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**Transparency and Its Discontents  
How IO Transparency Influences Domestic Resistance to  
Government Reforms**

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**Abstract:**

How do international organizations influence domestic transparency? Studies typically contend that in order to be instrumental in promoting good government institutions, international organizations have to embody these norms in their own work. International organizations (IOs) have recently implemented a number of reforms to open up certain official documents and proceedings to public access. These reforms are generally expected to promote support for transparency in member countries. We suggest that one important and overlooked condition determines the ability of international organizations to meet these expectations: the quality of IO decision making, defined as its effectiveness, predictability and fairness. The paper develops these ideas theoretically and presents a study on how these reforms influence perceptions of the merits and drawbacks of transparency among senior government officials in environmental ministries, involved in projects seeking finance through the Clean Development Mechanisms and the Multilateral Fund for the Implementation of the Montreal Protocol.

Key words: transparency, international organizations, CDM, carbon market, Media, NGOs, Montreal Protocol, norms, corruption, quality of government

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## Introduction

Transparency has developed into a strong international norm. Article 19 of the universal declaration of human rights states that everyone has the right to “seek, receive, and impart information and ideas through any media and regardless of frontiers” (UN 1948). Transparency is typically described as a necessary condition for better government quality and good governance (Islam 2006; Kaufmann et al. 2002; Kurtzman et al. 2004; IMF 2001; UNODC 2004). Despite the formidable increase in the attention that the principle of transparency has gained in recent years, from activists, research, business, international organizations and governments alike, many governments continue to rule largely in secrecy. The resistance against greater government transparency seems to be strong. At the same time, we know surprisingly little about what causes governments to change in favour of greater transparency. The focus of most studies has been what happens *after* transparency norms have been introduced to a country, i.e. on the *effects* of transparency. Less common is research on how to promote transparency in countries that have little of it (Grigorescu 2003).

International organizations (IOs) are often expected to play an important role in persuading reluctant nation states to comply with international norms. A growing number of studies suggest that their success in promoting better government institutions is closely linked to whether or not international organizations embody these norms themselves in their dealings with member states (Grigorescu 2002; Woods 2000). This implies that greater IO transparency would lead to the spread of transparency norms in countries that interact with such international systems.

In this paper, we suggest an alternative effect of IO transparency on participants in international systems. The paper argues that experiences with transparency in international systems can influence the way in which national bureaucrats who rely on IO decisions for their work perceive the merits and drawbacks of transparency. We build a model that shows that under certain circumstances IO transparency may lead to lower levels of support for transparency among national bureaucrats. In particular, the effects of IO transparency on personal experiences may hinge on one an important condition: the effectiveness, fairness and predictability of IO decision making. We suggest that if the disclosure of information by IOs is perceived to indirectly or directly influence other crucial qualities in international organizations’ decision making, such as effectiveness and predictability, support for transparency may decrease. Particularly in controversial matters, IO transparency could lead to heavy and at times partial media reporting, which could influence the decision making

process. Thus if IO transparency reduces the impartiality of the decision making process, this may have a negative impact on the perceptions of the merits of transparency among national bureaucrats dependent upon these decisions. This, in turn, influences national bureaucrats' experience of, and support for, transparency.

In this paper we outline the theory and the study that has been designed to explore these propositions launched in January 2010. This survey asks national bureaucrats who work with international systems about their experiences with the international system and their attitudes toward transparency. The bureaucrats are high-ranking officials from developing countries who work under two different international environmental treaties: the Kyoto Protocol and the Montreal Protocol. The two systems for international resource transfer studied – the CDM and the Multilateral Fund (MF) - differ in their level of effectiveness, and predictability and also in the level and type of mass medial attention that they receive. Due to the many controversies surrounding the CDM, information made available by the UNFCCC has been used by the media and NGOs to criticize individual projects and the CDM system as a whole. This may give rise to differences in how national bureaucrats experience the merits, and drawbacks, of transparency.

The paper thereby contributes towards placing the focus on the cognitive aspects of transparency reforms. Although the importance of perceptions of transparency of key bureaucrats is frequently mentioned in the literature (Piotrowski et al 2009; Neuman & Calland 2007; Gill & Hughes 2005; Florini 2002:4), studies within the norm diffusion literature tend to measure norm adoption as the implementation of laws. The drawbacks of this approach is, however, that the outcome of adopting new laws differ radically from one context to another, and that laws have little effect where political backing is lacking. We depart from this track to instead focus on how bureaucrats' perceptions of transparency are influenced by their interactions with international organizations. The paper will also contribute to exploring the link between transparency and other decision making qualities. Although transparency is frequently seen as an integral part of well working government institutions, the way that these different qualities are linked to each other are not always clear nor given adequate attention in the literature

Moreover, the paper will explore whether international systems primarily tasked with other objectives than spreading good governance norms can impact on principles such as transparency. Increasing evidence shows that the environmental integrity of international systems is closely linked to their domestic institutional effects. Although the CDM and the MF are concerned with the mitigation of environmentally hazardous gases rather than

promoting norms of good governance, participation in an international system represents a learning experience for national bureaucrats on the effect of the values and norms embodied in these systems.

The paper will thereby critically examine the claim that IO transparency necessarily promotes greater domestic transparency. Although IO transparency reforms have a strong record for bringing about positive international change, their influence on domestic support for transparency reforms among governments should not be assumed let alone taken for granted. Thus, IO transparency can increase the societal pressure on governments to change (Grigorescu 2003), but may, under certain conditions, also influence the level of bureaucratic resistance against transparency reforms.

The paper proceeds as follows. The first section discusses the study's focus on perceptions of transparency among national bureaucrats seeking finance from international organizations. The second section discusses the various levels of transparency within IOs, and presents the two cases of the study. The third section outlines the paper's theoretical framework and discusses how and why IO decision making quality, defined as its effectiveness and predictability influences national support for transparency among key bureaucrats. The fourth section outlines the study methodology and presents the survey sent to heads of the Designated National Authorities (DNAs) in the CDM system and the heads of the National Focal Points of the Multilateral Fund for the Implementation of the Montreal Protocol in developing countries. The sixth section concludes.

### **Government Support for Transparency**

The instrumental value of transparency is well-established in the literature (Stiglitz 2002). Transparency has been suggested as a cure against corruption (Rose-Ackerman 1999; Reinikka and Svensson 2005; Montinola & Jackman 2002; Gerring & Thacker 2004; IMF 2001; UNODC 2004; Kaufmann et al. 2002), and an important condition for good governance (OECD 2001; Islam 2006) and growth (Kurtzman et al. 2004; Siegle 2001). Given the benefits of transparency, it could be asked why more leaders have not implemented transparency and why some countries are backtracking on their commitments to an open society (Fenster 2006; Florini 2002).

One answer is of course that bureaucrats may prefer secrecy if they have something to hide, so that they can proceed with corrupt acts. This answer only gives one part of the story, however, as it cannot be assumed that bureaucrats always have a preference to

act against the interest of citizens. Rather, many bureaucrats may have little to hide from the public, but still do not embrace the concept of transparency. This indicates that there are other costs associated with transparency that may not be immediately obvious.

Where does the discontent toward transparency come from? To answer this question, we need to begin by understanding the term transparency. The first thing to note when it comes to transparency is that it is a multifaceted word, the meaning of which is at times misconstrued. The concept of transparency has been the subject of a number of studies in such varying fields as international security (Florini 2002), regime effectiveness (Mitchell 1998), and negotiation theory (Stasavage 2004). It is perhaps because of the concept's wide applicability that an agreed upon definition of transparency is lacking (Florini 2007; Rely & Sabharwal 2009). Studies on transparency have therefore suffered from confused terminology. Lindstedt and Naurin (forthcoming), for example, show that transparency is often conflated with accountability and Grigorescu (2003) points at difficulties in the operationalization of the term.

Given the confused terminology on transparency, we need to establish how transparency functions in practice in order to understand why governments would adopt this norm. The positive effects of transparency spring from providing the public with a link to decision makers. Public choice theory offers one model for understanding the normative logic of transparency by presenting governance as a principal-agent problem. Because the interests of agents and principals may diverge, principals must find ways of monitoring the actions taken by agents. Transparency could reduce this asymmetric information problem by shedding light on whether the agent (i.e. the government) is pursuing goals that are in the interest of principals (i.e. its citizens) effectively and efficiently (Florini 2002: 14-15). In other words, transparency could aid in overcoming the principal-agent problem by providing principals with information about actions taken by the agent on their behalf, which could be used to judge whether their interests are being served by the agent. Transparency can thus lead to good governance both by encouraging good public policy-making and by deterring abuses and mistakes by officials (Cary 2009).

Recently, however, studies have taken a more critical look at what transparency means in practice, revealing a number of costs and problems associated with its implementation (Lindstedt & Naurin forthcoming; Kolstad & Wiig 2009; Bastida & Benito 2007; Fenster 2006; Stasavage 2004; MacCoun 2006). Rather than transparency being portrayed as a sure way to better government quality, these studies emphasise that transparency may not automatically provide the expected benefits.

In particular, transparency requires enabling factors such as free media and accountability mechanisms to function effectively (Lindstedt & Naurin forthcoming). Without these enabling conditions, greater transparency may for example increase the level of corruption in a country by making it more clear who can be bribed to attain something (Bac 2001). Moreover, even when transparency works effectively, it can hinder efficient decision making, particularly in sensitive negotiations where delicate compromises are only likely to be reached if the public is not involved in polarizing the stances (Stasavage 2004). These studies have thus contributed to a more nuanced picture of transparency, moving past the characterization of transparency as a magic bullet that can solve a range of problems if implemented by governments. Instead, they emphasise that the benefits associated with transparency can only materialize when a range of conditions are in place.

Thus while these studies have broadened our understanding of the concept of transparency, they do not provide an answer to how transparency is most effectively promoted. The studies that do analyse the expansion of transparency norms tend to narrowly focus on freedom of information laws (Grigorescu 2003; UNDP 2004; Florini 2002; Héritier 2003). However, studies have shown that these laws are ineffective in settings where political will is lacking (Neuman & Calland). Studies have shown that the effective implementation of transparency requires officials to see the benefits of transparency (Neuman & Calland; Gill & Hughes 2005). According to Neuman & Calland: “The notion of transparency is invariably far beyond the range of experience and mind-set of most public bureaucrats. Therefore, a fundamental mind shift is necessary, prefaced with political will for a change in approach. As Florini (2002:4) argues: “the degree of transparency that prevails is the result of deliberate choices. Governments must choose to release information”.

A focus on formal transparency laws also directs scholarly attention to a certain type of theories of norm diffusion. It helps preserve the traditional focus of international relations studies that treat governments and countries as homogenous entities (that can determine the costs and benefits of implementing certain laws, that can decide to adopt laws in order to reinstall public confidence and enhance their legitimacy etc.). The downside of this approach is that it may not adequately consider the fact that different parts of the government bureaucracy may have different preferences and norms and that both the adoption of new laws and their implementability are dependent upon the will and norms of subgroups of bureaucrats. Some groups of bureaucrats may, for instance, be less dependent upon gaining public legitimacy, but nonetheless important and influential in the process by which governments change. If governments are not homogenous entities and if laws do not always

get implemented correctly, bureaucrats' experiences and norms do matter. Thus, theories about how transparency norms are diffused should include their influence on bureaucrats' perceptions of transparency.

How can we then understand the decisions leading up to transparency being adopted as a normative principle by national bureaucrats? Given the fact that key bureaucrats have to decide whether or not to increase the level of transparency in their bureaucracies (Cary 2009), it is surprising that more research has not been conducted on what influences bureaucrats' decision-making. The way in which IOs influence bureaucrats' perceptions of transparency is under-theorized, and consequently their effects are poorly understood. In this paper we compare the perceptions of bureaucrats in two different international settings in order to understand their attitudes toward transparency norms. The paper suggests that it is possible that negative experiences with transparency in an international setting have negative effects on officials' appraisal of transparency. Before developing our theoretical framework further, we turn to the two cases used to explore this thesis.

### **The Transparency of International Systems**

We define IO transparency as the amount of information that is publicly available about a project seeking finance from the international system before decisions are made. We are thus interested in how much project information is made available before decisions are taken. This definition is practical because it specifies the type of information and level of accessibility that the term implies. It also addresses a criticism found in the literature, namely that definitions of transparency are usually very broad (Kolstad & Wiig 2009; Relly & Sabharwal 2009). This is because transparency is often vaguely defined as the level of access to information without narrowing down *what* information and *which* access. Broad definitions tend to favour a largely positive reading of transparency, for example equating the term with accountability, which may not always hold true in practice (Kolstad & Wiig 2009). Instead, our definition is more narrow and neutral.

The transparency within different IOs have been the focus of many studies. Florini (1999), for example, traces the changes in the level of transparency in the World Bank and the IMF, arguing that the World Bank has come the furthest in opening up their work to outside scrutiny. Despite this greater transparency, Florini poses the question about whether these international organizations are transparent enough to be credible in promoting transparency in member states. She thereby implies that greater IO transparency increases the



rate of success of spreading transparency domestically. This is in line with conventional wisdom that IOs should lead by example (Grigorescu 2002). However, the question of whether more transparency in IO proceedings always facilitates the diffusion of transparency norms to member states has received surprisingly little attention in empirical studies.

This paper outlines a study that focuses on how transparency interacts and coexists with decision making qualities in two different IO programs: the Clean Development Mechanism (CDM) and the Multilateral Fund for the Implementation of the Montreal Protocol. Both systems are part of important international environmental regimes – the Kyoto Protocol and the Montreal Protocol respectively. These systems are responsible for significant financial transfers between countries with important implications for how we succeed in protecting global public goods.

The CDM is run under the United Nations Framework Convention on Climate Change (UNFCCC). The CDM is the first global market mechanism in international environmental law and the world's largest offset market (Streck 2004). The CDM was adopted to function as a “win win” strategy to reduce global greenhouse gas emissions while aiding developing countries achieve sustainable development. This was to be achieved by investing in emission reducing projects in developing countries that would not have been implemented without the additional incentive offered by the CDM. These emission reductions would then be translated into Certified Emission Reductions (CERs or carbon credits) which could subsequently be used by Annex I countries (those countries that have emission reduction obligations under the Kyoto Protocol) or private firms as an alternative to domestic emission reductions.. It is the responsibility of the CDM Executive Board, the UN agency supervising the CDM, to decide on the eligibility of project applications. However, before this UN body can approve or reject these projects, a national government authority, the so called Designated National Authority (DNA), has to approve projects and certify that they are in line with national sustainable development goals.

The CDM has some level of similarity to another international environmental mechanism – the Multilateral Fund for the Implementation of the Montreal Protocol. This Fund was established in 1990 with the objective of aiding developing (Article 5) countries to comply with their obligations to phase out the use of ozone-depleting substances (ODS) under the Montreal Protocol. The Multilateral Fund is administered by a number of implementing agencies, including the World Bank, the United Nations Development Program (UNDP), the United Nations Industrial Development Organization (UNIDO), and the United Nations Environmental Program (UNEP). The fund is managed by the Executive Committee, a body

which for the 2009-2011 period oversees \$490 million<sup>1</sup>. The Executive Committee, similar to the Executive Board of the CDM, is responsible for developing criteria and guidelines for eligibility and for the approval of project applications.<sup>2</sup> Before this board approves projects they have generally been approved by the National Focal Points.

Although more and more IOs strive to increase transparency in their programmes<sup>3</sup>, few reach up to the level of transparency found in the CDM (Bäckstrand 2008). The level of access to information about projects before EB decisions are made is higher than in most other IO systems. Project developers must provide project design documents (PDDs) that are posted on the CDM website. These PDDs must contain information about the rationale for the project, including a description of how it meets the additionality criterion. Moreover, stakeholder comments, including negative viewpoints about the project, should be included. It is based on these documents that the CDM Executive Board approves or rejects projects.<sup>4</sup>

The CDM and the multilateral fund differs in the level of international mass medial and NGO attentions that they receive. Despite the fact that the World Bank has lauded the CDM a success (World Bank 2008:4), the CDM has increasingly become the object of criticism for allegedly failing to live up to its objectives (McCully 2008). Wara and Victor for example find that “Experience with the CDM suggests that many CDM projects do not reflect real reductions in emissions (Wara & Victor 2008:23).” Thus it does not appear that the transparency in the system has deterred project developers from applying for CDM money on faulty basis<sup>5</sup>. In contrast to the CDM, the Multilateral Fund has received less attention and the attention that it has received has been primarily positive<sup>6</sup>.

The high media attention of the CDM can partly be explained by the controversial nature of the policy area. Perhaps because of the fact that no offsets are involved in the Multilateral Fund, i.e. industrialized countries are not entitled to let out more ODS as a result of the reductions that take place in developing countries, the high levels of transparency

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<sup>1</sup> <http://www.multilateralfund.org>

<sup>2</sup> One difference with the CDM is that the Multilateral Fund has a more centralised structure than the market based mechanism for greenhouse gas reductions.

<sup>3</sup> (See for example <http://go.worldbank.org/TRCDVYJ440> about the current reform of the World Bank’s disclosure policy towards a more transparent organization

<sup>4</sup> In order to make sure that real emission reductions occur, it is therefore important to verify that CDM projects would not have happened anyway. This concept is known as “additionality” and is a key criterion for valid CDM projects. The additionality principle is thus fundamental to the integrity of the CDM system because if projects are approved that would have taken place even without the money obtained through the CDM, the result is an increase in GHG emissions

<sup>5</sup> See also Schneider (2007) who calculates that about 40% of the registered projects by July 2007 may have been implemented even in the absence of the CDM mechanism, contrary to the objective of the CDM.

<sup>6</sup> For criticism about the implementing agencies (particularly the World Bank), see Greenpeace 1994.

required in the CDM system have not been an issue for the Fund. This may provide one explanation as to why media scrutiny of projects has been far off from the high levels of the CDM.

Better access to information about projects before decisions are made allows for a particular type of media and NGO scrutiny. It allows for targeted campaigns against specific projects. . Because critics have access to extensive details about projects before they are considered for approval, targeted campaigns against particular projects can sometimes be successful. NGO representatives have for example on several occasions' submitted comments about projects that they argue could not be considered eligible for CDM funding.

How does this affect national bureaucrats' perceptions of transparency? Can the different systems influence the way in which the national bureaucrats working with them appraise the merits and drawbacks of transparency? We suggest that the difference in IO decision making, the level of transparency and media scrutiny can lead national bureaucrats to have different experiences with transparency, which in turn can influence their support for the transparency norm.

Project overseers in both the CDM and the Multilateral Fund are generally from the same set of countries and are professionals that are based in the Ministry of Environment or an equivalent department in most cases. Participants in our study are senior officials in their home countries that administer and approve projects. We develop our theoretical expectations below.

### **How International Organizations Influence Domestic Transparency**

International organizations (IOs), such as the OECD, the World Bank and the IMF, champion the spread of transparency to member countries because of the benefits expected from implementing this norm (Florini 2002). No consensus exists, however, about why and how this norm is sometimes endorsed by member states. Studies on norm diffusion from IOs to member states tend to focus on other concepts such as corruption (Sandholtz & Gray 2003) or minority rights (Kelley 2004), with few empirical studies on how IOs can influence domestic transparency (Grigorescu 2002).

The literature on what factors spur domestic support for transparency norms typically conceives of support for the transparency norm as part of a wider complex of attitudes and norms relating to democratisation and accountability. Thus, members of the

bureaucracy or politicians that support or advocate greater government transparency may do so based on a general conviction of the importance of greater accountability and democratisation. Alternatively they may be pressured into supporting greater transparency in order to counter criticism. The causality between different motives for supporting transparency norms is difficult to tease out however.

The literature points out international organizations as a source of potentially strong influence over reforms in member states. Examples of tools that IOs have at their disposal to put pressure on governments include conditionality for aid, loans or membership, but also less tangible mechanisms such as the production and use of rankings of government performance and IO led workshop and capacity building projects (Bauhr & Nasiritousi 2009; Bearce & Bondanella 2007; Kapur & Naim 2005; Schimmelfennig 2005; Sandholtz & Gray 2003; Jacoby 2006; Kelley 2004; Rotberg 2004-2005; Finnemore & Sikkink 1998). IOs may for instance make aid or loans conditional on countries adopting transparency laws.

Several studies point at the limited effect of conditionality. Neuman and Calland argue that this mechanism does not lead to the effective implementation of transparency in a country. Their review of countries that have adopted transparency laws shows that the set of countries that simply adopt access to information laws as a response to pressure from IOs does not have a good track record of effective implementation of transparency. The reason for this, as can be seen in the case of Nicaragua and Honduras, is that there is not the necessary demand for transparency within these countries. Instead countries resort to window-dressing in order to satisfy conditionality demands from the World Bank and the IMF (Neuman & Calland). In fact, it has been shown that when there is little domestic demand for transparency, access to information laws that have been introduced top-down often fail to produce any benefits (Neuman & Calland). Thus IO efforts to increase transparency by simply placing it as a condition in an aid agreement do not provide the right conditions for the effective implementation of transparency in those countries.

The literature on the influence of international organizations on national transparency, or other good governance norms, often points to the importance of international organizations embodying these norms themselves in their dealing with member states (Grigorescu 2002; Woods 2000). Nevertheless, these very organizations have only recently begun to open up their activities to greater scrutiny by outsiders and sometimes only reluctantly so (Florini 2002). Although much of the literature seems to assume or agree that IO transparency is important for its ability to influence member states, few studies attempt to understand *how* it matters. Some studies somewhat vaguely argue for the importance of

international organizations gaining moral credibility (Florini 1999). IO transparency can also increase the effectiveness of other strategies of influence, such as conditionality. Grigorescu (2002) shows for example that normative persuasion is an ineffective mechanism for IOs to spread norms in cases when the IOs themselves have not implemented the norm. This could be viewed in the case of EU attempts to increase transparency in accession states. Because the EU does itself not always practice the transparency principle and because its existing member states also are not always open, it became difficult to persuade accession countries that they should become more open (Grigorescu 2002).

One of few elaborate attempts to understand how, more precisely, IO transparency matters is Grigorescu's (2003) study on impacts of IO publicity requirements on member state transparency. Grigorescu (2003) shows that IOs have indirectly spread the transparency norm by making available member country information that could not be accessed domestically. The provision of an alternative source of information by IOs has reduced the costs of transparency for domestic governments as the information is readily available anyways. Moreover, if information publicized by IOs is used to criticize the government, decision-makers may resort to transparency laws in order to bolster government legitimacy and support. Grigorescu thus finds that IOs have an important role to play in encouraging greater transparency, through reducing the costs associated with the implementation of access to information laws. Grigorescu's (2003) conclusion that IOs should expand transparency within their own organizations in order to spread the norm to member countries focuses on an indirect link between the level of information made available by IOs and the extent of access to information laws in a country.

Perhaps surprisingly, the possibility of a direct link between experience of IO systems and perceptions of transparency is rarely explored. When outlining his mechanism, Grigorescu dismisses the possibility of a direct link between participation in IOs and norm diffusion (2003).<sup>7</sup> The literature on norm diffusion, however, argues that IOs have an important role to play in spreading norms to national bureaucrats that interact with IOs (Johnston 2001; Checkel 2001; Alderson 2001). Although it is likely that this effect is smaller than national socialization (Hooghe 2005), studies show that experience based shifts in attitudes can come about as a result of appreciation of or disillusionment with certain policies

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<sup>7</sup> "The hypothesized role of IOs in increasing government transparency is not one of the traditional ones often attributed to IOs: such as "condition-setters" (e.g., Schmitter, 1996:29-31) (emphasized by realists) or "norms exporters" (e.g., Finnemore and Sikkink, 1998; Checkel, 2000) (on which the constructivist literature generally focuses). Such mechanisms are not yet in place. IOs have set down only very weak conditions with regard to transparency for their members or prospective members" (Grigorescu 2003:649)

(Markus 1979). Thus, although socialization is a long and complex process, and consequently very difficult to study empirically, experience based shifts in attitudes may form a central part of the mechanism by which interaction with IOs influence perceptions of transparency. We suggest that *personal experience* provides another mean through which IOs can affect transparency in member countries. Our personal experience model thus contends that national bureaucrats that participate in IO settings do not only learn about the particular norms that are promoted by IOs, as suggested by normative persuasion theory, but also learn from experiences with those norms as applied in international settings<sup>8</sup>. This forms our first theoretical expectation: Personal experience with IOs' decision making processes may influence perceptions of the merits and drawbacks of transparency.

Studies typically contend that if international organizations do at all have an influence on governments, this influence is generally a positive one. In line with this view, greater transparency in IOs would mean that national bureaucrats who interact with international organizations will be socialized into having more positive attitudes about transparency. However, we argue that the personal experiences of IO decision making among national bureaucrats who interact with international organizations can determine international organizations' influence on national decision making either in a positive or a negative direction. In order to understand *how* the norm can be perceived by those involved in transparent proceedings, it is important to review theories on what transparency is meant to achieve, as well as its potential limits.

Although the merits of transparency are well-known, its potential limits have been less explored. Studies disagree for instance on questions such as whether transparency is indeed a cure against corruption, whether transparency leads to increased legitimacy/trust in institutions, and whether transparency in fact increases the quality of policies. Given the complexities and potential drawback of transparency, the personal experience with transparency that interaction with international organizations promotes is not necessarily a positive one. Recent studies have pointed out that transparency is a double-edged sword that can on the one hand be an important tool for achieving good governance and on the other be misused and have negative consequences. Therefore, experiences with transparency may be different in different settings. Thus while IOs may provide a forum where national delegates

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<sup>8</sup> It develops Grigorescu's (2002) model by looking at how transparent IO settings can lead to norm diffusion. Even though Grigorescu (2002) could not find any effects on transparency of EU involvement, we suggest that his result may have been different had he studied the perceptions of accession country bureaucrats on transparency before and after EU entry.

can learn about the values of norms such as transparency, this learning experience can equally be a negative one by increasing resistance against this norm under certain conditions.

In the next section we specify the conditions under which IOs can influence experiences about the effects of transparency. These two conditions, and the way they are related are discussed in the section below.

### **The Importance of Effective, Predictable and Fair International Organizations**

We suggest that the influence of transparency on *the quality of IO decision making*, such as the effectiveness and predictability of decisions, is potentially of central importance for their ability to promote support for transparency. International organizations make decisions about and distribute large sums of money, and perceptions of the impartiality and predictability of these decisions could be expected to be of importance to recipients. Good governance principles, such as accountability, participation and transparency, thus not only apply to national governments, but to the work of IOs themselves (Woods 2000).

However, few studies look at the effects of these norms when they interact in an international setting. We pose the question of how transparency is perceived by national bureaucrats if it is seen to interfere with other desirable outcomes of IO decision making, such as effectiveness, predictability and fairness. It is argued below that depending on how transparency affects the quality of decision making in IO settings, bureaucrats' perceptions of transparency could change in a favorable or an unfavorable direction.<sup>9</sup>

Transparency is typically believed to improve decision making. Islam (2006) and Stiglitz (2003) for example argue that transparency improves the quality of decisions and leads to better allocation of resources and thereby increases social welfare. By increasing available information, transparency is believed to lead to better analysis and monitoring of risk, thus contributing to good governance (OECD 2001). However, studies also point to the negative sides of increased transparency for decision-making. For instance, deterioration in the quality of decisions is predicted if transparency provides officials with an incentive to posture or pander (Stasavage 2004:672-73), or if it increases transaction costs and leads to greater politicization (Heald 2003; MacCoun 2006; Fenster 2006). Jacobsson and Vifell (2003) reach a similar conclusion in their study of institutions within the EU, stating that “the

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<sup>9</sup> In particular, three different factors may determine whether impartial decision making is possible: whether the policy and regulatory framework is clear, whether decision makers have a preference for certain individuals, and quality in publicity.

more closed the forum, the more openness in discussion”. Thus transparency may inhibit good decision-making if officials are hindered from deliberating openly due to fears of citizens’ perceptions of their actions.

In the case of deciding which projects that should be approved in an IO, it is possible therefore that transparency either increases or decreases the quality of decision-making. This is because interference from outside parties may either aid in providing relevant information on which the decisions are based, or it may disrupt impartial decision-making. The latter scenario is possible if transparency forces the decision-making body to reject projects that receive massive criticism even if they are not perceived to be worse than projects that receive no or little criticism and are approved. The (real or perceived) increase in unpredictability of decisions as a result of a great level of transparency in the system could influence perceptions of the merits of transparency. If greater transparency is blamed for the decreased quality in the decision-making, “decision control” and procedural fairness theory (Thibaut & Walker 1975)<sup>10</sup> suggest that the reactions could be negative. These theories imply that the acceptability of decisions is based on how predictable and fair they are.

One of the reasons why the Quality of decision making can influence perceptions of transparency is that it is likely to influence perceptions of publicity, defined as how balanced, fair and knowledgeable media and NGOs are perceived to be when using the information made available by international organizations. Bureaucrats’ perceptions of quality of publicity may influence support for the transparency norm in several ways. Bureaucrats’ involved in a system with bad quality of decision making may be heavily critiqued and thereby cultivate a more adversarial relation to the media and NGOs. If this critique does not contribute to effective and fair decisions or even undermines such decisions the adversarial relation may increase. For instance, publicity may both improve and reduce the quality of decision making. The standard view of transparency is that it is negatively correlated with corruption (Rose-Ackerman 1999, Montinola & Jackman 2002, Gerring & Thacker 2004, IMF 2001, UNODC 2004, Reinikka & Svensson 2005, Kaufmann et al. 2002). Transparency is believed to reduce corruption by facilitating the detection of corrupt practices. Other scholars, however, show that this relationship is not perfect and that a set of conditions must be fulfilled before transparency can be an effective tool against corruption (Olken 2004, Lindstedt and Naurin forthcoming, Bac 2001). Bac (2001), for instance, argues that while a transparent system may detect corruption, transparency may also facilitate the localization of

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<sup>10</sup>Cf. Esaiasson (2009:2-10)



bureaucrats to bribe. If the system is not open enough to withstand this effect of new avenues to find targets to bribe, the effect may be greater corruption instead of less. Thus there needs to be a strong accountability mechanism and good IO decision making quality in the system for transparency to be effective against corruption. Similarly, Kolstad and Wiig (2009) argue that making information available to the press does not always mean that this will be used for the purposes of combating corruption. Instead they warn that “the media may concoct false allegations to increase profits, or use information to get access to rents” (2009:526).

Thus the literature on the effects of transparency on corruption predicts that corruption and fraud may either increase or decrease as a result of greater transparency, depending upon the quality of publicity and whether or not decision makers act on the information received. Transparency may reduce the number of fraudulent project applications if it contributes to detecting them. The risk of being detected has a deterrent effect. However, in the more pessimistic scenario, transparency may also increase corruption if it is coupled with inadequate support for a clean system. This could happen for instance if there are frequent allegations of fraudulent projects that do not get acted upon. This signals a limited effect of critique and very low risk of sanctions which may pave the way for more fraudulent applications. After all, if the risk of being “caught” is minimal despite a widespread knowledge of faults and gaps in project applications, it may seem risk-free to file applications that do not live up to all standards. Thus in order for quality in publicity to reduce corruption and fraud, the information has to get acted upon.

Publicity may also affect support for transparency through its influence on public legitimacy. Again the literature predicts two opposite effects of transparent decision-making, this time on how it influences the legitimacy of institutions. Whereas greater transparency is believed to increase legitimacy, it is possible that citizens with an insight into how decisions are made become disillusioned instead. Bovens (2003) argues that with a media that live off scandals, trust in institutions can decrease as a result of an open system. Moreover, information may fall into the wrong hands and be used against the purposes of openness. Hultman and Axelsson (2007) show that increasing transparency in the absence of trust may lead to unpredictability and negative outcomes. So the experience of national bureaucrats who participate in IO application procedures in terms of whether transparency increases or decreases legitimacy of their projects could be another factor that influences their perceptions of quality in publicity and consequently their support for the transparency norm. If IO transparency leads to projects becoming the target of significant media criticism, it is conceivable that national bureaucrats involved in the system feel that all projects loose in

legitimacy in the eyes of the public. When media reports to a great extent are critical of a particular IO program, national bureaucrats may fear that all projects associated with this system are perceived as being bad by the public, resulting in reduced legitimacy for all types of projects – even “good” ones.<sup>11</sup>

The causal processes outlined in the preceding sections lead us to expect that the quality of IO decision making may influence perceptions of publicity, in that it can create a more adversarial relationship between officials and NGOs. Second we expect that bureaucrats who perceive media attention as unfair and imbalanced are less in favor of transparency.

Applied to our two cases, this model predicts that we should find variations in how national bureaucrats perceive the merits and drawbacks of transparency. This is because the stringent transparency requirements of the CDM affect the quality of IO decision making and the perceptions of publicity. Although it is true that transparency has been successful in bringing attention to fraudulent CDM applications, not all of these reports get acted upon. This either means that the critical reports that do not lead to a rejection of the discussed project are incorrect or that the Executive Board responsible for the decision-making chooses not to take action. The CDM Executive Board, which has enforcement tools at its disposal, has stepped up its efforts to root out fraudulent CDMs. The number of rejected projects has in fact risen in recent years. However, the resources of the Executive Board are limited and the increasing number of CDM projects in the pipeline adds to the pressure of spending less time ensuring the validity of each project (Schneider 2007:6). This creates the risk that the predictability of CDM decisions is affected if officials perceive that the Executive Board rely on media or NGO comments to approve or reject projects due to their limited resources to review all project applications themselves. This in turn could affect project developers’ perception of the fairness of CDM decisions. This is because transparency is expected to improve the quality of organizations’ decisions, i.e. by countering corruption and making systems more predictable (Islam 2006). If transparency leads to a situation instead where project developers feel that the decisions made are based on unbalanced outside pressure, the experience with transparency could be negative.

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<sup>11</sup> Other drawbacks of transparency that are present for most cases are resource and information generation costs. Transparency includes both monetary and human resources costs that can be significant (Grigorescu 2003; Fenster 2006; Neuman & Calland 2007; Roberts 2006; Florini 2002). Consequently, there are real costs of transparency that must be taken into consideration in an analysis of the desirability of increasing transparency in a given bureaucracy.

## **The Study**

In Spring 2010, a survey was launched to government officials working on the Clean Development Mechanism and the Multilateral Fund for the Implementation of the Montreal protocol. The participants of this study are senior officials in their respective administrations working either in the Designated National Authorities (DNA) of the CDM system or in the National Focal Points of the Montreal Protocol. Participants received an introductory letter followed by an email with an online version of the survey, devised in English, Spanish or French.<sup>12</sup> This survey is complemented with interviews with a number of experts, NGO and IO representatives, government administrators, and business representatives.

The survey asks participants to answer questions about their perceptions of IO decision making quality, quality in publicity, and attitudes towards transparency. The measurement strategy of capturing national bureaucrats' perceptions of transparency thus consists of three tracks. The first track explores the *bureaucrats' perceptions of the decision making quality of IOs*. This set of questions asks respondents about their perceptions of decision making in the Executive Board and the Executive Committee respectively in terms of impartiality, predictability, timeliness and fairness of decision making. The second track explores whether bureaucrats perceive *media and NGO attention* as unfair and imbalanced. These questions pertain to the nature of publicity in terms of whether media and NGOs are generally balanced or biased in their reporting of the work of the IO and whether they have a tendency to misrepresent or misuse information. The third track explores *perceptions of the merits and drawbacks of transparency*.<sup>13</sup> Results will be available in early autumn 2010.

## **Conclusion**

This paper outlines a theory that suggests that the effectiveness and fairness of international organizations' decision making affect national bureaucrats' perceptions of the merits and drawbacks of transparency. Drawing on insights from the extensive transparency literature and from theories of norm diffusion, we suggest that national bureaucrats working with international organizations can learn about the practical implications of important norms embodied by these organizations. This proposition is explored among bureaucrats in developing countries working on the international transfer of resources in the environmental

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<sup>12</sup> To reduce the risk of language difficulties influencing the responses the survey was devised in English, French and Spanish

<sup>13</sup> See Appendix I for an example of the survey.

field. Two different systems for resource transfer are included in the study: the Clean Development Mechanism and the Multilateral Fund. A pilot study provides consistent support for our theory.

If these propositions hold up in our study, it challenges and complements the established literature which ascribes a positive link between greater IO transparency and domestic transparency (Grigorescu 2003; Grigorescu 2002; Woods 2000; Florini 1999) by specifying how and under what conditions this effect is likely to appear. Furthermore, contrary to important parts of the literature on norm diffusion that use the adoption of laws as an indicator of norm diffusion (Grigorescu 2003; UNDP 2004; Florini 2002; H eritier 2003), we suggest an agency focused model, where bureaucrats' perceptions of transparency are based on experiences of transparency in their work.

This study thus suggests that an understanding of the effects of reforms, such as the current global drive for greater transparency in international organizations and governments alike, requires an analysis of the link between different institutional qualities, and how they interact. This paper has developed and elaborated the link between transparency and effectiveness, predictability and fairness in decision making, arguing that the two can interact in ways that may not be conducive to promoting greater domestic transparency. The implication from this is not that IOs should exercise less transparency in order to increase support for the transparency norm among bureaucrats. Instead, it implies that the IO should try to mitigate against the negative experiences of transparency by for example strengthening rules concerning impartiality. Our study of the CDM and the MF therefore highlights the importance of designing sound systems not only in terms of their environmental effects but also their potential influence on institutions. Given the strong link between environmental integrity and adequate domestic and international institutions, it is important to gain a better understanding of how systems designed to protect global public goods may also influence global institutional development.

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