Collaboration against corruption?:
Multistakeholder groups in natural resource management

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By

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1 Introduction

The quality of sector governance goes a long way in explaining cross-country variations in levels of welfare and development. Health, education and utility provision have obvious impacts on living standards, while the governance of natural resource sectors is often decisive in securing sustainable resource production and associated economic benefits. The technical and administrative solutions aimed at overcoming problems of weak sector governance will nevertheless have to align with political challenges. In countries with strong institutions and welfare-focused politicians, the combination of sector oversight institutions and political involvement provides an extra quality control for welfare-optimizing solutions. In countries where corruption seems to influence many decisions, the welfare effects of sector governance are impeded not only by institutional weaknesses in the bureaucracy but also by incentive problems in politics. As a result, it has been difficult to know where to target initiatives for better sector performance, and sector governance initiatives have rarely been sufficiently linked to challenges at the political level.

For decades the international donor community has offered variations of technical and financial support for particular sectors. The results of this support have been mixed and sometimes grossly below expectations. Over the last decade, understanding of the need to move away from "best practice" and "one-size-fits-all" solutions has been growing, and, increasingly, efforts are placed on tailoring policy advice to a country's capacity, stability, and political economy. It has also become evident that those involved in sector governance and operations are often best placed to understand the context-specific difficulties of sectors and are best able to find workable solutions.

This understanding within the donor community has materialized in parallel with a growth of standards for sector governance and operations developed - or strongly influenced by - non-state actors, such as firms, international organizations, community representatives and researchers. Policy issues that have formerly been addressed at the level of nation states - including pollution, wildlife protection and anti-corruption - are increasingly being understood as global phenomena that require international solutions. Over the last decade the role of governments in developing standards for governance and sector operations has been significantly reduced.[1]

In keeping with these trends, international organizations and donors have begun to promote collaboration among stakeholders for improved sector performance in many different settings. The intention is not only to make the right and most efficient decisions in particular sectors, but also to gain public confidence and develop the legitimacy needed to drive a reform process.[2] Against this background, donor agencies and development banks increasingly offer financial and technical support to multistakeholder initiatives, expecting them to play a role in processes towards better sector performance.[3]

Minu Hemmati (2002) defines multistakeholder processes as "*processes that aim to bring together all major stakeholders in a new form of decision-finding (and possibly decision-making) on a particular issue.*" Such initiatives can be purely local: there are numerous donor-supported initiatives within natural resource management in one country or area of a country, such as those aimed at securing a

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[1] For a review of the last decade's development of non-state actors as standard setters, see Peters, Koechlin, Förster and Zinkernagel (2009).

[2] A survey by the International Union for the Conservation of Nature investigates how important respondents in the sector consider multistakeholder dialogue in forest governance reform. In this survey 42% consider the multistakeholder process "indispensable", while 34% describe it as one of the many components. Only 11% finds such processes unnecessary, but 13% think of them as a constraint. See www.iucn.org

[3] Multistakeholder processes are often supported in other settings, such as Poverty Reduction Strategies (PRSPs) or the implementation of a legal framework, sometimes with clear implications for sector governance.

participatory process in mining operations or protecting an endangered species or forest area.[4] Other initiatives are global, with branches in many countries. One example is the Extractive Industries Transparency Initiative (EITI), which has introduced a new standard for revenue transparency in the mining and petroleum sectors. EITI is a multistakeholder initiative both at the international level and in the way it is organized at the country level, although country performance is evaluated by independent consultancies. Another example is the Kimberley Process Certification Scheme (KPCS), which is designed to certify the origin of rough diamonds from sources free of conflict fuelled by diamond production. The KPCS was introduced as an international multistakeholder initiative by NGOs and the United Nations in 2003. By 2010, 47 countries meet the minimum requirements of the KPCS. Organization at the country level varies, but the evaluation behind certification is the responsibility of the international organization (see Table 1 for more examples).[5]

Governance failure in natural resource management is often associated with the pursuit of narrow benefits made possible through corruption. Even if the multistakeholder initiatives focus on sector-specific challenges, they are frequently relevant for an anti-corruption agenda.[6] Some of the initiatives, such as the EITI, are often referred to as anti-corruption initiatives by the media or in the literature, but officially, they rarely present themselves as anti-corruption initiatives. Once a multistakeholder initiative claims to be dealing with corruption its activities become more sensitive and it can be difficult to get stakeholders to be involved in the initiative. If supposed to address corruption, the MSG may also be asked for proof of the crime and this might be difficult to acquire for such an initiative. Combined with the fact that there are many reasons why sector governance may depart from what is welfare-enhancing (not only corruption) it may sometimes be more efficient to focus actions on shortcomings in the way regulations take effect.

Multistakeholder processes can be constructive in terms of allowing space for the recognition of challenges and identification of workable solutions. But such initiatives will not necessarily change the incentives of those involved in the most important sector decisions. Despite the obvious value of bringing different views to the table as part of a reform process, there have been mixed results with donor support to multistakeholder initiatives. A recent evaluation by WWF (2010) warns that the evidence base available does not yet allow generalisation of how well multistakeholder initiatives work in practice. In particular, donor-supported groups comprising the most important stakeholders (such as government agencies, the private sector and civil society) have often been formed with unrealistic expectations of how they can drive or monitor a reform process. Actors with very different incentives will not necessarily work better if they work together, and the demand for collaboration can even have potentially counter-intuitive effects, as discussed later. The value of a multistakeholder process seems to lie primarily in its offering a forum for dialogue, and not in terms of carrying out a specific function in a reform process.

This Issue paper describes some of the reasons why a multistakeholder initiative may fail to have the expected impact on sector performance. The focus is on natural resource sectors, in which many multistakeholder initiatives have been supported, and where revenues from the export of resources tend to pose additional challenges in terms of the political environment. The paper addresses primarily

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[4] For examples - see the MSP (Multi Stakeholder Process) Resource Portal, the websites of natural resource NGOs – such as World Wildlife Foundation or the International Union for Conservation of Nature, and World Bank website.

[5] See www.EITI.org, www.kimberleyprocess.com and Global Witness' webpage on the Kimberley Process: www.globalwitness.org

[6] The EITI, KPCS and other sector initiatives are often referred to as anti-corruption initiatives by the media or in the literature, but officially, they are rarely presented as anti-corruption initiatives. Once it claims to deal with corruption the activities become more sensitive and it can be difficult to get all stakeholders to support the initiative. If supposed to address corruption, they may also be asked for proof of the crime. In many cases, therefore, the initiatives are not officially anti-corruption

the use of multistakeholder groups (MSGs) where different players come together and serve a central role in the implementation of a sector initiative, such as driving the implementation or overseeing the process in other ways.

The paper has three sections. Section 1 introduces the multistakeholder concept. Section 2 addresses internal challenges in a multistakeholder group. The different players involved often have different roles in the sector, and the section discusses how these players collaborate and what common mandate they can be expected to serve. Section 3 considers external constraints to multistakeholder initiatives: what impact can such groups make given their lack of authority, the terms of their collaboration with government agencies, a country's political environment, and donor expectations and constraints? Tentative recommendations for donor policymakers are listed at the end of Section 3 and in the conclusion.

2   The concept of multistakeholder processes

The idea of a multistakeholder process is appealing: different actors involved in sector operations (and those exposed to its consequences) are encouraged to collaborate to improve outcomes for society at large by bringing their unique experiences and capacities to bear. This section describes the nature of multistakeholder processes, focusing on natural resource management.

2.1   What constitutes a multistakeholder process?

A multistakeholder process aims to involve stakeholders in jointly solving challenges. These stakeholders represent different players involved in a sector: government staff, policy-makers, community representatives, scientists, business people and NGO representatives. Any individual, community or institution with a role in the sector, or which is exposed to the consequences of sector activities, meets the criteria for becoming a stakeholder. The process can be established for a short-term purpose (such as wildlife protection during a highway construction project) or with a long-term objective in mind (such as securing a fair allocation of revenues from petroleum production).

Multistakeholder processes aim to secure dialogue, negotiation, learning and decision-making. They are supposed to bridge the gap between grass-roots action and top-down policy. Usually, a group of stakeholders will aim for an achievement that will depend on some form of collective action, such as setting a higher standard for activities in the sector or reducing opportunities for misuse of resources by securing access to information for the general public. How the multistakeholder involvement works tends to differ across policy initiatives. Even if categories will overlap, this paper seeks to make a distinction between: (i) multistakeholder *forums for dialogue* - with opportunities for learning and joint understanding; (ii) multistakeholder *platforms* – established for stakeholders to bargain over the generation of policy; and (iii) the formation of multistakeholder *groups with a mandate* (MSGs) – tasked with policy implementation/oversight and requiring some form of joint action and decision-making.[7] Multistakeholder initiatives may occur at the international level, where key international players work together on a global challenge, or the local level, where cooperation occurs among key players within a given country. Some initiatives, like EITI, may have multistakeholder interactions at both levels. The table below offers some more examples of the different multistakeholder processes.

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[7] Multi-stakeholder platforms are decision-making bodies with the mandate of allowing stakeholders to bargain over the generation of policy. They are frequently employed to address the issues involved in managing common pool resources, allowing for representation of indigenous populations, government officials, and private sector actors. Larger international initiatives, like the Energy and Biodiversity Initiative (EBI) and the Ethical Trading Initiative (ETI), are bodies of a broad group of public, private, and non-profit stakeholders that work to agree on a common set of principles governing behavior. In the United States, many government agencies allow for a period of regulatory negotiation, where stakeholders debate the details of certain regulations and can actually shape policy. Although the purpose of multi-stakeholder platforms is to find a common ground on which stakeholders can agree, the interests of the stakeholders are frequently in conflict (Truex and Søreide, 2011).

Table 1: Multistakeholder processes; arbitrarily selected examples of the different categories. The initiatives listed have all been commended for their likely impact on sector performance.

Category	Example	Role and/or Ambition
Multistakeholder forums for dialogue	Earth Summit 2012	A stakeholder forum established to exchange information, promote dialogue and connect organisations and stakeholders prior to Rio+20, an international summit for sustainable development.
	The WWF International Tiger Conservation Forum	A meeting organized for top representatives of governments to create a global system of conservation and restore the tiger population in its historical natural habitats
	Democratic Republic of Congo Conflict Minerals Forum	Initiative promoted by civil society, the private sector and government to develop solutions, support and alignment on conflict minerals issues in DRC. The forum has been followed up by Responsible Sourcing Network's efforts to collect the views of different stakeholders and the industry.
Multistakeholder platforms for bargaining over the generation of policy choices	Energy and Biodiversity Initiative - EBI	Bargaining processes over policy design – resulting in joint recommendations based dialogue and agreement among stakeholders.
	ICTSD Programme on Agricultural Trade and Sustainable Development	US Trade Policies on Biofuels and Sustainable Development; collaboration for a better trade policy
	The Kimberley Process	An international MSG is responsible for the whole initiative at the international level, but the process locally is driven by the governments, not by a local MSG. The way it has worked suggests that it fall into this category – where different stakeholders have bargained over a policy initiative- which is subsequently implemented by governments – yet still under the supervision of the international MSG.
Multistakeholder groups with a mandate (MSGs)	REDD+ in Ghana	A national REDD+ Technical Working Group, a multi-stakeholder body within the Ministry of Lands and Natural Resources, provides advice and guidance on all REDD+ processes.
	EITI	EITI is a voluntary certification program for revenue transparency in the extractive industries. While EITI is implemented by law, this process is overseen by a local multistakeholder group in the given country. Independent consultancies evaluate performance.
	ICMI - International Cyanide Management Code for The Manufacture, Transport and Use of Cyanide In The Production of Gold	Gold producing companies can become signatories to a code and the program is overseen by an international multistakeholder group.

Many international initiatives involve different stakeholders but are difficult to place in one of these categories because they are organized so differently in different countries. For example, the Sustainable Agriculture Network and Rainforest Alliance are responsible for a global initiative to protect forests with a joint standard of safe logging and certification of 'safely' produced goods. The local initiatives, however, are autonomous and have their own names – including IMAFLORA in Brazil, Nature Conservation Foundation in India, Pronatura Sur in Mexico and many more. Also the Reducing Emissions from Deforestation and Forest Degradation (REDD) initiative is a global UN and World Bank supported initiative, although the way it works in practice differs significantly across countries.[8]

The formation of a multistakeholder process can be relevant for activities at any stage of the natural resource value chain – from legal reform, to operations and production, to the allocation of benefits in society. Many stakeholder initiatives deal with environmental protection or indigenous rights without limiting their attention to a specific part of the value chain. Instead, they consider and react upon the outcome of sector activities holistically.

Figure 1. *Natural resource management value chain*

One recommendation of a WWF assessment of multistakeholder initiatives relates to the importance of understanding markets and taking the whole supply chain into account, while maintaining a focus on one specific target or standard. To strengthen the role of initiatives, it will often be useful to establish or exploit synergies with complementary mechanisms to create "an enabling environment" – such as broader legal reform processes, public procurement policies, tax incentives and relief, and start-up grants (WWF, 2010:6). The assessment suggests that a multistakeholder initiative is more successful if it is part of a wave of initiatives instead of being a stand-alone effort.

2.2   NRM-related multistakeholder mandates and anti-corruption

It is far from straightforward what form of multistakeholder process is most likely to have an anti-corruption impact. Corruption is about the misuse of power. Even if the establishment of a multistakeholder group in natural resource management are usually about legitimacy and influence on power, it will rarely have an impact on power structures themselves.[9]

Challenges of corruption in natural resource management are associated with (i) *elite capture* – revenues do not reach the citizenry; (ii) contractual arrangements with the private sector in return for kickbacks – arrangements that *allow firms beneficial terms* and tax levels that do not reflect world market values; or (iii) *manipulated production controls* – firms may be the only players who actually

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[8] See the UN REDD webpage: http://www.un-redd.org/ and the more critical REDD monitor webpage: http://www.redd-monitor.org/. The REDD monitor webpage lists a long number of countries where a REDD initiative has been started, with varying degrees of success.

[9] This shortcoming was discussed at the International Conference on Multistakeholder Processes, Oxford September 2010, by Guido Borekhoven and Matthew Markopoulos from the International Union for the Conservation of Nature (IUCN). Given this lack of formal authority it is important to have a clear mandate for the multistakeholder group but equally important to get the power balance right within the group.

know how much is being produced and at what quality because government controls are weak. Multistakeholder groups are not necessarily able to deal with these challenges, particularly if two of the three categories of stakeholders (see below) benefit from unchanged regulations.

Many multistakeholder initiatives are concerned with access to information, and this is critical for citizens to identify and react to governance failure. Decisions made in keeping with narrow interests (either because of corruption or some other agenda) will be more easily revealed. Furthermore, the design and implementation of operational standards for production and environmental protection can make an important contribution towards preventing bribery-induced neglect in bodies with responsibilities for sector monitoring. Multistakeholder processes for improved sector performance can thus have anti-corruption relevance, even if they are not specifically targeted towards addressing corruption – or capable of addressing high-level corruption.

Decisions at different steps of the value chain will often be interlinked. Corruption might occur in one step while its consequences might occur at a later step. Even so, comprehensive initiatives are not necessarily better at tackling corruption because they can involve too many decisions for a stakeholder group to deal with effectively. While the problem of corruption might be an important reason for weaknesses in sector governance, the multistakeholder process should not be expected to deal with multiple issues.

2.3   Why create a multistakeholder group if there are institutions for sector regulation and control?

Regardless of the presence of multistakeholder processes, government institutions for sector oversight are supposed to consider sector operations in light of wider societal welfare aims. Public oversight is usually meant to be supported by hearings, where stakeholders can voice their views in line with their democratic rights. Why should multistakeholder groups be formed when there are already public institutions in place to perform the same role?

Generally, multistakeholder processes emerge from recognition of the weakness of other mechanisms for sector governance. A joint understanding of such weaknesses may provide the legitimacy for a multistakeholder group in terms of policy oversight and implementation. The formal responsibility and authority to enforce a legal framework will nevertheless continue to lie with government agencies. A multistakeholder initiative's ability to sanction sector performance that deviates from what has been agreed is therefore weak. However, the formation of a multistakeholder group (with a mandate) can sometimes appear to be a second-best solution - an attempt to "do something" when other efforts to improve sector governance have failed. In these situations, the initiative builds legitimacy by involving different stakeholders, but may not be able to deal with the real problems behind governance failure. Even in the situation of weak sector governance, the authorities may not want to share power and take the risk of an outcome that deviates from their own policy agenda. Hence, a multistakeholder initiative cannot replace government functions.

Whether a multistakeholder initiative will have any influence on incentives behind the most important sector decisions is uncertain, and likely to depend on the context and the initiative. Ruth Nussbaum, Associate Director of the Oxford Centre for Tropical Forests (OCTF), nevertheless claims that the formation of multistakeholder processes has "changed the paradigm in several sectors" - it has become normal practice to involve major stakeholders in discussions. According to Nussbaum, this has indirectly changed the power structure behind decision-making in some countries and secured better protection of vulnerable groups or the environment.[10] Nevertheless, there are important differences between multistakeholder forums for dialogue compared to multistakeholder groups supposed to operate as one entity and serve a mandate for better sector performance.

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[10] Statement made in presentation at the International Conference on Multistakeholder Processes, Oxford September 2010.

3 Internal constraints

3.1 Multistakeholder collaboration from the perspective of the players involved

While stakeholders can represent a variety of players and organizations, they can roughly be categorized into civil society, government and the private sector. In light of these players' roles and basic incentives, how apt is a multistakeholder group to operate as an individual unit and perform a role for better sector governance and reduce the risk of corruption?[11]

Some insights may be gained by considering the different actors' sector-specific rationales. Instead of assuming that dialogue automatically leads to group collaboration, which it may well do, let us focus on the basic incentives of the managements of the stakeholder institutions represented in the group. Such an intentional simplification can be useful in understanding potential conflicts of interest within the group. We consider the three categories of stakeholders in turn.

The government: The government and its departments with sector oversight responsibility are typically expected to monitor sector performance in line with agreed targets and secure the enforcement of laws and contracts that regulate sector activities. Multistakeholder processes are initiated in situations when government departments have not managed to secure satisfactory sector performance, despite their authority to govern and closeness to political budget processes.

The multistakeholder group will usually include representatives of these departments, but since there are multiple goals behind sector governance (environment, industry, employment, electricity – for example) *and* a risk of personal agendas (including corruption) it is difficult to predict what their exact incentives are. We will not know if their engagement is motivated by (i) sincere ambitions of improving sector performance in view of consequences and benefits for different social groups; (ii) the opportunity to defend existing government strategies and keep their government departments informed about the multistakeholder process; or (iii) the wish to continue sector governance as it is and destabilize the stakeholder process, possibly with the intention of securing personal benefits. What we can assume is that they will have some loyalty to their employers, and we know their employers prefer a good reputation, deserved or not. As a minimum, we can assume that government representatives will take part in multistakeholder dialogue with the aim of protecting the government's reputation and staying informed about the MSG process.

The private sector: The private sector contributes to sector activities with production capacity and unique expertise. Profit maximization is clearly a driving force behind its operations, although social responsibilities and environmental protection make operations more meaningful to many in the private sector. While private firms may contribute constructively to the multistakeholder dialogue, a possible motivation for joining will also be to stay informed about the process and its potential implications for the private sector. Some firms might have achieved overly beneficial terms in bilateral negotiations with the government and will seek to maintain this status quo – or they have been promised big contracts from the government and do not want the MSG to 'ruin' their investment plans. Other firms may join simply to enhance their public image.

Civil society organizations: Although it is difficult to generalize about whom civil society organizations actually represent, we can assume that they are often focused on (i) environmental

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[11] The more general literature on collective action have words of caution of relevance to the multistakeholder initiatives. For example, John Searle (1990) describes the strict conditions for the "we"-intention to be more important for individuals than the "I"-intention and Mancur Olson (1965) reminds about the low propensity of rational self-interested individuals to contribute to promote group interests. See also Gilbert (2006).

protection; (ii) the consequences of natural resource production to the welfare of citizens in a geographic area; or (iii) the allocation of revenues from natural resource production. Civil society will also usually be seeking financial support for their activities in one or more of these three categories. Their success in obtaining funding will depend on their performance, and this performance will often be assessed on their visibility, including how well they voice their concerns and how likely they are to exert some influence in society.

The three categories of members of multistakeholder processes – government, private sector and watchdog civil society – may all be motivated by a sincere intention of improve sector performance. Quite often, as indicated, less noble concerns and agendas are also present. How will this mix of incentives affect the operations of a multistakeholder group?

Potential conflicts of interest – the example of a transparency initiative
The combination of very different incentives among stakeholders represented may create barriers for the functioning of a multistakeholder group. One could assume, as a likely example, that a multistakeholder group has been established to secure transparency in sector-related decisions and to monitor public access to information about sector operations.[12] The multi-stakeholder group - with members from government agencies, the private sector and civil society - may have donor funding for a limited period to establish a system to administer the release and dissemination of a given list of sector-specific information. A simpler mandate could be that the stakeholder group should observe the release of information by government agencies and should react upon identification of inadequate performance.

Different stakeholders have intrinsically different interests, and this is precisely why dialogue between them is so important. While an optimistic view might hold that these differences will diminish once a multistakeholder group has been established and given a role, perhaps a more realistic view is that the differences will determine the performance of the whole initiative. Table 2 outlines some stylized differences between main types of stakeholders.

Table 2: Conflicting concerns within the multistakeholder group

Stakeholder	Reputational concern	Conflict of interest
Government	Next election	Avoid information about governance failure
Private sector	Social responsibility	Avoid the release of information about damaging operations
Watchdog civil society	Visibility	Incentive to stay in the group in order to secure funding

The release of information – or the monitoring of how the release of information is handled by the government – is the responsibility of actors involved in the very operations about which information will be released. At the same time, a majority of stakeholder categories will have incentives to maintain a good reputation and avoid the release of certain types of information. *How can actors that benefit from a good reputation be responsible for revealing flaws in their own operations?*

Considering the different actors and their incentives, we might expect the **government** to put a constraint on the release of information, since these initiatives are usually started in countries where sector governance is weak and the release of information may lead citizens to want to hold the government accountable. There may be many agencies involved in sector governance whose

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[12] Examples could be the EITI or the CoST initiative for construction, but also consumer awareness initiatives, such as the Rainforest Alliance.

performance varies – regardless of the central government's overall intention. Sector representatives will know whether the government has performed weakly. Their commitment to improve sector oversight responsibilities – thereby risking more attention to governance failures – will not necessarily be reliable. To be conservative, therefore, a government will often be very careful in its selection of what information to release, particularly if such information could have an influence on the next election.

Figure 2. How much information will the stakeholders release?

Government	**Private Sector**	**Watchdog civil Society**
Incentive to hide weak sector performance	Incentive to both hide damaging information but signal social responsibility	Incentive to release information to improve transparency
Minimum	Intermediate	Maximum

Desired Level of Information Released
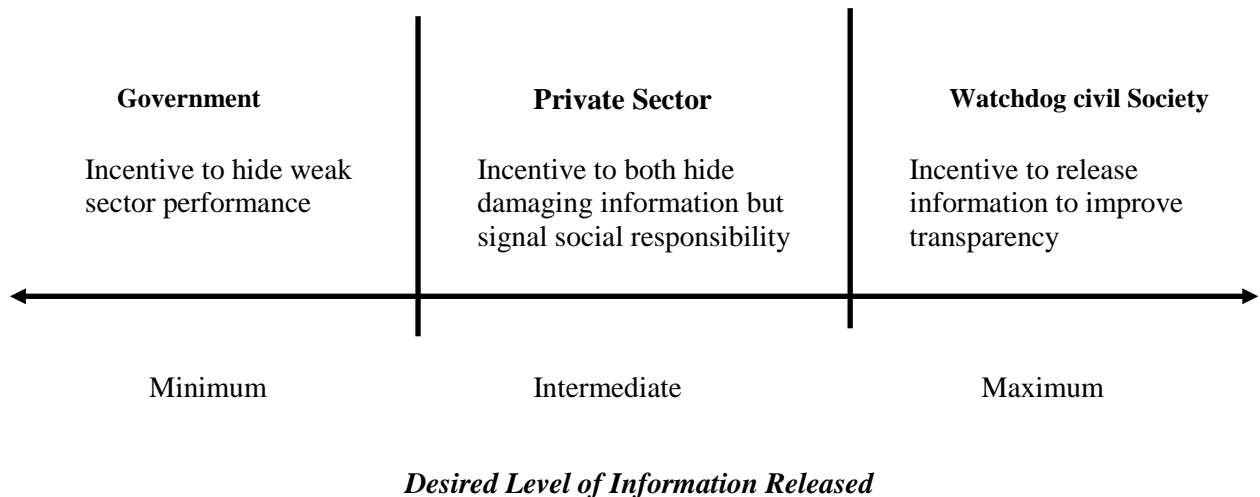
The **private sector** too might prefer to set limits on the information to be released. For example, they might have sought to influence the government in contract negotiations and have perhaps secured more beneficial terms than they would like to admit in public. Some information should possibly be restricted for the protection of commercial values. However, since sector-oversight responsibility rests with the government, the private sector can safely support *some* transparency - thereby signalling support to the initiative in line with their ambitions for social responsibility.

Civil society organizations, whose purpose may relate to the release of information about governance failure and damaging sector operations, will not see much point in the multi-stakeholder initiative unless it implies significant improvements in levels of transparency. Members from civil society may be expected to discipline the whole group to maintain a focus on the release of information. At the same time, stakeholders are remunerated by the donor community to collaborate with the other stakeholder categories. Civil society stakeholders, dependent on fundraising and recognition for their success, might accept funding and also collaboration with actors that they would otherwise criticize. If watchdog civil society organizations are less inclined to voice their concerns, a multistakeholder initiative could have a potentially counter-intuitive effect. How these mechanisms work in practice will obviously depend on the real context, including whether there is an active civil society at all.

The conflict of interest among the different stakeholders is illustrated by this example where we consider the release of information on sector performance, which is in fact the role of several MSGs in natural resource management. Donors who are supporting the initiative may expect the initiative to result in a transparency level at the far right of the Figure 2 axis, while in reality, the MSG's level of ambition for the release of information is likely to be somewhere in the middle of that axis, depending on the bargaining powers and characteristics of sector challenges.

Given the different incentives and bargaining powers of the actors involved, the outcome for society at large – which is "somewhere in the middle" – may indeed represent an improvement, compared to the

case of a totally government-controlled transparency process, but it may fail to reach the donors' criteria for success – and hence, continued funding. In a situation where actors in the public sector benefit from the good terms they have offered the private sector, there are clear risks that the whole multistakeholder initiative will provide those who benefit with an alibi for continued beneficial terms. Following from this, the multistakeholder process is no guarantee for a welfare-enhancing outcome if the majority of the stakeholders represented are against change.

Given this transparency example, it is important to note that the release of information is not a one-dimensional decision. The government might select certain information to release about selected projects, and safeguard itself through a set of exemptions. It can thereby signal support to the initiative while, in practice, maintaining the status quo – which could include opportunities for personal benefits for some decision-makers. In the end, the transparency initiative may depend too much on political benevolence and the *ex ante* quality of governance, the very reasons behind the initiative. For these reasons it is critically important for multistakeholder initiatives that focus on transparency to describe the information to be released in as much detail as possible, that the quality of the information is verified by independent experts on the sector, and finally, that the initiative is implemented by law – and not only as a memorandum of understanding between the stakeholders.

3.2   The role of a multistakeholder group in improving sector performance

Stakeholders' different incentives are the fundamental reason for establishing a multistakeholder initiative – to exchange information about different interests in situations where actors involved in a sector have very different views about how it should operate. The multistakeholder dialogue on transparency in the example above illustrates how such processes can lead to increased access to information, albeit perhaps not an optimal outcome in view of social welfare.

Regardless of the country's institutional and political framework, which we will return to in the next section, the group faces other intrinsic challenges. Various difficulties have been discussed in the initiatives or members' own publications and websites, and the authors of this report have conducted around 20 interviews for better understanding of the multistakeholder concept (Truex and Søreide, 2011). Without pointing at specific initiatives, we will reflect upon some frequently mentioned practical challenges beyond the conflict of interest problem, specifically those relating to multistakeholder groups' internal organization.

Once an initiative has begun, members may turn out to be *less committed* than they promised to be, possibly because of other commitments, low expectations to the initiative, or due to some conflict of interest. A further difficulty often reported is associated with *retrieving information* needed to perform the group's role. This can be information from authorities with a responsibility for awarding production licenses, for example, or from revenue authorities supposed to provide an overview of taxes collected. Even if actors have officially supported the multistakeholder-based initiative, it is far from obvious that they will follow up as agreed. The problem of retrieving information reflects the group's lack of authority and may eventually affect the stakeholders' motivation.

A more central organizational barrier for the multistakeholder group is the *problem of reaching consensus*. In most cases, the group will be required to make a number of decisions – including in the cases when it has a clear mandate. Although MSGs often have a constitutional structure, anecdotal evidence suggests that decision-making is generally consensual; all or most members must agree on a

decision before action is taken.[13] The request for full consent is a reasonable one given that the whole point of the initiative is to develop a joint understanding of challenges in sector operations and their solutions. However, the stronger the disagreements within the group, the more decisions the group must make, and the larger the number of members, the more difficulties the group will have in carrying out its role in a timely manner (Tsebelis, 1995).

The multistakeholder ideal holds that each stakeholder will have input into the process and contribute its comparative advantage. But, in practice, MSGs may be constrained by *imbalances of power and capacity across stakeholder groups.* As discussed in the previous section, the true level of ambition is likely to be a midpoint of the actors' interests given their primary role, and will thus depend on their incentives. Undeniably, this midpoint will also depend on actors' bargaining powers. Some initiatives seem to have taken for granted that the different categories of stakeholders have a fair or equal share of influence within the group.[14] What we know, however, is that civil society organizations may be weak or nonexistent in many developing countries.[15] This "missing stakeholder" problem may be particularly pervasive in initiatives concerning complex government processes and revenue systems, or initiatives that require technical understanding of natural resource sustainability and vulnerabilities. There will often be few NGOs with sufficient competence and capacity to engage effectively. Without effective representation from civil society, government actors and private sector interests can come to dominate the multistakeholder group.[16] Under circumstances where these actors have colluded in the pursuit of narrow interests, or where one of these two actors dominates negotiations, the multistakeholder group is reduced to an alibi for one category of players. It appears to be a "good initiative" but in practice simply facilitates a continuation of the status quo, including corrupt practices.

These intrinsic challenges with multistakeholder processes suggest that the group should not be expected to perform a role of monitoring or implementing a standard, but should instead serve as a forum for dialogue. The responsibilities for actually implementing an initiative should rest with the most relevant category of stakeholder.[17]

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[13] A main lesson learned for several initiatives is the importance of a clear definition of the common goal and clear rules and procedures for the decision-making process. For more details, see presentations by several NRM multistakeholder initiatives at the website of the International Conference on Multistakeholder Processes, Oxford, September 2010. See Mueller (1976, 2003) for more discussion of relevant decision-making challenges and procedures.

[14] Given the potential conflicts of interest, listed in Table 1, the involvement of user-groups and NGOs representing 'the society' is a fundamental condition for the initiatives to function as intended. In practice, it is difficult to engage civil society and even user groups to be involved as intended. For updated information, see papers presented at the Conference on the Election Process, Liberation Movements and Democratic Change in Africa, Maputo 2010, Mozambique: http://www.cmi.no/news/?640=papers-from-election-processes

[15] For more discussion about civil society organizations, see Bratton (1989), Fukuyama (2001).

[16] These power and capacity disparities tend to manifest themselves during multi-stakeholder negotiations. Scholars of multi-stakeholder platforms designed to manage common pool resources warn that, for weaker groups, "more often than not, participation is little more than token consultation, with no decision-making power in the hands of the people concerned" (Wester et al., 2003; Faysse, 2006; Edmunds and Wollenberg, 2001).

[17] For the EITI process, see documents and timeline of events on the EITI website. For more discussion of the different categories of difficulties, see Peters et al. (2009) and Truex and Søreide (2011).

4 External constraints

What a multistakeholder group can possibly achieve will depend not only on its internal structure and balance of interests among different stakeholders, but also on the given country context. As discussed, multistakeholder groups are most often established in countries where the government's sector management has already proven to have severe flaws. In such situations, the political environment may not be as supportive as announced or as expected, possibly because of narrow interests among key decision-makers or because of an unstable political situation. This section considers country characteristics that matter for multistakeholder groups' chances to make a difference. On this basis, it discusses what forms of interaction between the international community and processes in a country can increase opportunities for successful implementation of a sector standard.

4.1 The country context

Countries can be characterized in many different ways, but the following two aspects are of particular importance to sector governance and the potential influence of a multistakeholder group:

Laws and regulations: Is the legal framework for sector operations, natural resource sustainability and the allocation of benefits in line with best practices and designed to secure welfare for the society at large? What about the laws relating to the public's access to information? Some countries will require comprehensive legal reform to establish how the sector is supposed to be governed, while others have relatively modern legal regulations that do not necessarily function as intended.

Willingness to enforce: The political and institutional willingness to enforce the legal framework that does exist varies significantly across countries. The same is true for the willingness to initiate a needed reform process. A political system influenced by patronage networks that steers revenues from natural resource production for the benefit of an elite is unlikely to wholeheartedly embrace change.

Table 3 shows the quality of laws and regulations on its horizontal axis and the willingness to enforce the legal framework on the vertical axis. Most countries are probably somewhere in the middle, with developing countries closer to the south-west area and OECD countries bundled in the north-east. There may be some variation across sectors. For example, one and the same country can have good regulations on petroleum production and weak regulation within forestry. Or, one and the same country can have good-practice legislation for production activities in general, but have failed to implement access to information laws. The table suggests that the multistakeholder process will work very differently depending on the country context. Expectations for an initiative should thus depend on country characteristics.

It might appear as if the global multistakeholder initiatives are most relevant for the countries in the north-west corner (eager without the needed regulations) and in the south-east corner (regulations in place but difficulties in implementation). If this is so, it should be expressed more clearly in the global programs. In the first of these two categories, the multistakeholder process helps identify best practice legislation and efficient regulations, assuming that political willingness is strong. Legal competence and sector expertise will be important to support the process. In the latter case, it will be important to understand why the rules have not yet been enforced. A political economy analysis of power and the allocation of rents should be conducted, and the risk of collusion between firms or between government and firms should be carefully investigated. These insights will be important for any initiative for improved sector governance.

Global initiatives may have to do more to avoid the mistake of offering the same advice in all countries. As discussed in the introduction, the involvement of stakeholders started as a response to the "one solution fits all" characteristic of many donor-initiated policy recommendations. The trade-off for the global initiatives is the value of presenting one and the same standard, something recognizable on which country performance can be assessed, against the value of accepting solutions

tailored to the local context and its unique difficulties. A global initiative will have to offer a program for countries in all the four quadrants of Table 3 but in a way that allows for local decisions on design, timeline and goals.

Table 3. In what countries will an international multistakeholder initiative play an important role for better natural resource governance?

Quality of Laws and Regulations

		Low quality	*High quality*
Enforcement	*Strong enforcement*	**Eager without needed regulations** Few countries are in such a situation over a long period. If willingness exists, it is a "minor" problem to have laws passed. The multistakeholder process is useful in terms of providing a holistic view of challenges and developing a tailor-made solution to the given context.	**Strong performers** To what degree is a multistakeholder initiative relevant in such contexts? These countries will easily reach international benchmarks. Participation of such countries will nevertheless be valuable to create momentum for the global initiative.
	Weak enforcement	**Worst case countries** What is the value of a multistakeholder group if the quality of laws regulating the sector is weak while, at the same time, the compliance with the regulations that do exist is low? The legal framework for better sector governance is unlikely to be implemented in the short term.	**Laws in place, but not yet routines** Collusion, corruption, and entrenched networks may be a significant problem. Many countries, having copied their laws on sector governance from OECD countries where they work well, face severe difficulties with enforcement. A multistakeholder process may help identify solutions to the implementation problems.

4.2 Scenarios of MSG impact

Given the many constraints on a multistakeholder initiative – relating to the particular interests of the different actors and those presented by the country and governance characteristics – what are the likely achievements for improved natural resource governance? A donor agency ready to fund a multistakeholder group should consider the constraints carefully and target spending decisions following a realistic understanding of the context scenario. Roughly, we can categorize outcomes in five alternative scenarios. The probability of a scenario will depend on the set of constraints:

A. *Catalyst for change.* Significant impact on sector governance as the result of a multistakeholder process. Example: The EITI multistakeholder initiative may have come to play a critical role for revenue transparency in many of its candidate countries.

B. *Forum for dialogue.* While sector governance was likely to improve in any case, better solutions have been developed though a multistakeholder process. An example could possibly be the REDD initiative in Brazil.

C. *Status quo*. A multistakeholder group has been well-established, but is unable to confirm impact on target indicators. According to WWF (2010), this counts for many initiatives in terms of the lack of indicators on which they can be evaluated.

D. ***A tool for opportunists.*** The multistakeholder group is suspected of misusing donor funding (via fraud, for example) and/or is used as an alibi for members and the institutions they represent so that corrupt practices can continue while they secure a (false) positive reputation through the stakeholder process.[18]

E. ***Extortion.*** The stakeholder group is taken hostage by players who refuse to work for change unless they are offered funding from the international donor community. For example, it has been argued that the REDD initiative in Papua New Guinea suffers from the authorities' propensity to "cut more trees unless more money is provided."[19]

Many proponents of multistakeholder processes seem to have taken scenarios A or B for granted. What aspects should have been considered to set a realistic level of ambition? The Multistakeholder Process Resource Portal encourages the use of scenario analysis prior to initiation of a multistakeholder initiative.[20] This analysis should (i) investigate the driving forces – why would this initiative create change?; (ii) identify predetermined factors – what is inevitable about the future?; (iii) understand critical uncertainties; (iv) develop scenario plots – what are the most plausible developments and on what factors do they hinge?; (v) assess the implications of the different scenarios – for the organization, vulnerable communities or environmental concerns and the sector of concern; (vi) identify indicators that will inform about the direction of the initiative developments. A multistakeholder initiative that has taken these aspects into account will be better prepared for the obstacles ahead and will be more likely to succeed. Table 4 similarly suggests a list of aspects that should be carefully considered.

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[18] Information about this problem and examples have been shared with the authors in interviews in confidentiality. We present it here as a risk that donors should be aware of.

[19] See the website of REDD Monitor: http://www.redd-monitor.org/

[20] The Multistakeholder Process Resource Portal, see: www.portals.wi.wur.nl/msp

Table 4: *Characteristics of MSGs with likely impact on effectiveness*

Potentially decisive aspects	Promising	Less promising
Initiative		
Who initiated the process of establishing a multistakeholder group?	Local stakeholders	Donor-initiated
Definition of mandate, expectations	Scenario analysis conducted prior to design	Naïve expectations among donors expressed in ambitious goals
Complexity of role and number of decisions to be made by the group	Clearly defined and simple, few decisions. Details well spelled out up front	Vague and complicated, many decisions. Details to be spelled out 'later'
Roles within the initiative	Separation of responsibilities within the multistakeholder process	All responsibilities conducted jointly by the multistakeholder group
Individuals		
The selection of members of the multistakeholder group	Selection depends on results of stakeholder analysis	Self-selection
Opportunity cost of time	Devoted	Plenty of other activities and commitments
Experience	Highly competent and recognized representatives of the stakeholders	Stakeholders represented with individuals without important roles or capacities
Context/Sector characteristics		
Private sector	Sector characterized by healthy competition with a combination of national and international players	Few firms involved in the sector, risk of collusion
Government regulation	Sector oversight agencies function well	Sector oversight agencies function poorly, high perceived corruption
Government and politics		
Government support	Supported by the PM or relevant minister	No attention from the government
Legal framework	Laws in place in line with the mandate	Legal reform needed
Enforceability	Laws and regulations are generally enforced – and if not, it is a question of capacity	Rules of exemption used intensively for natural resource production
Civil society and democracy	Viable press and access to information law well respected	Access to information is generally difficult

4.3   Strengthening MSGs through international collaboration

As discussed, many multistakeholder groups are part of an international initiative for improved sector performance and collaborate closely with an international secretariat with technical competence and funding. This collaboration offers several avenues for enhancing the performance of the stakeholder group.

A well-developed program and resources: Initiatives such as the EITI or the Kimberley Process offer a well-designed program established to motivate and support local stakeholders. To some degree, countries can adjust the initiative to local circumstances. In meeting some core requirements, however, a country can make use of an already developed toolbox, get advice when needed, and benefit from experiences in other countries.

International experience and weight: Being part of an international initiative carries the weight of international collaboration. The simple fact that several countries are involved suggests that the program might have been well-developed. These aspects make it easier to convince a government to amend its legal framework in the needed direction and more countries are likely to join.

Certification: Several international initiatives include a certification program. Countries – and the quality of their sector governance on a given issue – can move up a ladder with several steps, from being candidate countries to becoming certified and re-evaluated regularly. The external assessment and international ranking of the country's performance appeals to reputational concerns. Governments might find a value in doing well out of the judgment.

Financial support: With an international program, there will sometimes be financial support. This support will rarely be very substantial, but may include start-up expenses for a local multistakeholder group, travel expenses for participation in international conferences, support for technical advice, and the expenses of an independent evaluation of how the country performs.

Donor-imposed constraints: Donor funding may be decisive for a multistakeholder process to be initiated. However, the realities of the funding process usually dictate that a project has a fixed timeline so that monitoring and evaluation can occur. Some initiatives also have multiple phases, and funding is continually re-evaluated before subsequent phases are formally launched. With the funding, multistakeholder groups are given a deadline for when to complete their list of tasks.

5   Some lessons learned

Without international guidelines, deadlines, or support, it is doubtful whether global initiatives such as EITI and KPCS could be expected to make a difference. Still, participation in an international initiative can easily be disappointing unless constraints at the local level are understood and goals kept realistic. International institutions must strike a delicate balance, applying just enough pressure to spur compliance, but not too much as to become counterproductive.[21] The incentive mechanisms developed as part of an international initiative are generally targeted at some sector performance indicator – such as certified timber or revenue transparency. However, for the multistakeholder process to be motivated and encouraged to function independently and sustainably, the incentive mechanisms *for the multistakeholder group itself* must also be addressed. Should it, for instance, receive funding depending on its achievements, instead of support for its initiation? Should its flexibility to tailor-make the program to the country context – while still benefiting from the international initiative – depend on how the group has been established, the process of selecting members, and the independence of board members? Should civil society organizations have a greater voice in decision-making than private and public counterparts because their incentives are more closely aligned with the ambitions of the initiative? Have the initiatives been subject to careful scenario analysis? Is the mandate for the initiative detailed and specific enough to avoid that it ends up being an alibi for those who benefit from the status quo? Will it be implemented by law so that it can be enforced legally? These are the kinds of questions that should be considered carefully for each specific initiative – in addition to the other items listed in Table 4.

A further aspect that should be considered prior to start-up is how the initiative will be evaluated. Most donor-funded initiatives will have indicators for project performance. However, it is important that the methodology for monitoring a multistakeholder initiative and evaluating its performance is developed early in the process, preferably before funding is offered. Such clarity will make it easier for the group to know how it performs in light of common expectations, and maintain a focus on its core ambitions. It will also be easier to justify continued funding if it works well.[22]

Having said this, the question of whether to fund a local multistakeholder initiative for improved sector performance should be carefully considered. There are clear risks of aid-related incentive problems, as discussed, and even a risk of undermining the performance of watchdog institutions. "Local ownership" may develop better if the players' collaboration is motivated by other goals than donor support.

The provision of an international secretariat and independent assessment of performance are more straightforward for the donor agencies to fund and may be of greater help to countries involved. From the side of international initiatives it should be very clear – and clearer than it has often been – that it is *they* who do the governments a favour by offering participation in an international initiative, and not the other way around – that governments do the international initiative a favour by participating. This is particularly important from an anti-corruption perspective. The impression that aid funding is available for the MSG members "if we just meet regularly with the other stakeholders" can easily lead to incentive problems and unintended use of aid money.[23] The government's financial support of the

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[21] For the CoST initiative for construction, Truex and Søreide (2011) finds that: "Donor pressures and timelines, while necessary from a process standpoint, seem to have undermined implementation by creating doubts over the sustainability of the MSG. It is telling that for every single CoST pilot MSG, insufficient time emerged as a key issue."

[22] The importance of developing methodologies for careful evaluation of multistakeholder impact is a clear recommendation in the WWF 2010 assessment (WWF, 2010)

[23] A relevant problem is the use of per diem allowances for participation in multistakeholder meetings. For a discussion of such support by donors, see the following U4 Brief on benefits and drawbacks of per diems in the health sector http://www.cmi.no/publications/publication/?3523

establishment of a multistakeholder process – not much more than the support to a chairman and local secretariat - should be a minimum political commitment required for participation and for improved sector performance.

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6 Conclusion

This Issue paper has discussed the function of multistakeholder processes in natural resource management, with a view to considering their possible anti-corruption effects. We know that corruption has been allowed to continue in many countries because some of the stakeholders in the given sector benefit from the crime. The activities of the MSG will have to change these players' incentives to have a convincing anti-corruption effect. A multistakeholder group may nevertheless play a role in raising the standards of production activities, secure the protection of vulnerable groups or species, or promote access to information about resource revenues.

From this it follows that, although multistakeholder processes should be part of an anti-corruption agenda for improved sector performance, the establishment of a multistakeholder group will not necessarily imply that corruption is addressed directly and thus should not be the only approach towards building accountability. Multistakeholder groups will rarely have the authority to prosecute or enforce legislation, and actors who are supposed to be part of the process may be subject to incentives that conflict with their mandate.

Donor agencies should be extremely careful when supporting these initiatives. Though the idea of stakeholder collaboration is appealing, there are also clear pitfalls. Financial support should be offered only after appropriate scenario analysis and study of the actors' roles and incentives. These incentives will not necessarily change just because stakeholders are placed together with a mandate and donor funding for collaboration. In addition, it is critically important to be aware of potential counter-intuitive effects of MSGs – such as an undermining of civil society, the possible covering up of collusion between the private sector and government agencies, and that aid itself may drive the initiative more than a motivation to solve sector challenges.[24]

The voice of consumer groups or those exposed to the consequences of natural resource production should be heard in the development of sector governance initiatives. Recognizing those experiences, the producer entities – private or publicly owned – should take the consequences of their operations into account and make their activities less harmful to societies and the environment. Bringing the different stakeholders to the table can be useful to reach common understanding of how the government needs to develop the best possible sector regulations, in understanding of the unique circumstances and realities of production activities in the country. For these reasons, the donor community should not abandon the MSG ideal completely, but be realistic about when a multi-stakeholder initiative will be successful, and what roles it should have.

This paper argues that MSGs are not well-suited to implementing a complex initiative since they are cumbersome by design and vulnerable to conflicting interests. If tasked to perform a specific role, the different assignments of the group should be allocated among the categories of stakeholders so that they match their respective incentives. The MSG may still be useful as a forum for dialogue, particularly when the stakeholders do not have a history of cooperation. As a forum for dialogue it may need financial support from donors, but the dialogue itself should not be motivated by donor funding.

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[24] These concerns are consistent with the observations of Warner (2007) in his review of multistakeholder processes in the water sector: "if MSPs promise too much or are based on the wrong principles, they may do more harm than good."

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Abstract

Multistakeholder processes – involving representatives from civil society, government and the private sector — are increasingly viewed by donors as a means to promote improved service delivery and operational performance in natural resource sectors. The intention behind such initiatives is to promote dialogue, learning, and collaboration towards agreed goals and, often, the implementation of standards for better sector governance and performance. But the incentives of the various actors in these initiatives may not align with these objectives. Multistakeholder groups are often expected, implicitly or explicitly, to address corruption-related challenges in natural resource management. But potential conflicts of interest within the group, as well as the balance of power among stakeholders and other external constraints, are likely to inhibit their effectiveness. Under certain circumstances the initiatives may even have counter-intuitive effects and facilitate corruption. Expectations that these initiatives will limit corruption may thus be unrealistic. Even initiatives with an international framework and an independent assessment process—and thus clearer standards for evaluating the performance of stakeholders group and the initiative as a whole-may be hampered by conflicting incentives. The paper argues that multistakeholder processes should be forums for debate, but the stakeholders should not be expected to act as one group with a central mandate in policy implementation.