

Privatizing the Governance of “Green Growth”

by Nancy Alexander & Lili Fuhr

AUTHORS

Nancy Alexander, Heinrich Böll Foundation-North America
Nancy.Alexander@us.boell.org

Lili Fuhr, Heinrich Böll Foundation-Berlin, Germany
Fuhr@boell.de

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Authors: Nancy Alexander, Lili Fuhr
Design: Anna Fero

Heinrich Boell Stiftung

Washington, D.C. Office
1432 K Street, NW
Suite 500
Washington, D.C. 20005
United States
T +1 202 462 7512
E info@us.boell.org
www.us.boell.org

INTRODUCTION

Powerful transnational corporations (TNC) and certain state-owned enterprises (SOEs) have strong interests in the future of the natural resource sectors, such as energy and agriculture.¹ In general, these interests interfere with both sides of the climate change debate – mitigation and adaptation – not to mention the struggles for the rights to food and energy and human rights, including gender equality. Therefore, civil society organizations (CSOs) and social movements fighting for the human right to food, climate justice and equitable access to clean energy are increasingly faced with a strategic dilemma. They are torn in different directions:

- The "outsiders" are confronting, facing and fighting Big Oil, Big Energy, Big Agro and other actors that are pushing hard to maintain a fossil and growth based economy and preserve or even increase their control over the natural resource base.
- The "insiders" are working on "damage control" – that is, to mitigate and improve the initiatives of these transnational corporate actors, including state-owned enterprises.

At the same time, CSOs and local communities in the South (whose interests they defend) are increasingly experiencing the negative effects of a new development paradigm that the TNCs and SOEs are labeling "Green Growth" and, supposedly, stands for the alternative to the current economic system.

In recent years, there has been an enormous amount of literature on the inability of GDP accounting to address the wealth of a nation and wellbeing of its citizens. At the same time, the concepts of "Green Growth" or "Green Economy" (meaning low carbon and resource efficient production models) are now occupying the throne of mainstream economic thinking and fueling the delusion that infinite growth on a finite planet is possible.

The new "Green Growth" development model is being implemented in a world in which corporate actors hold immense power. This power is both economic and political. The corporate sector holds **economic power** through its sheer size/capitalization, market penetration and concentration, and capacity to "enclose the commons" through means, such as grabbing and privatizing land and resources and facilitating such processes through trade and investment agreements. But the same corporate actors also possess significant **political power** in the form of campaign contributions, lobbying power, and use of "revolving doors", i.e., wherein executives sequentially take positions in business and

1 In this context, state-owned enterprises refer to national development banks (e.g., the China Development Bank), energy, agriculture, oil and other natural resource companies that are owned by nation states (e.g., PEMEX in Mexico, Vattenfall in Sweden or Gazprom in Russia).

government (in the case of state-owned enterprises, executives hold positions in government and business at the same time).

But the "Green Growth" development model is also characterized by a number of other features, namely it:

- Aggressively promotes Private-Public-Partnerships (PPPs) by diverting scarce public monies to offset the risk of private investors engaging in these arrangements;
- Promotes one-size-fits-all solutions that are often blind to political realities and power structures on the ground;
- Fails to draw lessons from the financial crisis, but instead hands over even more democratic space to the control of the financial sector and uses financial instruments to gamble with the planet's natural resource base;
- Creates not more, but less equality and justice by further prioritizing investors' rights over human rights and promoting harmful and risky technologies;
- Does not address the root causes of the current crisis that lie in our consumption and production model based on infinite growth in a finite world and thus provides the basis for a push into exploitation and use of ever more marginal, risky and dirty resources, across the globe.

There is a deep crisis in the global governance regime that is establishing international rules, norms and standards for how we manage our natural resources. Real investment decisions are guided by an emerging transnational, corporate-driven governance regime. A few powerful and well connected consultancy firms such as McKinsey & Company serve as "brokers" for this regime by facilitating consensus about the contours of the new development paradigm and then promoting it across the globe. (See Box 2, "About McKinsey & Company.") While claiming to represent a paradigm shift, the TNC and SOE actors are not ready to leave behind the "brown economy" and its oligopolistic structures since their own very existence depends on it. Their growth-driven development model in a finite world needs both the brown (fossil) and the green (biomass) resources of this planet to supply their greed.

Many private firms and some public leaders urge the international community to build a complementary bottom-up economic architecture consisting of private public partnerships to spur investment into BIG ("Balanced, Inclusive and Green") Growth projects. Currently, international negotiations at the United Nations are thus seen as a futile exercise that could be picked up again in the future once the readiness of countries to

engage on the BIG plan has been proven on the ground.² Interestingly, this approach completely ignores political realities and power structures on the national and local level where development visions and investment strategies are subject to political discourse and hegemonic struggles. Many of the national green economy plans or strategies created through this approach merely collate available knowledge without building strategic capacity at the national level and thus fail to create ownership among key stakeholders.

Under the right circumstances (e.g., transparency, participation, accountability mechanisms), PPPs can foster sustainable development. However, it is not helpful when PPPs are promoted as a panacea – the solution to economic and development problems – without the appropriate qualifications.³ For instance, governments must maintain the role of the senior partner and not cede this role to corporations, as often happens in practice. The top-down, elitist mode of policy-making (largely excluding citizens) undermines many of the goals that, for example, McKinsey & Company and the World Economic Forum rhetorically favor, including country ownership, environmental sustainability and equity. Indeed PPPs can jeopardize sustainable development and equity if they use public subsidy for private gains with little public benefit. With regard to both TNCs and SOEs, transparency is critical. Without information about the operations and financing of these large entities, the public is defenseless and unable to protect the public interest.

This paper is intended to inform strategy discussions of civil society actors working in the field of climate, energy, agriculture and resource politics. It describes the current state of multilateral (resource) governance and the root causes of its crisis; introduces the new and emerging corporate governance regime and its key players; briefly analyses key trends and implications of the "Green Growth" development paradigm promoted by these actors and fora using examples from key sectors and draws some initial conclusions and formulates open questions about what this means for civil society strategy.

We suggest that, because civil society organizations are focusing tremendous energy on single issue campaigns (often very effective), some cross-cutting issues are getting

2 See the article of Richard Samans, now Executive Director of the Global Green Growth Institute and formerly Managing Director of the World Economic Forum: http://www.koreatimes.co.kr/www/news/nation/2012/03/370_106307.html

3 Through the Rio processes, there has been a struggle to define "sustainable development" and the appropriate role for PPPs. In 1992, the UN Conference for Environment and Development (UNCED) in Rio defined "sustainable development" as a process that achieves poverty reduction and human rights and advances equity and environmental protection. In 2002, at the Johannesburg conference (Rio +10), PPPs played a significant role in implementing the outcomes of the event. At the 2012 UN Conference on Sustainable Development (Rio +20) – the term "sustainable development" was subordinated to the term "green economy" and PPPs were championed. Civil society views the 2002 and, especially the 2012 conference, as significant steps backwards.

insufficient attention. The main cross-cutting issue relates to the rise of transnational corporate power in decision-making over ALL of these issues. As discussed below, TNCs and SOEs are not only using existing structures to affect decisions, but also creating new organizations and fora through which to promote their agenda. (See Box 1.) Therefore, the focus of the paper is on the nature and role of the new governance regime, its key actors and the way they work together because we feel that this represents a blind spot in the current debates.

1. The crisis of multilateralism & the convergence of corporate power

There is ample evidence of the failures of multilateralism, including the inability of governments to agree on a globally binding and ambitious climate deal in Copenhagen 2009 (the UNFCCC global climate summit) or to advance "sustainable development" in Rio de Janeiro 2012 (the UN Conference on Sustainable Development, also known as Rio +20).

Given the relative failure of UN-based multilateral governance to set effective norms, rules and standards, new actors are stepping into global governance processes. These actors are no longer dominated or even led by governments that act in the public interest. Instead, we see an emerging global corporate (and SOE) governance regime that – in line with the interests of the global elites - promotes vested transnational business interests in securing access to and control over natural resources.

In this world of transnational corporate-driven (and SOE-driven) governance, environmental and social standards and human rights are often viewed as not only dispensable, but actually hindering access to resources. In that context, it is therefore not surprising that one of the few effective areas of international governance is the (bilateral and plurilateral) trade and investment regime that puts investors' rights first over human rights and the interests of local communities.

This paper portrays a landscape and "spider web" of actors. Although the activities of these actors may seem driven by a conspiracy theory, it is not. The clear lack of transparency in some of the processes (such as the G20) and ever growing number of new platforms and partnerships poses a challenge not only to civil society observers – who are very often not invited or selectively chosen – but also to many governments of some developing countries as well.

BOX 1

Relatively New Institutions

The Green Growth Action Alliance (G2A2) may play a prominent role in advancing PPPs in the future by collaborating with other institutions to dramatically increase the use of public resources (e.g., development assistance, taxes) to leverage private investment in key sectors. It was created by the Business 20 and welcomed by the G20 Leaders. At the latest count, there were 48 members of the Alliance, including energy, agricultural, private financial institutions (e.g., Bank of America Merrill Lynch and Deutsche Bank Group), trade (e.g., WTO) and development / financial institutions (e.g., the World Bank, OPIC, UNEP). The G2A2 is also strongly rooted in the World Economic Forum: <http://www.weforum.org/issues/green-growth>

The membership, target areas, and methodologies of the GGAA are described here:

http://www3.weforum.org/docs/WEF_B20_GreenGrowthActionAlliance_Factsheet_2012.pdf

Global Green Growth Institute (GGGI) was founded in 2010 and converted to an international organization in 2012. According to its website "GGGI is dedicated to pioneering and diffusing a new model of economic growth, known as "green growth," that simultaneously targets key aspects of economic performance, such as poverty reduction, job creation and social inclusion, and those of environmental sustainability, such as mitigation of climate change and biodiversity loss and security of access to clean energy and water." Its key partners are listed here:

<http://www.gggi.org/organization/partner/all>

A key role of the GGGI is to work with countries to develop and implement green growth economic development plans in a manner described here: <http://www.gggi.org/project/main>

The Global Green Growth Forum (3GF) is both an annual gathering for business and government leaders (similar to the World Economic Forum in Davos), for the purpose of advancing the public-private partnership model of green growth. It also gives businesses, private investors, and governments a platform for collaboration in on-going initiatives (e.g., biobased growth, procurement, trade, water, energy efficiency, cities). <http://www.globalgreengrowthforum.com/wp-content/uploads/2012/07/3GF-2012-Onepager-profile-20072012.pdf>

The San Giorgio Group was created by the Climate Policy Initiative (that receives its funding from George Soros) and the World Bank Group in collaboration with China Light & Power and the Organization for Economic Co-operation and Development. According to sources, the Group will draw on the experience of its members and, using detailed analysis of investment portfolios and projects, it will explore ways to align public and private incentives, manage risks and coordinate different actors, to scale up and most effectively deploy funding. <http://climatepolicyinitiative.org/event/inaugural-meeting-of-the-san-giorgio-group/>

The International Development Finance Club (IDFC). The IDFC is a group of about 19 national and sub-regional development banks which act as financiers, advisors, partners and implementers to mobilize finance and expertise for development projects in emerging and developing countries. At the CEO and staff level, these banks collaborate on projects of mutual concern, including climate finance, infrastructure finance, social development, poverty reduction, green banking and innovation finance. The first priority of the mid-term work program for 2011-2014 is financing access to clean and sustainable energy. See: www.idfc.org

Business 20 (B20). The B20 is comprised of about 90 CEOs, 18 business associations/chambers, and 29 experts (e.g., McKinsey and Company, the World Economic Forum). It works closely with the International Chamber of Commerce and other business groups to influence the G20.

See: http://www.boell.org/web/group_of_20-B20-Dossier.html

The B20 Summit has overlapped with the Summit of G20 Leaders, giving CEOs an opportunity to take their priorities directly to the Leaders.

Many governments today – in the North and South – are relatively powerless compared to a transnational corporate sector that is “too big to fail”. Spaces for democratic decision making in the interest of the public are shrinking at an alarming rate. Civil society has struggled against the abuses of corporate power since long before the dawn of the industrial age. However, particularly since 1990, deregulation and globalization have spawned an unprecedented concentration and reach of corporate power.⁴ Ironically, the US-triggered global financial crisis has further concentrated power in the financial sector and increased economic and social inequality, even as many governments bail-out financial institutions without doing enough to either prevent another crisis (e.g., rein in speculative activities; break up big banks) or help unemployed, homeless and destitute citizens.

A quick look beyond finance (agriculture, energy, transportation, water) also shows a growing concentration of corporate power that – as a more recent trend – surpassing the horizontal and vertical integration of the 1980s and 1990s and has reached cross-sectoral dimensions.

4 UNCTAD, “The Universe of the Largest TNCs” (2007): http://unctad.org/en/docs/iteiia20072_en.pdf

For instance, two-thirds of global trade today occurs through transnational corporations – parent companies, their subsidiaries and affiliates.⁵ A 2011 study by researchers at Switzerland’s ETH Zurich, based on an analysis of 43,060 transnational corporations (TNCs) located in 116 countries, reveals that just 737 firms account for 80% of the value of all TNCs. Most shockingly, 147 companies controlled nearly 40% of the monetary value of all transnational corporations in 2007, with the majority being financial intermediaries (investment banks, brokerage firms, insurance companies). State-owned enterprises, particularly in natural resource sectors, have grown in scope and scale.⁶

How does this play out in the agricultural sector? Four giant transnationals known as the ABCD group – Archer Daniels Midland, Bunge, Cargill and (Louis) Dreyfus -- account for an estimated 75% and 90% of the global grain trade. And after gaining control of the commercial seed market, the world’s six largest seed/agrochemical/biotech firms (BASF, Bayer, Dow Agrosiences, DuPont, Monsanto, Syngenta) now determine the current priorities and future direction of agriculture research worldwide. Together, these six companies account for almost \$50 billion per annum in sales of seeds, biotech traits, and agrochemicals; they spend about \$4.7 billion annually on agriculture R&D.⁷

2. An emerging corporate governance regime

As noted above, we have seen the rise of a number of new fora and clubs in recent years where the new transnational corporate governance regime takes shape and where powerful actors across economic sectors align their interests and reach out to governments and implementing agencies. (See Box 1.)

Although we see that the G20 is paralyzed and ineffective in some areas, it is difficult to assess its outcomes because so many of its proceedings are secret. For instance, the G20’s Working Groups, such as the Development Working Group, do not publicly disclose

5 UNCTAD estimates that up to two-thirds of global trade is controlled directly by TNCs, either intra-firm by foreign affiliates or inter-firm under NEM (non-equity mode) arrangements, according to the September 2012 MOFCOM-WTO-UNCTAD-OECD program, Beijing, China. In the U.S. in 2009, 58% of goods imports from OECD countries were intra-firm, while 29% of US goods imports from Brazil, the Russian Federation, India, Indonesia, China and South Africa (BRIICS economies) occurred between related parties. See: Lanz, R. and S. Miroudot (2011), “Intra-Firm Trade: Patterns, Determinants and Policy Implications,” OECD Trade Policy Papers, No. 114, OECD Publishing.
<http://dx.doi.org/10.1787/5kg9p391rwnn-en>

6 This paper does not analyze the role of state-owned companies in detail. However, we suggest that due to their important and rising role it would be worthwhile to further explore this and analyze their role in the context of international governance regimes.

7 Heinrich Böll Foundation and ETC Group: “Biomasssters Battle to Control the Green Economy”:
<http://www.boell.org/downloads/Biomasssters.pdf>

the minutes of their meetings. Many of the papers commissioned by G20-related bodies are not publicly disclosed.

However, the Development Working Group is promoting large regional (energy and transport) projects, and an agribusiness agenda, among other things, without much (if any) regard for the natural environment. The Development Working Group has embraced parts of the Business 20 (B20) agenda that give business a greater role in multilateral decision-making, among other things.

The Business 20 launched the Global Green Growth Alliance (G2A2) and, although it is a new actor, it may play a prominent role in advancing PPPs in the future by dramatically increasing the use of public resources (e.g., development assistance, taxes) to leverage private investment in key sectors.

The Declaration of the G20's Mexican Summit welcomed the Business 20's Green Growth Action Alliance. According to the Business 20 (B20), the G2A2 will pursue its strategy through five channels:

1. expand the number and scale of public-private blending mechanisms and incorporate leveraging private finance as a key performance indicator for public funding, including national and multilateral banks;
2. shift away from a project-by-project to a more programmatic approach;
3. facilitate greater green infrastructure financing by institutional investors, and
4. improve coordination and effectiveness by tracking financial flows and create common green infrastructure financing methodologies, metrics and tools, and
5. support initial project development with a venture capital approach to ensure a viable pipeline of investment-ready projects and programs.

These five approaches are described in the B20's final report (see especially pp 27-19)⁸ to the Mexican Summit. According to some informal comments made by B20 participants, McKinsey & Company and the World Economic Forum, exercised excessively tight control over the preparation and outcomes of the eight B20 task forces that reported to the G20 Summit Leaders on the morning of June 19, 2012.

According to the final report of the B20, the G2A2 relies on several organizations to raise the public money needed to leverage private financing for green growth and energy

8 http://www.boell.org/web/group_of_20-B20-Dossier.html

for all,⁹ including the International Development Finance Club (IDFC), the OECD, the Green Climate Fund, the World Economic Forum, and the San Giorgio Group. The B20 intends to track progress toward the goal of expanding leverage for three years and report to three successive G20 Summits.

McKinsey & Company is a crucial member of many fora – including the B20, World Economic Forum, and the G2A2 -- because it is a "match maker" that brings together the private firms and the political leaders needed to create or launch deals. To that end, it often shapes agendas and commissions the research and analysis to create the reality or illusion of credibility. However, by playing the roles of both broker and participant in deals, McKinsey & Company has conflicts of interest because it materially benefits from the supposedly neutral advice it provides.

BOX 2

McKinsey's "Resource Revolution"

McKinsey and Company is a global management consulting firm with about 17,000 employees (9000 consultants) in 90 offices in more than 50 countries. Formed in 1926, the firm provides services in a myriad of sectors to two-thirds of the Fortune 1000 corporations and many governments. Forbes estimated the firm's 2009 revenues at \$6.6 billion.¹⁰ McKinsey is one of the leading "Big Three" in management consulting services to the Fortune 500 set, along with Bain & Company and The Boston Consulting Group, consistently recruiting top talent globally.

In 1990, [McKinsey Global Institute](#) was formed as the business and economics arm of McKinsey and Company. Its mission is to "help leaders in the commercial, public, and social sectors develop a deeper understanding of the evolution of the global economic and to provide a fact base that contributes to decision making on critical management and policy issues."

In November 2011, McKinsey and Company published "Resource Revolution: Meeting the world's energy, material, food and water needs."¹¹ The report looks at the challenge of fulfilling the needs of "three billion more middle-class consumers in the next twenty years" while facing high and volatile resource prices. It recognizes that investors must have some guide to choosing

9 The leveraging strategy is described in "International Financial Institutions and Development through the Private Sector": <http://www.developmentandtheprivatesector.org/preface>

10 http://www.forbes.com/lists/2010/21/private-companies-10_McKinsey-Co_IPPW.html

11 http://www.mckinsey.com/features/resource_revolution

between different energy resources and factoring in the obstacles to further extracting marginal fossil fuel reserves (e.g., tar sands, shale gas). However, the weaknesses in McKinsey’s methodology for increasing resource efficiency are similar to those intended to guide investment choices for mitigation options (i.e., its marginal abatement cost curve.)¹² Again, there is a lack of data transparency and questionable underlying assumptions.

The report is shaping the outcomes of the Green Growth Task Force of the Business 20 (B20) and the [Global Green Growth Forum](#) (3GF).¹³ The 3GF is carrying forward the recommendations of the business community to the G20 Summit and Rio +20 (also known as the UN Conference on Sustainable Development). In particular, it will help launch the Green Growth Action Alliance, described below.¹⁴

3. The core believes of the “green growth” development paradigm

In our view, the “green growth” development paradigm as promoted by the actors, such as the G2A2 and others referenced in Box 1, is dominated by two beliefs: a) the power and necessity of public private partnerships and b) the use of market instruments to protect nature. These beliefs shape how we deal with natural resources (such as land, water, forests, atmospheric space or biodiversity) and the way in which we should invest to secure them as vital assets for our economic future.

a. Leveraging and PPPs

The bail-outs of financial institutions and the slowdown in global growth arising principally from the languishing U.S. economy and the eurozone crisis have depleted the public resources of many governments and left them with painfully high deficits and debts. Many financial institutions – particularly in Europe -- are attempting to recapitalize.

12 Greenpeace put forward a report “Bad Influence – how McKinsey-inspired plans lead to rainforest destruction” in 2011 highlighting the flaws of the marginal abatement cost curve methodology, see <http://www.greenpeace.org/international/en/publications/reports/Bad-Influence/>

13 At Rio +20, the 3GF launched “Accelerating Green Growth through Public-Private Partnerships,” which is based on McKinsey & Company analytics as they relate to food waste, industrial motor systems, urban water leakage, grid integration, industrial wastewater reuse, and advanced bio-based fuels and chemicals: <http://www.globalgreengrowthforum.com/wp-content/uploads/2012/06/3GF-Report-2012.pdf>

14 See: http://www.uncsd2012.org/content/documents/287CRGE%20Ethiopia%20Green%20Economy_Brochure.pdf
<http://www.gggi.org/project/ethiopia/overview>
<http://ethiopiaembassy.eu/mckinsey-company-to-open-an-office-in-ethiopia/>

Because of widespread austerity, a mainstream consensus has developed that increasingly scarce public resources should be redirected in order to leverage private investment.¹⁵ One way that leveraging works is for the public sector to bear a percentage of the private sector's risk in an investment or guarantee a certain rate of return. The guarantees of the public sector (taxpayers) represent "contingent liabilities" on the national budget.¹⁶ Sometimes, private firms are "too big to fail" – in which case the taxpayers implicitly guarantee these entities and bail them out in times of crisis.

Unfortunately, many governments do not have the requisite skills and bargaining power to demand a fair return on investment for their citizens. Indeed, this is one cause of the "resource curse" – the paradox that many resource-rich countries have some of the most destitute populations on earth.

Although many forms of private investment are essential to sustainable development, there is no consensus about the conditions (e.g., human rights, social, environmental) for diverting budgetary resources or aid for this purpose.¹⁷ Thus, national budgets and aid could become another form of corporate welfare.

Aid resources are trivial in volume compared to budgetary resources. Indeed, procurement of goods and services by governments of developing countries represents 25%-30% of their GDP and 15% of the GDP of developed countries. Therefore, transparency and liberalization of procurement processes is a primary goal of the transnational business community.¹⁸

15 See Jesse Griffiths, Bretton Woods Project: <http://www.brettonwoodsproject.org/art-570165>. Experiences of leveraging private sector finance through scarce public resources in the past have also shown that very often, expected leveraging ratios are falsely claimed. For example, the World Bank-coordinated paper for the G20 on climate finance defined as "leverage" for public investors all public investments "that encourage much more widespread climate-friendly changes in behavior by private firms across the whole economy." This definition is so general that it is essentially meaningless. And who, in the case of pooled finances for a joint investment, is allowed to claim to have leveraged the other donors' contributions? Moreover, there is the assumption that, by leveraging private investment, public monies will guarantee sustainable development. However, this is not a sound assumption. For instance, in the case of the World Bank, many of the proclaimed development benefits have failed to materialize.

16 For a general critique of the leveraging concept and the various ways in which it works see <http://www.brettonwoodsproject.org/art-570165>

17 The G20's High-Level Panel on Infrastructure presented a report to Leaders that specified how six development banks should mobilize their resources to leverage private investment in infrastructure. The report and recommendations barely mentioned the natural environment.

18 See Chapter 4 of the G20 Scorecard of the International Chamber of Commerce: http://www.boell.org/web/group_of_20-B20-Dossier.html

Disturbingly, the consensus (or rather myth) about the scarcity of public funds ignores two important points:

1. If the "political will" existed – there could be abundant public resources. For instance, governments could agree to: a) expand the use of the financial transaction tax (FTT), b) apply aviation and maritime fuel taxes, c) curb illicit financial flows (proceeds of corruption, tax evasion, and organized crime), and d) stop transfer pricing by multinational corporations that rob nations of their revenue.
2. The primary, if not sole, job of the private sector, is to make profits for shareholders. The extent to which public or private actors can effectively provide public goods and secure earth and human rights is hotly debated in law and economics.

However, given the fact that the "myth" is "conventional wisdom," many new and existing institutions are being charged with the mandate of creating PPPs – particularly in the area of infrastructure.

In part, the growth of new institutions and fora arises from frustration with the limitation of existing institutions (e.g., the failure of the IMF and World Bank to give greater power to emerging market and developing economies; the limitations of the World Bank and regional banks in funding infrastructure). As a result, the BRICS (Brazil, Russia, India, China, and South Africa) are expected to launch a development bank. Opinion-leaders, such as Joseph Stiglitz and Nicholas Stern, are promoting the idea of a new development bank to focus significantly on infrastructure.¹⁹ Yet, existing institutions are playing a key role in creating and partnering with new institutions. Three key existing institutions are: the World Economic Forum,²⁰ the Organization for Economic Cooperation and Development²¹ and the International Finance Corporation.²²

19 For a description of the proposed bank and a link to the paper, see here: <http://www.safpi.org/news/article/2012/stiglitzstern-new-development-bank-infrastructure-and-sustainable-development>

20 **The World Economic Forum (WEF)** is an "independent international organization committed to improving the state of the world by engaging business, political, academic, and other leaders of society to shape global, regional and industry agendas." While best known for its elitist conclaves in Davos, Switzerland, it also hosts regional WEF events – the next being in Moscow in October 2012.

21 **The Organization for Economic Cooperation and Development (OECD)** is a Western-led organization of 34 member countries (headquartered in Paris) which seeks to advance solutions to common challenges.

22 **The International Finance Corporation** is a private sector arm of the World Bank.

In new multilateral institutions, such as the Global Agriculture and Food Security Program²³ (GAFSP), there are private sector funds; the Green Climate Fund²⁴ will have one as well.²⁵ Other new institutions, such as the Water Resources Group are led by the private sector.²⁶ In general, private sector funds adhere to lower standards with regard to transparency and social/environmental standards than their public sector counterparts.

Example: "The New Alliance for Food Security and Nutrition"

To produce a model approach to public-private partnerships in agriculture, McKinsey & Company worked with the ABDC group as well as other companies (BASF, The Coca-Cola Company, DuPont, General Mills, Kraft Foods, Metro, Monsanto Company, Nestlé, PepsiCo, SABMiller, Syngenta, Unilever, Wal-Mart Stores and Yara International).

As an outcome of this consultation, McKinsey and the World Economic Forum produced reports on the "new vision for agriculture" of these corporations.²⁷ When the Group of 7 (G7) met at Camp David on May 18-19, 2012, it launched a "New Alliance for Food Security and Nutrition"²⁸ fashioned on the "new vision" model. This model has set goals of: "20% improvement per decade on each of its three goals: economic growth and opportunity, food security and nutrition, and environmental sustainability."²⁹ But it is critical to ask: how is "improvement" defined? And, who benefits and who loses from the Alliance activities? This Alliance intends to increase private investment in African Agriculture to enhance productivity to scale as part of a green growth agenda. The model has about eleven national platforms, including Tanzania, Vietnam, Indonesia, Mexico, and

23 <http://www.gafspfund.org/gafsp/>

24 **The Green Climate Fund** was launched at a UN climate conference in Durban, South Africa, last year to curb global warming by helping to channel up to \$100 billion (80 billion euros) a year in aid to poor, vulnerable countries by 2020 via investments from both public and private sources. Many civil society organizations are critical of its private sector facility and concerned about whether its operations will be transparent (or protected by commercial confidentiality rules) and guided by the appropriate social and environmental safeguards. How much of the \$100 billion will be public and how much private is not defined.

25 <http://www.gafspfund.org/gafsp/content/private-sector-window>

26 <http://www.waterresourcesgroup.com/irm/content/default.aspx>

27 "Realizing a New Vision for Agriculture" (2010) <<http://www.weforum.org/reports/realizing-new-vision-agriculture-roadmap-stakeholders>>

"Putting the New Vision for Agriculture into Action: A Transformation is Happening" (2011) <http://www3.weforum.org/docs/WEF_FB_NewVisionAgriculture_HappeningTransformation_Report_2012.pdf>

28 <http://www.whitehouse.gov/the-press-office/2012/05/18/fact-sheet-g-8-action-food-security-and-nutrition>

29 "Putting the New Vision for Agriculture into Action: A Transformation is Happening" (2011) <http://www3.weforum.org/docs/WEF_FB_NewVisionAgriculture_HappeningTransformation_Report_2012.pdf>

Grow Africa.³⁰

Civil society groups have been critical of the "New Alliance for Food Security and Nutrition." For instance, in an August 2012 paper,³¹ InterAction – a large coalition of U.S. private voluntary organizations – states that the New Alliance cannot deliver on sustainable poverty reduction goals until it can:

- Fulfill and sustain public investments;
- Aim investments and policies at small-scale producers;
- Involve civil society as leaders;
- Hold private sector actors accountable for responsible investment; and
- Include gender equity, nutrition, environmental sustainability and climate resilience as priority outcomes.

At the May 18, 2012 meeting of the G20 Agriculture Vice Ministries and Deputies, a report was issued that noted in particular the "New Vision for Agriculture" and the Grow Africa Partnership.³² At the Mexican G20 Summit, Leaders welcomed a variety of new agriculture initiatives, including the B20's Green Growth Action Alliance, which would use public resources to leverage private investment, particularly in agriculture and infrastructure. And the final report of the B20 stated:³³

*"...partnerships, currently piloted in 11 countries by the World Economic Forum's New Vision for Agriculture initiative, can provide a coordinating platform for multistakeholder initiatives to achieve shared goals for increasing the productivity and sustainability of local agriculture systems. They also provide a forum to jointly address risks and obstacles encountered in the enabling environment, and to develop new opportunities for small-scale farmers."*³⁴

30 Grow Africa, which was launched in 2011 at the World Economic Forum on Africa in Cape Town and promoted at the 2012 WEF in Addis Ababa supports six countries which are using the "New Vision" model. The model is reportedly endorsed by the African Union Commission, the New Partnership for Africa's Development (NEPAD), and the Comprehensive African Agricultural Development Programme (CAADP).

31 See: "Delivering on the Promise of a 'New Alliance for Food Security and Nutrition': <http://www.interaction.org/document/interaction-policy-brief-delivering-promise-new-alliance-food-security-and-nutrition-recomm>

32 "G20 Mexico 2012 Report of Agriculture Vice Ministers/Deputies Meeting," Mexico City, May 18, 2012, para.13.

33 See B20 report: http://www.boell.org/web/group_of_20-B20-Dossier.html

34 See p. 19, Business 20 Task Force Recommendations: http://www.boell.org/web/group_of_20-B20-Dossier.html

Example: Infrastructure in the G20 Development Action Plan

Since the G20 Summits in Toronto and Korea in 2010, the development of infrastructure (e.g., energy and transportation) has been a priority. Russia, as the 2013 G20 President, will continue this emphasis on infrastructure. There are many signs that work is progressing in this area:

- The Communique of the November 5 meeting of G20 Ministers of Finance emphasized that long term financing for infrastructure will boost jobs and growth.
- The G20's 2013 Work Plan states that the Russian government is mandating international organizations to conduct diagnostic work on investment, including infrastructure.³⁵
- In October 2012, at the annual general meetings of the IMF and World Bank, the Communique of the Group of 24 (G24)³⁶ emphasized the large financing gap, particularly related to infrastructure. It calls for "further initiatives to leverage private resource flows, including through enhanced public-private partnerships..." particularly in the area of infrastructure.

The "Report of the G20 High-Level Panel on Infrastructure"³⁷ promotes the concept that public sector resources (e.g., from the MDBs) should be mobilized to scale-up private investment in infrastructure. Despite the fact that policy choices about infrastructure (e.g., energy, transportation) will lock in patterns of carbon emissions for decades, the report does not mention climate change, the natural environment, or the importance of "appropriate scale" in infrastructure development.

It recommends that six criteria for infrastructure should relate to: 1) regional integration; 2) political support; 3) the stage of project preparation; 4) institutional capacity; 5) attractiveness to the private sector; and 6) transformational impact in terms of a) impact on growth, b) affect on a large number of people, c) sustainability.

Among the "exemplary" projects recommended by the High-Level Panel are the Inga Dam (DRC), East Africa and West Africa Power Pools, Desertec (which will send solar

35 **Communique of Final Finance Ministers/Central Bank Governors Meeting**, November 5, 2012, Mexico City: <http://www.g20mexico.org/index.php/es/comunicados-de-prensa/537-final-communique>

G20 Finance Track: Proposed Work Plan for 2013:
http://www.g20.org/images/stories/canalfinan/deliverables/framework/Proposal_Framework_WG.pdf

36 The Group of 24 coordinates the positions of developing countries in the Bretton Woods Institutions. Its membership is included here: <http://www.g24.org/about.html>

37 [http://www.g20-g8.com/g8-g20/root/bank_objects/HLP - Full report.pdf](http://www.g20-g8.com/g8-g20/root/bank_objects/HLP_-_Full_report.pdf)

energy from North Africa to Europe), the *Turkmenistan-Afghanistan-Pakistan and India (TAPI) Natural Gas Pipeline* (which will connect the natural gas supplies in Turkmenistan with the energy markets in Afghanistan, Pakistan, and India) and the *ASEAN Infrastructure Fund*.

The G20 Development Working Group Progress Report³⁸ cites progress in promoting PPPs, including the strengthening of networks of public-private partnerships (PPP) practitioners in every region by channeling resources and knowledge towards the adoption of best practices by policymakers.³⁹

b. New market mechanisms and the financialisation of nature

Some private investment is taking the form of "financialization" – which assigns a value to products (e.g., water, fuel, food) and services (e.g., ecosystem) and then packages that value in a financial instrument or the derivative of one.⁴⁰ There is extensive evidence that the level and volatility of food prices are adversely affected by excessive trade and speculation in the commodity markets. This problem highlights the risk of opening up new asset classes in poorly regulated markets. But the trend of valuing ecosystem services is yet another story. It involves new methodologies to assess different ecosystems and identifying various "services" of nature that are valuable to humans. Some of these are then monetarized and turned into new and tradable commodities [for example in the context of wetland banking in the USA⁴¹ or at the new green stock exchange (Bolsa Verde)⁴² in Rio de Janeiro].

The original idea of financialization was based on the concept of taking external costs (e.g., environmental and social impacts of a paper factory, for instance) and internalizing them by counting them as part of the cost of production. This concept has been promoted by ecological economics since the 1960s. Valuing nature by visualizing and calculating the value of all ecosystems provided by nature to humans and society is widely embraced by many conservationists and civil society actors since, for them, it implies access to

38 <http://www.g20.utoronto.ca/2012/2012-0619-dwg.pdf>

39 Source: Zachary Hurwitz, International Rivers, US.

40 See the conference report of the European Cross-networking Meeting on the Global Crises, "The financialization of natural resources: Understanding the new dynamics and developing civil society answers to it," October 28-29, 2011, Paris: http://www.s2bnetwork.org/fileadmin/dateien/downloads/Agenda_financialization_of_natural_resources.pdf

41 <http://wetlandia.blogspot.de/> also see Robertson, Morgan: "The nature that capital can see – science, state, and market in the commodification of ecosystem services", *Environment and Planning D: Society and Space* 2006, volume 24, pages 367-387

42 <http://www.bvrrio.org/site/>

vast new financial means and resources to protect nature. However, it is not necessarily benign process.

Carbon trading is often given as an example of successful commodification of nature since, by putting a price on carbon, it supposedly provides market signals and economic incentives to reduce emissions and thus curb global warming. However, empirical evidence from the European Emissions Trading Scheme (ETS) clearly proves that the idea has structural problems and has NOT initiated the necessary transformation of Europe's fossil based economy.⁴³

Importantly, the idea of integrating forests into a global climate regime has led to a promulgation of the REDD+ approach (Reduced Emissions from Deforestation and Forest Degradation), which also includes conservation of forests and sometimes afforestation in national and international contexts. Instead of raising public funds to protect forests and forest peoples from industrial scale agriculture, logging and mining operations, REDD+ creates a new property regime of "carbon rights" that signifies further enclosure or control of "the commons" and channels money to intermediaries and consultants to allow offsetting of industrial pollution.⁴⁴

The risks associated with the commodification of nature are not widely understood, which is why many of the proponents of this approach do not tire of repeating that the concept is NOT about "putting a price on nature" or creating new markets (or even financial products) but rather a methodology to provide additional arguments for policy makers, TNCs, and SOEs that rely on a number of policy instruments.

However, when we turn our attention to the various projects and fora where the approach is demonstrated, we can quickly determine that a) the actors involved (banks, financial institutions, private sector) employ a profit-seeking business logic; b) the expectation of attracting large amounts of new funding is based on the use of markets to produce high rates of return; c) in countries with weak or missing environmental legislation, a market approach undermines the potential for passing binding regulation and leaves those with money the option to buy their way out.

43 For a deeper analysis of the structural flaws and weaknesses of carbon trading and the ETS refer to http://www.fern.org/sites/fern.org/files/FERN_designedtofail_internet_0.pdf or <http://www.carbon-tradewatch.org/publications/green-is-the-color-of-money-the-eu-ets-failure-as-a-model-for-the-green-economy.html>

44 <http://www.fern.org/campaign/avoided-deforestation-and-degradation>

Example: The Economics of Biodiversity and Ecosystem Services (TEEB)

The Economics of Biodiversity and Ecosystem Services (TEEB) was initiated by the German government and the European Commission after the G8 summit of 2007 and led by Pavan Sukhdev, who took a sabbatical from Deutsche Bank for this job. The interim report was presented in 2008 and provided examples of valuation of nature. One of the reports of Phase 2 of TEEB focussed on how business can manage their ecosystem risks and opportunities. In the current Phase 3, the focus lies on supporting TEEB studies and projects at the local level, communicating the findings to a broader public, and mainstreaming TEEB into political decision making.

The TEEB community and TEEB approach are dominant in debates around biological diversity (including the UN Convention on Biodiversity (CBD) negotiations) but also figure high on the agenda of the actors and fora described above. To name just a few examples: On the business side, large corporations such as Monsanto are implementing TEEB for business in Brazil with Conservation International.⁴⁵ The approach figures in the McKinsey "Resource Revolution" (see Box 2) and was brought to the World Economic Forum by PricewaterhouseCoopers.⁴⁶

The general approach of valuing ecosystem services and accounting for natural capital was widely embraced by heads of state and governments as well as financial institutions and some NGOs in the form of the Natural Capital Declaration⁴⁷ at the Rio+20 summit. The World Bank has created the WAVES (Wealth Accounting and Valuation for Ecosystem Services)⁴⁸ as a key platform for international organisations, governments and selected civil society. The UN Environment Program's "Green Economy" concept supports this process.⁴⁹

45 http://www.conservation.org/documents/CI_TEEB_The-Economics-of-Ecosystems-and-Biodiversity_for-Business-Brazil-preliminary-report-executive-summary.pdf

46 <http://www.pwc.co.uk/assets/pdf/wef-biodiversity-and-business-risk.pdf>

47 We strongly welcome feedback on this paper and the open questions posed here!

48 <http://www.wavespartnership.org/waves>

49 <http://www.unep.org/greeneconomy/>

4. Conclusions and open questions for civil society strategy

Can CSOs reach key goals without addressing the rise of corporate power and the privatization of global governance? In other words, can privatized global governance help curb global warming, achieve rights to development (land, wholesome food, and a safe finance system), diminish income and gender inequality, and reach the millennium devel-

opment goals? The development paradigm and trends that have emerged over the last two decades and have resulted in the existing regime and fora leave little hope for a positive response.

The introduction highlighted the strategic question of whether civil society should act as "insiders" or "outsiders." The decision cannot be an "either or" but a careful "both" at the same time that recognises that we are very often dealing with the same problematic corporate actors that are looting our planet for a brown and green economy at the same time and have created their own fora and platforms to promote a development paradigm that neither leaves the old model behind nor presents a plausible strategy for a sustainable and equitable future. Two of the main characteristics of this development paradigm – the beliefs in the power and necessity of public private partnerships and the use of market instruments to protect nature – are described above.

In a world where elected governments no longer fully represent public interest and spaces for democratic decision making are rapidly shrinking, civil society actors and social movements need to form multi-polar cooperations. Such cooperation might usefully focus options such as:

- offensive strategies to counter the abuse of corporate power (including through corporate "capture" of governments and regulatory structures) and collaboration among public and private actors by pointing out lobby mechanisms, conflicts of interest, and contrasting them with a strong rights-based approach; and
- defensive strategies where multilateralism is moving forward in "coalitions of the willing" governments which join plurilateral trade and investment agreements; and
- strong support for local movements and actors that are already living alternative models (Transition Towns,⁵⁰ Commoning,⁵¹ Zero Waste Communities⁵² etc.) that need to be replicated and become agents of change.

50 <http://www.transitionnetwork.org/>

51 See for example <http://www.wealthofthecommons.org/>

52 <http://www.no-burn.org/article.php?list=type&type=90>

These strategies can counter the privatization of governance which intensifies models of decision-making that neglect democracy and the increase the urgency of achieving sustainable development outcomes (e.g., sharply curbing global warming). If people do not participate in shaping private sector operations, they will lack ownership and sustainability (e.g., equity, justice, environmental benefits).

Citizens have for centuries fought taxation without representation. Citizens are asking governments to collect taxes – not just from the public, but also from domestic and transnational corporations and cross-border sources. Public resources should first and foremost be mobilized to produce public goods (e.g., education, health care, clean air, safe climate). Moreover, they don't want public monies channelled to corporations without their knowledge and informed consent. During the on-going global financial crises, they see massive amounts of public resources transferred to financial institutions and markets (many of which fail to make credit available to citizens and their businesses) and policy strategies failing to reverse the trend of growing inequality.

If governments are partnering with the private sector, citizens want the government to be the senior partner and the corporation(s) to be the junior partner(s). That way, there is hope that scarce public resources will not enclose the commons and transfer control over essential public assets to unaccountable and (sometimes) distant corporations

5. And Agenda for Change?

*Open questions for a strategic response:*⁵³

- Should the power of transnational corporations and state-owned enterprises have a more prominent role on research/education/advocacy agendas of civil society? If so, where and how should we address it?
- How should strategies differ when addressing TNCs vs. SOEs?
- Which key fora and actors are the most critical to monitor? What criteria do we employ to make this determination?
- What are the best examples of initiatives that achieve corporate transparency and access to information? How might these be replicated?
- Are the proposed three strategies the "right" ones?
 1. offensive strategies to counter the abuse of power by TNCs and SOEs (including through corporate "capture" of governments and regulatory structures) and

⁵³ We strongly welcome feedback on this paper and the open questions posed here!

collaboration among public and private actors by pointing out lobby mechanisms, conflicts of interest, and contrasting them with a strong rights-based approach; and

2. defensive strategies where multilateralism is moving forward in "coalitions of the willing" governments which join plurilateral trade and investment agreements; and
 3. strong support for local movements and actors that are already living alternative models that need to be replicated and become agents of change.
- Can we identify "good" and "bad" examples of existing PPPs?
 - When and where does the internalisation of external costs through accounting of ecosystem services make sense? When and where does it become a risk?



Heinrich-Böll -Stiftung

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