

Introduction

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As the title *Governance and Sustainability* indicates, the main goal of this book is to link two debates that rank rather highly on the scientific and political agenda. At the same time, these two key concepts point to relevant societal problems at the beginning of the 21st century. The combination of the terms **governance** and **sustainability** refers to the question of steering societies towards sustainability. This combination of concepts/terms brings analytical as well as normative aspects into focus. It is our hope that the linkage may provide some innovative insights and direction for further debate, as well as steps towards sustainability.

At first sight political steering in general as well as discussions about sustainability are seen as the main issues within global development processes. Discussions about the limits to the steering capacity of nation-states are entwined with processes of economic globalisation (compare the contributions of Petschow and von Weizsäcker in this volume). The ongoing processes of globalisation are changing the possibilities for political influence. This holds true at the political level, where multi-level governance becomes increasingly important, and at the market level, where an increasing transnationalisation of economic relations is to be observed. As one consequence market actors may use their 'exit option', forcing nation-states into adjustment processes, and putting the regulatory power of states into perspective directly or indirectly. But these adjustment processes are driven, too, by processes of societal differentiation. Intensive discussion processes are being conducted about steering capabilities against the background of economic and societal processes of differentiation. This process is tightly knit to the governance concept. Despite variations in detail, the common core of most governance approaches is to include other actors, and not just governments, and their contribution to steering structures (compare the contributions of Rosenau and Petschow).

At the same time, awareness-raising processes concerning environmental protection have arisen, pointing out that certain types of environmental problems have not been solved even in a rudimentary fashion, and that simple solutions especially at the global level are not in sight. The global dimension of the debate about sustainability is witness to this increased awareness. At the beginning the main reasons for this debate were not the limits of steering capacities of nation-states but rather the globalisation of environmental problems. These problems are increasingly not only concentrated at the regional or national level but at the global level, either by shifting from one medium to another or by cumulative effects. In sum global environmental problems are the outcome of myriads of individual actions. Traditional approaches of environmental policies, often hierarchic and focused on end-of-pipe solutions, fail, not least because of these developments. As a result instruments and governance approaches become more differentiated and there is an increasing need for new governance mechanisms, which

have to be embedded into changing economic and societal structures. Problems of sustainability prove to be intractable because of their spatio-temporal structures and interconnectedness, representing complex social–ecological problems. This is especially true concerning the global commons, and the global dimension and the interaction with national or regional levels might be one main theme of the general problems of governance. This holds true all the more as questions are raised not only about global governance but also about very different governance scales.

Linking two separate debates

Against this background there is a sound argument for the analytical connection of the concepts of governance and sustainability although they are often characterised by different scientific traditions. As common ground, both concepts point towards the fading opportunities of nation-states to steer by their traditional means; nevertheless they remain significant. Furthermore both issue areas increasingly demand new models of regulation, including self-regulation mechanisms. Within the debate about sustainability (not only at the international level) quite different normative approaches meet each other, whereby the discourse about norms becomes increasingly important.

Furthermore both debates are focused on diffusion and fragmentation. Within the governance debate it is pointed out that centres of power are fading. They are replaced by emerging layers of influence shaped by multi-level governance on the one side and on the other side by the increasing importance of private actors. In the context of the sustainability debate there are similar developments to be observed. The so-called ‘low-hanging fruit’ in the form of emissions reductions via point source measures are reaped; however, some fundamental changes in development are needed. One main approach, especially within the European Union, is the integration of environmental protection into other policy fields or into economic and social relationships. Therewith environmental protection is a main part of sustainable development and goes further than traditional approaches of environmental policy. The fragmentation of problem-solving approaches in environmental policy as well as of general development problems becomes one main issue of the debate about governance.

One of the starting theses of this book is that coping with the challenges of sustainable development requires a change of steering processes and these changes have to include the challenges of globalisation. Therefore there is the need for modification of governance mechanisms. The processes of globalisation lead to changes of power between different actors; some actors lose influence while others, especially mobile actors, win. Sustainability requirements are often mainly connected with actors that have only limited influence and therefore only one main source of power, that of discourse. Eventually discourses might become powerful and might change problem awareness and, furthermore, initiate learning, which in the long run might have important effects on steering

Opportunities for governance for sustainability

Governance for sustainability under contemporary conditions is confronted with challenges that exceed the capacity of traditional governance solutions for local or regional commons in which sustainability could be sustained over long time periods. In these cases governance is marked by the coherence of economic, social and environmental developments. Therefore one of the main challenges is to identify solutions that might be appropriate for the governance of the global commons. Environment has increasingly to be regarded as a limiting production factor, deterioration of which leads to more or less direct feedback effects. The new and globalised environmental problems usually have longer time-frames and the feedback loops are less significant at least in the short term. Awareness-raising processes therefore are much more difficult now than those appropriate for traditional environmental problems. Furthermore, environmental problems are usually strongly connected with different world-views and normative approaches. The sometimes fierce discussions about the precautionary principle bear witness to this.

Nevertheless the founding principles of steering mechanisms developed at the local and regional level might be transferable. Starting with the concept of 'spheres of authority' as developed by Rosenau, one may identify spaces of responsibility, which at least in sub-areas may regulate the interaction of ecological, social and economic dynamics, but of course have to be embedded in broader frameworks. Possible starting points, which are developed in several contributions to this book, are as follows.

Within international relations non-state actors are gaining increasing importance. This development can be traced to the negotiation processes for international environmental treaties, but also to the agenda of the World Trade Organisation (WTO), which is built on inputs and/or at least influenced by non-state actors. One main question in this regard is through which channels non-state actors influence the agenda and exert power. This question is on the one hand connected with resources and access to decision-making opportunities; on the other hand it highlights that non-governmental organisations (NGOs) may influence norms and values and discursive power. Both facets of power of NGOs might be observed within the different stages of the policy cycle, starting with agenda setting via policy formulation to implementation.

The importance of the inclusion of stakeholders in decision-making processes is increasingly recognised, as are the limits of decision processes which are, on the one side, democratically legitimised but on the other side pre-structured by experts and interest groups. Approaches as they are developed within the European Union (White Paper on Governance [EC 2001]) show the need for not treating and regulating issue areas separately, but rather integrating them in a broader view and thus identifying and implementing integrated-solution approaches.

Governance dynamics within the European Union are often exemplary for problems of multi-level governance, of course with the qualification that, at a global level, a similar supra-state organisation does not exist. One example of these multi-level approaches is the new environmental concept of an integrated product policy. This approach aims at a co-operative structure including enterprises to achieve a continuous improvement of the environmental performance of products covering the whole product cycle.

Taking the term used by Rosenau there is created a 'sphere of authority' of integrated product policy. The aim is that the responsibility for environmental protection should be taken by all actors along the product chain, producers and consumers, and an integration of economic and ecological aspects should be achieved. Under the current framework this is not a self-evident process but instead the incentive mechanisms for a dynamic process have to be developed.

Finally the enterprises become more and more a target of requests by stakeholders. The traditional discussion about corporate governance focuses mainly on the shaping of the steering structures within enterprises. This discussion usually does not include the environmental or social sphere but instead focuses on solutions concerning the principal-agent problem between capital owners and management. Recently, a broadening of firms' governance has been observed, which includes such areas as the requests for sustainability and the demand of stakeholders. A culture of accountability has developed, increasingly including aspects of sustainability in general. A broadening of the concept of corporate governance, which includes these 'external affairs', means that the responsibility on the one side towards the global commons and on the other side towards societal actors seems to be acknowledged. With this, corporations have to take into account the multiplicity of spheres of authority.

In principle many of the new governance approaches are taking into account such spheres of authority and encouraging the shared responsibility of producers, consumers and actors from civil society. Governance for sustainability therefore focuses on governance structures, which support these responsibilities and, with this, initiate the drive to improve the sustainability-oriented processes. Therewith are connected many approaches, problems and actors. The contributions to this book look at these problems and actors in order to develop processes.

Part 1. Governance and global sustainability: setting the stage

Chapter 1 discusses the aspects of governance, sustainability and globalisation, which covers both problem areas in further depth, and sets the stage for the following contributions. The first two contributions by the editors, **James Rosenau** and **Ulrich Petschow**, scan the horizon for an integrative approach, starting from two different perspectives. James Rosenau, who has substantially contributed to the governance debate, uses this background to address problems of environmental sustainability. Similar to globalisation, he characterises sustainability as a 'fragmegrative' process in which tendencies of fragmentation and integration intermingle. In an increasingly complex world without central authority this points to a dilemma, which leads him to conclude on a rather pessimistic tone. Although there are some positive signs, he sees little prospect for decentralised governance for sustainability.

Ulrich Petschow, who has a strong background in sustainability research, identifies important 'governance gaps', too, but is on balance more optimistic. In his contribution, he reviews and brings together the literatures on globalisation and its driving forces, on globalisation and the environment, as well as on governance. Pointing to a variety

of governance levels and mechanisms, he emphasises the role of discourse and values for governance for sustainability. This entails chances for weaker non-state actors to contribute to the development of appropriate governance processes. Hence not only states and governmental organisations, but also decentralised market dynamics and social regulations can play an important role for reducing the governance gaps, if the spheres of authority are linked with the attribution of responsibilities . . .

The other two contributions to Part 1 take a stronger policy perspective. In his contribution, the co-editor and German Member of Parliament, **Ernst Ulrich von Weizsäcker**, emphasises the negative role of economic globalisation for environmental policy. Despite the economic potential of a significantly higher resource productivity, ‘factor four’ (von Weizsäcker *et al.* 1997) does not take off because global markets restrain the capacity of the nation-state to set the necessary framework conditions. Global governance as a possible substitute emerges too slowly and is difficult to establish, hence also alliances of states with civil society should be created and strengthened for enhanced environmental sustainability.

Martin Khor, leader of the non-governmental organisation Third World Network, takes an important complementary focus on governance and sustainability issues. He emphasises the development dimension of global sustainability, exemplified in the United Nations Millennium Development Goals to improve the lot of humanity in the new century. The focus of the contribution is on Goal 8, to ‘develop a global partnership for development’. However, as Khor argues, the already-established global *economic* governance structures can work as impediments in this respect. He focuses on the role of the WTO and, to a lesser extent, institutions of the global financial system.

Khor claims that the dominant approach (Washington Consensus) with its focus on full, rapid and comprehensive integration of developing countries into the global economy and the corresponding main advice of international organisations to developing countries of getting domestic policies right, might be inappropriate if economic and social structures are inequitable. Therefore one main focus should be on getting international economic structures, policies and rules right. Further, he argues for a pragmatic and selective approach of developing countries to globalisation and liberalisation. Hence also the last contribution to Part 1 points to critical linkages between governance and sustainability and the need for changes in governance at both international and national levels.

Part 2. Cross-cutting issues

Part 2 addresses three types of cross-cutting issue which might strongly frame the dynamics of governance and sustainability. The first issue explored by two contributions is the dynamics of learning and innovation, which shape the conditions and prospects of governance as well as act as dynamic forces able to induce processes of change.

Starting out from a brief overview of existing approaches to conceptualising social learning processes in political science, **Bernd Siebenhüner** sketches some ideas about a more general conceptual framework on sustainability-related social learning pro-

cesses. For deliberately initiating sustainability-oriented social learning processes, he points to the option of participatory procedures involving individuals from different organisations and different societal subsystems. These processes allow for the articulation and interaction between different perceptions, interpretations and argumentations by the actors involved and could, at best, result in concrete solutions, for example to sustainability-related problems. They thus have the potential to initiate both inter- and intra-organisational learning processes.

Matthias Weber emphasises first that sustainability implies giving direction to innovation processes, which involves system innovations and transition processes. For the development of an appropriate governance perspective, he further argues that it is necessary to take into account new insights about innovation processes. He proposes a dynamic conceptual framework termed ‘complex innovation systems’, which includes parts of governance structures as part of the system. For building on these dynamics, policies should take a forward-looking and adaptive approach, in which vision building is a key element.

The second cross-cutting issue addressed in Part 2 is co-operation and participation. **Claudia von Braunmühl** points out that gender mainstreaming might be an important instrument and institutional strategy to enrich the formal structures of democracy by making institutions and governance processes more inclusive in terms of equal opportunity and equal access for women. However, past experience with gender mainstreaming in particular in the global South indicates that, for this democratising process to happen, a debate in the public sphere is needed that encompasses a review and revision of the fundamental objectives and values of the given societal order, because neoliberal structural adjustment and corporate-driven globalisation constantly erode social development and systematically produce gender-unjust results. That kind of debate would indeed carry transformative dynamics. In Europe where an additive and institutionalised approach to gender mainstreaming prevails and works to a certain extent to keep the status quo, sustainable development could provide the necessary transformative aspect.

Angela Liberatore points out that participation is one of the main implicit pillars for institutional reform, as the Johannesburg Summit once again made clear. Environmental advocacy organisations in particular raised the question of whether the private sector was taking ownership of the sustainable development agenda. Participation has been a founding feature of discourses and practices of sustainable development, from the focus on community participation in the Brundtland Report to the experience of Local Agenda 21. Liberatore’s contribution focuses on experience with governance reform in the European Union. Since governance is not an exclusive domain of governments and other public actors, the question of who participates in governance processes and institutions is a truly crucial one and the forms and impacts of involvement of non-state actors is the ‘novelty’ to be analysed.

While participation is increasingly presented as a key factor to address legitimacy and effectiveness problems, Liberatore points out that it provides increased legitimacy and effectiveness only under specific circumstances of accountability, balance, relevance and transparency. As to substantive democracy, it is increasingly clear that rights are not only political, but also social and economic; participatory governance can help find the balance between them when conducted within a democratic framework. The potential for extending participatory approaches that might improve policy legitimacy

and effectiveness is significant; its transformation in reality will require strong commitment from all actors of European governance—from citizens to political and economic elites at various levels and in various areas of public life.

One of the central outcomes of the Johannesburg Summit was the co-operation agreements and partnerships between state and non-state actors (so called Type II initiatives). As a positive aspect of these new approaches, **Jan Martin Witte**, **Charlotte Streck** and **Thorsten Benner** recognise that they perhaps lead to some new form of environmental governance, including not only governments and international organisations but also business and NGOs. However, a serious shortcoming of the WSSD (World Summit on Sustainable Development) debate and the realised approach was its failure to clearly define the partnership concept. No comprehensive understanding was developed of what to expect from partnerships and what role various actors should play.

In order to develop an evaluation, Witte *et al.* propose that the Type II initiatives could be compared with the global public policy networks which have emerged over the past two decades. They propose the three criteria: interdependence, flexibility and learning capability, and complementarity. Furthermore they point out that different types of network have different implications for concerns about legitimacy, accountability, transparency and power asymmetries and that there is the need to develop some basic rules for the Type II initiatives in order to realise the high potential for policy implementation and policy learning.

Part 3. Actors in global governance and their changing roles

Part 3 presents a short overview of the positions of and processes within three main groups of actors in governance processes: the state, companies and civil society. One subject turns out to dominate all three groups of actors: while the possibilities of the nation-state to legislate seem to vanish, a variety of problems arise which have to do with the subsequent activities to find non-legislative means of governance. These non-legislative means of governance usually involve more actors and create multiple problems of legitimacy, power, information and agenda setting.

But concerning the role of the nation-state as the first main group of actors, **Martin Jänicke** argues that neither the fear nor the hope of a withering-away of the nation-state in times of globalisation is supported by empirical research. He sees enhanced power of states if they act in concert and he sees especially the ability of at least the advanced OECD (Organisation for Economic Co-operation and Development) countries to promote change by the adoption of a pioneering policy, the stimulation of international competition and the diffusion of best practice. Jänicke sees this potential of the highly advanced countries as a moral obligation to assume a greater responsibility for global environmental development. The advanced nations cannot hide behind the fictive monster of globalisation, seemingly legitimising any kind of inactivity. On the contrary, it is their obligation to provide the world with sustainable 'demonstration effects', with a better model of production and consumption overcoming the resource- and environment-intensive model of the past.

Taking a closer look at the example of an integrated product policy (IPP), **Frieder Rubik** demonstrates how the modern nation-state can start to influence business actors in areas where legislation is not a viable option. The focus of IPP is on business and environmental performance along the whole value chain, including upstream and downstream activities. The author presents this new approach and emphasises that, for a successful IPP, state actors have to adopt a new way of thinking, co-operating and acting in a strategic and anticipative pattern, using (product) innovation as transmission mechanism for market transformations. Hence co-operation, information and integration are key issues. The integration challenge concerning life-cycles, environmental media, actors and tools can only be dealt with by accepting a shared responsibility. In IPP, business becomes—in the best case—partner of the state in order to solve common environmental problems.

Also in many other cases voluntary initiatives of businesses are currently seen as a good opportunity to advance environmental problem-solving where legislation seems to be inappropriate or is simply impossible. In the case of transnational corporations (TNCs), voluntary initiatives might also lead to improvements in countries of operation where enforcement of local environmental legislation is weak. But these improvements might be realised only if the TNCs comply with their voluntary targets (see also the general requirements for partnerships formulated by Witte *et al.* in Part 2). **Jens Clausen**, **Kathrin Ankele** and **Ulrich Petschow** discuss in somewhat more detail the problem of compliance with voluntary initiatives. They see media and public discussion as a central means to reveal non-compliance and execute influence on non-complying TNCs by the impact this information might have on product and capital markets. Proper monitoring of and public information about target achievement of voluntary initiatives is central because the only possible mechanism of sanction lies in concerted action of public communities in markets and—indirectly—in their demand for legislative action if the success of voluntary initiatives proves to be insufficient.

From within a major TNC, **Mark Wade** from Shell International outlines the Royal Dutch/Shell Group of companies' approach to sound corporate governance. The starting point for him is a society where people are less willing than they were in the past to take the assurances of authorities such as governments, scientists and companies on trust. There is an increasing call for corporations to show what it is they are doing. And in the absence of trust—something that characterises the modern world—there is a demand for independent verification of what is being shown. Based on this view of society—which was mainly developed after the Brent Spar affair—Shell enhanced communication with stakeholder groups and redefined Shell's Business Principles. The company developed a set of instruments and organisational guidelines with which it hopes to assure compliance not only in the area of binding legislation but also concerning planned voluntary action. Not surprisingly Mark Wade strongly opts for postponing, for example, legislation in the emerging area of corporate social responsibility, which he thinks would certainly be counterproductive at this early stage and expresses general confidence in the ability of TNCs to follow voluntary codes.

In the view of **Cornelis van der Lugt** of the United Nations Environment Programme (UNEP), greater pressure from consumer-citizens moves more businesses to take moral or ethical positions and acknowledge social responsibilities. In addition to consumer pressure, questions from investors and shareholders also confirm that the business case for sustainability is becoming clear. In this situation, UN Secretary-General Kofi Annan

considered it necessary to start up the UN Global Compact to advance corporate citizenship globally. By the end of 2002 a global network of over 700 companies, international trade unions, over two dozen international NGOs and supportive networks of CSR (corporate social responsibility) organisations and business schools were engaged in the effort under the Global Compact, and others co-operate in the definition of a global framework for sustainability reporting. Though van der Lugt does not explicitly mention the problem of compliance, he obviously takes it seriously. This is due to the high importance he gives to the work of the Global Reporting Initiative to foster reporting both as a means to display accountability and transparency, and as a means to improve the management systems of the reporting corporations.

Explicitly or implicitly all non-legislative approaches to governance of business rely on active consumer-citizens and their interest groups to exercise influence on corporations, either by demonstrating public opinion with influence on the companies' image, by buying or not buying goods or by investment decisions. But also national and international negotiation and legislation strives for more integration of civil society. However, both authors contributing on the role of civil society, **Nicola Bullard** and **Dieter Rucht**, see narrow limits for civil society to execute power.

From a NGO point of view, Nicola Bullard points out that, after a period of enthusiasm at the beginning of the 1990s, the Johannesburg Summit made clear that society was divided into (good) civil and (bad) uncivil society. The 'good civil society' accepts the roles of governments and business and is, for example, integrated in negotiations. The 'bad uncivil society' is kept out of the door. And, after all, the only group really achieving more power between Rio and Johannesburg is business, which has also started to use the UN to legitimise its globalisation project.

From a more scientific view Dieter Rucht arrives at similar conclusions. He also sees that TNCs start riding on the NGO ticket to gain legitimacy and organise their public relations activities accordingly. He admits that a number of NGOs use modern information and communication technology in order to exercise influence and at least obtain a lot of resonance in the media. But their real power is mostly less than it seems to be. On an international level NGOs might have some influence in the human rights negotiations, but concerning, for example, (really important) international questions of finance and development as they were negotiated in Monterrey, Mexico, their influence was low.

From the contributions of Nicola Bullard and Dieter Rucht we might conclude from Part 3 that governments and TNCs are increasingly co-operating but this is in no way a guarantee that civil society's interests are taken into account. Civil society's involvement in governance structures is still a critical point and will remain at a low level, unless the scale of problems increases and demands further integration of civil society, or the mobilising of society as a whole powerfully demands that important questions are dealt with by integrating all forces of society. Some of the thinking of TNCs as pointed out by Mark Wade strives for more integration of stakeholders but, finally, the targets of voluntary action are defined by the company alone and control of success politically or by civil society, as Clausen *et al.* remark, is scarce. And when, as Cornelis van der Lugt describes, the UN and business unite their power in the Global Compact it might make things better, but it does not finally solve problems. After all, we still need democratic nation-states, which guarantee, as far as they can, all the rights laid down in the UN human rights declaration.

Conclusion: a sustainable integration task

In a nutshell the contributions to the book make it obvious that the connection between the discussions about governance and sustainability is not a ‘natural’ process but instead an continuous process, characterised by conflicts, which might be enhanced by processes of learning. One main point is the solution of the integration problem, which is a consequence of fragmentation of knowledge and of the interests of actors, and this in fields that are characterised by dynamics that are increasingly fragmented. This holds true for economic and political decision-making processes. A broader view of problems is a necessary precondition for decision-making processes towards sustainability.

In economic contexts mainly regulatory approaches as well as the influences of consumers (including the actions of consumers) have shaped the way for sustainability.

With respect to the political decision-making process, it will be a matter of including the stakeholders, civil-society players and experts from the political areas concerned and other areas to put the different perspectives into competition with each other. The inclusiveness of pluralistic perspectives but at the same time sensitivity to the different contexts—for example, the structure of the environmental problem, North–South aspects and gender—is a central departing point for governance structures at least for another basis of the relationships between the different actors but also for the relationship between nature and society and with this an enabling of social–ecological transformation processes.

The contributions gathered in this book show that social–ecological transformation processes are not alone an effect of the enforcement of a more sustainable policy initiated by states but that in different areas conflicts and learning processes are needed for a change in problem awareness as well as implementation. Therefore this is not just a blueprint to follow, but a sometimes conflict-oriented and learning-oriented process.

References

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