



**MULTI-STAKEHOLDER GOVERNANCE SEEKS TO DISLODGE
MULTILATERALISM**

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INTRODUCTION

Today's core institutions of global governance were put in place after the Second World War. However, in the intervening 60 years, the global economy has completely changed; international civil society organisations (CSOs) have played key roles in intergovernmental conferences; multinational corporations (MNCs) have multiplied in size and scope; and environmental problems have evolved into challenges to the stability of global ecosystem. Yet the formal institutions of global governance have remained state-centric, and they are demonstrably unable to manage contemporary globalisation, contain global climate change or address systemic social failures.

THE WORLD ECONOMIC FORUM AND THE GLOBAL REDESIGN INITIATIVE

The lack of an effective global governance system during the 2008 financial crisis even

worried some of the international elite. In 2009, one of these elite bodies, the World Economic Forum (WEF), brought together 700 experts to work for over a year and half on a project that they hoped could re-shape global governance. The WEF (otherwise known as Davos) is the annual host of the world's economic, financial, government and civil society leaders at a ski resort in Switzerland. While the 2014 Davos event brought together 2,500 of these people, the number of the elite who are treated to high level seminars and bilateral private meetings by the WEF is much greater. The annual Davos event has spun-off over a dozen regional conferences and sector-specific gatherings, which together has created a significant platform for increased coherence and contacts for the world's elite.

For this community, the Davos study on international institutions recommended multi-stakeholder governance as a par-

tial replacement for intergovernmental decision-making. In the end, the 600-page Global Redesign Initiative (GRI) report is – for better or worse – the most comprehensive blueprint for a post-nation state global governance system currently in circulation.

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To prepare this study, the WEF created 40 Global Agenda Councils and industry-sector bodies. Each Global Agenda Council consisted of a mix of corporate executives, academics, government officials and civil society leaders. The [GRI final report](#) is structured around their thematic global governance proposals, plus a series of policy essays and organising principles that lay out the WEF framework for multi-stakeholder governance.¹

In the intergovernmental arena, multi-stakeholder consultations have gained wide support as a framework for bringing together independent constituencies to develop common approaches to contemporary global challenges. The 2007

Helsinki Process, a government-led multi-stakeholder study on global governance, summarised the diversity of purposes of multi-stakeholder activities in the following manner:

“Numerous past initiatives stand to demonstrate that multi-stakeholder cooperation – bringing together representatives of government, civil society, the private sector, religious organisations, academia and media – may take a range of different forms and contribute to global governance and problem-solving in various ways: [they can] help to broaden discussion and identify global public needs... introduce the element of global issue interest into inter-governmental negotiations, alongside the traditional national interest... help to overcome stalemate in highly conflict-ridden policy arenas... and gather and disseminate knowledge by bringing together actors with different views on and approaches to issues.”²

What the WEF proposes is to take these previous attempts at multi-stakeholder engagement and elevate them into a "multi-stakeholder governance" system. It is not alone in this effort. At various United Nations (UN) bodies there have been recommendations for institutionalising global public-private partnerships. There are, however, sharp differences between multi-stakeholder consultation and mul-



*As shown in Klaus Schwab's book *Moderne Unternehmensführung im Maschinenbau*, the company is at the centre, surrounded by its stakeholders.*

ti-stakeholder governance, some of which are often blurred by **loose use of the terms multi-stakeholder and partnership**.³

THE WEF'S VIEW OF STAKEHOLDERS AND MULTI- STAKEHOLDERISM

For the WEF, the multi-stakeholder concept is centred on the corporation, with stakeholders being constituents associated with corporations. As WEF founder Klaus Schwab outlined in 1971 and then reiterated in the organisation's **40th anniversary** book (2010), the "...management of the modern enterprise must serve all stakeholders (*die Interessenten*), acting as their trustee charged with achieving the long-term

sustained growth and prosperity of the company.”⁴ The concept is illustrated with the graphic depicting the company in the centre, with ovals from top to bottom that read "shareholders (owners)," "creditors," "customers," "national economy," "government and society," "suppliers" and "collaborators”.

The three crucial elements of what WEF means by multi-stakeholder are embedded here. First, that multi-stakeholder structures do not mean equal roles for all stakeholders; second, that the corporation is at the centre of the process; and third, that the list of WEF's multi-stakeholders is principally those with commercial ties to the company: customers, creditors, suppliers, collaborators, owners and national economies. All other potential stakeholders are grouped together as "government and society”.

The existing multilateral system of nation-states is fundamentally different from a framework that puts the multinational firm at the centre of power. Under the WEF's proposal, the selection of key multinational executives for a multi-stakeholder governance arrangement would be done either by the **self-selection of leading firms** interested in managing a particular global challenge with other constituents or by an initiating organisation (in the WEF governance report, typically the WEF is cited as the convening organisation).⁵

However, there is a tension in the report around the concept of multilateralism. The introductory essays welcome both a better multilateral governance system and the creation of a new multi-stakeholder governance system. The essays call for "extending inter-governmental norms and legal frameworks"⁶ and for "reinforcing the capacity of intergovernmental institutions."⁷

Yet the only specific examples of new intergovernmental norms or framework cited in the body of the report are to create a global systemic financial risk watchdog⁸ and to change the International Monetary Fund Articles of Agreement on expanding international liquidity.⁹ With the sole exception of proposals on marine matters, the GRI provides no concrete examples of extending intergovernmental norms and standards in any of the social, environmental, human rights or labour fields.¹⁰ The only references to strengthening the capacity of institutions involve the World Bank, IMF, and International Labour Organisation. The report contains no specific proposals to change the mandate or to enhance the finances of any major United Nations body.

The balance of this tension is clearly resolved in their major strategy message:

"Redefine the international system as constituting a wider, multifaceted system of global cooperation in which intergovernmental legal frameworks and institutions are embedded

as a core, but not the sole and sometimes not the most crucial, component."¹¹

MULTI-STAKEHOLDER GOVERNANCE IN PRACTICE

Several examples of practical multi-stakeholder governance exist already: the Marine Stewardship Council, the Forest Stewardship Council, the Global Fund to Fight AIDS, Tuberculosis and Malaria, the Kimberley Process to certify un-cut diamond sales and the UN Secretary-General's new UN Partnership Facility. Each of these sector-focused organisations has a different configuration of corporations, governments and civil society participants; each has had a different procedure to set its terms of reference; each has a different set of rules for making decisions and adopting policy statements; and each has a different level of success.

Here the definition of success is obviously crucial. The Kimberley Process could be seen as having solved its original problem, but the leading CSO Global Witness quit in frustration; the Global Fund has generated considerable new capital for global health, but has

also threatened the legitimacy of the World Health Organisation; the Forest Stewardship Council has set standards for consumer purchases and transformed a significant portion of the global timber market; and the Secretary-General's Partnership Facility is explicitly aligned with the Millennium Development Goals without, however, allowing any explicit supervisory intergovernmental oversight.

The WEF's proposal is to elevate these practical experiments, along with their Davos multi-stakeholder model, into a new explicit form of global governance. Multi-stakeholder groups, public-private partnerships or coalitions of the willing and able, as they are variously termed in the GRI report, would be expected to take the lead in addressing unsolved global issues. There is no need to wait for the intergovernmental system to gain universal

consensus to act: those multinational enterprises, states, civil society bodies, academic institutions and parts of the UN staff that share a common approach should take it upon themselves to act. The official intergovernmental system can defer to these joint partnerships, provide *de facto* recognition to a multi-stakeholder process, or provide *de*



jure legality after the fact to the outcomes of a given public-private partnership.

The WEF's approach therefore embraces efficient action for those who are ready to act, while marginalising in the process the government-led multilateral system. What is left unsaid is that leaving governance to self-selected and potentially self-interested elite bodies risks undermining public acceptance and democracy.

As the GRI project directors explain:

“While experimentation with individual public-private and multi-stakeholder partnerships has flourished over the past decade, including in many international organizations, they continue to play an incremental, even experimental, role in the international system rather than a systematic one. For this to change, policy-making processes and institutional structures themselves will need to be adapted and perhaps even fundamentally repositioned with this in mind.”

THE WEF GOVERNANCE PROPOSAL FOR CSOS

The WEF sees the leadership of international CSOs as important players in their proposal for multi-stakeholder governance. The WEF's concept of civil society begins with NGOs but also includes institutions that are based in the academic community, the international

media, the religious world and the cultural industries. In the WEF's international and regional meetings, it invites a cross-section of representatives from these non-state, non-business communities. From the WEF's perspective, the leaders of civil society bring four important attributes to the Davos experience and to global governance.

In the first instance, these organisations are repositories of knowledge about the complexities of globalisation. Leaders of international CSOs can bring to the table their access to sources of information about the world that the existing fragmented governmental institutions have failed to grasp. Their knowledge is far more sensitive and more nuanced about the realities of daily life than that generally held by CEOs and other corporate executives.

Second, they have a strong moral commitment to address structural imbalances in the world.

Third, they are willing to share their knowledge and value commitments with senior Multinational Corporation executives who have deficiencies in their knowledge

base about the impacts of globalisation and a weakened moral compass given their concentration on business matters. Some CSOs have already opted to engage directly with MNCs in an effort to address specific crises or to implement specific projects. These mini-governance undertakings – whether called 'public-private projects', or 'corporate relationship building exercises' – demonstrate a new form of activist-based civil society relationship with international business.

Fourth, civil society leaders sometimes have legitimacy with communities of people who are overly marginalised in the global community. From GRI's perspective, these civil society leaders can help convey acceptable solutions to global problems and perhaps significant ideological messages from the international elites to diverse communities connected to CSOs around the world. These messages, whether conveyed face-to-face or via various electronic networks, can have a significant impact on the leadership of other CSOs.

The WEF proposes to formally elevate certain knowledgeable elements of civil society to

“Ultimately, the test of any international programme is, does it work?”

be partners in global leadership. The WEF's leaders also know some CSOs and religious bodies could well challenge the logic and ethics of normal international corporate activities. Accordingly, Davos has been careful in selecting the right CSO leaders to bring under the governance tent while many CSO leaders have been pushing WEF to welcome a wider range of civil society organisations in their programmes.

ISSUES AT STAKE IN ANY MULTI-STAKEHOLDER GOVERNANCE SYSTEM

Were the WEF's proposals, or similar proposals for multi-stakeholder governance to be widely accepted, there are at least five crucial new elements that would change in global governance. The new elements are:

- defining global issues that are heavily influenced by the needs of multinational corporations, rather than governments;
- introducing a selection system of participants for a given multi-stakeholder governance arrangement without public review;
- creating decision-making processes within particular multi-stakeholder groupings without protections for minority views;
- undermining the nature of the commitment to the outcome of a global decision-making system;

- institutionalising MNCs and selected CSOs as formal parts of the global governance system.

CONTROL OVER THE DEFINITION OF ISSUES

Framing a global issue is the first step in a political process. Governments often spend considerable time negotiating the wording used to frame an issue. This sometimes ends up in a lengthy resolution reflecting compromises between diverse viewpoints. Other times this ends up with an ambiguous phrase that keeps complex issues open for future negotiations. The reason for these outcomes is that control over the definition of a problem is the first step both in gaining attention for an issue and in solving it, according to the interests of the participants.

Of course any group can define an issue according to its own frame of reference. What the WEF proposes is that when important global issues appear on the international political horizon, a multi-stakeholder group can be quickly created to take the lead in defining the issue, taking that role away from the multilateral process. They could, if the leading MNCs wish, scope the issue very narrowly, or they may, from the outset, frame an issue in a way such that a market-based solution is likely to be presented as the best outcome.

For example, Global Witness defined the sale of diamonds to fund regional wars in Africa as "blood diamonds", while the multi-stakeholder Kimberley Process led by the diamond industry changed this into the more neutral "conflict diamonds". Similarly, industry-led groups have redefined sustainable development, with its balance between its economic, environmental and social pillars, more narrowly as "eco-efficiency," a better return on using natural resources.

However a specific global agenda item may get defined, the WEF multi-stakeholder proposal heightens the engagement of firms looking to solve a problem in a way that benefits the global market often to the detriment of the priorities identified by national governments and civil society.

SELECTION AND EXCLUSION OF PARTICIPANTS

In multilateralism the nation-state is the central and key actor. Only governments can vote, designate representatives to attend official meetings, and submit conventions to their parliaments for confirmation. In a multi-stakeholder arrangement, the designation of key actors and of acceptable representatives becomes ambiguous and heavily influenced by internal pre-processes for that particular group.¹² This selection system has no parallel in multilateralism where governments are the only formal decision-making agents.

All categories of actors in a multi-stakeholder governance system are not necessarily created equal. State, non-state and corporate actors have asymmetric capacities to finance their participation in multi-stakeholder groups. The various actors also vie for the leadership role. The WEF's governance proposals would therefore mean moving from a system where non-state actors influence the state-centric multilateral system, to one where the state is one player among many, and not necessarily the dominant one.

In multilateralism, there are clear rules for how a government designates an individual as an ambassador or representative at an international conference. In a multi-stakeholder governance arrangement, representatives are seldom, if ever, designated by their corporate board, CSO board, or university trustees to act on behalf of that institution.

DECISION-MAKING PROCESSES AND THE RULE OF LAW

In the UN system there are well-developed rules on voting procedures, on how smaller or weaker nations can engage on issues with a sense of equity and even on resolving procedural disputes. These rules grew out of 300 years of evolving international law on the responsibilities, obligations and liabilities of governments.

A multi-stakeholder system [disrupts this history](#).¹³ What happens to the responsibilities

of states when a multi-stakeholder group takes over on a specific global issue? Do MNCs and CSOs assume some obligations and liabilities, traditionally designated to nation-states, when they start to participate in global governance?

Most multi-stakeholder governance groups work with a high degree of internal confidentiality and vagueness about their decision-making rules. For the WEF's Global Agenda Councils, the agendas are not public, let alone the outcomes. They don't explain how their conclusions were reached, except to say that the final report does not necessarily reflect the views of all members of the Council.

There are no recognised standards governing the internal decision-making processes of multi-stakeholder groups, nor ones that clarify their obligations, responsibilities and liabilities.

IMPLEMENTATION OF OUTCOMES

In multilateralism, the outcome of a negotiation generally includes a set of instructions to an international body to implement the agreement, plus a funding mechanism to provide the resources to carry out the agreement, or a set of commitments by governments that they will take independent actions to implement it. In most cases, this is done through a clear set of procedures to report back to capitals on the

outcome of an agreement, arrange funding from national budgets, and, where necessary, seek endorsement by a parliamentary process.

In multi-stakeholder governance, the pressing issue is that there is no obligation for any of the participants to commit resources to implement the outcome of a given undertaking. This [opt-in and opt-out approach](#) is the essential component of the WEF's global governance approach.¹⁴

Ultimately, the test of any international programme is, does it work? Does it act to alleviate poverty? Does it protect a species or ecosystem? Does it make citizens more secure? Does it ban a harmful substance? The GRI report asserts that a multi-stakeholder governance project will make significant contributions to international efficiency for two crucial reasons. It can act faster, and it can bring to global political life the efficient management tools of participating multinational corporations. The claim that corporate management experience can be transferred to the global public arena in a meaningful manner has, however, not yet been documented.

CONCLUDING OBSERVATIONS

The WEF proposals for multi-stakeholder governance are a timely reminder that we need to take a new look at the current rules of engagement in international affairs.

After the Second World War, the most powerful governments created the UN Security Council with special seats for themselves, and the Bretton Woods Institutions with special voting powers for themselves. A few years later, these governments also agreed to the Universal Declaration on Human Rights, putting in place principles to constrain how governments can treat their citizens, and expressing what citizens can appropriately expect from governments.

In response to recent financial crises, an association led by today's powerful actors is recommending the next system of global governance. As with the post-WWII situation, today's powerful actors, multinational corporations, are recommending ways to use their power to establish themselves in crucial governance roles. At the same time, this process will not be effective unless a new universal set of sustainable development rules is in place to constrain their adverse behaviour in the global marketplace, and as it affects individual communities and people.

Governments, which are being bypassed by this WEF governance proposal, and CSOs and other non-state constituency groups, who are partially being invited in to the new governance system, can play an essential role in writing the rules of engagement with MNCs and the rules for constraining the worst effects of globalisation.

¹The Unique Design of GRI's Report and the Readers' Guide in Readers' Guide: Global Redesign Initiative, Center for Governance and Sustainability, November 2012, available at: http://www.umb.edu/gri/the_unique_design_of_gris_report_and_the_readers_guide.

²For more information on the Helsinki Process on Globalisation and Democracy please see <http://helsinki.kiprocess.fi/>.

³For more information on the World Economic Forum's definition of multi-stakeholderism, please see: http://www.umb.edu/gri/appraisal_of_wefs_perspective/s_first_objective_enhanced_legitimacy/multistakeholderism.

⁴Crisis Aftermath: A Chance for Positive Change in A Partner in Shaping History: The First 40 Years, World Economic Forum, 2009, available at: http://www3.weforum.org/docs/WEF_First40Years_Book_2010.pdf.

⁵H Gleckmann, WEF Proposes a Public-Private United Nations, Policy Innovations, 18 June 2013, available at: <http://www.policyinnovations.org/ideas/commentary/data/000263>.

⁶Tool One: Extending Intergovernmental Norms and Legal Frameworks in Readers' Guide: Global Redesign Initiative, Center for Governance and Sustainability, November 2012, available at: http://www.umb.edu/gri/section_by_section_commentary/four_tools_introduction/tool_one.

⁷Tool Two: Reinforce the Capacity of Intergovernmental Institutions in Readers' Guide: Global Redesign Initiative, Center for Governance and Sustainability, November 2012, available at: http://www.umb.edu/gri/section_by_section_commentary/four_tools_introduction/tool_two.

⁸For a definition of financial risk watchdog, please see: http://www.umb.edu/gri/section_by_section_commentary/four_tools_introduction/tool_one/financial_risk_watchdog.

⁹For a definition of expanding liquidity, please see: http://www.umb.edu/gri/section_by_section_commentary/four_tools_introduction/tool_one/emergency_liquidity.

¹⁰For more information on these proposals, please see: http://www.umb.edu/gri/section_by_section_commentary/four_tools_introduction/tool_one/law_of_the_sea.

¹¹For more information on the international process, please see: http://www.umb.edu/gri/section_by_section_commentary/five_steps_introduction/step_one/redefinition.

¹²For more information on these processes, please see: http://www.umb.edu/gri/appraisal_of_wefs_perspective/s_first_objective_enhanced_legitimacy/constituencies/appropriate_constitu

[ent_groups_for_each_multistakeholder_structure](#).

¹³For more information on this issue, please see: http://www.umb.edu/gri/appraisal_of_wefs_perspective/s_first_objective_enhanced_legitimacy/multistakeholderism/responsibilities_and_obligations_of_each_group_of_stakeholders.

¹⁴Above fn 5.