International Institutions, Inc:
The Rise of Public-Private Partnerships in Global Governance

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"The United Nations once dealt only with governments. By now we know that peace and prosperity cannot be achieved without partnerships involving governments, international organizations, the business community and civil society. In today's world, we depend on each other."
–Kofi Annan, UN Secretary-General[1]

Introduction

Globalization challenges governance as we know it. The jurisdiction of states is too narrow to govern the global flow of goods, capital, people, information, disease, and environmental externalities. International institutions are too weak. This is one of the few points of consensus in the globalization literature (Castells 2005**;** Haas 2004; Nye and Donahue 2000; Ruggie 2002; Slaughter 2004, Stiglitz 2002). At the same time, globalization creates potential answers to governance dilemmas. Interconnectedness facilitates networks of crime and terrorism, but it also strengthens advocacy networks promoting democracy, transparency, and human rights (Keck and Sikkink 1998; Risse, Ropp, and Sikkink 1999). Global markets increase the power of multinational corporations, but a growing number of market-based systems of certification and codes of conduct impose rules on corporate transactions (Cashore et al. 2004; Cutler, Haufler, and Porter 1999; Gereffi et al. 2001; Prakash and Potoski 2006). As the above quote from the United Nations (UN) Secretary General suggests, international organizations and states cooperate increasingly with "private" or non-state entities such as companies, advocacy organizations, research institutions, and foundations as partners in governance (Andonova and Levy 2003; Reinicke and Deng 2000; Ruggie 2002; 2003).

This paper examines the institutionalization of public-private cooperation as a mode of multilateral governance. I define public-private institutions as rules, practices,

[1] United Nations Foundation, accessed via http://www.unfoundation.org/partnership/index.asp, November 14, 2005.

principles, norms, and decision making procedures, agreed upon jointly by state and non-state actors, and intended to influence behavior at multiple levels of governance. This definition builds upon a well-established definition of inter-governmental regimes by Stephen Krasner (1983). Public-private institutions have also been described as "public-policy networks" and most frequently as "public-private partnerships," terms that emphasize distinctive aspects of the structure of these institutions (Andonova and Levy 2003; Reinicke and Deng 2000). In this paper, I consider public-private partnerships as institutions, a concept that emphasizes the governance functions of these cooperative efforts. Public-private partnerships, I argue, represent an institutional innovation. They engage the interests and capacities of state and non-state actors in a new governance form intended to provide a range of rules and public goods, from improved access to health care and a cleaner environment, to more transparency and adherence to humanitarian and workers' rights. Analyzing public-private partnerships as institutions thus allows us to specify their distinctive characteristics and analyze systematically their roles and relation to other forms of institutionalized governance.

The recent growth in public-private cooperation challenges the international relations literature in important ways. First, it requires the institutionalist literature, which has been dominated by state-centric models, to account for the inclusion of non-state actors in global rule making and implementation. Secondly, it challenges the literature to account for institutional diversification and innovation. Under what conditions would governance institutions evolve to include non-state actors? Who leads these efforts of institutional innovation? What is the relationship between the varieties of institutions in the global system, and the implication for governance in the era of globalization?

Most existing studies on public-private cooperation have focused on prominent public-private partnerships such as the Global Compact, the World Commission of Dams,

or Roll Back Malaria, emphasizing the demand for innovative governance solutions in the globalization era. Multiple actors seek innovative, flexible institutions to address glaring governance gaps and to avert a backlash against globalization (Reinicke and Deng 2000; Ruggie 2002a; 2003; Benner, Reinicke and Witte 2003). This paper posits that functional demand for better governance is important, but insufficient condition for public-private cooperation. While public-private institutions do respond to governance failures, they are essentially political creations. International organizations, acting as governance agents of states, along with powerful transnational entrepreneurs are the chief political drivers of public-private cooperation. Both the theoretical and empirical analysis reveal that public-private institutions do not simply crop up to fill all or even the most urgent governance gaps; instead they tend to focus on areas of cooperation where the interests of powerful state and transnational actors intersect.

The paper elaborates the argument as follows. The next section pulls insights from the globalization, transnational relations, and principal-agent literatures to specify the sources of political demand and supply of public-private institutions. The theory of public-private cooperation offers testable proposition about the conditions and scope of public-private cooperation. These propositions are evaluated first, against broad patterns of public-private cooperation documented by the existing literature and policy reports, and then in a qualitative and quantitative analysis of some 230 public-private partnerships for sustainable development endorsed as official outcomes of the 2002 World Summit on Sustainable Development in Johannesburg, South Africa. The conclusion raises issues for further research related to the effectiveness, legitimacy, and durability of the new public-private multilateralism. The paper claims two distinctive contributions to the international relations literature. Theoretically, it offers an integrated political theory to explain institutional diversification and the involvement of non-state actors in global

governance. Empirically, it moves away from case studies of high-profile partnerships toward using multiple methods to illuminate the causes, trends, and role of public-private cooperation.

Why innovate? The Political Demand and Supply of Public-Private Institutions

The leading theories of international relations have limited theoretical arsenal to account for institutional innovation and public-private multilateralism. Realism offers a parsimonious theory of world politics as shaped by the distribution of power among nation states as the only significant actors on the global arena. It discounts the role of institutions and non-state actors as largely inconsequential and treats international institutions as reflection of the constellation of state power and interests (Gilpin 1981; 1987; Mearsheimer 1995; Strange 1983).

Reacting to the failure of realist theories to account for the durability of cooperation, neo-liberal institutionalism developed the state-centric perspective to explain the role of international institutions and regimes in world politics (Keohane 1984; Keohane and Axelrod 1986; Martin and Simmons 1998; Young 1989). Neo-liberal institutionalism underscores the functional demand for institutions, which are established by states to facilitate cooperation through providing arenas for information sharing, repeated interaction and reciprocity, issue linkage, credible commitment, and reduced transaction costs of agreement (Keohane 1984; Martin and Simmons 1998; Young 1997). Constructivism, the other leading perspective on international regimes, also focuses on the system of states. However, unlike rationalist approaches, it emphasizes the role of norms and ideas in shaping the very identity of states and providing the glue of the international society of states (Ruggie 1998; Finnemore and Sikkink 2001). Preoccupied

with arguments about whether and how institutions matter, both neo-liberal institutionalism and constructivism have accorded limited attention to institutional structure and change. Only recently, scholars in the rationalist tradition have used delegation models of institutions as agents of states to examine the forms institutions take, their role in international politics, and the conditions for institutional reforms (Grant and Keohane 2005, Nielson and Tierny 2003; Pollack 1997).

I develop further the principal-agent model of international institutions to specify the conditions under which international organizations and their principals, the states, have incentives to innovate and cooperate with non-state actors. A theory of public-private institutions, however, also needs to move away from state-centric models and take into the inclusion of non-state actors in governance institutions. The argument builds on the globalization and transnational relations literatures, which examines the growth and influence of non-state actors in international affairs, to account for societal demand for institutional innovation and direct participation in global governance (Keohane and Nye 1971; Keck and Sikkink 1998; Risse-Kappen 1995). It asks in what ways globalization and the growth of transnational society have increased the demand for direct participation of non-state actors in global governance. What changed the relationship between transnational actors and state-based institutions from one of lobbying and indirect influence to one of partnership and joint decision making? The analysis thus pools insights from the literatures on globalization, transnational relations, and principal-agents models of institutions to develop a theory of the political demand and supply of public-private institutions. Such cumulative theory building, so far rare in international relations theory, is increasingly needed to gain a better understanding of the complex nature of governance in the contemporary era.

Globalization and Functional Demand for Public-Private Institutions

The coincidence between trends of globalization and the growth of public-private institutions underlines the functional demand logic of public-private cooperation as effort by state and non-state actors to close glaring governance gaps. Globalization has expanded markets and the reach of international economic relations at the expense of other values such as environmental protection, equity, or social justice. It has intensified ubiquitous transboundary problems such as the spread of disease, transnational crime, terrorism, and ecological damage. Public-private partnerships step in where states and international institutions fail. They fill in governance gaps by leveraging the resources and interests of different sectors (Reinicke and Deng 2000, Ruggie 2002a; 2003; Stern and Seligmann 2004; Kaul et al. 2005). Public-private institutions such as the Global Compact, John Ruggie (2002) has argued, represent a form of "embedded liberalism taken global." Just like trade liberalization in the post World War II era required the domestic institutionalization of social bargains to offset the risks associated with openness, similar social bargains are needed at the global level now to offset the turbulent effects of globalization.

The functional demand logic of public-private institutions in a way extends functional logic of inter-governmental institutions. In many ways, public-private institutions fulfill roles traditionally attributed to inter-governmental institutions. Public-private institutions, such as the World Commission on Dams that instituted a set of norms to guide the construction of large dams, facilitate cooperation through exchange of information, iterated interaction, trust, and reciprocity (Bissel 2001). Public-private institutions such as the UN Global Compact facilitate the agreement, communication, diffusion and application of international environmental, human, and social norms, a function emphasized by constructivist theories (Ruggie 2002b). Public-private

institutions such as the partnerships adopted at the 2002 Johannesburg Summit on Sustainable Development also undertake capacity building and implementation functions that are typically realized by governmental or inter-governmental agencies (Andonova and Levy 2003).

There are also important to specify, however, the structural differences between inter-governmental and public-private institutions, and the resulting functional implications. First, and most obviously, public-private institutions involve diverse actors including non-state entities such as advocacy organizations, private foundations, business, and academic institutions. The leveraging of resources, information, and skills unavailable to purely public institutions is said to increase the prospects for governance effectiveness (Ruggies 2002a, Reinicke and Deng 2000). The direct involvement of societal sectors in rule making is also said to decrease the "participatory gap" between societies and global institutions (Reinicke and Deng 2000). Finally, the multi-stakeholder structure of public-private institutions potentially decreases the implementation and compliance costs of cooperation by engaging important non-state constituencies in the rule making process.

In addition to their multi-stakeholder structure, public-private institutions are characterized by their voluntarism, or the absence of legalization. The rules of public-private institutions are established through voluntary agreements of the actors involved. While intergovernmental agreements are also concluded voluntarily by nation states, once adopted and ratified they carry the force of international and/or domestic law. Public-private institutions in general do not have mechanisms of legal accountability, and for that matter, have so far employed very few monitoring and accountability mechanisms. This aspects has raised questions about their legitimacy as governance institutions (Andonova and Levy 2003; Steets 2003; Grant and Keohane 2005; Slaughter

2004). The informal institutional structure and lack of legalalization, however, has certain functional advantages. It reduces the transaction cost and long-term risks of cooperation, making actors more likely to come to the negotiating table. It thus opens opportunities for cooperation on issue areas that have been dead-locked by divergent interests, or seem more costly and risky to resolve on a more firm contractual basis. The non-legal structure of public-private institutions offers more opportunities for coalition building among willing supporters, typically initiated by a small number of actors, who face lesser risks of regulation and free riding because rules are flexible and easier to revoke or modify.

The governance functions of public-private institutions are also aided by their horizontal, network structure. This flexible, network structure is facilitated by technological advance associated with globalization, and further reduces the transaction cost of cooperation by avoiding the hierarchical decision making characteristic of inter-governmental and national institutions. Governance by networks also allows for greater flexibility for learning, adaptation, and contracting or expanding cooperation. Both the voluntarism and the flexible network structure of public-private institutions makes public-private institutions structurally similar to transgovernmental or market-based institutions for transnational cooperation, which are said to have many of the same functional advantages of flexible and potentially efficient governance (Raustiala 2003; Slaughter 2004; Cashore et al. 2001).

Finally, public-private institutions tend to focus on relatively narrowly defined governance problems. They often break complex issues into smaller, more manageable sub-components on which actors are more likely to agree upon. The negotiations of a treaty addressing the global HIV/AIDS pandemic seems an impossibly complex task, for example, affecting multiple interests with divergent power and preferences. However, breaking the issue into its subcomponents - HIV/AIDS research and drugs development,

networks of distributions, conditions for public purchasing at concessionary prices, or creating capacity for treatment programs at the work place – engages the immediate interests of a variety of state and non-state actors, augments resources, and makes public-private cooperation plausible. In sum, the flexible structure, ability to leverage the enlightened self-interest and resources of different actors, and to transform complex issues into discrete policy objectives with salient solutions are among the most important functional advantages of public-private institutions (Andonova and Levy 2003; Benner, Reinicke, and Witte 2003; Reinicke and Deng 2000; Widdus 2001).

The functional logic of institutional innovation as a response to globalization failures thus identifies an important baseline condition for the emergence of public-private institutions, which can be specified in the following testable hypothesis:

H1: Public-private institutions, and other forms of transnational governance, are more likely to emerge the greater the governance gaps in state-centered governance systems.

The formulation of the functionalist logic as a testable proposition forces us to specify a measure of "governance gaps." Since international regimes have been the traditional form of global governance, governance gaps can be specified as inversely related to the strength of inter-governmental regimes, e.g. greatest in the absence of a regime, dealing with a specific global problem, less severe in the context of a weak regime, and least severe in the presence of a strong regime. We could in turn define weak regimes as those involving broad agreements on norms, but weak implementation provisions; while strong regimes would be those with implementation rules and mechanisms in place. At the state level, governance gaps can be specified in terms of capacity to provide public goods, which could be measured by relatively crude indicators such as income, or more refined policy-specific indicators such as budgetary spending and policy indices.

The functional demand hypothesis identifies a necessary condition for institutional innovation and public-private cooperation. But this is hardly a sufficient condition as it leaves important questions unanswered. Governance gaps in the state-based system have always existed. What is it that triggers the political will to innovate institutions? Why do states delegate authority to public-private institutions if they are unwilling to increase the authority of intergovernmental institutions? Why should the actors trust that public-private institutions would solve the governance failures of the public system, particularly as this is a new governance form and its effects might be difficult to anticipate? In fact, skeptics have charged that public-private voluntarism is a scheme to preempt more serious efforts to embed global capitalism within a framework of legally binding rules (Carino 2002). More broadly, under what conditions would actors choose intergovernmental, transgovernmental, purely private, or public-private institutions in response to globalization failures? To address some of these questions, the functional logic public-private institutions should be supplemented with a political logic of the incentives for non-state and state actors to demand and supply institutional innovation in general and public-private institutions in particular.

Transnational Actors and Political Demand for Public-Private Institutions

The literature on transnational actors gives us the tools to understand the growth in the political demand for new forms of governance. As Keohane and Nye (1971) predicted several decades ago transnational actors and networks have been on the rise since the 1970s, a trend further strengthened by democratization and the information revolution of the 1990. According to the *Yearbook of International Organizations*, the number international NGOs has risen from approximately 2,795 in 1974, to 14,333 in 1989 to

20,851 in 2003[2]. The number of multinational companies has increased from 3,500 in 1960 to 65,000 in 2001 (Scholte 2005). The resources of transnational non-state actors have also augmented considerably, in some instances outweighing the resources of small states (Nye 2003).

This growth in the density and power of transnational actors has translated into increased political demand for new forms of governance through several mechanisms. The thicker advocacy networks have penetrated even closed societies, exposing governance failures and amplifying the voice of marginalized groups on issues such as human rights, the environment, and health that were traditionally considered largely national matters (Keck and Sikkink 1998; Risse, Ropp and Sikkink 1999). NGOs have also augmented their expertise and political leverage, on the basis of which they have proceeded to establish governance programs of their own and have sought cooperation with public entities (Cashore et al. 2004; Gerrefi et al. 2001; Mathews 1997; Wapner 1996).

Transnational business actors have also shown increased appetite for engaging in new forms of governance both at the corporate and the public level (Garcia-Jonson 2000; Clapp 1998; Cutler, Haufler and Porter 1999; Gerrefi et al. 2001; Haufler 2000). Typically transnational business is in a strong position to influence government policies and faces fewer incentives to search for new mechanisms of direct participation in governance institutions. So, the demand for new types of governance on the part of business has been more reactive than proactive, and strongest where there is pressure by advocacy organization or threat of regulation. The literature on corporate social responsibility and certification institutions identifies a range of incentives for business to

[2] Yearbook of International Organizations data base accessed via internet at http://www.uia.org/statistics/pub.php; October 2004.

get involved in voluntary self-regulations: advocacy and consumer pressure, pre-emption of stricter regulations, shareholder pressure, exportation of voluntary norms to level the playing field, enlightened corporate leadership, and traditions of philanthropy (Gareffi at al. 2001; Garcia-Johnson 2000; Haufler 2000; Nelson 2004; KPMG 2005). Business interest to get involved in global public-private cooperation can be interpreted as extension of corporate voluntarism. Business could see distinctive advantages from cooperation with international and state institutions such as political risk management, subsidization of social assessments and risky research and development programs, as well as the "UN logo" of public approval, as cooperation with UN agencies is informally referred to in business circles. Participation in public-private agreements that endorse global norms is not without risks for business entities, however, some of which may fear that such institutions could be the beginning of a slippery slope of greater public scrutiny, litigation, and more regulation (Nelson 2004).

In sum, globalization has not simply opened governance gaps; it has also increased the incentives and power of transnational actors to demand and participate in new, more flexible governance solutions. Taking into account these incentives, we can specify the following hypotheses on the transnational demand for public-private institutions:

H2: The greater the density and power of transnational advocacy networks, the greater would be the political demand for public-private institutions, everything else equal.

H3: Everything else equal, business entities are more likely to cooperate in public-private institutions, the greater the public pressure they face and the larger the net reputation and market benefits likely to accrue from such cooperation.

Hypotheses 2 and 3 already impose narrower conditions for the emergence of public-private institutions compared to the functionalist hypothesis 1. Public-private institutions will emerge not just in any area of weak governance, but predominantly in those issue areas that are characterized by high clustering of transnational actors and interests. Moreover, public-private partnerships would tend to steer toward high-profile issues, corresponding to the immediate interests of transnational actors. Similarly, non-state actors might enter partnerships not necessarily with states that have the weakest governance capacity as the functional logic would imply, but rather with states that are most hospitable to transnational networks and their objectives.

Who Innovates? International Organizations as Agents of Public-Private Cooperation

Finally, a political theory of public-private institutions needs to specify not only the sources of functional and political demand for such institutional forms, but also the incentives for state actors to endorse or "supply" such institutions. Why would states and international institutions, which remain the core of global governance, share power with non-state actors through public-private institutions? This is probably the most interesting aspect of the puzzle of public-private multilateralism, which so far has not been adequately addressed. Mathews (1997) has argued that states have little choice. Squeezed between failures to supply effective governance and the growing capacity of transnational actors, states are shifting power to the non-state sector. It appears, however, that states and international organizations enter public-private institutions to reassert their control over global governance and delimit the scope of non-state influence, rather than to yield governance turf.

A principal-agent model of international institutions provides probably the best tool for specifying the conditions under which states and inter-governmental institutions

would get involved in public-private cooperation. Principal-agent models of institutions were first developed for the study of the firm in micro-economics (Alchian and Demsetz 1972; Williamson 1975), and later applied by political science to the study of international institutions (Grant and Keohane 2005; Moravcsick 1999; Pollack 1997; Nielson and Tierney 2003). In a principal-agent model, international institutions are not simply arenas for state interaction that facilitate cooperation as implied by the neo-liberal institutional perspective, but are also actors (or agents), to whom the states, acting as principals, have delegated authority to pursue a set of policies. While states have a variety of mechanisms for direct or indirect control overt their agents, international institutions also enjoy certain degree of independence or "agency slack" as a result of specialized knowledge, asymmetric information, and the presence of multiple or collective principals, often with divergent interests. Nielson and Tierney (2003) have used the principal-agent model to argue that institutional reforms, like the greening of the World Bank's policies, are driven primarily by changes in the preferences of the most powerful principals of the institution - in this case, the US and other industrialized countries.

Here, I develop the principal-agent model to show that agency interests and institutional slack can also be a source of institutional innovation. It is not well recognized by the principal-agent literature that slack can be disadvantageous as well as advantageous for the agent in the context of international politics. Agency slack is usually taken as synonymous with advantage to pursue the agent's special interests in ways that differ from those of the principal(s). This may be indeed the case in the context of the firm. If the management is interested in short-term self-enrichment over the long-term objectives of the firm, the absence of adequate controls could only help the realization of the agent's particularistic objectives. In international relations, however, agency slack can be distinctly disadvantageous for international institutions, when failures of inter-

governmental cooperation translates into bad reputation and public attacks against the institutions. Because of agency slack and agency visibility, failures of cooperation can be interpreted not as a failure of the principals (the nation states) to cooperate, but rather as failure of the agent (the international institution) to fulfill its mandate or to govern adequately. For example, the unwillingness of states to include social and environmental considerations in trade negotiations is a failure of inter-governmental cooperation, but it has translated into a negative reputation and direct attacks against the World Trade Organization (WTO). Similarly, environmentalists first attacked the World Bank (e.g. the agent) for the damaging environmental effects of large infrastructure projects approved both by donor and recipient states (e.g. the principals), and only later targeted their pressure at the US as the Bank's strongest principal (Gutner 2002, Nielson and Tierney 2003).

Principals, on their part, are often too willing to use international institutions as public opinion shields for their lack of interest to cooperate. The US, for example, has argued since the 1990s that the UN is inefficient bureaucracy as one justification to withhold payments of its dues. Similarly, states cited agency inefficiency and "implementation gaps" in international environment norms as a pretext to avoid further cooperation on the environment at the 2002 WSSD in Johannesburg (Speth 2003; Witte, Streck, and Benner 2003), as if it is not states themselves that are primarily responsible for the implementation of international policies. Because of the complexity of many governance issues, it is furthermore difficult for the public and non-governmental organizations to distinguish what portion of the governance failures are result of weak cooperation among principals and what portion is due to agency inefficiency. International organizations tend to be more visible and easier to shame and target, compared to the multitude of national parliaments and negotiators that set the mandates

of those institutions. In sum, the agency slack of large, visible international institutions makes them an easy target for some public opinion slack that in many instances, albeit not all, should more rightly be targeted at national governments.

When negative public pressure mounts on international institutions, while the willingness of states to cooperate and prop-up their agents is low, there are strong incentives for the agent to innovate. That is where agency slack can be a positive force for institutional innovation. Because institutions deal with multiple principals and increasingly complex governance problems, they have certain specialized knowledge, space for innovation, and agency incentive to increase their effectiveness, resources, and the policies that fall within their institutional mandates. Of course, international institutions being agents can innovate only within the bounds of what is politically acceptable to their principals, a point bluntly reinforced by discussions within the US Congress about the mechanisms through which it can control UN reforms. International institutions are likely to have little slack for innovation in areas, which states seek to control tightly – for example membership of the UN Security Council, or the liberalization of agricultural trade. It is much more likely that international agencies would have enough slack for innovation in areas of broad principal agreement among states on governance objectives, but little headways in terms of practical implementation of such agreement. Similarly, the broader the principal base of the institution, and the more broadly defined its governance objectives are, the greater the agency slack and opportunities for innovation are likely to be. By a similar token, the smaller the number of principals controlling an institution, the more sharply defined the principals' interests are, the lesser the agency slack and the opportunities for innovation.

Where sufficient agency slack exists, public-private partnerships could be a particularly attractive form of institutional innovation for international organization.

Private contributions fill in financial gaps, increasing the resources of the organization to fulfill its policy mission (Kaul et al. 2005; Sagati and Bezanson 2001). The involvement of advocacy organizations allows for a more constructive dialogue with the very critics of international organizations, and the leveraging of their specialized knowledge and societal reach for greater operational effectiveness (Reinicke and Deng 2000). The involvement of business increases the scope of the governance dialogue, as well as the access to financial and management resources that can boost policy effectiveness. International institutions are also in a unique position to attract diverse partners as they have traditionally provided arenas that foster transnational networks (Haas 1989; Keohane and Nye 1972; Risse-Kappen 1995). The logic of international institutions as agents of institutional innovation and public-private cooperation can be specified in the following hypothesis:

H4: Secretariats of international institutions are the actors most likely to initiate public-private cooperation. Everything else equal, their propensity to innovate will be greater, the larger the agency's slack in any given issue area. Agency slack, in turn is likely to be greater, the greater the number of principals, and the more diffuse the principals' interest and policy mandate of the organizations.

While the argument above posits that international institutions under select circumstances would be most likely agents of change and public-private cooperation, public-private institutions would nevertheless have to be vetted at least tacitly by their principals, the nation states. This raises the question under what conditions and what types of states are likely to endorse the diversification of institutions through public-private cooperation? Domestically, public-private partnerships have been increasingly attractive to states, particularly for the advanced industrialized democracies (Osborne 2000; Warner and Sullivan 2004). Countries such as the U.S., the Netherlands, and the UK have successfully experimented with public-private partnership in the provision of public

goods and flexible regulations domestically. Not surprisingly, these countries have been among the most interested to export more flexible modes of regulation internationally.

In addition, many government agencies at the national level are likely to have agency incentives, not dissimilar to those of international organizations, to engage in transnational networked governance with participation of the private sector. Facing budgetary cuts and criticism of ineffectiveness, domestic agencies involved in international cooperation are likely so see public-private partnerships and other network institutions as a mechanism to increase their organizational resources, expertise, and effectiveness. Slaughter (2004) emphasizes these types of incentives also as a motivation for government agencies to get involved in public transgovernmental networks of governance. Since industrialized countries provide the home base for the most powerful transnational interests, their governments are likely to lose little influence and gain soft power by the inclusion of transnational actors into international programs. For that very reason, however, developing countries have been more skeptical about the new public-private multilateralism, fearing indeed a power-shift away from their relatively weak governments toward transnational societal actors (King 2001; Witte, Streck, and Benner 2003; United Nations General Assembly 2001). Nevertheless, the promise of leveraging private resources and expertise to scarce public resources could prove attractive for the developing countries governments, particularly those that are proactively seeking reform and cooperation. Costa Rica, for example, has been one of the developing countries that ventured public-private agreements for biodiversity management, driven its pro-active environmental policy long before public-private partnerships became the talk of the day (Steinberg 2001). The above discussion allows us to specify in the following hypotheses the conditions, which would make states more likely to endorse public-private institutions.

H5: Everything else equal, states are more likely to support public-private multilateralism, the more hospitable they are to transnational actors, the more involved they are in international cooperation, and the closer the correspondence between domestic policies and the regulatory approaches endorsed by public-private institution.

The supply side hypotheses (H4 and H5) have a number of observable implications, further delimiting the conditions for public-private cooperation. They suggest that public-private institutions would tend to cluster not where there is a near-complete void of inter-governmental cooperation, as implied by the functional logic, but rather in issue areas characterized with some degree of institutionalization but sufficient incentives and space for agency initiative and innovation. Moreover, the states most willing to participate in public-private multilateralism would not be those with greatest gaps in capacity and policies, but those with some policies already in place, which they are seeking to extend or strengthen. States that are the home base or hospitable to transnational actors are more likely to embrace public-private multilateralism, compared to states with weak societal sectors that indeed may be most in need of better governance.

Conditions for Public-Private Cooperation

Specifying the sources of political demand and political supply of public-private institutions allows us to specify more systematically the likely patterns of public-private cooperation and its relation to other institutions of global governance. Table 1 presents a stylized summary of the conditions under which institutional diversification and public-private multilateralism are most likely. The column and row headings of Table 1 reflect broadly the variation in the main factors that underline the demand and supply of public-private institutions. The density of transnational actor interests, as suggested by the analysis, can be taken as a proxy for political demand for institutional innovation. It can

be measured both in terms of number of transnational organizations, as well as in terms of their political and financial resources in any given area.

The strength of intergovernmental regimes, specified as no regime, weak regime, or strong regime, reflects two sets of explanatory factors. First, as already discussed it can be taken as a proxy for governance gaps, which would be greatest in the absence of a regime and least severe in the presence of strong regime. Secondly, as argued earlier the degree of international institutionalization is a partial proximate indicator of the likely interest of secretariats and states to initiate institutional innovation, with that interest being highest in areas of some but weak/loosely defined institutionalization. The boxes in Table 1 specify the likely variation in the dependent variable - emergence and density of public-private institutions.

Table 1 suggests an interesting and somewhat counterfactual pattern of the role of public-private institutions in global governance. The first column reveals that contrary to the implications of the functionalist logic, few if any public-private institutions would emerge where gaps of inter-governmental cooperation are the greatest, e.g. in the absence of an international regime. The absence of institutionalization means that states have not yet attempted intergovernmental solutions, either because the issue is relatively new (e.g transnational terrorism), or there is little state interest in international rule making (e.g issue of corruption, trade and environment). If the lack of inter-governmental cooperation is challenged by a dense transnational networks interested in better governance, these actors may establish purely private governance schemes, and may eventually attract interested governments to a limited number of demand-driven public-private partnerships (box 1). If transnational networks are absent or weak, the likelihood of setting up public-private institutions is close to nil, as neither political demand nor political supply incentives exist, governance gaps notwithstanding (box 2). For example, the lack of

cooperation on issues of corruption exemplified the conditions of box 2 for a long period of time, until a strong transnational network Transparency International challenged the governance vacuum establishing its own corruption index and moving this issue from box 2 to box 1.

The middle column of Table 1 reflects the conditions most conducive for public-private multilateralism. There is an inter-governmental regime in place, thus some broad agreement on governance objectives, but with identifiable weakness in the rules or practice of implementation. This background provides incentives for international institutions as agents to innovate, particularly when public pressure through dense transnational networks mounts (box 3). Biodiversity and human rights cooperation approximate the conditions in box 3. The presence of regime structure also indicates that at least some states are interested in promoting cooperation through coalitions of the willing and flexible institutions. If the density of transnational actors is low or states want to keep a lid on the governance agenda, there will be a limited number of public-private institutions despite weaknesses in intergovernmental regimes (box 4). Pro-active states may seek flexible cooperation through transgovernmental networks instead. Issues of nuclear non-proliferation and peacekeeping could be taken approximate a variety of conditions that would fall in box 4. The middle column provides conditions for the greatest diversity of governance forms, as purely private, transgovernmental, and public-private networked institutions could be created to strengthen areas of inter-governmental cooperation.

Finally, in areas of relatively successful cooperation and strong regimes, the incentives for state actors to supply public-private cooperation are weak. Examples include acid rain cooperation, ozone depletion, security cooperation under the North Atlantic Treaty Organization (NATO), regional integration in Europe, and the

progressive liberalization of international trade in goods and services. Some of these international regimes, most notably the European Union, have provided arenas supportive of transnational networks and may be conducive to the emergence of multiple levels of governance and a limited number of public-private partnerships (Pollack and Shaffer 2001). Overall, however, issues that fit this column would be dominated by inter-governmental solutions.

Tables 1 suggests of certain patterns of public-private cooperation and their role in international politics, which so far have not been adequately explored by the case study literature. It reveals that public-private institutions do not emerge in a governance vacuum, but are highly path-dependent on existing governance institutions. They are established not always where most functionally needed, but where there is strong demand by powerful transnational actors and greatest political interest to supply such institutions. To evaluate the empirical validity of the patterns suggested in Table 1 and the causal mechanisms behind these patterns as identified by Hypotheses 1-5, I use several methods. The next section evaluates the broad trends in public-private institutionalization against the implications of Table 1 and the hypotheses that underlay it. I then test some of the hypotheses through a qualitative and quantitative analysis of public-private cooperation for sustainable development.

The Rise of Public-Private Institutions in Global Governance

A comprehensive picture of the universe of public-private institutions is difficult to discern. Being flexible, decentralized, and often narrowly focused, the full range of such institutions is hard to encompass. Yet pooling information on the broad trends of public-private cooperation and their relation to other institutions is much needed from both the

social science and the public policy perspective to assess the role of public-private governance beyond isolated cases (Kaul et al. 2005). This section draws on a cumulative reading of empirical studies and policy documents of public-private partnerships to track and analyze some broader trends (Andonova and Levy 2003; Benner, Rienicke and Witte 2003; Gupta et al. 2002; Richter et al. 2004; Reinicke and Deng 2000; Witte, Streck and Benner 2003; Steets 2003; 2004; Kaul et al; United Nations Foundation 2001; Widdus 2001; Reich 2002; Ruggie 2002a; 2000b; 2003; Timmer and Juma 2005)

The first trend apparent even from the publication dates of the literature on public-private cooperation is the rise of public-private institutionalization toward the end of the 1990s and the early 21st century. Cooperation between state and non-state organizations is certainly not an entirely turn-of-the-21st century phenomenon. Historical examples of such institutions include the Red Cross, which is a private, neutral association for humanitarian assistance that works under a mandate defined by the inter-governmental Geneva Conventions. The World Conservation Union is another example of a non-state organization that has served as the Secretariat for the inter-governmental Convention on International Trade in Endangered Species of Wild Flora and Fauna. However, it was in the late 1990s, when public-private partnerships became the "talk of the day," and a modus operandi of an increasing number of governance programs (Stern and Seligmann 2004; Kaul et al. 2005). According to a recent survey by Kaul 2005, the number of global public-private partnerships has increased from about 50 in the 1980s to over 400 by 2005.

The coincidence between trends of globalization and the growth of public-private cooperation at the end of the 1990s is consistent with the functional view of public-private institutions as response to globalization failures. But as already suggested the functionalist logic falls short of explaining why such pressing problems as poverty,

HIV/AIDS, malaria, and environmental degradation were not addressed earlier by more flexible governance institutions. The ability of powerful transnational actors do demand and get involved in new forms of governance appears to be a critical factor for the turn-of-the century push for public-private governance. Figure 1 reflects the growth in the number of transnational NGOs during the second half of the 20th century as well as a more recent growth of NGOs with formal consultative statues at the UN Economic and Social Council (ECOSOC). Figure 1 indicates that the **rate of growth** of the number of transnational NGOs was not highest during the 1990s. What seems distinctive of the 1990s is both the greater cumulative number of transnational NGOs as well as their greater willingness for direct involvement in governance institutions as indicated by the exponential growths in the number of ECOSOC NGOs.

During the late 1990s, advocacy organizations also staged their most visible campaigns against international economic institutions. One major achievement of the transnational anti-globalization movement was the unraveling of the Multilateral Treaty in Investment (MAI) in 1998, after NGOs used a leaked draft of the treaty to rally a global campaign against it. The protests at the 1999 WTO meeting further flared the attack against economic institutions. More protests followed against the IMF and the World Bank in Prague (2000) and the G7 meeting in Genoa (2001), to name just a few of the most prominent examples.

Figure 3 indicates that the intensified transnational activism of NGOs was paralleled by an intensified interest by the business sector in voluntary transnational institutions such as the ISO14, 000 Environmental Management Certification or corporate social responsibility standards. The interest of large national and multinational companies in adopting corporate social responsibility programs has double and tripled in the course of several years (Figure 3, KPMG 2005). Similarly, greater business interest in

voluntary regulations is reflected in the exponential growth of ISO14, 000 certifications since the standard was established in 1995, a trend strongly driven by firms operating in large developed markets (Clapp 1998; Prakash and Potoski 2006). Overall, the quantitative increase in the density and resources of transnational non-state actors contributed by the late 1990s to a qualitative change in transnational relations, marked by a greater ability of transnational actors to demand and establish new, more flexible governance schemes.

Governments and international institutions hardly capitulated to transnational pressures, however. Instead, they have responded selectively to transnational demands for more participatory governance. Notably, the international institutions that have been among the chief targets of the anti-globalization movement – the WTO, the IMF, and the G8 summits – have been among the least interested in reform. All three institutions are governed by a relatively narrow set of principals, although there is clearly a gradation from the G-8 controlled by 8 powerful countries, to the IMF largely controlled by industrialized donor countries, to the WTO, where that have been a gradual increase in member countries according to strict accession rules. The principals of all three institutions have also shared a common procedural preference to maintain tight sovereign control over the institutions. As a consequence, there has been little slack and interest on the part of these institutions to get involved in public-private cooperation or any substantial institutional reforms, criticisms of governance gaps notwithstanding.[3] The World Bank is an interesting exception. It is an institution relatively tightly controlled by its principals, but which also underwent reforms and has experiment with direct involvement of non-state actors in some of its operations (Fox and Brown 1998). However, these institutional reforms within the World Bank have not been a direct

[3] See Stiglitz 1998 on the IMF for example.

response to globalization critics of the late 1990s, but a result of earlier advocacy pressure that rose in the 1980s and influenced both the agency as well as its chief principals (Gutner 2002; Fox and Brown 1998; Nielson and Tierny 2003). Thus, while the anti-globalization movement and public-private institutionalization happened largely simultaneously, the latter does not seem to provide a direct response to the main grievances of the former.

The importance of supply side incentive and agency slack for public-private cooperation to occur is revealed by the fact that the majority of public-private institutions described by the case study literature are led, or supported by core UN agencies (Andonova and Levy 2003; Reinicke, Deng and Witte 2000; Ruggie 2002; 2003; Kaul 2005; Witte, Streck, and Benner 2003). Visible public-private partnerships of the late 1990s such as the Global Compact, Roll Back Malaria, and UNAIDS, were initiatives of UN Secretariat or the secretariats of specialized UN agencies in collaboration with resourceful non-state entrepreneurs such as Ted Turner, Bill Gates, private foundations, and large NGOs. This trend cannot be accounted for by demand-side factors only. Unlike the World Bank, the IMF, and the WTO, core UN institutions have not faced many frontal attacks from the transnational anti-globalization movement. These institutions did face, however, mounting criticism of bureaucratization, ineffectiveness, and lack of transparency by governments, their main principals. Such criticisms were used by states, and particularly the large donor countries, to justify budget arrears and cooperation fatigue. Criticism of ineffectiveness, coupled with dwindling budgets, and agency entrepreneurship, provided incentives and opportunities for UN institutions to search for creative mechanisms of institutional innovation, greater effectiveness, and augmentation of resources.

Private-public cooperation turned to be an attractive mode of institutional innovation. In 1997, the UN faced its biggest financial crisis of unpaid membership arrears. The US Congress had failed to approve the appropriation of US contribution to the UN budget, which then accounted for roughly 30% of the revenues of the organization. The same year, US entrepreneur and philanthropist Ted Turner donated $1bn to the UN, the largest private grant in the modern history of international institutions to support UN programs. The UN Foundation, which was established to manage the Turner grant, is probably one of the most celebrated examples of a public-private institution. In 1998, under the initiative of the UN Secretary General Kofi Annan, the UN Foundation established a special branch, the United Nations Fund for International Partnerships (UNFIP), to encourage governance through public-private collaboration and to serve as a clearing house for such initiatives with other UN agencies (UNFIP 2005a and 2005 b). Shortly after that, in 1999, Secretary General Annan initiated the Global Compact, one of the most visible public-private institutions. The Global Compact is a coalition of UN agencies, governments, companies, labor organizations, and civil society organizations that have pledged to promote and implement ten Global Compact Principles on human rights, labor, the environment and anti-corruption, derived from UN conventions (Ruggie 2002b).

The activism of the UN secretariat was paralleled by other core UN agencies. Under Leadership of Gro Harlem Brundtlandt, WHO launched Roll Back Malaria, a public-private institution, which involves the WHO, other international institutions, business, societal organizations, and national development agencies, with the objective to design and implement policies to reduce malaria deaths by 50 percent by 2010 and 75 percent by 2015 (Bellegoyen 2000). Since 1998, WHO and other international organization became involved in a growing number of public-private institutions dealing

with health. According to a recent survey, the total number of health-related partnerships has risen from 1 in 1982, to 33 in 1998, to 91 in 2003.[4]

In 2002, the UN organizers of the World Summit on Sustainable Development also proposed that public-private partnerships are adopted as an official outcome of the intergovernmental meeting. And indeed, some 230 such partnership initiatives we approved as Type II outcomes of the conference (Andonova and Levy 2003; Witte, Streck, and Benner 2003). UNDP followed in 2002 with the Equator Program, a public-private partnership institution, seeking to promote biodiversity conservation through involvement of stakeholders in biodiversity rich Equatorial countries (Timmer and Juma 2005).

In sum, both the case study literature and policy documents suggest that the majority of public-private institutions have been either the initiative or have enjoyed the support of UN organizations. There also seem to be a strong substantive focus by public-private institutions on two issue areas: environment and health. A study by Kaul (2005) indicates that over 50% of the 400 public-private partnerships examined deal with health and environment issue. The portfolio of UNFIP partnerships, which is relatively representative of the universe of UN-supported public-private initiatives, also reveals that roughly of 43% UNFIP partnership funding has supported health cooperation, and about 25% of the funding supported environmental cooperation (UNFIP 2005).

These trends in partnership participation and issue orientation correspond roughly with the patterns suggested by Table 1. Public-private cooperation tends to steer towards not just any governance gaps, but toward issue areas characterized with some institutionalization, broad principal agreement on the desirability of further cooperation,

[4] Initiative on Public Private Partnerships for Health accessed via http://www.ippph.org/, June 2005. See also Widdus 2001.

governed by agencies with broad mandate and agency slack, incentives, and entrepreneurship to innovate. Both the environment and health are issues areas densely populated by transnational advocacy and corporate interests. Both health and sustainable development are areas of relatively highly institutionalized inter-governmental cooperation, marked by progress as well as set-backs, and a broad agreement by states that further cooperation to increase the effectiveness of policy implementation. Finally, both the UN and the WHO are institutions with broad membership and relative broad mandates in areas of sustainable development and health cooperation.

By contrast, the current literature suggests that issue areas with similar or even more glaring governance gaps such as women's rights, peacekeeping, human rights, financial crises, or unfair agricultural trade, have not been tackled as intensely by public-private institutions. The lower share of public-private partnerships for human rights is particularly puzzling from a demand side perspective, given the high density of transnational advocacy networks. In human rights policies, however, there has been considerably less interest on the part of states, both developed and developing, to yield sovereignty and delegate authority to international institutions, let alone to institutions that mix public and private authority. As a consequence, transnational human rights governance has remained primarily focused on non-state advocacy organizations working more often in parallel rather than in direct, instititutionalized cooperation with intergovernmental and state organization. Similarly, there is an almost completed absence of public-private institutions on issues related to trade, financial stability, or security, over which states have maintained tight control.

In summary, if we move beyond individual case studies, the broader trends in public-private cooperation reveal the political rather than narrowly functional nature of public-private institutions. While individual partnership indeed focus on specific gaps of

governance, the universe of partnerships tends to emphasize those areas of governance, where transnational, institutional, and state interest align to support public-private cooperation. The following section further tests the relative significant of the demand and supply side factors for public-private cooperation by examining the causal mechanisms that transformed environmental cooperation from a largely inter-governmental sphere to a sphere of mixed public-private governance. Environmental cooperation is particularly well suited for such analysis. As already indicated, this is one of the issue areas towards which a large number of partnerships has gravitated. This allows us to focus on the mechanisms of institutional innovation as well as to test the causal significance of those mechanisms through quantitative as well as qualitative methods.

Public-Private Institutions for Sustainable Development

From Inter-Governmental to Public-Private Environmental Multilateralism

The 1972 UN Conference on the Human Environment was the first major international initiative seeking to promote the institutionalization of environmental policies. It took place in Stockholm, Sweden, in the midst of the Cold War. The meeting reflected the interests of industrialized capitalist states, who had experienced a rise in domestic environmental movements. At the time, environmental concern was weak in communist societies. The Soviet Block boycotted the Stockholm meeting over the disputed recognition of two separate German states. Developing countries also showed little interest, as they considered environmental pollution to be largely an issue of the industrialized world. Participation by non-governmental organizations as observers was limited to approximately 134 NGOs, mostly from Western countries (Conca and Dabelko 2004). The outcomes of the Stockholm meeting were strictly inter-governmental. The

meeting led to the establishment of the United Nations Environmental Program (UNEP) and stimulated the establishment of domestic environmental agencies. Later in the 1970s and in the 1980s, as the Soviet Union sought a convenient “low-politics” platform for détente, communist countries increased their participation in international environmental regimes largely for strategic reasons.

Twenty years after Stockholm, the 1992 Earth Summit in Rio de Janeiro took place in a completely different strategic context. After the end of the Cold War in 1989, the former communist states had interest to integrate in international institutions and obtain assistance to deal with environmental problems inherited from communist. Developing countries were also present in greater numbers at the Rio conference, which endorsed the concept of sustainable development, emphasizing a positive linkage between environmental and development objectives.

The Rio Summit witnessed a dramatic rise in participation by advocacy organizations. Close to 14,000 NGOs were officially registered at the conference (Conca and Dabelko 2004). There was a growing demand by non-state entities for direct consultation in the negotiations of multilateral agreements (Mathews 1997). The meeting remained dominated by state actors, however. There were no incentives on the part of governments or inter-governmental agencies to share power in the form of public-private governance. During the 1980s, states had cooperated relatively successfully in setting increasingly stringent rules to address stratospheric ozone depletion, transboundary air pollution in Europe, and whaling. Among the main objectives of the Rio conference was to project a similar level of cooperation in other areas of global concern including climate change and biodiversity, and to integrate more closely the priorities of developing countries. Developing countries, which disagreed on many issues with industrialized states, were, if anything, opposed to the growing influence of transnational environmental

groups. They saw transnational NGOs as an extension of Northern environmentalism, which threatens their sovereignty and development objectives (Conca 1998, Keck and Sikkink 1998).

The outcomes of the conference remained strictly inter-governmental. The conference endorsed *Agenda 21* - a programmatic document outlining the principles of sustainable development, which governments would seek to implement. After intense negotiations, countries agreed to the UN Framework Convention on Climate Change and the Convention on Biological Diversity. These conventions were broad framework agreements that provided for further research, information sharing, and more specific regulations to be negotiated in the form of protocols under the conventions. Finally, states established the Global Environmental Facility (GEF) to provide incremental funding for projects and policies supportive of the Biodiversity and Climate Change conventions. These outcomes reflected tough inter-governmental bargains and very little willingness to compromise sovereignty, or to enter into any kind of informal agreements with non-state entities. As one Brazilian diplomat stated after the meeting: "Brazilian interests are reinforced in the majority of the documents…(W)e came out of the negotiations without the slightest scratch to our sovereignty"(cited by Conca 2004, p. 78).

By 2002, the World Summit on Sustainable Development (WSSD) in Johannesburg, South Africa, moved from the realm of strictly intergovernmental relations into the realm of mixed intergovernmental and public-private multilateralism. Both political demand and supply side factors were in place to account for this change. Between 1992 and 2002, the trend of a rising influence and governance capacity of transnational environmental organizations had intensified further, facilitated by democratization and information technologies (Keck and Sikkink 1998, Wapner 1996). The increased demand and capacity by non-state actors for direct participation in

environmental governance was highly visible at the Johannesburg summit. An estimated 8,000[5] non-governmental organizations participated in the meeting (Figure 4). Official inter-governmental negotiations were paralleled, if not overshadowed, by "side events," which resembled public information sessions, managed by NGOs, business organizations, research institutes, as well as specialized government agencies or international secretariats acting in non-official capacity (Conca and Dabelko 2004, Speth 2003).

At Johannesburg, incentives were also ripe for pro-active governments and secretariats of international organizations to innovate and seek more flexible institutions. While there was significant institutionalization of inter-governmental environmental cooperation by 2002 with over 460 treaties dealing with the environment[6], the practical achievement of sustainable development objectives was lagging behind. Intergovernmental cooperation had also reached a low point on a number of key areas, including climate change, tropical deforestation, and biodiversity, despite some degree of institutionalization. Some governments supported further action, others including governments with considerable power such as the U.S., Russia, and China, worked hard to avoid any further commitments. The U.S. and other states masked their unwillingness for further environmental commitments behind the rhetoric of the ineffectiveness of existing institutions in implementing already existing agreements.

There was little choice for actors that sought some positive result of the meeting, but to seek more flexible solutions. Supply-side incentives for institutional innovation were particularly strong for the UN organizers of the conference and the host countries of the preparatory and actual meeting, Indonesia and South Africa. These actors had strong

[5] Data from http://www.johannesburgsummit.org/html/basic_info/faqs.html#joburg1 accessed in October 2004.
[6] Number of environmental treaties in 1999, as reported by Environmental Treaties and Resource Indicators (ENTRI). Palisades, NY: CIESIN, Columbia University. Available at: http://sedac.ciesin.columbia.edu/entri/.(accessed on August 07, 2005)

organizational and reputational incentives to avert a complete failure of the meeting. Acting on its agency, the UN organizing bureau designed a call for public-private partnerships for sustainable development, and proposed their registrations as **official** Type II outcome of the meeting, Type I outcomes being inter-governmental agreements (Andonova and Levy 2003). Developing countries were initially skeptical of public-private partnerships, and some opposed their inclusion as official outcomes of the summit fearing that such initiatives would simply repackage existing assistance, rather than augment capacity (Witte, Streck, and Benner 2003). In response, the UN authors of the Type II approach specified that all partnerships must demonstrate that they are new and additional to existing initiatives (Andonova and Levy 2003).

The outcomes of the Johannesburg summit were, as a result, quite different from the strictly intergovernmental outcomes of the summits in Stockholm and Rio. Governments agreed on a relatively weak inter-governmental Plan of Implementation of the objectives endorsed by the 1992 *Agenda 21*. The much sought after ratification of the Kyoto Protocol to the Climate Convention by Russia did not materialize. Neither did an inter-government agreement on renewable energy policies, sought by the EU. Instead, the EU initiated the Johannesburg Renewable Energy Coalition (JREC), a transgovernmental network, promoting renewable energy policies. The summit also endorsed over 200 public-private partnerships as official "Type II" outcomes (Andonova and Levy 2003; Speth 2003; Witte, Streck, and Benner 2003). Jonathan Lash, President of the World Resources Institute, optimistically characterized the private-public partnerships adopted at Johannesburg meeting: "….the first stirring of a new way of governing the global commons – the beginning of a shift from the stiff formal waltz of traditional diplomacy to the jazzier dance of improvisational solution-oriented partnerships that may include non-

governmental organizations, willing governments, and other stakeholders" (cited by Witte and Streck, 2).

In an interesting twist of history, one of the public-private institutions launched at the Johannesburg meeting was the Amazon Regional Protected Areas (ARPA) Agreement between the Brazil, the World Bank, and the World Wide Fund for Nature (WWF). The ARPA agreement program triples the size of Amazon forest under protection, providing for the conservation of 12% of the Brazilian Amazon - an area of about 500,000 square kilometers roughly equal to the size of Spain. Such a strong conservation provision, which involved both funding as well as co-governance and monitoring by an international NGO and the World Bank, would seem unthinkable from the point of view of the Brazilian diplomat that guarded so zealously Brazil's sovereignty in biodiversity management back in 1992.

The comparative analysis of the three global environmental summits confirms that both political demand as well as political supply factors had to be in place for institutional diversification toward public-private cooperation in the 21st century. While the environmental governance gaps were greatest in 1972, the nature of the international system was such that governments maintained exclusive control over cooperation. By 1992, although there was an increase in transnational actor demand for direct participation in environmental governance; there was no interest on the part of states and international institutions to cooperate directly with non-state actors. By 2002, transnational actor networks grew denser and had more resources to ring the fire alarm of governance ineffectiveness and to propose alternative institutions. At the same time, there was distinctive agency interest as well as support by key states for the "jazzier" institutions of public-private governance.

The critical importance of supply side incentives for the move to public-private environmental multilateralism is confirmed by the pattern of leadership of the 231 public-private partnerships registered as outcomes of the Johannesburg summit and published on the conference website.[7] Figure 4 shows that close to a third (29%) of the partnerships were initiated by international organizations and another 26% were lead by developed countries. This pattern is consistent with Hypotheses 4 and 5, which stipulate that international secretariats as well as selected countries with developed transnational sector would have stronger interest to support public-private cooperation. The documents describing each partnership and its lead contact further indicate that domestic aid agencies in developed countries along with international secretariats proposed a majority of the Johannesburg partnerships.[8] Transnational advocacy organizations also played a strong lead role in public-private cooperation at Johannesburg, accounting for approximately 25% of all partnerships. A closer look at the 55 advocacy NGO-led initiatives reveals that these were mostly initiatives of large transnational organizations such as the World Conservation Union, The Nature Conservancy, and the World Resources Institute, and considerably fewer were led by national and local groups. The bias in the Johannesburg partnerships towards the agenda of large transnational organization and industrialized states did not escape the criticism of grass roots organizations in the field, some of which charged that the partnerships approach amounts to window-dressing and co-option of the environmental movement rather than a radically new, more inclusive form of governance (Carino 2002).

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[7] The quantitative analysis in this section uses the WSSD public-private partnership data base (see Andonova and Levy 2003). The data base combines information of WSSD partnerships, published on the WSSD web site (http://www.johannesburgsummit.org/) as of 12 February, 2003; as well as data from the World Development Indications (World Bank 2002) and the Environmental Sustainability Index (ESI) 2001 and 2002 (see Levy 2002).

[8] PDF documents describing the WSSD public-private partnerships, accessed via http://www.johannesburgsummit.org/ on 12 February, 2003.

Figure 4 also reflects the early skepticism on the part of developing countries, which led only about 6% of all Johannesburg partnerships, a share similar to that of research institutions! Business organizations led relatively few partnerships (3%) at Johannesburg. A plausible explanation of the low level of business leadership might be the relatively vague mandate of the Johannesburg partnerships, which could carry risks for business, while providing few specific benefits in terms of public relations, or market development benefits. Business participation and leadership is considerably greater in other areas of public-private cooperation such as the UN Global Compact, which is deliberately geared toward business involvement, or health partnerships that are associated with more tangible reputational, public-relation, and management benefits, a pattern roughly consistent with Hypotheses 3.

The data on WSSD partnerships also reveals that countries varied considerably not only in their propensity to lead partnerships, but also in their participation in the public-private institutions endorsed by the summit. France, the U. S., South Africa, Japan, and Indonesia were among the most active states, each participating in over 25 partnerships. Other states such as Croatia, Iceland, Estonia, Saudi Arabia, Liberia and Ethiopia are among some 37 states that did not register any participation in public-private partnerships at Johannesburg. This large variation on countries' participation in sustainable development partnerships, along with a wealth of information on country characteristics and their involvement in transnational and inter-governmental relations, provides an opportunity to test some of the propositions and observable implications of hypotheses elaborated in the theoretical section through an empirical model of state participation in public-private institutions endorsed in Johannesburg.

Model of State Participation in Public-Private Partnerships for Sustainable Development

To examine the determinants of country support for the Johannesburg public-private environmental institutions, the analysis develops a model to test the relevance of both demand and supplied side factors specified in Hypotheses 1-5. The dependent variable is specified as country participation in public private partnerships, and measured as the "number of Johannesburg partnerships, in which countries participated as of 2003".[9]

The first set of dependent variables seek to discern to what extent environmental governance capacity gaps motivates participation in public-private cooperation as suggested by the functional hypothesis (H1). The variable LOW INCOME is one proxy of governance capacity with a value of 0 for countries coded by the World Bank as "high income countries" and a value of 1 for the rest of the sample.[10] The environment and development literature emphasizes that countries with lower income tend to have less governance capacity, particularly in the area of the environment, whereas higher income is associated with more environmental concern, political demand for environmental policies, and resources to adopt and implement such policies (World Bank 1992). According to H1, we should expect a positive coefficient for LOW INCOME, as low income countries should be strongly motivated to enter public-private institutions to compensate for governance capacity gaps.

The variable ENV PLANS provides a more policy-specific measure of environmental governance capacity. This is a variable from the ESI2002 and counts the number of national environmental plans adopted by governments to guide environmental policy.[11] The ability of states to adopt such plans is considered by the development and capacity building literature a good indicator of environmental management capacity and ability to develop environmental policy (World Bank 1994). The functional hypothesis

[9] See fn. 7 on sources of data.
[10] Data from WDI 2002, see World Bank 2002.
[11] Levy 2002.

H1 implies a negative coefficient for this variable, as countries with stronger domestic capacity for environmental policy have less functional need to participate in public-private institutions, everything else equal.

The model also tracks the causal influence of transnational actors and networks on state participation in public-private institutions, factors identified hypotheses H2, H3, and H5. The variable TRANSNATIONAL NGOS uses data from ESI 2002 and is specified as the "number of NGOs that are members of World Conservation Union."[12] The World Conservation Union is one of the oldest, largest, and most active environmental organizations with international influence. A greater number of organizations associated with the World Conservation Union reflect greater transnationalization of the domestic environmental movement, which would increase the likelihood of state participation in public-private institutions both by raising demand and providing incentives to supply such forms of cooperation (H2 and H5).

The variable ISO14, 000 captures the transnationalization of environmental standards among the business sector. It counts the number of ISO14,000 certified companies, as reported by the ESI 2001 database. According to the theoretical analysis (H5), countries whose business sector is already strongly involved in and benefits from transnational market based institutions are more likely to be supportive of other forms of flexible, transnational governance that involve business directly.

Finally, the model examines the relative influence of countries' participation in intergovernmental institutions on their propensity to support the WSSD public-private institutions. The variable TREATIES measures the number of international environmental treaties signed by a country as reported in the ESI2001 data base. The supply side hypotheses of the conditions for state support for public-private institutions

[12]Levy 2002.

suggest that countries that are more actively involved in inter-governmental cooperation might also be more active in seeking to expand the menu of cooperation institutions (H5). Moreover, the transnational relations literature has emphasized the role of inter-governmental institutions in fostering transgovernmental networks and epistemic communities, which as already argued are also potential agents of institutional innovation and flexible governance mechanisms. Alternatively, however, it could be stipulated countries that seek to avoid binding inter-governmental commitments would tend to participate more in flexible public-private institutions, suggesting an alternative, negative relation between TREATIES and the dependent variable.

The second variable that measures country engagement in international cooperation is ODA, specified as "the sum of international donations and receipts of a particular state."[13] Countries that score high on this variable are those that engage more heavily in international aid transfers and are likely to have relatively strong domestic agencies involved in transgovernmental networks dealing with such transfers. The supply-side agency incentive logic suggests a positive relationship between the density and interest of aid agencies and the propensity of states to support public-private institutions (H5). Alternatively, if public-private institutions are viewed primarily as a vehicle to compensate for governance gaps (H1), lower levels of engagement in foreign aid cooperation should be associated with higher participation in partnership institutions to compensate for weaknesses in the inter-governmental system of financial aid.

The model also controls for several factors likely to influence countries' involvement in the public-private institutions endorsed by the Johannesburg Summit. The variable HOST controls for the incentives of host countries of the preparatory meeting and the actual Johannesburg meeting (Indonesia and South Africa respectively) to

[13] The data on foreign aid is from the 2000 World Development Indicators. See World Bank 2002.

support public-private partnerships as an innovation, which averts the failure of the meeting and provides the opportunities to strengthen domestic policies.

The variable LARGE POPULATION controls for the fact that large countries tend to have more visible global impact and attract more attention, particularly by transnational actors and public-private initiatives that are likely to seek the largest possible impact per unit of resources invested. LARGE POPULATION has a value of 1 for the quartile of countries with largest populations and 0 for the other states in the sample. [14]

Finally, the analysis also includes a measure of political freedom CIVLIB, taken from the Freedom House index as reported by the ESI2001 data set, to control for the role of domestic political environment. The countries in the data base have CIVLIB values in range from 1 (free) to 7 (least free), and the expectation is for a negative coefficient as countries characterized and with greater political and civil tolerance are more likely to support public-private cooperation. Table 2 presents the summary statistics of the dependent and explanatory variables.

Analysis of Results

The above specified model of country participation in the Johannesburg public-private partnerships is tested in a sample of 187 countries, using least square regression analysis. The regression results are reported in Table 3. Table 3 show that political supply-side incentives as well as transnational interests are key drivers of public-private cooperation, while governance gaps consideration have not played a strong role in shaping public-private partnerships endorsed at Johannesburg.

[14] The population data is from the 2002 World Development Indicator, World Bank 2002. The two host countries are Indonesia and South Africa.

The variable LOW INCOME is insignificant in the analysis, suggesting that lower environmental governance capacity is not a significant determinant of countries' interest in public-private institutions (see Specification 1 of the model). This finding also suggests that although developed countries led public-private partnerships at Johannesburg, they do not necessarily participate in such institutions more actively than poorer countries. If we substitute the binary LOW INCOME variable with a continuous variable that measures the GDP per capacity in purchasing power parity (GDP/PC/PPP) similar results obtain (see specification 2 in Table 3). GDP per capita is insignificant determinant of countries' participation in public-private institutions for sustainable development.

The variable ENV PLANS is significant, but positive, contrary to the implications of the functionalist H1. Rather than being strongly geared toward states with weaker capacity to plan for and undertake environmental policies, the Johannesburg public-private partnerships tended to attract states with stronger capacity for environmental management. This finding falls more closely in line with the supply-side agency hypothesis (H5), which suggests that countries with developed bureaucracies may be driven by agency interest to participate more in networks-based governance, including public-private institutions. Specification 3 of the model introduces a third measure of governance gaps – ENV STRESS – which is a composite measure of environmental pressures on countries' environmental systems originally from ESI 2002.[15] The variable ENV STRESS is also insignificant indicating contrary to the functional logic that countries' capacity to manage environmental threats is not a significant determinant of their propensity to join public-private partnerships for sustainable development.

[15] See Levy 2002.

The analysis confirms in a strong way the importance of transnational actor networks in driving public-private cooperation for sustainable development. Both the TRANSNATIONAL NGOS and ISO14,000 variables have significant and positive coefficients. These results support the propositions that powerful transnational interests are likely to be the key source of political demand for public-private cooperation (H2). Furthermore, countries that are hospitable to such interests are considerably more likely to get involved in public-private institutions compared to countries with a smaller transnational advocacy sector, or countries where business is less interest or able to obtain ISO14,000 certification (H5). The coefficient of the TRANSNATIONAL NGOS variable suggests that the association of each additional domestic NGOs with the World Conservation Union increases by 16% the likelihood of state participation in the Johannesburg partnerships. The size of the ISO14,000 coefficient is smaller, but it nevertheless indicates that every 100 additional ISO14,000 certifications increase by about 20% the likelihood that a country would get involved in public-private partnerships.

The importance of international cooperation and agency incentives for the supply of public-private institutions is confirmed by the positive and significant coefficient of the ODA variable (Table 3, specification 1 and 2). Again, unlike the implications of the functionalist logic, it is not countries less involved in foreign aid transaction that are more likely to participate in public-private institutions to compensate for weaknesses in inter-governmentalism. Everything else equal, the more countries are involved in foreign aid transactions, the more likely they are to develop agency interest and political skill to get involved in public-private institutions as well, a finding supportive of H5. However, it should be noted that although the ENV SRESS variable is insignificant when introduced

in specification 3 of the model, it did reduce the significance of the ODA variable (Table 3, specification 3).

The variable TREATIES, reflecting state involvement in inter-governmental environmental cooperation, is also positive, but insignificant in this regression equation suggesting that the level of involvement in international institutions is not a critical determinant of state's participation in public-private cooperation once we control for other relevant factors. This finding thus provides not support to the proposition that countries most active in inter-governmental cooperation would be also more active in public-private cooperation, or to the charge that the laggards in intergovernmentalism would be more prone to support voluntary public-private institutions to deflect pressure. It is also possible that both propositions are true and present simultaneous, and their countervailing effect could be a plausible explanation of the lack of significance of the TREATIES variable.

Two of the control variables are both significant an influential. The coefficient of HOST reveals that Indonesia and South Africa, the host countries of the preparatory and actual meetings, were 16 times more likely to get involved in public-private partnerships compared to other states, controlling for everything else. The variable LARGE POPULATION is also positive and significant, suggesting the largest, most visible countries are about twice as likely to be part of public-private partnerships at Johannesburg. Interestingly, the domestic political environment measured by the CIVLIB variable seems to have no effect on states' interests in environmental public-private cooperation. Both relatively liberal countries as well as relatively illiberal countries got involved in the Johannesburg public-private cooperation, while other factors related to the capacity, agency interest, and transnational networks seem to have played a larger role in shaping the broad patterns.

Conclusions and Venues for Further Research

This paper analyzes the contemporary growth in transnational public-private institutions, as a flexible and innovative mode of governance in an era of globalization. Such public-private cooperation is neither an entirely new phenomenon, nor a transient governance fad. These institutions, I have argued, represent governance innovation driven by the transnationalization of world politics as well as the incentives of international organizations, government agencies and pro-active states. Public-private institutions or partnerships as they are most frequently referred to seek to break areas of stalled inter-governmental cooperation into more manageable pieces, to involve the resources and expertise of multiple state and non-state actors, and to build narrow, but flexible and expandable policy coalitions. Together with other transnational market-based and transgovernmental institutions, public-private institutions form a new layer of networked governance that breaks the clean divide between state and society, between global and local (Cashore et al. 2005; Gerrefi et al. 2001; Slaughter 2004).

The theory of the political supply and demand of public-private institutions elaborated here moves the study of transnational institutions toward a systematic analysis of their role in world politics and relations with other institutions. This approach yielded some important results. It revealed that even though public-private institutions are motivated by the goal of better more efficient governance, a functional account of public-private institutions is insufficient. Public-private partnerships respond rather selectively to governance gaps. This argument implies that public-private institutions are unlikely to provide solution to all or even most problems associated with globalization. Such institutions will cluster in areas of converging transnational and state interests, in which

they could meaningfully refine, strengthen and supplement state-led governance. The issue areas of sustainable development and health cooperation appear to have provided such ground for public-private collaboration. Public-private institutions are also path-dependent on the state-based systems of governance. At least in the area of sustainable development analyzed here, they seem to reinforce rather than challenge existing patterns of state political interest and power.

The present analysis motivates further research on several fronts. First, both the theoretical and empirical analysis suggested that public-private institutions share a number of functional and structural characteristics with transgovernmental and with private, market-based transnational institutions. There is clearly a need to examine in a more comprehensive manner the broader phenomenon of the institutionalization of transnational relations, and the linkages among the variety of transnational institutions that shape this increasingly thick layer of governance.

A second important question for further research relates to the effectiveness, accountability, and legitimacy of public-private institutions. If public-private institutions are justified by the functional need for better governance, but driven by powerful transnational and state interests, would they fulfill the promise of more effective governance? The research presented in this paper already reveals that public-private institutions may omit some of the most glaring governance gaps, even in areas where there are converging state and non-state interests to make governance progress. Truly effective public-private governance may require less of a free-market approach to governance, and more deliberate, structured effort to focus on urgent, grass-root-demand driven governance programs (Steets 2004; Timmer and Juma 2005).

Although most public-private institutions are relatively new and their effectiveness is difficult to discern, future research needs to examine the effects of public

private cooperation. How would we know if public-private institutions have attained their narrowly defined objectives? Moreover, under what conditions would these forms of governance scale up to have broader policy impact? These broad questions can translate into very specific research agenda for partnerships institutions. For example, does company participation in the Global Compact translated in actual improvement in workers rights, higher level of unionization, or better treatment and compensation of the work force? Would this public-private partnership result in broader acceptance and legalization of the rights it promotes at the international or domestic level? Similarly, we can ask whether ARPA will succeed in preserving biodiversity in 12% of the Brazilian Amazon, as well as whether it would scaled up to support broader global cooperation on biodiversity.

Untangling the narrow and global effects of public-private institutions is likely to be a difficult task due to confluence of multiple factors that affect governance. Some have even argued that it is a misguided strategy to look for specific outcomes of institutions such as the Global Compact, for example, as they would result in less tangible long-term gains associated with learning and norm diffusion (Ruggie 2002b). Others have cautioned that focusing too much on monitoring and tracking outcomes of public-private institutions may result in cumbersome bureaucratization that would dissipate interest in and the comparative advantages of such institutions.[16] Such practical considerations notwithstanding, it seems imperative that there is some effort to assess the governance impact of public-private institutions, or else these institutions, whose very raison d'être is governance effectiveness, might lose legitimacy.

[16] Proceeding of the Workshop on Public-Private Partnerships for Sustainable Development, New York, April, 2005.

Finally, both the scholarly and policy community need to tackle with greater imagination and rigor the questions related to the accountability of public-private institutions, and for that matter of other transnational network institutions. According to Grant and Keohane (2005) and Slaughter (2004) public-private institutions do not pass democratic accountability standards, as they do not rely on any far-reaching mechanisms to ensure accountability. Yet, it is possible to argue that if we view public-private institutions as innovation and extension of the intergovernmental system, the accountability of public-private institutions is likely to be a matter of institutional design, rather than a matter that can be decided in absolute terms. The Green Lights Committee, a public-private institution that seeks to stop the spread of second-hand tuberculosis, for example, was deliberately designed to benefit from the accountability mechanisms of its parent institution, the WHO, as well as participating national and non-state institutions (Gupta et al. 2002). As a consequence, the Green Lights Committee is structured so as to enable both 'fire alarm" and "police control" type of mechanisms of societal and state control. By contrast, most of the sustainable development partnerships adopted at the 2002 Johannesburg Summit have specified very few such transparency and accountability mechanisms in their structure (Andonova and Levy 2003).[17] Crafting institutional mechanism to increase the transparency, accountability and ultimately the effectiveness of public-private cooperation is likely to be the litmus test of public-private cooperation and its durability in the new millennium.

[17] See also PDF documents describing the WSSD public-private partnerships, accessed via http://www.johannesburgsummit.org/ on 12 February, 2003. See also Andonova and Levy 2003.

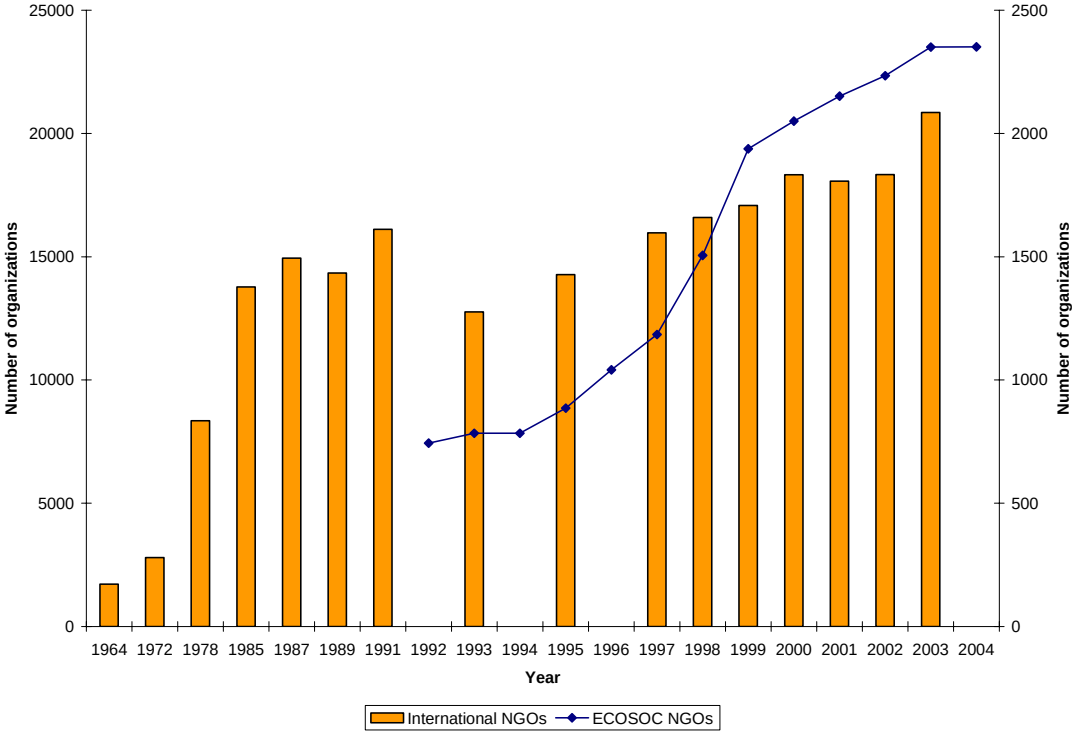
Tables and charts

Table 1: Predicted patterns of public-public institutionalization

	Strength of Intergovernmental Regime		
Density of Transnational Actor Interests	**No Regime**	**Weak Regime**	**Strong Regime**
High	Few PPI	Most PPI	Few PPI
Low	No PPI	Few PPI	No PPI

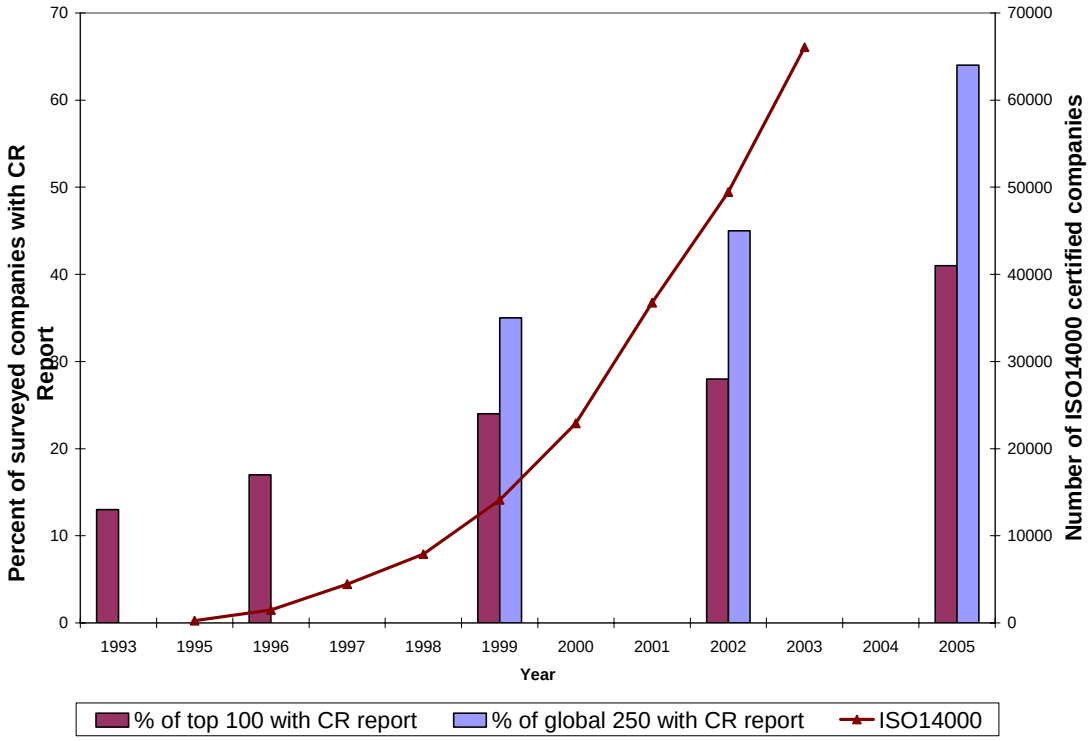
PPI: Public-private institutions

Figure 1: Growth in transnational NGOs and UN ECOSOC NGOs



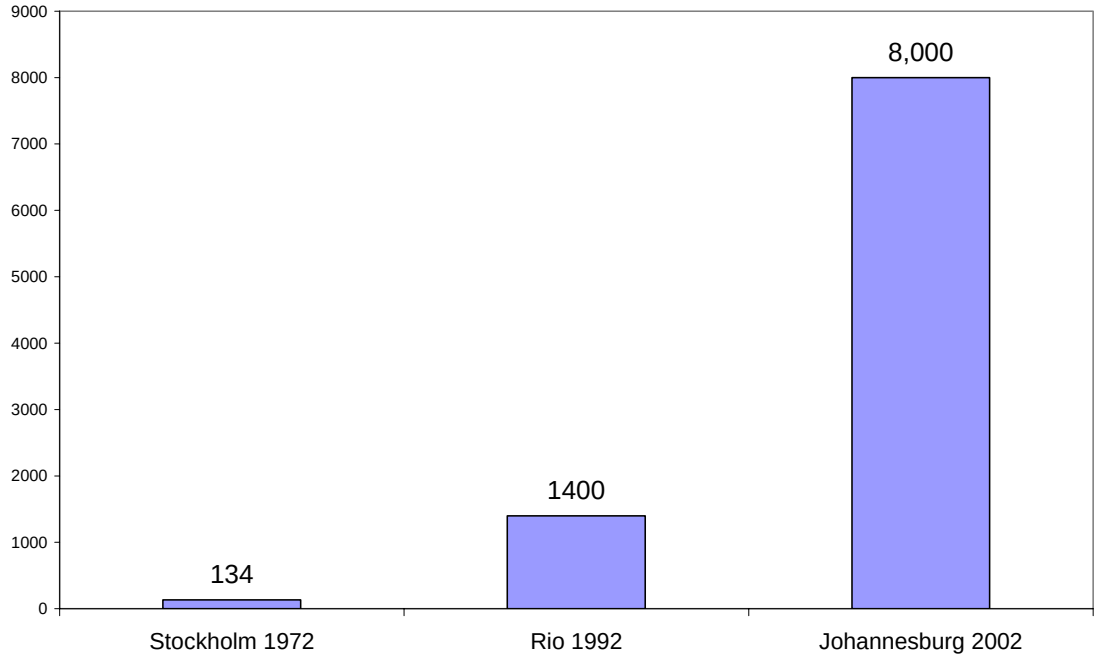
Source: Yearbook on International Organizations 2004 online accessed via http://www.uia.org/statistics/pub.php; October 2004;
UN Economic and Social Council (ECOSOC) data, accessed via http://www.un.org/esa/coordination/ngo/about.htm in October 2005

Figure 2: Trends in business self-regulation and corporate responsibility



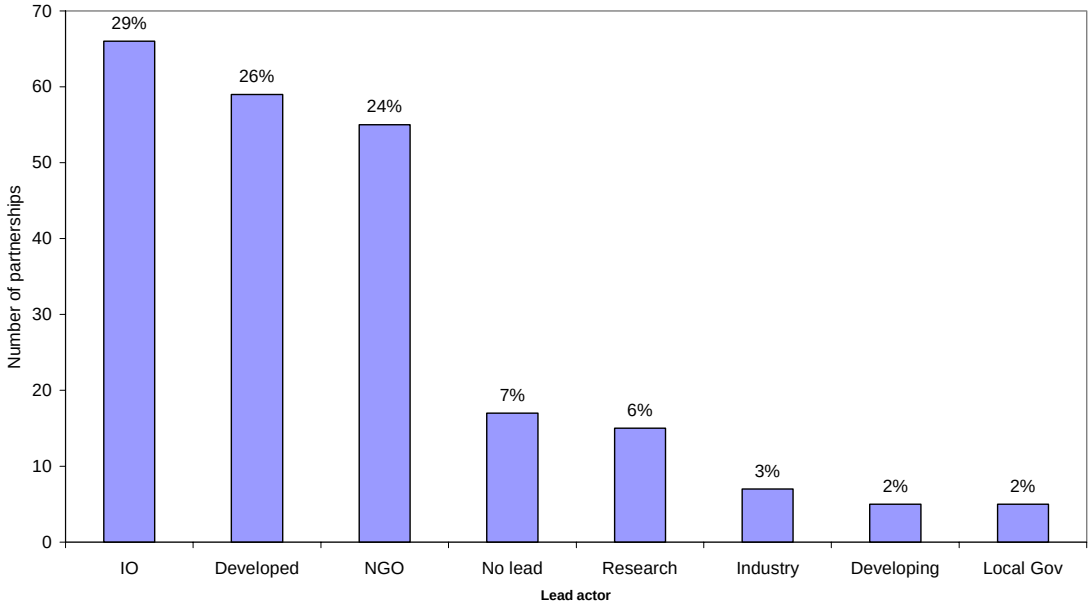
Source: KPMG 2005

Figure 3: NGO participation in Global Environmental Summits



Sources: Conca and Dabelko 2004 for 1972 and 1992 data, and http://www.un.org/events/wssd/pressreleases/Desai.pdf for 2001, accessed in October 2004 for 2002 data.

Figure 4: Lead partners in public-private partnerships adopted at the 2002 Johannesburg Summit on Sustainable Development (WSSD).



Data source: WSSD public-private partnership data set. See Andonova and Levy 2003.

Table 2 Determinants of country participation in public-private partnerships for sustainable development. Descriptive Statistics

Variable	N	Mean	Std Dev	Minimum	Maximum
LOW INCOME	205	0.746342	0.43617	0	1
ENV PLANS	196	1.795918	1.495012	0	7
TRANSNATIONAL NGOS	195	4.584615	7.772989	0	52
ISO1400	196	162.1582	626.0056	0	7155
ODA	197	7.87E-17	0.997446	-0.66042	5.661386
ENV TREATIES	197	23.47208	25.532	1	139
HOST	205	0.004878	0.069843	0	1
LARGE POPULATION	193	0.227979	0.42062	0	1
CIVLIB	189	3.492064	1.976912	1	7
GDP/CAPITA/PPP	174	8.378699	1.113518	6.182085	10.58943
ENV STRESS	142	51.38028	12.86742	9.4	70.3

Table 3 Determinants of country participation in public-private partnerships for sustainable development

	Specification 1		Specification 2		Specification 3	
Variable	Estimate	t Value	Estimate	t Value	Estimate	t Value
Intercept	0.48834	0.44	3.46669	1.08	-1.35966	-0.58
LOW INCOME	0.09914	0.11			0.02292	0.01
ENV PLANS	0.71696	3.62	0.66847	3.17	0.73045	2.94
TRANSNATIONAL NGOS	0.16452	3.27	0.16641	3.17	0.15998	2.74
ISO1400	0.00214	4.12	0.00225	4.2	0.00228	3.74
ODA	0.6433	1.94	0.59839	1.72	0.65202	1.69
ENV TREATIES	0.02386	1.5	0.03109	1.95	0.03034	1.35
HOST	19.98119	5.31	20.27517	5.2	20.10203	4.71
LARGE POPULATION	2.85995	3.5	2.83087	3.34	2.88162	3
CIVLIB	0.05914	0.38	0.05723	0.31	0.09665	0.42
GDP/CAPITA/PPP			-0.35835	-1.02		
ENV STRESS					0.02942	0.88
Adj R-Sq	0.61		0.61		0.59	
N	187		171		140	

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