Christine Bader spoke at the Carnegie Council earlier this month about her book, *The Evolution of a Corporate Idealist: When Girl Meets Oil*. Essentially, the book is her attempt to reconcile her own time working in corporate social responsibility for BP and feeling like the company was doing all the right things out of a genuine desire to get it right, with the fallout from the Deepwater Horizon disaster.

> I was investing in the health and well-being of communities, living around big BP projects, because everybody in the company who I worked with understood that what was good for those communities was good for business.

It was fascinating work. I was going to West Papua, at the remote tip of Indonesia. Then I was working in China on a chemicals joint venture, where we were going to be bringing 15,000 migrant workers into a town of about 30,000 people, again ensuring that we could mitigate the risks and the upheaval to communities there. It was fascinating, amazing work. [full transcript here].

Bader concludes, later, that those projects were model projects because there was so much potential for things to go horribly wrong: an enormous amount of political and social risk – and international attention – that made the corporate social responsibility environment there different, perhaps, from that of other projects.

> So there were all these factors that created this perfect storm for senior management to basically give us whatever we wanted that we thought was necessary to mitigate the risks.

I didn’t realize at the time that that was so unique, that I could call up headquarters and be like, “Hi. Could I have $100,000 to do a human rights impact assessment?” “Sure. Take whatever you need.”
The whole talk is very interesting. Bader argues from the assumption that development is inevitable, but that companies have a responsibility to mitigate the externalities on local communities. She further argues that the corporate philanthropy model is flawed, and that the proper social role of the corporation must be constantly kept in mind: i.e. companies shouldn’t play a large political role or step into positions of governance or governance training.

Bader’s views are very similar to my own, but I found it refreshing to hear a former insider’s perspective, and to be reminded that corporations are on the whole made up of good people who want to do the right thing, or at least not the blatantly wrong and abusive thing. The challenge is to create a regulatory framework that aligns these largely decent instincts with the legal purpose of a corporation: to make profits.

Holding Economic Power to Account: Toward the meaningful accountability of transnational capital (ABSTRACT)

February 3, 20142 Comments

The paper I’ll be presenting at the G20 Youth Conference in May. There’s a little more on the direction I’m approaching from here. (This was updated 2 March 2014 as a later draft saw me head off in a slightly different direction; below is the abstract for the paper I’ll actually be taking to the conference. Original is at end of post).

From ‘Gift’ to ‘Right’: Moving beyond corporate social responsibility to corporate accountability

Multinational enterprises stride across the international stage, rivaling states in their economic size and power but only subject to international laws via the laws of individual states. These entities have enormous capacity to affect the lives and livelihoods of individuals and communities worldwide, and an international community that professes democratic values must provide mechanisms by which MNEs can be held directly accountable to the communities in which they operate.
communities in which they operate.

Adequate mechanisms must provide for three stages of accountability: provision of information, discussion and explanation, and rectification. Furthermore, they must be based on clear accountability rights rather than voluntary compliance by MNEs, and significant barriers to access must not exist. Measured against these standards, existing international mechanisms for accountability are found lacking, for when we consider access, power, and the importance of accountability rights, the dominant rhetoric of corporate social responsibility (CSR) becomes rather unhelpful. The challenge is to move beyond CSR to a global accountability regime that challenges existing inequalities of power.

(Following is the abstract from a previous draft, initially published here on 3 Feb 2014).

Holding Economic Power to Account: Toward the meaningful accountability of transnational capital

Multinational enterprises stride across the international stage, rivaling states in their economic size and power but only subject to international laws via the laws of individual states. These entities have enormous capacity to affect the lives and livelihoods of individuals and communities worldwide, and an international community that professes democratic values must provide mechanisms by which MNEs can be held directly accountable to the communities in which they operate.

Adequate mechanisms must provide for three stages of accountability: provision of information, discussion and explanation, and rectification. Furthermore, they must be based on clear accountability rights rather than voluntary compliance by MNEs, and significant barriers to access must not exist. Measured against these standards, existing international mechanisms for accountability are found lacking. While the G20’s embracing of the transparency agenda is commendable, more action must be taken to move from voluntary to mandatory compliance and enable meaningful access to rectification.

Posted in Development, TNCs and Accountability
Tagged accountability, democracy, G20 Youth Conference, global governance, human rights, TNCs

Reimagining Governance and Accountability in a Changed World

January 7, 2014 | 1 Comment

It has been contented that “without proper systems of democratic control and oversight, governance risks being less, not more, accountable than government if more and more decisions are taken outside the traditional government system” (Rhodes 1997, cited in Svedin et al., 2001: 46). This is undeniably true, for reasons that will be explored, but obscures the fact that in modern ‘differentiated polities’ the traditional government system is no longer able to cope with its responsibilities (Rhodes, 1997: 3): accountability without effectiveness serves little purpose. The challenge lies, then, in finding innovative forms of governance that allow for effective and responsive service delivery while minimising the risk of reduced accountability.

This essay will briefly outline ‘governance’ and ‘accountability’ as understood for the purposes of the argument, before examining the forces reducing the effectiveness of traditional governance and the accountability risks associated with new public management reforms designed to counteract this decline in effectiveness. Finally, through a discussion of Charles Sabel’s proposed ‘democratic experimentalism’, it will be argued that accountability in non-traditional governance is achievable, but will require considerable imagination and flexibility.
R. A. W. Rhodes (1996: 653) identifies at least six different usages of the term 'governance' in the literature – it is a fashionable yet nebulous concept. Here, governance is understood as the broad exercise of decision-making power within state and non-state agencies, in which “the boundaries between public and private become more blurred, so it is useful to ask how we are governed, rather than expecting that realised capacity follows formal authority as a matter of course” (Keating, 2000: 4).

Accountability is defined by the Australian Public Service Commission (2010: 2) as “being answerable for decisions and having meaningful mechanisms in place to ensure adherence to all applicable standards”. Importantly, assessing accountability requires identifying to whom accountability is owed, and in representative democracy it is presumed that the chain of accountability ultimately leads to the citizens.

In his analysis of the transition from government to governance, Rhodes (1997: 7) traces the evolution, in Great Britain, from the Westminster model of government to a ‘differentiated polity’, characterised by “functional and institutional specialisation and the fragmentation of policies and politics” and above all by the lack of a single controlling central government. Rather, decisions that impact on citizens’ lives are made at many different levels of government, from the local to the supra-national, and indeed outside of government, as multinational corporations (MNCs) and non-governmental organisations (NGOs) exercise increasing power. Kettl (2000) describes a similar change in the United States as emerging from the competing forces of globalisation and devolution: supranational organisations increasingly set limits on domestic political action, while domestically, the need for local knowledge and differentiated services encourage the devolution of service delivery to lower levels of government, domestic NGOs and the private sector.

The same process, driven by the complexity of modern society and increasing demands on the state, has taken place in Australia (Keating, 2000: 27). Thus, the traditional accountability mechanisms of Australian government – Ministerial responsibility, elections, Parliament and the courts – become insufficient “because sheer institutional complexity obscures who is accountable to whom and for what” (Rhodes, 1997: 101).

Initial attempts to devolve or delegate responsibility for carrying out public services led to reduction in both accountability and effectiveness, because the spheres of action of the interest groups or bureaucratic agencies chosen for the task “do not naturally conform to the boundaries of the problems they need to solve”, and because these groups also have their own particular interests which may interfere with or co-opt the government-set agenda (Sabel, 2001: 124).

New public management (NPM) was intended to reconcile the need for effectiveness that was driving the new governance agenda, with demands for public accountability. Broadly, it was to achieve this through its three defining features: “hands on and entrepreneurial management”; a focus on decentralisation, disaggregation and measurement of performance; and ideas of competition and efficiency borrowed from the private sector (Hood 1991, cited in Dibben and Higgins, 2004: 26).

The impact of NPM reforms on the effectiveness of governance in Australia is beyond the scope of this essay. Several criticisms can be made, however, of accountability under this system. First, the separation of conception from execution – whereby strategy is devised by elected representatives and implementation carried out by public servants – appears to be impossible in practice. Implementing agencies develop considerable expertise in their particular issue, to the extent that strategic surveillance on the part of even a heroically well-informed minister is very difficult, and consequently ministers are able to “play on the ambiguities in the distinction between policy … and management … to avoid accountability” (Rhodes 1997, cited in Sabel, 2001: 126-127).

Second, NPM’s focus on marketization, which encompasses everything from full privatisation to the mere importation of private sector ideas and methods into the provision of public services, is “incorrectly based on the assumption that the public sector is inherently inefficient and that private sector operation is inherently better” (Dibben and Higgins, 2004: 26).
Importation of private sector ideas and methods into the provision of public services, is “incorrectly based on the notion of the superiority of the private sector and ignores the distinctiveness of the public sector” (Savoie 1995, cited in Dibben and Higgins, 2004: 29). Democratic accountability differs from private sector accountability in that it must necessarily entail obligatory disclosure and mechanisms for rectification. Private sector CEOs, for example, are more able to escape public scrutiny with a brusque “no comment” (Mulgan, 2006: 5), and to justify risk or error by generating massive profits (Dibben and Higgins, 2004: 29). Notions of competitive market-based accountability lose force when one considers the limited capacity of individuals to renounce their citizenship and seek better service elsewhere.

More specifically, marketization in the form of service provision via contract or of public-private partnerships (PPPs), intended to retain the democratic accountability lost by full privatisation, nevertheless pose accountability risks. Where services are delivered by NGOs or the private sector under contract to the government, these contracts must, in order to maintain the chain of accountability, include minimum disclosure and enquiry standards and audit and monitoring requirements (Funnell, 2001: 189). However, as Warwick Funnell (2001: 193) points out with respect to Freedom of Information (FOI) provisions, the reliance on clauses in individual contracts is risky, placing accountability at the mercy of the varying capabilities of individual contract negotiators and drafters, to be renegotiated without end as service contracts in different regions expire and are renewed. Much more desirable would be regulatory legislation establishing baseline accountability requirements for all private sector contracts, although this would remove a large part of private contracting’s attraction for government: that it allows for contractual terms to be kept from Parliament (Funnell, 2001: 194).

PPPs, in practice, tend to be dominated by private sector players, with few opportunities for meaningful public participation (Rhodes 1996, cited in Dibben and Higgins, 2004: 30). NPM does not take account of varying levels of power when partnerships are mooted, and the marginalised groups and voluntary sector consequently exercise little real influence (Dibben and Higgins, 2004: 30).

Third, managerial reforms were designed to free public sector managers from political interference, the idea being that an elected government would set the direction while the public service would be left to determine the best way to achieve goals (Mulgan, 2006: 9). These reforms encompassed fast growth in the use of performance indicators, designed to facilitate accountability through the provision of clear information to the public. However, Dibben & Higgens (2004: 32) summarise the work of various scholars who question the validity, reliability and consistency of these measures. While transparency and output measurement are necessary for accountability, it is important to remember that they are not sufficient, and must be relevant, accessible, and comparable.

Finally, consumerism – redefining citizens as ‘consumers’ or ‘customers’ – entails two major tensions with important repercussions for accountability. First, a “market model cannot meet the needs of disadvantaged groups, especially since it implies an individualistic approach to service provision” (Bolzan and Gale 2002, cited in Dibben and Higgins, 2004: 34). This is comparable to the preceding critique of PPPs based on power differentials: marginalised groups have a reduced capacity to make demands of the market, and as such may find their needs remain unmet. Furthermore, the public as citizen has the right to contribute to decision-making, and this this may clash with the role of the public as consumer (Dibben and Higgins, 2004: 34). Where the needs and wants of certain groups of citizens hold more sway in the decision-making process but where all are ostensibly “equal” in their capacity to choose the finished product, market distortions occur and accountability may fail.

In this vein, former Secretary of the Department of the Prime Minister and Cabinet, Dr. Peter Shergold, criticised the embrace of consumerist notions by the Australian Public Service at the launch of the 2005 version of Governance Foundations, saying “those we serve are citizens [and] delivering rights and responsibilities involves a quite different relation to selling insurance … [Furthermore] Ministers are not the ‘clients’ or ‘customers’ of their departments. These notions are not just distortions; they are fallacious and dangerous. The Minister is his or her own client” (Shergold 2005). The key misconceptions, he argues, are that:

1. The public is the only “client” of the government; and
2. The public is not a “client”, and therefore not a market actor.

These are lies and distortions, Shergold states, that have no integrity and should be repudiated.
Minister is the boss …” (quoted in Gourley, 2006: 77). Clearly, consumerist models of governance and service delivery do not adequately capture the complex mutual obligations and rights of the social compact, nor the relationships between government and public service.

In light of the accountability issues highlighted above, has the complexity of modern society thus forced a choice between effective but opaque governance on the one hand or dramatically scaled-back but accountable service delivery on the other? Or can a radical reimagining of government snatch accountability from the jaws of globalisation and devolution? Sabel proposes a “democratic experimentalism”, based on concepts of participatory democracy and a changed role for central government, which

...is not to set rules and police compliance. Rather, with local units, it defines broad projects and fixes provisional general standards. In addition, it provides infrastructure by which local units can achieve their own goals, and pools measurements of performance to allow refinement of the general standards as well as the particular local strategies in the light of results” (Sabel, 2001: 122).

This model challenges a key assumption of the principal-agent model that is fundamental to accountability debates: “that principals know what they want, and the chief task of organisation design is to prevent opportunism by self-interested agents” (Sabel, 2001: 132). Rather, he suggests that the major task for organisations is to engage in “collaborative exploration of means and ends,” an ongoing task which simultaneously allows for an assessment of collaborator reliability (Sabel, 2001: 132). Thus government (governance) is reimagined as a highly flexible organisation in which roles are continually being reimagined, teams of collaborators change according to the projects at hand, and strict boundaries between centre and periphery, principal and agent, lose all meaning. Sabel (2001: 135) proposes that such governance creates “a novel kind of formal relation between centre and locales that provide transparency and possibilities for systematic learning unavailable in informal networks, without creating the fixity that limits the capacity of bureaucracies to adapt”. His paradigmatic example is school reform in Chicago: numerous citizen-led reform initiatives of individual schools, with monitoring by the centre and dialogue, rather than direction, about baseline performance, targets, and remedial action.

According to Sabel, this democratic experimentalism remains accountable, in a neo-Madisonian sense, for three reasons. First, it harnesses competition among institutions (in his example, the individual schools) to ensure public needs are met; second, it “emphasises the capacity of practical problem solving activity to reveal new possibilities in everyday circumstances” in much the same way senatorial deliberation is supposed to; and third, it retains the mutual accountability of federalism by assigning labour on the basis of the capacity and performance of territorial units (Sabel, 2001: 142).

Democratic experimentalism thus avoids the accountability pitfalls of separating conception from execution by simply refusing to try, and instead seeing the two as inseparable and continually evolving. Further, it abandons the market-based language of NPM, openly embracing grassroots citizen participation in the policy-making process, although it remains to be seen how the model deals with imbalances of power within these new citizen-led institutions and how it remains effectively accountable to marginalised populations, and those with reduced capacity for ongoing participation.

A key accountability mechanism of Sabel’s proposed democratic experimentalism is radical transparency: parties to the collaboration agreements are required to provide all information necessary in order to monitor their performance (Sabel, 2001: 134-135). This recalls the performance measures of NPM, although it would seem that democratic experimentalism provides more scope for public deliberation over appropriate measures of success.
In short, Sabel’s proposal is a useful example of the potential for new forms of governance to overcome the accountability risks of decision-making outside of the traditional channels of representative democracy. Given the apparent permanence of complex societies, globalization, and high expectations of government performance, government has no choice but to evolve. Such evolution will inevitably entail risks of reduced accountability; the challenge for policy makers is to seek new forms of governance that marry effective and responsive service delivery to their heterogeneous populations, while remaining accountable to individual citizens and to the citizenry at large.

References


Posted in Development
Tagged accountability, democracy, governance

El Perro del Hortelano: Transnational Capital, Human Rights, & Sustainable Development

December 30, 2013 1 Comment
I’ve been thinking about this film a lot recently. It made a huge impression on me when I saw it for the first time in Peru: I find the imbalances of power created by hyper-mobile capital and global inequality very troubling, and this film paints quite a devastating picture of the negative side effects.

I’m very excited, then, to be able to present a paper on the topic of holding transnational corporations (TNCs) accountable for their actions within local communities at the 2014 G20 Youth Conference in May. I believe TNCs can be a very effective and beneficial driver of growth and technology transfer, but I’m concerned by the lack of meaningful mechanisms by which individuals and communities can successfully defend their rights, especially in the Global South. My jumping off point was Kate Macdonald’s 2008 report The Reality of Rights: Barriers to accessing remedies when business operates beyond borders and the philosophic basis to my argument, if you will, is that the protection of rights should not lie with consumer boycott or shareholder advocacy in the North, but with the provision of meaningful opportunity and sufficient voice and power to communities in the South, such that they can demand for themselves the responsible, sustainable, and rights-respecting action of TNCs, in accordance with local priorities and cultural preferences.

I’ve been thinking of this film because it’s an excellent example of the difficulty of holding capital to account when it operates in a distant corner of a youthful democracy, with the greatest impact falling on minority indigenous groups.

Holding Economic Power to Account: Toward the meaningful accountability of transnational capital
(ABSTRACT)

Posted in TNCs and Accountability
Tagged G20 Youth Conference, human rights, local communities, movies, peru, sustainable development, TNCs

La (in)seguridad alimentaria en América Latina

October 25, 2012Leave a comment

(Análisis Latino) Además del imperativo moral de alimentar al prójimo, la inseguridad alimentaria y el hambre tienen impactos económicos concretos: los costos de la salud suben, y la productividad de los trabajadores baja. Según Action Aid, la inseguridad alimentaria cuesta alrededor de US$450 mil millones por año a las economías en desarrollo. Y si eso fuera poco, estudios del Fondo Internacional Monetario y la Organización de las Naciones Unidas sugieren que la inseguridad alimentaria guarda correlación con la decaída de instituciones democráticas. La Primavera Árabe – aunque fuera pro-democrática e impulsada sólo en parte por la inseguridad alimentaria – fue demostración contundente de los niveles de descontento social que se podrían esperar en un futuro de duradera inseguridad alimentaria. Y al menos que actuemos ya, ése es el futuro que tendremos: según la Organización para la Alimentación y la Agricultura de la ONU (la OAA), para alcanzar la demanda global en el 2050 la producción alimentaria tendría que incrementarse en un 50-70%.

Por lo tanto, la edición inaugural del nuevo índice de The Economist Intelligence Unit, el Índice Global de Seguridad Alimentaria, será muy útil al juego de herramientas de las personas que trabajan en este ámbito.

[Lee más, aquí]

Posted in Development
Tagged amor, desarrollo, inseguridad alimentaria
América Latina y el Caribe: La Región más Feliz del Planeta
August 27, 2012Leave a comment

Según el Índice Happy Planet (Planeta Feliz), gran parte de la alegría humana se concentra en América Latina y el Caribe, donde Costa Rica (con 64 puntos) es el país en el cual la felicidad llega a su apogeo. Aquí, entre las selvas y playas tropicales, la gente disfruta de una esperanza de vida mayor que la de Estados Unidos (79.3 años contra 78.5 años) y un nivel de bienestar ligeramente más alto que el experimentado en Nueva Zelandia (7.3 contra 7.2 puntos, de un total de 10). Es más, y ahí está el problema para los países llamados desarrollados: en Costa Rica la felicidad de los que viven ahora no les quita las posibilidades de felicidad a los que vivirán mañana. O, por lo menos, no tanto: su huella ecológica de 2.5 g ha (“hectáreas globales” necesarias para mantener el consumo de cada persona) per cápita es muy por debajo de la de, por ejemplo, Qatar. Éste último usa más recursos que todos los países del mundo para mantener a su población, con una huella ecológica de 11.7 g ha per cápita.

En este análisis de 151 países, llevado a cabo por la New Economics Foundation (NEF), el segundo lugar es ocupado por Vietnam (60.4) y luego viene una larga fila de países latinoamericanos: Colombia (59.8), Belize (59.3), El Salvador (58.9), Jamaica (58.5), Panamá (57.8), Nicaragua (57.1), Venezuela (56.9), Guatemala (56.9). El 11° puesto le pertenece a Bangladesh (56.3) y después, el 12° y 13°, son de Cuba (56.2) y Honduras (56). Qué curiosidad para una región que suele encabezar los índices de violencia y desigualdad.

[siga leyendo en Análisis Latino]

Posted in Development
Tagged bienestar, desarrollo sostenible

La Inclusión Financiera en América Latina
August 25, 2012Leave a comment

Hoy en día, el sector bancario no es el héroe de la película. Los bancos se convirtieron en los chivos expiatorios preferidos del mundo tras la crisis financiera del 2009 y es cierto que la especulación excesiva junto con créditos demasiado fáciles para obtener y una falta total de regulación puede llevar a problemas. Sin embargo, los bancos tienen un papel importante en la asignación de riesgo, el ahorro y la previsión. Como dice David Roodman en su exhaustivo libro sobre las microfinanzas, Due Diligence, microcréditos – y microahorros, y microseguros – “aumentan la libertad, porque brindan a los pobres un nuevo método de navegar las peligrosas corrientes financieras”. No es, señala, una cura mágica para la pobreza, pero “los servicios financieros son como el agua limpia, los servicios sanitarios y la electricidad: no sacan a la gente de la pobreza, pero sí mejoran la vida”.

Además de los argumentos de libertad e igualdad, desde un punto de vista institucional la presencia de un sector bancario de buena penetración ayuda a blanquear la economía y disminuir la evasión tributaria.

De modo que el hecho de que solo el 39% de los latinoamericanos y caribeños de más de 15 años tengan una cuenta en una institución bancaria formal es realmente preocupante. Este promedio es peor aún entre el 40% de la población que tiene menores ingresos, del cual solo el 25% posee una cuenta. Los datos son del Global Findex, la nueva base de datos de inclusión financiera del Banco Mundial, en el cual se presenta una amplia gama de información sobre la profundidad y las formas en que se aplica el dinero.
información que incluye a 148 países con enfoque en los países en desarrollo.

[el resto del artículo se encuentra en el portal Análisis Latino]

Posted in Development
Tagged américa latina, desarrollo, inclusión financiera

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