

16 February 2007

What is this document?

A day-long seminar was held at the James Martin Institute for Science and Civilization on 16 February 2007 on the topic of Institutional Roadblocks & Opportunities for Sustainable Development. Organised by the Policy Foresight Programme, the seminar was a chance to bring together relevant parties in government, business, civil society, and academia for candid discussion of how to move policy forward in this area. In these pages you will find a record of the day's discussions.

Main Points:

- Climate change has reached a point of public awareness that may not last long. This is a key moment to implement sustainable policies that might include major institutional shifts. What we do for climate change will serve as an example for how to adapt our current institutions to handle the challenges of the 21st Century.
- The bunker mentality, or stove-piping, is common to NGOs and the business world as well as to government. All three could do well to encourage more lateral, or interdisciplinary, communication.
- NGOs should develop mechanisms for enacting sustainable policies, and not limit themselves to pointing out inadequacies in the current system. Such mechanisms include, for example, models for pricing and regulation of carbon emissions.
- Training for financial analysts should include how to account for environmental externalities.
- More academic research on institutional roadblocks is needed, particularly on their origins and how they can be dismantled or circumvented.

Institutional Roadblocks & Opportunities for Sustainable Development

Record of the Seminar

Introduction

Speakers: Sir Crispin Tickell & Prof. Norman Myers

Sir Crispin Tickell welcomed the participants and gave a brief explanation of the Policy Foresight Programme. The purpose of the day was to identify the institutional roadblocks that most needed our attention and to develop ways around them, taking into account the complex interactions inherent in many policies. Chatham House Rules would be applied for all discussions.

Professor Norman Myers began his talk with the statement that we had little chance of changing to more sustainable forms of development without radical reform. From the vantage point of a lifetime in the environmental arena, he had come to see many institutional roadblocks to more sustainable policies. For instance, the metric of GNP as an indicator of the health of our economies had become increasingly inaccurate if not downright misleading, insofar as it made no distinction between "good" and "bad" activities. There were significant contribu-

tions to economic growth (though hardly to lifestyle fulfillment) from the person who had been dreadfully burglarised, involved in a horrendous car crash, embroiled in a protracted and expensive divorce, and diagnosed with long-

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term cancer—all of which activities were supposed to contribute advances in human wellbeing, rather than merely making up lost ground. Another institutional roadblock lay with those subsidies that were "perverse" in that they harmed our economies and our environments alike. These subsidies in such salient sectors as agriculture, fossil fuels, road

transportation, water, forestry and fisheries, totalled as much as \$2 trillion per year, and thus exerted exceptional leverage in harming both our economies and our environments. There were many other institutional deficiencies that acted as "roadblocks" on our way to Sustainable Development, and unless we found ways to overcome these roadblocks we shall find our efforts to achieve Sustainable Development akin to pushing an ever-larger rock up an ever-steeper hill.

Why were these subsidies still tolerated? For Professor Myers, one reason lay with the lack of research on the generic issue by academia in order to better understand the "institutional chemistry" that enabled roadblocks to persist. To address these issues, it was not enough to keep coming up with new solutions to long-established questions. We needed to ask if we were raising all the right questions in the first place.

Problems within Governments

Speaker: Dame Pauline Neville-Jones

Dame Pauline Neville-Jones then set out the current problems within the British government. The institutions developed to deal with 20th century problems were inadequate to handle the needs of the 21st century. When New Labour came into office, the two problems they set to work on were based on the belief that the civil service was unresponsive politically and that the departments of government did not communicate properly with each other, in other words they were stove-piped. Solutions to these issues - the proliferation of special advisors and 'delivery units' to stimulate results in various departments - had resulted in less accountability and more complexity in the governmental system. There had been a communications revolution that had greatly shortened the policy cycle within government because politicians are now constantly interacting with the media, providing less time for

privacy and thought. HM Treasury, because it only dispensed money to other departments once they had fulfilled their service agreements, now had the ability not only to tell departments what they might do, but also how they might do it. This way of making government more responsive was not likely to have a positive effect.

"The government is now only one player in these issues, and does not have a monopoly of expertise."

She continued that the major issues of the next hundred years were not ones that the government was used to dealing with. They were long range (e.g. climate change, energy use, migration) and the result of the communications revolution (e.g. pow-

erful transnational interest groups that challenged traditional representative democracy). This was a changed landscape, where the government was now only one player in these issues, and did not have a monopoly of expertise. To be able to address these issues the government needed to work with the private sector and voluntary bodies, developing cross-cutting delivery units that were more than just new divisions joined with old ones. How to manage these delivery units was a very difficult issue that many governments were now struggling with, but no answers have yet been found.

In discussion the following points were made:

- Institutional roadblocks served some purpose at the time they were created, and many of them

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took the form of entitlements. As such, institutions had been 'over-determined' to behave in perverse ways. The European Union was arguably the archetype of this type of roadblock, with all new members having to agree to all former decisions prior to accession.

- In trying to push the government into more sustainable development, one participant recalled many attempts to engage multiple departments in Britain, only to be met with a different explanation why the department could not address the issue. These ranged from perspectives that only spanned a single department's policies to understaffed initiatives arising from successive reorganizations. Each roadblock was different. In the end, Ministers were convinced that they needed an informal committee to look at the matter of sustainable development, but this result was far from a major institutional shift.

- One example of how to get around the problem of stove-piping was to develop a single security budget and a body like the US National Security Council. In other areas, bringing budgetary and policy streams together might help prevent the pursuit of solitary rather than collective interests.

- Another example of getting around stove-pipes was the Chief Science Advisors' Committee chaired by Sir David King. This allowed for useful cross-agency discussions, but it was somewhat decoupled from policy. Information often arrived in the right place; the problem was how to use it effectively.

- Balancing short and long term goals was a priority for both the government and the investment community. We needed to find ways of bringing issues out of short term cycles, while still having them coupled. One option might be the creation of more agencies or institutional advisory boards that reported directly to Parliament.

The Role of NGOs

Speaker: Mr. Robert Napier

Robert Napier spoke next on the role of NGOs. He built his talk around three questions: 1) Are NGOs themselves a roadblock? 2) What role do they have in identifying other roadblocks? 3) Do NGOs have legitimacy in the debate on how to get around roadblocks?

In responding to the first question, Napier noted that the NGO sector in Britain had a paid staff of over 600,000, and many of them were powerful lobbyists. Stove-piping was very common in these organisations. People were there because they were passionate about the cause the NGO supported, and as a result they tended to overstate their case. NGOs did not answer to normal forms of accountability. On complex issues, such as climate change, the arena could get crowded with NGOs espousing similar lines of argument.

In considering the role of NGOs, Napier said their most important one was to maintain interest in a subject through many cycles of change in policy and business. They also had a role in holding decision makers to account, forcing decisions to be made on issues

that were often very complex. NGOs were often better at thinking more globally than were governments. This did not mean that they were always successful at directing governments down sustainable paths of development. Nor did it mean that NGOs always tackled the institutional roadblocks currently in place, such as the sunk costs involved in the oil industry and the desire to keep these businesses afloat. Too often, NGOs were simply negative and that had not done much to advance their cause.

Finally on the legitimacy of NGOs, he argued that they did have systems of accountability. They were accountable to their supporters, to the environment, and to future generations. Maintaining legitimacy was vital to NGOs.

In discussion the following points were made:

- NGOs, environmental ones in particular, were good at waiting for jobs to come to them rather than tackling the underlying issues. Instead NGOs should work on mechanisms, such as developing pricing and regulation models

to make possible sustainable alternatives.

“The most important role for NGOs is to maintain interest in a subject through many cycles of change in policy and business.”

- NGOs were in a unique position to establish links between national and international law. They should spend effort on highlighting the international ecological footprint that was the result of imports and exports.

- Was the future possible without NGOs? The reply was that there would always be a need for some institutions to take a longer view on issues, and that the purpose of NGOs was to internalise the externalities of governments and industries.

The Role of Institutional Investors

Speaker: Ms. Sophia Tickell

Sophia Tickell spoke on the role of institutional investors. The current institutional investment system had inbuilt challenges that made it difficult for sustainable development to be incorporated into investment decision-making. At the same time sustainable development was a desirable goal, as long term shareholder value (value that delivered stable and predictable returns over time) was most likely to result from a better alignment of both shareholder expectations and social and environmental needs. Investors could play a key role in moving businesses on to more sustainable paths.

To exemplify the challenges faced by businesses, she described the case of the pharmaceutical industry. The two things that drove value in this sector were research & development, and revenue. Low productivity over the past decade (a slowing in the number of new drugs coming to market) coupled by a wave of patent expiries encouraged business to maintain profit margins required by investors by charging high prices, extending patents as far as possible

and fierce marketing. These tactics, while economically logical, were causing problems for this industry with a strong social contract, and the result of a system encouraging a short term fix. The pressure to maintain earnings

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encouraged a focus on marketing and patent extension, making the most of what you had - and some even argue that this is at the expense of investing in R&D management and scientific innovation that could solve the core problem.

A number of initiatives have been taken to meet this problem. The first has been to look at governance, working inside businesses, and relates to the Board. A good board was one that would ensure it had appropriate skills and people who could advise on the different time horizons that the company would need to manage. They could provide incentives to management to take a longer term view. Another initiative was the International Investment Group on Climate Change (IIGCC), a forum in which financial organisations and pension funds sought to promote the assessment and active management of risks and opportunities associated with climate change. Yet another was Al Gore's and David Blood's initiative, Generation Investment, which was founded on the hypothesis that sustainable development would be the key driver of industrial and economic change over the next 50 years. Generation Investment argued that research into social and environmental issues that was rigorously integrated into tradi-

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Science Meets Regulators in Europe

Speaker: Prof. Michael Depledge

Professor Michael Depledge broadened the scope of discussion with his talk on "Science meets regulators in Europe". His focus was on the individuals in the structures and processes involved in deploying sustainable policies in the EU. Based on each Member State's system, it would have a particular set of roadblocks. It was extremely difficult to develop regulations that would harmonise fully with all Member States. Given that more than 90% of national regulations on the environment came from the EU, how could we best influence the development of those regulations?

He said that first we must understand what the roadblocks currently were in Brussels. Most policies were based on evidence that came from Directorate General (DG) research programmes, EU environment agencies, Member State environment agencies, and international agencies. The research was used by DG Environment, but this DG did not produce any research itself. This had created a large communication gap because few people in DG Environment had a scientific background. Most employees were more concerned with either box-ticking or promotion, and pursuing a scientific line of development was seen as a dead

end. To be promoted, employees needed to switch from science to policy.

In order to help get around this roadblock, he worked on bringing together each of the agencies from Member States in an effort to train a cohort of people in translating between science and policy, creating the programme on Scientific Knowledge for Environmental Protection (SKEP).

In discussion the following points were made:

- SKEP was a significant step towards harmonising processes in Member States. It could help with the possible development of a global environmental organisation.
- EU research programmes, while in the initial stages of development, were generally well-balanced. In the case of the FP6 Science and Society programme, however, the final product was heavily lop-sided in favour of local public participation studies. This was apparently the result of structural issues within DG Research.
- While the new structure of the DGs was better than the old, smaller DGs often found it difficult to get their voices heard, and had to

play to the larger DGs' initiatives. It was still a very stove-piped system.

- National cultures and personalities of EU officials could have a significant influence on the functioning of the system. A recent change in the head of one committee saw a corresponding significant change in the overall composition of the committee and relations with other committees.
- While the EU presented a host of roadblocks of its own, the United Kingdom through its EU membership was able to get around its own roadblocks on environmental issues.
- There seemed to be a strong desire for civil servants to work at EU level from all countries, but this was tempered by the knowledge that often there was no job for civil servants to return to once they had completed their time at the EU.
- Across the EU, different Member States had different styles of environment agencies. Some countries were small but had a well-developed agency; others had agencies that functioned only theoretically.

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tional investment process would deliver the best long-term results.

She continued that the responsible investment movement was already large and still growing, but the general trend within financial markets was towards greater, not less short-termism. Changing this trend would require a combination of regulatory frameworks and market incentives to produce long-term value creation.

In discussion the following points were raised:

- For anyone hoping to change business models, the challenge could not be underestimated. Climate change was a good test case on how to shift to more sustainable models: many consumers and major investors now understood the need to change, and that should help businesses accept new models.
- While short-term thinking may be significant for businesses, boards realised that survivability also required the continuance of resources and political viability. Businesses understood that reputation was now linked to environmental awareness. We should therefore concentrate on developing economic arguments to take up sustainable practices. This led to a debate on whether the market suitably rewarded sustainable practices.
- A definite way forward was to build the environmental externalities (and incentives for policies that account for them) into the frameworks used by financial analysts.

The Role of the Citizen and the Community

Speaker: Sir Neil Chalmers

For the last talk of the day, Sir Neil Chalmers spoke on the role of the citizen and the community. His main point was that, as members of a community, we could be important in driving forward sustainable policies. The average person could understand most scientific concepts if the information was well expressed. Getting across the idea of sustainable development was much easier if the context was well-structured. For instance, sustainable development was now on the curriculum in a number of school programmes. Elsewhere getting the ideas across was more difficult, though the public itself was willing enough.

One method for raising awareness in the public was through art and museum exhibits that

could draw connections between everyday life and sustainable policies. Another was through the media, which in recent months had focused on showing the links between climate change and local environments.

In discussion the following points were made:

- There were a number of challenges to the linear model of public engagement. Rather than taking the view that scientists could see possible roads into the future and it was up to the public to decide which road to walk down, one participant suggested that a better metaphor would be that we were all on the edge of a terrain we did not know. The public and experts had to work together to map out the uncharted possibilities.
- Another possible route to more sustainable policies might be to ask where the leverage points were that would have the most influence with the smallest change. These approaches were not necessarily inconsistent.
- While motivating citizen involvement was a problem for governments, an easier problem within the government's direct ability to fix was that of perverse subsidies.
- There was general consensus that climate change was now on the agenda of governments and the public alike. This might not last for ever.
- Many people had heard of the concept of technological lock-in, whereby the original choice of a technology led to an inability later to change or vary it. Similarly we had developed institutions, such as systems of entitlement, that had locked us into a particular way of running our society and now prevented us from adopting more sustainable policies.
- We were not witnessing the hollowing out of the state, but rather the development of new types of partnerships between the state, markets, and civil society.

General Discussion

To close, the seminar was opened to general discussion, during which the following points were made:

- While corporations were now leaders of thought and movement in society, navigating around the roadblocks identified would be impossible without citizen/consumer approval (through voting and purchasing).

Both citizens and corporations needed leadership that could come from government, but government had to be willing to make difficult decisions.



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Policy Foresight Programme

Director: Sir Crispin Tickell

The Policy Foresight Programme, part of the James Martin Institute for Science and Civilization at the University of Oxford, is designed to facilitate interaction between government, business, industry, the media, and academia on issues of science, technology, and the environment. The purpose is to identify leverage points in current policy that could have significant long-term benefits for civilization.

Under the direction of Sir Crispin Tickell, the main activity of the Programme is to host up to six 1-day seminars a year, where around 25 people will engage in constructive debate to further integrative thinking on a particular issue. The emphasis of the seminars is to look anywhere from 10 to 50 years into the future to see what will be the major decisions we will be faced with then and what can be done now to direct policy along a resilient path. The Programme will cover all major areas of the James Martin Institute, namely: Tomorrow's People, Tomorrow's Technologies, Tomorrow's Planet, Governance of Technological Change, Technology and Inequality, and Tomorrow's Civilization.

James Martin Institute for Science and Civilization

Director: Professor Steve Rayner

The James Martin Institute for Science and Civilization focuses on identifying what have been called the "wicked problems" (those that are persistent and intractable) of the 21st Century; the "uncomfortable knowledge" which challenges existing institutional arrangements that are ill-prepared to deal with such problems; and the pluralistic institutional arrangements that encourage emergent innovative responses known as "clumsy solutions".

The Institute pursues these lines of inquiry in relation to six topical priorities for research, education and policy outreach. These are Tomorrow's Technology, Tomorrow's People (the future of health care), Tomorrow's Planet (tightly coupled technological and eco systems such as climate change), Technology and Inequality, Governance of Global Technological Change, and Tomorrow's Civilization. Each topic is approached in partnership with other institutes and centres at Oxford, and with an international network of collaborating organisations from academia, government, business and civic society.

Participants

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Upcoming Seminars

Energy Security: the alternatives to fossil fuels, the implications of bio-fuels (the so called grain drain) and other renewable energy technologies

Transition from a High Carbon to Low Carbon Society: possible mechanisms in the global system

Globalisation and Localisation: differences between cultures and communities, and the potentiality for conflict

Human Health: problems, prospects and how to cope with them

Human Population: the balance between proliferation and resources, and the prospects for migration

Aquaculture: the prospects and hazards

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If you would like to receive periodic emails about the Policy Foresight Programme and its future seminars, please send an email to:

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