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# **Practical Sustainable Development: the challenge of long term strategy in day to day government**

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# The Prime Minister's Strategy Unit

## What is the PMSU?

- A unit of Cabinet Office formed in 1997 as the Performance and Innovation Unit

## What does PMSU do?

- Provide a central capacity for strategic, long term and cross-cutting thinking
- Promote strategic thinking and better policy making across HMG

## How does PMSU work?

- Work in small project teams
- Undertake specific commissioned projects which take 3-9 months
- Bring together civil servants and secondees from private sector, voluntary sector, academia, public sector and other governments

# PMSU was designed as an integrated long term policy institution and thus embodies the idea of Sustainable Development



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- **Some classic “sustainable development” areas addressed by PMSU:**
  - Energy
  - Waste
  - Fisheries
  - Rural economies; GM Crops
  - Resource productivity
  - Trade and Social, Health and Environment issues
- **Other areas with strong sustainability themes**
  - Wealth creation and the knowledge economy
  - Pensions and Aging
  - Global Health
  - Countries at Risk of Instability
  - Strategic Audit

# Provocation: The Challenge of Sustainable Development

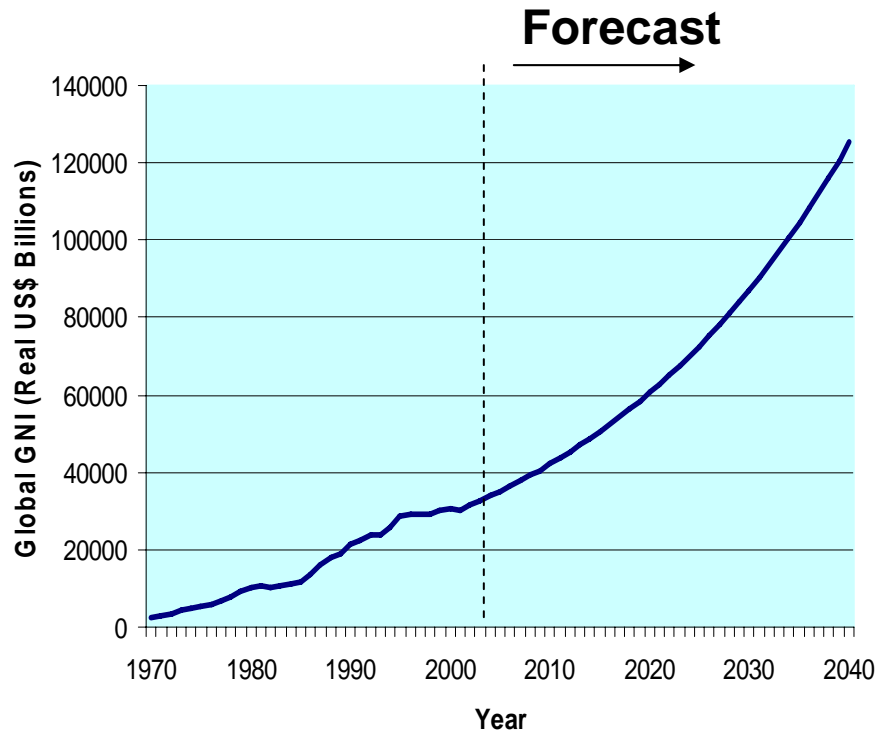


- Sustainable development requires a conscious driving of (global) societal change towards specific goals over limited timescales – this is an unprecedented human project
- The real challenge of SD is driving the necessary amounts of **change** – not setting targets or being “optimal”
- The transition to sustainable development will only be possible if we can change the fundamental “operating system” underpinning political choices and institutions

**Without reformed institutions to drive the transition to SD progress will rely on political will of key leaders. This is a very uncertain base on which to build a sustainable future.**

# Technocratic descriptions of sustainable development give an illusion of continuity and control

Global GDP will increase by 400%  
in 40 Years



(Source: World Bank)

- 400% change in 40 years is incredibly disruptive growth
- Trade will probably grow by 600-1000% with large shifts in production and consumption
- Regional distribution of growth will swing to South and East Asia
- This will have large changes in cost of commodities changing incentives for land use, water use, conservation etc

**Being “on this curve” will be exhilarating, frightening and confusing**

Demands to integrate sustainable development into policy are often seen as unrealistic. Policy Makers are often right as choices are not thought through!



	<b>Sustainable Development Ideal</b>	<b>Policy Makers' View</b>
<b>Coherence</b>	All policy should be integrated and coherent, both domestically and internationally	<b>We have enough problems agreeing what to do internally without involving anybody else who will obstruct action</b>
<b>Long term approaches</b>	Policy should take a long term and preventative view and not just focus on short term reactive responses	<b>We are overstretched just keeping day-to-day operations afloat, planning over the next budget period and reacting to events.</b>
<b>Managing uncertainty</b>	Policies should consider the full range of possible uncertainties	<b>More uncertainty is unhelpful and complicates decision making. What am I meant to do with it?</b>
<b>Systematic approaches</b>	Polices should be designed in a systematic manner embracing and controlling all parts of the problem and solutions	<b>Systematic proposals are overcomplicated and can never be implemented in the real world</b>

# Practical Sustainable Development?



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*'There is nothing a government hates more than to be well-informed; for it makes the process of arriving at decisions much more complicated and difficult'*

***John Maynard Keynes***

# Some PMSU case studies of practical sustainable development



## **Fisheries Policy**

Tackling issues of compliance and regulation inside a complex economic, political and biological system.

## **Energy Policy**

Making long run investment decisions under conditions of high uncertainty

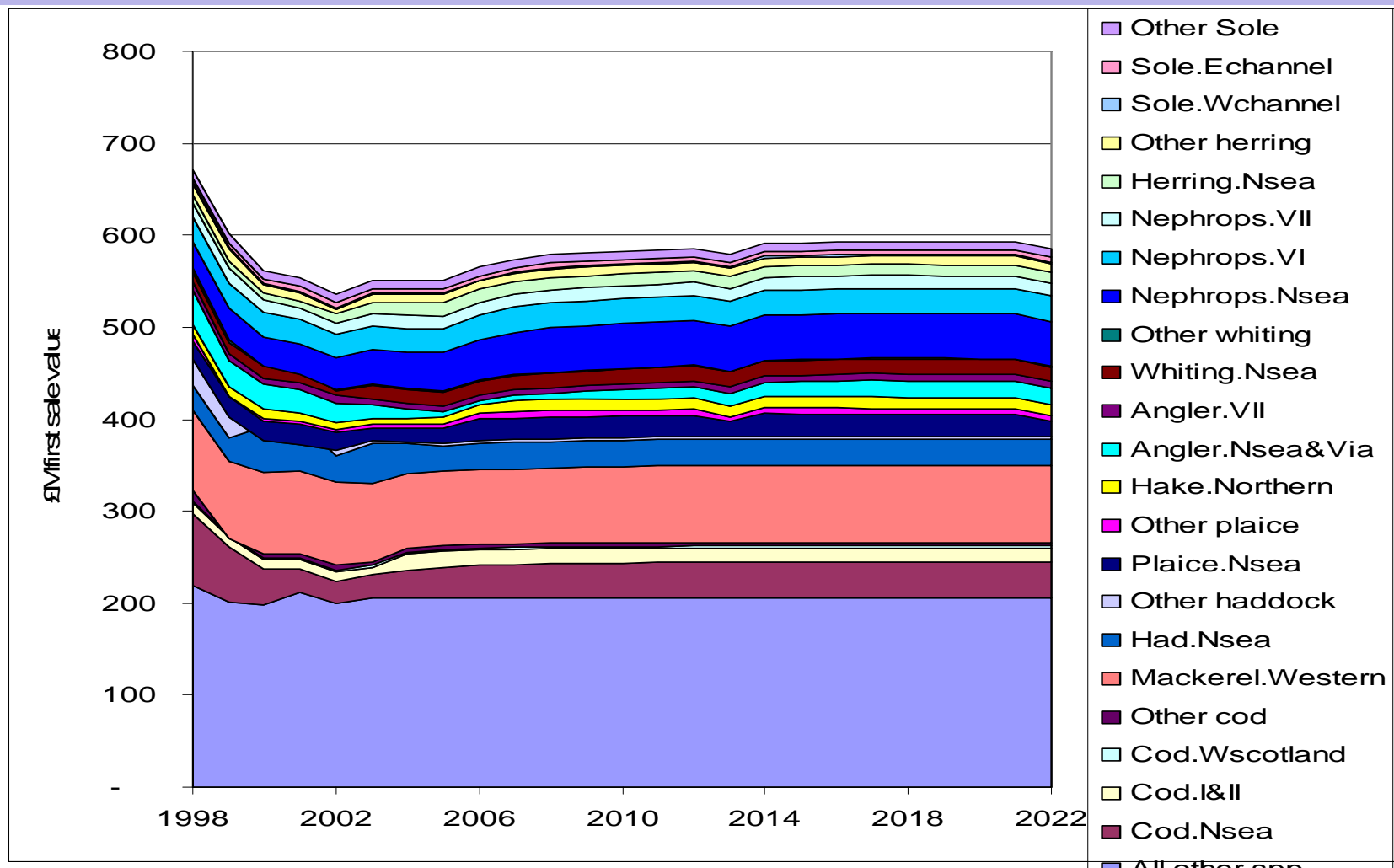
## **Countries at Risk of Instability**

Tackling barriers to effective preventative action in foreign policy



- Commission from the PM after meeting fishing industry in 2003 post large scale quota cuts
- Report – “Net Benefits: A sustainable and profitable future for UK fishing”
- Published March 2004

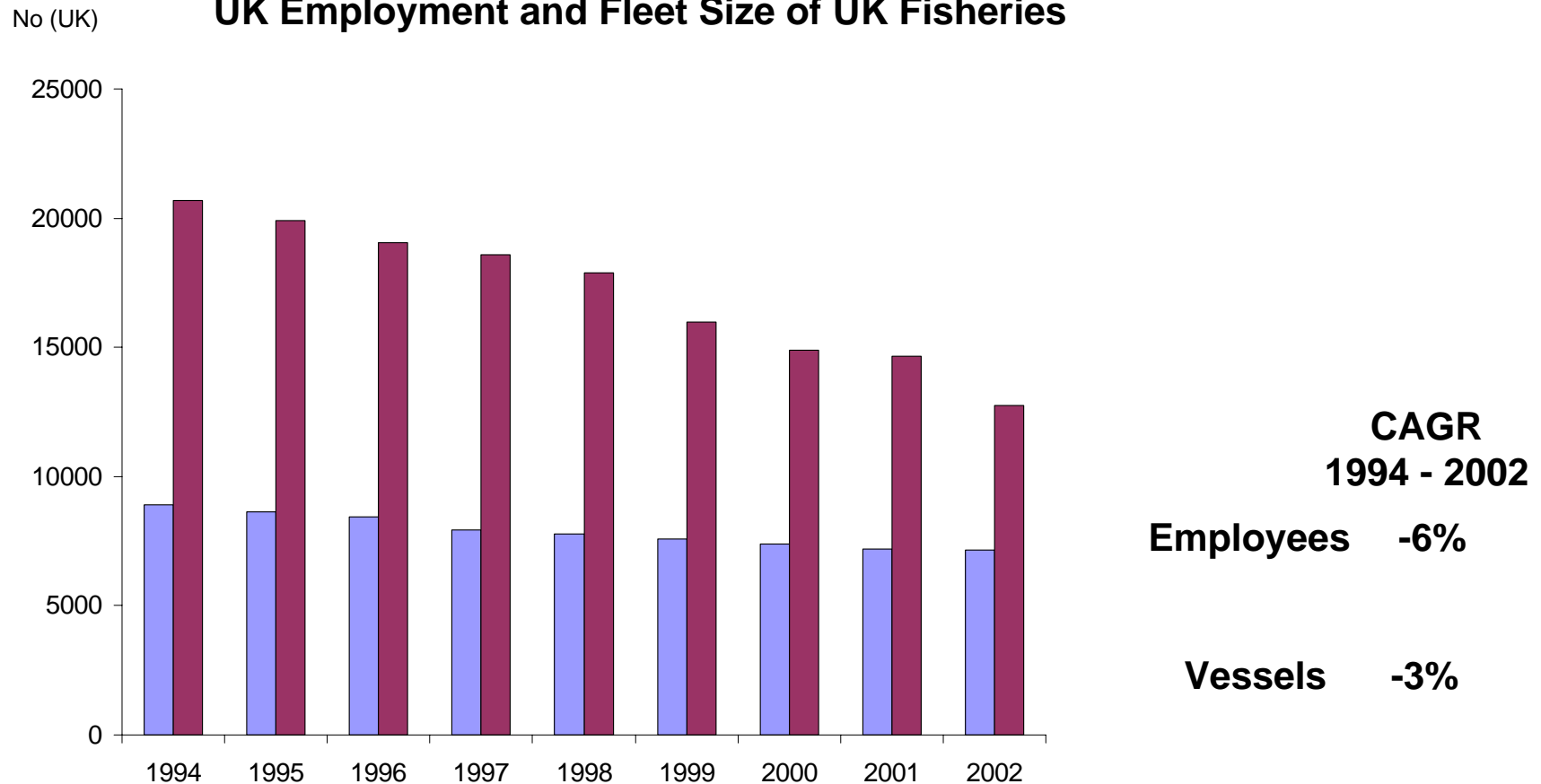
# Large number of valuable UK fish stocks – over 80 commercial species



# Both vessel numbers and employment have been falling over the past 8 years



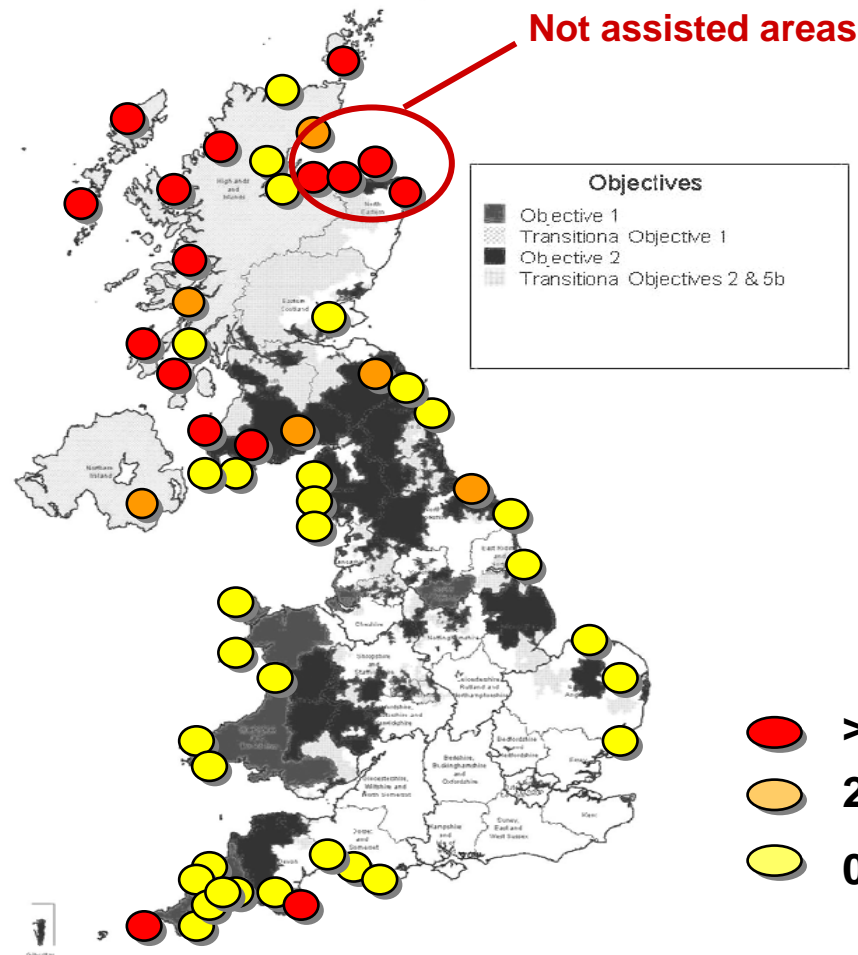
**UK Employment and Fleet Size of UK Fisheries**



# Fishing Communities are dispersed, rural and often poor....

European Structural Funds  
Objectives 1 and 2  
2000-2006

Total Fisheries dependency by TTWA and map of availability of structural funds 2000-2006

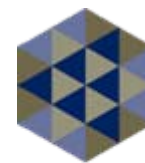


**15 UK areas have over 5% dependency;**

**5 over 15% dependency.**

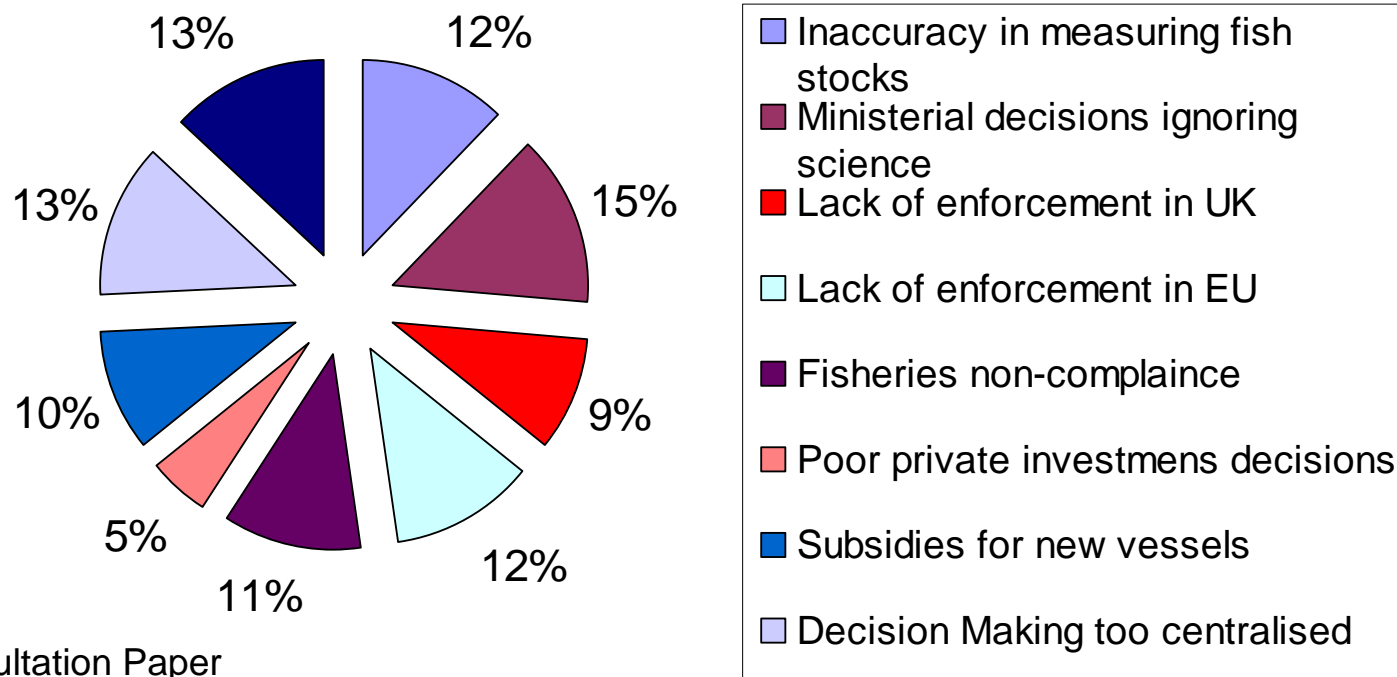
Source: DTI, SU analysis using DEFRA and ABI data

# Common Fisheries Policy suffers from systemic failure. Compliance identified by 32% of stakeholders as key problem.



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- All parts of the CFP system have significant problems
- This system failure is recognised by stakeholders
- Lack of faith in system leads to widespread non-compliance



Source: SU Consultation Paper

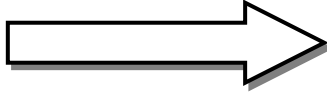
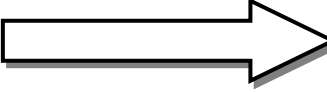
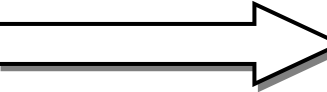
# “Hard line” bureaucratic views on lack of compliance (all countries!)



- Fishermen not obeying the rules is a criminal offence
- It undermines fish stocks and their livelihoods therefore they must be irrational, irresponsible and at the extreme congenitally dishonest/different (“fishermen are hunters”)
- Fishermen cannot be trusted to co-manage fish stocks (except UK and other EU countries have done this in overseas aid programmes for 30 years)
- Any systemic discussion of incentives for non-compliance is giving fishers “excuses” for breaking the law
- **Need stronger enforcement/better science/better fishermen – government must exert more control**

# But this approach is not economically feasible.....

## UK Sea Fishing Industry – Balance Sheet 2002

Industry Revenue		£546m
Estimated Operating Profits in Industry*		£125m
Estimated Government Expenditure**		£120M

**Government spending all value added on regulation.  
Fisheries too complex and expensive for more control.**

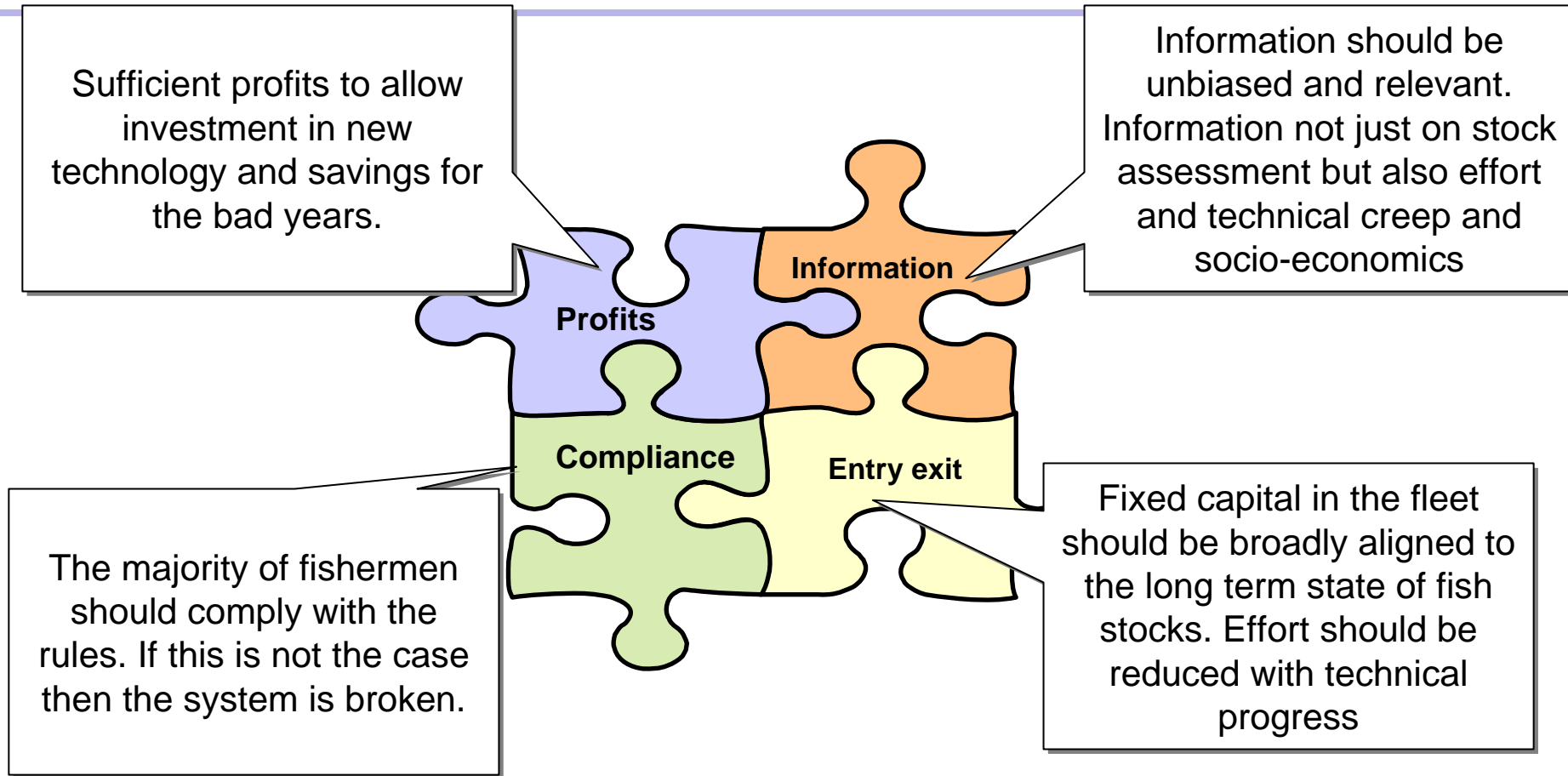
\*\* includes costs of administration, stock estimation, enforcement, price support and grant support

\* does not include interest payments and depreciation charges - thought to be low in all but the pelagic sector

Source: DEFRA, SEERAD,  
Seafish cost and Earnings,  
Strategy Unit Analysis



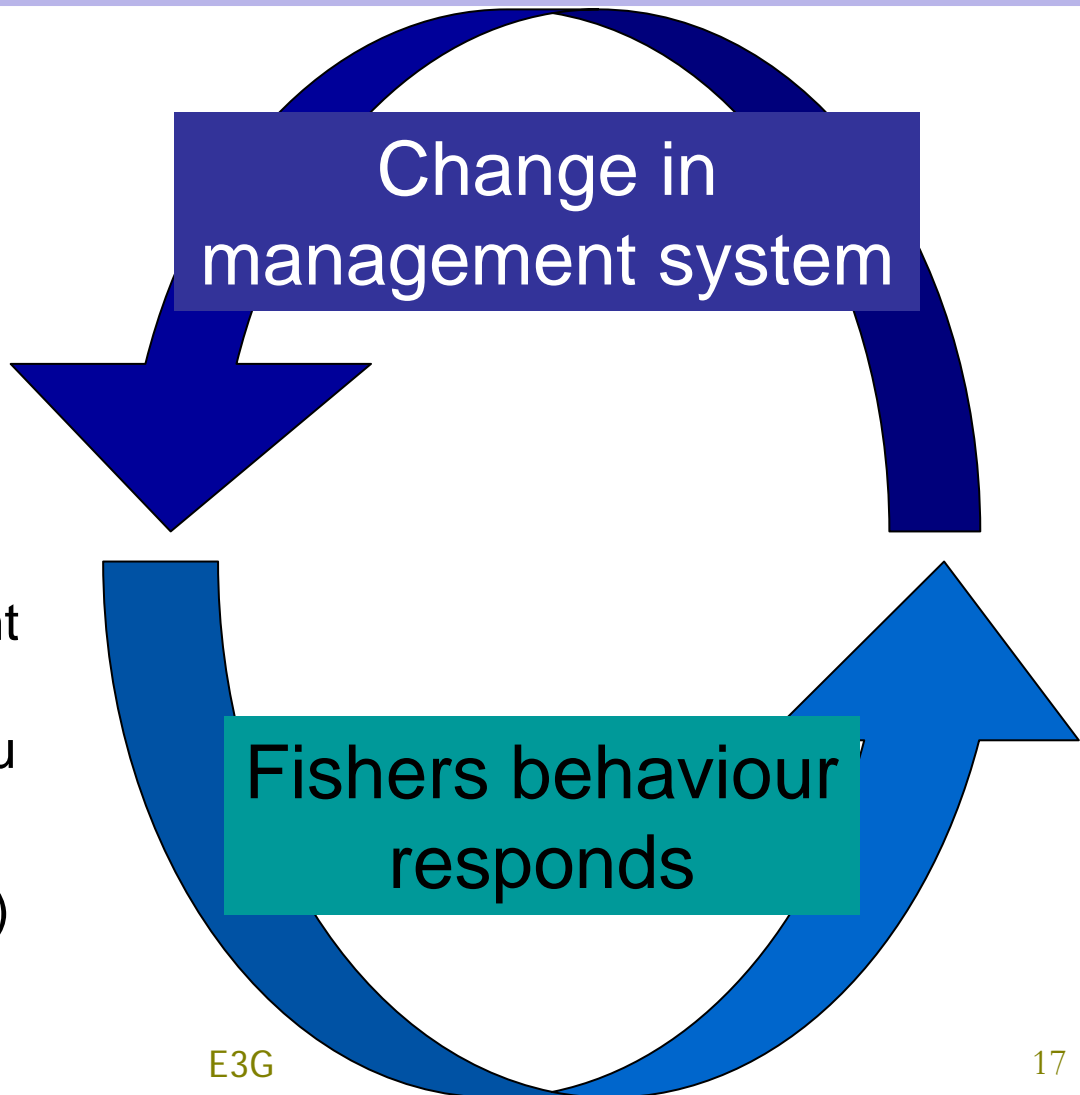
# What would our ideal system look like?



**Create a culture where compliance is the norm and the need for enforcement the exception**

# Beyond the theory: building trust in a new management system

- Change needed both in management system incentives and in the trust and behaviour of fishers operate within it
- International experience shows that you never get it right first time
- Political drivers important e.g. political power of recreational fishers in NZ/Au
- Need a period of crisis and adjustment (5-10 years) before reaching acceptance





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# Energy: Routemaps, Options and Uncertainty

# Based on high level analysis UK took strong strategic decision to lead on climate change



- Set a domestic goal of 60% reductions from 1990 levels by 2050
- This target seen explicitly in the context of moving forward international consensus on tackling climate change
- Decision to undertake short to medium term policies to put UK emissions on a trajectory consistent with the 2050 goal:
  - 20% reductions by 2010
  - Around 30% by 2020

**Challenge was to build a credible package of measures to support the 2050 target without over-committing or over-investing - taking into account UK is just one player in key international markets**

# 2005 Review: Off target due to implementation failure



- 5-6%age points off 2010 target – mixture of baseline increases and policy implementation failures. Climate Change programme review under way.
- Renewable energy targets will be met in most scenarios – very rapid growth from low base
- Investment and strategic focus on innovation increasing:
  - Renewables innovation review 2004
  - Energy efficiency innovation review 2005
  - Hydrogen innovation review 2005

**Challenge of managing national carbon budget is far harder – and cruder – than anticipated. Need to develop practical risk management system.**

# Energy policy and the Carbon Catch 22



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- Decision makers are uncertain about the economic and technical feasibility of meeting ambitious cuts in CO<sub>2</sub>, so set “fuzzy” carbon reduction goals;
- Many technologies will only be developed with immediate market pull rather than technology push. Companies will only invest if future markets are certain enough;
- Some options require investment in radical system transformation but new innovations could appear which make these redundant;
- Fear of being seen to “pick technological winners” and desire to put risk onto private sector is stalling more radical technological options.

**Need to create a virtuous circle of demonstrating feasibility of emissions cuts so decision makers commit to credible targets for market pull**



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# Countries at Risk of Instability: Complexity and Prevention

# Countries at Risk of Instability



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- Challenge identified in Strategic Audit of UK Policy in 2003. PM commissioned work to improve UK responses to CRI. Report “Investing in Prevention” published February 2005;
- Countries with significant risk of instability make up 40-60% of all UK priority counties across all foreign policy: from WMD and terrorism to poverty reduction;
- *“The biggest source of inefficiency in our collective security institutions has simply been an unwillingness to get serious about preventing deadly violence.”* UN High Level Panel on Threats, Challenges and Change 2005.

# Failure to present decision makers with credible options was the major source of inaction

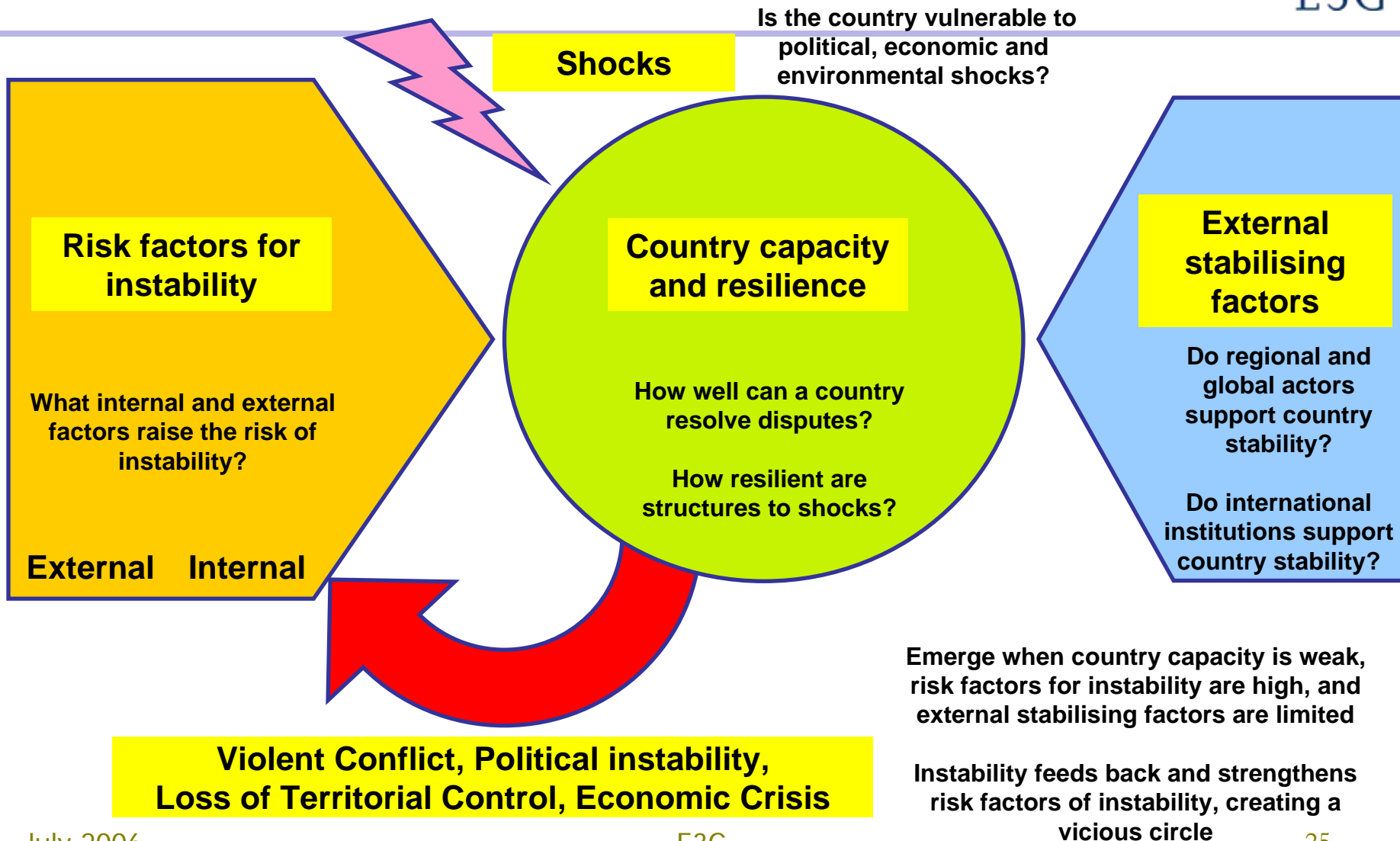


- “Received wisdom” focuses on a lack of political will as the primary cause of underinvestment in prevention and slow response to early warning signals;
- Political will to act is deterred by a number of factors: clashes of country interests; costs and benefits of action don’t add-up; perceived lack of public support for action;
- CRI Project looked the needs of decision makers using structured interviews and in-depth analysis of system performance;
- Analysis showed that official decision support machinery was not presenting timely and well-constructed options for action to decision makers - resulting in inaction in response to raised risks.

# Building alignment through the Instability Framework: Instability arises from in balance between country capacity, internal and external risk factors and external stabilisers



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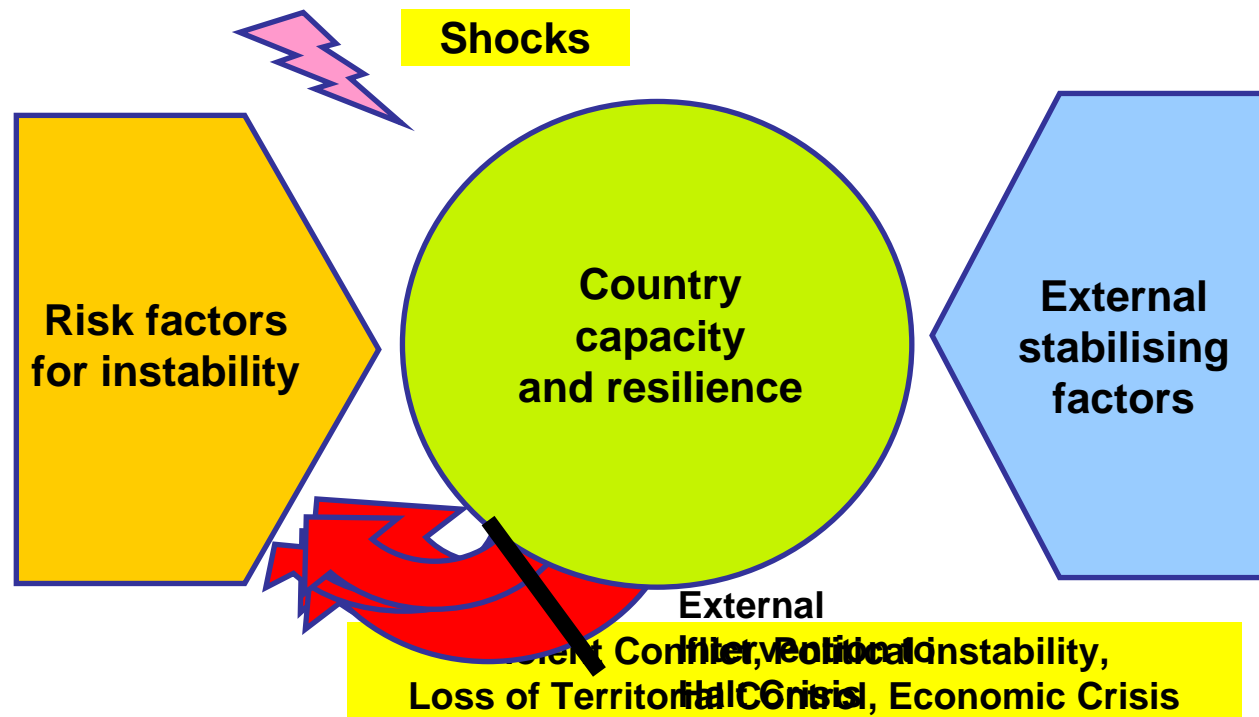


# Relative balance of factors changes over time as country risks change, crises emerge and are resolved



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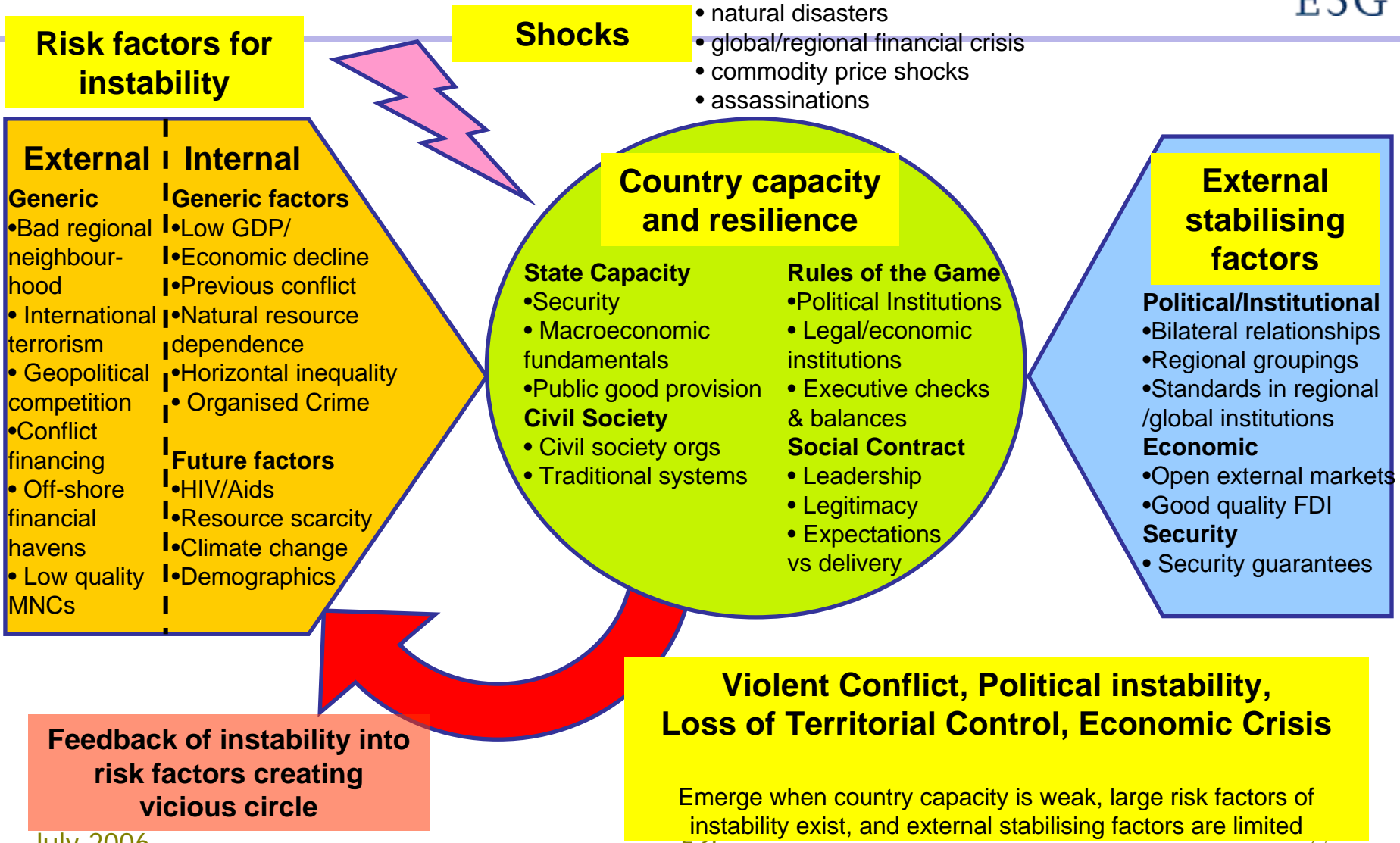
- 4. Post-Crisis with International Stabilisation
- 2. Stable Country, stability increasing



# CRI Annotated Instability Framework : Core factors to consider in country specific analysis



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# Lessons: New tools and institutions can help overcome “political” failures



- Instability and conflict issues are highly complex and not amenable to simple one size fits all policy solutions.
- Project developed a robust strategic approach and proposals for strengthening decision support and implementation systems to deliver it. Including piloting new approaches and tools with practitioners
- Credibility with stakeholders required the political realities constraining action to be kept in mind – but also needed to strongly challenge whether these were the only or main barrier to better responses
- System needs to invest in both preventive and reactive strategies for managing instability risks. This is a long term task which the project has formed one part.

**Tackling new security challenges requires major public sector reform and change – not just new policies**



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# Conclusions

# Simplicity not Simplistic



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***“I would not give a fig for the simplicity this side of complexity. However, I would give my life for the simplicity on the other side of complexity”***

Oliver Wendall Holmes

# Do the Politics with the Policy – or build the delivery coalition around the idea



- PMSU spend 30-50% of resources on stakeholder engagement. Also on developing critical “domino” ideas which will motivate and guide future decisions;
- **Fisheries:** You cant afford command and control (especially with climate change) there has to be a partnership with the fishermen;
  - **Energy:** We are not managing today’s emissions cuts but industries’ expectations of a low carbon economy in 2020;
  - **CRI:** Crisis response is unaffordable and ineffective, we have to invest more in prevention and build the machinery to deliver this.

# Techniques for tackling difficult problems



- Difficult problems are often stuck in “impossible” loops which make it difficult for policy makers to see a way out, this can be addressed in several ways:
  - **“Reframing the problem”** to bring in new constituencies and approaches: e.g. “climate change is about investing to secure the benefits of a stable climate”
  - **Looking to the long term:** e.g. “is our fisheries management system robust to a changing climate and rising environmental consciousness?”
  - **Bundling multiple policy benefits:** e.g. “investment to prevent instability and conflict in Central Asia will benefit the UK’s WMD, terrorism, energy and OC policy priorities”

# Change the Operating System



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- Throwing more uncertainty at a decision maker without a clear framework for managing risk will motivate short term reactive approaches
- Improved outcomes require decision support systems and tools which can motivate investment in both preventive and reactive strategies.
- Design innovation, learning and creativity into responses to handle deep uncertainty and complexity (see **Silver Bullet Machine Manufacturing Company Limited** [www.silverbulletmachine.com](http://www.silverbulletmachine.com))
- Professional cultures must be understood and if possible incorporated into new approaches, or change is unlikely to happen. Though that does not mean biases and false assumptions should not be challenged.

# Further Information



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All Strategy Unit reports and background papers can be found at [www.strategy.gov.uk](http://www.strategy.gov.uk)

Information on policy making methods can be found at [www.policyhub.gov.uk](http://www.policyhub.gov.uk)

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E3G can be found at [www.e3g.org](http://www.e3g.org)