

# **Private Environmental Governance and the Sustainability Transition: Functions and Impacts of NGO-Business Partnerships**

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## **1. Introduction**

Industrial transformation research seeks to understand complex society-environment interactions. It aims at identifying driving forces for change as well as developing possible trajectories towards a sustainable future. Meeting the needs and aspirations of a growing world population while using environmental resources in a sustainable manner will require not only better process efficiency and greener products, but also rather a range of new institutions to manage the profound challenges ahead. The emerging trend of private governance, and, more specifically, the formation of rule-setting NGO-business partnerships, may be interpreted as such a necessary institution for industrial transformation.

As far as rule-making is concerned, studies in global environmental politics have primarily focused on international regimes and organisations designed to address trans-boundary problems. Only recently have non-state actors and their influence on the international political process become a major topic of environmental policy research (Arts 1998; Keck and Sikkink 1998; Reinalda and Verbeek 2001; Raustiala 1997; Rowlands 2001; Tamioiti and Finger 2001; Weiss 1996). Although scholars have studied in detail the role and function of different non-state actors in agenda-setting, lobbying governments, and implementing international agreements, still rather little is known about rule-making by private institutional arrangements that do not emanate from or primarily address the international political system.

Until very recently, the debate about non-state actors and their new roles in environmental governance has been limited to public-private partnerships and global public policy networks (Börzel and Risse Forthcoming; Witte, Reinicke, and Benner 2000). It has neglected far reaching institutionalisations among private actors without the involvement of governments, government agencies or intergovernmental organisations. But it is precisely this evolving trend that poses new questions with respect to some fundamental political concepts, such as public interest, authority, and legitimacy.

The emerging private institutions are no longer primarily concerned with influencing the international policy cycle, but increasingly begin to agree upon, implement, and monitor different forms of self-regulation, including general codes of conduct, management standards, and certified product labels. As a result, the impact of private actors on global politics has changed as well. They have developed from being an intervening variable of the international system to establishing rules that exist mainly outside of it. Consequently, private authority is considered to be different from public authority, because the latter derives mainly from the possibility of coercion, whereas the former is based on persuasion. As a result, private authority most likely takes the form of market or moral authority (Hall and Biersteker 2002; Hall 1997). As Cutler, Haufler and Porter conclude, “[a]uthority involves a surrendering of individual judgement, an acceptance of its dictates based not on the merits of any particular pronouncement but on a belief in the rightness of the authority itself” (Cutler, Haufler, and Porter 1999b: 334).

The chapter attempts to draw a preliminary picture of private rule-making and its functions in the field of environmental politics by developing a conceptual framework of private transnational governance institutions. It captures the essence of new forms of self-regulation and co-regulation by analysing them as mechanisms of global governance different from more traditional international or hybrid public-private regimes. The different functions of private governance institutions are assessed by taking a close look at one of the most prominent private rule-making bodies, the Forest Stewardship Council (FSC).

## 2. The Concept of Private Governance Institutions

The attempt to develop a concept to capture empirical phenomena of trans-sovereign global politics in general and private rule-making in particular is grounded on theoretical considerations often referred to as ‘global governance debate’ or even ‘global governance theory’. Therefore, it is necessary to first mark the conceptual and empirical boundaries of this debate before further clarifying what a private governance institution is and how it can help making more sense of many current phenomena in global environmental politics.

### *Modes of Global Governance*

Recent debates about the growing political influence of non-state actors, multiple interconnected policy levels, and new functional mechanisms of steering beyond the nation-state, can all be subsumed under the headline of *global governance*. Although there is neither an uncontested definition of global governance, nor a common understanding of what the term refers to in terms of structure and processes, the aforementioned and highly controversial debate highlights some empirical observations that go beyond traditional accounts of international relations, especially in the field of environmental politics.

Global governance is generally believed to encompass different systems of rule on different levels of human activity as an organising social principle beyond hierarchical steering and the sovereign authority of nation-states. As James Rosenau notes, “global governance is the sum of myriad - literally millions of - control mechanisms driven by different histories, goals, structures, and processes” (1997: 27). It therefore includes “the activities of governments, but it also includes the many channels through which ‘commands’ flow in the form of goals framed, directives issued, and policies pursued” (Rosenau 1995: 14). What follows from this perception are two different ‘geographies’ of global governance. One being considerably wide, encompassing those actions of

states and non-state actors on the international level that involve non-hierarchical modes of steering, like intergovernmental or inter-organisational bargaining, and the other being more restricted, only including non-hierarchical modes that involve at least one non-state actor, such as global public policy networks. I take a middle ground, arguing that different modes and actor-constellations are positioned along a continuum from more traditional inter-state negotiations, which already involve non-state actors in the process of rule-making, to hybrid public-private partnerships, and fully private co-operations, institutions, and organisations.

These modes of governance differ according to the purpose and actor-constellation involved. Public forms of governance include the provision of services and implementation of international norms through comprehensive or issue specific international organisations, as well as rule-making in international negotiations. Public actor-constellations therefore may include international organisations, governments and government agencies. Hybrid forms of governance are often labelled with the general term public-private partnership (PPP), but include many distinct cooperative arrangements between public and private actors, involving governments, government agencies, subnational political authorities, international organisations, transnational corporations, global advocacy networks, and non-profit organisations. The third mode of governance is purely private in nature, involving firms, business associations, advocacy networks, think tanks, and non-profit organisations in the establishment and maintenance of global public goods through service provision, rule-making and its implementation.

#### *Private Policy-Making in Global (Environmental) Governance*

Partnership between various non-profit organisations, transnational corporations or global interest associations is not an entirely new phenomenon. But the fact that these co-operations often lead to independent institutions and organisations that apply new forms of governance, and thus bypass traditional ways of political influence, makes it a noteworthy phenomenon. To further clarify the concept of private governance institutions in environmental politics, I discuss various approaches to private policy-making in the following section. The focus is on how the concept of private governance institutions draws upon or departs from three prominent concepts addressing private governance, namely private sector international regimes, private organisations, and certification institutions.

The term *private sector international regimes* was first established in the field of industrial relations and commercial activity to denote institutionalised responses to state or market failure. As Virginia Haufler argues, a “mis-match between markets and politics in terms of governance” is responded to by the construction of private international regimes in many industry sectors (2000: 122). These private inter-firm regimes, understood as formal and informal norms, principles, rules, and decision-making procedures exercise a “form of self-regulation or rule-setting in the absence of an overarching global political regime” (Haufler 2000: *ibid*). Whereas the traditional debate on international regimes, by definition, has focused on the cooperation of states only, the concept of private inter-firm regimes broadens this narrow view to incorporate formal and informal institutions that are the source of governance for an economic issue area as a whole (Cutler, Haufler, and Porter 1999a: 13). Private inter-firm regimes differ from other forms of cooperative business-arrangements, such as industry associations, production alliances, and cartels, in terms of the breadth of their activity, often incorporating less institutionalised forms within their scope (Cutler 2002: 28-29). Consequently, private governance institutions incorporate private regimes within their scope, focusing explicitly on the rule-making function of these social institutions, but going beyond transnational business as the main driver of institutionalisation.

The second concept competing with private governance institutions, *private organisations*, starts from the assumption that the failure of states and markets to create stable environments for commercial and social transactions leads to the establishment of alternative governance mechanisms through private organisations (Ronit and Schneider 1999: 244), an argument resembling much of the theorised causes for the construction of private regimes. According to Ronit and Schneider, private organisations include *inter alia* the following: multi-national corporations, business associations, federations of trade unions, standardising associations, learned societies, think tanks, religious orders, sporting organisations and environmental groups (2000: 1). But research has been largely limited to global business actors, such as the International Chamber of Commerce (ICC), the International Federation of Pharmaceutical Manufacturers Association (IFPMA) or the Ecological and Toxicological Association of Dyes and Organic Pigments Manufacturers (ETAD) (Ronit and Schneider 1999).

In sum, the concept of private organisations aims at developing a “new and all-encompassing theory which integrates all private actors active in global politics,” (Ronit and Schneider 2000: 7) not only focusing on those actors participating in the global policy cycle, but also incorporating organisations that assume responsibility for problem-solving through standard setting and self-regulation. Although the concept of private organisations is a substantive step forward towards understanding the complex structure and nature of private actors in global politics and remedies much of the conceptual impreciseness of the frequently used term ‘non-governmental organisation’, it still falls short of capturing the diversity of institutional settings and procedures that characterise private rule-making in the field of global governance.

In contrast, the proposed concept of private governance institutions differs from the concept of private organisations in five distinctive ways: first, it includes less formalised co-operations not qualifying as an independent organisation; second, it focuses on rule-making institutions only, thus excluding sufficiently debated issues of non-state actors’ involvement in policy-making or rule-implementation on the international level; third, it highlights alternative actor-constellations within institutions and organisations; fourth, it acknowledges the network character of many institutions; and fifth, it overcomes sharp distinctions between the profit and non-profit sector of society, focusing on their joint efforts to create and sustain global public goods instead.

The third rival concept to private governance institutions, *certification institutions*, contains two principal components: first, a set of voluntary norms and rules; and second, a reporting or monitoring mechanism (Garcia-Johnson 2001). Certification institutions are not typologised according to the actors and interests involved, as in the case of private governance institutions, but according to a more instrumental approach that highlights the distinct way of ensuring verification. Ideal types range from first-party certification, wherein organisations generate rules internally and report conformance themselves, to second-party certification, wherein firms and organisations work together to generate rules and report compliance, and third-party certification, wherein independent bodies set the standards and others report conformance (Garcia-Johnson 2001: 2). Although the concept of certification institutions adds to our general understanding of private governance by stressing the importance of reporting and compliance management, it does not offer a comprehensive concept of private-rule-making as a mechanism of global governance for two reasons: first, the concept of certification institutions emphasises the verification of compliance at the cost of the standard setting process; second, the concept does not distinguish the institutions according to the distinct societal actors involved in its formation and maintenance.

Turning back to the initial aim of clarifying the concept of private governance institutions with respect to other approaches proposed in the literature, a comprehensive definition can be offered, which covers different types of institutions as well as dif-

ferent instrumental approaches. Accordingly, a private transnational governance institution is a self-coordinated network of two or more private actors operating in more than one country (involving the non-profit and/or the profit sector of society), engaging in the establishment, implementation and monitoring of voluntary norms and rules (general codes of conduct, management standards or labels) directed towards a specific issue area, not being primarily profit-orientated. Nevertheless, the market provides the mechanism through which authority is, at least partially, allocated to distinct private institutions. It is the consumer, producer, trader, and retailer who legitimise a certain rule-making system.

#### *NGO-Business Cooperation as a Private Governance Institution*

Multi-stakeholder partnerships represent the most challenging type of private rule-making because they involve both the logic of the market and that of civil society. As a result, they align types of non-state actors that are perceived as strongly antagonistic. As Murphy and Coleman notice,

“‘[p]artnership’ is not the first word that usually comes to mind when one thinks about business and NGOs. Over the past three decades, most relationships between the commercial sector and civil society have been founded on conflict” (2000: 207).

The term *partnership* has predominantly referred to profit-making relationships between individuals, but in recent years gained prominence as a more general inter-organisational idea, including relations between various transnational actors, international organisations and states. Two events are generally believed to have triggered the transformation from confrontational strategies to those of partnership in the field of environmental politics, namely the public debate about Shell’s involvement in the Ogoni case in southern Nigeria and the disposal of the Brent Spar offshore oilrig. After widespread public protest and consumer boycott, Shell’s Chief Executive Officer Herkstroter highlighted the positive aspects of the Greenpeace campaign, and a partnership approach in general:

“We took decisions, which in retrospect were mistakes. We now realise that alone we could never have hoped to reach the right approach - that we should have discussed them in a more open and frank way with others in order reach acceptable solutions... In essence, we were somewhat slow in understanding that environmental groups, consumer groups and so on were tending to acquire authority” (Heap 2000: 3).

In more general terms, the concept of partnership refers to four important aspects that apply for local and global co-operations, whether public-private or private-private. First, partnerships have shared goals that are beyond profit-making, thus excluding purely market-coordinated relations or other private interactions to maximize profit. Second, partnerships can involve actors from different sectors of society; third, they have institutionalised relationships; and fourth, partnerships engage in rule-making and/or implementation, facilitating outcomes that would not be possible in absence of the specific partnership (Harding 1990; Kouwenhoven 1993; McQuaid 2000). Critical scholars have pointed to the fact that the term partnership represents a policy paradigm (Richter 2003: 9) based on the assumption of trust, shared benefits, and an underlying win-win situation, concealing the fundamentally different goals and power resources of the actors involved. This paper uses the concept of partnership as a value neutral term, equivalent with co-operation.

It is the concept of *green alliances* that addresses these unusual partnerships with respect to the idea of policy arrangements. The term policy arrangement “refers to the temporary stabilisation of the content and organisation of a policy domain,” including policy programmes and discourses as content, and actors and their coalitions as or-

ganisations (Arts 2002: 4). These policy arrangements are influenced by the macro-societal process of reflexive modernization (Beck, Giddens, and Lash 1994) that effects the policy domain at the meso-level and forces actors to adopt to the changing environment. The debate about green alliances, defined as “collaborative partnerships between environmental NGOs and business that pursue mutually beneficial ecological goals” (Arts 2002: 2) highlights four important elements of ‘private environmental policy arrangements’ (Arts 2002: 4) that are relevant in the context of private-private governance institutions: the specific form that coalitions take, the internal power relations, the ‘rules of the game’ and dominant discourses (Arts and Tatenhove 2000).

In sum, the discussion of green alliances leads to a valuable understanding of transnational NGO-business partnerships as a distinct type of private governance institutions. Accordingly, cooperative arrangements between different sectors of society qualify as a private environmental governance institution, when they (a) aim at regulating a specific environmental issue area by voluntary norms and rules, including environmental management standards, labels and general codes of conduct, (b) can be considered a self-organising network of at least two transnational private actors, (c) represent both the profit and non-profit logic, and (d) reach some degree of institutional permanence over time.

### **3. Do Private Governance Institutions Matter? The Case of the Forest Stewardship Council (FSC)**

Although, by definition, governance institutions are involved in the establishment of voluntary norms, rules and standards, they perform a wide range of additional functions, from facilitating a solution to a wide range of different interests to brokering knowledge, to constituting a learning network of individual and organisational actors.

#### *Making the Rules*

The idea of rule-making seems self-evident in most domestic and international contexts, but if we talk about rule-making by private institutions on the global scale, what do we refer to? From the perspective of regime theory, rules occur as four different types: (1) principles (beliefs of fact and causation); (2) norms (rights and obligations); (3) regulations (pre- or proscriptions for action); (4) procedures (decision-making rules) (Krasner 1983: 2). Principles and norms provide the basic characteristics of an institution, whereas regulations and procedures may change without altering the substantial content of a regime. To capture this important difference, some scholars have argued for distinguishing between constitutive rules on the one hand, and regulative rules on the other (Arts 2003; Giddens 1984). As a result, a change in the constitutive rules is understood to alter the institution as a whole, whereas a change in the regulative rules only implies a transformation of existing procedural, structural or substantive rules, such as a tightening of certain product standards or introducing additional aspects of environmental management.

Accordingly, standard setting in the context of private governance institutions is conceptualised as the act of agreeing on regulative rules. Standard setting, as opposed to the more general process of establishing and maintaining constitutive regulations, is consequently defined as the making of voluntary, expertise-based structural, procedural or substantive regulation (Kerwer 2002: 298). Standards can take the form of management schemes, labels or general codes of conduct. Although private standards are voluntary in nature, some degree of compliance is necessary to qualify as private regulation.

In sum, the concept of rule-making by private institutions includes both constitutive and regulative rules. But whereas the former are considered to be an important prerequisite for enhanced cooperation between different actors, the latter are understood as the functional output of governance institutions. Private standards in global environmental politics therefore include product as well as process standards. They are applied above the national level and, as voluntary regulations, include management standards, codes of conduct as well as labels. But regulative rules set by private governance institutions in the field of environmental politics not only contain prescriptions of behaviour directed towards the environment. They also define who accounts for the compliance with management standards, codes of conduct or labels, and under what rules. As discussed in section two, governance institutions employ three basic types of reporting compliance with their voluntary standards: first-party reporting (self-assessment), second-party reporting (joint assessment), and third-party reporting (independent assessment).

To better illustrate the rule-making function of private governance institutions, I now turn to the FSC as an empirical example of a multi-stakeholder partnership within the wider context of global environmental governance and industrial transformation. The Forest Stewardship Council was founded in 1993 by a general assembly of interested parties in Toronto, Canada. Among the 126 participants from 26 countries were concerned individuals and representatives from a wide range of organisations, including WWF, Greenpeace, Friends of the Earth, retailers, trade unions, and indigenous interest groups. Although consultations among forest producers, retailers, and environmental and social interest groups had been going on since 1990, it was not until 1994 that the founding members of FSC agreed upon the “FSC Standards and Principles,” the substantive basis of FSC’s work with regards to definition and implementation of sustainable forestry (FSC 2000).

The General Assembly (GA), a tripartite body that represents business, social, and environmental interests within three chambers, governs the FSC. Each chamber has equal voting power; internally they have a 50% quorum for north and south representation as well as a limitation of individual votes to 10% of the respective chamber. The GA elects a board of directors that mirrors the principal governance structure. Each chamber sends three members to the board for a three-year term. The representation of northern and southern countries alternates between four and five, changing every three years. The board decides on all issues of major importance, from approving national representatives and initiatives of the FSC, to allocating the annual budget, to approving new standards. The operational work of the FSC is handled by the FSC international secretariat located in Bonn, Germany, and supervised by the Executive Director who is appointed by the board. Whereas the day to day operations of the FSC are in the responsibility of the international secretariat and its executive director and questions of major importance are decided by the board of directors, only the general assembly is authorised to change the fundamental “standards and principles” as well as the statutes of the FSC.

As a private institution, the FSC produces three different basic types of standards, which constitute the regulative outcome of the institution. First, global forest management standards that form the basis for national and regional standards development; second, chain of custody standards prescribing detailed rules along the production chain; and third, standards for accreditation. The standards are developed and drafted by the standards and policies unit within the international secretariat and later approved by the board of directors. The standard setting procedure involves consultations with all relevant stakeholders. Explicit provision shall be made to ensure “that stakeholders whose interests are often marginalized are empowered to take a full and active part in the development of standards” (FSC 2003: §9). Often technical committees are formed to include the expertise of forest managers and producers along with the normative guidance of non-profit actors. For example, recent debates about percentage

based claims included technical experts on paper production and representatives from environmental NGOs to ensure the technical feasibility of producing paper out of recycled raw material and FSC certified timber as well as the acceptable decision on how much the FSC timber must be included in a certain product to carry the FSC trademark.

But the FSC does not only establish regulative rules on sustainable forestry, but also substantive ‘rules of the game’, from formal regulations on governance structure, voting rights, and complaint procedures to informal norms, such as appropriate behaviour in conflict situations, style of communication, and self-recognition.

### *Facilitating a Solution*

By bringing together many different actors and interests within one forum, by verifying these commitments, and by providing a model for other actors and other issue areas, the FSC provides an institutionalised solution to global environmental problems.

The FSC provides different types of fora to its members and stakeholders through which discussion processes are enhanced and consensus on diverse issues can be reached. The central forum is the general assembly that comes together physically every three years but is frequently asked to decide on various issues by mail or E-Mail. Next to the international GA there are currently 31 national initiatives (NI) that provide institutional space for discussions on the national and regional aspects of standards and principles, as well as on specific areas of concern. The recent decentralisation of the FSC’s geographic structure has resulted in the creation of four regional offices, Europe, Africa, Latin America, and Asia, that organise regular meetings of all national initiatives within a region, thus enhancing cooperation among national initiatives as well as among the stakeholder groups and individuals. The fourth type of forum for close stakeholder contact is provided by expert involvement in the development of rules and standards. The technical and standard committees for example involve many relevant interests in the process of standard setting by providing an open-access Internet forum for direct stakeholders and the general public.

Next to providing a forum for discussion and consensus building on technical and practical aspects of forest certification, the verification of fundamental commitments is an important prerequisite for providing an institutionalised solution to the forest problem. Ensuring compliance with the forest management and chain of custody standards is essential to the effective operation of FSC because transparency, reliability, and neutrality constitute the basis of FSC’s credibility. Demands in this respect are highly divergent. For forest owners and managers it is highly important that FSC enforces comparable standards in every country and region, so as not to distort market competition. Retailers are interested in a transparent standard that is easy to communicate to consumers, whereas environmental NGOs demand environmentally accurate performance by forest managers and timber producers.

The FSC seems to have found a credible solution to all these different demands regarding the verification of standard compliance. The central idea is to accredit certifiers on the basis of FSC standards, which then issue certificates to forest management units or producers. The accreditation business unit of the international secretariat carries out this process of accreditation. Accreditation is defined as “the procedure by which an accreditation body gives written assurance that a certification body conforms with the requirements of an accreditation system” (FSC 2002b: Glossary). The accreditation body conducts and administers the accreditation system and formally grants accreditation. In case of the FSC, accreditation is proposed in a fi-



nal accreditation report, which is filed by the accreditation body, and then approved by the board of FSC.

In sum, the mechanism of accrediting independent certification bodies ensures that all major demands of stakeholders regarding constant verification and compliance management are met. The importance of FSC's credibility and neutrality is also underscored by the current debate over outsourcing the accreditation business unit to further enhance its independence from FSC. In addition, an independent accreditation unit would also meet the ISO requirements for accreditation bodies, another prerequisite for enhanced credibility.

The third pattern through which the FSC institutionalises problem solving in global environmental politics is providing a model for successful cooperation for other actors and within different issue areas. Consider the close organisational resemblance between the FSC and the Marine Stewardship Council (MSC). Both institutions are private-private co-operations between non-profit organisations and business actors, and are involved in standard setting, accrediting certifiers, and granting labels for products and production chains. The WWF was a key player in the establishment of both the FSC and MSC. Already in 1997, WWF and Unilever launched the MSC as a close private-private partnership. As a result, the governance structure is markedly different from that of FSC, because both partners decided not to include other stakeholders in the negotiations of standards and principles. Further, the MSC is not a membership organisation, but is governed by a board of trustees appointed by the two founding institutions. Stakeholders are represented in the Stakeholder Council along a public interest and a commercial/socio-economic category (Marine Stewardship Council 2003).

But nevertheless, the specific model of stewardship provided by the FSC, combining expert standard setting with independent third-party certification, proves to be successful in the field of marine resources as well. As a formally independent institution, the MSC today certifies seven highly valuable fisheries worldwide; 13 are currently in the process of full assessment. The certification/stewardship model won further support in 2001 when, after publishing its core standards, the Marine Aquarium Council (MAC) became the second private governance institution modelled after the FSC. Although the FSC cannot claim to have invented the idea of environmental and social certification, its individual success transfers the model of normative standards setting and economic incentives to other issue areas. As a result, the scale and scope of private environmental governance increases, whereas traditional forms of public environmental governance seem to be on the retreat.

In sum, the FSC can be understood as a solution-facilitator in global environmental politics through three inter-related mechanisms: first, the FSC brings together many divergent actors in institutionalised fora to negotiate standards and procedures and to build general consensus on important issues; second, verification of compliance is ensured through an independent third-party mechanism, which raises the FSC's acceptance within all stakeholder camps; third, the successful application of expert standard setting and independent monitoring constitutes a model for other actors and issue areas, providing a solution beyond the narrow realm of forest politics.

### *Brokering Knowledge*

Next to providing an institutionalised solution to a complex environmental and social problem, the FSC acts as a knowledge-broker for many different interests. Most obvious is the aspect of producing and disseminating information. As I have argued above, standard setting is, by definition, based on specific expertise. Agreeing on regulative rules in such complicated issue areas as chemical substances or marine biodiver-

sity requires not only substantial theoretical knowledge, but also a great deal of practical experience. These substantive and organisational prerequisites allow private actors to take a leading role in standard setting, precisely because most public actors lack the necessary theoretical and practical resources. In contrast to public actors, the network character of private governance institutions and the resulting close incorporation of relevant experts in the process of rule making produces very detailed standards, outperforming many international regulation. The aforementioned FSC standards and principles for sustainable forestry currently cover more than 43 million hectares of forest in 73 countries, whereas the intergovernmental negotiation process under the auspices of the United Nations fell short of producing considerable results. The very diverse and broad knowledge base that the FSC is able to draw upon can partially explain this difference. As noted above, a standard setting process usually involves not only technical experts and NGO representatives, but also concerns practitioners and the wider public. In addition, the specific, decentralised structure of the FSC makes it easy to integrate local and national knowledge whenever appropriate.

But whereas the FSC has been rather successful in creating information and communicating this information to members and stakeholders as well as to specific segments of the market, FSC's record is rather weak on influencing public opinion on the problem of deforestation and forest degradation in general. This weakness in raising public awareness can mainly be attributed to the specific governance and stakeholder structure of the FSC, which supports an effective outsourcing of awareness-raising campaigns to other actors, especially the environmental NGOs within the FSC. They run regular campaigns on the forest problem and consequently advertise the FSC as the only viable solution, thus contributing to a rise in the overall knowledge on FSC. But business actors also take over public information functions from FSC, when, for example, retailers inform their customers about the problems of deforestation in order to promote themselves as environmentally sensible corporations.

### *Learning in Networks*

The institutional structure of FSC facilitates two types of learning processes. The first could be described as intra-organisational learning and includes processes of self-evaluation and resulting organisational restructuring. This topic has been extensively covered within management science, especially in the literatures on economic history, industrial economics, and the theory of the firm (Dodgson 1993: 375). Although the concept of organisational learning is highly contested (Fiol and Lyles 1995) and there is no commonly accepted definition of what the concept refers to in terms of outcome and process, I propose the following minimal definition: organisational learning can be described as the way an organisation builds, supplements, and organises knowledge around its activities, resulting in a change in organisational structures and procedures.

One example for organisational learning within the FSC is the self-evaluation process conducted by the so-called 'Change Management Team' (CMT). Established by the former executive director Maharaj Muthoo in 2000, the six-member team conducted numerous interviews with stakeholders and staff members to identify internal and external challenges as well as possible strategic directions of the FSC. The CMT presented a report that the board adopted in 2001. It recommended eight steps to ensure FSC's future success in its mission of promoting environmentally appropriate, socially responsible, and economically viable forest management, such as empowering national and regional initiatives, improving the recognition of the FSC brand, and moving the headquarters to an international setting (FSC 2002a). Further priorities to ensure a healthy future for the FSC were suggested, inter alia: professionalising the communication activities, separating accreditation and standard setting functions, and se-

curing an independent financial basis through enhanced fundraising efforts. Many of these recommendations are currently in practice. For example, FSC's communication services have substantially improved since the year 2000, today offering standardised communication templates, comprehensive fact sheets for quick information as well as a more service-orientated web site. In addition, the strategic relocation of FSC headquarters to an international setting has been completed with moving to Bonn in 2002 as well as the envisaged decentralisation, which was finalised by the establishment of the fourth independent regional centre, located in Africa.

These observations suggest that organisational learning is taking place within the FSC. Although the described process is quite formalised and was imposed by the FSC leadership, organisational learning drew on the many individual resources of staff members and stakeholders in order to change the organisation's procedures and practices in key areas. From this perspective, organisational learning in the case of the FSC is not only the result of a management decision, but also an outcome of the specific organisational structure and culture of the FSC, which supports flexible knowledge production and stakeholder involvement as important prerequisites for effective organisational learning (Fiol and Lyles 1995: 804-805).

The second type of learning could be labelled inter-organisational learning, involving very different types of actors. From this perspective, the FSC constitutes the institutional core of a wider learning network, including members, first and second order stakeholders as well as the general public. A learning network can be defined as an inter-organisational network combining the voluntary efforts of autonomous organisations in order to overcome complex challenges through the formal and informal exchange of knowledge. Such inter-organisational networks are characterised by three distinct features: first, inter-organisational networks operate as rather abstract conceptual systems that enable organisations to overcome complex problems; second, networks evolve around shared visions, purposes, and goals; and third, inter-organisational networks rest on horizontal organising principles rather than centralised power (Chisholm 1998: 6). Learning is facilitated by these features of inter-organisational networks for two reasons: first, horizontal structures and the lack of central power are important prerequisites for the exchange of information within a network; second, mutual visions and a shared perception of problems and possible solutions enable communication between very divergent organisations.

The FSC constitutes a learning network that includes very different organisational actors. This organisational diversity, both in structure and content, seems to facilitate effective learning processes. Consider the example of leading retailers of wood products. It was the specific structure of the FSC as a network of local, regional, and global organisations that has led to successful learning. Only the involvement of local and regional experts, forest managers, and producers enabled retailers to learn about the many unnecessary intermediate traders participating in the business. The result was a cheaper product for the retailers and at the same time a higher profit margin for local producers and managers. But network learning processes within the FSC do not only occur because dissimilar organisations learn about possible win-win situations, but also because similar organisations learn from dissimilar procedures. The general assembly and other formal or informal meetings between stakeholders provide opportunities for learning that would not exist in absence of the network. Social organisations, such as trade unions or indigenous peoples associations, meet with environmental NGOs to exchange strategies and substantive information. As a result, organisations often enrich their strategic toolkit as well as their general organisational culture. For historic reasons, the environmental chamber of the FSC has been the best organised in terms of resource mobilisation, shared visions and resulting policy motions. But business and social interests are catching up as a direct result of learning processes within the FSC network.

In sum, the FSC can be considered a learning institution in two ways: first, the FSC shows distinct features of intra-organisational learning, mobilising the very different experiences of its staff members and stakeholders and turning them into effective organisational restructuring; second, the FSC is an inter-organisational learning network of many diverse actors that facilitates effective learning processes exactly because of the organisational dissimilarity of its members.

#### 4. Conclusion

In this contribution I have argued that we can make sense of many emerging phenomena in global environmental politics by applying the concept of private governance institutions, to denote changes in both the structure and impact of private policy-making. The current institutionalisation of cooperation between divergent private actors, including corporations, environmental non-profits and social interest organisations, is a noteworthy trend in global politics because the resulting transnational rules transcend our understanding of international relations. Although some literatures do address private institutions as important factors in global governance, the phenomenon still lacks a coherent and encompassing approach, which unifies competing views to improve our theoretical and empirical knowledge under one conceptual framework.

Therefore, global governance has been introduced as the appropriate lens to analyse basic trends that separate the study of contemporary global environmental politics from more traditional accounts of international relations. Next to intergovernmental negotiations and public-private partnerships, private actor-constellations take up the function of rule-making in global environmental politics. In contrast to other, rival concepts of institutional partnership put forward in the literature, such as private sector regimes, private organisations or certification institutions, the concept of private governance institutions joins together the three key features of the phenomenon in question: first, the private nature of the respective body, distinguishing it from hybrid private-public partnerships; second, the distinct mechanisms of rule-making, clearly excluding forms of rule-implementation or service provision by private actors; and third, the institutional character, allowing for both highly formalised organisations and less formalised initiatives. The detailed analysis of the Forest Stewardship Council has shown that private institutions in global environmental governance perform various functions. Next to standard-setting, these functions include: providing an institutionalised solution to global environmental problems, producing and disseminating knowledge to a wide range of stakeholders, and providing an arena for learning, both inside the FSC and among a network of independent organisations.

What can be learned from the analysis of private institutions in global environmental politics with respect to the specific questions of the conference and Industrial Transformation research in general? I believe the following three observations to be the most important: first, industrial sectors, such as the forestry sector, are currently being transformed by private actors, with the effect that the 'rules of the game' within one sector no longer necessarily emanate from the international system alone. Second, important changes to certain production and consumption systems originate from co-regulation between antagonistic actors, such as transnational corporations and environmental organisations. And finally, the market, as one of the principal modes of governance next to hierarchies and networks, occupies a prominent role in the allocation of impact and the resulting success of private governance.

Although future research has still to assess the precise impact of private institutions as mechanisms of global governance and their respective effectiveness in solving environmental problems, the results of this contribution indicate that the analysed new private institutionalism in environmental politics could contribute to the much needed sustainability transition. The perennial question thus is not if private partner-

ships can help to transform the current industrial system into a sustainable one, but rather how their valuable contribution can be integrated into a democratic and legitimate governance of global environmental affairs.

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