

## **PUBLIC-PRIVATE COLLABORATION FOR GREEN GROWTH**

### **CONTEXT**

'Green growth', long-term economic success alongside environmental security and equity, is an imperative that has to be turned into an opportunity. To do so requires that some profound challenges are overcome given the scale, complexity and costs of changes required over a short period of time.

Whilst many solutions are well understood in theory, practice painfully intrudes. Our energy systems require dramatic change, technological breakthroughs are needed to reshape our transport sectors, and traditional and modern intensive agricultural methods need radical overhauls to meet changing needs at manageable environmental cost. Meanwhile, our national and international governance arrangements struggle to develop coherent and effective policy responses, companies and nations who think they will lose out (and might) block progress, and our capital markets are unable to deliver the volumes of finance in the right forms and at the right price to get the job done.

With all the time in the world, such challenges might eventually be overcome under 'business as usual' conditions. But time is not on our side on many counts. Meaningful green growth solutions therefore have to be geared ambitiously in terms of scale and pace of change. This forces us to consider more dramatic divergences in our approach to change. Key to this will be innovation in the enabling institutional arrangements to advance much-needed public policies that unlock needed business innovation and investments.

### **PURPOSE**

The Global Green Growth Institute's interest in public-private collaboration lies in its potential to progress green growth transformation, locally, nationally and internationally. The core question is what forms of collaboration will underpin such success, and how best to advance them.

Key is the need to leverage the complementarities between public-private collaborative arrangements and government and inter-governmental processes. Whilst the former can provide innovative, breakthrough approaches to advancing green growth, the latter have the advantage of being able to establish and enforce binding rules and unlock large-scale resources, as well as having public mandates and associated legitimacy.

Creating an effective, dynamic relationship between these two types of institutional arrangement may well provide the design key to advancing ambitious green growth. Obviously, however, this is not a matter of 'plug and play'. Both public-private collaborative arrangements and government and inter-governmental processes need to evolve to be able to effectively leverage each other. The question is how.

## RECENT EXPERIENCE

Over the last two decades, public-private collaboration has emerged in many shapes and forms. Hundreds of collaborative initiatives, literally, have emerged promoting 'sustainability standards' covering everything from sustainable soya to carbon disclosure to the ethics of nanotechnology and medical research, to child labour standards and internet privacy. Many initiatives have focused on the mobilization of resources for diverse public purposes, from health to education to agricultural technologies. Policy advocacy around social and environmental issues has increasingly been promoted by coalitions of public and private actors on such diverse topics as climate change, corruption and land mines.

Operational partnerships have proliferated, drawing together local and national governments with business and civil society in dealing with everything from the fall-out of natural catastrophes to human rights challenges, enterprise development and every possible form of discrimination. And of course there has been an increasingly widespread practice of public-private partnerships to develop public infrastructure and deliver public services from nursing to military forces and from rubbish collection to air traffic management.

Experience, and so also performance, of such collaborative initiatives has been a mixed bag. High profile successes in international health have been matched by equally high profile failures in public transport; some standards initiatives have been comparatively successful, such as the Marine and Forest Stewardship Councils and more mundane standards advanced through the collaborative mechanisms of the International Standards Organisation, whilst others such as those focused on combating corruption or aligning capital markets towards sustainability performance criteria, have made less progress.

Partnerships have been organised and governed in a multitude of ways. Standards initiatives in particular have tended to be more structured and focused on establishing governance frameworks that could credibly steward. Initiatives focused on knowledge sharing, on the other hand, tend to have been looser networks. Public institutions have participated in many ways, including as convenors, catalysers, funders and rule-setters, at local, national and international levels. Many institutions have emerged specialising in the development, facilitation, resourcing and assessment of such platforms. Some are collaborative platforms in themselves, in the broader, international business and sustainability space including the World Economic Forum, the UN Global Compact, and the WBCSD.

## BROAD LESSONS

There are strategic (leaving to one side the operational ones) lessons to be drawn from this intense period of experimentation, although there needs to be caution in seeking to 'aggregate' definitive conclusions from such heterogeneity in design and outcomes. Four such lessons are:

- ❖ Firstly, *primary alignment to forward-looking value creation opportunities*. This is notably the case for rule-setting and stewardship initiatives focused on standards and public advocacy. Even where scale has been achieved through

private philanthropy and public funding, such as in the case of several major global health partnerships (e.g. Global Fund, GAVI), the extended engagement of businesses has depended increasingly on their perceptions of competitive advantage. This raises the relative importance of sector-focused platforms, although here sectors need to be understood in terms of broader economic ecologies given the reconfiguration of some sectors.

- ❖ Secondly, *success is often rooted in a dynamic between voluntary action and government (including international institutions) intervention*, the latter often itself being a blend of regulation, incentives and softer aspects of securing scale through engagement, facilitation and mobilisation. The success of many partnerships, such as the Extractive Industry Transparency Initiative (EITI), depends ultimately on government involvement, whilst others, such as the Global Reporting Reporting, have leveraged initial success in voluntary action in progressing government action, in this case in the area of corporate governance and disclosure. The Forest Stewardship Council has advanced its work in China in part by promoting ‘competitive’ standards developed domestically by the Chinese Government’s Forestry Department. Instituto Ethos, the leading Brazilian business coalition focused on sustainable development, has successfully advanced climate related legislation in Sao Paulo to extend the impact of the voluntary actions of its members.
- ❖ Thirdly, *scaling up is rarely if ever about doing more of the same over the life cycle of the partnership or approach*, but involves discontinuities in approach (blending in new elements as set out above) and constituencies. Voluntary standards for example are often drawn into statutory arrangements over time, experimental pilots even when successful can rarely be ‘replicated’ as such but require new institutional arrangements for scaling, and seed resourcing from public or even hybrid sources needs to be reconfigured where volume finance is required. The work of the UN Special Representative on Business and Human Rights, for example, has sought to deliver against this mandate by offering an approach that integrates private business action, the work of the UN Human Rights Council and various strands of existing national legislation.
- ❖ Fourthly, *vertical integration from the international to local*, or at least the existence of effective connective tissue between these levels, is often key to success. Over focus on upstream, strategic deliberations fail on implementation, although indirect effects cannot be ignored. Downstream over-focus, similarly, provides operational practice but can render the process marginal through a lack of leverage over relevant actors, rules and resources. The work of the Ethical Trading Initiative and the Fair Labor Association, for example, has advanced improved labour standards in global supply chains by seeking to integrate international voluntary standards, the work of the International Labour Organisation, and country-level voluntary coalitions working with their respective governments to strengthen the enforcement of domestic labour laws. The Water Resources Group, established internationally through business leadership hosted initially by the World Economic Forum, has spawned a host of government-led initiatives in Jordan, India, Mexico and South Africa.

Some scaled success has been achieved in specific geographies (e.g. eradicating malaria in one place), has been achieved internationally in specific verticals (GAVI's action on vaccinations), and has been achieved in raising awareness locally and internationally for well-bounded periods of time (e.g. climate change and maybe now green growth). And some standards initiatives have certainly made a dent in the problem (e.g. the Marine Stewardship Council now certifies about 10% of global wild catch).

Despite such notable successes, moving beyond publicly funded, time-bound activities, or significant but still 'demonstrative' outcomes has almost universally proved a challenge. One is hard put to identify collaborative initiatives that have successfully driven, large-scale, policy and market making aligned to public good outcomes, despite the positive rhetoric. Business lobbying, of course, has had far greater scaled impacts. Such lobbying impacts rules on practically everything, including the pricing of environmental externalities. Indeed, one might argue that what is needed to further green growth is to move beyond traditional lobbying to a more systematic, effective and accountable means by which business voices can be taken into account in policy development.

#### **REFLECTIONS FOR FUTURE DESIGN**

Looking forward, there are at least three reasons why successful, large-scale collaborative initiatives are likely to (have to) work differently from their predecessors, whilst also building on good practice.

The first concerns the *changing role of emerging nations*. Most collaborative platforms to date have involved incumbent global corporations working alongside civil society counterparts, their own predominantly North Atlantic governments, and international public institutions highly dependent on the latter's patronage. This nexus of actors is increasingly out of historical step, such that internationally operating collaborations that seek to perpetuate their dominant roles are already becoming weakened and in the future, without change, will increasingly tend to fail. The next generation of platforms will need to be more fully international, and so effectively draw in a next generation of globalizing businesses and their associated home governments. This is especially the case where platforms are aligned to forward looking value creation, e.g. promoting new, green markets, standards and rule setting, technology development and adoption.

This development implies more than just different nameplates around the room, but will drive differing underlying approaches to collaboration. The competitive dynamics between closely connected incumbents is very different from that between incumbents and new entrants, especially when the groups are separated by history, culture, language, etc. The role of civil society in collaboration will be far more disputed going forward, with key emerging nations having either deep distrust of such actors, or else more simply less knowledge and experience of how best to work with them. The public-private dynamics are also likely to be quite different, with a strengthened emphasis on state-support for national champions, and the added complexity of growing numbers of state-owned and/or sponsored enterprises on the global stage. Taken together, such factors will tend (in fact already is tending) to favour the

involvement of UN and UN-associated agencies, seen by many emerging economies, at least for now, as a relatively safe refuge in international institutional terms.

Second, is that there is likely to be a growing importance of *collaborative action in the development and implementation by governments of national enabling policies*, including commitments, standards, incentives, etc. That is, the nature of the planning and policy development process in the context of ambitious green growth aspirations arguably requires a far closer engagement of business throughout the policy life-cycle given rapidly changing market dynamics and underlying technology options, costs, lessons from elsewhere, etc. Policies for a new industrial architecture, in short, require different underlying development processes. This possibility is best combined with the previous conclusion regarding the need for sector-focused collaboration, and begins to give shape to a multi-layered approach requiring both vertical (sector-level) as well as transversal, horizontal (regional/national/local) platforms.

Some initiatives have evolved in this direction over time, including some of the large-scale health partnerships such as the Global Fund and GAVI, whilst more recent platforms have been designed with this in mind, such as the WEF/IFC-initiated Water Resources Group. The on-going work of the WEF in exploring 'policy innovation' for sustainability has revealed the clear need for a significant overhaul of the institutional configurations for policy development and implementation, which at its core would require a different public-private compact.

Third and finally, a new generation of collaborative arrangements will be driven without doubt by current *frustration over the relatively poor performance of many collaborative platforms*. Many of the existing platforms are struggling to provide the solutions or even offer a credible venue for addressing challenges related to scale, attracting new actors, and coping with core business issues that create competitive tensions as well as opportunities for collaboration. Such challenges are apparent across many sector-based platforms, for example in mining and apparel and textiles, in issue based platforms, such as those focused on corruption and privacy, and for geographic-focused platforms from South Africa to Brazil to the USA and Europe.

At the same time, there is a new generation of initiatives rooted in the principles and practice of collaboration as a basis for understanding, design, resource mobilisation and implementation. The Clean Energy Ministerial is an excellent case in point, and new institutions such as IRENA are actively exploring how best to design public-private engagements going forward. Given the centrality of these initiatives and institutions in advancing global progress on green growth, their success in effective collaboration is important to secure going forward.

### **GREEN GROWTH PARAMETERS**

Does green growth pose specific challenges or opportunities for public-private collaboration, or can we approach collaborative design for green growth in much the same way that we would organise to combat, say, corruption or health challenges?

Success at scale through collaborative action is tough by any measure on any substantive global policy issue. Green growth, in this sense, is ‘just another’ challenge for such institutional modalities. This general observation is reinforced, however, by the inter-related performance specifications that characterise many specific aspects of the green growth challenge.

- ❖ *Scale*: the oft-used homily that ‘achieving a little is better than nothing’ must be heavily discounted in relation to green growth. A little less coal used or a few more trees saved is for practical purposes not helpful. Indeed, such small changes might even become an organising platform for resisting the larger-scale changes actually needed across key sectors and economies.
- ❖ *Time*: the urgency of the green growth imperative is a key dimension (we would be less concerned about perceived market failures if there were no environmental limits and an evidence-based conviction that climate change would not impact negatively on human settlements), but needs to be placed in the context of the critical issue of short-termism in corporate and policy time horizons, whether through discounting, electoral cycles or other ‘shortening’ incentives.
- ❖ *Competition*: intensification of ‘green’ and non-green competition between both companies and nations, the fact that there are both winners and losers in the transition, and the prospects for sustained competitive advantage for first-movers combined with daunting associated costs and risks creates challenges in establishing the conditions for large-scale collaboration.
- ❖ *Technology*: is core to much of the green growth agenda, including large-scale deployment and continued development, which creates specific challenges in aligning collaborative platforms with a stable and effective incentives/reward framework, and moreover creates specific difficulties in predicting pathways more than a decade or so out in many areas (more on this below).
- ❖ *Public Policy*: tough to advance effectively at the best of times, green growth poses extraordinary design and implementation challenges, where policies have to be flexible and dynamically responsive to rapidly changing circumstances, have stable, long term aspects, and extend beyond their traditional ‘vertical’ focus to embrace more complex, inter and multi-sectoral economic ecologies.
- ❖ *Actors*: who counts and how in the transformation process is dynamic and in significant part unknown: notably the importance of emerging market players, disruptive business models, natural resource controlling governments, new civil and international public-interest institutions, and financial market players with complex commercial but also increasingly constituency, national and political interests.

So the dynamics of green growth create an assembly of design parameters that together pose some particular challenges in advancing meaningful forms of collaboration.

## POSSIBLE IMPLICATIONS

Green growth will require policy interventions at all levels and across many sectors, issues and geographies to provide the enabling environment for business to invest and in many ways to transform itself and the international economy. More effective collaboration between business and public institutions, together often with other private actors, is likely will be essential if such policies are to be appropriately designed and implemented.

In some ways this is an evolution from existing practice. In other ways, however, it marks a significant change as collaboration becomes a more systematic feature of the policy life cycle rather than an occasional, ad hoc, and often unacknowledged and problematic policy driver. From this latter perspective, such a broad-based institutional reconfiguration is unprecedented in implying an underlying shift in the nature of public governance and its relationship with corporate governance, interests and practice.

The functions of such collaborative initiatives will of course vary significantly, both between them and over time. The focus for example might be on the development of benchmarks and standards; might aim to unlock and redirect specific, powerful market signals, such as the greening of public procurement or the mitigation and redirection of fossil fuel and other 'perverse subsidies'; could aim to develop and promote adoption of specific technologies; or, as the previous comments highlight, aim to provide guidance and 'legs' to specific policy development and implementation processes, nationally or indeed internationally.

With such a required shift in public governance comes many challenges, some operational but many more focused on how to legitimately link diverse forms of institutions, governance and interests into an effective, legitimate policy cycle. Recent experience provides some useful lessons, but the features of green growth, alongside other contextual changes, does require us in many ways to move on from earlier forms of collaboration.

Parochially, there are a few possible implications for the work of the Global Green Growth Institute, although they may (if on target) offer useful guidance for other players working in this space. Analyzing, catalyzing and indeed exemplifying good practice in this emerging new generation of collaborative initiatives is a key role to play. Fortunately, the partnership with the Global Green Growth Forum, itself a collaborative initiative between the Danish, Korean and Mexican Governments, provide the opportunity to do just that, focused on bringing to the table such initiatives periodically at the Global Green Growth Forum's annual, high profile event.

A core pillar of the Global Green Growth Institute's work is its country-level engagements. A key role for the institute is therefore to ensure that these engagements provide a 'hot house' for experimenting in bringing public-private collaboration into the heart of the process of green growth policy design, capacitation and implementation.

Internationally, furthermore, is a clear need for international processes and institutions to become more ambitious and more focused on how to leverage

the opportunities of collaboration with the private sector. Processes such as the Clean Energy Ministerial demonstrate an appetite to invest in such opportunities, but the strategies and practices remain limited, and there is much to be done. This is equally the case with broader-based platforms with collaboration at their heart, such as the World Economic Forum, and newly-established international institutions in the green growth space, such as IRENA, that have yet to formulate their approach to collaboration.

Effective linkages between content and issues, actors and policies, and in particular between national and international policy-making levels, will be a critical success parameter going forward. Trade and investment policies, public financing, international and country-level standards, and domestic industrial and economic policies, for example, will all be relevant in the scaling of renewables take up. Such processes currently are fragmented, involving dozens of public institutions, hundreds if not thousands of companies and business associations and many other public and private interests. Collaboration that joins the dots without creating new forms of institutional inertia and associated barriers, will be a crucial piece of the puzzle where the institute, with others, can play a useful role.

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