisfied.[1] An MSI should present itself as the most effective medium through which diverse organizations can convene, collaborate, and create this "win-win" situation for all parties.

To be able to clearly outline strategies to recommend for GIFT when it comes to incentivizing and demonstrating benefits, this chapter is broken down in subsections by the type of stakeholder's involvement in MSIs. Each subsection provides examples of direct and indirect benefits gained by the members of particular MSIs and steps these MSIs take to promote their successes and highlight benefits of involvement.

Benefits to Governments

Oftentimes, resource rich and economically developed countries are the most difficult to engage, especially if participating requires their giving up of funds or information, while benefits do not appear to be obvious. The majority of benefits provided by transparency-oriented initiatives are indirect and therefore require more publicity. For example, the EITI requires the implementing country governments to pay for the implementation and validation of their the EITI process. As more countries sign up to begin implementing THE EITI, a wide and authoritative evidence base becomes built up. The International Advisory

Group noted in its 2006 annual report a number of possible incentives for the government of a resource-rich country and for other stakeholders to support implementation of the EITI.[2] Among these were: improved tax collection from extractive companies, which leads to increased growth and a more stable and attractive investment environment, improved credit worthiness for sovereign debt ratings, which leads to more access to capital. According to the report, commitment to Tthe EITI fosters greater accountability and stronger management of public finances, which leads to reduced risk of conflict, less corruption and improves public confidence in the government. By improving the quality of government policy, lowering the costs of investment and attracting foreign capital, transparency contributes to poverty reduction and a better standard of living, especially for those in lower income groups. [3]

Transparency can improve a country's credibility among foreign investors and the international banking community, which can improve its potential for future development. There is evidence that highly transparent countries enjoy lower costs of borrowing, and that investment funds make larger investments in such countries. Capital market investment is rapidly turning its attention towards emerging markets due to the significant growth opportunities they represent. However, poor governance can act as a significant barrier to investment. the EITI, and transparency more generally, can help make otherwise unattractive investment markets appear more viable to potential investors.

The EITI employs various informational tools to clearly indicate incentives. The EITI's website has a very user-friendly setup with choices such as *Resources*, which leads to all publications about the EITI, such as endorsements, evaluation reports, by-laws, case

studies etc. The section titled *The Standard* includes a subsection titled *Benefits,* which gives a simple breakdown of direct and indirect benefits of implementation. A document titled *Endorsements* includes quotes from influential world leaders such as this quote from Peter Voser, Chief Executive Officer of the Royal Dutch Shell: "First and foremost, we believe is important to the communities we operate in. We did not join the EITI simply to please our investors. What we like about the EITI is that it can drive positive changes in countries and help governments to serve their communities and citizens well."[4] The EITI also runs a blog where virtually anyone can comment on the initiative's documents and suggest strategies for improvement.

An example of an MSI providing fiscal incentives towards participation, the Kimberley Process (KP) has undeniably been key in ending conflicts in a number of countries involved in the diamond mining industry. In the 1990's, conflict diamonds made about 15 percent of the total global diamond trade. Currently that number is under 1 percent. The KP not only aided in ending the diamond trade funded civil wars in Sierra Leone and Angola, it also facilitated substantial increases in legitimate diamond production. This in turn resulted in significant boosts in tax revenues in countries like Liberia and Sierra Leone. Recently the KP has been facing major challenges in implementation, yet its contribution and ability to narrow the participation gap has thus far has been tremendous.[5] The KP's country certification program may not be a viable option for GIFT in the beginning stages of establishment, but could potentially become a good route for incentivizing participation.

Another fine example of an MSI with a user-friendly website holding an abundance of information is the GAVI Alliance. It provides charts and statistics that clearly demonstrate the level of success achieved since its establishment in 2000. In terms of incentives, GAVI makes an appeal to how participation has produced undeniable results in improving world health. By the end of 2011, GAVI had supported the immunization of 326 million children, who might not otherwise have had access to vaccines, and prevented over five million future deaths. By the end of 2010, GAVI had committed US$ 568 million to Health System Strengthening Support (HSS) for 53 countries. All these examples are a mixture of direct and indirect benefits provided by GAVI for its members; a healthier population reduces many burdens upon participant governments. [6] The main recommendation for GIFT derived from this section is to ensure that a website and other sources of publicly-accessible information are made available with plenty of resources and concrete data proving efficacy of participation in the MSI, including subsections on direct and indirect benefits of participation and all progress reports and annual reviews, regardless if favorable or not.

Private Sector

In June 2009 GAVI, together with the World Bank, WHO, UNICEF, five national governments and the Gates foundation introduced the first ever Advance Market Commitment (AMC) for vaccines against pneumococcal disease. Through the AMC donors commit money to guarantee the price of vaccines once they are developed, thus creating the potential for a viable future market and giving vaccine makers the necessary incentives to

invest in the R&D and to build manufacturing capacity.[7] This innovative way of stimulating the private sector increased business involvement and simultaneously contributed greatly to GAVI's progress. A large section of GAVI's website titled *Library and News* contains a subsection *Return on Investment Stories,* which is an easy-access tool for highlighting successes of private sector involvement.

The Global Reporting Initiative's year in review report presents case studies describing direct and indirect benefits of companies reporting with GRI guidelines. According to new research presented by GRI, sustainability reporting has become an essential tool to help businesses and governments rebuild trust and confidence in the wake of economic collapse. GRI contributed to two high-profile research projects into the trends of reporting, launched at the Amsterdam Global Conference on Sustainability and Transparency in May 2010. The two studies, *The Transparent Economy* and *Carrots and Sticks,* reveal the global economy is set to become radically more transparent over the next decade. The exploration of integrated reporting by a number of multinational corporations has caught the attention of key stakeholders, including the financial markets and regulatory bodies. As a result, businesses will be expected to provide significantly higher levels of corporate transparency and product traceability.[8]

Global Reporting Initiative offers access to financial education in the form of classes, workshops and conferences. "We help our members to develop tools and mainstream CSR practices in their core business," said Gianna Zappi, a CSR manager at Associazione Bancaria Italiana (ABI), which represents 1000 banks in Italy. "Considering sustainability is a way of

managing risk in a global way. By reporting, ABI banks can talk about their own way of managing risks. It helps show how a bank can improve its performance, particularly in the long-term, and grow up."[9] The GRI's website includes a section on *Benefits*, which highlights direct and indirect benefits of reporting according to their principles:

- Increased understanding of risks and opportunities
- Emphasizing the link between financial and non-financial performance
- Influencing long term management strategy and policy, and business plans
- Streamlining processes, reducing costs and improving efficiency
- Benchmarking and assessing sustainability performance with respect to laws, norms, codes, performance standards, and voluntary initiatives
- Improving reputation and brand loyalty
- Enabling external stakeholders to understand company's true value, and tangible and intangible assets[10]

The availability of statistics, research and detailed reports on progress on the GRI website are once again used to highlight the benefits that are foreseeably achieved by participating in the initiative. Any and all endorsements by world leaders, governments, IGOs and other MSIs must be highlighted on GIFT's website. GIFT should also consider offering workshops to increase networking opportunities and provide education to the private sector about the benefits of transparency.

IGOs and other MSIs

The Open Government Partnership (OGP) is a new international initiative aimed at securing concrete commitments from governments to promote transparency, increase civic participation, fight corruption, and harness new technologies to make government more open, effective, and accountable.[11] The core strength of the multi-stakeholder approach is that it engages all of the interested parties, increases alignment and improves coordination of efforts, and provides access to information and open spaces for learning and improvement among all constituencies. While each stakeholder has its own agenda or interest, it is still possible and necessary to find commonalities among all of them in terms of goals and methods for promoting the overall welfare of the community.

Throughout the research conducted on MSIs in all fields, one of the common trends is aligning and partnering with other relevant MSIs and IGOs. Even as a new initiative, OGP is looking to partner with other MSIs focusing on transparency. The OGP website features an article by Warren Krafchik, Director of The International Budget Partnership, titled *The Power of Partnerships,* in which he emphasizes the importance of MSIs working together and involving governments and Civil Society.[12] GRI is another MSI that is a part of global strategic partnerships with the Organization for Economic Cooperation and Development, the United Nations Environment program and the United Nations Global Compact. <u>GRI successfully incentivizes these IGOs through cooperation and uniformity of norms by using guidelines that are often used in conjunction with other relevant international initiatives, frameworks and guidance.</u>

In 2009, at the recommendation of the High Level Taskforce on Innovative International Financing for Health Systems, GAVI established The Health Systems Funding Platform (HSS) as one way to accelerate progress towards the health Millennium Development Goals 4 and 5 on reducing child and maternal mortality.[13] Examples of encouraging IGO participation can be drawn from the global health MSIs and their successes in:

- reducing transaction costs
- increasing efficiency by developing one common financial management framework,
- one monitoring and evaluation framework,
- and one joint review process in support of one national health strategy and plan

As a result there are fewer duplicative initiatives in any single country, fiduciary risks are reduced and administrative costs are lowered.

So far, all of the progress of implementing the HSS platform has been documented and made available on the GAVI website as well as on the World Bank website, including several case studies in the Country Progress Update of 2010. In Cambodia, a first joint country mission (with Global Fund, GAVI, WB and WHO representatives) took place in early June 2010. As a result of these discussions, all three funding agencies agreed to align their performance indicators with those of the government, and work with the government's Department of Planning and Health Information to strengthen the monitoring and evaluation system, thus reducing transaction costs.[14]

In Nepal, the Ministry of Health together with development partners, applied the joint assessment of national strategy (JANS) tool to revise and strengthen the Nepal Health Sector Program, and merged the assessment with reviews of World Bank and DFID-funded programs. Two Civil Society organizations - Rotary Nepal and Resource Centre for Primary Health Care – also actively participated in the joint annual review and the development of the Nepal Health Sector Program 2010 – 2015. In August 2010, leading aid donors (DFID, World Bank, GAVI, USAID, UNFPA and UNICEF) signed a Joint Financing Agreement (JFA) indicating their commitment in support of the health sector program based on one financial management framework with one reporting mechanism and one external audit, as opposed to the burden of multiple, agency-specific reports and audits.

Providing detailed case studies that outline potential and achieved benefits is an effectivestrategy that GIFT should consider implementing once possible. More importantly, GIFT should seek out partnerships with relevant MSIs and IGOs that are mutually beneficial. As shown by the research on GAVI, such alliances lead to increased efficiency and may strengthen or provide legitimacy for all parties involved, especially for a new MSI such as GIFT.

NGOs and Civil Society

After becoming global, one of the biggest challenges for MSIs is becoming local or "glocal". As As Peter Van Tujil at the Global Partnership for the Prevention of Armed Conflict (GPPAC) points out: "You cannot be global only. Then you are floating. We know

enough people who are completely absorbed by global processes, but lack any form of national accountability. You must make the connection between local, national regional, global. If you miss local you really miss something."[15] GANs are now making progress in this direction. For example the Climate Group is now more active with state and provincial governments than with national ones. The Global Compact's national networks are embracing small and medium enterprises, and the Stop TB Partnership was able to reach three remote districts with the help of NGOs active in the area. The challenge for GIFT in garnering NGO and Civil Society support is becoming more relevant to and inclusive of local, smaller elements.

Of major direct benefit is the potential funding available for Civil Society organizations to accomplish mutual goals with a particular MSI, especially if the MSI cannot solely accomplish that goal, being more wider in scope than a single NGO. By the end of 2010, GAVI had committed over US$ 21 million to involving local Civil Society organizations (CSOs) in the planning and delivery of immunization services, and to encourage cooperation and coordination between the public sector and Civil Society. CSOs which include community-based groups, academic institutions, faith-based groups, and women's initiatives, have a long history of direct involvement in administering public health or providing health education in developing countries.[16] According to GAVI's second evaluation report of 2010, working closely with CSOs brought together government representatives and bilateral/multilateral agencies.

There is an abundance of indirect benefits for Civil Society as well. Participating in global initiatives not only creates new networking opportunities for Civil Society groups, but can also be a source of legitimacy. MSIs can expand their public image and reputation and in the process also improve the visibility of its participating NGOs by association. The majority of MSIs encourage the use of their logo for organizations that are enforcing that particular MSI's principle. The EITI name and logo are the property of the EITI Board, though partners and local networks are encouraged to use it or derivatives in order to promote the initiative. The Global Compact also allows the use of "We Support the Global Compact" logo to promote their commitment to the initiative and raise awareness of the United Nations Global Compact. Promotional opportunities within MSIs encouraging visibility of participation also an incentivize NGOs. For example, the Global Reporting Initiative encourages participants to schedule events on the initiative's calendar, which could help the NGO to attract more involvement or recognition and legitimacy.

Indirect benefits of participating within an MSI not related to health, but public goods, or transparency are even more ample. A general climate of transparency empowers Civil Society groups. For example, implementation of the EITI facilitates greater public participation in the country's governance, and improves Civil Society organizations access to information. Consequently, local communities benefit economically from increased revenue flows, while social justice, accountability, anti-corruption and good governance are reinforced and promoted. The involvement with the EITI also leads to:

- improved relationships and greater influence with companies and governments

- increased opportunities to build and strengthen networks with investors and international organizations
- enhanced governance and strengthened public institutions
- citizens who are more aware and empowered

Recommendations:

Dr. Sanjeev Khagram, in his article *Towards a Multi-Stakeholder Global Initiative For Fiscal Transparency (GIFT)* states that GIFT's core value is "to advance and institutionalize significant and continuous improvements in fiscal transparency, engagement and accountability in countries around the world".[17] As demonstrated briefly in this chapter transparency is a key issue across a large scope of multi-stakeholder initiatives. Organization for economic cooperation and development (OECD) states that the budget is the single most important policy document of governments, where policy objectives are reconciled and implemented in concrete terms. OECD's *Best Practices for Budget Transparency,* published in 2002, are designed to serve as a reference tool for countries working on increasing transparency. The International Budget Partnership's Open Budget Initiative focuses on measuring and advancing transparency, accountability, and public participation in the budget process. Open Budget Survey - a comprehensive analysis and survey that evaluates whether governments give the public access to budget information and opportunities to participate in the budget process at the national level. The IBP works with Civil Society partners in 85 countries to collect the data for the Survey.

Saying that transparency can "transform the effectiveness of overseas aid", Francis Maude, the UK Cabinet Office minister, announced that progress toward Open Government Partnership principles will be an important factor in deciding whether countries qualify for aid.[18] The International Aid Transparency Initiative launched in 2008 (IATI) aims to make information about aid spending easier to find, use and compare. As a result, those involved in aid programs are be able to better track what aid is being used for and what it is achieving. This stretches from taxpayers in donor countries, to those in developing countries who benefit from aid. Improving transparency also helps governments in developing countries manage aid more effectively.[19] The International Business Leader's Forum (IBLF) working with the Partnering Initiative (TPI) calls for businesses "to aim for public transparency and accountability with key stakeholder groups, especially in the communities in which the companies operate". "The Extractive Industries Transparency Initiative has brought us much progress in terms of creating a global standard for transparency, but revenue transparency is just one step in the process. The ultimate goal is less corruption and better governance." U.S. Senator Benjamin L. Cardin at the Commission on Security and Cooperation in Europe in 2011.[20]

With the increase of appeals toward transparency, GIFT should strive to build mutually beneficial partnerships with one or any of the above-mentioned initiatives. As Dr. Khagram states in his article, there has been a lack of coordination across stakeholders concerned with transparency, therefore GIFT must step in and an aim to unite, lead, and build capacity in this field. Highlighting the direct and indirect benefits of becoming a

stakeholder in GIFT and a commitment to transparency should be an important strategy for engagement. To achieve maximum potential, prospective stakeholders must be able to easily access all the pertinent information to GIFT's reports, publications, case studies, etc. This Task Force recommends that GIFT:

- Clarify and promote direct and indirect benefits to current and potential stakeholders through various publications
- Maintain integrity to GIFT's goals by monitoring internal transparency of funds and distribution of finances, giving awards to recognition to good fiscal practice
- Emphasize the enhanced collaboration, information-sharing, and legitimacy that come with working within GIFT's unique collaborative ability as a global and local MSI.
- Create singular, united reporting mechanisms and reconcile overlapping or conflicting initiatives of various stakeholders
- Promote itself by making a logo readily available to public sharing

Chapter 10

Capacity Building & Technology

Walter Ha

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Capacity building is a growing topic among international organizations (World Bank, United Nations) and nonprofits that focus on development. Each year, over $20 billion is invested toward products or activities that are designed to enhance the capacity of developing countries to make and carry out development plans.[1] Stakeholders understand that the success of their aid mission relies not only on the amount of aid given but also on the recipients' (i.e. developing country's) ability to effectively use the assistance that donors provide. The ultimate goal behind capacity building is to help local governments, groups, or organizations attain sustainable development by increasing the recipient's ability to effectively utilize international development efforts via improving infrastructure, institutions, technology, etc. In the context of Multi-Stakeholder Initiatives (MSIs), capacity building has been an effective tool in furthering an initiative's goals. As GIFT begins to review its implementation strategy to increase transparency, participation, and accountability among developing governments, capacity building will surely become an instrumental tool in attaining its goals.

This chapter examines the benefits and challenges of capacity building, using various models and case studies of MSI capacity building. In doing so, this chapter analyzes the effectiveness of different MSIs and their capacity building efforts and assesses the most rational implementation strategy for GIFT. Lastly, this chapter presents a capacity building

framework best suited for GIFT and its goals and that is consistent with the development strategy presented by the World Bank Institute and the United Nations.

Defining 'Capacity Building'

The term 'capacity building' – often referred to as *capacity development* – is a buzzword that has emerged in the lexicon of international development community since the 1990s, when the international focus began to shift toward development efforts. Today, 'capacity building' has been incorporated in programs of most international organizations such as the World Bank, United Nations, and many non-governmental organizations (NGOs) to promote their work in development. The wide usage of the term has resulted in much controversy over its true meaning with dozens of different meanings and interpretations surfacing. Thus, this report identifies capacity building as an operational term that can be used to describe a variety of development activities, efforts, and goals. However, in the context of this chapter, capacity building is used primarily to describe an MSI approach of enabling individuals, governments, and organizations to develop the necessary capacity to overcome particular obstacles that inhibit them from reaching the initiative's goals. 'Capacity' encompasses human, technical, technological, organizational, institutional, and resource capabilities.

Different Approaches toward Capacity Building

One of the most fundamental ideas associated with capacity building is the idea of building capacity within countries and groups within those countries (government, organizations, community, and individuals) so they are able to handle their own problems associated with the environment, politics, economy, or society. Building capacity in a country is a tremendous undertaking and cannot be approached singlehandedly with only one strategy or even by one organization. Thus, MSIs must take a holistic approach toward capacity building that engages various forms of capacity building. While there is a wide variety of capacity building, the four that we focus on in this chapter are institutional, organizational, technical, and technological capacity building. The four are closely inter-related and complement each other to further the success and impact of MSIs.

Institutional Capacity Building

Institutional capacity building refers to one of the most fundamental approaches toward capacity building and focuses on increasing a country or government's administrative and management capacity, particularly with respect to institutions.[2] It is the most effective form of capacity building and is evidently the most difficult to achieve as it requires the most interaction from all other forms of capacity building. This approach addresses the need for better governance as the foundation for furthering MSI goals, which builds off of the idea that transparency, participation, and accountability are inextricable characteristics of sustainable governance. Ultimately, the aim is to create more effective institutions for

implementing MSI strategies. For GIFT, this involves building the capacity of institutions (i.e. ministries of finance, departments of treasury, parliaments, and audit institutions) and the people within them to practice transparency, participation, and accountability within the government in respect to its fiscal decision-making/budget-making.

Organizational Capacity Building

Organizational capacity building refers to developing the capacity of aid-giving organizations like MSIs by increasing its ability to successfully apply its skills and resources.[3] Traditionally, capacity building has been directed toward countries. However, recent expansion of MSIs, which now engages governments and NGOs as well as private sectors and Civil Society, has led to the valuation of organizational capacity building. Stakeholder engagement is a way of effectively increasing organizational capacity for MSIs. By doing so, MSIs can increase their potential to influence the scope, scale, and ultimate impact of their projects through access to stronger feedback, better decision-making processes, and greater skills and resources. Furthermore, MSIs who engage in organizational capacity building are more adept at being self-reflective and critical, two qualities that enable more effective capacity building.[4] For GIFT, this would involve building its skills and resources (staffing, infrastructure, financial resources, technology, and strategic leaderships) capacity by engaging a wider range of stakeholders.

Technical Capacity Building or Technical Assistance (TA)

Technical assistance refers to aid given by an expert with specific technical/content knowledge in the form of "sharing information and expertise, instruction, skills training, transmission of working knowledge, and consulting services and may also involve the transfer of technical data."[5] They are given based on particular needs and priorities identified by the beneficiary country and take form of missions carried out by recognized experts. Building strategic and sustainable partnerships with stakeholders, particularly with those in private sector and Civil Society, is the most effective way of gaining access to better technical assistance.

Technological Capacity Building or New Technologies

New technologies have been instrumental in helping raise capacity in developing countries. The advances in information and communication technologies (ITC) have transformed the way MSIs are able interact with stakeholders. Thus, utilization of these new mechanisms of streamlining communication will be key in raising awareness and support, creating a new setting for deliberation, and in effect engaging a greater number and variety of stakeholders. For GIFT, some of the benefits of technological capacity building would be increased state or institutional responsiveness, new democratic spaces for citizen engagement, empowering local voices, better budget utilization and better service delivery.

A Model for MSI Approach to Capacity Building

The chapter does not provide the “perfect” framework for capacity building for MSIs. Instead, the information provided serves as a guide for GIFT to use as part of its capacity building strategy, based on various capacity building models and case studies of MSI capacity building efforts. One that we will specifically look that is the United Nations Development Programme’s (UNDP) Capacity Building model and use it as a reference to base our understanding of MSI capacity building.

United Nations Development Programme’s Capacity Building Model

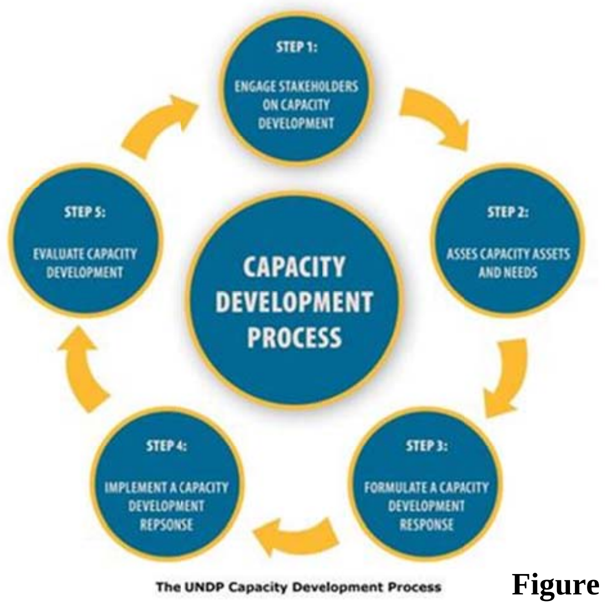

Figure 1

As part of its 2008-2011 “Strategic Plan for Development,” the United Nations Development Programme (UNDP) offered a five-step approach for systematic capacity building. These steps are: (1) engage stakeholders on capacity development, (2) assess

capacity assets and needs, (3) formulate capacity development, (4) implement a capacity development response, and (5) evaluate capacity development[6]. (See Figure 1)[7] While this is an overarching approach to development itself, it is still relevant as a framework for MSIs. However, this section will not address every step in the UNDP model, as it will go beyond the scope of this section to analyze. Instead, it focuses on ways to increase stakeholder engagement and presents a case study regarding one of the methods.

Engage Stakeholders on Capacity Development

Stakeholder participation is a critical yet often overlooked or under-prioritized aspect of effective capacity building efforts. Encouraging stakeholders to become involved and share ownership in the process of development will foster a sense of responsibility among stakeholders toward the initiative, which will promote more favorable and sustainable outcomes as well as increase transparency within the process.[8] MSIs will also benefit from engaging shareholder's who are directly affected by the situation as it may lead to more effective decision-making. There are many and various ways of engaging stakeholders; however, this chapter examines only a couple methods MSIs use to engage stakeholders. It is also important to understand that while engaging stakeholders is depicted as the first step of the process, it is inherent in every step.[9] Examples of effective methods to engage stakeholders on capacity development are:

a. Social Media & Marketing

Social media is an increasingly important method for MSIs to engage stakeholders in a timely and cost effective manner. Social media sites such as Facebook, Twitter, and YouTube, are changing the way stakeholders interact with one another as well as with MSIs. They are essential tools for MSIs to mobilize future and current stakeholders by streamlining communication for both users via press materials, media articles, videos, photos, blog posts and pod casts. While social media does in fact help MSIs engage stakeholders at all levels (government, private sector, and Civil Society), it is most widely effective on engaging individuals, as it is a more suitable means of communicating with the masses.

b. Capacity Building Seminars, Conferences, and Workshops

Capacity building seminars, conferences, and workshops are essential tools for engaging stakeholders at all levels. All three can be used to raise awareness on specific MSI issues and concerns and create a process of deliberation for implementation strategies and effective decision-making. They set the stage for a highly interactive environment, which engages stakeholders from diverse backgrounds to come participate directly in capacity building activities. Under the guidance of a panel of specially trained "experts" who build and share knowledge with stakeholders, stakeholders can acquire the necessary skills and knowledge to advance initiatives' goals. These seminars, conferences and workshops cover a number of topics ranging from developing methodologies to revising policies, programs and projects that correspond to results-based approaches. Therefore, this method appeals to technical capacity building and organizational capacity building.

c. Sustainable and Strategic Partnerships

Partnerships are an effective way of engaging a wider range of stakeholders. As recent focus has turned to multi-stakeholder partnerships (MSP) as the vehicle for advancing development goals, it has become increasingly clear that no one sector in society can deliver the complex demands of sustainable development. Traditionally, capacity building has been in the domain of governments and NGOs; however, the emerging popularity of MSPs has extended this scope to include both the private sector and Civil Society. By aligning the interests of businesses, governments, NGOs, and even Civil Society, MSIs are able to strengthen the impact of their interventions. As the water sector boasts the largest number of such partnerships, we examine the demand-driven capacity building partnership model of Partners for Water and Sanitation (PAWS) as an example of effective partnership building with stakeholders.

Examples of Effective MSI Capacity Building

A Case Study for Stakeholder Engagement: Partners for Water and Sanitations (PAWS)

As Wertz et al state in their case study on PAWS's capacity building model, *Building Capacity with Demand-Driven Partnerships: A Case Study of Partners for Water and Sanitation,* "the model that PAWS offers is skills not money."[10] PAWS differs from traditional financing or aid interventions in that it focuses on building long-term sustainable partnerships between public-private sectors – although to a lesser degree, engaging Civil Society. Its approach closely follows the UNDP's capacity building model by engaging its stakeholders, assessing capacity needs and assets, formulating and implementing successful

capacity building projects based on commitments to transparency and accountability, and establishing an effective system of evaluation through the appointment of country managers to manage each project. PAWS is a good model for sustainable partnerships among stakeholders and focuses on technical assistance as its approach to capacity building.

Through its partnership network, PAWS has access to the entire UK water industry, which they assign to high impact capacity-building projects in African partner countries on a demand-driven basis. PAWS identifies that although the supply of business partners is strong, the demand for their assistance is variable. PAWS consists of 26 UK business partners, including 12 of the country's largest water companies.[11] However, many of those partners are having a hard time finding projects in countries that are suitable for their assistance, due to a lack of sustainable institutions and policies. Thus, PAWS examines the potential of an African country for receiving assistance or aid based on the country's absorptive capacity (quality of institutions and policies) to bolster or diminish the impact of intervention. For PAWS, generating demand consists of locating projects with more absorptive capacity. If a project does not have this potential, PAWS finds it to be out of its scope for intervention. PAWS does this by carefully assessing the capacity needs and assets of its partners and professionals based on what they call demand-driven activities. Thus, PAWS does not undertake a project without a clear request for engagement, which usually comes in the form of a government-backed policy. To do so, PAWS engages a wide variety of stakeholders to identify the demand.

PAWS's recent engagement with Tanzania is exemplary of this current project

selection process. PAWS representatives (led by the chair) conducted a scoping visit in a March 2009 meeting with the non-profit WaterAid, donors, the Tanzanian government, and other sector stakeholders.[12] During this engagement, planners consulted with project beneficiaries (through surveys, informal/formal political processes, community groups, etc.) to ensure that local needs guided project design. After presenting their model to the Ministry of Water and Irrigation, all parties came to a conclusion that PAWS could add value to activities already underway in Tanzania, specifically by "complement[ing] the national Water Sector Development Building Programme" via capacity building.[13] PAWS recruited a country manager to be based within the WaterAid offices and scope out potential projects. In 2010, United Utilities, a leading UK water company, and an independent worked with Dar es Salaam Water and Sewerage Authority (DAWASCA), a quasi-commercial water management agency run by the Tanzanian government, to create pilot zones for effective monitoring and control of Tanzania's non-revenue water (NRW).[14] Non-revenue water refers to fully produced water that is "lost" before it reaches a customer due to leaks or other faulty mechanisms. During this partnership, United Utilities provided technical assistance to DAWASCA, utilize modern methods and technologies of detecting leakages and illegal connects." Before the project, it was estimated that 60% of water in Dar es Salaam was unaccounted for, out of which 30% was a result of leakages. Therefore, the goal of the project was to bring NRW down to an economical level through their partnership. While the project is still underway, this partnership has resulted in a significant decrease in NRW in Tanzania.

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Case Study of Nigeria Extractive Industry Transparency

For some time, Nigeria's implementation of the Extractive Industry Transparency Initiative (EITI) process has been considered as the global initiative's flagship program. Since its inception in 2004, Nigeria Extractive Industries Transparency (NEITI) has made tremendous strides in the arena of capacity building and has been commended for going beyond the core basic requirements of global EITI. NEITI has brought about transparency regarding company payments and government revenues from oil, gas, and mining in Nigeria, collecting and publishing an array of detailed and insightful report regarding not only its oil industry but also the government for the first time.[16] In this sense, NEITI has successfully built capacity by informing and engaging Civil Society in Nigeria's government fiscal activities. Bringing together stakeholders – notably from oil companies, the Nigerian government, and Civil Society – was a major factor in NEITIs success. There were two key aspects that contributed to NEITI's success, one technical and another political. The process, both globally and in Nigeria, is still very new and can be understood to be in a test phase. Nevertheless, the success of their initiatives in building institutional capacity in Nigeria to help set the stage for improvements on governance warrants an examination of its methods.

To begin with, NEITI took a multi stakeholder approach by establishing the National Stakeholder Working Group (NSWG) as the governing entity of NEITI. The NWSG consists of individuals and organizations from Civil Society, media, Nigeria's federal government and national assembly/states assembly, indigenous and multinational oil companies and organized private sectors. Thus, the NSWG is responsible for formulating policies, programs, and

strategies for implementing NEITI's goals. Due to the oil being central to the Nigerian economy, accounting for over 70% of revenue at all levels of Government, over 85% of foreign exchange earnings and 40% of GDP, it was crucial to promote improvement in the transparency in Petroleum/Gas revenue data for purposes of effective management of public resources and to improve the perception of governance at home and abroad.[17] In 2000, President Obasanjo commissioned a World Bank study of the management of the oil and gas sector. The reports revealed serious lapses in four broad segments of the oil industry: crude oil output and disposal, funds inflows, funds outflow, and institutional effectiveness. Thus, it became imperative to institute a culture of transparency to address those deficits. The NEITI approached institutional capacity building by focusing on several full reform programs such as macro-fiscal, better public expenditure management, structural, public service, and anticorruption reforms, in which an extensive audit of all of the oil companies and governments fiscal information was necessary. To spearhead these audits and reform strategies, NSWG procured the services of an international Hart Groups through an open international competitive bidding and engaged distinguished international consultant to advise the multi-stakeholder partnership. NWSG coordinated its capacity building aims by structuring its efforts along five working groups: technical, legislative, media, focal, and Civil Society.

The technical team consisted of specialist engineers, a lawyer, and support staff who were assigned to evaluate all tenders for NEITI assignments and report their findings to the governing body. The legislative team was instrumental in helping to develop the NEITI Bill,

which enacted a bill creating the NEITI, wherein the National Assembly signed it into law in 2004.[18] This bill in some ways represented the acknowledgement of partnership between the government and initiative, agreeing to work towards transparency. The media team focused on ways to employ media strategies to gather support and disseminate information on their mission. The goal of Civil Society was to directly engage the wider NGO constituency, which led to membership from various NGOs, such as Transparency in Nigeria, Workers Unions, and Citizen Organizations. Through interactive sessions with PWYP and wider NGO constituency led a 5-Civil Society Action Team to capacity enhancement goals.[19] The focal team was designated to design and oversee the TA program that combined a variety of "coordinated training programs, inward secondments of expertise, and infrastructure support for selected government agencies." The coordinated efforts of these groups brought new reforms that increased the institutional capacity of the government as well as solid minerals sector, taking from the lessons from its oil sector. The reforms led to the comprehensive review of the Minerals and Mining Acts of 1999, which increased the extended transparency to the Solid Minerals sector, thus allowing for the retrieval of greater revenue.[20] Other reforms included the removal of discretionary powers of government officials, guaranteed easy access, security and transferability, and strengthened geological data gathering capabilities.

The EITI/NEITI process in part was established as a response to fill the gaps left in an existing transparency initiative of the 'Publish What You Pay' coalition. The PWYP created an incomplete picture for the revenue of resource-rich countries, as its methods were unable

to capture financial flows from and to state oil companies. This was the result of not involving the government directly and trying to circumvent the barriers in information privacy legislation in troubled, mineral-rich states. Secondly, PWYP's 'mandatory' approach, which forced disclosure on private company financial data, was met with resistance from many companies, as they were not willing to share information that would put them at a disadvantage with their competitors. NEITI approached meeting those deficits by first involving producer governments directly in the process, which enabled a more complete picture of oil revenues. Secondly, they created a process of collaboration, involving companies and governments as to paint a less threatening picture.

In the EITI/NEITI process, Civil Society is a major stakeholder. Therefore, the roles of Civil Society, which includes 'advocacy, sensitization, whistle blowing, monitoring and oversight,' are essential and unique in the NEITI implementation.[21] NEITI's audit reports of the 1999–2004 oil sector accounts themselves are an example of its shining success in transparency. It produced not only raw data on the industry and on tax and other fiscal matters but also provided key insights into processes involved in the oil industry that have helped many insiders and outsiders to see the oil sector in overview.[22] However, although NEITI has made attempts to build capacity in Civil Society, those efforts show marginal results. While it is clear that NEITI has informed Civil Society, it is hard to find evidence that it has significantly empowered or energized it, or enabled it in any serious way to promote accountability in the government. It is not enough to simply provide Civil Society with information, such as comprehensible audit reports. They have to provide tools to

implement change. In this sense, NEITI could benefit from better engagement tools with Civil Society. A second thing that we notice in examining NEITI's model is the strong leadership and political will that played a significant role in the impact of the initiative. PWYP is an example of what happens without it.

A Case Study for New Technologies: Transparency and Accountability Initiative (T/AI)

Transparency and accountability have emerged over the past decades as key ways to address institutional capacity building. Information and communications technologies (ICTs) have changed the ways in which people interact and communicate. Thus, for the past two decades ICTs have been used by initiatives, such as Transparency and Accountability Initiative (T/AI), for the purposes of promoting transparency and accountability. The case study presented by T/AI looks at the impact and conditions for success in the use of ICTs. It draws upon examples from Brazil, Chile, India, Kenya, and Slovakia to identify the different tools being used, how they are being used, and how their use facilitates the inclusion of wider ranger of sectors in T/A efforts.[23]

T/AI is a multi-stakeholder initiative that works to expand the impact and scale of transparency and accountability interventions. In its case study, it identifies that success for harnessing new technologies entails the understanding of what types of tool and platform a specific context needs. Depending on the context, success can be measured in different ways, ranging from a full resolution of a problem to being able to engage citizens in an unprecedented way. Thus, it outlines that what works for some does not translate to success

for all other sectors. The conditions for success in harnessing new technologies are based on the ability of MSIs to assess the needs, interests and motivation, capacity, and efficacy of its intended audience. The following case studies examine two of those conditions: needs and interests, and user motivation.

Needs and Interests – Mumbai Votes: India

Mumbai Votes is a legislative agenda in India that sought to bring transparency to the legislative process as well as that of voting to promote better democratic practices. One of the main foci of the organization is to create performance-rating systems for politicians that gauge the extent to which those who are elected to office are likely to deliver on the promises that they made while campaigning.[24] In doing so, Mumbai Votes sought to provide information on the character and background of candidates, via ICTs such as media, websites, blogs, and other forms of new communications lines. In some cases, this included criminal records. To measure its success, the organization conducted interviews to measure the effect of such interventions. One consistent trend that was noted was that after Mumbai Votes released information about their criminal backgrounds, candidates likely to win were met with upsetting results. While it is difficult to measure that voters responded to information about politicians' performances by changing their voting intentions, the results indicate a degree of effectiveness. The experience of Mumbai Votes is one test of that organization's ability to assess the needs and interests in order to bring a favorable impact toward its cause.

User Motivation – Fair Play Alliance: Slovakia

In some cases, those who advance technological interventions often underestimate users' or providers' of information motivation to contribute. Since the ability of an organization to provide useful data varies depending the motivation of users willing to participate. An example of this can be seen in the watchdog and advocacy organization in Slovakia, Fair Play Alliance. In 2004, Fair Play Alliance launched a competition for the best application built upon its database.[25]

The aim was to crowd-source 'the best and the brightest' in the field of new media and technology and to propose applications to use the data in innovative ways. However, this application, recently renamed 'Data Nest,' is now entirely accessible as open data and engages a wide range of citizens in its cause of promoting transparency in Slovakia. The Fair-Play Alliance supports these endeavors by using technology to create a new platform for engagement, strengthening and altering the relationship between consumers and producers of news in Slovakia. While Fair Play Alliance is an example of the benefits from engaging a wide range of people, a major issue in open data operations stems from a lack of credibility within the organization. Thus, it is important that ICT interventions be based on "highly credible sources of information that is of high interest and utility to journalists and political and advocacy campaign."

Recommendations:

As GIFT examines the various options for effective capacity building, it must take into consideration the different approaches including institutional, organizational, technical and technological capacity building. Regardless of the method chosen it is vital that MSIs engage stakeholders in their capacity building endeavors by building sustainable partnerships, likely through the model examined in PAWS. The UNDP model, which addresses the common approach for capacity building, can be a good reference to increase its organizational capacity and thus influence its ability to build institutional capacity. With the knowledge gained from the UNDP model, GIFT can establish a set of definitive goals and methodology (utilization of ICT, capacity building seminars/conferences/workshops and strategic partnerships). In the context of fiscal transparency and accountability, NEITI's model serves as a good model for informing stakeholders and building institutional capacity within a government. However, GIFT will need to:

- improve upon NEITI's model by creating a better platform from which Civil Society stakeholders can engage governments. New technologies are a great means of accomplishing this goal; however, in the context of GIFT, these technologies should go beyond the scope of fiscal transparency and extend to governmental transparency, as explicated in the case study from Mumbai Votes
- assess its own patterns in implementing technologies that are specific to the region in which its project is intended, focusing on particular needs and interests, motivations, capacity and efficiency.

Chapter 11

Global Norms

Sam Hampton

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A key goal of any MSI is the implementation of a set of norms in a specific field. This objective involves two separate but interrelated challenges. First is changing, reintegrating, or replacing existing norms; an MSI almost always desires a fundamental shift in behavior on the part of governments, the private sector, or another actor, which necessitates a new standard of behavior. This new standard must be codified into a set of norms, and promoted by the MSI. Second, and at the same time, is the implementation gap - a marked gap between the simple espousal of new behaviors, and their actual implementation. Norms can be implemented by a number of means, which this Task Force refers to as mechanisms, which range considerably in strategy and effectiveness, depending on specificity of stated norms, degree of obligation, and methods of enforcement. The task of an MSI is therefore twofold. First, it must construct and adopt a set of norms that is both consistent with its objectives and likely to be implemented. Second, an MSI must strategically choose which mechanisms it will employ to achieve its goals, specifically those that are most effective relative to the MSI's objectives, its means and those of its stakeholders, and its adopted norms.

This chapter seeks to analyze global norms, as well as the mechanisms through which they are implemented. The objective is to offer a set of recommendations regarding the most effective strategies in the adoption and implementation of global norms. To this end, it reviews and analyzes historical examples of norms achieved by various mechanisms, and analyzes and compares the efficacy of these mechanisms. It seeks to identify patterns in

mechanisms and norm sets, and to offer cost-benefit analyses of individual mechanisms. This chapter does not make the pretense of being an exhaustive study; it is at best a review, as the both the literature and body of examples are tremendous in scope. The examples it reviews are chosen for their relevance to GIFT, and are not meant to definitively represent any mechanism or the range of variation there within.

The remainder of this chapter is structured in six sections. The next section is a brief overview of the theoretical framework that this chapter employs. The following two sections are expository: the first details the various unilateral mechanisms for norms promotion and historical examples thereof; the second, details multilateral action, specifically examples of MSIs and multilateral IGO action. The next two sections are analytical: first, a comparative analysis of sets of norms, their characteristics, and patterns within them; second, a cost-benefit analysis of the various individual implementation mechanisms. The final section consists of a set of recommendations for GIFT in seeking implementation of global or multilateral norms, with GIFT's circumstances and objectives particularly taken into account.

Theoretical Background

The following exposition and analysis employ a specific theoretical framework. The assumptions that underlie the analytical methodology are reflected in the conclusions, so this section seeks to briefly review the theory that informs the analysis.

General Theory and Characteristics

Norms are understood as legitimate standards of behavior for a set of actors. These need not be legal in nature, though laws and agreements do lend legal legitimacy to norms. Social behaviors are often norm based; good manners can be seen as a socially codified set of norms. Where a norm is formalized in an agreement, it is a binding norm. Where it relies on its legitimacy as a standard, it is a voluntary norm.

Global norms come in many varieties. International agreements codify global norms in a legal manner. However, the absence of a world state and universal enforcement mechanism means that many binding norms at the international level lack the same degree of legal legitimacy that state law has. International standards of behavior, in any sector, are voluntary norms that are implemented as a product of their perceived legitimacy. Global norms historically have been informal agreements among states – over the 20th century, global norms have been imposed by and onto other actors as well, and have become increasingly formalized. Norms are considered effective when they are efficiently implemented, regardless of whether they are binding or not.

Norms are implemented by an actor, and target a host of actors, collectively. In the case of fiscal transparency, the target actors are ultimately states. However, in some of the other examples, target actors differ, ranging from corporations, government agencies, non-state military actors, etc. Target actor power, participation, and capabilities are factors in determining the mechanisms and strategies employed by an MSI.

As a norm reaches a critical mass of implementing actors, a great deal more tend to adopt the same norm as a new standard of behavior, generating participation and legitimacy through multilateral acceptance.

Theoretical Mechanisms for Instituting Norms

In a framework developed by Sanjeev Khagram, there are twelve mechanisms by which norms can be instituted at the global level. They are enumerated below.[1]

1. Unilateral Intergovernmental Mechanism – A single state leverages another state(s) to adopt a common norm.
2. Multilateral Intergovernmental Mechanism – A group of states leverages another state(s) to adopt a common norm.
3. The Global Convention – A UN convention produces a set of norms that the states party to the convention agree to multilaterally adopt.
4. IGOs – In their interactions with states, IGOs promote a common set of norms and leverage governments to adopt them.
5. Regional Governmental Bodies – A regional group of states adopts a common set of norms by means of an intergovernmental agreement.
6. Governmental Agency Networks – Networks of government agencies promote and implement common norms within their field across state lines.
7. The Private Sector – Multilateral action within the private sector spurs the adoption of common norms by leveraging a state(s).

8. Professional Associations – Members of a profession agree on a transnational standard of conduct in their field.
9. Global Summits – A global summit is convened, and a common set of norms is adopted by the states which ratify the agreement.
10. International Commissions – An internationally empowered executive body works to implement a set of norms it adopts.
11. MSIs – A network of stakeholders across traditional groupings works to leverage actors into adopting a common set of norms.
12. Global Action Networks – A network of NGOs and Civil Society organizations leverage actors into adopting a common set of norms. Distinct from an MSI in that it does not include state or IGO stakeholders – GANs are Civil Society networks.

Of these theoretical mechanisms, five are most relevant to MSIs, particularly GIFT: Regional Governmental Bodies, Global Conventions, Intergovernmental Organizations, Government Agency Networks, and Global Action Networks. The remaining mechanisms are either irrelevant, or, in the case of an MSI, a combination of the other mechanisms; brief explanations follow.

- Unilateral Intergovernmental Mechanism – Any MSI, particularly GIFT, includes *multiple* state stakeholders. Action should be taken on a multilateral level at the very least, and, preferably, on a global scale. The more state actors involved, the more effective the initiative; there are few examples of a single state unilaterally imposing a norm. Unilateral action is the anti-thesis of a multi-stakeholder initiative.

- Multilateral Intergovernmental Mechanism – Multilateral engagement follows the same logic as unilateral engagement; global norms however, are best implemented at the global level. Furthermore, the extant multilateral intergovernmental groups (excluding regional groupings), such as the G8, G20, etc., usually have a common level of institutional development, and one not readily transferred to or mimicked by other states. The adoption of a norm on the part of such a group would no doubt be influential, but less so than adoption on a global scale and by the numerous developing nations that GIFT aims to find involvement in.
- The Private Sector – The private sector, while clearly a stakeholder for fiscal transparency, is not the best mechanism for engagement with norms. States must be leveraged to achieve fiscal transparency, and it would take overwhelming activism on the part of the private sector to enact such changes in state behavior. Furthermore, the private sector has a somewhat diminished stake in fiscal transparency –working autonomously, profit-seeking institutions receive insufficient tangible benefit to spur necessary mobilization for this mechanism.
- Global Summits – Global Summits are somewhat indistinguishable from Global Conventions; the differences tend to be procedural. The prospect of a Global Summit on fiscal transparency is less likely than a convention on it and, regardless, Global Conventions and Global Summits are more or less interchangeable.
- Professional Associations – These associations dictate norms within a profession, including accounting, medical, and legal ethics. They serve as important standards for

individuals as actors. However, in the influencing of state behavior, these norms generally have little effect. In pursuit of transparency, GIFT should focus on the norms of the states, not the norms of its auditors.

- International Commissions – There is currently no commission tasked with fiscal transparency. Commissions arise in exceptional circumstances, which are unlikely to arise in the case of fiscal transparency. There are more effective means available to MSIs.

These less relevant mechanisms aside, the remaining five mechanisms are analyzed by this paper. Case studies of these mechanisms, Regional Governmental Bodies, Global Conventions, Intergovernmental Organizations, Government Agency Networks, and Global Action Networks, are presented in the following section of this chapter. Multi-stakeholder initiatives and other multilateral initiatives are examined in the following section.

Life Cycle of Norms

Understanding how norms come to be and change is an important consideration underlying the following analysis. Khagram proposes a life cycle of norms in five stages.[2]

1. Framing and Agenda Setting – This stage involves setting objectives for the creation of a set of norms. It also entails making a case for the implementation of these objectives.
2. Norms Formulation – This is the drafting portion. From the agenda, a set of norms are drafted that enact particular steps to meet objectives.

3. Norms Adoption – This is the formal agreement of an actor to the set of norms. This often includes the signing of an agreement in the case of binding norms, or being influenced in the case of other implementation mechanisms. This is the stage in the lifecycle that seeks to ameliorate the participation gap.
4. Norms Implementation – This stage consists of the actual implementation of the agreed norms. Deficits of capacity or desire can lead to poor implementation. This is the stage of seeks to reduce the participation gap.
5. Norms Adaptation – This is the stage in which the lifecycle of norms begins again. Norm adaption consists of the review and rewriting of established standards.

The first stage is not of particular concern to this chapter – every implementing actor has its own agenda setting, and this is a highly individualistic process. This chapter analyzes the second stage, formulation of norms, in its analysis of patterns within norm sets. The third and fourth stages, adoption and implementation, are studied in the mechanism exposition and analysis. These stages encounter the implementation gap through various mechanisms. The final stage, adaptation, is not discussed in great detail. Most norm sets include provisions for review and revision, and there is little differentiation in these mechanisms across norm sets. That said, an adaption mechanism is an important provision that must be included within any set of norms.

Individual Mechanisms for Norms Implementation

This section examines each mechanism for instituting norms individually. It begins with a theoretical overview, and then proceeds to present examples of each mechanism relevant to GIFT. This section deals only with the mechanisms in isolation; multilateral action through several mechanisms is treated in the next section of this chapter. It should be noted that this chapter does not enumerate the norms it refers to – the text of any norms set is too long. However, there are clear references to the standards in question in the notes.

Regional Governmental Organizations

Regional supranational governmental organizations are an effective means of instituting norms across state boundaries, differing from other multilateral state groupings in the depth of their institutional and legal capacity. In this respect, while the G8 is highly symbolic, the organs of the European Union can affect binding law on member states. These regional entities and agreements range in power, from the de facto federalism of the EU, to simple sets of multilateral agreements such as North American Free Trade Agreement. The specificity of the norms that they espouse ranges with the power of the institutions, but is more comparable to a country's body of law than other norms. Therefore, only a few examples will be given, and an emphasis will instead be on bodies than implement norms, and the resulting integration.

The European Union is a supranational governmental organization, with its roots in postwar European international economic agreements. Its predecessor, the European

Communities, established a union in 1993, along with a plan to implement a single currency. The EU is based on sets of principles put in place by its various treaties and bodies of legislation. It has established norms in many areas: politically, it has established supranational legislative, judiciary, and executive bodies; in terms of human rights, it has adopted the Charter of Fundamental Rights of the European Union, a set of 54 articles setting a common standard in the rights of people and groups within the EU;[3] its executive bodies have established common standards in law enforcement, economic activity, monetary policy, and many other fields exist as well. These norms range from guiding principles like the above Charter, to exhaustively detailed logistical and legal criteria such as product standards. There is tension between member state sovereignty concerns and these standards, but the EU is very effective in both their implementation and maintenance. The EU also promotes standards and norms, as evidenced by its support for the ICC – all EU member states are obliged to adopt this international standard.

The African Union is another example of a regional governmental body, albeit one with considerably less implementation power. Initially founded as an anti-colonial organization, the AU is the product of a series of overlapping intergovernmental agreements. These agreements include the African Charter on Human and Peoples' Rights, which includes 29 articles on the rights and duties of persons and cultural groups.[4] The AU was established in 2002 by the Sirte Declaration, replacing the older Organization of African Unity. Like other RGOs, the recent incarnation is a consolidation of other agreements into a single framework. Its organs are modeled after those of the EU, and include a supranational

executive, an African Court of Justice, a Parliament, and intergovernmental forums. The AU seeks the same sort of economic and political integration that has been achieved in the EU. African Monetary Union is an explicit goal of the AU, as is a continental free trade area. However, political and economic integration is a long term goal, as the AU continues to struggle with capacity relative of its member states, and the socio-economic situation of the continent. The AU is also a comparatively new RGO – where the European Communities (the predecessor of the EU) have been active since the 1950s, the Organization of African Unity was little more than an intergovernmental forum until recently.

The Association of Southeast Asian Nations is another RGO, again taking inspiration from the EU in its economic integration. It has taken impressive steps in its economic integration, creating free trade areas among its member states, as well as negotiating unilateral agreements with other regional economic powers. The organization has made fewer strides in political integration – a secretariat exists at the supranational level, but not the political, judicial, legislative organs seen in other RGOs. ASEAN can be considered a particularly institutionalized economic community, as opposed to a full-fledged supranational governmental organization. Where the AU is institutionally sophisticated but with little capacity to implement policy, ASEAN is little more than an intergovernmental forum with great implementation power as a result of its regional membership. Beyond the economic standards it arrived at, its member states agree to the principles of the ASEAN Charter, which has provisions for mutual respect of sovereignty, cooperation and peace, and protection of human rights as codified by UN conventions.[5] The implementation of these

norms is more problematic than moving forward with economic agreements – Burma is a member of ASEAN, and not known for its human rights activism.

These are but a few examples, meant to display the range of RGO arrangements; there are many other such regional bodies in existence, and a great many more have been proposed, being on the rise over the last several decades. . Other examples include UNASUR, SAARC, the OAS, and the Arab League.

The Global Convention

Global conventions and the resulting treaties are considered one of the best means of establishing a truly universal standard. As multilateral meetings of states that strive for inclusive state representation, such conventions have the greatest symbolic legitimacy. These conventions have established norms for a wide variety of issues, including rules of warfare, human rights, and government practices. All conventions primarily target states, but in some cases set standards for actors, such as from the private sector, within states. This section analyzes three examples of these conventions, selected for their relevance to the objectives of MSIs and, particularly, GIFT.

The Anti-Personnel Mine Ban Convention entered into force in 1997. Today, it has 159 states party to the convention. The treaty is remarkably brief, and establishes a ban on the use and production of landmines, as well as provisions for their removal, international cooperation, and monitoring.[6] The treaty was the result of a campaign that brought together governments and NGOs to work towards a multilateral ban.[7] 159 states have adopted the

treaty, but notable abstaining countries include the USA, Russia, and China. Civil Society groups continue to promote the adoption of the convention, as well as its adaptation to limiting other weaponry.

The United Nations Convention Against Corruption entered into force in 2005. It sets out provisions regarding anti-corruption in government and business. The convention currently has 159 parties. It sets standards in three major areas: prevention, criminalization, and international cooperation, which includes asset recovery, technical assistance, and information exchange.[8] The convention also includes a review mechanism to assess the implementation of the treaty. Civil Society played a large role in the adoption of the convention, as did a number of key governments. In theory, the number of state parties and the general content seem to deem the treaty a success. However, there has been considerable criticism of the treaty, both for its timid content and its weak enforcement mechanism.[9] A many corrupt states have signed onto the treaty, implementing little change in practices; the narrow participation gap belies a considerable implementation gap.

The Aarhus Convention entered into force in 2001. It sets out to accomplish three general provisions in the area of environmentalism: access to information, public participation, and access to justice. Together, these three provisions constitute the three "pillars" of the Aarhus Convention. A great many more specific standards exist in the treaty as well.[10] Like the other conventions, Aarhus includes a review mechanism, but a similarly structured one with little true implementation power. Aarhus is unique in that a Regional Governmental Organization, the European Union, was instrumental in its adoption.

However, perhaps as a result, the signatories to the agreement are exclusively from Europe and Central Asia – this convention has the widest participation gap of the three studied, not to mention problematic implementation.

Among many conventions, these three were selected for the comparatively large role of Civil Society in the adoption of these conventions – other such conventions tend to be more intergovernmental in focus.

Intergovernmental Organizations

IGOs can be effective actors in the implementation of a set of norms. As a result of both their state membership and their considerable interaction with a various states, they have a degree of global legitimacy and mandating authority beyond a simple multi-lateral group. IGOs have set forth principles for states to abide by in many areas, including health, economics, and human rights. Here we examine four economic IGOs, their coordination with other IGOs and other groups, and standards which they have espoused.

The International Labor Organization is a UN agency concerned with labor rights on a global scale. It is consists of representatives of governments of its 183 member states, as well as representatives of labor and employers. The ILO was one of the first IGOs to have non-state actor representation. Established in 1919, it is one of the world's oldest IGOs, and the considerable body of conventions and declarations are the product of this long history. Currently, there are 189 conventions featuring 201 recommendations.[11] The ILO ameliorated this labyrinth of conventions with its 1998 Declaration of Fundamental Principles and Rights

at Work. This declaration reinforces four core principles enshrined in the ILO Constitution: freedom of association, abolition of forced labor, abolition of child labor, and elimination of discrimination.[12] In addition to the varied norms it espouses, the ILO has an implementation system, its supervisory system, which reviews the implementation of all ILO conventions in its member states. The ILO notes the positive impact of this mechanism.[13]

The World Trade Organization has been extremely successful in the effective implementation of a set of norms regarding trade. In particular, it has established a set of logistical norms in three key areas: the trade of goods (GATT), the trade in services (GATS), and the international intellectual property (TRIPS).[14] The WTO is an outgrowth of the earlier General Agreement on Tariffs and Trade, signed in 1947. Like the ILO, its standards are quite specific – a likely consequence of the considerable economic benefits to be gained by membership. In addition to the adoption and implementation of actual trade agreements, the WTO includes provisions for new trade agreements, monitoring of norms implementation, trade dispute arbitration, and capacity building.[15] The WTO makes an effort to engage Civil Society groups and other non-state actors, but its membership is exclusive to states.

The International Monetary Fund and the World Bank are two related economic IGOs. Both espouse norms in several areas. The IMF has established codes and standards in the following areas: data dissemination, fiscal transparency, and monetary and financial transparency policies.[16] These standards follow a common format: a set of objectives, with subordinate principles detailing specific action. The World Bank has similarly enacted

standards in coordination with other bodies: with the OECD and the Basel Committee, it endorses the Core Principles for Effective Banking Supervision;[17] with UNCITRAL and the International Bar Association, it endorses the Principles and Guidelines for Effective Insolvency and Creditor Rights Systems.[18] In addition to adopting standards, the two organizations manifest the principle international economic review mechanisms: both produce reports on country compliance with standards, as well as general economic progress. Both organizations are committed to interaction with other economic IGOs, including one another, and work to engage Civil Society.

These examples consist of two broad types of IGO norms, selected for the economic basis: binding commitments for its membership, found with the WTO and ILO, and advisory standards, seen with the IMF and World Bank. Other IGOs espouse norms in a number of fields; other examples of norm setting IGOs include the World Health Organization, the International Atomic Energy Agency, and Interpol.

Governmental Agency Networks

Trans-national networks of government agencies are a unique type of international organization. They are not IGOs, in which states have explicit membership, but are composed of government agencies within many states. These organizations have an interest in establishing global sets of standards in their fields, driven by increasing global economic interconnectedness. The most prominent example of these networks is the Joint Forum, and particularly its three constitutive organizations, the Basel Committee on Banking

Supervision, the International Association of Insurance Supervisors (IAIS), and the International Organization
of Securities Commissions (IOSCO). All three seek to establish a global set of operational norms for their membership, and, collectively, for the global financial sector.

The Basel Committee is the executive body established by the Basel Accords and associated with the Bank for International Settlements. Three such accords have been adopted over the years: Basel I in 1988, Basel II in 2004, and Basel III in 2010-11. These accords collectively establish international norms in the banking sector, such as liquidity and capital reserve requirements. These standards are enumerated in Core Principles for Effective Banking Supervision.[19] These include a set of 29 general principles, as well as more detailed criteria and preconditions for implementation of the principles. Additionally, the Basel Committee acts as a forum for collaboration and sharing of best practices among central bankers.

The Joint Forum also includes the IAIS and the IOSCO. The IAIS was established in 1994, and is comprised of insurance regulatory agencies from over 190 jurisdictions. Its membership has put forth many sets of standards, summarily codified in the Insurance Core Principles, Standards, Guidance and Assessment Methodology.[20] It actively works with other financial organizations to establish standards in the insurance markets. The IOSCO was created in 1983, and is comprised of securities market regulators in over 100 jurisdictions. It too establishes a set of norms, summarized in its Objectives and Principles for Securities Regulation.[21] There are 38 principles in nine categories. In addition to their core principles,

both organizations release detailed reports on standards and methodologies in specific subject areas, as well as elaborations on the core principles. Like the Basel Committee, the two organizations encourage the exchange of information and practices among their members.

Outside the Joint Forum, another important organization is International Organization of Supreme Audit Institutions (INTOSAI). It too espouses a set of norms in its jurisdiction, the International Standards of Supreme Audit Institutions.[22] This norm set includes core principles, as well as more specific criteria in certain areas. This organization is of extreme interest to GIFT, since its membership, governmental audit institutions, are the actors that implement and enforce fiscal transparency provisions. Like the organizations of the Joint Forum, INTOSAI is a forum for collaboration and the sharing of best practices in auditing.

Global Action Networks

Civil Society groups are a catalyzing agent for norms adoption, keeping states and groups in check. It is the leveraging of these groups that usually is the impetus for change, including norms adoption. A recent trend in Civil Society organizations is cooperative action in networks of individual organizations. Civil Society groups are numerous, with many such groups working on single topics. Here, three such global action networks are examined as examples, all selected for their relevance to GIFT.

With respect to the ban on the use of landmines, there are two highly effective Civil Society groups: the International Campaign to Ban Landmines and Landmine and the Cluster

Munitions Monitor. Both work for the implementation of the Landmine Treaty, including disarmament, mine clearance, and monitoring. The Campaign works to leverage governments that have not signed onto the Treaty, and to encourage and facilitate implementation by those that have. The Monitor is a Civil Society group that monitors the progress of the Treaty's implementation; it publishes annual reports for both Landmine and Cluster Munitions, and works to make this data publically available. The two organizations are the de facto implementing bodies of the Landmine Treaty, which did not include strong implementation mechanisms. They have been very successful, and the campaign was awarded the Nobel Peace Prize.

Transparency International, founded in 1993, is a Civil Society organization which combats corruption around the world. It is guided by eleven guiding principles, as well as seven values.[23] It works to combat corruption in the following areas: politics, public contracting, and the private sector. It also is an active participant in anti-corruption conventions, including the Global Convention and the African Convention. Finally, it works to eliminate poverty, which corruption contributes to. The organization has many programs that target specific corruption topics, and publishes reports on effective implementation of its principles.

The International Budget Partnership is a Civil Society organization that was formed in 1997, incorporating preceding national transparency Civil Society organizations. It works to increase public understanding and engagement, access to information, and government transparency in fiscal policy. The IBP's Open Budget Initiative publishes the Open Budget

Survey, a review of government budget transparency that employs the Open Budget Index, a metric of adherence to good practices in budget transparency. Other activities include capacity building for governments, network construction, and the promotion of the issue of budgets.

There are numerous other Civil Society organizations in many different areas. The above are examined to demonstrate the role of such groups: advising and leveraging states and other organizations to adopt new standards, issue promotion, and capacity building.

Multilateralism

Where the first section of this chapter examines singular mechanisms in isolation, this section examines multilateral action. MSIs are unique implementation mechanisms in their inherent multilateralism. Examples of multilateralism outside this form exist as well. This section examines two examples of MSI norms implementation, as well as a case of multilateral adoption of norms on the part of IGOs and Government Agency Networks. Like in the previous section, it should be noted that this chapter does not enumerate all the norms to which it refers. However, there are clear references to the standards in question in the notes.

The Global Compact

The Global Compact is an MSI that works to enact ten principles in the areas of human rights, labor, the environment, and corruption. It is an agency of the UN. The MSI

targets businesses, and its membership is required to abide by its principles. It seeks to set the new standard of corporate society interactions. It has been successful in participation: 8700 corporations participate in over 130 countries.[24]

The Global Compact has a wide range of stakeholders. Beyond its numerous corporate participants, the MSI enjoys support from numerous other UN Agencies, governments, labor and business associations, and Civil Society groups. In strives for inclusivity, and promotes itself as a forum for norms promotion in corporate citizenship and sustainability.[25]

The Ten Principles are based on the Universal Declaration of Human Rights, the ILO's Declaration of Fundamental Principles and Rights at Work, the Rio Declaration on the Environment, and the United Nations Convention Against Corruption.[26] It is worth mentioning that the basis for the principles is based on three separate mechanisms: global conventions in the case of human rights and anti-corruption, an IGO in the case of labor rights, and a global summit in the case of environmentalism. While these principles are general, the MSI offers elaboration on specific criteria for the effective implementation of these principles.

The Extractive Industries Transparency Initiative

The EITI is an MSI that works to promote a set of norms regarding transparency in the extractive industries. It was announced in 2002 by Tony Blair of the United Kingdom. After several years of logistics, in February 2008 a validation methodology was adopted. The first country to fully implement the validation process, Azerbaijan, did so in February 2009.

Today, there are thirteen compliant countries, and an additional twenty candidate countries[27] that have signaled their intent to join by meeting the five sign up criteria.

The EITI has stakeholders from many sectors. Governments played a key role in its formation, particularly the UK and other members of the G8. The EU, an RGO, is also an active supporter, as are many IGOs, like the World Bank and IMF. Many firms, particularly those in the extractive industries, support the initiative, as do a large number of transparency focused Civil Society organizations. In all, the EITI is a model of engagement, and leveraging using all the implementation mechanisms at the disposal of an MSI.

The norms of the EITI are codified in its validation mechanism. These include norms in several areas. The EITI Principles, a set of twelve provisions, express the objectives and beliefs of the Initiative, both as an organization and in the norms it implements.[28] The EITI Criteria are a set of six provisions which inform the implementation of the Initiative, including commitment to publication of information, auditing, and engagement of Civil Society.[29] More detailed norms include six sets of requirements: Sign-Up Requirements, Preparation Requirements, Disclosure Requirements, Dissemination Requirements, Review and Validation Requirements, and Retaining Compliance Requirements.[30] Together, they encompass twenty-one individual requirements, and cover a country's participation from its candidacy to its compliance.

The Standards and Codes Initiative of the IMF and World Bank

The Standards and Codes Imitative is the joint initiative by the IMF and World Bank. It is an explicit response to the 1990s Asian financial crisis and its perceived cause: poor regulation. The initiative was launched in 1999 in an effort "to strengthen the international financial architecture."[31] Its goal was to establish a set of internationally recognized standards in three broad areas, policy transparency, financial regulation and supervision, and market integrity.[32]

The collective set of norms established by the Standards and Codes Initiative consists of standards set in twelve areas. The area of concern, the responsible actor(s), and the sets of norms that make up this code are enumerated below.[33]

Area	*Agency(s)*	*Set(s) of Norms*
Accounting	IASB, IFAC, BCBS	*International Accounting Standards*[34]
Anti-Money Laundering/Combating the Financing of Terrorism	FATF	*40 Recommendations*[35]
Auditing	IFAC	*International Standards on Auditing*[36]
Banking	Basel Committee	*Core Principles for Effective Banking Supervision*[37]
Corporate Governance	OECD, Basel Committee, World Bank	*Principles of Corporate Governance*[38]
Data Dissemination	IMF	*Special Data Dissemination Standard*[39] and *General Data Dissemination System*[40]
Fiscal Transparency	IMF	*Code of Good Practices on Fiscal Transparency*[41]
Insolvency and Creditors Rights Systems	World Bank, IBA, UNCITRAL	*Principles and Guidelines for Effective Insolvency and Creditor Rights Systems*[42]

Insurance Regulation	IAIS	*Insurance Supervisory Principles*[43]
Monetary and Financial Transparency Policies	IMF	*Code of Good Practices on Transparency in Monetary and Financial Policies*[44]
Payment Systems	CPSS	*Core Principles for Systemically Important Payments Systems*[45] and *Recommendations for Securities Settlement Systems*[46]
Securities Market Regulation	IOSCO	*Objectives and Principles for Securities Regulation*[47]

Such a set of norms and actors is notable for its multilateral nature. The responsible agencies include IGOs, government agency networks, multilateral intergovernmental groups, and even professional associations. It also assigns competencies with organizations with the best capacity to implement relevant norms. The standards tend to be quite detailed – many detail specific criteria, preconditions, and methodologies for achieving the objectives. However, in most cases, the standards are clearly hierarchical, with a small set of objectives informing a set of principles. The criteria are more specific, actionable steps to implement these larger norms.

General Multilateralism

The above examples demonstrate a new trend in norms implementation, which involves the engagement of many, cross sector stakeholders into a single initiative. However, all norms are ultimately implemented by multiple mechanisms. A global convention engages

Civil Society groups interests, either directly or indirectly through states. IGOs routinely consult with one another, and often engage Civil Society in their norms creation. Some IGOs, like the ILO, include multiple stakeholders in their very structure. In short, all norms are ultimately the product of many mechanisms interacting. Therefore, the strength of the multilateral approach is the coordination of these various mechanisms into a single, unified voice, promoting better implementation and participation.

Comparative Analysis of Norms – Common Patterns

This section examines the characteristics of various types of the norms, and the advantages and disadvantages associated with them. Central to the drafting of a set of norms is the objectives and agenda of an MSI. Also important is the intended mechanism of action: mechanisms necessitate certain kinds of norms to be effective.

Specificity

"Norms" is an ambiguous term: as the above exposition demonstrates, global norms can have a great range of specificity. Terms like standards, principles, objectives, and criteria are used more or less interchangeably when referring to norms. However, in the interest of abstraction, below is a three level hierarchy of specificity in norms.

- Objectives are the most general norms, and are perhaps barely classifiable as such. Still, many stated objectives are concerned with new standards of behavior, and in this way can be seen as guiding norms. Almost all mechanisms and organizations are guided by such objectives, either explicitly or implicitly, and these objectives in turn

determine the character of more specific norms. Objectives are the least specific, and therefore the most likely to see widespread implementation.

- Principles are more concrete than objectives, and typically address specific topics or areas. Sets of principles tend to be longer, but not considerably so. They occupy a middle ground – more concrete than abstract objectives, but less actionable than specific standards and criteria. To a lesser extent than objectives principles are relatively easily adopted, and do not bar participation on the parts of actors.
- Criteria are the most logistical in nature – a very specific standard of behavior that acts as a clear, actionable directive. Examples of these usually fall in either the case of an empowered RGO (EU product standards) or as the suggestions of Governmental Agency Networks or Professional Associations. To be effectively implemented, a body must be either sufficiently powerful, e.g. and RGO, or the norms must be non-binding and advisory in nature, e.g. banking or insurance standards. Criteria and other specific norms are the most likely to widen the participation gap.

An example helps illustrate these divisions; here, the Basel Committee's Core Principles for Effective Banking Supervision will be examined. The primary objective of banking supervision, as put forth in the foreword and first principle, is "the promotion of safety and soundness of banks and the banking system."[48] With this objective in mind, the report puts forth 29 Core Principles, which outline structures and behaviors towards this goal. Finally, the bulk of the report outlines specific criteria that are the preconditions to these principles.[49] Specific criteria can be helpful for implementation, but principles are the best

norms to simultaneously promote participation while retaining enough specificity to be meaningful and actionable.

Flexibility and Inclusivity

To be effective, a global norm must be implementable in practice. Flexibility is related to specificity, but it is not its antithesis. There are two dimensions of the flexibility question.

First, the specificity of norms can be detrimental to their inclusivity. The more detailed or complex the specific criteria of the norm, the less likely an actor is to adopt the norm, even if it agrees with the objectives of the norms. Burdensome criteria can turn away an actor that is otherwise receptive to implementing the objectives of the MSI.

Second, flexibility must all take into account varying levels of capacity between different states. The extensive regulations proposed in the Codes and Standards Initiative, including auditing standards, monetary policy, and transparency, cannot be easily implemented by states without the relevant organizations, or significantly powerful ones. Some of these standards arguably have a bias for the states in the Global North – the traditional institutional arrangements and capacities are assumed. Flexible and inclusive norms take into account these institutional differences as well as differences in capacity.

An MSI should focus on inclusivity in both these dimensions. The associated cost is lack of significance of the change. However, this cost can be accounted for in the formulation of the norms if they stress specific principles that can be applied over different governmental situations and capacities. It is particularly important that GIFT be inclusive, as

many target states for fiscal transparency do not have the developed governmental audit institutions that the norms of INTOSAI and the IMF assume as the baseline preconditions for transparency.

Voluntarism

All norms fit within two categories – those agreed to by the implementing actors, and those not. Whether a norm is voluntary or not is a key dimension thereof.

Binding norms are those based on an agreement. These include all conventions, all intergovernmental agreements, some IGOs, and some MSIs. Binding norms are distinct from enforcement, which can be lacking even in binding agreements. Regardless of the reality, the actor party to the agreement has pledged and is expected to abide by the principles of the agreement or organization once it has agreed to participate.

Voluntary norms are norms that do not have the same binding commitment. Whether it is Civil Society organizations attempting to leverage states, or IGOs promoting best practices, these norms do not oblige any actor to behave a certain way. They instead rely on their legitimacy as best practices or democratic principles. Voluntary norms should not be dismissed due to their nature – Civil Society groups and IGOs have seen widespread implementation of voluntary norms through their engagement with actors.

GIFT must make a strategic choice in voluntarism. They could follow the model of the Global Compact and the EITI, and espouse specific criteria for membership. This ensures implementation of specific practices, but limits participation. The other route models the

Standards and Codes Initiative and transparency-oriented Civil Society groups, as a voluntary norm. The advisory reviews of these norms have seen great success in improvements and see greater participation, but again do not bind participants to specific criteria. GIFT must choose between a participation gap or an implementation gap in this area.

Enforcement

Enforcement mechanisms are at times built into norms. This subject is dealt with in more detail in other sections of this report. However, as they specifically relate to norms, there are several clear patterns in enforcement mechanisms:

- Hard enforcement includes monitoring mechanisms and hard sanctions for those in violation. Dispute mechanisms are often built into agreements of this nature, as in the WTO, where a deliberative body judges disputes between countries.
- Advisory monitoring differs from hard enforcement. Certain bodies will perform reviews of an actor's compliance with a standard. These reviews are communicated to the actor and steps to better implement the standards are recommended. Though the recommendations are not binding, these monitoring mechanisms have seen considerable improvement in country compliance, particularly in the developing world.
- The final extreme would be a complete lack of enforcement. Though some conventions do not have formal enforcement, and thus technically fall within this category, Civil Society groups often task themselves with monitoring of norms

implementation. These are by far the rarest, but many conventions are run effectively without enforcement.

The Nature of Norms as a Function of the Mechanism

A general pattern emerges in the examination of the types of norm produced by individual mechanisms. Below is a three part typology of mechanisms and norms.

- Global Conventions and RGOs might be termed binding intergovernmental agreements. They tend to consist of objectives and principles, and tend to be brief and relatively abstract in comparison to other sets of norms. There are rarely specific standards of behavior attached for global conventions, but exceptions exist, like the Landmine Convention. On the contrary, due to their greater implementation power, RGO executive organs can in many cases effectively implement specific binding standards. However, intergovernmental agreements tend to be softly binding, abstract, and principle-based. Enforcement mechanisms tend to be absent, undertaken by third parties, or are relatively weak in sanctioning power, likely to encourage buy in.
- IGOs like the IMF and World Bank and Governmental Agency Networks constitute what might be called advisory standards setters, which espouse guidelines or best practices. They tend to be logistical, consisting of objectives, principles, *and* specific criteria. Perhaps due to their specificity, they are also largely voluntary; while these standards are established by professionals and widely seen as best practices, states and

actors do not make a commitment to abide by them. Enforcement typically consists of monitoring, and usually undertaken by an executive within the IGO espousing the standards. Governmental Agency Networks and Professional Associations tend to have very specific standards, consisting of many hundreds of criteria and recommendations. The ILO is a rare example of a binding IGO, but its enforcement power has been questioned.

- Civil Society groups and MSIs might be termed leveraging mechanisms. Incapable of inherently implementing norms, they try to influence states and actors to adopt them. The norms are therefore often advisory in nature, particularly for leveraging organizations. However, the EITI is a binding initiative, as is the Global Compact. Norms are often based around objectives for leveraging groups, but for standards setters, can be quite specific.

This conceptual demarcation informs an MSI's decision regarding which mechanisms to employ. If the objective is a binding global standard, the best mechanisms are global conventions and engagement of RGOs. If a standard is to be proliferated, then the advisory model of the standards setting bodies is ideal. If multilateral, but not universal, and adoption of norms on a case by case basis is desired, then the model of GANs and other MSIs is best.

	Specificity	*Voluntarism*	*Enforcement*
Intergovernmental Agreements	Objectives and **Principles**	Obligatory	Sanctions, third party monitoring groups
Advisory Bodies	Objectives, Principles, and	Voluntary	**Monitoring bodies**, no formal sanctions

	Criteria		
Binding Intergovernmental Organizations	Objectives, **Principles**, and Criteria	Obligatory	Monitoring bodies, formal sanctions
Binding Leveraging Organizations	Objectives, Principles, and **Criteria**	Obligatory	**Monitoring bodies**, expulsion for noncompliance
Consultative Leveraging Organizations	Objectives and **Principles**	Voluntary	Monitoring bodies, no formal sanctions

Like all typologies, the above is not without its shortcomings. However, understanding these patterns in norms and mechanisms is critical in the employment of the *correct* set of best practices. MSIs like GIFT should, cognizant of its objectives and role, look to similar successful models. A convention with strict enforcement and specific criteria will not see great membership, where general, non-binding recommendations will do little to further an MSI;s objectives.

Cost Benefit Analysis of Various Implementation Mechanisms

This section critically analyzes the various mechanisms available for the implementation of norms. Each subsection briefly addresses the strengths and weaknesses of a mechanism, and concludes with an analysis relative to GIFT.

Regional Governmental Organizations

RGOs are unique a somewhat unique mechanism for norms implementation. They are only multilateral, rather than global, mechanism we recommend. It has several specific strengths, but also inherent weaknesses, stemming from the regional nature of the mechanism.

There is considerable implementation power within the RGO framework. RGOs are seeded a greater degree of sovereignty than states seed to IGOs like the UN or ICC. As a result, RGOs can implement norms that are both highly specific and binding. This is the main characteristic that merits their inclusion in this report, where simple multilateral action is not.

Many RGOs seek to implement integrative economic standards – the EU has implemented a common market, and the AU, ASEAN, and UNASUR all have a single market as an explicit goal of their organization. Examining the historical genesis of these organizations, such as the EU, it is clear that integration in one area, like economics, leads to integration in others. It is a safe assumption that as economic integration increases in these regions, there will be impetus for common standards. MSIs would be wise to leverage RGOs to adopt global standards as they continue the regional integration process.

A first fundamental weakness is the lack of transferability of norms to other states and regions. The norms of the EU are seen as that – norms for Europe. While there has been some expansion in the case of any RGO, they also have logical limits – Turkey might

arguably be part of the EU and Madagascar part of the AU, but Iran would not qualify for either. Though RGOs are a superior mechanism for the implementation of norms, if they do not adopt global standards, the norms implemented are simply those of the RGO.

Second, it would be a mistake to view RGOs as sovereign equals to states, at least at this time. Even where there are organs that directly represent the people of the entire continent (and in many cases, there are not), intergovernmental action remains the dominant form of bargaining. It would be mistaken to overstate the implementation power of RGOs.

In all, RGOs offer an exciting and effective avenue to instate global norms. They have both considerable implementation power and an impetus to adopt norms to facilitate integration. However, the mechanism has clear shortcomings, and should not be seen as a panacea. In particular, these organizations should be encouraged to adopt global standards, not simply formulate their own. Engagement of RGOs can narrow the implementation gap considerably.

The Global Convention

The global convention is what one might deem the “traditional” means of instituting a global norm. The resulting treaties have global legitimacy, and become the global standard. However, there are a number of weaknesses stemming from the global nature of the mechanism.

Global conventions have symbolic power derived from their global legitimacy. The inclusive process and the multilateral intergovernmental negotiations lend democratic legitimacy to the conventions. The global standard in a given area is likely considered to be a convention; people look to the Universal Declaration of Human Rights, or the Geneva Conventions, or

Global conventions are softly binding on the states that sign it. There is symbolic legitimacy to the commitment by the states: a state that agrees to the Anti-Corruption Convention has greater symbolic legitimacy than simply one that follows the principles. However, the obligatory nature of this mechanism can lead to poor participation, particularly for countries that have opposing interests. Major military powers did not sign onto the Landmine Convention, and few outside of Europe agreed to Aarhus. States are generally unwilling to cede sovereignty.

The first drawback of global conventions is their weak participation and implementation power. The Aarhus Convention is in effect confined to Europe and Central Asia, and is successful here due largely to the regional power of the European Union. Even within the region, the criteria have proven difficult to implement in practice. While the Anti-Corruption Convention was more widely adopted than Aarhus, the degree to which it has been effectively implemented is more questionable – many of its signatory states are anything but models of legitimate governmental and business practices.

Global Conventions lack effective enforcement mechanisms. While many include provisions for review or establishment of monitoring mechanisms, hard enforcement is not a

characteristic of any convention this chapter examined. At times, Civil Society groups act as the de facto monitor, as in the landmine case, but this type enforcement lacks sanctions.

Global Conventions tend to be general principles, and are less specific norms. This is largely a result of the intergovernmental bargaining process, in which states are often unwilling to cede sovereignty to an international agreement. Norms that are too specific see a participation gap, norms that are too broad see an implementation gap. Global Conventions usually are characterized by the latter phenomena, with many signatories and little implementation.

In all, the global convention is perhaps the best standard for establishing a binding norm. However, without other mechanisms supporting the cause, global conventions are one of the most likely to have an implementation and participation gap. Other mechanisms must be employed to implement an effective convention, and other considerations, like capacity building, will likely determine the effectiveness of the mechanism in norms implementation.

Inter-Governmental Organizations and Governmental Agency Networks

IGOs and Governmental Agency Networks are quite similar in their espousal of norms, and have recently worked closely with one another in the Standards and Codes Initiative. Both have considerable clout in their interactions with states. As international organizations, the norms promoted by these groups have global legitimacy. However, as much as they espouse rationale and specific norms, these mechanisms have a large implementation gap.

The first advantage of these mechanisms is technical expertise. The standards espoused are often constructed by experts in the field, and are formulated in international forums. This knowledge legitimates the norms, as well as ensures rational implementation.

IGOs have resources at their disposal for the monitoring of norms implementation. The IMF and World Bank have internal auditing bodies that publish various reports on countries around the world, including their adherence to standards and codes. Though rarely sanctioning, these review mechanisms have seen great progress in norms implementation.

However, the norms established by IGOs are often not binding, even in a soft sense. Instead, the norms espoused are seen as accepted global best practices, not a standard compelling action on the part of states. This is particularly true of the standards within the Standards and Codes Initiative, where states have not officially committed to abiding by the norms.

The norms espoused by these organizations are very specific, and often quite cumbersome in number. While the core principles may be relatively brief, criteria and methodology reports in certain subject areas can be several hundred pages long. The ILO's conventions are so numerous and overlapping that a review was commissioned to consolidate the conventions and eliminate redundancies. Even after the review, there were nearly 80 active conventions. The implementation of these standards is a daunting task that few states have the capacity to undertake. The specificity can increase the participation gap.

These organizations, or at the very least economic IGOs, do not have much democratic legitimacy. They are not responsive to ordinary people and some, like the IMF

and World Bank, have dubious reputations across the globe. Though in recent years their behaviors have changed to be more inclusive, their reputation for strict and complex norms resulting in controversial human rights issues remains.

These two mechanisms are important to pursue. Advisory criteria and methodology give states the technical know-how to effectively implement norms. The initiatives they support benefit from their global legitimacy. The organizations are also important stakeholders to include in governance, due to their expertise in the field.

Global Action Networks

Civil Society groups have been successful in implementing their objectives, but less so in having their norms implemented verbatim. The criteria for success must be rethought; Civil Society groups influence other actors' behavior, they do not dictate it.

Civil Society is often the first mover in establishing new norms. Be it global conventions or unilateral government action, Civil Society is usually the one challenging the status quo. The importance of engagement of Civil Society is obvious in the implementation of global norms.

Civil Society groups have great democratic legitimacy. Their interactions are with state representatives and IGOs, generally not directly responsible to citizens. Civil Society groups often take the side of the common man, combating corruption, securing rights, promoting transparency, and so on. Despite their lack of voting power, Civil Society groups have demonstrated remarkable soft power, influencing state behavior.

The key weakness of Civil Society groups is that they lack implementation power. They are unable to affect norms or policy on their own. They are at times unable to affect states, and have been historically excluded from intergovernmental forums. However, recent trends have seen a reversal of this norm, and over the last 20 years there has been a great deal more cooperation among governments, IGOs, and Civil Society groups, perhaps best demonstrated by the rise of MSIs and other multilateral initiatives.

Civil Society is a necessary mechanism for the implementation of norms: the mechanism is the impetus for change. That said, leveraging organizations of all types must understand their role as such – principles and objectives should be the emphasis of the espoused norms, and flexibility must be demonstrated in negotiations to be effective.

Multi-Stakeholder Initiatives and Multilateralism

GIFT, or any other MSI, has implicitly committed itself to multilateralism in its institutional form; an MSI which acts through a single mechanism would not be making the most of its resources. Fortunately, multilateral action is very effective in instituting global norms.

Multilateralism in action most closely reflects the reality of norms implementation. While a global convention can be theoretically abstracted to a single global intergovernmental mechanism, in reality, conventions see leveraging by individual states, specific groups of states, Civil Society organizations, and international organizations of all types. This is true in all the mechanism cases. The multilateral approach allows a unified voice to speak across these sectors.

The drawbacks of multilateralism include effective governance and coordination of such a large number of stakeholders. These topics are addressed in other sections of this report. These challenges are not trivial, but outside of this, the multilateral approach has no real downside as a mechanism. As a result of its diverse stakeholders, an MSI is best poised to employ the best mechanism to implement its agenda.

In all, multilateralism is an effective strategy, and one to which GIFT is already committed. It is perhaps better understood as a general strategy than a specific mechanism, as it incorporates aspects of all other mechanisms. Wherever possible, it should be given precedence over unilateral action, since there is greater legitimacy in numbers.

Recommendations:

The challenge of norms implementation has two components: adopting a logical set of norms, and employing mechanisms to achieve their implementation. An MSI must be strategic in both decisions. Considering the preceding analysis of norms and norms implementation mechanisms, this paper puts forth three recommendations for GIFT.

First, GIFT should emphasize multilateralism in its efforts to implement norms. This recommendation is achieved by the following actions:

- Encourage all stakeholders to adopt and espouse a common set of norms.
- Extend membership to as many relevant stakeholders as possible, including, in particular, Regional Governmental Organizations.

- Maintain dialogue and partner with existing MSIs and multilateral initiatives, particularly those related to economic regulation and transparency.
- Encourage interaction among interested stakeholders in the creation and amendment of the set of common norms – encourage equal access for different stakeholders.

Second, GIFT should construct and adopt a set of norms that reflects its objectives. This course of action includes the following specific steps:

- Examine other sets of norms, particularly those of the Standards and Codes Initiative, as models of best practices in norms construction and adoption.
- Emphasize principles and objectives. This promotes inclusivity, and allows for ease of implementation, while still retaining vision and specificity.
- Employ monitoring, though not necessarily sanctioning, agencies, modeled after those of the Standards and Codes Initiative.
- Decide whether obligatory or voluntary norms are in line with GIFT's objectives.

Finally, GIFT should employ navigate a balance of strategic mechanisms most effective to achieve its objectives. This recommendation includes the following action steps:

- Pursue a global convention on fiscal transparency.
- Engage RGOs to adopt the global standards in their regional integration.
- Engage in the multilateral initiatives among IGOs, governmental agency networks, and professional associations to establish global economic norms.
- Engage states on a unilateral and multilateral basis through Civil Society and collective leveraging to advocate adoption of norms.

Endnotes

Endnotes

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