

# ACCOUNTABILITY COMPACTS: COLLABORATIVE GOVERNANCE FOR THE 21<sup>ST</sup> CENTURY

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## EXECUTIVE SUMMARY:

Accountability is the DNA of civilized societies, and so also of meaningful development. As the context for development is reshaped by unfolding geopolitical and environmental factors, our inheritance of bygone accountability innovations are proving inadequate to the task. Reinventing approaches to accountability fit for the needs of this century has become an imperative. Experiments in collaborative governance between public bodies, business and civil and labour organizations offer a host of exciting new players. Actions rooted in collaborative governance can be the new development actor, overcoming many of the inertias and inadequacies of our traditional institutions. But its contribution will depend, fundamentally, on how these new institutional constellations are held to account. “Accountability Compacts”, grounded mutual accountability, offers a route for ensuring that collaborative governance strengthens the pre-condition for development: effective accountability.

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## WELCOME TO THE 21<sup>ST</sup> CENTURY

An era of ‘international development’ as practiced for half a century is over, probably for both better and worse. But as we bid it a fond farewell, let’s ponder for a moment on what emergent challenges and opportunities we face in addressing tomorrow’s development imperatives.

- ❖ **Fractured Multilateralism:** there is a clear fracturing of the 20<sup>th</sup> century variant of multilateralism and associated institutional arrangements. Notable is the decline in effectiveness and legitimacy of the United Nations, including its once-powerful cousins, notably the World Bank Group. Signs of decay are everywhere, but most visible in the context of a new generation of hardball politics underpinning a resurgent economic nationalism and mercantilism, whether by the US in relation to Iraq, Russia in relation to the old Soviet satellite states and increasingly Europe, or China in relation to Africa.
- ❖ **Globalization Losers:** increasing income inequalities within developed as well as developing countries and regions stemming from global economic integration of the last decades. The plight of the current Doha Round exemplifies this in being both a recognition of the need for a ‘development’ deal and the likelihood that a deal will either not be done or else will achieve far less than is needed. Moreover, the despair of a growing rump of relative ‘losers’ in wealthy nations is driving a new politics fed by xenophobia and racism.
- ❖ **Development’s Last Round:** Increased public resource commitments for development are to be welcomed, particularly those following the G8/Glencoe agreement, but also related to debt cancellation and expanded financing mechanisms. New and enlarged philanthropic ventures, principally coming out of the US, also provide an extraordinary ‘development bonus’ from the immense wealth creation process of the last half century. But there is likely to be just ‘one more development round’. The decline of Western influence could make this the last period in which the international community broadly shares a universalist, liberal consensus over development.
- ❖ **Environmental Resurgence:** our landscape is profoundly influenced by the re-emergence of ‘environment’ as a critical development issue, in macro terms in the form of climate change and energy security, and consequentially in terms of affordable access to the basics: water, food and safe shelter. These factors establish the need for enormous investment in technology, and people and institutional capacities, raising the spectre of set backs in the development agenda.

In these contexts, **new and renewed development actors** take on increased importance, indeed are the factor most likely to determine the successes and failures of the paths we take through our current historical moment. These actors include:

- ❖ **Business Engagement.** In every sense becoming a key development actor. Most obviously the key to economic prosperity, but increasingly central in the delivery of public services and infrastructure, and the broader evolution of public governance, both nationally and internationally.
- ❖ **Activist States.** The re-activism of the state, globally but very particularly in emerging economies, notably China and Russia but also other BRICS and geopolitically key nations, whether because of their energy resources, ethnic and religious leadership or physical and geopolitical location.

- ❖ **Civil Society.** Evolving in two distinct directions. One track is maturing into structural governance roles, engaging with business and the state, often influential over considerable resources. Another track is both more radical and reactionary, rooted in a sense of despair and anger, and disillusionment with the dominant governing players, including their mainstreamed cousins.

## ACCOUNTABILITY AS DEVELOPMENT

Accountability is today's fashionable topic. It is splashed across our media, debated in bars, and is the topic of learned conferences and papers. It is the '*currency of preference*' in globally spot-lit topics such as the unaccountable, failed response to Hurricane Katrina, the endemic profiteering from the war in Iraq and the ghastly spectacle of Mugabe's Zimbabwe. But search the web, and discover that accountability figures in practically every topic of interest to the reasonable citizen, from garbage collection to the role of the state in enforcing parental responsibilities in their children's education. And when it comes to 'international development', accountability has become the *lingua franca* of both diagnosis and solution.

Re-inventing accountability is a pre-requisite to effective development. Corruption is the most obvious form of un-accountability. It is not just illegal, but tears the very heart out of societies' institutions, and destroys citizens' trust and indeed their very imagination of the good society. Fuelled by increasing commodity prices combined with new forms of patronage and associated access to capital, weak regimes are resisting pressures from the international community and allowing corruption to prosper.

But the most pervasive causes and consequences of inadequate accountability are, in fact, perfectly legal. Our greatest failures are enacted *within* the law because our institutions are no longer fit for purpose, responding to outdated and often toxic forms of accountability. There is a deepening unease amongst traditional public development agencies, with doubts being cast over their own accountability and effectiveness. This is mirrored by painfully slow progress in attempts to strengthen national public institutions, despite decades of extensive investment. Business' traditionally unqualified 'homage to finance' is under siege as its development impacts become more visible and contested and as new investment actors, notably derivatives traders but also private equity, demonstrate a disinterest in long term business success let alone broader development outcomes. Civil society organizations, traditionally the quintessential 'accountability agents', find themselves under the spotlight of legitimacy and in many instances are found lacking in their own accountability. Globally, we have created a generation of international institutions intended to foster inter-dependence and mutuality. But instead, we see horse-trading between nations, the worst forms of economic nationalism and rotten domestic politics. Witness the weakened WTO in its efforts to mediate a successful 'development round'. How much more difficult will it be to enjoin xenophobic, mercantilist-minded governments to address the problems of climate change, water scarcities, energy security and the needs of tens of millions of migrants?

As Anwar Ibrahim, formerly Deputy Prime Minister of Malaysia and now AccountAbility's President, concludes "*there is no obvious island of integrity from which to point the finger. Governments, businesses and civil society in every part of the globe face profound challenges in meeting their obligations?*".

Accountability centrally concerns the manner in which power is exercised. Societies cannot function without effectively defining the rights and responsibilities of those who legitimately impact others. In fact, at its core, accountability concerns the manner in which societies seek to ‘civilize power’, establishing an accommodation, often temporarily, between the needs of power and the claims of justice. We recognize in this the tenets of democracy, arguably one of our greatest-ever innovations in accountability. Yet even here we must recognize the magnitude of the threat. One recent survey of political attitudes in Latin America reported that barely half of respondents across Latin America (58 percent) agreed that ‘democracy was the best system of government’, with affirmative scores as high as 35 percent, in the case of Guatemala in answering the question ‘are there circumstances when an authoritarian government can be preferable to a democratic one’. With such disturbing data, we have to ask ourselves how best to secure accountability in a century likely to be marked by profound transformation.

Accountability has taken centre stage in our understanding of what underpins the good society, and rightly so. But whilst there is an abundance of information and debate about the consequences of failures in accountability, there is far less about what might be the ‘right’ accountability needed to create healthy societies over the coming century. One way of understanding the healthy side of accountability, moving beyond what people should *not* do, is as a mirror image of Amartya Sen’s elegantly framed insight that development concerns peoples’ freedom to be active agents of their own destiny. It can be reasonable to argue that the single greatest impediment to this freedom, and so also development, is the exercise of power in ways that are unaccountable to those impacted. Freedom and accountability are not equivalent. Yet if freedom without accountability is unattainable, development is then fundamentally a matter of accountability.

*It is in this sense that we can talk meaningfully about ‘development as accountability’.*

Meaningful accountability must deliver the conditions that unlock people’s potential and our ability to invent, to steward and to sustain ourselves indefinitely into the future. It must nurture the ‘right’ relationships between people, establishing the basis on which the dangers and opportunities of our inter-dependencies can best be managed. From this perspective, accountable development does not just mean more layers of compliance-based systems to ensure that money is accounted for, or to feed philanthropists’ craving for instant, and perfectly measured, results. Accountability is not just a toolbox of metrics and mechanisms, a bolt-on to existing development projects, designed to reduce corruption and inefficiency at the margin. Indeed, this one-way, bottom-to-top orientation is part of the problem: accumulating power, dispersing responsibility, dampening innovation and disempowering collaboration.

‘Development as accountability’ requires that we re-imagine and reinvent the social contract, and in particular the deal between those with and those without power. Nothing less will do, since without reciprocity, essentially an embedded mutual accountability, no number of noble principles or independent auditors will enable development to progress.

‘Empowering the poor and marginalized’ is the right demand from enlightened members of the development community. But it is too often romanticised by a liberal elite,

rather than penetrated as a matter of accountability. The bottom line is that empowerment means nothing unless it means more effective accountability of those with power. Yesterday's 'development community' has not and cannot deliver on this. They are themselves largely without significant power, and often compromised by their relationships with those who count. New actors will only make a difference if their entrance enables the matter of accountability to be more effectively addressed. Resources are needed, capacitation is critical, but without radical innovations that drive forward the accountability agenda, we must be prepared to be disappointed, to the cost of many without voice in this debate. As the UK Government's Commission on Africa concluded, "*Without progress in governance, all other reforms will have limited impact*", true if somewhat ironic in the light of growing revelations associated with its complicity in the trading practices of BAE Systems.

## COLLABORATIVE GOVERNANCE

Multi-stakeholder or public-private partnerships are essentially collaborative initiatives between state and non-state actors. They are grounded in an appreciation of the inter-dependencies of the actors and of the potential for synergies in leveraging private gains in achieving public outcomes.

Such partnerships are becoming an increasingly important institutional form through which diverse forms of development initiatives are designed and implemented. The number, scope and impacts of such collaborations have dramatically increased in recent years. In fact, such initiatives, collectively, are graduating from an initial 'experimental zone' for leveraging more resources and cross-sector synergies *to becoming the single most important new actor in development.*

Collaborative governance is, in short, *the* institutional innovation of the period, the 'new actor' as such, that can drive creative and disruptive innovation across all other actors (e.g. the nature of business or government bodies) and configurations (e.g. the shape of cross-border relationships and rule-making processes).

Collaborative governance is a phenomenon, not a fixed institutional entity, and so of course comes in many different forms. From a development and functional perspective, and critically in understanding distinct modes of governance and accountability, it is useful to distinguish three broad categories:

- ❖ *Commercial*: public services and infrastructure (e.g. water management, transport infrastructure) delivered by business in pursuit of profit, drawing in diverse partners to enable effective delivery, contractual obligations and business interests to be realised.
- ❖ *Resourcing*: delivering resources to address public goals (e.g. combating HIV/Aids, road safety), involving mobilization of public and private resources; assessment, awarding and evaluation, issue-focused advocacy, and capacity development.
- ❖ *Rule-Setting*: evolution of rules governing behaviour of targeted adopters (e.g. business and human rights, anti-corruption codes), involving their development, advocacy and stewardship.

The role and effectiveness of the third category, rule-setting or so-called collaborative standards initiatives (CSI), exemplifies the opportunities and challenges of collaborative governance as a powerful force on the development stage. CSIs, deliberately or by virtue of their actions and importance, establish standards for private and often also public agents. Over the last decade, dozens of such initiatives have become globally significant, from the Equator Principles (project finance) to the Forest Stewardship Council (sustainable forest products), through to the Global Reporting Initiative (sustainability reporting) and Social Accountability International's SA8000 (labour standards). At the next tier, hundreds more are emerging at national and regional levels (e.g. sector-level black economic empowerment standards in South Africa based on collaborative agreements), and sector initiatives from gambling (e.g. the World Lottery Association's newly agreed 'Responsible Gambling' initiative) to access to pharmaceuticals (e.g. over 95 ongoing bilateral and multi-stakeholder development partnerships involving pharmaceutical companies).

Collaborative standards initiatives are, in short, emerging as a powerful engine for building cross-border standards of behaviour by business, but also increasingly of governments themselves. There are, however, profound challenges associated with these developments:

- ❖ **Free riders.** As non-statutory in their nature, they are hard to enforce, and therefore free riding becomes a major danger to their effective implementation. Geopolitical shifts that are raising the importance of emerging economy businesses and investments in Africa and elsewhere are in particular creating dangers. Free riding in emerging economies threatens to undermine these initiatives without profound changes in their governance that brings in Chinese, Indian and Russian public and private actors, for example.
- ❖ **Development outcomes.** The contents of these standards are of course driven in the main by those who have actively participated in their development, creating the danger of bias towards vested interests. Their very success is raising questions as to where they sit in the broader space of trade policy, since they could pose non-tariff barriers to trade, and whilst not mandated by governments, they are clearly and increasingly supported by key governments. Success, in short, may not be good for development.

These and other issues raise important public policy questions, which are as true for resourcing and public service forms of collaborative governance as they are for the illustrative cases of collaborative standards initiatives. Both are similar in pointing to the governance and accountability of collaborative governance initiatives if their development impacts are to be effectively secured.

## GOVERNING COLLABORATIVE GOVERNANCE

The governance and underlying basis of accountability of these initiatives is, as with all institutions, driven by their:

- (a) *orientation* (what they are trying to achieve);
- (b) *effectiveness* (what they achieve);
- (c) *efficiency* (at what cost).

From a development perspective, shortfalls in governance and accountability will reduce their positive impact on poverty alleviation by, for example:

- (a) Reducing the effectiveness of aid (i.e. poor orientation and inefficiencies).
- (b) Distorting the design and implementation of social and environmental standards (e.g. creating impediments to, rather than enabling trade).
- (c) Raising the costs and reducing the appropriateness of, and access to public services and infrastructure (e.g. wrong services, driving poor investment decisions, high pricing).

Shortfalls in, and concerns about the governance and accountability of such initiatives are gradually emerging into the light. One report by the World Economic Forum and the United Nations Financing for Development Initiative presented at the UN General Assembly in September 2005 concluded, with encouragement through inputs from AccountAbility, that: “*Effective partnership is problematic, not least because of ambiguity in the concepts of good governance: accountability, transparency, legitimacy, disclosure, participation, decision-making, grievance management and performance reporting*”. A review of a major global health partnership criticized it for lack of effectiveness and cost-efficiency, citing accountability failures as the primary cause. These findings impact the donor community, with a recent poll showing that nearly a third of UK donors to international charities do not believe that overseas aid is effective.

Collaborative governance is a new reality in development, offering huge opportunities for technical synergies, resource mobilization and innovative solution design and implementation approaches. But to deliver on its promise, the challenge of accountability still has to be addressed. In fact, the failure to address this challenge could well lead to unintended consequences worse still than the problems we were seeking to overcome. Collaborative governance re-combines economic and political power, threatening their ‘best practice’ separation across what we would consider to be relatively well-governed states. Such re-combinations can deliver on development in innovative ways, but could just as easily become a deeply rooted problem as we move beyond the exciting avant-garde in mainstreaming such approaches. Indeed, we can point to this very problem in the emergence of old-style collaborative governance at the very heart of today’s geopolitical shifts. This is true whether we look at Chinese and Russian governments joined at the hip with their emerging business powerhouses, or the resurgent activism of Atlantic states working to preserve their power and influence by seeking to serve the interests of their all-too mobile, multinational business communities and their all-too un-mobile electorates.

*Actions rooted in collaborative governance can be the new development actor, overcoming many of the inertias and inadequacies of our traditional institutions. But its contribution will depend, fundamentally, on how these new institutional constellations are held to account.*

## ACCOUNTABILITY COMPACTS

AccountAbility has sought to move the agenda forward through the development of awareness about, and practical frameworks for, the more effective governance and accountability of collaborative governance initiatives. One element of this has been our ‘beta’ version of a Collaborative Governance Framework that can be applied by practitioners, investors and other stakeholders in guiding the design and practice of the governance and accountability of such initiatives. The second version of this Framework is currently in development, based on a series of national and regional convenings on the topic in Brazil, India and South Africa, and the results of a two year Learning Network including many of the world’s most innovative and important collaborative governance initiatives, including the Extractive Industry Transparency Initiative, the Forest Stewardship Council, and the UN Global Compact. A further element of our work in this space has been our applied research into the phenomenon of Responsible Competitiveness, where we have explored how collaborative governance has underpinned the mainstreaming of responsible business practices into specific business strategies, global markets, and increasingly, policy initiatives to improve national and regional competitiveness.

The ‘DNA learning’ that has powerfully emerged across this and related work has been the critical role of *mutual accountability* in the practice of effective collaborative governance initiatives. Our examination of this began to mature during our involvement in the *Dalberg-Clinton Task Force* examining the effectiveness of international development assistance, launched at the Clinton Global Initiative in New York in September 2006. Working through the Task Force, AccountAbility focused on the place of accountability (including incentives) in determining the effectiveness of key supply chains in the development process, in particular those delivering public services and infrastructure (e.g. finance, pharmaceuticals, infrastructure) from global markets to the local level through blended associations of private and public actors.

AccountAbility concluded that accountability deficits and misaligned incentives all along these supply chains accounted for a great deal of the shortfalls in development impact. But beyond this disturbing diagnostic, AccountAbility proposed that these shortfalls might be addressed through the promotion of *Accountability Compacts*. The argument built on the broader proposition underlying collaborative governance that development outcomes could not be effectively delivered by one type of player (business, government, civil society) acting alone in a world as complex, dynamic and entangled as ours. Going further, the work concluded that:

- ❖ Creating synergies that went to the heart of their respective competencies and interests (e.g. not just corporate philanthropy) required that they understood their on-going inter-dependence.
- ❖ Making something out of this inter-dependence required a collaborative approach where each understood and accepted their role in supporting the interests of the others, as well as their own interests.
- ❖ Active collaboration therefore required agreement on the nature of this mutual accountability, or an ‘Accountability Compact’.



Key in the conclusions was the view that the ‘holy grail’ of downward accountability could not be achieved as a ‘stand-alone’ outcome, but had to be embedded in a broader framework of mutual accountability. Funders, businesses and other powerful institutions had to understand themselves to be part of a broader ecology of accountability rather than merely feeling that downward accountability was ‘the right thing to do’. Kumi Naidoo, Secretary-General of Civicus, reflecting on these proposals: “[they] take us beyond the largely sterile debate about self-regulation or the law. These *Compacts* will engage global civil society more deeply in the development process through their active involvement in securing, and being, accountability”.

*Accountability Compacts* are not ‘entities’, but rather ways in which to build collaborative initiatives. When they work best, it is because they evolved over the life-cycle of a set of activities, rather than being established ‘as part of the activity’. Crucially, in the cases that seemed most productive, the players came together to define the problem and preferred outcomes as well as the downstream end of defining activities, success parameters and targets, resource requirements, etc. Through this process, *Accountability Compacts* can and do evolve, enabling the actors to establish a clear basis for action based on principles of mutual accountability in action. Where such mutual accountability was not established through this process and recognised and embedded in the design of the activities, there was far less likelihood of success.

Collaborative governance initiatives underpinned by *Accountability Compacts* between the key participants and those impacted can be effective as a new development actor in delivering a sustained blend of private gains and public goods. This is true whether such an approach is mobilized to build and service working health systems, sustain a new generation of global business standards, or provide the finance and intelligence in enabling access to better public services and infrastructure. The challenges are to see that it is the often-hidden key driver of some of today’s most successful innovations in collaborative governance, understand what makes such compacts work, and then invest in their development in ways that do not reduce the practice to yet another generation of ineffective procedures, and that drive home the implications for those in power, that meaningful development for the 21<sup>st</sup> century cannot be bought or bought off, but rather requires real shifts in the balance of power underpinned by innovations in accountability.\*

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\* A complete set of publications on collaborative governance can be downloaded at [www.accountability21.net](http://www.accountability21.net).