Chapter 3
Stakeholder Perspective and Multilevel Governance

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3.1 Stakeholder Perspectives

3.1.1 Defining Who the Stakeholders Are

In the field of public policy analysis, the concept of “stakeholders” has been widely applied to a variety of policy-making efforts. In particular, the stakeholder concept has been adopted in the shift of focus from the government to the governance. In this context, traditional bureaucratic government structure endowed with the power of “command and control” is regarded inefficient anymore in the democratic and internationalized environment. Networked actors that undertake the functions previously performed by the government would replace the traditional structure. In this new “governance”-focused system, stakeholders, instead of the government, undertake the public sector functions. In other words, stakeholders are the individuals and organizations that actively participate in policy-making processes and take appropriate responsibilities of implementing the policies that they have agreed to.

The definition of stakeholders, however, has not been discussed much in the field of public policy. The same concept is often represented by other terms such as “actors” and “players.” In the field of corporate management, the definition of stakeholders was initially proposed R. E. Freeman, who is currently considered as the pioneer in the field of stakeholder-focused management. He argues that stakeholders are those who have influence in decision-making and those who are influenced.
by the decisions (Freeman 1984). The broad definition of stakeholders suggests the importance of having a holistic picture of a wide range of in the decision-making environment that might appear to be dominated by a few executives. Freeman regards stakeholder management as an opportunity for value creation through developing collaborative relationships with stakeholders external to the organization in focus.

The same principle can be applied to varieties of studies in the field of public policy. The term stakeholder encompasses a wide range of organizations and individuals that have, either direct or indirect, relationships with the policy and decision that policy analyst is concerned about. It should not be limited to the formal organizations that have statutory rights to participate and/or veto. Albeit this narrow conception might be useful in legal studies, the boundary between who have the stake or not is quite obscure in the realm of politics. Therefore, any policy analysis with focus on stakeholders, for instance, should involve those organizations and individuals that have implication with the policy even if they have no formal rights to redress.

In the context of public policy, analyzing stakeholders has been particularly important at the relatively local level. For decisions pertaining to specific development projects, categories of stakeholders are often represented by specific organizations, corporations, and individuals. Case studies, as well as pragmatic analysis for convening stakeholder dialogues, identify these stakeholders and analyze the interaction between these specific stakeholders in policy-making processes. The category of stakeholders becomes less specific when the analysis of stakeholder is applied to national and international strategies. In such instances, a manageable number of broad categories of stakeholders are defined.

3.1.2 Applying the Stakeholder Perspective to the Biofuel Cases

When we apply this stakeholder perspective to analyzing the sustainable deployment of biofuels, the way of defining stakeholders can vary significantly. For example, if one intends to limit the focus to the distillation processes of sugarcane-based ethanol on Miyakojima Island in Japan, stakeholder categories would be represented by specific organizations or even individuals such as councilpersons and village heads. On the other hand, if we broaden the focus to the global strategy for the sustainable use of biofuels, including a wide range of feedstocks, as we intend in this book, stakeholder categories would be defined by the broad functions of stakeholders in the series of biofuel production and delivery processes. In order to limit the number of stakeholder categories at a practical level, organizations and individuals have to be bundled together under a certain category.

Stakeholder dialogues have already been convened in the context of sustainable deployment of biofuels. For instance, the Roundtable on Sustainable Biofuels (RSB), which is convened by the Energy Center at École Polytechnique Fédérale de
Lausanne, organizes seven chambers which correspond to their conception of stakeholders. They are (1) farmers and growers of biofuel feedstocks; (2) industrial biofuel producers; (3) retailers/blenders, transportation industry, and banks/investors; (4) rights-based NGOs (including land, water, human, and labor rights) and trade unions; (5) rural development or food security organizations and smallholder farmer organizations or indigenous peoples’ organizations or community-based civil society organizations; (6) environment or conservation organizations and climate change or policy organizations; and (7) intergovernmental organizations (IGOs), governments, standard setters, specialist advisory agencies, certification agencies, and consultant experts. Under these headings, stakeholders from around the world convene to the roundtable and take responsibilities in developing and maintaining a global governance structure on the sustainable biofuels. A similar effort, Roundtable for Sustainable Palm Oil, defines stakeholders as “An individual or group with a legitimate and/or demonstrable interest in, or who is directly affected by, the activities of an organisation and the consequences of those activities,” and encourages their participation through various consultation mechanisms (RSPO 2006).

### 3.1.3 Stakeholder Perspective as an Essential Element of Good Policy Processes

As the nations mature economically, the size of resources available to the government, in relation to the scale of national economy, shrinks. On the other hand, certain public services must be provided in order to maintain the nation as an association of free individuals. In this environment, public services, which were provided solely by the government sector, need to be restructured around a voluntary agreement among stakeholders including private corporations as well as civil society organizations. This trend has been particularly evident in Japan in the last few years. The current Democratic Party administration has been promoting “the new public (ata-rashii ko-kyo)” initiatives which attempt to minimize the direct involvement of the government – which has been pursued under the previous administration that can be characterized as the most neoliberal regime in the history of modern Japan – while addressing the public service needs through voluntary or civil society organizations. Rather than just letting the market decide, the new initiatives try to take care of the necessary public functions by fostering collaborations among the government, civil society organizations, as well as private corporations.

The same kind of collaborative arrangement is important in the realm of international governance because fundamentally all decisions are in reality based on voluntary agreements among nation-states and other stakeholding parties. Because of the Westphalian sovereignty of nation-states, no institution can force a nation to take a certain course of actions unless in extraordinary situations. Under this constraint, stakeholding parties in the global context need to reach a voluntary agreement that they can live with.
Therefore, under the systems of governance, policies and strategies can be conceptualized as a kind of voluntary agreements among stakeholders. In other words, any system of governance cannot guarantee its stable operation without consent by overwhelming number of stakeholders. This kind of voluntary arrangement, of course, is at the risk of collective action problems. Therefore, any stakeholder agreement must be accompanied by well-articulated mechanisms that prevent free riders from the framework.

Why do they have to reach an agreement, assuming that these stakeholders might be able to live alone without interacting with other stakeholders? Two kinds of argument are forthcoming. First, the mutual dependence between these stakeholders is so important in this global economy that an option of not collaborating with other stakeholders entails a massive loss or a huge risk. In particular, the volume of international trade has increased — for instance, by as much as 9.5% only in 1 year of 2010 — and every individual on the planet would be affected somehow by international agreements. For instance, how is it likely for a palm oil plantation owner to negate an internationally accepted sustainability standards on its production? Such a plantation owner can be easily expelled from the international market and will lose his/her competitiveness particularly because the crude palm oil is now one of the major internationally traded commodities. Not participating in world trade organization and other international mechanisms would risk the economy of a nation.

Climate change and other transboundary environmental issues are another representation of mutual dependence that brings nations together. Due to their massive size of externality, a variety of stakeholders need to make a commitment to a governance mechanism that circumvents the risk of catastrophes at the global scale. We, including the future generations, share a risk of so-called lose-lose outcome in the classic prisoner’s dilemma situation.

Second, stakeholder collaboration can also be conceptualized as an opportunity for value creation. For instance, the involvement of nongovernmental organizations (NGOs) around the world in the implementation of global arrangement can reduce the cost of implementation and monitoring, compared to a supranational organization taking over the whole responsibility of implementation. This kind of networked governance can be sustained through the mutual gains to all parties involved in such arrangement.

Negotiated agreements are said to produce fair, efficient, stable, and wise solution, compared to the conventional command and control decisions (Susskind and Cruikshank 1987). One example is the negotiated rulemaking programs by the US Environmental Protection Agency. When the agency intends to issue a regulation, stakeholder representatives are convened to reach an agreement on a draft regulation. When the EPA issues the regulation by adopting the draft prepared by stakeholders, the risk of the EPA being sued for the regulation is lower because the stakeholders previously agreed to the regulation. Therefore, stakeholder-based approaches are far better than the traditional command and control approaches based on the rational.
3.1.4 Broader Conception of Stakeholders

In practice, however, the stakeholder perspective could be harmful for the evolution of democratic society. If one employs a narrow definition of stakeholders and limit the political participation to those who actually have the power to influence the decision or the access to redress, those who might be influenced by the decision but have no formal right to appeal are likely to be excluded simply because of the arbitrarily defined boundary of legitimate stakeholders.

For instance, future generations might not be considered as a legitimate category of stakeholders, leading to unrecoverable environmental damages. Indigenous people without political influence would be neglected as marginal actors. Such narrow conceptions of stakeholders might lead to a solution that strengthens the incumbent power structure that might not be “democratic” or “sustainable” at all.

Thus, the stakeholder perspective, if it is misconstrued, can be employed as a tool for the incumbents to amass their political influence. Meanwhile, those poor people who have no access to the political arena would have less access to policy-making processes where they could voice their concerns. Such concerns have led to the criticism about the conventional liberal conception of bargaining-based approaches to policy-making.

We, however, take a different approach. We assert that stakeholders should be conceptualized in a long-term and global perspective. Any strategy that merits the current generation and demand insurmountable burden on the future generation is not sustainable at all, as the Brundtland Commission concluded in its statement on sustainable development. Indigenous people deprived of political access under the current regime might gain political power with help of international actors, such as international nongovernmental organizations (INGOs), in a long run. Citizen’s revolutionary movements, as we saw in some of the northern African countries in 2011, can lead to a dramatic change of domestic power structure.

In this regard, a concept called “activist mediator” is instructive. Conventionally, mediators try to resolve conflicts between specific parties under certain conditions. Forester and Stitzel (1989) argue, however, mediators in the public sector dispute resolution efforts take more proactive roles in resolving conflict. For instance, they try to involve stakeholders who are not necessarily identified as the main parties to the dispute. They also try to encourage the disputants to consider “other” stakeholders, such as future generations, so that their agreement can be sustainably implemented in the long run.

We take an activist mediator’s approach to the stakeholder perspective. We argue that the conception of stakeholders should not be bounded by the current power structure that surrounds the policy situation of concern. Instead, anyone who tries to identify the range of stakeholders should imagine how the structural constraints, which define the range of stakeholders, might change in a long run. He/she should also give up being totally objective in the analysis and take a stand in involving those who should, instead of who can, participate in a democratic decision-making.
3.1.5 Why This Perspective Is Important in the Study of Biofuel Deployment

Involving a wide range of stakeholders contributes to an increased political stability of the strategy that we propose in this book. Any strategy that ignores the views of certain categories of stakeholders has the risk of having it overthrown sometime later due to their mounting discontent.

Stakeholder involvement can contribute to environmental justice. Particularly in developing nations, economic interests of the dominant parties can overshadow the voice of poor people. If we take the shortsighted neoliberal approach to dealing with the issue, their interests cannot be incorporated into our analysis because they do not have sufficient influence in the policy-making processes. However, if we take a long-term perspective for sustainable deployment of biofuels, it is necessary to recognize the opportunity for developing sustainable and democratic governance in these nations. Governance structure might shift over the time. In order to achieve a robust strategy, it is necessary to have a long-term stakeholder perspective.

Therefore, advocates of stakeholder perspective need to admit that such approach has an effect of empowering certain categories of stakeholders who are currently underrepresented. They should also bring other kinds of underrepresented stakeholders to the arena of deliberation.

Under the high level of uncertainty, our strategy should also be designed as an adaptive system that allows flexible rearrangements to the changing environment. In order to achieve that, stakeholders should also be continuously redefined, and their search for common ground should be embedded in a perpetual institution.

3.2 Multilevel Governance

3.2.1 Levels of Governance

Biofuel deployment requires a holistic analysis of stakeholders at different levels of governance. For instance, each consumer makes a choice between biofuel and conventional fossil fuel at the gas station. This action occurs at the very local level involving a number of consumers and gas stations. Meanwhile, imports of biofuels occur at the international level. While it might involve a limited number of stakeholders and transactions, it can have major impacts on the utilization of biofuels at the national and local levels. Therefore, it is necessary to look at biofuel utilization policy at different levels of governance, from the global to the local.

It is also necessary to look at the regional/national level as an intermediary between the global and local levels. At this level, for instance, public policy instruments of each country have influence on the utilization of biofuels. While biofuel has become a worldwide issue because of its implication on the global environment, still each national government has significant power in determining the course of its
usage. Government agencies set the mandates, regulations, and other subsidies for biofuel usage in their countries. Such policies are debated by different stakeholders in each country, including civil society organizations, consumer groups, members of the petroleum industry, automobile producers, as well as local representatives of INGOs. Therefore, it is still necessary to look at individual regions and nations as a kind of boundary that sets the arena for biofuel policy-making.

3.2.2 Multilayered and Nested Nature of Biofuel Governance

Because the governance concept is grounded primarily on voluntary agreements between stakeholders, it can be identified at any level. International organizations and national representatives are key players in the governance at the global level. Individual consumers, gas station operators, and even manual laborers are the key stakeholders at the local level. At each of these levels, there have to be certain agreements among these stakeholders for these governance systems to sustain.

Thus, biofuel governance can be identified in a nested system of a multilayered environment. While each system of governance has to be grounded on a kind of social contract among stakeholders, individual systems of governance influence each other, and the coordination among them is another key factor in considering the sustainability of holistic systems for the utilization of biofuels. It is insufficient for a researcher to look at only one level of governance without studying its influence to the other levels as well as the influences that it might incur from the other levels.

Multilevel governance is an idea adopted particularly in the study of EU governance. The interaction between the EU and participating nation become the subject of research after its harmonization efforts started in the 1990s. Each member state has an obligation to follow the directives and decisions by the directorate general of the European Commission and the European Parliament. The direction of the influence is, however, not one-way. Each member state, as well as lobbyists sent by industries of each nation, tries to influence the EC policy in Brussels and Strasbourg. Thus, the influence is bidirectional. This interaction between nation-states and international organization has attracted the interests of European political scientists.

The same concept can be applied to the multilevel governance of biofuels. As we stated, it is a matter of policy and market decisions at the international, regional/national, and local levels. The interaction among governance systems at these three levels represents a complex tension among stakeholders at multiple levels.
3.2.3 Why This Perspective Is Important in the Study of Biofuel Deployment

Our strategy is robust because it reflects the realities of biofuel deployment at all levels. International arrangements need to be supported by enormous number of stakeholders in the field. Efforts at the local level must be supported and diffused nationally and internationally in order to have a large-scale impact. Multilevel governance perspective leads us to pay more attention to the interactions between different layers so that efforts at different levels can have a synergy effect.