

Conference Stream: Development and Globalisation: Organising Global Concerns for Security and Participation

## **UN-ORGANISING THE CDM? – REFLECTING ON ISSUES OF PARTICIPATION IN INTERNATIONAL CLIMATE CHANGE GOVERNANCE**

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### **Abstract**

Even though celebrated as policy innovation in global environmental governance, the Clean Development Mechanism (CDM) of the Kyoto Protocol reveals shortcomings on aspects of participation and representation. Since these are prerequisite to any new mode of governance for sustainable development, un-/re-organising the CDM at international, national and local levels is called for. In the course of this paper the CDM will be discussed as a new mode of governance for international climate protection based on governance debates. Subsequently, issues of participation at the multiple levels of CDM regulations and operations will be analysed taking India as a case study. Finally, critical management studies are drawn upon in order to make normative suggestions on how to un-/re-organise the CDM as to meet its sustainable development objectives.

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## **I. INTRODUCTION**

Climate change as “the biggest long-term threat facing our world” (Blair, 2007) has adopted a prominent role on international and national policy agendas.

The complexities of climate change demand for a joint approach on a global level of international climate governance. Climate constitutes a common pool resource that being managed by nation states implies collective action problems (Biermann & Dingwerth, 2004). The overall result is the emergence and increase of collaborative governance in global environmental politics. In this context, forms of horizontal interdependence and environmental policy diffusion based on forerunner states as well as forms of vertical interdependences through environmental regimes converge. Additionally, new private and non-governmental actors play more active roles, which leads to a mix of interaction modes and partnerships.

Examples of newly emerging modes of global environmental governance feature prominently throughout the Kyoto process. This institutionalises the attempt to achieve an internationally binding agreement on reducing certain greenhouse gases. In this context three flexible instruments are established in order to assist the achievement of this policy objective. As one of them, the Clean Development Mechanism (CDM) constitutes a project-based instrument between industrialised and developing country participants. Organising participation in the CDM, industrialised and developing countries adopt certain roles according to their Kyoto responsibilities, and multiple other actors have formed new alliances. Their modes of engagement, i.e. their participation and responsibilities, are outlined and institutionalised through the rules and regulations of the 2001 Marrakech Accords. At the recent 2006 UN Climate Change Conference COP 12/MOP 2 in Nairobi, Kenya, concerns were voiced about the ‘loss of the Kyoto spirit’ in relation to how participation in the CDM is organised in cases such as India.

Consequently, what are the implications of the fact that CDM investments do not flow from industrialised to developing countries as envisaged in the CDM for the participation and representation of Non-Annex I stakeholders in the CDM? What do these features specific to the Indian context imply for achieving the overall CDM objectives of sustainable development and technology transfer?

The central argument discussed in this paper is that the current design and operation of the CDM gives rise to concerns whether premises of meaningful participation and representation of developing countries are rightfully considered.

In the following, participation and representation within the CDM framework will be discussed on the multiple levels of CDM operations. Governance theories provide a dynamic approach to understanding actors' modes of engagement and participation in the CDM framework. Yet enquiries into normative implications of how participation in the CDM is organised draw on perspectives from critical management studies. These allow for further interpretations particularly with regard to the impacts participation in the CDM in India has on achieving the dual goals of this flexible mechanism. The ensuing discussion will hence combine perspectives from governance and critical management studies in order to analytically examine how and with what effects CDM participation is organised taking the Indian case as an example.

## **II. GOVERNANCE AND PARTICIPATION IN INTERNATIONAL CLIMATE POLICY**

Participation is not only regarded as one of the essential characteristics but also as the prerequisite of governance for sustainable development (UN, 1993: 219). Consequently, the policy instruments at disposal in global environmental governance such as the CDM are required to integrate the issue of participation at all levels. In the following section these arguments will be deduced from debates originating in environmental governance and governance theories.

Climate change as a global threat and challenge calls for a more comprehensive policy approach, which involves all affected stakeholders and employs a mix of policy instruments. Consequently, climate change policy exemplifies the shift from government to governance. Since climate change touches upon sensitive issues last but not least about securing natural living conditions, certain normative requirements are attached to policy instruments utilised in this context. Consequently, the CDM is more than a policy instrument but a mechanism of governance for sustainable development. This implies that certain criteria of participation and representation need to be met. However, the key argument discussed in this paper is that the CDM falls short on these aspects.

Recent debates on global environmental governance (Young, 2001; Luterbacher & Sprinz, 2001; Esty & Ivanova, 2002, Biermann & Dingwerth, 2004; Levy & Newell 2005) emphasise the demand for and discuss the adequacy of policy instruments such as the CDM to tackle collective action problems such as climate change. This immediately encounters the underlying question about the extent to which the CDM actually constitutes a new mode of governance in global environmental governance. As this entails implications on how participation is and should be organised, the CDM will now be shortly discussed in the light of governance debates.

James Rosenau was among the first to acknowledge the relocation of authority from national government as an adaptive reaction to ensure the delivery of functions essential for human survival (Rosenau, 1992). The location of responsibilities for delivering governance services such as security and welfare is regarded secondary and amounts either to governments or to entities not originating within governments. The ensuing “totality of co-existing forms of collectively regulating societal issues” (Mayntz, 2004: 12) is hence characterised as governance. Yet a more confined definition of governance as “the intentional delivery of collective goods and service to a certain community” (Risse & Lehmkuhl, 2006:2) proposes the intentionality of public service delivery as prerequisite to characterising new mechanisms as governance.

In other words, the crucial determinant of describing new modes such as the CDM as governance is inherent in the question of whether governing is intentionally directed towards the dual goals of the CDM, i.e. cost efficient GHG-reductions and sustainable development contributions to developing countries. As the regulatory structure of the CDM guides all project activities, the omnipresence of a collective intentionality related to its dual objectives can be assumed. However, looking at project activities at micro operational level, the stakeholders’ motivations occasionally diverge from the overarching CDM intentions. Ensuing questions of whether this impacts on the effectiveness of service delivery, i.e. climate protection, through the CDM and whether this might feedback to or undermine the overarching intentions enshrined in the regulatory framework are still subject to future research.

Another assumption proposes that hybrid forms of governance ultimately depend on the state to balance asymmetric constellations and require the state to more or less directly regulate society. This positions the state either as the central, intentional actor or demands for the existence of a shadow of hierarchy (Héritier, 2003). Analytically speaking, the CDM constitutes a multilevel mechanism and is thus differentiated into a regulatory framework and

an operational framework (Mayntz, 2006). The regulatory structure of the CDM consists of the institutional set up, operational procedures of the Executive Board (EB) as well as the basic rules of the game, e.g. project procedures, methodologies. Hence, this regulatory framework replicates modes of regulation described by classical steering theory (Göhler, 2006). As for the operational framework, i.e. the CDM project cycle, the EB represents the 'steering mechanisms' of the CDM. The shadow of hierarchy is not necessarily present since the state may or may not adopt a stakeholder role in CDM projects. In summary, while the shadow of hierarchy is manifested in the regulatory structure of the CDM, the operational structure lacks such implications and might even undermine the regulatory framework through lobby activities and particular interest biases. Consequently, conceptualising the CDM as 'governance' remains problematic.

In conclusions, despite controversies about conceptualising the CDM as 'governance', the CDM is characterised as an environmental policy innovation. Common to research on environmental governance as well as governance is a relative knowledge gap on the conditions under which new actors participate or actors' constellations emerge, the underlying motivations and interest, the procedural and institutional dynamics as well as the effectiveness and impacts of new mechanisms.

Furthermore, governance debates just indirectly touch upon issues of participation. Acknowledging the shift from government to alternative modes of regulation opens the policy arena to a range of new actors. The criterion for participation as governance actors, however, is that governance services such as climate protection in the case of the CDM are delivered in an intentional manner to a certain collective. However, requirements or possibilities of participation for the recipients of governance services are not subject to debates in governance literature. Furthermore, normative aspects of participation and representation implicit in the CDM's objective to contribute to sustainable development are often neglected in these debates.

As for environmental politics, the overall debate on new modes of governing certain issues arises out of the observation that nation states are interdependent and that alone they have diminished capacities and resources to effectively tackle the global challenges. With regard to climate change an even stronger mutual ecological dependence than economic interdependencies exists as opting-outs options are as a matter of fact not available. Lastly, climate change will also put additional stress on the delivery of public goods and the provision of social services. For countries with constrained resources and diminished adaptive

potentials such as emerging economies this results in even greater challenges (Biermann & Dingwerth, 2004).

Consequently, in environmental politics a shift from hierarchical regulatory mechanisms towards softer management and coordination is observed (Risse & Lehmkuhl, 2006; Pierre, 2000). Going beyond the emerging involvement of individual actors such as business, new coalitions of various actors combining business, NGOs, international organisations and nation states result from the general demand for more integrative solutions to environmental problems (Reinicke et al, 2000). Cross-sectoral alliances allow for complementing resources and expertise in order to attain effective and equitable policy making and implementation. This implies that new actors' constellations might even provide alternatives to traditional public policy with regard to ensuring the provision of public services such as healthy living conditions (Rosenau & Vaillancourt, 2000).

Policy innovations in environmental governance take place in a highly contested terrain due to the confrontation of many interests and stakeholders of the developed and developing world (Oberthür & Ott, 1999). On the whole, the CDM constitutes a project mechanism that induces a new politically-initiated and regulated market (Biermann & Dingwerth, 2004). Criticism on doubtful benefits of the CDM for promoting sustainable development or on its utilisation for marketing purposes might impede the development of the CDM. The CDM is thus a policy innovation, which encounters difficulties in representing all the stakeholders affected by this environmental governance mechanism. Consequently, how and with what effects is stakeholder participation organised in the context of the CDM?

As constitutive element of the Kyoto processes the CDM enshrines the vision of sustainable development. An essential characteristic of any governance mechanism that integrates sustainable development considerations is the objective to enhance participation in environmental governance processes (Meadowcroft, 2004). This is particularly important for developing countries that are not yet locked into industrial growth related development paths such as industrialised countries. Integrating sustainable development concerns into mechanisms and procedures of environmental governance thus implies unique opportunities. However, as traditional administration and policy-making practices are resistant to effectively take up concerns about ecological rationalities, enhancing participation in this context constitutes one element in the reform and adaptation of governance institutions. The project of governing for sustainable development is normatively charged and requires the conscious steering of social changes. This implies that participation provides avenues for expressing

individual and collective interests, which enhances fairness and functional gains due to better decisions and implementation (Meadowcraft, 2004).

Participation entails advantages such as increased opportunities of finding consensus due to the expression and debate of interests as well as the integration of knowledge (Meadowcraft, 2004). Experiences of industrialised countries with regard to participation in environmental politics speak of a shift from individual and community-based participation to stakeholder approaches. While stakeholder strands focus on the formation of certain interest groups bound through social interaction, community and citizen-based approaches depart from the distinctive character and localised interests of either communal groups or individuals.

In the light of contemporary governance debates, giving justice to issues of participation in environmental politics, however, also runs into several difficulties. The one aspect concerns uncertainties about whom to involve, in what ways and at what stages of policy and decision making. One argument is to concentrate on stakeholder participation since the effective governance for sustainable development relies on the interactions among represented interest groups (Meadowcraft, 2004). In contrast, involving citizens and local communities lies at the heart of any democratic project and thus should not be neglected. The other critical aspect refers to the fact that due to the shift to governance, government's role as the only, unitary central source of authority has been questioned as new actors adopt functionally equivalent roles and responsibilities. For example, in many sectors such as public health or infrastructure, private actors or public-private constellations now deliver governance services to constituencies. Yet these new actors are not bound by obligations to grant democratic participation in any comparable manner to governments.

However, as the international community has agreed upon, governance for sustainable development is required to enhance public participation (UN, 1993: 219). Taking this consensus as point of departure, the following section will analyse to what extent participation is granted in the context of the CDM as a new mode of governance.

### **III. ANALYSING PARTICIPATION IN THE CONTEXT OF CDM GOVERNANCE**

As policy innovations of the 1997 Kyoto Protocol three flexible market-based instruments are introduced to deliver on climate change mitigation through reducing greenhouse gas emissions<sup>1</sup>.

The CDM is the largest of these market-based mechanisms of trading certified GHG emission reduction rights (CERs) and is unprecedented in size and scope on global scale. The CDM enshrines the almost universal acknowledgement that avoiding dangerous climate change and thus ensuring climate protection are global public goods of highest order. Essentially, certain greenhouse gases are rendered a commodity (calculated in CO<sub>2</sub>-equivalent) priced and traded on a market as increasing the scarcity of pollutants will lead to reduced GHG emissions and thus climate benefits.

Briefly, the CDM allows private or public sector entities in Annex I countries having agreed on domestic GHG reductions to invest in GHG mitigation projects in developing countries (non Annex I). Since developed countries receive CERs in return for their investment in projects in developing countries, GHG reduction targets are met at lower costs than through internal, domestic reduction measures. As for developing countries, the CDM promises gains in terms of investment, technology and sustainable development benefits. Following a project cycle, the CDM operates through a bottom up process from individual proposals to approval by donor and recipient countries to the registration with the EB and the allocation of CERs.

As a policy innovation in global environmental governance the CDM provides many avenues and potentials for effective participation. How this is organised on the multiple levels the CDM plays into is subject to the subsequent analyses.

#### **III.1 CDM Governance at International Level**

Analysing the CDM as a new mode of global environmental governance at international level requires for differentiating between regulatory and operational aspects.

The regulatory framework and structure of the CDM aims to ensure the participation and representation of developing and industrialised countries. However, the regulatory density

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<sup>1</sup> At the COP 7 in Marrakech, Morocco, in 2001 the Parties to the Kyoto Protocol agreed on a rulebook that sets out the rules and institutional setting for the CDM.



opens some space for countervailing activities and measures by interest groups that distort the balanced participation envisaged.

In order to discuss this argument, a short reference to the institutional set up of the CDM is required. The Executive Board represents the highest decision- and rule-making authority in the CDM governance process as it holds the ultimate responsibility for and oversight of CDM operations and projects. The constitution of the EB reflects an equally balanced representation of 6 developing country and 4 industrialised country members. Their mandate is limited to two years and they are subject to monitoring and approval by the international community at the annual UN Climate Change Conferences (COP/MOP). This also implies that the equal participation of all countries party to the Kyoto Protocol is granted in those procedures that determine the overall structure and institutionalisation of the CDM.

As might be argued, parties to the COP/MOP are subject to lobby activities by different interest groups. Particularly in climate policy, the influence of interest groups such as NGOs, emitter and abatement lobbies, trade unions as well as bureaucrats and national politicians is significant. This is due to the fact that the complexities of climate change issues create many uncertainties that are exploited by different positions (Michaelowa, 1998). As the impact and success of lobby activities strongly correlate with the financial and human resources at hand, interest groups from developing countries are often disadvantaged.

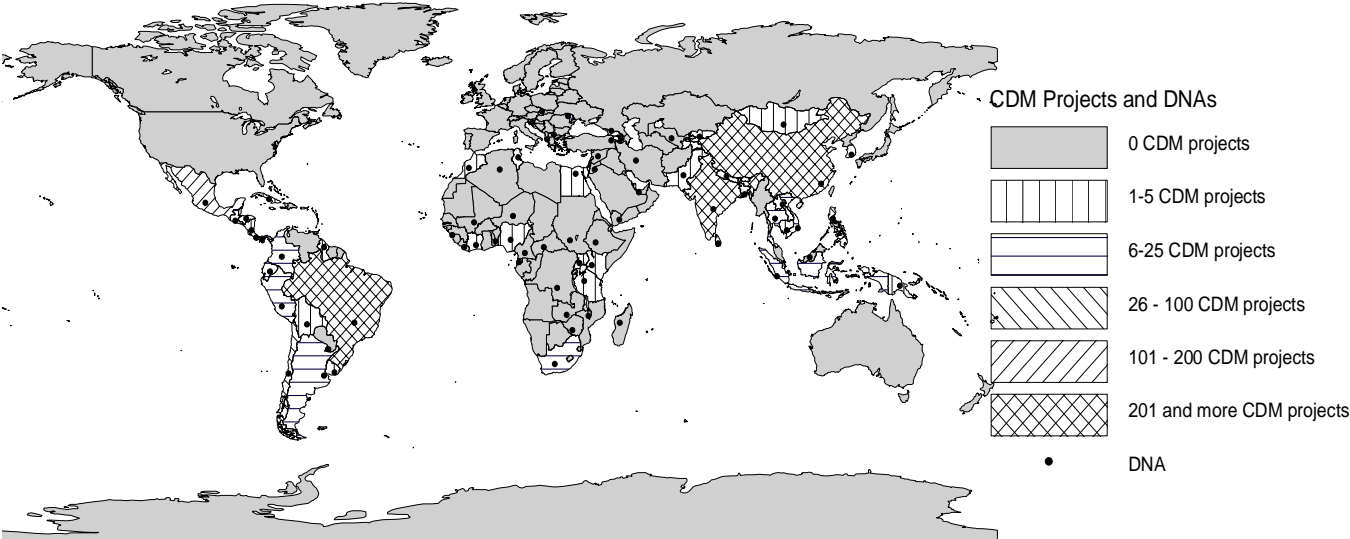
Another facet calling the participation of developing countries into question concerns one group of actors constitutive of the CDM regulatory framework. Designated National Authorities (DNAs) are the institutional bodies required to be functionally existent in each country that wishes to participate in the CDM. However, certain developing countries such as Angola, Burundi and Tanzania (UNFCCC, 2007) still lack this essential precondition due to limited institutional and human capacities and the absence of international assistance.

Another group of actors subsuming the Designated Operational Entities (DOEs) is responsible for the validation, verification and certification of CDM projects. Prerequisites to adopting such functions are substantial amounts of upfront investments, experience, and financial and personnel infrastructure and capacities. Thus, to date only private companies from industrialised countries can be counted to this group of crucial gatekeepers to CDM participation.

The CDM aims to induce climate change mitigation projects in all developing countries in order to secure healthy living conditions and to contribute to sustainable development. However, the practical evidence of CDM operations to date obviously reveals that some

countries and regions are systematically left out and thus do not participate in the CDM. The regional distribution of CDM projects reveals a heavy concentration in emerging economies such as India, China, Mexico and Brazil. However, countries in sub-Saharan Africa that are particularly in need of CDM projects to assist mitigating the impacts of climate change are hardly represented (Fig. 1).

Figure 1: Global Distribution of CDM Projects<sup>2</sup>



In conclusion, the institutional set up, the regulatory organisation and the operations of the CDM at international level leave room for criticism as regards the requirement of equal participation of developing and industrialised countries in global environmental governance.

**III.2 CDM Governance at National Level**

Analyses of how participation is organised within the CDM context at national level will draw on the country case of India. One might expect that as one of the emerging economies that benefit the most in terms of CDM investment, issues of participation are not subject to critical debates. However, as will be argued, CDM operations and regulations in India display biases in terms of unequal CDM investment distribution, which implies restrictions to participation in this governance mechanism.

<sup>2</sup> UNFCCC, 2007 & UNEP Risoe, 2007

With regard to the CDM regulatory structure in the Indian context of a federal political system, the participation of individual union states depends on the respective facilitative institutional framework for CDM operations. Similarly to how the CDM regulatory framework is organised at international level, each Indian union state might set up a CDM nodal cell to assist project development and to promote investment in the context of the CDM. Even though this does not constitute an official precondition for the union states' CDM participation, it clearly influences investment decisions. Consequently, the fact that CDM nodal cells and international assistance to capacity building for CDM are biased towards certain union states (TERI, 2005) implies that in the country context of India, a balanced representation of union states in the CDM process is hampered.

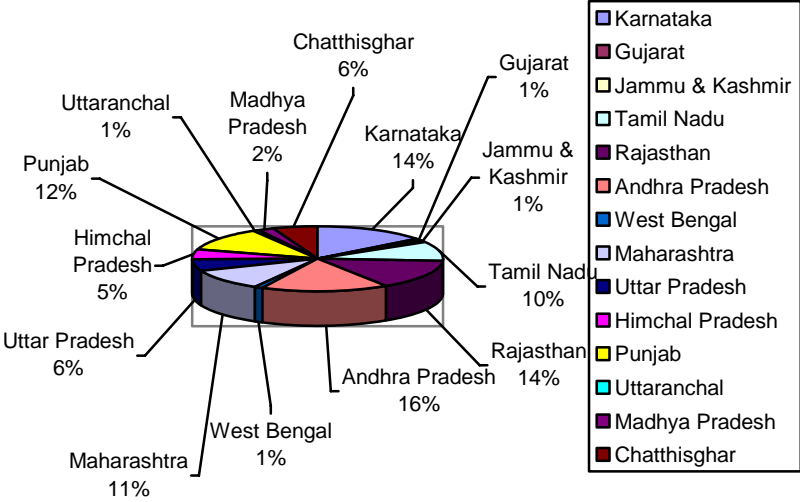
In the context of analysing issues of participation in CDM operations, two central objectives of the CDM will be taken as baselines in order to assess the extent to which an effective CDM participation is ensured.

The one objective of the CDM is to facilitate technology transfer to developing countries. Developing countries often lack institutional, technical, infrastructural, financial and personnel capacities to propagate technological development towards cleaner production and consumption processes. Thus, the CDM as an instrument of global environmental governance aims to assist the transition to more sustainable economic growth trajectories through promoting investments in cleaner or alternative technologies. However, in the case of India, the majority of CDM projects are proposed unilaterally by local private or other actors. Although Indian local entrepreneurship is certainly laudable, the main criticism remains that this foregoes the benefits of technology transfer, impedes participation in environmental leapfrogging and undermines the Kyoto spirit.

The other objective of the CDM is to assist sustainable development through local employment, and other social and economic effects. With regard to the environment-development nexus, one central problem in India concerns the lack of access to modern, non-polluting energy sources in rural areas. To date, still 56.5% of the rural households are not electrified (Ministry of Power, India, 2007). Consequently, as an instrument of global environmental governance the CDM holds the promise of enabling the participation of these underprivileged rural areas in particular in order to reap the benefits of investment in clean energy services. However, looking at the distribution of CDM projects in the sector of renewable energies in India (Fig. 2), clearly, participation is restricted to a sample of union

states (UNFCCC, 2007). Particularly the states of Andhra Pradesh, Karnataka, Punjab, Maharashtra and Tamil Nadu figure prominently as CDM investment targets.

Figure 2: Distribution of Renewable Energy CDM Projects in India<sup>3</sup>



With regard to the statistics on rural electrification (Fig. 3) one concludes that the states most in need of access to clean energy supply due to the high number of rural households not yet electrified are Bihar, Jharkhand, Assam, Orissa, Uttar Pradesh and West Bengal. However, these states do not or to an insignificant extent only participate in the CDM.

Figure 3: Rural Household Electrification in India

States	% Rural Households Unelectrified
Himachal Pradesh	5.5
Punjab	10.5
Haryana	21.5
Jammu & Kashmir	25.2
Karnataka	27.8
Gujarat	27.9
Tamil Nadu	28.8
Kerala	34.5
Maharashtra	34.5

<sup>3</sup> UNFCCC, 2007

Madhya Pradesh	37.7
Andhra Pradesh	40.3
Uttaranchal	49.7
Chattisgarh	53.9
Arunachal Pradesh	55.5
Rajasthan	56.0
West Bengal	79.7
Uttar Pradesh	80.2
Orissa	80.6
Assam	83.5
Jharkhand	90.0
Bihar	94.9
<b>Total / Average</b>	<b>56.5</b>

In conclusion, in the country case of India, the CDM fails to grant equal participation with regard to the critical issues of technology transfer and sustainable development in terms of rural electrification.

### **III.3 CDM Governance at Local Level**

CDM participation at local level refers to the concrete project activities, which means the design and implementation of projects and investment activities under the CDM guidelines. Since within the multilevel framework of global environmental governance this micro scale relates most directly to the individual citizens and communities, theories of democratic governance will guide the analysis of participatory issues in the CDM context. As will be argued, although CDM procedures are actually designed to ensure public engagement and the representation of interests, the balanced participation of those people affected cannot be taken for granted.

Participation in democratic governance can take many forms depending on the policy issue and decision making process. Models of public engagement (Coleman, 2005) distinguish between information as the most passive and one-way mode, consultation and active participation where citizens are actually involved through partnership arrangements in decision and policy making processes. Apart from different options of involvement another imminent question concerns the types of actors invited for participation (Meadowcroft, 2004).

These may range from individual citizens, local communities affected to stakeholder groups representing certain common interests on behalf of a group of people. In the context of governance for sustainable development, interactions among representatives of organised interest groups are considered most important to ensure meaningful and effective participation (Meadowcroft, 2004).

With regard to the CDM operations at local level, this implies that participatory possibilities should be open to all those groups affected by project investments and activities. Although decisions about whom to include are context and problem specific, however, ensuring that all stakeholders affected are notified and their opinions are paid attention to is essential for effective participation. One central prerequisite is of course that stakeholder or interest group representations are informed, have assembled and are capable of voicing their interests and concerns. However, under conditions of relative poverty and scarcity of resources and capacities, this condition might become an immediate obstacle to meaningful participation in the CDM.

CDM procedures and regulations clearly emphasise the requirement of stakeholder comments and request information and consultation procedures<sup>4</sup>. Responsibilities for ensuring that these conditions are met lie with the project developers. However, DOEs as independent bodies are the ultimate authorities designated to verify this issue before CDM projects enter into formal admission procedures with the EB.

At this stage two fallacies are noticed. Firstly, the fact that information on CDM projects is provided does not ensure that the affected local citizenry has adequate access to it. Again, lack of technical, financial and human capacities characteristic particularly of rural areas in developing countries such as India severely impedes participating in this form of public engagement. Secondly, even though a consultation process does take place, no guarantee is given that the outcomes are indeed duly considered. At this stage of the consultation process, DOEs play a crucial role as gatekeepers with the power either to insist in the effective participation or to disregard public engagement. Evidence from India refers to cases in which aspects of public participation have consciously been neglected (Point Carbon, 2005). Instead, the DOE responsible for ensuring the integrity of the CDM process copied stakeholder comments from other project activities thus undermining the participatory requirements of the CDM.

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<sup>4</sup> These are outlined in the 2001 Marrakech Accords and supplemented at the ensuing COP/MOPs.

In conclusion, this does not only call into question the legitimacy, accountability and integrity of the CDM governance process as such. But this also raises severe doubts on whether participation in the CDM is really regarded as an integral element of governance for sustainable development or whether this aspect serves as a mere democratic façade.

#### **IV. DISCUSSIONS: UN-ORGANISING THE CDM?**

Observations on shifts from government to governance in the context of global transformations and encroaching challenges such as climate change contribute amongst other factor to many citizens' loss of confidence in traditional democratic governance. Traditional structures, procedures, institutions and norms are perceived as remote to citizens' concerns and demands (Coleman, 2005). Consequently, traditional democratic governance is under pressure to come up with innovative approaches to policy making. Establishing new relations and links between citizens and governance institutions aims to enhance the accountability and legitimacy of democratic governance (Coleman, 2005). Participation is hence a key element in this process of engaging citizens in downstream and upstream decision making.

However, evidence of analysing the CDM as an innovative multilevel instrument of global environmental governance gives rise to concerns that these promises of meaningful and effective participation and representation at the multiple levels are not taken seriously. Two questions hence emerge from this observation. While the first one calls into doubt the necessity of the CDM to consider participation since it ultimately constitutes a functional equivalent to government only, the second one asks for the aspects that require un-organising in order to render the CDM more participatory.

Governance debates depart from the observation that globalisation in a certain sense has rendered government powerless. Although this in no way intends to let go totally of government, it implies that external transformations as well as internal processes have culminated in a shift from government to governance (Rosenau, 1992). The locus of authority and the ultimate responsibility for policy and decision making hence does no longer rest exclusively with the nation state. Emerging new actors in modes of governing policy issues partially, fully and complementary to the state adopt roles and responsibilities for certain governance functions such as delivering health, welfare, social services. However, it is emphasised that such functionally equivalent governance services take place under the

shadow of hierarchy. This means that ultimately, the state is implicitly or explicitly involved in governance processes and thus capable to step in as the quasi-lender of the last resort. Democratic theory regards participation as constitutive and essential element characterising a functioning democratic system. In return for its representative role and sovereign authority the state or government is obliged to guarantee certain degrees of public participation, which justifies this whole democratic arrangement. However, what happens when this arrangement is disrupted by the emergence of new actors shifting government from the centre to the backstage of policy processes? To what extent are those new actors obliged and required to grant a similar amount of participatory opportunities to the collective governance services are delivered to?

The CDM constitutes a new mode of governance in international climate politics, which is required to acknowledge public participation in order to enhance sustainable development. Yet to what extent does public engagement have to be ensured at all?

In the end, the CDM is a policy-regulated market mechanism. Participation in a market is practically open to everybody. Of course the effective participation in any market transaction depends on the means, resources and opportunities at disposal. This severely impedes or constrains the engagement of stakeholders that do not possess these prerequisites. In the context of the CDM, these concern developing country interest groups at international level, or the impoverished rural population at national level, or the unheard voices of different stakeholders at local level. The one conclusion to be drawn from this observation is that these are typical imperfections characteristic of markets. Since the CDM is designed and intended to function as a market, one simply has to abide with it. However, the other conclusion argues for political interventions in order to correct these market failures as ultimately the CDM constitutes a governance mechanism that is subject to political steering.

At this point critical management studies provide some normative implications with regard to the question whether and how to un-/re-organise the CDM. Two main propositions critical management studies are organised around concern the de-naturalisation of order on the one hand and the anti-performativity of relations on the other hand (Fournier & Grey, 2000).

The first proposition criticises that the existing order is justified on the grounds of its necessity and nature. Social, political, economic etc. relations, institutions and processes are regarded as natural and thus not changeable in terms of how they are constituted and what



impacts they entail (Fournier & Grey, 2000). With regard to any kind of relations, hierarchy is considered to be the natural state of art particularly as hierarchically governed processes are assumed to yield greater rewards. Regarding institutions, markets are taken to be natural as well.

In this sense, the CDM as a market-based instrument is considered to be natural and thus its more or less desirable results produced in terms of unequal participation and questionable sustainable development effects are natural outcomes. As critical management studies allow for deconstructing these assumptions, the following conclusions for the re-organisation of the CDM can be drawn:

Firstly, existing hierarchies between and within the multiple levels of the CDM need to be questioned and are subject to justified criticism. At international level, provisions should thus be thought of to ensure a balanced participation of interest groups and stakeholders from developing countries in a similar manner as lobby activities from industrialised country parties take place. Particularly with regard to CDM operations at local level, the ways in which consultation processes are conducted with local stakeholders require re-organisation. Instead of or in addition to the uni-directional consultation process, local stakeholders should be encouraged and should be assisted to engage in the design and implementation of the CDM. In this context, roles and responsibilities of project developers as well as DOEs need to be reconsidered and re-organised moving away from hierarchical towards more encompassing partnership approaches with local stakeholders.

Secondly, the characterisation of the CDM as a market needs to be critically debated. All in all, the CDM as an innovative policy mechanism intends to provide a new mode of governance for sustainable development. Taking this proposition seriously implies that the CDM is a policy construction rather than a fully fledged market. This reveals not only various options of how to steer this market-based mechanism towards desirable outcomes but also puts demands on the CDM as to take up certain responsibilities for delivering on its objectives. In this sense, interferences by the EB or by international organisations are required in order to correct market imperfections such as the unequal distribution of projects or the bias towards certain, unsustainable project types, e.g. HFC23.

The second proposition of critical management studies (Fournier & Grey, 2000) argues against considering social relations in an instrumental manner. This means that activities and processes should not be considered and judged according to efficiency criteria, means-ends calculations or output maximisation. Since this focus on performativity and instrumental

rationality systematically ignores values and ethics, a re-orientation towards value rationality is called for. This entails two implications with regard to the CDM:

Firstly, as for stakeholder participation within the CDM, emphasis should be shifted away from the functional objectives of rendering the CDM process more effective and efficient. Generally, critical stakeholder theories (Collins et. Al., 2005) question the sufficiency of stakeholder engagement for achieving sustainable development anyway. This is based on the argument that while stakeholders are instrumentally employed to render CDM processes legitimate and functional, stakeholder participation is also subject to internally vested interests and hegemonic power struggles. In conclusion, this calls for a re-conceptualisation of participation and stakeholder engagement in CDM multilevel governance processes in order to achieve sustainable development objectives.

Secondly, a holistic approach to the CDM as environmental governance instrument calls for replacing instrumental with value rationality. This means that the objective of meeting GHG reduction targets cost-efficiently and effectively through investing in mitigation projects in developing countries needs to be de-emphasised. Instead, the objective of creating sustainable development alternatives in developing countries has to gain renewed focus. This could be achieved by re-organising CDM procedures in a manner that privileges those projects with substantive sustainable development benefits, e.g. Gold Standard CDM.

In conclusion, even though the CDM has revealed shortcomings regarding issues of participation, critical management studies provide useful analytical insights as well as normative implications for how to re-organise the CDM in order to achieve desirable sustainable development objectives desired for global environmental governance.

## **V. CONCLUSIONS**

As a new mode of governance for sustainable development in global climate politics, the CDM entails certain expectations and demands for ensuring effective and meaningful participation. However, analysing issues of participation and representation in the operations and regulatory structures of the CDM at multiple levels reveals certain shortcomings. Developing countries and constitutive interest groups as well as local stakeholders in CDM operations and local populations are either excluded from access to public engagement or taken the means for voicing their interests at local, national and international levels.

As was argued, regarding the CDM as a market-based instrument renders these participatory aspects of secondary importance as they constitute democratic requirements that overload and put too many demands on the CDM as such. However, in the light of critical management studies, taking the CDM as a new mode of governance for sustainable development allows for rightfully asking and suggesting how this policy innovation might be un-organised in order to better meet participatory requirements and demands.

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