Sharing Our Planet: Today and Tomorrow

POLICY AND PRACTICE OPTIONS
To implement key
insights from the Working Group on Environmental Sustainability and Shared Societies

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Operationalizing a Shared Societies approach to sustainability

Ecologists have designated our current age the Anthropocene, meaning that humankind is the predominant force acting on the Earth's natural systems. For the first time in human history, the actions that each of us takes every day affect the environment that everyone else on the planet, and our descendants, must live in. This means that we share not only responsibility for the problem, but also the power to enact solutions. For this reason, making environmental governance more inclusive is not just normatively desirable; it can also increase effectiveness. The challenge is to find new modes and processes of governance at all scales that allow us to do so.

The Club de Madrid Working Group on Shared Societies and Environmental Sustainability has outlined the scope of the challenge and the logic of the approach, and identified key elements of the solutions needed. It has, in particular, addressed the urgency of the sustainability crisis the world now faces, as well as the values that underpin both Shared Societies and environmental sustainability.

To take these ideas forward, this memorandum identifies a range of specific policy measures and other interventions that develop social inclusion to build environmental sustainability, and that use environmental goals to enhance social inclusion. While both "micro" and "macro" opportunities are considered, ranging from the local to the global, an emphasis is put on concrete tools and concepts that can be scaled-up to have large impacts. Where relevant, specific steps are outlined that the Club de Madrid could take to advance key recommendations.

The options are grouped into three categories of action:

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- Promote fundamental tools for accountability and participation
- Strengthen global environmental governance by making it more inclusive
- Scale-up inclusive, green models for finance and business

Promote fundamental tools for accountability and participation

A shared society requires a basic institutional framework that empowers citizens to engage in the decision-making processes that affect their natural environment. While innovation in governance tools is certainly required to deal with worsening sustainability challenges, particularly at the transnational level, strengthening the basic tools of good governance is fundamental if people affected by environmental degradation are to have the means to seek redress. A Shared Societies approach emphasizes the need to give individuals and communities a meaningful say in environmental outcomes that affect them in order to guarantee accountability.

1. **Rule of law for the environment**. Environmental laws have diffused around the world, but in too many places a large gap exists between regulations on paper and practice on the ground. Environmental regulators often lack expertise, resources, and political authority to enforce rules, and corruption impairs governments' abilities to act against polluters. This challenge cannot be separated from broader efforts to promote the rule of law, nor is environmental sustainability likely to be achieved in places that lack effective legal institutions. Interventions that build the rule of law are thus essential for guaranteeing sustainability. Such steps include judicial exchanges and training programs, and supporting organizations that engage in legal advocacy. It also requires better oversight of multinational corporations' engagement in environmentally vulnerable countries, including strict regulation and oversight to ensure high standards of ethical behaviour and corporate social responsibility, both in the counties where multinational corporations are operating and in those where significant head office operations exist. Such efforts can also spill over to other issue areas, strengthening the rule of law more broadly.

2. **Supporting grassroots green civil society**. The environment needs political advocates. It is difficult to imagine any significant environmental outcome, local or global, that has not had a strong push from civil society groups. Because the benefits of sustainability tend to be widely diffused and difficult to observe, while the costs tend to concentrate on specific industries and groups, environmental issues often succumb to regulatory capture. This lopsided set of incentives protects vested interests and leads to perverse outcomes. To balance the scales, advocacy groups are needed to fight for the public interest at all levels. Around the world, however, the space for civil society is closing, even in democratic societies. Startlingly, thus far in 2017 four environmental activists have been killed every week. Further investment and political support for grassroots green groups is therefore critical.

    Key Action *Call attention to the closing space for environmental activism by inviting inspiring civil society leaders to international fora, including Club de Madrid conferences.*

3. **Next generation pollution inventories**. Countries as diverse as the United States and China have achieved surprising sustainability gains through transparency mechanisms. Such measures do not regulate polluters directly, but simply require them to publically publish the amount of pollution that specific facilities create. This transparency generates social pressure on companies to improve their performance, as well as pressure from customers and investors that can affect companies' bottom line. Such transparency-based reporting and disclosure systems can now be updated for the 21st century. Advances in data science, environmental monitoring, ICT, and "the Internet of things" (Internet connected objects and infrastructure) could be combined with the ubiquity of mobile devices and social media platforms to create a new generation of transparency-based regulatory strategies.

   Key Action *Work with partner to launch prize competition for innovative pollution inventories that make use of new methods/technologies.*

4. **Social and environmental inclusion audits for development projects**. In recent decades, multilateral and bilateral donors have made significant steps to introduce social and environmental safeguards into project planning and evaluation. Some, like the World Bank, have ombudsmen and inspection panels that give affected individuals recourse to challenge projects that affect them. However, many national policies and, especially, bilateral donor arrangements lack such provisions, or treat them merely as pro-forma.

   Key Action *Building on existing exchanges between multilateral development banks, mainstream best practices for social and environmental audits. Promote adoption of such strategies by domestic, bilateral, and private sector entities engaged in project finance. Work with large infrastructure investors in Asia to ensure that new project developers adopt best practices.*

Strengthen global environmental governance by making it more inclusive

Multilateralism is the traditional means of managing the global commons. But as world politics has grown more multipolar and complex, and as current institutions have succumbed to inertia and new ones generated fragmentation, multilateralism is under stress just when we need it most. Despite these structural challenges, there is significant innovation in global governance that can be built upon. The increasingly cross-border nature of environmental challenges has given rise to many innovative governance strategies that bring different kinds of actors together across borders to address common challenges. Expanding the scale, scope, and focus of these initiatives has significant potential.

Moreover, the increasing pluralism of global politics creates an opportunity—and a need—for a Shared Societies approach. In every realm, global governance faces a legitimacy crisis. Ensuring that all countries have a meaningful say in the governance of the global commons is essential for legitimacy. At the same time, opening global governance to an increasingly wide array of actors—cities, businesses, investors, civil society, etc.—can help increase representation and "ownership" of transnational institutions. While new models of global governance remain contested and emergent, they contain seeds that can be nurtured into more effective and inclusive tools to manage our shared planet.

1. **Catalytic institutions**. Traditionally, many global governance institutions have sought to facilitate cooperation between states by solving the problem of free-riding. If all states commit to a certain course of action in international law, and create systems to monitor compliance and sanction violations, they can reduce the incentive of some states to act unilaterally against common interests by making cooperation more attractive and defection costly. Unfortunately, this logic is increasingly strained as interdependence grows more complex. Accordingly, we see states and other actors increasingly turning to 'catalytic' institutions, which aim to increase actors' propensity to act cooperatively over time. Catalytic institutions do this by stimulating action by an initial set of early movers, and by enhancing their impact on the preferences and the strategic choices of those who lag behind. Catalytic institutions can be found across a range of international regimes, including trade, human rights, and, most recently, the Paris Agreement on climate change. Several catalytic mechanisms that shape actors' behaviour have been identified, including goal-setting, review processes, norm diffusion, benchmarking, and experimentation. Many of these involve an important social participation dimension, relying on diverse actors to experiment and share new approaches and technologies, plus civil society engagement in the review of past performance. Other areas of world politics that possess characteristics of a "tipping point" structure—where previous action can lower the cost of subsequent action—could benefit from this approach.

    Key Action *Where intergovernmental environmental negotiations are gridlocked (e.g. oceans, fossil fuel subsidy phase outs, biodiversity, etc.) call attention to the potential adoption of catalytic strategies, using the Paris Agreement as a model.*

2. **Orchestration**. An increasing number of states and intergovernmental institutions attempt to achieve their governance objectives not through treaty-making, regulation, project lending, or other "direct" strategies, but by mobilizing cities, businesses, and other sub/non-state actors to work in partnership with them toward common aims. This "orchestration" strategy, which can be seen most prominently in global health and environmental sustainability, uses the legitimacy and focality of "traditional" players in world politics to mobilize new constituencies for action. The climate regime is perhaps the leading case of orchestration; an official part of the UNFCCC work program is now galvanizing a wide array of climate action from diverse stakeholders. Other issue areas may also be ripe for a similar approach. By bringing a wider range of constituencies into global cooperation, such strategies can also make global governance more resilience to national backsliding, as the current groundswell of support for the Paris Agreement in the United States of America acts as a countervailing force to the Administration's decision to withdraw.

    Key Action *Support transnational city networks by channelling development assistance to building governance capacity at the city level*. As the world urbanizes, cities have become increasingly critical sites for nearly all global challenges, including sustainability. Cities are also increasingly working together with their peers across borders to advance environmental goals. For example, the 90+ megacities of the C40 network estimate that they alone can deliver 40% of the emissions reductions needed to limit climate change to 1.5°C. While hundreds of city networks now exist across a wide range of issues, many cities, particularly in the global South, lack the human and material resources to effectively participate.

Key Action *Increase the reach of green business networks into key gaps like heavy industry and East and Southeast Asia*. Like cities, private business is increasingly connecting across borders to address environmental challenges. For example, the 300+ companies in the Science-based Targets initiative commit to emissions reductions schedules compatible with the UNFCCC's 2°C temperature goal. Such networks can be particularly effective when they reach a critical mass of participation in a given sector, helping "tip" an entire industry toward greener practices. However, these new modes of governance are missing from some critical sectors (e.g. steel, chemicals, other heavy industries, oil and gas, many agricultural commodities) and geographic regions (e.g. state-owned corporations in Asia). The Club de Madrid could use its convening power to bring together these kinds of companies with existing business networks.

Key Action *Launch new multi-stakeholder partnerships in key gaps***.** The arrival of new actors creates the possibility of new coalitions for the provision of global public goods, including environmental sustainability. Multi-stakeholder initiatives like the Global Fund, Every Woman Every Child, the Climate and Clean Air Coalition, the Global Alliance For Clean Cookstoves, and many others have already made a significant impact in various areas of world politics. In the environmental realm, the New York Declaration on Forests—in which governments, companies, indigenous communities, and others jointly pledge to end deforestation by 2030—stands out as a particularly ambitious initiative, and one that emerged from a "Shared Societies" approach that gave a prominent role to the full spectrum of stakeholders, combined with a strong push from major donors like Norway and prominent companies like Unilever. New initiatives could be launched in high impact areas like sustainable agriculture, ocean governance, or other priorities.

3. **South-South cooperation and new leaders**. Rising multipolarity challenges some aspects of global governance of the environment, but also creates new opportunities. Because most future environmental impacts, as well as new sources of pollution, will come from the global South, South-South cooperation offers a critical avenue to protect the global commons. China, in particular, could play a leading role through, for example, greening its Belt and Road Initiative. Building stronger environmental civil society in Belt and Road countries is one way to help create the conditions for this shift. Moreover, the UN Office of South-South Cooperation, and an upcoming 2018 South-South summit in Argentina offer a concrete path to advance this agenda.

Key Action *Work with China and regional partners to convene a forum of Belt and Road Initiative Countries to discuss setting common environmental standards for new investments in their region.*

Key Action *Work with the UN Office of South-South Cooperation or other actors to generate new South-South initiatives for the 2018 Summit. Initiatives could, for example, aim to improve the social and environmental sustainability of agriculture commodities, which are a major component of South-South trade.*

4. **Expand use of transnational certification schemes**. Since the 1990s, an increasing proportion of goods have been certified under various voluntary schemes that identify products as having been subject to certain environmental and social safeguards. In some areas, such as forestry (e.g. Forest Stewardship Council) or fisheries (e.g. Marine Stewardship Council), these schemes have had a positive impact, though concerns about displacement and green-washing persist. Stronger certifications schemes involve innovative governance models that give a shared decision-making role to industry, environmental groups, and social groups in communities directly affected by the activity. For example, both the schemes mentioned above include representation of all stakeholders in decision-making. As some jurisdictions (most recently the State of California, which recently passed a law to regulate the carbon content of goods sold in the state) begin to adopt product requirements, such schemes may grain additional traction.

5. **Increase awareness of importance of social inclusion in global environmental governance.** Global environmental governance has expanded dramatically in recent years, offering an important example of innovation in global governance. However, many institutions and projects remain relatively "silo-ed" in the environmental realm, and therefore miss opportunities to create social benefits. For example, many of the initiatives in the climate realm have yet to internalize concerns around adaptation, resilience, or 'just transition'— despite a rhetorical recognition of the importance of the SDGs. Drawing attention to these issues and advocating for existing networks and initiatives to adopt a more explicit pro-social message could help link the agendas.

   Key Action *Club de Madrid members could issue a statement calling for social inclusion to be mainstreamed into all intergovernmental treaty-making processes and in the operations of intergovernmental organizations working on the environment. UNEP could lead a UN-wide review of social inclusion in international agencies.*

6. **A pro-poor, pro-green trading system.** The global trading regime has remained moribund for over 15 years, while at the same time the disruptions of economic globalization are seen as increasingly destabilizing forces in many countries, rich and poor. Pushing to make the trade regime both greener and more socially inclusive, as called for in the Club de Madrid Shared Societies Agenda, may provide a way to revitalize and restore legitimacy to global economic institutions. This large-scale challenge requires re-framing the global trade regime. We already see a new generation of regional trade agreements setting very high environmental agreements, the most recent being the new iteration of the Trans-Pacific Partnership, following the withdrawal of the USA, the Comprehensive and Progressive Trans-Pacific Partnership. Mainstreaming such standards across the WTO, while politically difficult in the short-term, could help change the way we think about global trade. Reframing the trading system in this way could help move the current debate over trade in a more Shared Societies direction.

   Key Action *Call for the negotiation of a pluri-lateral agreement on environmental goods and services in the WTO*

Key Action *Call on the WTO to begin formal discussions of the phase out of environmentally harmful subsidies (see also point 7 below).*

Scale-up inclusive, green models for finance and business

Sustainable development requires placing the environment and social inclusion at the heart of our economic institutions. This vast transformation will require many new business models, financial instruments, and other modes of economic organization and exchange, including at the basic, conceptual level how we understand and measure value. Fortunately, many innovative models for green finance and business are now emerging, and new ways of valuing social and natural "capital" are being proposed. Such tools have the potential to substantially shift the sustainability of our economic systems. But while some have reached significant scale, none has yet become fully mainstream. There is thus an urgent need not just for continuing to conceptualize new models, but in advocating for current methods to be scaled-up.

1. **Blended finance instruments**. Even if greater public resources can be mobilized for environmental sustainability, they are unlikely to reach the scale of the challenges we face. For example, governments have pledged to mobilize $100b/year by 2020 for developing countries to confront climate change, but the actual scale of investment needed is an order of magnitude greater. Various estimates exist for the amount of investment needed to achieve the SDGs, but the number is almost certainly in the range of trillions of dollars per year. Public and philanthropic funding, as well as current levels of sustainable finance, will not fill this need. The only viable solution is therefore to find more ways to use public funds to shift private financial flows, particularly large institutional investors with long timescales but also significant adversity to risk. A vast array of instruments is available under the heading of "blended finance," but such measures have not yet reached critical mass. Ongoing interventions to promote them include building government's capacity to design projects and match-making between investors and potential projects.

   Key Action *Call the private sector's (especially institutional investors') attention to blended finance instruments, by promoting the concept to board members. Many Club de Madrid members sit on corporate boards, or interact with others who do, and so could begin a coordinated advocacy campaign at the board level, working with appropriate institutional partners.*

2. **Green jobs**. Rapid technological change is needed to achieve environmental sustainability. Such transitions have the potential to both create and destroy jobs, and inattention to potential jobs losses has the potential to create a political backlash against environmental measures. Environmental sustainability measures must therefore ensure they are pro-jobs in order to be politically sustainable. Investment in re-training programs can be helpful, but governments could be more ambitious in pushing green industrial policy with concrete and visible jobs targets.

   Key Action *Ask governments to commit to a "Green jobs challenge" in which they pledge to create X number of green jobs by 2020.*

3. **Green pensions**. The world's pension systems face a looming crisis as returns fall short of obligations. This threat to public welfare could lead to significant social disruptions. However, the green transition presents a significant opportunity for long-term growth, as demand for energy continues to rise. But large institutional investors often struggle to find investments that meet their scale and risk requirements. Efforts are needed to increase the number of long-term investable options for pension funds. At the same time, pension holders want to know that their money is being invested wisely and sustainably. Global campaigns to divest from fossil fuels and other environmentally harmful business activities creates a way for citizens to engage directly in financial reform that can accelerate sustainability.

   Key Action *Call for pensions to divest from environmentally harmful products and instead re-invest in the sustainability transition.*

4. **Green bonds**. A growing number of governments and businesses are raising money for environmental investments by issuing "green bonds"—debt instruments that raise money for efficiency-producing environmental measures. The market for such instruments grew in volume from just a few billion dollars five years ago to $80b in 2016, and advocates hope to increase it by a factor of 10 by 2020. Developing rigorous standards and recruiting new buyers and sellers of these instruments will be needed.

   Key Actions *Call on governments (national and subnational) as well as corporate entities to commit to a "green bond challenge" in which they pledge to raise $X in green bonds by 2020.*

5. **Wellbeing Economies**. The world needs an alliance of countries and regions (supported by progressive companies and social groups) that is committed to fostering a development model that focuses on human and ecological wellbeing rather than narrowly defined economic output. A number of Working Group members are already supporting the idea of an alliance of "Wellbeing Economies", called the "WE7" in obvious reference to the G7, that responds to this need for change. The WE7 will give status, recognition and leadership to countries and regions that champion human and ecological wellbeing in their economic policies. Countries and regions that join WE7 will be those that recognize that size and growth of GDP is not a good measure of success. They are either entities that have shown the capacity to marry a low-impact economy with high living standards or that are sincerely committed to achieving this in future policy decisions.

   Key Action *Call for the launch of the WE7, and support willing governments to do so on the margins of the next G7 meeting (Canada).*

6. **Strengthening the 4th sector**. A number of organizations in the for-profit and non-profit sectors are increasingly blurring the distinction between them as they pursue a "triple bottom line" of social, environmental, and financial returns. New classes of organization (e.g. social enterprises, benefit corporations, etc.) are emerging that seek to shift the economy to a more environmentally and socially sustainable footing. Governments have a major role to play in creating a facilitative regulatory environment for such organizations. In

too many places, such business models face tax, accounting, and other regulatory barriers that are aimed at other kinds of entities.

> ***Key Action*** *Call on governments that have not yet adjusted corporate governance laws to do so, for example by establishing a legal category for 'benefit corporations'.*

7. **Shift anti-environment subsidies to pro-poor subsidies**. Governments spend billions of dollars every year subsidizing environmentally harmful activities, such as fossil fuel use, overfishing, or wasteful agricultural practices. Moreover, by not taxing the harmful externalities such activities produce, the "implicit" subsidy may actually figure in the trillions of dollars. While some of these benefits support socially marginalized groups, many accrue to relatively better off individuals and to various privileged economic sectors. Shifting such subsidies away from environmental harms and to "pro-poor, pro-green" investments could simultaneously unlock billions in financing for global public goods, while also levelling the economic playing field for sustainable industries.

> ***Key Action*** *Call on the G20 (Argentina presides this year) to deliver on its 2012 promise to phase out inefficient fossil fuel subsidies and to re-invest the funds into achieving the SDGs.*