

**The Business of Policy Innovation: The Transformation of the United Nations
Development Programme's Engagement with the Private Sector (1997-2008)**

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Acronyms

BCtA	Business Call to Action
BoP	Base of the Income Pyramid
CIDA	Canadian International Development Agency
CSOs	Civil Society Organizations
CSR	Corporate Social Responsibility
DFID	Department of Foreign and International Development
ECOSOC	Economic and Social Council
FDI	Foreign Direct Investment
GIM	Growing Inclusive Markets
GSB	Growing Sustainable Business
GSDF	Global Sustainable Development Facility
HDR	Human Development Report
IADB	Inter-American Development Bank
IBLF	International Business Leaders Forum
IBMs	Innovative Business Models
IFIs	International Financial Institutions
IGOs	Intergovernmental Organizations
IMD	Inclusive Market Development
IR	International Relations
MD	Millennium Declaration
MDGs	Millennium Development Goals
MNCs	Multinational Corporations
NGOs	Non-governmental Organizations
NIEO	New International Economic Order
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organization for Economic Cooperation and Development
PPP	Public-private partnership
PSD	Private Sector Division
SHD	Sustainable Human Development
SMEs	Small and Medium Enterprises
TGPT	Theory-guided Process-tracing
UN	United Nations
UNDP	United Nations Development Programme
UN GC	United Nations Global Compact

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ABSTRACT

Recently, intergovernmental organizations (IGOs) have adopted policies that engage the private sector in the implementation of their development mandates. Despite the implications of these changes, the subject is among the least conceptualized. By applying a theory-guided process-tracing (TGPT) methodology, this paper examines the process of change at the United Nations Development Programme (UNDP). It advances a constructivist argument and evaluates whether this change could be viewed as a norm-driven change, where norms of corporate social responsibility (CSR), in the process of interaction and learning, have obtained an intersubjective quality and redefined the role of the private sector in the context of organization's objectives. The paper evaluates this argument in light of the alternative assumptions of the principal-agent model, the bureaucratic culture literature, and rational choice institutionalism. It highlights the implications of this research in empirical, analytical, and theoretical terms for further studies and concludes that, without a due assessment of the intervening effect of norms on policies, the causal claims of other theories are seriously challenged.

INTRODUCTION

Over the past decade, the private sector has become an active partner of intergovernmental organizations (IGOs) in the practice of development. Respectively, IGOs' policies have changed toward greater engagement with, and reliance on the core competencies and innovative strategies of, the private sector in performing part of their development mandates. The design and implementation of innovative business models (IBMs) and inclusive markets at the base of the income pyramid (BoP) for poverty reduction and the promotion of norms of corporate social responsibility (CSR) are previously unobserved dynamics in the development agendas of IGOs.

These changes in IGOs-private sector engagement highlight at least three issues of empirical, theoretical, and analytical nature, which this paper aims to investigate.

Empirically, it is puzzling that IGOs that are mandated by their member-states have started to operationalize and launch policies that allow them to implement their development missions in close collaboration with the private sector. In addition, by taking into account the fundamental differences between the development mandates of IGOs and the interests of the private sector, the rationale for examining the process of policy innovation through which IGOs' agendas have changed to promote the engagement of the private sector for a common purpose is further supported.

Theoretically, however, the research on IGOs has not coherently framed these observable changes. In a few case studies, the motive and character of these partnerships are analyzed in terms of organizations' efforts to enhance efficiency and resource mobilization. As a result, other possible factors of policy change that might have equally been important in the process of policy innovation (e.g., member-states, the administration, and norms and learning) are ignored in the process of analysis. Furthermore, the conventional preoccupation of IR theories with viewing IGOs as entities for norm development and diffusion, without giving due consideration to the impact of the norm-development process and interaction on IGOs themselves, has rarely been challenged. If IGOs are involved in the process of development, diffusion, and promotion of norms, which define the appropriate behaviour of the private sector in development, then it could be expected that this process has had a constitutive impact on their policies and the way that they engage with the private sector in

achieving their development objectives. Therefore, if IGOs' policies are considered as dependent variables in the process of norm development and diffusion, current studies of IGOs cannot offer a coherent framework for the assessment of the impact of norms on policies.

Analytically, with few exceptions, most studies that analyze IGOs' policies evaluate policymaking as a linear process, where the causal impact of possible factors of policy change throughout the process is evaluated without due consideration of various stages through which proposals are operationalized into programmes. If policymaking is treated as an incremental and cyclical process and disaggregated into consecutive and progressive stages (i.e., agenda-setting, policy formulation, and the launch of policy initiatives), then the influence of independent factors on policy innovation should vary in their causal significance. These issues leave the recent changes in the IGOs-private sector collaboration mainly unexplained. Therefore, this paper asks *how and why IGOs in recent years have adopted those initiatives that engage actively the private sector in the implementation of their global development mandates and to what extent norms could influence the process of transformation in light of alternative explanations.*

Understanding the causes of recent changes in IGOs' policies, and the extent to which the theories of IR can explain them, requires a comprehensive examination of the policymaking process. Therefore, this paper aims to analyze the process of policymaking, identify the potential and contributing factors of this change, and explain their impact and implications. For this purpose, the paper undertakes a single case-study approach and examines the case of UNDP between 1997 and 2008, whereby the Programme has progressively been involved with the private sector in implementing part of its development mandate. It examines the process of policy change by applying a theory-guided process-tracing (TGPT) methodology, and argues that the overall process of policy innovation at UNDP can predominantly be viewed as a norm-driven change. Norms of appropriate business behavior and corporate social responsibility (CSR) that are discussed, developed, and disseminated in the process of increasing interaction, dialogue, and reasoning, involving IGOs and the private sector, obtain an intersubjective quality and operate as an intervening and constitutive factor in the process of policymaking. As a result, in the context of

organization's goals, the appropriate and acceptable role and contribution of the private sector in development are defined, agendas are changed, and new initiatives that operationalize this role are accepted and launched.

This liberal constructivist argument (see section 2.1.2, p. 24) is evaluated in light of the alternative assumptions of the principal-agent (PA) model, bureaucratic culture literature, and rational choice institutionalism (RCI). The respective arguments of these theories, i.e., the importance of member-states' collective power and interests, bureaucratic power and leadership, and efficiency and resource mobilization, are used as a framework for the analysis of policymaking process. The paper disaggregates the process of policymaking into consecutive stages of agenda-setting, policy formulation, and the launch of initiatives and traces the hypothetical causes and factors of policy innovation throughout the process.

CHAPTER 1: STATEMENT OF THE PROBLEM

1.1. Current studies

Despite the implications of the recent changes in IGOs-private sector relations for development practice, the subject is among the least conceptualized and examined in the literature. This vague conception of the growing engagement of IGOs with the private sector arises from the fact that those observable changes have not been coherently framed in the studies of IGOs, IR theories, or development policy. Therefore, based on current studies, the analysis of the process of policy innovation through which the role of the private sector in development has been legitimized and its interests with IGOs have converged, present some challenges in empirical, theoretical, and analytical terms.

Empirically, recent studies investigating the process of policymaking have rarely been focused on the causes of partnerships between IGOs and the private sector in the field of development. Therefore, the causes of recent changes in policies, and the processes through which the role of the private sector in development has been redefined, remain largely under-specified. This is particularly puzzling if the differences between IGOs' development mandates and the interests of the private sector are taken into account. Presumably, IGOs, as global public institutions, are designed and mandated by their member-states to perform particular development tasks. Their policies are subject to revision and formal approval by states as they are expected to demonstrate some degree of compliance with the given mandates. The private sector, on the other hand, pursues its own interests in undertaking new projects and partnerships, which may not always be compatible with the priorities of public entities. Therefore, current studies cannot provide a comprehensive framework for the assessment of causes and processes of change through which interests and obligations have been redefined.

In addition, the majority of case studies conducted on the causes of policy change at IGOs analyze the process from a state-centered perspective and focus on issues related to macroeconomic policies or on the financial aspects of international development (e.g., Park & Vetterlein ed., 2010; Hawkins et al., 2006; Weaver, 2008). Most of the attention has been given to the question of norm diffusion by IGOs among their members. In addition, among

other IGOs, the changes in policies of the International Financial Institutions (IFIs) have extensively been examined to conceptualize, in the framework of IR theories, the adoption of certain policies by these organizations. As a result, there is very little consideration of the private sector's engagement with IGOs in development.

To this extent, the role and engagement of private actors, such as MNCs, in international politics has predominantly been conceptualized in the context of global governance. The emphasis has been put on the expanding material power and influence of the private sector on global agendas as leaders, subjects, and partners (e.g., Ougaard & Leander, 2010). Specifically, the role of the private sector as a partner in development is conceptualized in the context of evolving public-private partnerships (PPP) as an emerging form of multilateralism, which is driven by the financial and technical needs of IGOs (Bull & McNeill, 2007; Bull, 2010). As argued, the private sector participates in cooperative arrangements with states and non-state actors because it can offer much needed technical and financial resources, which other partners lack or find difficult to mobilize. This is essentially a rationalist argument, in which the motive of the global public sector in collaborating with business is justified as need-based, and resource mobilization is framed as the dominant (if not the only) factor of change in policies. The same argument is advanced in a few studies that examine UN-business partnerships and, by emphasising the effectiveness of the private sector and the organization's needs for additional resources, provides a narrow assessment of these changing relations (e.g., Lodge & Wilson, 2006; Nelson & Prescott, 2008; Nelson, 2002; Hopkins, 2007; Witt & Reinicke, 2005; Tesner & Kell, 2000, among others).

The evolving role of the private sector in development in the past decades, however, has been much more dynamic than is *theoretically* framed in the literature. While it is true that efficiency is always at stake in any cooperative arrangement, this argument may not explain the qualitative transformation in relations where multiple causality is involved. In addition, the theoretical frameworks that have been applied to these cases put the issue in the broader context of global governance, dismissing a comprehensive assessment of other possible factors, causal mechanisms, and processes at the level of organization. As recent studies of IGOs' policies show, policy may change under the influence of several other factors. Member-states, for instance, may significantly divert agendas in pursuit of their own

interests (collectively or individually) by tasking the organization to launch new initiatives. They may exert such influence over IGOs' agendas by using their decision-making power at the Executive Boards (EB) or financial contributions as leverage (e.g. Hawkins et al., 2006; Nielson & Tierney, 2003). However, in the chain of delegation, staff-members and the administration can initiate new policies and shape agendas by acting autonomously and in the absence of member-states' directives. Their expertise and leadership can be crucial in challenging the conventional practices in organization in order to incorporate into agendas the norms of their profession and operationalize preferred ideas into practice (e.g., Chwiero, 2008; Weaver, 2008).

Furthermore, if the process of change is viewed as a norm-driven process through which IGOs' policies are considered as dependent variables in the process of norm development and diffusion, current studies of IGOs cannot offer a coherent framework for the assessment of the impact of norms on policies. As argued in the liberal variant of constructivism (see section 2.1.2, p. 24), norms operate as an intervening mechanism in the process of policymaking through reasoning and dialogue, form an intersubjective understanding among involved parties, and shape agendas (e.g. Ruggie, 2003; Park, 2006). Therefore, it can be argued that if the organization is involved in the process of norm formation, development, and diffusion in a particular area, it should be expected that this process would have an intervening impact on organizations' policies and on the character of its engagement with the private sector. This argument is even more likely if the change in organization's policies correlates with its increased interaction with, and the adoption of an outward-looking approach toward, the private sector.

Therefore, while functional explanations of UN-business engagement present a compelling hypothesis, they offer limited insights into the process through which the constellation and convergence of objective (Martin, 1992) for development obtain the quality of "collective intentionality" in a particular period of time (Ruggie, 1998, p. 862; Kratochwil & Ruggie, 1986). This argument is further strengthened if the fundamental differences between IGOs' missions and mandates and the private sectors interests are taken into account. On the one hand, efficiency, wealth creation, and innovation for market expansion have always been the core competencies of business. As many key informants in this project

have emphasised, the private sector has been an integral force of wealth and employment creation for many years in the developing world, without being formally involved in partnerships with IGOs. On the other hand, as the case of UNDP will demonstrate, IGOs have been facing challenges in meeting their financial, technical, and operational targets in developing countries since the 1980s. However, the mechanisms and processes through which these two dynamics have entered agendas and become compatible and acceptable in the past few years are not clear from current studies. As a result, it is not clear whether the observable change across IGOs was only a rational choice to solve operational problems; was it enforced by member-states? Was it influenced by some internal dynamics at the level of organization? Or was it facilitated by other mechanisms such as the impact of norms through reasoning and dialogue?

Analytically, most studies of IGOs' policies evaluate the factors and causes of policy change without giving due consideration to the various stages through which programmes and initiatives are operationalized. Analytically, the assumption in these studies is that factors and causes of policy transformation uniformly influence the entire process of policymaking. This assumption is challenged if the insights from the policy sciences literature on policy cycles and various stages of the policymaking process are taken into account. If policymaking is an incremental and cyclical process, then the influence of intervening and independent factors should vary in their importance when this cycle is disaggregated into consecutive stages. Therefore, with a slight modification, this paper will disaggregate the process of policymaking into mutually reinforcing and consecutive stages of agenda-setting, policy formulation, and launch of programmes and initiatives (Howlett & Ramesh 2003, p. 13).

1.2. The case of UNDP

As the history of the UN development system reveals, the relationship between the United Nations (UN) system and the private sector has undergone an uneven transformation in the past decades, oscillating between conflict and cooperation (Sagafi-nijad & Dunning, 2008).¹ Among other specialized agencies, UNDP has been at the centre of this change. Throughout the 1970s, the development policies of UNDP reflected the UN's post-war

¹ For more on the history of UNDP, see: Murphy 2006 and Jolly et al. 2004.

egalitarian principles of global Keynesianism - aiming to build a global system of pragmatic solidarity and improve social welfare in developing countries. In this context, the Programme's views of the private sector's role in development could be characterized as sceptical and cautious. In contrast, the Programme played an important role in strengthening the public sector capacity by providing technical assistance to, and being the "grantor of last resort" for, developing countries. In addition to these functions, it was also mandated to act as a central mechanism through which the interests of developing states in the context of the New International Economic Order (NIEO) were reflected (Murphy, 2006, p. 25, pp. 139-198; Browne, 2011, p. 34).

During the decade of the 1980s, when many developing countries were facing debt defaults, a negative per capita growth rate, massive privatization, and a decline in public finances, the Programme continued to echo concerns raised by a group of 77 developing countries (G77) at the UN. Being critical of international financial institutions' (IFIs) conditionally imposed structural adjustment programmes and their focus on private sector development, UNDP continued to support and work with the developing states to design and implement policies that would put the private sector under strict regulations. Its cautious and sceptical approach toward the private sector as a partner in development continued throughout the 1990s, when its policies started to embrace the concept of sustainable human development (SHD) – aiming to broaden people's choices and enhance their capabilities (UNDP, 1990; Sen, 1999).

Even in the mid-1990s, UNDP remained the "cathedral of left, state-centered development thinking, and embracing the idea of working with the private sector in development was a significant doctrinal shift" (interview #16 with Mark-Malloch Brown, the former Administrator of UNDP, May 2012). The necessity of putting greater regulatory pressure on MNCs in order to improve their developmental impact was drawing more support than partnerships. The 1999 Human Development Report (HDR) called for the "development of a global code of conduct and a global forum for monitoring [multinational corporations] to bring [them] within the frame of global governance, not just the patchwork of national laws, rules and regulations" (UNDP, 1999a, p.100). The policy proposal to establish a Global Sustainable Development Facility (GSDF) in order to engage with large

companies in direct service delivery to underserved populations at the BoP at that point in time was considered incompatible with UNDP's policies and practices. As a result, the initiative was abandoned without further consideration (Lodge & Wilson, 2006, p. 55).

However, UNDP-private sector relations started to take a different turn just a few years after the GSDF. In 2001, UNDP began to co-manage (with the Global Compact office) and operationalize within its country offices the UN Global Compact (GC) local networks - the world's largest voluntary CSR initiative seeking to encourage and improve the practice of CSR by companies through dialogue and harness their development impact. The launch of a number of other UNDP-private sector partnership initiatives followed. As a result, by the end of 2008 UNDP has been involved in the launch and management of four major initiatives, which aimed to mobilize the potential of the private sector for development (see Table 1).

Table 1

UNDP-led Private Sector Initiatives (1998-2008)

The initiative	Objectives
1998 – The Global Sustainable Development Facility (GSDF) <i>(abandoned without implementation)</i>	To engage large MNCs in the development of inclusive and pro-poor projects
2001 – The United Nations Global Compact (UN GC) local networks	To promote and operationalize the core CSR principles, outlined in the GC initiative, at the country level through multi-stakeholder dialogue and consultations
2003 – The Inclusive market development (IMD) - previously Growing Sustainable Business (GSB)	To develop markets that expand choices and opportunities for the BoP and encourage CSR implementation in support of MDGs
2006 – The Growing inclusive markets (GIM)	To support the development of an inclusive private sector at the local level through policy dialogue, research, and dissemination of best practices
2008 – The Business Call to Action (BCtA)	To challenge MNCs to mobilize their expertise and resources in developing inclusive projects for the BoP and poverty reduction (i.e., microfinance, value and supply chain integration, and the development of social enterprises)

Source: compiled by author.

The main purpose of these UNDP-led initiatives is to facilitate pro-poor investment and production in a commercially viable way. These IBMs-based initiatives call upon business to go beyond philanthropy, public-private partnership, and branding and take a strategic approach toward their social responsibility, create shared values, and integrate their operations with poverty reduction and development objectives. In developing these models, profit-maximization and production optimization are not the ultimate goals. At the minimum

level, any business model should be designed to allow the company to generate a sufficient profit in order to cover its operating costs. However, in developing scalable and commercially viable business models, the main objective is to produce for, provide to, and procure from low-income population goods and services in order to increase their access, provide them with employment opportunities, and improve their economic condition as a result.

UNDP's future policy statement emphasises the continuity of close engagement with the private sector. Its private sector Strategy (UNDP, 2007) outlines that the Programme

focuses on addressing the needs of the poor as active economic agents (entrepreneurs, employees and consumers) rather than passive 'beneficiaries' of aggregate growth and welfare services. As a consequence, the types of partnerships that UNDP will seek with larger companies will embrace not only 'traditional' CSR activities, but also increasingly the deployment of core business processes and value chains in direct and sustainable support of inclusive markets (p. 6).

This period of change, which began after the failure of the GSDF (in 1999) and intensified with the launch of the UN GC (after 2000) is examined in this paper.

1.2.1. Justification

Although the recent changes in the character of IGOs-private sector engagement are common in other IGOs, the selection of this case is justified for three reasons. Firstly, as mentioned, these recent developments (in the post-GSDF period) in UNDP's engagement with the private sector are in contrast with its earlier practices (in the pre-GSDF period). Therefore, unlike other IGOs, UNDP, which has traditionally been viewed by all relevant partners (including the private sector) as a "cathedral of left, state-centered development thinking" (see p. 8), presents a least-likely case among other IGOs to engage closely with the private sector in performing its development mandate. The sharp contrast between the pre-GSDF and post-GSDF periods in the development practice of UNDP presents an empirical puzzle, which requires a thorough examination of the process of policymaking in order to determine why and how IGOs have come to the decision to implement their development mandate by relying on the potential of the private sector.

Secondly, UNDP is one of the most over-regulated by member-states organization and its operations are overrun by an excessive and unnecessary amount of bureaucratic procedures, which make the process of policymaking and the introduction of new ideas less

likely over a short period of time (i.e., 1999-2001). As a result, the conservative management culture within the organization makes the possibility of moving new reform agendas forward more challenging because “any remotely radical proposals tend to be rejected or reduced to a lowest common denominator” (Browne, 2011, p. 136). Finally, in comparison to other IGOs (i.e., IFIs), UNDP is considered as a developing organization *for* developing countries. Developing countries are overwhelmingly represented at the EB, and as a recipient organization, its decision-making process is not dominated by donors. This grants the Programme additional autonomy to reject those policies that are only in the interest of a small number of donors and do not reflect the collective interest of all member-states. For these reasons, the case of UNDP presents a good opportunity to examine the impact of norms through interaction and dialogue on organization’s policies. Hence, if it can be traced that the evolving norms of appropriate business behaviour (i.e., CSR) have had a constitutive impact on the agendas of a conservative and highly state-centered organization through dialogue, interaction, and learning, then the impact of these norms could be even stronger in other organizations that have traditionally pursued pro-private sector policies.

1.3. Methodology

1.3.1. Overall design

Method. The overall research design of this paper is a qualitative small-n case study, with a particular focus on within-case analysis, through the application of a theory-guided process-tracing (TGPT) methodology. A TGPT, as a research method, is of particular interest for this paper because this method is designed to “trace the links between [hypothetical] causes and observed outcomes” and make inferences about causal processes and mechanisms (George & Bennett, 2005, p. 6).² This method does not simply investigate the impact and variation of independent variables but also “identif[ies] the intervening causal process - the causal chain and causal mechanism - between an independent variable (or variables) and the outcome of the dependent variable” (p. 206). In addition, TGPT is usually applied to

² This research method was initially defined by Alexander George and Timothy McKeown (1985). Subsequently, it has been systematized and become a primary tool for historical and causal analyses in case studies (mainly applied to single and small-n case studies) in international relations and American and comparative politics. For more on earlier studies see Robert Bates et al. (1998), and Peter Hall (2003).

historical cases and combines theoretical hypotheses with detailed historical narratives in order to produce an analytical explanation (pp. 205-232). The ultimate purpose of this application has been to convert a “historical narrative into an analytical causal explanation couched in explicit theoretical forms” (p. 211). Therefore, as the TGPT approach suggests, some probabilistic understandings of most-likely factors of policy change have been established prior to the case analysis in this paper by relying on the main assumptions of major theories of IR. This approach permits the examination of the causal claims of alternative hypotheses and the extent to which the explanatory power of these claims is weakened if the intervening and constitutive effect of norms through a process of increased interaction and learning is ignored.

Policy process. As has been noted, with few exceptions, most studies of IGOs’ policies treat the process of policymaking as a linear process in which the causal impact of possible factors of change on outcomes is evaluated without due consideration of various stages through which agendas are operationalized into policies and programmes. If policymaking is considered as an incremental and cyclical process, the impact of factors and causes of change may vary in their significance from one stage of the policy process to another. Therefore, the disaggregation of the policy process, as suggested in the policy sciences literature, should help to undertake a nuanced assessment. For this reason, the paper has focused on the three stages of the policy cycle: agenda-setting, policy-formulation, and launch of initiatives (Howlett & Ramesh, 2003). As a result of this complementary application, the analytical capacity of TGPT is enhanced.

Timeline. In process-tracing, the end of an analysis is determined by a set of outcomes that is of interest for researcher, whereas the choice of the starting point of a process depends on research objectives. Because the UN had started to engage in the discussion of sustainability and the role of the private sector in development by the mid-1990s, the starting point for the analysis has been chosen as the year 1997 (a year before the launch of the GSDF). However, in the tracing process it was also necessary to examine the period between 1992 and 1997 because some reform initiatives and resolutions related to the role of the private sector in development were adopted prior to 1997. The timeline for the analysis ended in 2008 with the launch of the BCtA initiative.

Limitations. One of the major limitations of case studies in general, and this study in particular, is the question of generalization. Whether it is possible to generalize the outcomes of a single case is a contested subject in qualitative, case study design (George & Bennett, 2005, pp. 109-124). While this study does not address this limitation by increasing the number of observations across several IGOs, it expands the scope of the study across time. By looking at the process of change over an 11-year period through which four major initiatives were launched, the number of observable implications for the evaluation of arguments has been increased. In weighing the trade-off between generalization and detail, this paper focuses on detail, as the nature of the question – to investigate the change in policy – requires a thorough examination of the process. Reliability and validity of qualitative data are those issues that usually concern researchers in conducting case studies and within-case analysis. In addition, the TGPT method has its own limitations, such as: 1) reliance on theories, which may be vague and rarely tailored to the problem; 2) the issue of accessibility, accuracy, and reliability of data; and 3) the required time for the collection and treatment of empirical data. However, these limitations have been addressed by applying data triangulation (i.e., using various sources of data such as interviews, archival sources, and secondary publications) and theory-triangulation (i.e., the application of several theories), and the overall validity and reliability of the data collected has been improved (Creswell & Clark, 2011, pp. 210-212).

1.3.2. Application of theories

While the main argument in this paper is a constructivist one, for a comprehensive assessment of the process of policy innovation the alternative theories of IR, such as the principal-agent (PA) model, bureaucratic culture literature, and rational choice institutionalism (RCI) have also been given equal weight. Each of these theories highlights a different set of factors as the primary causes of policy innovation at IGOs. The main argument advanced in this paper brings into the discussion the intervening impact of norms through dialogue, reasoning, and learning on the process of policymaking. The PA theory deems member-states' preferences and power of control at the EB to be important. The bureaucratic culture literature emphasises the significance of bureaucratic power in setting new agendas and adopting new initiatives. Finally, efficiency and resource mobilization

obtain an explanatory power in the framework of RCI. As has been noted, currently this framework dominates the literature on IGOs-private sector partnerships.

Applying these competing theoretical arguments to a single case, however, has been challenging. On the one hand, in the tradition of IR theories, it is tempting to launch a debate between theories, especially when, based on the competing logics of rationalism and constructivism, each theory identifies a different set of variables. Therefore, it is easy to neglect the analytical capacity of theories by excessively focusing on the preferred argument and eliminating the alternatives. On the other hand, each theory of IR that studies IGOs' policies, and has some observable implications, can have useful analytical application, which should not be dismissed in the process of analysis. Therefore, for a complete assessment of the process and outcome in this paper, where complex causality is involved, it has been inevitable to undertake the application of all those theories that dominate the literature.

However, by sequencing two systematic approaches toward the application of the theoretical framework, the paper to a certain extent overcome this challenge. Firstly, the "domain of application" approach in the process of data collection has helped to benefit from the complementarity of theories and trace different causes of policy change pertaining to various aspects of the case (i.e., member-states' role, bureaucratic power and leadership, need for resources, and a normative intervention). Secondly, in order to assess the causal claims of each theory in the process of analysis, the "competitive testing" approach has been undertaken wherein the explanatory power of alternative hypotheses has been examined by relying on an historical narrative developed in Chapter 3 (Jupille & Checkel, 2003, p. 19; see Figure 1, p. 17).

Sequencing the application of theories in this manner, which has helped to overcome the above-mentioned challenges, has two advantages. Firstly, sequencing has made the process of analysis more focused, has allowed to preserve the explanatory power of the theories, and has helped to eliminate the possibility of making biased conclusions in favour of the main argument. Second, this approach has also permitted the transformation of the descriptive and historical narrative developed in this paper (see Chapter 3) into an analytical narrative (see Chapter 4). One of the shortcomings of this type of sequencing, wherein a detailed historical case is transformed "into a more abstract and selective one couched in

theoretical concept” (George & Bennett, 2005, p. 93), is the possibility of oversimplification of the case and loss of information. This is a legitimate concern in those cases where the researcher applies two theories at most in the process of policy analysis. However, by increasing the range of applied theories to four, the paper eliminates this shortcoming to a possible extent.

1.3.3. Data collection

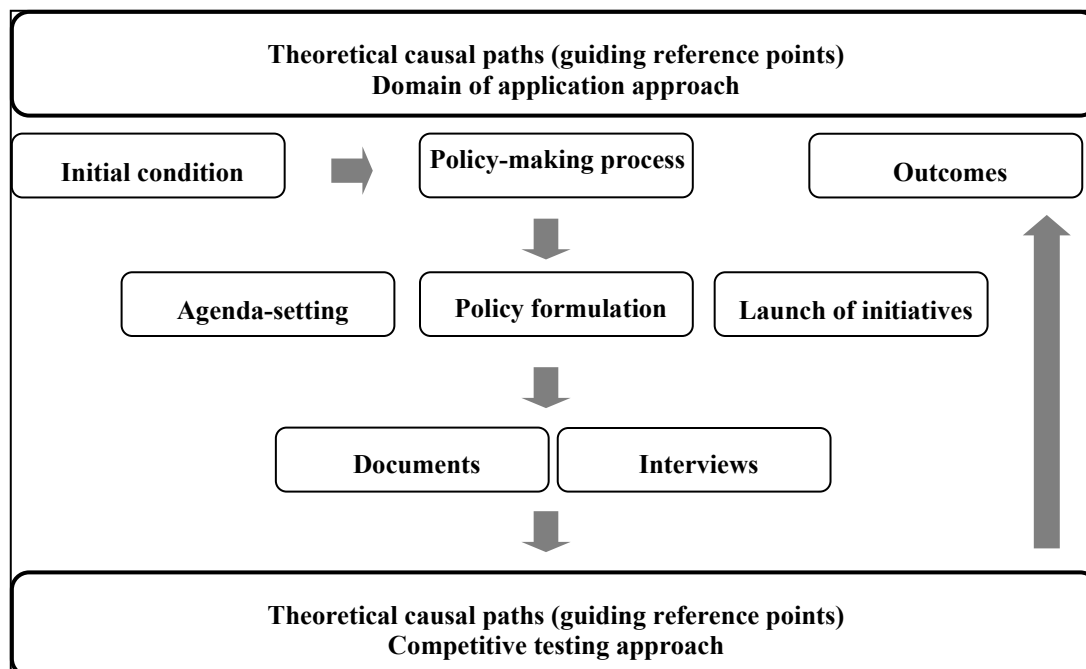
As a TGPT method requires, it was necessary to examine “histories, archival documents, interview transcripts, and other sources to see whether the causal process a theory hypothesizes or implies in a case is in fact evident in the sequence and values of the intervening variables and outcomes” (George & Bennett, 2005, p. 6). Therefore, the data for this paper has been collected through the content analysis of documents and interviews.

Documents. In the process of document review, the paper has used a content analysis method, which relies on the content of textual materials in order to analyze “recorded human communication” (Babbie, 2010, p. 356). The application of this method has been of particular interest in this paper because in constructivist research content analysis is used as a primary tool to uncover “the existence (and possibly dominance) of particular intersubjective understandings” (Klotz & Lynch, 2007, p.19). In analyzing the content of documents, the paper has focused on hypothetical causal paths and guiding reference points derived from the discussion of theories of IR in Chapter 2, across time and policy cycle, for each UNDP-private sector initiatives (see Figure 1, p. 17). The principle sources of primary documents are the UN and UNDP documents that are accessible through the online archives of the UN system. These online archives include the UN Official Documents System (ODS); the archive of official UNDP documents; and the Dag Hammarskjöld Library online catalogue, which have been searched for voting records. Other special reports of the UN/UNDP have been accessed through other sources as cited.

Table 2***Types of Primary Documents***

Type of documents	Period
Decisions adopted by the EB (UNDP)	1992-2008
Reports of the EB sessions (UNDP)	1994-2008
Annual and special reports of the Administrator (UNDP) to the EB	1994-2008
Annual reports of the Administrator (UNDP) to the ECOSOC	1997-2008
The UN Secretary General's (SG) special and annual reports to the General Assembly	For various years, as cited
The UN Board of Auditor biennium reports (for UNDP)	1999-2008
Internal evaluation reports to the EB (UNDP)	For various years, as cited
Human Development Reports	1994-2008
The General Assembly's resolutions (on the private sector and development) and voting records	1992-2008
Other special reports (the UN and UNDP)	For various years, as cited

Interviews. Semi-structured interviewing was the chosen method for interviews in this paper. Key informants have been identified by using purposive and continuous sampling techniques at the initial stage of this research (Hochschild, 2009). The main criteria for the selection of key informants have been identified as: (a) the degree and duration of their involvement in the process of policymaking at the UN and UNDP; and (b) long-standing professional and/or academic interests in PPPs, CSR, and the UN development system. As a result, 23 individuals have been formally interviewed and informal discussions have been held with another seven individuals (see Table 11, p. 102). Key informants can be divided into three groups: 1) current and former international and Canadian civil servants associated with the UN system, UNDP, or other relevant agencies; 2) current and former international development experts (independent and affiliated with other IGOs); and 3) academics working in the area of PPP, CSR, or the UN development system. The duration of conducted interviews has ranged between 30 minutes to one hour. In some cases, interviews have been audio-recorded; in others, taking detailed notes have been preferred. Key informants are cited in this paper as per their personal consent.



Source: created by author.

Figure 1. Methodology

1.4. Outline

The next chapter discusses the theories of IR in order to hypothesize the causes of policy change. Chapter 3 examines the transformation in the character of UNDP's engagement with the private sector between 1994 and 2008 and focuses on the three stages of policy cycle. It documents, and outlines a narrative of, the process through which the introduction and launch of each initiative had been operationalized. Chapter 4 applies the theoretical framework developed in Chapter 2. Particular attention is paid to specific causal factors highlighted in the discussed theories. It demonstrates that the explanatory power of a liberal constructivist argument dose not simply complement, but integrate the causal claims of other theories where member-states' collective power and interests, bureaucratic interest and leadership of staff-members, and resources mobilization are reconstituted under the influence of norms through a process of interaction, dialogue, and reasoning. The conclusion outlines the implications of this case in analytical, empirical, and theoretical terms for further studies.

CHAPTER 2: POLICY CHANGE IN IR THEORIES

While some early studies of IGOs' policies predicted the decline of academic interest in this area (Rochester, 1986), others argued that the "progressive problem shifts" since the 1980s had reinvigorated the interests of IR students in the studies of IGOs in the context of global governance and international regimes (Kratochwil & Ruggie, 1986). Indeed, the study of IGOs' policies and practices has been taken up by rationalist and constructivist variants of IR theories. In explaining the roles and functions of IGOs, the focus has traditionally been on issues of cooperation, state interest (e.g., Martin & Simmons, 2008; Mearsheimer, 1994), and the bureaucratic power of IGOs (e.g., Barnett & Finnemore, 1999). More recent literature in this area has taken the research agendas on IGOs further by drawing upon rational choice models (e.g., Hawkins et al., 2006; Koremenos et. al, 2001) and various strand of constructivism (e.g., Best, 2012; Park & Vetterlein, 2010; Weaver, 2008). As a result, this recent literature has created a rich intellectual framework for a more complex and multidimensional interpretation of IGOs' policies and practices. This section aims to discuss the core assumptions of these recent studies and develop a theoretical framework, based on the core assumptions of constructivism, the PA model, key studies of bureaucratic culture, and rational choice institutionalism (RCI), for the analysis of policy change. It will start, however, with a discussion of CSR norms and its relation to IGOs' policies.

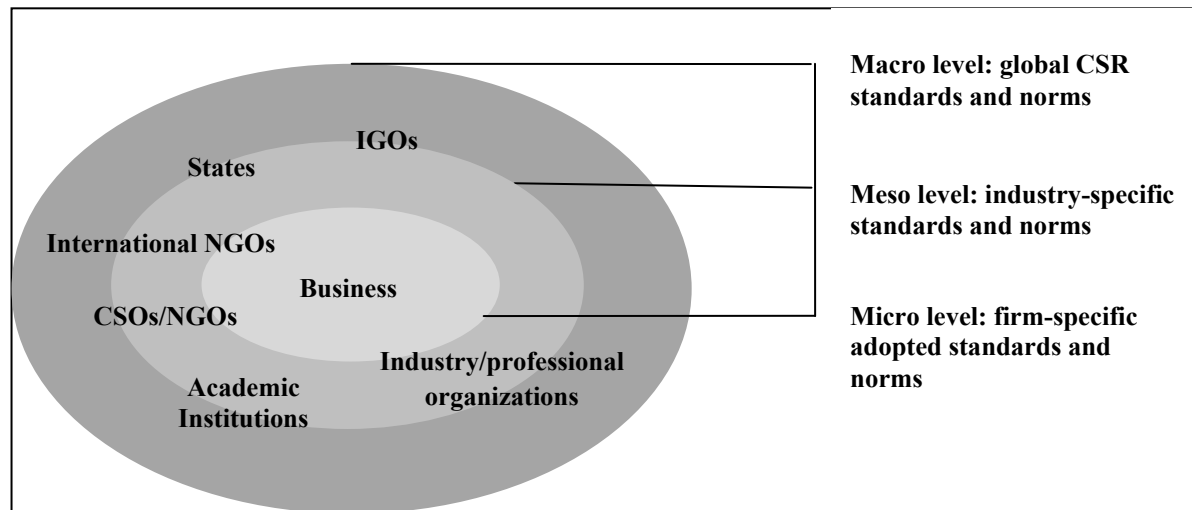
2.1. Constructivism: norms and intersubjectivity

2.1.1. IGOs and CSR norms

The CSR concept has evolved in the context of globalization and global governance debates in the 1990s. At the end of the 1980s, the implementation of policies regarding the privatization of public enterprises and the liberalization of markets in developing countries had raised policy debates about the role of the private sector in development in the context of globalization. Particular attention was paid to the impact of foreign investment in developing countries, especially when the extraterritorialities of home-country's regulations were impossible to apply, and host countries (mainly in the developing world) had a weak regulatory infrastructure. In this context, there was greater recognition that business should demonstrate better social and environmental stewardship in order to prevent and mitigate the

negative externalities of its operations. As a result, since the early 1990s, with an increasing interest in the role of institutions and the importance of good governance, there has been a growing debate as to whether CSR is an effective form of corporate governance, which, if standardized and properly implemented, can help to improve the development impact of the private sector.

The results of theoretical and policy debates in the past two decades have made CSR a promising agenda for defining the role and responsibility of business in society. While its definition varies depending on the area of study (business, global governance, development, etc.), in a generic sense CSR is understood as the obligation of business in giving due consideration to the impact of its activities on its primary and secondary stakeholders (Clarkson, 1995). Depending on the context, this liability of business usually includes the obligation to consider its social, economic, environmental, and political impacts on those who are related to, and can be affected by, its activities. Policy debates about the fulfillment of these obligations, which have proliferated as a result, and have led to the development of a large number of standards, regulations, codes of conducts, and reporting initiatives in the past two decades at the macro (global), meso (industry/sector), and micro (firm) levels. As a result, the evolution of these standards, norms, codes, and progress reports has generated an interconnected network of activities, dialogue and interaction between the private sector and its stakeholders (states, IGOs, NGOs/CSOs, communities, and academic/research institutions), and has facilitated their participation in the process of development and diffusion of CSR-related norms (see Figure 2, p. 20).



Notes: adapted and modified from Haslam (2004).

Figure 2. IGOs' Role in the Process of Development and Diffusion of CSR Norms

At the macro level, the role and involvement of IGOs in the process of development and provision of technical, institutional, and logistic supports for the design, launch, and implementation of these standards and norms have been crucial. IGOs (e.g., the OECD, the World Bank Group, the UN funds and programmes, and other regional and specialized organizations) have started to engage directly with states, the private sector, NGOs, and other organizations through consultation, dialogue, and conferences in order to define the role and responsibility of business in society. By developing their own CSR-related frameworks and standards, IGOs have also begun to play a significant role in the diffusion and internalization of CSR norms and practices among business entities. As a result, by the end of the 2000s, a significant number of well-established initiatives and standards, which help to guide and structurize the performance of business in CSR-related areas, have been developed at the macro level (see Table 3, p. 21).

Table 3***Major Global CSR Initiatives with IGOs' Involvement***

	Initiative	Objectives
1976 (last revised in 2011)	The OECD's Guidelines for Multinational Enterprises	providing standards and guidelines for responsible business conduct
1993	Transparency International (TI)	monitoring and publicizing companies' and states' corruption-related issues
1997	Global Reporting Initiative (GRI)	encouraging sustainability and transparency by requiring member-companies to report on CSR-related issues based on specific indicators
2001	the UN Global Compact (and its UNDP-led local networks)	encouraging companies to adhere to the principles of human rights, anti-corruption, environment and labour through multi-stakeholder consultations
2002	Extractive Industry Transparency Initiative (EITI)	making the disclosure of payments to, and revenue received by, resource-rich countries compulsory
2003	Equator Principles	determining and assessing the environmental and social impacts of the proposed projects before approvals
2006 (launched in 2007)	Principles of Responsible Investment (PRI)	promoting the adherence to six principles of environmental, social and corporate governance (ESG)
2008	AccountAbility AA1000AS/APS	developing sustainability assurance standards
2010	The International Organization for Standardization (ISO) 26000: Guidance on Social Responsibility	encouraging the implementation of best practice in social responsibility in related areas
Various years	Development Banks' standards (IADB, IFC, etc.)	considering adherence to social and environmental criteria in project financing

Source: compiled by author.

The evolution of this web of CSR-induced engagement among actors has shaped a “system of CSR promotion and advocacy” (Haslam, 2004, p.1), which has had a normative impact on companies' behaviour and commitments through learning (Dashwood, 2012; Dashwood, 2007). While the impact of the evolution and diffusion of CSR norms and standards on host communities and the overall developmental outcomes of these adaptations remain under-studied, in the past two decades there has been a noticeable shift in the character of CSR agendas implemented by companies. Indeed, as the CSR practices of many companies, especially those involved in partnerships with IGOs and other actors, and recent developments in business and corporate studies (Porter & Kramer, 2006; Porter & Kramer, 2011) show, the business attitude toward CSR agendas, and the way that it has started to internalize the diffused norms and engage in development, have changed.

Overall, this change in business behavior and CSR practices is more obvious in a comparison of the pre and post-2000 periods. Prior to the 2000s, the CSR agendas of companies could be characterized as responsive “to the evolving social concerns of stakeholders”, when through philanthropic and selected investment activities they were trying to mitigate “existing or anticipated adverse effects from business activities” (Porter & Kramer, 2006, p. 85). Recent trends in the private sector’s engagement with other actors in development (in the post-2000), however, are referring to the fulfilment of a strategic CSR agenda. This agenda expects companies to move “beyond good corporate citizenship and mitigating harmful value chain impacts to mount a small number of initiatives whose social and business benefits are large and distinctive” (p. 88). The agenda urges companies to explore opportunities for creating values that can be shared by, and contribute directly to the development of, their host communities. The agenda focuses on the fulfilment of those CSR “policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates” (Porter & Kramer, 2011, p. 66; see Table 4, p. 23).

It is in the context of this strategic agenda that the business literature has moved away from a pure conception of ethics and philanthropy toward more complex and innovative models designed to address societal needs and directly target the issue of poverty. Some of these models, which present a significant shift in CSR practice and currently make the foundation of many IGOs-business partnerships, are the concepts of the base of the income pyramid (BoP) and value and supply chain integration, and are realised through microfinance, social entrepreneurship, small and medium enterprises development (SMEs), and others. C. K. Prahalad, whose intellectual work has influenced the formulation of UNDP-business partnerships initiatives in 2004-2006 (see p. 72) , argued that BoP markets present a great opportunity for business to have an immediate impact on poverty reduction by developing affordable goods and services adapted to the needs of the poor (Prahalad & Hammond, 2002). As the partnership agendas of many IGOs and examples from CSR practice show, business has started to demonstrate more willingness to shift its exclusive focus from conventional market niches with obvious purchasing power to those that are at the BoP, thereby starting to produce, and provide goods and services adapted to their budget and needs.

Table 4

CSR Agendas and the Degree of Involvement in Development

Degree of involvement	Type of CSR practice
Maximum involvement <i>Predominantly from 2000 onward</i> (in the pursuit of <i>strategic CSR</i> agenda for inclusive market and business development and achieving MDGs, reduce poverty, and make profit)	- Value and supply chains integration - Working with BoP markets - Launching new profit-seeking, poverty-reducing, IBMs Creating shared values
Minimum involvement <i>Predominantly pre-2000</i> (in the pursuit of a <i>responsive CSR</i> agenda under the pressure of external factors and concern over corporate legitimacy and public visibility)	- Social investment - Public private partnerships - Temporary or lifetime branding Investment
	- Company-branded philanthropy - Targeted philanthropy - Random philanthropy Philanthropy

Note: Compiled by author; the second column is adapted and modified from Lodge and Wilson, 2006, p. 83.

These developing concepts define the responsibility of business to be broader than philanthropy, the mitigation of environmental issues, and the fulfilment of regulatory standards. These concepts, which have been embraced quite well in the past decade by major MNCs in partnership with IGOs, are to exhibit that business can make a long-term impact if it innovatively and strategically addresses societal needs by exploiting its core competencies. The shift in business thinking and practice signals a change in the way that business has started to perceive and practice its responsibility within the evolving system of CSR – a change that is actively facilitated by IGOs. It is in this strategic CSR context that in the past few years IGOs have started to engage with business in development. The growing number of partnerships between business and IGOs are meant to push the frontier of CSR beyond the pure perception of philanthropic activities. As a result, IGOs have redefined the role of the private sector in development in the context of their objectives (inclusive growth, finance, social issues, etc.) and are providing the required support for the launch and operationalization of partnerships promoting CSR. These partnerships between the private sector and IGOs are aimed at creating shared values and are operationalized in the form of IBMs that include and are not limited to, microfinance, social investment, small and medium enterprises (SMEs) support, value and supply chains integration, and BoP market development. In addition to UNDP and the UN system (discussed in this paper), in the past decade, the World Bank Group and almost all regional organizations have launched

programmes and policies that support and promote an active engagement of the private sector in development through IBMs (see Table 5).³

Table 5

Major CSR-driven Partnership Initiatives in other IGOs

IGO	The initiative	Objectives
The World Bank	Business, Competitiveness, and Development (particularly the Inclusive and Sustainable Business Program (2008))	encompassing several regional inclusive business development initiatives for poverty reduction
International Financial Corporation (IFC)	Inclusive Business Models Groups (2008)	supporting and encouraging IFC's clients in developing inclusive business and serving the BoP for poverty reduction
Inter-American Development Bank (IADB)	Opportunity for Majority Initiative (2007)	encouraging and supporting the private sector to develop IBMs
	Multilateral Investment Fund	supporting the private sector to develop, finance, and execute innovative business models that benefit entrepreneurs and poor and low-income households
Asian Development Bank (ADB)	Inclusive Business at the Base of the Pyramid (2008/2010)	encouraging and supporting the private sector to develop IBMs
African Development Bank (AfDB)	Private Sector Development Strategy (2012-2017) and Enhanced Private Sector Assistance (EPSA) Initiative	mobilizing donors supporting for inclusive growth through the development of the private sector
The European Commission	Social Business Initiative (as part of the Responsible Business Initiative (2011))	encouraging responsible business and social entrepreneurship for inclusive development and growth in the European Union
The UN	The UN Global Compact (2001)	encouraging business worldwide to adopt sustainable development and CSR principles
UNDP	GSB/IMD, GIM and BCtA	encouraging and supporting the implementation of inclusive projects and innovation for sustainable development

Source: compiled by author.

2.1.2. Norms in IR theories

How do CSR norms influence the policies of IGOs? Norms have a constitutive impact on policies and play an important role in constructivism. Constructivism, which has evolved in the past few decades, studies the social construction of ideas, identities, interests,

³In addition to these major IGOs, G20 has recently introduced its *Challenge on Inclusive Business Innovation* in 2012 to encourage and highlight best practices of the private sector in inclusive market and business development.

power, intersubjectivity, knowledge, reality, and other social phenomena through various epistemological approaches such as learning, interaction, discursive practices, communicative action, and others. These epistemological variations of constructivist scholarship have also caused differences in the approaches taken toward the study of IGOs in international politics. This paper discusses two of such approaches: liberal constructivism (the main argument) and bureaucratic culture (see section 2.3, p. 31). The adjective *liberal* is used in this paper in order to distinguish that part of constructivist scholarship that emphasises the power of shared ideas and focuses on the importance of norms (as an intervening mechanism) in changing behaviour in the process of interaction and reasoning, creating as a result an intersubjective understanding of values and interests among parties.⁴

More specifically on norms, this variant of constructivism argues that norms defined as acceptable and appropriate “standards of behaviour [...] in terms of rights and obligations” (Krasner 1983, p. 2), may have this effect insofar as they are intersubjective. Hence, intersubjectivity of norms implies shared understanding “of desirable and acceptable forms of social behaviour,” which produces a condition of “collective intentionality” (Ruggie, 1998, p. 879; Kratochwil & Ruggie, 1986, p. 764). “What makes the world hang together” (Ruggie, 1998), engage actors to cooperate, and determine outcomes, in a liberal constructivist’s account, are shared ideas, norms, beliefs, and understanding about a particular issue area rather than exceptional material forces. Shared and intersubjective norms of appropriate behaviour, which are developed and internalized in the process of reasoning, justification, and constant communication, can operate as an intervening variable between a certain set of causes (e.g., power, interests, ideas, beliefs) and outcomes (e.g., policy change).⁵ It is in the process of reasoning and argumentation that norms define meanings in a particular context, legitimize roles, shape preferences, and transform the

⁴ Emanuel Adler makes a clear distinction between the liberal and other variants of constructivism in the *Handbook of International Relations* (Calsnaes et al, 2012, pp. 112-144). John Ruggie also differentiates among various types of constructivism (see Ruggie 1998, pp. 880-882).

⁵ The importance of ideas and norms in shaping outcomes (policies) is addressed in the neoliberal literature as well (see for instance Goldstein and Keohane 1993). However, a constructivist’s critique (Ruggie 1998) points to the fact that a neoliberal interpretation of the impact of ideas on actors’ behaviour draws a linear causal link between the two, reflecting actors’ preferences rather than defining them. Therefore, ideas and norms for constructivists are not simply causes but a mechanism that alters actors’ behaviour and preferences in the process. The same criticism can be expanded to address that variant of constructivism that emphasises the role of scientific knowledge (causal beliefs) in influencing choices (for instance Peter Haas’ concept of epistemic communities as policy entrepreneurs (Haas, 1992)).

subjective quality and perception of power, interests, beliefs, ideas, and roles into intersubjective, making certain decisions and patterns of behaviour acceptable. These are elements, which (according to constructivists) facilitate change and transform policies (Hasenclever et al., 1997). Accordingly, the intervening effect of norms on the policymaking process, and the intersubjective quality that they obtain by means of reasoning, should not be underestimated.

As observed, and theoretically framed in IR theories, the emerging norms of CSR have had an impact on business behaviour and the way that it practices CSR and internalizes related norms. Recently, the emerging norms of CSR and their impact on business behaviour have been conceptualized in the emerging constructivist literature on the role of business in international politics (Hofferberth et al., 2011; Segerlund, 2010; Haslam, 2007), wherein business is treated as a social actor capable of learning through interaction and dialogue with other actors, who promote norms. As has been noted, indeed, many large MNCs by the early 2000s have started to adopt norms of sustainable and inclusive business and publicize through mandatory and voluntary reporting their adherence to, and the implementation of, CSR standards and best practices (Dashwood, 2012). Similarly, in the emerging system of CSR, the rules based on which business obtains its licence to operate in a community have been redefined in favour of CSOs through dialogue and reasoning (Haslam, 2007). The emergence of these practices question arises then that if under the influence of CSR norms business and CSOs agendas and behaviour have been transformed, IGOs should see similar changes in their policies under the influence of the same norms, especially insofar as they have also been an active element of the evolving CSR system. This argument is further strengthened if IGOs are also viewed as social actors in a constructivist context (Barnett & Finnemore, 2004, pp. 1-15), and able to learn from other actors through norm consumption (Park, 2006) in the process of interaction and dialogue and demonstrate change in policies.

However, despite its analytical and theoretical sophistications, the examination of the constitutive and intervening effect of norms on IGOs' policies has been limited for two reasons. Firstly, in assessing this effect the focus of IR theories has been predominantly on states' interests in the context of foreign policy and national security. Some empirical studies in this area have taken states' policies as the dependent variable in the process of diffusion of

norms of racial equality (Klotz, 1995), science bureaucracies, poverty reduction, treatment of war casualties (Finnemore, 1996), and culture (Katzenstein, 1996). In these cases, IGOs' policies are viewed as independent variables in the process of norm diffusion and norm internalization in global politics (Barnett & Finnemore, 2004).

Second, there has been limited discussion of how, and from whom, IGOs themselves adopt norms and how their agendas are influenced by the constitutive effect of those norms that they diffuse. If IGOs are successful in diffusing global norms and are effective in introducing new programmes among their members, then we can expect to see IGOs' agendas undergo significant changes because of norm development and diffusion, in the first place. This argument treats IGOs as a dependent variable in the process of norm development, diffusion, and internalization. Some recent studies have taken up this issue in order to demonstrate how IGOs can internalize and consume norms by interacting with, and learn from, other non-state actors in the process through which norms obtain an intersubjective quality and become acceptable in the policy environment of IGOs (Park, 2006).

Therefore, empirically, the transmission of norms from NGOs to IGOs has received more attention. It has been argued that in the process of socialization NGOs do influence the incorporation of principled beliefs and norms that define NGOs' missions (i.e., the protection of human rights, environment, or social justice) into IGOs agendas and shape policies (Finnemore & Sikkink, 1998). Certainly, these arguments are a significant improvement over other studies that usually treat IGOs as only the diffusers and transmitter of norms in global politics. Indeed, IGOs, as social actors, are capable of learning and internalizing new ideas and practices from others through socialization and interaction. To this extent, these arguments put a particular accent on the evolution of norms within IGOs and explain where those norms that IGOs diffuse are coming from. The application of these arguments is analytically useful for the analysis of the process of agenda-setting and the way that an organization's internal policy environment is influenced by external factors and actors. However, these arguments do not specify whether the socialization with the same set of factors and actors is sufficient to shape policies when the policymaking process moves into the stages of formulation and launch. These arguments also cannot explain those conditions

where IGOs themselves are involved in the process of norm development and the shift in IGOs' agendas is the outcome of multiple causality. Accepting that IGOs are not simply norm transmitters and diffusers in global politics but also capable of being influenced by norms, adds certainly a nuance to the mainstream convention of IGOs studies, and opens the process of agenda-setting for further analysis. However, in order to understand the entire (and complex) process of policymaking it is necessary to focus particularly on the intervening and constitutive impact of norms on agendas that entails from an iterative process of interaction, dialogue, and reasoning through which norms obtain an intersubjective quality and influence policies.

What does this discussion imply for the assessment of the constitutive impact of CSR norms on the policymaking process in the context of this paper? The preceding discussion implies that if the theory suggests that norms are not subjective but intersubjective and they do influence preferences through a reasoning process, then their principled content should have an impact not only on those for whom these norms have been developed but also on all interacting parties. As a result, it can be expected that if the discussion and debates of CSR norms, enter the policy environment of IGOs, they can operate as an intervening mechanism between the organizations' mandates and policy outcomes. This argument is further strengthened if IGOs are viewed not simply as diffusers of norms but also as consumers capable of learning and internalizing new ideas in the process of interaction and dialogue.

Therefore, by taking IGOs' policies as dependent variables in the process of CSR norm development and diffusion, it can be hypothesised that the recent changes in agendas and policies of IGOs can imply a normative shift in the way that IGOs have started to view and interpret the responsibility and the role of the private sector in development. This normative shift is the result of a progressive interaction and dialogue between IGO and the private sector, where in the process of reasoning, justification, and exchange of best practices IGOs have taken up, internalized, and operationalized, in the context of their mission and activities, the principled content of the social responsibility debate. As a result, the role and contribution of the private sector toward IGOs' practice are redefined, policies are changed, and new initiatives of greater cooperation are embedded into implementation agendas.

Because this hypothesis can be evaluated only in light of most-likely hypothetical causal paths, the next three sections will discuss other competing hypothetical factors of policy change at IGOs and develop related arguments (see Table 6, p. 36).

2.2. The principal-agent model: member-states' collective power and interests

Conventionally, in the analysis of change in policies and practices of IGOs, the role and influence of member-states is considered the most important factor. Member-states' influence on the process of policy change gains even more explanatory power when this change implies greater engagement with other non-state actors as, after all, IGOs are supposed to operate according to their mandates. In neo(realism) IGOs "are simply epiphenomena of state interaction" (Barnett & Finnemore 1999, p. 704) and interests and are created to maximize states' gain from cooperation. However, how do states maintain their ongoing influence over agendas and materialize their influence on the policymaking process? Mainstream theories of IR (Grieco, 1988; Abbott & Snidal, 1998; Hasenclever et al., 1997) cannot theorize the role of member-states in the process of management and policymaking in IGOs once the delegation has been granted.

In the framework of the principal-agent (PA) model, recent studies have started to take the concept of delegation further to theorize the dynamics of the relationship between member-states (the principals) and IGOs (the agents), once authority has been granted. Although this model lacks a systematic account of states' preferences and interests, it lends some insights into how states control and influence IGOs' agendas. Theorized as agents of the member-states, IGOs are rational systems that have been created to solve collective action problems not simply by performing given tasks, but also by applying their capacity and resources to attain efficiency on behalf of their members. As a result, their operations remain a function of member-states' collective interests and preferences, who can reformulate, revise, and authorize new mandates, agendas, and policies.

However, policy change can immediately be attributed to the preferences of the principals only under certain conditions. The extent of the influence that principals have over agents' agendas and policies depends on the degree and quality of control that they possess over its performance and operations. Recognizing this factor, principals establish

mechanisms for constant control of agent's performance to ensure transparency and symmetry of information and review and re-assign tasks accordingly (if needed) in order to reach the expected outcome. Typical mechanisms of control pertaining to the operation of major IGOs include formal rules (i.e., mandates and voting procedures), reporting and monitoring (i.e., regular performance accountability and external reviews), and sanctioning (i.e., change in budgetary contributions) (Hawkins, et al., 2006; Pollack, 1997; Nielson & Tierney, 2003).

Therefore, the weak influence and control of the principals over operations, as a result of information asymmetry and failure of the adequate application of control mechanisms, may lead to the greater autonomy and independence of agent, which may not be in the interests of the principals. Consequently, this “undelegated” autonomy, or agency *slack*, may take the form of agency *shirking* (i.e., less effort in fulfilling of mandates) and agency *slippage* (i.e., diversion of agendas and policies away from the principals’ collective interest) (Nielson et al., 2003, p. 111). In all these cases, agency slack must have a provisional character and should be reversible once the issue of information asymmetry is resolved and the mechanisms of control are effectively applied.

Why, then, do states allow IGOs to engage with other non-state actors? In the application of the PA model to IGOs, the role of other non-state actors, such as the private sector, is of little interest. IGOs-business’ engagements are important only if they extend states’ economic interests by creating new markets. Subsequently, it can be expected that any policy change, which favours greater engagement of IGOs with the private sector, will encounter member-states’ disapproval and will be dismissed from implementation agendas if that policy is not intended to strengthen an organization’s operation or correspond to the preferences of its member-states. How, then, would the PA model hypothesise the change in policies of IGOs when it involves their greater engagement with the private sector? The foregoing discussion implies an alternative to the argument of this paper on the impact of norms that, *under conditions of information symmetry, effective application of control mechanisms, and given that agency slack is reversible, member-states’ collective decision at the executive board are more likely to influence and cause changes in policies. By exercising their decision-making power, member-states dominate policy cycles, legitimize and define*

the role and contribution of the private sector toward IGOs' practice, change policies, and lead to the embeddedness of new initiatives of greater cooperation into implementation agendas (see Table 6, p. 36).

2.3. Bureaucratic culture: bureaucratic power and leadership

Although member-states certainly exert significant influence on IGOs' agendas and policies, the forces of change may not always come from the executive board (EB). The change in policies can also be initiated within the organization. As has been noted in section 2.1.2 (p. 24), another variant of constructivism that is of interest in this paper is the bureaucratic culture argument about the change in policies (Barnett & Finnemore, 2004, pp. 42-44). In a criticism of state-centered theories of IR, studies on bureaucratic culture literature that focus on organizational behaviour are taking up this issue and analyzing the impact of the external environment and internal dynamics on policy outcomes in order to explain how IGOs can operate independently within the zone of their discretion (Barnett & Finnemore, 2004, pp. 1-9, p. 43). It has been argued that even the most delegated and legalized IGOs possess at least some degree of delegated autonomy, which often empowers them to act at their own discretion and be responsive to their external and internal environments (Lake & McCubbins, 2006). In addition, decisions and policies made at the EB occasionally do not translate into policy outcomes and the organization may even demonstrate pathological behaviour and double standards by adopting and pursuing agendas that contradict its mandates (Weaver, 2008).

What, then, makes IGOs being more autonomous and proactive? The literature on bureaucratic culture points to some sources of autonomy that IGOs draw upon to act independently and to be policy initiators in their own rights. Consequently, two sources of autonomy and power, which correspond to the ability of organization in being responsive to its external and internal environments, can be highlighted. These include bureaucratic power and norms of profession, which provide required leadership for successful development of policies. Both of these sources of power stem from the efforts of executives and bureaucrats to preserve the organization's legitimacy and independence even if its functions are ineffective and contradict the established mandates.

On bureaucratic power, Michael Barnett and Martha Finnemore theorize IGOs as a “distinctive social form that exercise authority in particular ways” and consider them as powerful bureaucracies capable of doing more than their mandates require (Barnett & Finnemore, 2004, p. 9). Viewed as bureaucracies, IGOs wield rational-legal, delegated, moral, and expert sources of authority by relying on the expertise and leadership of their staff-members and administration. These sources of authority enable them to stipulate rules, diffuse norms, create new meanings, formulate policies, and respond effectively to external demands, i.e., do more than their members require. The ultimate purpose of IGO in developing new policies may not always be functional or instrumental. To preserve their influence on global affairs they often demonstrate change to gain, maintain, or enhance their social legitimacy if external pressure demands it. As a result, they may demonstrate “change as a response to shifts in the regulatory and normative patterns in the environment [by recognizing...] that their survival and acceptance are dependent on demonstrating legitimacy and organization will change in response to new normative demands or requirements from outside” (Barnett & Finnemore, 2004, p. 43; Hall & Taylor, 1996).

The second source of autonomy and power suggests that an IGO’s response to its external environment is a function of its internal dynamics. Staff-members’ beliefs, expertise, and leadership are important impetus in organization authority and autonomy. By assuming, that bureaucracies are developing their routines, practices, and system of beliefs based (at least rhetorically) on mission and mandate gradually, it can be expected that policy innovation and twists in practices would require time. This implies that only those policies that correspond with common beliefs within the bureaucracy will succeed to move onto implementation agendas and eventually result in practical outcomes (Weaver & Leiteritz, 2005). Hence, policies and overall practices will remain almost unchanged if they are not initiated, or do not draw at least some degree of support, from within the organization. Staff members, who deal with the daily operations of IGOs, are more responsive to the performance and challenges, able to identify the prevailing issues, and propose policies accordingly. Drawing upon their expertise, leadership, and common beliefs within their profession, staff have been successful (even prior to, and in the absence of, endorsement by member-states), at IFIs and elsewhere in facilitating certain the changes into policies. “Acting as internal entrepreneurs, these staff members use some form of persuasion, social

pressure, material incentives, or position of leadership to put a belief on an IO's agenda and then transform it into practice" (Chwieroth, 2008, p. 135).

Leadership in supporting and moving forward new initiatives through the policy cycle is another source of internal power in the chain of delegation and can facilitate change. An executive's personal characteristics, position, professional background and network may help to expand IGOs' mandates and introduce new initiatives and change. "Formal leadership perform functions of agenda management, brokerage, and representation that make it more likely for negotiations to succeed, and possess privileged resources that may enable them to steer negotiations toward the agreements they most prefer" (Tallberg, 2010, p. 241; Kille & Scully, 2003). Overall, by advocating for a new policy agenda, executives are able to apply effectively their bureaucratic leadership and design new agendas despite resistance, or lack of support, from member-states.

How, then, would the bureaucratic culture literature hypothesise the change in policies of IGOs when it involves their greater engagement with the private sector? It can be hypothesised that, *given that the organization's legitimacy and independence are at stake and the overall culture within the organization is not resistant to change, staff-members and the administration are more likely to influence the policy cycle and cause a change in policies. By exercising their leadership authority, they legitimize and define the role and contribution of the private sector toward IGOs' practices, change policies, and lead to the embeddedness of new initiatives of greater cooperation into implementation agendas* (see Table 6, p. 36).

2.4. Rational choice institutionalism: constellation of interests and efficiency

Policy may also change under the condition of complex interdependence when efficiency is at stake. The literature on RCI and design of international institutions makes this argument based on studies conducted in the field of international cooperation (Martin & Simmons, 2008). As it is suggested, new institutional arrangements and policies are introduced not simply to satisfy the demand of member-states for control and power or to respond to external or internal pressures, but to solve problems of common interests. These are a deliberate choice made by the states and other involved actors "in response to changing

conditions” (Koremenos et al., 2001, p. 762). Decisions and actions are not the result of “impersonal historical forces”, but a “strategic calculus” influenced by actors’ expectations about the behaviour of others and expected results (Hall & Tylor, 1996, p. 945). Therefore, the creation and design of new institutions is a dynamic process that entails strategic interaction and planning among all parties involved over what should be considered important in the process of policy formulation. As a result, decisions are predominantly guided by rational calculation and a constellation of interests in an issue area where emphasis is put on the efficiency of institutions in terms of functions they are expected to perform and value they may add to optimize outcomes.

As has been noted, this argument currently dominates most of the literature on IGO-private sector partnerships, where strategic cooperation, mobilization of resources, and efficiency are considered the main factors of change. These primary factors are considered important in explaining why IGOs might show greater interest in partnership with the private sector. Policymaking as a complex process at IGOs may involve extensive bargaining and negotiation. Member-states, IGOs, and other actors may pursue certain strategic goals from the creation of new initiatives such as minimizing resource dependence or improving performance. From IGOs’ perspective, resource mobilization and better performance may become the primary objectives if a lack of sufficient resources prevents the organization to perform its tasks and stay competitive among others (Barnett & Finnemore, 2004). In this regard, the organization may strive to attract non-core sources of funding by designing and deliberately implementing programmes and initiatives that can mobilize support from outside.

States may pursue certain strategies and goals by approving close engagement of other non-state actors with IGOs. In the field of international development, less-developed countries are the main clients of IGOs and in this regard, UN programmes and funds have always played an important role. Member-states may find it more effective when private sector involvement can reduce the financial pressure on IGOs for development programmes and projects and contribute toward the improvement of their technical and technological capacities. The decline in official development aid (ODA) flows to developing countries and the overall gap in development finance is one of those factors that can stimulate the interest

of the development sector in partnership and innovation. Developing countries at the EB may support and show interest in the greater involvement of the private sector in development if the implementation of proposed projects and the achievement of certain social and economic goals on the ground are important part of their development priorities (Hopkins, 2009; Bull & McNeill, 2007; Kahler, 2005; Scholt, 2008). Therefore, private actors are important due to their expertise in addressing certain tasks that states and IGOs are not able to resolve.

It can be concluded that IGOs' decision to adopt partnership initiatives are a deliberate rational choice made to maximize efficiency. States and IGOs are interested in, and agree to, a change in policies if this change helps them to increase their gain and overcome constraints pertaining to their operations. Based on this discussion, a RCI's interpretation would suggest that *functional efficiencies of the private sector in terms of its financial and technical contributions to IGOs' and states' operations for better outcomes are more likely to influence policy cycles and cause the change in policies. By deliberately negotiating and designing agendas and policies, member-states and IGOs accept and define the role and contribution of the private sector toward IGOs' practices, change policies, and lead to the embeddedness of new initiatives of greater cooperation into implementation agendas* (see Table 6, p. 36).

2.5. Summary

The hypotheses that have been derived from the discussions in the previous sections are summarized in Table 6. These hypotheses have been used to guide the process of analysis in Chapters 3 and 4.

Table 6***Hypotheses***

Constructivism (the liberal variant of)
Therefore, by taking IGOs' policies as dependent variables in the process of CSR norm development and diffusion, it can be hypothesised that the recent changes in agendas and policies of IGOs can imply a normative shift in the way that IGOs have started to view and interpret the responsibility and the role of the private sector in development. This normative shift is the result of a progressive interaction and dialogue between IGO and the private sector, where in the process of reasoning, justification, and exchange of best practices IGOs have taken up, internalized, and operationalized, in the context of their mission and activities, the principled content of the social responsibility debate. As a result, the role and contribution of the private sector toward IGOs' practice are redefined, policies are changed, and new initiatives of greater cooperation are embedded into implementation agendas.
The principal-agent model
Under conditions of information symmetry, effective application of control mechanisms, and given that agency slack is reversible, member-states' collective decision at the executive board are more likely to influence and cause changes in policies. By exercising their decision-making power, member-states dominate policy cycles, legitimize and define the role and contribution of the private sector toward IGOs' practice, change policies, and lead to the embeddedness of new initiatives of greater cooperation into implementation agendas.
Bureaucratic culture
Given that the organization's legitimacy and independence are at stake and the overall culture within the organization is not resistant to change, staff-members and the administration are more likely to influence the policy cycle and cause a change in policies. By exercising their leadership authority, they legitimize and define the role and contribution of the private sector toward IGOs' practices, change policies, and lead to the embeddedness of new initiatives of greater cooperation into implementation agendas.
Rational choice institutionalism
Functional efficiencies of the private sector in terms of its financial and technical contributions to IGOs' and states' operations for better outcomes are more likely to influence policy cycles and cause the change in policies. By deliberately negotiating and designing agendas and policies, member-states and IGOs accept and define the role and contribution of the private sector toward IGOs' practices, change policies, and lead to the embeddedness of new initiatives of greater cooperation into implementation agendas.

While the quantification of the discussed hypotheses is not attempted in this paper, it is possible to derive certain guiding reference points (GRP) for the operationalization of the theoretical framework. As a result, the derived guiding reference points (see Table 7, p. 37) have been used for the simplification of the tracing process and in the process of analysis in Chapter 4.

Table 7***Guiding Reference Points for Process-tracing***

Theory	Possible triggers of change	Guiding reference points
Constructivism (the liberal variant of)	Norms, learning and intersubjectivity	• Interaction and dialogue • (Re)definition of the role of business in the context of organization mandate • Reference to common objectives and values
The principal-agent model	Delegation and collective interest of member-states	• Explicit support (by means of voting and in-kind contributions) of new initiatives and policies at the EB • Excessive reviews and the application of accountability mechanism (degree of control) • Financial sanctioning (if the policy is not initiated at the EB)
Bureaucratic culture	Bureaucratic power (expertise and leadership)	• Internal support for new agendas/initiation of policies within the organization and/or by its staff members and/or the administration • Norms of profession and position of leadership • Change in the administration (new appointments and ideas)
Rational choice institutionalism	Efficiency and resource mobilization	• Budgetary and performance issues • Increase in technical and financial contribution from other (non-state) sources • Continuity of the discussion of efficiency and effectiveness (or lack of) and need to mobilize additional funding

Source: compiled by author.

CHAPTER 3: UNDP'S ENGAGEMENT WITH THE PRIVATE SECTOR

In the mid-1990s, the two integral elements of the UN's and UNDP's agendas were the issues of reform and the role and engagement of the private sector in development. Among other IGOs, UNDP was the first leading the design of partnership initiatives. However, the process of design and launch of its first partnership initiative stands in contrast with the development of other initiatives launched after 2000. This contrast implies to a qualitative shift through which the extent of UNDP-private sector partnerships changed with the launch of each new initiative and paved the way for the greater role and engagement of the private sector in development. This chapter starts with a discussion of early triggers of reform and the process wherein the issue of UNDP's engagement with the private sector gradually entered policy agendas.

3.1. Pre-reform era (1994-1997)

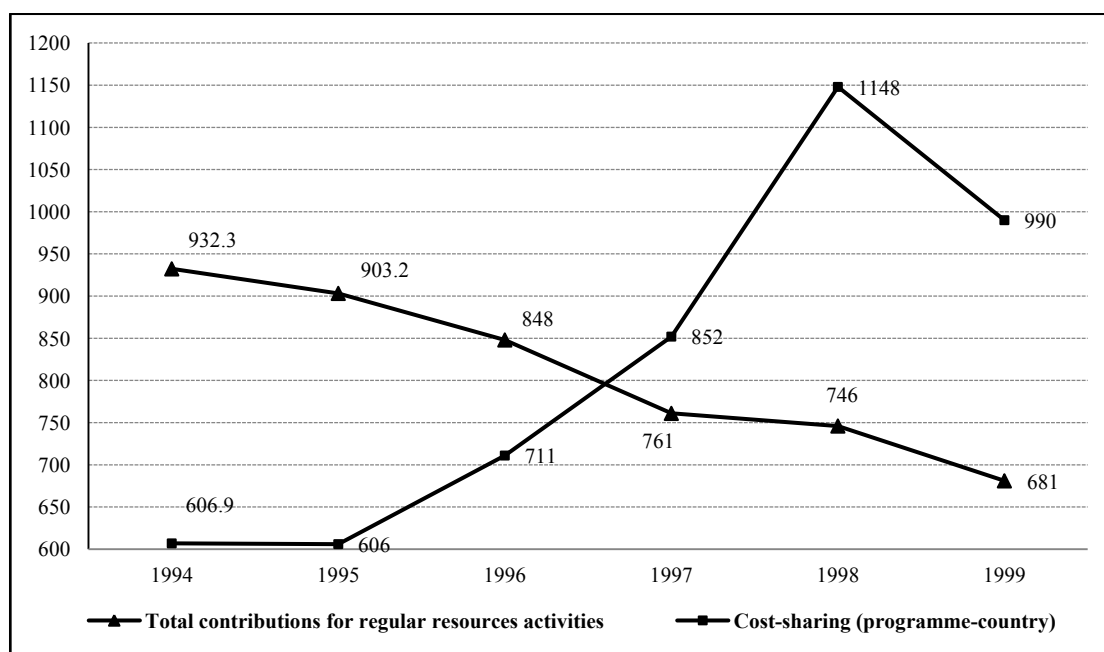
3.1.1. The challenges of financial and performance management

At the beginning of the 1990s, at least two major challenges were preventing the Programme from performing its global development mandate effectively. It became obvious that in order to stay relevant among other IGOs in the field, the Programme had to improve its financial and performance management. In terms of financial performance, UNDP, similar to other programmes and funds, was facing a sharp decline in core funds because of the accumulated amount of arrears in voluntary contributions by member-states.⁶ Consequently, by the end of 1993, resource mobilization became a matter of survival for the Programme because its core funds were not more than 70 % of the projected indicative planning figures (IPF).

This financial challenge was mainly stemming from two major issues: (1) the decline in the regular contributions of member-states and the amount of ODA channelled through the UN system; and (2) the absence of a mechanism that would have helped to make the flow of core resources more predictable and would have facilitated an accurate projection of expenditures. According to the official financial reports, only in the period between 1994 and 1997, the total contributions of member-states to regular resources declined by 18.3 %,

⁶ Member-states' contributions to UNDP's budget are made of voluntary and assessed (or compulsory) payments. Voluntary contributions are making more than half of the total funds.

from 932.3 million USD to 761 million USD (DP/1996/1; DP/1996/29). This situation affected the structure and composition of expenditures and, consequently, led to their total decline by 100 million USD, between 1996 and 1999. As a result, national execution (NEX) of programmes and projects became one of the main tools for project implementation and helped to increase the amount of cost-sharing with programme-countries (see Figure 3).



Source: compiled by author based on UNDP's annual reports.⁷

Figure 3. Regular Resources Activities and Cost-sharing with Programme-countries (million USD)

Cost-sharing with programme-countries was not a new item on financial agendas. As an instrument for project execution, it began to surge in the mid-1980s, when the implementation of joint projects with Latin American countries started to increase (Browne, 2011, p. 45). However, it was not until the mid-1990s that this instrument for project execution was given a particular priority and started to increase in monetary terms – around 20 % between 1994 and 1997. Cost-sharing with third parties (i.e., with IFIs, NGOs, the private sectors, foundations, and others) also gained some prominence in the funding

⁷ The Global Policy Forum website has the archived data of the UN financial portfolio; see [<http://www.globalpolicy.org/un-finance/general-articles.html>]

structure of the Programme, although the share of this indicator in the total amount of funds was insignificant (5A (A/55/5/Add.1)).

As has been noted, the decline in financial resources for the implementation of UNDP's global development mandate was not the only challenge that the Programme was facing at the beginning of the 1990s. Weak learning capacity to incorporate new ideas into policy agendas was another challenge recognized by the EB. Major donors, specifically the US, were sceptical about the ability of the UN development system in implementing its development objectives more efficiently than other IGOs.⁸ As a result, the Congress, by demanding reform and effectiveness, deliberately withheld the US voluntary contributions to the UN funds during the second half of the 1990s, which exacerbated its financial condition.

The Programme's internal evaluation reports of that period consistently point to the lack of a result-oriented approach toward its field operations and its weak capacity in headquarters to incorporate lessons learned and feedbacks from, the country offices into agendas. For instance, the evaluation report of the Administrator to the executive board (EB) in 1994 had concluded that "systematic attention to feedback and taking stock of lessons learned is not integrated as part of the programme functions of UNDP - both in terms of corporate cultural practice and operational directives" (DP/1994/24, p. 15). The recognition of these two issues (i.e., poor financial and performance management) by the EB facilitated the formulation of agendas for reforms at the UNDP afterward.

3.1.2. Setting up the agenda for reforms

Recognizing the above mentioned challenges at the beginning of the 1990s, the EB in its 1994's annual meeting formally tasked the Administrator to "continue his endeavour to find resources to enable the restoration of indicative planning figures to the original level" (DP/1995/1, p. 6). In addition, the EB asked the Administrator to explore more innovative ways to support SHD and mobilize resources from potential and non-traditional sources including NGOs, foundations, and local development institutions (DP/1994/24, p. 1). In light of these dynamics, the efforts of the administration for resource mobilization and reforms

⁸ The US is responsible for 22 % (proportional to the size of its economy) of the UN system's regular budget. The US arrears in payments have started to accumulate since the mid-1980s and have been subject of debates in the US Congress as a condition for the UN reform and progress in performance. See for instance Bite 2003.

were twofold. At the level of donors and member-states, the Programme led bilateral negotiations with developed countries and asked for an increase in their voluntary contributions in order to prevent the erosion of funds and at the same time compensate for the decline in the annual flow of ODA, which was not more than 10 % in 1993 (DP/1994/1). At the level of organization, the Programme introduced several reform initiatives, which laid the foundation for future reforms and created a context for setting the agendas for the subsequent engagement with the private sector. Some reform initiatives that were introduced and undertaken in the second half of the 1990s include:

- **The Initiative for Change:** In response to the EB's request, the Administrator, James Gustave Speth, presented his reform proposal, entitled the *Initiative for Change*, to the EB in 1994. The initiative was proposing to enhance the effectiveness of financial and performance management of the Programme, clarify and unify its objectives around the concept of SHD, and at the same time preserve the Programme's "universality, neutrality and non-conditionality, and the grant nature of its assistance" (DP/1994/L.4/Add.1, p. 1). In this report, the Administrator had also proposed a substantive agenda for partnership with other programmes and funds, with IFIs (by establishing joint task forces), and with other non-state actors in the implementation of development projects. It had been recognized that "[a]n integral element in UNDP's programme for change is to develop a more outward-looking culture [and that the] strengthening of a multitude of substantive partnerships is an essential ingredient in meeting this challenge" (DP/1994/39, p. 16). Some core elements of this initiative were subsequently incorporated into the second proposal for change – *UNDP 2001* – approved by the EB in 1997 (DP/2000/3).
- **Communication and Advocacy Strategy:** Two other issues that were recognized by the EB at the margin of its overall efforts for reform were weak public visibility of the Programme and the absence of a coherent strategy for its improvement – elements likewise crucial for resource mobilization and the mobilization of interests of non-traditional donors in the Programme activities. As a result, in 1995, the Programme launched its first Communication and Advocacy Strategy, which was aiming "to facilitate strategic alliances with key stakeholders and to contribute to resource mobilization. The emphasis [was...] on outward-looking attitudes toward information-sharing and advocacy, a more targeted approach to different societies and stronger media outreach by country offices" (DP/1996/18, p. 12). The subsequent implementation of this strategy resulted in the extension of dialogue with stakeholders at the local level, a better cooperation with NGOs, and the launch of several regional advocacy campaigns.
- **Multi-Year Funding Framework (MYFF):** In order to make the flow of financial contributions more predictable, the EB in its 1998 session approved the MYFF. The MYFF was important in the integration of Programme's resources, budget and outcomes, for resource mobilization (DP/1999/2). Another supporting initiative that

complemented the MYFF was the preparation of result-oriented annual reports (ROAR), also proposed as part of the resource mobilization and reform strategy by the Administrator (Browne 2011, p. 61). The adoption and approval of these two initiatives contributed toward the improvement of financial management afterward.

- **System-wide Coordination:** The EB also recognized that the lack of specific benchmarks and priorities was preventing the Programme from communicating clearly its mission to non-traditional donors. As a result, in 1996 the mission statement of the Programme was revised in order to converge several priority areas such as poverty eradication, employment and sustainable livelihoods, gender, environment, and governance (including human rights and electoral process) around the concept of SHD (DP/1997/1; DP/1996/1).

The adoption of these major reform initiatives, in the second half of the 1990s, resulted in concrete outcomes such as an improved visibility, profile, and performance of the Programme. However, as some key informants have indicated, these changes were not taking place in an isolated environment. Rather, they were the result of, and in response to, the overall reform and an outward-looking agenda of the UN system, which was seeking to diversify the range of partners from states to non-state actors (interviews # 4 and 5 with international civil servants (UN), May 2012).

3.1.3. The UN outward-looking approach

While technically the UN's engagement with the private sector became possible at the beginning of the 2000s, there were at least two observable dynamics a decade earlier that had contributed externally and internally to this engagement. Externally, by the end of the 1980s, the economic, social, and environmental implications of the private sector's activities had become more important for development. Privatization and liberalization of markets across the developing world had also contributed toward the mobility of private capital and investment flows and facilitated the scale-up and expansion of MNCs' operations globally. In addition, the number of MNCs from the developing world had begun to grow, which diversified the ownership and composition of private capital flows and investment in the developing world. This change resulted in the growing influence of the private sector activities on host countries in economic, social, and environmental terms in an uncoordinated manner and in the absence of adequate policies at the local level. Therefore, by the end of the 1980s, there was a certain degree of recognition within the UN that its previous efforts to develop and impose binding codes of conduct on MNCs failed to meet new challenges and

generate the expected outcomes (Sagafi-nejad & Dunning, 2008). Internally, at the beginning of the 1990s, the concept of sustainable human development (SHD), which was rooted in the intellectual work of UNDP's development economists⁹ and the recommendations of the first two HDRs, evolved as a guiding standard for the UN development work. In this context, the main question for the UN, regarding MNCs' global activities, was how to harness the growing technical, technological, and material capacities of the private sector in the developing world for SHD and at the same time preserve the universality of values embedded in its development mandate.

As a result, it was recognized that with the changing role of the private sector in the context of globalization there was a need to explore constructive ways of involving it in development through discussion with, and cooperation of, all relevant partners. At the high-level conferences held at the beginning of the 1990s, where the private sector were also present, the issue of the UN-private sector partnerships for development had been put on agendas for discussions. The outcomes of the UN Conference on Environment and Development ((UNED), the Earth Summit, Brazil 1992), and the World Summit for Social Development ((WSSD), Copenhagen 1995) were endorsed by the General Assembly (GA) in several resolutions on the role of the private sector in development. Some of these resolutions include:

- *Privatization in the Context of Economic Restructuring, Economic Growth and Sustainable Development*, adopted in 1992 after the UN Conference on Environment and Development (UNCED), (A/RES/47/171);
- *Entrepreneurship and Privatization for Economic Growth and Sustainable Development*, adopted in 1993 after the World Summit on Human Rights (A/RES/48/180);
- *Business and Development*, adopted in 1995 after the World Summit for Social Development (A/RES/50/106); and
- *Business and Development*, adopted in 1997, to follow up on the implementations of the recommendations for the above-mentioned resolutions (A/RES/52/209)¹⁰

These resolutions had provided the required political support at the high level and set the agendas for the development of the UN strategy toward the private sector's role in

⁹ These economists were Mahbub-ul-Haq, Richard Jolly, and Amartya Sen, who worked with their teams to prepare and produce the first HDR in 1990.

¹⁰ Other related resolutions were *the Declaration on International Economic Cooperation* (S-18/3, May 1990) and *the Revitalization of Economic Growth and Development of the Developing Countries* (A/RES/45/1999, December 1990).

development. The process of adoption of these resolutions by the GA was also relying on the recommendations of UNDP's and other UN agencies' evaluation and analytical reports, which helped to guide the agenda-setting process for reforms during Kofi Annan's tenure.

Overall, member-states in the framework of these resolutions were "noting that the private sector plays a positive role" (A/RES/47/171, p. 2) "in supporting economic growth and development as well as in the mobilization of resources" (A/RES/52/209, p. 1). The 1997's resolution, on the role of business in development, was making a direct call "upon the United Nations funds and programmes, in accordance with their mandates, to continue to strengthen support to the promotion of entrepreneurship and [...] to give due consideration to the role of the private sector in development" (A/RES/52/209, p. 3). In addition, the GA requested "the Secretary-General, in cooperation with relevant United Nations bodies, to prepare a report which includes analytical work on the implementation of [...*Business and Development 1997*] resolution" (A/RES/52/209, p. 3). In 1999, the Secretary General (SG) presented the requested report, which was prepared after two years of collaborative work between the UN SG Office, UNDP, and other key UN agencies, to the GA. Therefore, the most important among these resolutions was the *Business and Development 1997*, which laid the foundation for further inquiries by the UN agencies on the role of the private sector in development. Sponsored and chaired by Venezuela and supported by Austria and some developing countries such as Ukraine, Egypt, and Russia, the adoption of this document was an important step in setting the agenda for the UN system's (and within it for UNDP's) engagement with business in development afterward (A/52/PV.77, pp. 16-17).

The idea of giving "due consideration to the role of the private sector in development" (p. 3) through partnership and cooperation became the main pillar of the reform agenda during the tenure of the UN SG Kofi Annan (1997-2006). During this time, the emphasis had been put on cooperation with the private sector and other non-state actors through constant dialogue and learning. In addition, the reform agenda during Annan's tenure was based on a principled belief that in order to protect, preserve, and extend universal values embedded in the UN Charter, it is important to engage with all relevant partners through dialogue and learning and encourage their adherence to those values and ideals. In the newly created position of the Assistant Secretary General for Strategic Planning

Kofi Annan first appointed John Ruggie (1997-2001) and afterward Michael W. Doyle (2001-2003), where the former scholar contributed to the design and launch of the UN GC and the latter led the operationalization of the Millennium Declaration 2000 (MD) into Millennium Development Goals (MDGs). In this context, during the tenure of Kofi Annan as the UN SG, the UN went through a truly transformational change in its relations not only with the private sector, but also with all relevant partners (i.e., CSOs, NGOs, IFIs, and certainly the states).

As has been noted, based on the results of the previous consultations, evaluations, and resolutions, the issue of the UN-private sector relations had been given due consideration in agendas for the UN reform. After his appointment (in January 1997), the UN SG in a special report, entitled *Renewing the United Nations: a Programme for Reform*,¹¹ to the GA highlighted the importance of partnership between the UN and the private sector. The report was also outlining the UN strategy for working with the private sector and planning that some “[a]rrangements will be made with leading business organizations to establish improved mechanisms for continuing the dialogue between the representatives of business and the United Nations” (A/51/950, p. 69). Some specific and subsequent steps on the part of the UN included a high level meeting in October 1997 between business leaders and the heads of the UN agencies (including UNDP), (interview # 18 with a programme director, (IBLF)).¹² The meeting was one of the first steps toward the implementation of the *Business and Development 1997* resolution, which started to engage business in the dialogue and discussion of its role and responsibilities in the context of the concept of SHD. While the overall UN strategy toward the private sector was in the process of formulation, the UN made an open call upon business. At the World Economic Forum (WEF), in January 1998, the UN SG in his speech called upon business to take greater responsibility in strengthening and sharing universal values embedded in the UN Charter in order to achieve inclusive growth and development. Addressing the business community directly, he asserted that

¹¹ The GA adopted the recommendations of this report in its 52nd session (A/RES/52/12 B), November 1997 and (A/RES/52/477 D), May 1998.

¹² The International Business Leaders Forum (IBLF), formerly known as the Prince of Wales Business Leaders Forum (PWBLF), is an independent, international, and member organization that consist of 150 MNCs. The organization focuses on cross-sector partnership, leadership, sustainable growth, and corporate responsibility. See: <http://www.iblf.org/en/about-iblf/who-we-are.aspx>

[c]reating wealth, which is your expertise, and promoting human security in the broadest sense, the United Nations main concern, are mutually reinforcing goals. Thriving markets and human security go hand in hand; without one, we will not have the other. A world of hunger, poverty and injustice is one in which markets, peace and freedom will never take root. [...] The United Nations and the private sector have distinct strengths and roles, and we are still overcoming a legacy of suspicion. But if we are bold, we can bridge those differences and turn what have been fledgling arrangements of cooperation into an even stronger force (SG/SM/6448).

The SG's speech outlined a roadmap for future collaboration and identification of areas of common concerns for poverty reduction, which his office had been working on at that time. It was an important signal (and an invitation) highlighting the intension of the UN to engage the private sector into the core of its development operations by encouraging the incorporation of human rights, labour rights, environmental, poverty, development, and democratic governance concerns into business plans and models. However, it was obvious that the ambition to converge the UN's social and environmental concerns with the profit-making motives of the private sector would require more time and efforts from both sides. In addition, more studies and consultations on the role of the private sector in development were required in order to formulate and successfully launch partnerships. This challenge is well demonstrated in the failure that UNDP had faced in launching its first private sector initiative in 1999, which was an idea much ahead of its time.

3.2. The Global Sustainable Development Facility (1998- 1999)

In the context of these agendas for UN-business partnerships and for the diffusion and internalization of universal values through dialogue and learning, the first high-level meeting between the UN and the executives of large MNCs had been organized in October 1997. The meeting was aimed at assessing the potential of collaboration between business and the UN for development and discussing the establishment of required mechanisms for its realization based on the exchange of ideas and best practices. Based on the recommendations of this first high-level meeting, in May 1998, the UN Staff College and the International Labour Organization (ILO), in cooperation with the PWBLF, organized a workshop, entitled *Business/United Nations Collaboration for Development: Joint Action Programme (JAP)*. The workshop was the first occasion of dialogue, between the UN agencies and the representatives of MNCs, and an opportunity to share ideas and experiences at the practical level. It brought together, for the first time, the executives of large MNCs and the UN key agencies (including UNDP). The main objective of this initial, UN-business, dialogue was to

help participants to share their experience and concerns, initiate the discussion of partnership projects, and identify mechanisms for their operationalization. It was also recognized that the UN-MNCs partnerships could help to achieve common socio-economic and environmental goals, but this goal must be achieved in an accountable, transparent, efficient, and effective manner (interview # 18 with a programme director, (IBLF), May 2012).

In order to “give [...] an overview of the range of different possibilities that exist for collaboration between the UN system and business and to provide concrete examples and proposals for more detailed discussion” (JAP 1998), participants were required to present a case on a partnership, or a policy initiative for poverty reduction, from the practice of their company or organization. For UNDP, the JAP was the first joint dialogue workshop with the involvement of business and other UN agencies. Henry Jackelen, the former Private Sector Development Programme Director, presented UNDP’s first partnership proposal, which was still at the stage of policy formulation (interview # 6 with the former PSD Director (UNDP), May 2012). The internally developed policy proposal, the Global Sustainable Development Facility (GSDF), was proposing the development of inclusive and affordable markets for two billion people at the base of the income pyramid (BoP) by 2020 (Speth, 1998).¹³ The agenda for this initiative was developed at the end of 1997 as an outcome of the first UN-business meeting, as one of the first steps taken by UNDP toward the realization of the UN outward-looking strategy, and as a response to the GA’s resolution (A/RES/52/209), adopted in 1997 (see section 3.1.3, p. 42). The initiative was presented to the EB in 1998 and was planned to be launched in 1999, after the completion of the policy formulation stage “through an iterative, consultative, process between the participating corporations and the UNDP” (UNDP 1998). The GSDF was proposing the establishment of a joint venture between the Programme and large MNCs in order to develop, finance, and implement inclusive development projects (IBMs) in developing countries.¹⁴ In the long term, the Programme was planning to take the GSDF to the highest level within the UN, to the UN SG Office, and

¹³ Some of the core elements of the GSDF, such as cooperating with MNCs through dialogue and learning and encouraging MNCs to respect and adhere to the universal principles of the UN, resemble key objectives of the UN Global Compact, launched officially in 2000. See the next section in this chapter.

¹⁴ By the end of 1998, bilateral consultations between UNDP and a number of large MNCs, including ABB Group, Oracle Corp., AT&T, Rio Tinto, Statoil, Telia AB, ESKOM, LM Ericsson, and IKEA International, were finalized and the consultations with other MNCs were planned to be completed by the end of 1999.

launch it as an independent facility for the coordination of partnerships (interview #6 with the former PSD Director (UNDP), May 2012).

While resource mobilization was the initial motive in developing the GSDF, there were at least two more objectives that at the initial phase were not very well elaborated and documented, and which were equally important in echoing the SG's call for innovative partnerships. First, in the framework of the concept of SHD, it was expected that the initiative would contribute directly toward poverty reduction. Part of this objective was to develop inclusive projects in partnership with MNCs and provide goods and services for two billion people living below the poverty line in a sustainable way. As the proposal stated, the design of the initiative was based on a "firm belief that human development for the next millennium must rest on the successful fusion of the market-based economic system with environmental sustainability and a civic society based on peace, democracy, health, tolerant values and social stability" (UNDP 1998). Second, the GSDF was also designed to extend the UN universal values by encouraging MNCs to voluntarily comply and adhere to the core principles embedded in the UN Charter. After the UN Conference on Environment and Development (UNED, or the Earth Summit) in 1992, the issue of environmental sustainability and human development entered policy agendas. In addition, a number of highly publicized environmental disasters and human rights violations that had occurred by the mid-1990s in developing countries (involving large MNCs) put the discussion of MNCs' role in development at the heart of environmental and sustainable development concerns.

Therefore, at the policy formulation stage there was a firm belief that in the long term MNCs' engagement with the UN would improve their voluntary adherence to social and environmental standards in a strategic and profitable way, because "in the long term, a strong relationship exists between sustainable human development and the growth of shareholder value" (UNDP, 1998). To this extent, the GSDF was a breakthrough for the UN and UNDP in their relations with the private sector. As the former UNDP Assistant Administrator Eimi Watanabe stated on the expected outcomes of the GSDF: "[t]he breakthrough we are aiming for is to demonstrate that it is possible for corporations to meet [universal labor,

environmental and human rights] standards, improve the lives of poor people and be profitable”.¹⁵

While the ultimate objectives of the initiative were to facilitate the improvement of the developmental impact of MNCs’ activities and support pro-poor growth, these objectives had not been clearly articulated in the proposal, which became public at the beginning of 1999. There was only a vague understanding of the compatibilities of MNCs’ profit-making motives with the development objectives of the Programme. As a result, the GSDF received more criticism than support from within and outside the Programme. In a number of meetings and reports, some UN commissions and agencies also questioned the motive of UNDP in designing the GSDF and expressed their concerns over the effectiveness of the initiative. Internally, the UN Commissioner on Human Rights (UNCHR), for instance, in a report to the Economic and Social Council (ECOSOC) outlined its concerns about the GSDF. It pointed to the absence of prior and inter-agency’s consultation that UNDP was expected to pursue. In the context of the *Declaration on the Right to Development* the Commissioner stated that UNDP’s decision to partner “with giant transnational corporations, many of which had been responsible for serious violations of human rights and environmental damage [...] could do a serious disservice to that agency’s independence and credibility” (E/CN.4/1999/SR.10, p.18).

These internal concerns were reflecting those of external partners. At the beginning of 1999, an unauthorized access to the intranet system of UNDP resulted in the online publication of a number of internal memoranda related to the GSDF (interview #6 with the former PSD Director (UNDP), May 2012). Due to the leakage of these documents, the objectives of the initiative, which were not well developed, became public before the initiative was ready to be presented. Criticisms that followed from CSOs and academic institutions questioned the ultimate objective of the Programme with the establishment of the GSDF and the way that it was planning to make it operational within the UN system.

Based on the information received from the leaked documents, the GSDF had been perceived as a corporate-led initiative that was selling out the public credibility of the UN

¹⁵ Cited by the Transnational Resource and Action Center (TRAC) in “UNDP: agency assailed for soliciting money from companies”, available at http://groups.yahoo.com/group/CoC_Bretton_Expand/message/139

system to MNCs. This was a misperception because the GSDF was a UNDP-led initiative and was aiming to engage MNCs in the implementation of development projects and programmes for better outcomes (interview # 6 with the former PSD Director (UNDP), May 2012). The challenge for UNDP was not so much in how to launch the initiative, but how to convince and engage MNCs in development in a way that would be pro-poor and sustainable. These conditions had not been clearly communicated in the leaked documents and in the process of policy formulation. In a letter to the UN SG and UNDP Administrator, critics from outside were proposing that UNDP should “call off its GSDF project and in doing so [...] preserve the credibility of its mission” (UNDP, 1999b). The Administrator’s response clarified the ultimate objective of the initiative and re-stated UNDP’s ultimate intension to involve MNCs in the practice of development through dialogue and inclusive development practices in consultation with, and participation of, all relevant partners. Emphasising the importance of the learning element of this involvement, he stated that

we should be engaging [with MNCs] in programmes that demonstrate that profitable pro-poor investments in developing countries are possible without the negative impacts with which they have been associated in the past. [...]. We are convinced that the innovation, technology and resources that corporations are known for can have a positive impact on SHD, and this is what we are exploring. If we can help bring new processes, products, technologies and partnerships to the poor, we will have contributed something important (UNDP 1999c).

He also stated UNDP’s intension to extend the scope of its engagement and dialogue with non-state actors for SHD and engage CSOs in the process of policymaking at the highest level. In May 1999, UNDP held consultations with CSOs’ representatives, in order to discuss the possibility of the launch of the GSDF. The new Administrator, Mark Malloch-Brown, the former World Bank vice-president for external relations, reiterated the importance of a collaborative policymaking process and decided to delay UNDP’s decision on the launch of the GSDF until the completion of the consultation process. Based on the results and recommendations of conducted evaluations and consultations, the new administration pointed that the GSDF had not been designed through a consultative process. There was a vague understanding of the mechanisms through which the GSDF was planned to be implemented. In addition, it was not entirely clear why the business community should support SHD and how its responsibility is defined in the context of the initiative. It had been recognized that even if the administration continue the dialogue and consultations with the private sector, it would be challenging to launch and implement the initiative because for the

above mentioned reasons “it was not receiving sufficient support” externally (interview #16 with Mark-Malloch Brown, the former Administrator of UNDP, May 2012). For the same reason due to the amount of criticism that it had received, there was not enough confidence within the organization that the implementation of GSDF was the right idea to pursue at that time (interview #14 with Deputy Director of PSD (UNDP), May 2012). At the beginning of reforms, and with the change in administration, it was not reasonable to start the process of design and consultation anew but to work toward the launch of similar initiatives through a consultative and dialogue-based process. As the former Administrator, Mark Malloch Brown, recalled:

The idea of working with the private sector at that time was a challenge. It was a challenge because, in the absence of prior dialogue, it was difficult to convince a set of colleagues, who were often ideologically uncomfortable with the idea of working with the private sector, to support the initiative. In addition, it was necessary to clarify how the organization would work with the private sector in a systematic way in order to avoid prioritizing one company’s interests over another and, meanwhile, preserve neutrality. [...]. It was clear to me from the onset that we were not going to get the initiative moving forward (interview #16, May 2012).

Because of these external and internal obstacles, lack of a coherent policy framework for the implementation of the initiative, and the administration’s belief that the idea of working with the private sector was an idea ahead of its time, in May 2000, UNDP decided to abandon the GSDF without finalizing its policy formulation step. Some elements of the GSDF with an ultimate purpose to achieve SHD and reduce poverty (i.e., the creation of a joint venture between business and the UN, the design and implementation of joint projects) were integrated into agendas for other initiatives, which were successfully launched afterward. However, to reach this, the UN system and UNDP had yet to go through a process of substantive reform and increased interaction and deliberation with all relevant actors, in particular the private sector.

3.3. The UN Global Compact Local Networks (2000 – 2003)

After abandoning the GSDF, the next initiative that UNDP operationalized was the inclusive market development (IMD), introduced in 2003. However, prior to the introduction of IMD there was a remarkable process of increased interaction and dialogue between the UN system and the private sector, which started with the formulation and introduction of the UN Global Compact in July 2000. UNDP in this process was one of the seven UN agencies that had actively participated in the process of the establishment of the GC and subsequently

became involved in the management of its local networks. This active involvement put UNDP at the centre of the development and diffusion of CSR-driven norms and implicated it in an increasing process of dialogue and interaction with business and other relevant partners.

3.3.1. Launching the Global Compact

The UN GC, which is one of the world largest voluntary CSR initiatives led by an IGO, was officially launched in July 2000. However, the three-year work led by the SG Office (1997-2000), which had preceded the launch of the GC, was crucial to lead and coordinate the formulation of agendas and policies. As will be discussed in this section, while the coordinating role of the SG Office was important in the establishment of the GC, there were many other constituting and intervening factors that helped to shape the outcome. More specifically, this work had been based on, and complemented by, the development of the external and internal processes, a great interest and support from member-states, and a principled belief held by the administration in the UN potential to mobilize the resources of the private sector for SHD in a responsible and sustainable way through interaction and dialogue.

The external process. Externally, evidence from MNCs' operations in developing countries indicated that, in the absence of effective policies and sound strategies, the negative externalities of the private sector's operations would offset its positive contributions. As a result, the outcomes of several high-level conferences, organized by the UN in response to the growing economic, social, and environmental challenges of globalization (see section 3.1.3, p. 42), highlighted the need for the design of better agendas for development cooperation. These debates about the growing power of MNCs in technical, technological, and material terms, and their responsibility and role in the process of development in their host countries, supported the demand for a better operationalization of norms and standards of CSR - helping to strengthen their policy implications.

The internal process. Internally, the SG's agenda for reform, which was presented to the GA in 1997, was building upon the recommendations of several key resolutions adopted previously on the role of the private sector in development (A/RES/52/209; see section 3.1.3, p. 42). As a result, one of the main pillars of the SG's plan for reform (A/51/950) was "to

give due consideration” (A/RES/52/209, p. 3) to this role and explore more constructive ways of engaging the private sector in the practice of development in a sustainable and commercially viable way in the context of globalization. These activities, such as the first high-level meeting between the UN and business in 1997, the organization of the *Joint Action Workshop* (JAP) workshop in 1998, and the GSDF policy proposal helped internally to set the agenda for the design of the UN GC. The development of this internal process was based on several factors. Firstly, the UN was defining the promotion of SHD as its primary development objective. Therefore, before the launch of the GC there had already been a firm belief within the UN that the process of interaction and dialogue between the private sector and the UN through which the norms of good corporate citizenship could be discussed and diffused would have a positive behavioural outcome on both. To this extent, learning and exchange of best practices had become the primary tool for the formulation and implementation of the GC. Secondly, at the level of management, it had been recognized that the coordination of the process of the UN’s engagement with the private sector would require the creation and institutionalization of a dialogue platform between the UN development system, the business community, and all relevant partners. The institutionalization of the dialogue process was also important for the discussion, design, and follow-up on initiatives that would encourage the private sector to adhere to the UN standards in a commercially viable way.

The development of these internal and external processes contributed to invigorate the outreach activities of the UN and helped to formulate the initiative. Taking into account the “legacy of suspicion” (SG/SM/6448), which had been formed over several decades, the UN was initially finding it challenging to reach out to the business community and bring it to the dialogue table, especially when other IGOs (e.g., IFIs) were more competitive in supporting the work of the private sector. Therefore, the creation of a compact was a promising agenda to facilitate dialogue, exchange of experience, ideas, and learning on the role of the private sector in development through partnership with the UN system.

The UN call upon business. The first practical step taken by the UN toward the establishment of a compact was the SG’s call upon MNCs to engage in the development practice by adhering to the norms of good corporate citizenship. Building upon his first

speech at the WEF in 1998, the UN SG had addressed the business community again at the WEF in January 1999, where he proposed specific actions for building socially responsible and commercially viable partnerships between the UN and MNCs. He proposed that the UN and business should “initiate a global compact of shared values and principles” in order “to embrace, support and enact a set of core values in the areas of human rights, labour standards, and environmental practices” (SG/SM/6881). On the part of the UN, the SG promised to help business “in incorporating these agreed values and principles into [its] mission statements and corporate practices” by “facilitat[ing] a dialogue between [business] and other social groups” (SG/SM/6881). The immediate outcome of the UN SG’s call upon business was the mobilization of business’ interest in the ongoing inquiries of the UN into the role of the private sector in development. This interest had gradually been materialized in the form of business’ “participation in debates, technical inputs to norm setting or background papers, secondment of experts, co-organization of workshops and study tours” throughout the policy formulation process (A/54/451, p. 11). In subsequent months, the SG Office led the consultative process of policy formulation between the UN, business, and other relevant partners for the establishment of the proposed compact of shared values.

Policy development. The coordinating work of the SG Office on the formulation of policies for the establishment of a compact between the UN and business had two elements: *analytical* and *operational*. The *analytical* element of policy development included the preparation of an evidence-based report that had been requested by the GA in 1997 on the implementation of *Business and Development* 1997 resolution and the ongoing UN activities in this area (A/RES/52/209; see section 3.1.3, p. 42). The report, which was presented by the SG to the GA in October 1999, outlined the results of two-years of studies, consultations, and recommendations made by the UN SG Office and an inter-agency team (which included UNDP)¹⁶ on the role of business in development and its relevance to the UN system. The report made several conclusions based on which subsequent steps in the policymaking process were taken and, most importantly, the political support of member-states for the GC

¹⁶ This inter-agency team was consisted of the United Nations Development Programme (UNDP), the Office of the UN High Commissioner for Human Rights (OHCHR), the International Labour Organization (ILO), the United Nations Environment Programme (UNEP), the United Nations Office on Drugs and Crime (UNODC), the United Nations Industrial Development Organization (UNIDO), and the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women).

was mobilized. Firstly, the report highlighted the positive learning impact that the UN high-level conferences and forums had on business' perception of the UN. It reported that business' participation in those conferences and global forums, which were focusing on environmental issues and sustainable development, had a positive impact on the way that MNCs had started to design their CSR agendas. This participation led "to [their] greater awareness of environmental and social issues, which is demonstrated [...] in many of the corporate policy statements issued by firms, reflecting the concerns and promoting the goals adopted at these conferences" (A/54/451, p. 2).

Secondly, based on studies submitted by each fund and programme (including UNDP), the report was also evaluating the progress that had been made by the UN in engaging with the private sector. This engagement, as the report was indicating, had already been initiated by some UN agencies at two levels: local and firm. At the local level, UN agencies were supporting the developing countries to create an enabling environment for the development of private enterprises. At the firm level, the UN agencies had already been aiming to facilitate and support the private sector in its embracement of the "universal principles and norms, including those relating to environment, human rights and gender" (A/54/451, p. 1). Therefore, the report concluded that "[b]usiness has to be a partner in development" (p. 2), and as such it recommended that engaging business through partnerships and dialogue with the UN agencies would facilitate the embeddedness of universal values and norms of the UN into business' practice and improve its developmental impact.

The *operational* element of policy development included the formulation of the GC's principles and the establishment of the GC Office. The work of the UN SG Office and the inputs from the Assistant SG (John Ruggie), and his team, were crucial in the design of the normative principles of the GC. These norms were derived from the UN declarations and conventions in the area of human rights, labour, environment, and anti-corruption. The core elements of these declarations and conventions were further refined into concrete principles and normative statements and were tailored specifically to highlight the responsibility and role of the private sector in the context of globalization (see Table 8, p. 56).

Table 8

The UN Global Compact Principles and UNDP's Priority Areas

Areas of corporate responsibility		Principles	Universality based on related declarations and convention	UNDP's priority areas (1999-2006) ¹⁷
Human Rights	1	Businesses should support and respect the protection of internationally proclaimed human rights.	The Universal Declaration of Human Rights (1948)	Indirectly: human development, poverty reduction
	2	Business should not be complicit in human rights abuses.		
Labour	3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	The International Labour Organization's Declaration of Fundamental Principles and Rights at Work (1998)	Indirectly: human development, poverty reduction, gender
	4	Business should uphold the elimination of all forms of forced and compulsory labour.		
	5	Business should uphold the effective abolition of child labour.		
	6	Business should uphold the elimination of discrimination in respect of employment and occupation.		
Environment	7	Businesses should support a precautionary approach to environmental challenges.	The Rio Declaration on Environment and Development (the Earth Summit 1992)	Directly: environment Indirectly: human development, poverty reduction
	8	Businesses should undertake initiatives to promote greater environmental responsibility.		
	9	Businesses should encourage the development and diffusion of environmentally friendly technologies.		
Anti-corruption	10	Businesses should work against corruption in all its forms, including extortion and bribery.	The United Nations Convention Against Corruption (2000)	Directly: democratic governance Indirectly: human development, poverty reduction

Source: adapted from the GC website, accessible at:

<http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html>

The launch of the GC. The SG announced the launch of the GC, and the establishment of an Office for its management, during the 55th session of GA, in July 2000. Aiming to create shared values and diffuse the universal norms of human rights, labour, environment, and transparency among participating MNCs, the GC was designed to achieve at least two objectives. First, through this diffusion it was expected to make an enduring

¹⁷ See Browne, 2011, pp. 68-69.

impact on business practices. It was designed to mainstream the incorporation of those ten principles in business activities around the world and change the behaviour of business by encouraging them to integrate the core principles of the UN system into its practices through learning, dialogue, exchange of ideas and practices. Second, it was aiming to catalyze actions in support of the UN development goals, which were subsequently incorporated into, and complemented by, the MDGs (A/58/227, p. 9).

In addition, in comparison to other CSR initiatives and standards developed by other organizations (e.g., OECD guidelines for MNCs, or the World Bank and IFC's standards), the UN GC was promising to make a better contribution toward the development and diffusion of norms in the area of social and environmental responsibility of business for several reasons. Firstly, due to its voluntary nature, the participation in the GC was open for business as well as all other stakeholders to join, discuss, and define the role of business in the above-mentioned issue-areas. While joining the GC was voluntary for companies, the adherence to its standards was compulsory. By voluntarily joining the GC, private enterprises were required to adhere to the defined principles and report on their progress annually by submitting their *Communication on Progress* reports. Secondly, these core principles were derived from those international treaties that had already been endorsed and ratified by all member-states and operationalized within the UN system. Thirdly, the normative content of the GC was drawing a new frontier in the debates of CSR by encouraging business to participate directly in the creation of shared values and global public goods, and move beyond philanthropic and responsive CSR, which were usually associated with public relations strategies and profit-driven motives of business. Therefore, the GC was designed to contest and open the operations of corporations for debate. As Michael Doyle (the former Assistant Secretary General for Strategic Planning, 2001-2003) put it, the GC is not designed for "making corporate world look good with minimal pressure, but the reality is that Global Compact exposes businesses to additional scrutiny and the businesses that join the Compact know that" (interview # 8, May 2012).¹⁸

¹⁸ Also see: Michael W. Doyle, NEW MODEL UN ? The Millennium Goals and Partnership Strategy. Lecture was given at Princeton University in 2003, http://lisd.princeton.edu/sites/lisd/files/Doyle_Lecture.pdf

Member-states' support. Although quite often the GC is perceived as a corporate-sponsored and corporate-led initiative, in reality, it was the SG Office that led the process of its formulation and establishment with the support received from European member-states.¹⁹ Member-states support complemented the efforts of the SG Office and other relevant agencies in the process of agenda-setting and policy formulation for the GC. The governments of Norway, Sweden, Switzerland, Germany, France, the United Kingdom, Denmark, Italy as well as Brazil, South Africa, and India (Kell, 2003) provided financial contributions to a trust fund, established in 2001 to support the operation of the GC Office. Other countries joined to endorse and support the operations soon afterward. The exception was the Group of 77 (G77) developing countries. The main concern raised by this group was about the character of the intended partnerships and the vagueness in the specificities of its implementations. Shortly after the launch of the GC in July 2000, the G77 called for the establishment of an intergovernmental committee to clarify the promised contributions of the GC and partnerships toward the operation and mission of the UN (Kell, 2003, p.1). The debates on this subject were developed further, when upon the request of some countries (led by Germany), a new plenary item (*Towards Global Partnerships*) was included on the GA's agenda in its next session (in 2001). At the same session, GA adopted the resolution A/RES/55/215, and officially acknowledged the importance of "partnerships in pursuit of development and poverty eradication" (p.1). In addition, in the same resolution, the GA requested the SG to prepare another analytical report on the policy preferences of member-states and other relevant partners on partnerships between the UN and the private sector. It determined that the SG should continue the consultation process and launch studies on the importance of partnerships, seek the view of business and other relevant partners, and present the report to the GA during its next session (in 2001).

The preparation of reports and studies. Between 2000 and 2003, the SG Office continued to lead the analytical work of core agencies and prepared two reports on the UN

¹⁹ Other non-governmental organizations that provided technical assistance and support throughout the process, and joined subsequently the GC were the International Fertilizer Industry Association, the International Federation of Consulting Engineers, the World Federation of Sporting Goods Industry, the International Iron and Steel Institute, the International Petroleum Industry Environmental Conservation Association, the International Council of Chemical Associations, the International Confederation of Free Trade Unions, issue-oriented non-governmental organizations dealing with the environment, human rights and development, and the PWBLF (currently IBLF), the International Chamber of Commerce, the International Organization of Employers, the World Business Council on Sustainable Development.

partnerships with the private sector. The first report requested by the GA, entitled *Cooperation between the United Nations and all Relevant Partners, in Particular the Private Sector* (presented to the GA in October 2001) was reporting on the positions of the UN's partners (especially the states) on the current character and future possibilities of partnerships between the UN system and the private sector.²⁰ Based on consultations and interviews with all relevant partners (i.e., member-states, UN agencies, and NGOs and CSOs), it concluded that overall member-states are supportive of partnerships. However, in their view partnerships with the private sector are justified only in those cases when they enable "the Organization to serve Member States and their peoples more effectively" (A/56/323, p. 42). Based on its findings, the report also stressed the essential role that member-states may play in harnessing the potential of UN-business partnerships and the power of the private sector for development and poverty reduction at the local level. Member-states were also recommended to encourage partnerships by supporting and "spreading good practices, including training in technical skills and know-how, the use of new management tools and the adoption of good corporate citizenship principles in business activities around the globe" (p. 44).

While the possibilities of future partnerships and the way that they would be operationalized within the UN system were in need of further clarifications, the GA accepted the findings of the report without a vote in its *Towards Global Partnerships* resolution in 2001 (A/RES/56/76). The adoption of this first resolution on partnerships facilitated and provided the framework for the development of partnerships through consultations and dialogue within the GC and in other relevant agencies in three important ways. First, by recognizing the importance of responsible business conduct and encouraging "the private sector to accept and implement the principle of good corporate citizenship" (p. 1) in cooperation with the GC Office, the resolution provided the political support necessary for the subsequent operation of the UN GC and other partnerships initiatives. Second, the resolution had officially recognized the importance of UN-business partnerships in achieving the Millennium Declaration's (MD) objectives and "the realization of the goals and programmes of the organization, in particular in the pursuit of development and the

²⁰ The report is considered one of the most important studies on the UN-private sector partnerships and was published later as a book for sale.

eradication of poverty” (p. 1). Finally, it also introduced into the GA policy and decision agendas the concepts of partnerships and good corporate citizenship as new plenary items on a biennial basis, which helped to set up the agenda for subsequent follow-ups, further studies, and discussions at the management and operational levels within the UN (Kell, 2003). In order to follow up on the development of UN-business partnerships and their effectiveness the GA requested the “Secretary-General to submit a report on the implementation of [A/RES/56/76] resolution, containing proposals of modalities for enhanced cooperation between the United Nations and all relevant partners, in particular the private sector” (p. 3), in 2003.

The second report of the UN SG, which was presented to the GA in August 2003 after the launch of the GC, had directly involved the work of the GC Office and UNDP. Assessing the progress of the GC, it recognized the growing number of small and large-scale initiatives and partnership projects in the field between the UN funds and programmes and the private sector, pointing to the greater recognition “of the importance of good corporate citizenship, especially for development” (A/58/227, p.1). The report concluded that

United Nations entities have built up expertise and capacities and have learned how to work with non-State actors in support of United Nations goals. [As a result,] strategic global partnerships around responsible corporate citizenship offer the additional opportunity to combine advocacy of universal values with renewed efforts for practical solution-finding (A/58/227, p.1).

The advocacy role of the GC in creating a platform for dialogue among all stakeholders in the area of conflict, development, health, agriculture, sustainable development and responsible corporate citizenship were exemplified by the end of 2003 in several major global policy initiatives.²¹ Most importantly, the progress that had been made by the GC Office and other relevant agencies (especially UNDP) was the operation of the GC local networks in developing countries, co-managed and hosted by UNDP’s programme countries (A/58/227, p. 11). This development was an important impetus to a bottom-up (rather than top-down) evolution of partnership initiatives, projects, and programmes with the participation of business, NGOs, governments, UNDP’s country offices, and other relevant UN agencies in the field. The discussions of the second report, led by Italy on behalf

²¹ These initiatives were The Role of the Private Sector in Zones of Conflict (2001); Business and Sustainable Development (2002); HIV/AIDS in the Workplace (2003); and Supply Chain Management and Partnerships (2003) (A/58/227, p. 9).

of the EU, continued and were eventually endorsed by the GA in its second resolution on *Towards Global Partnerships* (A/RES/58/129) in December 2003, which received the explicit support of developing countries from the G77 (A/58/PV.76, p. 14).

Global conferences. Between 2001 and 2003, two major UN-led conferences had provided further opportunities for discussion and elaboration on the character and possibility of the UN-private sector partnerships and CSR at the high level. These conferences had also brought together a large number of participants from the private sector, NGOs, and the representatives of key agencies (including UNDP). The first UN-led conference on *Financing for Development* in Monterrey (Mexico, 2002), in the framework of the *Monterrey Consensus*, acknowledged that while “Governments provide the framework for their operation, businesses, for their part, are expected to engage as reliable and consistent partners in the development process”. The *Consensus* further called upon “businesses to take into account not only the economic and financial but also the developmental, social, gender and environmental implications of their undertakings”. It also acknowledged the importance of the UN GC in harnessing business potential for development and welcomed “all efforts to encourage good corporate citizenship and [note]d the initiative undertaken in the United Nations to promote global partnerships” in an innovative way (UN, 2003, p. 10).

The second UN-led conference, the World Summit on Sustainable Development (WSSD) held in Johannesburg (August-September 2002), built upon the *Monterrey Consensus* and reaffirmed the importance of UN-business partnerships in fostering innovative and sustainable business practices. In comparison with the UN conference on sustainable development held a decade earlier (i.e., the Earth Summit in 1992), the number of business and NGOs represented at the WSSD in 2002 had significantly increased. In addition, the WSSD acknowledged the progress that had been made in the advancement of CSR agendas and pointed that, since the Earth Summit in 1992, “[b]usiness has taken more interest in sustainable development issues [and] industries in some countries have realized that it might be more profitable to produce more sustainably” (A/CONF.199/20, p. 103). The private sector had also expressed more interest in the discussion of sustainability and development and acknowledged the importance of partnerships, social responsibility, and the challenges that they face, while trying to implement their CSR agendas in developing

countries. As the representatives of business noted at the Summit, “sustainability for business is an opportunity; responsibility is the standard by which countries will be judged; accountability is an obligation they must assume; and partnership is the pathway that they will pursue in the future” (A/CONF.199/20, p. 132).

In the context of this system, the issue of inclusive development and responsible business also entered agendas at high-level summits. The G8 in its official 2003 statement, entitled *Fostering Growth and Promoting a Responsible Market Economy*, also welcomed the invention of the GC and declared its support for “voluntary efforts to enhance corporate social and environmental responsibility [...and...] the creation of an environment in which business can act responsibly” (G8, 2003). Clearly, at the high level within the UN and globally, by the end of 2003, the discussions of whether business should be a partner in development, by assuming greater responsibility, had advanced forward to examine how this partnership could be harnessed and further strengthened. The development of these dynamics related to the role of the private sector in development, the development and diffusion of CSR norms, and an increased level of interaction between the UN and business facilitated further development of partnerships for sustainable development and poverty reduction within the UN system.

3.3.2. The post-GSDF reform agenda and the GC local networks

What did this progress in the UN-private sector partnerships mean for UNDP? The establishment of the GC did not end the process of norm-development within the UN. Each of the seven agencies that were involved in the process of two-year inquiries (in preparation for the SG report to the GA in 1999 (A/54/451)) into the role of business in development became part of the UN inter-agency team, which was formed for the management of the GC. Each of these seven agencies in subsequent years had adopted and further developed the GC principles in the framework of their mandates. However, the implications of the GC, its multi-stakeholder and deliberative decision-making style, and the internalization of its core principles by business for development were better operationalized in the local context after the invention of MDGs and the launch of the GC local networks.

UNDP was one of the seven key agencies that had worked closely with the SG Office in the process of agenda-setting and policy formulation for the launch of the GC. Its inputs in the preparation of studies for the UN SG's reports to the GA on partnerships were crucial to shape the overall policies of the UN regarding the role of the private sector in development. Therefore, as the UN development-arm, the Programme was at the epicentre of activities, discussions, consultations, and conferences on the role of the private sector in development. These external processes were complemented by an internal course taken toward the reforms and close dialogue and interaction with the private sector, which started to accelerate with the launch of the GC local networks, managed by UNDP, and led to the adoption of new private sector initiatives since the failure of the GSDF in 1999.

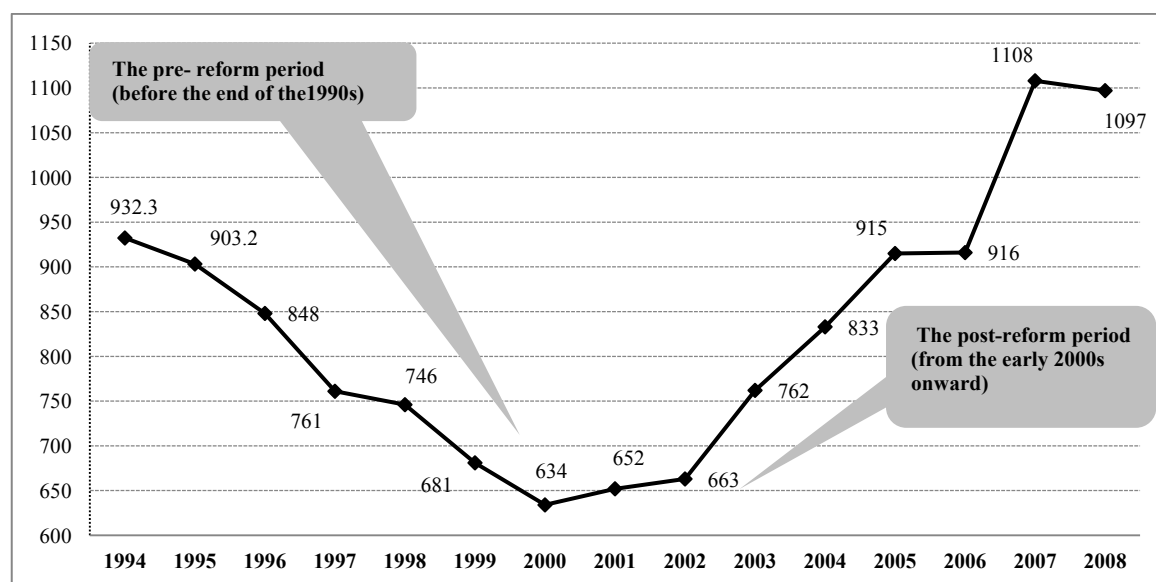
More specifically, in the post-GSDF years (1999-2003), the development of at least three internal processes helped to set the agenda and formulate policies for the initiatives that were launched by UNDP afterward. These processes are the development and implementation of reform agendas during the Mark Malloch-Brown's tenure, the invention of MDG, and the launch of the GC local networks.

Process 1 – Mark Malloch-Brown's reform agenda. The internal process of reform aiming at efficiency and resource mobilization at the UNDP (circa 1994-1995; see section 3.1.1, p. 38) took an accelerated path in the post-GSDF years for two reasons. Firstly, the reform agenda that had been designed and implemented during the Mark Malloch-Brown's tenure (July 1999-August 2005) was more coherent and strategic. It took up the unfinished elements of the previous reform agendas and added new items as were necessary based on an ongoing consultations of formal and informal character held internally (within the UN system) and externally (with CSOs, donors, and IFIs). Secondly, UNDP's reform agendas were designed in the context of the UN outward-looking reform programmes. The new administration continued to build upon the previous reform initiatives and introduced new items to complement the *Renewing the United Nations* reform agenda' which had been proposed by Kofi Annan in 1997 (see section 3.1.3, p. 42). At the same time, partnership for development was an integral part of agendas for reform and the SG "wanted UNDP to become a major force in development" (interview #16 with Mark-Malloch Brown, the former Administrator of UNDP, May 2012), which facilitated the promotion of cooperation

between UNDP and the SG Office. Both of these factors helped the Programme to succeed in its reform efforts, especially in restoring donors' trust and their voluntary contributions a few years later (see Figure 4, p. 64).

During the first phase of the Mark Malloch-Brown's administration, however, the Programme performance continued to be challenged by financial constraints. As Mark Malloch-Brown recalled:

In the 1990s, UNDP was in a financial crisis; and my administration was under enormous amount of pressure from the donors to refocus the organization on projects and programmes that worked efficiently. There were a number of small units which had almost no funds to achieve their objectives in the field; they were able to get just enough funds to cover their overhead costs (interview #16, May 2012).



Source: compiled based on the UN/UNDP's annual reports, 1994-2008.

Figure 4. Member-states' Voluntary Contributions toward Regular Resources Activities, UNDP (million USD)

The lack of trust from the donors, and the erosion of their confidence in the Programme's performance, led to decline in their voluntary contributions by the end of the 1990s (see Figure 4, p. 64). As someone coming to the Programme from the World Bank, an organization with a different financial and management portfolio, Mark Malloch-Brown introduced a new management style by focusing on the results rather than on the process. According to the new administration, refining the management style, and upgrading it to the standards of the World Bank, would help eventually to improve the financial profile of the Programme. With a strong belief in the potential of UNDP in the field of development, in the new millennium, Malloch-Brown wanted UNDP to *learn* from the World Bank's best management practices. Comparing the two development organizations, he expressed elsewhere his first impression of UNDP, when he joined it in July 1999:

[a]t its simplest UNDP was poor, and the World Bank was rich; UNDP also did not always apply the bank's development rigour to its projects. But it had one undeniable advantage: developing countries considered it to be on their side. It was their development agency, and unlike the heavily Washington-based World Bank staff, most UNDP staff were in the field close to their clients. At its best it lived on development instinct where the Bank lived on intellect. In the future, my hope for the organization was that it could add the professionalism of the World Bank to the trust and strong sense of mission for the poor that it already had (Malloch-Brown 2011, p. 117).

Therefore, eliminating units and projects that were working ineffectively, was a necessary measure to restore the donors' trust and demonstrate that the operations of the Programme were worth being financed. Learning became an integral part of performance management for the new administration and field offices were required to go through a process of rehiring and improve technical competencies of their staff-members (5A (A/57/5/Add.1)). The new administration was determined that effectiveness and resource mobilization were not goals in themselves but means to help the Programme achieve its development mandate and, therefore, build upon its comparative advantage in the field of development. With more focus on performance and efficiency, it became necessary to introduce a result-based management (RBM) style and build upon the two core achievements of the previous administration. Firstly, the preparation of result-oriented annual reports (ROAR) and the implementation of multi-year funding framework (MYFF) contributed toward the overall process of resource mobilization, helped to demonstrate effectiveness in performance, and paved "the way for a richer dialogue with stakeholders" (DP/2000/23/Add.1, p. 3).

Secondly, some elements of the previous reforms (e.g., the *Initiative for Change* and *UNDP 2001*) were refined after an extensive process of consultation and comprehensive assessment of performance. The consultation process included the introduction of the annual *Global Staff Survey*, designed to seek the opinion of staff-members from the country offices, and *Partnership Survey*, designed to capture the “external partners’ perceptions in a systematized fashion” (DP/2003/11, p. 2). The results of these consultations, in 2000, were incorporated into a new agenda for reform, entitled *The Way Forward: the Administrator’s Business Plans 2000-2003* (DP/2000/3). The implementation of *The Way Forward*, which became the roadmap for reform agenda in 1999-2006, was welcomed and highly appraised by donors. In addition, individual donors such as Canada, Finland, Japan, Norway, Sweden and the United Kingdom, through an established trust fund (DP/2000/3, p. 7), supported its implementation financially. This progress in performance and management was possible in part because the Programme was able to state and communicate its strategies clearly and pave its way forward more coherently throughout the reforms. In addition, by the end of the 1990s, three more priority areas (i.e., gender, crises prevention and recovery, and HIV/AIDS) were included on agendas (Browne 2011, pp. 66, p. 68).

Further, with the introduction of the strategic results framework (SRF), the broadly defined development goals were transformed into measurable indicators, replaced by MDGs at the beginning of the 2000s (DP/2000/23/Add.1). *The Way Forward* was based on a firm belief “that real transformation at UNDP will be achieved primarily through the changes in leadership style, accountability, culture, performance and innovative partnerships rather than through changes in structures” (DP/2000/8, p. 3). In this context, building partnerships with stakeholders (e.g., IFIs, CSOs, the private sector, and other UN agencies) became an integral element of *The Way Forward* and formed an essential part of the strategy for learning and improvement. As a result, the meaning of partnership for the Programme was redefined and the objectives were stated broader than just resource mobilization. As the former Director of Bureau for Resources and Strategic Partnerships (2000), and the former Deputy Assistant Administrator for Management, reiterated elsewhere

[p]artnership is not just an add-on, expanding our capacity to do business. Partnership is about the way we do our business. To work through partnerships is to work from the outside-in. It is to connect, not delineate. It is to create opportunities, not define turf. It is to seek alignment with the external rather than to segment from within.²²

The strategy for building partnerships was also refined to focus on collaboration through dialogue and consensus, with an ultimate purpose to “bring together various actors around a common goal” and “transform UNDP into a highly networked organization” (DP/2000/8, p. 11). In addition, the strategy to learn best practices became an integral part of partnership agenda because there was a greater recognition that testing and putting new and innovative ideas into practice and “[k]nowledge-sharing must be seen as an important component of partnerships” (DP/2000/23/Add.1, p. 7).

More specifically, by the end of 2000, the Programme was able to develop its first strategic framework on partnerships with the private sector, entitled *UNDP-Corporate Sector Partnerships*, which was endorsed by the EB during the same year. The strategy was formulated based on lessons learned from the GSDF process and was suggesting further exploration of possible areas of collaboration and partnerships with the private sector at various levels. At the company level, the strategy was aiming to support and encourage companies’ adherence to best practices of good corporate citizenship and social responsibility during the implementation of joint projects. At the local level, it was aiming to support the state in creating an enabling and inclusive environment for the private sector. For this purpose, based on evidence from the field offices, the development of local businesses, and the localization of supply and value chains for the development of SMEs and smallholder farmers, was also prioritized. Finally, at the global level, UNDP was firmly defining its role as the UN development-arm in facilitating global cooperation for SHD and poverty reduction (DP/2000/23, p. 16). Some essential institutional changes were also part of the new strategy. In this regard, in 2000, the Administrator established the Bureau for Resources and Strategic Partnerships to take over the role of the Private Sector Standing Committee, which helped to centralize the coordination of partnership arrangements with the private sectors and other agencies (p. 12). The establishment of this Bureau facilitated the coordination of partnership and the implementation of the reform in subsequent years.

²² Cited at <http://www.un-az.org/undp/sehife.php?lang=eng&page=1501>

Process 2 - The invention of MDGs. UNDP and other UN agencies had been assisting developing countries since the mid-1990s to develop poverty reduction strategies at the national level. However, this role had started to decline after the introduction of Poverty Reduction Strategy Papers (PRSP) by the World Bank in 1999 for two reasons. First, unlike PRSP, UNDP's poverty reduction strategy was not measurable; and second, a PRSP, above all, was an instrument for debt management and debt relief for many developing countries. Therefore, in contrast to the concept of SHD, which was measured (to certain extent) and communicated in the annual HDRs, poverty reduction per se remained a vaguely defined concept for UNDP prior to the invention of MDGs. In this regard, it was not until after the Millennium Summit (September 2000), and the operationalization of the MD into MDGs, that poverty reduction became a measurable and clearly communicable concept for UNDP.

The Millennium Summit was proposed in 1997 as part of the SG's agenda for reform (A/51/950, p. 69; A/52/850). The same year, the GA in a resolution endorsed its convention and the preparation of a report on the subject was recommended (A/RES/53/202). Before the Millennium Summit, the SG Office prepared and presented to the GA the recommended report, entitled *We the peoples: the role of the United Nations in the 21st century* (A/54/2000), which helped to formulate the agenda for the Summit and prepared the ground for the discussion and endorsement of the Millennium Declaration (MD). The same year, the GA endorsed the MD and recognized the importance of building "strong partnerships with the private sector and with civil society organizations in pursuit of development and poverty eradication" (A/RES/55/2, p. 5). In addition, it had been admitted that "greater opportunities [should be given] to the private sector, non-governmental organizations and civil society, in general, to contribute to the realization of the Organization's goals and programmes" (p. 9). Subsequently, the objectives of the Declaration were incorporated into MDGs by a special committee, which was formed by the UN SG. The committee was consisted of the representatives of the UN agencies (including UNDP), the OECD, and other IGOs, and was chaired by Dr. Michael W. Doyle, who had been appointed to the post of the Assistant Secretary General for Strategic Planning in 2001. The invention of MDGs, pretty much like the establishment of the GC, received finical and political support from Nordic countries, the UK, and major developing countries, including the G77. The US financial support was provided in 2005 - in a later stage of MDGs' implementation (interview # 8, May 2012).

While thus far the achievement of MDGs has been much more challenging than its development, the formulation of those goals was a breakthrough for the coordination of the UN development work and the design of specific partnership projects and programmes. The invention of MDGs was also important in bringing together various development actors and made the discussion of poverty reduction more focused and targeted. As Mark Malloch-Brown said, “overall, MDGs are *welfarist* in nature because they are about the delivery of basic public services; their invention was an enormously important step forward for the development thinking; [...] and it also helped to open the development debate and involve local actors in the process” (interview #16, May 2012).

Process 3 - The launch of the GC local networks. The GC started to launch its local network in 2001. By the end of 2003, there were at least 50 networks operating in developing and developed countries (see Figure 5, p. 103).²³ European and Nordic countries networks were among the first to embrace the potential of the UN GC local networks in facilitating the discussions of social responsibility and the role of the private sector in development. The UK’s local network, which was among the first networks established, has been receiving extensive support and endorsement from the DFID and other professional organizations, such as the IBLF (interview # 24, June 2012). It is worth to mention here that today the implementation of CSR-induced development projects and programmes, and the provision of technical and logistic support for MNCs in undertaking a strategic CSR agenda and implementing IBMs, are more advanced in these countries. These countries, especially the UK, also provide the needed assistance and support for the implementation of UNDP-led initiatives such as the GIM and BCtA. While a government agency, or a business association, usually manages most of the networks in developed countries, in developing countries the GC local networks are managed by UNDP. As a trusted development partner for developing countries, UNDP has played an important role in the process of localization of the GC and its CSR-related discussions. This role has been an essential impetus in bringing together local actors from business, CSOs, and relevant states’ agencies to influence and discuss business’ CSR agendas and the possibility and the character of its engagement in development.

²³ As of 2011, the UN GC local networks (established and emerging) were operating in 98 countries (UN GC, 2011).

As has been noted, the contribution of MDGs was an important advancement in concentrating the discussions of development around specific subjects within the UN system. More importantly, it added to the deliberative power of UNDP in leading, questioning, and designing projects that were more goal oriented (with specific targets), making reference to particular areas, and calling directly upon the private sector to take greater responsibility. The invention of the MDGs also helped to put the GC principles in the context of development and poverty reduction. It helped to quantify, to a certain extent, the contribution that the private sector was expected to make by adhering to CSR agendas and the GC principles. At the local level, it helped UNDP to propose specific projects for partnership with the private sector (e.g., health, education, food security, gender, etc.) and assist the private sector in developing strategic CSR agendas. This was certainly a significant improvement over the previous practices, which were based on the broadly defined principles of the GC and their relations to the thematic areas of operation (see Table 8, p. 56).

The development of these processes had some important implications for UNDP's engagement with the private sector. In the post-GSDF period (from 2000 onward) the discussion of CSR, sustainability, and the role of the private sector in development was not considered incompatible with the Programme's objectives and mission. Therefore, it became important to localize the discussions of sustainability, CSR, and the role of the private sector in helping local producers and consumers to scale up and gain access to products and services entered agenda. As a result, the development of these processes helped to prepare the policy environment for the development and adoption of new partnership initiatives through dialogue and interaction.

3.4. Growing Sustainable Business/Inclusive Market Development (2003-2006)

The development of the above-mentioned internal processes, in the post-GSDF period (1999-2003), helped to set the agenda for other initiatives that were launched afterward. It was recognized that large companies would directly contribute to poverty reduction if they could help to develop local markets. By pursuing their CSR agendas strategically, MNCs could source and procure from local producers; they could employ local workers; and they could help to produce goods and services adapted to the needs of the poor

at the local level. In order to enhance the impact of CSR practices of large MNCs for development at the local level, “it was important to get the supply chain localized, pay more attention to local companies and SMEs and harness their power for inclusive development” (interview #16 with Mark Malloch-Brown, the former Administrator of UNDP, May 2012).

In this regard, the concept of local business development and the development of markets at the BoP became the intellectual turf of CSR discussions in the post-GSDF years. As a result, at the WSSD in 2002, UNDP (with the support of the UN SG Office) promoted the discussion of local market development among the head of states. The outcome of the discussions at the high-level “was the creation of a pilot project entitled “Growing Sustainable Business (GSB) in Least Developed Countries”, designed to encourage the business community to invest in some of the least-developed countries (LDCs) and create links with local small and medium-sized enterprises” (DP/2003/11, p. 20). In addition, through multi-stakeholders forums, workshops, and discussions at the local level, with the participation of business, the GSB initiative was intended to scale up regionally and “demonstrate how commercial business activities can contribute to poverty reduction and promote sustainable development” (E/2004/54). The GC and UNDP jointly formulated the policy for the implementation of the GSB initiative and its implementation began in developing countries in 2003.

The policy environment within which UNDP launched and operationalized the GSB (2003) differed significantly from the GSDF period (1999). As has been noted, the discussion of business responsibility in the context of development entered agendas in the post-GSDF period. As a result, the GSB was discussed, developed, and launched in an environment that was internally and externally supportive of the idea that the private sector should be an active partner of the Programme in development. Internally, by the end of 2005, new private sector initiatives were considered part of the UN’s and UNDP’s development mandate. Overall, the support of many member-state at the EB, GA, conferences, and summits was also important to facilitate the formulation of policies at the management level. At the previous high-level UN conferences, i.e., in Monterrey and Johannesburg, the heads of states also recognized the necessity of further inquiries into the role of business in development, especially in developing countries.

Based on the outcomes of those discussions, UNDP proposed the creation of a commission for leading the ongoing analytical works on the role of the private sector in poverty reduction and development. The proposed Commission on the Private Sector and Development, which was formed in July 2003 and was by UNDP, was chaired by Paul Martin (the former Prime Minister of Canada) and co-chaired by Ernesto Zedillo (the former President of Mexico).²⁴ Among others, the Commission also involved the prominent management scholar, C.K. Prahalad, as a member, whose research on BoP markets had advanced companies' CSR agendas beyond philanthropy.²⁵ The Commission took the results of the previous reports, resolutions, and the outcome of the UN-led conferences as a starting point for its inquiries into the potential of the private sector for poverty reduction and MDGs. More specifically, the Commission focused on the development of local markets through innovative partnerships for job creation, income generation, and the provision of goods and services. The year-long work of the Commission culminated in the report, entitled *Unleashing Entrepreneurship: Making Business Work for the Poor*, which was launched by the UN SG and UNDP Administrator in March 2004 (UNDP, 2004; A/59/PV.34, p. 7). The report, which was mentioned as the most important and influential publication on the role of the private sector in development by almost all key informants interviewed in this paper, identified several areas on which the UN could focus in order to mobilize the private sectors' resources for MDGs. These major recommended areas included serving markets at the BoP, fostering PPP for sustainable development, improving corporate governance, and advancing responsible business practices and CSR (UNDP, 2004).

The recommendations of the Commission were an important factor in shifting UNDP's focus from large MNCs to local producers and consumers. It started to focus on how MNCs could help to harness the potential of smallholder farmers, small-scale producers, and SMEs at the local level for job creation and poverty reduction. Mark Malloch-Brown, on the importance of supporting SMEs development through the localization and integration of

²⁴ Other countries that were supporting the Commission through their representatives included Chile, South Africa, UK, the US, France, Norway, India, Mozambique, Peru, and Ghana.

²⁵ Among others most influential works of Prahalad used by the Commission, are: Prahalad, C.K. 2004. *The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profit*. Philadelphia, Penn.: Wharton School Publishing; Prahalad, C.K., and Allen Hammond. 2002. "Serving the World's Poor, Profitably." *Harvard Business Review* September; Prahalad, C.K. and Kenneth Lieberthal. 1998. "The End of Corporate Imperialism." *Harvard Business Review* July-August.

supply chains and partnerships, said elsewhere that in reducing poverty a vital role can be played not only by

large multinationals [...], but small businessmen and women on the ground who did not necessarily speak UN English and would not have even begun to understand the term *sustainable human development*, let alone to know how to fill in funding application form. Yet these businessman and women were the sources of jobs and prosperity that could change their communities. They operated in a void that might become a space of commercial opportunity, but they lacked the means to transform it (Malloch-Brown 2011, p. 131).

By relying upon its core advantage, i.e., the network of local offices, in the post-2004 the Programme expanded the scope of its operation from focusing on a small number of multinationals to a range of diverse enterprises in the private sector, including local SMEs. As a result, the number of local actors and stakeholders, who began to engage in the policy formulation process and in the process of diffusion of norms and practices of responsible business, was increased.

The immediate outcome of the Commission's report was the adoption of inclusive market development (IMD) initiative, which was designed to support cross-sector partnerships and extend the GSB's focus from business development to market development for poverty reduction. Both of these post-GSDF initiatives (i.e., the GSB and IMD), during the administration of Mark Malloch Brown (1999-2005), were accepted and launched without any particular objections from member-states or other UN agencies. Although collectively member-states continued to reiterate their previously stated directives about the preservation of neutrality of the Programme, overall, they were supportive. In a resolution adopted in 2005, entitled *Towards Global Partnerships*, on the UN's engagement with the private sector member-states underlined that the implementation of these partnerships by the UN were permitted under certain conditions. According to the resolution, partnerships were acceptable if

- their ultimate objectives were to serve “the purposes and principles embodied in the Charter of the United Nations”;
- they could “make concrete contributions to the realization of the Millennium Development Goals and the other goals contained in the Millennium Declaration”; and
- they could be “undertaken in a manner that maintains the integrity, impartiality and independence of the Organization” (A/RES/60/215, p.1).

The formal endorsement of member-states in this manner set the framework for UNDP-private sector partnerships within which the UN system and UNDP have been mandated to operate.

At the administrative level, the operational work continued in support of MDGs. Although, during the Mark Malloch-Brown's administration, UNDP experienced most of the transformation in the character of its engagement with the private sector, with the termination of Malloch-Brown's tenure (in August 2005) the progress did not stop but continued to build upon the achieved results. The Kemal Dervis's administration (2005-2009) also prioritized the importance of inclusive market development, inclusive business innovations, and CSR promotion for poverty reduction. On the role of the private sector in development, Kemal Dervis stated elsewhere that

without the energy of the private sector, without private enterprise, private initiative, private savings, private resources, we won't make it in terms of stimulating development. ...the private sector is, indeed, the driving force in development [...and] we need a very strong but lean state working with the private sector, not to undermine it but to strengthen it (UNDP, 2007, p. 6).

Therefore, the process of reform and policy innovation, which started with the appointment of Mark Malloch-Brown, did not take an entirely different course after the termination of his tenure. The implementation of reform agendas and a reinvigorated approach to the role of the private sector in development certainly added to the efficiency and improved the performance of the Programme.

3.5. Growing Inclusive Market and Business Call to Action (2006 – 2008)

The last two UNDP-private sector partnership initiatives were launched between 2006 and 2008 under the new administration. In addition, during this period, the adoption of *UNDP Private Sector Strategy* in 2007 was an important step in consolidating UNDP's work on the mobilization of the potential of the private sector for poverty reduction and sustainable development (UNDP 2007). Based on previous reform initiatives, the recommendations of the Commission on the Private Sector and Development (2004), and the GA's resolution (A/RES/60/215) the *Strategy* identified five priority areas for UNDP-private sector partnerships such as policy development, pro-poor value chain integration, brokerage of local pro-poor investment, fostering inclusive entrepreneurship, and encouraging CSR in support of MDGs and the overall implementation of the *Strategy* (A/64/337, p. 15). As a

result, by identifying core priority areas in working with the private sector, the *Strategy* helped the Programme to shift its focus from inclusive business development (from a single company or project) to a broad area of pro-poor private market and sector development.

In addition, the *Strategy* was the Programme's blueprint for working with the privates sector and encompassed many elements of the *UNDP-Corporate Sector Partnerships* adopted in 2000 (see section 3.3.2, p. 62). The 2007 *Strategy* also reflected the qualitative change in the Programme's view on the role of the private sector in poverty reduction since the end of the 1990s, and the extent to which the adoption of CSR norms could help to harness this role. The *Strategy* defined CSR in the context of the development mandate of the Programme by emphasising the potential of the private sector and its responsibility for local development. The accent was put on supporting and promoting the implementation of strategic CSR agendas by designing pro-poor (but profitable) business models that would make tangible contributions toward community development, employment creation, income generation, and delivery of basic goods and services in the developing world. It was noted that "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large" (UNDP, 2007, p. 31).

In addition, the strategy stated more clearly UNDP's objectives from CSR promotion and engagement with the private sector. There was a clear indication that in fostering partnerships the Programme was prioritizing those activities that could support the private sector in the implementation of pro-poor and poverty-reducing CSR agendas. More specifically, these priorities were identified as:

- facilitating the dialogue, diffusion, and adoption of best CSR practices by companies at the local level;
- engaging the private sector in strategic CSR and large scale investment; and
- supporting the private sector in developing inclusive markets (UNDP, 2007, p.33).

As a result, by the end of 2007, the Programme was able to define clearly its strategies and role in working with the private sector and in promoting and supporting the implementation of strategic CSR agendas for poverty reduction. The *Strategy* also underlined UNDP's involvement in the facilitation and localization of the GC as an "important

mechanism for initiating and stimulating engagement with the private sector” (UNDP, 2007, p. 32). However, in the framework of the *Strategy*, the Programme also identified its own niche in working with the private sector, which had been formed based on its previous experience and engagement in the development, diffusion, and internalization of CSR norms in the context of development. The *Strategy* clustered this engagement “into two main types: i) engaging the private sector in policy dialogue around development priorities and CSR issues; ii) engaging the private sector in concrete partnership projects in support of development priorities” (p. 31). The character of this work was indicative of the “breakthrough” that UNDP had originally intended to make with the formulation of the GSDF initiative in 1998. Indeed, while the Programme failed to advance with the GSDF, it certainly succeeded in achieving those objectives afterward. It was able “to demonstrate that it is possible for corporations to meet standards, improve the lives of poor people and be profitable” (the former UNDP Assistant Administrator on the expected outcomes of the GSDF in 1998, see section 3.2., p. 46).

The two clusters of work distinguished in the *Strategy*, characterize the nature of the two major UNDP-private sector initiatives that were successfully launched in 2006 and 2008. In 2006, the Programme launched the Growing Inclusive Market (GIM) initiative, which extended and scaled up the core objectives of the IMD by focusing on pro-poor private sector policy development at the local level through dialogue and learning (A/62/341, p. 14). In 2008, the UK’s former Prime Minister Gordon Brown and the UN SG Ban Ki-moon, launched the Business Call to Action (BCtA) initiative, which aimed at developing inclusive projects via partnership with large multinationals. Although the same set of factors contributed to the process of agenda-setting and policy formulation of both initiatives, in essence, these two recent private sector initiatives are distinct in many respects (see Table 9).

Table 9

GIM and BCtA Initiatives

	GIM	BCtA
Primary objective	Policy development	Project development
Focus areas	Local markets development, IBMs, MDGs	IBMs, MDGs
Primary partners	Business, local academics, governments, and NGOs	MNCs
Type of activities	Local • Identifying and linking partners • Engaging with academics in case-writing • Organizing workshops and publications (national, regional, and global) • Maintaining databases of actors and case studies	Global (predominantly) • Provision of expertise and advice to member MCNs • Demonstrating best practices by sharing the information of existing IBMs • Identifying and linking partners • Workshops and publications (global)
Governmental development agencies supporting the initiative	French Development Agency, The United States Agency for International Development, Japan International Cooperation Agency	DFID, Australian Agency for International Development, Swedish International Development Agency, USAID
Operations	in more than 50 countries	in more than 40 countries

Source: compiled by author based on information available at the BCtA [<http://www.businesscalltoaction.org/>] and GIM [<http://www.growinginclusivemarkets.org/>] websites.

In terms of member-states' support, in addition to the endorsement of the EB, the GIM also received financial and technical support from the governments of France, the US, and Japan through their governmental development agencies (interview # 7 with the former Director of the Bureau for Resources and Strategic Partnerships (UNDP), May 2012). Although the UK government proposed and led the launch of the BCtA, this initiative has additionally been supported since its establishment by Australia, Sweden, the US, as well as the OECD and ODI.

The introduction of the GIM and BCtA closes the historical narrative developed in this chapter. However, it is worth mentioning that since 2008 UNDP has also launched a regional centre for coordination of its work with the private sector in developing countries. In 2010, it has introduced the Istanbul International Centre for Private Sector in Development (IICPD), which has been quite active in promoting the role of the private sector in development by supporting cooperation and dialogue between the private sector and

other stakeholders at the local level. The aforementioned process of agenda-setting, policy formulation, and the launch of UNDP-private sector initiatives between 1998 and 2008 points to a significant, but gradual, shift in the character of UNDP's engagement and partnerships with the private sector.

As has been shown, this process occurred because of an increased interaction, dialogue, and exchange of experiences and ideas in the context of reform programmes and the development and diffusion of norms of appropriate behaviour of business in development. This Chapter has shown *how* the process of policy innovation developed between 1994 and 2008 and *how* the adoption of partnerships became possible in the post-GSDF period. In order to explain *why* the Programme in recent years adopted initiatives that actively engaged the private sector in the implementation of its global development mandate, and to what extent norms have had an impact on the process of transformation, the next chapter will discuss the causes of policy innovation in light of theoretical arguments.

CHAPTER 4: EXPLAINING THE CAUSES OF POLICY INNOVATION

How do theories of IR explain the transformation in the character of UNDP-private sector partnerships? As has been discussed in Chapter 2, the causes and factors of policy change can be multiple. The process of development and diffusion of norms in a particular issue area, which may involve the organization directly or indirectly, can operate as a constitutive and intervening mechanism and change policies. Norms may have a learning impact on the organization through a process of increased interaction, dialogue, and reasoning with those for whom these norms are developed. IGOs in this process do not simply diffuse and transmit norms among other actors but also consume norm and can be subject to its constitutive impact (Park 2006). Therefore, if agendas and policies are considered as dependent variables in the process of norm development and diffusion, the organization may internalize new practices and redefine its views in an issue area.

If IGOs are viewed as agents, who have been delegated by the principal to perform certain tasks, it can be assumed that member-states influence the process of policy innovation at IGOs in pursuit of their own interests. If IGOs are viewed as powerful and independent bureaucratic structures, then the administration and staff-members may divert policies in order to improve the organization's legitimacy and independence by means of personal leadership and professional expertise. The trigger of policy change could also be the organization's need for resource mobilization because the private sector's financial, technical, and technological capacities can be the most efficient means to compensate for the shortage of these capacities provided by the states and IGOs as development modalities. This paper has considered these hypothetical factors as being important in the process of policy change at IGOs and relied upon them in the process of analysis in this case. The results of observations made in Chapter 3 are summarized in Table 10 (p. 80), which are further discussed and interpreted in the following sections. The chapter will discuss the main argument after summarizing the interpretation of alternative theories.

Table 10***Revisiting the Implication of the Theoretical Framework***

	Agenda-setting	Policy formulation	Launch of initiatives
The PA model			
Explicit support (by means of voting and in-kind contributions) of new initiatives and policies at the EB			
Excessive reviews and application of accountability mechanism (degree of control)			
Financial sanctioning (if the policy is not initiated at the EB)			
Bureaucratic culture literature			
Internal support for new agendas/initiation of policies within the organization and/or by its staff members and/or the administration			
Norms of profession and position of leadership			
Change in the administration (new appointments and ideas)			
Rational choice institutionalism			
Budgetary and performance disparities			
Increase in technical and financial contributions from other sources			
Continuity of the discussion of efficiency and effectiveness (or lack of) and need to mobilize additional sources of funding			
Constructivism (the liberal variant of)			
Increasing interaction and dialogue (workshops, conferences, discussions) with the private sector			
Redefining the role of business in development and poverty reduction			
Formulation of common objectives			

4.1. Member-states' collective power and interests

As the application of the PA model to the current case reveals, member-states' role and influence are important in the process of policy innovation. More specifically, member-states' collective support and approvals are important to introduce new initiatives that engage the private sector in IGOs' operations. However, two prevailing tendencies have been noticed in the discussion of UNDP-private sector partnerships that urge some modification to the original hypothesis derived based on the PA model argument on states' power and influence on the process of policymaking. Firstly, the significance of member-states' support varies from one stage of the policy cycle to another in the process of policy change (see Table 10, p. 80). Member-states' support is crucial at the initial stage of policy development, i.e., in the process of problem recognition and in setting agendas for reform. Hence, their

collective and formal recognition of the importance of the private sector's role in development has been essential in order to set the agenda and task the administration and staff-members to facilitate this role. However, member-states' influence at the policy formulation stage is weakened because the authority and control over the development of policies and initiatives are usually given to the administration and, as a result, the rest of the process is developed outside the EB.

The second observation sheds light on the character of member-states' strategy and interest in supporting UNDP-private sector partnerships. As the case of UNDP demonstrates, the key concern for member-states in objecting to or supporting partnership agendas is the preservation of IGO's independence from outside influence (e.g., from the private sector) and effectiveness in performing its mandate. IGO's partnership with the private sector is of particular interest for member-states because it is viewed as a potential threat to IGOs' independence from outside influence. Therefore, when, at the initial stage of reforms, member-states explicitly supported UN-business partnerships, they set some preconditions stipulating that the implementation of partnerships could be justified only if they help "the Organization to serve Member States and their peoples more effectively" (A/56/323, p. 42). To this extent, the collective interest of states in the effectiveness of IGO's performance prevails more important than the interest of individual, or the most powerful, members. As the case of UNDP reveals, individual countries have quite often led the process of agenda-setting and have provided their in-kind financial support in the process of policy formulation and launch of new initiatives. However, they have remained accountable to the collective will of all members and have tried to preserve UNDP's mandate. Collectively, the GA and the EB of UNDP continuously gave the required directives to the SG and UNDP Administrator to undertake certain activities (e.g., the preparation of reports and studies), in order to ensure that the introduction of new agendas was aligned with the organization's mandates.

While member-states' role in the process of policymaking is more important at the agenda-setting stage, collectively their preferences continue to influence policies through the application of control mechanisms. As was discussed in Chapter 2 (see section 2.2., p. 29), the degree of influence that member-states exert over IGOs' agendas depends to a significant

extent on the mechanisms of control that are put in place in order to ensure that the flow of information about the organization's performance is transparent, symmetric, and constant. These mechanisms typically include, but are not limited to, formal rules, reporting and monitoring, and sanctioning. All these mechanisms are generally well established in the case of UNDP and the UN system. It can even be argued that the excessive number of annual meetings, reports, and monitoring make UNDP to a certain extent an IGO over-regulated by member-states. This overregulation, which was viewed by the administration as a hindrance to building a "talent-based, meritocratic, and efficient organization" (interview #16 with Mark-Malloch Brown, the former Administrator of UNDP, May 2012), guarantees the states hands-on control over UNDP's agendas and permits the prevention of agency slack (either in the form of agency shirking or slippage).

The application of control mechanisms by the EB was of particular importance in the case of UNDP-private sector partnerships because member-states were mainly concerned about the independence and the mandate of UNDP. At the initial stage of reform, the UNDP EB permitted the Programme to accept financial contributions from non-state partners (including the private sector) "for the general support of UNDP or for purposes consistent with those of UNDP". However, it required the administration to report annually to the EB on these contributions if they were "above a value of \$100,000" (DP/2001/9, p. 3). Imposing this mechanism of control, in addition to the symmetric flow of information about the organization's performance and the development of partnership initiatives with the private sector, enabled member-states to continuously monitor the Programme's performance.

As discussed in Chapter 3, aggressive forms of control over agendas, such as financial sanctioning, are rarely applied by member-states as a means to oppose certain ideas and policies. In the case of the UN system, voluntary contributions of member-states had started to decline by the mid-1990s. This decline was in response to the weak capacity of the organization to deliver results in comparison to other IGOs (including regional organizations). Between the mid-1990s and early 2000s member-states withheld their financial contributions (see Figure 3, p. 39) due to concerns that they had about the effectiveness of the UN system and sought other means (e.g., through other organizations) to implement their development objectives. The US Congress for instance, explicitly withheld

US contributions to the UN budget during the 1980s and 1990s as a precondition for effective management and financial performance, demanding reforms in this area (Bite, 2003, p. 4). In this case, there is no supporting evidence that member-states (including all other major donors) were pursuing their own economic or political interests by using their financial power as leverage to divert agendas.

The application of the PA to the case of UNDP reveals that, indeed, member-states influence policies. Their formal request for further inquiries into the role of the private sector in development and the way that the UN and UNDP should engage with it, has been essential for the provision of the required political support and endorsement at the agenda-setting stage. The model also shows that the administration and staff-members received the required directives from the GA and the EB for the design of policies that enabled the Programme to diffuse norms and engage intensively with the private sector in development. The application of the PA model, however, reveals some of its limitations, as it cannot explain at least two issues: 1) how the Programme formulated its policies once the agenda-setting process had been completed; and 2) how the administration and staff-members responded to the directives. Regarding the first limitation, the application of the PA model to this case shows that by advancing a rationalist argument the model is not designed to explain complex processes of policymaking at IGOs, especially when the organization is influenced by external processes. As an IGO that is over-regulated by its member-states, the entire policymaking process was expected to be under the influence of member-states' interests, power, and policy preferences. However, as the discussion in Chapter 3 shows, their direct influence is considerable at the agenda-setting stage, but weakened afterward. In addition, in the post-GSDF period, policies were developed in the course of a deliberative process and were subject to the influence of several external and internal dynamics, in which member-states were not the only actors involved.

Second, while the application of control mechanisms throughout the policy cycle by the EB can ensure that the organization remains in compliance with its mandate, i. e., "to serve Member States and their peoples" (A/56/323, p. 42), this application is not sufficient to conclude that member-states' power and interest alone influenced further development of policies. In addition, in the pre and post-GSDF periods the influence of member-states on

agendas and the degree of information and control mechanisms accessible to them, remained unchanged, which reduces the likelihood that the influence of member-states was a cause of failure in one period, as well as a cause of success in another. In this respect, it is necessary to resort to the application of alternative theories and to further explore why and how the Programme could formulate and launch partnership initiatives.

4.2. Bureaucratic power and leadership

As has been noted in section 2.3 (p. 30), a change in policies can also be initiated within the organization. As earlier studies argue, policy change can be the outcome of “dynamics originating within IOs themselves” because IGOs are considered more than a “passive collection of rules or structures through which others act” (Barnett & Finnemore, 2004, pp. 156-157). As has been argued, the development of internal dynamics within the bureaucratic structure of the organization, which enables it to act independent of member-states’ wills and preferences, are facilitated when the administration and staff-members are acting as policy entrepreneurs. They can strategically apply “some form of persuasion, social pressure, material incentives, or position of leadership to put a belief on an IO’s agenda and then transform it into practice” (Chwieroth 2008, p. 135). Indeed, the overall process of policy innovation within the UN and UNDP from the mid-1990s onward was the result of several dynamics that were developing internally with the support and direct involvement of the administration and staff-members. These internal dynamics were important in the process of UNDP-private sector policy development, especially when the EB was not directly involved in the management of the entire process.

Member-states’ formal statements certainly set the trajectory for further policy development and action by staff-members and the administration. As has been discussed, the reform process at UNDP started in the mid-1990s, when the EB recognized the challenges of the sharp erosion of financial contributions and weak quality of management, which were undermining the relevance and effectiveness of the Programme (see section 3.1.1, p. 38). In addition, at the UN, there was a growing recognition that the global presence of the private sector and the mitigation of its adverse effects required more than the imposition of a patchwork of legal codes and standards. In requiring the Administrator to explore innovative and new ways for partnerships, member-states’ initial motive at the level of UNDP was to

facilitate the mobilization of resources (including those of the private sector) in support of SHD and restore donors' trust (DP/1994/24, p. 1).

In addition, the GA's resolutions on the role of the private sector in development provided the context for subsequent development of UNDP-private sector policies. In the pre-GSDF period, major reform initiatives (e.g., the Initiative for Change, Multi-Year Funding Framework (MYFF), Result-Oriented Annual Reports (ROAR), and other initiatives) were proposed and implemented by staff-members and the administration in response to the EB's or GA's requests (DP/2000/23/Add.1). Although the Programme still struggles with many challenges in those areas that were subject to reforms in the 1990s, and progress to date has been assessed as less than satisfactory (Browne 2011, pp. 126-141), those major reform initiatives adopted in the mid-1990s helped to improve to a certain extent the UNDP's public profile and visibility among other IGOs. All the post-GSDF private sector initiatives were designed through a consultative process, which involved many external partners and was influenced by the development of external processes, such as global and regional summits, conferences, studies, and debates related to sustainable development and the role of the private sector in society.

The role of the administration and staff-members was important in the design of policies that enhanced the capacity of the Programme to harness the power and potential of the private sector in development. In the framework of reform agendas, they were motivated initially to help the organization meet its development objectives more effectively and, at the same time, demonstrate to business that poverty reduction and SHD can be profitable (interviews # 6 with the former PSD Director (UNDP), May 2012). Therefore, as has been noted in Chapter 3, the GSDF and other UNDP-private sector initiatives were designed to meet two objectives: to make poverty a responsibility of business and to teach it how to deliver development programmes; and to diversify the Programme's development modalities.

The degree of autonomy that the administration and staff-members had over the development of policies confirms that, indeed, the Programme could apply its bureaucratic power independent of member-states' interest and direct influence in the process of policy development. However, staff-members' motive in putting particular efforts in the realization

of agendas cannot be fully explained by applying an actor-centered and a cultural interpretation of the change in policies. There are several observations in the case of UNDP that cast doubt on the significance of the administration's and staff-members' role in the process of policymaking and their motivation in strategically moving favourable agendas forward by following and extending the norms of their profession, by using position of leadership or persuasion.

This is observable in a comparison of the pre and post-GSDF periods. If staff-members were pursuing only preferred agendas, as many studies on the power of bureaucracy suggest, in the absence of a large number of external stakeholders, it would have been less challenging for the administration to launch the GSDF. They could have been particularly successful in mobilizing internal support for the engagement of the private sector, since the Programme was in desperate need for additional resources at that time. In addition, those who were directly involved in the process of policy formulation were international civil servants, who had spent most of their career at the UN with almost no prior involvement with the private sector. In fact, the lack of experienced in working with the private sector staff-members, who would possess professional knowledge of business operations, has always been considered a major barrier for the Programme to effectively implement the adopted private sector initiatives (interviews # 12 and 13 with programme managers (UNDP), May 2012).

Further, as has been mentioned in section 1.2.1 (p.10), the highly bureaucratized and state-centric culture within the Programme discouraged the development of innovative or radical policy ideas. This factor also had been acknowledged as a major barrier for building a meritocratic and result-oriented organization during the reform period (Browne, 2011, p. 136). Therefore, the role of staff-members in developing policies by using "some form of persuasion, social pressure, material incentives, or position of leadership to put a belief on an IO's agenda and then transform it into practice" (Chwioroth, 2008, p. 135) is hardly applicable in the case of UNDP. To assert that UNDP-private sector initiatives were mainly developed at the level of organization by staff-members, who used their discursive power to mobilize internal support, is to simplify to the least possible scenario the formulation of

policies in the case of UNDP, especially as it was an open process subject to deliberation internally and externally.

The process of policy innovation within any organization may often coincide with another critical process, e.g., change in the administration, change in the financial flows, or some external processes. As a result, most of the studies on IGOs' policies tend to oversimplify the process of change and transformation in policies by attributing the introduction of new initiatives and policies to the ideas and personal traits of new Administrators, executives, and other staff-members. Many of key informants interviewed for this paper have also emphasised the importance of the administration's leadership in moving policy agendas forward and in facilitating the process of reforms. It is not surprising because executives, or those in management positions within the organization, formally present policies and strategies that are developed through a long process of deliberation, learning, and discussion. In addition, as an organization excessively controlled by member-states, the role of management, and specifically the effort of its Administrator, were important to accelerate the process of reform and restore the trust and support of all development partners. However, it would be more accurate to assert that this role was materialized through a coherent management style, which was designed and pursued in the process of reforms under the influence of external and internal factors, rather than solely by the application of the position of formal leadership or "power of the chair" (Tallberg, 2010, p. 1).

In the case of UNDP, the management style introduced by each Administrator appeared to be more important than his personal traits and preferences. As has been noted, prior to 1999 the Programme's operations were inherently more focused on the process rather than on the results. The introduction of reform agendas in the pre-GSDF period, and their further implementation, was a significant step in improving the organization management and financial performance. The administration's commitment to those reform agendas, and their formal and forward-looking statements, were essential to communicate the strategy to all stakeholders that the Programme was intending to pursue in working with the private sector. In the absence of system-wide reforms prior to 1997, James Gustave Speth had set the boundaries for UNDP's efforts for resource mobilization and working with non-

traditional donors and partners by reaffirming the preservation of UNDP's "universality, neutrality and non-conditionality, and the grant nature of its assistance" (DP/1994/L.4/Add.1, p. 1) as the ultimate purpose.

The appointment of Mark Malloch-Brown helped to revive the Programme's visibility. As a former World Bank external relations executive, he "brought to UNDP a strong belief in the power of advocacy and some formidable communication skills, which were to raise the organization's profile considerably" (Browne, 2011, p. 65). His management style differed from the previous Administrator's in its attempt to introduce the best management practices of the World Bank and build a goal-oriented organization. Strategically pursuing reform initiatives introduced by the previous administration, he asserted that "I do not intend to let the current resource crisis deflect me from the kind of reforms that the MYFF, the ROAR and the Business Plans represent. At the same time, I must underline again that the rebuilding of UNDP is a compact struck in good faith. It has to be a mutual effort: results and resources go together" (DP/2000/23/Add.1, p. 4).

To this extent, the administration and staff-members played an important role in the process of policy formulation by moving the reform and partnership agendas forward. They were acting as rational-legal bureaucrats concerned about the organization's mandate and effectiveness. However, as has been discussed, their role was constrained by the directive received from member-states, whose primary concern was to preserve the organization's mandate and independence and support the achievement of its development objectives effectively. The issue of efficiency as the primary cause of policy change is discussed in the next section.

4.3. Constellation of interests and resource mobilization

In a rational choice intuitionist's (RCI) interpretation of policy change, efficiency was certainly at stake at the initial stage of agenda-setting. Poor management quality and weak capacity to learn, innovate, and improve entailed in the withholding of voluntary contributions by member-states toward the Programme's funding for several years (see Figure 4, p. 64). Upon the request of the EB, it became imperative for the administration to restore donors' trust by introducing reform initiatives that would allow the Programme to

improve the quality of management and address budgetary shortfalls. In this context, the initial motive driving the member-states' and administration's interests in developing an outward-looking approach in 1994/1995 and onward was to mobilize resources and increase the Programme's capacity and efficiency. Therefore, the agenda for reforms was a rational choice "in response to changing conditions" involving the administration and member-states (Koremenos et al., 2001, p. 767).

This precondition justifies the advancement of a rational choice argument that dominates most studies on IGOs-private sector partnerships. Indeed, like the PA model, RCI can flawlessly conceptualize and explain the initial condition that influenced the interest of member-states and the administration in actively seeking solutions for mounting budgetary and performance problems. Hence, it sheds light on the specificities of the process of problem recognition and agenda formulation upon which policies were developed into initiatives and launched. However, like the PA model's, the RCI's explanatory power is weakened when the policymaking process is moved to the complex stage of formulation. This is especially important when, in the post-GSDF period, the Programme was actively involved in joint workshops, conferences, dialogues, and increased interaction with the private sector and in the process of development and launch of the UN GC.

There are several observations that support this argument. Firstly, the breakthrough that the GSDF and other initiatives were making was not only about the mobilization of additional resources. It was also intended to engage business in a sustainable and responsible way to internalize UN values and encourage greater responsibility for poverty reduction and SHD in developing countries. Learning, which was part of the UN and UNDP's outward-looking strategy during Annan's era, and which was given greater attention during the design of reform agendas, facilitated the Programme's involvement in the process of development of CSR-related norms and the design of the Global Compact. Hence, in addition to the problem-solving element, the Programme's objective in seeking to involve business in development had also a normative element, which as expected, cannot be explained in the framework of RCI.

Second, the UN took an outward-looking approach when ODA was in decline and the development community overall became more inclined to search for innovative and

alternative sources of financing. However, in requiring the administration “to give due consideration to the role of the private sector in development” (A/RES/52/209, p. 3), the motive of member-states were hardly to substitute aid with private capital. Individually, those countries that were pioneering in supporting of the private sector in the implementation of inclusive projects did not consider partnerships as a substitute for the official development aid (ODA) channelled through UNDP or the UN agencies (interview # 24 with a programme manager (DFID), June 2012). Other countries, such as Canada, have only recently started to pay attention to the role of the private sector in international development by designing partnerships and adapting their CSR policies accordingly. As discussions with key informants revealed, partnership with the private sector has never been considered as a development modality that substitutes for ODA or any other form of bilateral aid (interviews # 28 and 29 with the former executives (CIDA), June 2012).

Therefore, engaging the private sector in development for resource mobilization by launching partnership initiatives was one of the many options available for the UN at that time. Fund raising, establishing trust funds for vital projects, or formally sanctioning the states that do not adhere to their financial commitments were among other possible options that UNDP and the UN could explore more vigorously as an alternative to partnerships. Sanctioning the states that do not adhere to their financial commitments, as a measure, is permitted under Article 19 of the UN Charter, which stipulates that if a country accumulates more in arrears than its biennial assessed contributions, it risks losing its vote in the GA (Bite, 2003, p. 5). In addition, UNDP-private sector engagement accelerated only in the post-GSDF period (post-2000), after donors’ trust in the Programme had been restored and their voluntary contributions had increased considerably (see Figure 4, p. 64). Most importantly, during this time the US started to pay its arrears, which also reduced the financial pressure on many programmes and projects overseen by UNDP.

Third, as has been noted, the EB set a threshold (maximum \$100,000 USD) for funds that the Programme could receive from all other sources, including those coming from the private sector, without reporting it to the EB. Any amount above this value was subject to approval by the EB (DP/2001/9). This indicates that not all possible financial contributions would have been approved even if the principal motives of the UN and UNDP for involving

the private sector in the implementation of their development mandate had been the mobilization of more resources. Engaging the private sector at the initial stage of policy formulation was a challenging task for the UN SG's Office. As the discussion in Chapter 3 shows, there is no particular evidence of business pursuing a strategic interest in collaborating with UN programmes and funds. In contrast, as has been noted, the UN system at the initial stage of reforms (before the launch of the GC) found it quite challenging to attract the attention and interest of business in partnership with the UN. Taking into account the long-standing suspicion of the UN and UNDP toward the role and involvement of business in development, it was not clear to the business community how a GSDF and other initiatives would be operationalized and how partnership arrangement with UNDP would work. It was not until after the launch of the GC local networks and the invention of MDGs that UNDP started to articulate clearly the character of partnerships that it was aiming to build with business and the way through which it intended to facilitate the participation of business in SHD.

These observations indicate that a RCI interpretation of UNDP-private sector partnership for development leaves many aspects of the policy innovation process unexplained. It certainly shows how member-states and the administration were motivated to design and to strategically implement reforms from the mid-1990s onward. It also explains how and why agendas for an outward-looking approach had been set within the UN system and why UNDP had played an active role in its realization. The argument that the transformation in the character of UNDP's engagement with the private sector between 1997 and 2008 was part of the "deliberate choices made in response to changing conditions" (Koremenos et al., 2001, p. 767) is also certainly true at the initial stage of agenda-setting and problem recognition. Therefore, the discussion of efficiency and effectiveness (or the lack of) and the need to mobilize additional sources of funding was continuously debated during the design of partnership and reform initiatives (see Table 10, p. 80).

However, these discussions and deliberate choices among all parties involved in the process were not sufficient to shape policies. Like the PA model, RCI cannot conceptualize entirely and coherently the post-GSDF policy formulation process, UNDP's role in development and diffusion of CSR norms and appropriate business behavior in the context of

development, and the impact of its growing interaction and engagement with business per se. Hence, for a complete assessment of the process of policy innovation and the transformation in the character of UNDP's engagement with the private sector, it is necessary to resort to the explanatory power of norms in a constructivist context.

4.4. Norms and intersubjectivity

As the discussion so far indicates, a rationalist interpretation of policy innovation and policy change, which emphasises the causal impact of power and strategic interest, cannot explain the entire process of policymaking and its outcomes. If it is assumed that the change in policies is not initiated at the EB but is originated within the IGO, a culture-oriented interpretation also leaves many aspects of the process of policy formulation unexplained. It is particularly puzzling if an evolving process of interaction and dialogue between UNDP and the business community, wherein the norms of appropriate business behaviour in the context of development are discussed and developed, is taken into account.

According to the main hypothesis in this paper, the liberal variant of constructivism takes the impact of the process of interaction, dialogue, and reasoning seriously. As has been discussed in section 2.1.2 (p. 24), it is in this process of reasoning that norms of CSR in development enter the policy environment of the organization and influence agendas. The process of exchange of ideas, experiences, best practices, the identification of needs, challenges, and opportunities between business and IGOs, does not simply result in the development of new norms and standards defining the role and responsibilities of business in development. This process also generates a learning effect that may influence IGO's policies over the long term, through which it learns how business may contribute to development and how this contribution can further be harnessed. To this extent, as constructivists argue, norms of CSR through a learning process obtain an intersubjective quality and operate as an intervening and constitutive factor between a certain set of causes (e.g., power, interests, ideas, and individual beliefs) and outcomes (e.g., policy change). As a result, the organization redefines the role of business in development in the context of its mandate and operationalizes agendas that previously would have been impossible to approve and implement.

Tracing the constitutive impact of norms on policies is not an easy task because they only operate as an intervening factor in the process and change the outcome. As has been said, norms “may “guide” behavior, they may “inspire” behavior, they may “rationalize” or “justify” behavior, they may express “mutual expectations” about behavior, or they may be ignored. But they do not effect cause in the sense that a bullet through the heart causes death” (Kratochwil & Ruggie, 1986, p. 768). However, by accounting for the mechanisms through which norms guide, inspire, rationalize, or justify behaviour and actions, it is possible to determine the extent to which norms influence policies. The mechanism that has been of interest in this paper is the process of increasing interaction, reasoning, and dialogue with a learning impact that can change behaviour, preferences, and interests and lead to an intersubjective understanding among all parties involved in the process and produce agendas of common interest . The explanatory power of this argument can be applied to the case of UNDP by examining several key elements based on which a constructivist hypothetical causal path is developed (see section 2.1.2, p. 24). Therefore, by accounting for the degree of interaction and internalization of norms through dialogue and reasoning, as well as an assessment of the intersubjective understanding of appropriate behaviour, it becomes possible to assess the extent to which the process of policy change at the UNDP can be characterized as a norm-driven change.

As has been discussed in Chapter 3, UNDP became involved in the sustainability and CSR debates and socialized with the private sector in the post-GSDF period. However, during the second half of the 1990s, the development of at least two dynamics facilitated the formulation of agendas and created the condition for greater interaction between UNDP, business, and all relevant partners. Firstly, as has been discussed, the external environment within which the UN and UNDP were operating had become increasingly conscious of the role of the private sector in development, its externalities, and the mechanisms for its mitigation. Sustainability entered intergovernmental agendas in the summits and global conferences. IGOs, states, and other non-state actors had started to become actively involved in the discussion of sustainability, and the development and promotion of CSR standards and norms created an environment for interaction and exchange of ideas on what should constitute the principles of responsible business in the context of globalization and development (see section 2.1.1, p. 18). The UN and UNDP became involved in this process

after the Earth Summit in 1992 and the WSSD in 1995, when the concept of SHD became the central tenet around which the organization's objectives and reform strategies started to converge. Therefore, by the end of the 1990s, the UN and UNDP were engaged in the evolving system of CSR.

Secondly, the financial and performance challenges that the UN and UNDP were facing in the mid-1990s influenced the formulation of agendas for reform. The implementation of an outward-looking strategy, which was an essential part of these agendas, facilitated the engagement of the Programme with other partners, including the private sector. It was in this context that the GA and the EB of UNDP (section 3.1.3, p. 42) provided the required directives for the Programme "to give due consideration to the role of the private sector in development" (A/RES/52/209, p. 3) and "to develop a more outward-looking culture" (DP/1994/39, p. 16). As part of this culture, which was developed by the end of 1999, the UN at the WEF called directly upon business for dialogue and collaboration. The meetings, workshops, and studies that followed intensified UN-business interaction, and the preparation of reports, studies, and inquiries into the role of the private sector in development prepared the ground for dialogue and reasoning based on evidence gathered and reflected in these reports. Therefore, by the end of the 1990s, the internal policy environment of the Programme was ready to engage with "all relevant partners, in particular the private sector" in a constructive dialogue (A/56/323). It was in the context of the development of these external and internal processes that CSR and good corporate citizenship debates and norms entered the policy environment of UNDP and intensified with the launch of the UN GC in 2000 in the post-GSDF period.

The intervening impact of interaction and learning, and the discussion and development of norms of appropriate behaviour in the process of policymaking, is observable in a comparison of the pre and post-GSDF periods. As has been summarized in Table 10 (p. 80), the influence of norms and interaction on the process of policymaking was significant at the stage of policy formulation and in the launch of new initiatives. The guiding reference points used in the process of analysis in this paper indicate that the impact of interaction and dialogue with the private sector, revision of roles, and the formulation of common objectives were more important at the stage of policy formulation. However, it

should be noted that this observation is true when the entire transformation in the character of UNDP's engagement with the private sector between 1997 and 2008 is viewed as a single process. In this regard, norms could not influence the process of agenda-setting for the formulation of UNDP-private sector partnerships before 1997-1999. This is largely because they had entered the policy environment of the organization gradually and their influence was strengthened only afterward with an increase in the frequency of interaction with business, the establishment of the UN GC, the invention of MDGs, and the implementation of some reform programmes.

In this context, the GSDF was formulated internally as a response to the call for reforms and as part of the outward-looking strategy. Unlike the post-2000 initiatives, the GSDF was not the outcome of interaction, reasoning, and dialogue. It had been developed by the administration in collaboration with the SG Office, and was based on a vague understanding of what constituted the role and responsibility of business in development and how the fulfilment of this responsibility was compatible with the organization's development mandate. This vagueness was the result of several factors. First, the discussion of CSR issues started to enter the policy environment of the UN only in the second half of the 1990s, in the context of SHD and good corporate citizenship. It was not clear how the profit-making interest of business could be reconciled with the development objectives of the Programme, which were defined broadly as achieving SHD. Second, the business community was still pursuing a responsive CSR agenda, which was driven by its concerns over corporate legitimacy and public visibility, and its activities were limited to philanthropy, branding, some forms of PPP, and social investment. The mechanisms through which the private sector could become more actively involved in development simply did not exist at the corporate level. Therefore, in the absence of prior dialogue and interaction, exchange of ideas, and the discussion of business' potential for development, in the pre-2000 period, there was a lack of intersubjective understanding between the UN, business, and other relevant partners in regard to how business could directly contribute to the UN's development mandate.

Norms, however, influenced the agenda-setting process for other initiatives in the post-2000 period. The establishment of the UN GC and its local networks, in this regard, was an important step in facilitating the interaction of the private sector with UNDP. The

development of two other processes at the beginning of the 2000s had further supported and facilitated the process of dialogue. These include the invention of MDGs and the implementation of reform agendas during Mark Malloch-Brown's tenure (see section 3.3.2, p. 62). As a result, the importance of the localization of CSR discussion, and the extent to which the private sector could help local producers and consumers to scale up and gain access to products and services, entered UNDP's agenda, paving the way for the development and adoption of new partnership initiatives through dialogue and interaction.

As has been mentioned (see section 2.1.1, p. 18), business as a social actor operating within the evolving system of CSR was capable of learning and internalizing norms of sustainable and appropriate behaviour in development in the process of interaction, dialogue, norm development, and diffusion. By the beginning of the 2000s, there had already been a significant shift in companies' CSR agendas and the way that they defined "the nature of their responsibilities to society" (Dashwood, 2012, p. 119). CSR agendas have become more result-oriented, in terms of their impact on poverty reduction and sustainable development. Companies' CSR agendas have expanded to include a diverse range of CSR activities that have a direct impact on the development of communities and are better adapted to the needs of local producers, consumers, and employees. The implementation of a strategic CSR agenda in the post-2000 period, by companies, which is aimed to design inclusive business projects and programmes and to address poverty, involves them directly in development practice. Certainly, among IGOs, the role of UNDP in the broader context of the global CSR system has been one of the many factors influencing the process of norm internalization by the private sector. Meanwhile, UNDP's interaction with business, and the influence of norms on the complex process of policy transformation, has been accompanied by the development of several other processes that have contributed to and facilitated the engagement. However, an intersubjective understanding of the appropriate behaviour of business in the context of the Programme's objectives has gradually evolved between the private sector and UNDP as both parties have interacted at the global (in the conferences, summits, and joint meetings) and organizational (in the process of design of initiatives and projects, and workshops) levels.

Certainly, norms and interaction cannot explain the entire complexity of the process. As the discussion of the case in Chapter 3 shows, the process of policy transformation in the character of UNDP's engagement with the private sector has been the result of multiple factors. However, as the results of the application of alternative theories of IR confirm, for the complete assessment of the process the intervening effect of norms and interaction on policies cannot be ignored. In addition, the administration and member-states have also been involved in the process of norm development and interaction. The preparation of studies and reports, the adoption of related resolutions, the design and implementation of reform initiatives, the establishment of commissions, organization of conferences, joint meetings, workshops, and forums have influenced the administration's and staff-members' interests and strategies toward the involvement of the private sector in development.

CONCLUSION

This paper has asked how and why IGOs in recent years have adopted initiatives that actively engage the private sector in the implementation of their global development mandates. By undertaking a single case study approach, it has examined the process of transformation in the character of UNDP's engagement with the private sector between 1997 and 2008, whereby it launched several partnership initiatives that promoted and expanded norms of appropriate business behaviour and engaged companies in the implementation of its development mandate (see Chapter 1).

It has been argued that if IGOs are treated not simply as norm diffusers but also as consumers in the process of discussion and development of norms of appropriate business behavior in development, then the process of policy change could be viewed as norm-driven change. Through this process, IGOs internalize and operationalize into their activities and missions the principled content of the business responsibility debate. This argument has been evaluated in light of a sequenced application of alternative assumptions of the PA model, RCI, and bureaucratic culture literature (see Chapter 2). The paper has examined the process of transformation by disaggregating the process of policymaking into consecutive stages, applied a TGPT methodology, and traced the importance of norms and interaction, the power and interests of member-states, efficiency and needs-based rational choice, and the bureaucratic power and leadership of the administration in the process of policy change (see Chapter 3).

The application of the theoretical framework to the case has revealed that the explanatory power of potential factors of policy innovation vary from one stage of policy formulation to another. Individually, each theory has been important in shedding light on the specificities of a particular stage of policymaking, but not the entire process of policy change (see Chapter 4). To this extent, the disaggregation of the policymaking process has been useful in exploiting the analytical potential of a sequenced and competitive application of theories and in undertaking a detailed analysis of the case. The discussion in Chapters 3 and 4 shows that improving the Programme's efficiency and mobilizing additional resources were the initial factors in setting the agendas for reforms and giving due consideration to the role of the private sector in development. Recognizing persistent financial and performance

challenges at the beginning of the 1990s, member-states' decision-making power was important to facilitate the provision of the required directives and political support to the administration for the design of reform and partnership initiatives. Their collective interest in preserving the mandate and independence of the Programme set limits within which the administration could work on the design of innovative reform and partnership initiatives and engage with other partners toward their implementation. Therefore, member-states' collective power and interest in the Programme's performance and mandate were important to facilitate the formulation of agendas for reform and partnerships. The direct impact of member-states' collective power and interest, however, was weakened as the policymaking process advanced. Although member-states, through the application of control mechanisms such as reporting and monitoring, continued to control the process and provide the required endorsement and financial and political support, they did not stipulate the preferred policy alternatives.

While, through the application of control mechanisms, member-states continued to influence the policymaking process and monitor the Programme's performance, the formulation of policies was not taking place within the EB. The formulation of policies was taking place at the next level in the chain of delegation, i.e., at the level of administration. Based on the results of their interaction and dialogue with the private sector, preparation of studies and reports, participation in conferences and joint workshops, and other activities the administration and staff-members were working on the design and implementation of policy initiatives. Their main motive in giving due consideration to the role of the private sector in development, and in engaging companies in dialogue at the workshops, conferences, and joint meetings for exchange of ideas and concerns was to improve the Programme's performance, efficiently implement its development mandate, and at the same time preserve its independence. Their bureaucratic interest in improving the Programme's performance and in preserving its independence to serve member-states and their constituencies in an efficient way was important to facilitating their engagement in the process of norm development and diffusion aiming at embedding UN values into the activities of the private sector.

To this extent, the process of policy innovation at the UNDP is only partially explained. Based on the previous explanations, it is still not clear why, among other possible

options, the Programme chose to operationalize partnerships that support and promote the implementation of strategic CSR agendas and rely upon core competencies of the private sector as a development modality. This is particularly puzzling if the failure and success of the Programme in launching partnership initiatives before and after the intervention of normative discussions and increasing interaction with the private sector are taken into account. Therefore, although alternative theories suggest that member-states' power, the bureaucratic interest, and the need for the mobilization of additional resources are important with variable degrees of significance throughout the policymaking process, these causal claims are seriously weakened without an assessment of the intervening effect of norms and their learning impact on policies.

Therefore, based on recent developments in the studies of IGOs' policies in IR theories (Ruggie, 2003; Park, 2006) and in the studies on the impact of CSR norms on the behaviour of non-state actors (Dashwood, 2012; Haslam, 2007), this paper has argued that the process of policy innovation at UNDP can be viewed as norm-driven change. It has been demonstrated that the involvement of the Programme in the evolving system of discussion, development, diffusion, and promotion of norms of CSR and sustainable development has had a learning impact on the Programme through the process of increasing interaction with the private sector and other relevant partners. As a result, in the context of the Programme's objectives, the appropriate and acceptable roles and contributions of the private sector in development were defined, agendas were changed, and new initiatives for the operationalization of this role were accepted and launched. To this extent, based on the analysis of the case of UNDP, the explanatory power of a constructivist argument does not simply complement, but subsumes the causal claims of other theories, where member-states' power, the bureaucratic interest, and the need for resources are reconstituted under the influence of norms through the process of interaction, dialogue, and reasoning.

By taking into account the analytical, theoretical, and empirical issues, the paper has several implications for further studies of international politics, IR theories, and enquiries into the character of IGO-business engagement in the practice of development. *Analytically*, this paper has demonstrated that for a better understanding of the outcomes of complex policy processes, where multiple causalities are involved, a sequenced application and

competitive testing of multiple theories are essential. In addition, the uses of the TGPT methodology and insights from the policy sciences have been particularly relevant in supporting the analytical capacity of IR theories. To this extent, the paper has contributed toward the evolving studies on the explanatory complementarities of rationalist and constructivist logics in the analysis of complex cases in international politics. Further studies that focus on theory refinement and development should benefit if they combine the analytical capacities of IR theories, policy sciences, and methodological instruments for small-n case studies (e.g., TGPT).

Theoretically, by taking IGOs' policies as dependent variables in the process of CSR norm development and diffusion, the paper has shown that in the process of norm development and diffusion through constant interaction and dialogue IGOs, can learn and internalize new ideas and, as a result, define the modalities of their objectives. In this context, the paper has demonstrated that the evolving system of CSR, which aims at improving the impact of the private sector on society, may have an influence on all actors involved in this system, and not simply on those for whom these norms have been developed. Further studies, in a similar manner, could trace the impact of norms and interaction on the development policies of other IGOs and states who, with equal degree of intensity, are involved in this system.

Empirically, the analysis of this case is the first attempt toward the conceptualization of the recent transformation in the character of IGOs' engagement with the private sector. Particularly, the paper has documented the evolution of the debates on the role of the private sector in development in relation to the global development mandate of UNDP. Further studies across several IGOs could apply the approach taken in this paper to determine the extent to which the explanatory power of a constructivist argument subsumes the causal claims of other theories. It would be particularly relevant to examine the similar processes of policy innovation in those organizations that are not over-regulated by their member-states and their operations are not overrun by an excessive and unnecessary amount of bureaucratic procedure. This would allow assessing the impact of norms and learning on IGOs' policies in light of their obvious autonomy and bureaucratic power.

APPENDIX

Table 11

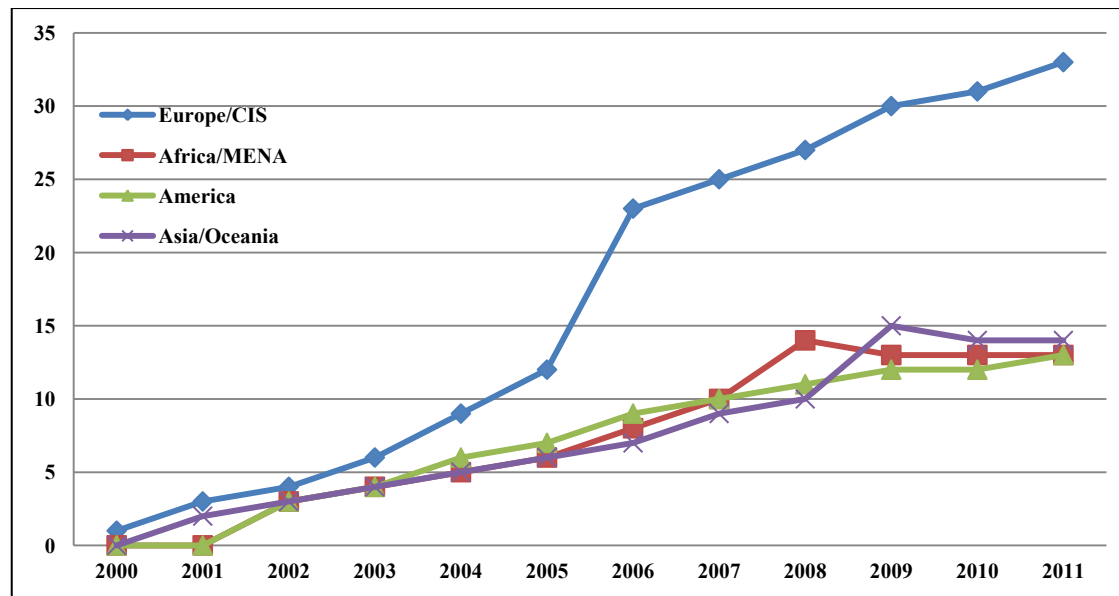
List of Key Informants

	Date	Former/current related position
1	April 19 th Ottawa, ON	a former programme director (CIDA)
2	April 25 th Ottawa, ON	a former ambassador to the UN
3	May 01 st (informal discussion) Ottawa, ON	a former assistant secretary general (UN)
4	May 7 th New York	an international civil servant to the UN
5	May 7 th New York	an international civil servant to the UN
6	May 9 th New York	a former director (UNDP)
7	May 11 th New York	a former director (UNDP)
8	May 15 th New York	a former assistant secretary-general (UN) academic
9	May 17 th Washington DC	a former lead economist in a regional bureau (UNDP)
11	May 22 nd Washington DC	a programme manager (IADB)
12	May 23 rd New York	a programme manager (UNDP)
13	May 23 rd New York	a programme manager (UNDP)
14	May 24 th New York	a deputy director (UNDP)
15	May 28 th London, UK	a research officer (ODI)
16	May 29 th London, UK	an administrator (UNDP)
17	May 30 th London UK	a senior adviser (IBLF)
18	May 31 st London UK	a programme director (IBLF)
19	June 4 th Copenhagen, Denmark	an academic (CBS) ²⁶
20	June 6 th Copenhagen, Denmark	an academic (CBS)
21	June 7 th Copenhagen, Denmark	an academic (CBS)
22 and 23	June 10 th and 11 th (informal discussions) Copenhagen, Denmark	NGOs' representatives ²⁷
24	June 18 th from Ottawa, ON (interview by phone)	a programme manager (DFID)
28	July 3 rd Ottawa, ON	a former vice-president for multilateral programs (CIDA)
29	June 22 nd Ottawa, ON	a former director general, multilateral development institutions (CIDA)
30	May 2 nd (informal discussion) Ottawa, ON	an international development expert (research think tank executive)
31	July 09 th Ottawa, ON (informal discussion)	a private sector and PPP expert
32	August 08 th from Ottawa, ON (interview by phone)	a member of the advisory board (GIM), an academic (Harvard University)

Note: This list is anonymous by default. Key informants are cited in the paper by their names per their personal permission.

²⁶ Copenhagen Business School.

²⁷ During the attendance of *Partnership 2012: NGOs + Business* Conference, at CBS (June 10-12, 2012)
[http://www.partnership2012.com/?page_id=6]



Sources: Adapted from UN GC (2011, p. 24).

Figure 5. The UN GC Local Networks (emerging and established networks)

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Because a large number of documents have been reviewed for this paper, across several years, the UN and UNDP official records and documents are cited by their symbols. All these listed documents have been accessed between January 2011 and October 2012 through:

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